

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Argentina**

### **Grain and Feed Annual**

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**Approved By:**

Melinda Sallyards

**Prepared By:**

Ken Joseph

**Report Highlights:**

Argentine wheat production in marketing year (MY) 2014/15 is projected up at 12.0 million tons as most farmers indicate they will expand area. Part of the increased wheat area will come from barley which is expected to drop by an estimated 300,000 hectares or 24 percent. The planted corn area for MY2014/15 is projected to drop to 3.2 million hectares and production is estimated at 22.0 million tons. Sorghum is expected to rebound somewhat, with production at 4.6 million tons. Rice area and production are forecast to remain unchanged in MY2014/15.

## **Commodities:**

Select

### **Author Defined:**

**General:** The new crop season MY2014/15 finds local producers undergoing an uncertain business environment. More than ever many producers will make planting decisions at the last minute. Since November 2013, after mid-term elections, the Argentine economy is experiencing deep changes with the objective of reducing a large deficit, controlling an extremely high inflation, preventing capital flight, becoming more competitive and being able to access international credit. Farmers are impacted directly by the high inflation, which most economists forecast between 30-40 percent in 2014, and by the devaluation of the peso. For several years the official devaluation of the peso ran much slower than the real inflation, making local exports lose competitiveness and promote less expensive imports. The new president of the Central Bank rapidly adjusted the price of the dollar through a devaluation of 35 percent, taking the official dollar from 5.90 pesos in late October 2013 to 8 pesos in mid January 2014. The devaluation brought some relief for farmers who had tied most of their production costs in pesos, while their crops (tied to the dollar) were adjusted upwards. However, the devaluation at the same time made inflation augment rapidly. During this time interest rates increased as well, taking part of the benefits of the devaluation. High inflation forces producers to be very cautious when selling and buying. As a result, the farmer selling is running much slower than last year, as producers only sell what is needed and prefer to keep their crops expecting better prices (through price increases or possible further devaluations). The tax pressure on the sector continues to be very high, and there are some rumors that that the government (or Congress) would like to recreate a similar entity to the Junta Nacional de Granos (National Grain Board - dissolved in 1991) to have a tighter control on the production and commercialization of the country's main source of income. Another point of concern for farmers is the significant increase in crop protection costs as many weeds are becoming resistant to glyphosate. Apart from increasing the production cost by \$50-100 per hectare on chemical spraying, in most cases yields and productivity are also affected.

### **Production**

**Wheat:** There is a general consensus that wheat area will expand in MY2014/15. Post estimates planted area at 4.2 million hectares, an increase from last year, but still very low compared to Argentina's normal planted area of 6 million hectares. Production is forecast at 12.0 million tons, the highest of the past two crop seasons. Although there still persists great uncertainty on the marketing side, due to government policies which limit and control exports via quotas, there are a number of other factors which play in favor of an expanded area. These are: a good crop last year, with good yields and quality; extremely high prices in the previous season (although nobody can expect such values, farmers have expectations prices will be good); good projected returns; in crop MY2013/14 wheat combined with second crop soybeans resulted in many cases the best economic alternative; the need of many farmers to have money at the end of the year to finance summer crops plantings; in most cases there are excellent levels of soil moisture which would guarantee a very good start; plenty availability of good quality seed; a drop in barley area which would be taken over by wheat; and the need of increased rotations due to the ever growing soybean area.

There is some talk that the government could announce some measures to promote the planting of wheat in MY2014/15, but so far, they are only speculations. Contacts think that exports taxes, currently at 23 percent, could be waived in the current season and maybe official banks could launch inexpensive credits to promote greater wheat planting. If some of these measures are announced, planted area could increase even further, but not significantly as most producers would prefer to wait and see after many years of disbelief and uncertainty.

**Barley:** There is a general consensus that planted area in MY2014/15 will drop significantly. Post estimates area at 950,000 hectares, a 24 percent decrease from the current year. Production is projected at 3.3 million tons. Barley area grew significantly in the past few seasons primarily as an alternative for farmers to “run away” from planting wheat which was and continues to be closely controlled by the government (making the price for the farmer lower than it should be). Before this shift began (MY2008/09), the area ranged between 500-700,000 hectares. In the past two crop seasons many barley producers were disappointed with the quality and yields obtained. Many wheat producers who began to plant barley as an alternative had difficulties mastering the crop. Furthermore, the price of barley has fallen significantly from its parity with wheat, making wheat significantly more profitable (current price differential is +\$25-35 per ton). The center and south parts of Buenos Aires province concentrated over 80 percent of the country’s planted area in MY2013/14. In this area, barley provides a good advantage vis-à-vis wheat as the harvest is two weeks earlier, allowing the planting of second soy crop with greater chances of escaping early frosts. However, in 2013/14 second soybean crop in the south eastern part of the province is in bad shape as it was way too dry during the early stages of the crop and then too wet in the latter stage. Many producers will prefer to go directly to wheat in the next season. Barley production in the northern part of Buenos Aires province and southern Santa Fe province is expected to decline to minimal levels as the profitability of the past two crops has not been good. Malting companies will have to come out with good marketing conditions to attract producers to keep planting barley.

**Corn:** Planted area is forecast to drop marginally in MY2014/15 to 3.2 million hectares with a production of 22.0 million tons. Producers are beginning to harvest their MY2013/14 (12% to date) corn and will define their summer crop mix later in the year depending on world prices, domestic policies, costs of production and weather. Under the current uncertain environment, producers delay their planting decisions to the last minute. Despite this situation, Post projects planted area to fall 200,000 hectares from the previous year. However, there is not a clear indication of a declining trend, as several contacts expect area to remain unchanged, while a minority thinks that it could even grow marginally. As it has been the case in the past several years, farmers producing on their own land will tend to plant corn (respecting rotations), while producers renting land will prefer to plant other less expensive alternatives such as soybeans (although net margins are currently similar, corn production costs are almost double). Freight costs will continue to play a key role in defining area. Corn will be planted primarily in areas located close to the ports (primarily Rosario) and in locations in which there are industries which demand corn, such as ethanol, pork, poultry, feedlots, dairies, and wet and dry milling plants. The percentage of planting early corn vis-à-vis late corn is forecast to remain at about 50-50. Late corn planting has expanded significantly in the past 3-4 years, primarily with the objective of missing the flowering stage during January, normally the month which is most dry and suffers the highest temperatures. In the past 2-3 crop seasons, late corn has resulted in very good yields (20-30% potentially lower than early corn) with great stability. However, some weather forecasts are anticipating El Nino for next summer, which means wet weather for Argentina. If this is so, many producers in the corn belt could be tempted to plant more early corn than late corn. Another factor which could play against planting corn in MY2014/15 is the fact that in the center-north of Argentina armyworms are developing resistance to the GMO hybrids planted. There were severe attacks in many areas, affecting potential yields and increasing crop protection costs.

Post increases Argentine corn production for MY2012/13 to 27.0 million tons. Based on the balance sheet, production had to be greater by 500,000 tons. Other sources in the country have adjusted as well, reflecting higher yields than originally expected.

**Sorghum:** Planted area for MY2014/15 is projected to grow marginally to 1.05 million hectares. Production is expected to increase at 4.6 million tons. Sorghum is normally located in marginal areas or is sometimes used in soils which need crop rotation. It is significantly less expensive to produce than corn, but returns are significantly lower. Sorghum is not expected to expand further because it has several limitations which play against it. Sorghum genetics have not advanced as quickly as in other competing crops; many locations suffer severe bird attacks. Because of this, 75-80 percent of the production is high tannin sorghum which helps to prevent somewhat losses due to birds. Late corn planting is lately competing strongly for area (producers find much easier to market corn rather than sorghum). During the severe drought in the US in 2012, local sorghum prices were almost the same as corn, but now that world supplies are back to normal, prices have fallen to its normal 80-85 percent parity of the price of corn.

**Rice:** Planted area for MY2014/15 is forecast to remain unchanged at 232,000 hectares and production at 1.50 million tons (rough production). Producers are currently beginning their MY2013/14 harvest with average yields. Although prices are better than the previous crop, production costs have increased significantly, resulting in tight returns. We should expect a similar area in Corrientes province as producers there do not have much alternative crops and water ponds are quite full. In Entre Rios province most of the producers who had diesel pumps have shifted in the past several seasons to other crops. Therefore, we do not expect much change there. In Santa Fe province the area could drop somewhat as fields are having problems with "red rice" a weed very difficult to control. In Formosa province, a large rice project of several thousand hectares could begin production.

## Consumption

**Wheat:** Domestic consumption of wheat for MY2014/15 is projected at 6.15 million tons, an insignificant increase from the previous year as its demand is quite inelastic. Local mills are currently purchasing wheat at a slower pace than last marketing year because they are aware that the government is severely limiting export authorizations, securing them a volume of approximately 6-7 million tons of wheat to meet their demand. Furthermore, the production and exports of flour are running way behind normal years. More seed will be used to meet the increased planted area. In marketing year 2012/13 the local wheat market was extremely tight as production was lower than what the government had earlier expected, causing wheat and bread prices to skyrocket. As the government does not want this to happen again, it is allowing very small quantities of wheat to be exported in MY2013.

**Barley:** Domestic consumption for MY2014/15 is forecast at 1.4 million, slightly lower than the previous season. Post projects a marginal reduction in consumption of feed barley as a result of a smaller output. The local malt industry consumes about 1.1 million tons while 150,000 tons of seed will be needed. Feed for animal use is normally low and depends on the quality of the crop and the surplus available.

**Corn:** Domestic consumption for MY2014/15 is projected up at 8.7 million tons. The main drivers for the increase are the new grain bioethanol industry, with some plants coming online and others finally operating at full capacity (currently 6 plants in total), and the poultry and pork industries which are expected to continue their growing trend. The cattle sector (dairy and beef) is expected to increase marginally as returns could remain tight.

There are great discrepancies on corn consumption in Argentina. Most estimates range between 7-10 million tons. IERAL, an economic think tank in the province of Cordoba, the second most important province in corn production and demand (after Buenos Aires province), recently published a report indicating Argentine corn consumption by sector in 2013 (8.1 million metric tons):

Sector	MTons
Dry Milling	386,000
Wet Milling	1,003,000
Bioethanol	402,000
Cattle (dairy/beef)	2,584,000
Pork	706,000
Broilers/eggs	2,987,000

The bioethanol industry is expected to continue to grow in the near future as a few more plants come online. Argentina has a bioethanol mandate mix of 5 percent in gasoline, which was reached in 2013. As production increases, the mix could total 9-10 percent in 2014.

**Sorghum:** Domestic consumption for MY2014/15 is forecast to grow at 3.0 million tons. An expected well supplied market, relatively unchanged exports, and a lower price than corn is expected to encourage a growth in demand. Although most ethanol plants can use sorghum as feedstock, it is yet unlikely they will use sorghum, especially with large supplies of corn near the plants. Practically all sorghum consumption is for animal feed. More than half of the total is consumed on-farm and by near-by neighbors.

**Rice:** Domestic consumption for MY2014/15 is projected at 410,000 (milled basis). Rice demand is quite inelastic.

## Trade

**Wheat:** Exports for MY2014/15 are forecast at 6 million tons, the highest of the past three years. However, the final export volume will depend on the volume the government allows based on total production. An expected increased output, high ending stocks and the country's need to export should result in the liberation of sufficient quota to export the surplus on a timely manner. Wheat flour exports are expected to revert to more normal volumes than the ones currently traded. The majority of wheat and flour exports are expected to be shipped to neighboring Brazil, Argentina's historic and natural market due to its proximity and duty advantages under the Mercosur agreement. Other potential markets would be countries in South America and Africa.

Exports in MY2013/14 are forecast at 3.0 million tons, but some doubt this estimate will be reached. Some 250,000 tons of wheat flour exports are included in this volume. In January 2014 the government announced an initial export quota for MY 2013/14 of 1.5 million tons of wheat, to be authorized in three tranches, and an additional of 50,000 tons of flour. During this announcement the government allowed 500,000 tons of wheat and 50,000 tons of flour. A month later it allowed an additional 500,000 tons of wheat and 50,000 tons of flour. To date, exporters have purchased a little less than 2 million tons and shipped about 500,000 tons. Contacts indicate that the government is underestimating the MY2013/14 production volume by at least one million tons, in order to keep export permits low until they are certain about the volume available of wheat.

Traders indicate that May-June would be the latest to announce additional exports because if not, Brazil will probably allow, once again, the importation of wheat duty free from outside Mercosur countries. If so, Brazil would probably import wheat from the US as Argentine wheat would by then be more expensive. Some traders are skeptical that the government will act rapidly to facilitate additional exports before May.

**Barley:** Exports in crop MY2014/15 are forecast to drop at 2.2 million tons, the lowest in the past four crop seasons. This is a reflection of a smaller expected production. Approximately one million tons of malt barley is expected to be shipped to regional countries such as Brazil, Colombia, Uruguay, Chile and Peru. China could buy some malt barley but it will depend on how Australia can supply them. The balance would be shipped as feed barley primarily to Saudi Arabia. Some exports would be shipped to other Middle East countries and North African countries.

**Corn:** Exports in MY2014/15 are projected at 13.4 million tons, the lowest since MY2008/09. This would be a result of lower production and increasing domestic use. As one of the world's top three corn exporters, Argentina exports to a wide variety of countries around the world. The most important ones in the past few years were Colombia, South Korea, Algeria, Japan, Egypt, and Peru.

The government has a strict control on corn and wheat exports as they are considered sensitive products. Domestic supply needs to be secure before exports are allowed. The government estimates future production, subtracts an estimated consumption and then announces an export quota with the surplus. The market expects the quota for MY2014/15 to be announced in the next 3-4 months, just before the planting season begins. In mid 2013 it announced a 16 million ton export quota for MY2013/14. So far, traders have purchased less than 4 million tons, way below the 12.3 million tons purchased at the same time a year ago. Although the harvest just started, farmer selling is very slow due to the uncertainty and lower prices than expected by farmers.

In mid-2013 Argentina exported the first large commercial shipment of corn to China, after receiving approval in 2012. Since then, no other shipment has been reported. A specific US GMO corn is facing importation problems in China. Argentina has the same event and traders know that exports could be impacted. This limits the potential of local corn exports to that market.

**Sorghum:** Exports for MY 2014/15 are forecast at 1.8 million tons, a significant jump from what Post estimates for 2013/14. An expected larger output sets exports at a volume more in-line with shipments of the past 5 years. Most of the sorghum shipped by Argentina is high tannin sorghum. Japan, Colombia and Chile are the main markets.

The Chinese sanitary service is expected to arrive in Argentina in April to sign a sanitary protocol to allow Argentine sorghum exports. Argentine authorities believe that the final official authorization could be ready by mid-2014. Argentina would become the fourth supplier authorized by China, a very fast growing import market.

Exports for MY2013/14 are forecast at 1.2 million tons, significantly lower than USDA. Local traders indicate that there is currently little interest and practically no program for exporting sorghum from Argentina.

**Rice:** Exports for MY2014/15 are projected at 600,000 tons, the same as for MY2013/14. Production, domestic consumption and stocks are forecast to remain quite similar in both seasons. Apart from Brazil, the main market for Argentine rice, Iraq and Iran have been very active through purchasing bids. Argentina is currently in the process of loading 120,000 tons of rice for Iraq. Venezuela has also shown interest to buy rough rice from Argentina. Local traders are very optimistic about Argentine rice exports in the months to come.

## Stocks

**Wheat:** Ending stocks for MY2014/15 are forecast at 1.6 million tons, similar to the previous year. This level of stocks is high (equivalent to the use of 3 months). By limiting exports, the government assures that it will keep a domestic demand well supplied. In MY2012/13 stocks were very low due to unexpected late rains which negatively affected the final output while exports had already been shipped. This put a lot of pressure on prices due to a very tight availability. The government wants to avoid going through such a problem again. Final wheat stocks will also depend if the government announces the export quotas on time. If these announcements are delayed and Argentine wheat FOB prices are not competitive, exports can be smaller and ending stocks larger.

**Barley:** A smaller expected production in MY2014/15 would allow ending stocks to drop from MY2013/14 high level. Generally, the market remains with a technical stock for malting companies of about 200-300,000 tons.

**Corn:** Ending stocks for MY2014/15 would remain at about 1.0 million tons, almost one month and a half of use. The government makes an effort to have the local industry well supplied to avoid possible market tensions.

**Sorghum:** Ending stocks are expected to remain at a normal volume of 700-800,000 tons.

**Rice:** A good export performance and stable consumption in MY2014/15 are forecast to make ending stocks to be somewhat lower than usual.

## Policy

There is no production or processing subsidies for grains in Argentina. Back in 2007, the government raised soybean export taxes by 4 points (currently at 35 percent) to fund several subsidy programs for local users of grains and oilseeds. The goal was to decouple high world grain prices from domestic prices to ensure cheaper domestic food prices. All these programs were discontinued a few years ago. However, export taxes provide price advantages for local processing industries and animal feed. Current export taxes are 23 percent for wheat, 20 percent for corn, 20 percent for barley and 5-10 percent for rice. What remains is the administration of wheat and corn exports through quotas and export authorizations to assure that the local industry is well supplied. The government estimates production in the coming crop, deducts 7 million tons of wheat and 8 million tons of corn for domestic use and releases quotas for the expected export surplus. It will then adjust based on market dynamics. Traders indicate that if export announcements are delayed it plays against the business because Argentina would then have to compete in windows where there are additional suppliers.

## Statistical Information

Wheat Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Dec 2012		Market Year Begin: Dec 2013		Market Year Begin: Dec 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,600	3,600	3,500	3,500		4,200
Beginning Stocks	735	735	290	290		1,745
Production	9,300	9,300	10,500	10,500		12,000
MY Imports	5	5	5	5		5

<b>TY Imports</b>	4	4	5	5		5
<b>TY Imp. from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	10,040	10,040	10,795	10,795		13,750
<b>MY Exports</b>	3,550	3,550	3,000	3,000		6,000
<b>TY Exports</b>	7,450	7,450	2,000	2,000		6,000
<b>Feed and Residual</b>	300	300	100	100		100
<b>FSI Consumption</b>	5,900	5,900	5,950	5,950		6,050
<b>Total Consumption</b>	6,200	6,200	6,050	6,050		6,150
<b>Ending Stocks</b>	290	290	1,745	1,745		1,600
<b>Total Distribution</b>	10,040	10,040	10,795	10,795		13,750
1000 HA, 1000 MT, MT/HA						

<b>Barley Argentina</b>	<b>2012/2013</b>		<b>2013/2014</b>		<b>2014/2015</b>	
	<b>Market Year Begin: Dec 2012</b>		<b>Market Year Begin: Dec 2013</b>		<b>Market Year Begin: Dec 2014</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Harvested</b>	1,500	1,500	1,270	1,250		950
<b>Beginning Stocks</b>	214	214	433	283		733
<b>Production</b>	5,000	5,000	4,750	4,900		3,300
<b>MY Imports</b>	0	0	0	0		0
<b>TY Imports</b>	0	0	0	0		0
<b>TY Imp. from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	5,214	5,214	5,183	5,183		4,033
<b>MY Exports</b>	3,581	3,581	3,000	3,000		2,200
<b>TY Exports</b>	3,647	3,647	3,000	3,000		2,200
<b>Feed and Residual</b>	100	100	200	200		150
<b>FSI Consumption</b>	1,100	1,250	1,200	1,250		1,250
<b>Total Consumption</b>	1,200	1,350	1,400	1,450		1,400
<b>Ending Stocks</b>	433	283	783	733		433
<b>Total Distribution</b>	5,214	5,214	5,183	5,183		4,033
1000 HA, 1000 MT, MT/HA						

<b>Corn Argentina</b>	<b>2012/2013</b>		<b>2013/2014</b>		<b>2014/2015</b>	
	<b>Market Year Begin: Mar 2013</b>		<b>Market Year Begin: Mar 2014</b>		<b>Market Year Begin: Mar 2014</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Harvested</b>	4,000	4,000	3,300	3,400		3,200
<b>Beginning Stocks</b>	991	991	1,396	1,196		1,106
<b>Production</b>	26,500	27,000	24,000	24,000		22,000
<b>MY Imports</b>	5	5	10	10		5
<b>TY Imports</b>	4	4	10	10		5
<b>TY Imp. from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	27,496	27,996	25,406	25,206		23,111
<b>MY Exports</b>	18,500	18,900	16,000	15,800		13,400
<b>TY Exports</b>	22,786	22,786	13,000	13,000		14,000
<b>Feed and Residual</b>	5,000	5,300	5,000	5,500		5,700
<b>FSI Consumption</b>	2,600	2,600	3,000	2,800		3,000
<b>Total Consumption</b>	7,600	7,900	8,000	8,300		8,700



<b>Ending Stocks</b>	1,396	1,196	1,406	1,106		1,011
<b>Total Distribution</b>	27,496	27,996	25,406	25,206		23,111
1000 HA, 1000 MT, MT/HA						

Sorghum Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Harvested</b>	1,150	1,050	1,000	1,000		1,050
<b>Beginning Stocks</b>	167	167	1,067	667		967
<b>Production</b>	5,000	4,700	4,600	4,200		4,600
<b>MY Imports</b>	0	0	0	0		0
<b>TY Imports</b>	0	0	0	0		0
<b>TY Imp. from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	5,167	4,867	5,667	4,867		5,567
<b>MY Exports</b>	1,800	1,800	2,500	1,200		1,800
<b>TY Exports</b>	3,059	3,059	2,000	1,000		1,800
<b>Feed and Residual</b>	2,000	2,100	2,200	2,300		2,500
<b>FSI Consumption</b>	300	300	400	400		500
<b>Total Consumption</b>	2,300	2,400	2,600	2,700		3,000
<b>Ending Stocks</b>	1,067	667	567	967		767
<b>Total Distribution</b>	5,167	4,867	5,667	4,867		5,567
1000 HA, 1000 MT, MT/HA						

Rice, Milled Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2013		Market Year Begin: Apr 2014		Market Year Begin: Apr 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Harvested</b>	233	233	242	232		232
<b>Beginning Stocks</b>	175	175	194	225		200
<b>Milled Production</b>	1,014	975	1,008	975		975
<b>Rough Production</b>	1,560	1,500	1,551	1,500		1,500
<b>Milling Rate (.9999)</b>	6,500	6,500	6,500	6,500		6,500
<b>MY Imports</b>	5	5	5	5		5
<b>TY Imports</b>	5	5	5	5		5
<b>TY Imp. from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	1,194	1,155	1,207	1,205		1,180
<b>MY Exports</b>	575	530	650	600		600
<b>TY Exports</b>	526	526	620	570		600
<b>Consumption and Residual</b>	425	400	430	405		410
<b>Ending Stocks</b>	194	225	127	200		170
<b>Total Distribution</b>	1,194	1,155	1,207	1,205		1,180
1000 HA, 1000 MT, MT/HA						

