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Report Highlights:

Argentina's raisin production is forecast to remain stable in MY 2021/22 at 44,500 metric tons (MT). Exports are forecast at 39,000 MT, though exporters struggle to remain competitive in international markets due to various economic factors, such as high inflation and an unstable exchange rate. The COVID-19 pandemic created a slight increase in domestic consumption, as Argentinians prepared more at-home foods during a strict and lengthy lockdown. Raisin factories remained closed during the first half of 2020, but were able to produce at a faster pace during the second half of the year resulting in close to normal production for the year.

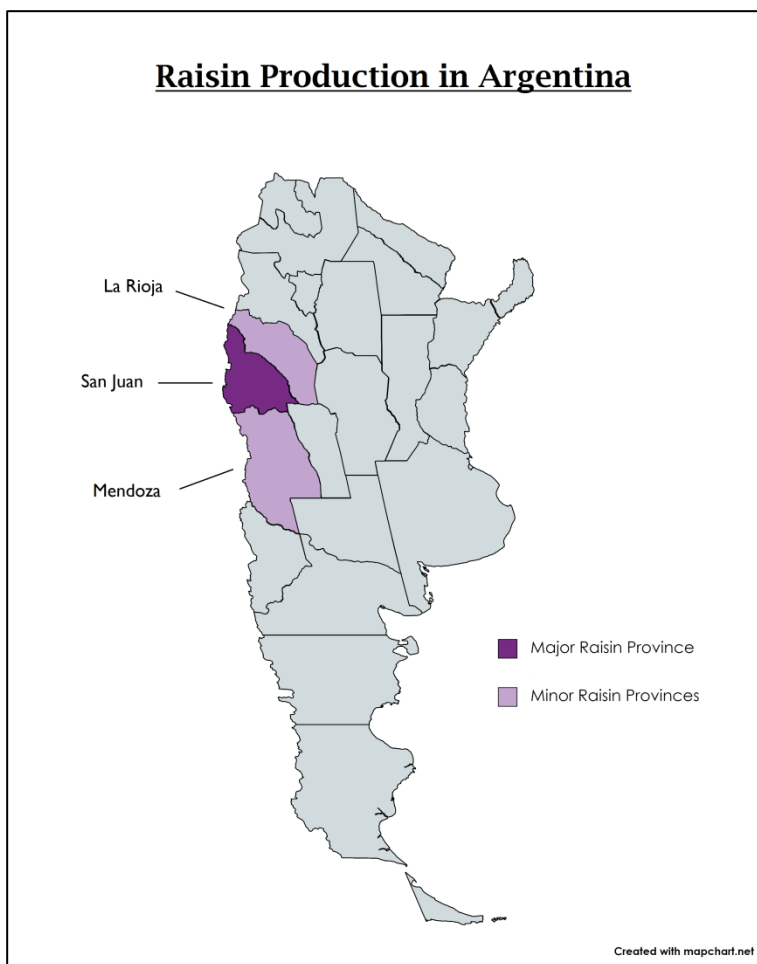
CROP AREA

Over ninety percent of Argentine raisins are produced in the Province of San Juan which is situated on the eastern slope of the Andes Mountains in western Argentina. The remaining production is in the Provinces of La Rioja and Mendoza. In marketing year (MY) 2021/22 (which for Argentina is also CY 2022), Post projects total planted area at 7,600 hectares, an increase of 100 hectares which is primarily due to the conversion of some wine grape acreage to raisin grapes. Although additional land for raisin production is available in the province, the high cost of irrigation is a barrier to further development. Irrigation is necessary due to the arid conditions in the Province of San Juan, which receives an annual average rainfall of eight inches or less, and producers primarily irrigate their operations with water from the Andean snowmelt.

PRODUCTION

For MY 2021/22, Post projects raisin production will reach approximately 44,500 MT, higher than MY 2020/21 and MY 2019/20 production, on a slightly higher planted acreage and a return to more favorable growing conditions. Production for MY 2020/2021 was a bit lower than originally estimated due to the effects of the COVID-19 pandemic. Producers were not able to regulate irrigation systems properly due to COVID-19 related worker absences. Therefore, irrigation was reduced for a period of time, reducing overall production.

The local industry faces a lack of infrastructure and rising production costs, especially for labor (accounting for about 70 percent of total production costs), but also for inputs, agrochemicals, energy, freight, and fuel. High inflation and capital controls also complicate financing. Despite these challenges the Argentine raisin sector is continuing to pursue higher yields and improved efficiency to meet international demand. Private investment in the raisin sector has occurred over the past few years, and has primarily been financed locally rather than from abroad. Investments have targeted not only primary production (e.g. reconversion of vineyards), but also the incorporation of new technology to increase raisin volumes for processing and to produce a higher-quality, more competitive product for export. Some examples include the incorporation of laser and x-ray technology to improve



speed, efficiency, and accuracy and mechanical harvesting. Private investments have also focused on irrigation systems to optimize water usage. However, no major investments in processing capacity or increased planted acreage have been announced for the near future.

Varieties

The introduction of seedless grape varieties has helped encourage investment in processing technology and storage facilities in the Argentine raisin sector because they have lower logistical costs than older seeded varieties. The main grapes destined for raisins are seedless varieties, such as Flame Seedless (54 percent share of total production), Arizul (INTA C G 351) (18 percent share), Sultanina Blanca (Thompson Seedless), Superior Seedless, Torrontes Sanjuanino, Black Seedless, and Cereza. Fiesta and Arizul are the fastest growing raisin grape varieties in Argentina. Fiesta is a variety of U.S. origin, which was planted for the first time in Argentina in 2008 with very good yields, adaptability, and drying handling. There are currently about 2,000 hectares planted to Fiesta in the Province of San Juan. While the area planted to the Fiesta and Arizul varieties has shown an upward trend over the past few years, the Sultanina variety has decreased over the same period. Senna Pit is a new U.S. origin variety which is adopted at a slow pace, and is designed for Dried-on-vine (DOV) drying system.

The Drying Process

The traditional drying process, mainly utilizing the sun to dry grapes, is used by over thirty companies in Argentina. Grapes are laid on racks, which are located over ripieras, pieces of land covered by stones, where they are sundried for 15 to 30 days depending on the grape variety. The final product has a moisture content of 15-20 percent. After the drying process is completed, vegetable oil or petroleum jelly is applied to the raisins, which are then packed in bulk, cluster, or 30-pound cases. The Argentine Ministry of Agriculture, Livestock and Fisheries (MAGyP) established a protocol for certified raisins that includes Hazard Analysis and Critical Control Points (HACCP) in the process.

The newer, Dried-on-Vine (DOV) system is increasingly popular with producers due to its reduced labor costs and improved quality. Industry contacts estimate that, in ten years' time, about half of the area planted to raisin grapes will be using the DOV system. Currently, only about 300 hectares of raisins in San Juan are dried under this system. The harvesting and drying process was affected by the coronavirus pandemic during the first half of MY 2020/21 (March through June) as most factories were closed. Fortunately, producers were able to finish their processing on an accelerated timeline during the second half of CY2020, when factories were allowed to re-open and resume operations.

CONSUMPTION

Domestic consumption remains low, varying between 5,000 and 6,000 MT per year, depending largely on production and export volumes. Argentines have not historically eaten raisins as a snack or in bakery products. However, new applications for raisins are increasingly used in the local ice cream, bakery, and confectionery food sectors (chocolate and cereal bars). The coronavirus pandemic has created a slight increase in domestic consumption, as Argentinians have faced sometimes quite strict movement restrictions for more than a year, generating an increase in meals prepared at home. Post anticipates

this trend will continue and domestic consumption for MY 2021/22 is projected at 5,500 MT, slightly higher than MY 2020/21. Post raises its estimate for MY 2020/21 ending stocks to 2,000 MT in part because producers are tending to store some production in order to seek better market and pricing opportunities. MY 2021/22 ending stocks are also projected at 2,000 MT.

TRADE

MY 2021/22 raisin exports are forecast to increase to 39,000 MT due to larger production, similar to MY 2019/20. Argentina has a significant dependence on the Brazilian market. In MY 2019/20, the most important raisin export destination by volume and value was Brazil, accounting for 65 percent of total exports by value and volume.

Top raisin exporters by value in millions US\$ (comma signifies decimal point in Argentina)

Exporting country	2015	2016	2017	2018	2019
TOTAL	1692	1706	1587	1826	1783
Turkey	429	426	408	490	522
United States of America	337	323	308	284	258
Chile	133	117	117	156	155
Iran	253	281	153	153	153
Afganistan	70	70	86	124	141
South Africa	111	100	100	152	119
Uzbekistan	69	86	62	59	78
China	57	62	29	46	74
Argentina	48	53	49	82	73
Greece	40	38	41	51	54

Source: Observatorio Vitivinicola Argentino

Argentina's main raisin export markets in millions US\$ (comma signifies decimal point in Argentina)

Importer country	2015	2016	2017	2018	2019
TOTAL	47,9	53,4	49,3	82,3	73,4
Brazil	31,8	34,8	34,2	42,8	47,7
Colombia	1,7	2,7	4,6	6,7	6,3
United States of America	6,6	4,5	2,5	17,1	5,0
Peru	1,7	2,9	2,2	4,4	4,1
Uruguay	0,3	0,5	0,9	0,9	1,5
Dominican Republic	1,1	1,2	1,3	1,6	1,4
Germany	0,8	1,0	0,6	1,6	1,3
Spain	1,2	1,2	0,4	1,1	0,9
Paraguay	0,5	0,5	0,7	0,7	0,7

Source: Observatorio Vitivinicola Argentino

Due to declining competitiveness in international markets, which are the result of high production costs and high inflation rates, it has become difficult for local exporters to compete with competitors such as Turkey.

In April 2015, the Province of San Juan obtained Protected Designation of Origin (PDO) certification for raisins and olive oil, a value-added quality guarantee. So far, two local raisin companies have been granted PDO certification. In addition, four raisin firms have obtained the Alimentos Argentinos seal, which is granted by Argentina's Ministry of Agroindustry for high product quality standards, adding value at origin. Some producers have shown an interest in organic raisin production.

MY 2021/22 prices are expected to return to normal levels, after a price decrease during MY 2020/21 due to lower international demand during the coronavirus pandemic.

POLICY

Unlike many exported agricultural products in Argentina, raisins are not subject to an export tax. In addition, raisins benefit from a general Argentina policy of an export rebate on manufactured products intended to encourage added value manufacturing. The rebate percentage varies based upon the size of the container. Moreover, a higher rebate is applied to product with more added value. While this policy has been supported by local producers, it has not resulted in a dramatic increase in Argentine raisin exports.

Between 2015 and 2019, more open trade policies pursued by the government then in power made it easier for raisin producing companies to import items to improve productivity. With the return of currency controls at the end of the Marci administration, which were subsequently made stricter by the Fernandez administration, it has been more difficult for producers to obtain imported inputs, such as agrochemicals, and agricultural machinery and equipment. These policies necessitate the purchase of locally manufactured products (when available) often at higher costs.

Raisin 0806.20	
Outside the Mercosur Area	
Import Tariff	10 %
Statistical Tax	0.50%
Export Tax	0%
Export Rebate: Cases containing between 2.5 kg. and 20 Kg	5%
Cases with 2.5 kg. or less	6.00%
Inside the Mercosur Area	
Import Tariff	0.00%
Statistical Tax	0.50%
Export Tax	0%
Export Rebate: Cases containing between 2.5 kg. and 20 Kg.	5%
Cases with 2.5 kg. or less	6.00%

Source: FAS Buenos Aires based on data from Tarifar database

Raisins	2019/2020	2020/2021	2021/2022	
Market Begin Year	Jan-20	Jan-21	Jan-22	
Argentina	New Post	New Post	New Post	
				(Units)
Area Planted	7300	7500	7600	(HA)
Area Harvested	7300	7500	7600	(HA)
Beginning Stocks	2000	2000	2000	(MT)
Production	42500	43000	44500	(MT)
Imports	0	0	0	(MT)
Total Supply	44500	45000	46500	(MT)
Exports	39000	38500	39000	(MT)
Domestic Consumption	3500	4500	5500	(MT)
Ending Stocks	2000	2000	2000	(MT)
Total Distribution	44500	45000	46500	(MT)
TS=TD	0	0	0	

Attachments:

No Attachments