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Mexico

Tomato Annual

Area Planted Down But Production Up

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Report Highlights:

Tomato production in Mexico for MY 2010/11 is forecast to reach 2.2 million metric tons (MMT) while the MY 2009/10 production estimate is slightly less than 2.2 MMT due to weather conditions that created delays in the spring tomato crop. Meanwhile, exports for MY 2009/10 are expected to be slightly higher than MY 2008/09 as a result of the frost that damaged the Florida crop in January 2010. Mexican greenhouse/shade house tomato production has become an important factor in terms of total tomato production and area dedicated to this production could exceed 3,200 hectares in 2010.

Commodities:

Tomatoes, Canned

Tomato Sauce

Tomato Paste, 28-30% TSS Basis

Production:

Total area planted for tomatoes has shown a tendency to decrease from year-to-year because growers are experiencing expansion constraints. In 1990, area planted was about 85,500 hectares. However, in 2000, the area planted was about 75,800 hectares and for 2010 area planted is expected to about 58,300 hectares. Despite less area planted, production yields have increased due to technological advances and the use of protected agriculture. Yields have grown from 23 MT/ha in 1990 to 28 MT/ha in 2000 to an expected 39 Mt/ha in 2010.

FAS/Mexico estimates production at 2.2 MMT for MY 2010/11, assuming favorable weather conditions and good international prices. Although there is no official forecast for overall tomato production for MY 2010/11 yet, it is expected that good international market prices as well as a favorable exchange rates will encourage producers to reach a higher level of production.

The overall tomato production for MY 2009/10 is expected to be higher compared to the MY 2008/09 production. However, extreme heat recently stressed plantings in Sinaloa and tomatoes were available earlier than usual in December 2009. The January 2010 freeze that damaged the tomato crop in certain areas in Florida resulted in a strong export season for the state of Sinaloa and increased domestic prices. The spring tomato crop from Baja California was somewhat delayed due to cooler temperatures. The MY 2008/09 production estimates were lower than expected due to lower acreage devoted to tomatoes as a result of low international prices, which also resulted in lower exports.

Area devoted to tomato production has been decreasing gradually due to pest problems, high costs of production, swings in international prices, unfavorable exchange rates, and limited water availability. Smaller producers looking for better agricultural prices have switched to other products like corn and beans. However, there has also been a gradual switch from open field tomato production to protected production (greenhouse/shade house technology). Greenhouse/shade house operations are mainly concentrated in the states of Sinaloa, Baja California and Jalisco, but there are also greenhouse operations in the states of Colima, Mexico, Hidalgo, Michoacán, Querétaro, San Luis Potosí, Sonora, and Zacatecas. According to industry sources, there are probably over 3,200 hectares planted under protected agriculture throughout Mexico, with most of that production being devoted to tomato production.

In Sinaloa, which is a winter tomato production state, there are about 15,000 hectares devoted to tomatoes of which 1,340 hectares are under protected technology. Due to good returns, production has trended towards increased shade houses, mainly for products for the export market. However, sources pointed out that protected agriculture remains a mystery to new producers without agricultural know-how (i.e., the lack of market channels, insufficient capital, and weather events), leaving greenhouses abandoned. The Mexican Association of Protected Horticulture (AMHPAC) found in a recent study that out of the approximately 9,000 hectares of greenhouses in the northern states (Sinaloa, Sonora, Baja California Norte and Baja California Sur) producing tomatoes and other horticultural products, 30

percent are not operational. Growers, however, indicate that combining open field and shade house production has been useful to the market. (Please see Gain Report MX0024 Green House and Shade House Production to Continue Increasing; 5/6/2010.)

Planted area is influenced by the previous year's international prices, which either encourages or discourages the next year's tomato plantings. Obviously, technology plays an important role in reducing planted area due to the switch to greenhouse/shade house production. Yields typically increase with greenhouses while area planted decreases. Considering these factors, tomato plantings for fresh consumption for MY 2010/11 are forecast to be close to the levels of MY 2009/10, or about 56,600 hectares. MY 2009/10 estimates were revised slightly upward from previous estimates of 56,100 hectares to 56,500 hectares. Area planted for MY 2008/09 was lower than expected due to the influence of lower international prices. The Roma variety now represents 54 percent of the tomato plantings in Mexico as demand for this type of tomato has increased over the round tomato.

According to sources, various state and federal government funds encouraged producers to build protected agricultural facilities in order to increase production and spur employment in rural areas. Most of these funds were geared towards small producers. Sources indicated that a first-time building credit typically paid up to 50 percent of the investment or up to approximately \$53,000 (USD) from non-reimbursable government funds. However, some of the producers initially failed when using this credit due to the lack of a well-established marketing channel, though others used the funding appropriately and continue to grow.

In order to keep supporting this type of agriculture, the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) announced in March 2010 a strategic project for protected agriculture for 2010 on its web page. This strategic plan will generate new employment in the country side while operating with funds from FIRCO, which is a trust fund for shared risk (www.firco.gob.mx/). Only investments for new infrastructures and new equipment will be supported, but it can not be used to buy land or housing. Preference will be given to projects devoted to crops different from tomatoes: herbs, peppers, lettuce, etc. Support could reach up to 50 percent for very marginal areas and 40 percent for the rest of producers. Projects could reach \$4 million pesos (USD\$320,000) per project. For additional information, please see the guidelines in the following web address:

www.sagarpa.gob.mx/agricultura/Publicaciones/Paginas/AgriculturaProtegida.aspx

During the winter season (October - May), growers in Sinaloa are the main producers and exporters of fresh tomatoes. Other significant producers include Michoacán, Jalisco, and Baja California Sur. Growers in Sinaloa are anticipating that the use of improved and extended shelf varieties, drip irrigation, and plastic mulch will help maintain their high yield levels. During the summer season (May - October), growers in Baja California are the main producers and exporters of fresh tomatoes. The states of Michoacán, Jalisco, and Morelos follow Baja California's production. However, producers in both Sinaloa and Baja California are more technologically advanced than other producing states. As a result, U.S. California tomatoes face direct competition from Baja California tomatoes. Growers in Jalisco produce tomatoes for the summer cycle, and usually export in October, November, and December after Baja California. The state of Jalisco has also started to increase its shade house planted area. This increase is largely attributable to its success in exporting to the United States.

Planting and harvesting for processing tomatoes is largely a function of fresh domestic market prices and international tomato paste prices. Area that was previously devoted to planting tomatoes for the processing industry was shifted to the fresh market, as demand for processing tomatoes has declined in the face of high international fresh market prices. Area planted for MY 2008/09 and MY 2009/10 for processed tomatoes is estimated at 730 and 750 hectares respectively, according to data. Yields for this type of tomato range from 30 MT/ha to 40 MT/ha given normal weather conditions. If the industry needs to process additional tomatoes, they are purchased from the open market.

Tomato production costs remain high across the country. According to growers, imported agrochemicals, seeds, and fertilizers are the most costly inputs. Fresh tomato production costs for open field tomatoes for MY 2009/10 ranged from \$50,000 to \$76,000 pesos/ha (U.S. \$3,846.15 to \$5,846.15/ha) in Sinaloa and Baja California, which both produce for the domestic and export markets. Meanwhile, greenhouse and shade house operations cost as much as U.S. \$22,000/ha. However, the cost of production depends largely on the value of the peso against the dollar, as many inputs are imported from the United States.

Lack of credit is also a constraining factor for growers, since Mexican banks do not provide loans for tomato production. In a few instances, producers with export contracts can receive some operating capital from contracting companies in the United States. Both producers and SAGARPA officials are extremely cognizant of the importance of meeting quality standards for fruits and vegetables and have implemented programs to comply with U.S. food safety requirements.

MY 2009/10 average fresh tomato yields are forecast at 39.1 MT/ha. Individual yields vary depending on production conditions and inputs. Baja California and Sinaloa growers generally achieve the highest fresh tomato yields, about 45 MT/ha, due in part to their widespread pest and disease control programs. In other areas of Mexico, growers have lower yields averaging from 20 to 30 MT/ha. This is mostly attributable to a less intensive use of quality inputs. Greenhouse/shade house yields tend to vary significantly among producers, variety, and state. These yields generally range from 150 MT/ha to 200 MT/ha depending on the technological level used.

Table 1. Mexico TOMATO PRODUCTION			
PRODUCTION (MT)	Estimate MY 2008/09	Estimate MY 2009/10	Forecast MY 2010/11
Total production	2,074,000	2,200,000	2,226,000
For fresh market	2,049,000	2,174,500	2,200,500
For processing	25,000	25,500	25,500
AREA PLANTED (Ha)			
TOTAL area planted	53,500	57,300	57,400
For fresh consumption	52,770	56,550	56,650
For processing	730	750	750
AREA HARVESTED			
TOTAL area harvested	52,500	56,250	56,500
For fresh consumption	51,770	55,500	55,750
For processing	730	750	750

Consumption:

The final consumption figure will largely depend on tomato exports to the United States, since domestic consumption is basically a residual after exports. Tomato consumption for MY 2008/09 was almost 1.0 MMT, which is slightly lower than the previous year due to lower production. Consumption for MY 2009/10 is not expected to grow compared to MY 2008/09 due to higher exports and high domestic prices. Tomato consumption is price sensitive in Mexico, thus marginal changes in prices tend to lead to significant changes in demand. Contrary to 2009, traders indicated that the tomato exports increased from January to March 2010, resulting in higher domestic prices as demand from the international market was strong.

Although protected production is limited, and tends to be higher priced, the market now has the option of meeting some of the domestic demand with greenhouse/shade house tomatoes.

Local tomato prices tend to rise from March to May because of increased exports from the state of Sinaloa, which in turn reduces supply in the domestic market. Exports also increase from June to August, as this is Baja California's international market window. By the end of November and December, tomato prices usually rise again, due to an increased rate of exports from the states of Jalisco and Sinaloa. The tomato paste industry always buys tomatoes from the fresh market in addition to buying contracted tomatoes for processing. However, price competition in the fresh market has developed into a real problem for the processing industry. Over the past several years, relatively high fresh tomato prices have diverted product away from the processed market. Thus, there has been very little industry demand for tomatoes destined to paste production, as it is more economically feasible to import tomato paste rather than produce it domestically.

Trade:

Tomato exports for MY 2009/10 are expected to be slightly higher compared to the MY 2008/09 total exports of 1.09 MMT. According to traders, exports during the winter season were higher due to the international demand that increased prices and a good exchange rate. In December 2009, a 25 lb box of tomatoes was USD \$10, but the U.S. market prices increased to about USD \$30/box of tomatoes by February 2010.

According to private data, tomato exports for MY 2009/10 increased 21 percent in volume compared to the same period in MY 2008/09, and increased 35 percent in value compared to same period. A more stable exchange rate of the peso versus the dollar and good international prices for the first two months of 2010 were helpful. According to the U.S. Census Bureau, from the overall tomatoes imported from Mexico during MY 2007/08, 29 percent were greenhouse tomatoes and for MY 2008/09 the percentage increased to 34 percent.

The Tomato Suspension Agreement between Mexico and the United States, signed on December 4, 2002, bound all tomato exporters to an agreed upon reference price. The reference price for exporting fresh tomatoes for the summer season (July 1 to October 22) is 17.2 cents per pound, and the reference price for the winter season (October 23 to June 30) is 21.69 cents per pound. According to growers, tomato prices for MY 2009/10 have been above the reference prices. Fresh tomato exports to the United States as well as imports have a zero duty under NAFTA. The tomato tariff classification numbers are 0702.0001 and 0702.0099.

Fresh tomato imports from the United States represent a small portion of Mexico's fresh consumption and fluctuate depending on international prices and domestic availability. Imports for MY 2008/09 were up to 45,964 MT, or 46 percent over the previous marketing year. Imports for MY 2009/10 might be very similar to MY 2008/09 imports or even slightly lower due to higher import prices. Most of the imported tomatoes are sold in the northern states of Nuevo Leon, Sonora, Baja California, and Chihuahua.

Marketing:

Fresh tomatoes destined for domestic consumption, including imported tomatoes, pass through various wholesale markets throughout Mexico and proceed to large supermarkets and retail stores. A few stores import directly without going through the wholesale market channels, but this is still somewhat rare since most retail operations do not have import expertise. In the past, promotional campaigns for U.S. tomatoes focused on proper tomato handling techniques, point of sale material, and in-store promotions. The promotional campaigns concentrate on importers in the northern border cities, where larger volumes of tomatoes tend to be purchased. Tomatoes for the export market are shipped directly from the producing areas to the U.S. border.

Production, Supply and Demand Data Statistics:

Table 2.- Wholesale Round Tomato Prices Mexico City Pesos/Kilogram			
MONTH	2009	2010	Change %
January	7.08	11.05	56.07
February	4.74	12.29	159.28
March	7.15	26.03	264.05
April	10.53	17.40	65.24
May	9.00	13.50	50.00
June	16.38	N/A	N/A
July	13.68	N/A	N/A
August	14.06	N/A	N/A
September	15.06	N/A	N/A
October	14.62	N/A	N/A
November	17.56	N/A	N/A
December	16.13	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados
 2009 Exchange Rate Avg.: U.S.\$1.00 = 12.33 pesos
 May 27, 2010 Exchange Rate: U.S.\$1.00 = 12.99 pesos

Table 3.- Wholesale Roma Tomato Prices Mexico City Pesos/Kilogram
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Month	2009	2010	Change %
January	6.11	5.72	(6.38)
February	3.94	6.60	67.51
March	6.06	9.42	55.44
April	9.38	5.54	(40.93)
May	8.24	5.09	(38.22)
June	8.52	N/A	N/A
July	9.31	N/A	N/A
August	12.59	N/A	N/A
September	15.31	N/A	N/A
October	9.63	N/A	N/A
November	7.89	N/A	N/A
December	7.20	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados
2009 Exchange Rate Avg.: U.S.\$1.00 = 12.33 pesos
May 27, 2010 Exchange Rate: U.S.\$1.00 = 12.99 pesos

Table 4: MY 2008/09 Tomatoes			UNITS: METRIC TONS		
Exports for MY 2008/09 (OCT-SEPT) to:			Imports for MY 2008/09 (OCT-SEPT) from:		
	Volume	Value		Volume	Value
U.S.	1,090,654	\$1,096.408	U.S.	45,964	\$64,633
OTHER			OTHER		
Canada	8,229				
Total of other	8,229		Total of other	0	
Others not listed	378		Others not listed	0	
GRAND TOTAL	1,099,261	\$1,105.376	GRAND TOTAL	45,964	\$64,633

Table 5: MY 2009/10 Tomatoes			UNITS: METRIC TONS		
Exports for MY 2009/10 (OCT-SEPT) ** to:			Imports for MY 2009/10 (OCT-SEPT) from:		
	Volume	Value		Volume	Value
U.S.	592,601	\$652,508	U.S.	10,444	\$23,882
OTHER			OTHER		
CANADA	5,797		CHILE	0	
Total of other	5,797		Total of other	0	
Others not listed	1,005		Others not listed	0	
GRAND TOTAL	599,403	\$659,921	GRAND TOTAL	10,444	\$23,882

