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Oilseeds and Products Update

Government Delays Reduction of Soybean Export Taxes Until 2018. 2016/2017 Soybean Area Reduced to 19.3 Million Hectares.

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Report Highlights:

The Argentine government announced it will delay a previously planned reduction of soybean export taxes until 2018, while implementing a new plan to bolster soybean production in the northern part of country. 2016/2017 soybean area harvested is revised down to 19.3 million hectares due to greater competition from alternative crops - corn and sunflower - and lower than expected wheat plantings. 2016/2017 sunflower area and production are left unchanged. 2016/2017 peanut production is expected to recover after a difficult 2015/2016 harvest. Post estimates peanut harvested area at 360,000 hectares, almost 3 percent higher than USDA's official estimate.

Argentine Government Announces Delay of Soybean Export Taxes Until 2018 and Initiative to Bolster Initiative to Bolster Soybean Production in Northern Argentina.

On September 3, President Macri along with Agro-Industry Minister Buryaile announced in will delay the previously planned reduction of export taxes on soybeans until 2018. Beginning January 2018, the export tax will be reduced by 0.5 percentage points each month until December 2019. By the end of 2019, the soybean export tax will be 18 percent, down from its present level of 30 percent. In addition, President Macri explained his plan to bolster soy production in ten northern provinces by providing a refund equivalent to 5 percent of the FOB price of soybeans beginning in March 2017. These provinces are the focus of the Plan Belgrano – an economic development initiative for northern Argentina. The provinces include Corrientes, Misiones, Chaco, Santiago del Estero, Formosa, Tucuman, Salta, Jujuy, La Rioja, and Catamarca.

Post will continue to monitor the situation and report on any new developments. At present, it is early to speculate on the short and long-term implications of this policy announcement. Post will develop analysis on possible effects as it evaluates the sector's reactions in the upcoming weeks.

The Ministry of Agro-Industry's official announcement can be found at http://www.agroindustria.gob.ar/sitio/areas/prensa/index.php?accion=noticia&id_info=161003193207.

Soybeans

Oilseed, Soybean (Local)	2014/2015		2015/2016		2016/2017	
Market Begin Year	Apr 2015		Apr 2016		Apr 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	19400	20000	19700	20250	19450	19500
Area Harvested	19340	19300	19530	19530	19450	19300
Beginning Stocks	10214	10214	10915	9252	11605	9202
Production	61400	60800	56800	56800	57000	55000
MY Imports	35	35	600	600	300	300
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	71649	71049	68315	66652	68905	64502
MY Exports	11669	11670	10100	10100	10650	9500
MY Exp. to EU	60	60	60	60	0	65
Crush	44890	45110	42250	42250	44300	41000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	4175	5017	4360	5100	4455	5150
Total Dom. Cons.	49065	50127	46610	47350	48755	46150
Ending Stocks	10915	9252	11605	9202	9500	8852
Total Distribution	71649	71049	68315	66652	68905	64502
(1000 HA) ,(1000 MT)						

2016/2017

2016/2017 expected area harvested is revised down to 19.3 million hectares due to greater competition from alternative crops - corn and sunflower - and lower than expected wheat plantings resulting in lower 2nd crop soybean area. Adverse weather conditions, crop damage, and harvest delays forced a number of producers to abandon their plans to plant wheat for the 2016/2017 winter crop season. As such, area originally designated for 2nd crop soybean after the wheat crop is lowered. Based on the changes to area and an average yield of 2.85 tons per hectare, Post revised 2016/2017 production down to 55 million tons.

Producers enter the season with relatively good margins according to contacts. Overall production costs are manageable as agrochemicals costs are generally lower while freight and fuel costs are slightly higher, according to contacts.

Moreover, producers are in better financial shape generally after the 2015/2016 season after the government devalued the Argentine peso by 50 percent and lowered export taxes by 5 percentage points for soybeans and their byproducts. The new policy environment and along greater financial resources - personal savings and/or credit – has led to higher demand for technology and interest in long-term investments. One example is the demand for farm machinery, which experienced a 3 percent increase in sales during the first half of 2016 compared to the same period the year before. Driving this sales uptick is the increased demand for planters which represent over 45 percent of the increased sales of farm machinery, followed by harvesters, tractors, and implements[1].

Crush and Exports

2016/2017 crush is revised down to 41 million tons based on lower soybean supplies. 2014/2015 crush are revised up to 45.1 million tons to reflect updated data

2016/2017 exports are revised down to 9.5 million tons based on lower soybean suppliers. 2014/2015 exports are revised slightly to 11.67 million tons to reflect updated data.

Sunflowerseed

Oilseed, Sunflowerseed	2014/2015		2015/2016		2016/2017	
Market Begin Year	Mar 2015		Mar 2016		Mar 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1440	1300	1300	1250	1650	1675
Area Harvested	1440	1240	1270	1200	1650	1650
Beginning Stocks	740	740	1038	636	474	149
Production	3160	2755	2700	2600	3300	3300
MY Imports	1	1	0	2	0	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	3901	3496	3738	3238	3774	3451
MY Exports	63	62	300	300	118	80
MY Exp. to EU	13	20	250	20	15	0
Crush	2749	2750	2910	2735	3000	3150
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	51	48	54	54	54	60

[1] http://www.bccba.com.ar/dia/info/la-venta-maquinaria-agricola-crece-primer-semestre-2016-7713.html

Total Dom. Cons.	2800	2798	2964	2789	3054	3210
Ending Stocks	1038	636	474	149	602	161
Total Distribution	3901	3496	3738	3238	3774	3451
(1000 HA) ,(1000 MT)						

2016/2017

The removal of export taxes for sunflower and its by-products (formally at 32 and 30 percent) has lifted the crop's prospects for the 2016/2017 season. Area harvested is expected to increase by almost 38 percent on significant area expansions in northeast Argentina (particularly Chaco and Santa Fe provinces), Buenos Aires and La Pampa provinces. Based on an expected planted area of 1.6 million hectares, the Grains Exchange of Buenos Aires estimated that 30.9 percent of this season's crop has been planted, estimated at 500,000 hectares. Towards the northern parts of the country, sowing has finalized specifically the NEA region[2], central-north Cordoba and central-north Santa Fe provinces. Thus far, the crop in these areas is experiencing good conditions with adequate moisture levels and good sanitary health. In general, crop progress in this region is between V6-V10 levels or 6 to 10 leaves on the crop. Part of the reason crop conditions are excellent thus far is due to preventive weed and pest controls that were applied at the beginning of the season. These expectations fall in line with Post and USDA's estimates and thus 2016/17 area harvested and production are left unchanged at 1.65 million hectares and 3.3 million tons, respectively.

This season, sunflower is expected to take area from those marginal areas that previously produced soybeans. Comparatively, sunflower has higher margins especially as it faces no export taxes. Sunflower is also a preferred choice as it more resistant to the lack of water, which makes it especially valuable in the northern part of the country which tends to be dryer and during an expected La Nina season. While the southeast of Buenos Aires does present significant risks of excess moisture, proper crop management can curb those risks, according to local experts. Moreover, producers believe sunflower is also a more stable choice for marketing and yields reasons, as suggested by a recent study that sunflower yields in Argentina are historically more stable than soybean ones[3]. This decision to switch these soy areas to sunflower is also expected deliver agronomic benefits as these areas undergo crop rotation after years of back-to-back soybean plantings.

At present, there are minor doubts over whether there is enough seed to support such a significant growth in production. Some contacts have indicated that intended planting may be limited based on the availability of seed. However, the general consensus of most industry analysts is that there is enough seed to support such growth.

The sunflower sector has put particular focus in developing high oleic sunflower in order to receive a higher premium on world markets, primarily Europe. As such, the Argentine Sunflower Association (ASAGIR) has initiated an information campaign that urges producers not to mix high oleic sunflower materials with linoleic or conventional sunflower in order to avoid commercialization issues if the materials mix. ASAGIR is also working with the producers to maintain high quality in order to maintain

[2] NEA includes the provinces of Chaco, Formosa, and east Santiago del Estero.
[3] http://infocampo.com.ar/nota/campo/80831/afirman-que-el-girasol-se-posiciona-como-mejor-opcion-que-la-soja-para-esta-campana

their market in the European Union – a market that is willing to pay a premium for higher quality sunflower.

2016/2017 exports are revised down to 80,000 tons as the sector plans to export less sunflowerseed and focus more on oil exports. Crush is revised up to 3.15 million tons.

Sector observes have begun to examine the future of the sunflower sector in the Argentina. ASAGIR has explained that Argentina will not become the largest producer of sunflower oil as it was in 2000, when it dominated over half of the world market. ASAGIR cites changes that have occurred in Argentina and in the world, particularly Ukraine, as the cause. Moreover, ASAGIR goes on to state that the crop will not return to the area it once had at 4 million hectares with production around 7 million tons. Instead, the sector is could reach a maximum of 2 million hectares with output of 4 million tons[4].

2015/2016

2015/2016 production is revised down to 2.6 million tons based on local production data sources. Crush is revised down to 2.74 million based on current crush estimates and lower sunflower seed supplies.

2014/2015

2014/2015 production is revised down to 2.76 million tons, reflecting the data from local private sources. This was Post's estimate in its April 2016 oilseeds annual report.

Peanuts

Oilseed, Peanut	2014/2015		2015/2016		2016/2017	
Market Begin Year	Mar 2015		Mar 2016		Mar 2017	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	341	345	300	330	350	365
Area Harvested	341	341	290	290	350	360
Beginning Stocks	587	587	595	589	334	317
Production	1188	1188	930	930	1155	1190
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	1775	1775	1525	1519	1489	1507
MY Exports	833	833	870	870	875	900
MY Exp. to EU	520	465	490	450	450	490
Crush	278	277	245	252	270	270
Food Use Dom. Cons.	48	53	50	55	53	58
Feed Waste Dom. Cons.	21	23	26	25	27	27
Total Dom. Cons.	347	353	321	332	350	355
Ending Stocks	595	589	334	317	264	252
Total Distribution	1775	1775	1525	1519	1489	1507
(1000 HA) ,(1000 MT)						

2016/2017

4 http://www.lanueva.com/con-el-campo/880491/el-girasol-tiene-todo-listo-para-que-nadie-le-pise-el-poncho.html

After a difficult season, prospects are looking better for the peanut sector in 2016/2017. Post estimates planting area at 365,000 hectares, almost 11 percent higher compared to the previous season. The new season's area will return to average levels of the past few years. Based on these developments and an average yield estimated at 3.3 tons per hectare, production is revised up to 1.19 million, 3 percent higher than USDA's official estimate.

Producers are entering in a new season with various dynamics at play. On the one hand, agrochemical inputs are less expensive while in the other land rents have increased by over 36 percent. The country is expecting a significant increase in peanut production for the season while reports indicate that China and the United States (Argentina's main export competitors) will deliver a larger crop. While a few select processors have decided to maintain production levels, the majority of producers are accelerating production as prices for high quality peanut products in the European Union keep peanut production lucrative.

The rapid advance of resistant and tolerant weeds has endangered the profitability of farming systems, forcing producers and technicians to rethink rotation schemes, diversify modes of action and chemicals. Some input companies have responded to the situation releasing new herbicides and fungicides that combat weeds like Conyza bonariensis (asthmaweed), quitensis amaranthus, and fungi such as Sclerotinia sclerotiorum.

Press reports indicate labor and contract service costs (sowing, harvesting, chemical applications, etc.) for peanuts may go through additional readjustments. The Association of Contract Service Providers of Cordoba has expressed displeasure with service rates that are currently being offered to their members, expressing that they are below costs. Moreover, they claim this year's rate increases are much lower than the ones seen in past. This is alarming for the contractors as production is expecting to increase 2016/2017[5].

Peanut production is concentrated in three provinces – La Pampa, Cordoba, and San Luis – with over nearly 93 percent production concentrated in the southern part of Cordoba province, primarily in the departments (counties) of Rio Cuarto, Juarez Celman, General San Martin, and Tercero Arriba.

2015/2016

Harvest of the 2015/2016 crop continues in La Pampa province and is near completion in Cordoba province. Adverse weather conditions throughout the season resulted in yield losses (almost 8 percent less than previous season) and crop damage due to low temperatures and excessive water levels. According to the Grains Exchange of Cordoba, these conditions led to a loss of 47,000 hectares, leaving just over 289,000 hectares available for harvest. Based on recent average yield estimates around 3.2 tons per hectare, the Cordoba Grains Exchange estimates 15/16 production at just over 928,000 tons, a reduction of 22 percent from the previous season. Based on these developments, 2015/2016 production is left unchanged at 930,000 tons.

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[5] http://www.todomani.com.ar/mani/notas.asp?nid=750

As for the conditions of the harvested crop, it is estimated that 68 percent of the harvest grain is classified as Type 1 with internal mold build-up and ice, while 32 percent of the crop is reportedly "Type 2" with mostly external mold[6].

Crush and Exports

2016/2017 exports are revised up to 900,000 tons. 2015/16 crush is revised down to 252,000 tons based on updated data.

Post:	**Commodities:**
Buenos Aires	Oilseed, Soybean (Local)
	Oilseed, Sunflowerseed
	Oilseed, Peanut

[6] Tercera estimación de producción de Maní, campaña 2015/16 - http://www.bccba.com.ar/images_db/noticias_archivos/3368-Descargar%20Informe%20Especial%20N%C2%B0103.pdf#viewer.action=download