USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network



Required Report - public distribution

**Date:** 8/10/2018
**GAIN Report Number:**

# Argentina

# Raisin Annual

**Approved By:**
Lazaro Sandoval

**Prepared By:**
Maria Julia Balbi

**Report Highlights:**
Argentina's raisin production is forecast to remain stable at 41,000 metric tons in CY 2019 due to an expectation of favorable weather conditions. Exports are forecast to remain flat at 35,000 metric tons as exporters continue to lose competitiveness in export markets due to various economic factors.

**Executive Summary:**

Raisin production for CY 2019 is forecast to remain stable at 41,000 metric tons (MT) due to an expectation of favorable weather conditions. Raisin exports are forecast at 35,000 MT as Brazil continues to be the sector's main export destination. Producers' primary obstacle continues to be the loss of competiveness in international markets due to rising production costs coupled with high inflation rates.

**Production:**

*Area Planted*

Over ninety 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 produced in the provinces of La Rioja and Mendoza. Based on data from private sources, area planted for raisin grapes will remain unchanged at 6,600 hectares for CY 2019 as no significant land investment is expected in the near future**.** 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 comes from melted snow from the Andes. Although there remains ample land for additional raisin production in the province, area expansion depends largely on irrigation, and not all producers have the ability to expand irrigation due to its high cost.

*Production*

For CY 2019 and 2018, grape production for raisins is projected to rebound to average historical levels at 170,000 MT due to favorable weather conditions. In CY 2017, production was estimated at 130,000 MT, 23 percent below average due to a severe late frost in September 2016.

In CY 2019, raisin production is forecast to remain stable at 41,000 MT from the previous calendar year. The quality and sanitary conditions of the fruit is expected to be very good. In CY 2018, raisin production is expected to increase by 32 percent to 41,000 MT, 1,000 MT above official estimates, due to good weather conditions. In CY 2017, production remains unchanged at 31,000 MT in line with official estimates.

Traditionally, there have been negligible carry-over stocks in the local raisin sector. However, Post estimates 2,000 MT of ending stocks for CY 2019, and 1,500 MT for CY 2018 due to large production volumes. 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 cost efficient. Producers also face high import tariffs for Argentine raisins in some export markets. In addition, a major concern is the increase of production costs, especially labor (accounting for about 70 percent of total production costs), fertilizers, agrochemicals, energy, freight, and fuel, in addition to high inflation rates.

Private investments in the raisin sector have occurred over the past few years, primarily from domestic capital. Investments were not only devoted to primary production (e.g. reconversion of vineyards), but also to the incorporation of new technology to ensure higher product quality and obtain larger raisin volumes for processing.  This includes the incorporation of laser technology and mechanical harvesting to improve speed, efficiency, and accuracy in processing.  Private investments have also focused on irrigation systems to optimize water usage.  As a result of the sector's current situation, no major investments have been announced for the near future.

*Varieties*

The main grape varieties destined for raisin production are seedless varieties, such as Flame Seedless (54 percent share of total production), which have attracted investments in processing technology and storage facilities.  Other varieties are: Arizul (INTA C G 351) (18 percent share), Sultanina Blanca (Thompson Seedless), Superior Seedless, Torrontes Sanjuanino, Black Seedless, and Cereza.  Fiesta is a relatively new variety of U.S. origin, which was recently registered and planted for the first time in Argentina in 2008 with very good yields, adaptability, and drying handling.  There are currently about 1,000 hectares planted to the Fiesta variety in the province of San Juan.  Area planted to the Fiesta and Arizul varieties has been increasing in the past few years, while the Sultanina variety has been decreasing during the same period.  As such, Fiesta and Arizul are the fastest growing raisin grape varieties in Argentina.

*The Drying Process*

The drying process in Argentina is carried out by over thirty 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 sundried 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 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, about half of the area planted to raisin grapes will be using DOV.

**Consumption:**

Domestic consumption is very low, and it varies between 4,000 MT to 5,000 MT per year, depending largely on production and exports.  Argentines do not have the habit of eating raisins on a daily basis, 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.  Private sources estimate domestic consumption for CY 2019 at 5,500 MT, and for CY 2018, it will increase to 5,500 MT from official estimates, due to larger production.  Consumption for CY 2017 will remain unchanged at 5,000 MT from USDA estimates.

*Trade*

CY 2019 raisin exports are forecast to remain flat at 35,000 MT compared to CY 2018 exports. High export levels are due to larger production and also to international trends, such as a gradual decrease of area planted to raisin grapes in the U.S. CY 2018 raisin exports will remain unchanged at 35,000 MT from official estimates. Exports increased by 25 percent from the previous year following a production increase. Exports for CY 2017 remain unchanged at 28,000 MT from official estimates.

In CY 2017, the main raisin export destination by volume and value was Brazil, accounting for 71 percent of total exports. This demonstrates the significant dependence on the Brazilian market by Argentine exporters. However, during January-April of CY 2018, Brazil's market share of Argentine raisin exports dropped to 60 percent, compared to 80 percent during the same period of CY 2017. The second largest market for Argentine raisins was Colombia with 2,600 MT (up from 1,900 MT the previous year).

Argentina's main raisin export markets in CY 2016 were as follows:

| Argentina Export Statistics – Primary Destinations | | | | | | |
|---|---|---|---|---|---|---|
| Commodity: 080620, Grapes, Dried | | | | | | |
| **Calendar Year: 2015 - 2017** | | | | | | |
| **Partner Country** | **2015** | | **2016** | | **2017** | |
| | **USD** | **Quantity** | **USD** | **Quantity** | **USD** | **Quantity** |
| **World** | **47,898,522** | **29,696** | **53,360,952** | **34,246** | **49,346,571** | **27,455** |
| Brazil | 31,808,332 | 20,771 | 34,805,224 | 23,259 | 34,169,545 | 19,526 |
| Colombia | 1,657,078 | 1,152 | 2,711,091 | 1,889 | 4,578,376 | 2,684 |
| United States | 6,568,689 | 3,701 | 4,523,064 | 2,751 | 2,375,677 | 1,221 |
| Peru | 1,724,329 | 1,079 | 2,944,581 | 1,776 | 2,189,500 | 1,132 |
| EU | 2,674,825 | 1,042 | 2,600,064 | 1,057 | 1,546,519 | 659 |

Source: FAS Buenos Aires based on GTIS data

Due to declining competitiveness in international markets, the result of high production costs and high inflation rates, it has become difficult for local exporters to compete with other exporting countries, such as Turkey.

**Policy:**

*Import and Export Regulations*

In December 2015, the Argentine government removed 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.  Imports have returned to previous levels for the most part, but continue to be limited.

In December 2015, the new government lifted export taxes on all fruits and other commodities.  One year later, export rebates were increased for several products, including raisins.  These rebates vary upon the size of the container .  Moreover, a higher rebate is applied to product with more value-added. The goal of this policy is to support regional rural economies and processing.  This policy change was welcomed by local producers but it did not have a significant impact in international markets in making Argentine agricultural commodities more competitive.

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<br>Cases with 2.5 kg. or less | 5%<br>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.<br>Cases with 2.5 kg. or less | 5%<br>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 Agroindustry for obtaining high quality standards for the product, and adding value to it at origin.

*Prices*

Raisin export values recuperated and were 16 percent higher in CY 2017 than FOB prices the previous calendar year**,** due to lower fruit supply in Northern Hemisphere raisin producing countries.

The following are raisin FOB prices for CY 2015, CY 2016, and 2017:

| Month/Year | 2015 | 2016 | 2017 |
|---|---|---|---|
| Jan | 2,094 | 1,513 | 1,802 |
| Feb | 1,865 | 1,325 | 1,740 |
| Mar | 1,845 | 1,476 | 1,750 |
| Apr | 1,789 | 1,441 | 1,720 |
| May | 1,740 | 1,516 | 1,689 |
| Jun | 1,686 | 1,475 | 1,794 |
| Jul | 1,650 | 1,502 | 1,745 |
| Aug | 1,603 | 1,554 | 1,730 |
| Sep | 1,609 | 1,585 | 1,794 |
| Oct | 1,539 | 1,611 | 1,916 |
| Nov | 1,429 | 1,789 | 1,849 |
| Dec | 1,457 | 1,589 | 1,888 |
| **Average** | **1,692** | **1,531** | **1,785** |

Source: FAS Buenos Aires based on GTIS data
Exchange rate:28.20 Local Currency/US$1
Date of Quote:07/25/2018

| Raisins | 2016/2017 | | 2017/2018 | | 2018/2019 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Jan 2017 | | Jan 2018 | | Jan 2019 | |
| Argentina | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** | 0 | 6600 | 0 | 6600 | 0 | 6600 |
| **Area Harvested** | 0 | 6600 | 0 | 6600 | 0 | 6600 |
| **Beginning Stocks** | 3000 | 3000 | 1000 | 1000 | 0 | 1500 |
| **Production** | 31000 | 31000 | 40000 | 41000 | 0 | 41000 |
| **Imports** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** | 34000 | 34000 | 41000 | 42000 | 0 | 42500 |
| **Exports** | 28000 | 28000 | 35000 | 35000 | 0 | 35000 |
| **Domestic Consumption** | 5000 | 5000 | 5000 | 5500 | 0 | 5500 |
| **Ending Stocks** | 1000 | 1000 | 1000 | 1500 | 0 | 2000 |
| **Total Distribution** | 34000 | 34000 | 41000 | 42000 | 0 | 42500 |
| | | | | | | |
| (HA) ,(MT) | | | | | | |