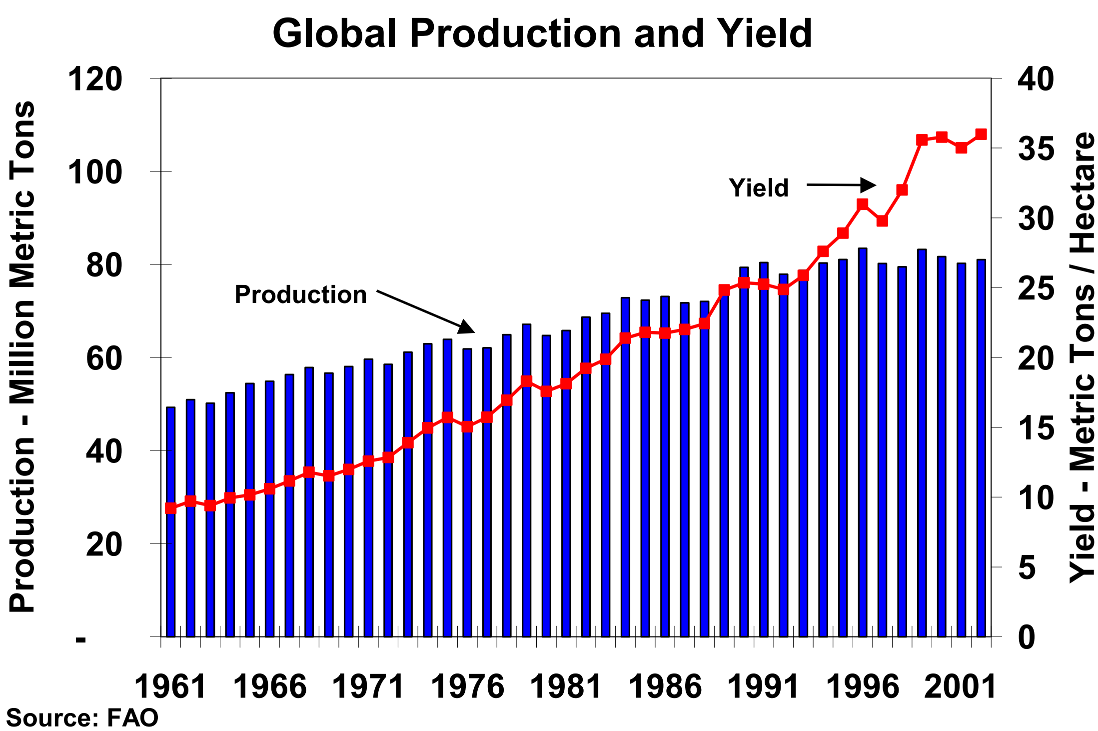
Processed Tomato Products Outlook and Situation in Selected Countries

For Marketing Year (MY) 2003/04, tomato paste production in selected countries is expected to rise in response to low ending stocks. However, inclement weather in several major producing countries may lower overall production expectations. Increasing production costs and the growing presence of Chinese tomato products in the global market continues to worry many producers.

Global Production

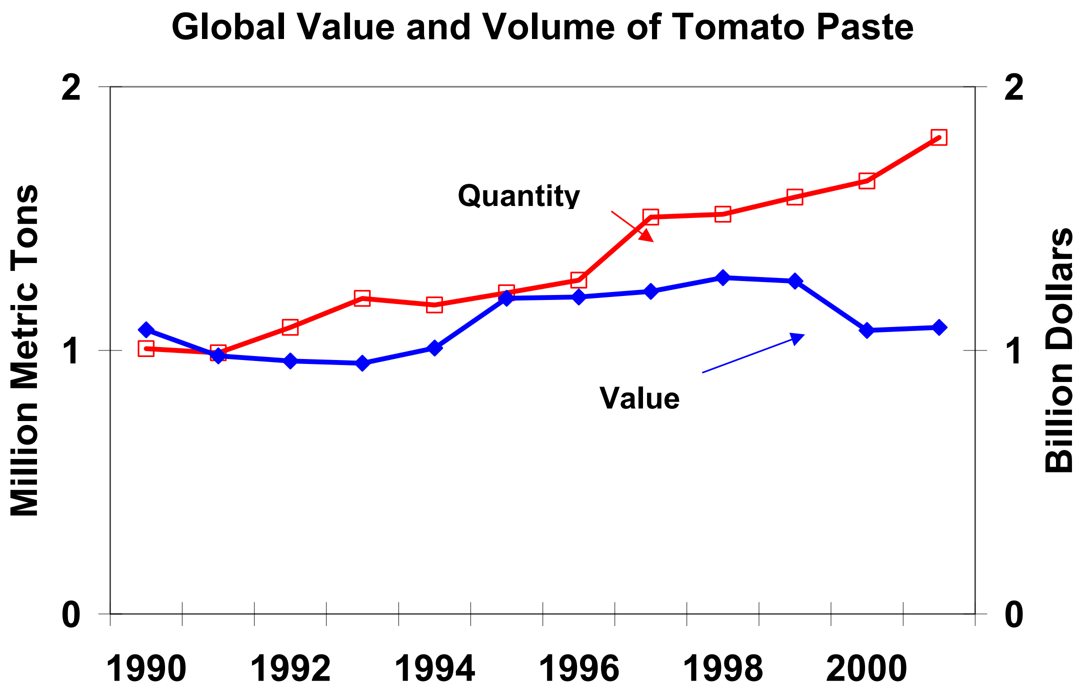
Global tomato production (processing and fresh) has increased 291 percent since 1961, reaching 108 million metric tons in Calendar Year (CY) 2002, while yield increased 64 percent, reaching an average of 36 tons per hectare (Figure 1). Most of the production growth occurred in Asia, which accounted for 50 percent of global production in 2002.



According to FAO data, global trade of tomatoes and tomato products has increased by 33 percent to $4.2 billion from 1991 to 2001. The growth in global tomato and tomato products trade is due to increased shipments of fresh tomatoes, which accounted for 74 percent of the total export value in 2001. Exports of tomato paste and tomato juice have remained relatively stable in terms of export value.

Global Exports of Processed Tomato Products

The value of tomato paste trade is declining as increased global production and trade continue to drive down global paste prices. Expected increases in tomato processing capacity in Asia may further flood the market and continue to drive down prices. Many marginal producers in developed and developing countries have expressed concern over a further slide in paste prices. The current trend of high-cost producers importing low-cost paste for reprocessing and repackaging may grow in the future.



Source:

Production and Trade in Select Countries

Chile

Lower deliveries to processors are expected to cause a decline in tomato paste production and overall supply in MY 2003/04. Tomato paste production is expected to decline 3.5 percent to 110,000 tons. Exports for MY 2003/04 are forecast to decline to 100,000 tons.

France

Total French production of tomatoes is relatively small compared to many of its Mediterranean neighbors. France is a member of the Mediterranean Association of Tomato Growers (AMITOM), a group of European and North-African tomato-producing countries, and accounts for only 2 percent of the member's production. The total area planted for tomato production (fresh and processing) is expected to decline to 3,600 hectares by 2002. Deliveries of tomatoes to processors are expected to rise in MY 2003/04 to 300,000 tons.

Although France is a net importer of tomato and tomato products, there is essentially no trade with the United States. The majority of tomato product imports come from Italy and Spain. The full gain report can be found at http://www.fas.usda.gov/gainfiles/200306/145885861.pdf.

Greece

Greek production of fresh and processing tomatoes is estimated to rise 23 percent to 1.85 million tons. Production of processing tomatoes is expected to reach the quota level of 1.2 million tons. Regulations requiring farmers to decrease cotton production have caused farmers to switch to processing tomatoes, raising the total area planted to 11,000 hectares.

According to the Global Trade Atlas, exports of Greek tomato paste continue to rise, reaching $89.9 million in 2002. The main destinations for Greek processed tomato products are the United Kingdom, Libya and the Netherlands. For MY 2003/04, tomato paste exports are forecast to rise 3 percent to 132,000 tons. For more detail, please see the GAIN Report (http://www.fas.usda.gov/gainfiles/200306/145885860.pdf).

Italy

Italy is the largest producer and supplier of tomatoes to the European Union. Delivery of processing tomatoes to processors for MY 2003/04 is expected to reach 4.7 million tons. However, the severe heat wave may lower the overall quality of the crop and accelerate tomato development. This has caused some concern about production flow during the key harvest periods.

According to FAO trade data, Italy dominates the global processed tomato products market. In 2002, Italian exports accounted for 51 percent of total world exports with a value of $902 million. For MY 2003/04, tomato paste exports are expected to remain relatively stable at 361,000 tons. Canned tomato exports are expected to rise 5 percent to over 879,000 tons. The main export destinations for Italian processed tomato products are Germany, the United Kingdom, France and the United States. Further information can be found at http://www.fas.usda.gov/gainfiles/200306/145985168.pdf.

Portugal

Heavy rains during the harvest destroyed an estimated 200,000 tons of the MY 2002/03 tomato crop. Portuguese production of processing tomatoes for MY 2003/04 is expected to be 1.07 million metric tons, up 24 percent from the previous year.

The main export markets for Portuguese tomato paste is the European Union and Japan. MY 2003/04 tomato paste exports are expected to be 125,000 tons. There is very little trade with the United States and since Portugal is self sufficient in tomatoes, there is little market opportunity. The GAIN Report for Portugal can be found at:

http://www.fas.usda.gov/gainfiles/200305/145885763.pdf.

Spain

Despite a drop in crop area, good weather condition favored an increase in fresh and processing tomato production in MY 2002/03. Deliveries to processors reached 1.56 million tons, 328,000 tons over quota. However, due to low production in Italy, total EU production remained below quota and the penalties will not be assessed. For MY 2003/04, total tomato production is expected to increase to 3.9 million tons with deliveries to processors reaching 158,000 tons.

The primary market for Spanish tomato products is the European Union. Lower production in Italy is expected to raise shipments of Spanish processed tomato products. As Spain is a net exporter of tomatoes, there is little chance of developing a market for U.S. tomato products. However, the increased popularity of processed tomato products like ketchup and barbecue sauces could be a niche market. For further information, please see the Spain GAIN report (http://www.fas.usda.gov/gainfiles/200306/145885865.pdf).

Turkey

In MY2003/04, delivery of industrial tomatoes to processors is expected to be 1.85 million tons. Although poor weather during the planting season may delay the harvest, production of tomato paste is forecast to increase to 275,000 tons. Export demand combined with low domestic stocks of tomato paste have boosted domestic prices.

The main markets for Turkish tomato paste are Japan and Russia. The EU is not allowing Turkey to use its 30,000 tons of free access due to trade issues. MY 2002/03 exports are expected to reach 155,000 tons, up 31 percent from the previous year. Exports of tomato paste are forecast to reach 160,000 in MY 2003/04. . For further marketing and production information, please see the Turkey GAIN report http://www.fas.usda.gov/gainfiles/200305/145885672.pdf

Israel

Late plantings and low spring temperatures are expected to limit the processing tomato crop to 185 thousand tons in MY 2003/04. Changes in labor policy and water prices have raised production costs, potentially lowering profits in the processing industry.

Israeli exports of processed tomatoes steadily declined in the face lower cost competitors. However, the low global supply of tomato paste is expected to raise processors' demand for raw materials. Exports of tomato paste are also expected to rise to 7,500 tons in MY 2003/04, up from 6,360 tons in MY 2002/03.

Mexico

Tomato paste production is expected to remain constant at 12,000 tons in MY 2003/4. Low cost imports have caused some major Mexican processors to import rather than produce. The industry believes tomato paste production will continue to decline due to the high cost of production and the current low international prices for paste. Production of paste is also influenced by fresh tomato demand, where processing tomatoes can be diverted to the fresh tomato market.

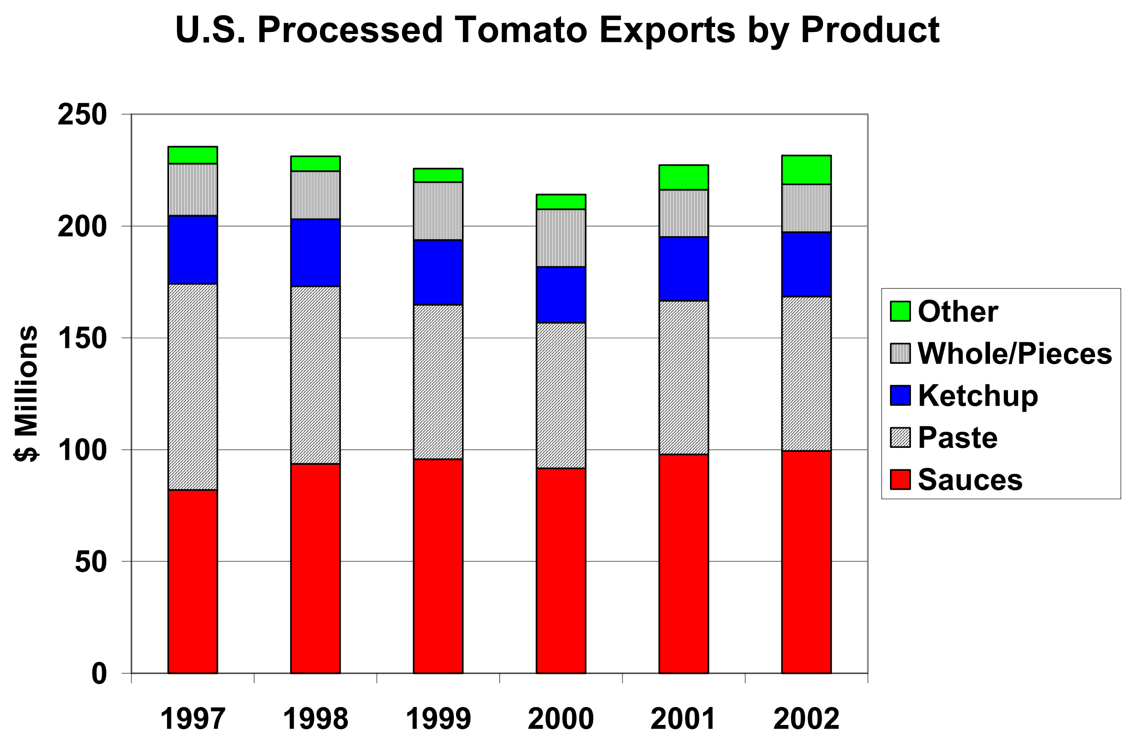
According to the Global Trade Atlas, Mexican exports of tomato paste has risen 21 percent to $6.1 million in 2002. Exports to the United States have been growing in both value and market share, accounting for 95 percent of total Mexican processed tomato exports in 2002. Mexican paste exports are expected to rise to 7,500 tons for MY 2003/4. However, increased global competition, depressed prices and the high costs of inputs have reduced the competitiveness of the Mexican paste industry. Many paste producers have found it to be more cost effective to import paste from other countries rather than manufacture it. For further details please see the Mexico GAIN report (http://www.fas.usda.gov/gainfiles/200305/145885701.pdf).

Deliveries to Processors

	2001/2002	2002/2003	2003/2004
		Thousand Tons	
Chile	921	888	888
France	247	187	150
Greece	870	790	871
Israel	146	165	165
Italy	2,176	1,963	2,139
Mexico	85	85	85
Portugal	897	811	1,070
Spain	1,265	1,347	1,360
Turkey	1,200	1,700	1,850
Total	7,807	7,935	8,578

The United States

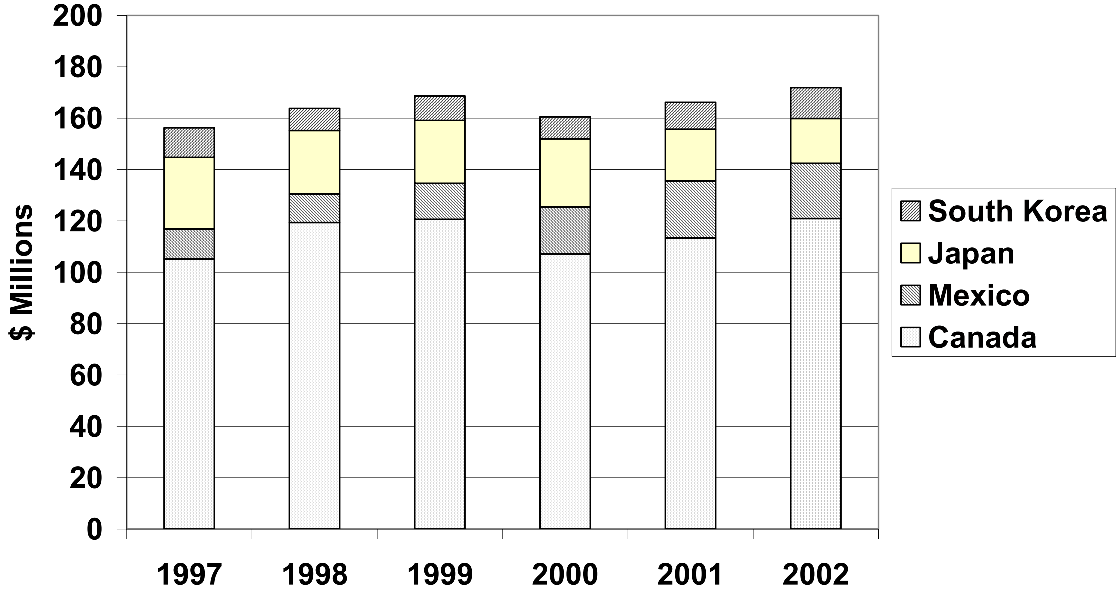
The bulk of U.S. processed tomato production occurs in California. The California Agricultural Statistical Service forecasts production to decline 3 percent to 9.53 million metric tons in MY 2003/04. The 2003 crop got off to a slow start and remains roughly two weeks behinds its normal schedule.



U.S. exports of processed tomato products rose nearly 2 percent to $232 million in CY 2002. Tomato sauces and paste accounted for nearly 73 percent of exports in CY 2002. Ketchup accounted for 12 percent and whole/pieces tomatoes accounted for 9 percent. The other product category made up the remaining 6 percent.

The largest market for U.S. processed tomato exports is Canada at $121 million. Declining exports to Japan and growing trade with Mexico has made Mexico the second largest export destination at $21 million in CY 2002. Exports to South Korea reached $12 million in CY 2002.

U.S. Processed Tomato Product Leading Export Destination



(For information on production and trade, contact Kyle Cunningham at 202-720-0875. For information on marketing contact Krista Dickson at 202-690-1341. For additional information on processed vegetables, please visit our processed vegetables web page at: http://www.fas.usda.gov/htp/horticulture/Proc_Veg.html)