

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 lemons in MY 2015/2016 is forecast to rebound to normal levels as a result of favorable weather conditions and the full recuperation of plants that had been previously affected by frosts and droughts. Orange and tangerine production is estimated to remain unchanged from the previous marketing year. Lemon exports are estimated to increase, and orange and tangerine exports are projected to remain stable (down from normal levels) due to Argentine exporters' decreasing competitiveness in export markets. Consumption for all citrus will remain stable, and larger volumes of lemons will be devoted for processing due to the production rebound, while orange and tangerine for processing will remain stable.

## **Executive Summary:**

For MY 2015/2016, production of lemons is estimated to increase to 1.45 million metric tons (MMT), compared to the previous marketing year, due to good weather conditions and the full recuperation of plants that had been previously affected by frosts and droughts. Production of oranges and tangerines is expected to remain stable at 1.0 MMT and 450,000 metric tons (MT), respectively.

Lemon exports are projected to increase to 280,000 MT as a result of larger production, and orange and tangerine exports are expected to remain stable at 60,000 MT and 50,000 MT, respectively, primarily due to a decrease in competitiveness of Argentine exporters in international markets, which has gradually declined in the past few years.

Domestic consumption is estimated to remain stable for all three types of citrus fruit at 70,000 MT for lemons, 590,000 MT for oranges, and 250,000 MT for tangerines.

Lemons for processing are forecast to increase to 1.1 MMT as a result of an increase in production, and orange and tangerine for processing will remain stable at 350,000 MT and 150,000 MT.

**Commodities:**

Select

**Production:**Lemons

Fresh lemon production in MY 2015/2016 is forecast to increase to 1.45 MMT, compared to the previous marketing year, as a result of favorable weather conditions which allowed plants to fully recuperate from previous frosts and droughts. However, the quality of some fruit was damaged by low temperatures in October 2015 and excess rains during the blossom season. This production increase is driven by higher exports and greater volumes of lemons directed to processing.

For MY 2014/2015, lemon production is revised upward to 1.3 MMT, 150,000 MT above official USDA estimates, as plants recuperated well from the winter frosts of 2012/2013 and a severe drought that affected the main lemon producing area in the country. In addition, excess rain during the summer of 2015 delayed the harvest about a month, affected the fruit quality and reduced the fruit pack-out yield from about 45 percent to 30 percent.

For MY 2013/2014, lemon production remained unchanged at 780,000 MT, in line with USDA official estimates.

The lemon sector has managed to cover production costs and remain competitive due to relatively high international prices, less fruit supply in the Northern Hemisphere countries, and the excellent work carried out by ALL LEMON in carrying out audits to select the best-quality fruit to supply export markets (See Marketing Section – Promotion).

Oranges and Tangerines

For MY 2015/2016, fresh orange and tangerine production is expected to remain unchanged at 1.0 MMT and 450,000 MT, respectively, compared to the previous year, as a result of good weather conditions.

Post revised fresh orange production for MY 2014/2015 upward to 1.0 MT and fresh tangerine production is forecast to remain unchanged at 450,000 MT, in line with official estimates (back to historic levels for both citrus fruit). This was due to favorable weather conditions and because plants recuperated well from the effects of the frost that affected the main sweet citrus growing region of Argentina in June 2012.

Fresh orange and tangerine production for MY 2013/2014 remained stable at 800,000 MT and 370,000 MT, respectively, compared to USDA estimates. The main orange varieties grown in Argentina are: Navetina, Salustiana, Washington Navel, Navel Late, Valencia Seedless, and Valencia Late. Main tangerine varieties are: Clementina, Clemenvilla, Ellendale, Malvasio, Montenegrina, Murcott, and Ortanique (Source: Federcitrus).

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 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 20-35 percent during the past few years), resulting in a significant loss of competitiveness for local exporters, especially in the sweet citrus sector.

#### *Area Planted:*

For MY 2015/2016 and MY 2014/2015 area planted to all three types of citrus fruit is forecast to remain unchanged at 45,000 hectares for lemons, 42,000 hectares for oranges, and 31,000 hectares for tangerines. Replacement of old plants for new ones is expected to increase the plant per hectare ratio and improve yields, especially for lemons.

Producers have invested in plant replacement to overcome the effects of frosts, and have only marginally invested in new 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, likely the result of challenges in the sugar cane and bioethanol industries. Lemon production also competes with urban expansion. 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, which would improve yields.

#### *Processing:*

##### Lemons

Fresh lemon for processing in MY 2015/2016 is forecast to increase to 1.1 MMT from the previous marketing year, following the production increase and due to lower fruit quality.

For MY 2014/2015, fresh lemon for processing is projected to increase to 1.04 MMT, up by 19 percent from official USDA estimates, as a result of an increase in production and lower exports. Also, a result of relatively high volume of fruit with quality defects as a result of excess rains. Moreover, higher volumes of fruit will be devoted for processing due to high prices paid for lemon by-products. For MY 2013/2014, fresh lemon for processing remained stable at 570,000 MT from USDA official estimates.

##### Oranges and Tangerines

For MY 2015/2016, fresh orange and tangerine for processing are estimated to remain stable at 350,000 MT and 150,000 MT, respectively, compared to the previous year.

Fresh orange for processing in MY 2014/2015 is forecast to increase to 350,000 MT, up 50,000 MT from official estimates, due to an increase in production. Tangerine for processing is expected to increase from 110,000 MT to 147,000 MT, due to lower exports. Overall, the increase in volumes for processing of oranges and tangerines is due to the production rebound.

Fresh orange and tangerine for processing in MY 2013/2014 remained unchanged at 200,000 MT and 82,000 MT, respectively, from USDA official estimates.

#### *Investment:*

While still recuperating from the severe effects of 2013 frosts in the main lemon growing region of Argentina, investment in area expansion for lemon production is expected to continue to expand only marginally, specifically in the Provinces of Salta and Jujuy. In addition to these investments, the Argentine lemon industry continues to invest in processing and packing facilities, irrigation equipment, and research and development projects. Investment is mainly in preparation of a potential opening of significant export markets, such as the United States and China, for fresh lemons, and the expansion of leading beverage companies in Asia. 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 2015/2016 and MY 2014/2015 is forecast to remain unchanged at 70,000 MT, in line with USDA official estimates. Post's estimate for MY 2013/2014 remained stable at 60,000 MT.

### Oranges and Tangerines

For MY 2015/2016 and MY 2014/2015, fresh orange and tangerine domestic consumption is estimated to remain stable at 590,000 MT and 250,000 MT from USDA estimates, respectively. The domestic market for both types of fruit is oversupplied and increased consumption levels are expected for both types of citrus fruit due to lack of competitiveness of local companies in export markets.

Orange and tangerine domestic consumption in MY 2013/2014 remained unchanged at 524,000 MT and 200,000 MT, respectively, in line with USDA estimates.

## **Trade:**

### *Exports*

#### Lemons

For MY 2015/2016, fresh lemon exports are projected to increase significantly to 280,000 MT (a 51 percent increase from the previous marketing year), due to the production rebound and less fruit supply in Northern Hemisphere countries.

Lemon exports for MY 2014/2015 are forecast to decrease slightly to 185,000 MT, down by 7 percent from USDA official estimates, due to large fruit volumes in the Northern Hemisphere and a delay in the local lemon harvest. Exports for MY 2013/2014 remained unchanged at 150,000 MT in line with USDA estimates.

Compared to other regional economies in Argentina (which have decreased competitiveness), the fresh lemon export business is still attractive 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.

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.

### Oranges and Tangerines

Fresh orange and tangerine exports in MY 2015/2016 are estimated to remain stable at 60,000 MT and 50,000 MT, respectively, from the previous marketing year, and significantly lower from the previous historic levels of around 130,000 MT for oranges and 100,000 MT for tangerines. This is due to the lack of competitiveness of exporters in international markets.

For MY 2014/2015, fresh orange exports are forecast to decrease slightly from 65,000 MT to 61,000 MT, from USDA estimates. Tangerine exports are estimated to go down significantly to 53,000 MT, a 40 percent decrease from USDA estimates. Due to decreased competitiveness in international citrus markets, it has become very difficult for local exporters to compete with other producing countries in the Southern Hemisphere, primarily South Africa.

For MY 2013/2014, Post's estimates of fresh orange and tangerine exports remained stable at 76,000 MT and 88,000 MT from USDA official estimates. Exports for both citrus fruit have been decreasing in the past couple of years as a result of the difficult economic situation affecting citrus exporters.

This scenario is not expected to change in the near future unless international prices increase significantly, or an adjustment in the exchange rate occurs, affecting costs and export competitiveness.

#### *Export Destinations:*

Argentine fresh citrus fruit are exported to about 60 markets. The main export destinations (market share by volume) in CY 2014 and January-September 2015 were as follows:

Fresh Citrus Fruit	Destination	Market Share %	
		2014	Jan-Sep 2015
<b>Lemons</b>	EU	72	72
	Russia	15	16
<b>Oranges</b>	EU	59	62
	Paraguay (*)	36	32

<b>Tangerines</b>	Russia	53	54
	EU	14	8

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

(\*) Market share by value was 7 percent in CY 2014 and 12.5 percent in January-September 2015, while EU market share by value in January-September 2015 was 79 percent.

For MY 2015/2016, no major export market diversification is expected for citrus fruit. The EU and Russian markets are not expected to expand significantly, thus, demand is forecast to remain relatively stable, although the citrus fruit supply is expected to be lower 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 still increasingly expanding exports to those non-traditional markets.

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

During January- September 2015, the EU remained the largest export market for most types of Argentine citrus fruit: lemons (72 percent market share), oranges (62 percent, up from 59 percent in 2014), and the second largest market for fresh tangerines (8 percent, down from 14 percent the previous year). In addition, Russia was the largest market for tangerines accounting for 54 percent of total Argentine tangerine exports, and the second largest market for lemons with 16 percent market share. Paraguay was the second largest export destination by volume for oranges, accounting for 32 percent share (although, by value it accounted by only 12.5 percent share).

### *Imports*

Citrus imports are expected to remain negligible in MY 2015/2016. 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). Although changes in import policies are expected to be implemented by the new Administration soon after December 10, 2015, fruit import volumes will remain limited as local fruit production is sufficient to supply the domestic market.

## **Policy:**

### *Import and Export Regulations*

Export taxes on fruits and vegetables are relatively low. In 2008, the Government of Argentina (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, and 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, a process which typically reduces fruit quality. 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. Moreover, APHIS is currently carrying out required consultations for publishing the proposed rule for public comment.

*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 (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 (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 but, to date, the disease has not been found in citrus commercial areas (i.e. vector presence, no disease).

## Marketing:

### Prices

#### International (FOB) Prices for Fresh Citrus Fruit

Fresh lemon FOB prices during 2014 were about 14 percent higher than the previous year as a result of less fruit availability in Southern Hemisphere competing countries (especially, from Argentina). Fresh orange FOB prices were higher than 2013 prices due to a reduced fruit supply, and fresh tangerine prices were lower than the previous year due to strong competition from South Africa.

During January-September 2015, FOB prices for lemons were lower than the previous year but they remained higher than the same period of 2013. Orange and tangerine FOB prices were lower during the same period due to strong competition from South Africa.

The highest FOB price for lemons during January-September 2015 was \$911/MT (August); for oranges, \$416/MT (August); and for tangerines, \$832/MT (July).

Lemon	FOB Prices (US\$/MT)		
	2013	2014	Jan-Sep 2015
January	--	--	561
February	--	--	459
March	927	--	766
April	834	935	850
May	807	896	878
June	817	912	896
July	794	951	902
August	781	947	911
September	731	1,055	855
October	--	944	n/a
November	--	909	n/a
December	--	789	n/a
Average	813	926	n/a

Orange	FOB Prices (US\$/MT)		
	2013	2014	Jan-Sep 2015
January	--	--	--
February	--	--	199

March		--	--	195
April		--	--	103
May		159	132	172
June		437	455	410
July		412	466	411
August		409	469	416
September		427	463	354
October		--	--	n/a
November		--	--	n/a
December		--	--	n/a
Average		369	397	n/a

Tangerine	FOB Prices (US\$/MT)		
	2013	2014	Jan-Sep 2015
January	--	--	--
February	816	900	830
March	813	809	790
April	837	811	816
May	830	825	812
June	857	846	794
July	869	852	832
August	852	854	805
September	845	833	734
October	266	311	n/a
November	--	--	n/a
December	--	356	n/a
Average	776	740	n/a

FAS Buenos Aires based on GTIS trade data

*Wholesale Prices for Fresh Citrus Fruit*

Lemon	Domestic Wholesale Prices (US\$/MT)		
	2013	2014	Jan-Sep 2015
January	1,203	1,062	658
February	973	1,054	616
March	867	911	636
April	572	734	664
May	480	675	643
June	411	645	609
July	405	657	551
August	431	768	610
September	477	955	637
October	530	895	n/a
November	800	870	n/a

December		1,080	761	n/a
Average		686	832	n/a

Orange	Domestic Wholesale Prices (US\$/MT)		
	2013	2014	Jan-Sep 2015
January	383	353	366
February	363	385	347
March	411	430	319
April	436	604	461
May	441	618	445
June	453	589	366
July	456	468	353
August	420	429	360
September	422	391	362
October	340	380	n/a
November	340	396	n/a
December	370	396	n/a
Average	403	453	n/a

Tangerine	Domestic Wholesale Prices (US\$/MT)		
	2013	2014	Jan-Sep 2015
January	445	742	438
February	469	--	365
March	427	292	292
April	378	383	399
May	403	450	382
June	444	461	378
July	444	461	367
August	445	455	374
September	423	402	428
October	390	379	n/a
November	540	463	n/a
December	560	473	n/a
Average	447	451	n/a

Source: Buenos Aires Central Market

*Domestic Retail Prices for Fresh Citrus Fruit*

Citrus Fruit	US\$/kg
Lemon	2.16
Orange (Navel)	1.65
Orange (Valencia – Premium)	1.03

Orange (Valencia-Standard)	0.77
Tangerine (Murcott)	1.34
US\$1 = AR\$9.72 (December 3, 2015)	

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 14 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.

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.

### Production, Supply and Demand Data Statistics:

Lemons/Limes, Fresh Market Begin Year	2013/2014		2014/2015		2015/2016	
	Jan 2014		Jan 2014		Jan 2015	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	45000	45000	45000	45000	0	45000
Area Harvested	41000	41000	41000	41000	0	41000
Bearing Trees	13200	13200	13200	13200	0	13200
Non-Bearing Trees	900	900	900	900	0	900
Total No. Of Trees	14100	14100	14100	14100	0	14100
Production	780	780	1150	1300	0	1450
Imports	0	0	0	0	0	0
Total Supply	780	780	1150	1300	0	1450
Exports	150	150	200	185	0	280
Fresh Dom. Consumption	60	60	70	70	0	70
For Processing	570	570	880	1045	0	1100
Total Distribution	780	780	1150	1300	0	1450

(HECTARES) ,(1000 TREES) ,(1000 MT)

Oranges, Fresh Market Begin Year Argentina	2013/2014		2014/2015		2015/2016	
	Jan 2014		Jan 2014		Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	42000	42000	42000	42000	0	42000
Area Harvested	40000	40000	40000	40000	0	40000
Bearing Trees	19700	19700	19700	19700	0	19700
Non-Bearing Trees	1670	1670	1670	1670	0	1670
Total No. Of Trees	21370	21370	21370	21370	0	21370
Production	800	800	950	1000	0	1000
Imports	0	0	0	0	0	0
Total Supply	800	800	950	1000	0	1000
Exports	76	76	65	61	0	60
Fresh Dom. Consumption	524	524	585	589	0	590
For Processing	200	200	300	350	0	350
Total Distribution	800	800	950	1000	0	1000

(HECTARES) ,(1000 TREES) ,(1000 MT)

Tangerines/Mandarins, Fresh Market Begin Year Argentina	2013/2014		2014/2015		2015/2016	
	Apr 2014		Apr 2014		Apr 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	31000	31000	31000	31000	0	31000
Area Harvested	30000	30000	30000	30000	0	30000
Bearing Trees	15600	15600	15600	15600	0	15600
Non-Bearing Trees	1700	1700	1700	1700	0	1700
Total No. Of Trees	17300	17300	17300	17300	0	17300
Production	370	370	450	450	0	450
Imports	0	0	0	0	0	0
Total Supply	370	370	450	450	0	450
Exports	88	88	90	53	0	50
Fresh Dom. Consumption	200	200	250	250	0	250
For Processing	82	82	110	147	0	150
Total Distribution	370	370	450	450	0	450

(HECTARES) ,(1000 TREES) ,(1000 MT)