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Argentina

Fresh Deciduous Fruit

Semi-Annual

2003

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Report Highlights:
Fresh Deciduous Fruit production is forecast to decline to 1.44 million metric tons (MT) in calendar year (CY) 2004, 10 percent below CY 2003 crop due to unfavorable weather conditions in the main producing area. Exports of apples and pears are expected to drop in comparison with CY 2003 levels. While domestic consumption will fall due to shortage of fruit, the processing sector will benefit from more stringent phytosanitary measures that will limit the amount of fruit legally suitable for fresh consumption. The high exchange rate continues to discourage imports.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Buenos Aires [AR1]
[AR]

Section I. Situation and Outlook

Production

Apple and pear production is forecast to decline to 1.44 million MT in CY 2004, 10 percent below CY 2003 volume due to unfavorable weather conditions. Early estimates showed a 15 percent crop increase in most pear and apple varieties. However, the combination of a 20ºF frost on the morning of October 10, followed by daily temperatures of 90ºF affected an unknown number of plantations in the Rio Negro production area. Most damage is reported to have happened in the middle and lower portions of the Rio Negro Valley. Only those farmers whose plantations had an active system against frost (stoves and sprayers) were able to escape the damage provoked by this event. Industry sources inform that losses between 10 and 15 percent are expected for the CY 2004 harvest.

While pear production surpassed post's previous estimates by 50,000 MT, apple production remained unchanged.

Table 1: Fresh Apple and Pear Production	Apple production		Pear production	
	2002	2003	2002	2003
Rio Negro and Neuquen Region	800,000	870,000	450,000	510,000
Mendoza Region	100,000	140,000	100,000	90,000
Total	900,000	1000,000	550,000	600,000

Despite the poorer crop forecast for CY 2004, Concentrated Apple Juice (CAJ) production is expected to increase 6 percent in CY 2004. The more stringent plant protection regulations imposed by the Argentine Plant Health Agency (SENASA) are expected to result in 10 percent more fruit going to the crushing industry. This new measure is part of an eradication campaign set by the Argentine government to combat coddling moth (*Cydia pomonela*), an endemic disease in the region.

With respect to fruit quality, Coddling Moth (*Cydia Pomonela*), an endemic disease in the apple and pear growing regions of Argentina, affects nearly 25 percent of the production of apples and pears. Industrial sources have indicated that 100,000 MT out of the 400,000 MT of fresh apples were delivered to the industry because of their poor quality caused by this insect.

CAJ production in CY 2003 reached 62,000 MT. Nearly 98 percent of the CAJ produced in CY 2003 was exported to the United States. Almost half of the production of fresh apples was destined to the crushing industry due to deficiencies in fruit quality. Nearly 90 percent of the processed fresh apples go to the production of CAJ. This seasonal process covers the period from January to May. Small and medium companies compose the crushing industry in Argentina, which produces almost exclusively for the United States market. There are 14 companies and 16 processing plants, but just three firms produce 70 percent of the local production of CAJ. More than half the processing plants are located in Rio Negro, while the rest are in Neuquen and Mendoza provinces.

The availability of fruit for crushing depends on the quality of the fruit harvested and the ratio between the price of the fresh fruit and the price of the CAJ. Cider processing also affect the amount of CAJ produced, but historically cider producers do not receive more than 10 percent of the fresh fruit delivered to processors.

Trade

Exports

Apple exports in CY 2004 are expected to decrease 15 percent as a consequence of lower production and more strict control over pests. Despite the favorable economic environment created by the high dollar/Agentine peso ratio, sources in the industry assert that CY 2004 crop will not yield enough to improve export levels.

Exports from January to July 2003 reached 182,809 MT, a 27 percent increase with respect to exports of the same period in CY 2002. Annual exports, however, are not expected to increase more than 15 percent throughout 2003. Post forecasts total the CY 2003 exports at 200,000 MT.

The stiffer plant protection measures that Brazil (the largest market for the Argentine Red Delicious apples) imposed on the Argentine fruit because of codling moth (*Cydia pomonela*) resulted in a reduction of the Argentine shipments by 9,000 MT in the first semester of 2003. After the one-month ban on Argentine apples in May 2002, the Brazilian and Argentine plant protection authorities agreed on a more stringent pre-clearance export program to avoid codling moth (*Cydia pomonela*), an endemic pest in the Patagonian valleys, encroaching on the Brazilian border. With this new program in force, the number of lots rejected has increased considerably and as a result, the amount of fresh fruit suitable for export declined.

The Brazilian share in the Argentine apple export market was rapidly taken by Russia. This fairly new market demands Argentine Red Delicious apples earlier in the CY than Brazil did. As a result, the CY 2003 export season finished earlier than previous years when Brazil used to be the largest importer of Argentine Red Delicious apples.

Export values increased 34 percent from January to July 2003 with respect to the same period in CY 2002 due to an enhancement of the amount of shipments destined to the European Union and the United States markets. These two markets pay higher prices than Brazil and Russia.

CY 2002 apple exports were 165,944 MT, a 15 percent drop with respect to CY 2001 and 10 percent below the figure already achieved by the apple exports in the first seven months of CY 2003. A poor harvest, phytosanitary constraints, and the lack of financial capacity of the export sector, are the main reasons cited by industrial sources on its inability to take advantage of the 70 percent peso devaluation that occurred in February 2002. Moreover, in CY 2002 apple export values dropped 35 percent with respect to 2001 values due to the drop in world prices.

Table 2: APPLE EXPORTS

	Volume (MT)			Value ($)			Price ($/MT)		
	Jan-Jul			Jan-Jul			Jan-Jul		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
World	154,555	144,134	182,809	82,368,343	55,780,876	75,002,379	533	387	410
E.U.	89,857	74,587	98,333	52,094,302	30,432,503	41,741,032	580	408	424
Russia	27,667	34,382	52,852	12,564,263	12,634,804	20,629,304	454	367	390
Brazil	20,854	19,477	11,968	8,874,346	6,794,801	4,627,183	426	349	387
Norway	8,509	9,589	9,817	4,757,038	3,658,796	3,851,574	559	382	392
UNITED STATES	3,310	1,810	4,657	1,957,727	849,620	2,317,263	591	469	498

Total	150,198	139,843	177,628	80,247,676	54,370,524	73,166,356	534	389	412
Others	4,357	4,291	5,181	2,120,667	1,410,352	1,836,023	487	329	354

APPLE EXPORTS CONT.									
	Volume (MT)			Value ($)			Price ($/MT)		
	CY			CY			CY		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
World	95,925	194,822	165,944	54,265,336	97,020,865	63,191,568	566	498	381
E.U.	42,969	89,857	74,627	26,598,495	52,094,302	30,454,903	619	580	408
Brazil	28,365	57,833	39,527	14,653,155	22,194,171	13,689,367	517	384	346
Russia	9,756	27,774	34,382	4,767,779	12,610,715	12,634,804	489	454	367
Norway	8,486	8,509	9,589	4,796,862	4,757,038	3,658,796	565	559	382
UNITED STATES	1,825	3,310	1,810	1,284,976	1,957,727	849,620	704	591	469
Total	91,400	187,284	159,934	52,101,267	93,613,953	61,287,490	570	500	383
Others	4,525	7,538	6,010	2,164,069	3,406,912	1,904,078	478	452	317

Source: The National Institute for Statistics (INDEC)

Pear exports are expected to decline 10 percent in CY 2004 with respect to CY 2003, due to the reduction in the harvested volume.

Pear export volumes for the period January to July 2003 were 311,977 MT, 10 percent higher than the 282,534 MT achieved in the same period in CY 2002. CY 2002 pear exports ended at 310,797 MT, two tons below the level achieved in July 2003. Exports for CY 2003 are expected to reach 360,000 MT.

With Italy as the main destination, the European Union is still the largest market for the Argentine pears. Shipments to Italy totaled 59,000 MT in the first seven months of CY 2003. As in the case of the apples, exports to Brazil, which used to be the largest market for Argentine pears, fell 35 percent in Jan-Jul 2003. However, Russia's purchases increased 56 percent in the same period.

Table 3: PEAR EXPORTS									
	Volume (MT)			Value ($)			Price ($/MT)		
	Jan-Jul			Jan-Jul			Jan-Jul		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
World	279,160	282,534	311,977	150,970,384	125,204,689	140,835,648	541	443	451
E.U.	132,282	133,873	151,880	79,754,191	63,144,485	69,946,987	603	472	461
Russia	22,866	41,261	64,335	10,829,901	17,059,248	27,136,946	474	413	422
UNITED STATES	42,798	44,130	48,701	25,853,385	22,005,383	24,422,719	604	499	501
Brazil	73,793	55,134	36,023	30,425,157	19,478,961	14,260,992	412	353	396
Total	271,738	274,398	300,939	146,862,634	121,688,077	135,767,644	540	443	451
Others	7,422	8,136	11,039	4,107,750	3,516,612	5,068,004	553	432	459

PEAR EXPORTS CONT.									
	Volume (MT)			Value ($)			Price ($/MT)		
	CY			CY			CY		
	2000	2001	2002	2000	2001	2002	2000	2001	2002

World	279,471	315,708	310,797	170,040,176	165,928,889	135,466,544	608	526	436
E.U.	122,459	132,302	133,965	81,821,234	79,767,631	63,204,967	668	603	472
Brazil	85,866	108,607	81,572	42,253,412	44,551,094	28,862,196	492	410	354
UNITED STATES	45,772	42,798	44,130	30,870,784	25,853,385	22,005,383	674	604	499
Russia	14,711	22,866	41,261	8,169,558	10,829,901	17,059,248	555	474	413
Total	268,808	306,573	300,928	163,114,988	161,002,011	131,131,794	607	525	436
Others	10,663	9,135	9,869	6,925,188	4,926,878	4,334,750	649	539	439

Source: The National Institute for Statistics (INDEC)

Exports of CAJ in CY 2004 are expected to increase by 6 percent, as more fruit is likely to be delivered to processors, due to stricter controls over codling moth in the Patagonia Valley growing region. Historically, Argentina has exported nearly 97 percent of its national production of CAJ. Exports of CAJ reached 43,000 MT in July 2003, and are expected to reach 60,000 MT by the end of 2003. Almost all of the CAJ (98 percent) was exported to the United States in bulk (307 Kg drums or 1535 Kg bins).

Export Policy and Regulations

After seven years of negotiations Argentina and Israel agreed on a plant protection protocol on March 20, 2002. As a result, the first shipment containing 40 MT of Argentine D'anjou pears left for Israel in May 2003.

Table 4: Export taxes & rebates		Export tax	Rebates*
APPLES & PEARS	Cases containing 2.5 kilos or less.	10 percent	6 percent
	Cases containing more than 2.5 kilos and less or equal to 20 kilos.	0 percent	5 percent
CONCENTRATED APPLE JUICE	In containers of one liter or less Others	5 percent 5 percent	6 percent 5 percent

*An additional 3 percent rebate for all fruit being exported through the San Antonio Este port is being granted. This special rebate will be reduced to 2 percent in CY 2004, 1 percent in CY 2005 and eliminated in January 2006.

Imports

Imports of apples, pears and CAJ continued to decline (see statistical tables: Imports) as the Argentine peso remains far below the dollar. Imports of CAJ came mainly from Brazil and is used as sweetener by the soft drink industry.

Import regulations

Table 5: Import tariffs for countries outside the Mercosur	Import tariff	Statistical tax
APPLES & PEARS	11.5 percent	0.5 percent
CONCENTRATED APPLE JUICE	15.5 percent	0.5 percent

Domestic Consumption

Domestic consumption will be heavily affected in CY 2004 due to the scarcity of good quality fresh fruit. A 100,000 MT (30 percent) drop is expected for apple domestic consumption in CY 2004 as demand in the export market overtakes the domestic market.

Pear domestic consumption is forecast to decline 20 percent compared with CY 2003, as the export sector will demand all the fresh fruit of quality it can absorb. The preferred varieties in the Argentine domestic market are Bartlett (50 percent), Packhams (32 percent), Beurre d'anjou (6 percent), Red Bartlett (6 percent), and others (6 percent).

Just 3 percent of the CAJ produced in Argentina is sold in the domestic market to local beverage processors who utilize it as a sweetener for soft drinks.

Factors Affecting Industry Structure

Varieties

During 2002, 1.1 million pear plants were added to the current stock. This represents a 70 percent increase compared with 2001 seedling sales. The most demanded variety in CY 2003 was Bartlet with 730,000 units sold, a 100 percent increase compared with CY 2001. Other varieties were Abate Fetel, Packhams Triumph and Berrué D'Anjou. Although at a slower pace than in the case of pears, apple seedling sales also increased in CY 2002. Local nurseries in the Rio Negro and Neuquen area, as well as nurseries from outside the area, registered sales of 570,000 plants, 170,000 more than the previous year. The Gala variety, which covered 90 percent of the market in CY 2002, grew by 40 percent in CY 2003 compared with 2002. Red Delicious and Granny Smith followed. Cripp's pink variety has doubled it presence in the southern valleys since 2001. Fuji variety seedling production was nearly zero in CY 2003, confirming a declining trend for this kind of varieties.

The above shows a strong trend in the southern Patagonia Valleys toward pear production at the expense of apple production due to better market perspectives and less phytosanitary restrictions for pears.

Plant Protection Issues

As mentioned before, coddling moth is still the main headache of the Argentine Plant Health Authorities. In CY 2003 orchard inspections will be intensified during harvest time. New regulations state that if fruit is found to be more than 5 percent affected by the pest, it will not be allowed for fresh consumption and can only be destined for the crushing industry.

Prices

Domestic wholesale prices ($/Kg.)

	2002		2003	
	Pear	Apple	Pear	Apple
January	0.28	0.21	0.29	0.29
February	0.20	0.20	0.25	0.25
March	0.15	0.15	0.24	0.24
April	0.19	0.16	0.27	0.27
May	0.17	0.16	0.26	0.26
June	0.17	0.19	0.25	0.25
July	0.18	0.21	0.27	0.27
August	0.21	0.26	0.29	0.29
September	0.27	0.31		
October	0.33	0.39		
November	0.35	0.36		
December	0.30	0.44		

Source: Buenos Aires Produces' Central Market

Domestic Retail Prices, Red Delicious Variety ($/Kg.)

	2002	2003
January	0.63	0.78
February	0.58	0.68
March	0.41	0.59
April	0.40	0.60
May	0.37	0.57
June	0.37	0.58
July	0.40	0.57
August	0.44	0.57
September	0.50	0.62
October	0.58	
November	0.62	
December	0.70	

Source: The National Institute for Statistics

Section II. Statistical Tables

PSD Table

Country	Argentina						
Commodity	Fresh Apples			(HA)(1000 TREES)(MT)			
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [	Estimate [	)A Official [	Estimate [	)A Official [	Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Area Planted	54	54	54	54	0	54	(HA)
Area Harvested	53	53	53	53	0	53	(HA)
Bearing Trees	27100	27100	27100	27100	0	27100	(1000 TREI
Non-Bearing Trees	4000	4000	4000	4000	0	4000	(1000 TREI
Total Trees	31100	31100	31100	31100	0	31100	(1000 TREI
Commercial Production	900000	900000	1000000	1000000	0	900000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	900000	900000	1000000	1000000	0	900000	(MT)
TOTAL Imports	350	2918	0	320	0	500	(MT)
TOTAL SUPPLY	900350	902918	1000000	1000320	0	900500	(MT)
Domestic Fresh Consump	375350	378784	380000	350320	0	250500	(MT)
Exports, Fresh Only	165000	144134	200000	200000	0	170000	(MT)
For Processing	360000	380000	420000	450000	540000	480000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	900350	902918	1000000	1000320	540000	900500	(MT)

Export Trade Matrix

Country Argentina

Commodit Fresh Apples

Time Period	CY	Units:	MT
Exports for:	2002	**July**	**2003**
U.S.	1810	U.S.	4657
Others		Others	
Russia	34382	Russia	52852
Belgium	21786	Belgium	31071
Netherlands	24627	Netherlands	29967
Brazil	19477	Brazil	11968
Spain	8002	Spain	10622
Norway	9589	Norway	9817
Sweeden	4908	Sweeden	9802
Portugal	8742	Portugal	7147
Italy	3813	Italy	5700
Mexico	389	Mexico	978
Total for Others	135715		169924
Others not Liste	6609		8228
Grand Total	144134		182809

Import Trade Matrix

Country Argentina

Commodit Fresh Apples

Time Period	CY	Units:	MT
Imports for:	2002	**July**	**2003**
U.S.	188	U.S.	0
Others		Others	
Chile	2421	Chile	286
Brazil	24	Brazil	23
France	398	France	0
Italy	57	Italy	0
Spain	18	Spain	0
Total for Others	2918		309
Others not Liste	0		0
Grand Total	2918		309

Prices Table

Country Argentina

Commodity Fresh Apples

Prices in	US$ FOB	per uom	MT

Year	2002	2003	% Change
Jan	420	420	0%
Feb	460	460	0%
Mar	400	410	3%
Apr	370	410	11%
May	360	410	14%
Jun	360	390	8%
Jul	340	390	15%
Aug	350	0	-100%
Sep	310	0	-100%
Oct	320	0	-100%
Nov	360	0	-100%
Dec	370	0	-100%

Exchange Rate	2.86	Local Currency/US $
Date of Quote	11/5/2003	MM/DD/YYYY

PSD Table

Country Argentina

Commodity Concentrated Apple Juice (MT)

	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [	Estimate [	)A Official [	Estimate [	)A Official [	Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Deliv. To Processors	360000	380000	420000	450000	0	480000	(MT)
Beginning Stocks	11725	11725	29243	30699	39343	30899	(MT)
Production	38000	53000	47000	62000	0	66000	(MT)
Imports	108	106	100	200	0	300	(MT)
TOTAL SUPPLY	49833	64831	76343	92899	39343	97199	(MT)
Exports	14590	28132	30000	60000	0	64000	(MT)
Domestic Consumption	6000	6000	7000	2000	0	2000	(MT)
Ending Stocks	29243	30699	39343	30899	0	31199	(MT)
TOTAL DISTRIBUTION	49833	64831	76343	92899	0	97199	(MT)

Export Trade Matrix

Country Argentina

Commodit Concentrated Apple Juice

Time Period	CY	Units:	MT
Exports for:	2002	**July**	**2003**
U.S.	28132	U.S.	42212
Others		Others	
Russia	0	Russia	771
Trinidad & Toba	0	Trinidad & Toba	111
Dominican Rep	0	Dominican Rep	26
Uruguay	0	Uruguay	2
Total for Others	0		910
Others not Liste	0		0
Grand Total	28132		43122

Import Trade Matrix

Country Argentina

Commodit Concentrated Apple Juice

Time Period	CY	Units:	MT
Imports for:	2002	**July**	**2003**
U.S.	0	U.S.	1
Others		Others	
Brazil	106	Brazil	193
Total for Others	106		193
Others not Liste	0		0
Grand Total	106		194

Prices Table

Country Argentina

Commodity Concentrated Apple Juice

Prices in	US$ FOB	per uom	MT
Year	2002	2003	% Change
Jan	640	510	-20%
Feb	600	530	-12%
Mar	600	510	-15%
Apr	540	560	4%
May	550	550	0%
Jun	520	570	10%
Jul	500	580	16%
Aug	420	0	-100%
Sep	450	0	-100%
Oct	520	0	-100%
Nov	480	0	-100%
Dec	460	0	-100%

Exchange Rate	2.86	Local Currency/US $
Date of Quote	11/5/2003	MM/DD/YYYY

PSD Table

Country Argentina

Commodity Fresh Pears

						(HA)(1000 TREES)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Area Planted	18	18	18	18	0	18	(HA)
Area Harvested	18	18	18	18	0	18	(HA)
Bearing Trees	9100	9100	9100	9100	0	9100	(1000 TRE
Non-Bearing Trees	1300	1300	1300	1300	0	1300	(1000 TRE
Total Trees	10400	10400	10400	10400	0	10400	(1000 TRE
Commercial Production	550000	550000	550000	660000	0	580000	(MT)
Non-Comm. Production	0	0	0	0	0	0	(MT)
TOTAL Production	550000	550000	550000	660000	0	580000	(MT)
TOTAL Imports	300	432	0	0	0	500	(MT)
TOTAL SUPPLY	550300	550432	550000	660000	0	580500	(MT)
Domestic Fresh Consum	135300	137898	150000	160000	0	125500	(MT)
Exports, Fresh Only	265000	282534	270000	350000	0	315000	(MT)
For Processing	150000	130000	130000	150000	0	140000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	550300	550432	550000	660000	0	580500	(MT)

Export Trade Matrix

Country Argentina

Commodit Fresh Pears

Time Period	CY	Units:	MT
Exports for:	2002	July	**2003**
U.S.	44130	U.S.	64335
Others		Others	
Russia	41261	Russia	64335
Italy	50951	Italy	59349
Brazil	55134	Brazil	36023
Belgium	32520	Belgium	33062
Netherlands	26795	Netherlands	31403
France	8319	France	7298
Portugal	6975	Portugal	6819
Sweden	2844	Sweden	5056
Mexico	2643	Mexico	4653
Spain	2514	Spain	4312
Total for Others	229956		252310
Others not Liste	8448		10966
Grand Total	282534		327611

Import Trade Matrix

Country Argentina

Commodit Fresh Pears

Time Period	CY	Units:	MT
Imports for:	2002	July	**2003**
U.S.	0	U.S.	0
Others		Others	
Brazil	287	Brazil	19
Chile	145	Chile	5
Total for Others	432		24
Others not Liste	0		0
Grand Total	432		24

Prices Table

Country Argentina

Commodity Fresh Pears

Prices in US$ FOB per uom MT

Year	2002	2003	% Change
Jan	490	470	-4%
Feb	480	460	-4%
Mar	440	450	2%
Apr	420	440	5%
May	380	430	13%
Jun	390	420	8%
Jul	350	450	29%
Aug	310	0	-100%
Sep	360	0	-100%
Oct	350	0	-100%
Nov	380	0	-100%
Dec	410	0	-100%

Exchange Rate	2.86	Local Currency/US $
Date of Quote	11/5/2003	MM/DD/YYYY