

MARKETING

Commercial Tomato Production, Marketing and Management

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Introduction

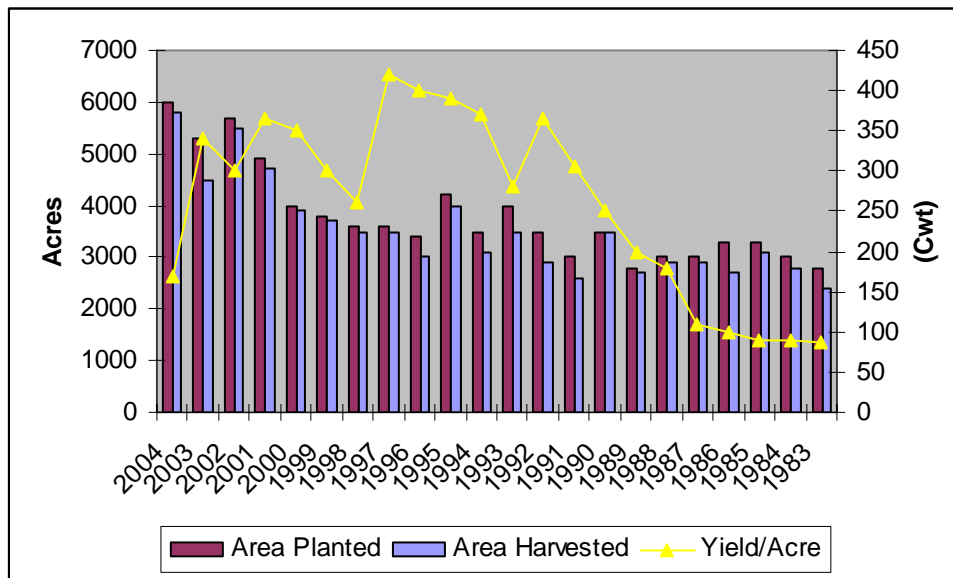
Marketing tomatoes or any horticultural product is more than just selling. Marketing includes planning, production, harvesting, packaging, transportation, distribution warehousing and pricing. To be successful, marketing must be responsive to consumers' demands. Simplistically, it must be customer oriented. To add to the multifaceted problems, marketing skills are required and prior determination or knowledge of one's targeted market is a necessary condition. Is it direct marketing, marketing to retail outlets, specialty food stores or wholesalers? Do you need any promotion? Is any specific harvest time required? All these and more questions need to be addressed. Do consumers demand quality, freshness, "reasonable" prices or all of the above?

Georgia Area Planted, Harvested and Yields

Tomatoes are an important horticultural crop for the state of Georgia in particular and the U.S. at large. According to the Georgia Farm Gate and Georgia Agricultural Statistics Service reports respectively, this crop ranked 13th and 18th in the 2003 and 2004 Georgia Agricultural Commodity Rankings. Furthermore, Georgia is the 7th largest fresh tomato producing state nationwide. Georgia tomato production has been rising since 1983 when reported total planted area was 2,800 acres compared to 6,000 acres in the year 2004. This reflects a 214.3 percent increase in planted area. In 1993, 1995, 2000 and 2001 areas planted were equal or above 4,000 acres. From 2002 to 2004, this figure surpassed 5,000 acres. However, year 2004 reported the highest area planted (Fig 1).

Harvesting area has also been rising at the same rate as planted area. In 1983 although 2,800 acres were planted only 2,400 acres were harvested equivalent to 86 percent. This harvested amount has increased to 5,800 acres in year 2004 that is, about a 242 percent increase, compared to 1983. Basically, harvested area is following the same trend as planted area except in 1990 when the recorded harvested and planted area were the same, thus 3,500 acres (Fig. 1).

Fig. 1: Georgia Tomato Area Planted, Harvested and Yields, 1983-2004



Source: Georgia Agricultural Statistics Service/USDA, 2002 Census of Agriculture Georgia Profile. Also see <http://www.nass.usda.gov/ga/>

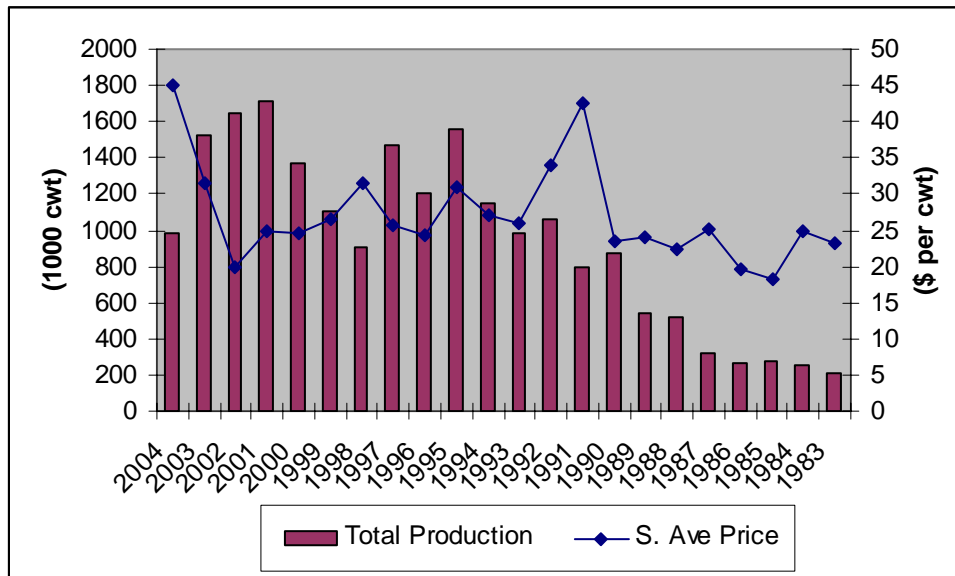
The most unpredictable trend is tomato yield. According to Georgia Agricultural Statistics Service, yields per cwt were pretty constant from 1983 to 1987. Thereafter, yield per cwt escalated exponentially from 110 cwt per acre in 1987 to 365 cwt per acre in 1992 (Fig 1).

Although the yield took a nose dive to 280 cwt per acre in 1993, the increasing trend continued until 1996 when yields stood at 420 cwt per acre, the best ever recorded. Even though an increasing trend was recorded from 1998 to 2003, the worst yield of 170 cwt per acre was recorded in 2004. This drastic drop in yield was as a result of several hurricanes (Frances, Ivan) and tropical storms that destroyed most of the vegetable farms in southern Georgia (Fonsah, 2005)

Production and Average Seasonal Prices

Georgia tomato production has risen from 203,000 cwt in 1983 to over a peak of 1.7 million cwt in 2001. Other relatively good production years were 1994, 2002 and 2003. The drastic drop in production in 2004 was a result of several hurricanes (Ivan, Frances, Charley, etc.), and tropical storms that caused serious damage on most of the Georgia farms. On the other hand, although there has been a great improvement, average seasonal prices per cwt has been a roller coaster. In 2004 the price of \$45 per cwt was the peak due to the extreme shortage in supply caused by the several hurricanes and tropical storms. The relative peak was in 1995 and 2003 when the average seasonal price per cwt were \$31 and \$31.50 respectively (Fig 2).

Fig. 2: Georgia Tomato Production and Average Seasonal Prices, 1983-2004



Source: Georgia Agricultural Statistics Service/USDA, 2002 Census of Agriculture Georgia Profile. Also see <http://www.nass.usda.gov/ga/>

Export Trend

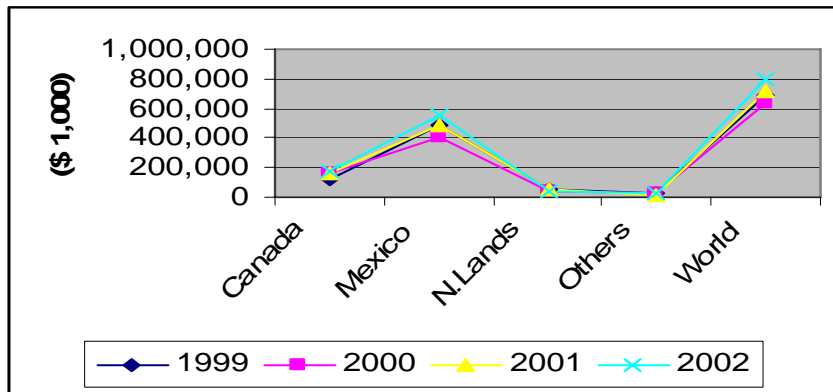
Due to the North American Free Trade Agreement, NAFTA, trade between the United States, Canada and Mexico has improved significantly. Presently, Canada is our number one trading partner for fruits and vegetables. In 2002, tomato export value to Canada was worth \$111.7 million equivalent to 83 percent of total United States tomato export value whereas \$11.6 million was recorded for export to Mexico equivalent to 8.6 percent. Other countries that purchased a negligible quantity of tomatoes from time to time from the United States were the United Kingdom, The Netherlands and Japan (Lucier and Plummer, 2003).

Import Trend

Although the NAFTA agreement has benefited trade ties between the United States, Canada and Mexico, Mexico has benefited more by continually expanding its tomatoes sales to the United States by 14 percent from 2001-2002. The United States imported tomatoes from Mexico worth \$490 million, \$412 million, \$485 million and \$552 million in years 1999, 2000, 2001 and 2002 respectively (Table 2). It should be noted here that Mexico also has comparative advantage in terms of weather, cheap labor and other conditions over the United States and most of the tomato suppliers are United States companies based in Mexico to take advantage of the cheap labor and favorable weather conditions (Lucier and Plummer, 2003).

Furthermore, the United States purchased most of its tomatoes from Mexico. The import value also increased from \$490 million in 1999 to \$552 million in 2002. The peak import value was in year 2002 when the U.S. imported tomatoes worth \$552 million from Mexico. The U.S. also imported a small amount from Canada and the Netherlands (Lucier and Plummer, 2003).

Fig 6: U.S. Import Value of Tomatoes: Selected Countries and the World (\$ 1,000)



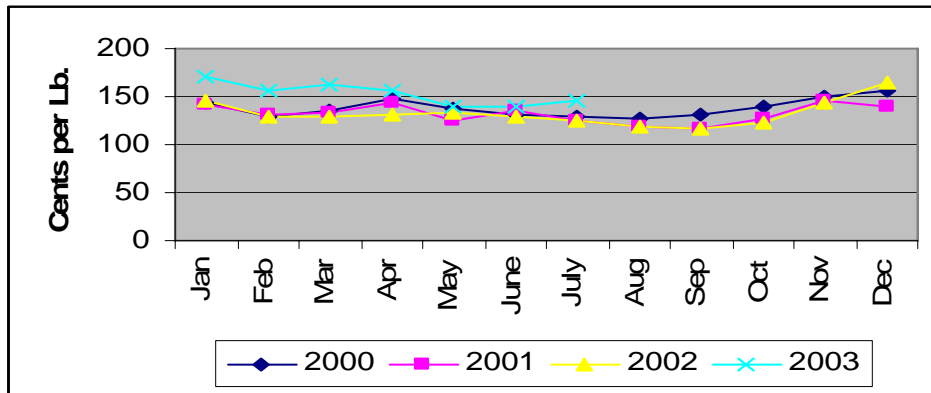
Source: ERS/USDA Vegetables & Melon Outlook/VGS-2003, July 2003.

Mexico was our leading tomato supplier, generating about 69 percent of total import value or \$552 million in 2002. Canada ranked second. A negligible quantity supplied came from the Netherlands (Fig 3).

Pricing

Supply and demand determine the general price level. Seasonal average prices per cwt have been fluctuating. In 1990 the seasonal average price per cwt was \$27.40 whereas in 2002 the price had jumped to \$31.40 per cwt. The peak price was recorded in 1998 at \$35.20 per cwt. The U.S. average retail price for the first quarter of 2003 was highest compared with 2000, 2001 and 2002 respectively. Thereafter, the downward trend was consistent with previous years but 2003 was still the best year in terms of average price obtained per pound of tomatoes (Fig 4).

Fig 4: U.S. Average Tomatoes Retail Prices By Month: 2000-2003

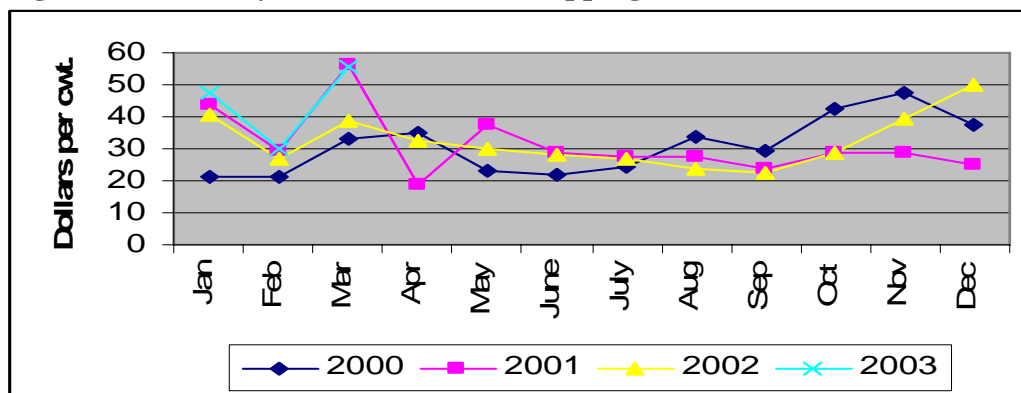


Source: ERS/USDA Vegetables & Melon Outlook/VGS-298/Aug. 21, 2003

Tomato prices vary greatly within a season and between years. Most of the price variation within season is caused by weather effects on production. Price variations among years are caused by changes in acreage and weather. Little of the price variation is caused by demand changes. Demand changes are slight from year-to-year. For recent prices, see University of Georgia Extension Agricultural Economics website: www.agecon.uga.edu.

Although the dollar per cwt price was the lowest in January 2000, significant increase, compared to 2001 and 2002 were seen in the Fall crop. In December 2002 the best price of about \$50 per cwt was recorded. Overall, there were variations from months to month and from year to year. This variation has to do with the quantity produced and imported (Fig 5).

Fig 5: U.S. Monthly Tomatoes F.O.B. Shipping-Point Prices: 00-03



Source: ERS/USDA Vegetables & Melon Outlook/VGS-296/April 17, 2003

Consumers determine the demand by deciding what and how much they will buy. Thus, marketing efforts must be consumer oriented. Consumers normally reflect their wants in the product and product characteristics they buy. Characteristics of tomatoes quality include: shape, thickness, firmness and uniform glossy color. Variety and age determine

color. Large tomatoes normally bring premium prices, regardless of color. The competing states production levels determine the supply.

Wholesalers and Distributors Purchase Decision for Fresh Produce

A 2002 University of Georgia marketing survey asked wholesalers and distributors to rank their purchase decision for fresh produce. The result is summarized in Table 1. It is not surprising that quality is the most important factor in the wholesalers' and distributor's purchasing decision. However, it was interesting that quality and price were ranked higher than reliability. Unfortunately, the origin of fresh produce was ranked last.

Table 1: Average Ranking of Wholesalers and Distributors Purchase Decision for Fresh Produce

Importance of Specific Factors in Wholesalers/Distributors Purchase Decision for Fresh Produce -Ranked Most to Least Important (n=8)	
Factor	Average Ranking
Quality	1.13
Price	2.00
Reliability	3.63
Quantity	4.13
Convenience	5.00
Transportation	5.25
Origin	6.88

Source: Wolfe, K and E.G Fonsah (2002) "Wholesales and Distributors Outlook For Fruit and Vegetables Produced in Georgia" *GFVGA News Vol. 7, No. 4, Fall*.

Wholesalers/distributors consider quality, price and reliability to be the most important factors in making a purchase. Being grown in Georgia will not help Georgia growers if their produce cannot compete on quality, price and reliability. These three factors are the minimal requirements needed to enter this market and can be thought of as a baseline from which grown in Georgia products must be differentiated.

Georgia's reputation for providing quality tomatoes in the quantity demanded has improved. Competition from other areas in the Southeast requires that this reputation be maintained and improved. As production continues to expand some growers will not be able to compete. Production skills alone will not insure survival. Marketing will increase in its importance.

Conclusion

Marketing tomatoes or any product is more than selling. Marketing includes production, distribution and pricing. To be successful, marketing must be responsive to consumers' demands. Consumers demand quality, freshness, and "reasonable" prices. The United States production of fresh tomatoes has been continually on the rise since 1978 where

156.1 million pounds were produced. By year 2002, production had increased over 3 times to 534.9 million pounds.

Due to the North American Free Trade Agreement, NAFTA, trade between the United States, Canada and Mexico has improved significantly. Presently, Canada is our number one trading partner for fruits and vegetables. The United States imported tomatoes from Mexico worth \$490 million, \$412 million, \$485 million and \$552 million in years 1999, 2000, 2001 and 2002 respectively.

Supply and demand determine the general price level. Seasonal average prices per cwt have been fluctuating. In 1990 the seasonal average price per cwt was \$27.40 whereas in 2002 the price had jumped to \$31.40 per cwt. Tomato prices vary greatly within a season and between years. Most of the price variation within a season is caused by weather effects on production. Price variations among years are caused by changes in acreage and weather. Consumers determine the demand by deciding what and how much they will buy. Thus, marketing efforts must be consumer oriented. Consumers normally reflect their wants in the product and product characteristics they buy.

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