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Brazil

Fresh Deciduous Fruit

Brazilian Apple and Pear Production and Trade

2005

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Report Highlights:
Brazil's apple crop for 2005 is projected to be 850,000 tons, down 13% from the previous year due to weather problems. With the drop in production, increase in domestic demand, and increasing supply of apples on the global market, apple exports will decrease by 40 percent in 2005. Apple imports are likely to rise 6% in 2005 due to the shorter crop, although increased demand for national varieties and difficulties with the Argentine inspection system continue to hinder imports. Pear imports in 2005 are expected to maintain at 2004 levels.

Includes PSD Changes: No
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Executive Summary

This report provides an update on Brazilian apple production, consumption, and trade. Trade sources estimate that apple production during the 2005 crop will total 850,000 tons, down 13 percent from the previous crop year due to weather problems. Although quality of the 2005 crop so far is very good, Brazilian apple exports will likely decrease by 40 percent in 2005 due to the drop in production and increase in internal demand. Apple imports are likely to rise 6% in 2005 due to the shorter crop, although increased demand for national varieties and difficulties with the Argentine inspection system continue to hinder imports.

Note: For pears, this report provides only import data, since pear production is insignificant and Brazil is a major importer of pears. In 2004, Brazilian imports of pears increased by 21 percent and reached nearly 76,000 metric tons. In 2004, Argentina and Chile accounted for nearly 90 percent of the market share of Brazil's imports of pears, followed by the United States with 6 percent.

Production

The harvest of the Brazilian 2005 apple crop began in early January, earlier than usual this year, and it is expected to be complete by May 2005. Our trade sources reported that, while Fuji production has yet to begin, 90 percent of the current Gala crop has been harvested, and estimate production at 850,000 metric tons, 13% percent lower than the 2004 crop. The decrease in production is attributed to poor weather conditions and many trees are in alternate years of production. The quality of the apple crop in 2005 is reportedly very good. The apple market in Brazil is considered volume-sensitive, but the industry has balanced supply and demand, and succeeded somewhat in stabilizing prices. The Brazilian economy has also recuperated in the last few months, which has had a positive impact on fruit sales. Brazilian apple varieties (Gala and Fuji) have grown in popularity with local consumers, winning loyalty over imported varieties in the past few years, and domestic apple prices have continued to rise. Increases in exports have also boosted the domestic price.

Total area planted to apples in Brazil is estimated at 32,927 hectares, of which 32,000 hectares are under production. The state of Santa Catarina remains the main apple producer in Brazil and increased its share to 60 percent this year, followed by the state of Rio Grande do Sul with 36 percent. The two most important varieties cultivated in Brazil are "Gala" (normally harvested Jan-Feb, accounting for 59% of total production), and "Fuji" (harvested during Mar-Apr with 35% percent of total production). Other apple varieties produced in Brazil include Golden Delicious, Braeburn, and Pink Lady (remaining 6%). The number of apple growers in Brazil is estimated at 2,352, of which 70 percent are located in the state of Santa Catarina.

Cold storage capacity is estimated at 550,000 tons supplementing additional conventional storage. The state of Santa Catarina accounts for most of the apple storage capacity in Brazil, holding 54 percent of the cold storage and 43 percent of the conventional storage capacity. It is reported to be sufficient for the entire crop.

In 2004, production reached a new record of 978 thousand tons, an increase of 17% over the previous year. There were several factors contributing to this increase. The Brazilian apple industry is becoming better organized and increasing its marketing efforts to achieve higher productivity, increase its quality controls via certification, and has increased its export marketing efforts. In 2004, favorable climatic conditions included a sufficient dormancy period, sufficient cold weather, and adequate rainfall. Uniform pollenization and an increase of trees in the production stage attributed to a 6% increase in area over 2003, to 32,981 hectares.

In the Spring of 2004 producers battled with some adverse weather conditions including excess rain, hail, insufficient hours of sunlight, and unseasonable cold weather, which increased producers' difficulties with apple scab (Venturia inaequallis).

TABLE I – Brazil: Area Harvested and Production of Apples, by state, 2004 crop year

State	Area Harvested (Hectares)	Production (Metric Tons)
Santa Catarina	17,644	583,205
Rio Grande do Sul	13,447	353,140
Parana	1,740	39,643
Others	150	1,875
Brazil	32,981	977,863

Source: IBGE, ICEPA

Consumption

Apple consumption is expected to decrease by 13 percent in 2005 due to lower domestic supply, higher prices for domestic apples, and problems with imports, in particular from Argentina. In 2004, domestic demand increased by 3 percent due to an increased supply and lower prices of domestic apples on the market combined with improved economic conditions and greater purchasing power of Brazilian consumers. The average wholesale price for gala apples in the Sao Paulo market decreased by 8 percent in 2004 and reached US$10.44 per 18-kilogram box.

Consumption of apples in Brazil is mostly fresh, although production of apple juice is increasing slowly. Large apple processors in the state of Santa Catarina are developing new strategies to increase the domestic use of apples. In addition to apple juice, primarily an export product, companies are developing new products and uses such as frozen pulp, dehydrated apples, cider, aromas, and apple cakes and pies.

Table II – Brazilian Apple Market (in metric tons):

Year	2000	2001	2002	2003	2004	2005 F
Production	967,063	705,515	857,340	842,300	970,000	850,000
Imports	43,651	80,374	53,487	42,363	42,478	45,000
Exports	64,480	35,786	65,927	76,466	153,043	90,000
Estimated Consumption	946,234	750,103	844,900	808,197	830,000	720,000

Source: Office of Agricultural Affairs (OAA), based on interviews with trade sources.

Trade

Trade sources estimate that apple exports will decrease by 40 percent in 2005 due to the increase in domestic demand, drop in production, and increasing supply of apples on the global market. Apple imports are expected to increase slightly to 6% but will not reach historical levels (53,487 in 2002) due to Argentina's difficulties with Cydia pomonella and other suppliers face costs that make it difficult to compete in Brazil.

In 2004, apple exports doubled from the previous year, and the European Union accounted for 90 percent of all Brazilian apple exports, against 89 percent in 2002. The Netherlands accounted alone for 38 percent of all Brazilian apple exports, followed by the United Kingdom with 12 percent and Germany with 10 percent. For 2004, Brazil achieved an apple trade surplus of $60 Million.

Apple imports stayed the same in 2004, mostly due to increased demand for national varieties and difficulties with the Argentine inspection system. An insect called Cydia pomonella (Coddling moth) caused Red Delicious imports from Argentina to increase in price, in part due to the added cost of sending Brazilian inspectors to Argentina to pre-inspect product in areas with this disease. Argentina was the major supplier of apples to Brazil with 80 percent of the total imports, followed by Chile with 19 percent. These two countries benefit from preferential import tax rates and the MERCOSUL agreement.

Policy

There is no national policy for increasing apple production in Brazil. Production policies are limited to the two southern states of Santa Catarina and Rio Grande do Sul, and are designed to improve infrastructure in the sector, such as increasing cold storage capacity and agricultural research. Recently, the government of Santa Catarina began an assistance program to small apple producers by providing support to form producer cooperatives in order to be able to market their products, since apple production in that state is concentrated among few large companies.

Since September of 2002, Normative Instruction Number 50 provides the Technical Regulations for the Identity and Quality of Apple for Grading purposes. This is a federal regulation issued by the Ministry of Agriculture, Livestock, and Food Supply (MAPA).

Marketing

Brazilian apple exporters through the Brazilian Fruit Institute (IBRAF) in partnership with the Brazilian Export Promotion Agency (APEX) have doubled funds to conduct market promotion activities for Brazilian apples in selected markets, mostly in trade shows in the European Union. The funds are estimated at US$1 million.

Joint trade missions (federal government and major apple exporters) are also working overseas to open new markets for Brazilian apples. The overall goal of the Brazilian market promotion for apples is to enter the Asian market, followed by market promotion in the European Union to increase sales of Fuji variety in addition to Gala.

STATISTICAL TABLES

Table III – Brazil: Imports of Apples by Country of Origin, 2001-2004, in metric tons:

Brazil: Imports of Fresh Apples
Commodity (HTS): 080810
Import Duty (Ad Valorem), effective Jan 2004: 10 percent assessed on the CIF value of the product

Year To Date: January – December

Partner Country	Unit	Quantity				% Share				% Change
		2001	2002	2003	2004	2001	2002	2003	2004	2004/2003
World	T	647738	53487	42363	42478	100%	100%	100%	100,00%	0,27
Argentina	T	57696	39283	27615	33869	8.91%	73.44%	65.19%	79,73%	22,65
Chile	T	587702	13314	13408	7897	90.73%	24.89%	31.65%	18,59%	-41,10
Uruguay	T	109	11	545	468	0.02%	0.02%	1.29%	1,10%	-14,13
France	T	1792	707	424	98	0.28%	1.32%	1%	0,23%	-76,89
Spain	T	40	18	161	75	0.01%	0.03%	0.38%	0,18%	-53,42
United States	T	230	0	118	0	0.04%	0%	0.28%	0,00%	-100,00
Portugal	T	20	136	92	53	0%	0.25%	0.22%	0,12%	-42,39
Italy	T	149	19	0	19	0.02%	0.03%	0%	0,04%	0,00

Table IV – Exports of Apples by Country of Destination, 2001-2004, in metric tons:

Brazil: Exports of Fresh Apples Commodity (HTS): 080810										
Year To Date: January - December										
Partner Country	Unit	Quantity				% Share				% Change
		2001	2002	2003	2004	2001	2002	2003	2004	2003/2002
World	T	35786	65927	76466	153043	100%	100%	100%	100,00%	100,15
Netherlands	T	19618	25343	30312	57360	54.82%	38.44%	39.64%	37,48%	89,23
United Kingdom	T	3760	8119	7953	17859	10.51%	12.32%	10.4%	11,67%	124,56
Germany	T	2880	5408	6254	15396	8.05%	8.2%	8.18%	10,06%	146,18
Sweden	T	342	2963	5909	9782	0.96%	4.49%	7.73%	6,39%	65,54
Portugal	T	550	106	4159	6154	1.54%	0.16%	5.44%	4,02%	47,97
Belgium	T	2477	6397	4099	5657	6.92%	9.7%	5.36%	3,70%	38,01
Italy	T	533	3620	3528	7608	1.49%	5.49%	4.61%	4,97%	115,65
Ireland	T	1784	2198	2336	3918	4.99%	3.33%	3.05%	2,56%	67,72
Spain	T	1462	4457	2156	462	4.09%	6.76%	2.82%	0,30%	-78,57
Finland	T	663	1258	2048	4948	1.85%	1.91%	2.68%	3,23%	141,60
Denmark	T	0	0	1660	1949	0,00	0,00	2.17%	1,27%	17,41
France	T	374	620	1137	4944	1.04%	0.94%	1.49%	3,23%	334,83
Philippines	T	0	1871	1000	2288	0,00	2.84%	1.31%	1,50%	128,80
Bangladesh	T	0	86	666	3073	0,00	0.13%	0.87%	2,01%	361,41
Norway	T	869	1163	553	788	2.43%	1.76%	0.72%	0,51%	42,50
Singapore	T	0	169	519	760	0,00	0.26%	0.68%	0,50%	46,44
Hong Kong	T	0	340	471	218	0,00	0.52%	0.62%	0,14%	-53,72
Netherlands Antilles	T	0	0	279	22	0,00	0,00	0.36%	0,01%	-92,11
United States	T	21	281	271	2284	0.06%	0.43%	0.35%	1,49%	742,80
Barbados	T	42	148	198	230	0.12%	0.22%	0.26%	0,15%	16,16
Malta	T	255	192	192	296	0.71%	0.29%	0.25%	0,19%	54,17
Russia	T	0	0	150	171	0,00	0,00	0.2%	0,11%	14,00
Others	T	156	1188	1135	6876	0,00	0.02%	0.01%	4,49%	505,81

Table V – Brazil Imports of Pears by Country of Origin, 2001-2004, in metric tons:

Brazil: Imports of Fresh Pears
Commodity (HTS): 080820
Import Duty (Ad Valorem), effective Jan 2004: 10 percent assessed on the CIF value of the product

Year To Date: January - December

Partner Country	Unit	Quantity 2001	2002	2003	2004	% Share 2001	2002	2003	2004	% Change 2004/2003
World	T	117736	92503	62908	75944	100,00%	100,00%	100,00%	100,00%	20,72
Argentina	T	108317	81336	51102	61716	92,00%	87,93%	81,23%	81,27%	20,77
Chile	T	2392	6043	4611	3212	2,13%	1,08%	6,44%	4,23%	-30,34
United States	T	2509	995	4051	4144	2,13%	1,08%	6,44%	5,46%	2,30
Portugal	T	3755	3531	2283	4002	3,19%	3,82%	3,63%	5,27%	75,30
Spain	T	262	394	589	1091	0,22%	0,43%	0,94%	1,44%	85,23
Uruguay	T	475	144	271	1779	0,40%	0,16%	0,43%	2,34%	556,46
France	T	19	60	0	0	0,02%	0,06%	0,00%	0,00%	0,00
Italy	T	6	0	0	0	0,01%	0,00%	0,00%	0,00%	0,00

Table VI – Wholesale prices for fresh apples, 2001-2004:

Table - São Paulo: Wholesale prices for fresh apples, 2004

Variety	Gala		Fuji		Golden Delicious		Average Monthly
Month	R$	US$	R$	US$	R$	US$	Exchange Rate
Jan	1.85	0.65	1.79	0.63	1.51	0.53	2.85
Feb	1.78	0.61	2.46	0.84	1.65	0.56	2.93
Mar	1.40	0.48	2.17	0.75	1.47	0.51	2.91
Apr	1.38	0.48	2.03	0.70	1.32	0.45	2.91
May	1.35	0.44	1.88	0.61	1.23	0.40	3.10
Jun	1.38	0.44	1.81	0.58	1.27	0.41	3.13
Jul	1.48	0.49	1.83	0.60	1.35	0.44	3.03
Aug	1.49	0.50	1.84	0.61	1.34	0.45	3.00
Sep	1.70	0.59	1.91	0.66	1.35	0.47	2.89
Oct	1.92	0.67	1.87	0.66	1.40	0.49	2.85
Nov	2.22	0.80	1.90	0.68	1.42	0.51	2.79
Dec	2.39	0.88	1.99	0.73	1.45	0.53	2.72
Average	1.70	0.58	1.96	0.67	1.40	0.48	2.93

Source: Sao Paulo Wholesale Market (CEAGESP)

Table VII – Brazilian Apple Production by State from 1999 to 2004

Harvest	Brazil	Santa Catarina	Rio Grande do Sul	Paraná	São Paulo
1999	726,083	384,758	304,545	26,780	9,000
2000	968,063	500,142	427,036	36,000	4,885
2001	709,815	378,748	304,447	23,800	2,820
2002	857,340	474,516	346,314	33,800	2,710
2003	835,322	475,095	329,460	28,397	2,370
2004	977,863	583,205	353,140	39,643	1,875

Source: IBGE