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Mexico

Tomato Annual

Production Down Slightly Next Year While Exports Up Slightly

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Report Highlights:
Tomato production for marketing year (MY) 2014/15 is forecast at 2.1 million metric tons (MMT), assuming favorable weather conditions. Production for MY 2013/14 is estimated at 2.17 MMT due to good yields. Tomato exports for MY 2013/14 are estimated to reach 1.3 MMT, lower than previously estimated due low international prices. Production under protected agriculture technology is expanding throughout the country for several horticultural products, particularly tomatoes. The tomato suspension agreement that was signed between the U.S. Department of Commerce and Mexican growers is in its second year.

Commodities:
Tomatoes

PRODUCTION

Post's tomato production forecast for the MY 2014/15 (Oct/Sept) is 2.1 MMT, assuming favorable weather conditions and attractive international prices. Although there is no official Government of Mexico (GOM) forecast for overall tomato production for MY2014/15, Post estimates that tomato production will be relatively high, as producers will have more certainty regarding the U.S. market and the functioning of the Tomato Suspension Agreement. However, due to higher production during MY 2013/14, which caused a surplus and low prices, producers could try to coordinate production as to have lower volume and higher quality for export. The total tomato production estimate for MY 2013/14 is about 2.17 MMT. Some growers, however, see production higher, at 2.5 MMT. According to producers, winter tomato production was somewhat affected by weather issues like high/low temperatures that affected maturing of the fruit. Also, a hurricane in September 2013 (Manuel) delayed production and harvesting of tomatoes in the state of Sinaloa. The spring tomato crop from Baja California and other states is expected to be similar to that of the previous year or 1.1 MMT. The overall tomato production estimate for MY 2012/13 was at 2.1 MMT based on official data.

Total planted area for tomatoes has been declining but yields have been increasing due to the establishment of protected agriculture (greenhouse, shade-house, tunnel) areas. In 1990, planted area devoted to tomatoes was about 85,500 hectares (ha). In 2000, tomato planted area was roughly 75,800 ha. As producers keep on lowering production in open fields and increasing areas under protected agriculture, total area was reduced from 55,888 hectares in MY 2011/12, to about 44,504 hectares in MY 2012/13. Tomato-producing states like Sinaloa and Baja California continue to move from open field production to protected production and use less area while increasing yields. Other states began to build protected infrastructure to grow tomatoes, cucumbers, bell peppers, zucchini, strawberries, and flowers.

Table 1. Mexico: Tomato Production, Area (ha) and Volume (MT)

	Estimate MY 2012/13	Estimate MY 2013/14	Forecast MY 2014/15
Total Planted Area (ha)	**44,504**	**47,000**	**45,000**
• For fresh consumption	41,504	45,000	43,000
• For processing	2,000	2,000	2,000
Total Harvested Area (ha)	**42,613**	**44,800**	**43,000**
• For fresh consumption	39,613	42,800	41,000
• For processing	2,000	2,000	2,000
Total production (MT)	**2,103,024**	**2,170,000**	**2,107,000**
• For fresh market	2,090,900	2,130,000	2,067,000
• For processing	40,000	40,000	40,000
Source: Siap/Sagarpa			

Tomato planted area for fresh consumption for MY 2014/15 is forecast slightly lower, or close to 45,000 ha, as the oversupply in MY 20013/14 triggered losses when high export prices did not last and fell under the reference price. Since this is the second year for the implementation of the new tomato agreement, area planted will be influenced by the behavior of the U.S. market. Also planted area will

depend on the tendency to decrease open field tomato plantings in favor of using different types of protected agriculture. The planting area estimate for fresh consumption for MY 2013/14 is estimated at 47,000 ha, a slight increase compared to MY 2012/13 area of 44,504 ha.

According to growers, due to the negotiations of the tomato suspension agreement, some growers decided to decrease acreage, while others carried on as planned. According to official estimates from SIAP/SAGARPA, area planted for tomatoes in Sinaloa for MY 2012/13, decreased to 12,177 hectares from 18,623 hectares in MY 2011/12, reportedly due to weather related issues and the uncertainty of the tomato negotiations with the U.S. For MY 2013/14, Sinaloa is expected to have close to 15,000 hectares planted. The Roma variety now represents more than 62 percent of total Mexican tomato production as demand for this type of tomato has surpassed the round tomato.

Yields vary depending on production conditions and inputs. Average yields have grown from 23 MT/Ha in 1990 to 28 MT/ha in 2000 and are expected to reach 48 MT/ha (combined average open field/protected agriculture) or more in 2013. Baja California and Sinaloa growers generally achieve the highest fresh tomato yields, 50 MT/ha or more, due in part to their pest and disease control programs. Greenhouse/shade-house yields tend to vary significantly among producers, variety, and state. These yields generally range from 150 MT/ha to 200 MT/ha depending on the technology used. For example Sinaloa can grow Roma tomatoes (saladette) in open field with yields of about 32 MT/Ha, while it can grow them under protected agriculture with yields ranging from 87 to 128 MT/Ha.

Open-field tomato production area has shown a tendency to decrease due to pest problems, high costs of production, swings in both international prices and exchange rates, and limited water availability. The decrease in open field area is more evident in states like Sinaloa, Baja California, and Jalisco. In addition, small open field producers are switching to other products like corn and beans in search of better financial returns. Greenhouse/shade-house operations are concentrated in the states of Sinaloa, Baja California and Jalisco, but there are also greenhouse operations in the states of Colima, Mexico, Hidalgo, Michoacán, Querétaro, San Luis Potosí, Sonora, and Zacatecas. According to sources, area throughout Mexico planted to tomatoes in protected agriculture increased to 15,000 hectares in MY 2013/14 from 14,000 hectares in MY 2012/13. This increase is largely attributable to success in exporting high quality tomatoes to the United States.

Protected agriculture is growing in Mexico as producers increasingly become aware of the benefits in production, quality, pest control, and reduced risk exposure to climate change. This transition is embraced by the GOM, which sees the benefits of introducing this production method to rural and poorer areas as a form of social development. The main horticultural products produced under this technology are tomato (70%), bell pepper (16%), cucumber (10%), and the rest are products like flowers, chili peppers, berries and papaya.

In Sinaloa (a traditional winter-cycle tomato producing state) there are about 15,000 ha devoted to tomatoes of which approximately 6,000 ha are under protected production. Due to strong returns, production has trended towards increased use of shade-houses, mainly for products destined for the export market. Growers, however, indicate that combining open field and shade-house production has been useful for managing and marketing their product. Sources point out that less than ideal levels of agricultural sophistication (i.e., lack of established marketing channels, insufficient capital, and ability to cope with weather events), means that sometimes growers abandon protected facilities.

Protected agriculture technology differs depending on the crop and the geographical region. Technology also differs between small producer associations (12 - 13 associates working with 5-12 hectares) and large owners with extensive experience in the horticultural business, who own more than 15 hectares of production. Typically, most large business owners use better technology compared to smaller producers, but this also depends on the climatic conditions throughout the region. The majority of the infrastructure has drip irrigation systems, insect/anti-aphid protection, and systems to control light and air. Since climatic conditions dictate what kind of technology is needed, warmer areas like Sinaloa have a higher percentage of shade houses compared to greenhouse technology. Central states like Queretaro and the state of Mexico have a higher percentage of greenhouse technology due to colder climatic conditions.

During the October to May winter season, Sinaloa growers are the main producers and exporters of fresh tomatoes. Other significant producers include Michoacan, Jalisco, and Baja California Sur. Growers in Sinaloa 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 to October), Baja California growers are the main producers and exporters of fresh tomatoes. The states of Michoacán, Jalisco, and Morelos follow Baja California's production. Producers in Sinaloa and Baja California are widely considered more technologically advanced than other producing states. As a result, U.S. California tomatoes face direct competition from Baja California tomatoes. Tomato growers in Jalisco bridge the summer-winter cycle and usually export in October, November, and December after Baja California.

Planting and harvesting of tomatoes for processing is largely a function of fresh domestic market prices and international tomato paste prices. Areas that were previously devoted to planting tomatoes for the processing industry have shifted to fresh market, as demand for processing tomatoes has declined in the face of high international fresh market prices. Area planted to processed tomatoes fluctuates between 1,500 and 2,000 ha. Yields for this type of tomato range from 25 MT/ha to 40 MT/ha given normal weather conditions. If the industry needs to process additional tomatoes, it purchases supplies from the open market.

Tomato production costs remain high across the country. Credit availability remains 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. According to growers, imported agrochemicals, seeds, and fertilizers are the most costly inputs. The value of the Mexican peso vs. the U.S. dollar influences the cost of production. When exporters face an appreciating Mexican Peso, exports are more expensive than imports.

CONSUMPTION

The MY 2014/15 final consumption figure will depend on tomato exports to the United States, as domestic consumption is a residual after exporting. Fresh tomato consumption for MY 2013/14 is estimated to be higher compared to previous marketing years or more than 600,000 MT due to higher supplies during the winter season, lower export volumes, and good prices for consumers. Fresh tomato consumption for MY 2012/13 is estimated to have been low or about 500,000 MT due to higher export volumes and slightly higher prices.

Tomato consumption is price sensitive in Mexico. Thus, marginal changes in prices tend to lead to significant changes in demand. Although protected production is still limited and tends to be higher priced, the market now has the option of meeting more of the domestic demand with greenhouse/shade-house tomatoes. Local tomato prices tend to rise from March to May because of increased exports from the state of Sinaloa, which in turn reduces supply in the domestic market. However during the winter season of 2013/14, domestic prices were higher than expected compared to 2012/13 prices for round tomato. Domestic prices for Roma tomato began at high levels and then dropped in 2014, due to higher supplies

Tomato exports also tend to increase from June to August, as this is the international market window for tomatoes from Baja California. By the end of November and December, domestic tomato prices usually rise again, due to the increased export volume from the states of Jalisco and Sinaloa.

The tomato paste industry always buys tomatoes from the fresh market in addition to buying contracted tomatoes for processing. However, price competition in the fresh market has become a problem for the processing industry. Over the past several years, relatively high fresh tomato prices have diverted product away from the processing market. Thus, there has been very little industry demand for tomatoes destined to paste production as it is economically more feasible to import tomato paste rather than produce it domestically.

TRADE

According to growers**,** tomato exports have complied with the new tomato agreement requirements. The National Service of Health, Food Safety, and Food Quality (SENASICA), requires tomato producers to get their certification in the Contamination Risk Reduction System (SENASICA's HACCP/food safety-type program) to be able to comply with the agreement and thus be able to export. Exporters indicate that during the first year of the agreement (2013), tomato exports were lower due to uncertainties of the agreement. However, U.S. demand has continued to be strong. Mexican exports for MY 2014/15 are expected to continue at about 1.5 MMT, assuming favorable weather conditions and attractive international prices. Competition with supplies from Canada and other U.S. producing areas in the U.S. market could undermine Mexican exports. Exports for MY 2013/14 are expected to be lower or 1.3 MMT. Traders indicate that due to climatic conditions some tomatoes were harvested latter than usual. However, there were good export prices and even a sharp rise in March/April 2014 from about USD $9.00/ 25 lb box on March 4, to about $14.94/ box on April 1, 2014. But in mid-April, the market fell to nearly the reference price and exports almost stopped. Due to these lower prices, part of the winter window for exports was lost. Some shipments had to be returned from the border due to the floor price issue. The final export estimate for MY 2013/14 will depend on the summer season demand. Due to the tomato agreement and uneasiness felt by Mexican growers, information on current production, exports, and other trends is difficult to secure.

Exports for MY 2012/13 were 1.54 MMT, with good prices in the international market. Other states besides Sinaloa, like Jalisco, Queretaro, and San Luis Potosi also export during this winter window, crossing the border through Texas. The U.S. continues to be the most important market for Mexican tomatoes.

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. Due to high domestic production in MY 2012/13, imports were lower compared to MY 2011/12, at about 16,320 MT. Import estimates for MY 2013/14 are expected to be at about the same level due to higher international prices. Most imported tomatoes are sold in the northern states of Nuevo Leon, Sonora, Baja California, and Chihuahua.

POLICY

A new Tomato Suspension Agreement between Mexican growers and the U.S. Department of Commerce was signed in February 2013 and entered into force on March 4, 2013. The agreement sets different floor prices for Mexican fresh tomatoes during the summer and winter and also specifies prices for open field/adapted-environment and controlled-environment production. Mexican tomato growers and non-grower exporters exporting to the United States are signatories to the Agreement. More than 600 Mexican growers and exporters signed the agreement, up from 450 growers/exporters who signed the 2008 agreement. All fresh or chilled tomatoes from Mexico are covered by the new prices.

Table 2.- Mexico. Reference Prices For Tomatoes From Mexico

Tomato Type	Price/Lb Winter Oct 23/ June 30	Price/Lb Summer July 1/ Oct 22
Open field and adapted environment	US$0.3100	US$0.2458
Controlled environment	US$0.4100	US$0.3251
Specialty, loose	US$0.4500	US$0.3568
Specialty, Packed	US$0.5900	US$0.4679
Specialty tomatoes include grape, cherry, heirloom and cocktail tomatoes		

TARIFFS

Mexico, in general, does not import tomatoes from countries other than the United States. Mexico's most favored nation (MFN) applied tariff rate for tomato (HTS 0702) imports is 10 percent. Countries with tariff-free access to Mexico include: the United States, Canada, Chile, Costa Rica, Nicaragua, Uruguay, Bolivia, the European Union, and Japan. There is an applied tariff rate of 28% for tomatoes from Colombia. Fresh tomatoes traded with the United States have zero duty under NAFTA. The tomato tariff classification numbers are 0702.0001 and 0702.0099. Mexico does not assess an export tariff.

MARKETING

Fresh tomatoes destined for domestic consumption, including imported tomatoes, pass through wholesale markets and proceed to large supermarkets and retail stores. A few stores import directly without going through wholesale marketing channels. This remains somewhat rare, however, since most retail operations do not have expertise importing or the labor resources to repack tomatoes based on maturity, size, etc. before products are showcased to consumers. In the past, promotional campaigns for U.S. tomatoes focused on proper tomato handling techniques, point of sale materials, and in-store

promotions. Most of the imported product is destined to border cities and states. Tomatoes for the export market are shipped directly from the producing area to the United States border.

PRICES AND TRADE

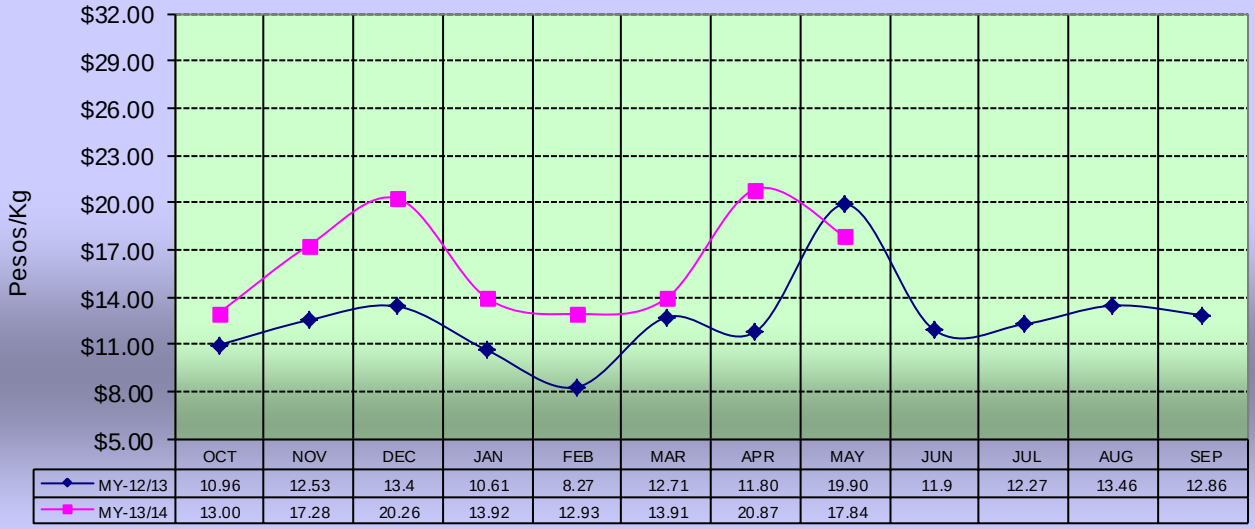
TABLE 3. MEXICO: WHOLESALE ROUND TOMATO PRICES *MEXICO CITY – PESOS/KG*				
Month	**2012**	**2013**	**2014**	**% Change 2014/2013**
January	8.85	10.61	13.92	31.19
February	5.12	8.27	12.93	56.34
March	9.88	12.71	13.91	9.44
April	7.76	11.80	20.81	76.35
May	9.64	19.90	17.84*	(10.35)
June	14.52	11.90		
July	10.40	12.27		
August	10.20	13.46		
September	11.45	12.86		
October	10.96	13.00		
November	12.53	17.28		
December	13.40	20.26		

Source: Servicio Nacional de Información de Mercados- SNIIM-ECONOMIA
Note: 2013 Exchange Rate Avg.: U.S. $1.00 = 12.76 pesos.
May 22, 2014 Exchange Rate: U.S. $1.00 = 13.20 pesos
** As of May 22, 2014*

TABLE 4. MEXICO: WHOLESALE ROMA TOMATO PRICES *MEXICO CITY – PESOS/KG*				
Month	**2012**	**2013**	**2014**	**% Change 2014/2013**
January	7.26	8.30	8.76	5.54
February	4.96	7.14	5.86	(17.92)
March	6.38	8.47	6.15	(27.39)
April	5.63	8.44	7.17	(15.04)
May	7.72	10.28	6.02*	(41.43)
June	10.52	8.10		
July	9.31	6.63		
August	8.93	8.61		
September	11.74	10.08		
October	9.01	10.26		
November	8.18	13.97		
December	9.19	17.80		

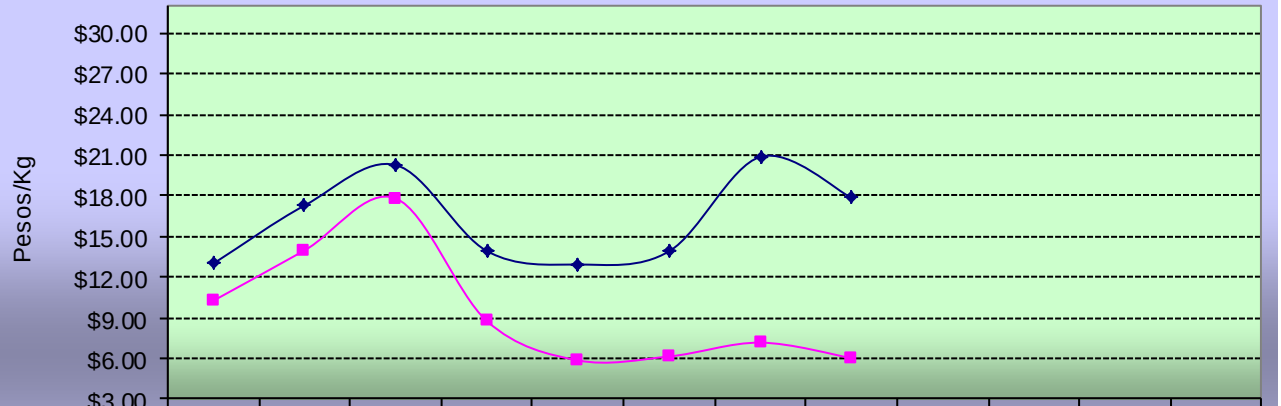
Source: Servicio Nacional de Información de Mercados- SNIIM-ECONOMIA
Note: 2013 Exchange Rate Avg.: U.S. $1.00 = 12.76 pesos.
May 22, 2014 Exchange Rate: U.S. $1.00 = 13.20 pesos
** As of May 22, 2014*

Round Tomato Prices Mexico City Wholesale



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
MY-12/13	10.96	12.53	13.4	10.61	8.27	12.71	11.80	19.90	11.9	12.27	13.46	12.86
MY-13/14	13.00	17.28	20.26	13.92	12.93	13.91	20.87	17.84				

Round & Roma Tomato Prices Mexico City Wholesale



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Round	13.00	17.28	20.26	13.92	12.93	13.91	20.87	17.84				
Roma	10.26	13.97	17.80	8.76	5.86	6.15	7.17	6.02				

Table 5. Mexico. - Trade Matrixes
Tomato Exports and Imports by Volume (MT) and Value (US. $)

Exports for MY 2012/13 (Oct-Sept):			**Imports for MY 2012/13 (Oct-Sept):**		
Destination	Volume	Value 000	Origin	Volume	Value 000
U.S.	1,484.160	$1,680,265.5	U.S.	16,320	$**22,352.4**
Canada	54,613	61,183.2			
Others not listed	1,701	21,007	Others not listed	0	
Grand Total	**1,540,474**	**$1,743,549.4**	**Grand Total**	**16,320**	**$22,352.4**
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2014					

Exports for MY 2013/14* (Oct-Sept):			**Imports for MY 2013/14* (Oct-Sept):**		
Destination	Volume	Value 000	Origin	Volume	Value 000
U.S.	611,420	$782,769.1	U.S.	6,658	$15,804.1
Canada	33,544	43,272.4	Chile	0	
Others not listed	130	1,667	Others not listed	0	
Grand Total	**645,094**	**$826,208.2**	**Grand Total**	**6,658**	**$15,804.1**
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2014, * Through February 2014					

Table 6. Mexico: Monthly Exchange Rate Averages for 2010-2014
MX Pesos per U.S. $1.00

	2011	**2012**	**2013**	**2014**
January	12.13	13.46	12.71	13.20
February	12.06	12.79	12.69	13.28
March	12.00	12.75	12.54	13.22
April	11.73	13.05	12.21	13.29
May	11.64	13.60	12.95	12.95*
June	11.80	13.94	12.94	
July	11.67	13.37	12.77	
August	12.22	13.18	12.89	
September	12.97	12.95	13.08	
October	13.49	12.88	13.00	
November	13.67	13.08	13.07	
December	13.73	12.86	13.00	
Annual Avg	**12.42**	**13.15**	**12.76**	

*As of May 22, 2014

Source: Mexican Federal Register
Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico

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