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Canada

Tomatoes and Products

Rising Energy Costs Threaten Greenhouse Tomato Expansion

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Report Highlights: Rising energy costs threaten to curtail the expansion of the Canadian greenhouse tomato industry that since 1994, has increased production at an astonishing annual average growth rate of 30%. The energy component of the cost of production has climbed from 20% to 50%, surpassing labor costs which formerly accounted for the primary share. While the government of Alberta has responded with an energy subsidy to its greenhouse growers, that province only accounts for 1% of total Canadian greenhouse tomato output. British Columbia and federal government assistance efforts have focused only on residential energy cost relief.

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Summary: Greenhouse tomato production in Canada expanded rapidly throughout the 1990s reflecting large, private capital outlays and increased demand for fresh tomatoes by North American consumers. But, according to government and industry observers, rising energy costs threaten to curtail the expansion of the Canadian greenhouse tomato industry. Energy is now the primary component of the cost of producing greenhouse tomatoes in Canada, making the profitability of investment uncertain.

In the three years ending 1999, Canadian greenhouse tomato production doubled to reach 157,713 metric tons (see table 1). Since 1994, when total production stood at only 32,900 metric tons, Canadian greenhouse tomato production increased at an astonishing annual average growth rate of 29.9%. In 1999, 50% of the Canadian production of greenhouse tomatoes was exported to the United States.

Table 1. Canada: Greenhouse Tomato Production

Area in hectares

Production in metric tons

	1997		1998		1999	
Province	Area	Production	Area	Production	Area	Production
Newfoundland	-	11	-	11	*	*
P.E.I.	*	*	*	*	*	*
Nova Scotia	3	870	4	893	3	907
New Brunswick	2	436	2	238	2	340
Quebec	57	11,762	61	12,654	58	12,886
Ontario	133	46,929	141	46,211	221	106,614
Manitoba	*	*	-	48	-	33
Saskatchewan	-	56	1	48	1	86
Alberta	5	1,497	11	1,672	6	1,775
British Columbia	38	16,298	47	20,179	67	36,086
Canada Totals	241	78,101	267	82,187	359	157,713

* unpublished, incl. in total

Source: Statistics Canada; cat.number 22-003-XIB, various issues

Industry Challenged by Rising Fuel Costs

Industry and government analysts believe rising Canadian energy costs will curtail the rapid expansion of the greenhouse tomato industry. Anecdotal information suggests that in the last two years, the energy component of the cost of production has climbed from 20% to 50%, surpassing labor costs which formerly accounted for the primary share of the production cost. Fuel costs for greenhouse producers are reportedly two to three times above their levels of two years ago. Combined with the uncertainty of the marketplace (i.e., future market prices for tomatoes), growers across Canada are reportedly reluctant to invest in further greenhouse expansion and are more likely to examine their other cost structure elements, including less reliance on natural gas, in attempts to reduce overhead. The measure of Canadian greenhouse tomato production is the Statistics Canada annual survey of greenhouse area and production with a lag time of approximately one year. As a result, the impact of rising energy prices on Canadian greenhouse industry expansion isn't likely to be accurately measured until 2003 at the earliest.

Government Focus Is On Residential Energy Cost Relief

Energy costs in Canada during the past year have risen sharply impacting all Canadian industrial production, including agriculture, and home heating costs. While the federal government and some provinces have responded to rising residential heating costs by providing energy rebates to low income earners, only Alberta has announced an energy subsidy to agriculture by a one-time C$5 million program to support its small greenhouse and mushroom industry. In British Columbia, a residential heating rebate package worth C$300 million included another C$78 million for low income residents. B.C. also issued grants to public schools, hospitals, colleges, and universities to ensure that rising energy costs don't interfere with the quality of health care or education. The B.C. programs did not extend to greenhouse tomato production.

According to Agriculture and Agri-Food Canada, there are no federal government programs available to assist greenhouse construction nor to subsidize energy costs. In January, 2001 the government of Alberta announced a C$5 million provision to its provincial Farm Income Assistance Program which will allow Alberta's small covered crop industry, including greenhouse growers and mushroom producers, to qualify for a one-time $0.40 per square foot payment to offset rising energy costs. In 1999, Alberta accounted for only 1% of Canadian greenhouse tomato production. Alberta greenhouse tomato production is primarily for the local market. To date, no other provinces have offered subsidies to assist greenhouse growers with increased energy costs.

Penetration of the U.S. Fresh Tomato Market

In 2000, fresh tomato imports from Canada (101,390 MT) accounted for 13.8% of total U.S. fresh tomato imports of 730,063 metric tons (NASS/USDA). Mexico was the leading supplier to the U.S. fresh tomato import market that year. U.S. fresh tomato imports from Mexico during 2000 reached 589,954 metric tons, accounting for 80.8% of total.

Total U.S. fresh tomato supply in 1999 (production + imports) was 2,350,600 metric tons (NASS/USDA). Imports of Canadian tomatoes (79,554 MT) accounted for 3.4% of total U.S. fresh tomato supply. On the other hand, Mexican tomatoes (615,064 MT) accounted for 26.2 % of the total U.S. supply of fresh tomatoes.

According to the Economic Research Service (ERS) of USDA, the U.S. market (i.e., domestic utilization) for fresh tomatoes increased every year since 1990 with the exception of 1997. U.S. per capita consumption increased 15% to 17.8 pounds in the ten years ending 1999. In a special report on the U.S. fresh tomato market released last year entitled Factors Affecting Tomato Consumption in the United States , ERS said, "Because of the expansion of the domestic greenhouse, hydroponic tomato industry during the 1990's, it is likely per capita use is at least 1 pound higher than currently reported (USDA does not currently enumerate greenhouse vegetable production)."

If trends in the U.S. fresh tomato market continue, and if rising energy costs restrict future Canadian greenhouse tomato expansion, the rate of market penetration of Canadian greenhouse tomatoes of the expanding U.S. fresh tomato market can be expected to level off. Many industry observers believe that the center of hydroponic tomato industry expansion will shift to Mexico in the coming years.

Additional Tables

Table 2. Canada: Fresh Tomato Exports, By State of Destination
HS = 0702
Units: Metric Tons; US$million

	1997	1998	1999	2000		Value
	Qty.	Qty.	Qty.	Qty.		2000
	MT	MT	MT	MT		$millions
The World	37,513	61,765	79,567	101,472		$164.0
United States	37,513	61,729	79,554	101,390		$163.9
California	5,153	9,992	14,714	16,350		$27.8
Washington	1,325	2,611	7,805	9,452		$18.8
Connecticut	2,930	3,780	4,496	7,848		$12.7
Michigan	6,850	5,961	5,972	7,383		$10.7
Texas	2,378	4,495	5,934	6,830		$9.6
Florida	543	2,431	4,783	6,242		$10.4
Pennsylvania	1,012	2,947	3,685	4,672		$7.5
Ohio	1,862	2,066	2,772	4,369		$7.4
Illinois	1,151	3,260	2,477	3,597		$5.6
New York	2,022	2,657	3,332	3,333		$6.0
Massachusetts	2,030	2,404	2,177	3,310		$5.0
Indiana	625	1,035	1,701	3,007		$4.8
Minnesota	1,940	3,246	2,448	2,731		$4.2
Wisconsin	532	1,437	1,744	2,331		$3.3
Iowa	229	1,247	1,840	2,064		$2.7
North Carolina	591	1,265	1,627	1,949		$3.4
New Jersey	889	1,085	1,872	1,778		$2.7
Kentucky	204	383	596	1,715		$2.6
Missouri	160	431	685	1,539		$2.3
Colorado	496	435	456	1,538		$2.1
Utah	15	372	1,063	1,281		$1.7
Maryland	1,029	1,348	661	1,223		$1.9
Georgia	254	407	1,152	900		$1.3
Idaho	112	959	731	896		$1.2
Other States	3,181	5,475	4,831	5,052		$8.2

Source: World Trade Atlas

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Table 3. Canada: Five Years of Fresh Tomato Imports, By Country						
HS = 0702						
Units: Metric Tons						
						2000 as
Country	1996	1997	1998	1999	2000	% 1999
The World	158,352	163,260	156,404	162,490	172,707	6.3%
United States	124,053	128,748	115,836	133,249	141,039	5.8%
Mexico	30,493	28,004	31,972	21,465	24,119	12.4%
Spain	652	1,870	3,047	2,383	3,450	44.8%
Netherlands	779	1,600	1,988	2,142	2,189	2.2%
Morocco	1,708	1,845	1,931	1,978	514	-74.0%
Belgium	232	431	725	592	586	-1.0%
Italy	-	-	41	19	498	2521.1%
France	53	273	207	171	60	-64.9%
Chile	2	1	47	135	62	-54.1%
All Others	81	155	192	356	190	-46.6%
Value: Millions of US Dollars						
						2000 as
Country	1996	1997	1998	1999	2000	% 1999
The World	116.8	132.3	135.6	120.4	140.7	16.9%
United States	82.5	98.2	96.4	93.1	109.5	17.6%
Mexico	27.8	26.2	25.7	15.9	19.3	21.4%
Spain	1.1	2.5	5.6	4.3	5.9	37.2%
Netherlands	1.4	2.0	2.9	3.0	3.7	23.3%
Belgium	0.2	0.3	1.0	0.8	1.0	25.0%
Morocco	2.9	1.9	2.7	2.3	0.6	-73.9%
Italy			0.1	0	0.2	-
France	0.1	0.5	0.4	0.3	0.1	-66.7%
Chile	0	0	0.1	0.2	0.1	-50.0%
All Others	34.3	34.1	39.3	27.5	31.3	13.8%
Source: World Trade Atlas						

Background Reports by FAS/Ottawa

Report Number	Title of Report	Date
CA8067	Canadian Greenhouse Tomatoes	10/09/1998
CA8087	Investment in Greenhouse Tomato Production Expands	12/23/1998
CA1023	U.S./Canada Tomato Trade; A Closer Look	02/15/01
CA1029	Greenhouse Tomato Growers Refute U.S. Dumping Allegations	02/28/01

Other Reports:

USDA, Economic Research Service:

1. Factors Affecting Tomato Consumption in the United States available on line at http://www.ers.usda.gov

Agriculture and Agri-Food Canada available online at: http://www.agr.ca/misb/hort/indexe.html

1. Profile of the Greenhouse Tomato Industry

2. Overview of the Canadian Horticultural Industry 1999/2000

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