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Argentina

Citrus

Semi-Annual

2006

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Report Highlights:
Citrus production in calendar year (CY) 2006 will decline as a result of a long drought that began in October 2005. Total production for CY 2006 is forecast at 2.43 million metric tons (MT). The drought has had its biggest impact in Northeastern of Argentina. Exports of tangerines and oranges will decline while lemons and grapefruit not so badly affected will increase a little. Total citrus exports are forecast at 620 MT. Domestic consumption is expected to drop for all four species, with the steepest fall in tangerines where for some varieties up to 80 percent will remain on the trees due to the lack of commercial quality. Imports will continue to remain low as in the years before with only seasonal purchases of grapefruit.

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

Table of Contents

Section I. Situation and Outlook

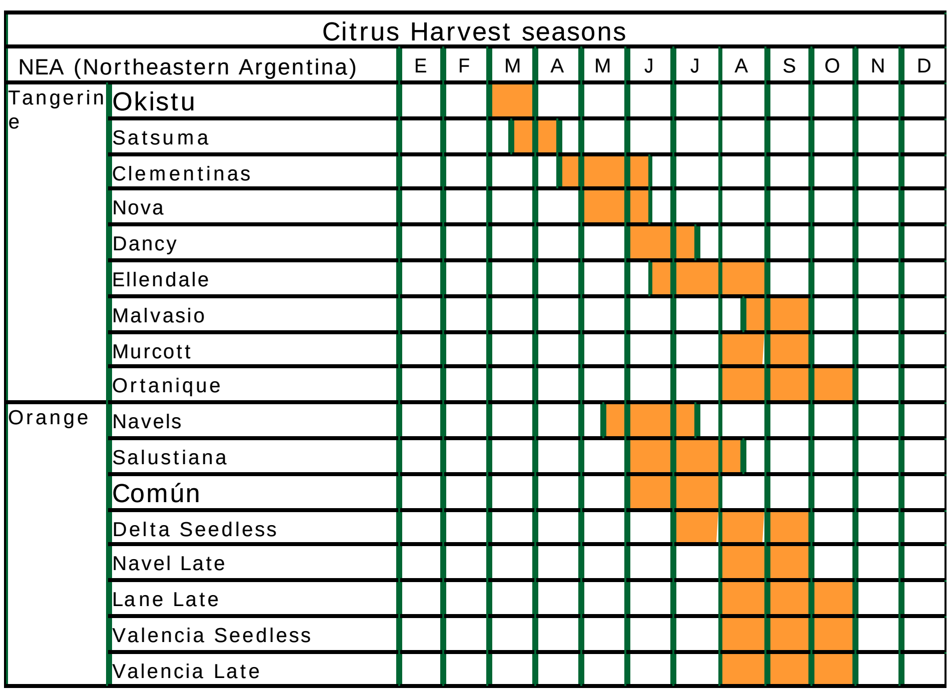
Production

Overall, calendar year (CY) 2006 citrus production is forecast to fall down to 2.43 million metric tons (MT), a nine percent drop from CY 2005.

The long drought mentioned in AR5034 is still affecting the citrus production area located in Northeastern Argentina (NEA). With different degrees of losses, most tangerines and orange plantations will be negatively affected in CY 2006, due to this drought. Early tangerines like the Okitsu variety have not reached commercial size. These varieties will not even be suitable for the domestic market. Sources in the industry informed that 50 percent of the Okitsu and 80 percent of the Nova tangerines would remain on the trees due to their small size. In the case of Navel oranges, the same source informed that 40 percent of the fruit will not reach the commercial size, obliging farmers to leave them on the trees.

In the NEA, only 5 percent of the planted area with citrus is irrigated. The largest companies that export most of their production are those, which irrigate. Sources from those companies informed that CY 2006 harvest has been irrigated since November 2005 due to the long drought. The combination of dry weather and irrigation resulted in a much better quality fruit than normal since the lack of rainfall has entailed less development of fungi. Thus, even though the quantity will be lower than in other years, quality will be superior, leaving more fruit for the export market.

The rest of the oranges, mainly of the Valencia variety, will remain on the trees through the winter, and probably the start of their harvest will be delayed until October as a consequence of the drought (see table below with the normal harvest periods).



Post forecasts a total lemon production of 1.2 million MT for CY 2006, down 7.7 percent with respect to CY 2005 total lemon production. The grapefruit crop in Northwestern Argentina (NOA) will not be good for CY 2006. Sources in the industry state that CY 2006 harvest is expected to reach 150,000 MT, 11 percent lower than in CY 2005, due to lower yields as a result of lack of water in the spring of CY 2005. Tangerine and orange crops for CY 2006 are estimated to be poorer than the previous year, due to the effect of the drought. Post forecast 380,000 MT for tangerines and 700,000 MT oranges meaning 11.3 and 9 percent less than in CY 2005 respectively.

Lemon producers are concerned about the development of their business in CY 2006. With industrial (juice, oil and peel) prices at very low levels, it is expected that at full season processing plants will stop buying fruit that goes only to processing and will only buy fruit on the tree if estimated yields of fruit for the fresh market are higher than 35 percent. This will imply that once again as in years before, 200,000 MT of lower quality fruit (suitable only for processing proposes) will remain in the fields since farmers will not find a market for their fruit.

Argentine Citrus Production (1000 MT)			
	CY 2004	**CY 2005**	**CY 2006**
Lemons	1220	1300	1200
Oranges	750	770	700
Tangerines	420	430	380
Grapefruit	160	170	150
TOTAL	**2550**	**2670**	**2430**
Change from previous year		**-4.49%**	**-9.0%**

Consumption

Domestic consumption of citrus is expected to drop in CY 2006 since the export sector will compete strongly, and supply is forecast to decrease as a result of lower production.

Argentine Citrus Domestic Consumption (1000 MT)			
	CY 2004	**CY 2005**	**CY 2006**
Lemons	54	55	50
Oranges	455	450	420
Tangerines	310	310	270
Grapefruit	55	45	40
TOTAL	874	860	780
Change from previous year		**-1.63%**	**-9.3%**

Processing

Citrus fruit sent to processing is expected to fall in CY 2006 as a result of lower production.

Argentine Citrus to Process (1000 MT)			
	CY 2004	**CY 2005**	**CY 2006**
Lemons	850	880	760
Oranges	160	170	150
Tangerines	43	45	50
Grapefruit	75	90	70

TOTAL	1128	1185	1030
Change from previous year		-4.8%	-13.0%

Trade

CY 2006 citrus exports are expected to fall due to lower orange and tangerine production. Lemons and grapefruit exports however, are forecast to increase in CY 2006 as new markets are being developed and old ones, such as the Russian Federation, are becoming increasingly good for the Argentine suppliers. Post forecast, total citrus export for CY 2006 at 620,000 MT.

Argentine Citrus Exports (1000 MT)			
	CY 2004	**CY 2005**	**CY 2006***
Lemons	320	367	390
Oranges	158	168	130
Tangerines	69	71	60
Grapefruit	30	34	40
TOTAL	577	640	620
Change from previous year		-11.0%	-3.0%

Exports of citrus in CY 2005 were 640,000 MT, that is, 11 percent more that that exported in CY 2004. As a commercial block, the European Union (EU) is still the main market for Argentine citrus. In CY 2005, the EU purchased 414,000 MT valued at US$167 million, three percent more than in CY 2004.

Citrus Exports to the European Union						
	2003		**2004**		**2005**	
	US$ million	**MT**	**US$ million**	**MT**	**US$ million**	**MT**
Lemons	96.5	246,000	85	206,000	107	266,000
Oranges	19.5	69,000	33	102,000	24	70,000
Tangerines	19	43,000	34	68,000	25	49,000
Grapefruit	8	27,000	9.5	26,000	11	29,000
Citrus total	143	385,000	161.5	402,000	167	414,000

Outside the EU, the main single market continues to be, for a third year in a row, the Russian Federation with 143,000 MT, worth US$53 million. Ukrainian purchases of Argentine citrus have also increased 40 percent per year since CY 2003 reaching in CY 2005 25,000 MT, worth US$10 million.

Regarding the Argentine citrus exports to the Russian Federation, lemons have been the main export fruit since CY 2003. However, in CY 2005, lemon exports fell 10 percent and orange exports increased 55 percent overcoming lemons on the list of citrus exported to this market. Orange exports to the Russian Federation in CY 2005 were 63,000 MT valued at US$18.5 million versus 40,000 MT and US$13,3 million in CY 2004. Tangerines exports also increased from 12,000 to 18,000 MT, and from US$6 to 9 million from CY 2004 to CY 2005, respectively. Grapefruit exports to the Russian Federation did not suffer major changes over the past three years, remaining around 1,200 MT valued at US$3.5 million.

Citrus imports declined from 3,600 MT to 3,000 MT in 2003 and 2004, respectively to 1,400 MT in CY 2005. Import values also dropped in CY 2005 to US$500,000 from the US$770,000 in CY 2004 and US$810,000 in CY 2003. Grapefruit, the only species imported in CY 2005, came from Uruguay (744 MT), Chile (536 MT), and Israel (127 MT).

Export and Import Regulations	
For countries outside MERCOSUR AREA	
Import Tariff	10.00
Statistical Tax	0.50
Export Tax	5.00
Rebate for cases containing less than 16 Kg.	5.00
Rebate for cases containing 16 – 20 Kg.	4.05
Rebate for cases containing more than 20 Kg.	2.70
For countries within MERCOSUR AREA	
Import Tariff	0.00
Export tariff	5.00
Rebate for cases containing less than 16 Kg.	5.00
Rebate for cases containing 16 – 20 Kg.	4.05
Rebate for cases containing more than 20 Kg.	2.70

Factors Affecting the Industry Structure

Cost

Logistical costs including transportation, increased five percent due to drivers wage increases over the last month. This cost has gone up a total of 21.3 percent over the last year and 207.7 percent since the devaluation of the peso in February 2002. Inputs such as fertilizer, cooper (fungicides), and other pesticides, have increased considerably in the last six months. Farm gate production cost for lemons is US$2000 per hectare with a total yield of 50 MT per hectare of which only 35 percent is deemed suitable for export purposes. FOB cost of a case with a net capacity of 18 Kg. of fresh lemons is between 6.9 and 7.7 US dollars.

Standards

Since February 2006, Argentina's Animal and Plant Health Service (SENASA) has started to enforce Resolution 145/83 and 493/01 which aim to achieve better handling, identification and improved food safety standarts in all packing plants that process fruit for the domestic market. In this way, the fruit consumed domestically will have standards that are required at international level.

Prices

Lemons	FOB Prices (US$/MT)			
	2002	2003	2004	2005
January	470	0	300	300
February	390	0	590	490
March	350	350	410	420
April	340	430	420	420
May	340	390	410	410
June	320	380	400	410
July	320	380	410	400
August	320	390	390	390
September	310	390	370	380
October	330	420	340	360
November	290	0	350	100
December	240	170	350	290
Average	335	367	395	364

Oranges	FOB Prices (US$/MT)			
	2002	2003	2004	2005
January	40	0	0	30
February	30	0	0	30
March	30	0	0	30
April	20	0	0	30
May	200	360	360	300
June	270	330	330	310
July	260	310	320	330
August	240	290	310	300
September	190	250	310	300
October	50	160	280	240
November	10	190	220	210
December	0	0	30	30
Average	122	270	270	178.333

Tangerines	FOB Prices (US$ / MT)			
	2002	2003	2004	2005
January	0	0	0	0
February	430	470	480	530
March	460	450	520	530
April	410	450	520	530
May	390	470	530	540
June	360	460	510	520
July	360	440	470	500
August	350	441	460	480
September	240	410	450	470
October	220	400	410	420
November	20	N/A	N/A	230
December	N/A	N/A	220	70
Average	324	443	457	438

Grapefruit	FOB Prices (US$ / MT)			
	2002	2003	2004	2005
January	0	0	0	0
February	0	0	0	0
March	190	0	0	390
April	290	310	380	380
May	280	300	360	370
June	280	330	350	380
July	260	330	340	380
August	210	330	370	440
September	230	180	350	370
October	0	0	0	0
November	0	0	0	100
December	0	0	0	40
Average	249	297	358	293

Lemons	Domestic Wholesale Prices (US$/Kg)				
	2002	2003	2004	2005	2006
January	0.32	0.16	0.25	0.21	$0.18
February	0.23	0.21	0.22	0.30	$0.19
March	0.15	0.22	0.22	0.22	$0.22
April	0.11	0.17	0.24	0.21	
May	0.09	0.15	0.19	0.18	
June	0.08	0.13	0.16	0.17	
July	0.08	0.13	0.15	0.16	
August	0.08	0.12	0.15	0.15	
September	0.08	0.13	0.16	0.15	
October	0.11	0.14	0.16	$0.15	
November	0.13	0.15	0.18	$0.18	
December	0.14	0.25	0.20	$0.17	
Average	0.13	0.16	0.19	$0.19	

Oranges	Domestic Wholesale Prices (US$/Kg)				
	2002	C2003	2004	2005	2006
January	$0.12	$0.18	$0.18	$0.15	$0.12
February	$0.09	$0.26	$0.24	$0.21	$0.16
March	$0.13	$0.25	$0.36	$0.15	$0.27
April	$0.10	$0.25	$0.41	$0.17	
May	$0.09	$0.21	$0.21	$0.17	
June	$0.10	$0.16	$0.17	$0.18	
July	$0.09	$0.16	$0.14	$0.17	
August	$0.08	$0.14	$0.15	$0.15	
September	$0.09	$0.15	$0.15	$0.15	
October	$0.11	$0.13	$0.16	$0.18	
November	$0.15	$0.18	$0.19	$0.19	
December	$0.20	$0.17	$0.20	$0.14	
Average	$0.11	$0.19	$0.21	$0.17	

Tangerines	Domestic Wholesale Prices (US$/Kg)				
	2002	2003	2004	2005	2006
January	$0.21	$0.21	$0.29	$0.16	$0.25
February	$0.19	$0.18	$0.30	$0.37	$0.00
March	$0.11	$0.20	$0.21	$0.18	$0.20
April	$0.08	$0.16	$0.16	$0.16	
May	$0.10	$0.14	$0.14	$0.15	
June	$0.10	$0.11	$0.13	$0.13	
July	$0.10	$0.10	$0.12	$0.11	
August	$0.09	$0.10	$0.14	$0.14	
September	$0.10	$0.13	$0.17	$0.13	
October	$0.11	$0.14	$0.20	$0.14	
November	$0.14	$0.16	$0.21	$0.20	
December	$0.19	$0.25	$0.20	$0.22	
Average	$0.13	$0.16	$0.19	$0.17	

Grapefruit	Domestic Wholesale Prices (US$/Kg)				
	2002	2003	2004	2005	2006
January	$0.14	$0.28	$0.41	$0.39	$0.37
February	$0.13	$0.39	$0.43	$0.59	$0.38
March	$0.15	$0.19	$0.45	$0.28	$0.34
April	$0.10	$0.17	$0.31	$0.25	
May	$0.10	$0.15	$0.19	$0.19	
June	$0.10	$0.14	$0.15	$0.21	
July	$0.10	$0.14	$0.14	$0.19	
August	$0.09	$0.14	$0.19	$0.19	
September	$0.10	$0.14	$0.21	$0.21	
October	$0.11	$0.14	$0.27	$0.20	
November	$0.15	$0.17	$0.29	$0.29	
December	$0.19	$0.39	$0.32	$0.28	
Average	$0.12	$0.20	$0.28	$0.27	

Domestic Retail Prices (US$/Kg)								
	Lemons				Oranges			
	2003	2004	2005	2006	2003	2004	2005	2006
January	0.36	0.54	0.45	0.42	0.36	0.40	0.31	0.29
February	0.45	0.47	0.44	0.43	0.43	0.49	0.30	0.35
March	0.49	0.48	0.48	0.45	0.48	0.62	0.30	0.44
April	0.43	0.49	0.47		0.44	0.64	0.31	
May	0.38	0.45	0.44		0.37	0.43	0.35	
June	0.34	0.40	0.42		0.31	0.33	0.33	
July	0.32	0.36	0.40		0.28	0.30	0.31	
August	0.31	0.38	0.38		0.27	0.28	0.30	
September	0.32	0.35	0.40		0.29	0.29	0.30	
October	0.47	0.38	0.43		0.33	0.31	0.29	
November	0.54	0.40	0.43		0.34	0.31	0.28	
December	0.54	0.42	0.43		0.35	0.31	0.31	
Average	0.41	0.43	0.43		0.35	0.39	0.31	

Section II. Statistical Tables

PSD Table							
Country	Argentina						
Commodity	Lemons, Fresh				(HECTARES)(1000 TREES)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	45200	45200	44000	44000	44000	44000	(HECTARES)
Area Harvested	44000	44000	43500	43500	43500	43500	(HECTARES)
Bearing Trees	11000	11000	11000	11000	11000	11000	(1000 TREES)
Non-Bearing Trees	1000	1000	1000	1000	1000	1000	(1000 TREES)
TOTAL No. Of Trees	12000	12000	12000	12000	12000	12000	(1000 TREES)
Production	1220	1220	1300	1300	1200	1200	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1220	1220	1300	1300	1200	1200	(1000 MT)
Exports	316	316	380	380	390	390	(1000 MT)
Fresh Dom. Consumption	54	54	55	55	50	50	(1000 MT)
Processing	850	850	865	865	760	760	(1000 MT)
TOTAL DISTRIBUTION	1220	1220	1300	1300	1200	1200	(1000 MT)

PSD Table							
Country	Argentina						
Commodity	Oranges, Fresh				(HECTARES)(1000 TREES)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	60000	60000	60000	60000	57000	57000	(HECTARES)
Area Harvested	58000	58000	58000	58000	56000	56000	(HECTARES)
Bearing Trees	20000	20000	20000	20000	20000	20000	(1000 TREES)
Non-Bearing Trees	3000	3000	3000	3000	3000	3000	(1000 TREES)
TOTAL No. Of Trees	23000	23000	23000	23000	23000	23000	(1000 TREES)
Production	750	750	770	770	720	700	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	750	750	770	770	720	700	(1000 MT)
Exports	135	135	150	150	140	130	(1000 MT)
Fresh Dom. Consumption	455	455	450	450	430	420	(1000 MT)
Processing	160	160	170	170	150	150	(1000 MT)
TOTAL DISTRIBUTION	750	750	770	770	720	700	(1000 MT)

PSD Table							
Country	Argentina						
Commodity	Tangerines, Fresh				(HECTARES)(1000 TREES)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	38000	38000	38000	38000	36500	36500	(HECTARES)
Area Harvested	33000	33000	33000	33000	33000	33000	(HECTARES)
Bearing Trees	14000	14000	14000	14000	14000	14000	(1000 TREES)
Non-Bearing Trees	1000	1000	1000	1000	1000	1000	(1000 TREES)
TOTAL No. Of Trees	15000	15000	15000	15000	15000	15000	(1000 TREES)
Production	420	420	430	430	400	380	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	420	420	430	430	400	380	(1000 MT)
Exports	67	67	75	75	80	60	(1000 MT)
Fresh Dom. Consumption	310	310	310	310	290	270	(1000 MT)
Processing	43	43	45	45	30	50	(1000 MT)
TOTAL DISTRIBUTION	420	420	430	430	400	380	(1000 MT)

PSD Table							
Country	Argentina						
Commodity	Grapefruit, Fresh				(HECTARES)(1000 TREES)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	13000	13000	13000	13000	12400	12400	(HECTARES)
Area Harvested	12000	12000	12000	12000	12000	12000	(HECTARES)
Bearing Trees	3000	3000	3000	3000	3000	3000	(1000 TREES)
Non-Bearing Trees	100	100	100	100	100	100	(1000 TREES)
TOTAL No. Of Trees	3100	3100	3100	3100	3100	3100	(1000 TREES)
Production	160	160	170	170	150	150	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	160	160	170	170	150	150	(1000 MT)
Exports	30	30	37	37	40	40	(1000 MT)
Fresh Dom. Consumption	55	55	43	43	40	40	(1000 MT)
Processing	75	75	90	90	70	70	(1000 MT)
TOTAL DISTRIBUTION	160	160	170	170	150	150	(1000 MT)