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## Mexico

## Tomatoes and Products

## Annual

## 2003

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**Report Highlights:**

Mexico's total tomato production for MY 2003/04 is forecast to increase to 2.0 MMT compared to MY 2002/03, due largely to better weather conditions. Tomato exports are forecast to remain similar to MY 2002/03 at nearly 900,000 MT. Tomato paste production for MY 2004/05 will remain at low levels because it is expected to be more profitable to import tomato paste than to produce it domestically.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
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**SECTION I. SITUATION AND OUTLOOK****TOMATO SITUATION**

Tomato production for Mexico for MY 2003/04 (Oct/Sep) is forecast to increase to 2.0 million metric tons (MMT) due to better overall weather conditions. High costs of production and water availability have limited increases in area planted. Also, area planted depends on demand from the export market, mainly the United States. Exports for MY 2003/04 are expected to remain at similar levels as in MY 2002/03. Tomato paste production for MY 2004/05 will increase compared to MY 2003/04 (Mar/Feb), but will still remain at low levels, because it is more profitable to import tomato paste than to produce it domestically, due to prevailing low international prices. Consequently, imports are forecast at 26,000 MT to meet domestic demand.

## SECTION II. STATISTICAL TABLES

## FRESH TOMATO TABLE

PSD Table						
Country	Mexico					
Commodity	Fresh Tomatoes				(HA)(MT)	
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	10/2001		10/2002		10/2003	
Plnt For Fresh Consump	70000	66814	72000	67311	0	67800
Plnt For Processing	3000	3000	3000	2800	0	2500
TOTAL Area Planted	73000	69814	75000	70111	0	70300
Harv. For Fresh Cons.	63732	64559	69500	64100	0	65600
Harv. For Processing	2800	2800	2800	2600	0	2400
TOTAL Area Harvested	66532	67359	72300	66700	0	68000
Fresh Sale Production	1856563	1878977	2028000	1833000	0	1917400
Processing Production	111000	111000	112000	90000	0	96000
TOTAL Production	1967563	1989977	2140000	1923000	0	2013400
TOTAL SUPPLY	1967563	1989977	2140000	1923000	0	2013400

## TOMATO PASTE TABLE

PSD Table						
Country	Mexico					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	03/2002		03/2003		03/2004	
Deliv. To Processors	85000	85000	85000	42000	0	80000
Beginning Stocks	0	0	0	0	0	0
Production	12000	12000	12000	6000	0	11000
Imports	26021	26021	27000	30000	0	26000
TOTAL SUPPLY	38021	38021	39000	36000	0	37000
Exports	7853	7853	7500	6900	0	7000
Domestic Consumption	30168	30168	31500	29100	0	30000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	38021	38021	39000	36000	0	37000

## TOMATO PRICES

Wholesale Tomatoes Prices Pesos/Kilogram			
Month	2002	2003	CHANGE %
JANUARY	11.94	9.22	(22.78)
FEBRUARY	4.92	5.96	21.14
MARCH	7.90	10.98	38.99
APRIL	7.78	8.74	12.34
MAY	9.92	10.69	7.76
JUNE	12.20	15.34	25.74
JULY	10.72	17.00	58.58
AUGUST	9.06	16.88	86.31
SEPTEMBER	8.71	10.56	21.24
OCTOBER	9.74	11.72	20.33
NOVEMBER	11.92	N/A	N/A
DECEMBER	14.00	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados  
 2002 Exchange Rate Avg.: U.S.\$1.00 = \$9.82 pesos  
 October 31, 2003, exchange rate U.S. \$1.00 = \$11.10 pesos

## TRADE MATRIX

Tomatoes			UNITS: METRIC TONS		
EXPORTS FOR MY 2003/04 (OCT-SEPT*) TO:			IMPORTS FOR MY 2003/04 (OCT-SEPT*) FROM:		
U.S.	889,338		U.S.	11,458	
OTHER			OTHER		
CANADA	2,741		CHILE	19	
TOTAL OF OTHER	2,741		TOTAL OF OTHER	19	
OTHERS NOT LISTED	138		OTHERS NOT LISTED	0	
GRAND TOTAL	892,217		GRAND TOTAL	11,477	

**SOURCE:** Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, August 2003.

Tomato Paste			UNITS: METRIC TONS		
EXPORTS FOR MY 2003/04 (MARCH-FEB) TO:			IMPORTS FOR MY 2003/04 (MARCH-FEB) FROM:		
U.S.	5,603		U.S.	15,259	
OTHER			OTHER		
CANADA	13		CHILE	1,345	
SPAIN	12		SPAIN	157	
TOTAL OF OTHER	25		TOTAL OF OTHER	1,502	
OTHERS NOT LISTED	25		OTHERS NOT LISTED	67	
GRAND TOTAL	5,653		GRAND TOTAL	16,828	

**SOURCE:** Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, August 2003.

\* Data only includes figures as of August 2003.

## SECTION III. NARRATIVE ON SUPPLY &amp; DEMAND, POLICY &amp; MARKETING

**FRESH TOMATOES****PRODUCTION**

Mexico's overall tomato production for MY 2003/04 (October/September) is forecast at 2.0 MMT, due to overall good weather conditions during the growing season. Area planted for fresh consumption is expected to increase marginally to 67,800 hectares for MY 2003/04, and production is forecast at 1.9 MMT. Although there have been good weather conditions in most states, the states of Sinaloa and Baja California Sur were affected by rain and high humidity that will somewhat affect tomato production for the winter season (October/March) 2003. Mexican states which grow for the domestic market tend to plant more Italian tomatoes while those growing for export usually plant standard round tomatoes. However, the state of Sinaloa plants for both markets. The fresh tomato production estimate for MY 2002/03 was revised downward as producers decreased area planted in Baja California due to a lack of water. Also, heavy rainfall in several producer states like San Luis Potosi, Michoacan and Zacatecas, decreased the production and quality of tomatoes. Area planted and harvested for fresh consumption, therefore, was also revised downward, based on official estimates. Data for MY 2001/02 was updated, reflecting official information.

During the winter season, Sinaloa is the main producer and exporter of tomatoes. Sinaloa growers expect that the use of improved and extended shelf varieties, drip irrigation, and plastic mulch will increase yields. During the summer season, Baja California is the main producer and exporter of tomatoes. Both Sinaloa and Baja California are more technologically advanced than other producing states. U.S. California tomatoes face direct competition from Baja California. Producers from Jalisco have begun to plant more acreage, due to the advantage of exporting to the United States. Jalisco produces tomatoes for the summer cycle and exports after Baja California in October, November and December. Sinaloa, Baja California, and Jalisco are beginning to produce horticultural products, including tomatoes in green houses.

Tomato production costs continue to be high. Imported agrochemicals, seeds and fertilizers are the most costly inputs. Fresh tomato production costs for the 2003 summer crop in Baja California varied from 30,000 to 40,000 pesos/ha (US\$2,655 to \$3,540/ha). The cost of production depends also on the value of the peso against the dollar because many inputs are imported from the United States. Lack of credit is also a constraining factor as Mexican banks do not provide loans to tomato growers. Producers with export contracts receive some operating capital from contracting companies in the United States. Producers and the Mexican government are very aware of meeting quality standards on fruits and vegetables and have implemented programs to comply with food safety requirements.

Overall yields for tomatoes for fresh consumption for MY 2003/04 are forecast at 29.2 MT/ha. Individual yields vary depending on production conditions and inputs. Baja California and Sinaloa growers generally achieve the highest fresh tomato yields, about 35 to 45 MT/ha, due in part to their widespread pest and disease control programs. In other areas in Mexico, growers achieve lower yields, 12 to 25 MT/ha, due to less intensive use of inputs and less intensive pest control efforts. Grower prices in Sinaloa for MY 2003/04 are expected to be at approximately \$1.20 pesos/kg (US\$0.10/kg). Grower prices for MY 2002/03 began at approximately \$1.20 but reached higher prices after March 2003 of about \$2.00 to \$2.40/Kg (US\$0.18 to \$0.22/kg) due to lower supplies.

**CONSUMPTION**

Tomato consumption for MY 2003/04 is forecast to be slightly higher compared to MY 2002/03, because of more affordable market prices and higher demand. However, the final tomato consumption figure will depend on tomato exports to the United States, since domestic consumption tends to be a residual after exports. Tomato consumption for MY 2002/03 was lower due to higher prices and reduced plantings. Consumption data for MY 2001/02 was higher according to official information.

During March, April and May, local tomato prices tend to rise because of increased exports from the state of Sinaloa, which in turn reduces supplies for the domestic market. Exports also increase from June to August as this is Baja California's market window. By the end of November/ December, tomato prices usually rise again due to exports from Jalisco and Sinaloa. The tomato paste industry has always bought tomatoes from the fresh market in addition to buying contracted tomatoes for processing. However, the price competition from the fresh market has always been a problem for the industry as, when fresh market prices are very attractive, tomatoes for processing are diverted to the fresh market and vice-versa.

## **TRADE**

According to Mexican trade data, Mexico had exported 889,338 MT through August 2003 to the United States during MY 2002/03 (Oct/Sept), a 12-percent increase over MY 2001/02 imports, due to good international market prices. Tomato producers expect tomato exports for MY 2003/04 to be similar to those of MY 2002/03. The reference price agreement signed on December 4, 2002 that binds all tomato exporters to an agreed reference price will be in force for 5 years. The reference price was updated for MY 2003/04 by the Department of Commerce, effective November 1, 2003. The reference price for exporting fresh tomatoes for the summer season (July 1 to October 22) remained unchanged at 17.2 cents per pound, but the reference price for the winter season (October 23 to June 30) was changed to 21.69 cents per pound.

Fresh tomato imports from the United States represent a small portion of Mexico's fresh consumption and fluctuate depending on the international price. According to importers, imports for MY 2003/04 are forecast to increase compared to MY 2002/03, due to larger international supplies and good market prices. Based on Mexican trade data, imports for MY 2002/03 are expected to barely reach 13,000 MT, a 70-percent decrease from MY 2001/02 import levels, due to smaller international supplies at high prices. Growers indicate that imports compete with low domestic prices, but are able to find market windows from July to September. Currently, there are no non-tariff trade barriers for fresh tomato or tomato products imported from the United States. Nor does the Mexican government provide export subsidies for fresh tomatoes or tomato products.

Under NAFTA, Mexico did not have a safeguard mechanism for tomatoes. The U.S. safeguard mechanism for Mexico, however, was phased out, and tomatoes exported to the U.S. after March 1, 2003 have a zero duty and will not have quantitative limitations. However, they will be subject to a reference price.

## **MARKETING**

Fresh tomatoes destined for domestic consumption, including imported tomatoes, pass through the various wholesale markets throughout Mexico and from there to the large supermarkets and retail stores. The promotional campaigns focus on technical knowledge of proper tomato handling, point of sale material, and supermarket promotions. For 2004, the promotional campaigns will concentrate in the northern border cities and on importers, as larger volumes of tomatoes tend to be bought here. Tomatoes for the export market are



shipped directly from the producing areas to the U.S. border. Tomato tariff classification numbers are 0702.0000, 0702.00.01, and 0702.00.99.

## **TOMATO PASTE**

### **PRODUCTION**

According to industry sources, tomato paste production for MY 2004/05 (March/February) is forecast to increase to 11,000 MT. Industry sources indicate that higher tomato paste production is not expected because it is more profitable to import tomato paste at low prices than to produce it locally. A few companies are only producing for international contracts, mainly for U.S. contracts. Production of tomato paste for MY 2003/04 is expected to reach its lowest level in recent memory, with the industry expecting total production of only 6,000 MT. The industry indicated that the 2003 production season was very short, due to the unavailability of tomatoes for processing and unprofitable margins. Increased costs of production and low international prices for paste have forced the industry to produce less. Data for MY 2002/03 production remains unchanged.

Planting and harvesting for processing tomatoes depend on fresh domestic market prices and international prices for tomato paste. Planted area of tomatoes destined for processing has declined in the past three years. Area planted for MY 2003/04 is forecast to decrease to 2,500 hectares with yields ranging at about 40-50 MT/ha, given normal weather conditions. Area planted and harvested for MY 2002/03 was revised downward due to weather related problems and lower tomato paste production. Area planted and harvested for MY 2001/02 remained unchanged. The balance of tomatoes for the processing industry is bought in the fresh market when needed. Cost of production for processing tomatoes for MY 2002/03 ranged from \$12,500 to \$13,500 pesos/ha (US\$1,106 to \$1,195/ha).

In addition to international demand, production of tomato paste depends very much on the fresh tomato demand. When there is a high demand for fresh tomatoes for the export market, some processing tomatoes are diverted and end up either in the domestic fresh market or the fresh export market, which was the case for MY 2002/03. When tomato prices for the export market are low, tomatoes are available for the processing industry at good prices; however, if there is low international demand for tomato paste, the processing industry cannot take advantage of the situation. Most plants operate from March through June. Tomato paste production data is difficult to obtain because it is not officially published and only a few producers provide accurate – and then only -- partial data.

Seven tomato paste processing plants, which constitute the majority of the Mexican tomato paste industry, are located in Sinaloa. Mexican and multinational firms control these plants. They produce paste under their own labels and for use in other products such as ketchup, tomato based juices, sauce, hot sauce, sardines, and other paste containing products. Tomato paste in Mexico is made at different concentrations depending on the intended end use: 29, 31, 36, 44 degrees Brix.

### **CONSUMPTION**

*Note: The tomato paste consumption data includes domestic production and tomato paste imported by the paste industry and the dehydration industry. According to sources, all the dehydrated product is exported.*

Tomato paste consumption is estimated as the residual after subtracting exports and ending stocks from total supply, then adding imports as appropriate. The domestic market acted as

a buffer for large supplies of canned tomato paste when companies were producing at higher levels. However, since 2000, when companies started to reduce tomato paste production from the record-high levels of 30,000 to 40,000 MT, market demand began to be met by larger imports.

Tomato paste consumption for MY 2004/05 is forecast at 30,000 MT, a 3-percent increase compared to MY 2003/04. However, final consumption data will also depend on the volume of tomato paste exported. Tomato paste consumption estimates for MY 2003/04 were revised downward to 29,100 MT, because of lower consumer purchasing power. Tomato paste consumption for MY 2002/03 remains unchanged. According to the industry, domestic consumption ranges between 25,000 to 28,000 MT, not including the paste destined for the dehydration industry. High capital costs and the lack of adequate warehouses encourage processors to sell excess supplies to the domestic market rather than to maintain inventories.

## TRADE

Mexico's possibilities of increasing its tomato paste exports have dwindled as the United States has increased its tomato paste exports. In addition, China's access to the international market, with its high levels of production, has lowered international prices. Mexican tomato paste exports for MY 2004/05 are forecast at 7,000 MT, unless international prices increase. Mexican tomato paste export estimates for MY 2003/04 were revised downward from previous estimates to 6,900 MT, reflecting lower demand from the international market. Tomato paste exports for MY 2002/03 remain unchanged. The main markets for Mexican tomato paste are still the United States and South America.

Tomato paste imports for MY 2004/05 are forecast at 26,000 MT, due to expected lower supplies. Tomato paste imports for MY 2003/04 were revised upward to 30,000 MT, reflecting a higher demand from the domestic market. Due to low international prices, the tomato paste industry will continue importing tomato paste from countries such as the United States, China, and Chile. MY 2002/03 import data remains unchanged. Imports include tomato paste for the dehydration industry.

The average import prices for tomato paste for MY 2003/04 were on average US\$0.24 to \$0.26/lb, while exports prices were four or five cents/lb more. Approximately 4,000 to 5,000 MT of imported tomato paste are destined for the dehydration industry, and the rest is for domestic consumption. This industry imports paste and exports tomato powder. Tomato paste imports are subject to a 20-percent duty for all non-NAFTA suppliers. Since 2003, the duty applied to imports from the United States is zero. The tariff classification code is 20.02.90.99.