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Argentina

Raisin Annual

Raisin Grapes

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Report Highlights:
Argentina's raisin production is forecast to rebound to normal historical levels to 40,000 MT in CY 2018 due to favorable weather conditions. Exports are forecast to rebound to 35,000 MT as a result of the production increase. However, local exporters are still losing competitiveness in export markets due to various economic factors.

Executive Summary:

Raisin production for CY 2018 is forecast at historical levels of 40,000 MT as a result of good weather conditions. Raisin exports are estimated to increase to 35,000 MT from 26,000 MT in CY 2017.

Raisin producers' primary challenge during the past few years has been the dramatic increase of production costs with high inflation rates and an overvalued peso, which continue to diminish their competitiveness in international markets.

Commodities:

Raisins

Production:

Area Planted

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 remainder is primarily produced in the Provinces of Mendoza and La Rioja. Based on the estimates from private sources, area planted will remain unchanged for CY 2017 and 2018 at 6,600 hectares as no significant land investment is expected in the near future since farm-gate prices have been relatively low. Flame and Fiesta are the fastest growing raisin grape varieties in Argentina. In addition, ninety five percent of the Flame variety is devoted to raisin production.

Since the Province of San Juan is a very dry region, with an annual average rainfall of eight inches or less, all plantations are irrigated. The main source of water comes from melted snow from the Andes. Although there is still available land for raisin production in the province, area expansion depends largely on irrigation, and not all producers have the ability to expand irrigation due to its high cost.

Production

In CY 2018, grape production for raisins is forecast to increase to 164,000 MT, compared to CY 2017, as a result of favorable weather conditions. In CY 2017, production is estimated to decrease to 115,000 MT, as a result of a severe frost in September 2016, which affected volumes but not the quality or sanitary condition of the fruit. For CY 2018, raisin production is expected to rebound to normal historical levels at 40,000 MT. For CY 2017, raisin production is expected to decline significantly to 28,000 MT, down by 30 percent from USDA official estimates. CY 2016 production remains unchanged from official estimates at 41,000 MT.

Traditionally, there have been negligible carry-over stocks in the local raisin sector. However, Post estimates 1,000 MT of carry-over stocks for CY 2017, and 3,000 MT due large production levels for CY 2016.

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 face are high import tariffs established for Argentine raisins in some export markets. In addition, a major concern is the

increase of production costs, especially of labor (accounting for about 70 percent of total production costs), inputs, agrochemicals, energy, freight, and fuel, in addition to high inflation rates.

There have been private investments in the raisin sector over the past few years, primarily from domestic capital. However, the investment rate has been decreasing since 2012 due to producers' reduced profitability. Investments were not only devoted to primary production (e.g. reconversion of vines), 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. This includes the incorporation of laser technology to improve speed, efficiency, and accuracy and mechanical harvesting, etc. Nonetheless, private investments have focused on irrigation systems to optimize water usage. No major investments have been announced for the near future.

Varieties

The main grape varieties destined for raisins are the seedless varieties, such as Flame, which have attracted investments in processing technology and storage facilities. Other varieties are: Sultanina Blanca (Thompson Seedless), Superior Seedless, Torrontes Sanjuanino, Cereza, Emperador, Tinogasteña, and Criolla Chica. Fiesta is a relatively new variety of U.S. origin, with very good yields, adaptability, and drying handling.

The Drying Process

The drying process in Argentina is carried out by over thirty companies, 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 sundried for a 15 to 30 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 Agro-Industry established a protocol for certified raisins that includes Hazard Analysis and Critical Control Points (HACCP) as part of the process.

The Dried-on-Vine (DOV) system is increasingly being implemented by producers as it has proved to reduce labor costs by 50 percent and improve quality. Private sources estimate that, in ten years' time, about half of the area planted to raisin grapes will be using DOV.

Consumption:

Domestic consumption is very low, and it varies between 4,000 and 5,000 MT per year, depending largely on production and exports. Argentines do not have the habit of eating raisins on a daily basis, as a snack or in bakery products. However, new applications for raisins are increasingly being used in the local ice cream, bakery, and confectionery food sectors (chocolate and cereal bars). No significant increase in raisin domestic consumption is expected in the near future. There are virtually no official statistics on raisin domestic consumption in Argentina. Private sources estimate domestic consumption for CY 2018 at 5,000 MT, and for CY 2017, it will decrease to 4,000 MT from official estimates, due to lower production.

Trade:

CY 2018 raisin exports are projected to rebound to normal historical levels and are estimated at 35,000 MT, a result of the increase in production. FY 2017 exports are expected to fall to 26,000 MT, down 9,000 MT from official estimates due to production decreases.

In CY 2016, the main raisin export destination by volume and value was Brazil, accounting for 70 percent of total exports, which was the same market share of CY 2015. Exports to Brazil increased from 20,800 MT to 23,300

MT, compared to the previous calendar year. This demonstrates the significant dependence on Brazilian market by Argentine exporters. The second largest market for Argentine raisins was the United States with 2,750 MT (down from 3,700 MT the previous year).

Argentina's main raisin export markets in CY 2016 were as follows:

Argentina Export Statistics – Primary Destinations						
Commodity: 080620, Grapes, Dried						
Calendar Year: 2013 - 2015						
Partner Country	**2014**		**2015**		**2016**	
	USD	**Quantity**	**USD**	**Quantity**	**USD**	**Quantity**
World	**38,026,450**	**16,276**	**47,898,522**	**29,696**	**53,360,952**	**34,246**
Brazil	33,173,227	14,455	31,808,332	20,771	34,805,224	23,259
United States	647,835	250	6,568,689	3,701	4,523,064	2,751
Colombia	158,800	94	1,657,078	1,152	2,711,091	1,889
Peru	142,825	56	1,724,329	1,079	2,944,581	1,776
EU	1,605,557	558	2,674,825	1,042	2,600,064	1,057

Source: FAS Buenos Aires based on GTIS data

Due to declining competitiveness in international markets, the result of high production costs, inflation, and an overvalued peso, it has become difficult for local exporters to compete with other exporting countries, such as Turkey.

Policy:

Import and Export Regulations

The GOA removed in December 2015 its import substitution policy which focused on reducing imports and supporting domestic production of goods. Under this policy, it was 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. With the new administration, imports have mostly returned to previous levels, but continue to be restricted.

In December 2015, the new government lifted export taxes on all fruits and other commodities. One year later, export rebates were increased for several products, including raisins. These rebates vary upon the size of the container. Moreover, a higher rebate is applied to product with more added value. The goal of this policy is to support regional rural economies. This policy change was welcomed by local producers but it did not have a significant impact in international markets at making Argentine agricultural commodities more competitive.

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	0%
Export Rebate: Cases containing between 2.5 kg. and 20 Kg Cases with 2.5 kg. or less	5% 6.00%
Inside the Mercosur Area	
Import Tariff	0.00%

Statistical Tax	0.50%
Export Tax	0%
Export Rebate: Cases containing between 2.5 kg. and 20 Kg. Cases with 2.5 kg. or less	5% 6.00%

Source: FAS Buenos Aires based on data from Tarifar database

Marketing:

In April 2015, the Province of San Juan obtained PDO (Protected Designation of Origin) certification for raisins and olive oil, a value-added quality guarantee. So far, two local raisin companies were granted PDO certification. In addition, four raisin firms have obtained the *Alimentos Argentinos* seal, which is granted by Argentina's Ministry of Agriculture, Livestock and Fisheries for obtaining high quality standards for the product, and adding value to it at origin.

Prices

Raisin export values in CY 2016 were about 10 percent lower than FOB prices the previous year**,** due to higher fruit supply in Northern Hemisphere raisin producing countries, namely Turkey.

The following are raisin FOB prices for CY 2014, CY 2015, and 2016:

Month/Year	2014	2015	2016
Jan	2,648	2,094	1,513
Feb	2,247	1,865	1,325
Mar	2,285	1,845	1,476
Apr	2,244	1,789	1,441
May	2,362	1,740	1,516
Jun	2,385	1,686	1,475
Jul	2,383	1,650	1,502
Aug	2,359	1,603	1,554
Sep	2,364	1,609	1,585
Oct	2,393	1,539	1,611
Nov	2,185	1,429	1,789
Dec	2,177	1,457	1,589
Average	**2,336**	**1,692**	**1,531**

Source: FAS Buenos Aires based on GTIS data
Exchange rate: 18.00 Local Currency/US$1

Production, Supply and Demand Data Statistics:

Raisins	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	6600	0	6600	0	6000
Area Harvested	0	6600	0	6600	0	0
Beginning Stocks	2000	2000	3000	3000	0	1000
Production	41000	41000	40000	28000	0	40000
Imports	0	0	0	0	0	0
Total Supply	43000	43000	43000	31000	0	41000
Exports	35000	35000	35000	26000	0	35000
Domestic Consumption	5000	5000	5000	4000	0	5000
Ending Stocks	3000	3000	3000	1000	0	1000
Total Distribution	43000	43000	43000	31000	0	41000
(HA) ,(MT)						