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Mexico

Tomatoes and Products

Semi-Annual Report

2004

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Report Highlights:
Mexico's total tomato production for MY 2003/04 was revised downward due to unfavorable weather conditions for tomatoes. Total tomato exports are expected to decrease because weather affected the quality of tomatoes and Mexican tomatoes are facing increased competition in international markets. Tomato paste production for MY 2004/05 will remain low because it is now more profitable to import tomato paste. Tomato paste imports are expected to remain strong during MY 2004/05

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

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SECTION I. SITUATION AND OUTLOOK

TOMATO SITUATION

Tomato production for Mexico for MY 2003/04 (Oct/Sep) was revised downward due to unfavorable weather conditions. High costs of production and water availability tend to limit increases in area planted in the northern states. Also, area planted depends on demand from the export market, mainly the United States. Total tomato exports for MY 2003/04 are expected to be under the levels of MY 2002/03 as weather conditions affected quality and international market demand was lower. Tomato paste production for MY 2004/05 (Mar/Feb) is expected to remain low because it is more profitable to import tomato paste than to produce it domestically, due to prevailing low international prices. Consequently, imports are forecast at 44,950 MT to meet domestic demand.

SECTION II. STATISTICAL TABLES

FRESH TOMATO TABLE

Mexico						
Fresh Tomatoes					(HA) (MT)	
	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	10/2001		10/2002		10/2003	
Plnt For Fresh Consump	66814	66814	67311	68505	67800	68400
Plnt For Processing	3000	3000	2800	1600	2500	1600
TOTAL Area Planted	69814	69814	70111	70105	70300	70000
Harv. For Fresh Cons.	64559	64559	64100	65200	65600	63300
Harv. For Processing	2800	2800	2600	1500	2400	1500
TOTAL Area Harvested	67359	67359	66700	66700	68000	64800
Fresh Sale Production	1878977	1878977	1833000	1937500	1917400	1804000
Processing Production	111000	111000	90000	52500	96000	51000
TOTAL Production	1989977	1989977	1923000	1990000	2013400	1855000
TOTAL SUPPLY	1989977	1989977	1923000	1990000	2013400	1855000

TOMATO PASTE TABLE

Mexico						
Tom. Paste,28-30% TSS Basis (MT) (Net Weight)						
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	03/2002		03/2003		03/2004	
Deliv. To Processors	85000	85000	42000	45000	80000	45000
Beginning Stocks	0	0	0	0	0	0
Production	12000	12000	6000	7500	11000	7500
Imports	26021	26021	44945	44945	26000	44950
TOTAL SUPPLY	38021	38021	50945	52445	37000	52450
Exports	7853	7853	6500	6790	7000	6500
Domestic Consumption	30168	30168	44445	45655	30000	45950
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	38021	38021	50945	52445	37000	52450

TOMATO PRICES

Wholesale Tomatoes Prices Pesos/Kilogram			
Month	**2003**	**2004**	Change **%**
JANUARY	9.22	8.66	(6.07)
February	5.96	7.17	20.30
MARCH	10.98	5.79	(47.26)
APRIL	8.74	9.25	5.83
MAY	10.69	10.50*	1.77
JUNE	15.34	N/A	N/A
JULY	17.00	N/A	N/A
AUGUST	16.88	N/A	N/A
SEPTEMBER	10.56	N/A	N/A
OCTOBER	11.72	N/A	N/A
November	12.60	N/A	N/A
December	18.53	N/A	N/A

Source: Sevicio Nacional de Informacion de Mercados
2003 Exchange Rate Avg.: U.S.$1.00 = $10.79 pesos
May 11, 2004, exchange rate U.S. $1.00 = $11.60 pesos
*** as of May 11, 2004.**

TRADE MATRIX

FRESH TOMATOES

TOMATOES			UNITS: METRIC TONS		
EXPORTS FOR MY 2002/03 (OCT-SEPT) TO:			IMPORTS FOR MY 2002/03 (OCT-SEPT) FROM:		
U.S.	929.915		U.S.	13.292	
OTHER			OTHER		
CANADA	2.741		CHILE	19	
TOTAL OF OTHER	2.741		TOTAL OF OTHER	18	
OTHERS NOT LISTED	138		OTHERS NOT LISTED	0	
GRAND TOTAL	932.794		GRAND TOTAL	13.310	

TOMATOES			UNITS: METRIC TONS		
EXPORTS FOR MY 2003/04 (OCT-SEPT*) TO:			IMPORTS FOR MY 2003/04 (OCT-SEPT*) FROM:		
U.S.	340.767		U.S.	7,088	
OTHER			OTHER		
CANADA	410		CHILE	0	
TOTAL OF OTHER	410		TOTAL OF OTHER	0	
OTHERS NOT LISTED	1		OTHERS NOT LISTED	0	
GRAND TOTAL	341.178		GRAND TOTAL	7,088	

* Data only includes figures as of February 2004

TOMATO PASTE

TOMATO PASTE			UNITS: METRIC TONS		
EXPORTS FOR MY 2003/04 (MARCH-FEB) TO:			IMPORTS FOR MY 2003/04 (MARCH-FEB*) FROM:		
U.S.	6,488		U.S.	40,943	
OTHER			OTHER		
COSTA RICA	192		CHILE	3,494	
CUBA	26		CHINA	228	
TOTAL OF OTHER	218		TOTAL OF OTHER	3,722	
OTHERS NOT LISTED	84		OTHERS NOT LISTED	280	
GRAND TOTAL	6,790		GRAND TOTAL	44,945	

SOURCE: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, February 2004.

FRESH TOMATOES

PRODUCTION

The fresh tomato production forecast for marketing year 2003/04 (October/September) was revised downward. According to producers, early and heavy rainfall, high humidity and low temperatures resulted in lower tomato production. Area planted for fresh consumption for MY 2002/03 and 2003/04 was revised upward as area that was previously devoted to processing was switched to the fresh market as demand for processing tomatoes has declined. Therefore total are planted for tomatoes for all purposes is almost the same. However, area harvested for fresh tomatoes for MY 2003/04 was revised downward given weather related problems. Some states like Sinaloa have increased planted area for tomatoes destined to the domestic market, while Baja California has been affected by drier weather conditions and has been reducing area planted to fresh tomatoes. Weather conditions for tomato production were not good, and rainfall during late November 2003 slowed down harvesting in Michoacan and Jalisco. Rainfall also slowed down harvesting in Sinaloa during January and February 2004. Therefore the quality of tomatoes was affected by high humidity. 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 states of Sinaloa and Jalisco plant for both markets. The fresh tomato production estimate for MY 2002/03 was revised slightly upward based on official information and better yields. Data for MY 2001/02 remains unchanged.

CONSUMPTION

Tomato consumption for MY 2003/04 is expected to be lower compared to MY 2002/03, as domestic demand has been hampered by unpredictable prices, poor quality, and the diversion of better quality tomatoes to the export market. Final tomato consumption, however, depends on tomato exports to the United States because domestic consumption tends to be a residual after exports. Wholesale prices at the beginning of the MY 2003/04 in October 2003 began at higher levels compared to MY 2002/03 reaching in December 2003 a price of $18.53 pesos/kg (US $1.64/kg) compared to December 2002 of $14.00 pesos/kg (US $1.37/kg). Consumption estimates for MY 2002/03 were higher from the previous forecast, due to a higher demand. The tomato paste industry buys tomatoes from the fresh market in addition to buying contracted tomatoes for processing. But, recently there has been less industry demand for tomatoes destined to paste production. Consumption data for MY 2001/02 remain unchanged.

TRADE

Tomato exporters indicate that winter tomato exports were not very good during January-February 2004 because of weather related problems and lower demand from the international market. The Tomato Suspension Agreement between Mexico and the United States, signed in December 4, 2002, binds all tomato exporters to an agreed 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 fell close to the winter reference price due to larger supplies in the international market. Therefore, according to producers, total exports for MY 2003/04 are expected to decrease compared to MY 2002/03 exports of about 932,794 MT.

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 were at their lowest level of 13,310 MT since the last three marketing years well below from MY 2001/02 imports of 43,660 MT. This situation was a result of a strong demand for U.S. tomatoes in the United States and prices were very expensive for the Mexican consumer. Fresh tomato imports for MY 2003/04 are expected to increase from MY 2002/03 volume, as U.S. demand moderates and prices are expected to be slightly lower. Imported tomatoes are most competitive from July to September. However, the final figure for tomato imports will also depend on the exchange rate, as the dollar continues to strengthen against the peso.

Fresh tomatoes exported to the U.S. have a zero duty under NAFTA and are no longer subject to quantitative limitations. However, they continue to be subject to a reference price (Report MX3156). Tomato tariff classification numbers are 07.02.002, 07.02.004, and 07.02.006.

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 for 2004 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 has become increasingly less profitable over the last three marketing years. Increased costs of production, such as higher fresh tomato prices, and lower international prices for paste have forced the industry to import tomato paste rather than produce it locally. A few companies are only producing for international contracts, mainly for U.S. contracts. Therefore, forecast tomato paste production for MY 2004/2005 (March/February) was revised downward to 7,500 MT. MY 2003/04 production estimates were revised upward to 7,500 MT still reflecting lower volumes compared to MY 2002/03. Tomato paste production for MY 2002/03 remains unchanged.

Planting and harvesting for processing tomatoes depend on fresh domestic market prices and international prices for tomato paste. Planted area of tomatoes destined for processing has declined in the past three years due to low international prices for tomato paste. Area planted and harvested for MY 2002/03 and 2003/04 were revised downward with yields ranging from 35-40 MT/ha, as weather conditions have not been favorable. Area planted and harvested for MY 2001/02 remained unchanged. The balance of tomatoes for the processing industry is bought in the fresh market when needed.

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, tomatoes 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 large supplies of canned tomato paste when companies were producing at higher levels. However, since 2000, when companies started to reduce tomato paste production from the historically-high levels of 30,000 to 40,000 MT, market demand began to be met by larger imports. The tomato paste consumption estimates for MY 2003/04 and 2004/05 were revised upward due to an increased demand by the different industries producing tomato-based products. Tomato paste consumption for MY 2002/03 remains unchanged. According to the industry, tomato paste destined to the dehydration industry continues to be between 4,000 to 5,000 MT. 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. The tomato paste export forecast for MY 2004/05 was revised downward from previous estimates to 6,500 MT, reflecting lower demand for higher-priced Mexican paste from the international market. Tomato paste exports for MY 2003/04 were revised slightly upward based on official trade data, but still reflecting lower exports compared to MY 2002/03. MY 2002/03 export data remain unchanged. The main markets for Mexican tomato paste are still the United States and South America.

Tomato paste imports have increased for the last two years, to meet consumer and food processing demand as production has declined. 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 and 2003/04 import data remain unchanged. 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 $0.31/lb for MY 2003/04, while exports prices were four or five cents/lb more. 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.