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The Director

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MINUTES

Meeting of the Expert Group EU Fruit and Vegetables Market Observatory

Subgroup TOMATOES

21 June 2024

Chair: AGRI E.2

1. Approval of the agenda

The agenda was adopted.

2. Nature of the meeting

The meeting was hybrid non-public and was web-streamed with interpretation. Language regime (available only for points 3.2, 3.3 and 3.4) was FR-EN-IT-ES-PT-PL into FR-EN-IT-ES-PT-PL.

3. List of points discussed

3.1. Consumption evolution for fresh tomatoes

Evolution of consumption, prices and margins for tomatoes and vegetables at retail level

After a period of high inflation in 2022 and 2023, the inflation (including food inflation) went down and stabilized in 2024 reaching a level of around 2.6% in May (2.8% for food inflation). With regards to inflation of fruits and vegetables, this was also driven by extreme weather events which impacted the overall production and hence the overall supply to consumers.

For consumers, price still remains the main driver and the change towards discounters and private labels observed last year is expected to stay also in 2024. However, it has been observed over the last few months some up-trading driven mainly by health reasons (e.g. the purchase of organic food went up 5% vs. same period 2023).

Food retailers operate with high volumes and low margins with an estimation of operating margin (earnings before interests and taxes) of around 2.9% of turnover. In

France for example the net margin for fruit and vegetables in 2023 is estimated at 2.9% (vs. overall net margin of 1.6% turnover).

While home consumption has declined, even during inflation out-of-home consumption performed quite well.

Consumption evolution for fresh tomatoes in the EU

Tomatoes are still the most bought vegetable in the EU (and they are in second place behind carrots in UK) although a general decline could be observed in the last few years in consumed volume due to higher preference for (smaller) specialty tomatoes as well as reduced available budget (especially in ES, IT and UK). Apart from the UK, round tomatoes continue to lose market share with snacking tomatoes now stabilising in DE, NL and increasing in FR, in line with the increasing preference for convenience food. High quality and tasty tomatoes are well paid, but still limited by what consumers can afford. The strong consumption of round tomatoes in the UK (currently estimated at one third of the total) is probably driven by general economic distress currently faced by UK consumers.

3.2. Fresh tomatoes: Review of the winter campaign 2023/24 and forecasts for the summer campaign 2024 for the main producing countries in the EU

Spain

During the 2023/2024 winter campaign, ES produced around 1.26M tonnes of tomatoes with roughly a quarter of round tomatoes, a quarter of vine tomatoes and half of cherry/cocktail tomatoes. 100% was produced in greenhouses (for a total surface of around 14Kha) with roughly half destined to the national market and half outside (with the other EU MS being the main destinations). The current estimates for the next winter campaign (2024/2025) point to a slightly lower production (1.23M tonnes) and an increasing share of organic production (14% of the total vs. 12% previous campaign). Organic tomatoes are produced mainly in winter, as conditions can be controlled more easily in greenhouses.

For the summer campaign the production volume is expected to increase to 535K tonnes compared to 450K in 2023 with also an increase in surface (7.6Kha vs 7Kha). Production is mostly for the national market (80%) and in open field (80%).

Prices for all tomato varieties including organic production dropped significantly after January 2024 in ES (and with it in the rest of the EU). Different reasons led to the low prices: (a) good weather conditions during winter increased production; (b) good production in competing producing countries both in the EU and outside the EU; (c) the losing market share in the UK; (d) decrease in overall consumption. The overproduction was also due to the past two/three good campaigns and the hope by producers to have an equally good campaign in 2024 in terms of value and volume.

Home consumption of tomatoes (and vegetables) in ES has had a negative trend for quite some time now. In particular for tomatoes, the shrinking consumption in the last years can be attributed to the high level of prices, the preference for small tomatoes and the decreasing household penetration rate (with the exclusion of 2020 and 2021 which was boosted by the COVID sanitary crises).

In 2022, 40% of total national production in ES came from farmers organized in 94 producers’ organisations. The level of organisation is however very diverse with higher-than-average rates in Murcia and Andalucía respectively at 70% and 50%. The trend observed in the last years is fewer and bigger producers’ organisations which concentrate more production and attract especially small farmers who would face difficulties to sell in the market otherwise.

The experts also mentioned growing competition from Morocco and Türkiye highlighting the differences in the labour and environmental conditions. In Spain the cost of production reached its peak in March 2024 at 0.54Kg/EUR (i.e. 34% from June 2021) and some production areas like the Canary Islands already dropped out.

Finally with regards to the tomato brown rugose fruit virus (ToBRFV), while the virus is still present, the situation is broadly under control thanks to the hygiene measures put in place by the sector.

The Netherlands

For NL tomatoes producers the main markets, outside the national territory, are DE and the UK. In Germany the consumption increased from 2020 to 2023 to reach 8.6Kg/capita/year whereas the consumption decreased in the UK over the same period to go down to 6.2Kg/capita/year. Round and vine tomatoes are the most consumed in the UK, probably also because of cheaper imports from Morocco whereas vine and specialty tomatoes are much more consumed in NL and DE. It was highlighted that it’s very important for producers to forecast and adapt to these varying and changing consumers demands. For example, now that the worst of the energy crisis is over, consumers expect the prices for tomatoes in lit greenhouses to go down as well.

Total EU production is in decline, which is partly due to the small tomatoes now in demand; however, the resulting lack of tonnage drives up the imports. On the other side, export is expected to further decline given possible additional customs and phytosanitary controls to be introduced by the UK in the near future.

With regards to the NL, the low production level of 2023 of around 726K tonnes was due to the low winter production due to the energy crises as well as bad summer which meant that some 200ha shifted back into normal winter planting season under lights. The 2023/2024 winter campaign saw a partial recover of production following the decrease in input prices. Forecasts for the summer production point to a slightly lower production level compared to last year, slightly higher surface (1.8Kha) and lower quality due to the dark spring. Regarding the next winter 2024/2025 production, 600ha of mostly LED-lighted greenhouse production is expected (it was around 200ha at the peak of the energy crises) with tomatoes grown in this condition being 100% virus resistant and lower production cost.

With regards to ToBRFV for summer production, it was reported that half the acreage is affected and that some farmers shifted to larger varieties because of reduced risk and to resistant varieties which however often result in a lower level of taste.

POs still handle 85-90% of the NL production with the largest three holding around two thirds of the total production. POs are working together with other producers (or POs) or set up facilities in other countries (like Poland, Hungary, Tunisia and Morocco) to have year round supply for national and nearby customers.

Italy

Due to a heatwave in autumn 2023 and the presence of ToBRFV. the winter harvest of tomatoes dropped. Despite lower production, prices dropped significantly since January, by up to 40-45% for vine tomatoes. The summer campaign is expected to be also volatile, due to higher temperatures. The drop in prices for Italian tomatoes followed a general market trend. Increasing imports added to the difficulties experienced with the mentioning of the presence of cheaper tomatoes from Albania, Morocco and Turkey (the latter through Romania).

France

France's production volume (of less than 500K tonnes in 2023 – mainly concentrated in summer) is on a declining trend due to the switch to small tomatoes, but also due to a decrease of 200ha in surface since 2021. The main produced tomatoes are vine tomatoes, with cherry tomatoes on the rise and round tomatoes making up only 15% of the market.

The organic production (representing 22% of the area in 2022) is still losing market share as there are no new demands for conversion. This is also because many quality labels, notably production with "no pesticides / no residues" are competing with the organic produce. It is estimated that in 2023, the actual organic market was 7-8% of the market taking into account the fact that many organic tomatoes have been sold as non-organic.

The summer production for 2024 is expected to be lower due to the dark and rainy spring having an impact on the development of the plants. The prices have been low in the first 4 months of 2024 in line with a general trend observed in the rest of the EU and this has increased the general consumption keeping a rather stable sales in terms of value compared to the same period in 2023. The strong concentration of tomato sale in 5 large supermarket chains however puts further pressure on the producer prices.

French production remains insufficient to meet household consumption needs, with a self-sufficiency rate for tomatoes estimated at only 55% especially due to very little winter production (only 50 ha of greenhouses equipped with lighting). The main suppliers are Spain and Morocco from November to April and Belgium and the Netherlands from April to November. With regards to Morocco, it was noted that the volume decreased in the last three months of 2023 due to the difficulties experienced with production in Morocco, nevertheless an increase in value was observed. While most tomatoes imported from Morocco are concentrated over the winter season and are reexported to other MS, the share of imports over the summer campaign is increasing coming in direct competition with national production (especially on the cherry segment). The competitive advantage comes mainly from cheaper labour (with the differential between French and Morocco estimated at a factor of more than 10 - with French labour cost being the highest also among other producing MS) which is the most important production cost for tomatoes.

With regards to ToBRFV, the virus is under control with 10 outbreaks recorded in 2023 for an area of 50 ha (i.e. less than 2% of total surface). So far farmers have not yet widely adopted resistant varieties with the area with those estimated at 20%.

Finally, the expert lamented that fact that the interdiction of plastic packaging in France since the beginning of 2024 have exploded the packaging costs.

Belgium

After a weak production in 2023 (of less than 300K tonnes) because of high input costs, the quantities are expected to pick up considerably in 2024 although production costs are still two times higher than before the crisis also due to the increased of labour cost (due to the automatic indexation of salaries in Belgium). The area is expected to be stable at 610 ha (100% greenhouse production) with around180 producers, but the generational renewal has been mentioned as an important problem.

Also in Belgium current prices are under pressure from increasing imports from cheap countries, reduced exports and less consumption. The situation in 2024 was exacerbated by the fact that main production zones in the EU and outside the EU harvested at the same time due to weather impact.

It's estimated that 90% of the market passes through auctions, but retailers want to go for dedicated supply, and, as holdings get larger, contracts may seem more favourable than staying in a PO. More transnational POs could counterbalance retailer pressure as well as extra-EU competition. Unfair trading practices must be tackled on EU level.

With regards to ToBRFV, farmers are in general using resistant varieties, but it turns out that they are lower in yield.

Finally, the expert lamented the fact that the new EU packaging waste regulation raises fears of a proliferation of different rules across EU Member States.

Poland

Due to illness, the Polish expert was not able to participate and the point was skipped.

3.3. Overview of extra-EU trade of fresh tomatoes in the EU in 2023 and first months of 2024

With a total EU internal market of around 6.76M tonnes in 2023 (made up of EU production estimated in 2013 at 6.3M tonnes plus imports 0.8M tonnes minus exports of 0.35M tonnes), the imports from third countries represent less than 12%. Morocco origin represents 61% of third country imports and therefore around 7% of tomatoes available in the internal market. Imports from Morocco in 2023 decreased by 12% compared to 2022.

In 2023 France imported around 529K tonnes of tomatoes of which three quarters came from Morocco followed by Spain with 13%. Around 77% of the total i.e. around 405K tonnes was imported through Perpignan of which 90% come from Morocco. In 2022, about 52%/53% of these quantities were re-exported, but this is information is not anymore available in French customs data.

Over the quota period October 2023 to May 2024 the volume of tomatoes imported from Morocco amounted to 334K tonnes with around 35% cherry tomatoes (34% the previous year). Exports (all origin) from France in 2023 were 2% lower than in the previous year at around 319K tonnes with Germany and the Netherlands being the main destination and accounting for half of total exports.

3.4. Processed tomatoes

Worldwide, with 47,2M tonnes the production in 2024 of tomatoes for processing is projected to be higher than ever (+6% YoY and 20% over the 5-year average). Production is growing in Tunisia, Algeria, Egypt, Ukraine but especially in China whose production is expected to reach 11M tonnes making China the first producer even ahead of California. The increase of production partly restored low level of stocks but might also be pushed by higher worldwide consumption (and possibly higher consumption in China). The somewhat low production levels in 2022 and 2023 meant low stocks and high prices in tomato paste as well as canned tomatoes especially in 2024.

The production is seen to follow a somewhat irrational cyclical behaviour: high prices in one year lead to high production in the following year, which will bring down prices and consequently production. However, over time, production is increasing, and current very high prices might further drive-up production. Also, lately geopolitical tensions and climate change are even increasing the amplitude of the cycle.

The EU production on the other hand is more constant with a less pronounced increase in 2024 with the production level estimated to reach almost 11 million tonnes in 2024 (4,3% over the 5year average). Consequently, the EU keeps losing world market share which, for 2024, is projected to be at 23% of total world production. Italy, Spain and Portugal represent the bulk of EU production.

With regards to extra-EU trade, the EU remains a strong net exporter in volume and value. However, the upward trend of exports until 2020 is now being reversed, also impacted by the fact that more competitors are now on the UK market following the Brexit. In parallel it can be observed that while the imports had been stable for many years, the imports started to increase on a high pace as of 2020. For example, Türkiye which had been an historical competitor on tomato concentrate, added new products with higher added value such as tomato pulp in large packaging.

Regarding organic production, while it dropped strongly in France due to a shrinking market, in Italy the consumption of organic processed tomatoes have been stable in volume but have experienced higher prices in 2023.

While currently prices are high, the expectation for the new campaign is not very positive for the processing industry in the EU given the higher level of production and extra-EU competition. At the same time prices recognized to farmers for this campaign have gone down by an average of 8%/9% which is however lower than the drop of 18% experienced by farmers in California reducing the price gap between EU and US products. For this marketing year tensions along the supply chain have been reported in the EU which made the conclusion of contracts more difficult.

Finally, the expert reminded that climate change is a major threat hoping that the EU would be faster in promoting scientific progress for mitigation (such as new genomic techniques).

3.5. Miscellaneous

Outlook

For the new mid-term outlook carried out by unit A2 in DG AGRI, a questionnaire will be sent to the experts.

Market analysis of seed production, trade and sales in the EU

Euroseeds expert presented the results of a survey conducted among its members focusing on years 2020 and 2021 and representing 50% of the Euroseeds membership active in the production and marketing of tomato seeds. The main points with regards to production and marketing are:

- At least 85% of the tomato seeds are produced outside the EU and imported to the EU for further processing and to be marketed;
- About 5% increase in EU production for 2021 compared to 2020 (induced by planning and spreading the risk during covid period);
- A 4% increase in tomato seeds production in 2021 compared to 2020;
- At least 70% of the tomato seeds marketed in the EU are produced from third countries with a similar split observed between seeds for fresh and processed tomatoes;
- About 8% increase in tomato marketed in 2021 compared to 2020.

With regards to ToBRFV, the breeding companies are investing considerable resources to rapidly bring new tomato resistant varieties to the market. In the common catalogue of EU seeds, the virus-resistant varieties cannot clearly be labelled, as the protocol is not yet in force but there are already over 160 varieties commercially available or in the process of registration in the EU. The number is expected to triple in the coming year and in two years' time 80-90% of tomato varieties on the EU market will have ToBRFV resistance. Resistant varieties will slow down the spread of the virus and reduce the economic impact to growers, however yield and taste are affected as pointed out by the growers in previous interventions.

3.6. A.O.B

World union of wholesale markets (WUWM)

It's estimated that around 40% of all consumed fruits and vegetables pass through the wholesale sector. In the most important wholesales market in the EU (Rangis in France, MercaMadrid in Spain, etc..) tomatoes prices have been going up for the last 5 years until 2023.

The speaker lamented the fact that however the information is scattered across Member States, characteristics and varieties are not aligned and thus not really comparable, and there is no reliable information about the quantities commercialised broken down by tomato types. WUWM is working on a common platform and dedicated studies to help their members have access to a better information and overcome these data limitations.

4. Next meeting

The next meeting is foreseen for October 2024.

5. Participants

See Annex

List of participants– Minutes

Meeting of the Expert Group EU Fruit and Vegetables Market Observatory

Subgroup TOMATOES

21 June 2024

ORGANISATION
A.R.E.F.L.H.
EUCOFEL
EUROCOMMERCE
EUROPEAN COORDINATION VIA CAMPESINA (ECVC)
EUROPEAN AGRI-COOPERATIVES (COGECA)
EUROPEAN FARMERS (COPA)
EUROSEEDS
FRESHFEL
TOMATOEUROPE (TOMATOEUROPE PROCESSORS ASSOCIATION)
WORLD UNION OF WHOLESALE MARKETS (WUWM)