Tomato Production, Trade, and the Impact of the Suspension Agreement

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Feng Wu
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Outline

• **Industry Overview**
  - US & Florida Production, Price and Value
  - Mexican Production
  - Trade with Mexico

• **Suspension Agreement & Impact**
  - Floor price and binding effect
  - Impact on Import volume, market price and volatility

  - Main data sources: USDA-NASS, Department of Commerce
Florida Tomato Industry

- Florida largest supplier of fresh tomatoes in the U.S.
- Dominates the U.S. winter fresh tomato market
- But production has been declining.
US and Florida Fresh Tomato Production
2005: Total 3.8B lbs, FL 1.6B lbs

- **US**
- **Florida**
- **California**

Million lbs
Acreage

US and Florida Fresh Tomato Acreage

Acre

US
Florida
California


97500
33000

Acreage

US and Florida Fresh Tomato Acreage

Acre

US
Florida
California


97500
33000

Acreage
U.S. and Florida Fresh Tomato Production Values
2005: $1.6B, FL $0.8B (higher than CA)
Yield per Acre

CWT/Acre

Florida
California

295
(1180 Bx)
Tomato Prices

Annual Average Prices of Fresh Tomatoes

- $/lbs
- Year: 2000 to 2015
- US
- Florida
- California

Graph showing the annual average prices of fresh tomatoes from 2000 to 2015 in the US, Florida, and California.
Mexican Competition

- Florida and Mexico compete for the U.S. fresh tomato market historically.
- Total imports ~$3.5B lbs, of which Mexican imports account for about 90%.

- Mexican Production, Trade, & Government Support
Mexican Production

Mexican Fresh Tomato Production

Million lbs

Year | Red | Total
--- | --- | ---
2004 | 5934 | 6696
2005 | 5370 | 6173
2006 | 5934 | 6392
2007 | 7570 | 6945
2008 | 5370 | 6333
2009 | 7237 | 5934
2010 | 7796 | 6609
2011 | 7796 | 6609
2012 | 7796 | 6609
2013 | 7796 | 6609
2014 | 7796 | 6609
Imports of Mexico tomatoes have increased sharply in recent years.

Market share was about 20% smaller than Florida’s in 2000, is now more than 3 times higher than Florida’s.
Mexican Support of Protected Agriculture

- The Mexican greenhouse horticulture received substantial amount of government support.

- In 2009, SAGARPA announced a strategic project to support protected agriculture.

  - **Greenhouses**: $1.2 million Peso/ha, up to $3 m peso per project (~ $250k in 2009).

  - Furthermore, support covers 50% of specialized training and technical assistance (up to $100,000 peso)

  - The same applies to greenhouse insurance, market studies; certification (GAP&GMP); promotion of protected agriculture product, etc.
Mexican Protected Production

- 70% of tomatoes are produced under this technology
- 15,000 Hectares (37,000 acres) in 2014/15
- better quality, better pest control
- Reduced weather risk exposure, more predictable supply
- higher prices
- Higher yield

<table>
<thead>
<tr>
<th>Year</th>
<th>hectares</th>
<th>acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009/10</td>
<td>4000</td>
<td>9884</td>
</tr>
<tr>
<td>2010/11</td>
<td>13000</td>
<td>32124</td>
</tr>
<tr>
<td>2011/12</td>
<td>14700</td>
<td>36324</td>
</tr>
</tbody>
</table>
Percentage of Protected Production

- Red mainly from protected production (total production 70% from protected, but the % for red tomatoes higher).

- 50% US imports produced from “greenhouse” (adapted & controlled environment) in 2014/2015.
Suspension Agreement

- Suspension of Antidumping Investigation (filed in Apr 1996)
- Initial agreement (Dec 6, 1996) set reference prices at:
  - $0.2108 per pound (Winter: October 23 - June 30)
  - $0.172 per pound (Summer: July 1 - October 22)

<table>
<thead>
<tr>
<th>Ref. Price</th>
<th>Winter (Oct 23-Jun 30)</th>
<th>Summer (Jul 1-Oct 22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>0.2108</td>
<td>0.172</td>
</tr>
<tr>
<td>2003</td>
<td>0.2169</td>
<td>0.172</td>
</tr>
<tr>
<td>2013</td>
<td>0.31</td>
<td>0.2458</td>
</tr>
</tbody>
</table>
Suspension Agreement

- A new suspension agreement (March 4, 2013); New reference prices 50% higher

<table>
<thead>
<tr>
<th>Tomato Type</th>
<th>Price/Lb Winter Oct 23/ June 30</th>
<th>Price/Lb Summer July 1/ Oct 22</th>
</tr>
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<tbody>
<tr>
<td>Open field and adapted environment</td>
<td>US$0.3100</td>
<td>US$0.2458</td>
</tr>
<tr>
<td>Controlled environment</td>
<td>US$0.4100</td>
<td>US$0.3251</td>
</tr>
<tr>
<td>Specialty, loose</td>
<td>US$0.4500</td>
<td>US$0.3568</td>
</tr>
<tr>
<td>Specialty, packed</td>
<td>US$0.5900</td>
<td>US$0.4679</td>
</tr>
</tbody>
</table>

Specialty tomatoes include grape, cherry, heirloom, and cocktail tomatoes
Domestic & Import Prices

US and Mexican Tomato Annual Prices at Major Shipping Points
(open field, adapted env.)

$/lb

0 0.1 0.2 0.3 0.4 0.5 0.6 0.7


US
MX
Occurrence Binding Floor Prices (1998-2016)

Weekly Prices of the U.S. and Mexican Tomatoes, 1998 - 2016

% of the restrained weeks: Before: 22%  After: 30%
Occurrence Binding Floor Prices (2010-2016)

Weekly Prices of the U.S. and Mexican Tomatoes, 2010 - 2016

% of the restrained weeks: Before: 19% After: 30%
## Impact of Agreement (1998-2016)

Import and Domestic Prices Before (1998-2013) and After (2013-2016)

<table>
<thead>
<tr>
<th></th>
<th>Before</th>
<th>After</th>
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<tbody>
<tr>
<td>Average Import Price</td>
<td>0.45</td>
<td>0.54</td>
</tr>
<tr>
<td>Average Domestic Prices</td>
<td>0.42</td>
<td>0.50</td>
</tr>
<tr>
<td>Volatility of Import Prices</td>
<td>0.21</td>
<td>0.19</td>
</tr>
<tr>
<td>Volatility of Domestic Prices</td>
<td>0.22</td>
<td>0.15</td>
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<tr>
<td>% of the restrained prices</td>
<td>22%</td>
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## Impact of Agreement (2010-2016)

Import and Domestic Prices Before (2010-2013) and After (2013-2016)

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<tr>
<td>Average Import Price</td>
<td>0.47</td>
<td>0.54</td>
</tr>
<tr>
<td>Average Domestic Prices</td>
<td>0.50</td>
<td>0.50</td>
</tr>
<tr>
<td>Volatility of Import Prices</td>
<td>0.21</td>
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<td>Volatility of Domestic Prices</td>
<td>0.27</td>
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<td>% of the restrained prices</td>
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<td>30%</td>
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Concluding Remarks

- US/FL acreage continued to decrease but production and value stable after 2013 Suspension Agreement.
- Average weekly import prices increased by 15%.
- Imports continued to increase after Agreement.
- The two prices are now more correlated.

- More in-depth price analysis showed: Increase in import prices boosted US price after new Agreement.
- Agreement helped! But is that enough?
THANK YOU!

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