

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Oilseeds and Products Update

Election Results Expected to Lift Prospects for all Oilseeds

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Report Highlights:

The victory of President-elect Mauricio Macri on November 22nd, has lifted producer expectations and will likely have a significant impact domestically and in international markets. The President-elect's proposed agricultural policy changes are expected to encourage greater soybean sales. These policy changes could also improve prospects for the sunflowerseed and peanut crops. Sunflowerseed production is revised up for 2015/2016. Peanut exports are revised up based on greater global demand, specifically the EU and China.

Soybeans

The incoming government under the leadership of President-elect Mauricio Macri has proposed a series of policy changes (see [Incoming Government Proposes Significant Ag. Policy Changes 11-23-2015](#)) that are expected to be implemented immediately after taking office on December 10th. The proposed changes are expected to boost soybean sales as the government plans a gradual reduction of export taxes for soybeans and its byproducts by 5 percent ever year (initially falling from 35 to 30 percent), elimination of export licenses (ROEs), and a package of tax reforms. These changes could spur exports of soybeans in the short term as producers move forward with sales that have been held up in anticipation of policy changes. The other factor affecting sales in the short term is wide spread expectations of a currency adjustment which could significantly increase returns in local currency terms.

Oilseed, Soybean (Local) Market Begin Year	2013/2014		2014/2015		2015/2016	
	Apr 2014		Apr 2015		Apr 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	19400	19400	19300	19300	20000	20000
Area Harvested	19400	19400	19300	19300	20000	20000
Beginning Stocks	7515	7515	10600	10100	14585	12885
Production	53500	53000	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	60517	71402	70902	71587	69887
MY Exports	7433	7433	11000	11500	10700	11000
MY Exp. to EU	52	50	60	60	60	60
Crush	38497	38497	40800	41500	43000	43000
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	45817	46517	48102	48102
Ending Stocks	10600	10100	14585	12885	12785	10785
Total Distribution	61017	60517	71402	70902	71587	69887

(1000 HA) ,(1000 MT)

Production

According to local estimates, as of mid-November, 3.96 million hectares of soybeans have been planted, representing about 18 percent of USDA's projected total planting area of 20 million hectares for 2015/2016. Historical sowing patterns indicate this season's planting progress so far is below average, a result of low temperatures at beginning of the season and political uncertainty prior to the November 22 election. Those planted areas have plants with 2-3 leaves with their development slightly stunted by low temperatures reported over the past few weeks. On the other hand, there are other areas with emerging crops that are experiencing better weather and should result in better plant health. Weather forecasts for southern Buenos Province and La Pampa regions are projected to endure low temperatures which could further delay sowings.

The above-mentioned proposed policy changes are not expected to benefit soybeans alone; but, other agricultural commodities - most importantly corn and wheat. A more positive outlook for corn via greater returns due to the elimination of its 20 percent export tax and a more open export environment through the elimination of export permits (ROEs) could encourage more corn planting at the expense of

soybean. Such a possibility will be made more evident in December when President-Elect Macri's administration assumes power and the planting window for corn winds down. As such, 15/16 planting area and production remain unchanged at 20 million hectares and 57 million tons, respectively. The first few months of the next administration are expected to be very dynamic, FAS Buenos Aires will monitor situation closely and evaluate its effects on oilseed production.

Based on updated figures from local reports, 2013/2014 production is revised down 500,000 tons to 53.0 million tons.

Crush

Current crush estimates in addition to expectations of greater soybean byproduct exports in anticipation of policy changes are expected to increase crush. Based on official crush figures and local analysts, 14/15 crush is revised up to 41.5 million tons. 15/16 crush remains unchanged, although local sources indicate that multiple factors may exert downward pressure on the USDA's current estimate of 43 million tons.

Trade

14/15 exports are revised up to 11.5 million tons based year-to-date (April-September 2015) exports, greater demand from China and current confirmed purchase commitments for the remainder of the marketing year. At present, 15/16 exports are revised up to 11 million tons as local analysts and producers expect producers to regain competitiveness and gain stronger returns for their exports.

Global oilseed markets have speculated that President-elect Macri's victory and its policy ramifications will result in massive soybean sales leading to an "unloading" of Argentine soybean supplies onto the world market. However, local sources and reports indicate that such a substantial sell-off is unlikely at this point. The anticipated policy changes can significantly improve the returns and competitiveness of exports; however, macroeconomic conditions i.e. a possible currency adjustment will be the primary driver of new sales. For example, a local source indicated that producers may want to liquidate large volumes of their supplies; but, such sales may not be possible if returns cannot be converted into U.S. dollars or in their equivalent in local currency terms after said adjustment.

Stocks

As a result of adjustments to production, trade, and crush, ending stocks for 2013/2014, 2014/2015 and 2015/2016 are revised down to 10.1, 12.9 and 10.8 million metric tons, respectively.

Sunflowerseed

Oilseed, Sunflowerseed Market Begin Year	2013/2014		2014/2015		2015/2016	
	Mar 2014		Mar 2015		Mar 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1300	1300	1440	1300	1400	1450
Area Harvested	1300	1300	1440	1300	1400	1450
Beginning Stocks	998	998	675	675	870	570
Production	2000	2000	3160	2860	2800	2900
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	3536	3672	3472
MY Exports	73	73	68	68	75	75

MY Exp. to EU	18	18	20	20	20	20
Crush	2211	2211	2850	2850	2700	2700
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	40	40	48	48	54	54
Total Dom. Cons.	2251	2251	2898	2898	2754	2754
Ending Stocks	675	675	870	570	843	643
Total Distribution	2999	2999	3836	3536	3672	3472

Expected Policy Changes Lift Production Prospects for 2015/2016

After some years in decline, it appears that prospects for sunflowerseed may begin to improve with local producers describing this season as an inflection point. According to the Argentine Sunflower Association (Asagir), the sunflowerseed area may recover for this season as a result of the possibility of more favorable policies – elimination of sunflowerseed and its byproducts export taxes – and recent rise in international sunflower oil prices of about 13 percent.

According to Asagir, an elimination of all sunflowerseed export taxes without a consideration in the exchange rate could yield in up to \$315 dollars per ton, making the crop a competitive alternative especially in the provinces of Buenos Aires and La Pampa. As a result of positive producer expectations and based on local area estimates, 15/16 planting area is revised up to 1.45 million hectares. Favorable weather conditions throughout the main production areas are expected to benefit yield projections even further to 2.0 metric tons per hectare. Based on increased yield levels and production area, production for 15/16 is revised up to 2.9 million tons. or 2.75 million tons FAS Buenos Aires will continue to monitor and pay particular attention to policy developments that may encourage greater production for this season.

Local estimates indicate that over 60 percent (about 880,000 hectares) of the projected 1.45 million hectares have been planted as of mid-November. The recent addition of areas occurred in Southern Buenos Aires and La Pampa provinces. Thus far, sowing has finalized in the regions of NEA¹, Central-North Cordoba, Central-North Santa Fe, Central-East Entre Rios and Nucleo Norte². In the heart of sunflowerseed production, Chaco province, planting areas are experiencing lower moisture levels. Yet, plant health in general is optimal with only a few pest occurrences and despite flower bulb differentiation.

14/15 planting area is revised to 1.3 million hectares to 2.86 million tons based on updated local data and input from industry. The season delivered historically high yields at 2.2 tons per hectare, which resulted in production of 2.86 million tons for 2014/2015.

YTD crush estimates and current expectations support USDA's current crush estimates of 2.85 and 2.7 million tons for 14/15 and 15/16, respectively.

Trade

Based on year-to-date (YTD) Mar 15-Sep 15 official export figures, sunflower seed exports are down a little more than 20 percent compared to the same period last year; however, historical export patterns in addition to anticipation over possible policy changes should be enough to lift exports for the rest of the marketing year and support the present 14/15 export estimate of 68,000 tons. Lower exports can be attributed to lower shipments to the European Union (down 21 percent YTD) and the Middle East – Turkey, Syria, United Arab Emirates, Kuwait,

¹ Salta, Tucumán, Jujuy, Catamarca and West Santiago del Estero.

² East of Cordoba, Central South of Santa Fe and Southeast Entre Rios.

Lebanon, Egypt and Jordan. Combined exports to the latter region are down over 61 percent YTD compared to the same period last year. This region represented almost 30 percent of Argentina’s overall exports. Both the EU and the Middle East (specifically Turkey) are experiencing a decline in domestic consumption and imports of sunflowerseed and are expected to continue this trend into the next year (<http://apps.fas.usda.gov/psdonline/circulars/oilseeds.pdf>). Exports for this current marketing year and the next are expected to be supported by increased shipments to Algeria, the United States and Paraguay, all of which have experienced significant increases in Argentine sunflowerseed imports YTD. As such, 15/16 exports are left unchanged at 75,000 tons, a rebound in exports of 10 percent compared to the previous year.

Peanuts

Oilseed, Peanut Market Begin Year	2013/2014		2014/2015		2015/2016	
	Mar 2014		Mar 2015		Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted	380	380	341	343	360	370
Area Harvested	378	378	341	341	360	370
Beginning Stocks	447	447	598	585	670	642
Production	997	997	1188	1188	1170	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	1786	1773	1840	1732
MY Exports	566	579	780	790	750	800
MY Exp. to EU	370	370	465	465	485	485
Crush	210	210	260	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	336	341	345	355
Ending Stocks	598	585	670	642	745	577
Total Distribution	1444	1444	1786	1773	1840	1732

(1000 HA) ,(1000 MT)

2013/2014 exports are revised up to 579,000 based on final trade data. 2014/2015 exports are revised up to 790,000 tons based on strong exports to the EU and a recent spike in shipments to China. March 2015 to September 2015 shipments to EU are up by 29 percent compared to the same period last year. Peanut demand is expected to rise for 2015/2015 in the EU and China, along with the rest of the world. As such, 15/16 exports are revised to 800,000 tons based on growth trend. Local sources note Argentina’s competitiveness against their main competitors of the United States and India, while having to manage a 23.5 percent export tax. Nonetheless, producers are face significant issues including a less competitive exchange rate compared to other supplies, rising production cost inflation and a significant tax burden. Yet, in face of these constraints, Argentina continues to be the largest exporter of peanuts. As such, producers hope the incoming government will address a number of their main issues including the elimination of all peanut (and byproduct) export taxes, eliminate all export permits (ROEs) and reference prices, encourage research and development in sector and negotiate lower duties in overseas markets. Based on current information, there are no changes to production.

Oilseed and Grain Export Tax Rates

Soybeans 35%

Soybean Oil 32%
Soybean Meal 32%
Sunflowerseed 32%
Sunflowerseed Oil 30%
Sunflowerseed Meal 30%
Peanuts 23.5%
Peanut Oil 5%
Corn 20%
Wheat 23%
Barley 20%

Post:

Buenos Aires

Commodities:

Oilseed, Soybean

Oilseed, Sunflowerseed

Oilseed, Peanut