South America Tomato Production

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SOUTH AMERICA

FACTS:

Regional output[1]	2018 +1,1%	2019 +0,1%	2020 -9,4%	2021 +3,7%

OUTLOOK:

- Increased risk of political instability. Stronger growth in economies with a robust government policy support and exposed to the recovery of demand from China
- Ensure the long-term sustainability of processors and farmers by balancing the value creation downstream to cover the increase of production costs in the last few years.
- Overall there's a lower tomato production in 2020 of exporting countries, coupled with low stocks, despite the consumption increase of tomato-based products during the pandemic

1. Latin America & Caribbean output, World Economic Outlook Update, IMF, June 2020


Tomato Production

Facts:

- Production 2020: 454.000 Mton. (+6% vs 3 last years average)
- Surface 2020: 6.100 ha (45% with drip irrigation, +11% vs PY)
- Yield (Mton/Ha): 74 (-3% vs PY)
- Farmers: 275 (16 Companies)
- Raw Material Price, field gate: US$75 (adjusted currency)
- Transportation cost US$10 (paid by processors)
- Production mainly for domestic market: puree, Whole peeled - diced exports and sauces. Imports mainly from Chile

Insights:

- Highest tomato consumption in the region (14kg /per capita)
- Mechanization improving the yield: 2.300 ha San Juan yield is 95Mton/ha
- Risk: Weather due to hail and rains during season (Mendoza & San Juan)
- Lowest cost of the land in the region and water availability
- Limited credit access for farmers & unstable exchange rate
- Local acreage increase in 2020/21 season, more than 530.000 Mton are expected
- Tomato 2000 Association is important to improve farming technology

Facts:

- Production 2020: 100.000 Mton -> Long Harvest Season
- Surface 2020: 800 ha (100% with drip irrigation)
- Yield (Mton/ha): 125
- Farmers: Icatom (Farmer and processor)
- Raw Material Price, field gate: US$75-85
- Season since October to February/March
- Production 80% for exports markets mainly Brazil, Colombia & Equator (100% tomato Paste)

Insights:

- Icatom farms are located in the dessert, sandy soil
- Crops with high pressure pest and disease, high irrigation cost
- Limited land and water availability: permanent cultures in the valley
- Focused in keeping the highest yield in the region given the high production cost per hectare
- Forecasted 2020-21 stable
- Free-trade agreement with USA & E.U.

Facts:

- Production 2020: 1.400 Mton
- Surface 2020: 14.505ha (-10% vs 2018)
- Yield (M/ha): est 98 (+20% vs 2018)
- Farmers: 125-150 (136 to 115 has/farm)
- Raw material price: 45 US$ (currency adjusted)
- Raw material Brix 4,5 – 4,7 (vs 4,2 - 4,5 (2018))
- Production for internal market Quality standards.

Insights:

- Production target: Brazilian market
- Imports volume for diced, whole peeled and high-quality standard tomato paste. (mainly Chile & USA)
- Land available but final cost affected by distance and exchange rate.
- High percentage of field being irrigated by central pivot
- Less tomato concentrate consumed because reduction in brix content for governmental food regulations
- 2021 forecasted increase the tomato area.

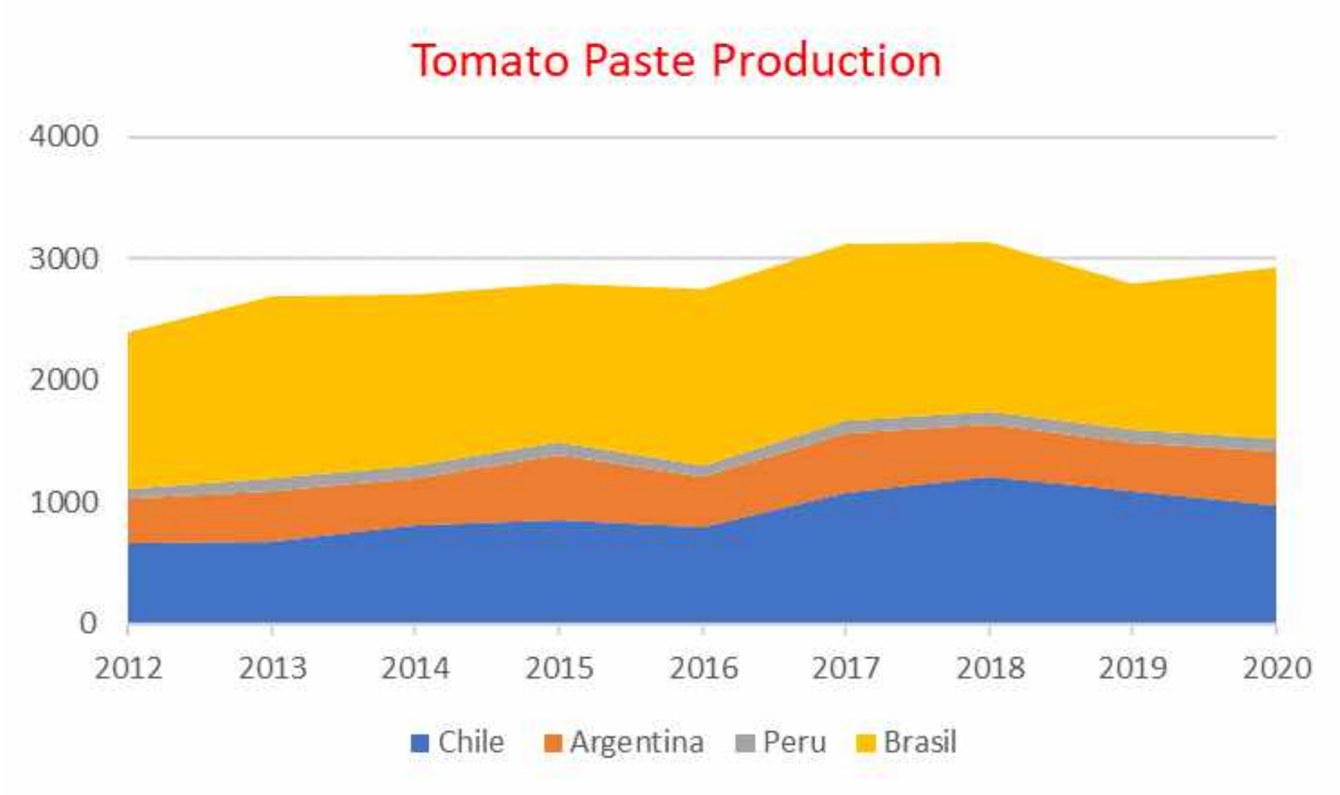
Facts:

- Production 2020: 970.000 Mton
- Surface 2020: 9.600 ha (more than 50% with drip irrigation, -20% vs PY)
- Yield (Mton/ha): 95 (-3% vs PY)
- Farmers: 400 (3 Companies) - average distance from farms 50kms
- Raw material Brix: 5,0-5,1
- Production 80% for exports markets. 100% tomato paste.

Insights:

- Chile production is aimed to export market (>80%)
- Stable climate conditions results in a high-quality standard
- Severe drought reduced surface in 2020
- Better winter improve perspectives for 2021
- If Chile want to increase the surface, must increase drip irrigation and technology to compete with other alternatives cultures. Increased land cost due to production of fruits such as cherries and other permanent crops.
- Forecasted surface for 2021: 12 650ha.

-18% growth in exporting countries over the last 2 years, despite the 3% growth of tomato production in South America since 2012



Source: World Processing Tomato Council Report

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THANK YOU

SOUTH AMERICA OUTLOOK

Facts:

Population[1]	2018 640,4M	2019 646,4M		
Regional output[2]	2018 +1,1%	2019 +0,1%	2020 -9,4%	2021 +3,7%

Outlook:

- The pandemic is having a profound impact on socio-economic conditions, accentuating the already complex scenario faced by a region with significant structural weaknesses. This unprecedented crisis comes at a time of high social aspirations and reinforces the risk of political instability. The two largest economies, Brazil and Mexico, are projected to contract by 9,1% and 10,5%, respectively, in 2020. Argentina will have the 3rd consecutive year of economical contraction.
- In 2021, economies with stronger policy support and expected recovery of demand from China, such as Chile (+5,5%) and Peru (+10,5%), having smaller permanent GDP losses than those where support has been limited or ineffective, such as Mexico (+3,0%). Brazil is forecasted to grow 3,5% and Colombia 4,5% with a downside risk due to oil market and deterioration of labour market.
- The pandemic increased the consumption of tomato-based products: more household consumption coupled with the food programs launched by governments. Overall, there's a lower tomato production in 2020 and lower stocks.

1. Latin America & Caribbean population, World Bank
1. Latin America & Caribbean output, World Economic Outlook Update, IMF, June 2020