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Argentina

CANNED DECIDUOUS FRUIT ANNUAL

Canned Peaches

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Report Highlights:
CY 2010 peach production is estimated at 165,000 MT, of which 85,000 will be processed into canned peaches. Canned peach exports are expected to increase to 30,000 MT, compared to CY 2009, primarily due to increased production and because export markets are forecast to recover gradually from the impact of the global financial and economic crisis. Domestic consumption for CY 2010 is forecast to decrease after having reached high levels in CY 2009 as a consequence of low domestic prices due to reduced exports.

Executive Summary:

Post forecasts an increase in peach production for CY 2010 to 165,000 MT. Initial producers' estimates were for production to reach higher levels, but late frosts at the end of September 2009 are estimated to affect both volumes and fruit quality. Domestic consumption is forecast to decrease after reaching high levels in CY 2009 due to low domestic prices, and exports are expected to rebound due to increased production and the recovery of export markets.

Commodities:

Peaches, Canned

Production:

Production Areas

Approximately, 95 percent of Argentina's canned peach production is concentrated in Mendoza Province, located along the Andes mountains. According to official numbers, around 8,200 hectares are currently planted with cling peaches in this province. Based on data from the 2007 census carried out by the Rural Development Institute of Mendoza (IDR, in Spanish - a private/public sector entity closely related to the provincial Ministry of Economy) and the Processed Fruit Chamber of Mendoza (CAFIM, in Spanish), there are 1,129 producers, with an average farm size of 5.7 hectares.

Since Mendoza is a very dry province with an annual average rainfall of 8 inches or less, all plantations are irrigated. The main source of water is snowmelt from the Andes. There are three main production areas in the Province of Mendoza, called oases.

The oldest and most traditional production area, the southern zone, encompasses the departments (counties) of San Rafael and General Alvear. It has a total planted area of 2,724 hectares, of which Mendoza Province accounts for 36 percent. Farms in this area are small, not over 3 hectares, and are generally subsistence in nature. Production is basically low-tech with yields no higher than 14.9 MT per hectare.

The northern and eastern zones, with 2,080 hectares in production, have an average farm size of 8.7 hectares. Yields in this zone reach 15.1 MT per hectare, which reflect the use of yield-improving technology.

The last zone, the Uco Valley, is where more professional farmers have settled during the past 20 years. Larger plantations, most of them owned by canneries, have been established in this zone. With a total planted area of 2,813 hectares, the average farm size in this area is 16.5 hectares, and yields reach 31.6 MT per hectare.

According to a survey carried out by IDR together with two industry associations, in CY 2007, area planted to peaches decreased by 57 hectares in the northeastern zone and 438 hectares in the southern zone, and increased by 515 hectares in the Uco Valley. Furthermore, 51 and 26 hectares of old plantations were eradicated in the northeastern and southern zones, respectively, while only 19 hectares were eradicated in the Uco Valley. Although the area planted remained stable, the quality of crops improved significantly.

Production

CY 2010 production of peaches for processing is forecast to increase to 165,000 MT. Initial estimations by producers expected production to reach over 170,000 MT but late frosts at the end of September 2009 are estimated to affect both volumes and fruit quality. Of that amount, 85,000 MT are forecast to be used for canned peaches. CY 2009 production is expected to decrease to 151,000 MT as a consequence of hail damage during the first days of January 2009, and high temperatures during the summer. In addition, some fruit was not harvested due to low farm-gate prices following the global financial crisis which negatively affected exports.

The current challenges of the canned peach sector are the following:

- High production costs
- Competition from Chile
- Increased peach production in China
- Peach subsidies in Greece
- Gradual increase of peach production in Brazil.

The sector of peach production for processing has its own Strategic Plan, whose members belong to both the provincial government, and private companies and producers. Its main goal is to improve the profitability of all players of the activity through sustained development. It aims at fostering production through yield improvements, and increased area planted, meeting quality standards, and expanding exports through increasing competitiveness.

Production Costs

In CY 2009, production costs that showed higher increases were fuel and energy. This increase was not as significant as in 2008, when cost increases reached an average of 25 percent, due to higher costs of raw material, manual labor, tin plates, sugar, and corn syrup.

Consumption:

Total domestic consumption of canned peaches for 2010 is estimated to decrease to slightly over 55,000 MT, compared to the previous year. In CY 2009, domestic consumption reached high levels as a consequence of low domestic prices due to reduced exports. Annual per capital consumption varies between 1.4 and 1.7 cans as domestic consumption competes strongly with exports.

Trade:

CY 2010 canned peach exports are expected to rebound to 30,000 MT due to increased production and because traditional export markets, such as Mexico, are forecast to recover gradually from the impact of the crisis. In addition, the local industry is actively working on gaining access to new foreign markets and further developing others (Russia, Venezuela, EU, among others). Exports to Brazil are forecast to decrease gradually as Brazil is developing its own canned peach production. CY 2009 exports ar0e estimated to decrease, compared to CY 2008, as a result of lower production and the impact of the crisis in international markets.

Mexico and Brazil are Argentina's traditional and largest markets for canned peaches. An agreement between the Governments of Argentina and Mexico establishes an annual quota of 10,000 MT at a zero tariff (the import tariff in Mexico is seven percent). This quota is allocated by the Secretariat of Agriculture of Argentina which gives priority to those canneries that have exported canned peaches to a third country in the past four years. Only 15 percent of the quota will be allocated to companies that have not previously exported their product. Representatives of the Federation of the Processed Peach Strategic Plan (FEPEDI, in Spanish) continue negotiating an increase of the 10,000 MT-zero tariff quota to 15,000 MT.

Country	**2006**		**2007**		**2008**	
	USD	**MT**	**USD**	**MT**	**USD**	**MT**
Total	25,658,833	34,358	30,587,972	32,473	28,574,880	24,994
Mexico	7,261,170	9,852	13,466,269	14,295	10,661,314	10,343
Brazil	9,123,252	11,365	6,189,601	6,306	6,595,160	5,424
Uruguay	2,072,982	3,042	2,604,076	2816	3,746,279	3,133
Paraguay	1,512,748	2,011	2,968,727	3,033	3,366,612	2,772
Bolivia	947,160	1,207	1,948,130	1,934	2,700,455	2,149
Venezuela	23,946	35	17,835	17	590,791	417
Chile	1,556,415	2,052	788,420	823	347,633	245
EU	102,726	142	38,524	39	218,131	235
US	1,007,814	1,715	93,780	162	79,331	58
Guatemala	500,869	704	295,017	311	68,898	61
Indonesia	0	0	0	0	58,250	34
Philippines	0	0	0	0	47,318	35
Mongolia	0	0	7,243	8	41,901	34
Canada	11,019	18	67,515	93	34,491	37
Angola	87,563	134	1,092	1	10,138	10
Honduras	8,441	11	0	0	3,640	3
Dominican Rep.	15,120	20	9,600	9	2,760	2

French Oceania	0	0	0	0	721	0
Panama	190,912	236	18,438	10	641	0
Equat. Guinea	0	0	0	0	228	0
India	414	0	0	0	186	0
Cuba	7	0	0	0	2	0
Thailand	638,678	1,055	1,472,524	2,109	0	0

Source: FAS Buenos Aires based on data from Global Trade Atlas

Import and Export Requirements

Canned Peaches 200870	
Outside the Mercosur Area	
Import Tariff	14 %
Statistical Tax	0.50%
Export Tax	5.00%
Export Rebates Containers with more than 2.5 kg. Containers with 2.5 kg. or less	4.05% 6.00%
Inside the Mercosur Area	
Import Tariff	0.00%
Export Tax	5.00%
Export Rebates Containers with more than 2.5 kg. Containers with 2.5 kg. or less	4.05% 6.00%

Stocks:

Marketing:

Prices

With the exception of January 2009 when prices increased by 13 percent, during February-July 2009, canned peach FOB prices were between 0.4 percent (in February) and 26.5 percent (in June) lower than the same period in 2008. According to private sources, CY 2009 farm-gate fresh fruit prices for peaches for canning, which did not exceed \$0.2/kg, were significantly lower than in 2008 (between \$0.3/kg-\$0.4/kg), which discouraged producers from completing the harvest. Producers' net income was also reduced due to high production costs.

International Prices

Canned Peach FOB Prices	
Country	***Argentina***
Commodity	***Peaches, Canned***

Prices in	US$ FOB	per uom	MT
Year	2008	2009	% Change
Jan	993	1,123	13
Feb	1,091	1,087	-0.4
Mar	1,117	968	-13
Apr	1,079	897	-17
May	1,109	1,016	-8
Jun	1,195	878	-26.5
Jul	1,175	962	-18
Aug	1,155	n/a	
Sep	1,254	n/a	
Oct	1,127	n/a	
Nov	1,140	n/a	
Dec	1,121	n/a	
Exchange Rate	3.85	Local Currency/US $1	
Date of Quote	9/28/2009	MM/DD/YYYY	

Source: FAS Buenos Aires based on data from Global Trade Atlas

Domestic Retail Prices

820-gram can (net weight)	September 2007 (1US$ = 3.17AR$)		September 2008 (1US$ = 3.16AR$)		September 2009 (1US$ = 3.85AR$)	
Brand	AR$	US$	AR$	US$	AR$	US$
La Campagnola	6.15	1.94	7.99	2.53	7.59	1.97
Arcor	5.8	1.83	n/a	n/a	7.39	1.92
Canale	6.2	1.96	7.29	2.31	8.23	2.14
La Colina	--	--	--	--	6.67	1.73
Alco	5.99	1.89	6.59	2.09	7.68	1.99
Molto	6.5	2.05	n/a	n/a	--	--
Santa Isabel	5.4	1.70	n/a	n/a	--	--
Prima (fm. Greece)	n/a	n/a	5.79	1.83	--	--
Average price	6.0	1.89	6.92	2.19	7.51	1.95

Source: FAS Buenos Aires based on data from local supermarkets

Production, Supply and Demand Data Statistics:

Canned Peaches, Argentina	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official Data		Old Post	USDA Official Data		Jan	USDA Official Data		Jan
			Data			Data			Data
Deliv. To Processors	0		159.000			151.000			165.000

Beginning Stocks	0		0			10.000			0
Production	0		83.500			80.400			85.000
Imports	0		1.400			50			50
Total Supply	0		84.900			90.450			85.050
Exports	0		25.000			23.000			30.000
Domestic Consumption	0		49.900			67.450			55.050
Ending Stocks	0		10.000			0			0
Total Distribution	0		84.900			90.450			85.050
TS=TD			0			0			0
Comments									
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