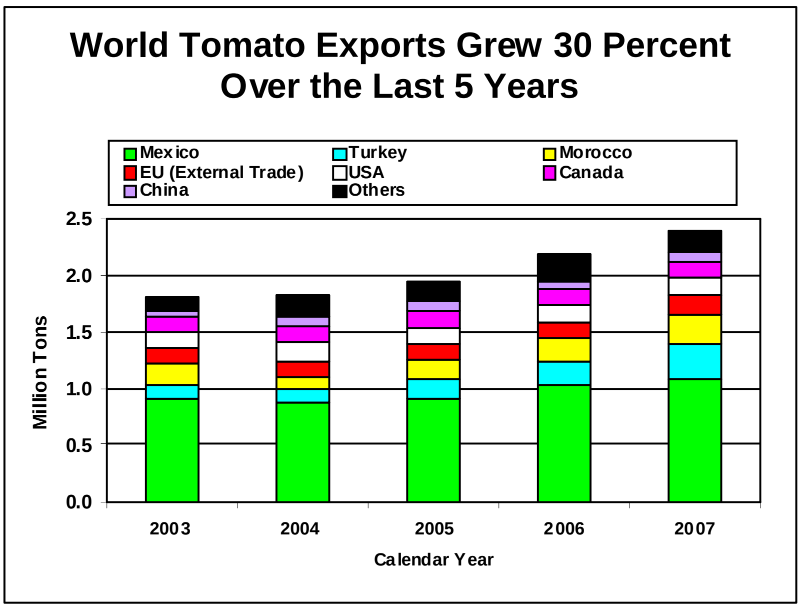
# WORLD MARKETS AND TRADE

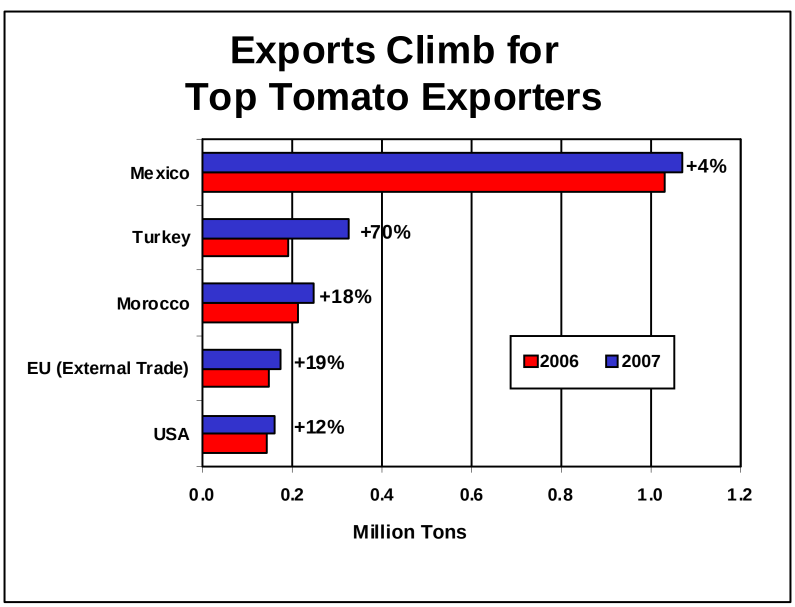
July 2008

## FRESH & PROCESSING TOMATOES

### SUMMARY

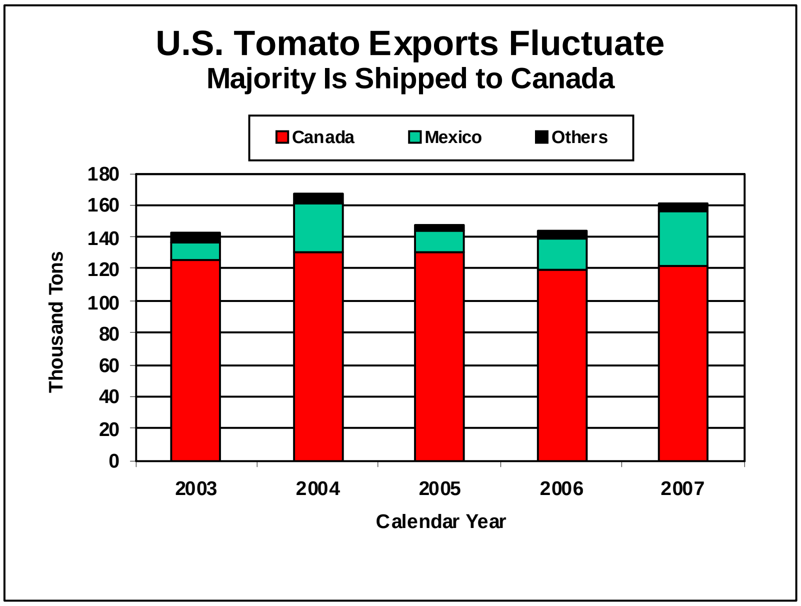
World tomato trade has grown rapidly over the last five years, with exports averaging an 8-percent annual increase and topping off at 2.4 million tons in calendar year 2007. Despite intense competition and surging unit prices in many key markets, world tomato trade is forecast to continue to expand due to increased interest in fresh fruit and vegetables, ample global supplies, reductions in tariffs, and aggressive promotion. The situation and outlook for key countries is highlighted below.



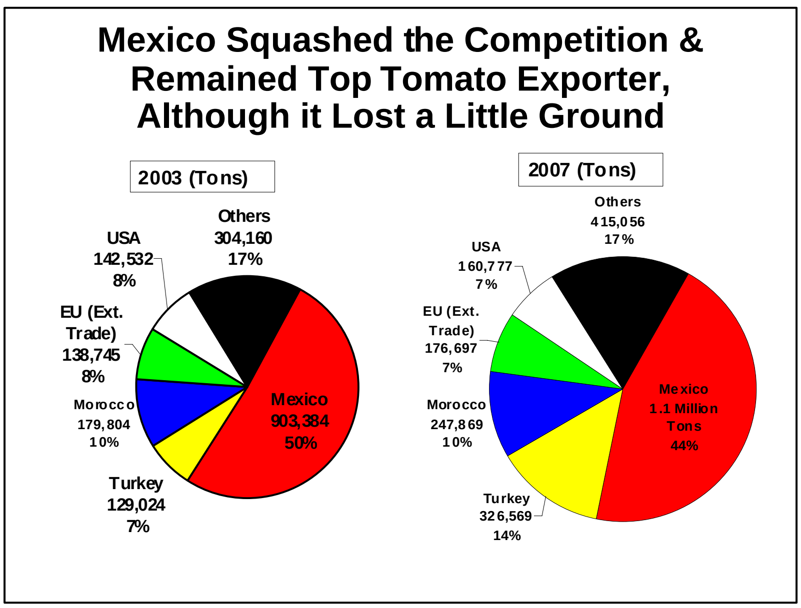

### Modest U.S. Exports Expected

U.S. exports are forecast up 8 percent to 173,000 tons in 2008, as a result of poor weather, a depreciating dollar, and continued export promotion. Exports for the first four months of 2008 were up modestly, with exports increasing to Canada by 7 percent. Canada is our largest market, consuming about 80 percent of U.S. tomato exports. Competition is intensifying, but the weak dollar is expected to keep U.S. exports competitive.




## Mexico Continues to Dominate Exports

Mexico is the leading tomato exporter, accounting for almost half of world exports. Exports for marketing year (MY) 2007/08 (October-September), are forecast to increase slightly to 1.1 million tons due to higher production and favorable prices.



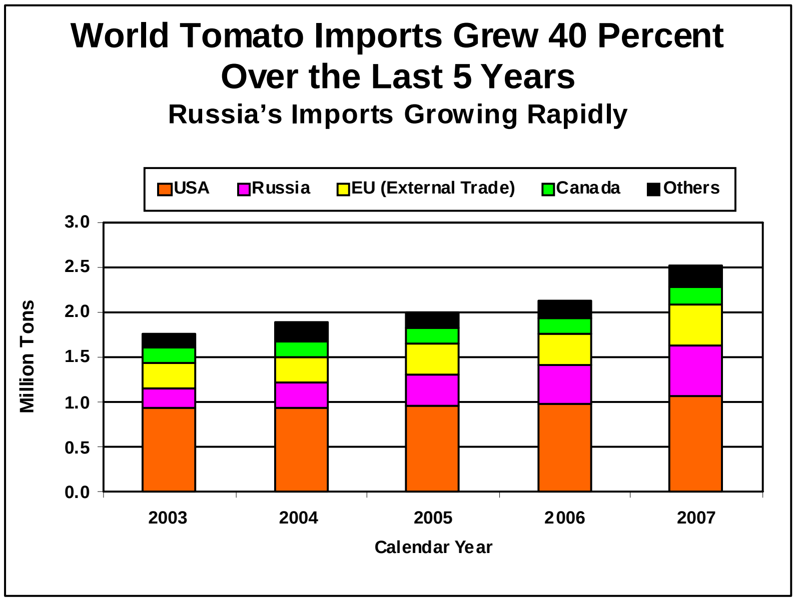

A new Tomato Suspension Agreement between Mexico and the United States was signed on January 22, 2008, and binds all tomato exporters to an agreed upon reference price. The reference price for exporting fresh tomatoes for the summer season (July 1-October 22) is 17.2 cents per pound, and the reference price for the winter season (October 23-June 30) is 21.69 cents per pound. According to growers, tomato prices for 2007 and 2008 have been well above the reference prices. Under NAFTA, the current duty is zero.

## China Continues to Expand

China continues to expand tomato production, processing capacity, and exports. In MY 2008/09 (July-June), total tomato production is forecast at 37.5 million tons, up 3 percent from 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 and is anticipated 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.

Due mainly to higher production forecasts, exports are projected to reach another record. From July 2007 through May 2008 (latest data available), exports reached 103,000 tons, up 35 percent from the previous year. Over this same period, exports to Russia, China's largest market, reached a record 66,000 tons, up 33 percent. Additionally, due to Russia's recent ban on Turkish tomatoes, China (Russia's second largest supplier) will likely help fill the void.

### Turkey's Export Prospects Dashed with Russian Import Ban




Production is predicted to continue increasing in MY 2008/09 (July-June) to 10.2 million tons. Early in 2008, Turkish exporters were predicting a record 35 percent increase in exports for MY 2008/09. Tomato exports to Russia, its largest market, in the first four months of 2008 rose sharply, reaching 120,000 tons. Russia accounts for 60 percent of its exports. However, expectations were slashed on June 7, 2008, when Russia banned imports of Turkish tomatoes and certain other fresh fruits and vegetables. Russian officials stated that the ban was a result of finding continued high pesticide residues on Turkish products since the beginning of 2008. This ban comes right before the summer, which is Turkey's main shipping season. As a result, exports now are expected to decrease about 6 percent in MY 2008/09.

### Brazil Expanded Exports

Although tomato area in Brazil declined slightly in 2007, production grew 2 percent to 3.7 million tons. In 2007, Brazil imported no tomatoes and expanded exports from zero to 10,000 tons, due mainly to an extended period of frost in Argentina. Greater consumption and exports of tomatoes led to higher prices in all areas.

The export outlook for 2008 does not look as robust. From January-May 2008 (latest data available), exports were only 29 tons, whereas they were 460 tons over the same period in 2007.

**Chile Expects Rebound in Production but Low Exports**

Production for fresh consumption is expected to rebound in 2008 after a fall in planted area and production in 2007 when compared to the previous year. A similar scenario is expected for planted area and production of tomatoes for processing. Chile consumes most of what it produces, leaving little for export.

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