

**Required Report:** Required - Public Distribution

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## **Report Name:** Raisin Annual

**Country:** Argentina

**Post:** Buenos Aires

**Report Category:** Raisins

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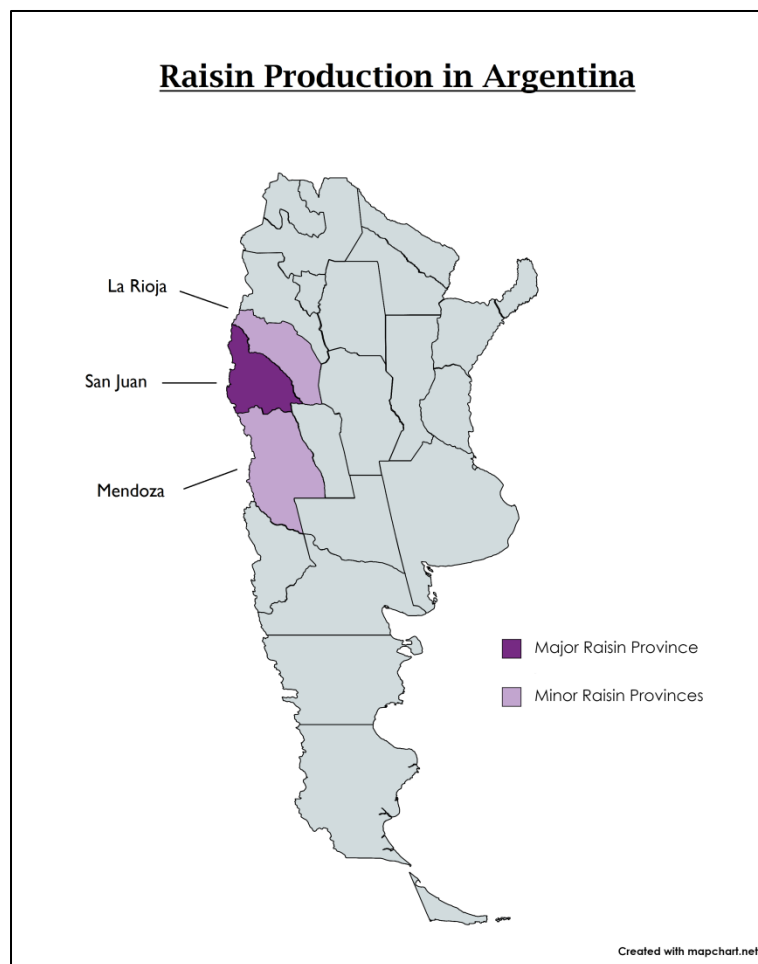
**Approved By:** Rachel Bickford

### **Report Highlights:**

Argentina's raisin production is forecast to remain stable in Marketing Year (MY) 2022/23 at 44,500 metric tons (MT). During December, crops suffered some negative effects from hail and strong winds, but managed to resiliently overcome these weather events. Exports are forecast at 39,000 MT, with Brazil as the primary destination, accounting for 70 percent of the Argentine exports. Exporters continue struggling to remain competitive in international markets due to various economic factors, such as high inflation and an unstable exchange rate. Shortages of container availability and higher fleet costs due to the COVID-19 pandemic are also impacting the activity of the Argentine raisins industry, increasing export costs by 100 percent.

## CROP AREA

Over 90 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 located in the provinces of La Rioja and Mendoza. In MY2022/23, Post projects total planted area at 7,600 hectares, with no area increases expected compared to the previous year. 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 San Juan province, 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 2022/23, Post projects raisin production will reach approximately 44,500 MT, 2,000 MT higher than MY 2021/2022, which was estimated at 42,500 MT.

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 continues 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 mechanical harvesting and laser and x-ray technology to improve speed, efficiency, and accuracy. 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 San Juan province. 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, 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 CY 2020, 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 2022/23 is projected at 5,500 MT. MY 2022/23 ending stocks remain stable at 2,000 MT.

## TRADE

MY 2022/23 raisin exports are forecast 39,000 MT due to larger production. Argentina has a significant dependence on the Brazilian market, which accounts for 70 percent of total exports by value and volume. 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 or South Africa.

In April 2015, San Juan province 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 2022/23 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. Shortages of container availability and higher fleets costs due to the COVID-19 pandemic are also impacting the activity of the Argentine raisins industry, increasing export costs by 100 percent and creating delays in shipments.

## 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 values. 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 Macri administration, which were subsequently made stricter by the Fernandez administration, it has been more difficult for producers to obtain imported inputs, such as agrochemicals, agricultural machinery, and equipment. These policies necessitate the purchase of locally manufactured products (when available) often at higher costs.

| <b>Raisin 0806.20</b>                                      |       |
|--|-------|
| <b>Outside the Mercosur Area</b>                           |       |
| 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% |
| <b>Inside the Mercosur Area</b>                            |       |
| 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

## Production, Supply and Distribution Tables:

| Raisins<br>Market Year Begins | 2020/2021     |          | 2021/2022     |          | 2022/2023     |          |
|-------------------------------|---------------|----------|---------------|----------|---------------|----------|
|                               | Jan 2021      |          | Jan 2022      |          | Jan 2023      |          |
| Argentina                     | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted (HECTARES)       | 7500          | 7500     | 7600          | 7600     | 0             | 7600     |
| Area Harvested (HECTARES)     | 7500          | 7500     | 7600          | 7600     | 0             | 7600     |
| Beginning Stocks              | 2000          | 2000     | 2000          | 2000     | 0             | 2000     |
| Production (MT)               | 43000         | 43000    | 43500         | 42500    | 0             | 44500    |
| Imports (MT)                  | 0             | 0        | 0             | 0        | 0             | 0        |
| Total Supply (MT)             | 45000         | 45000    | 45500         | 44500    | 0             | 46500    |
| Exports (MT)                  | 38500         | 38500    | 38500         | 37700    | 0             | 39000    |
| Domestic Consumption (MT)     | 4500          | 4500     | 5000          | 4800     | 0             | 5500     |
| Ending Stocks (MT)            | 2000          | 2000     | 2000          | 2000     | 0             | 2000     |
| Total Distribution (MT)       | 45000         | 45000    | 45500         | 44500    | 0             | 46500    |
| TS = TD                       | 0             | 0        | 0             | 0        | 0             | 0        |

**Attachments:**

No Attachments