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## Argentina

### Canned Deciduous Fruit

### Annual

### 2003

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**Report Highlights:**

The peach crop in calendar year (CY 2004) is forecast to increase to 120,000 metric tons (MT). However, the amount of fruit delivered to canneries is forecast to decrease to 77,000 MT due to poor quality, due to the extreme weather conditions during the three last months of 2003. Exports are forecast to increase to 35,000 MT due to the international scarcity of this product occasioned by the failure of the European crop. Domestic consumption is forecast to drop to the historically low level of one can per person as exports are being prioritized over the domestic market. Imports will continue at significantly low levels due to the high cost of the dollar in terms of Argentine peso.

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Annual Report  
Buenos Aires [AR1]  
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## Section I. Situation and Outlook

### Production

The canned peaches production season in Argentina begins at the end of December and ends by late February. CY 2003 peach production reached 104,000 MT. Peach production in CY 2004 is forecast at 120,000 MT due to the enhancement of the planted area and better maintenance of the orchards. However, reportedly, peaches suitable for canning will drop from the 83 per cent in CY 2003 to 64% due to poor quality caused by the extreme hot weather and the long lasting drought in Mendoza, the main production region.

A hailstorm at harvest time hit the southern region of Mendoza province reducing even more the amount of fruit delivered to canneries. A larger amount of poor quality fruit will be delivered to produce peach concentrate pulp in CY 2004. Peach concentrate is currently a valuable commodity due to the high demand for this product in the international market.

Total canning production for CY 2004 is forecast to drop to 65,000 MT, as less fruit will be delivered to canneries to produce canned peaches. CY 2003 canning production was 67,000 MT.

Production of peaches suitable for canning, individual weight from 100 to 250 grams.

Zone	2004			2003		
	Planted area (HA)	Yield (MT/ha)	Production (MT)	Planted area (HA)	Yield (MT/HA)	Production (MT)
Uco Valley	818	33	26,879	944	28	26,876
East	1110	14	15,944	998	25	25,227
South	759	14	10,278	759	14	10,977
North	96	35	3,376	106	20	2,067
Total	2783	20	56,477	2807	23	65,147
Other areas	--	--	20,886	--	--	21,022
Grand total	--	--	77,363	--	--	86,169

Source: Institute for Rural Development (IDR – [www.idr.org.ar](http://www.idr.org.ar))

Sources in the industry believe that under the current circumstances, all the conditions are right for the Argentine peach industry to grow and develop in the short and medium run. While Chile is an important competitor, its possibilities for expansion are limited, due to the lack of suitable cropland. Brazil, the largest agricultural producer in South America, does not have the right climate to grow peaches. Argentina has a lot of land suitable for cultivation, good weather and abundant water for irrigation. Therefore, if the good economic environment continues, this industry is likely to become more prosperous in the next five years.

The peso devaluation in February 2002 took the Argentine peso from the one to one rate with the U.S. dollar to almost four pesos per US dollar in middle of CY 2002. Since then, canneries are more competitive and their exports have skyrocketed. Sources in the industry informed that despite the negative effect of the economic policy during the 1990's (when the Argentine peso was peg to the dollar), which led to the bankruptcy of many companies, the high competitiveness currently enjoyed would not exist if not for the economic stability that made possible to update facilities and purchase new equipment turning old and inefficient plants into updated and larger ones.

The recovery of this industry in CY 2003 can be shown by the 327 hectares of new land that will be added to the already 7000 hectares under production. Also, canneries are investing to enlarge their processing capacity. One of the largest companies in Argentina has invested US\$3 million to enlarge its storage and processing capacity. Its production line went from 15 MT per hour to 30 MT per hour. Currently the largest plants are very well equipped and have implemented HACCP and GMP programs. Some of them are also producing under kosher standards for the domestic and international markets. The British Retail Consortium (BRC) has approved one of the plants to certify the very strict BRC standard.

One of Argentines largest firms in the peach industry –ALCO- has recently closed a deal with the Greek company PAVLIDES. Through this commercial joint venture, Pavlides provides Alco with assistance in the international market taking care of the entire marketing chain throughout the world. Mexico will be one of its targets. Also, Pavlides helped Alco assemble two of its modern production lines. These will enlarge ALCO's production capacity from 18,000 MT to 25,000-28,000 MT per year. The idea behind this new business is to enter the U.S. market in CY 2004. Alco has a new processing line that will allow it to produce 2,000 to 3,000 MT a year of sliced peaches for the U.S. market in CY 2004.

### Production Regions

The main peach production region is located in Western Argentina, in Mendoza Province. This is a very dry area with an average annual rainfall of 12 inches. Therefore, agricultural production relies exclusively on a very old net of irrigation channels. Four so-called oases are found in this production area. The principal ones are: the eastern and northern oases near the city of Mendoza. The southern oasis, in San Rafael and Alvear departments is where most of the traditional, small and old peach plantations are found. The Central oasis, also called Valle de Uco is where all the new, largest and most modern peach plantations are located. One cleaned hectare of land suitable to grow peaches in the Valle de Uco costs about \$3,500. This area represents 35 percent of the planted area and accounts for 2,500 hectares.

The quality of the water used for irrigation is very important in order to maintain productivity of the soils. In the southern oasis, salt content in the irrigation water is rather high. Irrigation water of poor quality poses a constraint for agricultural use. In Valle de Uco, groundwater is excellent and can be found no deeper than 200 feet, which makes irrigation cheap and practically unlimited.

### Production per variety

The total peach production in CY 2003 is showed in the following table.

Variety	Eastern		Northern		Uco Valley		Southern		Total
	Area (ha.)	Production (MT)	Production (MT)						
<b>Fortuna</b>	247	5,648	11	211	170	4,972	439	5,390	16,221
<b>Palora</b>	171	5,283	8	250	33	1,023	169	5,227	11,783
<b>Bowen</b>	148	4,245	9	247	126	3,835	24	473	8,800
<b>Loadel</b>	218	5,497	5	131	140	4,899	168	2,868	13,395
<b>Andross</b>	184	5,212	2	66	113	3,076	24	475	8,828
<b>Dr. Davis</b>	86	2,269	76	1,565	45	1,620	6	150	5,604
<b>Ross</b>	79	2,413	30	502	60	2,237	6	173	5,324
<b>Others</b>	504	13,287	85	1,657	345	10,890	573	8,054	33,888
<b>TOTAL</b>	1,637	43,852	227	4,628	1,032	32,552	1,409	22,810	103,842

## Consumption

In CY 2004, domestic consumption is forecast to drop to levels close to the 1980's due to the high domestic retail prices and the lower income of the population. Industry sources say that the consumption is expected to be at 30,500 MT (36 million cans or 1 can per capita) in CY 2004.

## Trade

Exports are forecast to continue to increase and are placed at 35,000 MT in CY 2004, due to high international demand. Exports in CY 2003 totaled 30,000 MT.

Historically, North America (Mexico), and South America (Brazil) have been the traditional markets for Argentine canned peaches. In CY 2003, however, Europe became a very important market due to the poor harvest there caused by the drought, which occurred last summer. Peach production in Greece, one the largest peach producers in Europe, declined in CY 2003, which allowed Argentina to take part of the E.U. market.

### Import and Export Requirements

<b>Outside the Mercosur Area</b>	
<b>Import Tariff</b>	15.5 %
<b>Specific Minimum Import Tariff</b>	0.40\$/kg.
<b>Statistical Tax</b>	0.50%
<b>Export Tax</b>	5.00%
<b>Rebates</b>	
Cases with more than 2.5 kg.	4.05%
Cases with 2.5 kg. or less	6.00%
<b>Inside the Mercosur Area</b>	
<b>Import Tariff</b>	0.00%
<b>Export Tax</b>	5.00%
<b>Rebate</b>	
Cases with more than 2.5 kg.	4.05%
Cases with 2.5 kg. or less	6.00%

## Factors Affecting Industry Structure

### Farm gate prices

The price of fresh peaches paid to the farmer in CY 2003 increased to \$0.12 per kilo, a 100 per cent increase compared with the \$0.06 paid in CY 2002 but still far from \$0.19 per kilo paid in CY 2001 and \$0.23 per kilo of CY 2000. This price increase has taken the whole production cost close to pre-devaluation values. The inconsistencies, which are found in the table below, are due to differences in prices paid from cannery to cannery, to the farmers.

<b>Cost of production for an 850 grams can of yellow peaches in halves, light syrup, 50 percent sugar 50 percent corn syrup, 14-28 Brix, in U.S. dollars.</b>				
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Raw material (peaches)	0.16	0.104	0.120	0.210
Sugar	0.015	0.010	0.010	0.010
Corn syrup	0.01	0.009	0.010	0.010
Tin plate	0.18	0.138	0.140	0.135
Paperboard	0.015	0.010	0.010	0.010
Labels	0.01	0.007	0.007	0.007
Labor	0.06	0.024	0.020	0.050
Energy / Fuel / Gas	0.015	0.008	0.008	0.008
Subtotal	0.465	0.310	0.325	0.440
Other inputs	0.015	0.010	0.010	0.010
Total direct cost	0.48	0.320	0.335	0.450
Indirect cost	0.15	0.065	0.065	0.070
Freight to Buenos Aires	0.03	0.015	0.020	0.020
<b>Total cost</b>	<b>0.66</b>	<b>0.400</b>	<b>0.420</b>	<b>0.540</b>

## Domestic retail prices

850 grams net weigh can	June 2002 (1\$ = 3.6AR\$)		December 2003 (1\$ = 3 AR\$)	
	AR Pesos	US Dollars	AR Pesos	US Dollars
La Campagnola	2.69	0.75	3.19	1.03
Arcor	3.19	0.89	3.19	1.03
Canale	2.59	0.72	2.99	0.99
Alco	2.19	0.61	2.99	0.99
Molto	2.95	0.82	2.89	0.96
Santa Isabel	2.19	0.61	3.09	1.03
Average price	2.63	0.73	3.06	1.02

## Section II. Statistical Tables

PSD Table							
Country	Argentina						
Commodity	Canned Peaches				(MT)(MT, Net Weight)		
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Deliv. To Processors	97800	97800	100000	100000	0	120000	(MT)
Beginning Stocks	356	356	56	56	556	556	(MT, Net Weight)
Production	47000	47000	67000	67000	70000	65000	(MT, Net Weight)
Imports	0	0	0	0	0	0	(MT, Net Weight)
TOTAL SUPPLY	47356	47356	67056	67056	70556	65556	(MT, Net Weight)
Exports	6800	11300	20000	30000	22990	35000	(MT, Net Weight)
Domestic Consumption	40500	36000	46500	36500	47000	30500	(MT, Net Weight)
Ending Stocks	56	56	556	556	566	56	(MT, Net Weight)
TOTAL DISTRIBUTION	47356	47356	67056	67056	70556	65556	(MT, Net Weight)

<b>Export Trade Matrix</b>			
Country		Argentina	
Commodity		Canned Peaches	
Time Period	CY	Units:	MT
Exports for:	2002	October	2003
U.S.	56	U.S.	2184
Others		Others	
Chile	952	Chile	4643
Greece	0	Greece	4592
Mexico	346	Mexico	2876
Brazil	5837	Brazil	2462
Germany	0	Germany	1791
Russia	142	Russia	1850
Poland	177	Poland	1786
Hungary	0	Hungary	1488
Israel	71	Israel	804
Uruguay	2037	Uruguay	757
Total for Others	9562		23049
Others not Listed	1645		6320
Grand Total	11263		29369

<b>Import Trade Matrix</b>			
Country		Argentina	
Commodity		Canned Peaches	
Time Period	CY	Units:	MT
Imports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Brazil	0	Brazil	38
Total for Others	0		38
Others not Listed			
Grand Total	0		38

<b>Prices Table</b>			
<b>Country</b>	<b>Argentina</b>		
<b>Commodity</b>	<b>Canned Peaches</b>		
<b>Prices in</b>	<b>US\$ FOB</b>	<b>per uom</b>	<b>MT</b>
<b>Year</b>	<b>2002</b>	<b>2003</b>	<b>% Change</b>
<b>Jan</b>	670	540	-19%
<b>Feb</b>	600	500	-17%
<b>Mar</b>	570	490	-14%
<b>Apr</b>	640	510	-20%
<b>May</b>	670	560	-16%
<b>Jun</b>	590	600	2%
<b>Jul</b>	590	580	-2%
<b>Aug</b>	590	600	2%
<b>Sep</b>	610	600	-2%
<b>Oct</b>	600	750	25%
<b>Nov</b>	600		-100%
<b>Dec</b>	580		-100%
<b>Exchange Rate</b>	2.96 Local Currency/US \$		
<b>Date of Quote</b>	10/31/2003 MM/DD/YYYY		