

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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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 2, 2018. Previously, the export tax for soybeans was 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. As such, the tax for soybean exports at the end of this period will be 18 percent for soybeans and 15 percent for soybean oil and meal. Overall, soybean, sunflower, and peanut crops are in relatively good condition; however, there are parts of the country experiencing dry conditions that could negatively affect production if relief does not come.

Soybeans

Oilseed, Soybean (Local) Market Begin Year	2015/2016		2016/2017		2017/2018	
	Apr 2016		Apr 2017		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
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

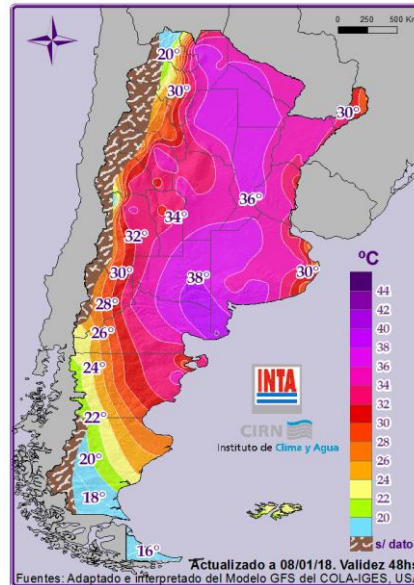
(1000 HA) ,(1000 MT) ,(MT/HA)

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, according to sources.¹ However, there are developing factors that could lower area planted, yields, and thus production for the season. High temperatures and the lack of enough rainfall during December and into the January have delayed plantings and stressed crops in northern Argentina and Buenos Aires province. In the north, producers are reporting the inability to plant within the optimal sowing window that ends around mid-January. If they cannot plant within that window, many will choose not to plant or risk planting outside optimal conditions, which will deliver higher risks and potentially lower yields. Northern Argentina has reported significantly high temperatures that are damaging crops, including five continuous days of temperatures around 35°C. In Buenos Aires province, there are reports of burned leaves and stunted plants in the north and central parts of the province due to dry conditions.² There is also concern that 2nd crop soybean sowings in central and southwestern part of the province could be diminished by the lack of adequate planting conditions. These conditions are the result of rainfall below average levels, high temperatures, and low soil humidity.

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>

Maximum Temperatures - January 9, 2018



Source: National Institute of Agricultural Technology³

The 2017/18 season has been 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. Because of this weather pattern, local analysts have begun to estimate lower production around 52-55 million tons for the season, 4-9 percent lower than USDA's current estimate at 57 million tons. Conditions could normalize if rains occur soon, however observers doubt this will be enough to offset the unfavorable conditions that have hit the crop. Post believes it is too early to begin projecting lower production as the situation is still evolving and more information comes in. As such, Post maintains its production estimate of 57 million tons.

Reduction of Soybean Export Tax and its Effects on Stocks

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 end of December 2019. 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 higher 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.⁴

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.⁵ Post's current stock estimates appear to support such a conclusion but there is much debate over the

³ <http://climayagua.inta.gob.ar/pronosticos>

⁴ <http://www.lanacion.com.ar/2089572-costos-al-acecho-la-suba-del-gasoil-les-mete-presion-a-los-numeros-del-campo>

⁵ <https://www.infobae.com/campo/2018/01/02/retenciones-a-la-soja-el-ano-comenzo-con-una-baja-gradual-de-05-mensual/>

specific volume of additional stocks. The majority of these stocks are held by small and medium producers, as local sources report that large producers have already liquidated their stocks. Producers will likely sell off all their corn and wheat supplies first before they tap into their soybean supplies to cover this season's production costs or other expenses. The remaining beans will be stored as way to extract greater returns when the export tax, prices, and other 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-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 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 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.⁶ 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.

⁶ <http://agrovoy.lavoz.com.ar/agricultura/mas-hectareas-para-el-mani-proyectan-aumento-del-5>

Post:

Buenos Aires