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Argentina

Fresh Deciduous Fruit

Semi-Annual

2005

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Report Highlights:

The Argentine fresh deciduous fruit crop for Calendar Year (CY) 2005 is estimated at 1.94 million metric tons (MT), 33 percent higher with respect to CY 2004, due to improved agricultural practices. Exports of fresh apples and pears are expected to increase by 20 percent, due to greater supply. The strength of the dollar against the Argentine peso is expected to continue to discourage imports. Domestic consumption of fresh pears and apples is estimated to increase to levels close to those of CY 2003. Concentrated apple juice (CAJ) production and exports are expected to surpass CY 2004 levels, as more fruit will be available for this sector this year.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Section I. Situation and Outlook

Production

Fresh deciduous fruit production for CY 2005 is estimated at 1.94 million MT, a 26-percent increase compared with the CY 2004 harvest. According to sources in the industry, improvements in the agricultural practices carried out over the last two years in the main producing regions offset unfavorable weather conditions and, resulted in higher yields.

Planted area in both Mendoza, and the southern valleys of Rio Negro and Neuquen region was the same as in CY 2004.

Table 1. Fresh Deciduous Fruits Total Production				
	CY 2004		CY 2005	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	8,200	173,000	8,200	190,000
Southern Valleys	59,500	1,245,000	59,500	1,750,000
Total	67,700	1,425,000	67,700	1,940,000

In the southern valleys, apple production in CY 2005 is estimated to have increased of 30 percent to 1,300,000 MT, due to agricultural improvements in most of the orchards. The apple crop in the Mendoza region is reckoned at similar levels than in CY 2004.

Table 2. Apple Production				
	CY 2004		CY 2005	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	4,600	100,000	4,600	100,000
Southern Valleys	46,000	800,000	46,000	1,200,000
Total	50,600	900,000	50,600	1,300,000

Argentine pear production in CY 2005 is estimated to increase to 640,000 MT, 22-percent up with respect to CY 2004. In CY 2005, the pear crop in Mendoza region is forecast at 90,000 MT, 18 percent more than in CY 2004. In the Rio Negro and Neuquen producing region, the pear crop has been estimated at 550,000 MT, 22 percent more than in CY 2004.

Table 3. Pear Production				
	CY 2004		CY 2005	
	Area (Ha)	Production (MT)	Area (Ha)	Production (MT)
Mendoza	3,600	73,000	3,600	90,000
Southern Valleys	13,500	452,000	13,500	550,000
Total	17,100	525,000	17,100	640,000

Concentrated Apple Juice (CAJ) production is expected to increase 27 percent in CY 2005 to 69,000 MT. The cider industry will absorb more fruit in CY 2005 than usual. It is estimated that this sector will purchase 200,000 MT in CY 2005. The CY 2004 crushing season was complicated by a shortage of fruit. According to sources in the industry the lack of fruit in stock made competition between the domestic consumption and the crushing sector more intense than usual. CY 2004 production of CAJ was 50,000 MT.

Domestic Consumption

In CY 2005 domestic consumption of apples is expected to return to CY 2003 levels to 350,000 MT, due to the better crop and increased supply. Domestic pear consumption is estimated at 90,000 MT, the same amount as in CY 2004. Domestic consumption of apples and pears suffered a downturn in CY 2004 because of the contraction in supply due to lower production and competition with the industry. Pear domestic consumption dropped 30 percent in CY 2004. While in CY 2003 domestic consumption of fresh pears was 123,000 MT, no more than 90,000 MT reached the market in CY 2004. In CY 2005 the export sector competed heavily with the domestic one and the industry. With regards to apples, the reduction in consumption was on the order of 30 percent -from 350,000 MT in CY 2003 to 250,000 MT in CY 2004.

Trade

Total fresh deciduous fruit exports in CY 2005 are estimated to reach 660,000 MT.

Up until June 2005 apple exports reached 234,000 MT valued at US\$108 million. Post estimates an increase in apple exports for CY 2005 with total exports placed at 250,000 MT due to a greater supply of fruit. In CY 2004 total apple exports reached 206,000 MT valued at US\$91 million.

In CY 2005 the main market for Argentine apples continues to be the European Union (EU) accounting for over 50 percent of the total exports. The Russian Federation and Brazil follow with 30 percent (68,000 MT) and 8 percent (18,000 MT) respectively. The three aforementioned markets receive more than 90 percent of the Argentine exports.

Up until June 2005 pear exports achieved a total volume of 410,000 MT valued at US\$190 million. It is expected that total pear exports for CY 2005 will reach 430,000 MT. In CY 2004, pear exports reached 320,000 MT, three percent lower than in the same period in CY 2003. Export values in 2004 were US\$154 million, two percent above the level reached in the same period in CY 2003.

Ninety-six percent of the pear shipments are directed to the European Union (EU), the Russian Federation, Brazil and, the United States. Shipments to the U.S. declined from the 50,000 MT in CY 2003 to 36,000 MT in CY 2004, due to quality problems but previous volumes were regained in CY 2005 reaching in the period January-June 2005 a volume of 49,000 MT. While the Russian market continued to grow at a rate of 30 percent last year, (91,000 MT), the Brazilian purchases have declined from 80,000 MT in CY 2002 to 50,000 MT in CY 2003 and CY 2004, due to phytosanitary constraints. Until June 2005 Brazil imported 52,000 MT of pears from Argentina.

CAJ exports for CY 2005 are estimated at 67,000 MT due to the higher supply. CAJ exports in CY 2004 reached 45,000 MT. Historically, Argentina has exported nearly 97 percent of its national production of CAJ.

Similar to CY 2004, in CY 2005 the logistics for fruit exports from the San Antonio Este port in Southeastern Argentina ran smoothly. Industry sources reported that all the export groups (one export group can be made up of many exporters or packers) agreed to share vessels bound for the United States, leading to faster loading and fewer delays than in years prior to CY 2004.

Imports of apples, pears and CAJ in CY 2004 were insignificant and this trend is expected to continue, given the weakness of the Argentine Peso after its devaluation in February 2002.

Import and Export Regulations

Table 4. Fresh Apples and Pears	
Outside the Mercosur Area	
Import Tariff (%)	10.00
Statistical Tax (%)	0.50
Export tax (%)	10.00
Rebate (%) Cases containing between 2.5 Kg. and 20 Kg.	5.00
Cases containing 2.5 Kg. or less	6.00
Within the Mercosur Area	
Import tariff (%)	0.00
Export tax (%)	10.00
Rebate (%) Cases containing between 2.5 and 20 kg.	5.00
Cases containing 2.5 kg. or less	6.00

An additional one percent rebate for all fresh fruit being exported through the San Antonio Este port is being granted. This special rebate will be eliminated in January 2006.

Table 5. Concentrated Apple Juice	
Outside the Mercosur Area	
Import Tariff (%)	14.00
Statistical Tax (%)	0.50
Export tax (%)	5.00
Rebate (%) Containers larger than 1 liter	5.00
Containers of 1 liter or less	6.00
Within the Mercosur Area	
Import tariff (%)	0.00
Export tax (%)	5.00
Rebate (%) Containers larger than 1 liter	5.00
Containers of 1 liter or less	6.00

Factors Affecting Industry Structure

Production Costs

In the fourth year after the severe devaluation of the Argentine peso, farmer's production costs have increased in dollar terms almost to the pre-devaluation numbers. Also packinghouses' expenses increased to the extent that the benefits achieved by the peso devaluation in February 2002 have evaporated. According to sources in the industry, labor cost increased between 107 and 130 percent in the past years and, labor represents 40 percent of the total costs of this industry. According to the same sources, with the expenses going up and the income going down as a result of lower international prices and the export taxes, the benefits of the peso devaluation have vanished.

Export Taxes

Sources in the industry assert that the 10 percent export tax imposed on the FOB value of all the pear and apples exports, represents 25 percent of the value of the fruit affecting specially to the small farmer who is charged by the upper linkages of the commercialization chain. Exporters also complain of the support level provided by the Argentine Government at the time of negotiating tariffs. While Chile, their main competitor, pays no tariff in Europe Argentine exporters pay 5 percent.

Phytosanitary Constraints

Codling moth (*Cydia pomonella*), a pest endemic to the Patagonian valleys, continues to be an issue that affects the apple and pear exports to Brazil. So far, Brazil had a pre-export inspection in the production area but, as of January of 2006, Brazil is going to carry out its pre-clearance program at the Brazilian border. That means that the Argentine exporters will have to run the risk of getting rejections (one larvae will be enough to stop the shipment) at 1000 miles from the production area. That will result in having to bring the shipment back and paying the extra transportation cost.

Regarding this pest, the government of the oil-rich province of Neuquen, is granting a US\$250 subsidy to farmers whose plantation have been properly treated. If the government inspector finds less than 3 percent codling moth attack on the plantation, then the subsidy is applied.

Prices

Industry complaints about poor prices in Europe and the United States during the beginning of CY 2005 seem to be groundless if one look at the monthly average prices (see tables below). However, pear prices suffered a downturn in March 2005 when compared with March 2004. FOB prices fell from US\$480 per MT in March 2004 to US\$400 per MT in March 2005. This lower monthly average price was due to the extraordinary low price of US\$200 per MT paid by Italy in March 2005 caused by the saturation of the Italian market by the Argentine pears. Up until February, Argentina was shipping about 60,000 MT per month but in March and April shipments increased reaching little more than 100,000 MT. Of those 100,000 MT exported in March 2005, 45,000 MT went to Italy while in March CY 2004 Argentina exported only 17,000 MT of pears to Italy.

Domestic Wholesale Prices for all Varieties (US\$/kg.)								
	2002		2003		2004		2005	
	Pear	Apple	Pear	Apple	Pear	Apple	Pear	Apple
January	0.28	0.21	0.29	0.48	0.40	0.48	0.39	0.46
February	0.20	0.20	0.25	0.43	0.31	0.41	0.57	0.69
March	0.15	0.15	0.24	0.31	0.32	0.37	0.30	0.36
April	0.19	0.16	0.27	0.30	0.39	0.36	0.32	0.33
May	0.17	0.16	0.26	0.29	0.37	0.33	0.35	0.36
June	0.17	0.19	0.25	0.31	0.33	0.33	0.42	0.41
July	0.18	0.21	0.27	0.30	0.32	0.38	0.46	0.42
August	0.21	0.26	0.29	0.30	0.37	0.40	N/A	N/A
September	0.27	0.31	0.36	0.32	0.39	0.43	N/A	N/A
October	0.33	0.39	0.41	0.48	0.41	0.45	N/A	N/A
November	0.35	0.36	0.43	0.43	0.47	0.50	N/A	N/A
December	0.30	0.44	0.68	0.49	0.52	0.50	N/A	N/A

Source: Buenos Aires Central Market (www.mercadocentral.com.ar)

Domestic Retail Prices, Red Delicious Variety (US\$/Kg.)				
	2002	2003	2004	2005
January	0.63	0.78	0.85	0.84
February	0.58	0.68	0.82	0.77
March	0.41	0.59	0.69	0.68
April	0.40	0.60	0.67	0.64
May	0.37	0.57	0.65	0.65
June	0.37	0.58	0.66	0.66
July	0.40	0.57	0.66	0.68
August	0.44	0.57	0.67	0.68
September	0.50	0.62	0.70	N/A
October	0.58	0.70	0.76	N/A
November	0.62	0.73	0.77	N/A
December	0.70	0.77	0.80	N/A

Source: The National Institute for Statistics (INDEC – www.indec.gov.ar)

Section II. Statistical Tables

PSD Table							
Country	Argentina						
Commodity	Apples, Fresh				(HA) (1000 TREES) (MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Planted	51	51	51	51	51	51	(HA)
Area Harvested	50	50	50	50	50	50	(HA)
Bearing Trees	21000	21000	21000	21000	21000	21000	(1000 TREES)
Non-Bearing Trees	4000	4000	4000	4000	4000	4000	(1000 TREES)
Total Trees	25000	25000	25000	25000	25000	25000	(1000 TREES)
Commercial Production	1000000	1000000	900000	900000	1100000	1100000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	1000000	1000000	900000	900000	1100000	1100000	(MT)
TOTAL Imports	500	140	0	7	0	20	(MT)
TOTAL SUPPLY	1000500	1000140	900000	900600	1100000	1300000	(MT)
Domestic Fresh consump.	350000	349640	250000	244007	350000	350020	(MT)
Exports, Fresh Only	200500	200500	190000	206000	250000	250000	(MT)
For Processing	450000	450000	460000	450000	500000	700000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	1000500	1000140	900000	900007	1100000	1300020	(MT)

Prices Table			
Country	Argentina		
Commodity	Fresh Apples		
Prices in	\$ FOB	per uom	MT
Year	2004	2005	% Change
Jan	470	490	4%
Feb	480	510	6%
Mar	430	460	7%
Apr	440	450	2%
May	430	440	2%
Jun	430	430	0%
Jul	410	N/A	
Aug	380	N/A	
Sep	410	N/A	
Oct	420	N/A	
Nov	440	N/A	
Dec	460	N/A	
Exchange Rate	2.91	Local Currency/US \$	
Date of Quote	09/16/2005	MM/DD/YYYY	

PSD Table							
Country	Argentina						
Commodity	Pears, Fresh				(HA) (1000 TREES) (MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Planted	18	18	17	17	17	17	(HA)
Area Harvested	18	18	17	17	17	17	(HA)
Bearing Trees	9100	9100	9100	9100	9100	9100	(1000 TREES)
Non-Bearing Trees	1300	1300	1000	1000	1000	1000	(1000 TREES)
Total Trees	10400	10400	10100	10100	10100	10100	(1000 TREES)
Commercial Production	600000	600000	525000	525000	590000	640000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	600000	600000	525000	525000	590000	640000	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	600000	600000	525000	525000	590000	640000	(MT)
Domestic Fresh Consump	123000	122000	90000	84000	90000	90000	(MT)
Exports, Fresh Only	327000	328000	300000	321000	350000	430000	(MT)
For Processing	150000	150000	135000	120000	150000	120000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	600000	600000	525000	525000	590000	640000	(MT)

Prices Table			
Country	Argentina		
Commodity	Fresh Pears		
Prices in	\$ FOB	per uom	MT
Year	2004	2005	% Change
Jan	480	490	2%
Feb	480	500	4%
Mar	480	400	-17%
Apr	470	480	2%
May	460	480	4%
Jun	470	490	4%
Jul	480	N/A	
Aug	470	N/A	
Sep	510	N/A	
Oct	550	N/A	
Nov	620	N/A	
Dec	600	N/A	
Exchange Rate	2.91	Local Currency/US \$	
Date of Quote	19/16/2005	MM/DD/YYYY	

PSD Table							
Country	Argentina						
Commodity	Apple Juice, Concentrated				(MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Deliv. To Processors	450000	450000	450000	450000	500000	500000	(MT)
Beginning Stocks	13333	13333	10233	10233	10833	13833	(MT)
Production	62000	62000	63000	50000	69000	69000	(MT)
Imports	500	500	500	600	600	600	(MT)
TOTAL SUPPLY	75833	75833	73733	60833	80433	83433	(MT)
Exports	63600	63600	60000	45000	67000	67000	(MT)
Domestic Consumption	2000	2000	2000	2000	2000	3000	(MT)
Ending Stocks	10233	10233	11733	13833	11433	13433	(MT)
TOTAL DISTRIBUTION	75833	75833	73733	60833	80433	83433	(MT)

Prices Table			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Prices in	US\$ FOB	per uom	MT
Year	2004	2005	% Change
Jan	770	1010	31%
Feb	820	830	1%
Mar	820	950	16%
Apr	980	430	-56%
May	980	720	-27%
Jun	980	700	-29%
Jul	970		
Aug	870		
Sep	980		
Oct	910		
Nov	970		
Dec	860		
Exchange Rate	2.91	Local Currency/US \$	
Date of Quote	09/16/2005	MM/DD/YYYY	