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Report Name: Oilseeds and Products Update

Country: Argentina

Post: Buenos Aires

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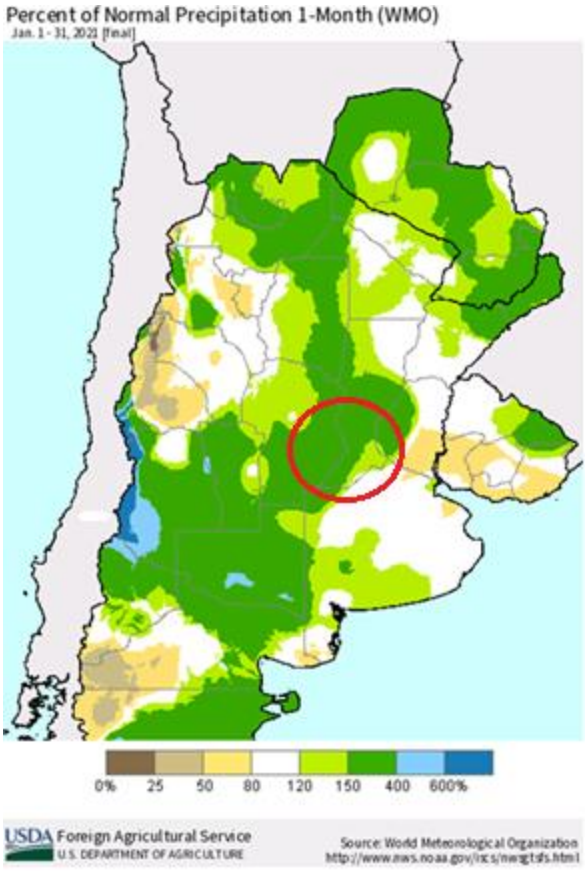
Report Highlights:

Post projects Argentine 2020/21 soybean production at 47.5 million tons, 500,000 tons below USDA official. 2020/21 sunflowerseed production is lowered to 2.65 million tons, 250,000 tons below USDA official. While heavy rains in January allowed for a recuperation of oilseed crops in much of the country, dryer weather in Buenos Aires Province is leading to lower yield projections. Post raises peanut production 50,000 tons to 1.4 million tons on good weather conditions in southern Cordoba and San Luis Provinces. After strikes cut oilseed processing volumes to record lows in December, plants have restocked and Post anticipates a strong crush leading up to harvest in March.

Overview

After weathering a few turbulent months, the Argentine oilseed sector is in a strong position leading into harvest 2020/21 harvest season. While strikes, dry weather, and threats of government intervention preoccupied the sector in December, timely rains in January and recent deals struck with both unions and the government have given the sector breathing room.

A La Niña weather pattern led to unseasonably dry weather for much of winter and spring in Argentina, delaying planting in some regions and leading to an overall lack of soil profile moisture. In northern Argentina this led to reduced sunflowerseed planted acreage. Plots that were planted have yielded below average. Single-crop soybeans in the core central growing region were stressed and were about to enter more critical growth stages without adequate moisture reserves. However, beginning in January, rainfall returned, providing higher than average precipitation for the month in most soybean producing areas. Average to above average yields have been secured for single-crop soybeans in the Zona Nucleo, however later planted and double-cropped soybeans across the country still need additional rain over the coming weeks and are experiencing drought stress during key reproductive periods. Dryer weather in February has led to growing concern about yields of both soybeans and sunflowerseed in southern Buenos Aires Province. Southern Cordoba and San Luis provinces have benefited from steady rains since the new year, boosting yield potential for this peanut growing region.



Higher than average rainfall in January reversed drought damage in the core growing region/Zona Nucleo (in red), but more moisture is needed to finish

Recent industrial actions have hampered the oilseed export complex. In December, crush plant and port workers and river pilots launched strikes which were mostly resolved by late December and early January. These strikes led to some of the lowest monthly crush numbers in recent history. In December 2020 Argentina crushed 814,424 tons of soybeans, 14,614 tons of sunflowerseed, and 307 tons of peanuts. Compared to December 2019, these levels were down 70%, 88%, and 98% respectively, year on year. However, down time in December allowed crushers to amass larger amounts of physical stocks despite slow farmer selling, giving them adequate supplies to run at a faster pace in recent weeks. This also provided a supply buffer as rainy conditions in Paraguay delayed the soybean harvest and

subsequent downriver shipments that Argentine crushers often use as a bridge in February before the arrival of the Argentine soybean harvest which begins in March.

In January an independent truckers union began a nationwide strike, blockading ports, factories, and industrial sites. Provincial authorities in Santa Fe Province (where much of the oilseed export sector is based) declared the strike illegitimate and ordered provincial police to disperse roadblocks. However, authorities in Buenos Aires Province allowed the actions to continue. The deep water ports of Necochea and Bahia Blanca struggled to bring in enough grain to continue loading at a normal pace, however this primarily affected shipments of wheat and corn. Negotiations between the government, official trucking unions, and agricultural groups led to an agreement to raise freight rates, and the independent truckers terminated their actions.

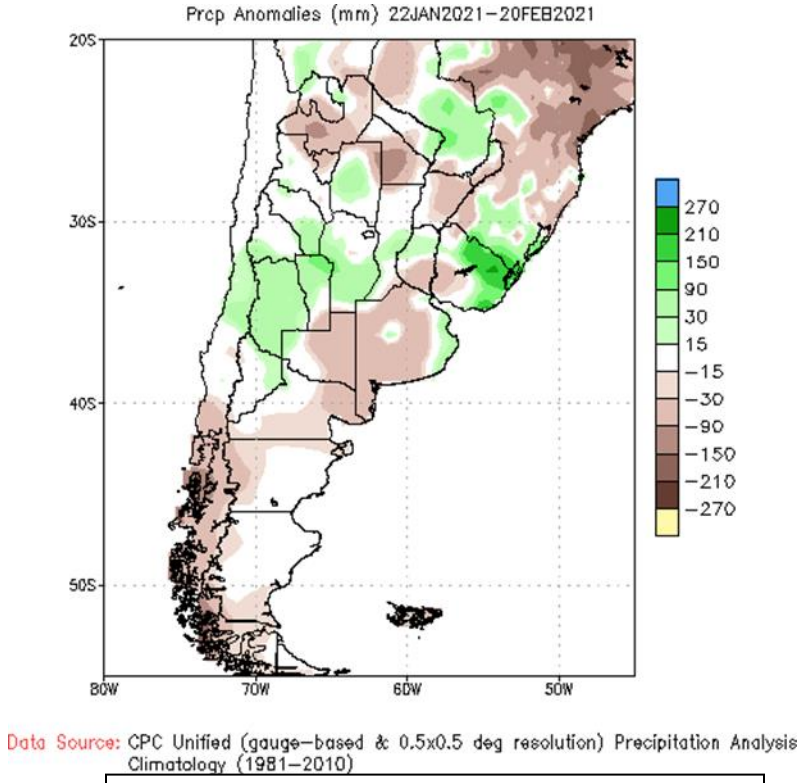
Inflation has continued to beleaguer an Argentine economy hit hard by the COVID-19 pandemic. In an effort to constrain food price inflation, the administration of President Alberto Fernandez has sought to use a complicated system of food price controls and voluntary agreements with industry to lower prices of many basic food items. Government officials have spoken often of the need to "decouple" domestic food prices from rising international commodity prices. While higher global prices are providing the government with much needed foreign currency and higher import tax receipts, there is a perception among some members of society that farmers are benefitting from higher market prices at the expense of low-income Argentines who can no longer afford groceries. Farmers have responded with studies showing that farm-gate prices make for a relatively low percentage of retail food prices. Some farm groups have suggested lowering the Value-Added Tax on more food items as a way to lower prices. However, the government has warned that it might need to raise export taxes or impose export quotas to ensure sufficient, low-priced food supplies for the Argentine people.

In this political environment, on February 8, the Ministry of Agriculture Livestock and Fisheries announced (Joint Resolution 1/2021) that the oilseeds processing sector had reached an agreement to form a government endorsed *fideicomiso* (trust) designed so that leading oilseed processors can subsidize the sale of soy and sunflowerseed oil for domestic consumption. Oilseed exporters will be assessed a fee according to the value of their export license registrations for six different HS codes, subject to minimum and maximum contribution limits, and reassessed periodically in conjunction with actual crush and shipments. While the creation of the trust was "voluntary", participation is mandatory and the government can punish non-compliant companies. The trust aims to collect US$190 million per year to subsidize up to 29 million liters of bottled vegetable oil for the domestic market. The trust will collect fees from oil producers and then oil sellers can apply for reimbursement from the trust based on the volume sold. The trust is currently set to operate until January 31, 2022. With total exports from soy and sunflowerseed complex of around $14.9 billion in 2020, the collective contributions effectively amount to an additional export tax of around 1%.

Soybeans

Post reduces 2020/21 soybean production to 47.5 million tons, down 2.5 million tons from January and 500,000 tons below USDA official. Since Post's last projections in early January 2021, Argentina

experienced a wet and cool January that has provided excellent conditions for recovery of the drought stressed single-crop soybeans across much of the country, but especially in eastern Cordoba and southern Santa Fe Provinces. Fields in these regions had delayed development due to drought and late planting and were preparing to enter reproductive stages when the rains arrived. Due to the unusual weather patterns and late planting, single crop soybeans in the core growing region are running behind their normal developmental progression and harvest may begin a few weeks later than normal. With the exception of northern Argentina, first crop soybeans have terminated floriation and are in R3-R5. Though February has been dry, sufficient soy moisture has been retained in most growing regions (with the exception of southern Buenos Aires Province) to allow for progression into grain fill. While average yields for single-crop soybeans have been secured in the core growing region, another round of soaking rains is needed to finish the crop and potentially achieve above-average yields. Despite uncertain government policies, higher prices have encouraged farmers to invest more inputs in this year's crop, adding more phosphorus fertilizer and spraying pesticides as needed, though pest pressure has generally been light. Second crop soybeans (generally soybeans following wheat) face a more complex situation as dry February weather is stressing plants as they enter bloom. Continued cooler temperatures have helped reduce heat stress, but more rain is needed soon, especially in Buenos Aires province as plants enter their peak water consumption phases.



After a wet January, dry conditions have affected much of the country in February as can be seen in this precipitation anomaly chart for the period Jan 22-Februrary 20, 2021

Source: NOAA.

Post raises 2019/20 crush 500,000 MT to 37.6 million tons, of 750,000 tons over USDA official. Despite record low crush numbers in December due to strikes, crush margins have widened (positively) and crushers have secured sufficient old crop soybeans to run at a faster than anticipated pace for the final three months of the local crop year. Post maintains 2020/21 crush at 41 million tons, or 2 million tons over USDA official. A variety of factors will influence the crush volume in the coming year, chief of which will be the willingness of farmers to sell soybeans at prices which will allow Argentine oil and meal to be internationally competitive. As edible oil prices have risen steadily higher in recent months, some

industry contacts have expressed concern that consumers in major importing countries such as India may be begin to substitute soybean oil for other cheaper alternatives. The divergence between the official exchange rate and the various unofficial exchange rates has narrowed somewhat in recent months as the government allowed a slow devaluation of the official rate, and strong local demand for pesos over the local summer holidays has lowered the unofficial rate. Farmers who fear a sudden devaluation (as well as persistent inflation) have been holding soybeans in stocks until expenses dictate their sale. Higher prices over the last several months have encouraged some profit-taking but farmers are loath to hold pesos and seek to quickly convert the pesos they receive into inputs or assets which might better resist inflation. Currency controls prevent most farmers from converting pesos into US dollars. While farmer selling is expected to be brisk during harvest months of March-June, world prices and financial conditions within the country will dictate whether farmers will hold or sell after July 2021.

Despite tight stocks in Brazil and the United States, Argentine soybeans have been uncompetitive in recent months. The extent of Chinese demand in the coming months will dictate whether Argentina ships whole beans before the new US crop is harvested in September. Local sources are pessimistic about near- term export volumes. Exporters are monitoring the tight stock situation in the United States, but anticipate any higher than normal soybean imports by the United States will come from Brazil due to freight and price considerations. The return of a differential export tax on soybeans vs. soybean meal and oil has given crushers an advantage in buying local soybeans in comparison with whole bean exporters. A return of rains in Paraguay and Brazil has raised water levels on the Parana River to normal levels after many months of abnormally low drafts. The higher water levels will allow export-bound freighters to load up to 12-18% more meal than they have been able to over most of the prior year. The higher river levels will also facilitate imports of Paraguayan soybeans by barge. However the harvest in Paraguay will be delayed by up to a month due to excessive moisture.

Oilseed, Soybean (Local)	2018/2019		2019/2020		2020/2021	
Market Year Begins	Apr 2019		Apr 2019		Apr 2020	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	18900	18000	17400	17400	17500	17500
Area Harvested (1000 HA)	16600	17500	16700	16900	16700	17300
Beginning Stocks (1000 MT)	9100	9100	9850	10844	12810	14944
Production (1000 MT)	55300	55300	48800	48800	48000	47500
MY Imports (1000 MT)	3789	3789	4850	5000	4500	4500
Total Supply (1000 MT)	68189	68189	63500	64644	65310	66944
MY Exports (1000 MT)	10255	10255	6670	6700	7000	6000
Crush (1000 MT)	41188	41790	36850	37600	39000	41000
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	6896	5300	7170	5400	7310	5500
Total Dom. Cons. (1000 MT)	48084	47090	44020	43000	46310	46500
Ending Stocks (1000 MT)	9850	10844	12810	14944	12000	14444
Total Distribution (1000 MT)	68189	68189	63500	64644	65310	66944
Yield (MT/HA)	3.3313	3.16	2.9222	2.8876	2.8743	2.7457
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sunflowerseed

Post lowers 2020/21 sunflowerseed production to 2.65 million metric tons, 250,000 tons below USDA Official on disappointing yields in northeast Argentina and northern Santa Fe province along with unusual weather conditions in Buenos Aires province and smaller than expected plantings. The harvest has finished in northern Argentina, where dry weather prevented planting of most of the crop. Fields that were harvested had poor yields. Harvesters are now moving through the provinces of Santa Fe and Cordoba and yields are improving as the harvest moves south.

Maturing sunflower field in good condition in southeastern Buenos Aires Province.

Source: ASAGIR (Argentina Sunflower Association)

According to the Buenos Aires Grain Exchange, as of February 18, 2021, 16% of the total harvestable area had been cut. After news of the disappointing planting campaign in the north of Argentina, farmers in Buenos Aires province were expected to add additional acres of sunflower. While this occurred in the western part of the province, adoption was not more widespread with many farmers citing a lack of competition in the processing sector. The unusual pattern of a dry winter and spring, followed by a wet January and a dry February is raising concerns about the eventual state of the sunflowerseed crop in the province. Anecdotal reports reflect poor flowering caused by rainy conditions in January that interfered with pollination in some fields in La Pampa and Buenos Aires province. Other fields in the same region

are struggling to complete grain fill due to a lack of moisture in recent weeks, while earlier planted fields have progressed and are anticipating excellent yields. In the region stretching from Eastern La Pampa to central Buenos Aires province, this heterogeneity by field will lower average yields slightly in comparison to last year. In eastern Buenos Aires province, growing conditions have been better and farmers are anticipating average yields approaching last year's records. As in soybeans, unusually cool weather conditions in Southern Buenos Aires province have also delayed maturation. Disease and pest pressure have been relatively light so far this year. Despite an increased incidence of verticilium wilt, most farmers are now growing resistant varieties which should limit impact on yield.

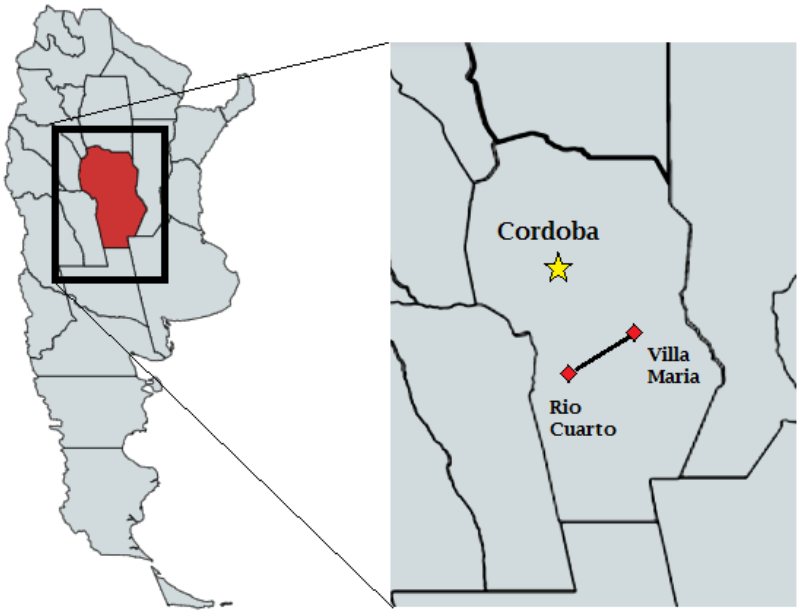
On February 18, the new Argentina Agroindustrial Council (CAA) met with Argentine government officials and requested that export taxes be eliminated on several additional agricultural products including sunflowerseed and products. Sunflowerseed production and processing is particularly important in several northern provinces and due to the already low export taxes faced by the industry (relative to other major field crops), the fiscal impact on government budgets of eliminating the tax altogether would be relatively minor. Industry contacts are cautiously optimistic that this request is being given due consideration.

Oilseed, Sunflowerseed	2018/2019		2019/2020		2020/2021	
Market Year Begins	Mar 2019		Mar 2019		Mar 2020	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	1900	1900	1560	1625	1410	1370
Area Harvested (1000 HA)	1876	1876	1530	1575	1375	1300
Beginning Stocks (1000 MT)	990	990	987	987	980	1159
Production (1000 MT)	3825	3825	3235	3235	2900	2650
MY Imports (1000 MT)	1	1	0	0	0	0
Total Supply (1000 MT)	4816	4816	4222	4222	3880	3809
MY Exports (1000 MT)	173	173	210	188	150	150
Crush (1000 MT)	3380	3380	2750	2600	2700	2800
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	276	276	282	275	280	280
Total Dom. Cons. (1000 MT)	3656	3656	3032	2875	2980	3080
Ending Stocks (1000 MT)	987	987	980	1159	750	579
Total Distribution (1000 MT)	4816	4816	4222	4222	3880	3809
Yield (MT/HA)	2.0389	2.0389	2.1144	2.054	2.1091	2.0385
(1000 HA) ,(1000 MT) ,(MT/HA)						

Peanut

Post raises 2020/21 peanut production by 50,000 tons to 1.4 million tons, based on positive growing conditions in southern Cordoba province and in San Luis province where the majority of Argentine peanut production is located. The peanut growing region has benefitted by continuing to receive some precipitation in recent weeks. The Cordoba Grain Exchange reports some incidence of red spider mite, but at low infestation levels.

Post raises 2019/20 exports to 985,000 tons, matching USDA official. Argentine peanuts exporters expect to benefit from the EU's 25% tariffs on US in-shell peanuts to further expand its market leading position. Though peanuts only face a 7% export tax (relative to 12% for corn, wheat, and barley and



Much of the Argentine peanut processing industry is centered along an 80 mile stretch of Route 158 that connects Rio Cuarto with Villa Maria in the Province of Cordoba.

33% for soybeans), industry leaders have argued that peanuts should be added to the list of specialty crops which receive an exemption of export taxes (See GAIN Report AR2021-0002). Industry leaders argue that lowering the export tax will not have a significant impact on domestic prices and that the industry provides added value from processing the raw commodity into various processed and semi-processed products. They also argue that Argentina could lose ground to Brazil, which has been growing its peanut production and whose farmers do not face an export tax.

In recent years, additional processing capacity has been installed in Argentina, and there are now more than 25 peanut processing companies operating in the country. As the industry has grown companies are searching for additional products to boost exports as well as peanut consumption in Argentina. New brands of domestically produced peanut butter are available in grocery store chains and specialty stores and have replaced some imported peanut butter from the United State. A public private partnership with the National University of Cordoba is seeking to develop dairy replacement products derived from peanuts, similar milks and yogurts currently made from almonds.

Oilseed, Peanut	2018/2019		2019/2020		2020/2021	
Market Year Begins	Mar 2019		Mar 2019		Mar 2021	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	330	330	368	315	350	350
Area Harvested (1000 HA)	326	326	367	310	350	350
Beginning Stocks (1000 MT)	350	350	572	480	524	450
Production (1000 MT)	1419	1419	1285	1390	1350	1400
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1769	1769	1857	1870	1874	1850
MY Exports (1000 MT)	800	800	985	985	980	980
Crush (1000 MT)	319	319	270	260	310	330
Food Use Dom. Cons. (1000 MT)	55	80	56	90	57	90
Feed Waste Dom. Cons. (1000 MT)	23	90	22	85	23	85
Total Dom. Cons. (1000 MT)	397	489	348	435	390	505
Ending Stocks (1000 MT)	572	480	524	450	504	365
Total Distribution (1000 MT)	1769	1769	1857	1870	1874	1850
Yield (MT/HA)	4.3528	4.3528	3.5014	4.4839	3.8571	4
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments