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Chile

Tomatoes and Products

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1998

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Report Highlights:

Drought slows growth of tomato production in Chile in 1999. Export demand is major factor encouraging the expansion of planted area.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI8037], Chile

Table of Contents

Executive Summary

Until this year expansion of processed tomato production was due to favorable export demand, improved technology and the relative profitability of tomatoes compared to other crops. However, in MY1998 planted area and production of tomatoes for fresh consumption fell as a result of unfavorable weather which affected Chile's main tomato producing areas. During the coming year expansion of planted area and production of tomatoes can be expected to continue. Fresh tomato production is increasing slowly based on improved quality. Eventhough Chile may now export fresh tomatoes to the United States, few shipments are expected.

Production General

Fresh Tomatoes

For Fresh Consumption

Excess rain and bad weather in general during the MY1998 planting season reduced the planted acreage and production of tomatoes for fresh consumption. Areas planted in green-houses, which use irrigation systems, were not affected. However, tomatoes planted in open fields, which are close to 80 percent of total planted area, suffered from the adverse climatic conditions. For this season, the fresh tomato planted area will be similar to last year inspite of an expected drought which will affect regions VII, VIII, IX and X. Industry sources have indicated that the northern production areas, which have sufficient water supply, will make up for any losses in areas affected by the drought.

For Processing

Planted area and production of tomatoes for processing increased again in MY1998 compared to the previous year, as result of an assured water supply in most growing areas. Another expansion is expected for this season in spite of drought which will affect mainly the tomato growing areas in regions VII and VIII. Industry sources indicate that while the crop will be larger, the quality could be affected by higher than normal temperatures predicted for late spring and early summer.

Normally, Chile has an excellent climate for growing tomatoes. Tomatoes for processing are planted from mid-September through early December of each year and harvested from around January 10 through April 15. For the planting season, frosts are an important limiting factor in most growing areas. A dry summer with significant temperature changes between day and night during the growing season allows growers to produce tomatoes with a deep red color.

The industry produces mainly tomato paste and canned tomatoes. The tomato paste industry mainly targets the export market. In canned tomatoes Chile produces whole-peeled, diced-peeled and crushed. There are 8 major tomato processing plants having an installed capacity of about 120,000 to 140,000 metric tons.

Tomato Products

Canned Tomatoes

In MY1998 canned tomato production fell below both the previous year and our previous estimates due to lower quality production and very poor international demand for Chile's product. For this season, due to an expected large demand for canned tomatoes as a result of a smaller output in the northern hemisphere, the industry is projecting a large increase in production. Nevertheless, total output will be dependent on the quality of this year's tomato production.

In the past Chile's canned tomato producers took advantage of a nitch in the U.S. market which is reportedly now being filled by Italy. In general, Chile produces whole peeled, crushed peeled and diced tomatoes. Currently, only one of the eight major tomato processing plants produces these products. Trade figures and PS&D tables include all three products since statistics contain no product break-out. Chile is not able to compete with European producers. Industry sources indicate that the quantity of canned tomatoes produced yearly will therefore depend on the quality of the production and on the international market.

Tomato Paste

Tomato paste production resulted slightly larger than previously estimated according to the latest information obtained from the industry. For the coming season increased output is expected because tomato production for processing is expected to be larger than last season.

The tomato paste industry is reluctant to provide accurate information due to their competitive situation in the country. Tomato products production figures shown in the PS&D's are estimated and may vary significantly from one year to the next. The only reliable data is that which is related to exports.

The paste industry in Chile mainly produces a 30 to 32 Brix paste product. Small amounts are produced with 28 to 30 Brix for the Japanese market.

Tomato Sauce

Tomato sauce production, like that for canned tomatoes, is closely related to export demand. A rather explosive expansion in export demand mainly for tomato ketchup in 1998 resulted in a significant increase in production. For this coming season another, but smaller, expansion is projected as foreign demand is expected to stay strong.

Crop Area

For Fresh:

Our estimate for fresh tomato area is about the same as last year because increases in planted areas in the north will most probably be offset by smaller planted areas in the southern regions which have been affected by the drought.

Although most tomatoes are produced in the irrigated, fertile central valley of Chile, tomatoes for fresh consumption are planted throughout Chile from Arica to Tierra del Fuego. Tomatoes for industrial purposes are planted in the central area (Regions V through VII - including the Santiago Metropolitan region).

For the medium-term, increases in planted area for fresh tomatoes are possible due to the opening of the Japanese market. The long-awaited lifting of the U.S. import restrictions on Chilean tomatoes will probably not increase total fresh tomato production and exports. Chilean tomatoes destined for the U.S. market have to be fumigated with methyl bromide to allow entry. Fumigation reduces the shelf life of tomatoes which therefore must be shipped by air, increasing costs significantly. As a result Chilean fresh tomatoes are not expected to compete with Mexican tomatoes in the U.S. market.

For Processing:

Planted area for processed tomatoes is expected to increase again this coming season as the industry reportedly has increased contracting with farmers to be able to meet an expected increase in export demand. The adverse effects of drought in the southern production areas will be offset by sufficient water supplies in the northern and central regions of the country.

Future increases in planted area for processing will depend on climatic conditions and the ability of the industry to sign contracts with farmers similar to those for alternative crops, like sugarbeets and tobacco. Additionally, farmers are facing labor shortages which have increased labor costs significantly and reduced the export competitiveness of Chile's processed tomatoes. To overcome future expected labor shortages, the industry is promoting the use of harvesting machines. Only hybrid tomato varieties are used in Chile for industrial purposes.

Yields

Tomato output has increased as a result of higher yields and expansion of planted area. Through advanced cultural practices, the development of new varieties and use of hybrid seeds, yields have risen to over 70 MT average per hectare. Some growers indicate that yields have improved as a result of increased use of herbicides, which are utilized increasingly in order to save on the labor costs of weeding.

Production Policy

In Chile there is virtually no direct government support to the agricultural sector. Most imports are subject to an across the board general tariff of 11 percent ad valorem which will be reduced to 10 percent in January 1999 and by an additional 4 points over the next four years. All domestic or imported products pay an additional 18 percent value added tax.

Consumption

Fresh Tomatoes

Although normally there are no significant changes in domestic consumption, for MY1998 there is a slight fall in total consumption. Higher prices due to a smaller supply will increase domestic prices and reduce demand. In Chile there are no statistics on domestic consumption. Figures are estimated as a residual of estimated production and export data. From that data, it appears that fresh tomato consumption has been keeping pace with the increase in output as a result of improved tomato quality and availability throughout the year.

Shelf life influences which tomato varieties are used in Chile. Improved shelf life has allowed growers to produce tomatoes in the extreme north of Chile (Arica) and transport them to major consumption areas (e.g., Santiago) mainly during the winter season. This development has permitted a constant fresh tomato supply during the entire year, contributing to an increase in total fresh tomato consumption.

Processed Tomatoes

Chilean processed tomato utilization is fundamentally a residual of exports. The only possible exceptions are paste and sauce, where industry sources point to expanded consumption in line with the increase in fast-food and pizza restaurants in Chile.

Trade

Fresh:

Chile's fresh tomato exports are dependent on international prices and changes in demand. Argentina is Chile's largest export market. Chile gained access to the U.S. market through USDA approval of a fumigation treatment in 1998. Tomato producers, had big hopes on the U.S. market, but as it turned out, fumigation reduces shelf life of tomatoes which requires that they be shipped by air to be able to compete in quality with other imports. Fresh Chilean tomatoes are not price competitive with Mexican tomatoes which are produced year around. However, producers have indicated that Canada is a potential customer for fresh tomatoes. Chile’s access to the U.S. market allows trans-shipment through the United States to Canada. In addition, Chile gained access to the Japanese market in 1997. These two markets still have to be developed.

Processed:

Tomato Paste: A constant revaluation of the peso in the past made Chile's tomato products less competitive in international markets in recent years. A revaluation of the dollar during this year has helped. Brazil is Chile's largest export market for tomato paste.

Tomato Sauce: Argentina is Chile's main tomato sauce export market. Chile’s admission to NAFTA, would have little or no impact on export levels since tomato sauce presently enters the U.S. duty-free.

Canned Tomatoes: The United States is still Chile's largest export market for canned tomatoes. Most producers believe that a free trade agreement with the United States will benefit Chile's canned tomato exports, which are currently subject to a 13.5 percent duty.

Stocks

There are no official statistics on tomato paste or canned tomato stocks.

PS&D Table--Fresh Tomatoes

PSD Table						

Country:	Chile					
Commodity:	Fresh Tomatoes					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Plnt For Fresh Consump	8940	8940	8046	7980	0	7900
Plnt For Processing	10980	10980	10300	12394	0	13300
TOTAL Area Planted	19920	19920	18346	20374	0	21200
Harv. For Fresh Cons.	8940	8940	7280	7980	0	7900
Harv. For Processing	10980	10980	10300	12394	0	13300
TOTAL Area Harvested	19920	19920	17580	20374	0	21200
Fresh Sale Production	297500	297500	267500	293200	0	293000
Processing Production	823500	823500	741600	867500	0	904000
TOTAL Production	1121000	1121000	1009100	1160700	0	1197000
TOTAL SUPPLY	1121000	1121000	1009100	1160700	0	1197000

Export Trade Matrix--Fresh Tomatoes

Export Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:			
Exports for	1997		1998
U.S.		U.S.	
Others		Others	
Argentina	2390		
Bolivia	150		
Cuba	84		
Paraguay	84		
Brazil	77		
Uruguay	75		
Peru	11		
Germany	6		
Brit.Virg.Island	4		
U.K.	4		
Total for Others	2885		0
Others not listed	0		
Grand Total	2885		0

PS&D Table--Canned Tomatoes

PSD Table						
Country:	Chile					
Commodity:	Canned Tomatoes					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Deliv. To Processors	7100	7100	9350	6930	0	14580
Beginning Stocks	9375	9375	2975	3943	625	388
Production	6400	6400	8500	6285	0	13250
Imports	0	0	0	0	0	0
TOTAL SUPPLY	15775	15775	11475	10228	625	13638
Exports	9500	8532	7500	6540	0	10000
Domestic Consumption	3300	3300	3350	3300	0	3300
Ending Stocks	2975	3943	625	388	0	338
TOTAL DISTRIBUTION	15775	15775	11475	10228	0	13638

Export Trade Matrix--Canned Tomatoes

Export Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:			
Exports for	1997		1998
U.S.	2796	U.S.	
Others		Others	
Brazil	2130		
Japan	1460		
Honduras	1181		
Venezuela	534		
Australia	127		
Colombia	109		
Argentina	90		
Uruguay	58		
Costa Rica	26		
Paraguay	18		
Total for Others	5733		0
Others not listed	0		
Grand Total	8529		0

PS&D Table--Tomato Paste

PSD Table						
Country:	Chile					
Commodity:	Tom. Paste,28-30% TSS Basis					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Deliv. To Processors	728940	728940	790000	798950	0	858650
Beginning Stocks	10546	10546	4519	4519	5214	2007
Production	95200	95200	100855	101998	0	109620
Imports	0	0	0	0	0	0
TOTAL SUPPLY	105746	105746	105374	106517	5214	111627
Exports	89577	89577	88500	92850	0	96500
Domestic Consumption	11650	11650	11660	11660	0	11660
Ending Stocks	4519	4519	5214	2007	0	3467
TOTAL DISTRIBUTION	105746	105746	105374	106517	0	111627

Export Trade Matrix--Tomato Paste

Export Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:			
Exports for	1997		1998
U.S.	575	U.S.	
Others		Others	
Brazil	34153		
Argentina	15655		
Japan	9213		
Venezuela	5654		
Colombia	5069		
Ecuador	3565		
Honduras	2902		
So. Korea	2764		
Costa Rica	2186		
Guatemala	1471		
Total for Others	82632		0
Others not listed	6369		
Grand Total	89576		0

PS&D Table--Tomato Sauce

PSD Table						
Country:	Chile					
Commodity:	Tomato Sauce					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Deliv. To Processors	6790	6790	6590	11750	0	11600
Beginning Stocks	453	453	313	102	613	482
Production	2870	2870	2780	5780	0	5540
Imports	0	0	0	0	0	0
TOTAL SUPPLY	3323	3323	3093	5882	613	6022
Exports	2030	2321	1500	4450	0	4500
Domestic Consumption	980	900	980	950	0	980
Ending Stocks	313	102	613	482	0	542
TOTAL DISTRIBUTION	3323	3323	3093	5882	0	6022

Export Trade Matrix--Tomato Sauce

Export Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:			
Exports for	1997		1998
U.S.		U.S.	
Others		Others	
Argentina	1188		
Venezuela	289		
Uruguay	222		
Peru	218		
Mexico	200		
Bolivia	109		
Haiti	37		
Guatemala	13		
Colombia	10		
Paraguay	9		
Total for Others	2295		0
Others not listed	26		
Grand Total	2321		0