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Mexico

Tomato Annual

Mexico Continues to Expand Greenhouse Tomato Production

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Report Highlights:
Tomato production for marketing year 2016/17 is estimated at 2.9 million metric tons (MMT), slightly higher than the previous marketing year. Mexican producers continue to move from open field production to protected agriculture technologies, resulting in higher yields. Exports are expected to remain relatively stable at approximately 1.5 MMT.

PRODUCTION

Post's tomato production forecast for marketing year (MY) 2016/17 (Oct/Sept) is 2.9 million metric tons (MMT), assuming that favorable weather conditions and attractive international prices continue. Although there is no official Government of Mexico (GOM) forecast for overall tomato production for MY 2016/17, Post estimates that tomato production will be better than the previous year. Production for MY 2015/16 is expected to be slightly higher than previously forecasted, or 2.8 MMT, despite some weather problems in the northern states during the winter. In particular, there were low temperatures in December that delayed harvesting. The spring tomato crop from Baja California and other states is expected to be higher than in the previous year at 1.5 MMT. The overall tomato production estimate for MY 2014/15 was at about 2.7 MMT.

Tomato planted area for fresh consumption for MY 2016/17 is forecast at 49,200 ha, showing only slight growth over MY 2015/16, despite some expansion in the state of Michoacán and as noted below. 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. The planting area estimate for fresh consumption for MY 2015/16 is 48,000 ha, a slight increase compared to MY 2014/15 area of 47,530. 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.

Total planted area for tomatoes had been declining for several years, but yields have been increasing due to the establishment of protected agriculture (greenhouse, shade-house, and tunnel) areas. The move away from open field tomato production is attributable 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 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 reducing 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 as tomato-producing states like Sinaloa and Baja California continue to move from open field production to protected production, using less total area while also 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 export window after the winter window is finished by the month of May. These last states are also orienting some of their production to fancy tomato production. Other states have begun to build protected infrastructure to grow tomatoes, cucumbers, bell peppers, zucchini, strawberries, and flowers.

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 2015/16 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. In addition to the move to protected tomato production, small open field producers are switching to other products like corn and beans in search of better financial returns.

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 percent), bell pepper (16 percent), cucumber (10 percent), and the rest are products like flowers, chili peppers, berries, and papaya. Although at first the rate of growth in protected agriculture 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 11,000 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 inability to cope with weather events), means that sometimes growers abandon protected facilities.

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 56 MT/ha (combined average for open field and protected agriculture) in 2015/16. Yields for MY 2015/16 could be lower due to the rainy weather conditions during the winter season. Baja California and Sinaloa growers generally achieve the highest fresh tomato yields for open field production, 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 37 MT/ha, while it can grow them under protected agriculture with yields ranging from 87 to 128 MT/ha.

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 protected agriculture uses 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. Producers in Sinaloa and Baja California are widely considered more technologically advanced than other producing states.

During the October to May winter season, Sinaloa growers are the main producers and exporters of fresh tomatoes. Other significant producers include Michoacán, 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 yields. During the summer season (May to October) Baja California growers are the main producers and exporters of fresh tomatoes. As a result, U.S. California tomatoes face direct competition from Baja California tomatoes. The states of Michoacán, Jalisco, and Morelos follow Baja California's production. 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 for processing tomatoes fluctuates between 1,500 and 2,000 ha annually. 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. Also, 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 compared to the U.S. dollar influences the cost of production. With the depreciation of the peso against the U.S. dollar, exports could be more attractive, though input prices are also higher.

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 2015/16 is estimated to be slightly higher than the previous marketing year at about 1.2 MMT, despite 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, leaving the domestic market with lower supplies. Fresh tomato consumption for MY 2014/15 is estimated to have been slightly lower than expected, or about 1.1 MMT; however, prices were favorable to consumers.

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 2015/16, domestic prices were higher for Roma tomatoes in particular compared to 2014/15 prices due to lower supplies.

Tomato exports also tend to increase from June to August, resulting in higher prices, 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 to the United States have successfully been complying with the requirements of the tomato suspension agreement (see below). The National Service of Health, Food Safety, and Food Quality (SENASICA), which oversees the agreement for Mexico, requires tomato producers to be certified under 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 2016/17 are expected to be at about 1.5 MMT, assuming favorable weather conditions and attractive international prices. Exports for MY 2015/16 are expected to be similar at 1.5 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, there were some days in January/February where prices were very high due to fewer supplies to cover demand. International vine ripened prices in February 2016 were about USD $28.00/25 lb box, while in March prices decreased to about USD $16.00/25 lb box. By May, prices decreased to about USD $13.00/ 25 lb box. The final export estimate for MY 2015/16 will depend on the summer season demand. U.S. demand has continued to be strong. Tomato exports for MY 2014/15 were 1.53 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 2016/17 are expected to be about 5,000 MT, if the exchange rate continues to be unfavorable. Imports for MY 2015/16 are expected to be lower compared to MY 2014/15 imports of 9,212 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 a previous 2008 agreement. All fresh or chilled tomatoes from Mexico are covered by these price floors.

Table 1.- 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 percent for tomatoes from Colombia. Tomatoes are classified under tariff codes 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 in 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 2. MEXICO: WHOLESALE ROUND TOMATO PRICES
Mexico City – Pesos/Kg

Month	2014	2015	2016	% Change 2016/2015
January	13.92	15.08	33.95	125.13
February	12.93	11.74	18.72	59.45

March	13.91	18.69	18.75	0.32
April	20.87	16.71	16.40	(1.85)
May	17.93	16.04	19.47*	21.38
June	15.60	13.68	N/A	N/A
July	12.81	19.67	N/A	N/A
August	9.36	15.68	N/A	N/A
September	8.77	14.22	N/A	N/A
October	15.27	17.90	N/A	N/A
November	22.81	18.12	N/A	N/A
December	26.08	28.89	N/A	N/A

TABLE 3. MEXICO: WHOLESALE ROMA TOMATO PRICES
Mexico city – Pesos/Kg

Month	2014	2015	2016	% Change 2016/2015
January	8.76	10.38	17.06	64.35
February	5.86	7.30	11.35	55.47
March	6.15	13.79	13.61	(1.30)
April	7.17	12.83	9.61	(25.09)
May	6.04	10.04	9.39*	(6.47)
June	6.91	10.23	N/A	N/A
July	7.07	11.29	N/A	N/A
August	7.42	11.40	N/A	N/A
September	9.52	9.56	N/A	N/A
October	9.83	10.17	N/A	N/A
November	12.11	10.06	N/A	N/A
December	16.48	19.07	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados
Note: 2015 Exchange Rate Avg.: U.S. $1.00 = 15.85 pesos.
May 20, 2016 Exchange Rate: U.S. $1.00 = 18.54 pesos
* As of 3rd week of May 2016

Table 4. Mexico. - Trade Matrixes

Tomato Exports and Imports by Volume (MT) and Value (US. $)

Exports for MY 2014/15 (Oct-Sept):			Imports for MY 2014/15 (Oct-Sept):		
Destination	Volume	Value 000	Origin	Volume	Value 000
U.S.	1,530,099	$1,794,819.5	U.S.	9,212	$21,391.5

Canada	8,893	10,628.0		0	
Others not listed	269	423.7	Others not listed	0	
Grand Total	**1,539,261**	**$1,805,871.2**	**Grand Total**	**9,212**	**$21,391.5**
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2016					

Exports for MY 2015/16* (Oct-Sept):			**Imports for MY 2015/16* (Oct-Sept):**		
Destination	Volume	Value 000	Origin	Volume	Value 000
U.S.	725,479	$890,928.4	U.S.	507	$**1,681.2**
Canada	5,190	6,160.7			
Others not listed	118	143.7	Others not listed	0	
Grand Total	**730,787**	**$897,233.8**	**Grand Total**	**507**	**$1,681.2**
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2016, * Through February 2016					

Table 5. Mexico: Monthly Exchange Rate Averages for 2013-2016
MX Pesos per U.S. $1.00

	2013	**2014**	**2015**	**2016**
January	12.71	13.20	14.68	18.02
February	12.69	13.28	14.92	18.47
March	12.54	13.22	15.21	17.69
April	12.21	13.29	15.22	17.49
May	12.95	12.93	15.26	17.89*
June	12.94	12.99	15.46	
July	12.77	12.97	15.92	
August	12.89	13.14	16.50	
September	13.08	13.21	16.85	
October	13.00	13.47	16.58	
November	13.07	13.59	16.63	
December	13.00	14.44	17.03	
Annual Avg	**12.76**	**13.29**	**15.85**	
* up to May 19, 2016				
Source: Mexican Federal Register Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico				

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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

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Commodities:

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