

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain and Feed Update

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Report Highlights:

Post forecasts wheat exports in marketing year (MY) 2018/19 at 13.6 million tons, 600,000 tons lower than USDA. Due to tighter supplies, Post estimates barley exports for 2017/18 at 2.5 million tons, 100,000 tons lower than USDA. Argentine corn production for MY 2018/19 is forecast at 41.5 million tons, 500,000 tons higher than USDA, due to an increase in harvested area. Strong global competition is expected to slow down the pace of corn exports. Rice production in 2018/19 is projected at 1.22 million tons (rough basis), 80,000 tons lower than USDA. Although the recent devaluation has improved farmers' returns, many producers are discouraged after several crop seasons with tight or negative returns. There are no significant changes in tables for sorghum.

Wheat: Post concurs with USDA's official wheat production estimate of 19.5 million tons for marketing year (MY) 2018/19. Due to the effects of dry weather in southeastern Cordoba and southwest Santa Fe, in addition to hail and frost damage in early October, we expect yields to be lower than those projected in September when most wheat fields around the country were in very good condition. Most analysts were expecting production of 20-21 million tons. Currently, most contacts' projections range between 19.0-19.5 million tons. So far, the condition of most wheat fields is very good (except in the area mentioned above) as weather has been beneficial and farmers have used very good technology to extract higher returns to help them recover from a very poor crop season affected by a severe drought in the summer of 2018.

Post estimates wheat exports (including wheat flour converted into wheat equivalent) for 2018/19 at 13.6 million tons, 600,000 tons lower than USDA, due to lower beginning stocks and projected higher ending stocks. Most local traders forecast Argentine wheat exports for 2018/19 between 12.5-13.5 million tons (including wheat flour). Through the first week in October, purchases totaled 6.7 million tons of wheat of the coming crop, of which exporters accounted for 97 percent. The pace of purchases is more than 70 percent higher than last year's crop season (during the same period). Shipments in December 2018-January 2019, right at harvest time, are expected to be very large. Shipments will then begin to decline from March onwards, at which time shipments to Brazil will be the main export destination. Managing larger wheat shipments remains a logistical challenge for Argentine exporters.

In early September 2018, the Argentine government applied taxes on all exports as to collect revenue. At the same time, a strong devaluation provided exporters a boost in competitiveness. The new export taxes scheme is different from past arrangements. Most bulk commodities will pay a tax of 4 Argentine pesos per \$1 U.S. dollar of the value of the export, while most value-added products will pay 3 Argentine pesos per dollar. On percentage basis, the export tax for wheat is roughly 10.5 percent and 8.0 percent for wheat flour, based on the current exchange rate. Export taxes for wheat and other grains were originally eliminated by the current government in December 2015. However, recent economic turmoil forced the government to impose export taxes to generate more revenue in order to improve its fiscal situation. As a result, farmers' wheat price dropped about US\$20 per ton after the implementation of the tax.

Argentine wheat exports in marketing year 2017/18 are forecast at 12.2 million tons, 200,000 tons higher than USDA. Wheat exports from December 2017 through September 2018 totaled 10.34 million tons. Exports in October and November 2018 are expected to add roughly 0.95 million tons. Exports of wheat flour for the entire marketing year are expected to represent an equivalent of 0.91 million tons of wheat. Higher exports will lower ending stocks to 800,000 tons in 2017/18.

Barley: Post concurs with USDA's official production estimate at 4.0 million tons for marketing year 2018/19. The key producing areas (especially southeast Buenos Aires province, where 45 percent of the country's barley is produced) are in very good conditions because of beneficial weather and farmers' substantial investment in technology. Barley areas in the northern part of La Pampa and southern Cordoba are in poor condition due to the lack of adequate rainfall.

Post concurs with USDA's barley export estimate for MY 2018/19 at 2.8 million tons. Traders indicate that there is strong global demand for feed barley as most world producers and exporters are facing production problems. Through the first week of October, local traders have already purchased 1.0 million tons of feed barley, with total exports expected at 1.6 million tons for the whole marketing year. As such, domestic barley prices are rising and surpassing levels not been seen in years. Saudi Arabia is expected to be the primary market for these exports. Exports of malting barley in 2018/19 are forecast at 1.2 million tons. Most of these shipments will be directed to South American countries, while some shipments will be directed to Vietnam and India. Post

forecasts barley exports for MY 2017/18 at 2.5 million tons, 100,000 tons lower than USDA. Local brokers indicate that there is practically no more barley available to buy in the domestic market.

Post estimates 2017/18 barley production at 3.5 million tons, 240,000 tons lower than USDA. Local analysts' production estimates range between 3.2-3.7 million tons. The fact that little barley can be purchased (at very high prices) would indicate that supplies and ending stocks are very tight. Malting companies estimate that they need a stock of about 200,000-250,000 tons each year for their sector's operations.

Corn: Post estimates production in MY 2018/19 at 41.5 million tons, 500,000 tons higher than USDA's official estimate. While Post projects lower average yields than USDA, Post forecasts area 300,000 hectares higher than USDA's official figure. Most contacts agree that farmers will plant on more area than last year and that area losses should be lower than last year's crop, which was affected by a severe drought. Despite recent tax policy changes that negatively affect corn returns (vis-à-vis soybeans), Post believes that planting area will only diminish marginally from earlier projections. By the time the new taxes were implemented, many producers had most inputs purchased to plant corn and numerous farmers had prepared the soil with chemical fallows which, in most cases, do not allow them to switch to soybeans. Corn production remains profitable (with the additional benefit of crop rotation) despite the recent policy changes. There are some doubts about planting area in Cordoba province as it continues to be quite dry. However, most weather forecasts predict normal to above-average rainfall over the next few months that will allow the sowing of corn in the main producing province.

In early September 2018, the government implemented a new export tax scheme by which corn exports will be applied a tax of 4 Argentine pesos per 1 U.S. dollar. Based on the current exchange rate, the tax is roughly 10.5 percent. At the same time, the government dropped the export tax on soybeans from 25.5 percent to 18 percent, but added the new export tax scheme, taking the effective tax (at the current exchange rate) from 25.5 percent to 28.5 percent. Therefore, corn export taxes increased 10.5 percentage points and soybeans 3 percentage points. With the inclusion of the tax modifications, farmers' returns diminished in September 2018 (compared to August 2018) roughly US\$100 per hectare in corn and US\$80 per hectare in soybeans. In September 2018, corn returns were still slightly higher than soybean returns in most parts of the country. However, the investment needed to plant a hectare of corn is between 50-80 percent greater than to plant soybeans. As local interest rates are very high and financing is more limited, this could make some producers to shift some hectares from corn to soybeans.

Post estimates Argentine corn exports for MY2018/19 at 26 million tons, 1.0 million tons lower than USDA's official number. Some traders are skeptical that Argentina will be competitive enough to export such large volumes in a global market that has ample supplies. Exports in MY 2017/18 are estimated at 21.5 million tons, 1.5 million tons lower than USDA's official volume. Exports from March-September 2018 were 14.4 million tons and October could finish with an additional 2.2 million tons. During November 2018-February 2019, local brokers believe shipments will slow down significantly due to strong competition from US corn. As such, farmers will likely sell first their wheat and barley supplies which have good prices and hold to their corn expecting better prices or a more convenient exchange rate in the future. Through the first week in October 2018, local exporters purchased almost 2.9 million tons less of the future corn crop, as compared to the same period a year ago.

Corn consumption for MY 2017/18 and 2018/19 is forecast at 12.5 million tons and 13.0 million tons respectively, 600,000 tons higher than USDA's figures for each marketing year. There continues to be significant debate over the level of corn use in Argentina, but most contacts believe it is higher than USDA's current level. Higher corn consumption is supported by a strong beef sector, with growing slaughter and exports, recovering milk production, and expanding corn ethanol production. The local pork sector is suffering economic problems as the price of corn has increased significantly due to the major devaluation of the past year and domestic pork prices have not increased accordingly. Despite this problem, the sector continues to increase production. The egg and poultry sectors have had similar problems to that of the pork sector. However, with the devaluation, they are now focusing on exports to support growth.

Ending stocks for MY 2018/19 are forecast at 5.8 million tons, a high volume for Argentine standards. This stock volume is 1.8 million tons higher than USDA, primarily due to Post forecasting lower export volumes than USDA in MY 2017/18 and MY 2018/19.

Sorghum: Post forecasts MY 2017/18 exports at 400,000 tons, 100,000 tons below USDA's figure. To date, exporters have only purchased 200,000 tons of this year's crop. Through October 2018, only 19,000 tons were shipped to Chile.

Rice: Harvested area for MY 2018/19 is expected to fall to 185,000 hectares, 15,000 hectares lower than USDA. Some contacts indicate that there could be an even larger drop in area. Rough rice production is forecast at 1.22 million tons, 80,000 tons lower than USDA's official volume. Overall, rice producers continue to be discouraged after several crops that have resulted in very thin or negative returns. The strong devaluation of the past months has improved projected returns; however, producers indicate that the future is quite uncertain as high inflation could undercut this benefit. Area is expected to drop in the five producing provinces, especially Corrientes and Entre Rios provinces. This will primarily affect small and medium producers who in some cases will shift to soybeans or cattle production.

Post forecasts domestic consumption of rice in MY 2018/19 at 460,000 tons (milled basis), 80,000 tons lower than USDA's official number. Rice consumption in Argentina is considered to be fairly inelastic.

Exports for MY 2017/18 are forecast at 360,000 tons (milled basis), 40,000 tons lower than USDA. Local brokers indicate that export sales are slower than earlier expected as competitor Brazil, with their currency devaluation, has been very active and price competitive. They also mention that Argentina does not have a wide number of export destinations to allocate supplies. As in the other grains, rice now pays an export tax of 4 Argentine pesos per 1 U.S. dollar. Moreover, in August 2018, the government reduced export rebates on many agricultural commodities in an attempt to cut federal expenditures. In the case of rice, depending on the product, it benefitted from a rebate of 2-3 percent, but this was reduced to 0.25-0.75 percent.

Statistical Tables

| Wheat Market Begin Year Argentina | 2016/2017 | | 2017/2018 | | 2018/2019 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | Dec 2016 | | Dec 2017 | | Dec 2018 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 5560 | 5560 | 5800 | 5800 | 6000 | 6000 |
| Beginning Stocks | 816 | 816 | 245 | 245 | 1000 | 800 |
| Production | 18400 | 18400 | 18500 | 18500 | 19500 | 19500 |
| MY Imports | 4 | 4 | 5 | 5 | 10 | 10 |
| TY Imports | 13 | 13 | 5 | 5 | 10 | 10 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 19220 | 19220 | 18750 | 18750 | 20510 | 20310 |
| MY Exports | 13825 | 13825 | 12000 | 12200 | 14200 | 13600 |
| TY Exports | 12275 | 12275 | 13575 | 13575 | 13500 | 13000 |
| Feed and Residual | 50 | 50 | 50 | 50 | 100 | 100 |
| FSI Consumption | 5100 | 5100 | 5700 | 5700 | 5700 | 5700 |
| Total Consumption | 5150 | 5150 | 5750 | 5750 | 5800 | 5800 |
| Ending Stocks | 245 | 245 | 1000 | 800 | 510 | 910 |
| Total Distribution | 19220 | 19220 | 18750 | 18750 | 20510 | 20310 |

(1000 HA) ,(1000 MT) ,(MT/HA)

| Barley Market Begin Year Argentina | 2016/2017 | | 2017/2018 | | 2018/2019 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Dec 2016 | | Dec 2017 | | Dec 2018 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 870 | 870 | 935 | 900 | 1000 | 980 |
| Beginning Stocks | 803 | 803 | 447 | 447 | 387 | 247 |
| Production | 3300 | 3300 | 3740 | 3500 | 4000 | 4000 |
| MY Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TY Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 4103 | 4103 | 4187 | 3947 | 4387 | 4247 |
| MY Exports | 2556 | 2556 | 2600 | 2500 | 2800 | 2800 |
| TY Exports | 2696 | 2696 | 2500 | 2400 | 2800 | 2800 |
| Feed and Residual | 100 | 100 | 100 | 100 | 100 | 100 |
| FSI Consumption | 1000 | 1000 | 1100 | 1100 | 1100 | 1100 |
| Total Consumption | 1100 | 1100 | 1200 | 1200 | 1200 | 1200 |
| Ending Stocks | 447 | 447 | 387 | 247 | 387 | 247 |
| Total Distribution | 4103 | 4103 | 4187 | 3947 | 4387 | 4247 |

(1000 HA) ,(1000 MT) ,(MT/HA)

| Corn Market Begin Year Argentina | 2016/2017 | | 2017/2018 | | 2018/2019 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Mar 2017 | | Mar 2018 | | Mar 2019 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 4900 | 4900 | 5200 | 5200 | 5000 | 5300 |
| Beginning Stocks | 1448 | 1448 | 5273 | 5273 | 2378 | 3278 |
| Production | 41000 | 41000 | 32000 | 32000 | 41000 | 41500 |
| MY Imports | 11 | 11 | 5 | 5 | 5 | 5 |
| TY Imports | 8 | 8 | 5 | 5 | 5 | 5 |
| TY Imp. from U.S. | 1 | 1 | 0 | 0 | 0 | 0 |
| Total Supply | 42459 | 42459 | 37278 | 37278 | 43383 | 44783 |
| MY Exports | 25986 | 25986 | 23000 | 21500 | 27000 | 26000 |
| TY Exports | 22951 | 22951 | 23500 | 21500 | 27000 | 26000 |
| Feed and Residual | 7500 | 7500 | 8000 | 8500 | 8500 | 8800 |
| FSI Consumption | 3700 | 3700 | 3900 | 4000 | 3900 | 4200 |
| Total Consumption | 11200 | 11200 | 11900 | 12500 | 12400 | 13000 |
| Ending Stocks | 5273 | 5273 | 2378 | 3278 | 3983 | 5783 |
| Total Distribution | 42459 | 42459 | 37278 | 37278 | 43383 | 44783 |

(1000 HA) ,(1000 MT) ,(MT/HA)

| Sorghum Market Begin Year Argentina | 2016/2017 | | 2017/2018 | | 2018/2019 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | Mar 2017 | | Mar 2018 | | Mar 2019 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 700 | 700 | 700 | 700 | 700 | 700 |
| Beginning Stocks | 952 | 952 | 889 | 889 | 689 | 789 |
| Production | 3400 | 3400 | 3000 | 3000 | 3150 | 3150 |
| MY Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TY Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 4352 | 4352 | 3889 | 3889 | 3839 | 3939 |
| MY Exports | 563 | 563 | 500 | 400 | 500 | 500 |
| TY Exports | 457 | 457 | 550 | 550 | 500 | 500 |
| Feed and Residual | 2500 | 2500 | 2300 | 2300 | 2300 | 2300 |
| FSI Consumption | 400 | 400 | 400 | 400 | 400 | 400 |
| Total Consumption | 2900 | 2900 | 2700 | 2700 | 2700 | 2700 |
| Ending Stocks | 889 | 889 | 689 | 789 | 639 | 739 |
| Total Distribution | 4352 | 4352 | 3889 | 3889 | 3839 | 3939 |

(1000 HA) ,(1000 MT) ,(MT/HA)

| Rice, Milled Market Begin Year Argentina | 2016/2017 | | 2017/2018 | | 2018/2019 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Apr 2017 | | Apr 2018 | | Apr 2019 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 204 | 196 | 198 | 192 | 200 | 185 |
| Beginning Stocks | 409 | 409 | 409 | 423 | 376 | 456 |
| Milled Production | 863 | 819 | 889 | 845 | 845 | 795 |
| Rough Production | 1328 | 1260 | 1368 | 1300 | 1300 | 1223 |
| Milling Rate (.9999) | 6500 | 6500 | 6500 | 6500 | 6500 | 6500 |
| MY Imports | 5 | 5 | 8 | 8 | 8 | 8 |
| TY Imports | 9 | 5 | 7 | 7 | 8 | 8 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 1277 | 1233 | 1306 | 1276 | 1229 | 1259 |
| MY Exports | 343 | 350 | 400 | 360 | 400 | 400 |
| TY Exports | 392 | 392 | 350 | 450 | 400 | 400 |
| Consumption and Residual | 525 | 460 | 530 | 460 | 540 | 460 |
| Ending Stocks | 409 | 423 | 376 | 456 | 289 | 399 |
| Total Distribution | 1277 | 1233 | 1306 | 1276 | 1229 | 1259 |

(1000 HA) ,(1000 MT) ,(MT/HA)

