Required Report - public distribution

Date: 1/2/2018
GAIN Report Number:

Argentina

Citrus Annual

Citrus Annual - Lemons, Oranges, and Tangerines

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Report Highlights:
For MY 2017/2018, all three types of fresh citrus production are forecast to increase due to favorable weather conditions. Lemon exports are expected to increase slightly because of greater production, while orange and tangerine exports will remain unchanged from official estimates, but below historical averages due to the lack of competitiveness in the export sector. Domestic consumption is projected to rise significantly for oranges and tangerines due to larger production and the difficulties faced by Argentine exporters in the export market. The U.S. market to Argentine lemons was reopened in August 2017, and the first shipments are estimated to arrive in the U.S. in the 2017/2018 marketing season, beginning in April 2018.

Executive Summary

Lemon production for MY 2017/2018 is expected to increase to 1.4 MMT because of good weather conditions. However, production will be below historical levels due to high temperatures in the main lemon production regions. Orange and tangerine production was revised upward to 850,000 MT and 400,000 MT, as a result of favorable weather conditions.

Lemon exports are estimated to increase to 250,000 MT due to larger production, and orange and tangerine exports are projected to remain unchanged at 80,000 MT and 45,000 MT, respectively, due to decreased competitiveness in the international citrus market.

Lemon domestic consumption is forecast to remain unchanged at 70,000 MT, and orange and tangerine consumption will increase significantly to 490,000 MT for oranges and 200,000 MT for tangerines as a result of larger production and excess supplies due to the problems that local producers are facing to compete in the export market.

Production

Lemons

For MY 2017/2018, fresh lemon production is forecast at 1.4 MMT, up 100,000 MT from the previous year. However, production will be below normal levels of 1.5 MMT as a result of high temperatures affecting the main lemon growing production in Argentina.

For MY 2016/2017, Post revised fresh lemon production up to 1.3 MMT. Production was below historical levels due to frost that affected the main lemon-growing region in early September 2016 during the fruit set, extremely high temperatures in the summer time, and excess rain in March, which delayed the harvest and marginally affected the fruit quality. The sanitary condition of the fruit is expected to be very good.

Fresh lemon production in MY 2015/2016 remained unchanged from USDA official estimates at 1.35 MMT. Production was down from normal levels due to excess rains towards the end of summer, which delayed the harvest about a month and negatively affected quality.

The lemon sector has managed to cover production costs and remain competitive because of high international prices, especially in 2016. The work performed by ALL LEMON in carrying out audits to select the best quality fruit ensured lucrative gains for the sector (See Marketing Section – Promotion).

The main lemon varieties grown in Argentina are Genova and Eureka.

Oranges and Tangerines

MY 2017/2018 fresh sweet citrus production is projected to increase to 850,000 MT for oranges and 400,000 MT for tangerines as a result of good weather conditions.

Post's estimate of fresh orange and tangerine production in MY 2016/2017 is revised down by 9 percent to 620,000 MT (for oranges), and 17 percent to 250,000 MT (for tangerines), compared to USDA official estimates. Production for both fruits is estimated below historical levels of 950,000 MT for oranges and 450,000 MT for tangerines due to unfavorable weather conditions in 2016, including excess rain, strong winds, and hail, which caused severe damage especially in the north west of the Province of Entre Rios, and severe floods during the first part of 2017. In addition, local producers lack financial resources to invest in plant replacement and other activities that would improve yields.

For MY 2015/2016, fresh orange and tangerine production remained unchanged at 800,000 MT and 350,000 MT, respectively, in line with official USDA estimates. Production was down from normal levels as a result of severe floods in the main sweet citrus growing region of Argentina.

The main orange varieties grown in Argentina are Hamlin, Pineapple, Robertson, Navel (in NOA – Northwest Argentina), and Navel, Salustiana, improved Valencia (Midnight, Delta Seedless) (in NEA – Northeast Argentina). Main tangerine varieties are: Clementina, Clemenvilla, Ellendale, Malvasio, Montenegrina, Murcott, and Ortanique. Overall, the citrus sweet varieties that have been expanding the fastest are seedless varieties, such as Tango for oranges, and Clementines and Clemenules for tangerines.

One of the main issues affecting the citrus sector in Argentina continues to be increasing production costs (primarily labor, inputs, energy, inland and ocean freight) as a result of an uncompetitive peso and high inflation rates (between 20-35 percent during the past few years and estimated at about 23 percent for CY 2017). This results in a significant loss of competitiveness for local exporters, especially in the sweet citrus sector.

Area Planted

For 2016/2017, area planted to lemons is forecast to remain unchanged at 48,000 hectares, and no change is expected for 2017/2018. Replacement of old plants for new ones is estimated to increase the plant per hectare ratio and improve yields.

Lemon producers have invested in plant replacement to overcome the effects of frosts, but have only marginally invested in new land. Larger companies and some producers continue to invest in plant replacement on a regular basis. Lemon production competes with sugar cane production and urban expansion in the Province of Tucuman. According to private sources, the Argentine lemon sector is not expected to expand significantly through area expansion but through the incorporation of new genetic material that would improve yields.

For 2016/2017 and 2017/2018, area planted to sweet citrus is projected to remain unchanged at 43,000 hectares for oranges, and 28,000 hectares for tangerines, following data adjustments reflected in the 2016 Citrus Census of Entre Rios Province.

Processing

Lemons

For MY 2017/2018, fresh lemon for processing is forecast to increase to 1.08 MMT, from 992,000 MT the previous year, due to larger production.

Post's estimate for lemon for processing in MY 2016/2017 was revised slightly upward to 992,000 MT from official estimates, as a result of larger production than initially expected. Lemon for processing in MY 2015/2016 remained unchanged at 1.003 MMT from official estimates.

Following the practice carried out in the past few years, relatively high volumes of fruit are being devoted for processing as a result of the decision made by the industry to export only fresh lemons meeting higher quality standards, thus restricting the export supply and preventing a steep decrease of international prices. This market strategy is working very well and is expected to continue.

Oranges and Tangerines

For MY 2017/2018, fresh orange and tangerine for processing is estimated to increase significantly to 280,000 MT and 155,000 MT, respectively, from the previous marketing year, due to larger production and stable exports.

For MY 2016/2017, orange for processing is projected to decrease by 17 percent and is estimated at 212,000 MT, compared to official estimates. Tangerine for processing is expected to decrease by 21 percent and is estimated at 75,000 MT. The decrease for both fruits is due to smaller production and larger exports for oranges, and smaller domestic consumption and unchanged exports for tangerines.

For MY 2015/2016, orange and tangerine for processing are unchanged at 270,000 MT and 110,000 MT, respectively, consistent with official estimates.

Investment

Investment in area expansion for lemon production is estimated to continue to grow marginally, primarily in the Provinces of Salta and Jujuy. In addition to these investments, the Argentine lemon industry continues to invest in processing and packing facilities and equipment, irrigation equipment, and research and development projects. Investment has occurred mainly in preparation of the opening of significant export markets, such as the United States and China (see Trade/Export Destinations Session). In addition, larger producers continue to invest in new lemon plants to replace old plants, and genetic materials with the objective of improving yields.

Consumption

Lemons

Fresh lemon domestic demand tends to be inelastic and consumption does not typically vary much over time, unlike oranges and tangerines, which are often substituted by other types of fruit depending on the price.

Fresh Lemon domestic consumption for MY 2015/2016 and MY 2016/2017 is forecast to remain unchanged at 70,000 MT, and no change is expected for MY 2017/2018.

Oranges and Tangerines

For MY 2017/2018, fresh orange and tangerine domestic consumption is expected to increase significantly to 490,000 MT (for oranges) and 200,000 MT (for tangerines), due to larger production and unchanged exports.

For MY 2016/2017, Post revised orange and tangerine domestic consumption downward from 370,000 MT to 330,000 MT for oranges, and from 160,000 MT to 130,000 MT for tangerines, following the decrease in production and larger exports for oranges, and the decrease of production for tangerines.

For MY 2015/2016, orange and tangerine domestic consumption remained unchanged at 469,000 MT, and 190,000 MT, respectively, in line with USDA estimates.

Trade

Exports

Lemons

Fresh lemon exports in MY 2017/2018 are forecast to increase slightly to 250,000 MT, from the previous year, due to larger production. Exports will not increase significantly if, as expected, production costs continue to grow and the fruit becomes less competitive in international markets (normal exports levels may vary between 270,000-300,000 MT).

Lemon exports in MY 2016/2017 are expected to increase by 9 percent and are estimated at 240,000 MT, due to larger production. For MY 2015/2016, lemon exports remained unchanged at 280,000 MT, consistent with official estimates. Exports reached normal levels as a result of high international prices.

Compared to other regional industries in Argentina (which have seen their competitiveness fall), the fresh lemon export business is still profitable despite high costs. In addition, the ALL LEMON certification seal that has been developed by the Argentine lemon sector (see Marketing Section/Promotion) regulates the volume of fresh lemons for export, based on quality, to avoid steep price decreases.

Argentina does not export fresh organic lemons, given that fruit undergoes a bleaching process, which is not allowed under organic certification standards.

Oranges and Tangerines

For MY 2017/2018, orange and tangerine exports are forecast to remain unchanged at 80,000 MT and 45,000 MT, from the previous year. Due to decreased competitiveness in the international citrus markets, it has become very difficult for local exporters to compete with other Southern Hemisphere producing countries, primarily South Africa. Exports for both citrus fruits have been decreasing from normal levels in the past few years as a result of the difficult economic situation affecting citrus exporters.

For MY 2016/2017, Post export estimates were increased to 80,000 MT for oranges and remained stable at 45,000 MT for tangerines, compared to official estimates. Exports for both fruit are significantly lower than historical levels of around 150,000 MT for oranges and 100,000 MT for tangerines. This is due to the lack of competitiveness of exporters in international markets.

Orange and tangerine exports in MY 2015/2016 remained unchanged at 65,000 MT and 50,000 MT, respectively, from official estimates.

Export Destinations

Argentine fresh citrus fruit are exported to about 60 markets. The main export destinations (market share by volume) in CY 2016 and January-October 2017 were as follows:

Fresh Citrus Fruit	**Destination**	**Share of Exports %**	
		2016	**Jan-Oct 2017**
Lemons	EU	73	68
	Russia	14	18
Oranges	EU	76	56
	Paraguay	8	30
Tangerines	Russia	49	49
	Philippines	16	17
	Canada	9	13
	EU	8	4

Source: FAS Buenos Aires, based on data from the Global Trade Atlas (GTIS)

For MY 2017/2018, a gradual expansion to Asian markets is expected for citrus fruit. Fresh lemon exports to non-traditional markets have been increasing in the past few years and there are positive expectations on the opening of the Chinese and Japanese market. Exports to China were interrupted in 2005 when China established cold treatment for all citrus fruit, a process that typically reduces fruit quality. Currently, the Chinese market is open to fresh “sweet” citrus varieties. Negotiations are also being carried out with India.

Although South Africa is a significant challenge for Argentine exporters since it can reach Asia and the Middle East with more competitive prices, Argentine lemon companies are still focusing on expanding exports to those non-traditional markets. In 2017, Korea for the first time opened the market for Argentine oranges, and Indonesia and the Philippines reopened their markets for local citrus fruit.

Moreover, new markets that were reinstated for Argentine citrus were the U.S. and Brazil, and the Mexican market was recently opened.

On December 23, 2016, the U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) published a final rule to allow the importation of fresh lemon fruit from northwest Argentina into the continental United States under the terms specified in an Operational Work Plan (OWP), which details the conditions that Argentina must meet for every U.S.-bound lemon shipment. On January 25, 2017, the U.S. government established a stay for sixty days for additional review of the lemon final rule prior to its implementation. On May 1, 2017, APHIS announced that it would not extend the hold on the implementation of the rule, which finally took effect on May 26. The U.S. market to Argentine lemons was reopened in August 2017 with the USDA/APHIS signature of the OWP agreed upon between the Governments of the United States and Argentina. The first fresh lemon shipments from Argentina to the U.S. will occur in MY 2017/2018.

Local lemon exporters were initially planning to ship a sample shipment of fruit to the U.S. during the current marketing season. However, when the market was opened, the fruit no longer met the U.S. requirements stated in the OWP. Thus, exports will resume in MY 2017/2018 and local contacts estimate that Argentina will export 20,000 MT to the U.S., which is not expected to have a major impact on total exports.

The Brazilian market was opened to all citrus fruits on May 9, 2017. Although Argentine exporters have high expectations to supply this market, especially for sweet citrus, they still lack financial resources to harvest the fruit and remain competitive.

During January-October 2017, Argentina decreased its market share for lemons to 68 percent in the EU (from 73 percent in 2016), due to high fruit supply in the Northern Hemisphere. Orange exports to the EU continued to decrease, and they increased significantly to Paraguay. For tangerines, Russia remained the largest market with 49 percent share, and the Philippines remained the second largest market with 17 percent share, followed by Canada and the EU with 13 percent and 4 percent share, respectively. Sweet citrus exports to traditional markets such as the EU have been significantly decreasing in the past few years due to lack of competitiveness of Argentine exporters and strong competition from South Africa.

Imports

Citrus imports are expected to remain negligible in MY 2017/2018. This trend is forecast to continue in the future as Argentina is a net citrus fruit exporting country. Fruit import volumes will remain limited as local fruit production is sufficient to supply the domestic market.

Policy

Import and Export Regulations

In December 2015, the new government lifted export taxes on all fruits and other commodities. In addition, one year later, export rebates were increased for several products, including citrus fruit, and they depend on the size of the container. The goal is to provide support to regional rural economies.

Initially, the removal of export taxes had a significant impact in international markets as it made Argentine agricultural commodities more competitive. However, that benefit has largely been offset by high inflation rates and production cost increases, especially for sweet citrus.

Export and import tariffs for all citrus types are as follows:

Export and Import Tariffs All Citrus Fruit (HTS codes: 080510, 080550, 080520, 080521, 080522, 080529)	
For countries outside MERCOSUR AREA	%
Import Tariff	10.00
Statistical Tax	0.50
Export Tax	0
Export Rebate for cases containing less than 16 kg.	5.00
Export Rebate for cases containing 16–20 kg.	4.05
Export Rebate for cases containing more than 20 kg.	3.50
For countries within MERCOSUR AREA	
Import Tariff	0.00
Statistical Tax	0.50
Export Tax	0
Export Rebate for cases containing less than 16 kg.	5.00
Export Rebate for cases containing 16–20 kg.	4.05
Export Rebate for cases containing more than 20 kg.	3.50

Source: FAS Buenos Aires based on data from Tarifar

The GOA removed in December 2015 its import substitution policy, which focused on reducing imports and supporting domestic production of goods. Under this policy, it was difficult for producers to obtain imported inputs, such as agrochemicals, and agricultural machinery and equipment, which necessitated the purchase of locally-manufactured products (when available) often at higher costs. With the new government administration, imports have mostly returned to previous levels, but continue to be restricted.

Phytosanitary Issues

Citrus Greening: In July 2014, a non-commercial case of HLB was found in Mocoreta, Province of Corrientes (Northeastern region of Argentina – close to the border with Uruguay). SENASA immediately implemented its monitoring system in the area, as per the National HLB Prevention Program (created by Secretariat of Agriculture Resolution No. 517/2009, and ratified by National Law No. 26.888/2013, and SENASA Resolution 336/14), and found no other signs of the disease.

On July 4, 2012, APHIS was officially informed that a case of HLB was reported in one infected tangerine tree in Puerto Deseado, Province of Misiones (Northeastern region of Argentina – close to the border with Brazil). The infected tree was destroyed as a precautionary action. In addition, SENASA intensified the surveillance for citrus species in the area with sampling in 150 premises with negative results for both: the symptoms and vector (*Diaphorina citri*) of the disease. SENASA stated that, since the location is not a citrus commercial area, and it is surrounded by national parks, it is likely that this was an illegal introduction from outside the country. Despite this, *Diaphorina citri* was reported in other areas of Argentina. A few additional cases were detected in Misiones and Corrientes Provinces and, in 2016, for the first time, in citrus commercial areas (i.e. vector presence, no disease). However, Argentina continues to maintain its HLB-free status as only isolated cases were detected in the Provinces of Misiones and Corrientes.

In November 2017, the Ministry of Agroindustry and the Argentine Citrus Federation (FEDERCITRUS, in Spanish) signed an agreement to work jointly for the prevention of HLB entering into Argentina.

Marketing

Prices

International (FOB) Prices for Fresh Citrus Fruit

During 2016, FOB prices for lemons were very high throughout the marketing season, especially in the EU, and orange and tangerine FOB prices increased significantly during the mid-marketing season. This was due to small fruit supply in the Northern Hemisphere. The highest FOB price for lemons during 2016 was $1,100/MT (February); for oranges, $518/MT (June); and for tangerines, $1,028/MT (July).

For all three types of citrus fruit, during January-October 2017, FOB prices were higher compared to 2016 prices and, for oranges and tangerines, still not sufficient to cover costs resulting in increased financial difficulties for the local fruit sector and damaging Argentine exporters' competitiveness in export markets.

Lemon	**FOB Prices (US$/MT)**		
	2015	**2016**	**Jan-Oct 2017**
January	561	699	--
February	459	--	1,100
March	766	948	1,096
April	850	991	980

May	878	1,036	1,019
June	896	1,036	1,047
July	902	1,037	1,047
August	911	1,050	1,034
September	855	1,073	988
October	--	946	1,000
November	--	--	n/a
December	--	--	n/a
Average	**786**	**980**	**n/a**

Orange	FOB Prices (US$/MT)		
	2015	**2016**	**Jan-Oct 2017**
January	--	--	--
February	199	--	--
March	195	--	--
April	103	110	--
May	172	257	261
June	410	540	518
July	411	494	511
August	416	495	508
September	356	481	473
October	105	591	130
November	97	265	n/a
December	97	99	n/a
Average	**233**	**370**	**n/a**

Tangerine	FOB Prices (US$/MT)		
	2015	**2016**	**Jan-Oct 2017**
January	--	--	219
February	830	704	849
March	790	857	905
April	816	846	914
May	812	871	971

June	794	859	963
July	832	922	1,028
August	805	909	958
September	727	909	884
October	507	188	220
November	172	205	n/a
December	--	215	n/a
Average	**709**	**680**	n/a

Source: FAS Buenos Aires based on GTIS trade data

Wholesale Prices for Fresh Citrus Fruit

Lemon	**Domestic Wholesale Prices (US$/MT)**			
		2015	**2016**	**Jan-Sep 2017**
January		658	732	1,820
February		616	639	1,620
March		636	622	1,120
April		664	557	820
May		643	435	680
June		609	413	600
July		551	347	500
August		610	431	540
September		637	542	580
October		464	806	n/a
November		607	1,249	n/a
December		653	1,446	n/a
Average		**612**	**685**	**n/a**

Orange	**Domestic Wholesale Prices (US$/MT)**			
		2015	**2016**	**Jan-Sep 2017**
January		366	568	610
February		347	996	510
March		319	1,065	470
April		461	908	540
May		445	450	450
June		366	331	420

July		353	288	390
August		360	286	370
September		362	316	400
October		274	348	n/a
November		291	331	n/a
December		352	476	n/a
Average		**358**	**530**	**n/a**

Tangerine	**Domestic Wholesale Prices (US$/MT)**			
		2015	**2016**	**Jan-Sep 2017**
January		438	--	480
February		365	560	740
March		292	490	490
April		399	374	320
May		382	343	410
June		378	346	420
July		367	344	430
August		374	328	450
September		428	363	450
October		349	404	n/a
November		381	433	n/a
December		379	512	n/a
Average		**378**	**409**	**n/a**

Source: Buenos Aires Central Market

Domestic Retail Prices for Fresh Citrus Fruit

Citrus Fruit	**US$/kg**
Lemon	2.62
Orange (Navel) Orange (Valencia – Commercial)	1.67 1.03
Tangerine (Murcott)	1.67
US$1 = AR$17.88 (December 19, 2017)	

Source: FAS Buenos Aires based on supermarket prices

Promotion

"ALL LEMON Tested & Certified for Export" is the Argentine quality seal, which certifies the quality of about 80 percent of Argentina's total lemon production. Currently, this program, created in 2009, carries out audits of the 16 leading lemon producers and exporters in Argentina. Its primary goal is to develop and establish quality standards to be applied by lemon companies, which are committed to export a strictly selected product.

Lemons identified under ALL LEMON parameters must comply with:

- Safety
- Traceability
- Freshness
- Firmness
- Durability
- High juice content
- Skin in optimal condition Balanced color
- Uniform format.

In January 2015, ALL LEMON officially launched *Think Lemon*, a worldwide marketing campaign, which includes a thorough digital source of information about lemons. Its main objective is improving consumers' life quality by informing them of the uses and applications, and nutritional virtues, of fresh lemons.

(Source: http://www.all-lemon.com)

Lemons/Limes, Fresh	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	48000	48000	48000	48000	0	48000
Area Harvested	45000	45000	45000	45000	0	45000
Bearing Trees	11000	11000	11000	11000	0	11000
Non-Bearing Trees	800	800	800	800	0	800
Total No. Of Trees	11800	11800	11800	11800	0	11800
Production	1350	1350	1270	1300	0	1400
Imports	3	3	0	2	0	0
Total Supply	1353	1353	1270	1302	0	1400
Exports	280	280	220	240	0	250
Fresh Dom. Consumption	70	70	70	70	0	70
For Processing	1003	1003	980	992	0	1080
Total Distribution	1353	1353	1270	1302	0	1400
(HECTARES) ,(1000 TREES) ,(1000 MT)						

Oranges, Fresh	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	43000	43000	43000	43000	0	43000
Area Harvested	41000	41000	41000	41000	0	41000
Bearing Trees	20200	20200	20200	20200	0	20200
Non-Bearing Trees	1700	1700	1700	1700	0	1700
Total No. Of Trees	21900	21900	21900	21900	0	21900
Production	800	800	680	620	0	850
Imports	4	4	0	2	0	0
Total Supply	804	804	680	622	0	850
Exports	65	65	55	80	0	80
Fresh Dom. Consumption	469	469	370	330	0	490
For Processing	270	270	255	212	0	280
Total Distribution	804	804	680	622	0	850
(HECTARES) ,(1000 TREES) ,(1000 MT)						

Tangerines/Mandarins, Fresh	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	28000	28000	28000	28000	0	28000
Area Harvested	26000	26000	26000	26000	0	26000
Bearing Trees	14100	14100	14100	14100	0	14100
Non-Bearing Trees	1530	1530	1530	1530	0	1530
Total No. Of Trees	15630	15630	15630	15630	0	15630
Production	350	350	300	250	0	400
Imports	0	0	0	0	0	0
Total Supply	350	350	300	250	0	400
Exports	50	50	45	45	0	45
Fresh Dom. Consumption	190	190	160	130	0	200
For Processing	110	110	95	75	0	155
Total Distribution	350	350	300	250	0	400
(HECTARES) ,(1000 TREES) ,(1000 MT)						

Commodities:

Lemons, Fresh
Oranges, Fresh
Tangerines/Mandarins, Fresh