

Required Report: Required - Public Distribution

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Report Highlights:

For MY 2019/20, Post's estimate for fresh lemon production remains unchanged at 1.6 MMT down 10 percent from MY 2018/19. For fresh sweet citrus, Post decreased production estimates to 650,000 MT for oranges and 310,000 MT for tangerines, down 19 percent and 28 percent, respectively, from MY 2018/19. Lemon exports are estimated to increase to 320,000 MT while orange and tangerine exports are expected to remain unchanged at 70,000 MT and 35,000 MT. Argentine lemon exports to the U.S. in CY 2019 totaled 23,179 MT, and private sources estimate that exports could reach 30,000 MT in CY 2020. The COVID-19 pandemic has not had a major impact on the activity of the Argentine citrus fruit industry.

Executive Summary

Fresh lemon production for MY 2019/20 is forecast at 1.6 MMT, unchanged from official estimates, but down 10 percent from MY 2018/19 as a result of poor weather conditions which negatively affected volumes. Orange and tangerine production is projected at 650,000 MT and 310,000 MT, down 9.7 percent and 20.5 percent, respectively, due to unfavorable weather which decreased volumes.

MY 2019/20 lemon exports are forecast at 320,000 MT, up 20,000 MT from official estimates and up 37 percent from MY 2018/19, due to lower fruit supply in Northern Hemisphere countries, reduced domestic demand for fruit for processing, expanded export market opportunities, and more fruit meeting quality standards required by export markets. Post's forecast for sweet citrus exports remains unchanged at 70,000 MT for oranges and 35,000 MT for tangerines, down 17 percent and 5 percent, respectively, from MY 2018/19. Despite an increased demand for citrus fruit (primarily oranges) during the COVID-19 pandemic as a result of consumers' association of Vitamin C with stronger immune system performance, Argentine sweet citrus exports will remain significantly lower than historical levels. This is due to challenging domestic economic conditions, which have reduced Argentina's ability to compete in export markets against other Southern Hemisphere exporters, mainly South Africa.

Domestic consumption of lemons for MY 2019/20 is projected to increase to 160,000 MT, up 10,000 MT from USDA estimates, but down 6 percent from revised 2018/19 estimates. Orange consumption is estimated to increase to 380,000 MT, up 80,000 MT from prior estimates due to increased demand as a consequence of COVID-19 pandemic. However this is down 7 percent from revised 2018/19 estimates. Following a decrease in production, tangerine consumption is expected to decrease to 200,000 MT, down 20,000 tons from prior estimates, and 29 percent from revised 2018/19 estimates.

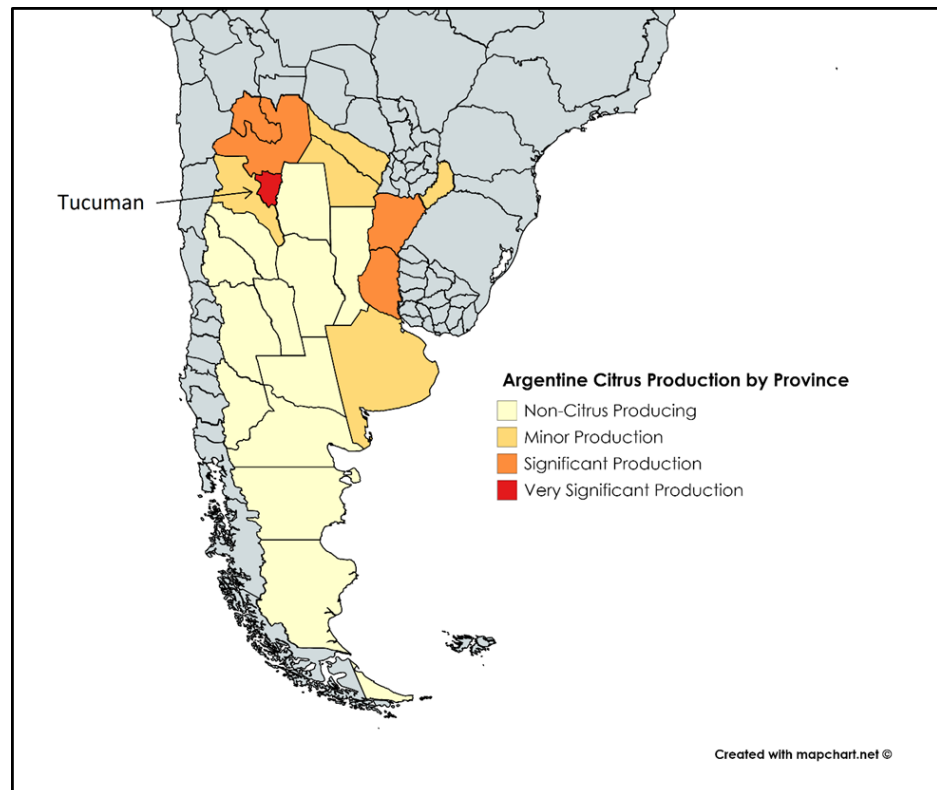
Production

Lemons

Lemons are grown principally in northwest Argentinean provinces of Tucuman, Salta, and Jujuy, with some minor production in northeast Argentina. Genova and Eureka are the main lemon varieties grown in Argentina. Over the past decade, the lemon sector has been unique among Argentine fruit and specialty crop sectors in its ability to weather the economic and financial crises which have affected the country. This was due, in part, to investments in the activity bringing new producers and new orchards into production that increased profitability in the sector. However, the 2018/19 season was challenging for the sector as greater northern hemisphere supply, combined with harvest difficulties and lower processing demand in Argentina led to reduced profitability for producers and processors.

For MY 2019/20, Post’s estimate of fresh lemon production remains unchanged at 1.6 MMT. Although MY 2019/20 is being considered as a favorable season for lemons, production is estimated to have fallen 10 percent from the previous calendar year due to high temperatures in October-November 2019 and a drought in spring and summer, which negatively impacted the volume of fruit produced but not on fruit quality and health, both of which reached higher standards than in the previous marketing season. Additionally, due to the naturally alternating seasonal lifecycle of trees in lemon orchards, this marketing year was expected to be a “lighter” season for lemons as trees recover from a heavy blossom season in MY 2018/19.

For MY 2018/19, lemon production was revised downward by 1.1 percent compared to previous USDA estimates, and is estimated at 1.78 MMT. Despite strong production figures of the past marketing year, significant volumes of fruit were impacted by a 45 to 60-day delay in harvest following excess rains in April and May 2019 and a protracted transportation strike at the beginning of the harvesting



season. Private sources estimate that about 130,000-140,000 MT of fruit did not meet export standards.

Oranges and Tangerines

Sweet citrus is grown in both northwest (oranges) and northeast (oranges and tangerines) of Argentina. The main orange varieties grown in northwest Argentina are Hamlin, Pineapple, Robertson and Navel whereas in the northeast they are Navel, Salustiana and improved Valencia (Midnight, Delta Seedless). The main tangerine varieties are Clementina, Clemenvilla, Ellendale, Malvasio, Montenegrina, Murcott, and Ortanique. Expansion of sweet citrus includes seedless varieties, such as Tango for oranges, and Clementines and Clemenules for tangerines. Growers in the northeast tend to produce on smaller plot sizes than those in the northwest. For MY 2019/20, orange production is revised down 70,000 MT to 650,000 MT and tangerine production is revised down 80,000 MT to 310,000 for tangerines. The decline is due to drought, which affected both volumes and fruit size, although the fruit quality was very good. In addition, low temperatures affected fruit blossom. My 2019/20 sweet citrus productions is down 19% for oranges and 28% for tangerines compared to revised MY 2018/19.

For MY 2018/19, fresh orange production remained unchanged at 800,000 MT from official estimates, and Post's production estimate for tangerine was revised down to 430,000 MT, down 20,000 MT from USDA estimates, based on recently revised private sector data. Although negative returns squeezed reinvestment in groves and tempered yield gains, production levels were higher than expected (for oranges) due to relatively good weather conditions. Although excess rains in February and March 2019 in the main sweet citrus production areas affected fruit quality and sanitary conditions, volumes remained relatively high.

Planted Area

Over the past few years, growers (both existing producers and new entrants) in Northwest Argentina have expanded planted area. Tree removal and resetting have been increasing the plant per hectare ratio and improving productive efficiency and yields. However, for MY 2019/20, the area planted to lemons is revised down 1,000 hectares (HA) to 50,000 HA, eliminating projected growth from the previous marketing year. Private sources indicate there has been no significant investment in area expansion in the past year as lemon producers have been investing in plant resetting but not in new plantations. In addition, some independent producers have decreased investment and expansion, because they remain in poor financial condition after having to discard fruit in MY 2018/19..

For 2018/19, no change is projected in area planted to lemons, estimated at 50,000 hectares, following official estimates. However, harvested area for lemons is revised downward to 44,000 hectares, down 6 percent from USDA estimates, as it is estimated that 6,000 hectares remained unharvested because there was no profitable destination for the fruit, as reported by Experiment and Agro-industrial Station "Obispo Colombes."

For sweet citrus, in MY 2018/19, planted area remained unchanged at 39,000 hectares for oranges and 28,000 hectares for tangerines, in line with USDA estimates, and no change is expected for MY 2019/20.

Processing

Lemons

For MY 2019/20, fresh lemons for processing are forecast to decrease to 1.12 MMT, down 30,000 MT from previous official estimates, due to larger exports and domestic production. The decrease is not expected to have a major impact as processors have large stocks of processed lemon products, because of the oversupply of fruit in the previous season, which reduced prices for both fruit and processed lemon products. Private sources report that it is likely that in MY 2019/20 the industry will run out of stocks, and that there will be a shortage of fruit for processing.

Fresh lemons for processing in MY 2018/19 are revised downward to 1.377 MMT, from 1.41 MMT, a decrease of 2.3 percent from USDA estimates, due to a decrease in production and an increase in fresh fruit consumption in the domestic market.

Oranges and Tangerines

For MY 2019/20, Post substantially lowers its projection for fresh oranges and tangerines for processing to 200,000 MT and 75,000 MT, due to lower production and larger domestic fresh fruit consumption (for oranges). This is a reduction of 150,000 MT for oranges and 60,000 MT for tangerines, and is down 35 percent and 34 percent respectively, from revised MY 2018/19 levels.

Post's estimate for oranges for processing in MY 2018/19 is revised down to 307,000 MT and to 113,000 MT for tangerines for processing, a decrease of 18.5 percent and 31 percent, respectively, from official estimates, due to larger exports and domestic consumption (for oranges) and increased consumption (for tangerines).

The 2019/20 harvest is being carried out smoothly, without major concerns related to the COVID-19 pandemic. The national government enacted a mandatory quarantine, but the citrus harvest was declared an excepted activity, allowing the packing and processing industry to continue working under a stringent protocol, coordinated by ACNOA (Citrus Association of the Northwest Argentina, in Spanish), SENASA (national plant health officials), provincial governments, and labor unions, to guarantee the safety of workers in the citrus sector, and prevent transmission of the virus to other people. In addition, under Decree No. 297/2020, a Regional Crisis Committee was created to coordinate activities to address the negative effects of the pandemic on the citrus industry of Northwest Argentina. The committee developed a "Protocol for the Citrus Activity: COVID-19/Preventive Measures and Mitigation of Transmission Risk throughout the Supply Chain." Unlike in past years, Post crop travel to the production regions was not permitted due to COVID-19 restrictions.

Investment

Larger lemon producers continue to invest in the replacement of unproductive trees and in genetic materials to improve yields. This year, there is no significant new capital investment in land in the

northwestern provinces of Salta and Jujuy, where the lemon area expansion has been focused in the past few years. New investments by the private sector are primarily concentrating in improving efficiency in processing and packing facilities, irrigation, and research and development projects.

Consumption

Lemons

Although lemon domestic consumption tends to be inelastic, for MY 2019/20, it is forecast at 160,000 MT, up 10,000 MT from official estimates. For MY 2018/19 domestic consumption is revised upward to 170,000 MT, from the previous USDA estimate of 150,000 MT due, in part, to larger demand from consumers for Vitamin C as a consequence of COVID-19 pandemic. In addition, the implementation of “Plant Transit Certificates” (DTVs, in Spanish) by Argentina’s Animal and Plant Health authorities (SENASA, in Spanish), whose objective is to control the transportation of plants and plant material, has resulted in more accurate information for domestic movement of such products, including fruits. As a result, more complete data on fruit consumption are available (*Resolución SENASA 31/2015* <http://www.senasa.gob.ar/tags/dtv>).

Oranges and Tangerines

For MY 2019/20, Post raises its forecast for domestic consumption of fresh oranges 80,000 MT to 380,000 MT, up from previous official estimates, due to a significant interest in consumers in strengthening their immune system to face Covid-19 pandemic through the consumption of Vitamin C. However this still represents a decline of 7 percent from MY 2018/19. Consumption of fresh tangerines is lowered 20,000 MT to 200,000 MT, as a result of a decrease in production. This would be a fall of 29 percent from revised MY 2018/19 estimates. As a result of lower production, tangerine demand will exceed supply.

For MY 2018/19, domestic consumption of fresh oranges and tangerines is increased to 410,000 MT and 280,000 MT, up 17 percent and 12 percent, respectively, in part, due to the implementation of DTVs. Despite the increase in domestic consumption, private sources reported that MY 2018/19 was not a especially profitable season for the sweet citrus industry due to large production volumes, which decreased domestic prices.

Trade

Exports

Lemons

Forecasted fresh lemon exports in MY 2019/20 are increased 20,000 MT to 320,000 MT, up 37 percent from revised MY 2018/19 figures, due to several reasons: (1) Despite the overall decline in production compared to MY 2018/19, the fruit quality is expected to be very good and on average more likely to meet the highest export standards; (2) less fruit will be devoted for processing due to lower prices paid by the industry; (3) lower fruit supply is expected in the northern hemisphere countries; and (4) new significant markets were opened to Argentine lemons during 2019, such as India, Vietnam, and China.

For MY 2018/19 lemon exports are revised down to 234,000 MT from previous USDA estimates, as a result of larger supply in the Northern Hemisphere countries and smaller volumes of export quality fruit than initially expected. This represents a decline of 14 percent from the previous marketing year.

Compared to other Argentine fruit and specialty crop sectors, including sweet citrus, which has seen its competitiveness fall, the fresh lemon export business remains profitable despite high costs. However, with production costs, such as labor, inputs, energy, inland and ocean freight, and high inflation rates (53.8 percent in CY 2019 and estimated at 46 percent for CY 2020), the competitiveness of the lemon sector has also been affected. Furthermore, although the continuous depreciation of the Argentine peso makes exports more price competitive in foreign markets, a reinstatement of export taxes, a decrease in export rebates and high interest rates, have partially offset that advantage.

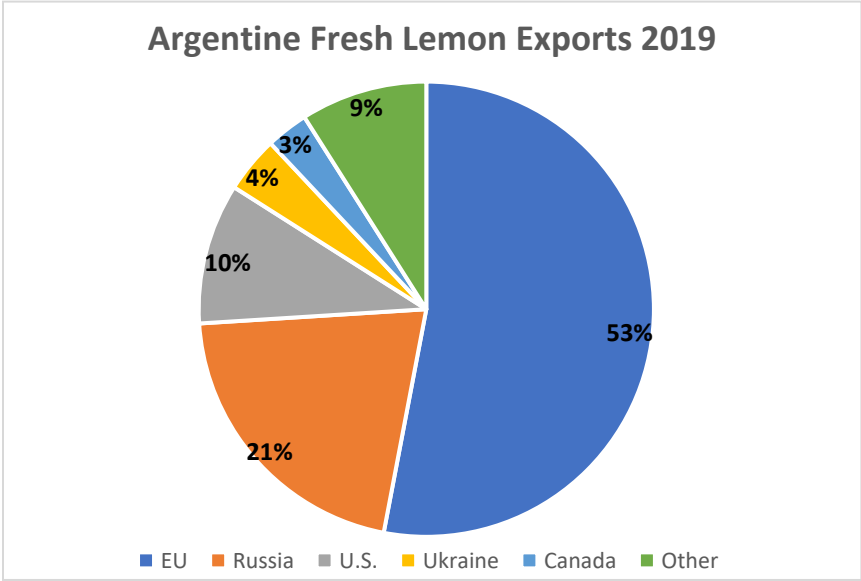
For MY 2019/20, orange and tangerine exports are forecast to remain unchanged at 70,000 MT and 35,000 MT, respectively, in line with official estimates. Despite a production decrease, the demand for Argentina's sweet citrus, primarily, Valencia oranges, is expected to be strong due to lower supply in the Northern Hemisphere countries. In addition, consumers are eating larger quantities of sweet citrus with the intention of strengthening their immune system against COVID-19. Exports will still remain significantly lower than historical levels of around 150,000 MT of oranges and 100,000 MT of tangerines due to challenging domestic economic conditions and strong competition from other Southern Hemisphere exporters, primarily South Africa, which have discouraged major investments in the sector for over a decade.

Orange exports in MY 2018/19 are revised upward from previous estimates to 85,000 MT, and tangerine exports remained stable from previous estimates of 37,000 MT, in line with USDA estimates. Exports are 42 percent and 8 percent higher, respectively, than 2017/18.

Export Destinations

For MY 2019/20, the Argentine citrus sector looks to capitalize on a gradual expansion in Asian markets. In 2018, Argentina exported its first shipment of fresh lemons to Japan under a stringent cold treatment plan, thus creating optimism about access to the Chinese market which was finally opened to fresh Argentine lemons in December 2019. Lemon exports were interrupted in 2005 when China established cold treatment for all citrus fruit. However, the Chinese market remained open to fresh sweet citrus varieties since 2004. Argentina has had access to Korea since 2017, and also to Indonesia and the Philippines, for sweet citrus. In 2019, India and Vietnam opened their markets to Argentine lemons. For lemon exporters, India is a highly attractive market as the world's second most populated country. According to private sources, the industry intends to promote Argentine lemon varieties

among younger age cohorts with more Western eating habits. However, despite gaining market access, Argentina and India are currently negotiating the reduction of a 30 percent import tariff applied to imports from all countries without special trade agreements with India.



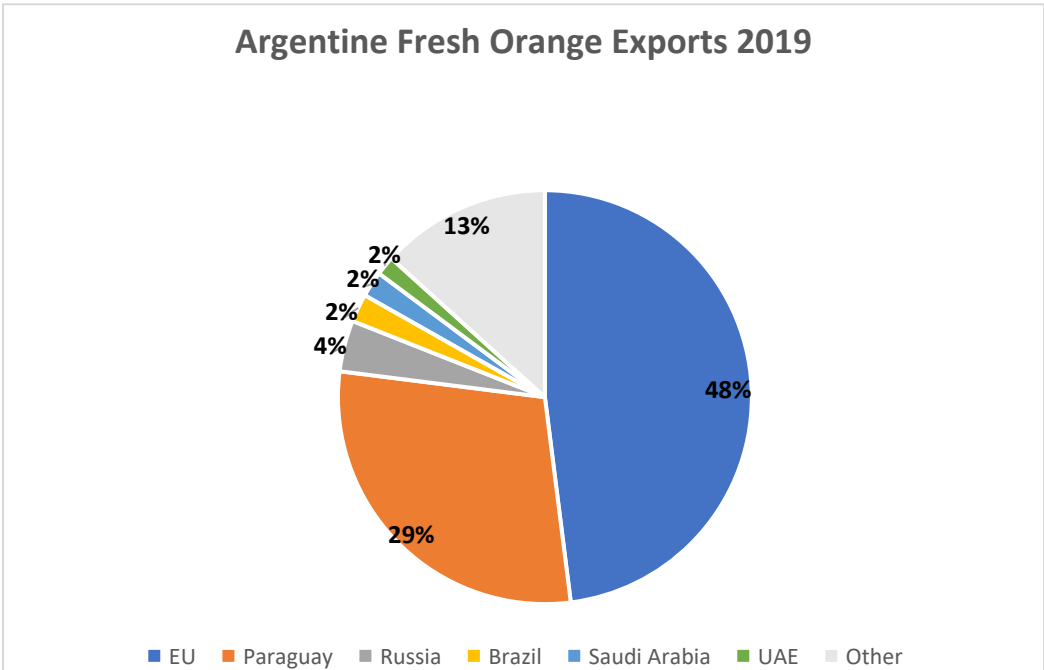
Source: FAS Buenos Aires, based on Trade Data Monitor, LLC

After regaining market access to the U.S. in 2017, Argentine lemon exports during CY 2018 totaled 10,640 MT. During CY 2019, lemon exports to the U.S. reached 23,179 MT, and private sources estimate that in CY 2020 they will increase to about 30,000 MT as a result of decreased production in California. However, this is an uncertain estimate due to the impact of the COVID-19 pandemic on consumption patterns (for example, most of the Hotel, Restaurant & Institutional market has remained inactive due to government pandemic preventive measures). Moreover, restrictions over people’s movement are also affecting consumption levels. In addition, with lower prices in the U.S., some exporters may also prefer to ship lemons to the EU rather than the U.S. since the European market is viewed as more flexible in terms of quality standards. An additional factor that makes citrus fruit from the Southern Hemisphere more competitive in the U.S. market is that, in October 2019, the U.S. established a 25 percent import tariff on EU fresh oranges, lemons and tangerines, thus decreasing citrus exports from Spain to the U.S.

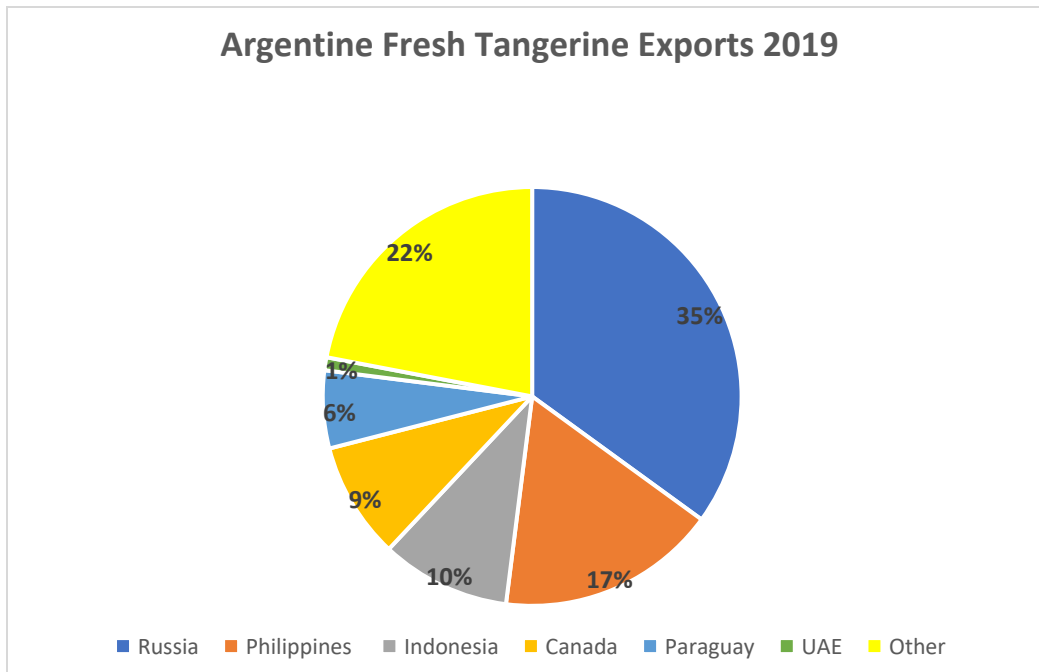
The U.S. and Argentina are currently negotiating the opening of the U.S. market to Argentine fresh sweet citrus fruit from the NEA region. Tangerines are likely to have better opportunities than oranges, as Argentina exports Valencia oranges while the U.S. demands the Navel orange variety. Private sources estimate that, in the second or third marketing season after the opening of the U.S. market, Argentine sweet citrus exports could reach between 8,000-10,000 MT.

The Brazilian market was opened to all Argentine citrus fruits in May 2017 and although Argentine expectations remain positive, especially for sweet citrus, it continues to face competitive challenges in this market.

During 2019, the EU remained the largest export market for Argentine fresh lemons accepting 53 percent of Argentina’s exports, followed by Russia, with 21 percent, and the U.S., with 10 percent. Orange exports to the EU accounted for 48 percent of total exports, followed by Paraguay with 29 percent. For tangerines, Russia remained the largest export market accepting 35 percent of Argentina’s exports, followed by Philippines with 17 percent, Indonesia with 10 percent, and Canada with 9 percent. Tangerine exports to traditional markets, such as the EU, have fallen over the past few years and virtually vanished in 2018 due to the lack of competitiveness by local exporters and strong competition from South Africa. (Source: Trade Data Monitor, LLC)



Source: FAS Buenos Aires, based on Trade Data Monitor, LLC



Source: FAS Buenos Aires, based on Trade Data Monitor, LLC

Imports

Citrus imports are expected to remain negligible in MY 2019/20 as Argentina is a net citrus fruit exporting country and ongoing economic difficulties and currency devaluation will further reduce the competitiveness of citrus imports. Fruit import volumes will remain limited as local fruit production is sufficient to supply the domestic market. During CY 2019, Argentina imported 687 MT of fresh lemons from Brazil, 2,366 MT of fresh oranges primarily from Spain, and 61 MT of fresh tangerines mainly from Uruguay.

Policy

Import and Export Regulations

In December 2015, the Argentine government lifted export taxes on all fruits. In addition, one year later, export rebates were increased for several products, including citrus fruit, to provide support to regional ag sectors. However, in 2018, the government imposed a variable export tax of 4 Argentine pesos for every 1 U.S. dollar, by value or FOB export price, until December 31, 2020, which covered all citrus fruits, and reduced export rebates on all fruits to generate government revenue in response to the country's economic and financial crisis. However, in July 2019, the government published Decree No. 464/2019, which reduced the export tax from 4 to 3 Argentine peso for every 1 U.S. dollar, by value or FOB export price. This measure benefited two-hundred and seven different Harmonized Tariff Schedule Codes, including citrus fruit. This rate remained in place after Decree No. 37/2019 modified

export tax rates for some commodities on December 14, 2019. On December 17, 2019 the new administration of Alberto Fernandez requested additional authority from the Argentine Congress to adjust export tax rates as part of an emergency economic law.

Below is a table including current tariffs, taxes, and rebates for all types of citrus fruit:

Tariffs, Taxes, & Rebates for All Citrus Fruit	
(HTS codes: 080510, 080520, 080521, 080522, 080529, 080550)	%
Import Tariff (outside Mercosur)	10.00
Import Tariff (within Mercosur)	0.00
Statistical Tax	3.00
Value-added Tax	10.5
Export Tax	12.00
Export Rebate (bulk) (*)	1.00

Source: FAS Buenos Aires based on data from Tarifar
 (*) The export rebate applies equally within and outside Mercosur

Phytosanitary Issues: Citrus Greening

In July 2014, a non-commercial case of Huanglongbing (HLB) was found in Mocoreta, Province of Corrientes (Northeastern region of Argentina – close to the border with Uruguay). The Argentine government immediately implemented its monitoring system in the area, as per the National HLB Prevention Program (created by Secretariat of Agriculture Resolution No. 517/2009, and ratified by National Law No. 26.888/2013, and SENASA Resolution 336/14), and subsequently found no other signs of the disease.

On July 4, 2012, APHIS was officially informed that a case of HLB had been reported in one infected tangerine tree in Puerto Deseado, Province of Misiones (Northeastern region of Argentina – close to the border with Brazil). The infected tree was destroyed as a precautionary action. In addition, SENASA intensified the surveillance for citrus species in the area with sampling in 150 premises with negative results for both: the symptoms and vector (*Diaphorina citri*) of the disease. SENASA stated that, since the location is not a citrus commercial area, and it is surrounded by national parks, it is likely that this was an illegal introduction from outside the country. Despite this, *Diaphorina citri* was reported in other areas of Argentina. A few additional cases were detected in Misiones and Corrientes Provinces and, in 2016, for the first time, in citrus commercial areas (i.e. vector presence, no disease).

In November 2018, the Government of Entre Rios Province, through Decree #3757, declared a Phytosanitary Emergency in the province after finding the HLB vector in commercial farms and in urban areas.

In November 2017, the Ministry of Agroindustry and the Argentine Citrus Federation (FEDERCITRUS, in Spanish) signed an agreement to work jointly on the prevention of HLB into Argentina and, in March 2019, under the framework of the National Program for HLP Prevention, SENASA, the Secretariat of Agroindustry's National Trust Fund (FONDAGRO, in Spanish), and the Phytosanitary Association of the Northwest of Argentina (AFINOA, in Spanish) signed an agreement for resource contribution and management. For additional information on HLB in Argentina:

<http://www.senasa.gob.ar/cadena-vegetal/frutales/produccion-primaria/programas-fitosanitarios/hlb>

Marketing

International (FOB) Prices for Fresh Citrus Fruit

In 2019, FOB prices for fresh lemons were lower than FOB prices in 2018 due to larger fruit supplies in the Northern Hemisphere. Orange FOB prices increased slightly while tangerine prices decreased, compared to the previous marketing year. Overall, FOB prices remained relatively low and were not sufficient to cover costs, thus resulting in increased financial difficulties for the local fruit sector and damaged the competitiveness of Argentine citrus in export markets.

The highest FOB prices for lemons during 2019 was \$849/MT (March); for oranges, \$492/MT (July); and for tangerines, \$895/MT (March).

Lemon	FOB Prices (US\$/MT)		
	2017	2018	2019
January	--	--	--
February	1,100	--	--
March	1,096	811	849
April	980	916	806
May	1,019	956	806
June	1,047	973	784
July	1,047	972	763
August	1,034	978	750
September	988	840	688
October	1,000	--	--
November	1,111	--	--
December	--	--	--
Average	1,048	921	778

Source: FAS Buenos Aires based on Trade Data Monitor, LLC

Exchange rate: Argentine pesos 70.45/US\$1

Date of quote: 06/02/2020

Orange	FOB Prices (US\$/MT)		
	2017	2018	2019
January	--	--	--
February	--	--	--
March	--	--	--
April	--	--	--
May	261	--	--
June	518	123	422
July	511	564	492
August	508	539	465
September	473	524	488
October	130	--	363
November	--	--	--
December	--	--	--
Average	400	438	446

Source: FAS Buenos Aires based on Trade Data Monitor, LLC

Exchange rate: Argentine pesos 70.45/US\$1

Date of quote: 06/02/2020

Tangerine	FOB Prices (US\$/MT)		
	2016	2017	2019
January	219	--	--
February	849	--	--
March	905	1,000	895
April	914	949	836
May	971	903	822
June	963	925	792
July	1,028	907	755
August	958	884	705
September	884	840	572
October	220	--	180
November	--	--	--
December	--	--	--
Average	791	915	695

Source: FAS Buenos Aires based on Trade Data Monitor, LLC
Exchange rate: Argentine pesos 70.45/US\$1
Date of quote: 06/02/2020

Citrus Fruit	US\$/kg
Lemon	1.25
Orange (Navel)	1.97
Orange (Valencia)	0.85
Tangerine (Nova)	0.71
Tangerine (Murcott)	0.85

Source: FAS Buenos Aires based on supermarket prices

Exchange rate: Argentine pesos 70.45/US\$1

Date of quote: 06/02/2020

The link below to the Buenos Aires Central Market provides updated wholesale citrus prices:

<http://www.mercadocentral.gob.ar/paginas/precios-mayoristas>

Promotion

“ALL LEMON Tested & Certified for Export” is a seal that guarantees the quality of Argentine fresh lemons for export. It includes an audit program of the sixteen leading lemon producers, packers, and exporters in Argentina, which certifies quality standards for export of about 85 percent of the country’s total lemon production. Lemons identified under ALL LEMON parameters must comply with:

- Food safety standards
- Traceability
- Freshness
- Firmness
- Durability
- High juice content
- Aesthetic care
- Balanced color
- Uniform format.

For additional information on All Lemon: <http://www.latinlemon.com.ar/all-lemon-english.html>

Attachments:

No Attachments