

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Argentina**

### **Citrus Annual**

#### **Lemons, Oranges, and Tangerines**

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**Report Highlights:**

Production of all three types of citrus in MY 2014/2015 is estimated to rebound (although it will still be down from normal levels for lemons), as a result of good weather conditions and the recuperation of plants that had been previously affected by frosts. Lemon exports are forecast to increase, and orange and tangerine exports are expected to remain stable due to Argentine exporters' decreasing competitiveness in international markets. Consumption for all citrus will increase in line with the growth of production, and larger volumes of lemons, oranges, and tangerines will be devoted for processing due to the production rebound and stable exports (for oranges and tangerines).



**Executive Summary:**

For MY 2014/2015, production of all three types of citrus is forecast to rebound to 1.1 million metric tons (MMT) for lemons, 900,000 MT for oranges, and 450,000 MT for tangerines, due to favorable weather conditions and the recuperation of plants which had been damaged by frosts.

Lemon exports are projected to increase to 210,000 MT, and orange and tangerine exports are expected to remain stable at 70,000 MT and 90,000 MT, respectively, primarily due to a decrease in competitiveness of Argentine exporters in international markets, which has been gradually getting worse in the past few years.

Domestic consumption is estimated to increase to 70,000 MT for lemons, 530,000 MT for oranges, and 250,000 MT for tangerines, in line with the increase in production.

Processing for lemons, oranges, and tangerines is forecast to increase significantly to 820,000 MT, 300,000 MT, and 110,000 MT, respectively, due to the production increase and stable exports (for oranges and tangerines).

**Commodities:**

Lemons, Fresh

Oranges, Fresh

Tangerines/Mandarins, Fresh

**Production:**

For MY 2014/2015, fresh lemon production is expected to rebound to 1.1 MMT as a result of good weather conditions and because plants recuperated well from the winter frosts of 2013, which affected the main lemon producing area in the country.

For MY 2013/2014, lemon production is estimated to decrease to 700,000 MT, down 50,000 MT from USDA official estimates, following revisions of data by private sources. Production decreased almost 50 percent from the previous year due to severe frosts during the winter of 2013, which reduced fruit volumes and damaged a significant number of trees, and a drought that affected most of the country's growing areas throughout 2013. In addition, the lemon harvest was delayed about 20 days due to excess rains during April-May 2014. Production in MY 2012/2013 remained unchanged at 1.35 MMT, in line with official estimates. Main lemon varieties grown in Argentina are Genova and Eureka.

Fresh orange and tangerine production for MY 2014/2015 is forecast at 900,000 MT and 450,000 MT, respectively, due to favorable weather conditions and the fact that plants recuperated well from the effects of the frost that affected the main sweet citrus growing region of Argentina in June 2012.

Fresh orange production for MY 2013/2014 is forecast at 600,000 MT, down 100,000 MT from USDA official estimates, and fresh tangerine production is projected at 260,000 MT, down 40,000 MT from official estimates, in line with a revision of estimates by the private sector. Production for both fruit in MY 2012/2013 remained unchanged at 550,000 MT for oranges, and 300,000 MT for tangerines. The main orange varieties grown in Argentina are: Navetina, Salustiana, Washington Navel, Navel Late, Valencia Seedless, and Valencia Late; main tangerine varieties: Clementina, Clemenvilla, Ellendale, Malvasio, Montenegrina, Murcott, and Ortanique (Source: Federcitrus). Overall, the citrus sweet varieties that have been expanding faster are seedless varieties, such as Tango for oranges, and Clementines and Clemenules for tangerines.

One of the main concerns affecting the citrus sector in Argentina continues to be increasing production costs (especially, labor, inputs, energy, inland and ocean freight) as a result of both an overvalued peso and a high inflation rate (between 20-30 percent during the past seven years, and estimated around 40 percent for 2014), which causes a significant loss of competitiveness for local exporters.

On February 26, 2014, the Agricultural Emergency Status for the Citrus Sector of the Province of Tucuman, Decree No. 326, was published in the Official Bulletin. This measure is meant to benefit all citrus producers whose 2013/2014 production has been reduced by at least 50 percent due to bad weather conditions through the granting of loans by official banks, tax exemptions, facilitation of VAT (value-added-tax) returns and export rebates, etc. In addition, citrus harvesters are being paid around \$95 on a monthly basis as of the end of the last citrus season and until the beginning of the next season.

#### *Area Planted:*

For MY 2014/2015, area planted to all three types of citrus is estimated to remain unchanged from the previous year at 49,500 hectares for lemons, 46,100 hectares for oranges, and 33,900 hectares for tangerines. For MY 2013/2014, area planted to lemons will remain stable at 49,500 hectares, in-line with USDA official estimates, as producers will only invest in plant replacement to overcome the effect of the frosts, and will only marginally invest in land. Lemon production used to compete with sugar cane production in the Province of Tucuman. However in the past few years this trend has slowed despite the challenges in the sugar cane and bioethanol industries.

Lemon production also competes, although to a lesser extent, with urban expansion and soybean production, which has grown in marginal areas. According to private sources, the Argentine lemon sector is not expected to expand significantly through land investment but through the incorporation of new genetic material, which would improve yields.

For MY 2013/2014, area planted to oranges and tangerines is forecast to remain stable at 46,100 hectares and 33,900 hectares, respectively, based on the latest official statistics from the National Institute of Agricultural Technology (INTA, in Spanish).

### *Processing:*

For MY 2014/2015, fresh lemon for processing is projected to increase significantly to 820,000 MT, up 330,000 MT from the previous year, as a result of the production rebound. For MY 2013/2014, fresh lemon for processing is estimated to increase to 490,000 MT from previous official estimates, due to smaller exports and high prices paid for lemon by-products. For MY 2012/2013, it remained unchanged from official estimates at 996,000 MT.

Fresh orange and tangerine for processing in MY 2014/2015 is estimated to increase to 300,000 MT (over 70 percent from the previous year) and 110,000 MT (a 170 percent increase from MY2013/2014), respectively, due to larger production and stable exports.

Fresh orange and tangerine for processing in MY 2013/2014 is expected to decrease to 180,000 MT and 40,000 MT, respectively, from official estimates, as a result of smaller production than initially expected and larger exports (for oranges). In MY 2012/2013, it remained stable at 113,000 MT (for oranges) and 63,000 MT (for tangerines) from official estimates.

Over 50 percent of total lemon production in Argentina is processed by four plants, of which three are located in the Province of Tucuman, and one in the Province of Salta. In addition, there are about 35 high-tech packing citrus plants which are approved for export by the Argentine sanitary authorities.

### *Investment:*

After recuperating from the severe effects of last year's frosts in the main lemon growing region of Argentina, investment in land devoted for lemon production is expected to continue to expand marginally, especially in the Provinces of Salta and Jujuy. Investment is due to the potential opening of significant export markets, such as the U.S. and China, for fresh lemons, and the expansion of leading beverage companies in Asia. Despite the lack of profitability and the domestic economic crisis that the lemon sector is undergoing, larger producers continue to invest in new lemon trees to replace old trees, and genetic materials with the objective of improving productivity. Tree replacement is carried out at an average annual rate of five percent.

### **Consumption:**

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. However, fresh lemon domestic consumption for MY 2014/2015 is forecast at 70,000 MT (back to normal levels), up 20,000 MT from MY 2013/2014, as a result of larger production.

Post's estimate for MY 2013/2014 remains unchanged at 50,000 MT from USDA official estimates. Consumption in MY 2012/2013 remained stable at 75,000 MT, in line with official estimates.

For MY 2014/2015, fresh orange and tangerine domestic consumption is estimated to increase from the previous year by over 50 percent to 530,000 MT, and by over 90 percent to 250,000 MT, respectively, due to larger production and stable exports.

Orange and tangerine domestic consumption in MY 2013/2014 is projected to decrease to 350,000 MT, down 60,000 MT, and 130,000 MT, down 20,000 MT, from official estimates, due to smaller production and larger exports (for oranges). For MY 2012/2013, consumption remained stable at 360,000 MT for oranges, and 150,000 MT for tangerines.

## **Trade:**

### *Exports*

Fresh lemon exports for MY 2014/2015 are forecast at 210,000 MT, up 50,000 MT from the previous year, due to larger production. Exports for MY 2013/2014 are estimated to decrease to 160,000 MT (down 90,000 MT from USDA estimates), as a result of decreased production and a delay in the beginning of the lemon harvest. Exports for MY 2012/2013 remained stable at 280,000 MT. According to private sources, in the Province of Tucuman, it is possible to produce 350,000 MT of premium-quality fresh lemon to supply export markets. However, the fresh lemon export business is not very attractive due to extremely high costs, which have decreased competitiveness. This scenario is not expected to change in the near future unless international lemon prices increase significantly, or there is a larger devaluation of the local currency vis-à-vis the dollar (there was a 20 percent devaluation of the Argentine peso in early 2014 but it was not sufficient to cover increasing costs in dollar terms). In addition, the "All Lemon" certification seal that has been developed by the Argentine lemon sector (see Promotion Section) regulates the volume of fresh lemons for export, based on quality, to avoid steep price decreases.

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.

Argentina does not export fresh organic lemons, given that fruit undergoes a bleaching process, which is not allowed under organic certification standards. However, some lemon by-products are produced and exported as organic.

For MY 2014/2015, fresh orange and tangerine exports are forecast to remain unchanged at 70,000 MT and 90,000 MT, respectively, from MY 2013/2014, despite larger production. Due to the decreasing competitiveness in international markets of the citrus sector, it will become very difficult for local exporters to compete with other producing countries in the Southern Hemisphere.

For MY 2013/2014, fresh orange exports are expected to increase to 70,000 MT from USDA official estimates, despite smaller production, as a result of smaller domestic consumption and less fruit devoted for processing. Fresh tangerine exports in MY 2013/2014 are estimated to remain unchanged at 90,000 MT, in line with official estimates. In MY 2012/2013, exports remained stable from official estimates at 77,000 MT for oranges and 87,000 MT for tangerines.

Argentine fresh citrus fruit are exported to about 60 markets. The main export destinations (market share by volume) in CY 2013 and January-September 2014 were as follows:

Fresh Citrus Fruit	Destination	Market Share %	
		2013	Jan-Sep 2014
Lemons	EU	68	72
	Russia	15	15
Oranges	EU	65	69
	Paraguay (*)	33	26
Tangerines	Russia	49	53
	EU	18	14

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

(\*) Market share by value was 5 percent in CY 2013 and CY 2012, while EU market share by value in CY 2013 was 92 percent.

For MY 2014/2015, no major export market diversification is expected for citrus fruit. The EU and Russian markets are not expected to expand significantly as no growth in population is projected, thus, demand is forecast to remain relatively stable. In addition, citrus fruit supply is expected to be larger in the Northern Hemisphere. Fresh lemon exports to non-traditional markets have been increasing in the past few years. Although South Africa is a significant challenge for the local lemon sector since it can reach Asia and the Middle East with more competitive prices, Argentine lemon companies are increasingly expanding exports to those non-traditional markets.

Beyond the Russian embargo, Argentine lemon exporters are much more concerned about their decrease of competitiveness in the Russian market, especially after the steep devaluation of the ruble (over 50 percent in the past few months), which will affect Argentine citrus exports to that market.

In January-September 2014, the EU remained the largest export market for most types of Argentine citrus fruit: lemons (72 percent market share, up from 68 percent in 2013), oranges (69 percent, up from 65 percent in 2013), and the second largest market for fresh tangerines (14 percent, down from 18 percent the previous year). In addition, Russia was the largest market for tangerines accounting for an average of 53 percent of total Argentine tangerine exports, and the second largest market for lemons with 15 percent market share. Paraguay was the second largest export destination by volume for oranges, accounting for 26 percent share (although, by value it accounted by only 5 percent share). Other markets which increased exports of Argentine lemons were Hong Kong, Qatar, Singapore, Philippines, and Bosnia and Herzegovina.

### *Imports*

Citrus imports are expected to remain negligible in MY 2014/2015. This trend is forecast to continue in the future as Argentina is a net citrus fruit exporting country, and especially with government food import restrictions, which have been in place in the past few years (see Policy Section).

## Policy:

### *Import and Export Regulations*

Export taxes on fruits and vegetables are relatively low. In 2008, the GOA reduced these taxes by 50 percent (Official Bulletin, Decrees Nos. 38/2008 and 40/2008). Currently, export taxes for all citrus fruit are 2.5 percent. Part of Argentina's export tax on citrus is rebated depending on the size of the container.

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

<b>Export and Import Tariffs</b>	
<b>All Citrus Fruit (HTS codes: 080510, 080520, 080540, 080550)</b>	
<b>For countries outside MERCOSUR AREA</b>	<b>%</b>
Import Tariff	10.00
Statistical Tax	0.50
Export Tax	2.50
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.	2.70
<b>For countries within MERCOSUR AREA</b>	
Import Tariff	0.00
Statistical Tax	0.50
Export Tax	2.50
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.	2.70

Source: FAS Buenos Aires based on data from Tarifar

In 2010, the GOA began implementing an import substitution policy which focused on reducing imports and supporting domestic production of goods. Under this policy, it has been 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.

### Phytosanitary Issues

Argentine phytosanitary authorities continue negotiations with China to reopen the market for Argentine fresh lemons. Trade was interrupted in 2005 when China established cold treatment for all citrus fruit, which damaged the fruit quality. The industry has been focusing on other non-traditional export destinations pending negotiations with officials in China, such as Vietnam and Indonesia. Currently, the Chinese market is open to fresh "sweet" citrus varieties.

In addition to Fruit fly, Citrus canker, Citrus scab and some mites occurrence in Argentina, two citrus diseases are still of concern for APHIS and the U.S. citrus industry: *Citrus Variegated Chlorosis* (CVC) and *Citrus Greening Disease* (*Huanglongbing* or *HLB*). Following a peer-reviewed article on CVC transmission by Argentine and Brazilian scientists, APHIS developed a Pest Risk Assessment (PRA) and a set of risk mitigation measures to allow the United States to safely import lemons from northwest

Argentina, including Tucumán. On April 10, 2014, APHIS published the draft PRA for stakeholders to review and comment. The comment period ended June 10, 2014. Since then, APHIS and SENASA have been exchanging technical correspondence to concur on the mitigation measures.

*Citrus Greening:* In July 2014, a non-commercial case of HLB was found in Mocoreta, Province of Corrientes (NEA 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 (Law No. 26.888 of October 2, 2013), and found no other signs of the disease. Based on the above, Argentina continues to maintain its HLB-free status.

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 (NEA 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: 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 Brazil.

**Marketing:**

*Prices*

*International (FOB) Prices for Fresh Citrus Fruit*

Fresh lemon FOB prices during MY 2012/2013 were over 10 percent higher than the previous year as a result of less fruit availability in Northern Hemisphere competing countries, such as Spain and Turkey.

Overall, fresh orange and tangerine FOB prices were lower than 2011 and 2012 prices due to strong competition from South Africa.

During January-October 2014, FOB prices for all three types of citrus fruits were higher than the previous year due to less fruit supply in Southern Hemisphere countries (especially, lemons from Argentina).

The highest FOB price for lemons during January-October 2014 was \$1,055/MT (September); for oranges, \$469/MT (August); and for tangerines, \$900/MT (February).

Lemon	FOB Prices (\$/MT)		
	2012	2013	Jan-Oct 2014
January	--	--	--
February	--	--	--
March	839	927	--
April	688	834	935
May	712	807	896
June	703	817	912
July	705	794	951

August		705	781	947
September		759	731	1,055
October		--	--	944
November		--	--	n/a
December		--	--	n/a
Average		730	813	n/a

Source: FAS Buenos Aires based on GTIS trade data

Orange	FOB Prices (\$/MT)		
	2012	2013	Jan-Oct 2014
January	--	--	--
February	--	--	--
March	--	--	--
April	--	--	--
May	364	159	132
June	492	437	455
July	441	412	466
August	439	409	469
September	400	427	463
October	--	--	--
November	--	--	n/a
December	--	--	n/a
Average	427	369	n/a

Source: FAS Buenos Aires based on GTIS trade data

Tangerine	FOB Prices (\$/MT)		
	2012	2013	Jan-Oct 2014
January	--	--	--
February	832	816	900
March	818	813	809
April	806	837	811
May	816	830	825
June	826	857	846
July	908	869	852
August	890	852	854
September	838	845	833
October	784	266	314
November	--	--	n/a
December	--	--	n/a
Average	835	776	n/a

FAS Buenos Aires based on GTIS trade data

*Wholesale Prices for Fresh Citrus Fruit*

Lemon	Domestic Wholesale Prices (\$/MT)		
	2012	2013	Jan-Aug 2014
January	800	1,203	1,062

February		878	973	1,054
March		800	867	911
April		621	572	734
May		577	480	675
June				
		491	411	645
July		427	405	657
August		466	431	768
September		470	477	n/a
October		530	530	n/a
November		890	800	n/a
December		1,150	1,080	n/a
Average		675	686	n/a

Source: Buenos Aires Central Market

Orange	Domestic Wholesale Prices (\$/MT)		
	2012	2013	Jan-Aug 2014
January	309	383	353
February	322	363	385
March	423	411	430
April	412	436	604
May	396	441	618
June	361	453	589
July	404	456	468
August	410	420	429
September	416	422	n/a
October	360	340	n/a
November	390	340	n/a
December	400	370	n/a
Average	384	403	n/a

Source: Buenos Aires Central Market

Tangerine	Domestic Wholesale Prices (\$/MT)		
	2012	2013	Jan-Aug 2014
January	386	445	742
February	282	469	--
March	348	427	292
April	285	378	383
May	328	403	450
June	315	444	461
July	313	444	461
August	379	445	455

September		497	423	n/a
October		460	390	n/a
November		490	540	n/a
December		570	560	n/a
Average		<b>388</b>	<b>447</b>	<b>n/a</b>

Source: Buenos Aires Central Market

#### Domestic Retail Prices for Fresh Citrus Fruit

Citrus Fruit	\$/kg
Lemon	2.10
Orange (Navel)	0.93
Orange (Valencia)	0.93
Tangerine (Murcott)	1.64

US\$1 = AR\$8.53 (December 4, 2014)

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. In addition, ALL Lemon is currently designing a program to increase lemon domestic consumption throughout the world through a promotional campaign targeting the consumer.

Lemons identified under ALL LEMON parameters must comply with:

- High juice content
  - Resistance and durability
    - Firmness
    - Freshness
    - Uniform format
    - Balanced color
    - Skin in optimal condition
    - Traceability and safety.

#### Production, Supply and Demand Data Statistics:

Lemons/Limes, Fresh Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	49,500	49,500	49,500	49,500		49,500
Area Harvested	46,000	46,000	46,000	46,000		46,000
Bearing Trees	14,500	14,500	14,500	14,500		14,500
Non-Bearing Trees	1,000	1,000	1,000	1,000		1,000

<b>Total No. Of Trees</b>	15,500	15,500	15,500	15,500		15,500
<b>Production</b>	1,350	1,350	750	700		1,100
<b>Imports</b>	1	1	0	0		0
<b>Total Supply</b>	1,351	1,351	750	700		1,100
<b>Exports</b>	280	280	250	160		210
<b>Fresh Dom. Consumption</b>	75	75	50	50		70
<b>For Processing</b>	996	996	450	490		820
<b>Total Distribution</b>	1,351	1,351	750	700		1,100
HECTARES, 1000 TREES, 1000 MT						

Oranges, Fresh Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b>	46,100	46,100	46,100	46,100		46,100
<b>Area Harvested</b>	44,300	44,300	44,300	44,300		44,300
<b>Bearing Trees</b>	21,600	21,600	21,600	21,600		21,600
<b>Non-Bearing Trees</b>	1,840	1,840	1,840	1,840		1,840
<b>Total No. Of Trees</b>	23,440	23,440	23,440	23,440		23,440
<b>Production</b>	550	550	700	600		900
<b>Imports</b>	0	0	0	0		0
<b>Total Supply</b>	550	550	700	600		900
<b>Exports</b>	77	77	50	70		70
<b>Fresh Dom. Consumption</b>	360	360	410	350		530
<b>For Processing</b>	113	113	240	180		300
<b>Total Distribution</b>	550	550	700	600		900
HECTARES, 1000 TREES, 1000 MT						

Tangerines/Mandarins, Fresh Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2013		Market Year Begin: Apr 2014		Market Year Begin: Apr 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b>	33,900	33,900	33,900	33,900		33,900
<b>Area Harvested</b>	33,100	33,100	33,100	33,100		33,100
<b>Bearing Trees</b>	17,100	17,100	17,100	17,100		17,100
<b>Non-Bearing Trees</b>	1,850	1,850	1,850	1,850		1,850
<b>Total No. Of Trees</b>	18,950	18,950	18,950	18,950		18,950
<b>Production</b>	300	300	300	260		450
<b>Imports</b>	0	0	0	0		0
<b>Total Supply</b>	300	300	300	260		450
<b>Exports</b>	87	87	90	90		90
<b>Fresh Dom. Consumption</b>	150	150	150	130		250
<b>For Processing</b>	63	63	60	40		110
<b>Total Distribution</b>	300	300	300	260		450
HECTARES, 1000 TREES, 1000 MT						

