

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Canned Deciduous Fruit Annual

2011

Approved By:

Brooke Markley

Prepared By:

Maria Julia Balbi

Report Highlights:

Due to favorable weather conditions in the previous year, production of peaches for processing is expected to rise by over 15 percent to 200,000 MT in CY2012, of which, 115,000 MT will be devoted for canned peaches (also a 15 percent increase from CY2011). As a result of larger production, both exports and domestic consumption are forecast to increase as well. Imports are estimated to drop to zero due to the greater production, a rise in import taxes and continued import restrictions.

Executive Summary:

Post forecasts an increase in peach production for processing for CY 2012 to 200,000 MT as a result of favorable weather conditions in CY 2011, which are expected to improve yields. Of that amount, 115,000 MT are forecast to be used for canned peaches. Exports are estimated to rebound to 29,000 MT as a result of larger production, and domestic consumption is forecast to increase as a consequence of larger production and the recuperation of the purchasing power.

Commodities:

Peaches, Canned

Production:

CY 2012 production of peaches for processing is forecast to increase to 200,000 MT due to favorable weather conditions during the growing season of CY 2011, which are expected to improve yields. Of that amount, 115,000 MT are projected to be used for canned peaches. CY 2011 production is expected to increase substantially to 170,000 MT and, of that amount, 100,000 MT are forecast to be devoted to canned peaches. CY2010 production decreased significantly, compared to the previous year, due to late frosts at the end of September 2009, which affected both volumes and fruit quality. Post estimates the production at 122,000, slightly above the USDA official forecast. Of that amount, 81,000 MT were processed by the local canned peach industry.

Currently, the primary challenges of the canned peach sector are:

- high production costs
- competition from Greece
- competition from Chile (especially in the Brazilian and Uruguayan market)

The sector of peach production for processing has its own Strategic Plan (Fe.P.E.D.I. – Federation of the Processed Peach Strategic Plan), whose members belong to both the provincial government, and private companies and producers. Its main goal is to improve the profitability of all players in the peach production chain through sustainable development. It aims at fostering production through yield improvements and increased area planted, meeting quality standards, and expanding exports through increasing competitiveness.

Production Areas

About 95 percent of Argentina's canned peach production is concentrated in the Province of Mendoza, located along the Andes mountain range. According to Mendoza's 2010 official fruit census, carried out by the Ministry of Production, Technology and Innovation of Mendoza, and the Rural Development Institute (IDR, in Spanish), over 10,000 hectares are currently planted to Cling peaches in this province, of which about 2,000 are not in production yet as plants are young. In addition, there are about 1,400

producers, with an average farm size of 10 hectares. (Note: IDR is a private/public sector entity closely related to the provincial Ministry of Production).

Since Mendoza is a very dry province with an annual average rainfall of 8 inches or less, all plantations are irrigated. The main source of water is snowmelt from the Andes. There are three main production areas in the Province of Mendoza, called oases.

The oldest and most traditional production area, the southern zone, encompasses the departments (counties) of San Rafael and General Alvear. The total area planted in this region is approximately 4,480 hectares. Farms in this area are small, around 2-4 hectares, and are generally subsistent in nature. Therefore, production is basically low-tech with yields not higher than 15-17 MT per hectare.

The northern and eastern zones, with 1,738 hectares in production, have an average farm size of 10-12 hectares. Yields in this zone reach 18 MT per hectare, which reflect the use of yield-improving technology.

The last zone, the Uco Valley, is where more professional farmers have settled during the past 20 years. Larger plantations, most of them owned by canneries, have been established in this zone. With a total planted area of 3,847 hectares, the average farm size in this area is 23 hectares, and yields reach over 40 MT per hectare.

Production Costs

In CY 2011, production costs that showed higher increases were labor (50 percent of total production costs), raw material (30 percent of total production costs), tin plates, carton, fuel and energy. This increase reached between 10-15 percent in dollar terms, and it was not as significant as in previous years, when cost increases reached an average of 25 percent.

Consumption:

Total domestic consumption of canned peaches for CY 2012 is estimated to increase to 86,000 MT due to larger production and the gradual recuperation of the purchasing power. For CY 2011, domestic consumption is forecast to increase to 80,000 MT, compared to the previous year. In CY 2010, consumption was slightly over 67,000 MT, higher than the previous USDA official estimate, but lower than average as a result of smaller production. Annual per capita consumption varies between 2 and 2.5 cans as domestic consumption competes strongly with exports.

Trade:

Canned peach exports for CY 2012 and 2011 are expected to increase to 29,000 MT and 25,000 MT, respectively, due to larger production. CY 2010 exports increased to slightly over 19,000 MT, compared to the previous USDA estimate. Exports were lower than normal due to smaller production and strong competition with domestic consumption as domestic prices remained stronger than international prices.

Mexico and Brazil are Argentina’s traditional markets for canned peaches, followed mainly by other Latin American countries. However, since CY 2008, exports to Mexico have decreased significantly as other export markets pay higher prices, there was increased competition of Greek canned peaches and, in CY 2010, Mexico had large domestic fruit supply. Argentina also competes with Chile, whose domestic production has been growing in recent years, and the U.S. in the Mexican market, besides Greece. Argentina has agreements with various Latin American countries, such as Peru, Colombia, Venezuela, and Ecuador, for canned peach exports at low import duties (between 2-3 percent).

Argentina’s export promotional campaigns are focused primarily on developing and/or recuperating exports to Latin American markets such as Mexico, Brazil, Colombia, Venezuela, and Peru.

Canned Peach Exports

Country	2008		2009		2010	
	USD	MT	USD	MT	USD	MT
Total	28,574,880	24,994	19,511,324	21,330	19,611,373	19,091
Brazil	6,595,160	5,424	5,037,377	5,852	7,437,002	7,092
Uruguay	3,746,279	3,133	2,917,039	3,262	4,438,710	4,206
Mexico	10,661,314	10,343	5,630,118	5,853	2,661	2,838
Paraguay	3,366,612	2,772	2,319,029	2,509	1,923,733	1,961
Bolivia	2,700,455	2,149	1,683,661	1,789	1,415,869	1,391
Colombia	0	0	728,685	801	575,575	411
Ecuador	0	0	0	0	307,188	354
Venezuela	590,791	417	46,440	51	290,468	291
US	79,331	58	634,983	628	193,868	176
Peru	0	0	69,301	81	107,730	117
Panama	641	0	60,511	89	113,064	115
Guatemala	68,898	61	85,240	86	76,405	72
Canada	34,491	37	29,165	38	35,877	38
Honduras	3,640	3	8,488	6	12,230	11
Chile	347,633	245	114,741	115	11,575	9
Libya	0	0	0	0	6,799	6
Philippines	47,318	35	26,822	35	3,915	3
EU	218,131	235	51,270	47	0	0
Japan	0	0	25,167	36	0	0
Lebanon	0	0	16,200	18	0	0
Andorra	0	0	13,491	15	0	0
Singapore	0	0	13,385	18	0	0

Source: FAS Buenos Aires based on data from Global Trade Atlas

Import and Export Requirements

Canned Peaches 200870

Outside the Mercosur Area	
Import Tariff	35 %
Statistical Tax	0.50%
Export Tax	5.00%
Export Rebates	
Containers with more than 2.5 kg.	4.05%
Containers with 2.5 kg. or less	6.00%
Inside the Mercosur Area	
Import Tariff	0.00%
Export Tax	5.00%
Export Rebates	
Containers with more than 2.5 kg.	4.05%
Containers with 2.5 kg. or less	6.00%

Source: FAS Buenos Aires based on data from Tarifar

Policy:

An agreement between the Governments of Argentina and Mexico established an annual quota of 10,000 MT at a zero tariff (the import tariff in Mexico is seven percent). This quota is allocated by the Secretariat of Agriculture of Argentina which gives priority to those canneries that have exported canned peaches to a third country in the past four years. Only 15 percent of the quota will be allocated to companies that have not previously exported their product. Representatives of Fe.P.E.D.I. had the intention to negotiate an increase of the 10,000 MT-zero tariff quota to 15,000 MT once exports increase. However, in CY 2011, Argentina will be unable to fill the quota due to competition primarily from Greece and Chile. In CY 2010, Argentina did not fill the quota due to reduced fruit volumes available for export.

In April 2010, the Government of Argentina (GOA) introduced new measures to restrict imports of some food products, including canned peaches. Importers are now required to get approval from the Secretariat of Internal Commerce before receiving the “certificate of free circulation” from the National Food Institute (INAL, in Spanish). The certificate is required for all food imports. Local contacts report serious delays in import approvals for canned fruits and vegetables, which has discouraged imports. Moreover, the GOA is in discussions to raise the Mercosur common external market tariff for canned peaches to the WTO bound rate of 35 percent. In CY 2010, Argentina increased the import tariff from 14 to 35 percent to non-Mercosur countries. Traditionally, Argentine imports of canned peaches have not been large but have decreased from 820 MT in CY 2010 to zero during the period January-July 2011.

Marketing:

Prices

According to private sources, CY 2011 farm-gate fresh fruit prices for peaches for canning reached around \$0.3/kg, similar to prices paid in CY 2010. Producers' net income was reduced due to increasing production costs as a consequence of the high inflation rate in Argentina. Domestic retail prices also increased due to the high inflation rate.

International Prices

In CY 2011, international FOB prices for canned peaches increased significantly (between 25 and 45.8 percent), and they are expected to remain relatively high due to larger supply in other fruit producing countries.

Canned Peach FOB Prices			
Month	US\$ FOB per MT		
Year	2010	2011	% Change
Jan	911	1,328	45.8
Feb	891	1,289	44.7
Mar	945	1,367	44.7
Apr	952	1,374	44.3
May	967	1,383	43.0
Jun	1,056	1,321	25.1
Jul	1,070	1,338	25.0
Aug	1,101	n/a	n/a4
Sep	1,015	n/a	n/a
Oct	1,047	n/a	n/a
Nov	1,091	n/a	n/a
Dec	1,239	n/a	n/a
Exchange Rate	4.24	Local Currency/US \$1	
Date of Quote	10/04/2011	MM/DD/YYYY	

Source: FAS Buenos Aires based on data from Global Trade Atlas

Domestic Retail Prices

Canned Peach Domestic Retail Prices - 820-gram can (net weight)			
Brand	US\$		
	September 2009	September 2010	September 2011

La Campagnola	1.97	2.59	3.42
Arcor	1.92	3.35	4.05
La Colina	1.73	n/a	2.52
Alco	1.99	3.25	4.63
Canale	n/a	3.25	2.92
La Gioconda	n/a	n/a	2.39
Coto Private Label (Premium)	n/a	n/a	2.27
Coto Private Label (Standard)	n/a	n/a	2.09
Average price	1.90	3.11	3.04

Source: Supermarket chains and other grocery stores

Production, Supply and Demand Data Statistics:

Peaches, Canned Argentina	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	117,500	122,000		170,000		200,000
Beginning Stocks	12,500	12,500		8,000		3,000
Production	81,000	81,000		100,000		115,000
Imports	805	820		0		0
Total Supply	94,305	94,320		108,000		118,000
Exports	18,000	19,091		25,000		29,000
Domestic Consumption	66,305	67,229		80,000		86,000
Ending Stocks	10,000	8,000		3,000		3,000
Total Distribution	94,305	94,320		108,000		118,000

MT, MT, Net Weight