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Argentina

Fresh Deciduous Fruit Annual

Apples, Pears, and Table Grapes

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Report Highlights:
For Calendar Year (CY) 2015, Post forecasts production at above normal levels as production rebounds following 2014 series of bad weather and to the natural lifecycle of plants, which allows fruit to blossom heavier one season and lighter the following season. 2015 is expected to be the "heavier" season, especially for table grapes projected at 140,000 MT, which will double official estimates for CY 2014. A major increase in domestic consumption is expected for the three types of fruit as a result of the increase in production. In addition, higher volumes of apples and pears will be destined for domestic consumption due to the high inflation in dollar terms in Argentina. Exports are forecast to increase following the production rebound.

Executive Summary:

CY 2015 fresh apple, pear, and table grape production is forecast to increase to normal levels of 860,000 MT, 820,000 MT, and 140,000 MT, respectively, as a result of favorable weather conditions. Apple, pear and, table grape domestic consumption is projected to increase significantly to 305,000 MT, 110,050 MT, and 118,040 MT, respectively, following the production rebound, and as a result of more fruit destined for domestic consumption instead of exports, due to decreasing competitiveness of Argentine exporters in export markets in the past few years. Exports of all three types of fruits are expected to increase to 145,000 MT (for apples), 430,000 MT (for pears), and 22,000 MT (for table grapes) due to the major increase in production. Smaller volumes of apples for processing are estimated to be destined for the industry, as a result of lower international apple juice concentrate prices.

Commodities:

Apples, Fresh

Pears, Fresh

Grapes, Table, Fresh

Production:

CY 2015 fresh apple and pear production is forecast to rebound to 860,000 MT and 820,000 MT, respectively, due to favorable weather conditions. In addition, the natural lifecycle of plants allows fruit to blossom heavier one season and lighter the following season. CY 2015 is expected to be the "heavier" season.

Post estimates calendar year (CY) 2014 fresh apple production to be less than USDA official estimates, but fresh pear production to be greater than USDA estimates. Production of both fruits went down significantly from the previous year (about 27 percent for apples and 11 percent for pears) as a result of late frosts at the end by September 2013, high temperatures during the summer (December 2013 and January 2014). In addition, Post revised CY 2014 estimates based on revisions of official statistics by the provincial government of Rio Negro to the annual harvest estimates. The decrease in production was also due to the fact that area devoted primarily for apples and, to a lesser extent for pears, has been decreasing as a consequence of the difficult economic situation that producers have been facing during the past few years. In addition, pruning and other tasks are not being carried out appropriately, affecting fruit volumes and quality. Smaller volumes of apples for processing are expected as a result of lower international apple juice concentrate prices.

CY 2013 fresh apple and pear production remained stable at 860,000 MT and 780,000 MT, respectively, compared to USDA official estimates.

For CY 2015, fresh table grape production is expected to rebound to 140,000 MT as a result of favorable weather conditions, and the natural lifecycle of plants which will allow heavier fruit blossom. Fresh table grape production for CY 2014 is estimated to remain unchanged from official estimates at

70,000 MT, down by 40 percent from CY2013, as a result of severe frosts in mid and late September 2013 and excess rain during summer, which affected the main grape growing region of San Juan province. CY 2013 table grape production was revised down to 120,000 MT, following the most recent private sector estimates, compared to USDA official estimates of 141,000 MT.

For CY 2015, area planted to apples and pears is expected to remain stable at 27,000 hectares and 28,500 hectares, respectively. Area planted in CY 2014 will also remain unchanged from previous official estimates at 27,000 hectares for apples, and 28,500 hectares for pears. Argentina's economic problems have led to a decreased profitability in the sector resulting in area planted gradually decreasing in the main fresh deciduous fruit growing region of Argentina, Alto Valle and Valle Medio in the Province of Rio Negro, and in the Province of Neuquen. In addition, land that was traditionally used for apple production in the Province of Mendoza is increasingly being devoted to wine grape production and other more profitable crops.

It is estimated that, in the past decade, between 10,000-11,000 hectares planted to apples and pears, which represented about 25 percent of total planted area, were lost due to the crisis affecting the sector. Smaller fruit producers from Rio Negro and Neuquen, who can no longer face the financial difficulties of the past few years, continue to sell their plantations to larger producers and/or packers/exporters. However, when plantations are in a poor phytosanitary condition or their yields are not good, they are being purchased for real estate projects. Thus, the fruit sector is becoming increasingly concentrated among fewer larger producers.

About 85-90 percent of total apple and pear production is produced in Rio Negro and Neuquen Provinces, and the remainder is produced primarily in Valle de Uco, Province of Mendoza. About 35-40 percent of the total production is exported, and 75 percent of non-Mercosur overseas exports are dominated by only five companies. There are about 2,600 producers and 60,000 workers employed in the fruit sector of Rio Negro and Neuquen Provinces (fifteen years ago, fruit producers totaled about 9,000).

About 90 percent of the total area planted to table grapes is concentrated in the Province of San Juan, Argentina. For CY 2014, area planted to table grapes was revised up to 10,500 hectares from official estimates, following latest estimates by the private sector. Area is forecast to remain unchanged in CY 2015. Area is increasingly being devoted to raisin production, especially the Flame Seedless variety. It is estimated that about 3,000 hectares are planted to that variety in San Juan Province, of which about 95 percent is devoted for raisin production (most of this variety used to be destined for table grapes).

The cost of production of a kilogram of apples or pears is about $0.35-0.38. It is composed as follows: labor, 60 percent (40 percent, packing, and 20 percent, production), and the remaining 40 percent (energy, fertilization, transportation, packaging, Customs fees, phytosanitary and quality certifications, etc.)

Organics

According to private sources, between 10-12 percent of the total production of organic fresh apples and pears produced in Alto Valle of Rio Negro and Neuquen Provinces is certified as organic. This region concentrates 65 percent of the total organic harvested area in the country. Organic apple and pear

production, destined for niche export markets, has been growing steadily during the past few years – despite 20-30 percent higher production costs compared to conventional fruit production. In CY 2013, organic exports totaled 17,000 MT for apples, compared to 10,500 MT in CY 2012, and 30,100 MT for pears, compared to 21,300 MT the previous year. The main destinations for both fruit were the EU and the U.S. Higher production costs are primarily due to the manual pruning of fruit, biological weed control, and certification fees. Producers who have been more successful in the organic business are those who grow new non-traditional varieties, such as Cripps Pink (Pink Lady) and Braeburn apples, and Golden Bosc and Rocha pears. An increasing volume of organic fruit is being destined for the manufacturing of organic juices and specialty food products, such as cereal bars. Exports of organic table grapes are negligible.

Varieties

Two of the primary challenges of the fruit sector are to improve quality to meet the requirements of demanding export markets, and to develop new apple and pear varieties. Among the bicolor apples, only some Gala and Braeburn clones have succeeded in Argentina. Others, like Fuji, Jonagold and Elstar, did not adapt well to local conditions. Among yellow apples, Golden Delicious is the classic variety. Although it adapted well to Argentina's production conditions, this variety has lost popularity due to marketing problems. Among the red varieties, Red Delicious is the most widespread variety. Since it is sterile, it must be crossed with other varieties such as Gala, Fuji, Elstar, Golden Delicious, Granny Smith, Jonathan and Ozarkgold. In Argentina, many Red Delicious clones, such as Starkrimson, Red Chief, Hi Early, Top Red Delicious, Oregon Spur, or Red King Oregon and Cooper 8, have been adopted. The second most important apple variety is Granny Smith. During the past few years, a shift towards the Royal Gala variety (bicolor) has occurred, as international markets are demanding fewer red varieties.

Among the most popular pear varieties, William's accounts for about 45 percent of the Argentine total pear production followed by Packham's Triumph with a 30 percent share. Other varieties are: Beurre D'Anjou (10 percent), Red Bartlett (6 percent), Abate Fetel (2 percent), Beurre Bosc, Beurre Giffard, Clapps Favourite, and Red Beurre D'Anjou.

The most popular table grape varieties are Superior Seedless and Red Globe (mostly exported), while the varieties Cherry and Moscatel are devoted for the domestic market.

Factors Affecting the Fruit Sector

-- Trade union conflicts over salary increases with Alto Valle fruit harvesters and packing plant operators, including strikes and road blockades, continue to affect the Argentine apple and pear sector. Producers also protest on the roads about the continuous loss of competitiveness, and request financial support from the government. At the beginning of the past season, the fruit sector labor force of Rio Negro and Neuquen Provinces received a salary increase between 22 and 25.6 percent (similar to increases given in the past few seasons which were close to annual inflation rates), significantly increasing labor costs for the sector. For CY 2014, it reached around 26 percent. By the end of September 2014, workers from fruit packing plants in Rio Negro and Neuquen blocked Customs facilities during 10 days to prevent the entry and exit of trucks to be inspected by Customs officials. They initially requested a 40 percent salary increase for the second semester of CY 2014, but then

lowered it to 27 percent (they were offered 13 percent). Private sources estimate that this conflict has caused a loss of over $4 million as it happened when exports to Brazil were at the peak of the marketing season.

-- As reported by private sources, in CY 2014, conventional fruit production costs increased by about 30 percent in dollar value, as a result of increases in labor, energy, ocean freight, and input costs (labor costs account for about 60 percent of total production costs for apples and pears, and 70 percent for table grapes). During the past few years, table grape producers in the Province of San Juan have been increasingly devoting more fruit to raisin, grape juice (wine must), and wine production due to high production costs and lack of export financing. This trend is expected to continue in CY 2015.

--Since 2007 the fruit sector has been losing competitiveness in international markets because of increased costs, lower profitability, and a decrease in labor force. The economic and financial situation got worse year after year with costs that continued to increase and lower income. In addition, the labor force of the fruit sector decreased significantly by about 3,100 workers in the past three seasons as a result of the crisis affecting the sector. Small companies are seriously affected by the overall bad economic situation since large companies tend to produce and market their own fruit, minimizing the volumes of fruit purchased from smaller producers. This is leading to increased concentration in the sector, with smaller producers selling their plantations for real estate projects or shifting to other more profitable crops, such as alfalfa, corn, and sunflower.

-- High inflation rates of over 20-30 percent during the past few years (estimated by private sources at about 42 percent by the end of CY 2014 and 45 percent for CY 2015), an overvalued peso, and increasing production costs, have drastically decreased the competitiveness of the domestic fruit sector in international markets and discouraged domestic and foreign investment. (Although there was a devaluation of the peso of about 20 percent in early 2014, its effect has been neutralized by increasing inflation rates). The official exchange rate is 8.42 pesos to the USD. However, the unofficial exchange market rate is hovering around 15.40 pesos to the USD (Exchange rate of 09/23/2014).

Consumption:

For CY 2015, domestic apple and pear consumption is forecast to increase to 305,000 MT and 110,050 MT, respectively, due to larger production. For apples, consumption in CY 2014 is expected to be revised downwards by 27 percent from official estimates and it is estimated at 245,000 MT, as a result of smaller production and more fruit devoted for processing than initially expected. For pears, consumption is forecast to increase by 20 percent and it is projected at 95,110 MT due to smaller exports. Moreover, most of the stone fruit harvest was lost to late frosts leaving deciduous fruit with virtually no competition during the summer. Consumption in CY 2013 remained stable, with official estimates at 277,893 MT for apples, and 81,344 MT for pears.

In CY 2015, it is expected that higher volumes of apples and pears will be destined for the domestic market, instead of overseas markets, due to the domestic inflation in dollar terms. Consequently, production costs are expected to continue to go up making fruit exports less competitive in international markets. Annual per capita consumption is estimated at 7-8 kg for apples and between 3-3.5 kg for pears.

For CY 2015, fresh table grape consumption is forecast to increase to 118,040 MT, following a rebound in production. For CY 2014, consumption is expected to remain stable at 58,070 MT, in line with USDA estimates. In CY 2013, fresh table grape consumption is revised downwards from official estimates to 96,733 MT, as a result of smaller production than initially expected.

Note: table grape domestic consumption includes grapes reallocated to raisin, grape juice, and wine production. In the PSD table, all three volumes will be included under the "Domestic Consumption" category, increasing it above the normal consumption level.

Only low quality table grapes are destined for the domestic market and, until the industry dedicates extra efforts to develop higher quality varieties domestically, no drastic increase is expected.

The Argentine domestic fruit market is highly concentrated in Buenos Aires City and suburbs, where over one third of the country's total population lives, although the GOA has been trying to decentralize it through the creation of a few fruit distribution markets in the interior of the country. There are three distribution channels for the distribution of fresh fruit: (1) Large exporters from Alto Valle, which use the domestic market as a secondary outlet for their products since their main focus is export markets. They usually sell by volume rather than quality. Their main customers are hyper and supermarkets; (2) Medium-sized firms, which handle smaller volumes and focus on quality, and whose brands are usually well-known both in the domestic and export markets. They have consolidated niche markets, and they regulate their supply to maintain high prices. The domestic market is key to their business; (3) Small companies which handle small volumes that are distributed to pre-established points of sale in larger cities. They usually serve those stores where large exporters and medium-sized firms do not have a presence. In general, the markets they access have a high per capita fruit consumption rate. (Source: study carried out by a private consulting company.)

Trade:

CY 2015 fresh apple and pear exports are forecast to increase to 145,000 MT and 430,000 MT, respectively, compared to CY 2014, as a result of larger production**.** CY 2014 apple exports are estimated at 135,000 MT, down 7 percent from USDA estimates, due to smaller production and more fruit devoted for processing than expected. Pear exports are forecast to decrease to 380,000 MT, due to smaller production, larger domestic consumption, and more fruit for processing. In addition, there are larger fruit stocks in the Northern Hemisphere. CY 2013 apple and pear exports remained unchanged from official estimates at 162,107 MT and 438,700 MT, respectively.

In CY 2013, exports of apples and pears increased from the previous year as a result of less fruit supply in Northern Hemisphere countries, and also due to high prices paid by export markets, especially countries in Northern Europe. In addition, local apple exports benefited from the strike carried out by Chilean terminal port workers from March 16 through April 7, 2013, which virtually stopped Chilean exports of fruit, wine, and copper to international markets.

Fresh table grape exports in CY 2015 are forecast to increase 22,000 MT, as a result of larger production. In addition, exporters expect that Russia's restrictions to imports, especially from the EU and the U.S., will present a good opportunity for Argentine table grapes. However, the recent devaluation of the Chilean peso will decrease Argentina's competitiveness in export markets in the CY 2015 marketing season.

For CY 2014, table grapes exports are expected to increase slightly to 12,000 MT, up 3 percent from USDA estimates. For CY 2013, exports remained unchanged at 23,300 MT. In 2013, Brazil began requiring methyl bromide treatment for grapes, which decreased Argentine exports to Brazil by 35 percent (in CY 2013, Brazil accounted for 25 percent of Argentina's total table grape exports). This treatment continues to be required, and negatively affects the quality of grapes. Table grape exports are facing difficulties in some export markets, which have become more demanding in quality terms, due to competition with increasing fruit supply from Peru and Chile.

Fresh Apple Exports – Main Destinations						
Partner Country	2012		2013		January-July 2014	
	USD	MT	USD	MT	USD	MT
World	116,330,113	130,713	155,857,759	162,107	111,006,444	115,322
EU	28,092,704	28,965	49,620,364	47,205	37,666,257	34,823
Brazil	33,581,078	31,066	48,875,278	46,012	29,506,466	28,311
Russia	23,790,605	29,292	19,110,017	21,926	10,186,086	11,991
Algeria	9,096,025	11,590	12,567,125	13,932	8,840,282	10,241
U.S.	4,437,231	4,670	7,802,092	7,783	9,510,522	9,216
Bolivia	3,373,644	6,362	4,621,015	8,279	2,348,490	4,528
Norway	3,933,202	4,408	4,187,767	3,922	4,209,268	4,467
Libya	3,018,385	3,576	2,862,207	3,131	2,137,857	2,574
Canada	119,028	115	1,556,134	1,433	818,380	831
Paraguay	1,163,159	4,445	1,280,758	4,944	994,354	3,371
U. Arab Emirates	1,275,434	1,313	783,873	762	1,127,466	1,163
Bangladesh	1,060,652	1,271	31,360	41	1,055,776	1,303

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

Fresh Pear Exports – Main Destinations						
Partner Country	2012		2013		January-July 2014	
	USD	MT	USD	MT	USD	MT
World	361,908,283	393,865	416,474,223	438,675	317,918,971	347,447
Brazil	158,500,322	159,375	148,006,573	147,374	92,069,229	95,766
EU	64,972,146	75,825	98,965,797	109,033	81,827,420	90,565
Russia	79,887,410	94,798	91,867,896	103,190	70,612,231	84,723
U.S.	27,749,830	31,340	38,626,779	40,684	41,542,120	43,611
Canada	3,989,759	4,335	7,810,962	7,355	10,060,911	9,373
Algiers	4,552,812	5,469	4,033,971	4,643	4,571,662	5,458
Peru	6,114,400	5,608	4,670,383	4,619	2,553,157	2,643
Mexico	2,602,560	2,228	5,127,110	3,899	4,225,987	3,301
United Arab Emirates	1,437	1,618	2,995,663	3,120	2,024,077	2,189
Singapore	2,771,410	1,770	2,896,271	1,911	892,452	591
Libya	779,639	864	1,749,313	1,742	1,184,384	1,362
Hong Kong	670,338	674	167,360	172	989,528	976

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

Fresh Table Grape Exports – Main Destinations						
Partner Country	2012		2013		January-July 2014	
	USD	MT	USD	MT	USD	MT
World	68,265,830	43,519	36,311,239	23,254	16,467,644	10,049
Russia	16,184,474	10,555	12,294,311	8,294	3,547,903	2,435

EU	31,449,606	18,719	11,560,926	7,366	7,210,983	4,271
Brazil	13,686,853	8,734	10,428,879	5,732	4,388,696	2,509

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

Currently, Argentina exports apples and pears to more than 60 export markets. In CY 2013, Brazil remained the most significant fruit export market for pears (by volume), followed by the EU and Russia. Brazil is a traditional market for Argentine pears, especially in the second semester of the year, as it is not a pear producing country. The EU became the second largest export destination, replacing Russia, which took the third place, due to the devaluation of the ruble and recession of the Russian economy, which reduced local consumption. For apples, the EU became the first export market, followed by Brazil, and leaving Russia in third place. Over the past couple of years, Russia has been losing interest in Argentine apples and growing its appetite for European apples, especially from Poland, Moldova, Latvia, but also from Germany and Italy, as they arrive to Russia faster and at more competitive prices than Argentine apples (in CY 2012, Russia imported from Argentina 29,292 MT of apples, compared to 21,926 MT in 2013). For table grapes, Russia became the primary export destination after replacing the EU, followed by Brazil.

During January-July 2014, apple and pear exports to Russia decreased by 25 percent, compared to the same period of CY 2013, due to smaller production and more fruit availability in the Northern Hemisphere.

There is a lot of uncertainty about the effects of Russia's restrictions on fruit imports from the EU and the U.S., among other countries, which is expected to be lifted by early August 2015, and how they might affect Argentine fruit exports in the CY 2015 marketing season. It is expected that there will be more fruit supply in the Northern Hemisphere which, due to Russia's restrictions, will decrease exports to international markets from countries of the Southern Hemisphere, such as Argentina, and will reduce prices. In addition, some of Russia's neighboring countries not affected by the restrictions produce apples at more competitive prices. Another difficulty that is expected to decrease exports in CY 2015 is an important reduction of export financial assistance from European importers, who have traditionally anticipated payments of exports as of November of each year on account of fruit marketing programs planned for the following year.

In the case of pears, the scenario is more positive as the two main pear suppliers to Russia are Belgium and Argentina, and Belgium is also affected by the embargo, leaving Argentina as virtually the only supplier to the Russian market. For table grapes, Argentina's fruit will gain an advantage since it is not possible to stock grapes, as in the case of apples and pears. However, Argentina will be faced with competition from Southern Hemisphere grape producing countries, such as Chile, Peru, and South Africa.

During the first semester of 2014, total Argentine apple and pear exports decreased by 10 percent, and table grapes exports went down by almost 55 percent, compared to the same period of the previous calendar year. This was due to smaller production, but also to the deterioration of the competitiveness of the fruit sector. The Imperial Seedless variety accounts for over 90 percent of table grape exports.

As reported in a study by the National Service of Agricultural and Food Health and Quality (SENASA, in English)**,** exports of the Cripps Pink variety in CY 2013 have increased substantially during the past nine years (from 7,050 MT to 22,676 MT), replacing the Granny Smith variety from the third to the

fourth place of apple exports (from 57,687 MT down to 10,641 MT). Red Delicious is the variety which continues to be mostly exported with 71,440 MT, followed by Gala with 43,360 MT.

During the first part of the year, most apple and pear exports are destined for overseas markets (mainly Europe and the U.S.) and, during the last part of the year, exports are oriented to Mercosur countries. Traditionally, Brazil has been more flexible than other markets, such as the EU and the U.S., regarding the quality of the fruit they import. However, they are becoming increasingly demanding as an export market, paying higher prices.

The United Kingdom and the United States are traditional markets for Argentine organic apples and pears. The British market is projected to remain stable and the U.S. market to continue to grow. In the U.K. there is a broader distribution of organic fruit, while in the U.S. organic fruit is sold in specialty retail stores. Brazil is also becoming a significant market for Argentine organic fruit. In destinations such as the EU, where the organic fruit market is usually oversupplied, organic apples and pears are sometimes sold as conventional fruit.

Argentina is a net fruit producing and exporting country. Thus, fresh deciduous fruit imports have traditionally been negligible.

Policy:

Government Support to Producers

During the first quarter of CY 2013, the Government of the Province of Rio Negro finalized the distribution of a $17 million Compensation Fund, which was assigned to the fruit sector in CY 2012, as follows:

- Compensation for hail damage ($3.75 million)
    - Compensation for fruit pruning ($415/hectare)
        - Compensation for fruit for processing which could not be sold and did not have insurance coverage ($1.55 million).

Throughout CY 2013, the Government of the Province of Rio Negro has been assisting producers through the implementation of the following measures:

- Compensation Fund to overcome the effects of hail damage ($1.16 million).
    - Compensation of employer's social security contributions ($0.45 million) for producers who paid January contributions on time. The government pays $11/daily wage.
        - Compensation of employer's social security contributions ($0.52 million) for producers who paid February contributions on time, and January contributions out of time.

For the 2014 season, the government continued to provide some financial assistance to producers to compensate for hail damage, fuel and agrochemical costs, among other expenses, although the funding provided was not significant.

In 2002, the Government of Neuquen Province implemented a voluntary Compensation Fund for Fruit Producers – which is still in force -- for growers who want to insure, at least, part of their harvest

against hail damage. If over 50 percent of the harvest is damaged, the fund will cover the full harvest. Over 90 percent of producers have participated in this fund.

Since 2000, the Province of Rio Negro has had in operation the Agricultural Input Program (PAR, in Spanish) to facilitate the availability of agrochemicals to smaller producers through the implementation of a loan program. The program was so successful that, during the following years, new areas were incorporated such as tools for treatment of *Carpocapsa*, agricultural machinery and equipment, anti-hail nets, and training on Good Agricultural Practices.

Import and Export Regulations

Export taxes on fruits and vegetables are relatively low. In 2008 the GOA reduced these taxes by 50 percent. Currently export taxes for fresh deciduous and stone fruit is five percent and for citrus and vegetable are 2.5 percent. Part of Argentina's five percent export tax on apples, pears, and table grapes is rebated to the exporter depending on the size of the container. A couple of years ago, the fruit industry, through the provincial government, requested the GOA to suspend or reduce fruit export taxes and double rebates. Moreover, industry continues to request that the GOA pay rebates on a timely basis but, to date, no progress has been made on this issue.

Below are tables on current tariffs, taxes, and rebates for apples, pears, and table grapes:

Fresh Apples (0808.10) & Pears (0808.30)	
Outside the Mercosur area	
Import Tariff (%)	10.00
Statistical Tax (%)	0.50
Export tax (%)	5.00
Export Rebate (%) Bulk (apples)	3.40
Export Rebate (%) Bulk (pears)	2.70
Export 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 (%)	5.00
Export Rebate (%) Bulk (apples)	3.40
Export Rebate (%) Bulk (pears)	2.70
Export Rebate (%) Cases containing between 2.5 and 20 kg.	5.00
Cases containing 2.5 kg. or less	6.00

Source: FAS Buenos Aires based on data from Tarifar

Fresh Table Grapes (0806.10)	
Outside the Mercosur area	
Import Tariff (%)	10.00
Statistical Tax (%)	0.50
Export tax (%)	5.00
Export Rebate (%) Bulk	2.70
Export Rebate (%) Cases containing between 2.5 Kg. and 20 Kg.	4.05
Cases containing 2.5 Kg. or less	6.00
Within the Mercosur Area	
Import tariff (%)	0.00
Export tax (%)	5.00
Export Rebate (%) Bulk	2.70
Export Rebate (%) Cases containing between 2.5 and 20 kg.	4.05
Cases containing 2.5 kg. or less	6.00

Source: FAS Buenos Aires based on data from Tarifar

Export and Import Restrictions

In 2010, the GOA began implementing an import substitution policy which focused on reducing imports and supporting domestic production of goods. Under this policy, it has been 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.

In October 2013, Official Regulation 1108/13 was implemented and affected the apple and pear season of 2014. This regulation prohibits the transshipment of cargo in Montevideo, Uruguay, shifting the large flow of fruit shipments from the Ports of San Antonio Este (SAE) and Bahia Blanca to the Port of Rio Gande do Sul in Brazil (SAE and Bahia Blanca do not have the draught necessary for big vessels). This was due to the failure of negotiations to reach an Agreement of Maritime Transportation in Mercosur. Thus, transshipments can only be carried out in ports that belong to countries with which Argentina has signed bilateral agreements. Argentina has an agreement with Brazil, but not with Uruguay. The impact of the measure was, and continues to be, significant, especially from the logistical viewpoint, as Argentine fruit companies reached an agreement with shipping companies to avoid major increases in freight costs.

As of January 2014, the EU raised import tariffs on Argentine apples and pears from around four percent for apples and 5 percent for pears, depending on the time of the year that they are exported, to a fixed 7.2 percent rate. This is due to a revision of the Generalized System of Preferences that the EU maintains with several countries and economic blocks, such as Mercosur. As reported by private sources, this measure represents about $0.12/kg that the producer loses to the import tariff increase, which has a more serious impact on his/her competitiveness if compared with the zero tariff paid to export to the EU by all other competing countries.

As of February 2, 2014, and until July 2015, the EU decided to reduce the Maximum Residue Level (MRL) of Diphenylamine and Ethoxyquin for fruit entering its territory. For Diphenylamine, the limit was reduced from 5 mg/kg for apples and 10 mg/kg for pears to 0.1 mg/kg. As of that date, it will be prohibited. For Ethoxyquin, the current MRL is 3 mg/kg, and it will remain unchanged for the current marketing season. Both chemical products are currently being used to treat post-harvest quality problems, such as storage scald, but its usage is increasingly being discontinued to meet EU requirements. (Codex MRL for Diphenylamine is 10 mg/kg for apples, and 5 mg/kg for pears. Codex MRL for Ethoxyquin is 3 mg/kg for pears.)

Phytosanitary Issues

Argentina has been negotiating access to China for apples and pears for several years. Although China would allow imports from Argentina, they require methyl bromide treatment. Argentina does not treat with this chemical because it reduces fruit quality. Therefore, the fruit is kept out of the market. In addition, China does not recognize the Rio Negro and Neuquen area as free of fruit fly, where the majority of apples and pears are produced. Negotiations are on-going to work on these issues. There are also bilateral negotiations with the Philippines.

Marketing:

Prices

Overall, fresh fruit FOB prices were high during CY 2012 and CY 2013. However, for most fruit companies, the high prices paid were not sufficient to cover costs, which resulted in increased financial difficulties for the local fruit sector. During January-July 2014, apple and pear international prices went down, decreasing Argentine exporters' competitiveness, and table grape prices increased, compared with the same period of CY 2013.

The following tables show average export prices for CY 2012, 2013, and January-July 2014:

FOB Prices ($/MT) Fresh Apples			
Month	**2012**	**2013**	**January-July 2014**
Jan	1,001	1,094	906
Feb	856	950	909
Mar	862	929	929
Apr	881	1,010	972
May	903	1,009	1,016
Jun	873	975	1,022
Jul	822	932	932
Aug	820	896	n/a
Sep	835	907	n/a
Oct	884	883	n/a
Nov	1,033	896	n/a
Dec	1,114	936	n/a
Average	907	951	n/a
Exchange rate	8.42	Local currency/US$1	
Date of Quote	09/23/2014		

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

FOB Prices ($/MT) Fresh Pears			
Month	**2012**	**2013**	**January-July 2014**
Jan	956	1,010	967
Feb	856	906	897
Mar	867	923	900
Apr	863	911	897
May	884	939	920
Jun	919	962	989
Jul	1,001	1,040	992
Aug	1,016	1,024	n/a
Sep	1,063	1,033	n/a
Oct	1,136	1,059	n/a
Nov	1,267	1,114	n/a
Dec	1,321	1,105	n/a
Average	1,012	1,002	n/a
Exchange rate	8.42	Local currency/US$1	

Date of Quote	09/23/2014		

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

FOB Prices ($/MT) Fresh Table Grapes			
Month	**2012**	**2013**	**January-July 2014**
Jan	1,626	1,525	1,676
Feb	1,494	1,583	1,583
Mar	1,488	1,719	1,582
Apr	1,561	1,544	1,567
May	425	1,360	1,357
Jun	568	953	0
Jul	425	0	0
Aug	0	0	n/a
Sep	0	0	n/a
Oct	0	0	n/a
Nov	0	0	n/a
Dec	1,556	1,729	n/a
Average	1,143	1,487	n/a
Exchange rate	8.42	Local currency/US$1	
Date of Quote	09/23/2014		

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

Retail prices are as follows:

Retail Prices (US$/kg) – September 2014		
	Variety	Price (US$/kg)
Pears	Packham's Triumph	2.36
	William's	1.53
	Abate Fetel	1.18
Apples	Red Delicious (Premium)	2.73
	Red Delicious (Standard)	1.40
	Granny Smith (Standard)	2.36
	Rome Beauty	2.60
Table Grapes	Red Globe (Premium)	n/a
	Red Globe (Standard)	n/a
	Superior Seedless	n/a

Source: FAS Buenos Aires, based on data from local supermarkets and grocery stores

For fresh organic apples and pears, retail prices may vary between 5-20 percent over prices of conventional fruit, depending on the fruit variety.

The following table illustrates average wholesale prices for all varieties of fresh apples, pears, and table grapes:

Apples, Pears, and Table Grapes, Fresh Domestic Wholesale Prices for all Varieties (US$/kg.)									
	2012			2013			January-August 2014		
	Apples	Pears	Grapes	Apples	Pears	Grapes	Apples	Pears	Grapes
January	0.93	0.90	0.12	1.08	0.89	1.35	0.94	0.81	0
February	0.88	0.83	0.86	0.92	0.87	1.16	0.91	0.83	0
March	0.93	0.79	0.07	0.95	0.75	1.03	0.83	0.98	0
April	0.90	0.82	1.10	0.92	0.72	1.05	0.83	0.80	0
May	0.92	0.74	1.06	1.01	0.83	1.15	0.98	0.88	0
June	0.96	0.75	1.34	1.05	0.69	1.19	1.01	0.96	0
July	1.01	0.74	1.70	1.05	0.74	1.58	1.21	0.93	0
August	1.12	0.78	2.11	1.05	0.90	2.38	1.21	0.94	0
September	1.17	0.87	4.78	1.11	0.97	0	n/a	n/a	n/a
October	1.10	0.82	4.52	1.01	0.87	0	n/a	n/a	n/a
November	1.20	0.98	2.01	1.07	0.97	0	n/a	n/a	n/a
December	1.24	1.04	1.73	1.09	1.03	0	n/a	n/a	n/a
Annual Average	**1.03**	**0.84**	**1.78**	1.03	0.85	1.36	n/a	n/a	n/a

Source: FAS Buenos Aires, based on data provided by the Buenos Aires Central Market

Note:

"0" means "not in season/no fruit sold."

Production, Supply and Demand Data Statistics:

Apples, Fresh Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	27,500	27,500	27,000	27,000		27,000
Area Harvested	26,000	26,000	25,500	25,500		25,500
Bearing Trees	25,000	25,000	24,500	24,500		24,500
Non-Bearing Trees	4,300	4,300	4,200	4,200		4,200
Total Trees	29,300	29,300	28,700	28,700		28,700
Commercial Production	860,000	860,000	700,000	630,000		860,000
Non-Comm. Production	0	0	0	0		0
Production	860,000	860,000	700,000	630,000		860,000
Imports	50	0	600	0		0
Total Supply	860,050	860,000	700,600	630,000		860,000
Fresh Dom. Consumption	277,943	277,893	335,600	245,000		305,000
Exports	162,107	162,107	145,000	135,000		145,000
For Processing	420,000	420,000	220,000	250,000		410,000
Withdrawal From Market	0	0	0	0		0
Total Distribution	860,050	860,000	700,600	630,000		860,000
HA, 1000 TREES, MT						

Pears, Fresh Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	28,500	28,500	28,500	28,500		28,500
Area Harvested	27,000	27,000	27,000	27,000		27,000
Bearing Trees	20,000	20,000	20,000	20,000		20,000

Non-Bearing Trees	4,000	4,000	4,000	4,000		4,000
Total Trees	24,000	24,000	24,000	24,000		24,000
Commercial Production	780,000	780,000	670,000	690,000		820,000
Non-Comm. Production	0	0	0	0		0
Production	780,000	780,000	670,000	690,000		820,000
Imports	500	44	45	110		50
Total Supply	780,500	780,044	670,045	690,110		820,050
Fresh Dom. Consumption	81,800	81,344	80,045	95,110		110,050
Exports	438,700	438,700	400,000	380,000		430,000
For Processing	260,000	260,000	190,000	215,000		280,000
Withdrawal From Market	0	0	0	0		0
Total Distribution	780,500	780,044	670,045	690,110		820,050
HA, 1000 TREES, MT						

Grapes, Fresh Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	8,500	8,500	8,500	10,500		10,500
Area Harvested	8,300	8,300	8,300	10,200		10,200
Commercial Production	141,000	120,000	70,000	70,000		140,000
Non-Comm. Production	0	0	0	0		0
Production	141,000	120,000	70,000	70,000		140,000
Imports	100	33	0	70		40
Total Supply	141,100	120,033	70,000	70,070		140,040
Fresh Dom. Consumption	117,800	96,733	58,400	58,070		118,040
Exports	23,300	23,300	11,600	12,000		22,000
For Processing	0	0	0	0		0
Withdrawal From Market	0	0	0	0		0
Total Distribution	141,100	120,033	70,000	70,070		140,040
HA, MT						