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Argentina

Canned Deciduous Fruit

Annual

2006

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Report Highlights:
Calendar Year (CY) 2007 peach production is forecast at 160,000 metric tons (MT), 80,000 MT will be processed. Exports are expected to increase to levels close to 40,000 MT. Imports will continue at low level. Domestic consumption is forecast to continue growing due to increased production.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Buenos Aires [AR1]
[AR]

Table of Contents

Section I. Situation and Outlook

Production areas

Canned peaches are mainly produced in Mendoza Province, located alongside the Andes mountains. According to up-to-date official numbers, 7,600 hectares are currently planted with cling peaches in this province. Based on data from the latest census carried out by the Mendoza Provincial Government, there are 1360 farmers, with an average farm size of 5.6 hectares.

Since Mendoza is a very dry province with an annual average rainfall of 8 inches or less, all plantations are irrigated. The main source of water is snowmelt from the Andes. There are three main production zones in the province of Mendoza, called oases.

The oldest and most traditional production zone, the southern zone, encompasses the departments (counties) of San Rafael and General Alvear. It has a total planted area of 3,163 hectares, 41 percent of the total planted area in the Mendoza Province. Farms in this area are small, not over three hectares, and are generally subsistence in nature. Production is characteristically low tech with yields no higher than nine MT per hectare.

The northern and eastern zones, with 2,136 hectares in production, have an average farm size of five hectares. Yields in this zone reach 17 MT per hectare, which reflect the use of yield improving technology.

The last zone, the Uco Valley, is where more developed and active farmers have settled during the past 20 years. Also, larger plantations, most of them owned by canneries, have been established in this zone. With a total planted area of 1,550 hectares, the average farm size in this area is eight hectares, and yields reach 25 MT per hectare.

According to a survey carried out by the Rural Development Institute of Mendoza (a private/public sector entity closely related to the provincial Ministry of Economy) together with two industry NGOs, area planted to peaches increased in CY 2005 by 105 hectares in the Northeastern zone, and 245 hectares in the Uco Valley. Also, 10 and 41 hectares of old plantations will be eradicated in the northeastern and southern zones, respectively.

Production

Industry sources report that the current development of the CY 2007 crop will be 25 percent higher than CY 2006 due to good weather conditions and new plantations entering production. However, in October frosts may still occur, therefore total peach production may vary largely depending on the weather conditions in the next months. Post forecasts total production for CY 2007 at 160,000 MT (See statistical tables) of which 80,000 MT of peaches will be delivered to canneries.

Total production of fresh peaches in CY 2006 reached 126,000 MT. For CY 2006 total production for canned peaches was 67,000 MT.

Consumption

Domestic consumption is recovering and it is expected to reach 1.7 cans per capita in CY 2007, due to the ongoing economic recovery. Total domestic consumption is forecast to increase in CY 2007 to 52,000 MT.

Trade

CY 2006 canned peaches exports are forecast to reach 24,000 MT as domestic consumption is competing strongly with the export sector. Up until the end of July 2006, registered canned peach exports reached 12,000 MT. Despite previous estimates, CY 2005 exports ended at 18,000 MT due to a larger worldwide production and the recovery of local consumption. Mexico and Brazil are the main markets for the Argentine canned peaches. Recently, Argentina signed an agreement with Mexico, which established an annual quota of 10,000 MT at a zero tariff. The normal import tariff in Mexico is seven percent. This quota will be allocated by the Secretariat of Agriculture of Argentina which will give priority to those canneries that have exported canned peaches to somewhere in the last three years. Only 15 percent of the quota will be allocated to companies that have not previously exported their product.

Country	2003		2004		2005	
	USD	Quantity	USD	Quantity	USD	Quantity
World	18,839,330	33,272	17,353,863	24,166	11,990,728	17,729
Mexico	2,041,976	3,427	4,873,066	6,544	4,366,605	6,266
Brazil	2,450,869	4,280	1,807,404	2,220	2,045,320	2,702
Uruguay	577,275	918	330,939	452	1,079,135	1,655
Paraguay	332,926	577	533,950	701	850,757	1,275
Chile	2,366,904	4,649	1,211,399	1,650	576,548	812
Bolivia	478,373	778	491,949	619	548,489	786
Thailand	0	0	936,312	1,499	485,963	864
Guatemala	205,421	331	452,459	616	382,061	561
South Korea	135	0.197	0	0	187,337	300
EU	5,217,328	8,935	4,916,917	7,197	72,578	100
United States	1,304,754	2,185	518,797	842	64,747	97
Egypt	0	0	0	0	59,400	106
Others	3,863,369	7,192	1,280,671	1,826	1,271,788	2,205

Imports and Exports Requirements

Outside the Mercosur Area	
Import Tariff	14 %
Specific Minimum Import Tariff US$/Kg.	0
Statistical Tax	0.50%
Export Tax	5.00%
Rebates Containers with more than 2.5 kg. Containers with 2.5 kg. or less	 4.05% 6.00%
Inside the Mercosur Area	
Import Tariff	0.00%
Export Tax	5.00%
Rebate Containers with more than 2.5 kg. Containers with 2.5 kg. or less	 4.05% 6.00%

Fresh Peaches Farm-Gate Prices

According to sources in the industry, farm-gate prices will increase in CY 2007 conveyed by higher international prices as a consequence of lower production in the Northern Hemisphere. In CY 2006, fresh fruit prices were between US$0.19 and US$ 0.20 per kilo while in CY 2007 canneries estimate that they will have to pay from US$0.25 to US$0.30 per kilo.

Domestic Retail Prices

850 grams net weigh can	October 2004 (1US$ = 2.96 AR$)		September 2005 (1US$ = 2.90 AR$)		September 2006 (1US$ = 3.1 AR$)	
Brand	AR$	US$	AR$	US$	AR$	US$
La Campagnola	4.44	1.50	3.65	1.26	3.99	1.29
Arcor	4.29	1.45	3.30	1.14	3.49	1.12
Canale	3.39	1.15	3.00	1.03	3.99	1.29
Alco	3.39	1.15	3.29	1.13	3.59	1.16
Molto	3.29	1.11	2.59	0.89	4.29	1.38
Santa Isabel	3.59	1.21	3.20	1.10	3.39	1.09
Average price	3.73	1.26	3.17	1.09	3.79	1.22

International Prices

Prices Table			
Country	Argentina		
Commodity	Peaches, Canned		
Prices in	US$ FOB	per uom	MT
Year	2005	2006	% Change
Jan	700	670	-4.29%
Feb	690	690	0.00%
Mar	610	750	22.95%
Apr	630	700	11.11%
May	640	710	10.94%
Jun	690	730	5.80%
Jul	700	730	4.29%
Aug	680		-100%
Sep	680		-100%
Oct	710		-100%
Nov	720		-100%
Dec	690		-100%
Exchange Rate	3.1	Local Currency/US $	
Date of Quote	10/30/2006	MM/DD/YYYY	

Production Cost

PEACH COST - CARTON 24 X 1 - LIGHT SYRUP (14-16° BRIX)		
STANDARD QUALITY		
Inputs	CY 2005 US$	CY 2006 US$
Raw material	0.147	0.150
Sugar	0.011	0.011
Corn syrup	0.010	0.010
Tin plate	0.155	0.165
Paperboard	0.012	0.013
Labels	0.008	0.009
Labor	0.035	0.042
Energy / Fuel	0.005	0.007
Subtotal	0.383	0.407
Other inputs	0.022	0.028
Total direct cost	0.405	0.435
Indirect cost	0.125	0.135
Freight to Buenos Aires	0.020	0.020
Total cost	0.550	0.590

Sources in the industry stated that inland export costs through Buenos Aires port are extremely high. One container costs US$1200 of which US$700 are port expenses and US$500 corresponds to freight from Mendoza to Buenos Aires. Another option would be to ship through the port of Valparaiso in Chile but in that case the freight would be US$700 and the port expenses US$500. The main problem with exporting through Chile is the bad condition of the road after every winter snowstorm. The technology used to clear the road is so old that trucks must wait days after every storm. This adds much uncertainty to the business and therefore most exporters choose to use Buenos Aires instead.

Section II. Statistical Tables

PSD Table										
Country	**Argentina**									
Commodity	**Peaches, Canned**						(MT)(MT, Net Weight)			
	2004 Revised			2005 Estimate			2006 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Deliv. To Processors	153000	153000	153000	140000	140000	126000	0	0	160000	(MT)
Beginning Stocks	1594	1594	1594	1594	1594	1500	594	594	1000	(MT, Net Weight)
Production	70000	70000	70000	65000	65000	67000	0	0	80000	(MT, Net Weight)
Imports	0	0	0	0	0	0	0	0	0	(MT, Net Weight)
Total Supply	71594	71594	71594	66594	66594	68500	594	594	81000	(MT, Net Weight)
Exports	28000	28000	18000	26000	26000	24000	0	0	28000	(MT, Net Weight)
Domestic Consumption	42000	42000	52094	40000	40000	43500	0	0	52000	(MT, Net Weight)
Ending Stocks	1594	1594	1500	594	594	1000	0	0	1000	(MT, Net Weight)
Total Distribution	71594	71594	71594	66594	66594	68500	0	0	81000	(MT, Net Weight)