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Mexico

Tomatoes and Products

Semi-Annual

2003

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Report Highlights:
Mexico's total tomato production for MY 2002/03 was revised upward due to an increase in acreage. Total tomato exports for MY 2002/03 are expected to increase due to more available supplies and good prices. Tomato paste production for MY 2003/04 will remain flat because it is now more profitable to import tomato paste. Tomato paste imports will continue to be high for MY 2003/04.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Mexico [MX1]
[MX]

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SECTION I. SITUATION AND OUTLOOK

Tomato production for Mexico for MY 2002/03 was revised upward, due to a small increase in acreage. Although some states like Sinaloa and Nayarit have increased planted area for tomatoes destined to domestic market, Baja California has been affected by drier weather conditions and has been reducing area planted for fresh tomatoes. Total tomato exports for MY 2002/03 are expected to increase, due to more available supplies, good international market prices, and the new reference price agreement, which is expected to work better than the last one. Tomato paste production in Mexico for MY 2003/2004 will remain flat because of unprofitable margins. Imports of tomato paste will continue to be high for MY 2003/04.

SECTION II. STATISTICAL TABLES

FRESH TOMATO TABLE

PSD Table						
Country	Mexico					
Commodity	Fresh Tomatoes					(HA)(MT)
	2000 Revised		2001 Estimate		2002 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	10/2000		10/2001		10/2002	
Plnt For Fresh Consump	73688	73688	70000	70000	71000	72000
Plnt For Processing	3000	3000	3000	3000	3000	3000
TOTAL Area Planted	76688	76688	73000	73000	74000	75000
Harv. For Fresh Cons.	71650	71650	67900	63732	68500	69500
Harv. For Processing	2800	2800	2800	2800	2800	2800
TOTAL Area Harvested	74450	74450	70700	66532	71300	72300
Fresh Sale Production	2037931	2037931	1989000	1856563	2006000	2028000
Processing Production	112000	112000	111000	111000	112000	112000
TOTAL Production	2149931	2149931	2100000	1967563	2118000	2140000
TOTAL SUPPLY	2149931	2149931	2100000	1967563	2118000	2140000

TOMATO PASTE TABLE

PSD Table						
Country	Mexico					
Commodity	Tom. Paste,28-30% TSS Basis			(MT) (MT, Net Weight)		
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	03/2001		03/2002		03/2003	
Deliv. To Processors	85000	85000	85000	85000	85000	85000
Beginning Stocks	0	0	0	0	0	0
Production	12000	12000	12000	12000	12000	12000
Imports	24360	24360	27500	26021	28000	27000
TOTAL SUPPLY	36360	36360	39500	38021	40000	39000
Exports	4763	4763	6600	7853	6600	7500
Domestic Consumption	31597	31597	32900	30168	33400	31500
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	36360	36360	39500	38021	40000	39000

Trade Matrix

Tomatoes		UNITS: METRIC TONS	
EXPORTS FOR MY 01/02 (OCT-SEPT) TO:		IMPORTS FOR MY 01/02 (OCT-SEPT) FROM:	
U.S.	796,450	U.S.	43,577
OTHER		OTHER	
CANADA	940	CHILE	83
TOTAL OF OTHER	940	TOTAL OF OTHER	83
OTHERS NOT LISTED	2345	OTHERS NOT LISTED	0
GRAND TOTAL	797,735	GRAND TOTAL	43,660

SOURCE: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, February 2003.

Tomato Paste		UNITS: METRIC TONS	
EXPORTS FOR MY 02/03 (MAR-FEB) TO:		IMPORTS FOR MY 02/03 (MAR-FEB) FROM:	
U.S.	7,735	U.S.	18,258
OTHER		OTHER	
UNITED KINGDOM	36	CHILE	5,837
ITALY	27	CHINA	1,561
TOTAL OF OTHER	63	TOTAL OF OTHER	7,398
OTHERS NOT LISTED	55	OTHERS NOT LISTED	365
GRAND TOTAL	7,853	GRAND TOTAL	26,021

SOURCE: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, February 2003.

Tomato Prices

WHOLESALE TOMATOES PRICES PESOS / KILOGRAM			
Month	2002	2003	CHANGE %
JANUARY	11.94	10.74	(10.05)
FEBRUARY	4.92	5.96	21.14
MARCH	7.90	10.94	38.48
APRIL	7.78	8.43	8.35
MAY	9.92	10.25	3.33
JUNE	12.20	N/A	N/A
JULY	10.72	N/A	N/A
AUGUST	9.06	N/A	N/A
SEPTEMBER	8.71	N/A	N/A
OCTOBER	9.74	N/A	N/A
NOVEMBER	11.92	N/A	N/A
DECEMBER	14.00	N/A	N/A

* AS OF FIRST WEEK OF MAY, 2003.

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVERAGE EXCHANGE RATE 2002 USD$1.00 = $9.82 PESOS
EXCHANGE RATE (MAY 8, 2003) USD$1.00= $10.35 PESOS

TOMATO TARIFF SCHEDULE

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.		

TOMATO PASTE TARIFF SCHEDULE

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

The fresh tomato production forecast for marketing year 2002/03 (October/September) was revised slightly upward. Area planted for fresh consumption as well as area harvested was also revised upward based on available information. Some states like Sinaloa and Nayarit increased planted area for tomatoes destined to the domestic market. However, despite this, producers maintain that area planted is not expected to increase significantly compared to MY 2001/02. In fact, Baja California has been affected by drier weather conditions and has been reducing area planted for fresh tomatoes. Although the overall weather conditions for tomato production were fair, rainfall during late February and early March slowed down harvesting in Sinaloa, and Nayarit. Jalisco had rain and cold temperatures during October 2002, which affected somewhat the quality of tomato production. Mexican states that grow for the domestic market tend to plant more Italian tomatoes while those growing for export usually plant standard round tomatoes. The state of Sinaloa plants for both markets. The fresh tomato production estimate for MY 2001/02 was revised downward because area planted in San Luis Potosi, Michoacan, and Morelos had weather problems and some areas could not be harvested. Area harvested for fresh consumption, therefore, was also revised downward. Data for MY 2000/01 remains unchanged.

CONSUMPTION

The tomato consumption forecast for MY 2002/03 was revised upward, but is not expected to increase much from the previous forecast. According to producers, demand was slow for the first quarter and prices had swings, due to rainfall and the export season. Final tomato consumption, however, depends on tomato exports to the United States because domestic consumption tends to be a residual after exports. Wholesale prices in early January, when exports to the U.S. market were at their highest, reached $13.0/kg (US$1.26/kg). On the other hand, when exports slowed down in February, prices went down close to $6.00/kg (US$0.58/kg). Consumption estimates for MY 2001/02 were lower than previously forecast, due to large volumes of tomatoes exported and slightly lower demand. The tomato paste industry has always bought tomatoes from the fresh market in addition to buying contracted tomatoes for processing. However, due to the price competition from the fresh market, the industry has had problems in obtaining product for the industry. Moreover, there has been less industrial demand for tomato paste production. Consumption data for MY 2000/01 remains unchanged.

TRADE

Tomato exporters indicate that winter tomato exports were good during December 2002 with prices averaging over US$15 per 25 lb box. By January 2003, prices almost fell to the reference price (21.08 US cents per pound from October 23 to June 30, for the winter season) due to larger supplies in the international market. But by February and March export prices increased again. According to producers, total exports for MY 2002/03 are expected to increase, due to more available supplies, good international market prices, and the ongoing reference price agreement (See report MX 2169). Mexican producers have indicated that their relationship with Floridian tomato producers is now more of a cooperative and informative one than a competitive one. According to Mexican trade data, tomato exports for MY 2001/02 were 797,735 MT compared to 807,586 MT of MY 2000/01, due to downward price fluctuations in the market.

Imports of fresh tomatoes from the United States represent a small portion of fresh consumption in Mexico and fluctuate depending on the international price. Fresh tomato imports from the U.S. for MY 2002/03 are expected to be in the same range as in MY 2001/02. According to Mexican data, imports for MY 2001/02 were 43,660 MT, an increase compared to imports of MY 2000/01 of 35,121 MT. Growers indicate that imports compete with low domestic prices, but are able to find market windows from July to September. However, the final figure for tomato imports will depend on the recovery of Mexico's economy, and the exchange rate, which regained strength again since April 2003. Tomato tariff classification numbers are 07.02.002, 07.02.004, and 07.02.006.

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 NAFTA Tomato Tariff Phase-Out Schedule for both the U.S. and Mexico. According to the tariff phase out, tomatoes exported to the U.S. since March 1, 2003 will have a zero duty and will not have quantitative limitations. See Section II for the tariff schedule.

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 importing tomatoes will continue for 2003. The campaigns will concentrate in Mexico City, Guadalajara and the northern border cities with importers, as larger volumes of tomatoes tend to be bought here. Tomatoes for the export market are shipped directly from the producing areas to the U.S. border.

TOMATO PASTE

PRODUCTION

Tomato paste production in Mexico for MY 2003/2004 (March/February) remains unchanged. Similar to MY 2002/03, many companies will not produce more tomato paste because of unprofitable margins. Increased costs of production and lower international prices for paste have forced the industry to remain flat. It is more profitable to import tomato paste at low prices than to produce locally. A few companies are only producing for international contracts, mainly for the United States. Tomato paste production for MY 2001/02 and 2002/03 remains unchanged. Planting and harvesting for processing tomatoes depend on fresh domestic market prices and tomato paste international prices. Planted area of tomatoes destined for processing for MY 2002/03 remain unchanged as well as for MY 2000/01 and 2001/02.

In addition to 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 fresh 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 only a few producers provide accurate – and then only -- partial data.

CONSUMPTION

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

Tomato paste consumption is estimated as the residual after subtracting exports and ending stocks, if available, from total supply, then adding imports as appropriate. The domestic market acted as a buffer for oversupplies of canned tomato paste when companies were producing normally. However, since 2000, when companies started to reduce tomato paste production from the historically-high levels of 30,000 to 40,000 MT, the market demand has been met by larger imports. Tomato paste consumption estimates for MY 2003/04 were revised downward to 31,500 MT, because of lower consumer purchasing power. However, final consumption data will also depend on the volume of tomato paste exported. Tomato paste consumption for MY 2002/03 was also revised downward based on trade data and a decrease in consumer purchasing power. Domestic consumption ranges between 25,000 to 28,000 MT, not including the paste destined for the dehydration industry. Data for MY 2001/02 remains unchanged. 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

Mexico's possibilities of increasing its tomato paste exports have dwindled as the United States has increased its tomato paste exports. In addition, China's access to the international market, with its high levels of production, has lowered international prices. Mexican tomato paste export estimates for MY 2003/04 were revised upward from previous estimates to 7,500 MT, reflecting a higher demand from the international market. Tomato paste exports for MY 2002/03 were revised upward due to a small increase in prices. The main markets for Mexican tomato paste are still the United States and South America. Export data for MY 2001/02 remain unchanged.

Tomato paste imports for MY 2003/04 were revised downward to 27,000 MT, reflecting a slightly lower demand from the domestic market. Due to low international prices, the tomato paste industry will continue importing tomato paste as it is more profitable than producing it domestically. MY 2002/03 import data has been revised downward, but still reflects higher imports compared to MY 2001/02. The industry indicated that importing tomato paste from the United States, China and Chile was less expensive than producing it in Mexico. Imports include tomato paste for the dehydration industry. Tomato paste imports were on average US$0.27 to $0.29/lb for MY 2002/03, while exports prices were four or five cents/lb more. Approximately 4,000 to 5,000 MT of imported tomato paste are destined for the dehydration industry, and the rest is for domestic consumption. This industry imports paste and exports tomato powder. Tomato paste imports are subject to a 20 percent duty for all non-NAFTA suppliers. Since 2003, the duty applied to imports from the United States is zero. The tariff classification code is 20.02.90.99. For the tariff phase out schedule under NAFTA, see Section II.