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Argentina

Fresh Deciduous Fruit Semi-annual

2014

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Report Highlights:

For calendar year (CY) 2014, Post estimates a major decrease in production of all three types of fresh deciduous fruit, especially for table grapes, forecast at 70,000 MT, half of what was previously estimated. For apples and pears, late frosts and high temperatures and, for table grapes, late frosts and excess rains in the main growing regions will cause production to decrease drastically. Domestic consumption in CY 2014 is expected to increase for apples, and it is estimated to decrease for pears and table grapes. Exports are projected to decrease due to smaller production, larger domestic consumption (for apples), and because there are large volumes of fruit in Northern Hemisphere countries. Data was sourced through on-the-ground travel by Post analyst and interviews with both industry and government officials. In addition, Post used data from the VI World Pear Congress held in Argentina in June 2013.

Executive Summary:

CY2014 fresh apple, pear and table grape production is estimated to decrease to 700,000 metric tons (MT), 670,000 MT, and 70,000 MT, respectively, compared to the previous year, due to late frost and high temperatures, and a revision of official estimates by the Province of Rio Negro (for apples and pears) and late frosts and excess rains (for table grapes). Exports for the three types of fruit are expected to decrease to 160,000 MT (for apples), 410,000 MT (for pears), and 10,000 MT (for table grapes), due to smaller production, larger domestic consumption (for apples), and larger fruit availability in Northern Hemisphere countries. Domestic consumption is forecast to increase for apples to 320,000 MT. It is expected to go down to 70,045 MT for pears. Table grape domestic consumption is projected at 60,030 MT, about 40 percent down from CY 2013, due to smaller production.

Commodities:

Apples, Fresh

Pears, Fresh

Grapes, Table, Fresh

Production:

Calendar Year (CY) 2014 fresh apple and pear production is estimated to decrease significantly from CY 2013, from 860,000 MT to 700,000 MT (for apples) and from 780,000 MT to 670,000 MT (for pears), as a result of late frosts at the end by September 2013, high temperatures during the summer (December 2013 and January 2014), and latest revisions of official statistics by the provincial government of Rio Negro to the annual harvest estimates. The official harvest estimates were based on the latest agricultural census dated 2005. However, during the past few years, 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. Thus, the 2014 harvest estimate resulted in higher fruit production than it actually was. It is estimated that the decrease in production was also due to the fact that pruning and other tasks are not being carried out appropriately as a result of financial difficulties that some producers are facing, and this might affect fruit volumes and qualities. Small volumes of fruit for processing are expected to be devoted for the industry.

CY 2013 fresh apple production was revised down to 860,000 MT, down 50,000 MT from previous USDA official estimates, due to a hail storm which affected 8,000 hectares in the Alto Valle of Rio Negro Province in early March 2013. Most of the fruit damaged were apples, of which 50 percent were devoted for processing, and the balance was lost. CY 2013 fresh pear production remained constant at 780,000 MT to USDA official estimates. The hail storm did not affect pears as much since the harvest was almost complete when the storm occurred.

Fresh table grape production for CY 2014 is forecast at 70,000 MT, half of what was estimated for 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 remained unchanged from USDA official estimates at 141,000 MT.

For CY 2014, area planted to apples is expected to continue to decrease to 27,000 hectares, due to the economic and financial crisis affecting the main fresh deciduous fruit growing region of Argentina, Alto Valle and Valle Medio in the Province of Rio Negro, and also because 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. Smaller fruit producers from Rio Negro and Neuquen, who can no longer face the financial difficulties of the past few years, are selling 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 in fewer larger producers. Area planted to pears is projected to remain unchanged. No decrease in area planted to pears is expected in the near future, as in the case of apples, as international prices have been high in the past few years and there continues to be strong demand for Argentine pears in foreign markets.

It is estimated that about 85-90 percent of total apple and pear production is produced in Alto Valle of Rio Negro Province and Neuquen Province, and the balance 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 2,300 producers and 60,000 workers in the fruit sector of Rio Negro and Neuquen Provinces.

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 is estimated to remain stable at 8,500 hectares from the previous year. In 2013, area remained unchanged at 8,500 hectares from previous estimates. It decreased from 9,000 hectares the previous year as a result of more area 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 devoted 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, pytosanitary 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. In Argentina, during the past couple of years, a shift towards the Royal Gala variety (bicolor) has occurred, as international markets are demanding less 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

-- During the past few years, trade union conflicts over salary increases with Alto Valle harvesters and packing plant operators, including strikes and road blockades, have significantly affected the Argentine apple and pear sector. Producers also protested on the roads about the continuous loss of competitiveness, and requested 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 2013 season, the salary increase agreed upon with the fruit sector was 25 percent, and for CY 2014, it reached around 26 percent.

-- As reported by private sources, in CY 2013, conventional fruit production costs increased by about 25 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). Table grape producers in the Province of San Juan have devoted more fruit to raisin and wine production in the current marketing season due to high costs and lack of financing for exports.

-- Since 2007 the fruit sector has been losing competitiveness in international markets because of increased costs, lower profitability, and decreased labor force. The economic and financial situation got worse year after year with costs that continued to increase and lower income. Private sources estimate

that the labor force of the fruit sector decreased 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 this 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, an overvalued peso (although there was a devaluation of the peso of about 20 percent in early 2014), and increasing production costs, have drastically decreased the competitiveness of the domestic fruit sector in international markets and discouraged domestic and foreign investment. The official exchange rate is 8.03 pesos to the USD. However, the black market rate is hovering around 10.55 pesos to the USD (Exchange rate of 05/06/2014).

Consumption:

Domestic apple consumption in CY 2014 is forecast to increase to 320,000 MT, compared to CY 2013, despite a decrease in production, as a result of less fruit devoted for processing and smaller exports. In addition, 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 increased from official estimates to 277,900 MT due to less fruit for processing.

For CY 2014, domestic pear consumption is expected to decrease from the previous year to 70,045 MT, due to smaller production. Consumption in CY 2013 increased to 81,044 MT, up 30,944 MT from official estimates, due to smaller exports than initially expected.

In CY 2014 for apples, similarly to what happened in CY 2013 for apples and pears, it is expected that higher volumes of fruit will be devoted for the domestic market, in detriment of overseas markets, due to the inflation in dollar terms in Argentina. 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.

Fresh table grape consumption is forecast to decrease drastically, from 117,830 MT in CY 2013 to 60,030 MT in CY 2014, due to smaller production. For CY 2013, consumption increased from USDA official estimates of 111,200 MT to 117,830 MT as a result of smaller exports. (Note: table grape domestic consumption includes grapes reallocated to raisin and wine production. In the PSD table, both 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 extra efforts are developed to devote 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 2014 fresh apple exports are estimated to decrease to 160,000 MT from CY 2013 due to smaller production and larger domestic consumption, and also because there are large volumes of fruit in Northern Hemisphere countries. CY 2013 apple exports increased marginally to 162,100 MT from USDA official estimates as a result of less fruit devoted for processing.

For CY 2014, fresh pear exports are expected to decrease to 410,000 MT, down 29,000 MT from CY 2013, due to smaller production and large fruit stocks in the Northern Hemisphere. CY 2013 pear exports decreased to 439,000 MT, compared to USDA estimates, as a result of larger domestic consumption.

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.

For table grapes, exports in CY 2014 are expected to decrease by 57 percent from the previous year to 10,000 MT, due to smaller production. For CY 2013, exports decreased to 23,200 MT, compared to official estimates, due to larger domestic consumption and lack of competitiveness of the local fruit sector in the international market. In 2013, Brazil began requiring 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). 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	2011		2012		2013	
	USD	MT	USD	MT	USD	MT
World	188,443,0911	233,393	116,330,113	130,713	155,857,759	162,107
EU	44,633,320	50,269	28,092,704	28,965	49,620,364	47,205
Brazil	63,805,115	73,781	33,581,078	31,066	48,875,278	46,012
Russia	45,122,926	59,146	23,790,605	29,292	19,110,017	21,926
Algeria	15,222,443	20,415	9,096,025	11,590	12,567,125	13,932
U.S.	3,411,593	4,495	4,437,231	4,670	7,802,092	7,783

Bolivia	3,542,661	6,594	3,373,644	6,362	4,621,015	8,279
Norway	5,132,649	5,774	3,933,202	4,408	4,187,767	3,922
Libya	219,912	296	3,018,385	3,576	2,862,207	3,131
Canada	93,772	100	119,028	115	1,556,134	1,433
Paraguay	1,232,953	5,019	1,163,159	4,445	1,280,758	4,944

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

Fresh Pear Exports – Main Destinations						
Partner Country	2011		2012		2013	
	USD	MT	USD	MT	USD	MT
World	409,125,672	469,676	361,908,283	393,865	416,474,223	438,675
Brazil	136,739,877	148,824	158,500,322	159,375	148,006,573	147,374
EU	121,968,313	141,246	64,972,146	75,825	98,965,797	109,033
Russia	85,022,758	106,280	79,887,410	94,798	91,867,896	103,190
U.S.	32,992,768	38,830	27,749,830	31,340	38,626,779	40,684
Canada	5,448,048	6,044	3,989,759	4,335	7,810,962	7,355
Algiers	3,611,187	4,442	4,552,812	5,469	4,033,971	4,643
Peru	0	0	6,114,400	5,608	4,670,383	4,619
Mexico	7,472,333	6,752	2,602,560	2,228	5,127,110	3,899
United Arab Emirates	0	0	1,437	1,618	2,995,663	3,120
Singapore	0	0	2,771,410	1,770	2,896,271	1,911

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

Fresh Table Grape Exports – Main Destinations						
Partner Country	2011		2012		2013	
	USD	MT	USD	MT	USD	MT
World	83,438,481	56,417	68,265,830	43,519	36,311,239	23,254
Russia	22,363,473	15,198	16,184,474	10,555	12,294,311	8,294
EU	35,887,372	23,206	31,449,606	18,719	11,560,926	7,366
Brazil	19,875,477	13,497	13,686,853	8,734	10,428,879	5,732

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

Currently, over 70 markets are open to Argentine apples and pears. 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 the third place. Since the past couple of years, Russia has been losing interest in Argentine apples in favor of 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 the first part of the year, most apple and pear exports are devoted 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.

While the U.K. and the U.S. are traditional markets for Argentine organic apples and pears, the British market remains stable and the U.S. market continues 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 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, but this practice is becoming less frequent.

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 5 percent and for citrus and vegetable are 2.5 percent. Part of Argentina's 5 percent export tax on apples, pears, and table grapes is rebated to the exporter depending on the size of the container. In January 2011, 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 was 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

Starting in April 2010, the Argentine government has focused on discouraging imports of food products, particularly those that compete with local production. Although fresh apple and pear imports have traditionally been small, these policies have decreased imports. The government has used its control over the issuance of “certificates of free circulation” by the food regulatory agency INAL to delay imports and force importers to commit to export an equal amount. It has also used its control of non-automatic import licenses on consumer goods (non-agricultural) to press supermarkets to replace imported products with locally produced food products. In March 2011, the GoA directed the major supermarkets to present, by the end of the month, plans for replacing all imported food products. To date, there has been no flexibility on the government import policy.

Last year, the GoA raised tariffs on up to 100 product groups. The GoA significantly stepped up its controls on imports. Measures companies must comply with include requesting preapproval for an import 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, and difficulties in obtaining certificates of country-of-origin for products to be imported. Under this scenario, it has been difficult for producers to obtain imported inputs, such as agrochemicals, and agricultural machinery and equipment, and they were forced to purchase locally manufactured products (when available) at higher costs.

In early May 2012, as a retaliation measure to Argentine import restrictions, the Government of Brazil (GoB) suspended automatic import licenses for a few Argentine fresh products, including apples, pears, table grapes, plums, wine, potatoes, wheat flour, and cheese, and in early June, an additional phytosanitary authorization was requested for Argentine apples, pears, quinces, and lemons entering Brazil. As a result, an import license for these products must be requested in advance. This measure has impacted seriously in the local fruit sector with fruit oversupply exceeding the local processing capacity, and especially considering that Brazil is the primary export destination for Argentine apples and pears in the second semester of the year. Private sources reported that, during May-September 2012, apple and pears exports to Brazil decreased by 50-60 percent. Currently, pear and table grape exports are not being delayed, although table grape exports must undergo bromide treatment. However, the approval of import licenses for apples is still taking about 20 days. The request for a phytosanitary authorization was lifted.

In October 2013, Official Disposition 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, enormous, 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 for Argentine apples and pears from around 4 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 will lose 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 other competing countries, such as Chile or South Africa.

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.

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 Philippines.

Marketing:

Prices

Overall, fresh fruit FOB prices were high during the past couple of years, and they continued to increase throughout CY 2013 (except for apples and pears as, in the last quarter, prices fell marginally). 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.

The following tables show average export prices for CY 2011, 2012, and 2013:

FOB Prices (\$/MT) Fresh Apples			
Month	2011	2012	2013
Jan	745	1,001	1,094
Feb	809	856	950
Mar	780	862	929
Apr	805	881	1,010
May	840	903	1,009
Jun	779	873	975

Jul	750	822	932
Aug	782	820	896
Sep	803	835	907
Oct	811	884	883
Nov	882	1,033	896
Dec	930	1,114	936
Average	810	907	951
Exchange rate	8.03	Local currency/US\$1	
Date of Quote	05/06/2014		

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

FOB Prices (\$/MT) Fresh Pears			
Month	2011	2012	2013
Jan	830	956	1,010
Feb	835	856	906
Mar	831	867	923
Apr	830	863	911
May	850	884	939
Jun	903	919	962
Jul	990	1,001	1,040
Aug	966	1,016	1,024
Sep	1,017	1,063	1,033
Oct	1,087	1,136	1,059
Nov	1,314	1,267	1,114
Dec	1,439	1,321	1,105
Average	991	1,012	1,002
Exchange rate	8.03	Local currency/US\$1	
Date of Quote	05/06/2014		

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

FOB Prices (\$/MT) Fresh Table Grapes			
Month	2011	2012	2013
Jan	1,461	1,626	1,525
Feb	1,378	1,494	1,583
Mar	1,382	1,488	1,719
Apr	1,329	1,561	1,544
May	1,397	425	1,360
Jun	1,468	568	953
Jul	2,311	425	0
Aug	500	0	0
Sep	500	0	0

Oct	500	0	0
Nov	0	0	0
Dec	1,724	1,556	1,729
Average	1,268	1,143	1,487
Exchange rate	8.03	Local currency/US\$1	
Date of Quote	05/06/2014		

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

Retail Prices (US\$/kg) – May 2014		
	Variety	Price (US\$/kg)
Pears	Packham's Triumph	3.20
	William's	3.30
Apples	Red Delicious (Premium)	3.80
	Red Delicious (Standard)	1.70
	Granny Smith (Premium)	3.80
	Rome Beauty	n/a
	Golden Delicious	4.27
Table Grapes	Red Globe (Premium)	n/a
	Red Globe (Standard)	2.56
	Superior Seedless	2.39

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

Retail prices for fresh organic apples and pears 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.)									
	2011			2012			Jan-Sep 2013		
	Apples	Pears	Grapes	Apples	Pears	Grapes	Apples	Pears	Grapes
January	0.73	0.53	1.25	0.93	0.90	0.12	1.08	0.89	1.35
February	0.75	0.52	0.84	0.88	0.83	0.86	0.92	0.87	1.16
March	0.74	0.54	0.86	0.93	0.79	0.07	0.95	0.75	1.03
April	0.67	0.56	0.88	0.90	0.82	1.10	0.92	0.72	1.05

May	0.65	0.56	0.91	0.92	0.74	1.06	1.01	0.83	1.15
June	0.68	0.59	1.16	0.96	0.75	1.34	1.05	0.69	1.19
July	0.70	0.58	1.45	1.01	0.74	1.70	1.05	0.74	1.58
August	0.68	0.59	2.51	1.12	0.78	2.11	1.05	0.90	2.38
September	0.75	0.62	4.88	1.17	0.87	4.78	1.11	0.97	0
October	0.77	0.72	5.98	1.10	0.82	4.52	n/a	n/a	n/a
November	0.84	0.85	0	1.20	0.98	2.01	n/a	n/a	n/a
December	0.93	1.01	1.63	1.24	1.04	1.73	n/a	n/a	n/a
Annual Average	0.74	0.64	2.03	1.03	0.84	1.78	n/a	n/a	n/a

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

Notes:

1. “0” means “not in season/no fruit sold.”
2. Prices for the period September-December 2013 were not available.

Production, Supply and Demand Data Statistics:

Apples, Fresh Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	30,000	30,000	27,500	27,500		27,000
Area Harvested	27,000	27,000	26,000	26,000		25,500
Bearing Trees	27,000	27,000	25,000	25,000		24,500
Non-Bearing Trees	4,500	4,500	4,300	4,300		4,200
Total Trees	31,500	31,500	29,300	29,300		28,700
Commercial Production	860,000	860,000	910,000	860,000		700,000
Non-Comm. Production	0	0	0	0		0
Production	860,000	860,000	910,000	860,000		700,000
Imports	50	50	50	0		0

Total Supply	860,050	860,050	910,050	860,000		700,000
Fresh Dom. Consumption	279,350	279,350	245,050	277,900		320,000
Exports	130,700	130,700	160,000	162,100		160,000
For Processing	450,000	450,000	505,000	420,000		220,000
Withdrawal From Market	0	0	0	0		0
Total Distribution	860,050	860,050	910,050	860,000		700,000
HA, 1000 TREES, MT						

Pears, Fresh Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	28,000	28,000	28,500	28,500		28,500
Area Harvested	26,000	26,000	27,000	27,000		27,000
Bearing Trees	19,000	19,000	20,000	20,000		20,000
Non-Bearing Trees	4,000	4,000	4,000	4,000		4,000
Total Trees	23,000	23,000	24,000	24,000		24,000
Commercial Production	760,000	760,000	780,000	780,000		670,000
Non-Comm. Production	0	0	0	0		0
Production	760,000	760,000	780,000	780,000		670,000
Imports	100	100	100	44		45
Total Supply	760,100	760,100	780,100	780,044		670,045
Fresh Dom. Consumption	86,200	86,200	50,100	81,044		70,045
Exports	393,900	393,900	470,000	439,000		410,000
For Processing	280,000	280,000	260,000	260,000		190,000
Withdrawal From Market	0	0	0	0		0
Total Distribution	760,100	760,100	780,100	780,044		670,045
HA, 1000 TREES, MT						

Grapes, Fresh Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	9,000	9,000	8,500	8,500		8,500
Area Harvested	8,500	8,500	9,300	8,300		8,300
Commercial Production	110,000	110,000	141,000	141,000		70,000
Non-Comm. Production	0	0	0	0		0
Production	110,000	110,000	141,000	141,000		70,000
Imports	150	150	200	30		30
Total Supply	110,150	110,150	141,200	141,030		70,030
Fresh Dom. Consumption	66,650	66,650	111,200	117,830		60,030
Exports	43,500	43,500	30,000	23,200		10,000
For Processing	0	0	0	0		0
Withdrawal From Market	0	0	0	0		0
Total Distribution	110,150	110,150	141,200	141,030		70,030

HA, MT						