Mexico’s Role in the U.S. Blueberry Market

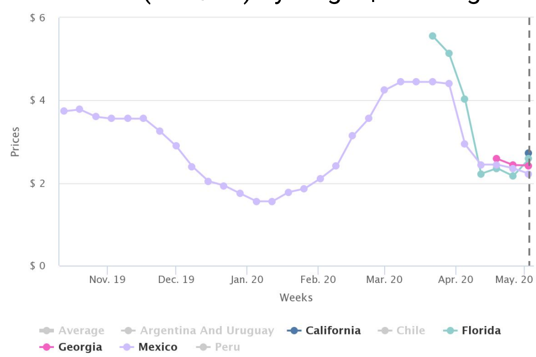
Produced by Agronometrics for the NABC

Wholesale Prices and Volumes - Week 18 (April 27 - May 03)

Total U.S. Prices (USD/LB) and Volumes | Non-Organic

Source: USDA Market News, Shipping Point and Movements via [Agronometrics]()

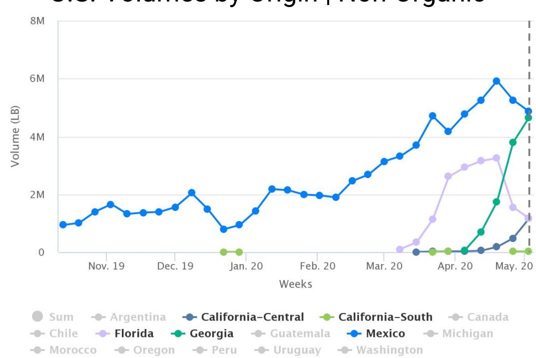
U.S. Prices (USD/LB) by Origin | Non-Organic



Source: USDA Market News, Shipping Point via [Agronometrics]()

Origin	Price (USD/LB)
Average	**$2.49**
California	$2.72
Florida	$2.58
Georgia	$2.42
Mexico	$2.22

U.S. Volumes by Origin | Non-Organic



Source: USDA Market News, Shipping Point via [Agronometrics]()

Origin	Volume (LB)
Sum	**11,870,000**
California-Central	1,170,000
California-South	20,000
Canada	40,000
Florida	1,160,000
Georgia	4,660,000
Mexico	4,860,000

Prices up on last year

The big news this week is that the Shipping Point prices reported by the USDA have surpassed last year's average for the same week, coming in $0.29 USD/LB higher.

Source: USDA Market News, Shipping Point via [Agronometrics]()

Considering the high volumes the industry is seeing, this is very exciting news. It suggests that the worst of the uncertainty surrounding blueberry demand and the COVID-19 stay-at-home measures may be behind us. USHBC's latest weekly Nielsen retail scan data shows that total spend on fresh blueberries since the implementation of the nationwide lockdown, the weeks of March 7 through April 18, when the last data was reported, has gone up by an average of 10% compared to the same period last year. This growth at retail is not to be confused with fob pricing what growers are experiencing.

The retail data is rather erratic, without a steady trend that offers a picture of how this will likely develop. In the seven weeks of data available since the lockdown began, only the first week saw fewer dollar sales than last year, which could be reason for optimism. Without a steady trend, however, the higher spend on fresh blueberries could fizzle out in the coming weeks. This is a metric that's important to continue tracking. Should these elevated sales levels persist, they should see their way to the wholesale markets offering better pricing for the same volumes.

Mexico

In the roundup this week, Mexico continues to be the largest supplier, but just barely. The origin is seeing decreasing volumes as they passed their peak on week 16 (w/e April 19), however, they were able to still bring 200K more pounds than the next highest origin: Georgia. Pricing is lower than the average, which is customary as newer origins first enter the market. In other years, however, Mexico has been able to recover ground to be competitive with average market pricing throughout their production window.

Georgia

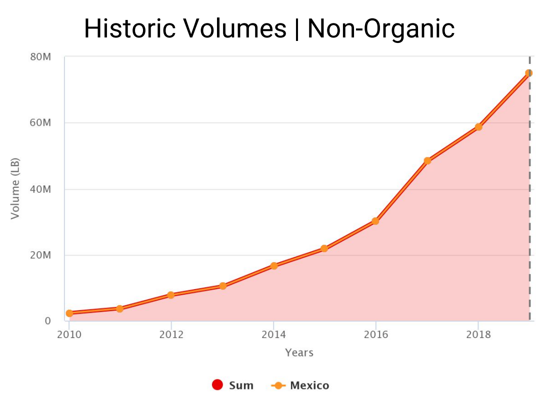
This week, Georgia is reporting 1.4 M lbs less than last year's volume for the same week, a similar difference between the two seasons last week. If their season continues to track with last year, their peak should be week 19 (w/e May 10). In the NABC Crop Report, there's talk of weather issues for some growing areas that may see heavy storms with hail. We'll keep a close eye on Georgia as they presumably become the largest supplier to the market next week. In the meantime, pricing for the origin is encouraging, coming in $0.24 USD/LB higher than the same week last year.

California
With its peak around the end of May or beginning of June, California is quickly ramping up, coming in as the third largest supplier this week. Looking at the numbers published by the USDA, the origin is running about a week or a week-and-a-half ahead of what they shipped the last two years. California usually sees the highest pricing when it arrives on the market and this year is no exception. The concentration of East Coast production and the distribution of the fruit as it looks to satisfy demand across the country probably has something to do with this. Right now, pricing looks pretty in line with what they were receiving last year, however, the USDA only reported the first prices on week 18 last year, so we'll have to see how they measure up in next week's analysis.

Florida
Florida's production is winding down. As we saw in last week's article, their narrow production window was heavily affected by the unforeseen consequences of the chaos at the grocery stores caused by COVID-19. The remaining fruit they have on the market is fetching good prices however, coming in $0.09 USD/LB above the market average and $0.31 USD/LB higher than the same week last year.

The Role of Mexico on the U.S. Market

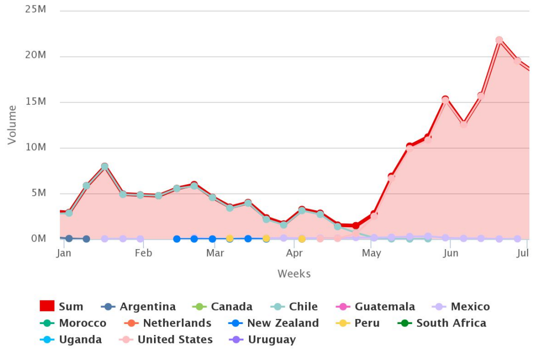
As Mexico's season just reached its peak, the opportunity lends itself to look a bit deeper at the origin in the U.S. markets. The rise of Mexican blueberries in the U.S. market has been no small achievement. In 2010, they represented a mere blip on the map. In 2019, with 75 M lbs, they were the second largest importer of fresh blueberries to the U.S., second only to Chile, but with Peru trailing closely behind Mexico.



Source: USDA Market News, Shipping Point via [Agronometrics]

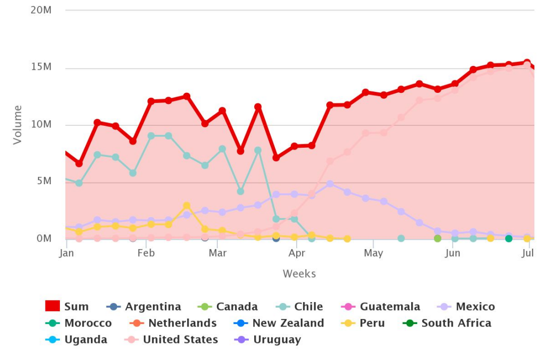
In 2010, the landscape for blueberries was very different from what it is today. Chile has grown considerably, the U.S.'s production has evened out more, pushing more volume into April and May, and of course, Mexico is now a primary source through this time period.

U.S. Volumes by Origin 2010 | Non-Organic



Source: USDA Market News, Shipping Point via [Agronometrics]

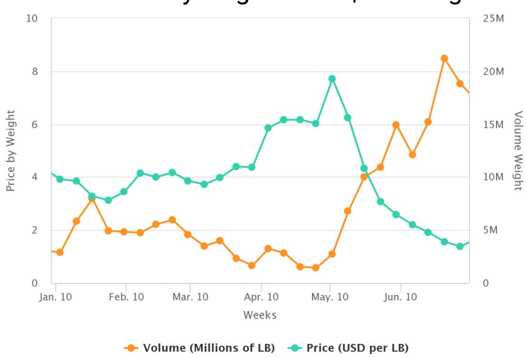
U.S. Volumes by Origin 2019 | Non-Organic



Source: USDA Market News, Shipping Point via [Agronometrics]

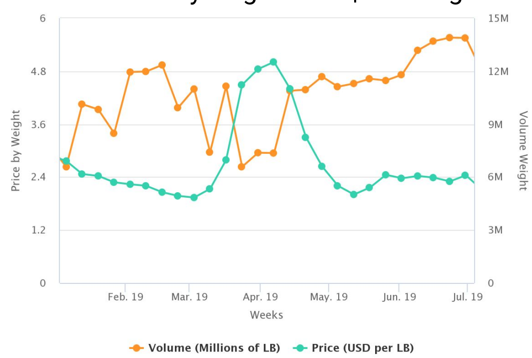
The effects on prices have been equally dramatic. In 2010, a lack of supply pushed prices up to nearly $8 USD/LB, even holding pricing over $6 USD/LB for most of April. Last year, the picture was very different; the highest price the market saw during this time period was $5 USD/LB, maintaining pricing above $3.50 USD/LB for only four weeks around April, where in 2010, prices were above that threshold from January through mid-May.

US Volumes by Origin 2010 | Non-Organic



Source: USDA Market News, Shipping Point via [Agronometrics]

US Volumes by Origin 2019 | Non-Organic



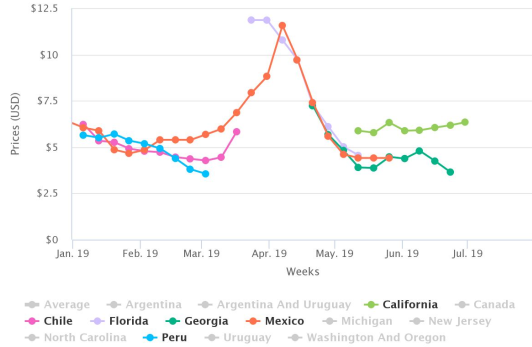
Source: USDA Market News, Shipping Point via [Agronometrics]

Clearly, this is a new market, however, the fundamentals remain the same, the laws of supply and demand still dictate price. And as production has increased, coming ever closer to a steady year-round supply, prices have followed suit. Mexico has definitely contributed to this increase, but it's clearly not the only origin to do so.

The biggest beneficiary of this massive change is retailers' ability to sell this increasingly consistent supply to consumers. As supply has stabilized, consumers who can now maintain their blueberry purchasing habits throughout the year have been pouring more and more money into the category, making it one of the fastest growing fresh produce items in the country.

From what the data can tell us, Mexican fruit appears to be well-received by the markets. Since the first prices for Mexican fruit were reported in 2013, their blueberries have earned an average premium of $0.30 USD/LB when compared to the overall market average.

Prices by Origin 2019 (USD/LB) | Non-Organic

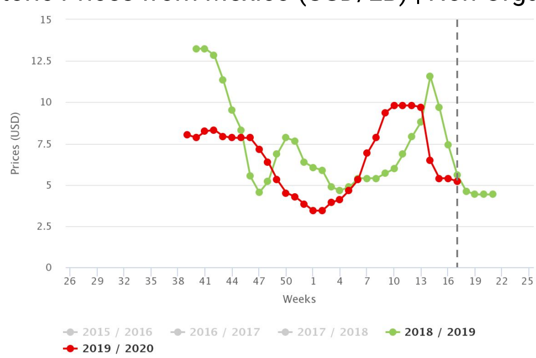


Source: USDA Market News, Shipping Point via Agronometrics

Although seasonality and geography also have a big impact on pricing, Mexican fruit appears to hold its own on the market. It's generally considered that blueberries at the beginning of their season are better quality than toward the end. When looking at pricing for the different origins, this is exemplified by the end of Chile's and Peru's campaigns where Mexican fruit is still building strength and receiving a strong premium. Florida's pricing usually presents a big jump over other origins right at the beginning of the season, presumably as it satisfies an otherwise underserved regional market. Once things even out though, Mexican fruit has demonstrated an ability to hold its value uncharacteristically well, compared to other origins, as the bulk of its season comes to an end.

This year, like Florida, Mexico's production was equally hit by COVID-19. Right at the peak of production, pricing deflated about three weeks early. The reasoning and effects are similar to what was described in the previous article, and without a doubt a resounding disappointment for the industry as a whole.

Historic Prices from Mexico (USD/LB) | Non-Organic



Source: USDA Market News, Shipping Point via Agronometrics

There are other factors to keep in mind that also help Mexican production offer a competitive product. From a purely economic perspective, Mexico also can currently take advantage of the strength of the dollar, which in 2010 averaged around 13 Mexican Pesos per U.S. dollar, whereas in 2019, the average had shifted to around 19 pesos per U.S. dollar.

This more favorable exchange rate means that U.S. dollars earned by Mexican exporters can buy more Mexican pesos in their market. With Mexican production costs in pesos, U.S. dollar revenues, earned by Mexican blueberry exporters offer 30% more capital to help run their operations.

This currency exchange advantage has grown in 2020 with the value of the Mexican peso falling in the range of 23 and 25 pesos per U.S. dollar since the end of March. Bloomberg offered an interesting article on the drivers of these recent currency exchange rate fluctuations, for those that might be interested in digging deeper: (https://www.bloomberg.com/news/articles/2020-03-19/mexican-peso-free-fall-shows-oil-isn-t-the-only-problem).

For the fresh produce exporters, this is welcome news however, any kind of massive shift in exchange rates can be a double-edged sword. Given that this factor is not controlled by the industry, it’s risky to expect that these rates will remain as they are. Just as fast as they rose, they could also fall. Any imports that the industry relies on will also be hit by higher relative local prices.