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Argentina

Fresh Deciduous Fruit

Annual

2002

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Report Highlights:
Exports of fresh apples and pears are expected to increase significantly in CY 2002, despite lower production. Devaluation of the peso and a sharp down turn in the domestic economy are expected to result in the domestic market for apples, pears and concentrated apple juice shrinking during 2002

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Trade conditions for apples and pears have improved dramatically after the peso devaluation in January 2002. Despite the imposition of export taxes, exports are forecast to increase by 20% and imports from competitor countries to drop to nearly zero. Prices for apples and pears in the domestic market are not as attractive as those paid by the export market meaning that external demand will be prioritized and domestic consumption will fall.

Production of apples and pears in Argentina will be around 1.55 million tones in 2002, 20% down from the 1.94 million tons produced last year.

Production forecast in metric tones for 2002.

	APPLES	PEARS
Río Negro*	800,000	400,000
Neuquén*	100,000	50,000
Mendoza*	100,000	100,000

Total	1,000,000	550,000

* These three provinces comprise the vast majority of Argentine fruit production.

The main reason for the lower yield in 2002 is what is known as, "Second Year Stress". After a good year, trees need to restore vegetal tissue and do so by using nutrients which otherwise would be for fruit production. This normal effect is especially pronounced in Argentina where production is concentrated in only a few areas. Assuming normal whether, next year's harvest should be significantly larger. In terms of quality, average fruit size appears to be bigger this season.

For two years in a row, plantations in the Neuquén and Rio Negro Provinces have been attacked by **codling moth** *(Cydia Pomonela)*. The apple **scab fungus** (*Venturia Inaequalis and V. Pirina*) has also been reported to be present in the Mendoza area. There, extraordinary rainfalls this past winter have created conditions for this pest to develop. Damage of around 15% on fruits have been reported, rendering affected produce only suitable for processing.

The long lasting Argentine economic crisis has impacted heavily on the maintenance of many apple and pear orchards. As a result, about 20% of the plantations have not received the optimal management practices this year. Pruning and pest control during 2001 were not carried out, so that, fungi and insects have developed easily.

Section I: Situation and Outlook

APPLES

Production

Production of apples in 2001 (harvested February - March) was 1.3 million tons. In CY 2002 the apple harvest is expected to drop nearly 20% to 1,0 million tons due to biannual "second year stress". Argentina has about 60 thousands hectares planted with apple trees, 45 thousands in Río Negro and Neuquén and 10 thousands in Mendoza, with the rest widespread around the country.

Traditionally, pear and apple trees are produced only in two geographical zones of western Argentina: the Northen Patagonica Valleys in the Río Negro and Neuquén Provinces, and the Province of Mendoza. Both areas are deserts and both are valleys running alongside rivers filled upstream by melted ice. Their soils are sandy and little weathered, poor in organic mater (less than 1%), and very deep. The annual mean rainfall is 200 - 400 millimeters. Irrigation is vital for production. Salinization has begun to be an agronomic constraint affecting fruit yields in the whole zone.

Almost 50% of the plantations have very old low yield trees, which puts Argentine mean production at 30 tons per hectare, versus 50 tones per hectare for the best producers. Producers cite lack of credit and "choking" interest rates as the main cause of the lower yield experienced by the traditional small and medium sized producer (see policies).

Apple production forecast for 2002 by zone and variety.

APPLES	Rio Negro	Neuquen	Mendoza	Total
Granny Smith	150,000	10,000	5,000	235,000

Red Delicious	600,000	80,000	65,000	765,000
Others	50,000	10,000	30,000	100,000
Total	800,000	100,000	100,000	1,000,000

Varieties

Red Delicious and its clones (Angious, Atwood, Top red and Ervin Spur) are still the most widely grown in Argentina, covering 70% of the area under cultivation. Granny Smith follows with 20%. Other improved varieties, such as Golden Delicious, Breaburn, Gala and Fuji, were planted later, although as yet compromise only a small proportion.

Organic Production

Organic production has been fostered by the higher prices (US$/Kg. 0.5-0.7 Vs. US/Kg.$ 0.2-0.25 paid for conventionally produced fruit) paid to the producer. According to the staff responsible for the program at ArgenINTA, the future of this alternative production depends strongly on the development of the new economy. That is, if farmers are able to purchase the necessary inputs for biological pest control and thus maintain a competitive yield and quality, the organic area will expand in the coming years, otherwise conventional practices will be resumed and organic production area would shrink.

The Integrated Patagonia-Fruit Program was developed by the GOA research institute (INTA) in 2000. Its main goals are to improve the fruit quality without affecting the environment, and to achieve new markets. Thus, production is certified by two of the best known certifying organisms in Argentina IRAM (member of ISO) and Fundación ArgenINTA. Ninety-five farms covering a total area of 1,260 hectares have entered this program so far. Producers are expected to learn new techniques related to pruning, pest and soil management. The main market for organic fruit is the European Union, particularly Italy, Germany and the Nordic Countries.

Trade

Peak harvest time in Argentina is February and March and the shipping period is from March through May. During 2000 Argentina exported 96,000 metric tons of apples valued at 54 million dollars. From March to November 2001, Argentina exported 184,000 metric tons valued at 93 million dollars. Just under 90% of exports went to the EU (47%), Brazil (26%) and Russia (15%). The U.S. in not an important market for Argentine apples, accounting for just 2% of the total 2001 exports (See Trade Table P.7 for detailed information).

The de-linking of the peso to the dollar in January 2001, has created a new environment which encourages exports and discourages domestic consumption and imports. In spite of the lower production, private sources estimate an increase 30% to 260,000 tons in apple exports for 2002. The EU and Brazil are expected to continue to be the most important markets for Argentine fresh apples. As a consequence of an increase in exports of fresh apples as well as Concentrated Apple Juice, domestic consumption will drop drastically.

Although Argentina is the biggest producer of apples in the southern hemisphere, it has also been an importer during the off-season for the past ten years. The largest imports were registered in CY 2000 with more than 13,000 tons, declining in CY 2001 to 4,300 tons. This trend is expected to continue in CY 2002 due to the new rate of exchange and the uncertain economic environment. The near tripling of the cost of imports in peso terms means that imports in 2002 will fall to nearly zero except for some importers that have to comply with commercial agreements signed before January 2002.

Consumption

Domestic consumption of fresh apples in CY 2001 is estimated at 370,000 metric tons. Industry sources expect a dramatic fall in domestic consumption in 2002 as a consequence of the greater export volume and the lower production of fruit. Consumption is forecast to drop to 220,000 tons, down 40% with respect to CY 2001. Per capita consumption in 2002 is reckoned to fall to 6 kilos versus an estimated 10 kilos in 2001.

CONCENTRATED APPLE JUICE

Production

During CY 2000, 440,000 metric tons of apples were used for processing. Approximately 335,000 metric tons were allocated to the production of Concentrated Apple Juice (CAJ) at 77 degrees Brix, 83,000 metric tons to cider and 30,000 metric tons to other apple products. In CY 2001, use for processing increased to 780,000 metric tons, of which 580,000 metric tons were used for the production of CAJ at 71 degrees Brix, 150,000 metric tons for the production of cider, and 45,000 metric tons for other products.

For the last four years, a relationship between the amount of fruit destined to CAJ, cider and other apple processed products has been constant at 75%, 19% and 6% respectively. After the liberalization of the peso in January 2002, the relationship changed. Private sources report that this year more apples will be sent to the production of CAJ and less to cider. Therefore, post estimates 440,000 metric tons (85%) will go to CAJ, 50,000 (9%)to cider and 30,000 (6%) to others. The reason for that is the higher price, US$ 0.4 per kilo, paid by the CAJ plants to the producers. Cider plants can not afford to pay US$ 0.4, with cider plants reportedly only offering 0.25 US$ per kilo at the current rate of exchange.

Trade

Exports of CAJ increased from 37,500 metric tons in CY 2000 to 69,500 metric tons exported during CY 2001. Virtually all of the exports (valued US$ 50,849,317) went to the U.S. Exports are expected to continue at the same level for CY 2002 as a result of the favorable rate of exchange, greater use of stocks, and lower domestic consumption of CAJ. Exporters are expected to use a big share of the stock of 12,000 tons remaining from CY 2001.

Argentine imports of CAJ during 2000 reached 4,600 metric tons valued US$ 4.5 million. In CY 2001 imports fell to 1,600 metric tons valued US$1,2 million. Brazil is the main supplier, accounting for more than 80% of the total imported volume. Industry sources report imports could fall to 500 tons in 2002 due to the financial crisis and weakening peso.

Consumption

The industry estimates, domestic consumption of CAJ to fall nearly 40% to 5,000 metric tons. This fall stems from the big gap between the U.S. dollar and the peso which makes it impossible for the domestic market to compete with the high relative external prices.

PEARS

Production

Pear orchards in Argentina cover 18,000 hectares and are concentrated in the same area as apples. Production of fresh pears in 2001 was estimated at 610,100 metric tons, up 18% from the previous season, due to favorable weather conditions. Industry sources estimate that pear production for CY 2002 will be around 550,000 metric tons, down by 10% with respect to CY 2001. That fall in yield stems from the heavy rains which occurred during the blossom period of some of the most important varieties (e.g. Williams).

Pear production forecast by zone and by variety 2002.

PEARS	Rio Negro	Neuquen	Mendoza	Total
Williams	200,000	30,000	40,000	270,000
Packhams Triumph	160,000	20,000	20,000	200,000
Others	50,000	10,000	20,000	80,000
Total	410,000	60,000	80,000	550,000

Trade

Exports of pears during 2001 totaled 313,000 tons valued at US$ 92,798,446. The European Union was the main market accounting for the 41% of the shipments, followed by Brazil with 34%, the US with 14%, Russia with 7%, and the rest with 4%. Exports of fresh pears in 2002 are expected to increase to 360,000 tones, 15% up from 2001.

In CY 2001, Argentina imported 459 tons of fresh pears, down 42% from the previous season. Brazil exports to Argentina fell in the same period by 45%. According to private sources this figure would trend to drop to near zero in 2002 because of the unfavorable conditions faced by the import sector owing to the weakening of the national currency.

Consumption

Domestic consumption of fresh pears in 2001 is estimated at 114,300 metric tons and is reckoned to fall to 100,000 metric tons in 2002. It is widely believed that a great deal of fresh pears that previously went to the internal market will now be sent for export due to the better price found abroad. Per capita consumption in 2002 is forecast at 2,7 Kg against 3.2 Kg in 2001.

POLICY (APPLES, PEARS AND CONCENTRATED APPLE JUICE)

The New Economy

The financial crisis and multiple policy changes on everything form currency rates to debt payments to rebates and export taxes has thrown the entire sector into tremendous uncertainty and confusion.

After 10 years of being linked to the dollar at a 1:1 rate, the Argentine government allowed the peso to float freely in January 2002. The sudden weakening of the peso has created new market conditions which foster exports and discourage imports. However, the lower peso has also resulted in higher prices of imported inputs, making production costs higher. This could result in lower yields if input use drops. Most growers and packers believe that the devaluation of the peso is a net plus for both industry and producers, and could lead to significant increases in production in the medium and long run.

Exports

Argentine Government policy toward exports is in a state of tremendous uncertainty in the current crisis. Producers and exporters have been buffeted by a series of changes in rebates and export taxes. At the time of this writing, rebates to exporters were 5 and 6% depending on the size of the pack, while export taxes of 10 % on fresh apples and pears and 5% on CAJ. Additional rebates for Patagonian ports where most apples and pears are shipped from, will continue to be 4% for this year. However, this benefit will be eliminated in January 2006.

Export rebates

APPLES & PEARS	In boxes containing 2.5 Kilos or less.	6 percent
	In boxes containing more than 2.5 kilos and less or equal than 20 kilos	5 percent
CONCENTRATED APPLE JUICE	One liter TetraPack	5 percent

It is important to note that traders have not been receiving the rebate payments due to budgetary problems at National level. However, the Minister of Economy has pledged to pay the rebates in monthly payments in the second half of 2002.

Export Taxes

In an effort to raise revenue, the government imposed export taxes on a wide range of agricultural and non agricultural products in March 2002. The export tax on pears and apples was set at 10% and at 5% for juices.

Trade Requirements

Since January 2002 the GOA has imposed new rules regarding fruit identification and labeling. Fruit packaging for the domestic market as well as for export, must show the following specifications: Species, Province, Name of packing house, Commercial brand, Country: Industria Argentina (made in Argentina), Code Stamp (showing date and month of packing, and an alphanumeric key which indicates the government approval of the packing house), Grade of selection, Variety, Units per pack or Net weight or caliber.

Section II: Statistical Tables

Table 1: Apple Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Fresh Apples				(HA)(1000 TREES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	54	54	54	54	0	54
Area Harvested	53	53	53	53	0	53
Bearing Trees	27100	27100	27100	27100	0	27100
Non-Bearing Trees	4000	4000	4000	4000	0	4000
Total Trees	31100	31100	31100	31100	0	31100
Commercial Production	847084	847084	1330800	1330800	0	1000000
Non-Comm. Production	0	0	0	0	0	0
TOTAL Production	847084	847084	1330800	1330800	0	1000000
TOTAL Imports	13280	13280	8000	4352	0	2000
TOTAL SUPPLY	860364	860364	1338800	1335152	0	1002000
Domestic Fresh Consump	324670	324670	358000	368570	0	222000
Exports, Fresh Only	95895	95895	198000	183782		260000
For Processing	439799	439799	782800	782800	0	520000
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	860364	860364	1338800	1335152	0	1002000

Table 2: Apple Exports

Export Trade Matrix			
Country	Argentina		
Commodity	Fresh Apples		
Time period	CY	Units:	MT
Exports for:	2000		2001
U.S.	1825	U.S.	3310
Others		Others	
Brazil	28365	Brazil	47931
Belgium	17929	Belgium	32456
Netherlands	10626	Netherlands	31659
Russia	9756	Russia	27774
Portugal	3271	Portugal	8525
Norway	8486	Norway	8509
Spain	2909	Spain	4501
Sweden	3703	Sweden	4238
Germany	1593	Germany	2884
Italy	876	Italy	2877
Total for Others	87514		171354
Others not Listed	6556		9118
Grand Total	95895		183782

Table 3: Apple Imports

Import Trade Matrix			
Country	Argentina		
Commodity	Fresh Apples		
Time period	CY	Units:	MT
Imports for:	2000		2001
U.S.	223	U.S.	188
Others		Others	
Chile	10645	Chile	3621
France	1021	France	398
Brazil	558	Brazil	70
Italy	418	Italy	57
Spain	393	Spain	18

Ecuador	22		
Total for Others	13057		4164
Others not Listed	0		0
Grand Total	13280		4352

Table 4: Apple Prices

Prices Table			
Country	Argentina		
Commodity	Fresh Apples		
Prices in	US$	per uom	kilo
Year	2000	2001	% Change
Jan	0.88	0.78	-11.36%
Feb	0.66	0.61	-7.58%
Mar	0.51	0.46	-9.80%
Apr	0.56	0.39	-30.36%
May	0.57	0.4	-29.82%
Jun	0.57	0.38	-33.33%
Jul	0.6	0.39	-35.00%
Aug	0.61	0.4	-34.43%
Sep	0.69	0.41	-40.58%
Oct	0.74	0.37	-50.00%
Nov	0.75	0.36	-52.00%
Dec	0.77	0.37	-51.95%
Exchange Rate	1Peso/1US$	Local currency/US $	

Table 5: Concentrated Apple Juice Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Concentrated Apple Juice				(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Deliv. To Processors	439799	439799	782800	782800	0	520000
Beginning Stocks	3154	3154	1529	4046	3629	11725
Production	49275	42328	92600	83543	0	63000
Imports	3100	4638	1000	1585	0	500
TOTAL SUPPLY	55529	50120	95129	89174	3629	75225
Exports	45500	37574	83000	69449	0	70000
Domestic Consumption	8500	8500	8500	8000	0	5000
Ending Stocks	1529	4046	3629	11725	0	225
TOTAL DISTRIBUTION	55529	50120	95129	89174	0	75225

Table 6: Concentrated Apple Juice Exports

Export Trade Matrix			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Time period	CY	Units:	MT
Exports for:	2000		2001
U.S.	36314	U.S.	68284
Others		Others	
Brazil	714	Germany	500
Uruguay	315	Uruguay	348
Trinidad Tobago	147	Dominican Rep.	76
Paraguay	53	Brazil	50
Nigeria	22	Trinidad Tobago	48
Chile	6	Italy	41
China	2	Bolivia	36
		Paraguay	33

		El Salvador	9
		Benin	9
Total for Others	1259		1150
Others not Listed	1		15
Grand Total	37574		69449

Table 7: Concentrated Apple Juice Imports

Import Trade Matrix			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Time period	CY	Units:	MT
Imports for:	2000		2001
U.S.	4	U.S.	0
Others		Others	
Brazil	4295	Brazil	1342
Chile	23	Germany	190
Uruguay	280	China	40
China	20	Chile	13
Paraguay	16		
Total for Others	4634		1585
Others not Listed	0		0
Grand Total	4638		1585

Table 8: Pear Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Fresh Pears				(HA)(1000 TREES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	18	18	18	18	0	18
Area Harvested	18	18	18	18	0	18
Bearing Trees	9036	9036	9036	9036	0	9100
Non-Bearing Trees	1200	1200	1200	1200	0	1300
Total Trees	10236	10236	10236	10236	0	10400

Commercial Production	478078	478078	610110	610110	0	550000
Non-Comm. Production	0	0	0	0	0	0
TOTAL Production	478078	478078	610110	610110	0	550000
TOTAL Imports	809	786	700	459	0	100
TOTAL SUPPLY	478887	478864	610810	610569	0	550100
Domestic Fresh Consump	120227	119867	137400	114298	0	90100
Exports, Fresh Only	279125	279462	290000	312861	0	360000
For Processing	79535	79535	183410	183410	0	100000
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	478887	478864	610810	610569	0	550100

Table 9: Pear Exports

Export Trade Matrix			
Country	Argentina		
Commodity	Fresh Pears		
Time period	CY	Units:	MT
Exports for:	2000		2001
U.S.	45772	U.S.	42798
Others		Others	
Brazil	85866	Brazil	105944
Italy	46817	Italy	42319
Netherlands	28769	Netherlands	34164
Belgium	26672	Belgium	29492
Russia	14711	Russia	22866
France	6230	France	8811
Portugal	4368	Portugal	7412
Germany	3956	Germany	4468
Canada	7419	Canada	3888
Sweden	3170	Sweden	2445
Total for Others	227978		261809
Others not Listed	5712		8254
Grand Total	279462		312861

Table 10: Pear Imports

Import Trade Matrix			

Country	Argentina		
Commodity	Fresh Pears		
Time period	CY	Units:	MT
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Brazil	521	Brazil	287
Chile	159	Chile	157
Spain	106	Spain	15
Total for Others	786		459
Others not Listed	0		0
Grand Total	786		459

Table 11: Pear Prices

Prices Table			
Country	Argentina		
Commodity	Fresh Pears		
Prices in	CY	per uom	kilo
Year	2000	2001	% Change
Jan	0.52	0.34	-34.62%
Feb	0.46	0.37	-19.57%
Mar	0.52	0.38	-26.92%
Apr	0.53	0.41	-22.64%
May	0.52	0.41	-21.15%
Jun	0.49	0.44	-10.20%
Jul	0.47	0.45	-4.26%
Aug	0.5	0.38	-24.00%
Sep	0.58	0.42	-27.59%
Oct	0.69	0.46	-33.33%

Nov	0.43	0.39	-9.30%
Dec	0.38	0.44	15.79%
Exchange Rate	1Peso / 1 US$	Local currency/US $	