

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina Suspends Gradual Reduction of Soy Oil and Soy Meal Export

Report Categories:

Agriculture in the News

Oilseeds and Products

Trade Policy Monitoring

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Report Highlights:

On August 15, 2018, the Argentine government released Decree 757/2018, which suspended the gradual reduction of export taxes for soybean meal and soybean oil until March 2019.

General Information:

Macri Administration Reinvigorates Agriculture Sector

Since his inauguration in December 2015, President Mauricio Macri has initiated an economic overhaul in Argentina, including lifting currency controls, lowering taxes and curbing government spending in an effort to reduce inflation and boost economic activity. As part of this plan and in an effort to reinvigorate a key sector of country's agricultural sector, the government immediately lowered burdensome export taxes on soybean oil and meal by 5 percentage points to 30 percent and 27 percent, respectively.

As a further extension of the President's economic stimulus,, the government introduced Decree 1343/17 which proposed the monthly reduction of the soybean and soybean by-product export taxes by 0.5 percentage points from January 2018 to December 2019. This measure would have reduced respective taxes by an additional 12 percentage points to 18 percent and 15 percent for soybean oil and meal. Soybean oil and meal exports comprise nearly 80 percent of the country's soybean complex exports. In 2017, soy oil and meal exports reached a combined value of USD \$12.8 billion while soybean exports were valued at USD \$2.7 billion.

Argentine Government's Original Export Tax Reduction Schedule*			
Month	Soy Meal % Export Tax*	Soy Oil % Export Tax	Soybeans % Export Tax
17-Dec	27	27	30
18-Jan	26.5	26.5	29.5
18-Feb	26	26	29
18-Mar	25.5	25.5	28.5
18-Apr	25	25	28
18-May	24.5	24.5	27.5
18-Jun	24	24	27
18-Jul	23.5	23.5	26.5
18-Aug	23	23	26
18-Sep	22.5	22.5	25.5
18-Oct	22	22	25
18-Nov	21.5	21.5	24.5
18-Dec	21	21	24
19-Jan	20.5	20.5	23.5
19-Feb	20	20	23
19-Mar	19.5	19.5	22.5
19-Apr	19	19	22
19-May	18.5	18.5	21.5
19-Jun	18	18	21
19-Jul	17.5	17.5	20.5
19-Aug	17	17	20
19-Sep	16.5	16.5	19.5
19-Oct	16	16	19

19-Nov	15.5	15.5	18.5
19-Dec	15	15	18
*Decree 1343/17 (January 2, 2018)			

Fiscal Realities Shift Policy Approach

However, beginning in May 2018, in response to mounting economic stress, government revenue loss from the export tax reduction began to raise the possibility of a modification. In May 2018, Treasury Minister Nicolas Dujovne confirmed the government was considering not only the suspension or halt to the soybean tax reduction but also might reintroduce export taxes on wheat and corn as part of an ongoing review of measures that could lower Argentina's fiscal difficulties. Agricultural leaders, raising an immediate outcry of "broken promises" and "betrayal," secured an emergency audience with President Macri to voice their opposition. Afterwards, the government publicly confirmed its commitment to the reduction as President Macri's Chief of Staff Marcos Pena stated on May 25 that a change in the soybean export tax system "is not on the government's agenda."¹ The farm sector provided significant support for Macri's campaign in 2015 by delivering the key rural vote; a policy reversal was viewed as something that could hurt Macri politically as he looks toward a 2019 election.

Nevertheless, on August 15, 2018, the government modified this tax reduction policy by releasing Decree 757/2018², which suspends the gradual reduction of the export taxes for soybean meal and soybean oil until February 28, 2019. Following that date, the gradual reduction of the export taxes for soy oil and soy meal would be reinstated as of March 1, 2019. This would effectively remove the tax rate differential between soybeans and soybean by-product as the export tax rate for all soybean products would be 23 percent as of March 2019. So far, the government has indicated that the gradual reduction of the export tax for soybeans will continue as scheduled.

According to local reports, the Treasury Ministry suspended this reduction as part of a broader effort to secure additional savings of 12.5 billion Argentine pesos (approximately USD \$420 million) for the rest of 2018 and \$53 billion pesos (approx. USD \$1.78 billion).³

Local Reaction and Implications

Local reactions are mixed as the processing sector warns of losses and a step backwards while a select Chamber (known as CIARA in Spanish) has expressed "surprise and worry" over the policy change and warns that one of its potential effects would be a fall in sales which would hurt the inflow of tax revenue originally projected by the government. The chamber claims that this move will stall new investments and lead to closure of processing plants. The Confederation of Agricultural Cooperatives (known as Coninagro) acknowledges the need to make Argentina more

¹ <http://plumaderio.com.ar/marcos-pena-dijo-que-no-esta-en-agenda-modificar-el-plan-de-recortes-de-retenciones-a-la-soja/>

² <https://www.boletinoficial.gob.ar/#!DetalleNorma/189861/20180815>

³ https://www.clarin.com/economia/ajuste-fiscal-gobierno-finalmente-avanzo-retenciones-soja_0_Bk0MfrgUX.html

competitive, which includes public spending cuts, but finds the government's approach hurts the country's economic engine, the agriculture sector.⁴ There is also worry that this move creates rivalry between soybean producers and the processing sector.

On the other hand, producer associations, including the Argentine Rural Confederations (and the Argentine Rural Society), state that this policy change levels the playing field between the exporters of soybeans and processors. Moreover, these groups stated that while there may be an impact on the market and production chain in the short-run, in the long run the policy shift should result in better prices for producers and "less claims of dumping, which will result in new markets and business opportunities for the country."⁵

Post will continue to monitor the situation closely and report any relevant developments.

⁴ <https://www.lanacion.com.ar/2162230-retenciones-a-la-soja-repercusiones-del-sector>

⁵ <https://www.lanacion.com.ar/2162230-retenciones-a-la-soja-repercusiones-del-sector>