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Report Name: Fresh Deciduous Fruit Annual

Country: Argentina

Post: Buenos Aires

Report Category: Fresh Deciduous Fruit

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Report Highlights:

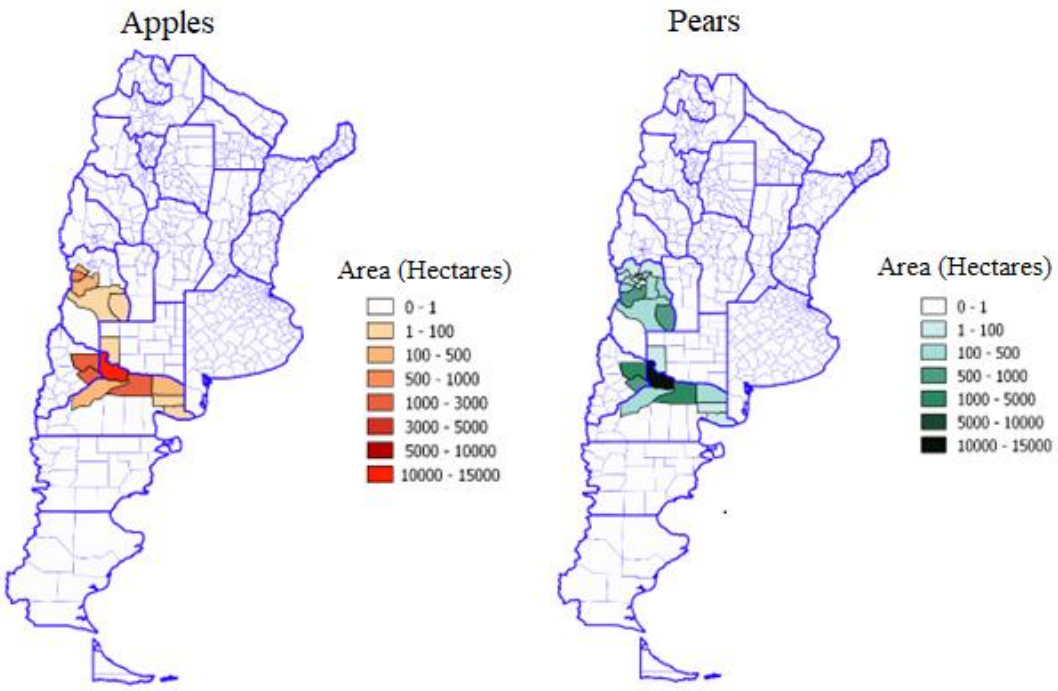
For Marketing Year (MY) 2022/23, Post forecasts fresh deciduous fruit production to rebound to 535,000 MT for apples and 700,000 MT for pears due to favorable weather conditions. Exports are expected to increase to 75,000 MT for apples and 325,000 MT for pears as a result of larger production and reduced fruit supply in Northern Hemisphere fruit producing countries. Post anticipates a boost in apple and pear domestic consumption in-line with the production increase.

Executive Summary:
Marketing Year (MY) 2022/23 fresh apple and pear production is estimated at 535 MT and 700TMT, an increase of 25 and 26 percent, respectively because of good weather conditions.

For MY 2022/23, exports for both fruits are projected to increase by 75,000 metric tons (MT) for apples and 325,000 MT for pears due to larger production and diminished fruit supply in the Northern Hemisphere. Consumption of fresh apples and pears is forecast to increase to 460,500 MT and 375,000 MT in line with the increase in production.

Despite these projected increases in production and exports, Argentine exporters continue to face difficult domestic economic conditions which negatively affect their competitiveness. High inflation, and the government's price and currency controls create market distortions that make long term business planning difficult. The government has also made it increasingly difficult to import inputs needed by the fruit industry. As a result of these challenges, growers have postponed needed investments in equipment and replanting with new varietals. While a long cycle of consolidation within the sector appears to be concluding, continued high costs and low profitability mean the sector is likely to see reduced investment in the near term.

Figure 1: Area Under Apple and Pear Cultivation by County



Source: Secretariat of Agriculture, Livestock, and Fisheries

Production

Apple and pear production is concentrated in the Province of Río Negro (85 percent) with some production also in the Province of Neuquén (12 percent). The remaining three percent is located in the Uco Valley in Mendoza Province. Producer numbers have fallen from approximately 9,000 in 2005 to 1,646 today. The sector has 260 packing plants and 198 cold storage facilities (Source: SENASA). Around half of the 60,000 direct-hire employees are seasonal migrants from the northern provinces who come down to the region for the apple and pear harvest.

The valleys of Río (River) Negro and Neuquén are artificially irrigated by the dam "Ingeniero Ballester," which was built in 1916 on the Rio Neuquén. From that dam, a main 130-km long channel gravity feeds smaller ditches to irrigate orchards, with excess water flowing out into the Rio Negro. This irrigation system does not require powered pumps and acts as passive defense against frost.

The recent consolidation that Argentina's apple and pear sector underwent appears to be coming to an end. However, public and private investment is needed to fund technological developments, such as increased mechanization, adoption of new varieties, and to support regional efficiency through improved logistics and communications.

Limited access to capital for reinvestment in orchard health and improved efficiency further limits potential productivity gains. Many Argentine orchards are still producing older fruit varieties not in demand by the market. This is particularly a problem in apple production, where Argentina faces competition from Chile and China. Improving Argentina's efficiency to lower production costs is key in order to remain competitive in the international market. Production issues continue to threaten the long-term viability of the industry. Many factors, including the active management of the peso exchange rate, rising input costs for labor and energy, and the soaring price of reefer containers due to the worldwide shortage of containers, have provided significant challenges to producer profitability in recent years.

The cost to plant a hectare with new varieties, with protection against hail and double- purpose irrigation (watering and frost prevention) is about USD $50,000. The production cost for a kilogram of apples or pears was estimated at $0.26/ fruit by the "Fruit Contracting Board" (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.) It is expected that upcoming salary negotiations will have a major impact on increasing production costs. Another problem that the sector is facing is growers' average age which has been increasing gradually for many years. There is very little generational turnover, mainly due to the low profitability of fruit farming.

During the height of the COVID-19 Pandemic, the sector faced considerable challenges in securing shipping containers. This led to higher freight prices, which were exacerbated by general global inflation and higher fuel prices. While, operations have normalized in most ports, Chinese ports have continued to have extensive backups due to COVID-19 related lockdowns.

For MY 2023, experts agree that logistics costs will decrease as new containers come online and the world returns to a more stable post-COVID pandemic situation. (Source: Drewry Consultants – World Container Index).

The Government of Argentina's (GOA) has imposed onerous import restrictions, in an effort to stop declining foreign currency reserves. These make it almost impossible to access not only imported foreign technology, but also new varieties, agrochemicals, fertilizers, machinery parts, and packaging materials (especially boxes made of imported cardboard).

Apples

For MY 2022/23, fresh apple production is forecast to rebound to 535,000 MT, up 25 precent relative to the previous marketing year, due to good weather conditions.

For MY 2021/22, apple production is expected to decrease to 427,000 MT, down by 22 percent from the USDA estimate of 549,000 MT, due to frost damage at the beginning of October 2021 and hailstorms.

Post's estimate of apple production for MY 2020/21 remained unchanged at 550,000 MT, in line with USDA estimates.

Red Delicious, Granny Smith and Gala are the main apple varieties grown in Argentina, accounting for nearly 90 percent of the total apple production.

Pears

For MY 2022/23, fresh pear production is projected at 700,000 MT up 25 percent from MY 2021/2022, as a result of favorable weather conditions.

For MY 2021/22, pear production is estimated to decrease to 557,000 MT, down 4.5 percent from official USDA estimates, as a consequence of frost damage at the beginning of October 2021 and hailstorms.

Post's estimate of pear production for MY 2020/21 remains unchanged at 615,000 MT, following USDA estimates.

Williams, Packham's Triumph and Beurre D'Anjou are the main pear varieties grown in Argentina, and their share is 84.4 percent of the total pear production.

Organic Production

In MY 2020/21 5,000 hectares of the 35,700 hectares planted to apples and pears in the Provinces of Río Negro and Neuquén were certified organic. Producers believe that organic production area will remain stable over the next few years.

The international demand for organic fruit products continues to grow as consumers seek, what they believe to be, healthier options. Higher production costs for organic fruits are primarily due to manual pruning, biological weed control and certification fees.

Planted Area

For MY 2022/23, planted area is forecast to remain unchanged at 19,000 hectares for apples and 19,000 hectares for pears, and no changes are expected for any of the fruits in MY 2021/22. However, for MY 2021/22, harvested area is expected to increase to 17,270 hectares for apples and 18,260 hectares for pears, compared to official estimates, as a result of higher yields in new plantations. In MY 2022/23, harvested area for both fruits will remain unchanged from the previous marketing year. Planted area for MY 2020/21 for both apples and pears remained unchanged at 19,000 hectares, following USDA estimates.

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. In Río Negro and Neuquén 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. The upgrade of the sanitary status of northern Patagonia to area free of Foot-and-Mouth disease without vaccination in 2013 promoted the development of feed lots and increased the demand for forage.

Moreover, farmland is being paved over by urban development, and the oil and gas industry has also leased land formerly in fruit production for exploration and extraction purposes. Some fruit orchards are also being rented to produce vegetables, and some land is also being converted to hop production following the growing demand of craft beer
.
Over the past eight years, one of every three growers have abandoned fruit growing. These were mostly smaller farmers, with 46 percent having had less than ten hectares and 34 percent between ten and twenty hectares. Large scale growers who make up about 2.5 percent of all farmers own 35 percent of the area under fruit production, while small farmers with less than 20 hectares of land make up 75 percent of the farming population but only own 28 percent of the land. Mid-sized producers make up the rest. Small and some medium sized producers sell most of their production to cooperatives.

Consumption

MY 2022/23 fresh apple domestic consumption is forecast to go up to 460,500 MT from MY 2021/22, following the production increase. For MY 2021/22, apple consumption is expected to

decrease to 369,300 MT, compared to official estimates, due to smaller production. Apple consumption in MY 2020/21 remained stable at 458,500 MT, in line with official estimates.

For MY 2022/23, fresh pear consumption is estimated at 375,000 MT, up 30 percent compared to the previous marketing year, as a result of the production increase. Pear consumption in MY 2021/22 is expected to decrease to 287,800 MT from the official estimate of 319,300 MT, due to smaller production and larger exports. Pear consumption in MY 2020/21 remained unchanged at 300,400 MT from USDA estimates.

Organic Consumption

In recent years, the popularity of fresh organic products has shown an upward trend in affluent areas within the City of Buenos Aires, and other major cities in the interior of Argentina. However, relative to northern hemisphere market's demand for organic products, the domestic demand remains low due to higher prices We may see an uptick in domestic demand for organic products as fresh organic produce is sold in high-end supermarkets and health food stores targeting upscales consumers. In addition, food manufacturers are increasing the volume of organic fruit in their processed products, such as cereal bars and organic juices.

Trade

Exports

MY 2022/23 exports are expected to increase for both apples (25 percent) and pears (20 percent), compared to MY 2021/22, and are estimated at 75,000 MT and 325,000 MT, respectively, due to larger production and smaller fruit supply in the Northern Hemisphere countries. However, reaching these export increases means that Argentina must successfully compete with other Southern Hemisphere fruit producing countries. Argentina's unstable macroeconomic situation could lead it to struggle in export markets if other countries also have strong harvests.

Currently, the six largest fruit companies account for over 60 percent of total fruit exports. Some of these companies are vertically integrated with their own production, and only buy from third parties as needed. Thus, when production is high, independent growers find it difficult to sell their fruit. High energy costs have been discouraging producers from keeping their fruit in cold storage so only high-quality fruit will be stored.

Apple exports in MY 2021/22 are lowered from 181,000 to 60,000 MT, a 33 percent decline from official USDA estimates, due to lower production. Pear exports are revised up 5,000 MT to 270,000 MT, due to lower domestic consumption and larger imports. Unfavorable weather conditions in MY 2021/22 negatively affected the fruit quality, which reduced export volumes of both apples and pears, primarily to the EU and the U.S., as those markets demand higher quality standards. Fresh apple exports during January-September 2022 totaled 57,600 MT, down 24 percent, and fresh pear exports totaled 241,675 MT, down 16 percent, from the same period of 2021. (Source: Trade Data Monitor, LLC)

Apple and pear exports in MY 2020/21 remained unchanged at 93,500 MT and 315,000 MT, respectively, in line with latest estimate revisions.

Russia is the second largest market for Argentine apples and pears after Brazil. It remains a challenging market as a result of the instability of the ruble, complicated logistics to reach distribution centers, consumers' low purchasing power, difficulties in making international payments, and other complications from Russia's invasion of Ukraine.

In February 2022, when Russia invaded Ukraine, the first MY 2021/22 shipments were en route from Argentina to Russia when shipping lines began cancelling calls to Russian ports. Exporters had to reorient containers to other destinations and, in some cases, unload in EU ports fruit that was unsuitable for the EU market. In other cases, they had to use the nearest ports, such as Turkey, at additional logistical costs. Local oversupply and longer transit times affected the fruit's condition which negatively impacted prices so fruit that normally would have been sold on the fresh market was sold for processing at a discounted price.

Due to uncertainty about international sanction in the wake of Russia's invasion of Ukraine, many Argentine banks ceased to operate with Russian banks, which greatly complicated making payments through international bank transfers. However, during the second half of MY 2021/22, a number of shipments departed the port of Campana for St. Petersburg, using facilities that normally load citrus fruit. This alternative helped Argentina export 18,000 MT of pears and 2,000 MT of apples to the Russian market with shorter transit times.

Imports

Argentina is a significant producer and exporter of fresh apples and pears and, as such, imports of these fruits are negligible. For MY 2022/2023, apple imports are forecast to decrease by 122 percent from MY 2021/22, and are estimated at 500 MT, and no pear imports are expected for the next marketing season. That is due to the production increase for both fruits and Argentina's stringent import restrictions.

For MY 2021/22, apple and pear imports are revised up from 1,200 MT to 2,300 MT (for apples) and from 300 MT to 800 MT (for pears) as a result of smaller production.

Apple and pear imports in MY 2020/21 remained stable at 2,000 MT and 400 MT, respectively, following USDA estimates. During January-September 2022, Argentina's only apple import market was Chile. For pears, Argentina's only import market was Brazil.

Policy

Currently, there are virtually no government policies or long-term loans at the national level to support apple and pear production in Argentina.

The provincial governments of Río Negro and Neuquén offer some credit at subsidized low interest annual rates (14 percent) for the purchase of machinery and nets. However, access to these programs is restricted and most resources are earmarked to small growers.

Argentine fresh apples and pears pay higher import duties at export markets compared to its competitors, primarily, Chile. While Chile has signed many bilateral and multilateral Free Trade Agreements (FTAs), Argentina, as a member of MERCOSUR, can only sign FTAs as part of MERCOSUR.

Import and Export Regulations

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

Table 1: Tariffs, Taxes, and Rebates for Argentine Fresh Apples & Pears

Tariffs, Taxes, and Rebates for Argentine Fresh Apples (0808.10) & Fresh 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) (*) **Export Rebate (%) Bulk (pears)** (*) **Additional Export Rebate for Organic Fruit (%)** (apples & pears) (*) **Export Rebate (%)** **Cases containing between 2.5 Kg. and 20 Kg.** (*) **Cases containing 2.5 Kg. or less** (*)	3.75 3.50 0.50 4.75 5.25

Source: FAS Buenos Aires based on data from Tarifar.
(*) All export rebates apply equally within and outside Mercosur.
Note: All tariffs and taxes apply equally to apples and pears. Export Rebates differ for both fruits.

Marketing

The following table shows retail prices for Argentine fresh deciduous fruit:

Table 2: Retail Prices of Argentine Apples and Pairs

Retail Prices		
Fruit	**Variety**	**Price ($USD/Kilogram)**
Pears	Packham' s Triumph (premium)	$1.40
	Packham' s Triumph (standard)	$1.10
Apples	Red Delicious (premium)	$3.00
	Red Delicious (standard)	$1.90
	Granny Smith (premium)	$3.00
	Cripps Pink	$2.20
	Rome	$2.40

Source: Survey of supermarkets and grocery stores in the greater Buenos Aires area.
Note: Exchange rate is the official rate as of October 14, 2022 USD$1= ARS$151.63

Free-on-Board (FOB) Prices

During January–September 2022, average FOB export prices increased by about 5.5 percent for fresh pears and decreased by approximately 5.5 percent for fresh apples, compared to the same period in 2021. The lack of investment in the sector over the long term has affected yield and quality. Argentina has been shifting to markets that do not demand higher-quality fruit, such as Russia and Latin America, and this has been reflected in falling FOB prices over time. The tables on the following page show the evolution of FOB prices over the last three years.

Table 2: Freight On Board (FOB) Prices for Argentine Apples

Fresh Apples – FOB Prices ($USD/MT)			
Month	**2020**	**2021**	**Jan-Sep 2022**
Jan	567	633	532
Feb	624	538	625
Mar	679	605	639
Apr	783	755	840
May	750	888	724
Jun	675	799	697
Jul	632	744	637
Aug	633	658	673
Sep	564	699	610
Oct	510	537	n/a
Nov	551	568	n/a
Dec	537	584	n/a
Avg	**625**	**667**	n/a

Source: FAS Buenos Aires based on data from Trade Data Monitor, LLC

Table 3: FOB Prices for Argentine Pears

Fresh Apples – FOB Prices ($USD/MT)			
Month	**2020**	**2021**	**Jan-Sep 2022**
Jan	829	696	789
Feb	783	686	793
Mar	817	694	835
Apr	779	694	771
May	717	760	719
Jun	671	769	726
Jul	664	753	723
Aug	660	686	723
Sep	671	696	701
Oct	713	759	n/a
Nov	698	789	n/a
Dec	746	774	n/a
Avg	**729**	**730**	n/a

Source: FAS Buenos Aires based on data from Trade Data Monitor, LLC

Table 5: Production, Supply, and Distribution – Apples

Apples, Fresh	2020/2021		2021/2022		2022/2023		
Market Begin Year	January 2021*		January 2022*		January 2023*		
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	(Units)
Area Planted	19000	19000	19000	19000	0	19000	(HA)
Area Harvested	15000	15000	15000	17270	0	17270	(HA)
Bearing Trees	14700	14700	14700	16700	0	16700	(1000 TREES)
Non-Bearing Trees	2400	2400	2400	400	0	400	(1000 TREES)
Total Trees	17100	17100	17100	17100	0	17100	(1000 TREES)
Commercial Production	550000	550000	549000	427000	0	535000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
Production	550000	550000	549000	427000	0	535000	(MT)
Imports	2000	2000	1200	2300	0	500	(MT)
Total Supply	552000	552000	550200	429300	0	535500	(MT)
Domestic Consumption	458500	458500	460200	369300	0	460500	(MT)
Exports	93500	93500	90000	60000	0	75000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
Total Distribution	552000	552000	550200	429300	0	535500	(MT)
For Processing	0	0	0	0	0	0	(MT)
TS=TD	0	0	0	0	0	0	

Table 6: Production, Supply, and Distribution – Pears

Pears, Fresh	2020/2021		2021/2022		2022/2023		
Market Begin Year	January 2021*		January 2022*		January 2023*		
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	(Units)
Area Planted	19000	19000	19000	19000	0	19000	(HA)
Area Harvested	16000	16000	16000	18260	0	18260	(HA)
Bearing Trees	12500	12500	12500	14200	0	14200	(1000 TREES)
Non-Bearing Trees	2300	2300	2300	600	0	600	(1000 TREES)
Total Trees	14800	14800	14800	14800	0	14800	(1000 TREES)
Commercial Production	615000	615000	584000	557000	0	700000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
Production	615000	615000	584000	557000	0	700000	(MT)
Imports	400	400	300	800	0	0	(MT)
Total Supply	615400	615400	584300	557800	0	700000	(MT)
Domestic Consumption	300400	300400	319300	287800	0	375000	(MT)
Exports	315000	315000	265000	270000	0	325000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
Total Distribution	615400	615400	584300	557800	0	700000	(MT)
For Processing	0	0	0	0	0	0	(MT)
TS=TD	0	0	0	0	0	0	

Attachments:

No Attachments