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Mexico

Tomato Annual

Mexican Tomato Production Continues to Grow

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Report Highlights:
Tomato production for marketing year 2017/18 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 grow to approximately 1.7 MMT.

Commodities:

Tomato Paste, 28-30% TSS Basis

Tomato Sauce

PRODUCTION

Although there is no official Mexican forecast for tomato production for market year (MY) 2017/18 (Oct/Sept), the Post/New forecast is 3.4 million metric tons (MMT), assuming favorable weather conditions and attractive international prices. Post production estimates for MY 2016/17 is expected to be slightly higher than previously forecasted or 3.4 MMT, due to general good weather conditions. Producers indicated that overproduction and low prices resulted in product dumping along some highways in the northern states, also some winter growers stopped harvesting waiting for prices to increase. The spring tomato crop from Baja California and other states is expected to be higher than in the previous year at 1.8 MMT. The overall tomato production estimate for MY 2015/16 is 3.3 MMT based on official information.

Table 1. Mexico – Tomato Production 2015/16 (Oct/Sept)
Selected States

STATE	Area Planted (Ha)	Production (MT)
Sinaloa	14,220	924,152
Michoacán	6,947	235,785
Zacatecas	3,096	191,654
Baja California	2,820	226,061
Baja Calif. Sur	2,606	135,223
Jalisco	2,290	158,231
Others	19,882	1,478,048
TOTAL	**51,861**	**3,349,154**

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

Tomato planted area for MY 2017/18 is forecast at 53,300 hectares (Ha), similar to MY 2016/17 area planted. Since low prices prevailed during the first months of 2017, some producers might reduce planted area for MY 2017/18. The estimated planted area for MY 2016/17 is 53,300 Ha, an increase compared to MY 2015/16 of 51,861 Ha. There has been some expansion in the states of Baja California Sur, Michoacán, and San Luis Potosi. Area planted is influenced by the behavior of the U.S. market, as growers try to plant what the U.S. market will absorb and to supply the domestic market. The Roma variety now represents more than 62 percent of total Mexican tomato production.

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 attributed to pest problems, high costs of production, swings in both international prices and exchange rates, and limited water availability. In 1990, planted area devoted to tomatoes was about 85,500 Ha. In 2000, tomato planted area was roughly 75,800 Ha. As producers kept 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 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. 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, the area throughout Mexico planting tomatoes in protected agriculture was 15,000 Ha in MY 2016/17. The increase of these operations is largely due to success in exporting high quality tomatoes to the United States.

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 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. 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.

In Sinaloa (a traditional winter-cycle tomato producing state) there are about 14,220 Ha devoted to tomatoes, of which approximately 6,000 Ha are under protected production. Growers indicate that combining open field and shade-house production have 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 65 MT/ha (combined average for open field and protected agriculture) in 2015/16. Yields for MY 2016/17 are expected to be good due to good weather conditions. 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 under protected agriculture yields range from 87 to 128 MT/Ha.

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 the fresh market, as demand for processing tomatoes has declined in the face of high international fresh market prices. Area planted to processed tomatoes fluctuates between 1,500 and 2,000 Ha. 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.

CONSUMPTION

The MY 2017/18 final consumption estimate will depend on tomato exports to the United States, as domestic consumption is residual after exporting. Fresh tomato consumption for MY 2017/18 is forecast to be between 1.5 to 1.6 MMT. MY 2016/17 consumption is also estimated to be between 1.5 to 1.6 MMT. However, consumption will depend on the higher export volumes and prices for consumers. Variables, such as tomato purchased for the industry, as well as tomato left unharvested due to low prices, makes consumption data difficult. Growers are currently trying to sell into the international market first due to the depreciation of the peso, leaving the domestic market with lower supplies. Fresh tomato consumption for MY 2015/16 is estimated at about 1.5 MMT.

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 MY 2015/16 and MY 2016/17 domestic prices were lower for Roma tomatoes due to good 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.

TRADE

According to growers**,** tomato exports to the United States have been successfully 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.

Mexican exports for MY 2017/18 are expected to be at about 1.7 MMT, assuming favorable weather conditions and attractive international prices. Exports for MY 2016/17 are expected to be similar at 1.7 MMT. According to exporters, prices were somewhat lower than expected during January/February 2017; international prices for vine ripened tomatoes in February 2017 were about USD $10.00 to $15.00/25 lb. box, while in March prices decreased to about USD $10.00/25 lb. box. During January/February 2016 prices for vine ripe tomatoes were about USD $16.00 to $28.00/25 lb. box. The final export estimate for MY 2016/17 will depend on the summer season demand. U.S. demand has continued to be strong. Tomato exports for MY 2015/16 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 U.S. 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 2017/18 are expected to be low as in MY 2016/17 or about 800 MT, if the exchange rate continues to be unfavorable to Mexico. Imports for MY 2016/17 are expected to be low or 800 MT compared to MY 2015/16 imports of 1,652 MT due to the adverse exchange rate for importers and a lower demand. 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 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 the 2008 agreement. All fresh or chilled tomatoes from Mexico are covered by these price floors.

Table 2.- 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

Table 3. Mexico: Wholesale Round Tomato Prices
Mexico City – Pesos/Kg

Month	2015	2016	2017	% Change 2017/2016
January	15.08	33.95	17.76	(47.68)
February	11.74	18.72	14.59	(22.06)
March	18.69	18.75	15.55	(17.06)
April	16.71	16.40	14.80	(9.75)
May	16.04	18.30	18.88	3.16
June	13.68	17.82	N/A	N/A
July	19.67	17.28	N/A	N/A
August	15.68	18.60	N/A	N/A

September	14.22	18.69	N/A	N/A
October	17.90	21.80	N/A	N/A
November	18.12	26.36	N/A	N/A
December	28.89	25.04	N/A	N/A

Table 4. Mexico: Wholesale Roma Tomato Prices Mexico City – Pesos/Kg				
Month	**2015**	**2016**	**2017**	**% Change 2017/2016**
January	10.38	17.06	9.07	(46.83)
February	7.30	11.35	7.45	(34.36)
March	13.79	13.61	8.60	(36.81)
April	12.83	9.61	10.58	10.09
May	10.04	8.87	13.87	56.36
June	10.23	8.64	N/A	N/A
July	11.29	8.93	N/A	N/A
August	11.40	10.51	N/A	N/A
September	9.56	13.60	N/A	N/A
October	10.17	14.44	N/A	N/A
November	10.06	15.83	N/A	N/A
December	19.07	14.20	N/A	N/A

Table 5. Mexico. - Trade Matrixes

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

Exports for MY 2015/16 (Oct-Sept):			**Imports for MY 2015/16 (Oct-Sept):**		
Destination	Volume	Value 000	Origin	Volume	Value 000
U.S.	1,700,430	$2,003,916.0	U.S.	1,652	$**2,360.9**
Canada	7,483	8,755.1			
Others not listed	196	236.0	Others not listed	0	
Grand Total	**1,708,109**	**$2,012,907.1**	**Grand Total**	**1,652**	**$2,360.9**
SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2017,					

Exports for MY 2016/17* (Oct-Sept):			Imports for MY 2016/17* (Oct-Sept):		
Destination	Volume	Value 000	Origin	Volume	Value 000
U.S.	744,516	919,516.7	U.S.	200	179.5
Canada	1,130	1,443.3			
Others not listed	405	489.0	Others not listed	0	
Grand Total	**746,051**	**$921,449**	**Grand Total**	**200**	**$179.5**

SOURCE: Global Trade Information Services, Inc. Global Trade Atlas, Mexico Edition, February 2017
* Through February 2017

Table 6. Mexico: Monthly Exchange Rate Averages for 2014-2017
MX Pesos per U.S. $1.00

	2014	2015	2016	2017
January	13.20	14.68	18.02	21.37
February	13.28	14.92	18.47	18.47
March	13.22	15.21	17.69	17.69
April	13.29	15.22	17.49	18.77
May	12.93	15.26	18.09	18.76
June	12.99	15.46	18.12	
July	12.97	15.92	18.58	
August	13.14	16.50	18.47	
September	13.21	16.85	19.16	
October	13.47	16.58	18.91	
November	13.59	16.63	20.03	
December	14.44	17.03	20.51	
Annual Avg	13.29	15.85	18.62	

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