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Report Name: Fresh Deciduous Fruit Annual

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Report Highlights:

For MY 2021/22, Post forecast fresh deciduous fruit production is estimated to remain relatively stable at 570,000 MT for fresh apples and 590,000 MT for fresh pears, compared to MY 2020/21. Apple exports are expected to increase to 100,000 MT and pear exports are projected to decrease to 310,000 MT. Exporters continue to be negatively affected by lack of competitiveness in international markets to relative to southern hemisphere competitors, due to domestic economic and financial conditions. The COVID-19 pandemic has had no major impact on the apple and pear industries due to public-private coordination on stringent health protocols.

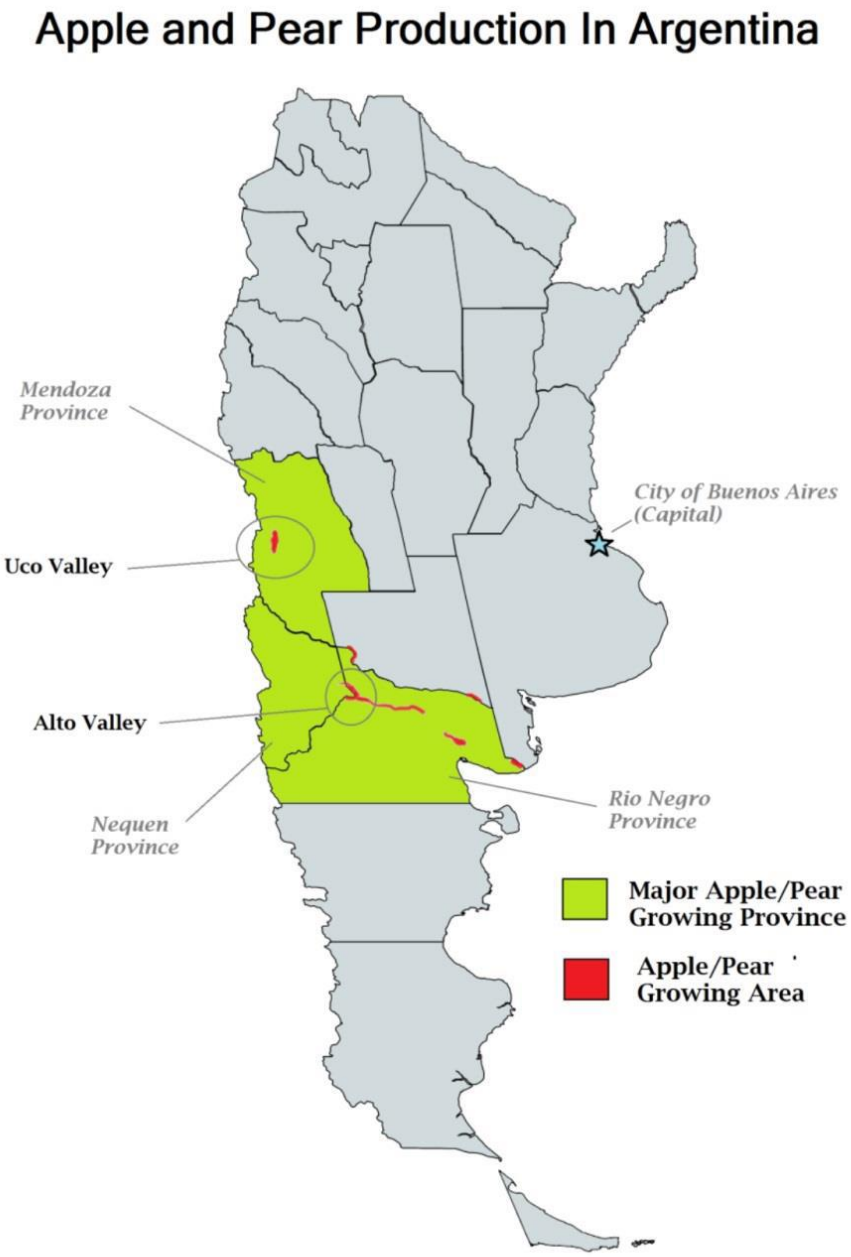
Executive Summary

MY 2021/22 fresh apple production is forecast to increase by 2 percent only, and it is estimated at 570,000 MT, compared to the previous marketing year. Fresh pear production is projected to decrease by 4 percent, and it is estimated at 590,000 MT. The weather had been favorable for fruit blossom until early October when there was a frost which affected the main apple and pear producing area in Argentina.

Over a decade of rising production costs and low profits has eroded the financial sustainability of fresh deciduous fruit producers despite currency devaluations that improved the competitiveness of local exports in international markets. The departure of some key international fruit companies increased sector consolidation. The remaining operations are focusing on overcoming challenges through greater cost sharing and attracting needed investment. Some local operations have utilized technology to access new varieties demanded by export markets in order to bolster revenue.

For MY 2021/22, exports are forecast at 100,000 MT for apples due to larger production, and are projected at 310,000 MT for pears due to smaller production and larger domestic consumption. Lack of competitiveness in export markets is still one of the major obstacles affecting Argentine exporters, compared to southern hemisphere competitors. Domestic consumption for apples and pears in MY 2021/22 is forecast to go up to 471,000 MT for apples and 280,300 MT for pears.

Production


Apple and Pear Production In Argentina
Mendoza Province
City of Buenos Aires (Capital)
Uco Valley
Alto Valley
Rio Negro Province
Nequen Province
Major Apple/Pear Growing Province
Apple/Pear Growing Area

Apple and pear production is concentrated (85 percent) in Patagonia's Alto Valley in Rio Negro Province with some production also in Neuquen (12 percent) Province. The remaining 3 percent is located in the Uco Valley in Mendoza Province. Producer numbers have fallen from approximately 9,000 in 2005 to 1,646 nowadays, and the sector has 268 packing plants and 205 cold storage facilities (Source: "SENASA Anuario Estadístico 2020 – Centro Regional Patagonia Norte")[1]. In addition, it has about 50,000 direct-hire employees.

The recent company concentration that Argentina's apple and pear sector underwent seems be coming to an end. However, industry sources suggest that, for private companies to regain financial viability and profitability, public and private investment is needed to fund technological developments, such as increased mechanization, and the adoption of new varieties, and to support regional efficiency through improved logistics and communication. Also, obtaining gains in efficiency that can lower production costs is key to match Argentina's competitors in the international market.

Production issues continue to threaten the long-term viability of the industry. Many factors, such as the devaluation of the Argentine peso, rising input costs for labor and energy, and the soaring price of reefer containers due to the worldwide shortage of containers, which in the past year has increased by 50 percent, provide significant challenges to producer profitability. In addition, limited access to capital for reinvestment in orchard health and efficiency practices further limits potential productivity gains.

The production cost for a kilogram of apples or pears was estimated at $0.26 by the "Fruit Contractualization Table" (*Mesa de Contractualizacion Fruticola*) with 60 percent of the cost attributable to labor (40 percent packing and 20 percent production) and 40 percent to capital, inputs and service costs (energy, fertilizers, transportation, packaging, customs fees, phytosanitary and quality certifications, etc.)

As with the MY 2019/20 harvest, the MY 2020/21 season was not interrupted by COVID-19 restrictions. Although in March 2020 the national government enacted a mandatory quarantine, the fruit harvest was declared an excepted activity, allowing the industry to continue working under a stringent protocol. Because fruit operations are monitored closely pursuant to national and international certification standards, such as "Good Agricultural Practices (GAP)" and "Good Manufacturing Practices (GMP)," adapting to the new measures was not difficult. The industry coordinated effectively with Customs and SENASA to implement new protocols for packing and shipping; thus, exports were shipped without significant delay. Industry sources report no major delays or COVID-19 related logistical problems at destination ports. For MY 2020/21 harvesting and marketing season, protocols are being met without major disruptions and seasonal migrant labor did not face any challenging situations under COVID-19-related movement restrictions.

[1] SENASA: Servicio Nacional de Sanidad y Calidad Agroalimentaria (national animal and plant health officials).

Apples

For MY 2021/22, fresh apple production is forecast at similar levels compared to the previous marketing year, and it is estimated at 570,000 MT, up by only 2 percent. Until the beginning of October 2021, weather conditions were favorable and fruit blossom was very good, but during the first week of October there was a long frost which affected the main apple and pear growing region decreasing initial production estimates.

Post's forecast of fresh apple production for MY 2020/21 is expected to remain unchanged at 560,000 MT, following official USDA estimates. Despite favorable weather conditions, production is expected to be lower in MY 2020/21 due to the normal lighter production season of the plants lifecycle, which follows last season's heavy blossom.

For MY 2019/20, Post´s estimate for apple production remains unchanged at 600,000 MT, from USDA official estimates.

The main apple varieties planted in MY 2019/2020 were Red Delicious (64.9 percent), Granny Smith (12.6 percent), Gala (12.2 percent), and Cripps Pink (5.3 percent) (Source: SENASA).

Pears

Fresh pear production for MY 2021/22 is forecast at 590,000 MT, down by 4 percent from MY 2020/21, despite favorable weather conditions. As with apples, weather conditions were very good until a frost in early October affected the main apple and pear growing region, which decreased preliminary production forecasts.

For MY 2020/21, Post estimates pear production at 615,000 MT, down 5,000 MT from official estimates, following revisions from the private sector. Overall, production remained at relatively high levels due to good weather conditions and the natural lifecycle of plants.

For MY 2019/20, pear production remained unchanged at 640,000 MT from official USDA estimates.

The main pear varieties planted in MY 2019/20 were William's (40.3 percent), Packham's Triumph (29.2 percent), Beurre D'Anjou (14.7 percent), Abate Fetel (4.8 percent), Red Bartlett (4.7 percent), and Beurre Bosc (2.4 percent) (Source: SENASA).

Organic Production

In MY 2019/20, of the 35,700 hectares planted to apples and pears in the Provinces of Rio Negro and Neuquen, about 5,000 were certified organic.[2]

[2] Source: Situacion de la Produccion Orgánica en la Argentina durante el Año 2020 - SENASA

The international demand for organic fruit products continued to grow, but at a slower pace than in MY 2019/20, pulled by the effects of the pandemic where consumers looked to healthier food options. Higher production costs for organic fruits are primarily due to manual pruning, biological weed control and certification fees.

Planted Area

For MY 2021/22, planted area is expected to remain unchanged for both apples and pears as the reconversion process of abandoned orchards into more profitable crops or urban real estate developments seem to have come to an end, as confirmed by Post's field travel and private state sources.

It is estimated that for MY 2020/21 planted area for apples will increase 1,000 hectares, and planted area for pears will decrease 1,000 hectares, following the latest official estimates published in "SENASA Anuario Estadístico 2020 – Centro Regional Patagonia Norte."

In recent years, smaller producers have abandoned or repurposed over 40 percent of orchards due to the lack of financial resources to make investments to keep their orchards in good condition. Moreover, rising production costs prevent the introduction of technological innovations to improve yields and develop new varieties in demand by export markets. For example, in Rio Negro and Neuquen Provinces, agricultural land is turning to more profitable crops such as forage seeds (alfalfa and sorghum) and corn, in line with the growth of the cattle sector. In addition, it is being repurposed into urban development uses, and the oil and gas industry has also leased land formerly in fruit production for exploration and extraction purposes. In Mendoza province, they have been transforming orchards into higher-returning vineyards.

For MY 2019/20, planted area for both deciduous fruit remained unchanged at 18,800 hectares for apples and 21,000 hectares for pears.

Consumption

MY 2021/22 fresh apple domestic consumption is forecast to go up slightly to 471,200 MT from MY 2020/21 USDA estimates, following the production increase. For MY 2020/21, domestic consumption of apples is projected to increase 5,700 MT from previous official estimates, and is estimated at 466,500 MT, due to smaller exports and larger imports. However, consumption will decrease by 5 percent, compared to the previous marketing year, as a result of smaller production and larger exports.

For MY 2021/22, fresh pear consumption is expected to increase to 280,300, up by 5.5 from MY 2020/21 official estimates, due to smaller exports. In MY 2020/21, pear consumption is expected to decrease to 265,400 MT, down by 11.5 percent from USDA estimates, due to a production decrease and larger exports.

For MY 2019/20, domestic consumption for both deciduous fruit increased slightly to 491,900 MT for apples and 300,200 MT for pears, compared to official estimates, following an increase in imports.

Despite the ongoing economic recession which has tracked a slide in deciduous fruit consumption, both apples and pears rebounded in MY 2019/20. This was due to consumers changing eating preferences towards more fruit consumption as a part of a healthier lifestyle during the pandemic.

Organic Consumption

In recent years the popularity of fresh organic products has shown an upward trend especially in more affluent areas within the City of Buenos Aires, and other major cities in the interior of Argentina. However, it remains at low levels due to the higher prices charged for organic products, and the need for addition educational and promotional campaigns to highlight the benefits and virtues of these types of products.

It is estimated that, currently, 2.8 percent of organic certified products are devoted for the domestic market. Of that percentage, 47 percent accounts for zootechnical meal, plum preserves, wheat flour, dehydrated plums, wine, and sugarcane[3].

Fresh organic produce is sold in high-end supermarkets and some open air fresh food markets targeting upscale consumers. In addition, food manufacturers are increasing the volume of organic fruit and fruit concentrate in their processed products, such as cereal bars and organic juices.

Trade

Exports

MY 2021/22, fresh apple exports are projected to increase 5,000 MT and are estimated at 100,000 MT, compared to MY 2020/21, due to larger production. For MY 2020/21, Post's estimate for apples exports is revised down from 100,000 MT to 95,000 MT from official estimates as a result of larger domestic consumption.

Fresh pear exports in MY 2021/22 are forecast to decrease by 11.5 percent from the previous marketing, and are estimated at 310,000 MT, as a result of smaller production and larger domestic consumption. For MY 2020/21, pear exports are revised up 30,000 MT and estimated at 350,000 MT, in line with a consumption decrease.

Exports for both fresh deciduous fruits are projected lower than historical levels as exporters continue to be affected by a lack of competitiveness in international markets, compared to southern hemisphere competitors, due to domestic economic and financial conditions. These factors include

[3] Source: Situacion de la Produccion Orgánica en la Argentina durante el Año 2020 - SENASA

relatively steep production costs, high inflation rates, a weakened Argentine peso (raising the cost of imported inputs), and difficulty securing financing even at high interest rates.

In MY 2019/20, fresh apple and pear exports remained stable at 109,400 MT and 340,000 MT, respectively, in line with USDA estimates.

There is a gradual trend towards shifting fresh deciduous fruit exports to markets which do not demand higher-quality fruits, such as Russia, Paraguay, Bolivia, Peru, Colombia, and Ecuador, and whose proximity has made Argentina´s fruit more competitive. Export volumes to those destinations increased significantly in MY 2020/21.

Generally, during the first part of the marketing year Argentine apple and pear exports are destined to overseas markets in the northern hemisphere (mainly Russia, the EU, and the U.S.) while in the latter part of the year, exports are oriented toward Mercosur countries (mainly Brazil) and other Latin American markets. The United States is a relatively stable market for Argentine apples and pears, especially for organic fruits.

Brazil has traditionally been the largest market for Argentine fresh deciduous fruit, primarily for pears. During January-September 2021, Brazil accounted for 21 percent and 29 percent of apple and pear exports, respectively, sourced from Argentina. The second largest market for Argentine fresh pears was Russia accounting for roughly 70,000 MT of total exports (24 percent share), which has historically paid relatively lower prices for second-quality fruit. The U.S. became the third largest market of Argentine pears with a 15 percent share.

During the first nine months of 2021, Paraguay became the largest second market for Argentine fresh apples accounting for 17 percent share of total exports (7 percent lower compared to the first nine months of 2020), followed by Bolivia with 14 percent; the EU, 12 percent; Russia, 11 percent; and the U.S., 7 percent.

The EU continues to be a significant market for Argentina´s fresh deciduous fruit, especially for pears. In addition to favorable pricing, Argentine exporters believe that Argentine apples and pears have a strong reputation for food safety and quality among European consumers.

The Chinese market was opened in MY 2013/14. Although shipments have not been significant due to stringent import requirements, Argentine fresh pear exports to China increased by 150 percent during January-September 2021 vis-à-vis January- September 2020, from 510 MT to 1,292 MT.

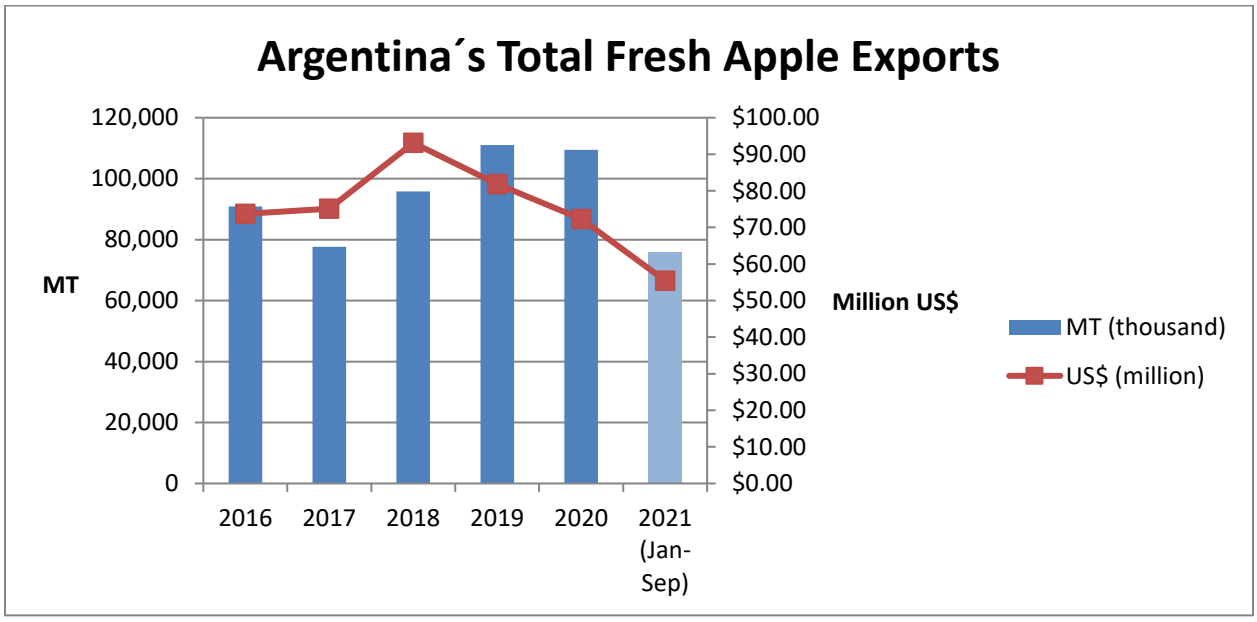
Despite gaining access to the Indian market in MY 2015/16, exports of apples and pears remain negligible due to high import tariffs. During MY 2019/20, 543 MT of Argentine apples were imported by India, and no imports were reported during January-September 2021.

Source: Trade Data Monitor, LLC (TDM)

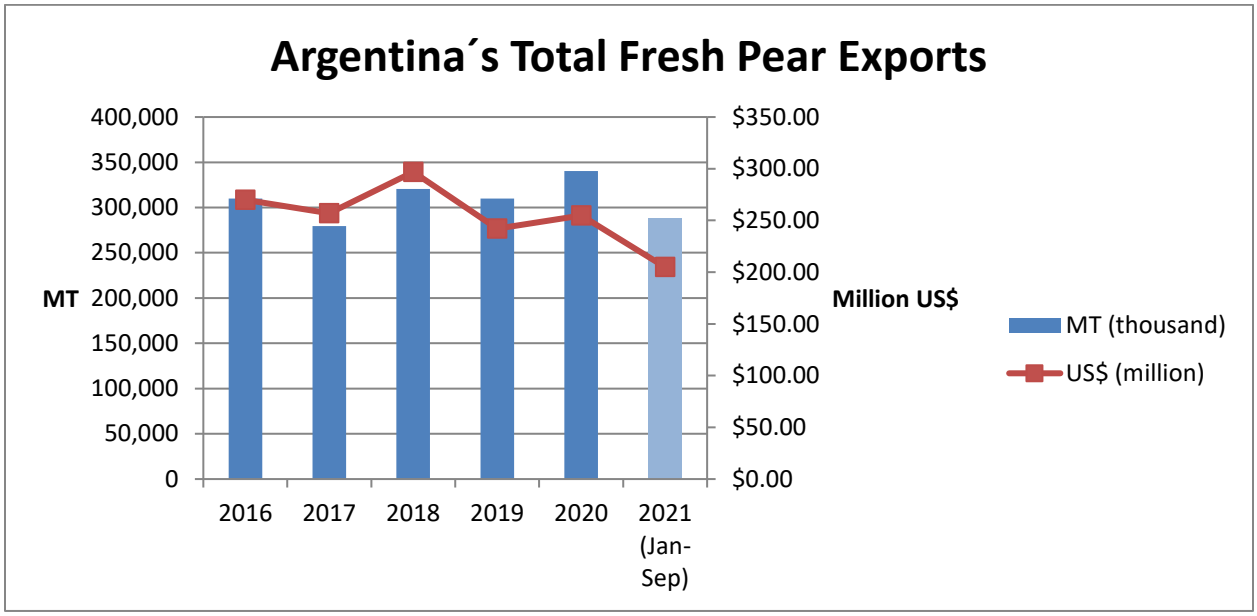
Organic Exports

The U.S. and the EU have been key markets for Argentina's organic pears and apples in recent years. In MY 2019/20, the U.S. was the main destination for Argentina's organic pears and the EU, for organic apples.

In CY 2020, 13,000 MT of organic apples were exported to global markets, a decrease of 29.5 percent from CY 2019, despite lower fruit supply in the northern hemisphere countries. While the U.S. market for Argentine organic apples is projected to continue to grow, the rate of growth might slow as the U.S. expands its own organic apple production. Exports to the EU are projected to remain relatively stable. In CY 2020, organic pear exports totaled 24,300 MT, down 9 percent from CY 20193.



Source: FAS Buenos Aires based on TDM.



Source: FAS Buenos Aires based on TDM.

Imports

Argentina is a significant producer and exporter of fresh apples and pears and, as such, imports of these fruits are negligible. For MY 2021/22, fresh apple imports are projected at 1,200 MT, and fresh pear imports are estimated at 300 MT. For MY 2020/21, apple imports are forecast at 1,500 MT (up 700 MT from official estimates) and pear imports at 400 MT. For MY 2019/20, both apple and pear imports are revised upward to 1,300 MT and 400 MT, respectively, from USDA estimates.

Policy

Government Support to Producers

The provincial governments of Rio Negro and Neuquen provinces have traditionally provided financial support to apple and pear producers during natural disasters and have subsidized insurance and employment costs, the purchase of agricultural machinery, hail protection nets and irrigation equipment, and other operational expenses.

During the past few years, the Government of Argentina (GOA) (at the national level) provided funds to the provinces of Rio Negro and Neuquen for various programs related to plant health issues for a total amount of US$12.5 million. The GOA has also supported the fruit sector under the Agricultural Emergency Law by providing, among other benefits, tax deferrals to struggling producers.

Import and Export Regulations

On December 31, 2020, the GOA published Decree No. 1060/2020 (https://www.argentina.gob.ar/normativa/nacional/decreto-1060-2020-345886) in the Official Bulletin modifying or eliminating export taxes for 4,593 HTS codes related to industrial and agricultural products, including fresh apples and pears. The measure was welcomed by the fruit sector as they consider export taxes a trade-distorting measure. However, they anticipated that this measure would not bring immediate improvements to their activity but long-term incentives for new investments (Source: *Camara Argentina de Fruticultores Integrados – CAFI*).

On April 22, 2021, the Federal Tax Administration (AFIP) published General *Resolucion* No. 4974/21 (http://biblioteca.afip.gob.ar/dcp/REAG01004974_2021_04_22) stating reference prices for five varieties of apples between $0.55-0.89/kg, and for five varieties of pears between $0.50-0.88/kg. The goal of this measure is to exert control over apple and pear export prices since they have detected under-invoicing in shipments to certain markets.

Below is a table including current tariffs, taxes, and rebates for apples and pears:

Tariffs, Taxes, and Rebates for Argentine Fresh Apples (0808.10) & Pears (0808.30)	
Import Tariff (%) (outside Mercosur)	10.00
Import Tariff (%) (inside Mercosur)	0.00
Statistical Tax (%) Applies to Imports	3.00
Value-added Tax (%)	10.5
Export tax (%)	0.00
Export Rebate (%) Bulk (apples) (*)	3.75
Export Rebate (%) Bulk (pears) (*)	3.50
Additional Export Rebate for Organic Fruit (%) (apples & pears) (*)	0.50
Export Rebate (%) Cases containing between 2.5 Kg. and 20 Kg. (*)	4.75
Cases containing 2.5 Kg. or less (*)	5.25

Source: FAS Buenos Aires based on data from Tarifar
(*) All export rebates apply equally within and outside Mercosur.

Marketing

FOB Prices

During January-September 2021, average FOB export prices increased by 7 percent for fresh apples and decreased by 2.5 percent for fresh pears, compared to the first nine months of 2020. Overall, fruit prices were relatively good due to smaller fruit supply in the northern hemisphere countries, except the U.S. In recent years, there has been a downward trend in prices due to an increase of fruit volumes oriented to non-traditional export markets, such as some Latin American countries, which do not demand higher-quality fruits, thus pay lower prices.

The tables on the following pages show export and retail prices for Argentine deciduous fruit:

Fresh Apples - FOB Prices (USD/MT)			
Month	**2019**	**2020**	**Jan-Sep 2021**
Jan	646	567	633
Feb	643	624	538
Mar	754	679	605
Apr	822	783	755
May	860	750	888
Jun	836	675	799
Jul	798	632	744
Aug	737	633	658
Sep	622	564	699
Oct	559	510	n/a
Nov	579	551	n/a
Dec	578	537	n/a
Average	**703**	**625**	n/a

Source: FAS Buenos Aires, based on Trade Data Monitor, LLC
Note: Exchange rate: Argentine Pesos 104.75/US$1

Fresh Pears - FOB Prices (USD/MT)			
Month	**2019**	**2020**	**Jan-Sep 2021**
Jan	800	829	696
Feb	798	783	686
Mar	788	817	694
Apr	769	779	694
May	780	717	760
Jun	768	671	769
Jul	815	664	753
Aug	766	660	686
Sep	702	671	696
Oct	711	713	n/a
Nov	818	698	n/a
Dec	841	746	n/a
Average	**780**	**729**	n/a

Source: FAS Buenos Aires, based on Trade Data Monitor, LLC
Note: Exchange rate: Argentine Pesos 104.75/US$1
Date of Quote: 10/25/2021

Fresh Apple and Pear Retail Prices (USD/kg)		
	Variety	**Price (US$/kg)**
Pears	Packham's Triumph (Premium)	1.33
	Packham's Triumph (Standard)	1.13
Apples	Red Delicious (Standard)	1.47
	Red Delicious (Premium)	2.66
	Granny Smith (Premium)	2.58
	Cripps Pink	1.66
	Rome	1.34

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

The link below to the Buenos Aires Central Market provides updated wholesale apple and pear prices:
http://www.mercadocentral.gob.ar/paginas/precios-mayoristas

Production, Supply and Distribution (PS&D) Tables

Apples, Fresh	2019/2020		2020/2021		2021/2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	18800	18800	18000	19000	0	19000
Area Harvested (HA)	11800	11800	11360	15000	0	15000
Bearing Trees (1000 TREES)	14500	14500	13900	14700	0	14700
Non-Bearing Trees (1000 TREES)	2370	2370	2270	2400	0	2400
Total Trees (1000 TREES)	16870	16870	16170	17100	0	17100
Commercial Production (MT)	600000	600000	560000	560000	0	570000
Non-Comm. Production (MT)	0	0	0	0	0	0
Production (MT)	600000	600000	560000	560000	0	570000
Imports (MT)	1300	1300	800	1500	0	1200
Total Supply (MT)	601300	601300	560800	561500	0	571200
Domestic Consumption (MT)	491900	491900	460800	466500	0	471200
Exports (MT)	109400	109400	100000	95000	0	100000
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	601300	601300	560800	561500	0	571200
(HA) ,(1000 TREES) ,(MT)						

Pears, Fresh	2019/2020		2020/2021		2021/2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HA)	21000	21000	20000	19000	0	19000
Area Harvested (HA)	15500	15500	14800	16000	0	16000
Bearing Trees (1000 TREES)	13800	13800	13200	12500	0	12500
Non-Bearing Trees (1000 TREES)	2480	2480	2400	2300	0	2300
Total Trees (1000 TREES)	16280	16280	15600	14800	0	14800
Commercial Production (MT)	640000	640000	620000	615000	0	590000
Non-Comm. Production (MT)	0	0	0	0	0	0
Production (MT)	640000	640000	620000	615000	0	590000
Imports (MT)	200	200	400	400	0	300
Total Supply (MT)	640200	640200	620400	615400	0	590300
Domestic Consumption (MT)	300200	300200	300400	265400	0	280300
Exports (MT)	340000	340000	320000	350000	0	310000
Withdrawal From Market (MT)	0	0	0	0	0	0
Total Distribution (MT)	640200	640200	620400	615400	0	590300
(HA) ,(1000 TREES) ,(MT)						

Attachments:

No Attachments