



International Agricultural Trade Report

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Mexico: A Critical Market for U.S. Apples and Pears

Summary

Mexico has emerged to rank as the top destination for both U.S. apple and pear exports. Nearly 30 percent of total U.S. apple exports in marketing year (MY) 1999/2000 (August-July) were destined to Mexico, compared to 3 percent in MY 1989/90. Similarly, half the volume of U.S. pear exports in 1999/2000 went to Mexico, compared to one-third ten seasons ago. Sales of U.S. fruits to Mexico have benefitted from free trade, an improved Mexican economy, and the U.S. industry's increased promotion efforts.

At the same time, periodic disagreements over matters such as phytosanitary issues, import documentation requirements, and allegations of unfair trading practices have served to restrict and/or discourage trade. Because of Mexico's prominence as a market, it has become increasingly critical to the U.S. apple and pear industries that all related trade disputes and disruptions are resolved in a prompt and trade-facilitating manner. A significant, sustained disruption of U.S. sales to Mexico would be expected to generate serious economic hardships throughout the apple and pear industries.

Mexico's Market for U.S. Apples and Pears

Apples

Mexico first emerged as a market for U.S. apples in 1991, when the country's import licensing system was removed. U.S. apple exports continued their upward trend with the implementation of the North America Free Trade Agreement (NAFTA) reaching a record 157,000 tons in 1994, valued at \$89 million. However, sales decreased sharply in 1995/96, due mainly to the Mexican peso devaluation and the related economic recession. U.S. apple shipments to Mexico have since recovered, although with some difficulties. For example, sales in 1997/98 were down due to Mexico's implementation of a preliminary 101.1 percent antidumping duty on U.S. Red and Golden Delicious apples. Mexico also maintains a costly inspection program for apples, which has been plagued with problems over the years and which effectively precludes access for a number of U.S. producing states. Only Washington, Oregon, and Idaho are participating in the export program. Nevertheless, U.S. apple sales to Mexico have bounced back and shipments in 1999/2000 totaled 155,000 tons, valued at \$85 million, the second largest export value on record.

U.S. apples in Mexico face competition with domestic as well as other countries' apples, especially from Chile. Argentine apples have recently entered the Mexican market under a temporary agreement between the two governments. Nonetheless, the United States has a 90 percent share of the Mexican apple import market and this trend is expected to continue. Red and Golden delicious apples, which are the varieties preferred by the Mexican consumer, account for most U.S. exports to Mexico. Commercially, these two varieties have a competitive advantage over other varieties because of their longer shelf life. Moreover, Mexico's production of Golden delicious apples is limited and quality

is generally lower.

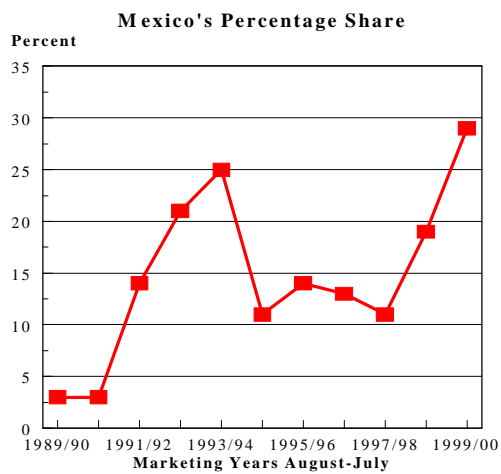
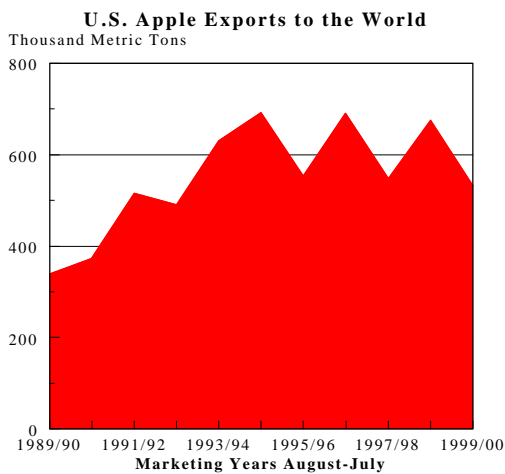
Pears

Mexico also represents the largest export market for U.S. pears. In MY 1999/2000, sales of U.S. pears to Mexico totaled 77,155 tons, valued at \$40 million, both records. According to a study conducted by USDA's Economic Research Service, the Mexican market for U.S. pears alone is responsible for more than 560 jobs in the U.S. Pacific Northwest and generates about \$33 million in additional related economic activity. The importance of the Mexican market for U.S. pears has grown steadily and now accounts for half of total U.S. shipments.

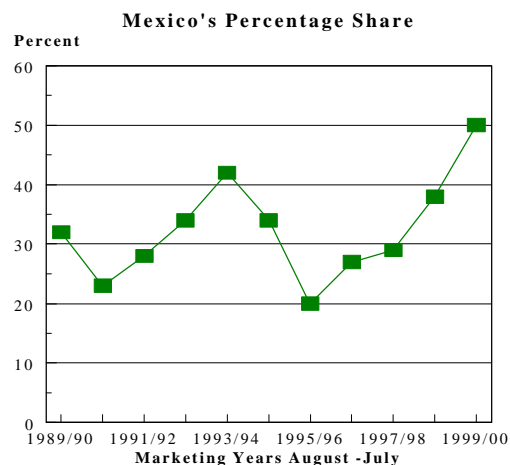
Promotion activities under the Market Access Program (MAP) have been a key element in the success of U.S. pears in Mexico. The pear industry places emphasis on trade contact at the importer, wholesale, and retail levels of the market. Mexico continues to rely on imports to meet domestic demand because domestic production is minimal and not expanding. However, contrary to the situation with apples, U.S. pears have almost no competition in the Mexican market. As such, U.S. pears account for about 95 percent of total Mexican imports from all countries.

For more information, contact Samuel Rosa at (202) 720-6086.

Mexico is an Increasingly Important Market for U.S. Apple



..... and Pear Exports



Source: U.S. Bureau of the Census