

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Grain and Feed Update

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Report Highlights:

Post projects Argentine wheat production for 2017/18 at 16.8 million tons, 700,000 tons smaller than USDA due to a significantly lower harvested area. Excess rain during the planting and growing seasons will negatively affect the harvested area. This is forecast to cut potential exports, projected at 10.8 million tons, to 700,000 tons lower than USDA. Barley production and exports in 2017/18 remain practically unchanged from USDA's official data. Post projects corn production for 2017/18 at 40 million tons, 2 million tons lower than USDA because of a smaller area. Some producers could shift marginal corn area into soybean production due to the recent changes in relative prices between soybeans and corn. Rice area and production for 2017/18 is expected to drop due to excessive rain, which is delaying plantings in the main provinces, and thin returns.

Post:

Buenos Aires

Wheat: Post estimates Argentine marketing year (MY) 2017/18 wheat harvested area at 5.2 million hectares, 400,000 hectares lower than USDA and production at 16.8 million tons, 700,000 tons lower than the official number. This difference is primarily justified by a final lower planted area and the loss of 150-200,000 hectares due to flooding. The local wheat crop has so far developed in very wet conditions. The planting season began with excess soil moisture, with many lots not being able to be planted. Winter, typically a dry season in Argentina, was very humid and temperatures were milder than normal, with very few frosts. Currently the general condition for wheat is good, although there are some doubts about the final quality which will depend on how high yields are and how effective was the application of fertilizers as continued rains could have leached out part of the applied nutrients. Most producers have been able to control effectively insect and disease attacks. Wheat harvest has slowly begun in Northern provinces with yields somewhat lower than earlier expected.

Post concurs with USDA's wheat production for MY 2016/17 which was increased in the October WASDE report to 18.4 million tons, the same volume reported by the Argentine Ministry of Agriculture. Although locally there is still discussion on the level of production, the high volume of exports in MY 2016/17, estimated at 13.0 million tons (including flour), would indicate there was more wheat available than estimated earlier. There are some local analysts who believe production was lower but beginning stocks were higher than those reported by USDA but finally come up with a similar total supply.

Exports in MY 2017/18 are projected at 10.8 million tons, 700,000 tons lower than USDA. This is a reflection of Post's expected smaller output. Through mid-October, local exporters reported purchases of around 3.8 million tons of the new crop. The harvest of the new crop will be in full swing in the last part of November. Local exporters are expecting to increase wheat (and flour) shipments to Brazil in MY 17/18 due to the neighbor's smaller wheat crop and also to lower exports from Paraguay. Argentine exports to Brazil in MY16/17 will total 5.0/5.2 million tons of wheat and about 360,000 tons of wheat flour. Exports of wheat flour to Bolivia have also been significant in the current marketing year, with an estimated total export volume of about 300,000 tons. In early October, the Government of Argentina announced that the country will ship for the first time 30,000 tons of wheat to Mexico in December. The two countries recently agreed upon phytosanitary conditions.

Post has carried 100,000 tons higher stocks than USDA since MY 2015/16 as we set exports that year at 9.5 million tons, 100,000 tons lower than USDA. Ending stocks in my 2016/17 are estimated to be tight, as local spot prices are paying a premium of \$10 per ton against January 2018 prices. Contacts in the southern part of Buenos Aires province, the country's main wheat area, report that there are not many stocks in the area.

Barley: Post concurs with USDA's current supply and demand table. The only minor difference is that Post estimates exports in MY 2016/17 at 2.6 million tons, 100,000 tons lower than USDA (exports from December 2016 through October 2017 are estimated at 2.5 million tons). To date the 2017/18 crop is in general in very good condition (especially in the southern part of Buenos Aires province). However, some contacts indicate that, as in wheat, we will need to wait to see the final quality of the crop. If yields are on the high side and the excessive rain washed some of the fertilizer applied it could result in some quality problems for the malting industry. Barley prices are currently higher than projected when farmers planted. There is a firm international demand for both malting and feed barley. Traders indicate that a smaller crop in Australia is firming up prices. Ending stocks for 2016/17 and 2017/18 are projected a minimum technical volume of about 200,000 tons.

Corn: Post projects harvested area in MY 2017/18 at 5.0 million hectares, 200,000 hectares lower than USDA. This is also a reduction of Post's previous estimate which reflected a 6 percent increase from last year. The expansion is now forecast at 2 percent. This small reduction in area is a result of the recent relative price change between corn and soybeans. There are several thousand hectares which today are either with some degree of flooding or with wet soils which will need to dry up before the planting season of the summer crops is over. Some of this area was earlier expected to be planted with corn due to its higher returns. However, in the past 3 months and a half local future soybean prices increased 6 percent while corn prices dropped 3 percent. In most cases, where corn is close to ports or close to consumption centers, corn is still more profitable than soybeans, but the profitability gap has gotten significantly smaller. Also, corn production costs are 50 percent higher than those of soybeans. Producers farming on their own land will most likely continue with the projected rotation, while those who lease land, will be more inclined to plant somewhat more soybeans under current market conditions. For every two hectares of corn, producers can plant three hectares of soybeans. A drop in area in MY 2017/18 will negatively impact corn projected output, which Post forecast at 40.0 million tons, 2.0 million tons lower than USDA.

Exports and consumption in my 2017/18 are forecast at 29.0 million tons and 12.5 million tons respectively, the same as USDA. The final export volume will depend on FOB prices and if farmers are willing or needing to sell. The possibility of stocking large volumes of corn in silo bags allows farmers to manage their sales throughout the whole year. In the current crop, local official and private banks are offering credits to farmers with very low interest rate in dollar terms, making some producers take those credits and retain some of their crop production in the belief that commodity prices will increase over the next few months.

Ending stocks in MY 2017/18 are forecast at 4.5 million tons, 1.5 million tons lower than USDA primarily due to a projected lower production and larger estimated beginning stocks. Ending stocks for 2016/17 are a great doubt (the market estimates range between 5-10 million tons) which will depend on the final export volume. Post currently concurs with USDA's volume of 25.5 million tons exports for MY 2016/17, but there are traders and analysts who think they could vary significantly. Exports from March through October 2017 are estimated at 19.5 million tons. Half of Argentina's corn production now comes into the market in June/August (from the late planted corn), which coincides with Brazil's harvest and then with the US' production. Argentine corn exports are currently facing strong competition from Brazilian product. Traders indicate that at current market conditions, they lose money exporting corn. Exports in November and December are expected to be on the low side. Some traders believe that exports in January/May 2018 will be significant due to the large carry over from the 2016/17 crop and an abundant new crop coming in as of March. At this time of the year, Argentina has a window in which the export competition decreases significantly.

Sorghum: Post proposes no changes to USDA's official supply and demand table. Exports from March through October 2017 are estimated at 330,000 tons.

Rice: Argentine rice harvested area for MY 2017/18 is projected at 185,000 hectares, 15,000 hectares lower than USDA. This is due to the combination of two main factors: 1) excessive rain prior and during the planting season which is delaying significantly the sowing (to date, Corrientes planted roughly 50 percent of the area, while Entre Rios only 30 percent, half of what it is normally covered). Efficient producers will not plant beyond the end of the optimal date (early November); therefore, contacts estimate that several thousand hectares will not be planted. Planted area in Chaco, Santa Fe and Formosa is expected to remain relatively unchanged; and 2) higher energy costs which in some cases, especially Entre Rios province, are making producers plant other alternatives. Producers report that returns under current market conditions are very thin, almost breakeven. Therefore, rice production for the new crop is projected at 1.2 million tons (rough production), equivalent to

782,000 tons (milled basis) and practically 100,000 tons lower than USDA. Several weather forecasts are predicting normal to drier weather in the summer and fall. This is normally quite beneficial for rice production.

A lower output is not expected to affect the export surplus, which is forecast to remain at about 450,000 tons (milled basis). Domestic use is forecast at 460,000 tons (milled basis), smaller than what USDA estimates.

Statistical Tables

Wheat Market Begin Year Argentina	2015/2016		2016/2017		2017/2018	
	Dec 2015		Dec 2016		Dec 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3945	3945	5560	5200	5600	5200
Beginning Stocks	4804	4804	616	716	321	421
Production	11300	11300	18400	18400	17500	16800
MY Imports	12	12	5	5	10	10
TY Imports	3	3	13	13	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16116	16116	19021	19121	17831	17231
MY Exports	9600	9500	13000	13000	11500	10800
TY Exports	8750	8750	12275	12275	12000	11300
Feed and Residual	200	200	100	100	100	100
FSI Consumption	5700	5700	5600	5600	5800	5800
Total Consumption	5900	5900	5700	5700	5900	5900
Ending Stocks	616	716	321	421	431	531
Total Distribution	16116	16116	19021	19121	17831	17231
Yield	2.8644	2.8644	3.3094	3.5385	3.125	3.2308

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

Barley Market Begin Year Argentina	2015/2016		2016/2017		2017/2018	
	Dec 2015		Dec 2016		Dec 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1250	1250	870	870	730	730
Beginning Stocks	340	340	703	603	203	203
Production	4940	4940	3300	3300	2750	2750
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	5280	5280	4003	3903	2953	2953
MY Exports	3077	3077	2700	2600	1600	1550
TY Exports	2836	2836	2700	2650	1700	1700
Feed and Residual	400	500	100	100	100	100
FSI Consumption	1100	1100	1000	1000	1100	1100
Total Consumption	1500	1600	1100	1100	1200	1200
Ending Stocks	703	603	203	203	153	203
Total Distribution	5280	5280	4003	3903	2953	2953
Yield	3.952	3.952	3.7931	3.7931	3.7671	3.7671

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

Corn Market Begin Year Argentina	2015/2016		2016/2017		2017/2018	
	Mar 2016		Mar 2017		Mar 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3500	3700	4900	4900	5200	5000
Beginning Stocks	2898	2898	1061	1561	5566	6066
Production	29000	29500	41000	41000	42000	40000

MY Imports	5	5	5	5	5	5
TY Imports	2	2	5	5	5	5
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	31903	32403	42066	42566	47571	46071
MY Exports	21642	21642	25500	25500	29000	29000
TY Exports	21678	21678	23500	23500	27000	27000
Feed and Residual	5900	5900	7300	7300	8500	8500
FSI Consumption	3300	3300	3700	3700	4000	4000
Total Consumption	9200	9200	11000	11000	12500	12500
Ending Stocks	1061	1561	5566	6066	6071	4571
Total Distribution	31903	32403	42066	42566	47571	46071
Yield	8.2857	7.973	8.3673	8.3673	8.0769	8
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sorghum Market Begin Year Argentina	2015/2016		2016/2017		2017/2018	
	Mar 2016		Mar 2017		Mar 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	750	750	700	700	760	760
Beginning Stocks	971	971	952	952	852	852
Production	3375	3375	3400	3400	3500	3500
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	4346	4346	4352	4352	4352	4352
MY Exports	494	494	400	400	600	600
TY Exports	772	772	400	400	600	600
Feed and Residual	2500	2500	2700	2700	2500	2500
FSI Consumption	400	400	400	400	400	400
Total Consumption	2900	2900	3100	3100	2900	2900
Ending Stocks	952	952	852	852	852	852
Total Distribution	4346	4346	4352	4352	4352	4352
Yield	4.5	4.5	4.8571	4.8571	4.6053	4.6053
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled Market Begin Year Argentina	2015/2016		2016/2017		2017/2018	
	Apr 2016		Apr 2017		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	208	207	204	196	200	185

Beginning Stocks	529	529	398	367	206	204
Milled Production	910	819	863	822	880	782
Rough Production	1400	1260	1328	1265	1354	1203
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	5	5	5	5	5	5
TY Imports	5	5	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1444	1353	1266	1194	1091	991
MY Exports	526	526	550	530	450	450
TY Exports	527	527	550	530	450	450
Consumption and Residual	520	460	510	460	520	460
Ending Stocks	398	367	206	204	121	81
Total Distribution	1444	1353	1266	1194	1091	991
Yield (Rough)	6.7308	6.087	6.5098	6.4541	6.77	6.5027
(1000 HA) ,(1000 MT) ,(MT/HA)						