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Mexico

Tomato Annual

Protected Agriculture Production Expanding

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Report Highlights:
Tomato production for marketing year 2018/19 is estimated at 3.4 million metric tons (MMT), similar to 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 be at approximately 1.7 MMT. Mexico and the United States will be negotiating the Tomato Suspension Agreement. The Agreement ended March 2018, and is revised every 5 years.

Executive Summary:

Fresh tomato production for MY 2018/19 is expected to be 3.4 million metric tons (MMT) assuming favorable weather conditions. Area planted has been declining over the years, but yields have increased due to the shifting from open field planting to the establishment of protected agriculture areas. 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. Tomato planted area for MY 2018/19 is forecast at 49,600 hectares (Ha), marginally lower compared to MY 2017/18 area planted. 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.

During the winter season the state of Sinaloa is the main producer and exporter of fresh tomatoes. During the summer season Baja California, Michoacán, Jalisco, and San Luis Potosi are the main producers. The United States is the main export market for Mexico where MY 2018/19 exports are expected at 1.7 MMT. However, exports are difficult to estimate since the Tomato Suspension Agreement is being revised between both countries. This agreement was signed in 2013 and is renegotiated every 5 years. 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.

Commodities:

Tomatoes, Canned

Tomato Sauce

PRODUCTION

Although there is no official Mexican forecast for tomato production for MY 2018/19 (Oct/Sept), the Post/New estimate is 3.4 million metric tons (MMT), assuming favorable weather conditions and attractive international prices. However, overproduction issues affecting prices and exports in the past could result in lower plantings and production for this marketing year. Post production estimates for MY 2017/18 are expected at 3.43 MMT, slightly lower than MY 2016/17 production of 3.46 MMT. Some cold weather in March 2018 slowed production in the northern states and last December 2017, protected agriculture producers in the state of Durango reported damages due to low temperatures. According to growers, there have been overproduction problems that must be addressed between them to prevent low prices and lower exports. The overall tomato production estimates for MY 2016/17 is 3.46 MMT based on official information.

Table 1. Mexico – Tomato Production 2016/17 (Oct/Sept)
Selected States

STATE	Area Planted (Ha)	Production (MT)
Sinaloa	14,610	937,795
Michoacán	6,136	253,576
Zacatecas	3,029	193,363
San Luis Potosi	2,846	340,836
Jalisco	2,554	219,134
Baja California	2,326	179,573
Others	18,872	1,345,4301
TOTAL	**50,373**	**3,469,707**

Source: Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food./ Agrifood and Fisheries Information System. (Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion./ Servicio de Informacion Agroalimentaria y Pesquera) -SAGARPA/SIAP

Tomato planted area for MY 2018/19 is forecast at 49,600 hectares (Ha), marginally lower compared to MY 2017/18 area planted. The Tomato Suspension Agreement between Mexican growers and the U.S. Department of Commerce is revised every 5 years and needs to be revised as it ended in March 2018. Therefore, planting decisions are somewhat challenging for growers. 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 estimated planted area for MY 2017/18 is 49,800 Ha, also marginally lower compared to MY 2016/17 area of 50,373 Ha. There has been some expansion in the states of Baja California Sur, Michoacán, and San Luis Potosi, but there are also producers that are destining some area to other vegetables to prevent overproduction. 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 ha. As producers kept reducing production in open fields and increasing areas under protected agriculture, total area was reduced 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 Michoacán, Jalisco, and Queretaro to have access to the summer export window after the winter window is finished by the month of May. Those states are also orienting some of their production to fancy tomato production. Smaller producer states like Nuevo Leon in the northern part of Mexico is increasing protected agriculture production.
Greenhouse/shade-house operations are concentrated in the states of Sinaloa, Baja California, Jalisco, and San Luis Potosi, and there are also greenhouse operations in other states. Area throughout Mexico planted to tomatoes in protected agriculture was about 15,198 hectares in MY 2016/17. The increase of these operations is largely attributable to success in exporting high quality tomatoes to the United States. Although at first the rate of growth in protected agriculture was fast, recently it has slowed down to less than 1,000 hectares per year.

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 Government of Mexico, which sees the benefits of introducing this production method to rural 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.

In Sinaloa (a traditional winter-cycle tomato producing state) there are about 14,000 Ha devoted to tomatoes, of which approximately 3,800 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 for MY 2016/17 are expected to be 69 MT/Ha (combined average for open field and protected agriculture). Although yields for MY 2017/18 were expected to be similar, recent data indicate low yields for the autumn/winter tomato of about 57 MT/Ha, however, spring/summer yields are expect higher at 78 MT/Ha.

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 or higher 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 200 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 used to be the main producers and exporters of fresh tomatoes. As a result, U.S. California tomatoes face direct competition from Baja California tomatoes. However, the states of Michoacán, Jalisco, and San Luis Potosi have increased their acreage and produce more than Baja California. Tomato growers in Jalisco bridge the summer-winter cycle and usually export in October, November, and December, after Baja California.

CONSUMPTION

The MY 2018/19 final consumption estimate will depend on tomato exports to the United States, as domestic consumption is a residual after exporting. Fresh tomato consumption for MY 2017/18 is forecast to be 1.6 MMT, similar to MY 2016/17 consumption. However, consumption will depend on the higher export volumes and prices for consumers. Variables as tomato purchased for the industry as well as tomato left unharvested due to low prices, makes consumption data difficult. Growers usually try to sell into the international market first to meet international contracts and also due to the depreciation of the peso, leaving the domestic market with lower supplies at certain times.

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, mainly for round tomato, 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. However, demand has been met by production from other states. 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.

TRADE

According to growers**,** tomato exports to the United States have successfully been complying with the requirements of the tomato suspension agreement (see Policy Section). 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.

Since the tomato suspension agreement between Mexican growers and the U.S. Department of Commerce needs to be revised, Mexican exports for MY 2018/19 are difficult to estimate. However, following the previous export tendency, exports can be expected at about 1.7 MMT, assuming favorable weather conditions and attractive international prices. Exports for MY 2017/18 are expected to be similar to MY 2016/17 or 1.7 MMT. International prices for vine ripened tomatoes in January 2018 were about USD $12.00 to $13.00/25 lb. box, while in March prices increased to about USD $16.00/25 lb. box. During January/February 2017 prices for vine ripe tomatoes were about USD $10.00 to $11.00/25 lb. box. The final export estimate for MY 2017/18 will depend on the summer season demand. U.S. demand has continued to be strong. Tomato exports for MY 2016/17 were 1.7 MMT. Other states besides Sinaloa, like Jalisco, Queretaro, and San Luis Potosi also export during the winter window, crossing the border through Texas. The United States continues to be the most important market for tomatoes from Mexico.

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 2018/19 and MY 2017/18 are expected to be at about 1.6 MT due to a lower demand compared to MY 2016/17 of 5.4 MT. Also, the exchange rate continues to be unfavorable for imported products. Most imported tomatoes are sold in the northern states of Nuevo Leon, Sonora, Baja California, and Chihuahua.

POLICY

The tomato suspension agreement between Mexican growers and the U.S. Department of Commerce (DOC) was signed in February 2013 and entered into force on March 4, 2013. This instrument is renegotiated every 5 years; and since it was due in March 2018, needs to be addressed again. The Secretary of Economy has been in talks with the DOC in Washington about the renegotiation of the agreement. 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 packers 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 2. 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		

SAGARPA developed a new agricultural development model 2017-2030 for different products based in regions and markets considering main productive regions of the country and production cycles. This is a public policy tool designed for decision makers in the agricultural sector. So, to increase domestic production, competiveness, and develop international markets, 38 strategic products were considered and tomato is one of them. Producers are expecting to maximize production based on this model. Therefore, within this model Mexico could be producing 7.3 MMT of tomato for 2030.

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 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. 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.

The retail market remains the main distribution channel for fresh food. The foodservice industry is showing a positive trend, and is increasing the demand for consumption of fresh products like tomato, including organic products. The market is offering more options for vegetarians and more gourmet options for the higher-income segment and reinventing traditional Mexican dishes which are affordable by all population segments. Tomatoes are highly appreciated by Mexican consumers for the preparation of meals and beverages, and despite increasing prices mainly for specialty tomatoes; consumers are willing to pay extra, since they can see the quality of the available products. The preference for cherry, grape, and cocktail tomatoes have been growing because of their practicality for preparing salads. These can be found mostly in supermarkets in small plastic containers at higher prices than regular 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.

PRICES

TABLE 3. MEXICO: WHOLESALE ROUND TOMATO PRICES
Mexico City – Pesos/Kg

Month	2016	2017	2018	% Change 2018/2017
January	33.95	17.76	18.34	3.26
February	18.72	14.59	12.13	(16.86)

March	18.75	15.55	14.24	(8.42)
April	16.40	14.80	14.52	(1.89)
May	18.30	18.88	13.00*	(31.14)
June	17.82	28.36	N/A	N/A
July	17.28	25.56	N/A	N/A
August	18.60	24.02	N/A	N/A
September	18.69	15.36	N/A	N/A
October	21.80	10.12	N/A	N/A
November	26.36	20.78	N/A	N/A
December	25.04	41.14	N/A	N/A

TABLE 4. MEXICO: WHOLESALE ROMA TOMATO PRICES
Mexico city – Pesos/Kg

Month	2016	2017	2018	% Change 2018/2017
January	17.06	9.07	10.53	16.09
February	11.35	7.45	8.93	19.86
March	13.61	8.60	8.91	3.60
April	9.61	10.58	9.41	(11.05)
May	8.87	13.84	9.31*	(32.73)
June	8.64	14.68	N/A	N/A
July	8.93	20.59	N/A	N/A
August	10.51	17.30	N/A	N/A
September	13.60	13.63	N/A	N/A
October	14.44	9.15	N/A	N/A
November	15.83	9.85	N/A	N/A
December	14.20	17.69	N/A	N/A

Table 5. Mexico. - Trade Matrixes

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

Exports for MY 2016/17 (Oct-Sept):			Imports for MY 2016/17 (Oct-Sept):		
Destination	Volume	Value 000	Origin	Volume	Value 000
United States	1,698.227	1,936.682.7	United States	5,475	3,624,633.0
Canada	2,311	2,731.1			
Others not listed	703	819.9	Others not listed	0	0
Grand Total	1,701.241	1,940,233.7	**Grand Total**	5,475	3,624,633.0
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2018					

Exports for MY 2017/18* (Oct-Sept):			Imports for MY 2016/17* (Oct-Sept):		
Destination	Volume	Value 000	Origin	Volume	Value 000
United States	812.227	1,034,513.7	United States	439	295.608
Canada	2,461	3,118.4			
Others not listed	341	4,329.0	Others not listed	0	0
Grand Total	815,029	1,038,065.0	**Grand Total**	439	295.608

SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2018
*Through February 2018

Table 6. Mexico: Monthly Exchange Rate Averages for 2015-2018 MX Pesos per U.S. $1.00

Month	2015	2016	2017	2018
January	14.68	18.02	21.37	18.95
February	14.92	18.47	18.47	18.63
March	15.21	17.69	17.69	18.66
April	15.22	17.49	18.77	18.36
May	15.26	18.09	18.76	19.78*
June	15.46	18.12	18.16	
July	15.92	18.58	17.83	
August	16.50	18.47	17.80	
September	16.85	19.16	17.81	
October	16.58	18.91	18.77	
November	16.63	20.03	18.94	
December	17.03	20.51	19.12	
Annual Avg	**15.85**	**18.62**	**18.91**	

*As of 3rd week of May, 2018

Source: Mexican Federal Register Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico