

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Citrus Semi-annual

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Report Highlights:

For MY 2016/2017, lemon production is forecast to decrease due to unfavorable weather conditions in the main citrus growing region of Argentina. Orange and tangerine production increased despite negative weather conditions, based on latest estimates by the private sector. Lemon exports are projected to go decline due to a decrease in production. Orange and tangerine exports will remain unchanged from official estimates but below historical levels due to the lack of competitiveness in the export sector.

Executive Summary:

Lemon production for MY 2016/2017 is expected to decrease to 1.27 million metric tons, because of a late frost, high temperatures, and excess rain. Orange and tangerine production was revised upward to 680,000 metric tons (MT) and 300,000 MT, respectively, despite unfavorable weather conditions. However, production for both fruits will remain below historical levels due to bad weather and the lack of profitability for local producers.

Lemon exports decreased to 220,000 MT as a consequence of lower production. Exports will remain unchanged at 55,000 MT for oranges and 45,000 MT for tangerines, below historical levels due to the lack of competitiveness of Argentine exporters in international markets.

Lemon domestic consumption is forecast to remain unchanged at 70,000 MT. Orange and tangerine consumption is projected to increase to 370,000 MT and 160,000 MT, in line with the production increase.

Production*Lemons*

For MY 2016/2017, Post revised fresh lemon production down from 1.37 MMT to 1.27 MMT. This decline is 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 was revised down from 1.4 MMT to 1.35 MMT, compared to official USDA estimates, 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. Even with prices falling in 2017 due to large fruit supplies in Northern Hemisphere countries, the work 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

Post's estimate of fresh orange and tangerine production in MY 2016/2017 is revised up by 5 percent to 680,000 MT (for oranges), and 7 percent to 300,000 MT (for tangerines), compared to USDA official estimates. Despite the increase, 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 and the previous calendar year 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 NOA¹), and Navel, Salustiana, improved Valencia (Midnight, Delta Seedless) (in NEA²). Main tangerine varieties are: Clementina, Clemenvilla, Ellendale, Malvasio, Montenegrina, Murcott, and Ortanique. Overall, the citrus sweet varieties that have been expanded 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 23-24 percent for CY 2017) resulting in a significant loss of competitiveness for local exporters, especially in the sweet citrus sector.

Area Planted

For 2015/2016, area planted to lemons is forecast to remain unchanged at 48,000 hectares, and no change is expected for 2016/2017. 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, area planted to oranges is forecast to remain unchanged at 43,000 hectares, in line with the 2015/2016 estimate. For 2016/2017 and 2015/2016, area planted to tangerines is estimated to decrease from 32,000 hectares to 28,000 hectares from official estimates, following adjustments made to figures by the 2016 Citrus Census of Entre Rios Province and the private sector.

¹ Northwest Argentina

² Northeast Argentina

Processing

Lemons

Fresh lemon for processing in MY 2016/2017 is estimated at 980,000 MT, down 40,000 MT from official estimates, as a result of lower production. Lemon for processing in MY 2015/2016 was revised downward from 1.05 MMT to 1.003 MMT from official estimates, following the production decrease.

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 2016/2017, fresh orange and tangerine for processing are forecast to increase 10,000 MT for each fruit at 255,000 MT and 95,000 MT, respectively, compared to official estimates. This increase is due to larger production and unchanged exports.

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 expected to continue to grow only 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 (in final stages for market reopening) and China. 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 2016/2017 and MY 2015/2016 is forecast to remain unchanged at 70,000 MT, in line with USDA official estimates.

Oranges and Tangerines

For MY 2016/2017, Post revised orange and tangerine domestic consumption upward from 350,000 MT to 370,000 MT for oranges, and from 150,000 MT to 160,000 MT for tangerines, following the increase in production.

For MY 2015/2016, orange domestic consumption is revised down slightly to 469,000 MT, and tangerine consumption remains at 190,000 MT, from USDA estimates. Consumption is expected to be lower than usual for both fruits due to production below historical levels.

Trade

Exports

Lemons

Fresh lemon exports in MY 2016/2017 are forecast to decrease by 21 percent and are estimated at 220,000 MT, due to lower production. Exports will not increase 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). 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 2016/2017, Post export estimates remained stable at 55,000 MT for oranges and 45,000 MT for tangerines, in line with official estimates. Exports for both fruit are significantly lower than historic 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 exports in MY 2015/2016 were revised upward from 60,000 MT to 65,000 MT, and tangerine exports remained unchanged at 50,000 MT, from official estimates. 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 in the past few years as a result of the difficult economic situation affecting citrus exporters.

Export Destinations

Argentine fresh citrus fruit are exported to about 60 markets. The main export destinations (market share by volume) in CY 2015 and 2016 were as follows:

Fresh Citrus Fruit	Destination	Market Share %	
		2015	2016
Lemons	EU	72	73
	Russia	16	14
Oranges	EU	53	76
	Russia	1	8
	Paraguay	42	8
Tangerines	Russia	54	49
	Philippines	12	16
	Canada	8	9
	EU	8	8

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

For MY 2016/2017, 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 market. Trade was interrupted in 2005 when China established cold treatment for all citrus fruit, a process which 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. Moreover, there are on-going negotiations for the opening of the Mexican market.

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. Exports will begin once the OWP is signed.

Local lemon exporters are planning to ship a sample shipment of fruit to the U.S. during the current marketing season. Local contacts estimate that Argentina will export 20,000 MT to the U.S. in MY 2017/2018, 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.

Argentine sweet citrus exporters are highly concerned about the decrease in their competitiveness in the Russian market, especially for tangerines, as a consequence of the steep devaluation of the ruble during the past year.

During 2016, Argentina increased its market share to 76 percent in the EU (from 53 percent in 2015), due South Africa's difficulty in exporting oranges as a result of phytosanitary issues (Citrus Black Spot) and high international prices. Russia and Paraguay remained the second largest markets for oranges with 8 percent share each.

In 2016, Russia remained the largest market for tangerines with 49 percent share, and the Philippines remained the second largest market with 16 percent share, followed by Canada and the EU with 9 percent and 8 percent share, respectively. Due to the devaluation of the ruble, Argentine exporters were forced to redirect part of their shipments to the Philippines taking advantage of the recent opening of the Philippine market to Argentine fresh citrus fruit.

Imports

Citrus imports are expected to remain negligible in MY 2016/2017. 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. During 2016, 2,974 MT of lemons were imported into Argentina, mainly from Chile and Spain; 4,306 MT of oranges were imported primarily from Spain; and 360 MT were sourced mostly from Uruguay, as a result of the decrease in CY 2016 production which increased domestic prices.

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.

Marketing

Prices

International (FOB) Prices for Fresh Citrus Fruit

During 2015, FOB prices for lemons were lower than the previous year due to a larger fruit supply in the Northern Hemisphere. However, during 2016, prices were record-high, especially in the EU, during the mid-marketing season. Orange and tangerine FOB prices were lower during 2015 primarily due to strong competition from South Africa. Prices for both fruits increased significantly in 2016. The highest FOB price for lemons during 2016 was \$1,073/MT (September); for oranges, \$495/MT (August); and for tangerines, \$922/MT (July).

Lemon	FOB Prices (US\$/MT)		
	2014	2015	2016
January	--	561	699
February	--	459	--
March	--	766	948
April	935	850	991
May	896	878	1,036
June	912	896	1,036

July	951	902	1,037
August	947	911	1,050
September	1,055	855	1,073
October	944	--	946
November	909	--	--
December	789	--	--
Average	926	786	980

Orange	FOB Prices (US\$/MT)		
	2014	2015	2016
January	--	--	--
February	--	199	--
March	--	195	--
April	--	103	110
May	132	172	257
June	455	410	540
July	466	411	494
August	469	416	495
September	463	356	481
October	--	105	591
November	--	97	265
December	--	97	99
Average	397	233	370

Tangerine	FOB Prices (US\$/MT)		
	2014	2015	2016
January	--	--	--
February	900	830	704
March	809	790	857
April	811	816	846
May	825	812	871
June	846	794	859
July	852	832	922
August	854	805	909
September	833	727	909
October	311	507	188
November	--	172	205
December	356	--	215
Average	740	709	680

FAS Buenos Aires based on GTIS trade data

Wholesale Prices for Fresh Citrus Fruit

Lemon	Domestic Wholesale Prices (US\$/MT)			
		2014	2015	2016
January		1,062	658	732
February		1,054	616	639
March		911	636	622
April		734	664	557
May		675	643	435
June		645	609	413
July		657	551	347
August		768	610	431
September		955	637	542
October		895	464	806
November		870	607	1,249
December		761	653	1,446
Average		832	612	685

Orange	Domestic Wholesale Prices (US\$/MT)			
		2014	2015	2016
January		353	366	568
February		385	347	996
March		430	319	1,065
April		604	461	908
May		618	445	450
June		589	366	331
July		468	353	288
August		429	360	286
September		391	362	316
October		380	274	348
November		396	291	331
December		396	352	476
Average		453	358	530

Tangerine	Domestic Wholesale Prices (US\$/MT)			
		2014	2015	2016
January		742	438	--
February		--	365	560
March		292	292	490

April		383	399	374
May		450	382	343
June		461	378	346
July		461	367	344
August		455	374	328
September		402	428	363
October		379	349	404
November		463	381	433
December		473	379	512
Average		451	378	409

Source: Buenos Aires Central Market

Domestic Retail Prices for Fresh Citrus Fruit

Citrus Fruit	US\$/kg
Lemon (Premium)	2.21
Lemon (Commercial)	1.53
Orange (Navel)	1.53
Orange (Valencia – Commercial)	1.32
Tangerine (Nova)	1.07
Tangerine (Commercial)	0.92
US\$1 = AR\$16.25 (June 5, 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>)