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Argentina

Citrus Semi-annual

Lemon, Orange and Tangerine

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Report Highlights:

Production of lemons and oranges in MY 2014/2015 is forecast to increase (although it will still be down from normal levels), as a result of good weather conditions and the recuperation of plants that had been previously affected by frosts. Excess rain in the summer of 2015 delayed the lemon harvest, affected the fruit quality and reduced fruit pack-out yield. Lemon production is estimated at 1.15 million metric tons (MMT), orange production is forecast at 950,000 MT, and tangerine production will remain unchanged at 450,000 MT. Lemon exports were revised down to 200,000 MT. Orange exports will decrease slightly to 65,000 MT and tangerine exports will remain unchanged at 90,000 MT in line with USDA estimates. Larger lemon volumes are expected to be devoted to processing due to high prices paid for lemon by-products and some fruit quality defects as a result of excess rains.

Executive Summary:

For MY 2014/2015, production is forecast to increase for lemons to 1.15 million metric tons (MMT), slightly above USDA estimates due to the recuperation of plants from 2012/2013 frosts, some of the most severe frosts in the past few decades, although full recuperation will not occur until 2015/2016. In addition, the harvest was delayed about a month due to excess rain which affected the fruit quality and reduced pack-out yield. Orange production in MY 2014/2015 was increased to 950,000 MT, as a result of favorable weather conditions; tangerine production is forecast at 450,000 MT, in line with official USDA estimates.

Exports of all three types of citrus fruit will remain down from normal levels. Lemon exports will decrease to 200,000 MT, five percent lower than official USDA estimates as a result of more fruit availability in the Northern Hemisphere, delay in the lemon harvest, and decreased competitiveness of local companies in export markets. Despite larger production, orange exports are forecast to decrease slightly to 65,000 MT and tangerine exports will remain unchanged, in line with official USDA estimates at 90,000 MT.

Fresh lemon for processing is forecast to increase to 880,000 MT due to a production rebound and a subsequent relatively high fruit volume with quality defects resulting from excess summer rain.

Commodities:

Lemons, Fresh Oranges, Fresh Tangerines/Mandarins, Fresh

Production:

For MY 2014/2015, fresh lemon production is revised upward to 1.15 MMT, slightly above official USDA estimates, as plants recuperated well from the winter frosts of 2012/2013, which affected the main lemon producing area in the country (full recuperation will not occur until 2015/2016). 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 is increased to 780,000 MT, 80,000 MT higher than official USDA estimates, following revisions of data by private sources. Production decreased by over 40 percent from the previous year due to severe frosts during the winter of 2013, which reduced fruit volumes and damaged a significant number of trees, and a drought that affected most of the country's growing areas throughout 2013. In addition, the lemon harvest was delayed about 20 days due to excess rains during April-May 2014. Main lemon varieties grown in Argentina are Genova and Eureka.

Post revised fresh orange production for MY 2014/2015 upward to 950,000 MT and fresh tangerine production is forecast to remain unchanged, in line with official estimates at 450,000 MT (back to normal 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 production for MY 2013/2014 was revised upward by 35 percent from USDA estimates, from 600,000 MT to 800,000 MT. Fresh tangerine production increased by 40 percent, from 260,000 MT to 370,000 MT. The increase in production for both citrus fruit is in line with a revision of estimates by the private sector. 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. 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 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, and estimated at around 28 percent for 2015), which causes a significant loss of competitiveness for local exporters.

Area Planted:

For MY 2014/2015 and MY 2013/2014, area planted to lemons is revised down from 49,500 hectares to 45,000 hectares, in stark contrast to USDA production area, following latest private estimates. Producers will only invest in plant replacement to overcome the effect of the frosts, and will only marginally invest in 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 despite the 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 so much through land investment as through the incorporation of new genetic material, which would improve yields.

For MY 2014/2015 and MY 2013/2014, area planted to oranges was revised down to 42,000 MT, and area planted to tangerines went down to 31,000 MT, following a revision of estimates by the private sector.

Processing:

For MY 2014/2015, fresh lemon for processing is projected to increase to 880,000 MT, up 60,000 MT from official USDA estimates, as a result of the production rebound and also due to a 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 increased to 570,000 MT from official estimates, due to larger production than initially expected and reduced exports.

The increase in volumes for processing of oranges and tangerines is due to the production rebound. Fresh orange for processing in MY 2014/2015 is forecast to remain unchanged at 300,000 MT, in line

with official estimates (a 50 percent increase from the previous year). Tangerine for processing will remain stable at 110,000 MT, up 35 percent from MY 2013/2014.

Fresh orange for processing in MY 2013/2014 was revised from 180,000 MT to 200,000 MT, and estimated fresh tangerine for processing is revised upwards 100 percent, to 82,000 MT, as a result of larger production than initially expected.

Investment:

While still recuperating from the severe effects of last year's frosts in the main lemon growing region of Argentina, investment in land devoted for lemon production is expected to continue to expand marginally, especially in the Provinces of Salta and Jujuy. In addition, the Argentine lemon industry continues to invest in processing and packing facilities. Investment is due to the 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. Despite the lack of profitability and the domestic economic crisis that the lemon sector is undergoing, larger producers continue to invest in new lemon trees to replace old trees, and genetic materials with the objective of improving productivity.

Consumption:

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 2014/2015 is forecast to remain unchanged at 70,000 MT, in line with USDA official estimates. Post's estimate for MY 2013/2014 is revised upward to 60,000 MT due to larger supply and reduced exports.

For MY 2014/2015, fresh orange domestic consumption is estimated to increase to 585,000 MT, due to reduced exports and more fruit devoted to processing. Tangerine consumption is forecast to remain unchanged at 250,000 MT. Increased consumption levels are expected for both types of citrus fruit, compared to the previous year, due to lack of competitiveness of local companies in export markets.

Orange domestic consumption in MY 2013/2014 increased from 350,000 MT to 524,000 MT, up 50 percent from official USDA estimates, due to larger production than originally expected. Tangerine consumption increased by almost 55 percent from USDA estimates, and totaled 200,000 MT.

Trade:

Exports

Fresh lemon exports for MY 2014/2015 are forecast to decrease slightly to 200,000 MT, down 5 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 decreased to 150,000 MT (down 10,000 MT from USDA estimates), as a result of increased domestic consumption and more fruit devoted for processing. However, the fresh lemon export business is not very attractive due to extremely high costs, which have decreased competitiveness. In addition, high international prices of lemon by-products make it less

profitable. This scenario is not expected to change in the near future unless international lemon prices increase significantly, or there is a larger devaluation of the local currency vis-à-vis the dollar (there was a 20 percent devaluation of the Argentine peso in early 2014 but it was not sufficient to cover increasing costs in dollar terms). In addition, the "All Lemon" certification seal that has been developed by the Argentine lemon sector (see Promotion Section) 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.

For MY 2014/2015, fresh orange exports are forecast to decrease slightly to 65,000 MT, and tangerine exports are estimated to remain unchanged at 90,000 MT, despite larger production. Due to the decreasing competitiveness in international markets of the citrus sector, it has become very difficult for local exporters to compete with other producing countries in the Southern Hemisphere.

For MY 2013/2014, Post's estimate for fresh orange exports is revised upward to 76,000 MT, 9 percent above USDA official estimates and, for fresh tangerine exports, Post's estimate was decreased slightly to 88,000 MT. 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.

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

Fresh Citrus Fruit	Destination	Market Share %	
		2013	2014
Lemons	EU	68	72
	Russia	15	15
Oranges	EU	65	59
	Paraguay (*)	33	36
Tangerines	Russia	49	53
	EU	18	14

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

(*) Market share by value was five percent in CY 2013 and seven percent in CY 2014, while EU market share by value in CY 2014 was 86 percent.

For MY 2014/2015, 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. Moreover, the citrus fruit supply is larger 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 increasingly expanding exports to those non-traditional markets.

Argentine lemon exporters are highly concerned about their decrease of competitiveness in the Russian market, especially after the steep devaluation of the ruble (over 70 percent in the past few months), which will affect Argentine citrus exports to that market.

In CY 2014, the EU remained the largest export market for most types of Argentine citrus fruit: lemons (72 percent market share, up from 68 percent in 2013), oranges (59 percent, down from 65 percent in 2013), and the second largest market for fresh tangerines (14 percent, down from 18 percent the previous year). In addition, Russia was the largest market for tangerines accounting for an average of 53 percent of total Argentine tangerine exports, and the second largest market for lemons with 15 percent market share. Paraguay was the second largest export destination by volume for oranges, accounting for 36 percent share (although, by value it accounted by only 7 percent share).

Imports

Citrus imports are expected to remain negligible in MY 2014/2015. 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).

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:

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	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

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 exchanged in technical discussions to concur on the mitigation measures.

Citrus Greening: In July 2014, a non-commercial case of HLB was found in Mocoreta, Corrientes province (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, Misiones province (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 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.

The highest FOB price for lemons during 2014 was \$1,055/MT (September); for oranges, \$469/MT (August); and for tangerines, \$900/MT (February).

Lemon	FOB Prices (US\$/MT)		
	2012	2013	2014
January			
February			
March	839	927	
April	688	834	935
May	712	807	896
June	703	817	912
July	705	794	951
August	705	781	947
September	759	731	1,055
October			944
November			909
December			789
Average	730	813	926

Source: FAS Buenos Aires based on GTIS trade data

Orange	FOB P	FOB Prices (US\$/MT)		
	2012 2013 2014			
January				
February				

March			
April			
May	364	159	132
June	492	437	455
July	441	412	466
August	439	409	469
September	400	427	463
October			
November			
December			
Average	427	369	397

Source: FAS Buenos Aires based on GTIS trade data

Tangerine	FOB Pri	FOB Prices (US\$/MT)			
	2012	2013	2014		
January					
February	832	816	900		
March	818	813	809		
April	806	837	811		
May	816	830	825		
June	826	857	846		
July	908	869	852		
August	890	852	854		
September	838	845	833		
October	784	266	311		
November					
December			356		
Average	835	776	740		

FAS Buenos Aires based on GTIS trade data

Wholesale Prices for Fresh Citrus Fruit

Lemon	Domestic Wholesale Prices (US\$/MT)			
	2012 2013 2014			
January	800	1,203	1,062	
February	878	973	1,054	
March	800	867	911	

April	621	572	734
May	577	480	675
June	491	411	645
July	427	405	657
August	466	431	768
September	470	477	955
October	530	530	895
November	890	800	870
December	1,150	1,080	761
Average	675	686	832

Source: Buenos Aires Central Market

Orange	Domestic Wholesale Prices (US\$/MT)				
	2012	2012 2013 2014			
January	309	383	353		
February	322	363	385		
March	423	411	430		
April	412	436	604		
May	396	441	618		
June	361	453	589		
July	404	456	468		
August	410	420	429		
September	416	422	391		
October	360	340	380		
November	390	340	396		
December	400	370	396		
Average	384	403	453		

Source: Buenos Aires Central Market

Tangerine	Domestic Wholesale Prices (US\$/MT)			
	2012 2013 2014			
January	386	445	742	
February	282	469		

March	348	427	292
April	285	378	383
May	328	403	450
June	315	444	461
July	313	444	461
August	379	445	455
September	497	423	402
October	460	390	379
November	490	540	463
December	570	560	473
Average	388	447	451

Source: Buenos Aires Central Market

Domestic Retail Prices for Fresh Citrus Fruit

Citrus Fruit	US\$/kg
Lemon	1.95
Orange (Navel)	0.83
Orange (Valencia – Premium)	1.33
Orange (Valencia-Standard)	0.94
Tangerine (Murcott)	1.11
Tangerine (Nova)	0.72
Tangerine (Okitsu)	0.43
US\$1 = AR\$8.97 (May 26, 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 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. 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

Production, Supply and Demand Data Statistics:

Lemons/Limes, Fresh	2012/2013		2013/2014		2014/2015		
Market Begin Year	Jan 2013		Jan 2014		Jan 2013		
Argentina	USDA	New	USDA	New	USDA	New	
in gentina	Official	Post	Official	Post	Official	Post	
Area Planted	49,500	49,500	49,500	45,000	49,500	45,000	(HECTARES)
Area Harvested	46,000	46,000	46,000	41,000	46,000	41,000	(HECTARES)
Bearing Trees	14,500	14,500	14,500	13,200	14,500	13,200	(1000
							TREES)
Non-Bearing Trees	1,000	1,000	1,000	900	1,000	900	(1000
							TREES)
Total No. Of Trees	15,500	15,500	15,500	14,100	15,500	14,100	(1000
							TREES)
Production	1,350	1,350	700	780	1,100	1,150	(1000 MT)
Imports	1	1	0	0	0	0	(1000 MT)
Total Supply	1,351	1,351	700	780	1,100	1,150	(1000 MT)
Exports	280	280	160	150	210	200	(1000 MT)
Fresh Dom.	75	75	50	60	70	70	(1000 MT)
Consumption							
For Processing	996	996	490	570	820	880	(1000 MT)
Total Distribution	1,351	1,351	700	780	1,100	1,150	(1000 MT)
TS=TD	0	0	0	0	0	0	
Comments							

Oranges, Fresh	2012/2013 Jan 2013		2013/2014 Jan 2014		2014/2015 Jan 2013		
Market Begin Year							
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	46,100	46,100	46,100	42,000	46,100	42,000	(HECTARES)
Area Harvested	44,300	44,300	44,300	40,000	44,300	40,000	(HECTARES)
Bearing Trees	21,600	21,600	21,600	19,700	21,600	19,700	(1000 TREES)
Non-Bearing Trees	1,840	1,840	1,840	1,670	1,840	1,670	(1000 TREES)
Total No. Of Trees	23,440	23,440	23,440	21,370	23,440	21,370	(1000 TREES)
Production	550	550	600	800	900	950	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
Total Supply	550	550	600	800	900	950	(1000 MT)
Exports	77	77	70	76	70	65	(1000 MT)
Fresh Dom. Consumption	360	360	350	524	530	585	(1000 MT)
For Processing	113	113	180	200	300	300	(1000 MT)
Total Distribution	550	550	600	800	900	950	(1000 MT)
TS=TD	0	0	0	0	0	0	
Comments							

Tangerines / Mandarins, Fresh	2012/2013		2013/2014		2014/2015		
Market Begin Year	Apr 2013		Apr 2014		Apr 2013		
Argentina	USDA	New	USDA	New	USDA	New	
	Official	Post	Official	Post	Official	Post	
Area Planted	33,900	33,900	33,900	31,000	33,900	31,000	(HECTARES)
Area Harvested	33,100	33,100	33,100	30,000	33,100	30,000	(HECTARES)
Bearing Trees	17,100	17,100	17,100	15,600	17,100	15,600	(1000 TREES)
Non-Bearing Trees	1,850	1,850	1,850	1,700	1,850	1,700	(1000 TREES)
Total No. Of Trees	18,950	18,950	18,950	17,300	18,950	17,300	(1000 TREES)
Production	300	300	260	370	450	450	(1000 MT)
Imports	0	0	0	0	0	0	(1000 MT)
Total Supply	300	300	260	370	450	450	(1000 MT)
Exports	87	87	90	88	90	90	(1000 MT)
Fresh Dom.	150	150	130	200	250	250	(1000 MT)
Consumption							
For Processing	63	63	40	82	110	110	(1000 MT)
Total Distribution	300	300	260	370	450	450	(1000 MT)
TS=TD	0	0	0	0	0	0	
Comments							