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GAIN Report

Global Agricultural Information Network

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Argentina

Oilseeds and Products Update

Soybean Production Continues to be the Preferred Option in 2015/2016, as Favorable Weather Boosts Sunflower Production

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Report Highlights:

2015/16 soybean production area is unchanged at 20 million hectares with production forecast at 57 million tons. Lower soybean area in less profitable regions is expected to be offset by a shift to soybeans from planting corn and wheat. Low economic returns, a strong currency, and political uncertainty, are exerting downward pressure on overall grains and oilseed area. 2015/16 sunflower production is revised up significantly to 3.2 million tons based on favorable conditions.

Soybeans

Oilseed, Soybean (Local) Market Begin Year	2013/2014		2014/2015		2015/2016	
	Apr 2013		Apr 2014		May 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted	19400	19400	19300	19300	20000	20000
Area Harvested	19400	19400	19300	19300	20000	20000
Beginning Stocks	7515	7515	10600	10600	16585	16585
Production	53500	53500	60800	60800	57000	57000
MY Imports	2	2	2	2	2	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	61017	61017	71402	71402	73587	73587
MY Exports	7433	7433	9700	9700	9775	9775
MY Exp. to EU	50	50	50	50	50	50
Crush	38497	38497	40100	40100	42500	42500
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	4487	4487	5017	5017	5102	5102
Total Dom. Cons.	42984	42984	45117	45117	47602	47602
Ending Stocks	10600	10600	16585	16585	16210	16210
Total Distribution	61017	61017	71402	71402	73587	73587
(1000 HA) ,(1000 MT)						

In 2015/2016, soy producers face significant challenges including lower prices, high production costs, an approaching El Nino weather pattern, and an uncertain political climate. Based on Post analysis and insight from industry contacts, production and trade for 2015/2016 are left unchanged. FAS Buenos Aires will continue to monitor the situation as the season progresses.

Low to Negative Profitability

2015/2016 production is unchanged at 57 million tons, a 6 percent decline from 2014/2015 as yields are expected to revert to trend levels. At the onset of the season, many producers (particularly those renting land) are facing low to negative margins as a result of lower prices, high production costs – energy, taxes, labor, and transportation – high export taxes, and a strong local currency that is eroding competitiveness relative to other exporters. According to industry contacts, soy producers in the main production zone (composed of areas in Buenos Aires, Cordoba, Santa Fe and Entre Rios provinces) will see roughly a third of revenues going towards export taxes, with a significant portion of the remainder going to transportation and local taxes. In production areas far from ports such as Salta province, transportation costs can take up 40-45 percent of revenues. Hailed as the new frontier for crop production, the provinces of Salta, Tucuman, Santiago del Estero and Chaco face higher transportation costs in order to transport product across the country by truck to the port of Rosario, a trip of over 600-1,000 kilometers. The situation is especially difficult for producers who rent land. Those farmers who produce on their own land are in better position but will still encounter potential tight margins. A recent [report](#) estimates that the government collects over 94 percent of net profits in the agricultural sector, this includes the sum of taxes, including provincial and export duties, and intervention costs – the costs of delayed export licenses.

Due to the confluence of these factors, producers will lower their use of technology/inputs – fungicides, fertilizers, inoculants, and high quality seed – and use less-expensive and lower quality substitutes in

order to curb costs. The decreased use of inputs normally leads to lower yields; however, producers believe El Nino which normally delivers more moisture, will offset these losses. Post estimates yields will average around 2.9 tons per hectare which is close to trend levels. Contacts expect some lower areas may be negatively affected by El Nino, where excess rainfall could result in flooding. On the other hand, better yields in non-affected and more productive areas are expected to more than offset any potential area lost due to flooding.

Due to the low profitability of grains in 2015/2016 season, contacts expect total wheat and corn area to decline by 1.5 million hectares. This significant decline is due to the various economic constraints noted earlier, and concerns on continued export license allocation (ROEs) delays. A large portion of the area lost to corn is expected to be allocated to soybean production due to its lower input costs. The area not planted to wheat will most likely be planted directly to first soy crop, which normally yields higher than soy planted after the wheat harvest. Accordingly, soybean area harvested is left unchanged at 20 million hectares, an increase of 3.6 percent (700,000 hectares) compared to the year before.

Strong Currency

While other South American soy suppliers – Uruguay, Brazil and Paraguay – have seen their currencies depreciate relative to the dollar in the past half year, Argentina’s exchange rate has appreciated. This is diminishing its competitiveness as local producers must absorb the full impact of lower commodity prices and high domestic inflation.

Policy Situation

Looming over the beginning of the season is the presidential election slated to take place on October 25th. The three major presidential candidates – Daniel Scioli, Mauricio Macri and Sergio Massa – have signaled possible agricultural policy changes if elected. At present, there is much speculation over how any new administration will direct policies as it takes office in December 2015. The current government has in place several policies that impact oilseed production. The most significant are: 1) a strong local currency, 2) high taxes and 3) high export taxes on soybeans and products. Much of the industry expects these policies to be modified after a new administration takes power. Nonetheless, current policies combined with speculation on the likely winner and his administration’s policies has created significant uncertainty on planting decisions. Many producers are expected to base their decisions on an expectation that policy modifications will improve returns in time for harvest around March and April.

Sunflowerseed

Oilseed, Sunflowerseed Market Begin Year	2013/2014		2014/2015		2015/2016	
	Mar 2013		Mar 2014		May 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Planted	1300	1300	1440	1440	1400	1600
Area Harvested	1300	1300	1440	1440	1400	1600
Beginning Stocks	998	998	675	675	920	920
Production	2000	2000	3160	3160	2600	3200
MY Imports	1	1	1	1	2	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2999	2999	3836	3836	3522	4122
MY Exports	73	73	70	70	85	85
MY Exp. to EU	18	18	20	20	20	20
Crush	2211	2211	2800	2800	2700	3094
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	40	40	46	46	54	58
Total Dom. Cons.	2251	2251	2846	2846	2754	3152
Ending Stocks	675	675	920	920	683	885
Total Distribution	2999	2999	3836	3836	3522	4122
(1000 HA) ,(1000 MT)						

Sunflower area harvested is revised up significantly to 1.6 million hectares in 2015/2016 due to favorable weather conditions that encouraged greater planting, especially in Chaco and Santa Fe provinces. While yields are not expected to reach the record levels of last season, they are expected to be healthy and above average around 2 tons per hectare. Production is revised up to 3.2 million metric tons, an increase of 1.3 percent compared to the previous season.

Planting areas throughout the entire country are experiencing good conditions spurring higher production. As of late September, this season's national planting progress is above average compared to other years with 23 percent of the crop already planted according to industry sources. Rains in the areas of Chaco, Formosa and East Santiago del Estero during the end of August have provided adequate water tables to regulate. Although colder temperatures hit the Chaco area – specifically the localities of San Bernardo and Hermoso Campo - two weeks ago and resulted in some damaged and burnt leaves, these lesions were not enough to hurt the crop in any significant way. According to sources, the expected planting for the central north part of Santa Fe has just finalized under conditions of adequate humidity. Meanwhile, planting continues in the central north Cordoba, Nucleo North, Central-East Entre Rios and Corrientes under optimal moisture levels and plant health with expectations of greater copper fluidity. In the south of the national agricultural area, specifically in the southeast of Buenos Aires and south La Pampa, planting conditions are looking favorable with the possibility of sowing occurring within the next few weeks.

Trade is left unchanged as year-to-date trade data reflects current estimates. Although shipments have slowed down to the Middle East, Brazil and Mexico, this is not expected to have a significant impact on exports as shipments to the Spain, the United States and Algeria are growing. Crush is revised up accordingly to nearly 3.1 million tons, an increase of 10 percent from the previous season. Due to this increased crush use and relatively unchanged feed and waste use, ending stocks are revised up to 885,000 tons, up 4 percent from the previous year.

Peanuts

Oilseed, Peanut	2013/2014	2014/2015	2015/2016
Market Begin Year	Mar 2014	Mar 2015	May 2016

Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	380	380	385	343	365	370
Area Harvested	378	378	383	341	365	370
Beginning Stocks	447	447	598	598	875	695
Production	997	997	1343	1188	1060	1090
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1444	1444	1941	1786	1935	1785
MY Exports	566	566	725	750	750	780
MY Exp. to EU	370	370	465	465	485	485
Crush	210	210	265	265	265	275
Food Use Dom. Cons.	50	50	53	53	55	55
Feed Waste Dom. Cons.	20	20	23	23	25	25
Total Dom. Cons.	280	280	341	341	345	355
Ending Stocks	598	598	875	695	840	650
Total Distribution	1444	1444	1941	1786	1935	1785
(1000 HA) ,(1000 MT)						

2014/2015 area harvested is revised down to 341,000 hectares based on the latest industry production summaries. Conditions were so optimal during the 2014/2015 season that it led to historic yields estimated at nearly 3.5 tons per hectare. Due to lower area harvested yet historic yields, 2014/2015 production is revised down to 1.19 million tons, an increase of 19 percent over the previous season.

Planting occurred during the months of October (32 percent), November (66 percent) and December (2 percent) with most of it concentrated during the month of November due to better weather conditions. November had precipitation levels of an average of 87 milometers, an increase of almost 28 percent from the prior month of October. Heavy rains in the mouths of February and March further helped the crop along the season. Overall plant health was great during the season despite some disease and pests. Reported diseases were caused by sclerotinia, fusarium y cercospora, with an average of three applications used in order to control smallpox. Pests – spider mites and grasshoppers – were reported at low to medium incidence.

2014/2015 exports are revised up to 750,000 tons based on strong shipments to the European Union and Russia. In fact, year-to-date exports for the season are up 53 percent compared to the same period last marketing year. Due to lower production and higher exports for the 2014/2015 season, stocks will be drawn at a larger level, leading to revised ending stocks of 695,000 tons.

For the 2015/2016 season, planting area is revised up slightly to 370,000 hectares. Yields are not expected to reach the historic levels of the previous seasons; however, higher moisture levels spurred by the upcoming El Nino will lead to healthy yields around 2.9 tons yield. Accordingly, 2015/2016 production is revised up to 1.09 million tons. This production increase is encouraged by greater exports and slightly higher crush levels, both revised up at 780,000 and 275,000 tons, respectively. The additional demand will lead to a drawdown of stocks which are expected to end at 650,000 for the season.

Post:

Buenos Aires

Commodities:

Oilseed, Soybean (Local)

Oilseed, Sunflowerseed

Oilseed, Peanut

Executive Summary: