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Spain

Tomatoes and Products

Semi-Annual

2003

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Report Highlights:

A record area planted to tomatoes for processing more than offset the effect that this summer's heat wave had on yields. As a result, the MY 2003/04 harvest set a record for production and deliveries to processors far exceeded Spain's EU quota. Spanish tomato farmers are expecting penalties on their EU subsidies for MY 2004/05. Fresh tomato producers are upset with the new EU-Morocco trade agreement, which gives Moroccan tomatoes greater access to the EU market. Although Spanish exports of tomato products boomed in 2002/03, prospects for this marketing year are much less promising.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Madrid [SP1]
[SP]

Executive Summary

In MY 2003/04, total tomato production rose to a record 3.88 million tons, up 2 percent from the previous year. A larger crop area more than offset yield losses due to last summer's heat wave. With good market prices and a full EU subsidy available, farmers had the incentive to increase the area planted in tomatoes by 20 percent over the previous marketing year. In volume terms, production of tomatoes for processing reached about 1.72 million tons in MY 2003/04, which was about 481,000 tons over Spain's EU quota of 1,238,606 tons. According to Spanish sources, Italian production was also over quota; consequently, total EU production is very likely to exceed the overall EU quota for the marketing year, which would trigger EU penalties in MY 2004/5. Even so, if current prices for fresh tomatoes are sustained, production could go even higher in MY 2004/05.

Under a new EU-Morocco trade agreement, the quota for fresh tomatoes from Morocco has been increased to 175,000 tons for CY 2004 and will be increased annually until it reaches 220,000 tons in CY 2007. The agreement also says that if the CIF price for Moroccan tomatoes is above 461 €/ton, they may enter without duty or quantitative limits. Spanish farmers are saying that their production cost for fresh tomatoes during the fall and winter is above 461 €/ton; consequently, they argue that Moroccan tomatoes will take market share in the lucrative off-season market in Northern Europe. In exchange for greater access to the EU tomato market, Morocco agreed to import 1,060,000 tons of EU grain annually at a reduced duty of 38 percent. Some Spanish farm organizations have complained that while Spain will bear most of the pain of this agreement, most of the gain will go to the grain exporters of Northern Europe.

Under the current CAP for processing tomatoes, subsidies are allocated to farmers instead of to industry. This allocation is shifting production to areas with higher productivity. According to farm sources, the big winner from this change is the region of Extremadura, which is now the largest tomato producer in Spain. The region increased production of processing tomatoes to about 1.4 million tons in MY 2003/04, which represents 90 percent of the total Spanish crop.

NOTE: Current exchange rate: 1.00 U.S. dollar = 0.830 euro.

PSD Table

Country Spain

Commodity Fresh Tomatoes (HA)(MT)

	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [	New]
Market Year Begin		01/2001		01/2002		01/2003	MM/YYYY
Plnt For Fresh Consump	0	34500	0	32500	0	31800	(HA)
Plnt For Processing	0	27000	0	27000	0	32300	(HA)
TOTAL Area Planted	0	61500	0	59500	0	64100	(HA)
Harv. For Fresh Cons.	0	34500	0	32500	0	32000	(HA)
Harv. For Processing	0	27000	0	27000	0	26200	(HA)
TOTAL Area Harvested	0	61500	0	59500	0	58200	(HA)
Fresh Sale Production	0	2161700	0	2208900	0	2182800	(MT)
Processing Production	0	1568200	0	1669500	0	1800000	(MT)
TOTAL Production	0	3729900	0	3878400	0	3982800	(MT)
TOTAL SUPPLY	0	3729900	0	3878400	0	3982800	(MT)

PSD Table

Country Spain

Commodity Tom. Paste,28-30% TSS Basi (MT)(MT, Net Weight)

	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [	New]
Market Year Begin		07/2001		07/2002		07/2003	MM/YYYY
Deliv. To Processors	1264757	1264757	1346846	1480000	1360000	1520000	(MT)
Beginning Stocks	3709	3709	16987	16987	487	7994	(MT, Net Weight)
Production	225849	225849	240500	264280	242848	271000	(MT, Net Weight)
Imports	8296	8296	14000	15982	15000	15000	(MT, Net Weight)
TOTAL SUPPLY	237854	237854	271487	297249	258335	293994	(MT, Net Weight)
Exports	95867	95867	144000	161255	125000	155000	(MT, Net Weight)
Domestic Consumption	125000	125000	127000	128000	127000	129000	(MT, Net Weight)
Ending Stocks	16987	16987	487	7994	6335	9994	(MT, Net Weight)
TOTAL DISTRIBUTION	237854	237854	271487	297249	258335	293994	(MT, Net Weight)

PSD Table

Country Spain

Commodity Canned Tomatoes (MT)(MT, Net Weight)

	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [	New]
Market Year Begin		07/2001		07/2002		07/2003	MM/YYYY
Deliv. To Processors	234500	234500	219500	219500	220000	200000	(MT)
Beginning Stocks	7209	7209	3903	1000	500	500	(MT, Net Weight)
Production	195400	195400	182900	182900	183300	167000	(MT, Net Weight)
Imports	1144	1144	1400	1722	2000	3000	(MT, Net Weight)
TOTAL SUPPLY	203753	203753	188203	185622	185800	170500	(MT, Net Weight)
Exports	52494	57800	64000	69313	60000	56000	(MT, Net Weight)
Domestic Consumption	147356	144953	123703	115809	121000	114000	(MT, Net Weight)
Ending Stocks	3903	1000	500	500	4800	500	(MT, Net Weight)
TOTAL DISTRIBUTION	203753	203753	188203	185622	185800	170500	(MT, Net Weight)

Notes on data: Supply and distribution data for processed tomatoes are expressed in terms of net weight. Net weight data have been computed applying a .85 factor on gross weight data. Supply and distribution data are on a 28/30 tomato solid content basis. About 80 percent of tomato paste production in Spain is 28-30 percent TSS double concentrated level paste, and 20 percent is the triple concentrate level of 36-38 percent TSS.

An estimated 1.2 kilograms of fresh tomatoes are currently yielding about one kilogram of canned peeled tomatoes, net weight basis. TSS tomato paste (28-30 percent) is produced at an average industrial rate of 1 kilo for every 5.6 kilos of fresh tomatoes. "Tomate frito," the most popular sauce, is produced at a rate of a 2.15 kilos for every 1 kilo of TSS tomato paste, while the same amount of paste will yield 0.3 kilos of tomato powder.

Production

The area planted to tomatoes for processing rose to about 33,000 hectares in MY 2003/04, up 20 percent from the previous year. This sharp gain in planted area reflects farmers' response to the profitable prices paid for the crop. The market price for tomatoes for processing in MY 2003/04 was about 50.33 € ($60.40) per ton; in addition, farmers will also receive an EU subsidy of 34.50 € ($41.10) per ton for fresh tomatoes processed into paste, whole peeled or most other tomato products.

The crop suffered form bad weather in the last half of the growing season -- a heat wave in August and heavy rains in September. In June, the industry was expecting a crop of processing tomatoes at about 2.2 million tons. It currently estimates that the crop reached about 1.8 million Mt. Some 1.72 million tons were delivered to processors; of this amount, about 1.52 million tons were processed into tomato paste, 65,000 tons into whole peeled tomatoes, and the balance, into "other" categories.

The quantity delivered to processors was 481,000 tons more than the EU production quota allocated to Spain. Since deliveries exceeded the quota, penalties are expected for marketing year 2004/05. If realized, the direct payment in MY 2004/05 could be reduced by about 10 percent. Despite a penalty of this magnitude, farmers are unlikely to cut back much on planted area in MY 2004/05. Current price levels are so profitable that most farmers can absorb a cut next year.

Reservoirs in production areas should have enough water to meet demand from tomato farmers next summer. The cost of labor, currently about $10 per hour, is encouraging mechanization and new harvest methods. In addition, the planting of new varieties has increased yields

The outlook for tomatoes for fresh consumption is also positive. During the nine first months of CY 2003 the average price of tomatoes for fresh consumption was around €0.60 ($0.72) per kilogram. If prices remain at this level, production should expand in MY 2004/05.

Country	Spain		
Commodity	Fresh Tomatoes		
Prices in	Euros	per uom	Metric Ton
Year	2002	2003	% Change
Jan	758	278	-63%
Feb	832	365	-56%
Mar	1290	371	-71%
Apr	888	355	-60%
May	472	365	-23%
Jun	287	364	27%
Jul	258		-100%
Aug	207		-100%
Sep	230		-100%
Oct	608		-100%
Nov	492		-100%
Dec	596		-100%
Exchange Rate	0,83	Local Currency/US $	
Date of Quote	12/02/2003	MM/DD/YYYY	

Consumption

During the first half CY 2003, fresh tomato consumption rose due to abundant production and lower prices. During the summer heat wave, however, production fell, leading to higher prices and lower consumption. Consumption of tomato products continues to gain thanks to the success of some new tomato products. One of these, pasteurized gazpacho (a ready-to-eat, processed cold soup) has been a big hit with consumers, with sales climbing by about 15 percent again in CY 2003. Fresh and processed tomatoes are considered to be healthful products by Spanish consumers. For the next few years, further gains are expected in the consumption of both fresh and processed tomatoes, as new varieties of tomatoes and new products reach the market.

Trade

The bulk of both fresh and processed exports go to other EU markets, with the Netherlands, Germany, the United Kingdom and France being the main destinations. Thanks to last year's big crop and to lower production in Italy, Spain's exports of tomato paste reached a record of 161,000 tons in MY 2002/03, up 50 percent from previous marketing year. Exports of fresh tomatoes also made gains, reaching 1,038,084 tons, or 12 percent higher than MY 2001/02. Exports of peeled tomatoes rose only slightly.

Shipments to the U.S. market slipped during MY 2002/03: fresh tomatoes were off 44 percent from the previous marketing year, while tomato paste fell 28 percent and whole peeled tomatoes, 30 percent.

Total exports of tomato products are expected to decline in MY 2003/4. The rebound in Italian production is providing greater competition within the EU market, while the strong euro is hurting shipments to third country markets. Exports of fresh tomatoes are likely to stall next year as larger quantities of Moroccan tomatoes arrive in the EU market.

Spanish tomato producers are highly sensitive to competition from lower-cost products from Morocco and the recently signed EU-Morocco trade agreement has become a real sore point. Under the agreement, the EU import quota for fresh tomatoes from Morocco has been increased to 175,000 tons for CY 2004 and will be increased annually until it reaches 220,000 tons in CY 2007. In addition, if the CIF price for Moroccan fresh tomatoes is above 461 €/ton, they may enter the EU without tariff or quantitative limit. (In compensation, Morocco agreed to import 1,060,000 tons of EU grain per year at a reduced duty of 38 percent.) Spanish farmers say that their production cost for fresh tomatoes during the winter months is higher than the threshold price of 461 €/ton. As a consequence, they believe that Moroccan shipments of tomatoes into the EU will substantially exceed the 175,000-ton quota set for CY 2004.

Even before the EU-Morocco trade agreement was signed, Spanish tomato farmers were worried about imports. During MY 2002/03, Spain imported 48,103 tons of fresh tomatoes, up 40 percent from the previous marketing year; of this amount, 6,611 tons came from Morocco. Imports of tomato paste and whole peeled tomatoes also rose dramatically in MY 2002/03; together they totaled 17,700 tons, a jump of 60 percent over the previous marketing year. One fact worth noting: imports of tomato paste from China declined sharply to 2,810 tons in MY 2002/03, down 40 percent in comparison with the previous marketing year.

Stocks

In CY 2002/3, ending stocks of tomato products declined due to larger exports. For MY 2003/04, higher ending stocks of paste tomatoes are expected due to lower imports and a higher production.

Policy

Under the CAP for processing tomatoes, subsidies are now allocated to farmers instead of to industry. As a result, farmers in areas with higher productivity will have new incentives to expand their crops.

In MY 2003/04, farmers delivered about 1,720,000 MT for processing, which was 481,000 MT over the EU quota of 1,238,606 tons. As a consequence, the EU is expected to impose penalties on paste tomatoes for MY 2004/05, which will be subtracted from the subsidy for paste tomatoes. No penalties for whole peeled tomatoes are expected due to the fact that the amount of tomatoes delivered for whole peeled processors was below the quota established for this type of products. Tomatoes delivered for processing into whole peeled tomatoes will receive the full subsidy of 34.46 € ($41.35) per ton.

Marketing

Since Spain is a substantial net exporter of fresh, canned tomatoes, and tomato products, imports of these items from the United States are unlikely. However, due to the strength of the euro, some opportunities could exist for some U.S tomatoes products, such as tomato-based sauces, barbecue sauces and ketchup.