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Mexico

Tomato Annual

Mexican Tomato Production Up Slightly

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Report Highlights:
Tomato production for marketing year (MY) 2015/16 is forecast at 2.7 million metric tons (MMT), assuming favorable weather conditions. Production for MY 2014/15 is estimated at 2.6 MMT due unfavorable weather conditions. Tomato exports for MY 2014/15 are estimated to reach 1.4 MMT, lower than previously estimated due to quality and price issues. Production under protected agriculture technology is expanding throughout the country for several horticultural products, particularly tomatoes.

Commodities:
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PRODUCTION

Post's tomato production forecast for the MY 2015/16 (Oct/Sept) is 2.7 MMT, assuming favorable weather conditions and attractive international prices. Although there is no official Government of Mexico (GOM) forecast for overall tomato production for MY2015/16, Post estimates that tomato production will be better than the previous year as long as weather conditions allow it. Production for MY 2014/15 is expected to be lower than previously forecasted or 2.6 MMT due to bad weather conditions during the development of the fruit mainly during the winter time. There was more rainfall than expected, high temperatures during February, and therefore pest problems. The spring tomato crop from Baja California and other states is expected to be similar to that of the previous year or 1.3 MMT. The overall tomato production estimate for MY 2013/14 was high at about 2.8 MMT causing a surplus and low prices.

Total planted area for tomatoes had 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. Although recently an increase in area planted has been reported, the rate of growth is small because 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. Also, in order to have good quality tomatoes for export purposes some producers from Sinaloa are producing tomatoes in the states of Michoacan, Jalisco, and Queretaro to have access to the summer window after the winter window is gone by the month of May. Other states have begun 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 2013/14	Estimate MY 2014/15	Forecast MY 2015/16
Total Planted Area (ha)	**52,375**	**55,779**	**56,000**
• For fresh consumption	50,375	53,779	54,000
• For processing	2,000	2,000	2,000
Total Harvested Area (ha)	**50,963**	**53,800**	**54,300**
• For fresh consumption	48,963	51,800	52,300
• For processing	2,000	2,000	2,000
Total production (MT)	**2,874,795**	**2,680,000**	**2,715,000**

• For fresh market	2,834,795	2,640,000	2,675,000
• For processing	40,000	40,000	40,000
Source: Siap/Sagarpa/FAS			

Tomato planted area for fresh consumption for MY 2015/16 is forecast to grow slightly over MY 2014/15 besides some growth in the states of Michoacan and Jalisco where growers are expecting to have access to the summer window. Area planted is influenced by the behavior of the U.S. market, as growers try to plant only what the U.S. market will absorb besides supplying the domestic 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 2014/15 is estimated at 53,779 ha, an increase compared to MY 2013/14 area of 50,375 ha.

According to official estimates from SIAP/SAGARPA, area planted for tomatoes in Sinaloa for MY 2014/15 decreased to 14,939 hectares from 15,307 hectares in MY 2013/14; Michoacan area increased for MY 2014/15 to 7,616 hectares from 6,009 hectares in MY 2013/14; and Jalisco increased to 2,313 hectares in MY 2014/15 from 2,264 hectares in MY 2013/14. 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 reached 49.6 MT/ha (combined average open field/protected agriculture) in 2013. Yields for MY 2014/15 could be lower due to the bad weather conditions during the winter season. 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 is about 15,000 hectares in MY 2014/15 up from about 14,000 hectares in MY 2013/14. 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. Although at first the rate of growth was fast, recently it has slowed down to about 1,000 hectares per year.

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 2015/16 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 2014/15 is estimated to be lower compared to previous marketing year or 1.2 MMT due to lower supplies during the winter season, high export volumes, and high prices for consumers. Growers are currently trying to sell in the international market first due to the depreciation of the Peso vs. the Dollar, leaving the domestic market with low supplies. Fresh tomato consumption for MY 2013/14 is estimated to have been higher or about 1.3 MMT due to good domestic supplies and good consumer prices.

Tomato consumption is price sensitive in Mexico. Thus, marginal changes in prices tend to lead to significant changes in demand. Protected production tends to be higher priced, but 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. During the winter season of 2014/15, domestic prices were higher, mainly in Roma tomatoes, compared to 2014/15 prices due to lower 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. Mexican exports for MY 2015/16 are expected to be at about 1.5 MMT, assuming favorable weather conditions and attractive international prices. Exports for MY 2014/15 are expected to be lower or 1.4 MMT. Traders indicate that due to climatic conditions some tomatoes did not meet quality requirements for the international market. According to exporters, prices were generally good, however, some days in February and in April, the market fell to nearly the reference price and exports almost stopped. International mature green tomato prices in February 2015 were about USD $18.00/25 lb box, while in March prices decreased to about $16.00/25 lb box, by May prices decreased to about USD $11.00/ 25 lb box. The final export estimate for MY 2014/15 will depend on the summer season demand. U.S. demand has continued to be strong. In May 2015, the state of Chiapas exported tomatoes from protected

production to the United States for the first time. Tomato exports for MY 2013/14 were 1.52 MMT. Other states besides Sinaloa, like Jalisco, Queretaro, and San Luis Potosi also export during the 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. Imports for MY 2015/16 are expected to be low or about 17,000 MT, but it will depend on the exchange rate. Imports for MY 2014/15 are expected to be lower compared to MY 2013/14 imports of 17,741 MT due to the adverse exchange rate for importers. Most imported tomatoes are sold in the northern states of Nuevo Leon, Sonora, Baja California, and Chihuahua.

POLICY

A 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	2013	2014	2015	% Change 2015/2014
January	10.61	13.92	15.08	8.33
February	8.27	12.93	11.74	(9.20)
March	12.71	13.91	18.69	34.36
April	11.80	20.87	16.71	(19.93)
May	19.90	17.93	16.04	(10.54)
June	11.90	15.60		
July	12.27	12.81		
August	13.46	9.36		
September	12.86	8.77		
October	13.00	15.27		
November	17.28	22.81		
December	20.26	26.08		

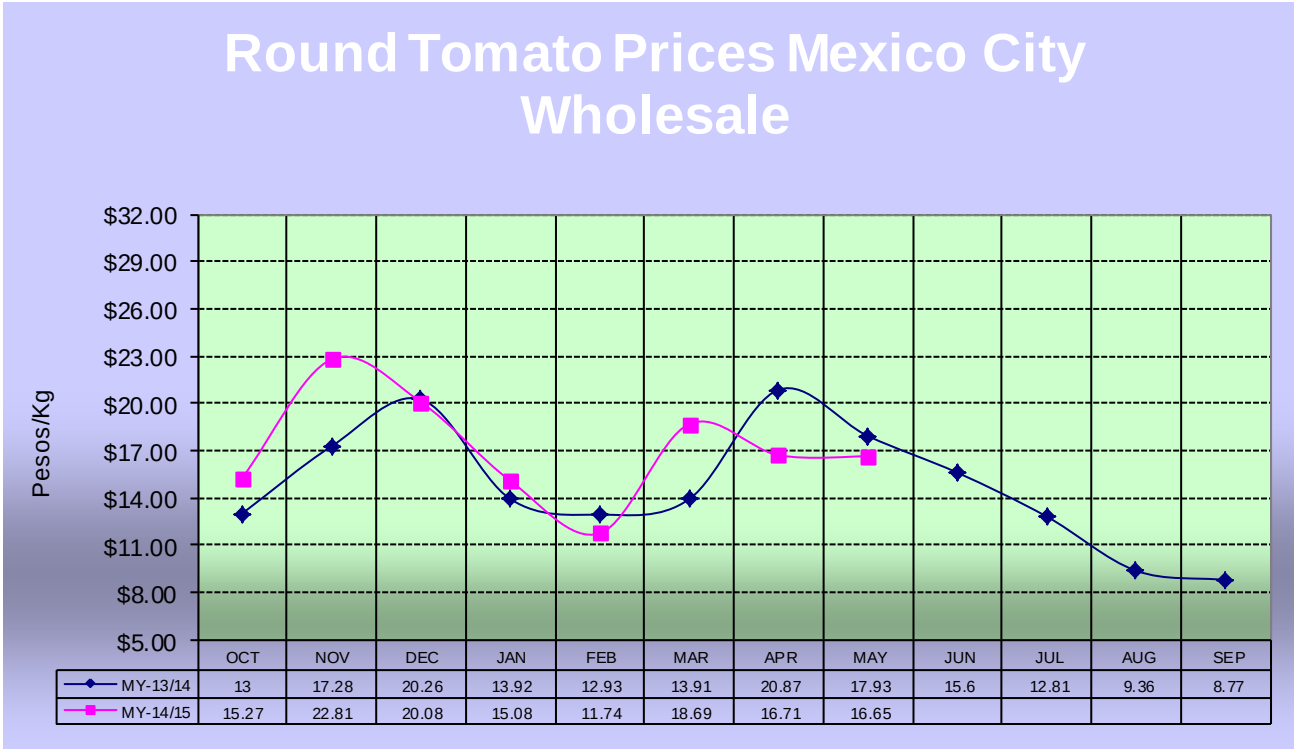
Source: Servicio Nacional de Información de Mercados- SNIIM-ECONOMIA
Note: 2014 Exchange Rate Avg.: U.S. $1.00 = 13.29 pesos.
May 18, 2015 Exchange Rate: U.S. $1.00 = 15.02 pesos

TABLE 4. MEXICO: WHOLESALE ROMA TOMATO PRICES
MEXICO CITY – PESOS/KG

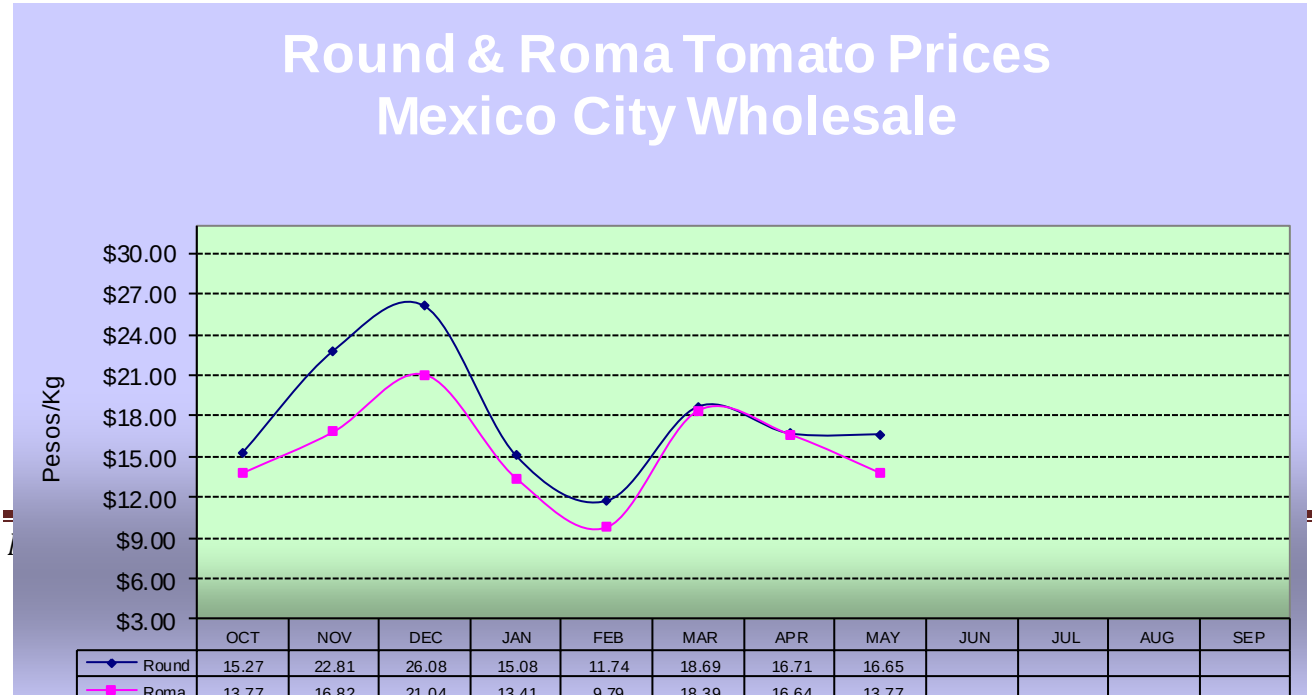
Month	2013	2014	2015	% Change 2014/2013
January	8.30	12.58	13.41	6.59
February	7.14	8.60	9.79	13.83
March	8.47	8.66	18.39	112.35
April	8.44	10.16	16.53	62.69
May	10.28	8.14	13.88	70.51
June	8.10	10.10		
July	6.63	10.28		
August	8.61	10.00		
September	10.08	12.55		
October	10.26	13.77		
November	13.97	16.82		

December	17.80	21.04		

Source: Servicio Nacional de Información de Mercados- SNIIM-ECONOMIA
Note: 2014 Exchange Rate Avg.: U.S. $1.00 = 13.29 pesos.
May 18, 2015 Exchange Rate: U.S. $1.00 = 15.02 pesos



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
MY-13/14	13	17.28	20.26	13.92	12.93	13.91	20.87	17.93	15.6	12.81	9.36	8.77
MY-14/15	15.27	22.81	20.08	15.08	11.74	18.69	16.71	16.65				



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Round	15.27	22.81	26.08	15.08	11.74	18.69	16.71	16.65				
Roma	13.77	16.82	21.04	13.41	9.79	18.39	16.64	13.77				

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

Trade Matrixes

Exports for MY 2013/14 (Oct-Sept):			**Imports for MY 2013/14 (Oct-Sept):**		
Destination	Volume	Value 000	Origin	Volume	Value 000
U.S.	1,482.215	$1,766,734.2	U.S.	17,741	$38,060.8
Canada	44,587	55,766.5		0	
Others not listed	676	825.2	Others not listed	0	
Grand Total	**1,527.478**	**$1,823,325.9**	**Grand Total**	**17,741**	**$38,060.8**
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2015					

Exports for MY 2014/15* (Oct-Sept):			**Imports for MY 2014/15* (Oct-Sept):**		
Destination	Volume	Value 000	Origin	Volume	Value 000
U.S.	653,871	$777,402.8	U.S.	2,577	$**5,768.6**
Canada	4,227	5,161.2			
Others not listed	192	334.5	Others not listed	0	
Grand Total	**658,290**	**$782,898.5**	**Grand Total**	**2,577**	**$5,768.6**
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2015, * Through February 2015					

Table 6. Mexico: Monthly Exchange Rate Averages for 2012-2015
MX Pesos per U.S. $1.00

	2012	**2013**	**2014**	**2015**
January	13.46	12.71	13.20	14.68
February	12.79	12.69	13.28	14.92
March	12.75	12.54	13.20	15.21
April	13.05	12.21	13.06	15.22
May	13.60	12.95	12.93	15.26
June	13.94	12.94	12.99	
July	13.37	12.77	12.97	
August	13.18	12.89	13.14	
September	12.95	13.08	13.21	

October	12.88	13.00	13.47
November	13.08	13.07	13.59
December	12.86	13.00	14.47
Annual Avg	**13.15**	**12.76**	**13.29**

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

For More Information
FAS/Mexico Web Site: We are available at http://www.mexico-usda.com.mx or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

Useful Mexican Web Sites: Mexico's equivalent of the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, the equivalent of the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx, and the equivalent of the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the reader's convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.