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# Argentina

# Raisin Annual

# Raisin Production, Supply, and Demand Estimates for Argentina

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**Report Highlights:**

Argentina’s raisin production is forecast to rebound to normal levels in CY 2016 and CY 2015 due to favorable weather conditions. However, exports are not expected to recuperate at the same pace as a result of lack of competitiveness in international markets due to adverse domestic factors.

## Executive Summary:

Raisin production for CY 2016 is estimated at normal levels of 32,000 MT due to good weather conditions. Exports are forecast at 25,500 MT for both CY 2016 and 2015, up by 56 percent from CY 2014, due to larger production. 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, added 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, area planted to raisin grapes will remain unchanged at 6,600 hectares from the previous two calendar years, 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.

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 2016, grape production for raisins is expected to decrease slightly to 133,000 MT from the previous year, and it will remain close to normal levels as a result of favorable weather conditions. Raisin production is projected at 32,000 MT. For CY 2015, grape production is estimated at 137,000 MT, and raisin production will remain unchanged at 33,000 MT, in line with official USDA estimates, and up by 60 percent from CY 2014, due to good weather conditions. CY 2015 raisins had very good quality and sanitary conditions. For CY 2014, grape production decreased to 85,000 MT due to late frosts in September-

October 2013, and excess rains in the summer of 2014, during the drying season. Post revised raisin production down to 20,500 MT from 24,500 MT, 16 percent lower than official USDA estimates.

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

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, and are primarily of domestic capital. Investments were not only devoted to primary production, 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. Moreover, private investments went to irrigation systems to optimize water usage. No major investments have been announced for the near future. Import restrictions established by the Government of Argentina (GOA) in February 2012, have been discouraging producers from purchasing processing machinery abroad (see Policy Section).

Varieties
The main grape varieties destined for raisins are the seedless varieties Flame Seedless (over 40 percent of the total raisin production) and Arizul (INTA C G 351) (over 20 percent), which have attracted investments in processing technology and storage facilities. Other varieties are: Sultanina Blanca (Thompson Seedless), Superior Seedless, Torrontes Sanjuanino, Cereza, Emperador, Tinogastena, and Criolla Chica. Fiesta is a relatively new variety of U.S. origin, with very good yields, adaptability, and drying handling. It is estimated that the area planted to this variety will continue to increase in the near future.
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 Agriculture 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. Currently, the DOV system is being used by about seven companies on over 100 hectares and it is expected to continue expanding. 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 2,000 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 sources estimates, it is expected that domestic consumption for CY 2016 will remain unchanged from the previous year at 5,500 MT. Domestic consumption for CY 2015 will increase from 4,000 MT to 5,500 MT from official USDA estimates, due to Post's adjustments of estimates based on information provided by new private sources. For CY 2014, domestic consumption increased from the official estimate of 2,500 MT to 4,540 MT, despite smaller production, due to decreased exports and larger imports.

## Trade:

CY 2016 raisin exports are forecast at 25,500 MT, the same estimate as for the previous year, although for CY 2015, exports will decrease from the official USDA estimate of 29,000 MT to 25,500 MT, due to the decreasing competitiveness of Argentine companies. Exports are expected to recuperate from the CY 2014 levels of 16,300 MT, an increase of 56 percent, as a result of larger production. CY 2014 exports decreased drastically to 16,300 MT, down 5,700 MT from official USDA estimates, due to smaller production and competitiveness difficulties of local exporters.

In CY 2014, the main raisin export destination by volume was Brazil, accounting for 89 percent of total exports, compared to 70 percent the previous year. However, exports to Brazil decreased drastically from 20,400 MT to 14,500 MT, compared to CY 2013. The second largest market for Argentine raisins was the EU with 560 MT. Argentina's main raisin export markets in CY 2014 were as follows:

| Argentina Export Statistics – Primary Destinations | | | | | | |
|---|---|---|---|---|---|---|
| Commodity: 080620, Grapes, Dried | | | | | | |
| **Calendar Year: 2012 - 2014** | | | | | | |
| **Partner Country** | **2012** | | **2013** | | **2014** | |
| | **USD** | **Quantity** | **USD** | **Quantity** | **USD** | **Quantity** |
| **World** | **63,126,146** | **29,127** | **64,809,891** | **29,047** | **38,026,450** | **16,276** |
| Brazil | 43,692,576 | 19,633 | 47,083,809 | 20,433 | 33,173,227 | 14,455 |
| EU | 3,218,631 | 1,408 | 3,207,557 | 1,294 | 1,605,557 | 558 |
| Dominican Rep. | 1,309,741 | 540 | 889,369 | 365 | 846,097 | 264 |
| United States | 4,005,792 | 2,049 | 3,238,750 | 1,567 | 647,835 | 250 |
| Paraguay | 486,850 | 228 | 419,125 | 180 | 538,185 | 215 |

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 (over 38 percent in 2014), and an overvalued peso, it has become very difficult for local exporters to compete with other producing countries, such as Turkey. The severe frosts that affected Turkish raisin production in CY 2015 might become a good opportunity for Argentine raisin exports in CY 2016. In addition, devaluation of local currencies in major export markets, such as Brazil, has worsened Argentine exporters' competitiveness.

## Policy:

Import and Export Regulations

The Argentine fruit sector is concerned about the numerous trade restrictions and requirements affecting imports which have been instituted by the GOA. These policies hamper producers in acquiring needed production and processing inputs. Other measures require pre-approval for imports weeks before beginning the importation process. Additional obstacles include 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.

The export tax for raisins is 2.5 percent. Part of Argentina's 2.5 percent export tax on raisins is rebated to the exporter depending on the size of the container. Since 2011, the fruit industry has been requesting the GOA to suspend or reduce fruit export taxes and double rebates to help overcome the economic crisis affecting this activity. Moreover, industry continues to request that the GOA pay rebates on a timely basis but, to date, no progress was made on this issue.

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 | 2.5% |
| Export Rebate: Cases containing between 2.5 kg. and 20 Kg. | 4.05% |
| Cases with 2.5 kg. or less | 6.00% |
| **Inside the Mercosur Area** | |
| Import Tariff | 0.00% |
| Statistical Tax | 0.50% |
| Export Tax | 2.5% |
| Export Rebate: Cases containing between 2.5 kg. and 20 Kg. | 4.05% |
| Cases with 2.5 kg. or less | 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 2014 were higher than FOB prices the previous year, due to less fruit availability in Northern Hemisphere raisin producing countries. FOB prices went down during the period January-May 2015, as a result of higher raisin supply in the Northern Hemisphere.

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

Raisin FOB Prices (US$/MT)

| **Month/Year** | **2013** | **2014** | **Jan-May 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 | n/a |
| **Jul** | 2,190 | 2,383 | n/a |
| **Aug** | 2,229 | 2,359 | n/a |
| **Sep** | 2,273 | 2,364 | n/a |
| **Oct** | 2,308 | 2,393 | n/a |
| **Nov** | 2,254 | 2,185 | n/a |
| **Dec** | 2,116 | 2,177 | n/a |
| **Average** | **2,225** | **2,336** | **n/a** |

Source: FAS Buenos Aires based on GTIS data

Exchange rate: 9.13 Local Currency/US$1

Date of Quote: 07/16/2015

## Production, Supply and Demand Data Statistics:

| Raisins | 2013/2014 | | 2014/2015 | | 2015/2016 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Jan 2013 | | Jan 2014 | | Jan 2015 | |
| 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 | 6000 | 0 | 6000 |
| **Beginning Stocks** | 0 | 0 | 0 | 0 | 0 | 2000 |
| **Production** | 24500 | 20500 | 33000 | 33000 | 0 | 32000 |
| **Imports** | 0 | 340 | 0 | 0 | 0 | 0 |
| **Total Supply** | 24500 | 20840 | 33000 | 33000 | 0 | 34000 |
| **Exports** | 22000 | 16300 | 29000 | 25500 | 0 | 25500 |
| **Domestic Consumption** | 2500 | 4540 | 4000 | 5500 | 0 | 5500 |
| **Ending Stocks** | 0 | 0 | 0 | 2000 | 0 | 3000 |
| **Total Distribution** | 24500 | 20840 | 33000 | 33000 | 0 | 34000 |
| | | | | | | |
| (HA) ,(MT) | | | | | | |