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Brazil

Fresh Deciduous Fruit

Brazilian Apple and Pear Production and Trade

2004

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Report Highlights:
Brazil's 2003/04 apple crop is expected to reach a record production level of 970,000 metric tons, up 15 percent from the previous crop year due to excellent weather conditions. Due to the higher availability of domestic supplies and excellent quality of the fruit, apples exports are estimated to increase by 50 percent, while imports will continue to decline. Brazil is a major importer of pears since local production is insignificant. However, pear imports in 2003 dropped due to the stagnate economy and low consumer purchasing power.

Includes PSD Changes: No
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

This report provides an update on Brazilian apple production, consumption, and trade only. Trade sources estimate that apple production during the 2003/04 crop will set another record level of nearly one million metric tons, up 15 percent from the previous crop year. The quality of the 2004 crop combined with a favorable exchange rate and appreciation of the Euro in relation to the dollar will likely contribute to a significant increase of 50 percent in apple exports during this year. Apple imports are likely to decline again in 2004. Domestic demand is expected to rebound in 2004 due to expected lower apple retail prices.

Note: For pears, this report provides only import data, since pear production is insignificant and Brazil is a major importer of pears. In 2003, Brazilian imports of pears dropped by 32 percent and reached nearly 63,000 metric tons, mostly due to the higher exchange rate combined with the stagnant economic conditions and reduced purchasing power of consumers due to higher unemployment rates and a drop in real income. In 2003, 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 2003/04 apple crop began in mid-January and it is expected to be completed by May/June 2004. Our trade sources reported that 15 percent of the current crop has been harvested, and estimate production at record of 970,000 metric tons, nearly 15 percent higher than the 2002/03 crop. The increase in production is attributed to the excellent weather conditions in the producing regions of Santa Catarina and Rio Grande do Sul. These two states account for over 90 percent of Brazil's apple production. The quality of the apple crop in 2004 is reportedly excellent and prices are expected to remain firm since the current crop boosted mostly for significant increases in apple exports.

Total area planted to apples in Brazil is estimated at 33,600 hectares, of which 32,600 hectares are under production. The state of Santa Catarina remains as the main apple producer and is expected to increase its share to 56 percent this year, followed by the state of Rio Grande do Sul with 40 percent. The two most important varieties cultivated in Brazil are "Gala" (normally harvested Jan-Feb, accounting for almost half of total production), and

"Fuji" (harvested during Mar-Apr with 45 percent of total production). Brazilian apple producers have also harvested, for the first time, in 2002, a variety developed by the research service of Santa Catarina called "Diane". This variety is the first one to be under the new cultivar protection law. The number of apple growers in Brazil is estimated at 2,250, of which 70 percent are located in the state of Santa Catarina.

The storage capacity is projected to reach 65 percent during the 2003/04 crop year, of which 56 percent is cold storage, while 44 percent is 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 for the apple crop.

TABLE I – Brazil: Area Harvested and Production of Apples, by state, 2003/04 crop year

State	Area Harvested (Hectares)	Production (Metric Tons)
Santa Catarina	17,300	543,000
Rio Grande do Sul	14,400	384,000
Parana	1,600	34,000
Others	367	9,000
Brazil	32,685	970,000

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

CONSUMPTION

Apple consumption is expected to rebound by 10 percent in 2004 due to higher availability of domestic production, lower prices for domestic apples, and an expected increase in the consumer purchasing power. In 2003, domestic demand dropped by 4 percent due to higher domestic prices for apples combined with stagnant economic conditions and lower purchasing power of Brazilian consumers. The average wholesale price for apples in the Sao Paulo market increased by 17 percent in 2003 and reached US$11.42 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, 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
Production	967,063	705,515	857,340	842,300	970,000
Imports	43,651	80,374	53,487	42,363	30,000
Exports	64,480	35,786	65,927	76,466	115,000
Apparent Consumption	946,234	750,103	844,900	808,197	885,000

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

TRADE

Trade sources estimate that apple exports will increase by nearly 50 percent in 2004 due to the favorable exchange rate (average R$3.00 per U.S. dollar), excellent quality of the 2004 apple crop, and the appreciation of the Euro since Brazilian apple exports are destined primarily to the European Union. Apple imports are expected to continue to decline in 2004 due to higher domestic availability of apples.

In 2003, apple exports increased by 16 percent from the previous year, and the European Union accounted for 94 percent of all Brazilian apple exports, against 89 percent in 2002. The Netherlands accounted alone for 40 percent of all Brazilian apple exports, followed by the United Kingdom with 10 percent.

Apple imports decreased by 21 percent in 2003, mostly due to the decrease in domestic demand, higher imports costs, and a higher exchange rate relative to the U.S. dollar. Argentina was the major supplier of apples to Brazil with 65 percent of the total imports, followed by Chile with 32 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. It has been recently announced that negotiations with Canada have been concluded and that Brazil may export apples to Canada in 2004. 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, 2001-2003, 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	2001	2002	2003	2003/2002
World	T	647738	53487	42363	100	100	100	-20.8
Argentina	T	57696	39283	27615	8.91	73.44	65.19	-29.7
Chile	T	587702	13314	13408	90.73	24.89	31.65	0.71
Uruguay	T	109	11	545	0.02	0.02	1.29	5046.61
France	T	1792	707	424	0.28	1.32	1	-40.06
Spain	T	40	18	161	0.01	0.03	0.38	815.5
United States	T	230	0	118	0.04	0	0.28	0
Portugal	T	20	136	92	0	0.25	0.22	-32.53
Italy	T	149	19	0	0.02	0.03	0	-100

Table IV – Exports of Apples by Country of Destination, 2001-2003, 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**	**2001**	**2002**	**2003**	**2003/2002**
World	T	35786	65927	76466	100	100	100	15.99
Netherlands	T	19618	25343	30312	54.82	38.44	39.64	19.61
United Kingdom	T	3760	8119	7953	10.51	12.32	10.4	-2.05
Germany	T	2880	5408	6254	8.05	8.2	8.18	15.63
Sweden	T	342	2963	5909	0.96	4.49	7.73	99.45
Portugal	T	550	106	4159	1.54	0.16	5.44	3829.71
Belgium	T	2477	6397	4099	6.92	9.7	5.36	-35.92
Italy	T	533	3620	3528	1.49	5.49	4.61	-2.54
Ireland	T	1784	2198	2336	4.99	3.33	3.05	6.28
Spain	T	1462	4457	2156	4.09	6.76	2.82	-51.62
Finland	T	663	1258	2048	1.85	1.91	2.68	62.77
Denmark	T	0	0	1660	0	0	2.17	0
France	T	374	620	1137	1.04	0.94	1.49	83.44
Philippines	T	0	1871	1000	0	2.84	1.31	-46.56
Bangladesh	T	0	86	666	0	0.13	0.87	677.57
Norway	T	869	1163	553	2.43	1.76	0.72	-52.49
Singapore	T	0	169	519	0	0.26	0.68	206.49
Hong Kong	T	0	340	471	0	0.52	0.62	38.57
Netherlands Antilles	T	0	0	279	0	0	0.36	0
United States	T	21	281	271	0.06	0.43	0.35	-3.58
Barbados	T	42	148	198	0.12	0.22	0.26	33.75
Malta	T	255	192	192	0.71	0.29	0.25	-0.06
Russia	T	0	0	150	0	0	0.2	0
Others	T	156	1,188	1,135	0	0.02	0.01	-4.6

Table V – Brazil Imports of Pears by Country of Origin, 2001-2003, 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			% Share			% Change
		2001	2002	2003	2001	2002	2003	2003/2002
World	T	117736	92503	62908	100	100	100	-31.99
Argentina	T	108317	81336	51102	92	87.93	81.23	-37.17
Chile	T	2392	6043	4611	2.03	6.53	7.33	-23.69
United States	T	2509	995	4051	2.13	1.08	6.44	306.94
Portugal	T	3755	3531	2283	3.19	3.82	3.63	-35.33
Spain	T	262	394	589	0.22	0.43	0.94	49.69
Uruguay	T	475	144	271	0.4	0.16	0.43	88.76
France	T	19	60	0	0.02	0.07	0	-100
Italy	T	6	0	0	0.01	0	0	0

Table VI – Sao Paulo: Wholesale prices for fresh apples, 2001-2003:

Year	2001		2002		2003	
Month	R$	US$	R$	US$	R$	US$
Jan	23.75	12.15	30.51	12.83	36.65	10.66
Feb	20.41	10.20	26.69	11.03	42.37	11.80
Mar	22.73	10.87	26.73	11.39	38.95	11.28
Apr	23.38	10.64	23.63	10.18	36.87	11.63
May	21.95	9.56	23.57	9.50	33.67	11.39
Jun	22.56	9.49	25.11	9.25	31.74	11.01
Jul	22.33	9.05	24.22	8.25	31.51	10.94
Aug	21.84	8.70	26.85	8.63	32.21	10.73
Sep	25.42	9.52	27.24	8.15	32.12	10.99
Oct	27.33	9.97	30.40	7.99	34.04	11.90
Nov	28.46	11.19	35.94	10.05	36.15	12.41
Dec	31.08	13.15	36.32	10.02	35.84	12.25
Average	24.27	10.37	28.10	9.77	35.18	11.42

Notes:

(1) Source: Sao Paulo Wholesale Market (CEAGESP);
(2) Prices in Reais compared to US$dollar for box of 18 kilograms.