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Argentina

Fresh Deciduous Fruit

Annual

2004

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Report Highlights:
The Argentine fresh deciduous fruit crop in calendar year (CY) 2004 is forecast at 1.36 million metric tons (MT), a 17 percent drop with respect to CY 2003 due to unfavorable weather conditions. In addition to the fall in production, the poor quality of the crop will be an issue in CY 2004, due to damages from frost, wind, and insects. Exports of fresh apples and pears are expected to decline due to the poor quality of CY 2004 despite the exporters' desire to increase their shipments. The strength of the dollar against the Argentine peso is expected to continue to discourage imports. Domestic consumption of fresh pears and apples is also forecast to decline because the limited amount of good quality fresh fruit will be destined to the export market. Concentrated apple juice (CAJ) production and exports are forecast to remain high, as more low quality fruit will be available for this sector this year.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Buenos Aires [AR1]
[AR]

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Section I. Situation and Outlook

Production

Fresh Deciduous Fruit production in CY 2004 is forecast to drop to 1.36 million MT, a 15-percent fall compared with the CY 2003 harvest. The unfavorable weather conditions in the main producing regions provoked a significant drop in CY 2004 yields.

In addition to the fall in production, the quality of the fruit has been affected the frost and winds, as well as damage by coddling moth (*Cydia pomonela*).

Planted area in Mendoza Region shrunk in a remarkable manner. As shown in table 2 below, this steep fall was due to a data adjustment from the 2002 National Agricultural Census, which was released in 2003. Reportedly, this industry lost a great deal of profitability in the 1990's and many farmers converted their fields into more profitable crops such as grapes for wine. Although planted area in the Rio Negro and Neuquen producing region has probably changed as well, no new official figures have been released.

Table 1. Fresh Deciduous Fruits Total Production

	2003		2004	
	Area	Production	Area	Production
Mendoza	11500	230000	8200	160000
Rio Negro	59500	1380000	59500	1200000
Total	71000	1610000	67700	1360000

Argentine apple production in CY 2004 is expected to fall 10 percent to 900,000 MT due to unfavorable weather conditions.

The apple crop in the Mendoza region is expected to fall 30 percent as a result of a 35 percent reduction in planted area and expected lower yields for CY 2004. The reduction of the yields was caused mainly by extremely hot days in November 2003 and strong winds in December 2003.

Apple yields in the Region of Rio Negro and Neuquen, also fell by 8 percent due to unfavorable climatic events. Firstly, a late frost that occurred on October 10 affected a large part of the southern valleys and accounted for 90 percent of the yield loss.

Table 2. Effect of the December 10, 2003 frost

Affected area	Yield Loss (%)
From Villa Regina to Valle Medio	60 – 70
From General Roca to Villa Regina	20
From Chipoletti to General Roca	10
From Neuquen to Chipoletti	No reduction in yield was registered

Secondly, a number of days with strong winds in the first two weeks of December blew off fruits and damaged a large portion of the remaining crop. Reportedly, 5 percent of the losses were caused by winds.

Table 3. Apples				
	2003		2004	
	Area	Production	Area	Production
Mendoza	7000	140000	4600	100000
Rio Negro	46000	870000	46000	800000
Total	53000	1000000	50600	900000

Argentine pear production in CY 2004 is forecast to fall to 460,000 MT, a 23-percent drop with respect to CY 2003 at 600,000 MT.

The pear crop in Mendoza region is forecast at 60,000 MT in 2004, 30 percent less than CY 2003. Reportedly, pear orchards suffered severely the effects of strong winds in December 2003. The results have not only been in fruit losses, but also in a reduction of fruit quality. In CY 2004, a large amount of fruit will only be suitable for either the domestic market or less strict foreign markets such as Brazil due to the low quality.

In the Rio Negro and Neuquen producing region, the pear-picking season started during the third week of CY 2004 with the Bartlet variety. While the first vessels bound for Europe are ready to depart, those leaving for the United States will be loaded by January 24, 2004. Pear production in this region is forecast to decline to 400,000 MT, nearly 20 percent less than in CY 2003, due to unfavorable weather conditions.

Table 4. Pears				
	2003		2004	
	Area	Production	Area	Production
Mendoza	4500	90000	3600	60000
Rio Negro	13500	510000	13500	400000
Total	18000	600000	17100	460000

Concentrated Apple Juice (CAJ) production is expected to increase 6 percent in CY 2004 to 66,000 MT. The more stringent plant protection regulations imposed by the Argentine Plant Health Agency (SENASA) to combat coddling moth (*Cydia pomonela*), are expected to result in 10 percent increase of deliveries to the crushing industry in CY 2004.

The following tables show the Government of Argentina's official forecasts for the two most important producing regions in Argentina. These figures do not take into consideration the unfavorable weather conditions that affected production in December 2003.

CY 2004 pear and apple forecast for Mendoza province for different varieties

Table 7. Pear Production forecast CY 2004										
Zones	Eastern		Northern		Central		Southern		Total	
Variety	Area	Production	Area	Production	Area	Production	Area	Production	Area	Productio n
Bartlet	238	4734	398	5144	1311	28665	901	18008	2848	56550
Beurre Giffard	6	136	16	360	6	136	105	2388	133	3021
Packham	21	473	17	393	282	6351	70	1574	390	8791
Others	17	333	65	833	139	3045	0	0	221	4210
Grand Total	282	5676	496	6729	1738	38196	1076	21969	3592	72571

Table 8. Apple Production forecast CY 2004										
Zones	Eastern		Northern		Central		Southern		Total	
Variety	Area	Production	Area	Production	Area	Production	Area	Production	Area	Production
Red Delicious	0	0	53	1341	2311	58512	115	2911	2479	62765
Gala	0	0	0	0	106	1970	0	0	106	1970
Chañar	0	0	0	0	899	18424	8	164	907	18588
Others	14	300	49	1238	1025	24391	0	0	1088	25929
Total	14	301	102	2579	4341	103298	123	3075	4580	109253

Source: The Institute for the Rural Development (IDR – www.idr.org.ar)

CY 2004 pear and apple forecast for the Rio Negro and Neuquen producing region for the most relevant varieties

Table 9. Apple Production forecast CY 2004						
Zones	Rio Negro		Neuquen		Total	
Variety	Area	Production	Area	Production	Area	Production
Red Delicious		658792		149482		808274
Granny Smith		241992		34403		278395
Total		900784		185885		1086699

Table 10. Pear Production forecast CY 2004						
Zones	Rio Negro		Neuquen		Total	
Variety	Area	Production	Area	Production	Area	Production
Bartlet		180480		21658		202138
Packham's Triumph		129880		20680		150560
Beurre D'anjou		47186		6882		54068
Total		357546		49220		406766

Source: Secretariat of Fruit Production of the Province of Rio Negro

Domestic Consumption

Domestic consumption of apples and pears will suffer a downturn in CY 2004 because of the contraction in supply due to lower production and competition with the export sector. Pear domestic consumption is forecast to drop 35 percent in CY 2004. While in CY 2003 domestic consumption of fresh pears was 123,000 MT, it is expected that no more than 80,000 MT will reach the market in CY 2004. Regarding apples, the reduction in consumption is projected to be in the order of 30 percent, from 350,000 MT in CY 2003 to 250,000 in CY 2004. The poor quality expected in CY 2004 will determine a drop in the domestic price.

Trade

While exporters are keen on expanding their business in CY 2004, exports of fresh pears and apples are forecast to decline in CY 2004 due to unfavorable weather conditions, which affected production and quality.

Apple exports in CY 2004 are forecast to fall to 170,000 MT, 15 percent less than CY 2003.

Pear exports in CY 2004 are expected to drop 20 percent compared with CY 2003 to 260,000 MT due to the lack of good quality fruit to satisfy international standards.

Regarding the destination of the produce, sources in the industry believe that the current strength of the Euro will make exporters look to the old continent in CY 2004. According to industrial sources, the European Union is going to attract more pear shipments in CY 2004 than in CY 2003. Shipments to the U.S. are forecast to decline from the 50,000 MT in CY 2003 to 36,000 MT in CY 2004, due to better prices in Europe.

Quality will be another issue that will constrain exports in CY 2004. In general terms, pear quality will not reach the high standards demanded by the United States and the E.U. markets due to damages on the fruit's skin from the strong winds in the region. Russia, one of the least strict markets, will probably take most of the fruit.

The more stringent plant protection regulations imposed by the Argentine Plant Health Agency (SENASA) is expected to result in 10 percent more fruit going to the crushing industry. This new measure is part of an eradication campaign set by the Argentine government to combat coddling moth.

Exports of CAJ in CY 2004 are expected to increase by 6 percent to 64,000 MT, as more fruit is likely to be delivered to processor due to stricter controls over codling moth in the Patagonia Valley growing region. Historically, Argentina has exported nearly 97 percent of its national production of CAJ. Exports of CAJ reached 63,600 MT in 2003, 98-percent of which was destined to the United States in bulk (307 Kg drums or 1535 Kg bins).

In CY 2004 the logistics for fruit exports from the San Antonio Este port in Southeastern Argentina will be more efficient. Industry sources report that all the export groups (one export group can be made up of many exporters or packers) have agreed to share vessels, leading to faster loading and less delays than in previous years.

Imports of apples, pears and CAJ continued to decline (see statistical tables: Imports) as the Argentine peso remains far below the dollar. Imports of CAJ were mainly from Brazil and are used as sweetener by the soft drink industry.

Import and Export Regulations

Table 5. Fresh Apples and Pears	
Outside the Mercosur Area	
Import Tariff (%)	11.50
Statistical Tax (%)	0.50
Export tax (%)	10.00
Rebate (%)Cases containing between 2.5 Kg. and 20 Kg. **Cases containing 2.5 Kg. or less**	5.00 6.00
Within the Mercosur Area	
Import tariff (%)	0.00
Export tax (%)	5.00
Rebate (%) Cases containing between 2.5 and 20 kg. **Cases containing 2.5 kg. or less**	5.00 6.00

An additional 3 percent rebate for all fresh fruit being exported through the San Antonio Este port is being granted. This special rebate will be reduced to 2 percent in CY 2004, 1 percent in CY 2005 and eliminated in January 2006.

Table 6. Concentrated Apple Juice	
Outside the Mercosur Area	
Import Tariff (%)	15.50
Statistical Tax (%)	0.50
Export tax (%)	5.00
Rebate (%) Containers larger than 1 liter **Containers of 1 liter or less**	5.00 6.00
Within the Mercosur Area	
Import tariff (%)	0.00
Export tax (%)	5.00
Rebate (%) Containers larger than 1 liter **Containers of 1 liter or less**	5.00 6.00

Factors Affecting Industry Structure

Brazil

For decades, Brazil has been the first market for the Argentine fresh apples and pears. Argentina used to supply 90 percent of Brazil's domestic consumption. Brazilian apple production grew drastically in the last forty years. Currently, with production close to self-sufficiency, it only imports limited amounts of fruit.

Evolution of the apple production in Brazil				
Year	1970	1980	1990	2000
Area (ha)	1000	20000	25000	30000
Production (MT)	1500	50000	330000	860000

This situation has modified the commercial relationship between Argentina, as an apple supplier, and Brazil. Argentine apple exports started to fall in 2003 when Brazil reinforced its sanitary measures to avoid the risk of introducing Coddling moth (an endemic disease in Argentina) in its territory. As a result, many exporters have turned their attention to other less strict markets such as Russia. In CY 2003, Russia replaced Brazil as the top importer of Argentine apples.

Cost of production

Sources in the industry informed that the cost of producing one metric ton of fruit has increased over the last year. Labor, which is nearly 25 percent of the annual operative cost of a plantation, increased 100 percent in CY 2003. Currently, unions are on strike asking for a salary increase, which will take the wage of an apple picker up to $12. Sources in the industry assert that an increase in wages will compromise the business in CY 2004.

Marketing activities

In the second part of CY 2003, one of the largest Argentine packinghouse began with what they called an "aggressive marketing strategy" oriented to high-income consumers. Branded with its logo, they presented their apples in tasting shows in 70 stores. In addition, they carried out opinion polls in all the shops that they supplied. Also, this firm created alliances with the supermarkets in order to continuously supply them with the highest quality in the market. After six months of work, this company is now the number one in sales in the Argentine domestic market.

Financial Constraints

After the banking crisis began in December 2001, very little sign of financial recovery has been seen in Argentina. The 70 percent peso devaluation and the conversion of all the debts from their original currency to Argentine pesos, helped producers solve their financial problems for a while. However, the lack of foreign credit leads packinghouses to rely more heavily on letters of credit from importing countries in order to attain foreign exchange to finance their domestic operations. Due to the lack of quality in CY 2004, the most important challenge for this industry will be to find the way to supply the domestic market.

Quality

The stiffer plant protection measures that Brazil imposed on the Argentine fruit because of codling moth (*Cydia pomonela*), an endemic pest in the Patagonian valleys, resulted in a reduction of the Argentine shipments in CY 2003. After the one-month ban on Argentine apples in May 2002, the Brazilian and Argentine plant protection authorities agreed on a more stringent pre-clearance export program to avoid this pest encroaching on the Brazilian border. With this new program in force, the number of lots rejected has increased considerably and as a result, the amount of fresh fruit suitable for export declined.

Prices

Domestic Wholesale Prices for all Varieties ($/kg.)				
	2002		2003	
	Pear	Apple	Pear	Apple
January	0.28	0.21	0.29	0.48
February	0.20	0.20	0.25	0.43
March	0.15	0.15	0.24	0.31
April	0.19	0.16	0.27	0.30
May	0.17	0.16	0.26	0.29
June	0.17	0.19	0.25	0.31
July	0.18	0.21	0.27	0.30
August	0.21	0.26	0.29	0.30
September	0.27	0.31	0.36	0.32
October	0.33	0.39	0.41	0.48
November	0.35	0.36	0.43	0.43
December	0.30	0.44	0.68	0.49

Source: Buenos Aires Central Market (www.mercadocentral.com.ar)

Domestic Retail Prices, Red Delicious Variety ($/Kg.)		
	2002	2003
January	0.63	0.78
February	0.58	0.68
March	0.41	0.59
April	0.40	0.60
May	0.37	0.57
June	0.37	0.58
July	0.40	0.57
August	0.44	0.57
September	0.50	0.62
October	0.58	0.70
November	0.62	0.73
December	0.70	0.77

Source: The National Institute for Statistics (INDEC – www.indec.gov.ar)

Section II. Statistical Tables

PSD Table							
Country	Argentina						
Commodity	Fresh Apples				(HA)(1000 TREES)(MT)		
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Area Planted	54	54	54	50	0	50	(HA)
Area Harvested	53	53	53	51	0	51	(HA)
Bearing Trees	27100	27100	27100	21000	0	21000	(1000 TREES)
Non-Bearing Trees	4000	4000	4000	4000	0	4000	(1000 TREES)
Total Trees	31100	31100	31100	25000	0	25000	(1000 TREES)
Commercial Production	900000	900000	1000000	1000000	0	900000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	900000	900000	1000000	1000000	0	900000	(MT)
TOTAL Imports	2918	369	320	500	0	600	(MT)
TOTAL SUPPLY	902918	900369	1000320	1000500	0	900600	(MT)
Domestic Fresh Consump	378784	375369	350320	354500	0	250600	(MT)
Exports, Fresh Only	144134	165000	200000	196000	0	170000	(MT)
For Processing	380000	360000	450000	450000	0	480000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	902918	900369	1000320	1000500	0	900600	(MT)

Export Trade Matrix			
Country	Argentina		
Commodity	Fresh Apples		
Time Period	CY	Units:	MT
Exports for:	2002		2003
U.S.	1810	U.S.	4657
Others		Others	
Russia	34382	Russia	52763
Belgium	21786	Belgium	31131
Netherlands	24626	Netherlands	30155
Brazil	39527	Brazil	23344
Spain	8002	Spain	10622
Sweden	4908	Sweden	9880
Norway	9589	Norway	9817
Portugal	8742	Portugal	7165
Spain	8002	Italy	5700
Italy	3813	Bolivia	1450
Total for Others	163377		182027
Others not Listed	757		8868
Grand Total	165944		195552

Import Trade Matrix			
Country	Argentina		
Commodity	Fresh Apples		
Time Period	CY	Units:	MT
Imports for:	2002		2003
U.S.	59	U.S.	0
Others		Others	
Chile	43	Chile	472
Brazil	248	Brazil	46
France	19		
Total for Others	310		518
Others not Listed	0		0
Grand Total	369		518

Prices Table			
Country	**Argentina**		
Commodity	**Fresh Apples**		
Prices in	**$ FOB**	**per uom**	**MT**
Year	**2002**	**2003**	**% Change**
Jan	390	420	8%
Feb	420	460	10%
Mar	460	410	-11%
Apr	400	410	3%
May	370	410	11%
Jun	360	390	8%
Jul	360	390	8%
Aug	300	370	23%
Sep	310	380	23%
Oct	320	400	25%
Nov	360	410	14%
Dec	370		-100%
Exchange Rate	2.98	Local Currency/US $	
Date of Quote	11/30/2003	MM/DD/YYYY	

PSD Table							
Country	Argentina						
Commodity	Fresh Pears				(HA)(1000 TREES)(MT)		
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Area Planted	18	18	18	18	0	17	(HA)
Area Harvested	18	18	18	18	0	17	(HA)
Bearing Trees	9100	9100	9100	9100	0	9100	(1000 TREES)
Non-Bearing Trees	1300	1300	1300	1300	0	1000	(1000 TREES)
Total Trees	10400	10400	10400	10400	0	10100	(1000 TREES)
Commercial Production	550000	550000	660000	600000	0	460000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	550000	550000	660000	600000	0	460000	(MT)
TOTAL Imports	432	250	0	0	0	0	(MT)
TOTAL SUPPLY	550432	550250	660000	600000	0	460000	(MT)
Domestic Fresh Consump	137898	105250	160000	123000	0	80000	(MT)
Exports, Fresh Only	282534	315000	350000	327000	0	260000	(MT)
For Processing	130000	130000	150000	150000	0	120000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	550432	550250	660000	600000	0	460000	(MT)

Export Trade Matrix			
Country	Argentina		
Commodity	Fresh Pears		
Time Period	CY	Units:	MT
Exports for:	2002	November	2003
U.S.	22000	U.S.	48765
Others		Others	
Brazil	28862	Russia	63325
Italy	24976	Italy	59419
Russia	17059	Brazil	49331
Belgium	15865	Belgium	33084
Netherlands	11848	Netherlands	31503
France	4013	France	7594
Portugal	2967	Portugal	6819
Mexico	1214	Sweden	5080
Sweden	1001	Mexico	4820
Spain	1094	Spain	4312
Total for Others	108899		265287
Others not Listed	4567		12452
Grand Total	314052		326504

Import Trade Matrix			
Country	Argentina		
Commodity	Fresh Pears		
Time Period	CY	Units:	MT
Imports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Brazil	249	Brazil	19
		Chile	5
Total for Others	249		24
Others not Listed	0		0
Grand Total	249		24

Prices Table			
Country	Argentina		
Commodity	Fresh Pears		
Prices in	$ FOB	per uom	MT
Year	2002	2003	% Change
Jan	490	470	-4%
Feb	480	460	-4%
Mar	440	450	2%
Apr	420	440	5%
May	380	430	13%
Jun	390	420	8%
Jul	350	450	29%
Aug	350	430	23%
Sep	350	470	34%
Oct	360	530	47%
Nov	380	560	47%
Dec	410		-100%
Exchange Rate	2.98	Local Currency/US $	
Date of Quote	11/30/2003	MM/DD/YYYY	

PSD Table							
Country	Argentina						
Commodity	Concentrated Apple Juice			(MT)			
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Deliv. To Processors	380000	360000	450000	450000	0	480000	(MT)
Beginning Stocks	11725	11725	30699	13333	30899	10233	(MT)
Production	53000	50000	62000	62000	0	66000	(MT)
Imports	106	108	200	500	0	500	(MT)
TOTAL SUPPLY	64831	61833	92899	75833	30899	76733	(MT)
Exports	28132	42500	60000	63600	0	64000	(MT)
Domestic Consumption	6000	6000	2000	2000	0	2000	(MT)
Ending Stocks	30699	13333	30899	10233	0	10733	(MT)
TOTAL DISTRIBUTION	64831	61833	92899	75833	0	76733	(MT)

Export Trade Matrix			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Time Period	CY	Units:	MT
Exports for:	2002		2003
U.S.	42217	U.S.	62524
Others		Others	
Chile	76	Russia	771
Dominican Republic	72	Trinidad & Tobago	184
Brazil	57	Dominican Rep.	45
Trinidad & Tobago	35	Uruguay	23
Paraguay	7	Colombia	11
El Salvador	4	Paraguay	8
Total for Others	251		1042
Others not Listed	1		5
Grand Total	42469		63571

Import Trade Matrix			
Country	Argentina		
Commodity	Concentrated Apple Juice		
Time Period	CY	Units:	MT
Imports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Brazil	231	Brazil	491
Total for Others	231		491
Others not Listed	0		0
Grand Total	231		491

Prices Table

Country	Argentina		
Commodity	Concentrated Apple Juice		
Prices in	US$ FOB	per uom	MT
Year	2002	2003	% Change
Jan	700	690	-1%
Feb	780	710	-9%
Mar	740	730	-1%
Apr	650	730	12%
May	670	790	18%
Jun	680	780	15%
Jul	670	780	16%
Aug	1170	800	-32%
Sep	710	890	25%
Oct	680	790	16%
Nov	610	800	31%
Dec	690		-100%
Exchange Rate	2.98	Local Currency/US $	
Date of Quote	11/30/2003	MM/DD/YYYY	