Fresh Tomato Trends in the N. American Market

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for
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Agenda

• Overview of US fresh tomato market supply and consumption
• Retail market shares by key tomato type
• Historical trends
• Update on US fresh tomato imports
• Canadian greenhouse tomato trends
• Protected culture in Mexico changes market dynamics
Important Considerations

- Comparing trends DOES NOT necessarily imply causality.
- Concept of with and without analysis.
- Too soon to draw conclusions about the impact of the higher prices under the new suspension agreement (in effect since March 2013).
- Restricting supply can lead to higher prices (due to relatively inelastic demand) but these may be difficult to sustain without acreage controls due to “supply response” dynamics; barriers to entry play a role.
U.S. Fresh Tomatoes: Production, Consumption, Imports, and Exports, 1990-2013p

US Per Capita Utilization/Consumption of Fresh Tomatoes (1985-2013\textsuperscript{P})

Pounds per capita

P=Preliminary
US Retail Fresh Tomato Trends

- Remember – scanner data excludes foodservice tomatoes!
- Foodservice is likely over half of tomato volume sold in the USA and relies on mature green tomatoes. Foodservice sales also took a hit during the economic downturn.
US Retail Fresh Tomato Trends

- Scanner data sets did not include Wal-Mart, Sam’s BJ’s or Target until the last couple of years – so data are not comparable.

- However, during the period 1997-11, for the store universe Nielsen had at the time, the quantity (and $) of tomatoes sold at retail declined in the USA from a peak in 2007, due to the economic downturn.
US Fresh Tomato Retail Market Shares (in Lbs) by Key Type, 2013

Source: FreshLook Marketing
US Fresh Tomato Retail Market Shares (in $) by Key Type, 2013

- TOV: 23%
- Grape: 22%
- Roma: 16%
- Vine Ripe: 11%
- Mini, excl grape: 10%
- [CATEGORY NAME] [VALUE]

Source: FreshLook Marketing
### Top 10 Vegetable Sales and Pricing in Select US Food Retailers, Q3 2013 vs. Q3 2012

<table>
<thead>
<tr>
<th>Product</th>
<th>Weekly $ Sales per Store</th>
<th>Percent Change vs. Q3 2012</th>
<th>Weekly Vol. per Store</th>
<th>Percent Change vs. Q3 2012</th>
<th>Avg Retail Price</th>
<th>Percent Change vs. Q3 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Packaged Salad</td>
<td>$3,264</td>
<td>5.9</td>
<td>1,226</td>
<td>3.5</td>
<td>$2.66</td>
<td>2.4</td>
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<tr>
<td>Tomatoes</td>
<td>$2,540</td>
<td>5.1</td>
<td>1,178</td>
<td>2.3</td>
<td>$2.16</td>
<td>2.7</td>
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<tr>
<td>Potatoes</td>
<td>$2,519</td>
<td>11.2</td>
<td>3,316</td>
<td>-4.3</td>
<td>$0.76</td>
<td>16.1</td>
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<tr>
<td>Cooking Vegs</td>
<td>$1,546</td>
<td>7.9</td>
<td>922</td>
<td>2.5</td>
<td>$1.68</td>
<td>5.2</td>
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<tr>
<td>Onions</td>
<td>$1,522</td>
<td>5.1</td>
<td>1,637</td>
<td>0.3</td>
<td>$0.93</td>
<td>4.7</td>
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<tr>
<td>Lettuce</td>
<td>$1,387</td>
<td>3.8</td>
<td>783</td>
<td>-2.8</td>
<td>$1.77</td>
<td>6.8</td>
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<tr>
<td>Peppers</td>
<td>$1,349</td>
<td>6.4</td>
<td>626</td>
<td>4.8</td>
<td>$2.16</td>
<td>1.6</td>
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<tr>
<td>Carrots</td>
<td>$824</td>
<td>0.0</td>
<td>489</td>
<td>0.1</td>
<td>$1.68</td>
<td>-0.1</td>
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<tr>
<td>Mushrooms</td>
<td>$772</td>
<td>1.1</td>
<td>323</td>
<td>-0.1</td>
<td>$2.39</td>
<td>1.3</td>
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<tr>
<td>Cucumbers</td>
<td>$730</td>
<td>9.1</td>
<td>765</td>
<td>2.7</td>
<td>$0.96</td>
<td>6.2</td>
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</tbody>
</table>

Source: FreshFacts® on Retail, Q3 2013, Perishables Group and United Fresh Foundation.
Historical Perspective
U.S. Fresh Field Tomato Production, California and Florida only, (excludes other states and greenhouse) 1982-2012

Source: USDA/NASS
### U.S. Fresh Tomato Imports from Mexico, in Value and Volume, 1991-93 vs. 2008-10 and 2011-13

<table>
<thead>
<tr>
<th>Crop 2011-13</th>
<th>Value (million dollars)</th>
<th>Volume (thousand metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008-10: 1,252</td>
<td>2008-10: 1,138</td>
</tr>
</tbody>
</table>

Figure 13. U.S. imports of tomatoes from Mexico, calendar years 2000-2011

Source: U.S. Department of Commerce.
Monthly FOB Prices for US Mature Green Fresh Tomatoes, January-August, 2008-2011

US cents/pound

Figure 14. Greenhouse tomato supplies in the United States, calendar years 1999-2011

Short tons

Sources: U.S. Department of Commerce (Canadian and Mexican imports) and USDA, Agricultural Marketing Service (U.S. shipments)
Update on US Fresh Greenhouse Industry

Over 1100 acres in 2013 among the main players, Eurofresh Farms, Village Farms, Windset Farms, Houweling’s, and Backyard Farms.
Part of capacity not utilized in 2013 (Eurofresh, Village, Backyard Farms). Latter two will be back up but Eurofresh will be down more in 2014.
Some growth in controlled environment among major players, and small urban players - “local.”
Update on US Fresh Tomato Imports
US Fresh Tomato Imports, All Types, by Key Country, 2009-2013, million pounds

Sources: US Department of Commerce. US Census Bureau, Foreign Trade Statistics and ERS calculations.
US Fresh Tomato Imports, All Types, by Key Country, 2008-2013, million dollars

Millions

<table>
<thead>
<tr>
<th>Source</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>Mexico</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Canada</td>
<td></td>
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<td>Other countries</td>
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<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: US Department of Commerce.
Total US Tomato Imports, by Key Tomato Type, All Countries, 2009-2013 (millions of pounds)

Sources: US Department of Commerce. US Census Bureau, Foreign Trade Statistics and ERS calculations.
Total US Tomato Imports, by Key Tomato Type, All Countries, 2008-2013 (millions of US Dollars)

Sources: US Department of Commerce, US Census Bureau, Foreign Trade Statistics and ERS calculations.
US Hothouse Tomato Imports, by Key Country, 2009-2013 (million pounds)

Sources: US Department of Commerce. US Census Bureau, Foreign Trade Statistics and ERS calculations.
US Round Tomato Imports, by Key Country, 2009-2013 (million pounds)

Sources: US Department of Commerce, US Census Bureau, Foreign Trade Statistics and ERS calculations.
Import volume by country, Roma Tomatoes 2009-2013 (million pounds)

Sources: US Department of Commerce. US Census Bureau, Foreign Trade Statistics and ERS calculations.
US Cherry Tomato Imports, by Key Country, 2009-2013

Sources: US Department of Commerce. US Census Bureau, Foreign Trade Statistics and ERS calculations.
US Grape Tomato Imports, by Key Country, 2009-2013
(million pounds)

Sources: US Department of Commerce, US Census Bureau, Foreign Trade Statistics and ERS calculations.
Average annual import unit value by fresh tomato variety, 2009-2013, US Dollars per pound

Sources: US Department of Commerce. US Census Bureau, Foreign Trade Statistics and ERS calculations.
Canada: Greenhouse Tomato Trends

- Interviews indicate that acreage in BC is stable while it grows in Ontario.
- In Jan. 2011 according to the OGVG, there were 404 acres of clusters/specialties in Ont. plus 378 acres of beefs (total 782), vs in Jan. 2014 there were 543 plus 378 acres, respectively, (total 920). Specialties! And over half is high tech glass.
- Following trends are from Statistics Canada, 2013 data not yet available.
Canada: Area Harvested of Greenhouse Tomatoes, 2007-2012, (acres)

Source: Statistics Canada
Canada: Production of Greenhouse Tomatoes, 2007-2012 (million pounds)

Source: Statistics Canada
Canada: Unit value of Greenhouse Tomatoes, 2007-2012
(Canadian dollars per pound)

Source: Statistics Canada
Relative Competitiveness of US Veg Industry

- The relatively strong competitiveness of the US veg industry is because more than being labor-intensive, fruit/veg are knowledge, technology, capital, and marketing-intensive.

- However, protected culture, which is technology and capital-intensive is emerging elsewhere.

- US growers face an ever more complex regulatory environment.

- Labor availability is increasingly problematic, everywhere.
Mexico
N. American Fresh Veg Trade Mainly Intra-NAFTA

- 77% of US fresh veg exports go to Canada, followed by Mexico with 8%.
- Mexico supplies 68% of U.S. fresh veg imports.
- Mexico is a powerhouse produce exporter; $6.649 billion fruit/veg exports to the world, 2010.
- US is Mexico’s predominant market.
Mexican Tomato Industry

• The development of new PC producers throughout Mexico is bringing new tomato products into the domestic market, competing both with traditional small producers in central Mexico and growers in Sinaloa and Baja in their seasons.

• PC is a major new force for this dual market crop (export and domestic markets are both important to profitability for some grower-exporters), and may become more important with the higher suspension prices.
Protected Culture in Mexico
Most of this area is shade house rather than greenhouse, around 70% is tomatoes, and most is from Sinaloa (14,000 HA). Bell peppers (primarily red, yellow and orange) and cucumbers account for most of the remainder. 30% may not be in production.

Source: Evolucion de la Oferta Horticola en Mexico, 1989-2009, CAADES, Sept. 27, 2010 and various other sources.
Mexican Protected Culture (PC) Estimates

• There has been no accurate census of PC operations in Mexico which would show constructed area, area currently in production and provide more detail on crops grown and technology levels.
• Some say that 3,000 hectares of the greenhouse area is not in production, in part due to poorly planned and under-capitalized projects.
• About 70% of PC area is estimated by Sagarpa to be tomatoes.
• The leading states are Sinaloa, Baja California, Baja California Sur and Jalisco.
Mexico’s Farm Workforce Has Declined between 1995 and 2010 – No panacea there either

Source: ARE Update May/Apr 2013 16(4):1-4
Conclusions

• Tomato market focusing more on quality, with emphasis on flavor, aided by seed innovation
• Export marketing from Mexico still too fragmented, remainder of N. American industry, whether GH or open field is relatively concentrated
• Growers must be market-driven in their planting decisions
• Higher suspension prices may impose more market orderliness, to the benefit of most
Conclusions

• Producers must think carefully about scaling their operations to meet market demand.

• Foodservice is beginning to take more PC tomatoes, if successful this could offer another period of expansion in demand at the expense of mature green (cost and food safety both important factors weighed by operators).

• Demand is maturing for tomatoes and cannibalization is rampant, across tomato types and sectors.
Conclusions

• Ongoing retail consolidation is leading to even fewer, larger buyers, often seeking secure sources of year-round supply and contracts
• **Growing use of contracts** may smooth out the highs and lows of market prices
• Seems to be some growing consumer awareness of the term greenhouse and association with environmental sustainability, **may follow organic trend/cache** among same consumer segment (18% of households)
Conclusions

• Some greenhouse firms experimenting with high tech controlled environments with aim in part to place close to markets to exploit “local” trend, outcome unclear.
• Larger firms will likely have the advantage, regardless of sector.
• Services will become even more important in market success and working in partnership with customers to best meet consumer preferences.
Supplemental Information
US Fresh Cherry Tomato Imports, by Key Country, 2008-2013, million dollars

Sources: US Department of Commerce.
US Fresh Grape Tomato Imports, by Key Country, 2008-2013, million dollars

Sources: US Department of Commerce.
US Fresh Greenhouse Tomato Imports, by Key Country, 2008-2013, million dollars

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>Mexico</td>
<td>650</td>
<td>700</td>
<td>750</td>
<td>800</td>
<td>850</td>
<td>900</td>
</tr>
<tr>
<td>Canada</td>
<td>50</td>
<td>55</td>
<td>60</td>
<td>65</td>
<td>70</td>
<td>75</td>
</tr>
<tr>
<td>Other countries</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>715</td>
<td>765</td>
<td>835</td>
<td>905</td>
<td>955</td>
<td>1015</td>
</tr>
</tbody>
</table>

Sources: US Department of Commerce.
US Fresh Roma Tomato Imports, by Key Country, 2008-2013, million dollars

Sources: US Department of Commerce.
US Fresh Round Tomato Imports, by Key Country, 2008-2013, million dollars

Millions

Sources: US Department of Commerce.