

Tomato Market Equilibration

Author's Name

Date

## Tomato Market Equilibration

I will describe my experience with the tomato market and present information regarding the market and equilibration process for the United States production and sales of tomatoes.

### **Background**

At the age of 13 I worked my first job in a tomato greenhouse in Avon, Ohio, earning a wage of \$2 an hour. My responsibilities were to pick tomatoes and on certain days to vibrate the vine blossoms for germination. The greenhouses enabled a much earlier start to the local tomato crop. This provided an economic incentive for the additional costs associated with maintaining the facilities and heating the crops under glass. The greenhouse tomato crop declined considerably in June as the local open land tomato crop was starting to be harvested. Two different seasons of local sources of tomatoes in Avon is a smaller scale version of the current national production of tomatoes this country produces and consumes today.

### **Demand and Supply**

Tomatoes are used in more ways than many of the other vegetables. The tomato serves as the foundation of many sauces, soups, and prepared foods such as pizza. The tomato is also served fresh in salads and on sandwiches. The tomato is one of the three most valuable vegetable crops in the United States (US Department of Agriculture, 2011, 3). Tomatoes are a purely competitive product with many producers. However, there are a relative few states in this country that comprise the majority of commercial tomato production with California accounting for nearly half of all United States production (US Department of Agriculture, 2011, 3). Although Florida produces only about 10% of the total US tomato crop each year, Florida is

responsible for 85% of the United States tomato crop during the winter months (US Department of Agriculture, 2011, 3).

Supply of tomatoes in the United States has fluctuated over the past couple of years. From 2008 to 2009 the planted acreage increased by 10.9% from 121,120 hectares to 134,320 hectares (US Department of Agriculture, 2011, 67). However, the total production increased by 13.5% from 11.16 metric tons to 12.67 metric tons. Some of these increases in productive efficiency were attributed to improved quality insurance policies and more effective use of pesticides. Despite a substantial increase in supply, only a 1.1% decrease in price was experienced dropping from \$46.23/cwt to \$45.68/cwt. A cwt is a production unit known as a centum weight equal to 100 US pounds (US Department of Agriculture, 2011, 56-57, 80).

Following the drop in price from 2009, some of the farm acreage used for tomatoes was not used again in 2010. The result of this allocative efficiency was a 12.6% reduction in the hectares planted with tomatoes (US Department of Agriculture, 2011, 67). However, because of the improved productivity efficiency, there was only an 8.5% reduction in the tomato production from 2009 to 2010. Even with this modest reduction in production, there was an increase in tomato prices by an average of 25.2% between 2009 and 2010 from an average price of \$45.68/cwt to a price of \$57.19 (US Department of Agriculture, 2011, 56-57).

Demand for tomatoes continues to steadily grow. No readily available substitute exists for the tomato as an ingredient for recipes requiring it, a factor contributing to the demand.

### **Surplus and Shortage**

Cold weather in Florida earlier this year substantially reduced the winter crop of tomatoes. The result was poor quality and higher prices. Wendy's Restaurants went to offering

tomatoes “by request only” in an effort to deal with the shortage (Morran, 2011). These shortages are fortunately short lived because of the relatively diverse supply chain that exists. The winter tomatoes are very dependent on Florida weather which increased the severity of the recent shortage. Fortunately, the rest of the year we have a greater diversity of locations from which we are supplied tomatoes. These locations include South Carolina and Virginia and the most productive state, California (US Department of Agriculture, 2011, 56-57). This combination, along with tomatoes from Mexico enable the tomato market in our country to return to a state of equilibrium because of the number of producers and the standard product produced.

### **Conclusion**

The tomato production in the United States experiences production fluctuations depending on weather conditions. Demand continues to grow and supply sometimes falls short resulting in escalated prices. The standardization of the product and the diversification of the number and location of the producers enable the market to return to a condition of equilibrium in a relatively short period.

## References

- Morran, C. (2011, February 16). Bad Weather Leads to Tomato Shortage at Wendy's. Retrieved April 8, 2011, from <http://consumerist.com/2011/02/bad-weather-leads-to-tomato-shortage-at-wendys.html>.
- US Department of Agriculture (2011, January). *USDA Vegetables 2010 Summary*. Retrieved April 8, 2011, from <http://usda.mannlib.cornell.edu/usda/current/VegeSumm/VegeSumm-01-27-2011.pdf>, 3, 56-57, 80.