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Argentina

Raisin Annual

Raisin Grapes

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Report Highlights:
Argentina's raisin production is forecast to rebound to historical levels of 35,000 MT in CY 2017 due to favorable weather conditions. However, exports are not expected to recuperate at the same pace as due to lack of competitiveness in international markets as a result of adverse domestic factors. CY 2017 raisin exports are projected to remain relatively stagnant at 30,500 MT.

Executive Summary:

Raisin production for CY 2017 is estimated at historical levels of 35,000 MT due to good weather conditions. Raisin exports are forecast at similar levels of CY 2016 and are estimated at 30,500 MT. However, exports are not expected to fully recuperate due to decreased competitiveness by local exporters.

Raisin producers' primary challenge during the past few years has been the dramatic increase of production costs in addition to high inflation rates and an overvalued peso, which has continued to decrease their competitiveness in export markets.

Commodities:

Raisins

Production:

Production Area

About ninety-five percent of Argentine raisins are produced in the Province of San Juan, which is located alongside the Andes Mountains in western Argentina. The remainder is primarily produced in the Provinces of Mendoza and La Rioja. Based on private sources' estimates, for CY 2016 and 2017, area planted to raisin grapes will remain unchanged at 6,600 hectares from CY 2015 official estimates, as no significant land investment is expected in the near future since farm-gate prices have been relatively low. Flame and Fiesta are the fastest-growing raisin grape varieties in Argentina. In addition, ninety five percent of the Flame variety is devoted to raisin production.

Since the Province of San Juan is a very dry region, with an annual average rainfall of eight inches or less, all plantations are irrigated. The main source of water is melted snow from the Andes. Although there is still available land for raisin production in the province, area expansion depends largely on irrigation, and not all producers have access to irrigation due to its high cost.

Production

In CY 2017, grape production for raisins is estimated to increase to 149,000 MT, compared to the previous calendar year, as a result of favorable weather conditions. In CY 2016, production is expected to decrease slightly from 147,500 MT in CY 2015 MT to 147,000 MT in CY 2016, due to excess rains at the end of the harvesting season in addition to the end of summer and beginning of autumn (the Thompson Seedless variety was the most affected raisin grape variety). For CY 2017, raisin production is projected at 35,000 MT. For CY 2016, Post adjusted production downward from USDA official estimates from 32,000 MT to 30,000 MT. For CY 2015, raisin production was revised upward from 33,000 MT to historic levels of 43,000 MT, which included a raisin carry-over stock of 8,000 MT. Weather conditions were excellent during this season, which resulted in high raisin volumes of very good quality and sanitary conditions.

Traditionally, there have been no significant carry-over stocks in the local raisin sector. However, Post estimates 3,000 MT of carry-over stocks for CY 2016 and 2,500 MT for CY 2015, due large production levels.

One of the main challenges for the Argentine raisin sector is to increase production enough to meet international demand by improving yields and becoming more efficient. Another challenge producers currently face is high import tariffs established for Argentine raisins in some export markets. In addition, a major concern is the increase of production costs, especially of labor (accounting for about 70 percent of total production costs), inputs, agrochemicals, energy, freight, and fuel, added to high inflation rates and an overvalued peso.

There have been private investments in the raisin sector over the past few years, primarily from domestic capital. However, the investment rate has been decreasing since 2012 due to producers' reduced profitability. Investments were not only devoted to primary production (e.g. reconversion of vines), but also to the incorporation of new technology to obtain larger raisin volumes for processing and a higher-quality, more competitive product, to supply export markets (laser technology to improve speed, efficiency, and accuracy; mechanical harvesting of grapes, etc.) Moreover, private investments went to irrigation systems to optimize water usage. No major investments have been announced for the near future.

Varieties

The main grape varieties destined for raisins are the seedless varieties, such as Flame**,** which have attracted investments in processing technology and storage facilities. Other varieties are: Sultanina Blanca (Thompson Seedless), Superior Seedless, Torrontes Sanjuanino, Cereza, Emperador, Tinogasteña, and Criolla Chica**.** Fiesta is a relatively new variety of U.S. origin, with very good yields, adaptability, and drying handling.

The Drying Process

The drying process in Argentina is carried out by over 30 companies, mainly by utilizing the sun to dry grapes. Grapes are laid on racks, which are located over *ripieras*, pieces of land covered by stones, where they are sun-dried for a 15 to 30-day period depending on the grape variety. The final product has a moisture content of 15-20 percent. After the drying process is completed, vegetable oil is applied to raisins, which are then packed in 30-pound cases, in bulk, or in clusters. The Argentine Ministry of Agro-Industry established a protocol for certified raisins that includes Hazard Analysis and Critical Control Points (HACCP) as part of the process.

The Dried-on-Vine (DOV) system is increasingly being implemented by producers as it has proved to reduce labor costs by 50 percent and improve quality. Private sources estimate that, in ten years' time, 50 percent of the area planted to raisin grapes will be using DOV.

Consumption:

Raisin annual domestic consumption is very low, and it varies between 4,000 and 5,000 MT, depending largely on production and exports. Argentines do not have the habit of eating raisins on a daily basis, such as a snack or in bakery products. However, new applications for raisins are increasingly being used in the local ice cream, bakery, and confectionery food sectors (chocolate and cereal bars). No significant increase in raisin domestic consumption is expected in the near future. There are virtually no official statistics on raisin domestic consumption in Argentina.

Based on private source estimates, it is forecast that domestic consumption for CY 2017 and CY 2016 will remain stable at 5,000 MT from CY 2016 official estimates. Domestic consumption for CY 2015 was revised downward from 5,500 MT to 5,050 MT from official USDA estimates.

Trade:

CY 2017 raisin exports are projected to remain relatively stagnant at 30,500 MT from the previous calendar year, despite larger production, as local exporters continue to lose competitiveness in international markets. CY 2016 exports are forecast at 30,000 MT, up 4,500 MT from official estimates, due to larger production. CY 2015 exports increased from the official USDA estimate of 25,500 MT to 30,000 MT, as a result of larger production.

In CY 2015, the main raisin export destination by volume and value was Brazil, accounting for 70 percent of total exports, compared to 89 percent the previous year. Exports to Brazil increased significantly by volume from 14,500 MT to 20,800 MT, compared to CY 2014. This was due to the fact that, with a decrease in production, local exporters favored their Brazilian traditional customers in detriment of other international export markets. However, exports to that destination decreased by value by 4 percent. The second largest market for Argentine raisins was the U.S. with 3,700 (from 250 MT the previous year).

Argentina's main raisin export markets in CY 2015 were as follows:

Argentina Export Statistics – Primary Destinations						
Commodity: 080620, Grapes, Dried						
Calendar Year: 2013 - 2015						
Partner Country	**2013**		**2014**		**2015**	
	USD	**Quantity**	**USD**	**Quantity**	**USD**	**Quantity**
World	**64,809,891**	**29,047**	**38,026,450**	**16,276**	**47,898,522**	**29,696**
Brazil	47,083,809	20,433	33,173,227	14,455	31,808,332	20,771
United States	3,238,750	1,567	647,835	250	6,568,689	3,701
Colombia	3,853,550	1,816	158,800	94	1,657,078	1,152
Peru	663,750	273	142,825	56	1,724,329	1,079
EU	3,207,557	1,294	1,605,557	558	2,674,825	1,042

Source: FAS Buenos Aires based on GTIS data

Due to the decreasing competitiveness in international markets of Argentina's regional economies, including the raisin sector, as a result of high production costs and inflation rates (estimated at over 40 percent for 2017), and an overvalued peso, it has become very difficult for local exporters to compete with other producing countries, such as Turkey. In addition, devaluation of local currencies in major export markets, such as Brazil, has worsened Argentine exporters' competitiveness.

Policy:

Import and Export Regulations

During the past few years, the Argentine fruit sector has been greatly concerned about the numerous trade restrictions and requirements affecting imports which had been instituted by the former GOA. These policies hampered producers in acquiring needed production and processing inputs. Other measures required pre-approval for imports weeks before beginning the importation process. Additional obstacles included the imposition of strict limits on foreign exchange transactions and restrictions against the payment of dividends and repatriation of profits, more widespread usage of non-automatic import licenses, and difficulties in obtaining certificates of country-of-origin for products to be imported. As of the December 10, 2015, a new

government administration took over and all of the above measures were dropped. Producers no longer report difficulties or delays in import procedures.

In December 2015, the new government lifted export taxes on all fruits and other commodities. Export rebates for raisins remained the same at 4.05 percent and 6 percent depending on the size of the container. This policy change did not have a significant impact in international markets at making Argentine agricultural commodities more competitive as the export tax for raisins was low (2.5 percent).

Export and import tariffs for raisins are as follows:

Raisin 0806.20	
Outside the Mercosur Area	
Import Tariff	10 %
Statistical Tax	0.50%
Export Tax	0%
Export Rebate: Cases containing between 2.5 kg. and 20 Kg. Cases with 2.5 kg. or less	4.05% 6.00%
Inside the Mercosur Area	
Import Tariff	0.00%
Statistical Tax	0.50%
Export Tax	0%
Export Rebate: Cases containing between 2.5 kg. and 20 Kg. Cases with 2.5 kg. or less	4.05% 6.00%

Source: FAS Buenos Aires based on data from Tarifar database

Marketing:

In April 2015, the Province of San Juan obtained PDO (Protected Designation of Origin) certification for raisins and olive oil, a value-added quality guarantee. So far, two local raisin companies were granted PDO certification. In addition, four raisin firms have obtained the *Alimentos Argentinos* seal, which is granted by Argentina's Ministry of Agriculture, Livestock and Fisheries for obtaining high quality standards for the product, and adding value to it at origin.

Prices

Raisin export values in CY 2015 were about 27 percent lower than FOB prices the previous year, due to higher fruit supply in Northern Hemisphere raisin producing countries.

The following are raisin FOB prices for CY 2013, CY 2014, and 2015:

Month/Year	2013	2014	2015
Jan	2,321	2,648	2,094
Feb	2,234	2,247	1,865
Mar	2,121	2,285	1,845
Apr	2,238	2,244	1,789
May			

	2,231	2,362	1,740
Jun	2,179	2,385	1,686
Jul	2,190	2,383	1,650
Aug	2,229	2,359	1,603
Sep	2,273	2,364	1,609
Oct	2,308	2,393	1,539
Nov	2,254	2,185	1,429
Dec	2,116	2,177	1,457
Average	**2,225**	**2,336**	**1,692**

Source: FAS Buenos Aires based on GTIS data

Exchange rate: 14.97 Local Currency/US$1
Date of Quote: 07/22/2016

Production, Supply and Demand Data Statistics:

Raisins	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	6600	0	6600	0	6600
Area Harvested	0	6000	0	6600	0	6600
Beginning Stocks	0	0	2000	8000	0	3000
Production	33000	43000	32000	30000	0	35000
Imports	0	50	0	0	0	0
Total Supply	33000	43050	34000	38000	0	38000
Exports	25500	30000	25500	30000	0	30500
Domestic Consumption	5500	5050	5500	5000	0	5000
Ending Stocks	2000	8000	3000	3000	0	2500
Total Distribution	33000	43050	34000	38000	0	38000
(HA) ,(MT)						