Required Report: Required - Public Distribution **Date:** October 27,2020

Report Number: AR2020-0031

Report Name: Raisin Annual

Country: Argentina

Post: Buenos Aires

Report Category: Raisins

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Report Highlights:

Argentina's raisin production is forecast to remain stable in CY 2021 at 44,000 metric tons (MT) due to favorable weather conditions. Exports are forecast at 38,000 MT. Local exporters struggle to remain competitive in export markets due to various economic factors, such as high inflation and unstable exchange rates. The coronavirus pandemic created a slight increase in domestic consumption, as Argentinians prepared more at-home foods due to a strict and lengthy lockdown. Carry over stocks will be higher as commercialization was reduced during quarantine.

Executive Summary: Raisin production for CY 2021 is projected stable at 44,000 MT. Raisin exports are estimated at 38,000 MT with exports to Brazil accounting for more than 70 percent of production. The increase in production costs coupled with high inflation rates and currency exchange fluctuations continues to diminish Argentina's competitiveness in international markets.

Production:

Area Planted

Over ninety percent of Argentine raisins are produced in the Province of San Juan alongside the Andes Mountains in western Argentina. The remainder is primarily produced in the Provinces of La Rioja and Mendoza. In CY 2021, according to private sources, some vineyard conversion to raisin grapes will marginally increase the planted area for raisin grapes bringing total area to an estimated 7,500 hectares. Due to the arid conditions in the Province of San Juan, with an annual average rainfall of eight inches or less, producers irrigate their operations primarily from melted snow from the Andes. Although additional land for raisin production is available in the province, the high cost of irrigation impedes some further development.

Production

For CY 2021, industry sources expect raisin production will reach approximately 44,000 MT, higher than CY 2020 and similar to CY 2019 production, due to favorable growing conditions and cyclical expansion. After a CY 2019 production of 42,000 MT, CY 2020 production is forecast down 4,750 MT from official estimates to 37,250 MT, due to the natural lifecycle of the grape plants which deliver stronger yields one year compared to the next. CY2020 fruit quality is expected to be high due to concentrated ripening in the smaller production.

Post estimates 2,191 MT of carry-over stocks for both CY 2020 and CY 2021. Carryover stocks will expand due to the coronavirus pandemic which negatively impacted commercial production. In addition, producers tend to store some production in order to seek better market and pricing opportunities.

Locally, the industry faces a lack of infrastructure and rising production costs, especially for labor (accounting for about 70 percent of total production costs), but also inputs, agrochemicals, energy, freight, and fuel, in addition to high inflation rates. Another challenge producers face are high import tariffs in some export markets.

Nevertheless, a key challenge for the Argentine raisin sector is meeting international demand through higher yields and increased efficiencies. Private investment in the raisin sector, primarily local capital, has occurred over the past few years. Investments targeted not only primary production (e.g. reconversion of vineyards), but also the incorporation of new technology to increase raisin volumes for processing and to produce a higher-quality, more competitive product for export. Some examples include the incorporation of laser and x-ray technology to improve speed, efficiency, and accuracy and mechanical harvesting. Private investments have also focused on irrigation systems to optimize water usage. No major investments have been announced for the near future.

Varieties

The main grapes destined for raisins are seedless varieties, such as Flame Seedless (54 percent share of total production), which have attracted investments in processing technology and storage facilities. Other varieties are: Arizul (INTA C G 351) (18 percent share), Sultanina Blanca (Thompson Seedless), Superior Seedless, Torrontes Sanjuanino, Black Seedless, and Cereza. Fiesta is a variety of U.S. origin, which was planted for the first time in Argentina in 2008 with very good yields, adaptability, and drying handling. There are currently about 1,000 hectares planted to the Fiesta variety in the Province of San Juan. Area planted to the Fiesta and Arizul varieties has shown an upward trend over the past few years, while the Sultanina variety has decreased over the same period. Fiesta and Arizul are the fastest growing raisin grape varieties in Argentina. Senna Pit is a new U.S. origin variety which is being planted at a slow pace, designed for DOV drying system.

The Drying Process

The drying process in Argentina is used by over thirty companies, mainly by utilizing the sun to dry grapes. Grapes are laid on racks, which are located over *ripieras*, pieces of land covered by stones, where they are sundried for a 15 to 30-day period, depending on the grape variety. The final product has a moisture content of 15-20 percent. After the drying process is completed, vegetable oil or Vaseline is applied to raisins, which are then packed in 30-pound cases, in bulk or clusters. The Argentine Ministry of Agro-Industry established a protocol for certified raisins that includes Hazard Analysis and Critical Control Points (HACCP) in the process.

The Dried-on-Vine (DOV) system is increasingly popular with producers due to its reduced labor costs and improved quality. Private sources estimate that, in ten years' time, about half of the area planted to raisin grapes will be using the DOV system. Currently, approximately 200 hectares of raisins in San Juan are dried under this system.

The harvesting and drying process was not affected by the coronavirus pandemic as producers were able to finish their processing in March before quarantine restrictions were implemented.

Consumption:

Domestic consumption remains low, varying between 5,000 and 6,000 MT per year, depending largely on production and export volumes. Argentines have not historically eaten raisins as a snack or in bakery products. However, new applications for raisins are increasingly used in the local ice cream, bakery, and confectionery food sectors (chocolate and cereal bars). The coronavirus pandemic created a slight increase in domestic consumption, as Argentinians have been quarantined for more than six months, generating an increase in meals at home. Private sources estimate domestic consumption for CY 2021 at 6,000 MT, equal to CY 2020. Consumption for CY 2019 is estimated at 5,500 MT.

Trade

CY 2021 raisin exports are forecast to increase to 38,000 MT due to larger production and to international trends. Exports are expected to decrease from CY 2019 to 2020, following a production decrease.

In CY 2019, the main raisin export destination by volume and value was Brazil, accounting for 70 percent of total exports. This demonstrates the significant dependence on the Brazilian market of Argentine exporters.

Argentina's main raisin export markets in CY 2018 were as follows:

Argentina Export Statistics – Primary Destinations						
Commodity: 080620, Grapes, Dried						
Calendar Year: 2017 – 2019						
Partner Country	**2017**		**2018**		**2019**	
	USD	**Quantity**	**USD**	**Quantity**	**USD**	**Quantity**
World	49,346,571	27,455	82,290,155	42,127	73,408,774	36,089
Brazil	34,169,545	19,526	43,716,276	23,707	47,732,888	24,002
Colombia	4,578,376	2,684	6,724,454	3,664	6,301,741	3,274
United States	2,375,677	1,221	17,094,564	7,824	4,611,002	2,26
Peru	2,189,500	1,132	4,324,702	2,038	3,856,712	1,773
Uruguay	877,049	495	550,364	283	825,36	381

Source: FAS Buenos Aires based on Trade data Monitor statistics

Due to declining competitiveness in international markets, the result of high production costs and high inflation rates, it has become difficult for local exporters to compete with competitors such as Turkey.

Policy:

Import and Export Regulations

In December 2015, the GOA removed its import substitution policy which focused on reducing imports and supporting domestic production of goods. Under this policy, it was difficult for producers to obtain imported inputs, such as agrochemicals, and agricultural machinery and equipment, which necessitated the purchase of locally manufactured products (when available) often at higher costs. With the current administration, imports have mostly returned to previous levels, but continue to be restricted.

In December 2015, the government lifted export taxes on all fruits and other commodities. One year later, export rebates were increased for several products, including raisins. These rebates varied upon the size of the container. Moreover, a higher rebate is applied to product with more added value. The goal of this policy is to support regional rural economies. This policy change was welcomed by local producers but it did not have a significant impact in international markets of making Argentine agricultural commodities more competitive.

Export and import tariffs for raisins are as follows:

Raisin 0806.20	
Outside the Mercosur Area	
Import Tariff	10 %
Statistical Tax	0.50%
Export Tax	0%
Export Rebate: Cases containing between 2.5 kg. and 20 Kg	5%
Cases with 2.5 kg. or less	6.00%
Inside the Mercosur Area	
Import Tariff	0.00%
Statistical Tax	0.50%
Export Tax	0%
Export Rebate: Cases containing between 2.5 kg. and 20 Kg.	5%
Cases with 2.5 kg. or less	6.00%

Source: FAS Buenos Aires based on data from Tarifar database

Marketing:

In April 2015, the Province of San Juan obtained Protected Designation of Origin (PDO) certification for raisins and olive oil, a value-added quality guarantee. So far, two local raisin companies have been granted PDO certification. In addition, four raisin firms have obtained the *Alimentos Argentinos* seal, which is granted by Argentina's Ministry of Agroindustry for high quality product standards, adding value at origin. Some producers have shown an interest in organic raisin production.

Prices

CY2021 prices are expected to resume normal levels, after a price decrease during CY2020 due to lower demand during the coronavirus quarantine period.

The following are raisin FOB prices for CY 2016, CY 2017, and 2018:

Month/Year	2016	2017	2018
Jan	1,514	1, 802	1,979
Feb	1,325	1,740	1,839
Mar	1,476	1,750	1,848
Apr	1,441	1,720	1,821
May	1,516	1,689	1,937
Jun	1,475	1,794	1,924
Jul	1,502	1,745	1,900
Aug	1,554	1,730	1,984
Sep	1,585	1,794	1,991
Oct	1,611	1,917	2,025
Nov	1,789	1,849	1,969
Dec	1,589	1,888	1,970
Average	**1,531**	**1,635**	**1,932**

Source: FAS Buenos Aires based on GTIS data
Exchange rate:44.60 Local Currency/US$1
Date of Quote:08/05/2019

Attachments: No Attachments