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Spain

Tomatoes and Products

Annual

2004

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Report Highlights:
In CY 2003, Spain's overall tomato production rose to 3.91 million tons due to a record crop of processing tomatoes -- which exceeded the EU quota for processing. As a consequence, the EU subsidy for processing tomatoes will be reduced by 14.9 percent for MY 2004/05. However, the penalty has had little impact on producers, who expect to harvest yet another record crop of processing tomatoes in MY2004/05; if realized, this output would support a dramatic increase in paste production and exports in MY 2004/05.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Madrid [SP1]
[SP]

Executive Summary

In MY 2003/04, Spain's tomato harvest increased 1 percent over the previous year, to 3.91 million tons; of this amount, some 2.20 million tons were consumed fresh and a record 1.71 million tons were delivered to processing plants. Deliveries to processors were 472,400 tons over the quota established for Spain under the EU program for processing tomatoes.

For MY 2004/05, yet another record is expected for the production of processing tomatoes. Trade sources say that contracts for processing tomatoes amount to about 2.5 million Mt; of this amount, about 2.22 million tons could be delivered to processors, which would be 1 million tons over Spain's EU quota. If this production level is realized, Spanish processors will face challenges in disposing of a record output on European markets; ending stocks are likely to skyrocket.

The Region of Andalucia in Southern Spain is emerging as a new area for tomato processing. For MY 2004/05, processors have contracted for 320,000 Mt of fresh tomatoes in Andalucia, which is triple the amount contracted two years ago.

NOTE: Current exchange rate is 1 euro = 1.20 U.S. dollar.

Production

PSD Table

Country Spain

Commodity Fresh Tomatoes (HA)(MT)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [	New]
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Plnt For Fresh Consump	32500	32500	32000	32200	0	32300	(HA)
Plnt For Processing	27000	27000	26200	32300	0	35800	(HA)
TOTAL Area Planted	59500	59500	58200	64500	0	68100	(HA)
Harv. For Fresh Cons.	32500	32500	32000	32200	0	32300	(HA)
Harv. For Processing	27000	27000	26200	32300	0	35800	(HA)
TOTAL Area Harvested	59500	59500	58200	64500	0	68100	(HA)
Fresh Sale Production	2208900	2208900	2200000	2200300	0	2210000	(MT)
Processing Production	1669500	1669500	1690000	1711000	0	2220000	(MT)
TOTAL Production	3878400	3878400	3890000	3911300	0	4430000	(MT)
TOTAL SUPPLY	3878400	3878400	3890000	3911300	0	4430000	(MT)

PSD Table

Country Spain

Commodity Tomatoes, Canned (MT)(MT, Net Weight)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [	New]
Market Year Begin		07/2002		07/2003		07/2004	MM/YYYY
Deliv. To Processors	219500	205000	220000	215000	0	200000	(MT)
Beginning Stocks	3903	3903	500	596	4800	4596	(MT, Net Weight)
Production	182900	170833	183300	179000	0	166000	(MT, Net Weight)
Imports	1400	1603	2000	2000	0	2000	(MT, Net Weight)
TOTAL SUPPLY	188203	176339	185800	181596	4800	172596	(MT, Net Weight)
Exports	64000	69310	60000	68000	0	60000	(MT, Net Weight)
Domestic Consumption	123703	106433	121000	109000	0	109000	(MT, Net Weight)
Ending Stocks	500	596	4800	4596	0	3596	(MT, Net Weight)
TOTAL DISTRIBUTION	188203	176339	185800	181596	0	172596	(MT, Net Weight)

PSD Table

Country Spain

Commodity Tomato Paste,28-30% TSS B (MT)(MT, Net Weight)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		07/2002		07/2003		07/2004	MM/YYYY
Deliv. To Processors	1346846	1234300	1360000	1343000	0	1800000	(MT)
Beginning Stocks	16987	16987	487	587	6335	3399	(MT, Net Weight)
Production	240500	220400	242848	239812	0	321428	(MT, Net Weight)
Imports	14000	14630	15000	14000	0	10000	(MT, Net Weight)
TOTAL SUPPLY	271487	252017	258335	254399	6335	334827	(MT, Net Weight)
Exports	144000	124430	125000	124000	0	160000	(MT, Net Weight)
Domestic Consumption	127000	127000	127000	127000	0	128000	(MT, Net Weight)
Ending Stocks	487	587	6335	3399	0	46827	(MT, Net Weight)
TOTAL DISTRIBUTION	271487	252017	258335	254399	0	334827	(MT, Net Weight)

In MY 2003/04, Spain increased tomato production for processing due to a substantially larger area planted, as a summer heat wave in 2003 reduced yields. Nevertheless, farmers delivered a record 1.71 million tons for processing, of which 69,000 tons were processed into whole peeled tomatoes and 1,642,000 tons into paste and other tomato products.

Since deliveries to processors in MY 2003/04 were 472,400 tons over the EU quota, the EU imposed a penalty of 14.9 percent, which will be subtracted from the subsidy for paste and processing tomatoes (other than whole peeled) during 2004/05. The net subsidy will thus amount to 29.36 euros per ton of fresh tomatoes for processing into paste or in other tomato products (other than whole peeled tomatoes); those going into whole peeled tomatoes will receive the full subsidy of 34.46 euros per ton.

The EU's penalty on the subsidy for processing tomatoes has had little effect on the further expansion of production. The crop remains very profitable in Extremadura and Andalucia as improvements in mechanization, as well as in new varieties and technology, are increasing yields and productivity.

As a consequence, we are looking for a further expansion in the crop area for processing tomatoes in MY 2004/05. Processors say they have contracted some 2.5 million tons of tomatoes for their plants in MY 2004/05; some 1.8 million tons were contracted in Extremadura, 350,000 ton in Andalucia and the balance, in other minor producing areas.

The EU's new policy for cotton, which decouples 65 percent of the direct payments received by cotton farmers, could result in additional increases in the crop area of tomatoes for processing. Most cotton area –some 92,000 hectares- is irrigated and is highly suitable for tomatoes. Since cotton farmers will receive a "decoupled" payment of about €1,000 per hectare regardless of what they produce, many may shift production from cotton to tomatoes and other alternative crops. The cotton industry expects that cotton area will be reduced by about 30,000 hectares in the next couple of years.

Regarding fresh tomatoes, about 50 percent of output is harvested during the fall and winter, mainly in greenhouses. The heat wave of the June, July and August 2003 damaged the tomato crop, sending prices for fresh tomatoes sharply higher in September, October and November; the average was 0 .65 euros ($0.78) per kilogram, about 50 percent higher than in the previous year.

For MY 2004/05, farmers and processors have agreed a price of 51 euros per ton of processing tomatoes. Besides the market price, farmers will also receive an EU subsidy of 29.36 euros per ton of fresh tomatoes for processing in paste or most other tomato products and 34.46 euros per ton for processing into whole peeled tomatoes. According to producers, the production cost is estimated at 44 euros per ton and yields average 60 tons per hectare. Consequently, farmers could have a net profit of about € 2,200 per hectare for this year's crop. Although additional reductions on the subsidies are expected due to production over the EU quota, this profit margin should allow further increases in tomato production.

Although heavy rains and cool temperatures at the beginning of May 2004 have delayed planting, weather has been generally favorable for this summer's harvest. Reservoirs in production areas should have enough water to meet demand from tomato farmers during the next few years.

NOTE: Supply and distribution data are on a 28/30 tomato solid content basis. About 80 percent of tomato paste production in Spain is 28-30 percent TSS double concentrated level paste, and 20 percent is the triple concentrate level of 36-38 percent TSS.

An estimated 1.2 kilograms of fresh tomatoes are currently yielding about one kilogram of canned peeled tomatoes, net weight basis. TSS tomato paste (28-30 percent) is produced at an average industrial rate of 1 kilo for every 5.6 kilos of fresh tomatoes. "Tomate frito" is produced from this paste at a rate of a 2.15 kilos for every 1 kilo of TSS tomato paste, while the same amount of paste will yield 0.3 kilos of tomato powder. In trade statistics, a conversion factor of .85 for 1.0 ton of gross weight has been used to get net weight.

Prices Table

Country Spain

Commodity Fresh Tomatoes

Prices in Euros per uom MT

Year	2002	2003	% Change
Jan	758	509	-33%
Feb	832	563	-32%
Mar	1290	740	-43%
Apr	888	805	-9%
May	472	639	35%
Jun	287	370	29%
Jul	258	233	-10%
Aug	207	245	18%
Sep	230	447	94%
Oct	608	778	28%
Nov	492	681	38%
Dec	596	673	13%

Exchange Rate 1.21 Local Currency/US $
Date of Quote 5062004 MM/DD/YYYY

Consumption

Consumption of canned whole peeled tomatoes has declined in the last few years, as consumers shifted to more convenient crushed and diced tomatoes. Convenience is also a factor in growing consumption of "tomate frito," a consumer-ready sauce often used with pasta and many other dishes. Pasteurized gazpacho (a ready-to-eat, processed cold soup) has been a big hit with consumers, with sales climbing by about 15 percent in CY 2003. Consumption of fresh tomatoes remains stable due to high prices in the last months of CY 2003. For the next few years, further increases in the consumption of both fresh and processed tomatoes are expected due to increases in the number of tourists and immigrants and to new companies producing pasteurized gazpacho and other products.

Trade

Trade, Fresh Tomatoes

In CY 2003, Spanish exports of fresh tomatoes declined marginally due to higher prices in production areas caused by last summer's heat wave. The bulk of exports went to other EU markets, with Germany, Netherlands, the United Kingdom and France being the main destinations. Exports of fresh tomatoes to the United States declined by about 49 percent due to the strength of euro. The spike in prices in late summer, 2003, attracted imports, which rose by 45 percent; most came from Portugal and Morocco. Exports of fresh tomatoes should continue to expand during the next few years due to the accession of ten new countries to the EU.

Import Trade Matrix

Country Spain

Commodit Fresh Tomatoes

Time Period	CY	Units:	MT
Imports for:	2002		**2003**
U.S.	0	U.S.	0
Others		Others	
Portugal	34217		49440
Morocco	6122		7200
Netherlands	1458		3613
France	2220		3220
Belgium	1045		2733
Poland	0		871
Germany	1893		778
Total for Others	46955		67855
Others not Liste	190		201
Grand Total	47145		68056

Export Trade Matrix

Country Spain

Commodit Fresh Tomatoes

Time Period	CY	Units:	MT
Exports for:	2002		**2003**
U.S.	7034	U.S.	3640
Others		Others	
Germany	234747		238698
United Kingdon	186917		190018
Netherlands	179515		165370
France	148991		146990
Czech Republic	26461		29164
Poland	20965		23477
Portugal	42026		23151
Italy	21871		22427
Belgium	17892		20501
Sweden	8069		12966
Total for Others	887454		872762
Others not Liste	64127		70161
Grand Total	958615		946563

Trade, Processed Tomatoes

In MY 2002/03, exports of both tomato paste and canned peeled tomatoes rose to new records due to the drop in production in Italy. In MY 2003/04, however, exports of both products are expected to fall as production recovers in Italy. For MY 2004/05, the expected sharp increase in production of paste tomato could place a great deal of pressure on European markets.

Import Trade Matrix

Country Spain

Commodit Tomato Paste,28-30% TSS Basis

Time Period	MY	Units:	MT
Imports for:	2001		**2002**
U.S.	0	U.S.	606
Others		Others	
Portugal	3881		10289
China	2323		2437
France	0		368
Total for Others	6204		13094
Others not Liste	916		930
Grand Total	7120		14630

Export Trade Matrix

Country Spain

Commodit Tomato Paste,28-30% TSS Basis

Time Period	MY	Units:	MT
Exports for:	2001		**2002**
U.S.	6128	U.S.	4371
Others		Others	
Germany	23296		31103
UK	10629		17971
France	13806		22727
Netherlands	7067		11521
Sweden	4596		4686
Total for Others	59394		88008
Others not Liste	18597		32051
Grand Total	84119		124430

Import Trade Matrix

Country Spain

Commodit Tomatoes, Canned

Time Period	MY	Units:	MT
Imports for:	2001		**2002**
U.S.	0	U.S.	0
Others		Others	
Italy	886		998
Germany	1		409
Portugal	206		126
Mexico	25		29
Total for Others	1118		1562
Others not Liste	286		41
Grand Total	1404		1603

Export Trade Matrix

Country Spain

Commodit Tomatoes, Canned

Time Period	MY	Units:	MT
Exports for:	2001		**2002**
U.S.	3166	U.S.	2243
Others		Others	
France	30252		29635
UK	4594		9148
Italy	452		6221
Portugal	5945		5639
Germany	1241		5532
Total for Others	42484		56175
Others not Liste	12184		10892
Grand Total	57834		69310

Supply and distribution data for processed tomatoes are expressed in terms of net weight.

Note:

The following HS codes and EU tariffs have been used

CN code	EU tariff (conventional rate of duty %)
O702 00 00	See Annex 2 (Comisión Regulation No 1789/2003)
20021010	14.4
20021090	14.4
20029011	14.4
20029019	14.4
20029031	14.4
20029039	14.4
20029091	14.4
20029099	14.4
20095010	16
20095090	16.8

Stocks

In MY 2003/04, the increase in the amount of tomatoes for processing resulted in significantly higher stocks of tomato paste. For MY 2004/05, stocks are expected to rise exponentially, from 3,400 tons to about 47,000 Mt, due to over production.

Policy

In MY 2003/04, farmers delivered 1.711.000 tons for processing, which was 473,000 tons over the EU quota. As a consequence, the EU imposed a penalty of € 5.14, which will be subtracted from the subsidy for paste and processing tomatoes (other than whole peeled) during 2004/05. The net subsidy will thus amount to 29.36 euros per ton of fresh tomatoes for processing into paste or in other tomato products (other than whole peeled tomatoes). Tomatoes delivered for processing into whole peeled tomatoes will receive the full subsidy of 34.46 euros per ton.

According to processors, the amount of fresh tomatoes delivered to their plants in MY2004/05 should be about 2.22 million tons, which would again exceed the EU quota by about 1 million tons. If this occurs, the subsidy for MY 2005/06 may be further penalized.

The tomato processing industry also receives an EU subsidy in the form of an operational fund. This fund is set at a maximum of 4.1 percent of sales. For example, if farmers deliver 2.00 million tons of fresh tomatoes to processors in MY 2004/05 at a price of 50 euros per ton, total sales would amount to 100 million euros. The EU operational fund could reach 4.1 percent of this amount, or nearly 4.1 million euros. The fund can be used to construct new irrigation systems, or improve mechanization.

Marketing

Due to both over production and the high level of EU subsidies received by Spain's tomato processing industry, there is little market potential for U.S. exports. Nevertheless, opportunities exist for some tomato-based flavorings, such as barbecue or other American-style sauces.