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## Mexico

## Tomatoes and Products

## Annual Report

## 2008

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**Report Highlights:**

Assuming normal weather conditions, Mexico's total tomato production for MY 2008/09 is forecast to increase to 2.36 MMT. MY 2007/08 tomato production is forecast at 2.3 MMT, primarily due to lower yields resulting from unfavorable weather conditions. Tomato exports for MY 2007/08 are forecast to increase to 1.1 MMT compared to 1.047 MMT from MY 2006/07. Exports for MY 2008/09 are expected to be the same as MY 2007/08, or slightly higher, due to increased production and favorable prices. Tomato consumption for MY 2007/08 is forecast to be somewhat lower compared to the 1.248 MMT of MY 2006/07.

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

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## SECTION I. SITUATION AND OUTLOOK

### TOMATO SITUATION

Tomato production in Mexico for MY 2008/09 (Oct/Sep) is forecast to reach 2.36 million metric tons (MMT), assuming normal weather conditions. MY 2007/08 production estimates are forecast at 2.336 MMT as unfavorable weather conditions affected the winter output. However, exports for MY 2007/08 are estimated at slightly higher levels compared to MY 2006/07 due to better international prices. Over the past several years, Mexican greenhouse tomato production has started to become an important factor in terms of total tomato production. According to sources, MY 2007/08 greenhouse tomato production could be over 3,000 hectares. Tomato consumption for MY 2007/08 is forecast to be slightly lower compared to MY 2006/07. Tomato consumption in Mexico depends on prices, thus marginal changes in prices tend to lead to significant changes in demand. Consumption for MY 2008/09 could be higher compared to MY 2007/08 if yields are good.

The Tomato Suspension Agreement between Mexico and the United States, signed on December 4, 2002, binds 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 2007/08 have been well above the reference prices. Fresh tomato exports to the U.S. as well as imports have a zero duty under NAFTA.

## SECTION II. STATISTICAL TABLES

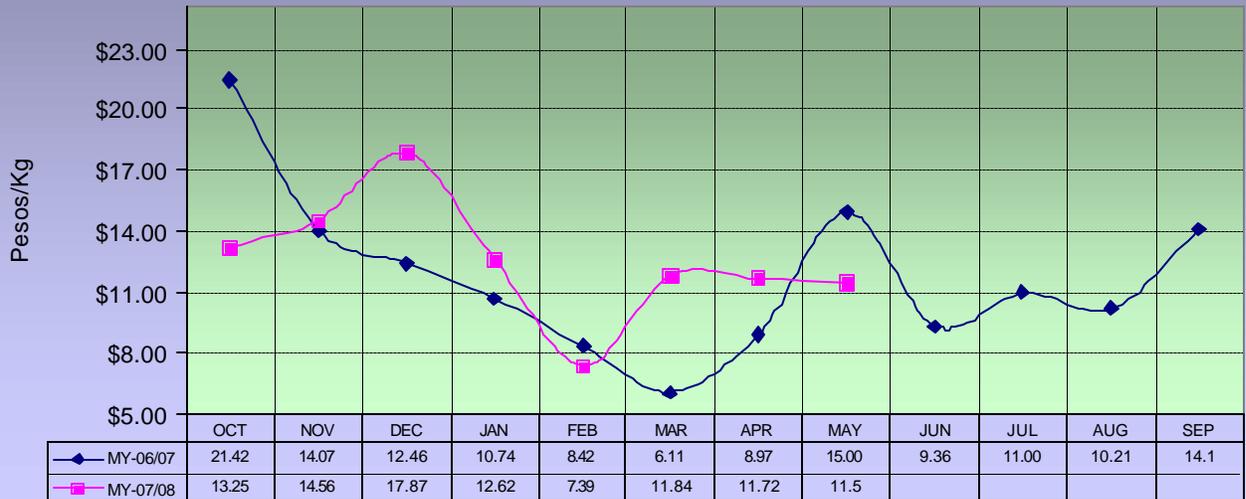
## TOMATO PRICES

Wholesale Round Tomato Prices Mexico City Pesos/Kilogram			
MONTH	2007	2008	CHANGE %
JANUARY	10.74	12.62	9.31
February	8.42	7.39	(12.23)
MARCH	6.11	11.84	93.78
APRIL	8.97	11.72	30.65
MAY	12.42	11.50*	(7.40)
JUNE	9.36	N/A	N/A
JULY	11.00	N/A	N/A
AUGUST	10.21	N/A	N/A
SEPTEMBER	14.10	N/A	N/A
OCTOBER	13.25	N/A	N/A
November	14.56	N/A	N/A
December	17.87	N/A	N/A

Wholesale Roma Tomato Prices Mexico City Pesos/Kilogram			
Month	2007	2008	CHANGE %
JANUARY	6.09	6.89	13.13
February	4.47	5.55	24.16
MARCH	3.59	9.27	158.21
APRIL	6.17	9.55	54.78
MAY	5.73	8.81*	53.75
JUNE	4.71	N/A	N/A
JULY	7.30	N/A	N/A
AUGUST	8.57	N/A	N/A
SEPTEMBER	11.33	N/A	N/A
OCTOBER	6.94	N/A	N/A
November	8.05	N/A	N/A
December	8.29	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados  
 2007 Exchange Rate Avg.: U.S.\$1.00 = 10.92 pesos  
 May 15, 2008 Exchange Rate: U.S.\$1.00 = 10.48 pesos  
 \* As of 3rd week in May 2008

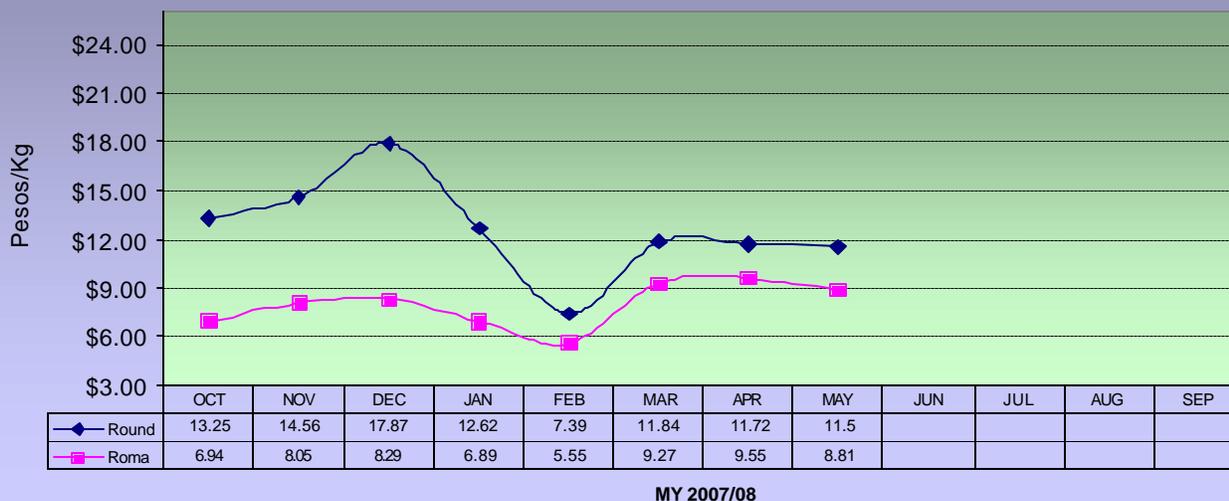
## Round Tomato Prices Mexico City Wholesale



## Roma Tomato Prices Wholesale Mexico City



## Round & Roma Tomato Prices Mexico City Wholesale



### TRADE MATRIX

Tomatoes			UNITS: METRIC TONS		
Exports for MY 2005/06 (OCT-SEPT) to:			Imports for MY 2005/06 (OCT-SEPT) from:		
U.S.	1,035,099	\$1,114,093	U.S.	13,016	\$12,748
OTHER			OTHER		
Canada	9,686				
TOTAL OF OTHER	9,686		TOTAL OF OTHER	0	
OTHERS NOT LISTED	25		OTHERS NOT LISTED	0	
<b>GRAND TOTAL</b>	<b>1,044,810</b>	<b>\$1,114,093</b>	<b>GRAND TOTAL</b>	<b>13,016</b>	<b>\$12,748</b>

Tomatoes			UNITS: METRIC TONS		
EXPORTS FOR MY 2006/07 (OCT-SEPT) TO:			IMPORTS FOR MY 2006/07 (OCT-SEPT) FROM:		
U.S.	1,042,216	\$1,042,014	U.S.	55,387	\$41,378
OTHER			OTHER		
CANADA	5,168		CHILE	0	
TOTAL OF OTHER	5,168		TOTAL OF OTHER	0	
OTHERS NOT LISTED	23		OTHERS NOT LISTED	0	
<b>GRAND TOTAL</b>	<b>1,047,407</b>	<b>\$1,047,467</b>	<b>GRAND TOTAL</b>	<b>55,387</b>	<b>\$41,378</b>

\*Value in U.S. Dollars

**SOURCE:** Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, December 2007.

**SECTION III. NARRATIVE ON SUPPLY & DEMAND, POLICY & MARKETING****FRESH TOMATOES****PRODUCTION**

FAS/Mexico estimates that production could reach 2.36 million metric tons (MMT) for MY 2008/09 (October/September) depending on favorable weather conditions. Although, there is not yet an official forecast for overall tomato production for MY 2008/09, it is expected that high international market prices will attract producers to, at least, produce at similar levels of MY 2007/08.

The overall tomato production estimate for MY 2007/08 was revised upward from Post's original estimate for the year. However, producers in Sinaloa encountered unfavorable weather conditions during January/February 2008 that prevented them from planting more in the area compared to MY 2006/07. Since the export season was good due to attractive international prices, domestic prices were higher for the first quarter of 2008. According to producers, the average tomato yield per hectare is expected to be approximately 37 MT/ha. Tomato production data was revised upward for MY 2006/07 based on official data.

<b>PRODUCTION (MT)</b>	<b>Previous Estimate MY 2006/07</b>	<b>MY 2006/07</b>	<b>Previous Estimate MY 2007/08</b>	<b>Forecast MY 2007/08</b>	<b>Forecast MY 2008/09</b>
Total production	1,931,000	2,380,000	1,950,000	2,336,000	2,360,000
For fresh market	1,913,500	2,359,000	1,933,000	2,318,000	2,342,000
For processing	17,500	21,000	17,000	18,000	18,000
<b>AREA PLANTED (Ha)</b>					
TOTAL area planted	66,200	66,470	65,700	65,700	65,700
For fresh consumption	65,400	65,670	65,000	65,000	65,000
For processing	800	800	700	700	700
TOTAL area harvested	62,300	64,357	62,700	63,600	63,800
For fresh consumption	61,600	63,657	62,100	63,000	63,200
For processing	700	700	600	600	600

Total planted area for tomatoes has a tendency to decrease from year-to-year because growers are experiencing expansion constraints as a result of higher production costs, which is largely a function of international exchange rates and limited water availability. Also, growers are trying to prevent overproduction problems. However, planted area is influenced by the previous year's international prices, which will either encourage or discourage the next year's tomato plantings. However, tomato production in greenhouses or shade houses is increasing; thus area planted is lower but yields are higher.

Tomato plantings for fresh consumption for MY 2008/09 are forecast to remain the same as MY 2007/08 at 65,000 hectares. However, if weather conditions are excellent then yields could increase. Spring season growers, mainly in Baja California, have been dealing with pest problems in the open field crop. MY 2006/07 area planted and area harvested was revised slightly upward from the previous estimate based on official data. Producers report that weather is only one of many factors that affect year-to-year plantings. Production area also tends to increase, or decrease, depending on domestic and international tomato prices, as well as demand for different tomato varieties. Much of the area that was previously devoted to processing has been shifted to fresh tomato production, as demand for processing tomatoes has declined significantly. Another factor that is currently affecting the tomato

area and other vegetables is that farmers are planting more corn in Sinaloa, as it is a less risky product with lower production costs and relatively high prices, as of late.

Mexico produces greenhouse and shade house tomatoes in several states. There is no official government data on area planted in greenhouses, but according to industry sources there are probably over 3,000 hectares of greenhouse plantings throughout Mexico, with the majority devoted to tomato production. Greenhouse yields tend to vary significantly among producers, variety, and state, and generally range from 150 MT/ha to 200 MT/ha. Each state has its own set of economic incentives and supports for establishing greenhouse operations, and several states run training seminars, trade missions, and set standard and certification programs. Although greenhouse operations are concentrated in Baja California, Baja California Sur, Jalisco, and Sinaloa, there are also some greenhouse operations in the states of: Colima, Mexico, Hidalgo, Michoacán, Querétaro, San Luis Potosí, Sonora, and Zacatecas. Most of the production from greenhouses is destined for export markets, as prices on the international market tend to be significantly higher.

During the winter season (October - May), growers in Sinaloa are the main producers and exporters of fresh tomatoes. Other significant producers include Michoacan, Jalisco, and Baja California Sur. Sinaloa growers 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 Michoacan, 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. Jalisco has also begun to increase their open field and greenhouse planted area. This increase is largely attributable to their 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 2007/08 and 2008/09 for processed tomatoes is estimated at 700 hectares or less. MY 2006/07 area planted remained unchanged at 800 hectares. Yields for this type of tomato range from 30 MT/ha to 40 MT/ha, given normal weather conditions.

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 2007/08 ranged from \$50,000 to \$76,000 pesos/ha (U.S. \$4,743.80 to \$7,210.60/ha) in Sinaloa and Baja California, which produce for both domestic and export purposes. Meanwhile, greenhouse and shade house operations cost as much as U.S. \$22,000/ha. 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 officials within the Mexican Ministry of Agriculture 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 2007/08 average fresh tomato yields are forecast at 35 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 significantly lower yields, 16 to 30 MT/ha. This is mostly attributable to a less intensive use of quality inputs and ineffective pest control programs. Yields for greenhouses are generally between 150 and 200 MT/ha.

In January 2008, prices for Sinaloa grown round tomatoes started higher compared to 2007, approximately \$3.20 pesos/kg (U.S. \$0.30/kg) and declined to about \$2.90 pesos/kg (U.S. \$0.27/kg) in March 2008. However, prices increased again in April as production dwindled. During January/February 2008, producers reduced harvesting to increase domestic prices, but weather problems delayed fruit maturing and plantings. Therefore, tomato supplies decreased and international prices increased thus encouraging exports. Domestic prices increased as well.

Grower prices for Roma tomatoes in January 2008 from Sinaloa were also higher compared to 2007 at approximately \$2.20 pesos/kg (U.S. \$ 0.21/kg), and declined to \$1.70/kg (U.S. \$0.16/kg) in March 2008. Statistically, there is a tendency for round tomato prices to follow Roma tomato prices. So, whenever Roma prices begin to decline so do round tomato prices, regardless of the supply situation.

## 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 2007/08 is expected to be slightly lower compared to MY 2006/07 or about 1.248 MMT. Tomato consumption is very price sensitive in Mexico, thus marginal changes in prices tend to lead to significant changes in demand. Traders indicated that the tomato supply was low during February/March 2008, and prices increased while demand from the international market was very strong, as is typical in the first quarter. If yields are good, consumption for MY 2008/09 could be higher compared to MY 2007/08.

Tomato consumption for MY 2006/07 was 1.362 MMT, higher than expected due to more supplies at accessible prices. Though greenhouse production is limited, and tends to be priced higher, the market now has the option of meeting some of the domestic demand with greenhouse tomatoes, after the export market has first been supplied.

During March, April, and May, local tomato prices tend to rise because of increased exports from the state of Sinaloa, which in turn reduces supply on 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 has always bought 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 to produce it domestically.

## TRADE

According to Mexican trade data, Mexico exported 1.047 MMT of tomatoes in MY 2006/07 (Oct/Sept), the vast majority of which were shipped to the United States. This quantity is very similar to what Mexico exported in MY 2005/06 or 1.044 MMT. According to the U.S. Census Bureau, tomato exports for MY 2007/08 (March) shows an increase of 13 percent in

volume over the same period in 2006/07. According to growers, international prices were relatively high from December 2007 to April 2008, except for the month of February when prices usually drop. Therefore total exports for MY 2007/08 are expected to increase slightly to about 1.100 MMT. Exports for MY 2008/09 are expected to be the same as MY 2007/08 or slightly higher due to increased production and favorable prices. The average price per kilogram of tomatoes exported to the U.S. during 2005/06 and 2006/07 was around U.S. \$1.00/ kg, but for MY 2007/08 until February 2008, the average price increased to U.S. \$1.19 per Kg. Likewise, the value of tomatoes has been increasing, mainly the value of greenhouse tomatoes. According to the U.S. Census Bureau, from the overall tomatoes imported from Mexico during MY 2006/07, 25.3 percent were greenhouse tomatoes while only 19.6 percent were greenhouse tomatoes during MY 2005/06. (Export/Import data from the Census Bureau was used since WTA data for 2007/08 was not current.)

The following table represents the annual (Oct/Sept) marketing year average export price for greenhouse and Roma tomatoes from different seasons.

<b>AVERAGE EXPORT TOMATO PRICE TO THE U.S. DOLLARS/KILOGRAM</b>			
	<b>MY 2005/06</b>	<b>MY 2006/07</b>	<b>MY 2007/08 (March 2008)</b>
Greenhouse Tomato (3/15-7/15)	1.23	1.52	1.53
Greenhouse Tomato (11/15-2/28)	1.42	1.44	1.65
Roma Tomato (3/15-7/15)	0.85	0.68	0.84
Roma Tomato (11/15-2/28)	0.91	0.75	0.95

Source: Dept of Commerce, U.S. Census Bureau

The Tomato Suspension Agreement between Mexico and the United States, signed on December 4, 2002, binds 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 2007/08 have been well above the reference prices. Fresh tomato exports to the U.S. as well as imports have a zero duty under NAFTA. 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. According to importers, MY 2007/08 tomato imports have been slow, approximately 9,934 MT to March 2008, but they are expected to increase to 35,000 MT from June to September. Most of the imported tomatoes are sold in the northern states of Nuevo Leon, Sonora, Baja California, and Chihuahua. According to the U.S. Census Bureau, Mexico imported 38,835 MT in MY 2006/07, more than 200 percent higher compared to MY 2005/06 imports, which was due to a reduced domestic winter crop.

**MARKETING**

Fresh tomatoes destined for domestic consumption, including imported tomatoes, pass through various wholesale markets throughout Mexico, and from there to the large supermarkets and retail stores. A few stores, including a major U.S. based retail chain, 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 have focused on proper tomato handling (e.g., how to ripen green tomatoes, etc.), 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.