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Report Name: Annual Fresh Deciduous Fruit Report

Country: Brazil

Post: Brasilia

Report Category: Fresh Deciduous Fruit

Prepared By: Priscila Ming

Approved By: Katherine Woody

Report Highlights:

For market year (MY) 2018/2019 (January – December 2019), Post revises its apple production estimate down to 1.07 million metric tons (MMT), a 2-percent drop compared to the previous year. For MY 2019/2020 (January – December 2020), apple production is forecast to increase two percent to 1.095 MMT. Post estimates a decrease of 4 percent for pear imports in MY 2018/2019 (January – December 2019), compared to the previous year. For grapes, production is projected to decreased by 10.5 percent to 1.425 MMT in MY 2018/2019 (October 2018 – September 2019), compared to 1.592 MMT the prior year. Post forecasts continued decreases for MY 2019/2020 (October 2019 – September 2020) if weather conditions do not improve.

General Information:

Apples

Area

Apple-producing areas in Brazil are concentrated in the highland regions of the country's two southernmost states. Santa Catarina is Brazil's major apple-producing state, accounting for 54 percent of the total area, followed by the state of Rio Grande do Sul with 41 percent of national planted area. More specifically, three regions account for the bulk of Brazilian production: Fraiburgo (Santa Catarina state), Sao Joaquim (Santa Catarina state) and Vacaria (Rio Grande do Sul state). Though production exists in other states, such as Parana and Sao Paulo, the volumes are not significant when compared to the states of Santa Catarina and Rio Grande do Sul.

Brazil's Apple-Producing Regions

Source: Hortifruti Brasil magazine

Post estimates total 2019 planted area for apples at 32,538 hectares, which is 2-percent growth over 2018. Incentivized by profit margins, some producers in Santa Catarina are investing in the sector and are expanding planted area. This includes producers in Fraiburgo, Santa Catarina, who are adding apple trees to areas previously occupied by row crops.

However, the other two major production regions of Vacaria, Rio Grande do Sul, and Sao Joaquim, Santa Catarina, are maintaining the planted areas but investing to bolster the productivity of orchards. Expanded planted areas is not expected for these locations in the medium-term. Post expects 2020 planted area will be similar to the current year.

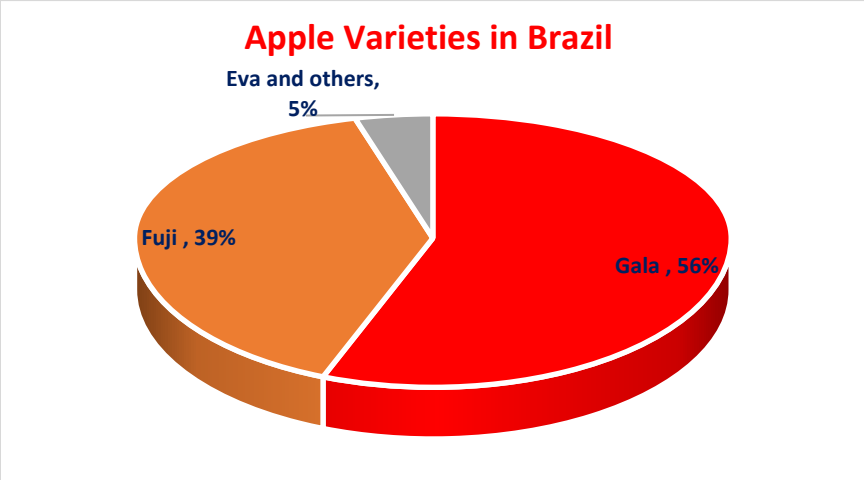
Brazil Apple Planted Area by State

State	Principal Varieties	2017 Planted Area (ha)	2018 Planted Area (ha)	2019 Planted Area (ha)	Change from 2018 to 2019
Santa Catarina	Gala and Fuji	16,364	17,078	17,636	3%
Rio Grande do Sul	Gala and Fuji	15,695	13,378	13,378	0%
Parana	Eva	1,100	1,100	1,100	0%
Sao Paulo	Eva	173	173	173	0%
Others	Gala, Fuji, Eva	251	251	251	0%
TOTAL BRAZIL	Gala, Fuji, Eva	33,583	31,980	32,538	2%

Data Sources: Brazilian Institute of Geography and Statistics (IBGE), various industry sources

Production

Brazilian apple production is dominated by three varieties: Gala, Fuji, and Eva. According to the Brazilian Association of Apple Producers, over the last five years, Gala accounted for approximately 56 percent of production, while Fuji accounted for another 39 percent. Eva and other varieties made up the remaining 5 percent.



Data source: Brazilian Association of Apple Producers (ABPM)

Eva variety

Fuji variety

Gala variety

For MY 2018/2019 (January – December 2019), Post revises its apple production estimate down to 1.07 MMT. During the Brazilian winter and spring (June – November 2019), the major producing regions for apples experienced favorable weather conditions. The 2018/2019 crop is smaller in volume but superior in quality to the previous harvest, according to producers. Smaller fruit size was a prevailing trait in the MY 2017/2018 (January – December 2018) growing season in the two varieties that dominate the sector, but there was a recovery on that score with the MY 2018/2019 crop. For example, the 2019 crop has larger fruit with less damage, along with good color and taste.

The MY 2017/2018 crop experienced adverse weather conditions, resulting in lower quality fruit and a larger share of the harvest sent for processing. However, the MY 2018/2019 Gala crop had few flaws (fewer hailstorms occurred), resulting in more category #1 fruit (premium fruit). In Vacaria, Rio Grande do Sul, a large Gala apple production hub, fruit size grew from 105-110 grams in MY 2017/2018 to 125-130 grams (considered normal size) in MY 2018/19. This improvement in fruit size was primarily the result of more favorable winter conditions. The high quality of the crop has positively affected producer profitability, a welcome development as producers have suffered the past few years with low quality fruit due to poor growing conditions.

Trade sources expect Brazil's apple production for MY 2019/2020 to increase 2-3 percent. This forecast assumes there will be a sufficient number of cold nights and days needed by the apple orchards.

Sales/Marketing

In 2018, apples were the third-most traded fruit in Brazil's wholesale Food Supply and Distribution Centers (CEASAS), according to a survey conducted by the National Food Supply Company (CONAB). Apples were surpassed only by bananas and watermelons and remained just ahead of papayas. Total sales of the fruit reached 448.7 million kilograms, the third-largest volume since 2009 (the largest sales year, 504.5 million kilograms, was the 2017 record crop). Of the volume sold to wholesalers in 2018, the largest portion, 44.2 percent, originated in Santa Catarina, with an additional 33.2 percent coming from Rio Grande do Sul. The leading suppliers include the municipalities of Vacaria, Rio Grande do Sul, and São Joaquim, Santa Catarina, followed by Fraiburgo, Santa Catarina, and Caxias do Sul, Rio Grande do Sul.

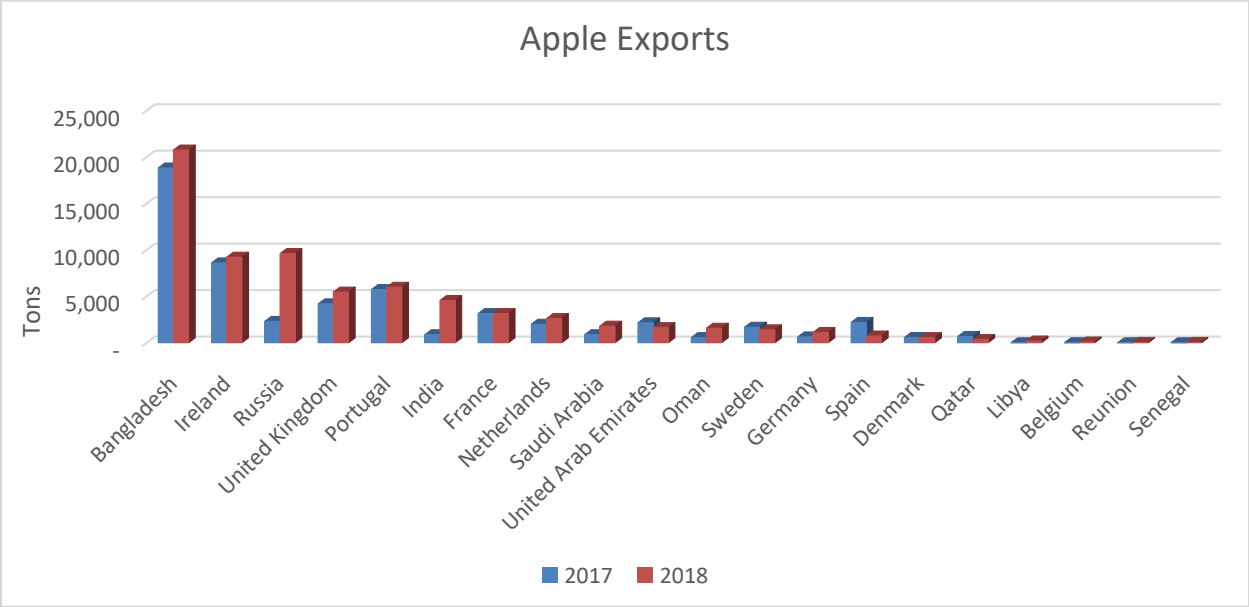
Consumption

Brazilian consumption trends of fresh apples vary significantly by region. Consumers in southern Brazil prefer larger apples, while consumers in central Brazil prefer medium-sized apples, and those in the Northeast favor smaller apples. Trade contacts highlight that this wide variety of preferences allows Brazilian apples to be marketed all year long. According to the World Apple and Pear Association, Brazilian fresh apple consumption was 6.61 pounds (3 kilos) per person in 2017/18. By comparison, the U.S. per capita consumption was approximately 17.7 pounds (8.03 kilos) during the same period.

Brazilian apple consumption decreased in MY 2017/2018 compared to the previous year in response to the reduced product availability in the market due to lower production. This trend may continue, as the Brazilian economy remains weak with rising inflation, rising unemployment, and the escalating indebtedness of Brazilian consumers, which is affecting consumer confidence. The relatively high price of apples is also leading consumers to switch to other fruits, of which there are many to choose in a tropical country like Brazil.

Trade: Fresh Apple Exports

In MY 2017/2018, Brazil exported 70,997 metric tons (MT) of apples, a 28-percent increase compared over the prior year. The top three export markets were: Bangladesh (29 percent), Russia (14 percent), and Ireland (13 percent). Apple producers focused on the external market, as prices were more competitive than the domestic market. In Addition, the opening of the Indian market and the significant increase in sales to Russia supported this focus on exports. In MY 2017/2018, Brazil expanded its number of apple export markets from 25 to 66 countries, compared to the previous year.



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

The 2019 situation is similar to last year, as the domestic market continues to experience economic turmoil, leading apple producers to continue prioritizing exports. The principle change from last year is that the crop is 3-percent smaller. The outlook for MY 2019/2020 is similar. At this point, it appears the primary potential limiting factor for exports is adverse weather conditions that could affect the volume and/or quality of the next harvest. Also, producers are taking the advantage of the favorable exchange rate to focus on the exports.

Brazil Apple Exports

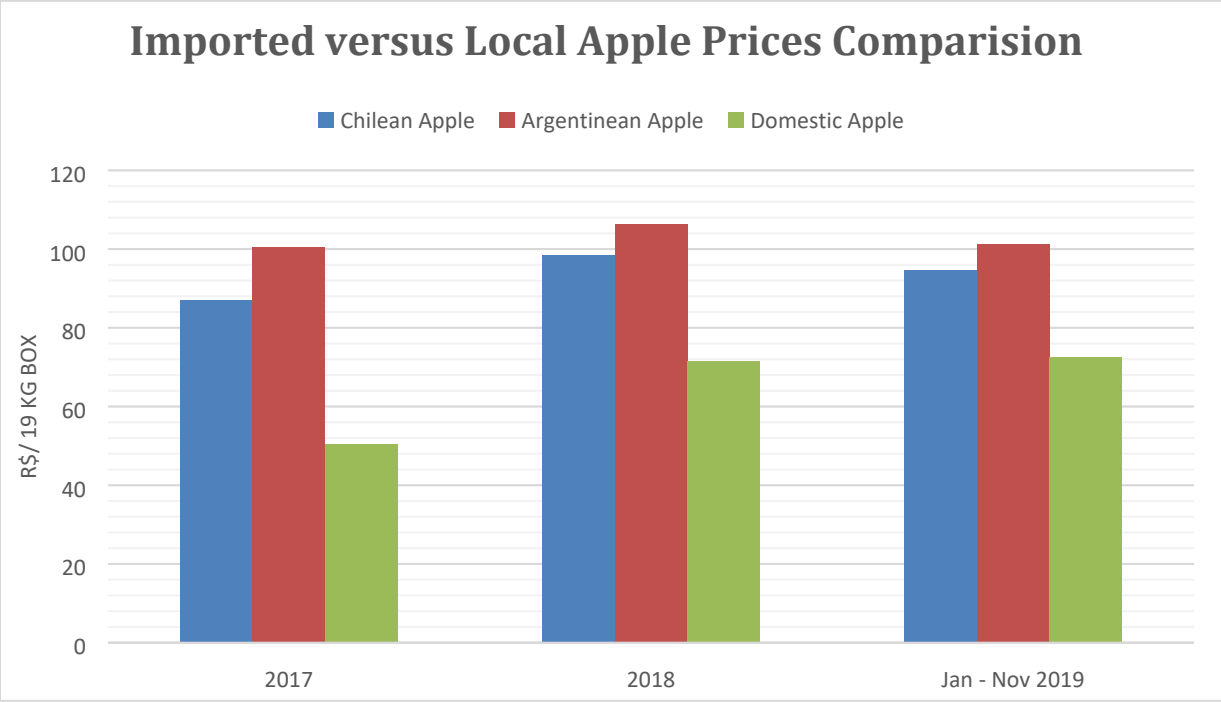
Brazil Exports Statistics **Commodity: 080810, Apples, Fresh**						
Partner	**2017 (Jan – Nov)**		**2018 (Jan – Nov)**		**2019 (Jan – Nov)**	
	USD	**Quantity**	**USD**	**Quantity**	**USD**	**Quantity**
_World	41,883,834	55,437	52,432,702	70,914	42,556,820	56,185
Bangladesh	12,639,944	18,814	13,508,623	20,705	13,011,469	18,991
India	653,856	867	3,192,963	4,551	5,584,713	6,734
Russia	1,782,869	2,307	7,397,846	9,606	4,263,530	5,884
Ireland	7,501,670	8,594	8,166,058	9,214	4,193,026	4,693
Portugal	3,780,549	5,729	3,865,398	5,977	2,968,954	4,367
United Kingdom	3,129,876	4,190	4,011,864	5,421	2,567,954	3,571
United Arab Emirates	1,756,912	2,148	1,277,912	1,630	1,880,328	2,350
Saudi Arabia	629,793	868	1,394,368	1,808	1,461,428	1,842
France	2,840,740	1,675	2,781,686	1,394	1,144,342	1,196
Sweden						

	1,230,171	555	969,381	1,566	829,597	1,080
Spain	2,168,823	3,142	641,425	3,151	759,346	1,080
Oman	401,742	632	1,067,562	1,112	754,079	941
Netherlands	1,560,592	2,001	2,048,910	2,604	705,077	927
Germany	469,268	2,191	824,477	728	649,363	769
Libya	-	-	144,695	191	499,528	574
Qatar	549,557	677	304,815	360	498,989	487
Denmark	391,168	574	542,836	551	149,146	193
Other	396,304	472	291,883	341	655,951	503

Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Fresh Apple Imports

For MY 2017/2018, Brazil imported 75,121 MT, a 4-percent decrease in volume from the previous year. Brazil continues to experience economic turmoil, and the value of the Brazilian real has continued to weaken against the dollar, making imports more expensive. Another factor discouraging imports is that high domestic apple prices are leading Brazilian consumers to switch to other fruits (due to ample varieties of fruit in Brazil). Post estimates MY 2018/2019 imports at 73,000 MT. The MY 2019/2020 outlook is for similarly retrained domestic consumption, and thus Post forecasts imports at 72,500 MT.



Data Source: HF Brasil, Center for Advanced Study of Applied Economics (CEPEA), University of Sao Paulo

Brazil Apple Imports

Brazil Import Statistics Commodity: 080810, Apples, Fresh Calendar Year: 2016 - 2018							
Partner Country	**Unit**	**2016**		**2017**		**2018**	
		USD	**Quantity**	**USD**	**Quantity**	**USD**	**Quantity**
World	T	139,893,033	155,479	75,330,041	78,475	69,735,067	75,121
Chile	T	72,573,829	85,931	30,541,334	34,452	32,074,347	37,306
Argentina	T	20,756,067	21,941	12,009,070	11,897	19,510,952	20,371
Italy	T	22,004,187	22,007	16,149,102	15,713	7,256,270	6,857
Portugal	T	8,550,306	9,097	7,815,792	8,132	5,484,592	5,545
France	T	8,390,090	8,354	4,711,491	4,300	3,442,268	2,927
Spain	T	7,388,586	7,885	3,767,421	3,584	1,753,184	1,905
Uruguay	T	64,042	85	280,167	337	150,500	172
United States	T	146,992	157	55,664	59	62,954	37
Cyprus	T	18,934	22	-	-	-	-

Source: Brazilian Foreign Trade Secretariat (SECEX)

Apple Juice Trade

In 2018, about 20-25 percent of the Brazilian apple crop was used for juice production. Domestic consumption of apple juice has been rising due to the trend for higher consumption of healthy foods. However, Brazil's apple

juice production is largely destined for export. Exports were strong in 2018 due to the devaluation of the Brazilian real against the dollar, as well as lower production in Northern Hemisphere countries. As such, apple juice exports increased 58 percent in 2018.

According to information from the Brazilian Association of Apple Producers (ABPM), one of the reasons for strong domestic consumption of apple juice is a change in Brazilian legislation that requires beverages to contain a higher percentage of natural than artificial ingredients. The legislation also resulted in greater use of apple juice in "nectar" beverages. Nectar drink blends can contain up to 30 percent apple juice. However, nectar is usually labeled as another flavor, such as passion fruit, strawberry, pineapple, cashew, or mango.

Tariff-Rate Table

Harmonized Tariff Schedule (HTS) code for non-Mercosul countries

Tariff Number (HTS)	Product Description	Rate (%)
0808.10.00	Apples, Fresh	10
2009.79	Apple juice	14

Production, Supply, and Distribution Table

Apples, Fresh	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	31980	0	32538	0	32538
Area Harvested	0	31980	0	32538	0	32538
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	1300900	1094000	1300900	1070000	1300900	1095000
Non-Comm. Production	0	0	0	0	0	0
Production	1300900	1094000	1300900	1070000	1300900	1095000
Imports	75100	75121	74500	73000	75000	72500
Total Supply	1376000	1169121	1375400	1143000	1375900	1167500
Fresh Dom. Consumption	1305000	1077624	1319000	1055000	1325900	1074000
Exports	71000	70997	56400	69000	50000	74000
For Processing	0	20500	0	19000	0	19500
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	1376000	1169121	1375400	1143000	1375900	1167500
(HA) ,(1000 TREES) ,(MT)						

Pear

Production

Pear production in Brazil is insignificant, with only 14,900 MT of output, with the majority of demand for pears is met by imports. The small domestic production is concentrated in the states of Rio Grande do Sul, Santa Catarina, Parana, Sao Paulo, and Minas Gerais. The fruit is sold locally, mostly in small cities and with little presence in wholesale markets.

The pear crop for MY 2018/2019 (January – December 2019) experienced some favorable weather conditions. As pear production areas are near those of apple production, the favorable weather conditions that helped apples also improved pear volume and quality. The cost of pear production is high when compared to tropical fruit in Brazil, which discourages expansion of area.

Trade sources indicate that the forecast is for pear production in MY 2019/2020 (January – December 2020) to grow by 1 percent, depending on weather conditions and the resulting size of the fruit to be harvested. Growers have seen a sufficient number of cold days and nights needed by the crop. Famers also made investments to increase yields without expanding area.

Tariff-Rate Table

Harmonized Tariff Schedule (HTS) code for non-Mercosul countries

Tariff Number (HTS)	Product Description	Rate (%)
0808.30.00	Pears, Fresh	10

Imports

Argentina is the largest pear supplier to Brazil, supplying two-thirds of Brazilian imports in 2018. Meanwhile, the United States supplied only 1.3 percent of Brazil's pear imports in 2018.

Pears from Argentina enter Brazil duty-free under Mercosul, while U.S. and European pears are subject to a 10-percent tariff rate. Pear imports from Spain and Portugal have been increasing over the past several seasons and have affected the market share for U.S pears. Spanish and Portuguese pears are harvested at the same time as U.S. production, and generally enjoy a freight rate and transit time advantage.

Total pear imports were up 1 percent in MY 2017/2018 to 158,077 MT versus 156,186 MT from the previous year. Pear imports for MY 2018/2019 are estimated to decrease 4 percent, on near-final trade data. This is due to an unfavorable exchange rate for Brazilian consumers, making imported pears too expensive for many and leading them to turn to other alternatives, mainly other domestically produced varieties of fruit. This scenario is

expected to continue in MY 2019/2020, with a slight decrease of 2 percent. Lackluster consumption and falling imports have motivated some U.S. fruit exporters and fruit organizations to invest in marketing campaigns and supermarket promotions.

Brazil Pear Imports

Partner	Unit	Annual Series					
		2013	2014	2015	2016	2017	2018
_World	T	189,696	208,346	179,306	146,778	156,186	158,077
Argentina	T	147,611	137,585	118,389	98,434	91,366	104,653
Portugal	T	26,496	51,834	45,897	30,225	42,861	39,208
Spain	T	9,976	13,495	7,297	12,153	14,192	8,329
Chile	T	1,588	1,838	4,240	3,091	4,380	2,867
United States	T	3,757	3,088	2,648	2,190	2,324	2,165
Italy	T	108	181	303	618	932	588
Belgium	T	-	-	-	-	21	220
South Korea	T	-	-	-	-	13	28
France	T	-	59	143	4	-	2

Uruguay	T	160	267	311	-	75	-
Cyprus	T	-	-	-	22	-	-
Netherlands	T	-	-	78	20	-	-
Romania	T	-	-	-	-	23	-

Source: Brazilian Foreign Trade Secretariat (SECEX)

Production, Supply, and Distribution Table

Pears, Fresh	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	22100	14900	22100	14900	22100	14900
Non-Comm. Production	0	0	0	0	0	0
Production	22100	14900	22100	14900	22100	14900
Imports	158100	158077	154100	151900	155000	155000
Total Supply	180200	172977	176200	166800	177100	169900
Fresh Dom. Consumption	180200	172977	176200	166800	177100	169900
Exports	0	0	0	0	0	0
For Processing	0	0	0	0	0	0
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	180200	172977	176200	166800	177100	169900
(HA) ,(1000 TREES) ,(MT)						

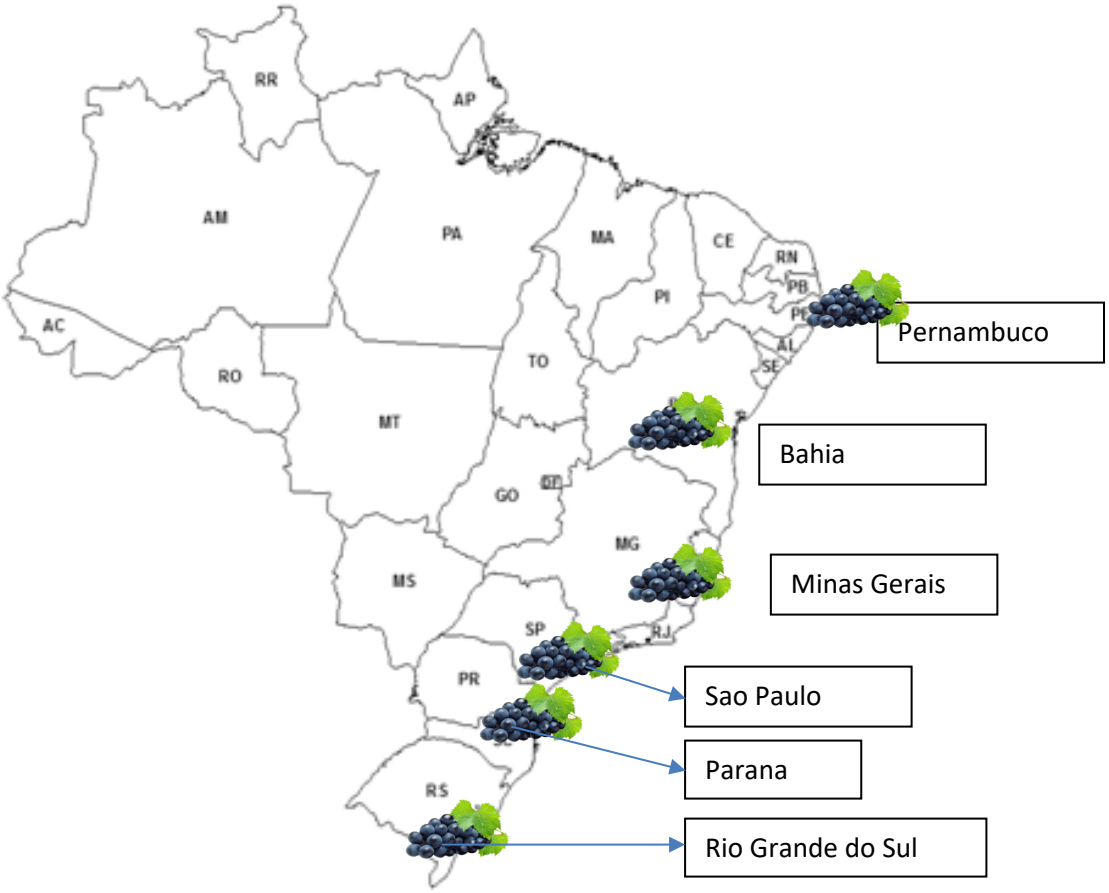
Grapes

Production

Area

Total MY 2018/2019 (January – December 2019) planted area for grapes is expected to be similar to MY 2017/2018 (January – December 2018) area, at roughly 75,000 hectares. Due to high land prices in comparison to the profitability of grape production, producers are working to increase productivity without bringing new area into production.

Brazil's Grape-Producing Regions



Production

Due to Brazil's tropical climate and the diversity of growing regions, the country has multiple grape harvest periods every year. Production in the state of Rio Grande do Sul is intended for processing, in the Northeast (Sao Francisco Valley) for export, and in the state of Sao Paulo for table consumption. The peak of the harvests for the export market are in May and September-November, mainly in the Northeastern states of Pernambuco and Bahia. For the domestic market, the peak harvests are April-June and September-December for production in the states of Minas Gerais, Sao Paulo, Parana, and Rio Grande do Sul.

Post estimates MY 2018/2019 grape production decreased 10.5 percent to 1.425 MMT, compared to 1.592 MMT in MY 2017/2018. The dramatic reduction in production in MY 2018/2019 is a result of unfavorable weather conditions, including low spring temperatures, high summer temperatures, and rain and wind that affected grape-growing regions. Post forecasts MY 2019/2020 (January – December 2020) grape production will increase by 1 percent, to 1.445 MMT, assuming normal weather conditions and growers continue to invest in technology to increase yields.

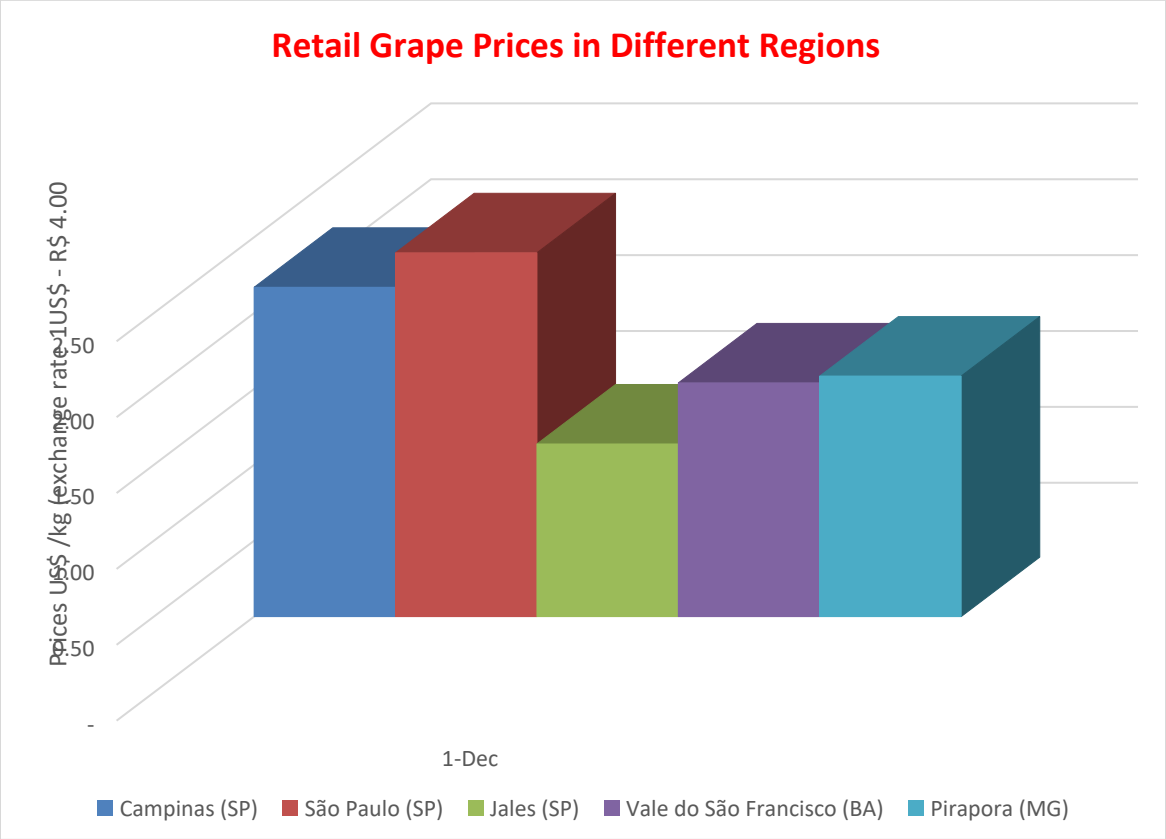
Brazil Grape Planted Area by State

State	2018 Planted Area (ha)	2019 Planted Area (ha)	Variation
Rio Grande do Sul	47,383	47,570	**0.39%**
Sao Paulo	7,233	8,034	**11.07%**
Pernambuco	8,976	8,256	**-8.02%**
Parana	3,600	4,000	**11.11%**
Santa Catarina	4,257	3,547	**-16.68%**
Bahia	2,154	2,069	**-3.95%**
Minas Gerais	280	290	**3.57%**
Others	1,598	1,442	**-7.77%**
Total Area	**75,481**	**75,208**	**-0.36%**

Data Source: Brazilian Institute of Geography and Statistics (IBGE)

Grape prices in Pirapora, Minas Gerais, increased 3.7 percent from September to the week of December 1, 2019, to R$ 6.34/kg (US$1.58). According to grape producers, buyers were very active and supplies were limited at

that time. The cold climate in the region in July and August delayed maturation, delaying the harvest by a few weeks. Producers also reported less uniform bunches, limiting the harvest of "layered" grapes.



Data Source: HF Brasil, Center for Advanced Study of Applied Economics (CEPEA), University of Sao Paulo

Consumption

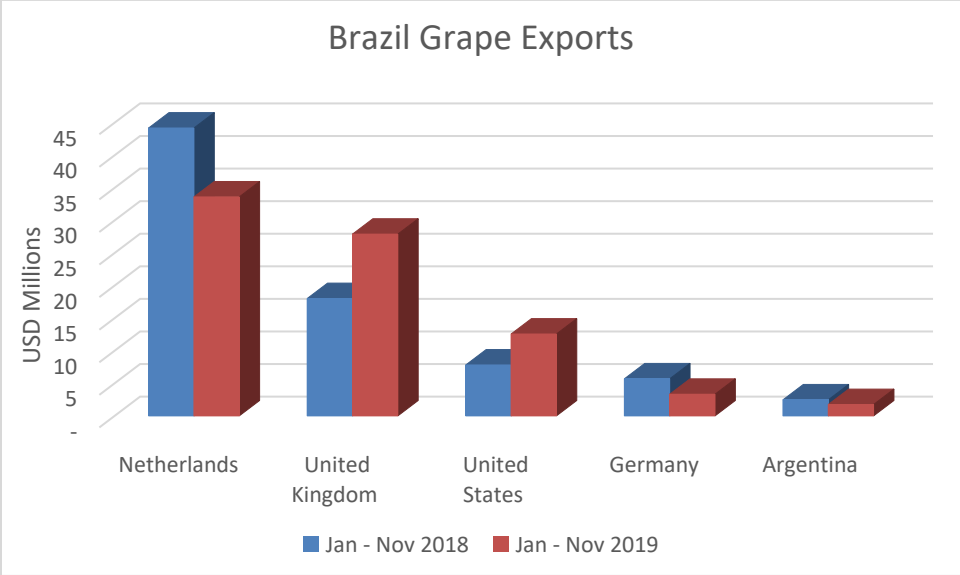
Post sources estimate Brazil's grape consumption at 3.54 kilos per capita. The trend in recent years has been strong growth in demand for natural grape juice (with stocks being exhausted at some wineries), as consumers seek healthier juice options and organic products. Therefore, many producers are shifting to growing grapes destined for juice as opposed to wine.

Trade

Grape Exports

Grape exports decreased 11 percent in MY 2017/2018, to an estimated 39,818 MT. Large global supplies and restrained demand kept prices low. With low export demand, farmers focused on the domestic market, sending the low-quality fruit for juice processing. The situation has been different in MY 2018/2019 as producers have shifted their focus to the export market, due to weaker domestic demand resulting from

economic turmoil. Even though the harvest was smaller than last year, producers are hoping for higher export prices. Grape exports increased 3 percent in quantity from January to November 2019 when compared to the same period from last season. Part of this increase is due to a growing number of nontraditional importing countries purchasing Brazilian fruit. This includes Denmark, Thailand, China, Portugal, Japan, India, and Turkey, among others. Brazil expanded the number of grape export markets from 26 to 65 in MY 2018/2019.



Data sources: Brazilian Institute of Geography and Statistics (IBGE), Brazilian Foreign Trade Secretariat (SECEX)

Grape Imports

Brazil is not a traditional grape importer. Post estimates grape imports down 1 percent in MY 2018/2019, due to higher prices on the global market. Post forecasts MY 2019/2020 grape imports will continue to shrink, considering Brazil's anemic economic recovery and the availability of other fruits in the market. Chile is the main supplier to Brazil, accounting for 84 percent market share, while Argentine market share is 8 percent.

Production, Supply, and Distribution Table

Grapes, Fresh Table	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	75481	0	75208	0	75300
Area Harvested	0	73742	0	73175	0	74000
Commercial Production	984500	1592424	984500	1425131	984500	1445000
Non-Comm. Production	0	0	0	0	0	0
Production	984500	1592424	984500	1425131	984500	1445000
Imports	19100	19100	14300	19000	15000	18900
Total Supply	1003600	1611524	998800	1444131	999500	1463900
Fresh Dom. Consumption	964200	1571706	955600	1398631	954500	1417400
Exports	39400	39818	43200	45500	45000	46500
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	1003600	1611524	998800	1444131	999500	1463900
(HA) ,(MT)						

Attachments:

No Attachments.