

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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GAIN Report Number:

Argentina

Oilseeds and Products Update

Gradual Reduction of Soybean Export Tax Commences

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Report Highlights:

The government's plan to gradually reduce soybean export taxes commenced with the publication of Decree 1343/17 on January 2nd. Previously, the export tax for soybeans stood at 30 percent while the tax for soybean oil and soybean meal was 27 percent. The government will lower these taxes by 0.5 percentage points every month beginning January 2018 until December 2019, lowering the tax by 12 percentage points in total. Despite the erratic weather patterns around the country, the soybean, sunflower, and peanut crops are presently in good condition. However, there are parts of the country experiencing elevated temperatures that could negatively affect the crop if relief does not come soon.

Soybeans

| Oilseed, Soybean (Local) Market Begin Year | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | Apr 2016 | | Apr 2017 | | Apr 2018 | |
| Argentina | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 19700 | 20250 | 19200 | 19200 | 19100 | 19100 |
| Area Harvested | 19530 | 19530 | 18350 | 18500 | 19100 | 19100 |
| Beginning Stocks | 10800 | 10800 | 12457 | 11873 | 17250 | 16138 |
| Production | 56800 | 56800 | 57800 | 57800 | 57000 | 57000 |
| MY Imports | 1304 | 1304 | 2000 | 2000 | 1700 | 1700 |
| MY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| MY Imp. from EU | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 68904 | 68904 | 72257 | 71673 | 75950 | 74838 |
| MY Exports | 9046 | 9046 | 7335 | 7335 | 8500 | 8500 |
| MY Exp. to EU | 60 | 60 | 60 | 65 | 60 | 0 |
| Crush | 43041 | 43085 | 43200 | 43200 | 45000 | 46000 |
| Food Use Dom. Cons. | 0 | 0 | 0 | 0 | 0 | 0 |
| Feed Waste Dom. Cons. | 4360 | 4900 | 4472 | 5000 | 4650 | 5100 |
| Total Dom. Cons. | 47401 | 47985 | 47672 | 48200 | 49650 | 51100 |
| Ending Stocks | 12457 | 11873 | 17250 | 16138 | 17800 | 15238 |
| Total Distribution | 68904 | 68904 | 72257 | 71673 | 75950 | 74838 |
| Yield | 2.9083 | 2.9083 | 3.1499 | 3.1243 | 2.9843 | 2.9843 |
| (1000 HA) ,(1000 MT) ,(MT/HA) | | | | | | |

According to local reports, almost 90 percent of the soybean crop has been planted. Sowings still have to be completed in northern Argentina, specifically the provinces of Salta, Chaco, Santiago del Estero, and Formosa. Planting progress in this region has been slow due to elevated temperatures and the lack of rain. So far, the soybean crop is exhibiting good conditions with over 90 percent of the crop exhibiting “normal” and “good” conditions in addition to adequate moisture levels, according to the Grains Exchange of Buenos Aires.¹

There is concern that 2nd crop soybean may be endangered by the lack of adequate planting conditions in Buenos Aires province due to drought-like conditions. These conditions are the result of rainfall below average levels, high temperatures, and low soil humidity. Local observers report that Buenos Aires province is the most affected by La Nina this season. Moreover, there could be potential losses for 1st crop soybean if significant rainfall does not resume. There have already been some reports of burned leaves and stunted plants in the north part of the province due to these conditions.² This season was hit by particularly erratic weather with heavy rains and flooding at the beginning of the season and excessive heat conditions in north Argentina and the province of Buenos Aires in late December/early January. However, this weather pattern does not warrant any revision of Post’s production estimates as there remains ample time in the season for conditions to normalize. As such, Post maintains its production estimate of 57 million tons.

Reduction of Soybean Export Tax and its Effects on Stocks

¹ <http://www.bolsadecereales.com/> - ESTADO Y CONDICIÓN DE CULTIVOS EN ARGENTINA 1-4-18

² <http://www.bcr.com.ar/Pages/gea/infDetalle.aspx>

On January 2nd, the government released Decree 1343/17 outlining the reduction of soybean export taxes by 0.5 percentage points for between January 2018 and December 2019. This will result in the reduction of the export tax by 12 percentage points by the end of January 2020. As such, the tax for soybean exports in December 2019 will stand at 18 percent for soybeans and 15 percent for soybean oil and meal. Producers, who are reporting tighter margins due to elevated costs, welcome this reduction. Producers have been especially hit by fuel costs, that have gone up by 29 percent over the last year and provincial property taxes have risen by 25 to 50 percent depending upon the specific province.³

This gradual reduction has generated much speculation over whether producers will store more of their harvest than usual. Local analysts believe that this gradual reduction coupled with the expectation of further devaluation of the Argentine peso will give greater incentive to producers to hold back supplies.⁴ Post's current stock estimates appear to support such a conclusion but there is much debate over the specific volume of additional stocks. It is reasonable to conclude that producers will mostly likely sell off enough beans necessary to cover this season's production and finance costs. The remaining beans will be stored as way to extract greater returns when the export tax and market conditions are more favorable.

Sunflower

| Oilseed, Sunflowerseed Market Begin Year | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | Mar 2016 | | Mar 2017 | | Mar 2018 | |
| Argentina | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 1300 | 1250 | 1715 | 1700 | 1800 | 1800 |
| Area Harvested | 1270 | 1200 | 1715 | 1630 | 1760 | 1750 |
| Beginning Stocks | 1038 | 1038 | 596 | 497 | 637 | 461 |
| Production | 2700 | 2600 | 3400 | 3300 | 3700 | 3800 |
| 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 | 3738 | 3638 | 3996 | 3797 | 4337 | 4261 |
| MY Exports | 308 | 308 | 75 | 76 | 170 | 170 |
| MY Exp. to EU | 248 | 20 | 15 | 15 | 15 | 15 |
| Crush | 2779 | 2779 | 3230 | 3200 | 3500 | 3600 |
| Food Use Dom. Cons. | 0 | 0 | 0 | 0 | 0 | 0 |
| Feed Waste Dom. Cons. | 55 | 54 | 54 | 60 | 56 | 65 |
| Total Dom. Cons. | 2834 | 2833 | 3284 | 3260 | 3556 | 3665 |
| Ending Stocks | 596 | 497 | 637 | 461 | 611 | 426 |
| Total Distribution | 3738 | 3638 | 3996 | 3797 | 4337 | 4261 |
| Yield | 2.126 | 2.1667 | 1.9825 | 2.0245 | 2.1023 | 2.1714 |
| (1000 HA) ,(1000 MT) ,(MT/HA) | | | | | | |

2017/18

According to the Grains Exchange of Buenos Aires, the sunflower crop is in great condition with over 98 percent of the crop reporting regular to excellent conditions. Sunflower plantings concluded in mid-

³ <http://www.lanacion.com.ar/2089572-costos-al-acecho-la-suba-del-gasoil-les-mete-presion-a-los-numeros-del-campo>

⁴ <https://www.infobae.com/campo/2018/01/02/retenciones-a-la-soja-el-ano-comenzo-con-una-baja-gradual-de-05-mensual/>

December with sowings concluding in the areas of southwest Buenos Aires and south La Pampa provinces. At the same time, harvest began in northeast Argentina, specifically in Chaco, Santiago del Estero, and Santa Fe provinces. Harvest progress will proceed southward until concluding in southwest Buenos Aires and south La Pampa provinces by late April. Chaco and Santiago del Estero provinces reported yields between 1.5 to 2.5 tons per hectare (in line with historical averages) while central-north Santa Fe province registered above-averages yields around 2.86 tons per hectare. Based on this crop progress, Post maintains its production estimate of 3.8 million tons with projected area harvested of 1.75 million hectares.

The Argentine Sunflower Association (ASAGIR) is working hard with its producers and the Argentine government in eliminating insecticide residues in sunflower oil. This issue led to the closure of the European Union to Argentine sunflower oil a few years ago. Since then, producers and the Argentine plant health authority, SENASA, has been working on reducing residues. Moreover, ASAGIR's goal is the prohibition of certain insecticides altogether. Producers that with the prohibition they will be in position to negotiate the reentry of Argentine sunflower oil to Europe. At its peak in 2008, Argentina exported more than \$750 million of sun oil to the European Union.

Peanuts

| Oilseed, Peanut Market Begin Year | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|--------------------------------------|---------------|----------|---------------|----------|---------------|----------|
| | Mar 2016 | | Mar 2017 | | Mar 2018 | |
| Argentina | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 300 | 330 | 325 | 357 | 345 | 370 |
| Area Harvested | 290 | 290 | 324 | 324 | 345 | 370 |
| Beginning Stocks | 564 | 564 | 275 | 268 | 433 | 401 |
| Production | 930 | 930 | 1288 | 1288 | 1160 | 1160 |
| 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 | 1494 | 1494 | 1563 | 1556 | 1593 | 1561 |
| MY Exports | 883 | 877 | 790 | 800 | 820 | 820 |
| MY Exp. to EU | 526 | 540 | 515 | 520 | 525 | 545 |
| Crush | 269 | 269 | 270 | 270 | 275 | 280 |
| Food Use Dom. Cons. | 51 | 55 | 53 | 58 | 54 | 61 |
| Feed Waste Dom. Cons. | 16 | 25 | 17 | 27 | 17 | 29 |
| Total Dom. Cons. | 336 | 349 | 340 | 355 | 346 | 370 |
| Ending Stocks | 275 | 268 | 433 | 401 | 427 | 371 |
| Total Distribution | 1494 | 1494 | 1563 | 1556 | 1593 | 1561 |
| Yield | 3.2069 | 3.2069 | 3.9753 | 3.9753 | 3.3623 | 3.1351 |
| (1000 HA) ,(1000 MT) ,(MT/HA) | | | | | | |

2017/18

According to local contacts, over half of the peanut crop has been planted as of late December. The Grains Exchange of Cordoba indicates that the crop is in very good condition with no pests or diseases present. Early planted crop is currently at V2-V3 growth stage. According to local observers, this season's area growth is tied to the market conditions from last season. Although there was significant damage in south Cordoba due to floods (around 9,600 hectares), producers experienced record yields, which is encouraging greater sowings for this season.

In an effort to sustain growth in productivity, the Argentine Peanut Foundation is financing research to develop biotech seeds to combat certain fungi and increase yields, with grains of shorter cycles.⁵ Shorter cycle varieties are of particular importance to producers, as it will help them avoid weather issues around harvest time, which was a major obstacle in the last seasons. Shorter cycle varieties also facilitate crop rotation in order to improve soil nutrition. Current peanut varieties have a cycle of 150-160 days and the producers hope to develop varieties around 130-140 day cycles.

⁵ <http://agrovoz.lavoz.com.ar/agricultura/mas-hectareas-para-el-mani-proyectan-aumento-del-5>

Post:

Buenos Aires

Commodities:

Oilseed, Soybean (Local)

Oilseed, Sunflowerseed

Oilseed, Peanut