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Mexico

Tomatoes and Products

Annual

2001

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Report Highlights:

Mexico's total tomato production for MY 2001/02 is forecast to be very close to that of MY 2000/01. Area planted is not expected to increase because of oversupplies and low export prices for the last two years. Exports for MY 2000/01 increased 15 percent over MY 1999/00 exports. Tomato paste production for MY 2002/03 is forecast to decrease compared to MY 2001/02 production levels.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

SITUATION AND OUTLOOK

The recession in the United States is spilling over into Mexico and could have negative impacts on the consumer purchasing power and trade in other sectors of the economy. According to the Mexican government, more than 400,000 jobs have been lost during the first semester of 2001. The unemployment rate for September 2001 was 2.5 percent compared to 1.9 percent in December 2000. The GDP growth for 2001 is estimated by private analysts to be at 0.3 percent, a marked contrast to the 6.9 percent GDP growth in 2000. These same analysts estimate industrial production to slow down mainly in the "maquila sector", due to a slower demand for exports to the U.S. Also, the Mexican oil sector has been affected as revenue from oil exports have fallen as a result of low international prices. The corresponding revenue losses from various sectors of the economy have led to a general slowdown and prompted the Mexican government to announce that it is planning to cut 3 billion pesos (US\$330 million) in spending -- the third cut this year.

TOMATO SITUATION

Tomato production in Mexico for MY 2001/02 is not forecast to increase much over MY 2000/01. High costs of production and oversupplies for the last two years limit increases in area planted. Area planted will also depend on the demand from the export market, mainly the United States. Exports have been increasing year after year, but at low rates and low export prices. The base price tomato agreement between the U.S. and Mexico has worked well. Although this agreement ended in October 2001, it will remain in place while both governments decide on next steps. Although overall area planted for tomatoes remains unchanged, area for processing tomatoes has been reduced due to a decrease in tomato paste production. The Mexican industry has reduced production of tomato paste, due to high international inventories and lower demand. Imports of tomato paste have grown to cover domestic demand.

SECTION II. STATISTICAL TABLES**FRESH TOMATO PRODUCTION TABLE**

PSD Table						
Country	Mexico					
Commodity	Fresh Tomatoes		(HA) (MT)			
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin	10/1999		10/2000		10/2001	
Plnt For Fresh Consump	71000	70922	70700	71900	0	72500
Plnt For Processing	5000	5000	4300	4000	0	3500
TOTAL Area Planted	76000	75922	75000	75900	0	76000
Harv. For Fresh Cons.	69910	69910	69450	70845	0	71400
Harv. For Processing	4800	4800	4200	3900	0	3400
TOTAL Area Harvested	74710	74710	73650	74745	0	74800
Fresh Sale Production	1942360	1942360	1960000	2014500	0	2036000
Processing Production	190000	190000	200000	156000	0	136000
TOTAL Production	2132360	2132360	2160000	2170500	0	2172000
TOTAL SUPPLY	2132360	2132360	2160000	2170500	0	2172000

TOMATO PASTE PRODUCTION TABLE

PSD Table						
Country	Mexico					
Commodity	Tom. Paste,28-30% TSS Basis			(MT) (MT, Net Weight)		
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	03/2000		03/2001		03/2002	
Deliv. To Processors	190000	150000	200000	115000	0	107000
Beginning Stocks	0	0	0	0	0	0
Production	28500	21000	30000	17000	0	16000
Imports	15000	17183	10000	17000	0	17000
TOTAL SUPPLY	43500	38183	40000	34000	0	33000
Exports	7200	7176	7500	6000	0	6000
Domestic Consumption	36300	31007	32500	28000	0	27000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	43500	38183	40000	34000	0	33000

TRADE MATRIXES

<i>Tomatoes</i>		UNITS: <i>METRIC TONS</i>	
EXPORTS FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
<i>U.S.</i>	630,961	<i>U.S.</i>	22,602
OTHER		OTHER	
CANADA	1,113		0
TOTAL OF OTHER	1,113	TOTAL OF OTHER	0
OTHERS NOT LISTED	1,151	OTHERS NOT LISTED	0
GRAND TOTAL	633,225	GRAND TOTAL	22,602

SOURCE: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, August 2001.

<i>Tomato Paste</i>		UNITS: <i>METRIC TONS</i>	
EXPORTS FOR 2000 TO:		IMPORTS FOR 2000 FROM:	
<i>U.S.</i>	4,196	<i>U.S.</i>	9,002
OTHER		OTHER	
UNITED KINGDOM	50	CHILE	2,848
CUBA	44	CHINA	1,341
TOTAL OF OTHER	94	TOTAL OF OTHER	4,189
OTHERS NOT LISTED	69	OTHERS NOT LISTED	107
GRAND TOTAL	4,359	GRAND TOTAL	13,298

SOURCE: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, August 2001.

FRESH TOMATO PRICES

WHOLESALE TOMATOES PRICES PESOS/KILOGRAM			
MONTH	2000	2001	CHANGE %
JANUARY	4.25	7.12	67.53
FEBRUARY	3.66	5.13	40.16
MARCH	5.60	7.43	32.68
APRIL	6.00	5.29	(11.83)
MAY	6.75	8.33	23.41
JUNE	9.00	8.07	(10.33)
JULY	9.12	7.37	(19.19)
AUGUST	14.20	10.08	(29.01)
SEPTEMBER	9.30	9.12	(1.94)
OCTOBER	14.00	10.40	(25.71)
NOVEMBER	10.02	9.66	(3.59)
DECEMBER	14.38	N/A	N/A

* AS OF THIRD WEEK OF NOVEMBER, 2001.

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
 AVERAGE EXCHANGE RATE 2000 USD\$1.00 = \$9.40 PESOS
 EXCHANGE RATE (NOVEMBER 28, 2001) USD\$1.00= \$9.24 PESOS

TARIFF SCHEDULES

NAFTA TOMATO TARIFF SCHEDULE		
H.S. 0702.00.20 SUBHEADING 9906.07.03		
TOMATOES , FRESH OR CHILLED		
TARIFF SEASON	TARIFF - CTS/KG	SAFEGUARD BASE (MT)
March 1, 1994 - July 14, 1994	4.14	165,500
March 1, 1995 - July 14, 1995	3.68	170,485
March 1, 1996 - July 14, 1996	3.22	175,579
March 1, 1997 - July 14, 1997	2.76	180,846
March 1, 1998 - July 14, 1998	2.30	186,272
March 1, 1999 - July 14, 1999	1.84	191,860
March 1, 2000 - July 14, 2000	1.38	197,616
March 1, 2001 - July 14, 2001	0.92	203,544
March 1, 2002 - July 14, 2002	0.46	209,650
Beginning in Calendar Year 2003, quantitative limitations shall cease to apply.		

Note: Includes all tomato varieties except cherry tomatoes, which have entered duty free since January 1, 1998.

NAFTA TOMATO TARIFF SCHEDULE		
H.S. 0702.00.60 SUBHEADING 9906.07.08		
TOMATOES , FRESH OR CHILLED		
TARIFF SEASON	TARIFF - CTS/KG	SAFEGUARD BASE (MT)
Jan. 1, 1994 - Feb. 28, 1994	2.97	No Limit
Nov. 15, 1994 - Feb. 28, 1995	2.64	172,300
Nov. 15, 1995 - Feb. 29, 1996	2.31	177,469
Nov. 15, 1996 - Feb. 28, 1997	1.98	182,793
Nov. 15, 1997 - Feb. 28, 1998	1.65	188,277
Nov. 15, 1998 - Feb. 28, 1999	1.32	193,925
Nov. 15, 1999 - Feb. 29, 2000	0.99	199,743
Nov. 15, 2000 - Feb. 28, 2001	0.66	205,735
Nov. 15, 2001 - Feb. 28, 2002	0.33	211,907
Nov. 15, 2002 - Feb. 28, 2003	0.00	218,264
Beginning March 1, 2003, quantitative limitations shall cease to apply.		

NAFTA TOMATO PASTE TARIFF SCHEDULE	
H.S. 2002.90.99 TOMATO PASTE	
Year	Duty
1999	4.60
2000	3.45
2001	2.30
2002	1.15
2003	0.00

SECTION III. NARRATIVE ON SUPPLY & DEMAND, POLICY & MARKETING

FRESH TOMATOES

PRODUCTION

According to producers, overall tomato production for MY 2001/02 is not expected to change significantly from MY 2000/01. For both marketing years 2001/02 and 2000/01, area planted for fresh consumption increased while area planted for processing decreased, due to less utilization by the processing industry. Area planted for fresh consumption for MY 2001/02 is forecast at 72,500 hectares and production is expected to reach 2.03 million metric tons (MMT). However, during November 2001, low temperatures slowed down the development and ripening of tomatoes, which could somewhat reduce overall production. According to growers, area planted is not expected to increase significantly, due to tomato oversupplies in Mexico and Florida over the past two years. Mexican states which grow for the domestic market tend to plant more Italian tomatoes while those growing for export purposes usually plant standard round tomatoes. However, the state of Sinaloa plants for both markets.

The fresh tomato production estimate for MY 2000/01 was revised upward, reflecting more area destined for fresh consumption. Despite adverse effects from rainfall and hail in June 2001, the volume of tomato production in San Luis Potosí and Zacatecas was still greater than that in MY 1999/00. Total planted and harvested area was also revised upward, based on recent data and more planted area destined for fresh consumption. MY 1999/00 estimates reflect final official information.

During the winter season, Sinaloa is the main producer and exporter of tomatoes. Sinaloa growers expect that the improved and extended shelf life varieties, drip irrigation, and plastic mulch being used in the fields will increase yields. During the summer season, Baja California is the main producer and exporter of tomatoes. Both Sinaloa and Baja California are more technologically advanced than other producing states. California tomatoes face direct competition from Baja California. Producers from Jalisco have begun to plant more acreage, due to the advantage of exporting to the United States. Jalisco produces tomatoes for the summer cycle and exports after Baja California in October, November and December. Sinaloa, Baja California, and Jalisco are beginning to produce horticultural products, including tomatoes, in green houses. Reportedly, there are less than 100 hectares in the country dedicated to hothouse production, but this cannot be verified, due to lack of official information and the relative newness of the trend.

Tomato production costs have increased in recent years. Imported agrochemicals, seeds and fertilizers are the most costly inputs. Fresh tomato production costs for the 2001 summer crop in Baja California varied from 30,000 to 38,000 pesos/Ha (US\$3,225 to \$4,086/Ha). The relative cost breakdown is as follows: 1) 38 percent for seeds and planting activities; 2) 13 percent for water and irrigation activities; 3) 8 percent for fungicides and pest control activities; 4) 19 percent is for harvesting activities; 5) 5 percent for agricultural insurance and financial costs; and 6) other cultivation activities. The cost of production depends also on the value of the peso against the dollar because many inputs are imported from the United States. In general, Mexican banks have stopped giving loans to tomato growers who produce exclusively for the domestic market. Producers with export contracts receive some operating capital from

contracting companies in the United States. Producers and the government are very aware of meeting quality standards on fruits and vegetables and have implemented programs to comply with food safety strategies.

Overall yields for tomatoes for fresh consumption for MY 2001/02 are forecast at 28.5 MT/Ha. Individual yields vary depending on the production conditions and inputs. Baja California and Sinaloa growers generally achieve the highest fresh tomato yields — about 35 to 45 MT/Ha. — due in part to their widespread pest and disease control programs. In other areas of Mexico, growers achieve lower yields — 12 to 25 MT/ha — due to less intensive use of inputs and less intensive pest control efforts. Average grower prices in Sinaloa for MY 2000/01 ranged from \$800 - \$1000 pesos/MT (US\$86.00 to US\$107.52/MT) at the beginning of the season. Grower prices in Sinaloa for MY 2000/02 are expected to be similar to MY 2000/01 prices or approximately 1.10 pesos/kg (US\$0.12/kg).

CONSUMPTION

Tomato consumption for MY 2001/02 is forecast to be slightly higher compared to MY 2000/01, due to higher supplies and lower prices. However, final tomato consumption depends on tomato exports to the United States, because domestic consumption tends to be a residual after exports. Tomato consumption for MY 2000/01 is estimated to be higher than expected, due to more tomatoes available at good prices. The tomato paste industry has always bought tomatoes from the fresh market in addition to buying contracted tomatoes for processing. For the last three marketing years, this situation has been changing, due to less industrial demand for tomato paste production. As a result, there are more tomatoes available for the fresh market. Fresh tomato consumption in Mexico remains approximately 35 lb./person.

During March, April, and May local tomato prices tend to rise because of increased export demand, which in turn reduces supplies for the domestic market. Local prices for April 2001, however, were low because of reduced export volume and consequently more available domestic supplies. Export demand was also high from June through August, because of the fewer tomatoes planted in Baja California most were for the export market, which left domestic supplies low. Local tomato prices in October rose, due to both increased exports from Baja California and Jalisco as well as lower domestic supplies, which resulted from adverse weather conditions in San Luis Potosí and Zacatecas. It is important to note that when fresh market prices are very attractive, some tomatoes for processing are diverted to the fresh market and vice-versa.

TRADE

According to Mexican trade data, Mexico exported approximately 787,000 MT to the United States during MY 2000/01, compared to 684,899 MT in MY 1999/00. Exporters indicated that international market forces pushed down tomato prices, keeping them very close to the reference price. Also, the strong Mexican peso is hampering export sales of Mexican tomatoes, as it is more difficult to maintain competitive prices. Oversupplies from Sinaloa and Florida reportedly caused a glut in the international market in April 2001 and caused producers to recall tomatoes at the border destined for export in order to prevent prices from falling further below the U.S. reference price. This time, however, exporters timed their shipments in a better fashion having to return less product compared to past years. While prices fluctuated from January to May 2001, the reference price of US\$5.27 per 25 lb box was maintained.

Growers anticipate that exports for MY 2001/02 will increase from MY 2000/01, as Florida tomato production is not expected to be large. The base price tomato agreement between the U.S. and Mexico has worked well. Although this agreement ended in October 2001, it will remain in place while both governments decide on next steps. There are two reference prices. The summer marketing period (July 1 through October 22) has a reference price of US\$0.1720 per pound or US\$4.30 per 25 pound box. The winter marketing period (October 23 through June 30) has a reference price of US\$0.2108 per pound or US\$5.27 per 25 pound box.

Fresh tomato imports from the United States represent a small portion of Mexico's fresh consumption and fluctuate depending on the international price. According to importers, imports for MY 2001/02 are forecast to be over 20,000 MT. Imports for MY 2000/01 were approximately 25,247 MT, according to U.S. trade data. Growers indicate that imports compete with low domestic prices, but are able to find market windows from July to September. Also, due to decreased planting area in Baja California, there are more opportunities to import U.S. tomatoes during the summer.

Fresh tomatoes destined for domestic consumption, including imported tomatoes, pass through the various wholesale markets throughout Mexico and from there to the large supermarkets and retail stores. Promotional campaigns for imported tomatoes during 2001 included Mexico City and some northern border cities. The promotional campaigns focused on technical knowledge on proper tomato handling, point of sale material, and supermarket promotions. For 2002, the promotional campaigns will concentrate in the northern border cities and on importers, as larger volumes of tomatoes tend to be bought there.

Tomatoes for the export market are shipped directly from the producing areas to the U.S. border. Exporters indicated that tomatoes and other vegetables are experiencing lengthy border delays, as a result of the September 11th attacks. Exporters have discussed this situation with both U.S. and Mexican customs in order increase personnel to help with border crossings. Tomato tariff classification numbers are 07.02.002, 07.02.004, 07.02.006.

Currently, there are no non-tariff trade barriers for fresh tomatoes or tomato products imported from the United States. Nor does the Mexican Government provide export subsidies for fresh tomatoes or tomato products.

Under NAFTA, Mexico does not have a safeguard mechanism for tomatoes. The U.S., however, has a safeguard mechanism for tomato imports from Mexico. See Section II for the tariff phase out schedule for Mexican exports under the NAFTA.

TOMATO PASTE

PRODUCTION

According to industry sources, tomato paste production for MY 2002/03 (March/February) is forecast at 16,000 MT, almost a 6 percent decrease compared to MY 2001/02 production. The industry believes production of tomato paste will keep decreasing because the current international situation is one of overproduction and low prices. However, some companies are optimistic that production of tomato paste could increase as international inventories are not as high as last year, and because China's tomato production is forecast to be lower than in MY 2001/02.

Production for MY 2000/01 and 2001/02 was revised downward based on industry information. The industry indicates that both years were low production years because of a decrease in international demand and high international inventories. Low international demand forced many companies to reduce production.

As tomato paste production has decreased, so has planting area for processed tomatoes. Area planted for processing tomatoes for MY 2001/02 is forecast at 3,500 hectares and production at 136,000 MT. Yields are expected to be in the 40-50 MT/Ha range, given normal weather conditions. Area planted and harvested for processing tomatoes for MY 2000/01 was revised downward based on industry sources. As always, however, the area harvested for processing purposes will depend on the demand for fresh tomatoes in the domestic and international markets. The balance of tomatoes for the processing industry is bought in the fresh market. Data for MY 1999/00 tomatoes remain unchanged. Cost of production for the processing tomato for MY 2001/02 ranged from 12,500 to 13,500 pesos/Ha (US\$1,344 to 1,451/Ha).

Besides international demand, production of tomato paste depends very much on fresh tomato demand. When there is a high demand for fresh tomatoes for the export market, some processing tomatoes are diverted and end up either in the domestic fresh market or the fresh export market. When tomato prices for the export market are low, they are available for the processing industry at good prices; however, if there is low international demand for tomato paste, the processing industry cannot take advantage of the situation. Most plants operate from March through June. Tomato paste production data is difficult to obtain because it is not officially published and few producers provide accurate partial data.

Seven tomato paste processing plants, which constitute the majority of the Mexican tomato paste industry, are located in Sinaloa. Mexican and multinational firms control these plants. They produce paste under their own labels and for use in other products such as ketchup, tomato based juices, sauce, hot sauce, sardines, and other tomato paste containing products. Tomato paste in Mexico is made at different concentrations depending on the intended end use: 29, 31, 36, 44 degrees Brix.

Sinaloa's total processing capacity is approximately 6,350 metric tons per day. Some plants contract their tomatoes for processing directly with the local growers. Other plants prefer to purchase most of their supply in the cash market. The processing plants provide the growers under contract with most of their inputs, including seedlings, fertilizer, and technology for pest control. Processors then deduct these input costs from the payment for the product. Planting and harvesting for processing tomatoes depend on fresh

domestic market prices; planting and harvesting of fresh tomatoes and tomatoes processed for tomato paste depend on international prices.

CONSUMPTION

Note: The tomato paste consumption data includes domestic production and tomato paste imported by the paste industry and the dehydration industry. According to sources, all the dehydrated product is exported.

Tomato paste consumption is estimated as the residual after subtracting exports and ending stocks from total supply, then adding imports as appropriate. Although the domestic market is not very large, it acts as a buffer for oversupplies of canned tomato paste. Tomato paste consumption for MY 2002/03 is forecast at 27,000, a 4 percent decrease compared to MY 2001/02, due to a corresponding decrease in imports for the dehydration industry. However, final consumption data will also depend on the volume of tomato paste exported. According to industry, while domestic consumption of tomato paste is growing, due to the large variety of products prepared with tomato paste, growth has been slow.

Tomato paste consumption for MY 2000/01 and 2001/02 was revised downward, due to fewer imports of tomato paste for the dehydration industry. Domestic consumption ranges between 20,000 to 25,000 MT, not including the paste destined for the dehydration industry. However, the final consumption figure for these years will depend on the final export numbers. According to the dehydrated tomato industry, less paste has been imported as demand has been reduced. High capital costs and the lack of adequate warehouses encourage processors to sell excess supplies into the domestic market rather than to maintain inventories.

TRADE

Mexican tomato paste exports for MY 2002/03 are forecast to remain at 6,000 MT, due to expected low international demand. However, some companies could export more than presently anticipated if the current low international stock situation positively affects prices and consequently encourages Mexican exporters to increase shipments of tomato paste.

MY 2001/02 export estimates were revised downward, due to high international inventories and lower demand. Tomato paste export estimates for MY 2000/01 were revised downward based on more recent Mexican trade data. The average export price for tomato paste for MY 2001/02 has ranged between US\$0.30 to \$0.33 /lb. The export price for MY 2002/03 is expected to begin at US\$0.33 /lb.

According to industry sources, not only has the United States been increasing its tomato paste production, but more importantly, so has China, where high production levels have resulted in lower international prices for tomato paste. Mexico envisions that competition from China will limit Mexico's possibilities of increasing its tomato paste exports. The main markets for Mexican tomato paste are the United States and South America. Although the United States is an important market, the Mexican industry also exports paste to Europe when the U.S. domestic market is saturated.

Tomato paste imports for MY 2002/03 are forecast to remain unchanged from MY 2001/02. According to sources, the industry imports approximately 3,000 MT of tomato paste to mix with domestic production. Imports include less tomato paste destined for the dehydration industry. Imports, however, will depend on the industry's international contracts and the possibility of increasing domestic production. Import estimates for MY 2001/02 were revised upward, due to cheaper product imported to cover domestic demand, which the more expensively-produced tomato paste could not meet. Industry indicated that imports were even more affordable than domestically-produced tomato paste. Tomato imports were on average US\$0.29 to \$0.31/lb, whereas exports were two or three cents/lb more. Imports for MY 2000/01 were revised upward based on recent trade data.

While 84 percent of tomato paste imports were from the United States in CY 1999, only 74 percent were from the United States in CY 2000; the remaining CY 2000 imports were from Chile (13.6 percent) and China (12 percent). Importers mentioned that Chinese tomato paste was imported at approximately US\$0.28/lb or less. For MY 2000/01, approximately 6,000 MT of imported tomato paste was destined for the dehydration industry; 3,000 MT went to the dehydration industry in MY 2001/02. Tomato paste imports for MY 2002/03 for the dehydration industry could range from 2,000 to 3,000 MT. This industry imports paste and exports tomato powder.

Tomato paste imports are subject to a 20 percent duty for all non-NAFTA suppliers. The tariff classification code is 20.02.90.99. For 2001, the duty applied to imports from the United States is 2.30 percent. For the tariff phase out schedule under NAFTA see Section II.