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Argentina

Citrus Semi-annual

2011

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Report Highlights:

Fresh lemon estimated production for 2010/11 increased to 1.3 million MT, and fresh orange and tangerine production is cut to 580,000 MT and 280,000 MT, respectively, due to a drought which affected severely affected fruit blossom. Grapefruit production is forecast to increase marginally to 140,000 MT. Lemon exports are forecast to increase only marginally to 270,000 MT, despite larger production, as increased fruit supply is expected from competing countries. Orange and tangerine exports are estimated to decrease to 100,000 MT and 95,000 MT as a result of smaller production, and grapefruit exports are projected to increase slightly to 13,000 MT due to larger fruit supply.

Executive Summary:

For 2010/11, fresh lemon production is increased 50,000 MT to 1.3 million MT, as a result of favorable weather conditions in the main growing region during CY 2010. Fresh orange and tangerine production is projected to fall to 580,000 MT (from the current USDA estimate of 900,000 MT) and 280,000 MT (down from 400,000 MT), respectively, due to a drought which severely affected fruit blossom. Fresh grapefruit production is expected to increase marginally to 140,000 MT.

Domestic consumption in 2010/11 is increased for both lemons and grapefruit to 60,000 MT, and it is decreased for oranges and tangerines to 413,000 MT and 120,000 MT, respectively, as a result of smaller production. Fresh lemon exports are expected to increase only marginally to 270,000 MT, despite larger production, as increased fruit supply is projected from competing countries in the Northern Hemisphere. Orange and tangerine exports are decreased to 100,000 MT (down 25,000 MT) and 95,000 MT (also down 25,000 MT), respectively, primarily due to smaller production. Grapefruit exports are forecast to increase slightly to 13,000 MT as a result of larger fruit supply.

Commodities:

Lemons, Fresh

Oranges, Fresh

Tangerines/Mandarins, Fresh

Grapefruit, Fresh

Production:

Fresh lemon production for 2010/11 is increased as a result of favorable weather conditions in the main growing region during CY 2010. However, excess rain in February 2011 affected the fruit size which forced producers to delay harvest between two and three weeks. Fresh orange and tangerine production is decreased significantly due to a severe drought which affected fruit blossom in the main growing region. Fresh grapefruit production is expected to increase marginally; however, it is forecast to decrease gradually in the near future as area planted to grapefruit is being devoted to sugar cane (mainly fostered by the increase of ethanol production) and soybeans in the NOA (North West Argentina) region since the grapefruit business is becoming increasingly unprofitable.

Lemon production in 2009/10 remained unchanged at 1.0 million MT, down 350,000 MT from the previous year, as a result of a drought and late frosts in September/October 2009. According to latest estimate revisions by the private sector, fresh sweet citrus production increased to 770,000 MT for oranges and 360,000 MT for tangerines, as heavy rains that caused severe floods in the NEA (North East Argentina) region were not as negative as previously expected. Grapefruit production decreased to 140,000 MT due to a gradual reduction of area planted to grapefruit.

Main lemon varieties grown in Argentina are as follows: Genova and Eureka; main orange varieties: Naventina, Salustiana, Washington Navel, Navel Late, Valencia Seedless, and Valencia Late; main tangerine varieties: Clementina, Clemenvilla, Ellendale, Malvasio, Montenegrina, Murcott, Ortanique, Satsuma, Okutsu; main grapefruit varieties: Marsh and Duncan (Source: Federcitrus). Overall, the citrus sweet varieties that have been expanding faster 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 is increased production costs (especially, inputs, labor, and energy) estimated by private sources between 40-50 percent higher (before harvest) for 2010/2011, as a result of a high inflation rate which, combined with the relatively stable value of the dollar, represents a significant loss of competitiveness for local exporters. (Harvesters received a 30 percent salary increase for the current season.) In addition, inland and ocean freight costs have also increased significantly.

The Government of Argentina (GOA) has recently cut gas supplies to major industrial operations in the country to assure household gas supplies during winter. In the Province of Tucuman, gas supplies has been reduced by 30 percent but higher cuts are expected. The Governor of Tucuman Province has requested that the province be exempted from this measure as the lemon and sugar cane industries are seasonal operations between May and September every year.

Area Planted

Area planted to lemon is estimated to increase gradually to 44,000 hectares for 2010/11, and will continue to expand in the near future, especially in the Provinces of Salta and Jujuy, as in the Province of Tucuman lemon production competes with sugar cane production and, to a lesser extent, urban expansion and soybean production, which has grown in marginal areas.

Area planted to orange and tangerine production is projected to remain stable, and area planted to grapefruit is forecast to decrease as grapefruit production competes with other more profitable crops, such as sugarcane and soybeans.

According to private sources, the Argentine lemon sector is not expected to expand through land investment but through the incorporation of new genetic material, which would improve yields.

Processing

Fresh lemon for processing in 2010/11 is projected to increase to 973,000 MT, compared to previous USDA estimates, as a result of larger production and additional volumes of fruit which did not reach the size required by export markets. Many producers chose to harvest smaller-sized fruit, which were devoted for processing, leaving larger sizes in the plants to obtain fruit that will meet the needs of more demanding export markets. Fresh orange and tangerine for processing in 2010/11 is projected to fall sharply to 70,000 MT and 68,000 MT, respectively, primarily as a result of smaller fruit supply. Grapefruit for processing is expected to increase marginally to 69,000 MT due to larger production than previously expected.

In 2009/10, lemon for processing increased slightly to 698,000 MT, compared to previous USDA official estimates, due to larger imports than expected.

Orange for processing increased slightly to 84,000 MT, primarily, due to larger production. Tangerine for processing increased to 91,000 MT, as a result of larger production, and grapefruit for processing remained stable at 71,000 MT.

Over 90 percent of the total lemon production in Argentina is processed by 7 plants, of which 5 are located in the Province of Tucuman, one in the Province of Jujuy, and another one in the Province of Salta. In addition, there are about 35 high-tech packing citrus plants which are approved for export by the Argentine sanitary authorities.

Investment

Investment in land devoted for lemon production is expected to continue expanding marginally, especially in the Provinces of Salta and Jujuy, as in the Province of Tucuman lemon production competes mainly with sugar cane production. In addition, two new packing and processing plants will become operational in Tucuman in the near future. Investment is due to the increasing profitability of lemon activity, the potential opening of significant export markets for fresh lemon, such as the U.S. and China, and the expansion of leading beverage companies in Asia.

Investments in processing facilities and irrigation are also planned in the NEA region for “sweet” citrus fruit. There is an on-going project to build a juice processing facility in the Province of Entre Rios, with a $2 million-contribution by the Provincial Government, whose main purpose is to supply the increasing international demand for concentrated juices.

Consumption:

Fresh lemon domestic consumption does not typically vary over time, unlike oranges and tangerines – the “sweet” categories – which are often replaced by other types of fruit depending on the price. Consumption in 2010/11 is expected to increase slightly to 60,000 MT, compared to previous USDA official estimates. Consumption in 2009/10 remained stable at 45,000 MT, compared to previous USDA estimates, and decreased in comparison with the previous year, as a result of smaller production.

In 2010/11, orange and tangerine consumption is projected to decrease substantially to 413,000 MT and 120,000 MT, respectively, due to smaller production. Orange consumption decreased to 530,000 MT in 2009/10, compared to previous USDA official estimates, as a result of larger exports, and tangerine consumption remained stable. Consumption for both citrus fruit decreased, compared to the previous year, as a result of reduced supply. Grapefruit consumption is estimated to remain stable in 2010/11, and it decreased in 2009/10, compared to USDA estimates, due to smaller production.

Estimated annual per capita citrus consumption is as follows: lemon, 0.74 kg; orange, 10.15 kg; tangerine, 4.35; and grapefruit, 1.95 kg.

Trade:

Exports

Fresh Lemon exports for 2010/11 are expected to increase only marginally, compared to the previous USDA estimates, despite larger production, as increased fruit supply is expected from competing countries in the Northern Hemisphere, such as Spain and Turkey. In addition, following the practice carried out in the past couple of years, relatively high volumes of fruit are estimated to be devoted for processing as a result of the decision taken 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 expected to continue. Fresh orange and tangerine exports are decreased due to smaller production and economic recession in some European countries which are important export markets, and fresh grapefruit exports are forecast to increase slightly as a result of larger fruit supply.

Fresh lemon exports remained stable in 2009/10 at 264,000 MT, compared to previous USDA official estimates, and exceeded exports from the previous year as international markets recover from the global financial crisis. Fresh orange and tangerine exports increased to 157,000 MT (for oranges) and 119,000 MT (for tangerines) due larger production that previously expected and the recovery of export markets, and fresh grapefruit exports remained stable at 11,000 MT.

Argentine fresh citrus are exported to over 80 international markets. The main export destinations in 2010, compared to 2009, were as follows:

Fresh Citrus Fruit	**Destination**	**Market Share %**	
		2009	**2010**
Lemons	EU	68	75
	Russia	19.5	16
Oranges	EU	62	55
	Russia	13	18
Tangerines	EU	43	36
	Russia	34	37
Grapefruit	EU	86	83
	Russia	3	10

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

For 2010/11, no major export market diversification is expected for citrus fruit. 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, which damaged the fruit quality. The industry has been focusing on other export destinations pending negotiations with officials in China. Currently, the market is open to fresh “sweet” citrus varieties. Moreover, there are on-going technical discussions with the U.S. to reopen the market for Argentine fresh citrus fruit. A scientific study is being carried out to certify that *Citrus Variegated Chlorosis* (CVC) cannot be transmitted through citrus seed. Argentine government officials have also requested from Russian authorities a reduction of the import tariff affecting apples, pears, and citrus fruit.

Local producers have adjusted well to lower MRLs (maximum residue levels) that were introduced in Russia on October 31, 2008. The regulations are currently in effect, but have not had a major impact on exports. The current MRL levels are lower than those required by the EU, Japan, Canada, and the U.S., among other countries. MRLs continue to be an increasingly important issue at multilateral meetings among representatives from fruit export and import markets.

In 2010, the EU was the largest market for Argentine fresh lemons (75 percent market share), oranges (55 percent), and grapefruit (83 percent); and the second largest market for fresh tangerines (36 percent). Russia was the second largest market for all citrus fruit, except tangerines, accounting for an average of 37 percent of total Argentine tangerine exports, 18 percent of oranges, 16 percent of lemons, and 10 percent of grapefruit.

Imports

Citrus imports are expected to remain negligible in 2010/11, and this trend is forecast to continue in counter season, as Argentina is a net citrus fruit exporting country. In 2010, total citrus imports totaled 9,327 MT, and were valued at $6.3 million. Imports came mainly from Chile and Italy (lemons), Mexico and Chile (oranges), and Chile and Israel (grapefruit).

Policy:

Import and Export Regulations

Two of the leading citrus companies from NEA have recently decided to stop exports and suspend some of their employees as a result of extremely high costs, which continue to increase, and stable or lower international prices for “sweet” citrus varieties. About seven months ago, the GOA promised that a subsidy would be granted to NEA citrus producers to recover from reduced exports in CY 2010. However, the financial support did not occur. The Governor of Entre Rios Province has recently promised a $70,000-subsidy primarily for producers to pay overdue salaries.

On December 22, 2008, President Cristina Fernandez de Kirchner announced a package of stimulus measures for the Argentine agricultural sector. The measures affecting fruit and vegetables were published in the Official Bulletin, Decrees Nos. 38/2008 and 40/2008, on December 31, 2008. They established that the export tax for pears, apples, peaches, citrus fruit, grapes, blueberries, strawberries, onions, frozen potatoes, beans and pulses were reduced by 50 percent (i.e. fresh deciduous fruit and stone fruit currently pay a 5 percent export tax, while citrus fruit and vegetables pay 2.5 percent).

The changes did not have a significant impact on overall fruit production. Export taxes for these products were already relatively low (5 percent to 10 percent). Part of Argentina’s 2.5 percent export tax on citrus is rebated depending on the size of the container.

Export and Import Tariffs **All Citrus Fruit (HTS codes: 080510, 080520, 080540, 080550)**	
For countries outside MERCOSUR AREA	%
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
For countries within MERCOSUR AREA	
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

Phytosanitary Issues

Argentina is currently free of *Huanglongbing* (HLB). In order to protect Argentine citrus production, the Ministry of Agriculture, Livestock, and Fisheries (MAGP, in Spanish) has implemented a National Program for HLB Prevention, composed by the following organizations and agencies: National Institute of Agricultural Technology (INTA, in Spanish), National Service of Agriculture and Food Health and Quality (SENASA, in Spanish), National Seed Institute (INASE, in Spanish), provincial governments, Experiment Station “Obispo Colombres”, and entities from the private sector related to the citrus activity.

Under the framework of the above program, over 6,500 samples from the Provinces of Tucuman, Salta, Jujuy, and Catamarca, were analyzed for HLB diagnosis. All samples were tested negative. In addition, over 75 percent of the area planted to citrus, which has been declared with risk potential for HLB, has been monitored; about 300 nurseries were inspected; and 10 border passes, whose location and traffic might represent a higher risk for HLB entry into the country, were reinforced without having found any presence of the bacteria, either in plant material or insects.

Argentina has a National Traceability System, which allows local phytosanitary authorities, producers, and exporters to learn about the various treatments applied to the fruit, from the plant to the port of destination. This guarantees the importer that the product is healthy and safe.

Marketing:

Prices

International (FOB) Prices for Fresh Citrus Fruit

Overall, fresh citrus average FOB prices during 2009/10 were higher than the previous year, especially for lemons, with the exception of oranges. However, by the end of the marketing year, prices fell due to the delay in the arrival of fruit shipments to the main EU markets. The highest FOB price for lemons during CY 2010 was $978/MT (March); for oranges, $498/MT (June); for tangerines, $1,000/MT (January); and for grapefruit, $700/MT (March). FOB prices are estimated to decrease in 2010/11 as increased fruit supply is expected from Argentina’s primary competitors.

Lemon	FOB Prices ($/MT)			
	2007	2008	2009	2010
January	--	583	713	--
February	482	1,022	604	--
March	477	870	778	978
April	473	1,016	589	620
May	469	1,074	556	671
June	464	1,076	602	742
July	469	976	633	724
August	466	758	657	783
September	483	710	642	698
October	367	694	566	700
November	318	844	--	667
December	519	683	--	700
Average	**453**	**859**	**634**	728

Source: FAS Buenos Aires based on GTIS trade data

Orange	FOB Prices ($/MT)			
	2007	2008	2009	2010
January	--	--	--	--
February	--	--	--	--
March	--	--	--	--
April	--	251	194	155
May	372	534	440	483
June	429	552	494	498
July	435	549	478	471
August	436	520	485	457
September	394	472	455	422
October	397	409	384	381
November	236	--	205	232
December	--	--	--	--
Average	**386**	**470**	**392**	**387**

Source: FAS Buenos Aires based on GTIS trade data

Tangerine	FOB Prices ($/MT)			
	2007	2008	2009	2010
January	909	196	333	1,000
February	741	741	1013	821
March	592	728	785	774
April	589	756	733	763
May	612	786	749	766
June	622	779	760	768
July	607	769	749	771
August	628	773	742	746

September	610	722	721	742
October	477	467	655	695
November	--	889	--	100
December	--	--	--	--
Average	**639**	**691**	**724**	**722**

Source: FAS Buenos Aires based on GTIS trade data

Grapefruit	FOB Prices ($/MT)			
	2007	**2008**	**2009**	**2010**
January	705	--	--	--
February	1,187	--	1,200	--
March	489	167	598	700
April	468	651	546	546
May	439	587	571	521
June	430	594	533	
July	451	590	584	478
August	460	587	572	582
September	472	412	513	667
October	--	161	--	--
November	--	684	--	--
December	--	--	--	--
Average	**567**	**493**	**640**	**566**

Source: FAS Buenos Aires based on GTIS trade data

Wholesale Prices for Fresh Citrus Fruit

Lemon	Domestic Wholesale Prices ($/MT)				
	2007	**2008**	**2009**	**2010**	**2011**
January	380	390	366	1,020	1,128
February	330	340	352	1,150	1,229
March	260	630	350	950	1,022
April	280	540	328	680	n/a
May	230	298	258	490	n/a
June	200	332	222	470	n/a
July	170	387	221	460	n/a
August	160	363	261	490	n/a
September	190	308	357	560	n/a
October	340	460	470	660	n/a
November	430	447	742	675	n/a
December	800	401	737	953	n/a
Average	**310**	**408**	**389**	**773**	n/a

Source: Buenos Aires Central Market

Orange	Domestic Wholesale Prices ($/MT)				
	2007	**2008**	**2009**	**2010**	**2011**
January	230	210	217	280	324

February	350	310	229	280	356
March	220	300	276	340	386
April	270	350	310	340	n/a
May	310	322	298	350	n/a
June	260	283	301	320	n/a
July	220	300	295	310	n/a
August	190	331	299	300	n/a
September	180	299	339	280	n/a
October	190	372	350	293	n/a
November	170	361	373	300	n/a
December	190	259	382	313	n/a
Average	**200**	**308**	**306**	**309**	n/a

Source: Buenos Aires Central Market

Tangerine	**Domestic Wholesale Prices ($/MT)**					
	2006	**2007**	**2008**	**2009**	**2010**	**2011**
January	250	180	n/a	n/a	360	445
February	n/a	n/a	n/a	n/a	350	386
March	200	n/a	190	n/a	350	349
April	240	200	250	296	330	n/a
May	230	190	288	305	330	n/a
June	220	170	299	320	340	n/a
July	200	130	341	332	330	n/a
August	190	140	340	330	310	n/a
September	210	190	293	345	290	n/a
October	250	190	366	400	283	n/a
November	280	170	439	389	295	n/a
December	n/a	160	n/a	442	398	n/a
Average	**210**	**140**	**312**	**351**	**301**	n/a

Source: Buenos Aires Central Market

Grapefruit	**Domestic Wholesale Prices ($/MT)**				
	2006	**2007**	**2008**	**2009**	**2010**
January	370	400	300	365	510
February	380	410	340	NA	550
March	340	310	410	NA	520
April	280	NA	390	403	490
May	340	NA	313	313	440
June	210	NA	296	301	400
July	200	200	332	306	390
August	300	190	311	288	370
September	270	210	281	336	350
October	310	180	299	340	343

November	330	170	372	371	440
December	NA	230	452	377	595
Average	**300**	**190**	**341**	**340**	**450**

Source: Buenos Aires Central Market

Domestic Retail Prices for Fresh Citrus Fruit

Citrus Fruit	$/kg
Lemon	1.59
Orange (Navel)	1.65
Orange (Valencia)	1.65
Tangerine (Clementina)	1.87
Tangerine (Nova)	1.62
Grapefruit (Marsh)	1.80
Grapefruit (Ruby)	1.65
US$1 = AR$4.13	
(June 9, 2011)	

Source: FAS Buenos Aires based on prices of supermarkets and other retail stores.

Production, Supply and Demand Data Statistics:

Lemons/Limes, Fresh Argentina	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	43,000	43,083	43,000	43,575	43,000	44,000
Area Harvested	42,000	42,000	42,000	42,000	42,000	43,000
Bearing Trees	13,000	13,000	13,000	13,000	13,000	13,000
Non-Bearing Trees	1,000	1,000	1,000	1,000	1,000	1,000
Total No. Of Trees	14,000	14,000	14,000	14,000	14,000	14,000
Production	1,350	1,350	1,000	1,000	1,250	1,300
Imports	5	5	3	7	3	3
Total Supply	1,355	1,355	1,003	1,007	1,253	1,303
Exports	250	250	264	264	260	270
Fresh Dom. Consumption	55	55	45	45	50	60
For Processing	1,050	1,050	694	698	943	973
Total Distribution	1,355	1,355	1,003	1,007	1,253	1,303
TS=TD		0		0		0
Comments	Units of Measure: hectares, thousand trees, and thousand metric tons.					
AGR Number						

Comments To Post

Oranges, Fresh Argentina	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	48,000	46,775	48,000	48,229	48,000	48,300
Area Harvested	45,500	45,500	45,500	45,500	45,500	46,000
Bearing Trees	23,000	23,000	23,000	23,000	23,000	23,000
Non-Bearing Trees	2,000	2,000	2,000	2,000	2,000	2,000
Total No. Of Trees	25,000	25,000	25,000	25,000	25,000	25,000
Production	900	900	750	770	900	580
Imports	1	1	1	1	1	3
Total Supply	901	901	751	771	901	583
Exports	140	137	120	157	125	100
Fresh Dom. Consumption	570	570	550	530	570	413
For Processing	191	194	81	84	206	70
Total Distribution	901	901	751	771	901	583
TS=TD		0		0		0
Comments	Units of Measure: hectares, thousand trees, and thousand metric tons.					
AGR Number						

Comments To Post

Grapefruit, Fresh Argentina	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	7,500	7,396	5,000	7,685	5,000	7,500
Area Harvested	7,000	7,000	4,700	7,000	4,700	7,000
Bearing Trees	2,200	2,200	1,600	1,600	1,600	1,600
Non-Bearing Trees	90	90	70	70	70	70
Total No. Of Trees	2,290	2,290	1,670	1,670	1,670	1,670
Production	237	237	150	140	130	140
Imports	2	2	2	2	2	2
Total Supply	239	239	152	142	132	142
Exports	17	17	11	11	10	13
Fresh Dom. Consumption	90	90	70	60	60	60
For Processing	132	132	71	71	62	69
Total Distribution	239	239	152	142	132	142
TS=TD		0		0		0
Comments	Units of Measure: hectares, thousand trees, and thousand metric tons.					
AGR Number						
Comments To Post						

Tangerines/Mandarins, Fresh Argentina	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: Apr 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	34,000	34,469	34,000	34,930	34,000	35,000
Area Harvested	32,000	32,000	32,000	33,000	32,000	33,000
Bearing Trees	18,000	18,000	18,000	18,000	18,000	18,000
Non-Bearing Trees	2,000	2,000	2,000	2,000	2,000	2,000
Total No. Of Trees	20,000	20,000	20,000	20,000	20,000	20,000
Production	400	400	290	360	400	280
Imports	0	0	0	0	0	3
Total Supply	400	400	290	360	400	283
Exports	113	113	117	119	120	95
Fresh Dom. Consumption	190	190	150	150	190	120
For Processing	97	97	23	91	90	68
Total Distribution	400	400	290	360	400	283
TS=TD		0		0		0
Comments	Units of Measure: hectares, thousand trees, and thousand metric tons.					
AGR Number						
Comments To Post						