USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 7/31/2012

GAIN Report Number:

Argentina

Raisin Annual

2012

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Report Highlights:
Raisin production in CY 2013 is expected to rebound to 35,000 MT as a result of favorable weather conditions and additional vines entering production. Raisin exports are projected to increase to 30,000 MT due to larger production, and domestic consumption is estimated to remain stable at 5,000 MT.

Executive Summary:

Post forecasts an increase in raisin production for CY 2013 to a total of 35,000 MT, due to higher yields and new vines entering production. Raisin exports are expected to rebound to 30,000 MT, due to larger production, and domestic consumption is projected to remain stable. Argentines occasionally eat processed foods containing raisins, but have not yet incorporated raisins to their daily diet.

Post is decreasing raisin production for CY 2012 to 24,000 MT (3,000 MT less than USDA official estimates, as a result of unfavorable weather conditions, which negatively affected yields, and exports are forecast to decrease to 20,000 MT, due to smaller production.

Commodities:

Raisins

Production:

Production Area

About ninety-five percent of Argentine raisins are produced in the Province of San Juan, which is located alongside the Andes Mountains in western Argentina. The balance is primarily produced in the Provinces of Mendoza and La Rioja. According to private sources, it is estimated that 5,900 hectares are planted to raisin grapes in the country. Area is expected to expand but at a slower pace than in previous years. Official sources estimates are lower than private estimates as they consider some of the varieties used for raisin production as table grape varieties. Since the Province of San Juan is a very dry region, with an annual average rainfall of 8 inches or less, all plantations are irrigated. The main source of water is melted snow from the Andes.

Production

In CY 2013, grape production for raisins is projected to rebound to 147,000 MT, compared to the previous year, due to higher yields and additional vines entering production. CY 2012 production is estimated to decrease drastically to 100,000 MT due to two major hail storms and late frosts, which affected blossoms, thus reducing yields, in the main grape growing region of San Juan Province. CY 2011 grape production for raisins increased to 143,000 MT, compared to CY 2010 estimates, as a result of overall favorable weather conditions and higher yields. There was excess rain, which affected yields, but the impact was not significant. Raisin production for CY 2013 is forecast at 35,000 MT, up 11,000 MT from CY 2012. Raisin production in CY 2012 is projected to decrease to 24,000 MT, compared to previous official estimates of 27,000 MT, and production for CY 2011 increased to 34,000 MT, from 26,000 MT estimated initially.

One of the main challenges for the Argentine raisin sector is to increase production enough to meet international demand by improving yields and becoming more efficient. Another challenge producers currently face is high import tariffs established for Argentine raisins in some export markets. In addition, a major concern is the increase of production costs, especially of raw material, i.e. grapes used for raisin production, labor, inputs, agrochemicals, energy, and fuel. Salary increases for CY 2012 are expected to reach 27.5 percent (in the past four years, increases totaled around 100 percent).

Private investments in the raisin sector have been increasing during the past few years, and are primarily national capital. Investments were not only devoted to primary production, but also to the incorporation of new technology to obtain larger raisin volumes for processing and a higher-quality, more competitive product, to supply export markets. Import restrictions established by the Government of Argentina (GOA) in February 2012, have been discouraging producers from purchasing processing machinery abroad (see Policy Section). Currently, there are about 35 processing plants in the Province of San Juan.

In CY 2009, the Argentine Viticulture Corporation (COVIAR, in Spanish) implemented a project through which both grape producers and the industry may receive a subsidy of $1,500-$2,000/hectare and up to $20,000, without exceeding 20 planted hectares. The impact of this financial support was not significant as it reached a small number of producers. The subsidy is still in effect today.

Varieties

The main grape varieties destined for raisins are the seedless varieties *Flame Seedless* (42 percent of the total raisin production) and *Arizul (INTA C G 351)* (22 percent), which have attracted new investments in processing technology and storage facilities. Other varieties are: *Sultanina Blanca*, *Superior Seedless*, *Torrontes Sanjuanino*, *Cereza*, Emperador, *Tinogastena*, and *Criolla Chica*.

Fiesta is a new variety of U.S. origin, which was recently introduced with very good yields, adaptability, and drying handling. It is estimated that the area planted to this variety will continue to increase in the near future.

The drying process

The drying process in Argentina is carried out 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 sun-dried for a 10 to 15-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 is applied to raisins, which are then packed in 30-pound cases, in bulk, or in clusters. The Argentine Ministry of Agriculture established a protocol for certified raisins that includes HACCP (Hazard Analysis and Critical Control Points) as part of the process.

Consumption:

Raisin annual domestic consumption is very low, and it varies between 4,000 and 5,000 MT. It is estimated at approximately 0.15 kg/capita, compared to consumption in the United Kingdom (roughly, 2 kg/capita); Canada (1.20kg/capita); and Germany and the U.S. (about 1 kg/capita). Producers have almost completed a strategic plan for the raisin sector, which is being reviewed by COVIAR, including promotional campaigns to increase raisin domestic consumption primarily targeting children. Argentines do not have the habit of eating raisins on a daily basis, such as a snack or in bakery products. However, new applications for raisins are increasingly being used in the local ice cream, bakery, and confectionery (chocolate and cereal bars) food sectors. No significant increase in raisin domestic consumption is expected in the near future.

Trade:

CY 2013 raisin exports are expected to increase to 30,000 MT, up 10,000 MT from the previous year, due to larger production. CY 2012 exports are estimated to decrease to 20,000 MT, compared to previous USDA official estimates of 23,000, due to smaller production and yields. Raisin exports in 2011 increased to 29,220 MT, as production was significantly larger than initially expected.

Raisin main export destinations, by volume, in CY 2011, were: Brazil (accounting for 70 percent of total exports), the U.S. (8 percent), and the EU (6 percent). Exports to Brazil increased slightly, compared to the previous year, and the U.S. became the second largest market for Argentine raisins, leaving the EU as the third largest destination. Exports to South American non-traditional markets, such as Peru, Paraguay, and Bolivia, increased primarily due to lower freight costs than those paid to ship to other export markets.

Argentina's main raisin export markets in CY 2011 were as follows:

Argentina Export Statistics – Primary Destinations						
Commodity: 080620, Grapes, Dried						
Calendar Year: 2008 - 2010						
Partner Country	**2009**		**2010**		**2011**	
	USD	**Quantity**	**USD**	**Quantity**	**USD**	**Quantity**
World	**32,381,548**	**22,185**	**46,863,122**	**23,237**	**61,740,290**	**29,220**
Brazil	24,078,872	17,157	34,630,731	17,245	43,462,681	20,559
United States	1,982,542	1,234	935,355	402	4,807,942	2,385
EU	2,746,335	1,666	2,433,283	1,267	4,183,031	1,858
Colombia	0	0	1,931,373	984	1,840,934	917
Taiwan	1,512,201	946	1,324,365	645	1,504,949	647
Peru	30,450	20	599,107	292	918,640	421
Dominican Republic	847,183	398	1,395,244	629	883,928	414
Paraguay	268,272	195	586,200	297	791,050	382
Chile	36,609	29	755,137	383	614,825	339
Costa Rica	24,527	19	175,492	97	491,105	235
Bolivia	85,163	85	206,830	159	252,500	182
Russia	110,600	80	167,478	78	314,950	139
Singapore	25,548	14	144,034	82	181,033	100
Guatemala	101,261	78	112,429	59	195,475	97
Uruguay	92,883	66	224,270	114	199,025	93
Canada	0	0	33,858	9	181,709	82
Malaysia	79,693	50	40,950	20	173,846	72
Venezuela	114,050	55	154,448	64	156,195	59
Australia	86,161	35	726,417	309	143,125	58

Source: FAS Buenos Aires based on GTIS data

Raisin imports to Argentina are negligible. In CY 2011, imports accounted for 5 MT from India, down from 20 MT the previous year, with India and Chile as import markets. One of the factors that affected raisin imports was restrictions established by the GOA affecting most types of imports (see Policy Section).

Policy:

Import and Export Regulations

The Argentine fruit sector is concerned about the numerous trade restrictions and requirements affecting imports which have been instituted by the GOA. These policies hamper producers in acquiring needed production and processing inputs. Other measures require preapproval for imports weeks before beginning the importation process. Additional obstacles include the imposition of strict limits on foreign exchange transactions and restrictions against the payment of dividends and repatriation of profits, more widespread usage of non-automatic import licenses, and difficulties in obtaining certificates of country-of-origin for products to be imported.

On December 22, 2008, President Cristina Fernandez de Kirchner announced a package of stimulus measures for the Argentine agricultural sector. The GOA established that the export tax for pears, apples, peaches, citrus fruit, grapes, blueberries, strawberries, dried fruit, onions, frozen potatoes, beans and pulses be reduced by 50 percent (i.e. raisins currently pay a 2.5 percent export tax). The measures affecting fruit and vegetables were published in the Official Bulletin, Decrees Nos. 38/2008 and 40/2008 on December 31, 2008.

The changes announced did not have a significant impact on overall fruit production. Export taxes for these products were already relatively low (5 percent to 10 percent) and a reduction by half does not amount to a significant alleviation of tax burden. Furthermore, part of Argentina's 2.5 percent export tax on raisins is rebated depending on the size of the container.

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	2.5%
Export Rebate: Cases containing between 2.5 kg. and 20 Kg. Cases with 2.5 kg. or less	4.05% 6.00%
Inside the Mercosur Area	
Import Tariff	0.00%
Statistical Tax	0.50%
Export Tax	2.5%
Export Rebate: Cases containing between 2.5 kg. and 20 Kg. Cases with 2.5 kg. or less	4.05% 6.00%

Source: FAS Buenos Aires based on data from Tarifar database

Marketing:

Overall, raisin export values in CY 2011 were higher than FOB prices the previous year (increases varied between 0.5 and 20.5 percent), due to less fruit availability in Northern Hemisphere raisin producing countries. FOB prices continued to go up in January-May 2012, with a 28 percent increase in February. That helped raisin producers facing a significant increase of production costs.

The following are raisin FOB prices for 2010-2012:

Raisin FOB Prices ($/MT)

Year	2010	2011	% Change 2010-2011	2012	% Change 2011-2012
Jan	$1,723	$2,078	20.5%	$2,145	3%
Feb	$1,761	$1,926	9.5%	$2,462	28%
Mar	$1,684	$1,948	15.5%	$2,371	21.5%
Apr	$1,873	$2,031	8.5%	$2,155	6%
May	$1,972	$2,189	11%	$2,262	3.5%
Jun	$1,996	$2,154	8%	-	-
Jul	$2,096	$2,183	4%	-	-
Aug	$2,150	$2,176	1%	-	-
Sep	$2,058	$2,105	2%	-	-
Oct	$2,117	$2,090	-1%	-	-
Nov	$2,037	$2,051	0.5%	-	-
Dec	$2,237	$2,117	-0.8%	-	-
Exchange rate	4.57 Local Currency/US$1				
Date of Quote	07/26/2012				

Source: FAS Buenos Aires based on GTIS data

Production, Supply and Demand Data Statistics:

Raisins Argentina	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	5,700	0	5,900		6,000
Area Harvested	0	5,100	0	5,300		5,400
Beginning Stocks	0	0	0	0		0
Production	26,000	34,000	27,000	24,000		35,000
Imports	0	5	0	0		0
Total Supply	26,000	34,005	27,000	24,000		35,000
Exports	22,000	29,220	23,000	20,000		30,000
Domestic Consumption	4,000	4,785	4,000	4,000		5,000
Ending Stocks	0	0	0	0		0
Total Distribution	26,000	34,005	27,000	24,000		35,000
HA, MT						