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Argentina

Organic Products

Report

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Report Highlights:

Argentina's organic production has been growing rapidly from near zero in the early nineties to \$34 million in 2000. Approximately 90 percent is exported and only 10 percent, destined for domestic consumption. Based on the increasing interest of supermarkets in organic foods, good possibilities are opened for a larger demand of both domestic and imported organic products. However, for imported organic foods, the country of origin must have official recognition of its organic standards as equivalent to Argentina's, which the United States does not have. The current financial crisis and steep devaluation will combine with expanding, low-cost domestic production to make U.S. organic sales to Argentina especially challenging in the short term.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Buenos Aires [AR1], AR

SECTION I. SUMMARY

Argentina is well placed to be an increasingly important producer and exporter of organic products due to both its abundance of appropriate land and natural resources, and foresight in developing workable guidance and regulations for this sector. Domestic consumption to date represents only 10 percent of output, but is growing; exports are presently the key outlet for production. Some industry highlights are mentioned below:

- Argentina is in a privileged position to develop organic agriculture due to its diverse climates and ecological conditions for various crops, and its extensive production systems which have traditionally used small quantities of agrochemicals and which do not require significant changes for the conversion from traditional to organic agriculture.
- During the past few years, organic production has been growing significantly at a 25-30 percent annual rate, compared to conventional agriculture whose annual growth rate is about 2 percent. However, Argentina's share of the total world market of organic products is only 0.1 percent. The domestic market is also growing, but at a slower pace.
- Approximately 90 percent of Argentina's organic production, estimated at \$34 million, is exported and the remaining 10 percent is destined for domestic consumption.

For U.S. exporters of organic products, the following table illustrates some of the advantages and challenges they should take into account when selling their products into Argentina:

ADVANTAGES	CHALLENGES
Largest supermarkets have been gradually incorporating organic products to their shelves, and some launched marketing campaigns to educate consumers.	Weak local currency as a consequence of the Argentine economic crisis of late 2001, which increased costs for imported foods.
A couple of supermarket chains have developed private labels for organic foods and a few others are planning to do so, which offer good opportunities for U.S. organic private-label brands.	Argentina's various climates and extensive production systems allow it to easily develop organic agriculture.
Growing domestic consumption of organic products improves the knowledge of consumers and potential supply to the domestic market.	Argentina does not need big changes for the conversion from traditional to organic agriculture.

Argentina is supporting the inclusion of organic products in the Harmonized Tariff Schedule to facilitate trade.	Argentina has developed its own regulations on organic agriculture equivalent to the EU's.
U.S. foods are regarded as of high quality and high certification standards.	Organic exports are growing at a 25-30 percent annual rate.
Lack of government campaigns to promote Argentina's organic products in the domestic market.	Argentina has the second largest area of certified organic production in the world. Thus, almost all organic products domestically consumed are manufactured locally.
Argentine organic producers have been focusing on foreign markets for their products while they neglected the domestic market.	Lack of average consumer awareness on the benefits of eating organic foods, and the positive impact of organic agriculture on the environment.
Some consumers are more concerned about changing their habits towards eating healthier and more natural foods.	High prices of organic products in a price-driven market.
Strong European demand for organic products makes it unlikely that the EU will export to Argentina in the foreseeable future.	Lack of official recognition of U.S. organic standards as equivalent to Argentina's.

SECTION II. REGULATIONS AND POLICIES

As mentioned above, Argentina has established a regulatory framework for this sector.

- Argentina was the first country in the Americas to establish in 1992 its own standards for the certification of organic products equivalent to the EU's and validated by the International Federation of Organic Agriculture Movements (IFOAM).
- Argentine organic production is officially governed by the National Service of Agricultural and Food Health and Quality (SENASA) through Resolutions No. 423/92 which applies to organic products of vegetable origin, and No. 1286/93, related to organic products of animal origin, and also by EU's Resolution No. 45011. On August 4, 1999, the National Law on Organic Production (No. 25127) came into force with the approval of the Senate. This law prohibits marketing of organic products which have not been certified by a SENASA-approved certifying agency.
- By law, SENASA is also supporting the opening of the Harmonized Tariff Code to organic products in order to clarify trade of such products.

- SENASA has full authority to supervise all organic production establishments, storage areas, packaging, trade, transportation, and distribution, and also to audit certifying companies to verify certification procedures, whenever it is deemed necessary.
- For a food product to be considered as organic, its production process must be certified by a company approved by SENASA. If the product is to be exported to Europe, that certifying organization must be also approved by the EU official organizations.
- For an organic food product to be imported into Argentina, it must be recertified by an Argentine certifying company approved by SENASA.
- All imported organic products entering into Argentina must comply with the above stated regulations, which include a certificate from the country of origin stating that the product has been certified as organic. In addition, the country of origin must have official recognition of its organic standards as equivalent to Argentina's.
- Regarding package size and materials, expiration dates, and labeling, organic food products must comply with SENASA's and INAL's (National Food Institute) official requirements that apply to all traditional foods. They deal with the identification of the product (primarily type of product, origin, brand, lot, weight, and certifying company's stamp).

For additional information on this section, please refer to our *Food and Agricultural Import Regulations and Standards Report* (AGR# AR1054), which you can find in the agricultural country report section of the FAS Homepage: www.fas.usda.gov.

- The Government of Argentina (GOA) does not grant any subsidies or incentives to agricultural production, including organic production. Currently, there are no government or private-sponsored activities designed to educate and encourage consumers to purchase organic products. However, in September 1998, the Argentine Agricultural Secretariat (SAGPyA) launched the National Program for the Development of Organic Production (PRONAO), meant to promote organic products in the domestic market, increase the number of producers dedicated to this activity, capture new markets, and educate consumers. This program is expected to be fully implemented in the near future.

SECTION III. CONSUMPTION AND MARKET SECTORS

A. CONSUMPTION

- No formal market research has been carried out either by the GOA or the private sector on the profile of consumers of organic food products. However, through anecdotal information, they can be defined as belonging to the higher-income strata, very knowledgeable of the qualities and benefits of organic foods, and concerned about their health. Some of the consumers of organic fruits and vegetables are vegetarians.
- The average Argentine consumer is price-oriented; thus, he is not prepared to pay

more for a product which he does not feel a need for or perceive as better.

B. MARKET SECTORS

1. Retail Foods

Entry Strategy

For information on this section, please refer to our *Retail Food Sector Report* (AGR# AR1073), which you can find in the agricultural country report section of the FAS Homepage: www.fas.usda.gov.

Market Summary

- The size of the retail market of organic foods is estimated at approximately \$4.5 million. During the past few years, organic production has shown a significant annual growth rate of 25-30 percent, while the domestic market followed at a slower pace.
- During 2000, the most important certified organic products of vegetable origin destined for domestic consumption were cereals such as corn (668 MT), rice (162 MT), and bread wheat (156 MT). Among certified organic fruits, tangerines (91 MT), oranges (52 MT), and pears (23 MT) were the most outstanding, and among vegetables, lettuce (110 MT), and chard (105 MT). Other organic products consumed were sugar, olive oil, and bread.

Regarding domestic consumption of organic products of animal origin during 2000 compared to 1999, please see the following chart:

PRODUCT	VOLUME	
	2000	1999
Poultry (KG)	160,812	146,125
Beef (KG)	67,077	92,786
Honey (KG)	18,690	996
Steer (head)	509	50
Heifer (head)	874	--
Cheese (kg)	3,676	1,037
Fluid milk (liter)	4,300,545	1,192,352
Eggs (dozen)	62,540	1,821

Source: SENASA

- In 2000, domestic consumption of all organic products of animal origin -- especially

- honey and eggs -- increased significantly except for organic beef.
- Organic products with a higher potential demand in the domestic market are primarily fresh vegetables (in part due to a growing trend of consumption among vegetarians), honey, yerba mate, sugar, and eggs.
- In general, prices of organic products with respect to traditional products may vary from 10 to 50 percent more depending on the product (and around 100 percent in the case of poultry). In some cases, the price of the leading brand of a traditional food product is similar to the price of the equivalent certified organic product.
- In Buenos Aires City and suburbs, approximately 80 percent of all organic food products is sold in supermarkets. The remaining 20 percent is sold in specialty stores (where all types of natural, health, and dietary products are also marketed), especially in the interior of the country. Home delivery is the most traditional way of selling organic fresh produce but it only represents a small share of the market, although it shows an upward trend.
- Supermarkets usually incorporate imported dry foods as a tool to differentiate themselves from their competitors, and they are applying this policy to organic products as well as ethnic foods.

Sector Trends

- There are more than 40 organic food products available in the Argentine market, primarily in supermarkets, such as: fresh fruits and vegetables, yerba mate, sugar, honey, oil, olives, tea, eggs, wine, rice, dairy products, poultry, and beef, among others.
- Only a few imported organic products (such as coffee and vinegar) can be found in supermarkets.
- Major Argentine supermarkets and super stores (Jumbo, Disco-Ahold, Carrefour, and Coto) are developing private labels for organic products. Jumbo launched a marketing campaign based on printed material with the purpose of educating customers about the benefits and advantages of eating these types of foods. They also set up a separate shelf exhibiting organic products in three of its outlets, where customers belong to middle and middle-upper strata. Disco-Ahold developed an area in all of its over 250 stores dedicated to organic products produced by the National Institute of Agricultural Technology (INTA).

2. Food Ingredients

- By law, 95 percent of the ingredients contained in an organic food product must be certified organic.
- The market for organic certified food ingredients is almost inexistent since there is not a significant production of organic processed foods in Argentina. However, the demand for GMO-free food ingredients is increasing in the Argentine food processing industry.

3. Food Service Products

- During the past few years, the demand for organic products in five-star hotels and

fancy restaurants has been growing gradually due to strong foreign investment primarily in the hotel sector and the remarkable increase of tourism from Europe and the United States. However, with the current economic crisis and after the September 11th terrorist attacks, the local hotel occupancy rate decreased significantly, and restaurants are undergoing a serious financial situation as a consequence of recession.

- There is no significant potential for organic food in the institutional sector (schools, hospitals, etc.) since this is a price-driven sector.

SECTION IV. PRODUCTION AND PROMOTION

A. PRODUCTION

- Organic production in Argentina, estimated at \$34 million, has continued to grow steadily in recent years at an annual rate of 25-30 percent. The total area dedicated to certified organic production in 2000 was approximately 2.7 million hectares, of which over 2.6 million hectares were destined for products of animal origin, and about 39,000 hectares for products of vegetable origin. (See table below).

Area destined to Organic Production 1995-2000 (in hectares)

Year	1995	1996	1997	1998	1999	2000
Livestock	104,357	215,800	207,600	269,866	987,254	2,643,037
Agriculture	12,162	18,400	21,645	21,739	23,708	39,218
Total	116,519	234,200	229,245	291,605	1,010,962	2,684,255

Source: SENASA (This table does not include area destined to honey production)

- During the past few years, organic livestock production grew enormously due to the fact that the Patagonia provinces (especially Santa Cruz) have been incorporating huge areas dedicated to organic sheep production, which accounted for 71 percent of the total area devoted for organic production in Argentina. Organic beef production was primarily concentrated in the Provinces of Buenos Aires, Cordoba, La Pampa, and Entre Rios; milk production in Buenos Aires, Entre Rios, and Santa Fe, and honey production in Buenos Aires, Cordoba, and Chaco.
- The main crops harvested were organic grains and oilseeds (74 percent of the total organic area planted), mainly concentrated in the Provinces of Buenos Aires, San Luis, Santiago del Estero, Salta, and La Pampa. Other provinces with significant organic production were Misiones (yerba mate and sugar), Cordoba (olive), Rio Negro (apples and pears), Mendoza (table grapes), and Entre Rios

(citrus).

B. PROMOTION

- Total CY 2000 exports of certified organic products, which totaled almost \$30 million, grew significantly in general due to the increase of exports of organic products of vegetable origin.
- As in previous years, the EU and the United States continued to be the principal foreign markets. The EU accounted for almost 90 percent of the total Argentine organic exports; the United States, approximately 9 percent; and Japan, 1 percent.
- Exports have been increasing at an annual rate of 25 percent during the past five years, and are expected to continue at this pace during the next decade.
- Exports of organic further processed products increased by 200 percent between 1999 and 2000; followed by vegetables which decreased from 22 to 13 percent during the same period; and grains and oilseeds which increased by 13 percent and fruits only by 5 percent.
- The significant increase of exports of organic further processed products was due to the 68 percent-share of organic sugar to the EU. Other further processed organic products which maintained their export levels were olive oil and pear purée.
- In 2000, organic products of vegetable origin were exported to the EU (corn, soybean, sunflower, pears, apples, oranges, sugar, olive oil, and concentrated apple juice), and the United States (plums, apples, pears, olive oil, concentrate apple and grape juice, and some garlic and asparagus).

Argentine Exports of Certified Organic Pcts. of Vegetable Origin (in Kg.) - CY 2000

Certified Organic Product	European Union	United States	Other
TOTAL	23,979,987	3,376,427	2,615,148
Grains and oilseeds	13,099,069	--	1,965,873
Fresh fruits	5,668,575	2,440,012	275,395
Vegetables	2,150,215	100,905	--
Aromatic herbs	7,157	2,546	91
Further processed pcts.	2,674,673	818,009	68,488
Other	380,248	14,956	305,301

Source: SENASA

- Regarding organic products of animal origin, in 2000 beef exports increased by 15 percent compared to 1999. The main destination was the EU with 522 MT.
- Exports of organic honey, which totaled 160 MT, grew by 30 percent during the same period and the primary destination was also the EU.

SECTION V. PROMOTIONAL ACTIVITIES

- Argentina actively participates in the promotion of organic food products through ExportAr, which is a state entity that organizes trade missions to various shows around the world such as BioFach in Nuremberg, Germany, and Natural Products Expo-East in Baltimore. ExportAr also provide technical assistance to producers to place their products in foreign markets and organize educational seminars on organic production and marketing addressed to small and medium-sized companies.

SECTION VI. POST CONTACTS AND FURTHER INFORMATION

Governmental Regulatory Agencies

Coordinación de Producciones Orgánicas
Servicio Nacional de Sanidad y Calidad
Agroalimentaria (SENASA)
Secretaría de Agricultura, Ganadería,
Pesca y Alimentación
Avda. Paseo Colón 367, piso 3
C1063ACD Buenos Aires, Argentina

Phone/fax: 54-11-4345-4110/4112
4331-6041/6049
(ext. 1534)

E-mail: dica@inea.com.ar

*(Import regulations for traditional food
products and certification of organic
products)*

Instituto Nacional de Alimentos (INAL)
Estados Unidos 25
C1101AAA Buenos Aires
Phone: 54-11-4340-0800
Fax: 54-11-4331-6418
*(Import regulations for traditional food
products)*

Trade Associations

Cámara Argentina de Productores
Orgánicos Certificados (CAPOC)
Gurruchaga 1630, piso 1
C1414DIH Buenos Aires
Phone: 54-11-4833-3066
Fax: 54-11-4893-1481
E-mail: info@organico.com.ar
Website: www.organico.com.ar

Movimiento Argentino para la Producción
Orgánica (MAPO)
Sarmiento 1562, piso 7, dpto. 6
C1042ABD Buenos Aires
Phone/fax: 54-11-4382-5562
E-mail: www.mapo.org.ar

Main Certifying Companies and Agencies

Organización Intl. Agropecuaria (OIA) Avda.
Santa Fe 830
B1641ABN Acassuso, Pcia. Buenos Aires
Phone: 54-11-4793-4340/4220/4270
Fax: 54-11-4798-9084/6514
E-mail: oia@oia.com.ar
Website: www.oia.com.ar

Argencert S.R.L.
Bdo. de Irigoyen 760, piso 10, of. "B"
C1072AAP Buenos Aires
Phone: 54-11-4334-0313; 4342-1479;
Fax: 54-11-4331-7185/1072
E-mail: argencert@argencert.com.ar
Website: www.argencert.com.ar

Fundación de Lucha contra la Fiebre
Aftosa (FU.CO.F.A.)
San Martín 1360
E3100ABB Paraná, Pcia. de Entre Ríos
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Food Safety Seguridad Alimentaria
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Convenio de Certificación Conjunta

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Asociación para el Pastoreo Racional
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