Tomato Wars

When the North American Free Trade Agreement (NAFTA) went into effect in December 1992 and tariffs on imported tomatoes were dropped U.S. tomato producers in Florida feared that they would lose business to lower-cost producers in Mexico. So they lobbied the government to set a minimum floor price for tomatoes imported from Mexico. The idea was to stop Mexican producers from cutting prices below the floor to gain share in the U.S. market. In 1996 the United States and Mexico agreed on a basic floor price of 21.69 cents a pound. At the time, both sides declared themselves to be happy with the deal. As it turns out, the deal didn't offer much protection for U.S. tomato growers. In 1992, the year before NAFTA was passed, Mexican producers exported 800 million pounds of tomatoes to the United States. By 2011 they were exporting 2.8 billion pounds of tomatoes, an increase of 3.5-fold. The value of Mexican tomato exports almost tripled over the same period to $2 billion. In contrast, tomato production in Florida has fallen by 41 percent since NAFTA went into effect. Florida growers complained that they could not compete against low wages and lax environmental oversight in Mexico. They also alleged that Mexican growers were dumping tomatoes in the U.S. market at below the cost of production, with the goal of driving U.S. producers out of business. In 2012, Florida growers petitioned the U.S. Department of Commerce to scrap the 1996 minimum price agreement, which would then free them up to file an antidumping case against Mexican producers. In September 2012 the Commerce Department announced a preliminary decision to scrap the agreement. At first glance, it looked as if the Florida growers were going to get their way. It soon became apparent, however, that the situation was more complex than appeared at first glance. More than 370 business and trade groups in the United States—from small family-run importers to meat and vegetable producers and Wal-Mart Stores—wrote or signed letters to the Commerce Department in favor of continuing the 1996 agreement.

Among the letter writers was Kevin Ahern, the CEO of Ahern Agribusiness in San Diego. His company sells about $20 million a year in tomato seeds and transplants to Mexican farmers. In a letter sent to the New York Times, Ahern noted that “yes, Mexico produces their tomatoes on average at a lower cost than Florida; that's what we call competitive advantage.” Without the agreement Ahern claimed that his business would suffer. Another U.S. company, NatureSweet Ltd., grows cherry and grape tomatoes under 1,200 acres of greenhouses in Mexico for the American market. It employs 5,000 people, although all but 100 work in Mexico. The CEO, Bryant Ambelang, said that his company couldn't survive without NAFTA. In his view, Mexican-grown tomatoes were more competitive because of lower labor costs, good weather, and more than a decade of investment in greenhouse technology. In a similar vein, Scott DeFife, a representative of the U.S. National Restaurant Association, stated, “people want tomato-based dishes all the time.... You plan over the course of the year where you are going to get your supply in the winter, spring, fall.” Without tomatoes from Mexico, a winter freeze in Florida, for example, would send prices shooting up, he said. Faced with a potential backlash from U.S. importers, and U.S. producers with interests in Mexico, the Commerce Department pulled back from its initial conclusion that the agreement should be scrapped. Instead, in early 2013 it reached an agreement with Mexican growers to raise the minimum floor price from 21.69 cents a pound to 31 cents a pound. The new agreement also established even higher prices for specialty tomatoes and tomatoes grown in controlled environments. This was clearly aimed at Mexican growers, who have invested billions to grow tomatoes in greenhouses. Florida tomatoes are largely picked green and treated with gas to change their color.