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Report Name: Oilseeds and Products Update

Country: Argentina

Post: Buenos Aires

Report Category: Oilseeds and Products

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Report Highlights:

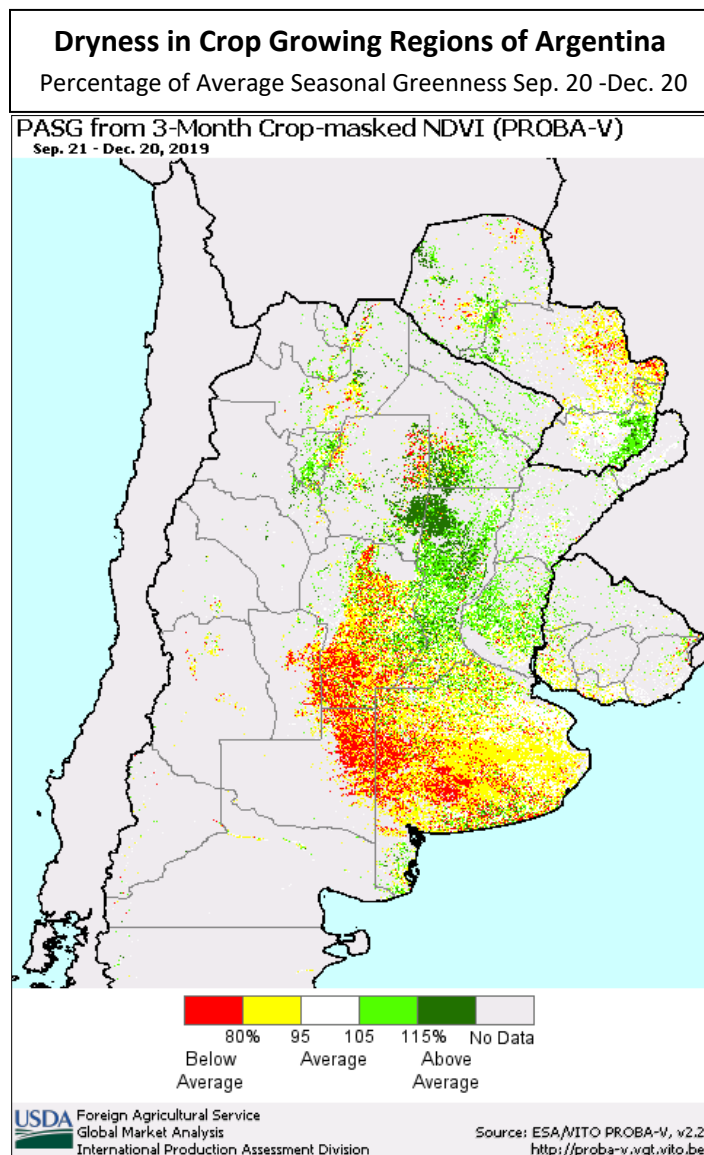
2019/20 soybean planted area is forecast at 18 million hectares and production is forecast at 53 million tons, unchanged since September. Despite dry weather in the southern pampas, the soybean crop is 79% planted and in good condition. 2018/19 soybean exports are reduced to 10.2 million tons. 2019/20 Sunflowerseed planted area is forecast 1.63 million hectares down 125,000 hectares since September and production is reduced to 3.3 million tons. On December 14, the new Argentine government raised export taxes on grains and oilseeds. However, anticipation of higher export taxes led to record-setting forward sales and export registration by farmers and exporters hoping to lock-in sales under the previous export tax rates.

Overview:

The period since the election of new Argentine President Alberto Fernandez has been an active time for Argentine producers. Besides harvesting winter crops and beginning to plant summer crops, Argentine farmers took advantage of the interval between Fernandez's election on October 27th and inauguration on December 10th to market their grains and oilseeds ahead of anticipated increases in export taxes. The new Fernandez government intends to stimulate the Argentine economy through increased social expenditures and needs additional revenue to finance this new spending and the existing fiscal deficit. On Saturday, December 14, four days after taking office, the new government issued Decree 37/2019 which effectively raised export taxes on a number of commodities, including oilseeds. Current export taxes are now 30% for soybeans and soy products, 12% for sunflower seed, sunflower oil and peanuts, while other processed peanuts are at 9%. The government has further requested additional emergency economic and political authority, including the authority to raise export taxes. On Saturday, December 21, the Argentine Congress approved an emergency law giving the government these powers. This law gives the government authority to raise export taxes to 33% for soy and soy products, and 15% for other commodities.

Dry weather continues to be a concern, particularly for producers in southwest Buenos Aires Province, eastern La Pampa Province, and southern Cordoba Province. Farmers in this region are finishing a wheat harvest whose yields were reduced by the dry weather and are planting or are preparing to plant summer crops.

On December 4th, Vincentin, a diversified agribusiness which is one of the largest Argentine-owned exporters of soy and soy products, released a statement that it was experiencing financial difficulty and initiating a process to restructure payments owed to creditors. According to media reports and private sources, Vincentin has halted crushing operations at some facilities and is in negotiation to restructure its debts, sell facilities, and is seeking assistance from the Argentine government. In addition to lending institutions, farmers and grain brokers also face



debt exposure from Vincentin thus highlighting the difficulties for Argentine businesses in a country where interest rates have exceeded 65% in recent months.

Soybean:

2019/20

Post forecasts soybean 2019/2020 planted area at 18 million hectares (Mil. HA), unchanged from September. Production is forecast at 53 million tons with a reduction from higher than average yields in 2018/19. Some upside exists for increased acreage as farmers in dry areas may switch from corn into soybeans. Planting is progressing at a slightly slower than average rate. According to the Buenos Aires Grain Exchange, the soybean crop was 79.1% planted as of December 25, 2019.

Post forecasts 2019/20 soybean exports at 8 million metric tons (MMT), unchanged from September, matching USDA official figures on decreased global demand for Argentine whole beans. Crush is maintained at 44 MMT, unchanged from September. Imports remain at 4.5 MMT primarily from Paraguay and Brazil. Post does not forecast significant imports of US origin soybeans to Argentina, as was seen during the period of June 2018-February 2019.

In the period of September to early December, Argentine farmers increased forward selling of soybeans in an effort to avoid higher export taxes. Exporters who registered sales prior to the export tax change on December 14 expect the new government to honor those sales at the tax rate in place at the time of the sales' registrations (18% plus a variable \$4 Argentine Peso per \$1USD). Figures released by the Argentine Ministry of Agriculture show that as of December 18, 2019, exporters had registered 5.52 MMT of forward sales (for export) of the 2019/20 soybean crop. In comparison, exporters had only registered 0.588 MMT of forward sales (for export) of 2018/19 soybean crop by the same time in December 2018. After rebuilding balance sheets through these forward sales (for export and to crush), farmer selling is expected to slow. Currency controls that prevent farmers from converting Argentine Pesos to US Dollars will lead farmers to sell only when local currency is needed to purchase inputs or settle debts.

Significant policy uncertainty remains for 2019/20 soybean crop. Soybean crushers are advocating for the return of a differential export tax or other mechanism to favor the export of soy products over whole beans. The new emergency law will also give the government the power to impose a 3% "Statistical Tax" on certain imported products, which could reduce imports of Brazilian soybeans to Argentina.

2018/19

Post maintains production at 55.3 MMT matching USDA Official. Post projects 2018/19 crush at 41.8 MMT, down 0.2 MMT since September, on reduced crushing activity and Vincentin suspending operations at some facilities. Exports are reduced to 10.2 MMT on reduced demand for Argentine whole beans relative to Brazilian and US origins, down 0.4 MMT from September. Imports are unchanged from September at 4 MMT. Stocks are raised to 11 MMT, up 0.39 MMT from September.

2017/18

Post revises exports up 0.12 MMT and stocks down the same quantity on available data and in line with USDA Official.

Oilseed, Soybean (Local) Market Begin Year Argentina	2017/2018		2018/2019		2019/2020	
	Apr 2018		Apr 2019		Apr 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	18700	18500	18900	18000	17500	18000
Area Harvested	16300	17000	16600	17500	17500	18000
Beginning Stocks	10941	10941	9106	9106	9000	11100
Production	37800	37800	55300	55300	53000	53000
MY Imports	7256	7256	3930	4000	3900	4500
Total Supply	55997	55997	68336	68406	65900	68600
MY Exports	3841	3841	9900	10200	8000	8000
Crush	36350	36350	42600	41800	44600	44000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	6700	6700	6836	5306	7150	5500
Total Dom. Cons.	43050	43050	49436	47106	51750	49500
Ending Stocks	9106	9106	9000	11100	6150	11100
Total Distribution	55997	55997	68336	68406	65900	68600
Yield	2.319	2.2235	3.3313	3.16	3.0286	2.9444

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

Sunflowerseed:

2019/20

Post forecasts sunflowerseed planted area at 1,625,000 HA down 125,000 HA from September, on smaller than expected planting area in the southern and central regions due to lower international prices for sun-oil and farmer anticipation of higher export taxes on sunflowerseed and sun-products. Despite recent increases, and unlike under the government of former President Cristina Fernandez de Kirchner, under the current export tax scheme, sunflowerseed and products are being taxed at the same rate as grains and not soy. Farmers beginning harvest in the northern-growing region are seeing higher than expected yields which have somewhat cushioned the reduction in acreage in this region. However production is lowered to 3.3 MMT on reduced area and lowered yield expectation on dryness in southern production area.

2018/19

Post revises planted area up slightly to 1.9 Mil (HA) on latest available data. Exports are projected at 150,000 MT, up 60,000 MT from September. Crush is projected at 3.305 MMT, down 365,000 MT from September, on lower production figures and some reduced domestic demand for sun oil.

2017/18

Post revises production and exports up slightly from September, in line with official data.

Oilseed, Sunflowerseed Market Begin Year Argentina	2017/2018		2018/2019		2019/2020	
	Mar 2018		Mar 2019		Mar 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1710	1710	1900	1900	1750	1625
Area Harvested	1678	1678	1876	1876	1650	1625
Beginning Stocks	1138	1138	1190	1373	1155	1676
Production	3538	3538	3825	3825	3300	3300
MY Imports	1	0	0	0	0	0
Total Supply	4677	4676	5015	5198	4455	4976
MY Exports	55	55	150	150	100	110
Crush	3183	3183	3435	3305	3200	3450
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	249	65	275	67	275	69
Total Dom. Cons.	3432	3248	3710	3372	3475	3519
Ending Stocks	1190	1373	1155	1676	880	1347
Total Distribution	4677	4676	5015	5198	4455	4976
Yield	2.1085	2.1085	2.0389	2.0389	2	2.0308
(1000 HA) ,(1000 MT) ,(MT/HA)						

Peanut:

2019/20

Post forecasts peanut planted area remains at 300,000 HA, no change from September but down 25,000 HA from 2018/19 on increased production costs and market uncertainty. Dry weather delayed planting, especially in southern Cordoba and La Pampa and farmers are increasingly concerned about the impact of prolonged dryness on crop development. Production is forecast at 1,000,000 MT unchanged from September. Exports are forecast at 650,000 MT, up 100,000 MT from September on increased international demand and larger beginning stocks available for export.

2018/19

Post revises peanut production to 1.42 MMT up 0.38 MMT on latest available data. Stocks are projected at 435,000 MT, up 60,000 MT from April, on increased production and decreased domestic consumption.

2017/18

Exports are revised up slightly 550,000 MT in line with official data.

Oilseed, Peanut Market Begin Year Argentina	2017/2018		2018/2019		2019/2020	
	Mar 2018		Mar 2019		Mar 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Planted	382	382	325	325	325	300
Area Harvested	382	382	320	320	320	295
Beginning Stocks	447	447	383	383	475	435
Production	867	867	1418	1418	1255	1000
MY Imports	0	0	0	0	0	0
Total Supply	1314	1314	1801	1801	1730	1435
MY Exports	550	550	910	948	900	650
Crush	306	306	339	339	340	340
Food Use Dom. Cons.	54	54	55	57	56	58
Feed Waste Dom. Cons.	21	21	22	22	22	23
Total Dom. Cons.	381	381	416	418	418	421
Ending Stocks	383	383	475	435	412	364
Total Distribution	1314	1314	1801	1801	1730	1435
Yield	2.2696	2.2696	4.4313	4.4313	3.9219	3.3898
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments