USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 5/27/2009

GAIN Report Number: BR

Brazil

TOMATOES AND PRODUCTS ANNUAL

2009

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Report Highlights:

Tomato production is estimated to decline significantly in CY 2009 dropping 9 percent to 3.58 million metric tons (mmt) from 2008's harvest of 3.94 mmt. Production is expected to fall in terms of both area planted (from 62,100 to 59,100 hectares) and average yield (from 63.35 to 60.65 kg/hectare). Area planted is expected to decline over 20 percent in the state that is the major producer of tomatoes for industrial use. Excessive heat and humidity in the major fresh tomato producing state has reduced fresh tomato yields and led to a price spike. Fresh tomato exports in CY 2008 fell almost 80 percent in 201,800 mt.

Commodities:

Select

Production:

Tomato production is expected to decline significantly in CY 2009 to 3.58 million metric tons (mmt) from 2008’s 3.94 mmt--a drop of 9 percent. Low prices and high production costs were key factors in a 4 percent reduction in planted area. In addition, the summer’s harvest average yields were lower at 60.65 kg/hectare versus 63.35 the previous year due to phytosanitary problems caused by too much rain in April and May.

Not only has area planted remained stagnant but also yields have declined in the major fresh tomato producing state of Sao Paulo due to adverse weather conditions. Excessive heat and humidity caused the fruit to be smaller and green and therefore not marketable. Besides creating quality issues, the hot weather in February and March increased the incidence of Tospovirus, reducing average yields in key Sao Paulo growing areas by as much as 14 percent. In March 2009 this drop in production caused the price of tomatoes to double temporarily. The price of a kilo of tomatoes in the supermarket went from R$2 (about USD$1) to R$5.

Although tomatoes can be grown in many regions of Brazil, and favorable weather allows for production throughout the year in many areas, the main season runs from June to September. Yields are highest in regions with milder winters and low chance for frost. Summer production poses greater risks for disease and fruit set problems and is concentrated at higher elevations. The states with the largest tomato production are Goias, Sao Paulo and Minas Gerais.

The state of Goiás is both the largest producer of tomatoes in Brazil and the state with the highest yields, which averaged 81 kilos per hectare, surpassing the national yield average by 37%. Since 2001, almost all the increase in production has been in this state with a dry climate in March through September that is favorable to tomato cultivation. In addition, the topography of Goias is particularly adapted to large scale irrigation systems and mechanized harvesting. According to state government statistics tomato production in Goias is primarily for industrial use. In 2008, 90 percent of the total crop was for industrial use: 1.145 mmt versus fresh production of 1.01 mmt. Tomatoes for industrial use yields are much higher than fresh tomato yields in the state. In CY 2008, tomatoes for industry use had an average yield of 92.2 kg/ha, while fresh tomato yields were 47.1 kg/ha. (Brazil’s overall average yield for tomatoes for industrial use is estimated at 70 kg/ha.) The state government forecasts a substantial drop of over 20 percent in tomatoes for industrial use production due to a reduction in planted area in CY 2009.

Most of the country’s processing plants of tomato products are located in Goias creating a strong vertical production system in the state. Modernization continues as late last year a new plant opened up that can harvest, pack and ship in the same day.

Sao Paulo, the second-largest tomato producing state, is steadily losing planted area for horticultural products in general. According to recent study, the area planted in Campinas fell in half over the past twelve years from 922.4 hectares to 429.2 hectares due to encroachment of residential housing. There has been a strong expansion in real estate at the expense of cultivated area in the state. This year the high costs of inputs and uncertain prices also contributed to a decline in area planted. However, the state remains a dominate force as it continues to be the major consumer market for fresh tomatoes in Brazil. Over 70 percent of Sao Paulo's total production is fresh tomatoes. Production of the tomatoes for industrial use is diminishing systematically because Sao Paulo can not compete with Goias as the lowest cost producer.

Although the state of Minas Gerias is the third-largest producer, production continues to fall year after year. Between 2001 and 2007, production fell almost one-third from 626,600 mt to 421,445 mt. In CY2009, the trend is expected to continue as production is estimated at 391,300 mt.

Brazilian Tomato Production by State in 2007

Region/State	Production (Tons)	Area Harvested (Hectares)
North	**8074**	**1029**
Northeast	**510,029**	**12,699**
Southeast	**1,444,229**	**22,464**
Minas Gerais	421,455	6,876
Espírito Santo	112,467	1,701
Rio de Janeiro	196,824	2,547
São Paulo	713,483	11,340
South	**552,081**	**9,436**
Paraná	310,338	4,719
Santa Catarina	136,764	2,308
Rio Grande do Sul	104,979	2,450
Center-West	**837,930**	**13,679**
Mato Grosso do Sul	4,707	87
Mato Grosso	4,630	204
Goiás	802,030	9,820
Brazil	**3,352,343**	**56,135**

IBGE

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Brazilian production is focused on field-grown tomatoes and as such greenhouses have not made substantial inroads. Therefore, production is vulnerable to adverse weather conditions.

Average Yield of Brazilian Tomato Production (kg/ha): 2004-2009

2004	2005	2006	2007	2008	2009F
59.24	59.70	58.11	59.20	63.35	60.65

Source: IBGE

Cost of Production

The cost of production for tomatoes is very high, as it entails heavy use of labor and imported inputs, such as seeds, fertilizer and chemicals. In 2008, there was a 25 percent average increase in cost of production of farms in the winter

Drip irrigation is one way to lower production costs which in the Center-West region uses up to 20 percent less water and energy. Drip irrigation applies water to the base of the plant without wetting the leaves and this cuts down on humidity which impedes the development of diseases and cutting fungicide costs.

Prices

In the first part of the winter harvest in 2008 (April to September) the tomato salad AA was sold on average for R$25.72/box of 23 kg. This value was 46 percent greater than the value obtained in the same period of CY2007 and 86 percent greater than the estimated minimum cost for producers to cover expenses (around R$13.50/box). Overall, producers had positive income in CY 2008. According to IBGE, average return for a kilogram/hectare is projected to drop 4 percent from R$63.3 to R$60.6 in CY 2009.

Santa Cruz Tomato Prices (Ceasa - Minas Gerais) cents per kg in Brazilian Reals*

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2001	39	34	31	43	47	32	34	27	17	17	n/a	n/a	82
2003	38	57	85	74	57	28	27	22	25	33	37	43	84
2004	62	49	44	37	66	96	125	113	105	79	47	49	116
2005	45	57	48	54	79	59	59	48	52	49	97	57	59
2006	50	42	44	73	57	35	30	27	36	47	56	50	46
2007	86	107	134	66	43	38	35	51	33	68	34	31	60

Prices refer to tomatoes commercialized at CEASA in Belo Horizonte/MG only.
Source: Agrianual 2009

Consumption:
Fresh Tomato Consumption

According to industry contacts, tomatoes for fresh consumption accounted for 60 percent of total Brazilian tomato production. The percentage of production for processing tomatoes is steadily increasing.

Per capita tomato consumption is fairly low in Brazil, particularly for fresh tomatoes. According to a Sao Paulo-based agricultural institute, Brazilian per capita tomato consumption is 6.5 kilos per year, while per capita consumption in Norway, Greece, Switzerland, and other countries exceeds 40 kilos per year. Brazilian fresh tomato consumption should increase with economic growth, improvement in varieties, and quality control. However, consumers are not satisfied with the quality of tomatoes. One research study found that 95 percent of interviewees complained about quality.

Trade:

Fresh tomato exports slipped 80 percent to 2,018 mt. in CY 2008. Exports in CY 2007 were unusually high due to a severe frost in Argentina's principal tomato growing region. Producers attributed some of the drop off in exports to bureaucratic difficulties noting problems in obtaining Certifications of Phytosanitary Origin required under the International Plant Protection Convention in order to export. The vast majority of Brazil's fresh tomato exports are destined to MERCOSUL nations. African nations, particularly former Portuguese colonies, occasionally import small quantities of fresh Brazilian tomatoes.

Brazil's fresh tomato imports, which were primarily sourced from Uruguay, have dropped considerably in recent years. Fresh tomato imports were insignificant in CY2007 and 2008.

0702.00 Tomatoes, Fresh or Refrigerated
Brazil Exports – Tons and US$ 1,000
January - December

Country	Quantity	Value	Quantity	Value	Quantity	Value
	Tons	US $	Tons	US $	Tons	US $
	2006		2007		2008	
World	53	20	9,797	2,672	2,018	525
Argentina	0	0	8,005	2,130	1,982	502
Paraguay	0	0	75	6	0	0
Italy	0	0	0	0	0	
Uruguay	0	0	1,698	502	15	5
Others	0	20	19	34		20

Source: Ministry of Development, Industry, and Commerce

0702.00 Tomatoes, Fresh or Refrigerated
Brazil Imports (1000 tons)
January – December

Country	Quantity	Value	Quantity	Value	Quantity	Value
	Tons	US $	Tons	US $	Tons	US $
	2006		2007		2008	
World	23	9,740	0	0		5
Uruguay	23	9,740	0	0	0	0
Chile	0	0	0	0	0	0
United States	0	0	0	0	0	0
Argentina	0	0	0	0	21	5

Commodities:
Select

Production:
Processed Tomatoes

Since statistics distinguishing processing and table tomatoes do not exist in Brazil, Post relies on local government and industry sources to estimate the breakdown between fresh market and processing tomatoes that are produced in Brazil.

Estimates of Brazilian processed tomato production range from 1.23 to 2 mmt.

Processing tomatoes are grown in three main areas: in the states of Goias and Minas Gerais in the central Cerrado, in the north-eastern states of Pernambuco and Bahia, and in the southern state of Sao Paulo.

Goias is responsible for 80 percent of national industrial tomato production. Tomato production declined in the Northeast has declined in the past 10 years due, in large part, to further expansion of more profitable fruit production (grapes, mangoes, bananas) in the region and continued disease and pest problems. In addition, Sao Paulo production for industrial use is declining as the processing industry continues to migrate to the Center-West.

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Production Processing Breakdown

Industry contacts estimate that 40 percent of domestic production of processing tomatoes goes into extracts, which are more concentrated than paste and often used for marinating meats. Thirty percent goes into tomato sauces and purees, 15 percent goes into paste, and 14 percent into ketchup.

Processed Tomato Products Trade

In CY 2008 Brazil was a net exporter of tomato paste. Most of the product was destined for Argentina and Paraguay. Historically, the majority of Brazilian imports of tomato products have been in the form of tomato paste (imported paste is 28-32 Brix), which is used to supplement domestic production and is further processed in Brazil into consumer-ready sauces. More availability of Brazilian canned tomato products has decreased imports. In CY2008 Chile, the most efficient tomato producer in South America overtook Italy as the primary supplier of tomato paste.

Overall, Brazilian ketchup imports rose 84 percent. U.S. ketchup exports increased 119% CY 2008 over CY 2007.

2002.90 Tomato Paste Brazil Exports – Tons and US$ 1,000 January – December						
Country	Quantity Tons	Value* US $	Quantity Tons	Value* US $	Quantity Tons	Value* US $
	2006		2007		2008	
World	6,564	6,003	7,570	7,950	8,512	10,632
Argentina	1,882	1,288	2,525	2,170	3,638	4,396
Paraguay	3,671	3,627	4,216	4,634	3,984	4,870
Uruguay	368	365	446	528	423	552
United States	20	35	19	36	27	32
Others	623	688	364	582	440	782
Source: Ministry of Development, Industry, and Commerce						

2002.90 Tomato Paste Brazil Imports- Tons and US$ 1,000 January – December						
Country	Quantity Tons	Value US $	Quantity Tons	Value US $	Quantity Tons	Value US $
	2006		2007		2008	
World	6,411	3,813	7,820	5,416	5,383	4,948
Argentina	272	160	337	228	0	0
Chile	1,165	790	845	677	2,731	2,916
China	7	20	217	140	584	466
Italy	4,926	2,767	6,378	4,263	2,056	1,515
United States	0	0	37	78	7	27
Others	41	76	6	30	5	24
Source: Ministry of Development, Industry, and Commerce						

210320 Tomato Ketchup and Other Tomato Sauces Brazil Imports – 1000 Tons January – December				
	2005	2006	2007	2008
World	941	1,230	1,667	3,069
Italy	379	454	625	805
United States	290	325	515	1,127
Chile	170	207	306	1,050
Argentina	53	26	0	0
Colombia	21	30	14	0
Venezuela	11	140	131	0
France	0	47	62	20
Germany	8	1	0	5
Others	1	47	14	62
Source: Ministry of Development, Industry, and Commerce				

Consumption of Processed Tomatoes

Brazil's consumption per capita of processed tomatoes is only one-third that of the United States and Italy (9 kilos/inhabitant versus 27 kilos per inhabitant).

Policy:
Tariffs

Brazil is a member of MERCOSUL, which is comprised of Brazil, Argentina, Uruguay, and Paraguay. Countries within the MERCOSUL enjoy duty-free access for most agricultural products traded within the trading bloc, while a Common External Tariff (CET) is applied for non-MERCOSUL countries. The CET puts U.S. agricultural products at a competitive disadvantage.

Brazil's applied Common External Tariff (CET) rates for non-MERCOSUL trading partners for selected tomato products are:

HS code	Tariff
0702.00	10 percent
2002.10	14 percent
2002.90	14 percent
2103.20.10	18 percent
2103.20.90	16 percent

Brazil's tariff rates for MERCOSUL partners including Argentina, Uruguay, and Paraguay is zero for fresh tomatoes and all processed products. Chile and Bolivia are associate members of MERCOSUL and receive preferential reductions of 60% of the duty from the CET.

Since May 1, 2005, all import transactions of goods and services are subject to a PIS/COFINS social tax of 9.5 percent. There are some exceptions, but most of the agricultural and food product imports are subject to the 9.5 percent tax, which represents the sum of two social taxes: PIS/PASED (1.65%) + COFINS (7.60%). The PIS/COFINS tax was approved through Law 10,865.

HS code	**PIS/Cofins (%)**
0702.00	0
2002.10	9.25
2002.90	9.25
2103.20.10	9.25
2103.20.90	9.25