Required Report: Required - Public Distribution **Date:** November 17, 2022

Report Number: MX2022-0062

Report Name: Fresh Deciduous Fruit Annual

Country: Mexico

Post: Monterrey ATO

Report Category: Fresh Deciduous Fruit

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Report Highlights:

Overall, Mexico's market year (MY) 2022/23 deciduous fruit production is projected to remain steady year-to-year, with apple production increasing marginally by 1 percent, but from what is estimated to be a small MY 2021/22 crop. Table grape production is projected to decrease 3 percent. Mexico's minimal pear production is also projected to decrease slightly. Increased demand from a rejuvenation of Mexico's hospitality and food service sectors post-pandemic are tempered by continued pressure upon household budgets due to high food prices. Domestic consumption of pears is projected down while apple and grape consumption is forecast to increase only slightly. Despite domestic production challenges across all three crops, trade volumes are also relatively static.

Apples

Table 1. Mexico Apple – Production, Supply, and Distribution

Apples, Fresh	2020/2021		2021/2022		2022/2023	
Market Year Begins	Aug 2020		Aug 2021		Aug 2022	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	60013	60013	58943	58939	0	58840
Area Harvested (HA)	56706	56706	55885	55874	0	52360
Commercial Production (MT)	712203	712203	777749	631767	0	639000
Non-Comm. Production (MT)	2000	2000	2000	2000	0	2000
Production (MT)	714203	714203	779749	633767	0	641000
Imports (MT)	260100	260132	265000	266310	0	265000
Total Supply (MT)	974303	974335	1044749	900077	0	906000
Domestic Consumption (MT)	973403	973455	1043849	899120	0	905100
Exports (MT)	900	880	900	957	0	900
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	974303	974335	1044749	900077	0	906000
(HA) ,(1000 TREES) ,(MT)						

Area

Post forecasts MY 2022/23 (August–July) apple planted area at 58,840 hectares (ha), down marginally from the previous year. This decline in area can be explained primarily by a lack of growth among the country's major apple growers, with some signs that apple production has become less attractive to other crops with higher profitability or resiliency. A number of major apple growers in Chihuahua and Coahuila are conducting research and planting trials with alternative crops, with a view towards diversifying away from apple production. Producers are also seeking long-term solutions to water scarcity concerns. Alternative crops of interest include grapes, pomegranate, and figs that depend on less water resources and appear to offer increased profitability. Suburban development in Northern Mexico is also beginning to pressure apple planted area, with agricultural land conversion, particularly in the municipality of Arteaga in Coahuila, expected to replace agricultural land. The proximity of Arteaga to the city of Saltillo (state capital of Coahuila) makes the surplus market value of farmland attractive for farmers, especially for those seeking to sell to developers.

Post's MY 2022/23 forecast for harvested area is 52,360 hectares due to increasing unpredictability in the region's growing season conditions and its adverse effects in Mexico's northern apple producing states. Farmers expect more frequent and extreme droughts due to climate change.

Production

Post's production forecast for MY 2022/23 is 641,000 MT. This is one percent above the previous MY, and represents slightly higher yield than the year prior, but over the long term represents a decline from previous MYs due to difficult economic conditions for growers and more unpredictable growing conditions. Also tempering Post's forecast are lingering concerns around tree health from the previous year attributed to adverse conditions. These include lack of water and a decline in "chill hours", or the period that trees are in the ideal temperature range during colder months of the year. These factors can negatively affect tree development, as well as the consistency of flowering.

The factors listed above, which emerged in the previous growing season, also account for Post's lowered production estimate in MY 2021/22 of 633,767 MT. Many orchards have experienced damage to both

producing and developing trees due to prolonged drought and in general more unpredictable weather patterns. Apple growing areas are affected by adverse factors derived from climate change such as lack of water and warmer weather or diminishing periods of cold weather throughout the year that are required for adequate flowering, fruit development and eventually good production yields. On the opposite end of the spectrum, production zones were also subject in recent winters to brief but more intense cold events that can damage trees.

In addition to harsher and less predictable weather patterns taking a toll on apple farmlands, farmers must address ownership and labor challenges to remain in business. In some cases, large orchards that have been family owned for many years face an uncertain future as younger generations are not interested in the business and prefer other professional sectors. Thus, farmers find it difficult to pass the family-owned business onto the next generation. When the sector is comprised of a small number of large growers, these seemingly individual decisions can have measurable impact. These producers also face challenges in attracting an adequate workforce. In many production areas, particularly those near urban areas, the agricultural sector is failing to attract younger workers. In these areas there is generally greater economic opportunity in services and manufacturing. As an example, in recent years Saltillo, capital of Coahuila (second-largest apple producing state), has become a major hub for industries such as automobile manufacturing. Young people from lower socioeconomic backgrounds in this region will opt for better paid jobs in the urban area where the factories or *maquiladoras* are located. These establishments offer fringe benefits that can better attract and retain young workers. This collection of challenges creates an atmosphere in which selling agricultural land for development or pivoting to other crops may continue, and the country is expected to experience a stagnation or decline in its apple producing capacity as a result.

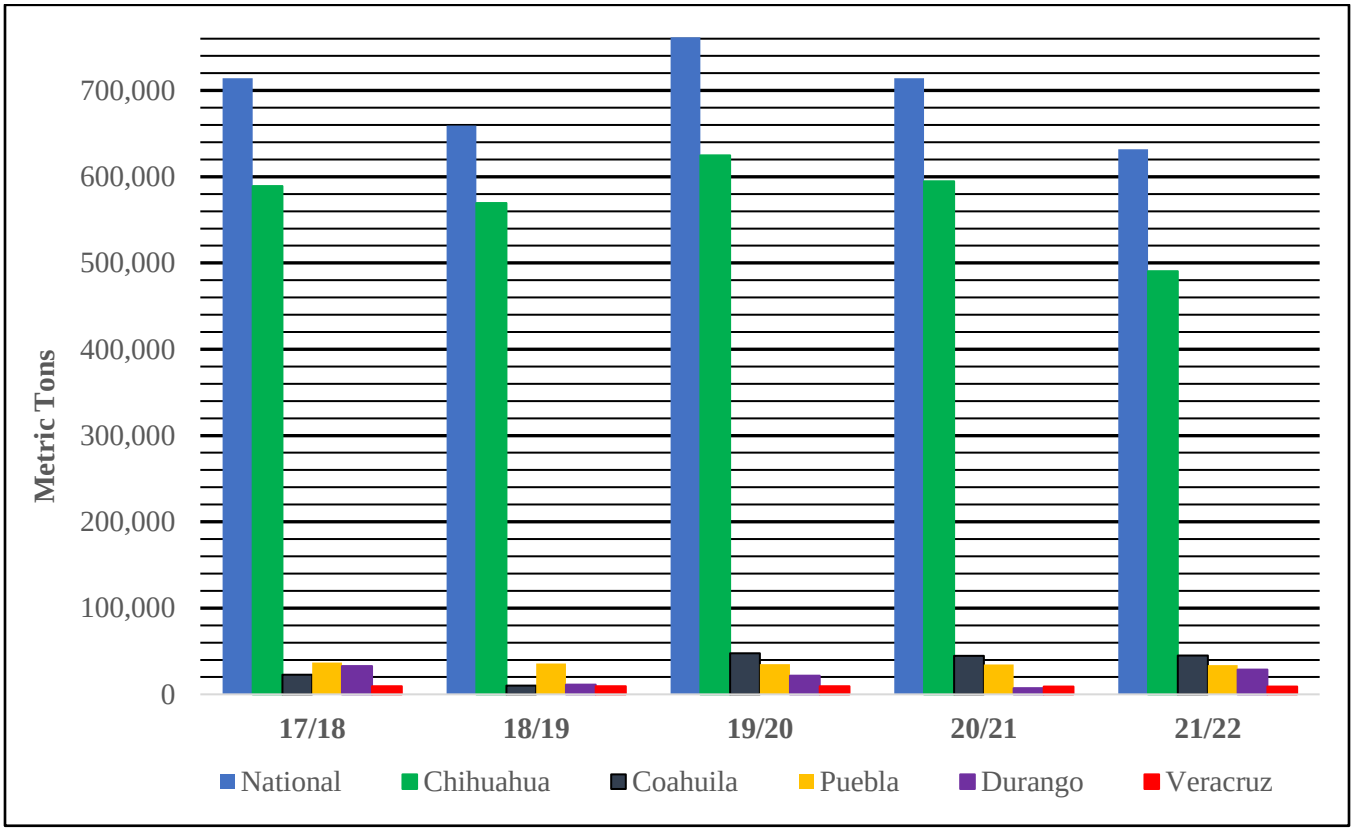
Figure 1: Apple Producing States in MY 21/22, Percent of Production

Source: Servicio de Informacion Agroalimentaria y Pesquera (SIAP)

Figure 1 above shows Mexico's state-level distribution of apple production. Chihuahua is by far the largest producing state, accounting for an estimated 85.6 percent of national apple production. Figure 2 below provides both state and national production levels over the last five MYs. This figure also

indicates the recent decline in national production since MY 19/20, driven especially by productivity in Chihuahua given its proportion of national productivity.

Figure 2: Mexico's National and State Apple Production

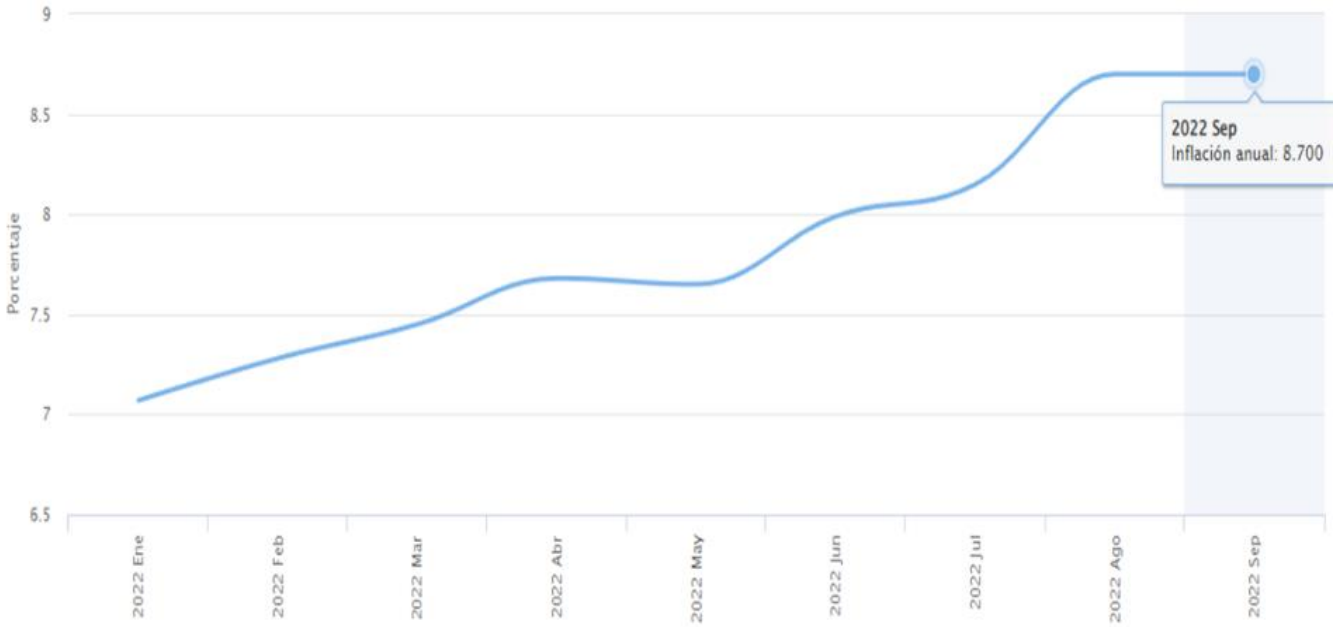


Source: SIAP

Consumption

Post's consumption forecast for MY 2022/23 is 905,100 MT, slightly above Post's 2021/22 estimate of 899,120 MT. Affordability issues will continue to hinder consumption growth in products such as apples. These figures take into account the effect of inflation on the average Mexican household budget and a decline of purchasing power to buy groceries as Mexico's annual inflation level has surpassed 8 percent (8.7 percent annual inflation in September 2022, according to INEGI). As most basic food products have increased in price in Mexico, price sensitive consumers are reducing or altogether forgoing purchases of products such as apples that, while listed in the country's "Canasta Basica", are not necessarily staple products in the typical Mexican diet.

Figure 3: Mexico's Inflation Rate, 2022



Source: INEGI

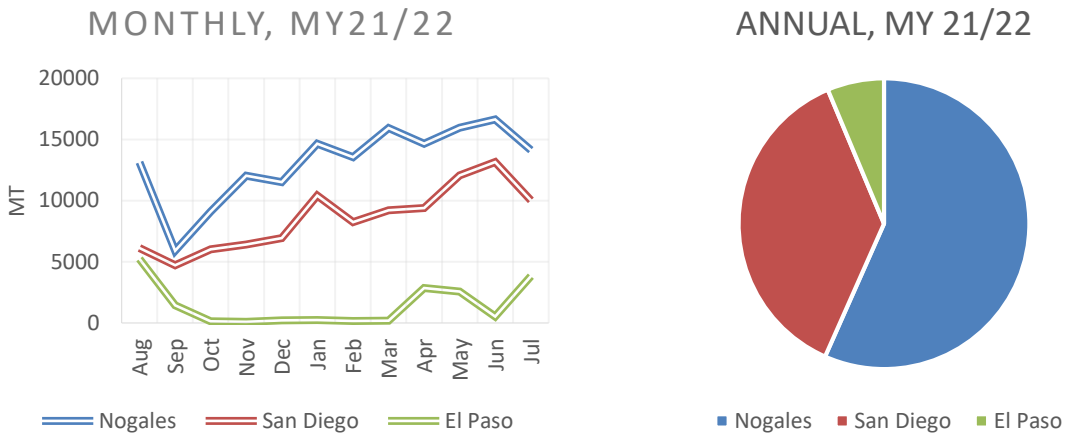
Consumption of locally grown apples is driven by price and palatability. Overall, Mexican Golden Delicious (roughly 70% of total production) and Red Delicious (roughly 30 percent of total production) varieties dominate the market with retail prices per kilo ranging from 20 to 25 percent below apples imported from the United States.

Trade

Post's import forecast for MY 2022/23 is 265,000 MT. This is marginally lower than the previous MY. Despite production challenges, factors of affordability discussed in the consumption section will limit demand for imported apples. Mexico's production is insufficient to meet domestic demand and therefore generally the country sources around 30 percent via importation. Imported apples, which are available to the consumer at a higher price, will continue to supplement national production, but in the short term, this demand for imported product will rely upon wealthier consumers and Mexico's rebounding food service and hospitality/tourism sectors. Overall, Post does not expect significant trade growth in the current environment.

For MY 2021/22, Post estimates Mexico's apple imports at 266,310 MT, based on available data. In MY 20/21, over 98 percent of total apple imports were supplied from the United States. The United States is a year-round supplier with numerous advantages including exportable supply, proximity, and established logistical advantages. Mexico is the largest export market for U.S. apples by some distance. In MY 20/21, roughly 38 percent of U.S. apple export volume went to Mexico, followed by 24 percent to Canada and 8 percent to Taiwan. Chile is also a regular supplier to Mexico, but only in small volumes in comparison to U.S.-Mexico trade. Large scale producers in Chihuahua and Coahuila are also increasing high technology-controlled atmosphere and refrigerated storage capacity to preserve and offer quality apples year-round much like the United States.

Figure 4: U.S. Apple Exports to Mexico, by U.S. Customs District



Source: Global Agricultural Trade System (GATS)

In looking at trade flows of U.S. fresh apple exports to Mexico, the Nogales and San Diego customs districts handle the bulk of exports, with the El Paso district an occasional conduit for exports to Mexico. As most U.S. exports are derived from western states, this trade pattern is not unexpected.

Mexican apple exports are forecast at 900 MT for MY 2022/23. Mexico's small quantity of apple exports go mainly to countries throughout Central America, and occasionally to the United States.

Policy

The following workplans between USDA's Animal and Plant Health Inspection Service (APHIS) and Mexico's Secretariat of Agriculture and Rural Development's (SADER) / National Service for Health, Food Safety, and Food Quality (SENASICA) contain phytosanitary regulations for the export of apples to Mexico from:

- California with methyl bromide as quarantine treatment
- The Center and Northeast of the United States
- The Northwest of the United States

For details on the above work plans please visit SENASICA's website.

Tariffs

Apples exported from the United States enter Mexico duty free. Under the Chile-Mexico Free Trade Agreement, imported Chilean apples began to enter duty free as of January 1, 2006. Apples from other countries are subject to a duty of 20 percent. Mexico's apple H.S. code is 080810.

Table 2. Mexico -Average Monthly Wholesale Apple Import Prices

Golden Delicious (Pesos/kilogram)

Month	2021	2022	Change (%)
January	NA	42.94	NA
February	39.41	38.24	-3
March	39.41	35.29	-10
April	38.24	36.47	-5
May	42.94	38.24	-2
June	42.35	42.94	1
July	43.53	42.35	3
August	42.94	40.59	-5
September	41.18	42.35	3
October	41.18	45.88	11
November	41.18	47.06	14
December	41.76	NA	NA

Source: National Market Information Service

Pears

Table 3. Mexico Pears – Production, Supply, and Distribution

Pears, Fresh	2020/2021		2021/2022		2022/2023	
Market Year Begins	Jul 2020		Jul 2021		Jul 2022	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	3692	3692	3672	3660	0	3630
Area Harvested (HA)	3650	3607	3632	3610	0	3600
Commercial Production (MT)	24903	24903	24705	25843	0	24600
Non-Comm. Production (MT)	1000	1000	1000	1000	0	1000
Production (MT)	25903	25903	25705	26843	0	25600
Imports (MT)	72500	72466	80000	71508	0	72200
Total Supply (MT)	98403	98369	105705	98351	0	97800
Domestic Consumption (MT)	98303	98304	105605	98256	0	97720
Exports (MT)	100	65	100	95	0	80
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	98403	98369	105705	98351	0	97800
(HA) ,(1000 TREES) ,(MT)						

Area

Due to low investment and little growth expectations in coming years, Post forecasts the MY 2022/23 (July-June) planted area at 3,630 ha, nearly unchanged from the year prior. Pears are grown mainly in the states of Puebla and Michoacán and approximately 85 percent of the area planted is rainfed.

Production

Post's production forecast for MY 22/23 is 25,600 MT, slightly lower than the previous MY on lower planted area due to the lack of investment in production technology and infrastructure. Puebla and Michoacán account for 73 percent of total production since a temperate climate is required for pear production.

Figure 5: Pear Producing States in MY 21/22, Percent of Production

Source: SIAP

Consumption

Post's consumption forecast for MY 2022/23 is 97,720 MT, somewhat below the previous year. U.S. pear imports cover most of that domestic demand, with an 88 percent market share. Mexican consumers prefer imported pears because of their higher quality and year-round availability. However, import prices are 25-40 percent higher than locally grown product. The most consumed pear variety in Mexico is Anjou.

Trade

Post's forecast for MY 2022/23 imports is 72,200 MT, marginally above previous MY. Trade growth is limited due to high import prices and high inflation in Mexico. However, affordability of pear imports (see Table 6 below) has improved in the latter half of 2022. Exports remain negligible, with Post's forecast for MY 2022/23 at 80 MT.

Policy

There is no federal or local government support for pear production or marketing. Only pears from Oregon, Washington, California, and areas not under quarantine are imported into Mexico.

Tariffs

The import duty on pears from the United States, Canada, Chile, and Argentina is zero. All other countries are subject to a duty of 20 percent. The pear H.S. code is 080830.

Table 4: Mexico -Average Monthly Wholesale Pear Import Prices D'Anjou (Pesos/kilogram)

Month	2021	2022	Change (%)
January	NA	51.11	
February	50.00	49.44	-1
March	48.33	48.33	0
April	47.22	47.22	0
May	41.67	45.56	9
June	44.44	41.67	-6
July	50.00	38.89	-22
August	47.22	38.33	-19
September	46.11	37.78	-18
October	50.00	37.72	-25
November	50.00	37.22	-26
December	51.11	NA	

Source: Servicio Nacional de Información de Mercados

Table Grapes

Table 5: Mexico, Grapes, Fresh Table – Production, Supply, and Distribution

Grapes, Fresh Table	2020/2021		2021/2022		2022/2023	
Market Year Begins	May 2020		May 2021		May 2022	
Mexico	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	27053	27053	23394	23570	0	22000
Area Harvested (HA)	25045	25045	21835	22603	0	20500
Commercial Production (MT)	379001	379000	351332	357790	0	346000
Non-Comm. Production (MT)	1000	1000	1000	1000	0	1000
Production (MT)	380001	380000	352332	358790	0	347000
Imports (MT)	98200	98200	115000	102954	0	106000
Total Supply (MT)	478201	478200	467332	461744	0	453000
Fresh Dom. Consumption (MT)	271601	271600	272332	255115	0	257000
Exports (MT)	206600	206600	195000	195578	0	196000
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	478201	478200	467332	461744	0	453000
(HA) ,(MT)						

Area

MY 2022/23 (May–April) planted area is forecast at 22,000 ha, eight percent below MY 2021/22 as farmers find it difficult to obtain funding to switch to new grape varieties, and to incorporate technology in the field for efficient use and control of water to address drought and climate change-related pressures. Farmers also face higher input costs to produce grapes and consider planting more profitable horticultural crops. For many growers, while grapes may be their primary product, they are already diversified into other vegetable and fruit crops like tomatoes, peppers, squash, asparagus, and watermelon. Some growers are also looking into other possibilities newer to the area, such as pomegranate.

For Mexico's total fresh table grape production in 2021, Sonora accounts for over 90 percent of planted area and production (see Figure 6 below). Principal grape varieties produced in Sonora in order of importance are Superior Seedless or Sugraone, Flame, Perlette, and Red Globe. Farmers continue to face economic restraints to research and conduct testing trials to determine which new grape varieties are more profitable and disease resistant. While Post and USDA Official numbers include only fresh table grapes, Mexico's total grape production (includes those for wine and juicing) is more geographically varied, with the state of Sonora accounting for 57 percent of total planted area, followed by Zacatecas with 21 percent. Baja is also a major wine-producing region.

Production

Post's production forecast for MY 2022/2023 is 347,000 MT, three percent lower than MY 2021/22 considering unpredictable adverse climate change effects in Sonora. Sonora is Mexico's largest table grape-producing state by a wide margin. The majority of grapes from Sonora are for export, mainly to the United States. The second largest producer is Zacatecas where grape production is mainly for winemaking, the juice industry, and a smaller volume goes to the fresh market. The third producer is Baja California, where most grape production is used for winemaking. Aguascalientes ranks fourth in grape production with fruit for industrial use. It is important to note that SIAP statistics include all varieties of grapes (table grapes, grapes for wine making). However, Post estimates and projections are

for table grapes only. Attracting a stable labor force for table grape production and harvesting in Sonora is also cited by major growers as a continual challenge, with many of the same trends mentioned in this report's apple section present in the grape market as well.

Figure 6: Table Grape Producing States in MY 21/22, Percent of Production

Source: SIAP

Consumption

The consumption forecast for the MY 2022/23 season is 257,000 MT, marginally higher than in MY 2021/22. Limited demand growth is attributed to the small decline in domestic production, high inflation, and increased prices at point of sale. Middle- and low-income consumers consider grapes as a high-end product, particularly when imported from the United States and Chile. The season of highest consumption is during the Christmas and New Year festivities.

Trade

Imports for MY 2022/23 are forecast at 106,000 MT, three percent above MY 2021/22. Import growth for MY 2022/23 is based on lower domestic supply. However, high import prices and a decrease in consumers purchasing power in Mexico limits trade volumes. Mexico is consistently the second largest market for U.S. table grapes after Canada. Similar to Mexico's imports of U.S. fresh apples, imported table grapes flow primarily through the Nogales and San Diego customs districts due to the fact that all U.S. exports to Mexico are produced in California. In the opposite direction, Mexico's exports to the United States flow primarily through the Nogales district, as most exportable supply is derived from the state of Sonora.

Post forecasts Mexico's MY 2022/23 exports at 196,000 MT, essentially unchanged from MY 2021/22. With both production and consumption projected lower, exportable supply remains relatively stable. Most of Mexico's table grape production is exported to the United States (99%) with small quantities to Japan (1%).

Policy

Mexico's regulations establish that the importation of table grapes from the United States is limited to product from the State of California following specific import requirements. For detailed information on import requirements visit Mexico's Secretariat of Agriculture and Rural Development's (SADER) / National Service for Health, Food Safety, and Food Quality (SENASICA) website.

Tariffs

Under their respective trade agreements, the import duty on grapes from the United States, Chile, Japan, and Peru is zero. The table grapes H.S. code is 080610.

Table 6: Average Monthly Wholesale Red Globe Import Prices (Pesos/kilogram)

Month	2021	2022	Change (%)
January	NA	52.50	
February	60.00	43.75	-27
March	56.25	50.00	-11
April	47.50	46.25	-3
May	40.00	43.75	9
June	43.75	62.50	43
July	62.50	50.00	-2
August	56.25	43.75	-22
September	46.25	43.75	-5
October	40.00	43.75	9
November	47.50	50.00	5
December	43.75	NA	

Source: National Service for Market Information

Attachments:

No Attachments