

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 12/22/2016

GAIN Report Number:

Argentina

Citrus Annual

Lemons, Oranges, and Tangerines

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Report Highlights:

For CY 2017, production of all three types of citrus fruit is forecast to decrease below normal levels due to unfavorable weather conditions in the main citrus growing regions of Argentina. Lemon exports will remain at the same levels of MY 2015, and orange and tangerine exports are estimated to decrease slightly. Exports for all citrus types will remain below normal levels due to lack of competitiveness of local exporters.

Executive Summary:

Production of citrus fruit for CY 2017 is projected to decrease to 1.37 MMT for lemons, 650,000 MT for oranges, and 280,000 MT for tangerines, due to a late frost in September 2016 (for lemons), and excess rain, strong winds, and hail (for sweet citrus, i.e. oranges and tangerines). Production for the three fruits will be down from normal levels due to not only unfavorable weather conditions but also lack of profitability for local producers.

Citrus exports will remain relatively stable at 280,000 MT for lemons, 55,000 MT for oranges, and 45,000 MT for tangerines. Exports will remain below historic levels for the three fruits due to lack of competitiveness of Argentine exporters in international markets.

The U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) is publishing a final rule to allow the importation of fresh lemon fruit from northwest Argentina into the continental United States. The rule has been sent to the Federal Register for publication on December 23, 2016, and will become effective 30 days after it is published.

CY 2017 lemon domestic consumption is forecast to remain unchanged at 70,000 MT, and orange and tangerine consumption is expected to decrease to 350,000 MT and 150,000 MT, respectively, as a result of a decrease in production.

Commodities:

Lemons, Fresh

Oranges, Fresh

Tangerines/Mandarins, Fresh

Production:*Lemons*

Fresh lemon production in MY 2016/2017 is forecast to decrease to 1.37 MMT, compared to MY 2015/2016, due to a frost which affected the main lemon growing region in early September 2016, during fruit set. The quality and sanitary condition of the fruit is expected to be very good.

Fresh lemon production in MY 2015/2016 is estimated to decrease from 1.5 MMT to 1.4 MMT, compared to official USDA estimates, due to excess rains towards the end of summer and autumn, which delayed the harvest about a month and marginally affected quality.

For MY 2014/2015, lemon production remained unchanged at 1.45 MMT, in line with official USDA estimates. Plants recuperated well from the previous year's winter frosts and a severe drought that affected the main lemon producing area. This recuperation still occurred in the face of excess rain during the summer of 2015, which delayed the harvest about a month, affected the fruit quality and reduced the fruit pack-out yield from about 45 percent to 30 percent.

The lemon sector has managed to cover production costs and remain competitive as a result of high international prices, especially during the beginning and mid marketing season with prices falling over in the season due to large fruit supplies in the Northern Hemisphere countries, and the work done by ALL LEMON in carrying out audits to select the best-quality fruit to supply export markets (See Marketing Section – Promotion).

The main lemon varieties grown in Argentina are Genova and Eureka.

Oranges and Tangerines

Fresh orange and tangerine production in MY 2016/2017 is forecast to decrease by 20 percent to 650,000 MT (for oranges), and by 280,000 MT for tangerines, compared to MY 2015/2016. This decrease was 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.

For MY 2015/2016, fresh orange and tangerine production is estimated as unchanged at 800,000 MT (for oranges), and 350,000 MT (for tangerines), in line with official USDA estimates and the previous calendar year numbers. Production for both fruits was down from normal levels of 950,000 MT for oranges and 450,000 MT for tangerines as a result of severe floods in the main sweet citrus growing region of Argentina.

Orange and tangerine production for MY 2014/2015 remained unchanged at 800,000 MT and 350,000 MT. Production was down from normal levels as plants did not fully recuperate from the effects of the frost that affected the main sweet citrus growing region in June 2012.

The main orange varieties grown in Argentina are: Hamlin, Pineapple, Robertson, Navel (in NOA), and Navel, Salustiana, improved Valencia (Midnight, Delta Seedless) (in NEA). 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 a relatively uncompetitive peso and high inflation rates (between 20-38 percent during the past few years and estimated at about 40 percent for CY 2016) resulting in a significant loss of competitiveness for local exporters, especially in the sweet citrus sector.

As of December 2015, local citrus producers became more competitive in international markets as a result of the new economic measures taken by the new Macri Administration – a 2.5 percent export tax elimination and devaluation of the Argentine peso. However, throughout 2016, part of this competitiveness was lost to high inflation rates resulting in significant cost increases.

Area Planted

For 2015/2016, area planted to lemons is forecast to remain unchanged at 48,000 hectares, and no change is expected in area planted 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, and have only marginally invested in new land. 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, which would improve yields.

For 2015/2016, area planted to oranges and tangerines is projected to increase by 1,000 hectares each, to 43,000 hectares for oranges, and to 32,000 hectares for tangerines, compared to official estimates. Area planted is forecast to remain unchanged for both fruits in 2016/2017.

Processing

Lemons

Fresh lemon for processing in MY 2016/2017 is forecast to decrease to 1.02 MMT, compared to the previous year, as a result of smaller production.

Fresh lemon for processing in MY 2015/2016 is estimated as decreasing from 1.2 MMT to 1.05 MMT from official estimates, following the production decrease and larger exports. Moreover, smaller volumes of fruit were devoted for processing due to relatively low prices paid for lemon by-products.

For MY 2014/2015, fresh lemon for processing remained unchanged at 1.195 MMT, in line with official USDA estimates, and also due to relatively high volume of fruit with quality defects as a result of excess rains.

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 decrease by 10 percent and 20 percent, respectively, to 245,000 MT for oranges and 85,000 MT for tangerines, compared to the previous year. The decrease of both fruits for processing is due to smaller production.

For MY 2015/2016, orange and tangerine for processing are unchanged at 270,000 MT and 110,000 MT, respectively, consistent with official estimates.

Post's estimates for orange for processing in MY 2014/2015 remained stable from official estimates at 278,000 MT (for oranges) and 97,000 MT (for tangerines).

Investment

While still recuperating from the severe effects of 2013 frosts in the main lemon growing region, investment in area expansion for lemon production is expected to continue to expand 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 is mainly in preparation of the opening of significant export markets, such as the United States and China, for fresh lemons. 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 and MY 2014/2015 estimate.

Oranges and Tangerines

Post forecasts that MY 2016/2017 orange and tangerine domestic consumption will decrease significantly from 474,000 MT to 350,000 MT (for oranges) and from 190,000 MT to 150,000 MT (for tangerines), following the decrease in production.

For MY 2015/2016, orange and tangerine domestic consumption is estimated to remain stable at 474,000 MT and 190,000 MT, respectively, from USDA estimates. Consumption is expected to be lower than usual for both fruit due to smaller production.

Orange and tangerine consumption for MY 2014/2015 remained unchanged at 450,000 MT and 200,000 MT, following official estimates.

Trade:

Exports

Lemons

Fresh lemon exports in MY 2016/2017 are estimated at 280,000 MT and are expected to remain at the same level of the previous year. 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 are projected to increase from 230,000 MT to 280,000 MT, up by 20 percent from official estimates, as a result of high international prices.

Lemon exports for MY 2014/2015 remained stable at 185,000 MT, compared to official estimates. Exports were down from normal levels due to a delay in the harvest and large fruit volumes in the Northern Hemisphere.

Compared to other regional sectors 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.

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

Post estimates fresh orange and tangerine exports at 55,000 MT and 45,000 MT, respectively, slightly down from the previous year as a result of smaller production.

Orange and tangerine exports in MY 2015/2016 are estimated to remain unchanged at 60,000 MT and 50,000 MT, respectively, from official estimates. Exports for both fruit will be significantly lower from the 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.

For MY 2014/2015, orange and tangerine exports remained unchanged at 72,000 MT (for oranges) and 53,000 MT (for tangerines), in alignment with USDA estimates. Due to decreased competitiveness in the international citrus markets, it has become very difficult for local exporters to compete with other producing countries in the Southern Hemisphere, primarily South Africa. Exports for both citrus fruit 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 January-September 2016 were as follows:

Fresh Citrus Fruit	Destination	Market Share %	
		2015	Jan-Sep 2016
Lemons	EU	72	73
	Russia	16	14
Oranges	EU	53	84
	Russia	1	6
	Paraguay	42	4
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. 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.

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APHIS and Argentina's National Plant Protection Organization (SENASA) must now finalize and sign the operational work plan, which details the conditions Argentina must meet for every U.S.-bound lemon shipment. Additionally, SENASA will have to collect and APHIS will have to verify six months of fruit fly trapping data. APHIS will also have to verify that packinghouses have met the safeguarding requirements outlined in the operational work plan.

The approval of exports for MY 2016/2017 is not expected to have a major impact on total exports. Local contacts estimated that Argentina will export 20,000 MT to the United States in MY 2016/2017. Argentine sweet citrus exporters are highly concerned about their decrease of competitiveness in the Russian market, especially for tangerines, as a consequence of the steep devaluation of the ruble during the past year.

During January-September 2016, Argentina increased its orange market share by 60 percent in the EU due to the difficulties of South Africa in exporting oranges to that market as a result of phytosanitary issues (*Citrus Black Spot*) and relatively high international prices. In 2015, Paraguay was the second largest market for oranges with 42 percent share. However, during January-September 2016, Russia became the second largest market with 6 percent share shifting Paraguay to the third place.

In 2015, the EU was the second largest market for tangerines with 8 percent share. During January-September 2016, the Philippines became the second largest market shifting the EU to the fourth place after Canada. This was due to the devaluation of the ruble, which forced Argentine exporters to re-orient their fruit to the Philippines and 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 January-September 2016, 3,639 MT of oranges were imported into Argentina (86 percent from Spain, 5 percent from Uruguay, 5 percent from Mexico, and 4 percent from Chile) 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. Export rebates remained the same for lemons, oranges, and tangerines, and they depend on the size of the container.

Export and import tariffs for all citrus types are as follows:

Export and Import Tariffs

All Citrus Fruit (HTS codes: 080510, 080520, and 080550)	
For countries outside MERCOSUR AREA	
	%
Import Tariff	10.00
Statistical Tax	0.50
Export Tax	0.00
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
For countries within MERCOSUR AREA	
Import Tariff	0.00
Statistical Tax	0.50
Export Tax	0.00
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

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.

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. Negotiations are also being carried out with India.

Citrus Greening: In July 2014, a non-commercial case of HLB was found in Mocoleta, 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 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. A few additional cases were recently detected in Misiones Province and, for the first time, in citrus commercial areas (i.e. vector presence, no disease).

Marketing:

Prices

International (FOB) Prices for Fresh Citrus Fruit

During 2015, FOB prices for lemons were lower than the previous year due to large fruit supply in the Northern Hemisphere. However, during January-September 2016, prices were record-high, especially in the EU, during the beginning and mid marketing season. Orange and tangerine FOB prices were lower during 2015 primarily due to strong competition from South Africa. FOB prices for both fruits increased significantly during the first nine months of 2016. The highest FOB price for lemons during 2015 was \$911/MT (August); for oranges, \$416/MT (August); and for tangerines, \$832/MT (July).

Lemon	FOB Prices (US\$/MT)		
	2014	2015	Jan-Sep 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	--	n/a
November	909	--	n/a
December	789	--	n/a
Average	926	786	n/a

Orange	FOB Prices (US\$/MT)		
	2014	2015	Jan-Sep 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	n/a
November	--	97	n/a
December	--	97	n/a
Average	397	233	n/a

Tangerine	FOB Prices (US\$/MT)		
	2014	2015	Jan-Sep 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	n/a
November	--	172	n/a
December	356	--	n/a
Average	740	709	n/a

FAS Buenos Aires based on GTIS trade data

Wholesale Prices for Fresh Citrus Fruit

Lemon	Domestic Wholesale Prices (US\$/MT)		
	2014	2015	Jan-Sep 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	n/a
November	870	607	n/a
December	761	653	n/a
Average	832	612	n/a

Orange	Domestic Wholesale Prices (US\$/MT)		
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	2014	2015	Jan-Sep 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	n/a
November	396	291	n/a
December	396	352	n/a
Average	453	358	n/a

Tangerine	Domestic Wholesale Prices (US\$/MT)		
	2014	2015	Jan-Sep 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	n/a
November	463	381	n/a
December	473	379	n/a
Average	451	378	n/a

Source: Buenos Aires Central Market

Domestic Retail Prices for Fresh Citrus Fruit

Citrus Fruit	US\$/kg
Lemon	3.12
Orange (Navel)	1.87
Orange (Valencia – Premium)	1.12

Tangerine (Murcott)	1.47
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US\$1 = AR\$15.97 (December 19, 2016)

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:

- 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	2014/2015		2015/2016		2016/2017	
	Jan 2015		Jan 2016		Jan 2017	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	48000	48000	48000	48000	0	48000
Area Harvested	45000	45000	45000	45000	0	45000
Bearing Trees	14000	14000	14000	11000	0	11000
Non-Bearing Trees	900	900	900	800	0	800
Total No. Of Trees	14900	14900	14900	11800	0	11800
Production	1450	1450	1500	1400	0	1370
Imports	0	0	0	0	0	0
Total Supply	1450	1450	1500	1400	0	1370
Exports	185	185	230	280	0	280
Fresh Dom. Consumption	70	70	70	70	0	70
For Processing	1195	1195	1200	1050	0	1020
Total Distribution	1450	1450	1500	1400	0	1370

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

Oranges, Fresh Market Begin Year Argentina	2014/2015		2015/2016		2016/2017	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	42000	42000	42000	43000	0	43000
Area Harvested	40000	40000	40000	41000	0	41000
Bearing Trees	19700	19700	19700	20200	0	20200
Non-Bearing Trees	1670	1670	1670	1700	0	1700
Total No. Of Trees	21370	21370	21370	21900	0	21900
Production	800	800	800	800	0	650
Imports	0	0	0	4	0	0
Total Supply	800	800	800	804	0	650
Exports	72	72	60	60	0	55
Fresh Dom. Consumption	450	450	470	474	0	350
For Processing	278	278	270	270	0	245
Total Distribution	800	800	800	804	0	650

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

Tangerines/Mandarins, Fresh Market Begin Year Argentina	2014/2015		2015/2016		2016/2017	
	Apr 2015		Apr 2016		Apr 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	31000	31000	31000	32000	0	32000
Area Harvested	30000	30000	30000	31000	0	31000
Bearing Trees	15600	15600	15600	16100	0	16100
Non-Bearing Trees	1700	1700	1700	1750	0	1750
Total No. Of Trees	17300	17300	17300	17850	0	17850
Production	350	350	350	350	0	280
Imports	0	0	0	0	0	0
Total Supply	350	350	350	350	0	280
Exports	53	53	50	50	0	45
Fresh Dom. Consumption	200	200	190	190	0	150
For Processing	97	97	110	110	0	85
Total Distribution	350	350	350	350	0	280

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