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Mexico

Tomato Annual

Tomato Suspension Agreement Key to Production and Trade Forecasts

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Report Highlights:

Tomato production for marketing year (MY) 2013/14 is forecast at 2.3 million metric tons (MMT); however production will depend on the developments of the tomato suspension agreement. Production for MY 2012/13 is estimated at 2.2 MMT due to unfavorable weather and acreage reduction. Tomato exports for MY 2012/13 are estimated to reach almost the same volumes as in MY 2011/12 or 1.4 MMT. Production under protected agriculture technology is expanding throughout the country for several horticultural products, particularly tomatoes. The tomato suspension agreement that was signed between the U.S. Department of Commerce and Mexican Growers, sets new floor prices for Mexican

fresh tomatoes.

Commodities:

Tomatoes, Canned

Tomato Sauce

Tomato Paste,28-30% TSS Basis

Production:

The total tomato production forecast for the MY 2013/14 (Oct/Sept) is 2.3 MMT assuming favorable weather conditions and attractive international prices. Although there is no official Government of Mexico (GOM) forecast for overall tomato production for MY2013/14, Post estimates that tomato production will be good as producers will have more certainty regarding the U.S. market and the functioning of the Tomato Suspension Agreement. The total tomato production estimate for MY 2012/13 is about 2.2 MMT as weather was not very favorable during the recent winter season, and there was a reduction in acreage in some states. Decisions on reducing acreage were based on uncertainty of what was happening with the negotiations of the tomato suspension agreement that began in late August 2012. The spring tomato crop from Baja California and other states is expected to be similar to that of the previous year. The overall tomato production estimate for MY 2011/12 was at 2.6 MMT due to good yields and an increase in acreage.

Total planted area for tomatoes has been declining but yields have been increasing due to the establishment of protected agriculture (greenhouse, shade-house, tunnel) areas. In 1990, planted area devoted to tomatoes was about 85,500 hectares (ha). In 2000, tomato planted area was roughly 75,800 ha. In 2011/12, tomato planted area is expected at approximately 53,000 ha. Tomato-producing states like Sinaloa and Baja California keep switching area from open field production to protected production and used less area while increasing yields. Other states began to build protected infrastructure to grow tomatoes, cucumbers, bell peppers, zucchini, strawberries, and flowers.

Table 1. Mexico: Tomato Production, Area (ha) and Volume (MT)

	Estimate MY 2011/12	Estimate MY 2012/13	Forecast MY 2013/14
Total Planted Area (ha)	55,525	53,000	55,000
• For fresh consumption	53,025	51,000	52,500
• For processing	2,500	2,000	2,500
Total Harvested Area (ha)	54,543	52,100	54,000
• For fresh consumption	52,043	50,100	51,500
• For processing	2,500	2,000	2,500
Total production (MT)	2,601,384	2,200,000	2,300,000
• For fresh market	2,551,384	2,160,000	2,250,000
• For processing	50,000	40,000	50,000
Source: Siap/Sagarpa			

Tomato planted area for fresh consumption for MY 2013/14 is forecast to increase from MY 2012/13 acreage to about 52,500 hectares if growers perceive that the tomato market is stable with good prices. Since this is the first year for the implementation of the new tomato agreement, area planted will be influenced by the behavior of the U.S. market. Also planted area will depend on the tendency to decrease open field tomato plantings in favor of using different types of protected agriculture.

The planting area estimate for fresh consumption for MY 2012/13 is estimated at 51,000 ha, a decrease compared to MY 2011/12 area of 53,025 ha. According to growers, due the negotiations of the tomato suspension agreement, some growers decided to decrease acreage, while others kept it. According to official estimates from SIAP/SAGARPA, area planted for tomatoes in Sinaloa for MY 2012/13, decreased to 12,021 hectares from 18,883 hectares in MY 2011/12, due to weather related issues and the uncertainty of the tomato negotiations with the U.S. Based on official data, the MY 2011/12 planted area estimate for fresh consumption is 53,025. The Roma variety now represents more than 62 percent of total Mexican tomato production as demand for this type of tomato has surpassed the round tomato.

Yields vary depending on production conditions and inputs. Average yields have grown from 23 MT/ha in 1990 to 28 MT/ha in 2000 and are expected to reach 42 MT/ha or more in 2012. Baja California and Sinaloa growers generally achieve the highest fresh tomato yields, 45 MT/ha or more, due in part to their pest and disease control programs. In other areas of Mexico, yields average from 20 to 30 MT/ha. This is primarily attributable to less intensive use of 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 technology used.

Open-field tomato production area has shown a tendency to decrease due to pest problems, high costs of production, swings in both international prices and exchange rates, and limited water availability. The decrease in open field area is more evident in states like Sinaloa, Baja California, and Jalisco. In addition, small open field producers are switching to other products like corn and beans in search of better financial returns. There has also been a gradual switch from open field tomato production to protected production. Greenhouse/shade-house operations are 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 sources, area planted has increased from 13,000 hectares in MY 2011/12 to about 14,000 hectares in MY 2012/13 ha of protected agriculture throughout Mexico devoted to tomato production. This increase is largely attributable to success in exporting high quality tomatoes to the United States.

According to sources, protected agriculture is growing in Mexico as producers increasingly become aware of the benefits in production, quality, pest control, and reduced risk exposure to climate change. Moreover, there is growth in protected agriculture as the GOM, at various levels, sees the benefits of introducing this production method to rural and poorer areas as a form of social development. The main horticultural products produced under this technology are tomato (70%), bell pepper (16%), cucumber (10%), and the rest are products like flowers, chili peppers, berries and papaya.

In Sinaloa (a traditional winter-cycle tomato producing state) there are about 15,000 ha devoted to tomatoes of which approximately 6,000 ha are under protected production. Due to strong returns, production has trended towards increased use of shade-houses, mainly for products destined for the export market. Growers, however, indicate that combining open field and shade-house production has

been useful for marketing their product. Sources point out that less than ideal levels of agricultural sophistication (i.e., lack of established marketing channels, insufficient capital, and ability to cope with weather events), means that sometimes growers abandon protected facilities. Through a study in 2010/11, the Mexican Association of Protected Horticulture (AMHPAC) found that of the approximately 9,000 ha of greenhouses existing in the northern states of Sinaloa, Sonora, Baja California Norte, and Baja California Sur, 30 percent were not operating.

Protected agriculture technology differs depending on the crop and the geographical region. Technology also differs between small producer associations (12 - 13 associates working with 5-12 hectares) and large owners with extensive experience in the horticultural business, who own more than 15 hectares of production. Typically, most large business owners use better technology compared to smaller producers, but this also depends on the climatic conditions throughout the region. The majority of the infrastructure has drip irrigation systems, insect/anti-aphid protection, and systems to control light and air. Since climatic conditions dictate what kind of technology is needed, warmer areas like Sinaloa have a higher percentage of shade houses compared to green house technology. Central states like Queretaro and the state of Mexico have a higher percentage of greenhouse technology due to colder climatic conditions.

During the October to May winter season, Sinaloa growers are the main producers and exporters of fresh tomatoes. Other significant producers include Michoacan, 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 to October), Baja California growers are the main producers and exporters of fresh tomatoes. The states of Michoacán, Jalisco, and Morelos follow Baja California's production. Producers in Sinaloa and Baja California are widely considered more technologically advanced than other producing states. As a result, U.S. California tomatoes face direct competition from Baja California tomatoes. Tomato growers in Jalisco bridge the summer-winter cycle and usually export in October, November, and December after Baja California.

Planting and harvesting of tomatoes for processing is largely a function of fresh domestic market prices and international tomato paste prices. Areas that were previously devoted to planting tomatoes for the processing industry have shifted to fresh market, as demand for processing tomatoes has declined in the face of high international fresh market prices. Area planted to processed tomatoes fluctuates between 1,500 and 2,000 ha. Yields for this type of tomato range from 25 MT/ha to 40 MT/ha given normal weather conditions. If the industry needs to process additional tomatoes, it purchases supplies from the open market.

Tomato production costs remain high across the country. Credit availability remains 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. According to growers, imported agrochemicals, seeds, and fertilizers are the most costly inputs. The value of the Mexican peso vs. the U.S. dollar influences the cost of production. Currently, exporters are facing an appreciating Mexican Peso, making exports more expensive than imports. The exchange rate has been falling from an average of \$12.86 pesos per U.S. dollar in December 2012, to \$12.15 pesos per dollar in May 2013.

Consumption:

The MY 2013/14 final consumption figure will depend on tomato exports to the United States, as domestic consumption is a residual after exporting. Fresh tomato consumption for MY 2012/13 is estimated to be lower compared to previous marketing years due to lower supplies during the winter season, high export volumes, and high prices. Fresh tomato consumption for MY 2011/12 is estimated to be higher compared to the previous marketing year as prices were lower due to large supplies.

Tomato consumption is price sensitive in Mexico. Thus, marginal changes in prices tend to lead to significant changes in demand. Although protected production is still limited and tends to be higher priced, the market now has the option of meeting more 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. However during the supply spike of the winter season of 2012/13, prices were higher than expected compared to 2011/12 prices.

Tomato exports also tend to increase from June to August, as this is the international market window for tomatoes from Baja California. By the end of November and December, tomato prices usually rise again, due to the increased export volume 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 become a problem for the processing industry. Over the past several years, relatively high fresh tomato prices have diverted product away from the processing market. Thus, there has been very little industry demand for tomatoes destined to paste production as it is economically more feasible to import tomato paste rather than produce it domestically.

Trade:

Since this is the first year that the new tomato agreement is being implemented, it is uncertain how the U.S. market is going to behave. However, if U.S. demand continues to be high, Mexican exports for MY 2013/14 are expected to continue at almost the same level as in the MY 2012/13, assuming favorable weather conditions and attractive international prices. But competition with expected higher supplies from Canada and other U.S. producing areas in the U.S. market could undermine Mexican exports. Due to on-going suspension agreement discussions between Mexican growers and the U.S. Department of Commerce, information on current production, exports, and other trends was difficult to secure.

Tomato exports for MY 2012/13 are estimated to reach 1.4 MMT or more. According to sources, tomato exports during the winter season were high with high international prices, despite the fact there was less production. However, the final estimate will depend on the summer season demand, as some growers are expecting more tomatoes to be harvested in the U.S. and Canada as those places originally believed Mexican participation in the U.S. market would be substantially curtailed due to the suspension agreement negotiations.

Exports for MY 2011/12 were good, 1.46 MMT, despite the low prices for the international market. Sinaloa in fact agreed to be more selective in the tomato quality for export resulting in a large quantity of tomatoes being kept off the market and discarded. However, it is important to note that other states like Jalisco, Queretaro, and San Luis Potosi also export during this window, crossing the border through

Texas. The U.S. continues to be the most important market for Mexican tomatoes. However, since the tomato suspension agreement events in 2012/13, Mexico is trying to diversify markets and not depend so heavily on a single market. Exporters have sent some product to China, Hong Kong and Panama and are looking to other markets that can pay for good quality tomatoes. Pilot shipments have been made to Brazil, Argentina, Chile, Uruguay and other Asian countries.

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. Due to high domestic production in MY 2011/12, imports were lower compared to MY 2010/11, at about 25,455 MT. Import estimates for MY 2012/13 are expected to be at about the same level due to higher international prices.

Most imported tomatoes are sold in the northern states of Nuevo Leon, Sonora, Baja California, and Chihuahua.

Policy:

Since 2009, the GOM has operated strategic projects for protected agriculture where the Federal and state governments participate with different type of funds. These types of projects have helped to consolidate development areas for small producers in the states of Oaxaca, Nuevo Leon, Morelos and Puebla. Some of the projects in marginal areas are geared first for self consumption within the communities. The Mexican government published in the Diario Oficial (Federal Gazette) on February 11, 2013 the [Agreement](#) for the Rules of Procedure of the Programs of SAGARPA. Among the programs that will receive some kind of support, SAGARPA included protected agriculture. The specific objective of the program is to increase the capitalization of economic units of agricultural production by supporting investment in infrastructure and acquisition of agricultural equipment and certified or validated planting material, for conducting activities of primary production, that include conservation and management. Therefore government investment in equipment for protected agriculture will cover up to 50 percent of the cost of the project not exceeding \$287,300 dollars per economic unit of agricultural production and considering other supports depending on the type of technology used.

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.

A new Tomato Suspension Agreement signed by Mexican growers and the U.S. Department of Commerce was signed in February 2013 and entered into force on March 4, 2013. The agreement sets different floor prices for Mexican fresh tomatoes during the summer and winter and also specifies prices for open field/adapted-environment and controlled-environment production. Mexican tomato growers and non-grower exporters exporting to the United States are signatories to the Agreement. More than 600 Mexican growers and exporters signed the agreement, up from 450 growers/exporters who signed the 2008 agreement. All fresh or chilled tomatoes from Mexico are covered by the new prices. The original 1996 suspension agreement was updated in 2002 and 2008.

Table 2.- Mexico. Reference Prices For Tomatoes From Mexico		
Tomato Type	Price/Lb Winter Oct 23/ June 30	Price/Lb Summer July 1/ Oct 22

Open field and adapted environment	US\$0.3100	US\$0.2458
Controlled environment	US\$0.4100	US\$0.3251
Specialty, loose	US\$0.4500	US\$0.3568
Specialty, Packed	US\$0.5900	US\$0.4679
Specialty tomatoes include grape, cherry, heirloom and cocktail tomatoes		

TARIFFS

Mexico, in general, does not import tomatoes from countries other than the United States. Mexico's most favored nation (MFN) applied tariff rate for tomato (HTS 0702) imports is 10 percent. Countries with tariff-free access to Mexico include: the United States, Canada, Chile, Costa Rica, Nicaragua, Uruguay, Bolivia, the European Union, and Japan. There is an applied tariff rate of 28% for tomatoes from Colombia. Fresh tomato exports to the United States as well as imports have zero duty under NAFTA. The tomato tariff classification numbers are 0702.0001 and 0702.0099. Mexico does not assess an export tariff.

Marketing:

Fresh tomatoes destined for domestic consumption, including imported tomatoes, pass through wholesale markets and proceed to large supermarkets and retail stores. A few stores import directly without going through wholesale marketing channels. This remains somewhat rare, however, since most retail operations do not have expertise importing or the labor resources to repack tomatoes based on maturity, size, etc. before products are showcased to consumers. In the past, promotional campaigns for U.S. tomatoes focused on proper tomato handling techniques, point of sale materials, and in-store promotions. Most of the imported product is destined to border cities and states. Tomatoes for the export market are shipped directly from the producing area to the United States border.

Production, Supply and Demand Data Statistics:

PRICES AND TRADE

TABLE 3. MEXICO: WHOLESALE ROUND TOMATO PRICES <i>Mexico City – Pesos/Kg</i>				
Month	2011	2012	2013	% Change 2013/2012
January	8.60	8.85	10.61	19.88
February	15.73	5.12	8.27	61.52
March	24.53	9.88	12.71	28.64
April	30.63	7.76	11.80	52.06
May	14.99	9.64	20.03*	107.78
June	13.25	14.52	N/A	N/A
July	11.80	10.40	N/A	N/A
August	12.35	10.20	N/A	N/A
September	11.32	11.45	N/A	N/A
October	10.92	10.96	N/A	N/A
November	10.87	12.53	N/A	N/A
December	11.22	13.40	N/A	N/A

Source: Servicio Nacional de Información de Mercados- [SNIM-ECONOMIA](#)
 Note: 2012 Exchange Rate Avg.: U.S. \$1.00 = 13.15 pesos.
 May 23, 2013 Exchange Rate: U.S. \$1.00 = 12.31 pesos.
 * As of May 24, 2013

TABLE 4. MEXICO: WHOLESALE ROMA TOMATO PRICES <i>Mexico city – Pesos/Kg</i>				
Month	2011	2012	2013	% Change 2013/2012
January	8.20	7.26	8.30	14.32
February	9.83	4.96	7.14	43.95
March	10.42	6.38	8.47	32.75
April	16.06	5.63	8.44	49.91
May	7.09	7.72	10.21*	32.25
June	5.51	10.52	N/A	N/A
July	6.12	9.31	N/A	N/A
August	5.39	8.93	N/A	N/A
September	6.23	11.74	N/A	N/A
October	5.68	9.01	N/A	N/A
November	5.12	8.18	N/A	N/A
December	8.15	9.19	N/A	N/A

Source: Servicio Nacional de Información de Mercados- [SNIM-ECONOMIA](#)
 Note: 2012 Exchange Rate Avg.: U.S. \$1.00 = 13.15 pesos.
 May 23, 2013 Exchange Rate: U.S. \$1.00 = 12.31 pesos.
 * As of May 24, 2013

Round Tomato Prices Mexico City Wholesale



Round & Roma Tomato Prices Mexico City Wholesale



Table 5. Mexico. - Trade Matrixes Tomato Exports and Imports by Volume (MT) and Value (US. \$)

Exports for MY 2011/12 (Oct-Sept):			Imports for MY 2011/12 (Oct-Sept):		
Destination	Volume	Value 000	Origin	Volume	Value 000
U.S.	1,412,210	\$1,711,566.6	U.S.	2,545	\$32,258.1
Canada	45,230	56,357.7			
Others not listed	3,418	4,299.1	Others not listed	0	
Grand Total	1,460,858	\$1,772,223.4	Grand Total	25,455	\$32,258.1

SOURCE: Global Trade Atlas Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2013

Exports for MY 2012/13* (Oct-Sept):			Imports for MY 2012/13* (Oct-Sept):		
Destination	Volume	Value 000	Origin	Volume	Value 000
U.S.	652,862	\$744,511.5	U.S.	8,132	\$10,204.5
Canada	27,832	31,097.1			
Others not listed	1,088	14,012.0	Others not listed	0	
Grand Total	681,782	\$777,009.8	Grand Total	8,132	\$10,204.5

SOURCE: Global Trade Atlas Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2013,
* Through February 2013

Table 6. Mexico: Monthly Exchange Rate
Averages for 2010-2013

	MX Pesos per U.S. \$1.00			
	2010	2011	2012	2013
January	12.80	12.13	13.46	12.71
February	12.95	12.06	12.79	12.71
March	12.59	12.00	12.75	12.54
April	12.23	11.73	13.05	12.21
May	12.71	11.64	13.60	12.19*
June	12.72	11.80	13.94	
July	12.65	11.67	13.37	
August	13.15	12.22	13.18	
September	12.84	12.97	12.95	
October	12.44	13.49	12.88	
November	12.33	13.67	13.08	
December	12.39	13.73	12.86	
Annual Avg	12.65	12.42	13.15	

*As of 4th week of May 2013

Source: Mexican Federal Register

Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico

Author Defined:

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Useful Mexican Web Sites: Mexico's equivalent of the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, the equivalent of the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx, and the equivalent of the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the reader's convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.

