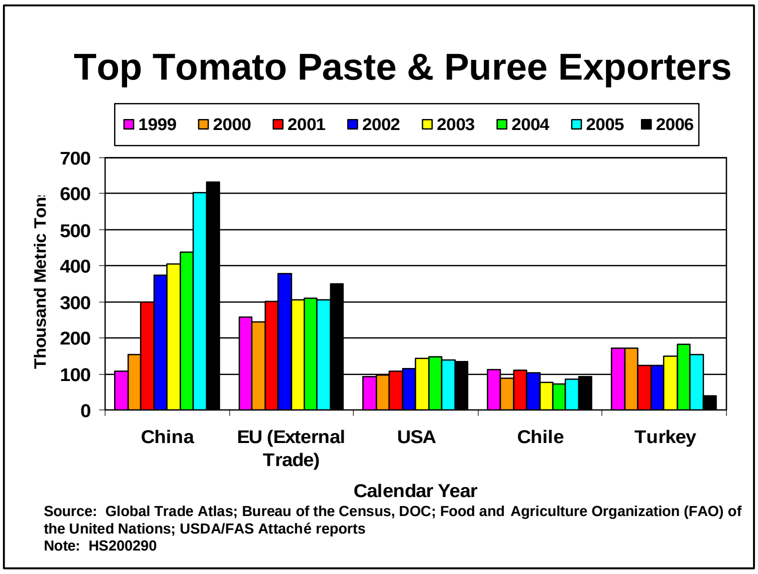
WORLD MARKETS AND TRADE

July 17, 2007

Tomatoes & Tomato Products

Summary

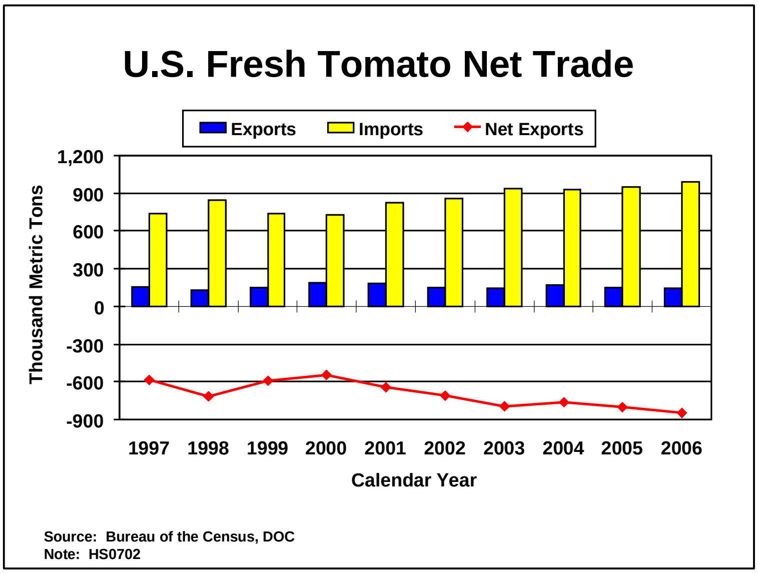
China continues to make inroads in the world market. China is the world's largest tomato products producer and exporter, followed by the EU and the United States. China produces tomato products mainly for the export market, with exports accounting for more than 85 percent of production. Since calendar year (CY) 1999, China's tomato paste exports have had an average annual increase of 30 percent.



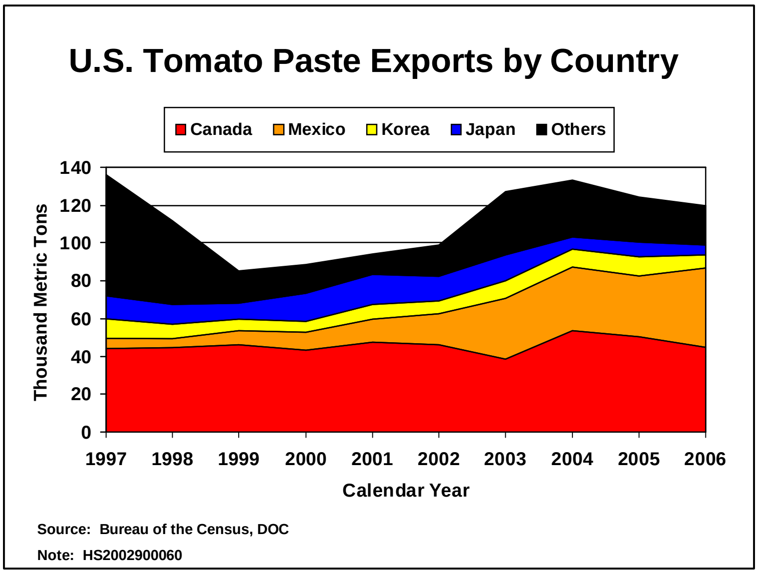
Production and Trade for Selected Countries

United States Expects Another Big Year

U.S. processors expect to contract for 12.3 million tons of processing tomatoes in CY 2007, up 17 percent from last year. Great weather and growing conditions in California have contributed to this season's strong start.



California accounts for about 95 percent of the nation's processing tomatoes, and Florida is the largest producer of tomatoes for fresh market. Fresh tomato production is expected to increase slightly to 1.9 million tons in CY 2007.



The United States is a large net importer of fresh tomatoes, with Mexico supplying 85 percent of U.S. fresh tomato imports. From January to June 2007, U.S. fresh tomato exports were 73,403 tons, up 9 percent over the same period in 2006, and valued at $83.3 million, up almost 1 percent from the same period last year. Canada is the largest market for U.S. exports of tomatoes and tomato products, accounting for over 70 percent of U.S. fresh and processed tomato exports. Imports during this same period were 702,837 tons (up 8 percent), valued at $746.1 million (down 4 percent).

The United States is a large net exporter of tomato paste. From January to June 2007, U.S. tomato paste exports were 41,399 tons, down 40 percent over the same period in 2006, and valued at $32.6 million, down 30 percent from last year. Canada buys about a third of U.S. tomato paste exports, followed close behind by Mexico at about 32 percent in 2006. Imports during this same period were 23,481 tons (up 250 percent), valued at $16.8 million (up more than 300 percent).

Brazil Loses Competitiveness in International Markets as Its Currency Strengthens

In CY 2007, fresh production is forecast at 3.4 million tons, up 6 percent from the previous year. According to industry contacts, tomatoes for fresh consumption account for approximately 65 percent of production, while the rest is processing, and the percentage of processing increases every year.

There are no official statistics on processed tomato products, but industry contacts estimate that 40 percent of domestic production of processing tomatoes goes into extracts (which are more concentrated than paste and often used for marinating meats), 30 percent goes into tomato sauces and pureés, 15 percent for paste, and 14 percent for ketchup. Paste production is forecast at 149,000 tons for CY 2007, up slightly from 147,000 tons in the previous year. The majority of the paste is used in further processing for consumer-ready sauces and other such products.

Brazil's tomato exports have been declining steadily since the late 1990s. Brazil exported about 55,000 tons in CY 1999 and did not export any tomatoes in CY 2006. Brazilian exports have become less competitive in the international market due to the recent strengthening Brazilian currency. Despite this, Brazil's tomato paste exports are forecast at 7,000 tons for CY 2007, up 32 percent from the previous year. Imports are forecast at 9,000 tons in CY 2007, 300 percent higher than the previous year, but still well below the record levels of the 1990s. Over the last few years, Brazil's tomato paste imports have fluctuated wildly, due mainly to exchange rate changes.

Chile's Tomato Production & Exports Forecast Up

Chile's tomato production and processing accounts for less than 4 percent of world production. In CY 2008, total fresh production is expected to reach 970,000 tons, up from 955,000 tons in the previous year, due to increases in processing tomato production. Paste production is forecast at 112,000 tons in CY 2008, up 2,000 tons from the previous year. In the long run, planted area and production is not expected to vary significantly because the tomato processing industry produces tomato paste mainly for niche export markets and long-term customers. Additionally, Chilean processors reportedly have most of their production committed at the time they fix planting contracts with farmers and processing facilities are already producing at about 85 percent capacity.

Paste exports are forecast at 91,000 tons in CY 2008, up only 1,000 tons from the previous year. Most of Chile's tomatoes and tomato products are sold to nearby Latin American countries. Chile does not import paste.

China Continues Impressive Growth

China continues to expand tomato production and processing capacity. In MY 2007/08 (July 2007-June 2008), total tomato production is forecast at 37.2 million tons, up from 36.5 million tons in the previous year. About 85 percent of total production is for fresh use. Processing tomato production is expected to reach a record 5.2 million tons in MY 2007/08 (July 2007-June 2008), and is expected to continue rising over the next few years due to expanding acreage in Inner Mongolia.

Over 80 percent of China's processing tomato production is expected to be used for paste. Tomato paste production for MY 2007/08 (July 2007-June 2008) is expected to reach 750,000 tons, up 5 percent from the previous year. World tight supplies during MY 2006/07 (July 2006-June 2007) led to increased Chinese paste exports, which reached 675,000 tons that year. However, in MY 2007/08 (July 2007-June 2008), China's paste exports are forecast to drop 4 percent and return to more normal levels. The Chinese government encourages the development of the tomato processing industry through favorable taxes and administrative preferences.

Greece Continues to Face Strong Competition

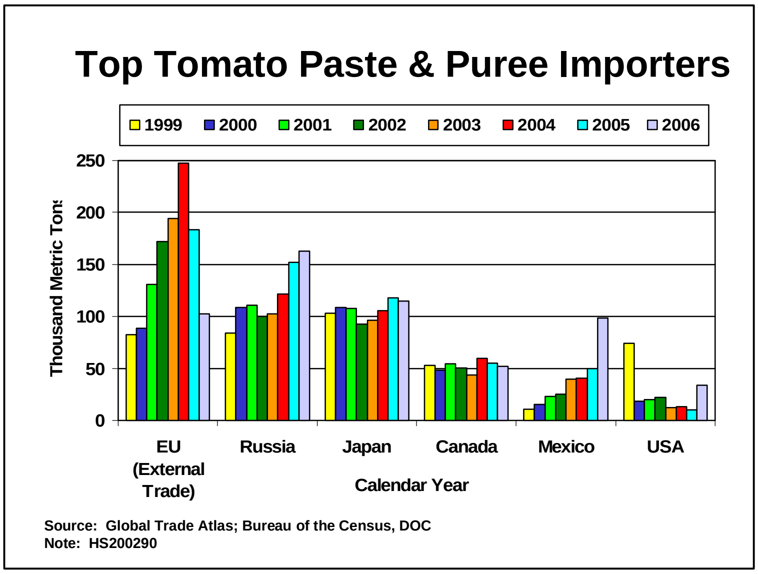
In CY 2008, total tomato production is forecast at 1.5 million tons, down from the average 2 million tons in the 1990s. This is due mainly to poor weather, lower processing tomato plantings, strong import competition, and new EU Common Agricultural Policy (CAP) reforms. Processing tomato production in CY 2008 is estimated at 860,000 tons, well below the EU quota for Greece, which is set at 1.2 million tons. A few processing plants have closed as a result of the new CAP reforms for the horticultural sector and competition from Chinese tomato paste.

Greek canned tomatoes and tomato paste production and exports are expected to decline in MY 2007/08 (July 2007-June 2008). Canned tomato production is expected to drop 7 percent to 43,000 tons in MY 2007/08 (July 2007-July 2008), while exports are forecast to drop almost 10 percent to 24,500 tons. Tomato paste production is expected to decline 11 percent to 134,000 tons, and exports are expected to drop 3 percent to 135,000 tons in MY 2007/08 (July 2007-June 2008). The EU buys over 80 percent of Greece's tomato products. The Greek Ministry of Agriculture, representatives from the farming community, and the tomato processing sector are discussing how they will implement the new CAP in January 2008.

Japan Opens Up Borders to Mexican Fresh Tomatoes

Japan is an important importer of fresh and processed tomatoes, and is the third largest market for U.S. exports of these products. U.S. fresh tomatoes are often preferred by the Japanese food service industry and food processors. Japan has recently lifted a ban on imports of Mexican tomatoes, which will present direct competition with U.S. tomatoes.

Japan's production of fresh tomatoes has declined steadily from 797,800 tons in CY 2001 to 667,000 tons in CY 2005 (latest data available). In CY 2006, Japan's imports of fresh tomatoes were 5,450 tons, down significantly from the record 9,452 tons in CY 2001. In CY 2006, the United States supplied 2,823 tons, followed by Korea with 1,669 tons.



Also in CY 2006, Japan's tomato paste imports reached a record 114,863 tons. China supplied 46,293 tons, followed by Turkey with 20,659 tons, and the United States with 17,652 tons.

Mexico Increasingly Relying on Paste Imports

In MY 2007/08 (October 2007-September 2008), total tomato production is forecast at 1.9 million tons, up slightly from the previous year. Almost all of it for fresh use. Mexico exported 1 million tons of fresh tomatoes in CY 2006, up 14 percent from CY 2005. Over 95 percent of Mexico's fresh tomatoes are exported to the United States.

Mexican paste production has become increasingly less competitive over the past several years, and industry has found that it is cheaper to import U.S. and Chinese paste to meet domestic demand. Paste production is expected to continue at low levels, falling to 6,170 tons in MY 2008/09 (March 2008-February 2009). Exports are forecast to fall slightly to 6,000 tons in MY 2008/09 (March 2008-February 2009), while imports are forecast to rise to 55,000 tons.

Spain Faces New Rules Under EU Ag Reforms

Under the new EU Common Market Organization (CMO), subsidies will be paid by harvested hectares and not by kilo produced, which reportedly concerns producers. However, Spain was able to negotiate additional short-term subsidies for the tomato sector, which is reportedly under economic crisis.

In CY 2007, production of fresh market tomatoes is expected to decline 5 percent to 2 million tons, and processing tomatoes are forecast to rise 6 percent to 1.7 million tons. Spain's tomato products production is expected to rise moderately in MY 2007/08 (July 2007-June 2008), but still well below 2004/05 record volumes. Canned tomato production is expected to rise 9 percent to 199,000 tons in MY 2007/08 (July 2007-June 2008). Paste production is expected to rise slightly to 320,000 tons during the same period.

FAS is forecasting that paste exports will reach a record 210,000 tons during MY 2007/08 (July 2007-June 2008), with almost all of it going to other EU countries. In the same year, canned tomato exports are forecast to fall 18 percent to 70,000 tons, as industry maintains low prices in order to reduce stocks.

Turkey's Tomato Production Expected to Reach New Record

Total tomato production is expected to reach a record 10.8 million tons in CY 2007, up 40 percent from CY 2006. Traditionally, about 80 percent is sold in the fresh market, while 20 percent is utilized in the processing sector. About 85 percent of processing tomatoes is used for paste. FAS forecasts paste production at 300,000 tons in MY 2007/08 (September 2007-August 2008), up 40 percent over the previous year due to larger supplies.

A strong Turkish Lira and competition from China and Iran have limited Turkey's ability to export paste in the past. Additionally, an ongoing trade dispute with the EU means that Turkey can't utilize the EU 30,000-ton tariff rate quota and must pay a 14.4 percent out-of-quota tariff. Despite this, exports are expected to rise 50 percent to 163,756 tons in MY 2007/08 (September 2007-August 2008). Japan and Iraq are its leading export markets.

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