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Report Name: Oilseeds and Products Update

Country: Argentina

Post: Buenos Aires

Report Category: Oilseeds and Products

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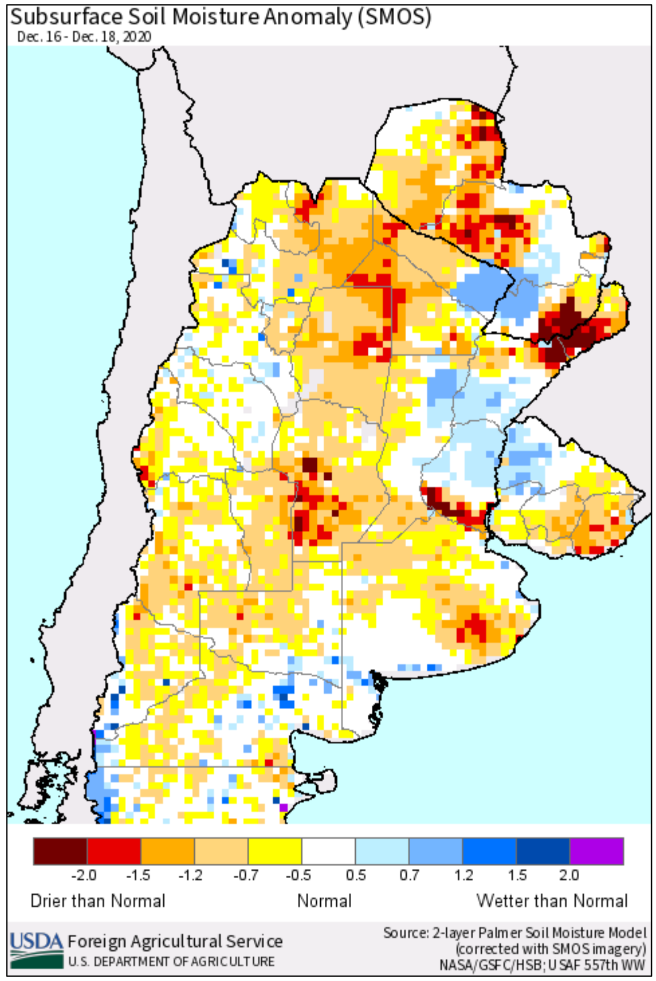
Report Highlights:

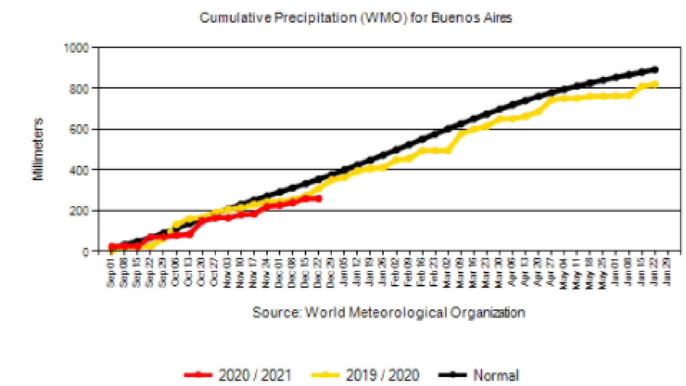
Providently timed rains have allowed emergence amid generally positive early oilseed crop conditions, but the absence of significant soil profile moisture in much of the country means that farmers will be dependent on timely rains to meet yield goals. MY 2020/21 soybean production projection is lowered to 50 MMT and sunflowerseed is reduced to 2.9 MMT primarily due to dry weather, in line with USDA official. Peanut production is raised slightly to 1.35 MMT on larger planted area.

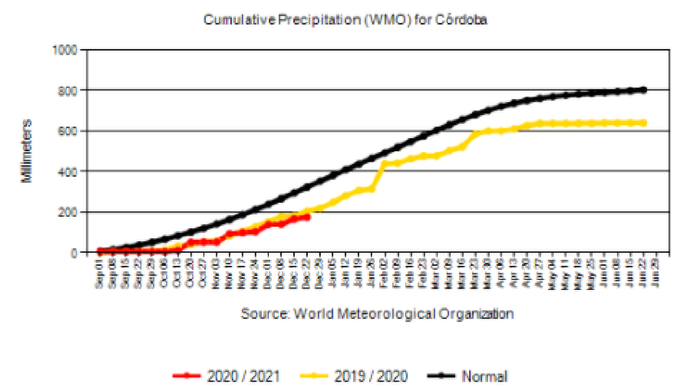
As of the end of December, sunflower and peanut plantings for the 2020/21 crop have essentially finished with soybeans almost 90% complete. Although sunflower plantings in the north of Argentina are maturing poorly, oilseed crop conditions in the rest of the country are otherwise average to above average considering the lack of rainfall in key production areas. The absence of significant soil profile moisture is constraining the upper bound of all crop yields as farmers remain dependent on timely rains to meet yield goals. Post reduces its 2020/21 total production to 50 million tons, down 1 million tons, matching USDA official. While the current condition of the soybean crop leaves open the possibility of an average to above average crop, further downward revisions are likely.



A further challenge for Argentine soybean crushers and export terminal owners involved a labor dispute. Three unions: URGARA, representing workers at export and import terminals, SOEA and FTCIODyARA, representing oilseed plant workers, went on strike in December for more than 20 days demanding higher wages in response to longer hours under COVID-19 safety protocols and to offset soaring rates of inflation. Many trading and processing firms, their own profitability limited by currency controls and slow-farmer selling, saw their, crush facilities and major export terminals in the Gran Rosario export hub closed for more than 20 days, disrupting deliveries and exports. The Rosario Grain Exchange estimates that the strike led to economic losses of $US100 million per day. On December 29, an agreement was reached providing workers with significant salary increases and bonuses.

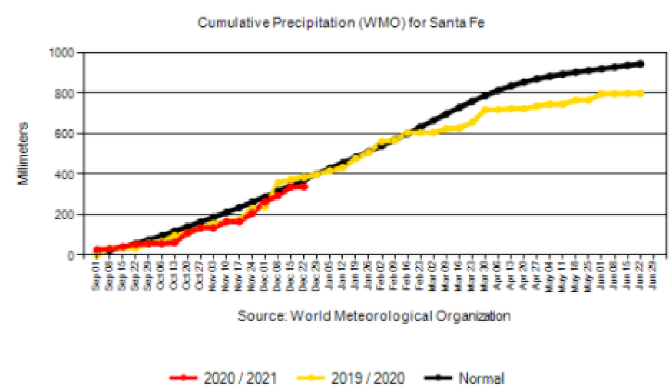
Argentine farmers remain in solid financial position after selling a bumper 2019/20 corn crop and coming to the end of the winter wheat harvest. Favorable interest rates on peso denominated loans, combined with cash in hand is continuing to permit farmers to sit on soybean stocks despite rising prices and a temporary government program which lowered export tax rates for October, November, and December intended to spur farmer selling. These lower rates largely unaffected the pace of farmer selling. High inflation rates in Argentina along with farmers' belief that another devaluation of the Argentine peso is inevitable is encouraging producers to keep their soybeans in storage rather than selling and keeping the proceeds in pesos.



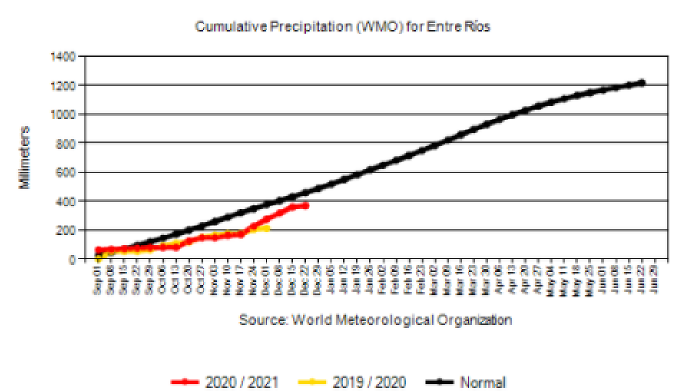


Soybeans

2020/21



Post maintains forecasted soybean 2020/2021 planted area at 17.5 million hectares matching USDA official. Production is lowered to 50 million tons, down 1 million tons matching USDA official. The reduction is based on expected impact of dry weather conditions on some early planted soybeans and on farmers delayed planting while waiting for rains. Later planted soybeans are anticipated to have slightly lower yields than earlier planted fields. Of the four largest soybean growing provinces, only Santa Fe has received adequate rainfall, and even there, more rain has fallen in the north than in some of the richer farmland in the south of the province. As can be



seen in the accompanying graphs, rainfall has lagged the pace of 2019/20 and is well behind the average for Buenos Aires, Cordoba, and Entre Rios provinces.

According to the Buenos Aires Grain Exchange, as of December 30, the soybean crop was 87.5% planted. Planting is practically complete in the core growing region of eastern Cordoba Province, northwestern Buenos Aires Province, and southern Santa Fe province. Dry weather is delaying planting in the northern production region in the provinces of Chaco, Santiago de Estero, and Tucuman, but due to the longer growing season, producers in the north still have until mid to late January to sow soybeans. Recent rains in La Pampa Province and in Southwestern Buenos Aires provinces are allowing farmers to finish planting in those regions. Though some early planted soybeans are beginning to flower, most soybeans are still in a vegetative growth stage, which requires less water and provides some resistance to the dry conditions.

Post forecasts 2020/21 soybean exports at 7 million metric tons (MMT), down 1 MMT from the September Oilseeds update, and in line with USDA official. This volume is 4.4% higher than revised projected 2019/20 levels. The reduction is driven by several factors, including expected continued slow farmer selling in an inflationary local economic environment, lower Chinese demand for Argentine whole beans due to an increased willingness to import US soybeans and strong expected Brazilian production. A smaller than expected Brazilian harvest could drive prices higher and make farmer selling more attractive.

Crush is reduced to 41 MMT, down 1.5 MMT from April, but still up 10.2% from revised projected 2019/20 levels as crushers benefit from the new differential export taxes and resume more normal operations post COVID-19 and post-strike. Imports are unchanged from September at 4.5 MMT. This is 500,000 MT more than USDA official on strong expected Paraguayan production and slow Argentine farmer selling. Stocks are raised 2 MMT to a record to 16.59 MMT, as farmers continue to conserve soybeans as a hedge against inflation and currency devaluation.

2019/20

Post lowers production to 48.8 MMT matching USDA Official. Post forecasts 2019/20 crush at 37.1 MMT, down 1.3 MMT from Post's September Oilseed update. This is 2.8 MMT lower than USDA official on continued slow farmer selling, lower than trend monthly crush figures reported since June, and a strike which halted most soybean crushing for much of December. Both workers and plant operators have been challenged by COVID-19 related labor rules and slow farmer selling. Rules implemented by the government, which were intended to protect the health and safety of employees, mean that workers who met criteria to be classified as high risk for adverse outcomes with COVID-19 were sent home at the beginning of the pandemic. Existing labor laws prevented companies from temporarily hiring additional workers to replace them. Employees were divided into separate teams to help mitigate the risk of COVID-19 from spreading among all workers. The net effect was that the remaining workers were working longer hours and receiving significant overtime pay, but plants lacked the flexibility to respond to changing demand conditions and have had difficulty performing standard maintenance. The overstretched workers, facing high inflation demanded higher salaries and bonuses in recognition of the work performed during the pandemic. Representatives of the crushers and exporters argued that workers are already receiving some of the highest private sector salaries in Argentina and that excess crush capacity combined with high export taxes and low volumes of farmer selling have already greatly reduced the profitability of their operations. A meeting on December 29, mediated by Minister of Labor, resulted in an agreement that provided workers with a retroactive 35% salary increase in 2020, a 25% salary increase in 2021 (with a review in August 2021 to compare the increase with the consumer price index), a 2020 bonus reflecting the revised salary, and an AR$90,000 bonus for work done during the pandemic. CIARA-CEC, the trade association representing exporters and crushers issued a statement decrying such strikes arguing they reduce Argentina's competitiveness as a global supplier of agricultural products and cause the country to cede market share to other exporters.

Imports are projected steady at 5.15 MMT. Imported soybeans are continuing to play an important role as exporters and crushers struggle to obtain soybeans from Argentine farmers. Paraguay is the chief source of imported soybeans for Argentina but low river levels have raised costs for barging soybeans down the Parana River to the port and industrial complex near Rosario, Argentina. Barges unable to fill to capacity are sometimes delayed waiting to transit particularly low-level stretches of river. Exports of whole soybeans are projected unchanged at 6.7 MMT down 35% from 2018/19.

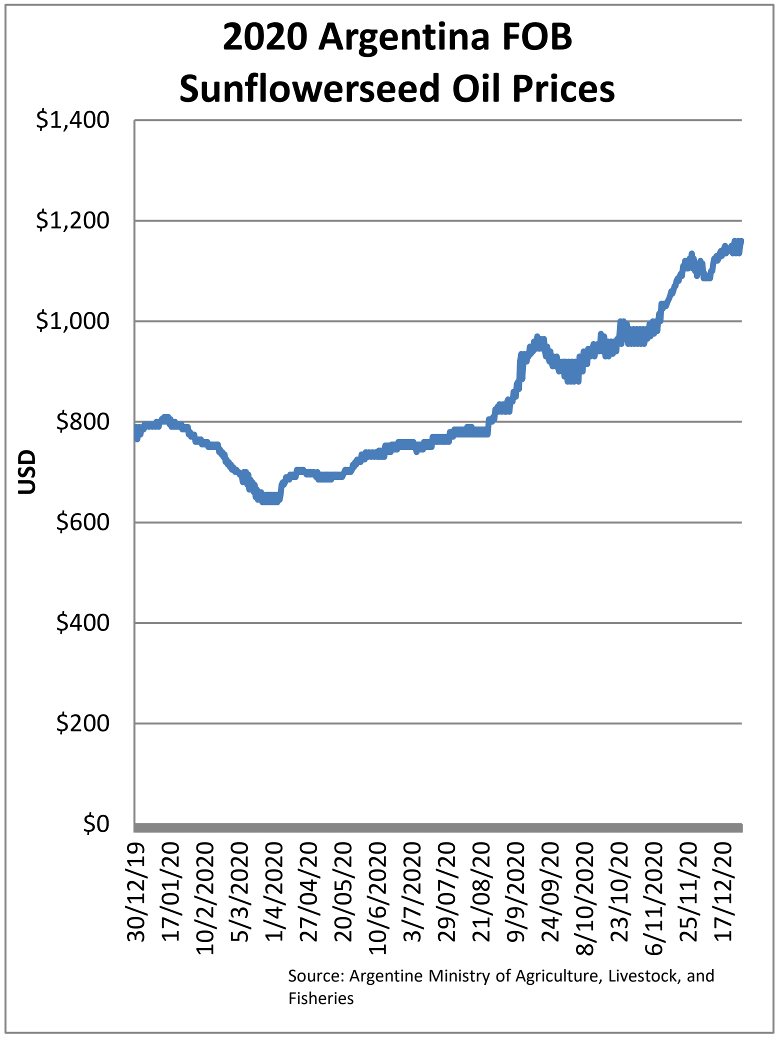
2019/20 ending stocks are raised 500,000 MT to 15.558 MMT, on the smaller annual crush total as Argentine farmers wait for more local macroeconomic stability, reduced inflation, a relaxation of currency controls, and an expected currency devaluation.

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	17400
Beginning Stocks (1000 MT)	9100	9100	10110	10843	11800	15588
Production (1000 MT)	55300	55300	48800	48800	50000	50000
MY Imports (1000 MT)	3789	3788	4600	5150	4000	4500
Total Supply (1000 MT)	68189	68188	63510	64793	65800	70088
MY Exports (1000 MT)	10255	10255	6640	6700	7000	7000
Crush (1000 MT)	40929	41790	37900	37105	39000	41000
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	6895	5300	7170	5400	7300	5500
Total Dom. Cons. (1000 MT)	47824	47090	45070	42505	46300	46500
Ending Stocks (1000 MT)	10110	10843	11800	15588	12500	16588
Total Distribution (1000 MT)	68189	68188	63510	64793	65800	70088
Yield (MT/HA)	3.3313	3.16	2.9222	2.8876	2.994	2.8736
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sunflowerseed

2020/21

Post revises sunflower planted area at 1,410,000 HA down 270,000 HA from the September report and in line with USDA official. Dry weather, which largely prevented planting in the far northern Provinces of Chaco and Santiago de Estero, also claimed more acres than expected in Santa Fe Province. The crop that was planted in the far north was severely damaged by dry weather and more losses are expected prior to harvest. Recent rains in Santa Fe have allowed for continued development of the crop. In southern Buenos Aires Province and in La Pampa Province, farmers modestly expanded (7-9%) their planted area in order to take advantage of rising international prices and strong demand for sunflowerseed oil in the domestic market. Farmers in the south have remained reluctant to expand their acreage as much as might be expected considering the high prices and sunflower's drought hardiness. Producers cite low investment in sunflower genetics by breeders (resulting in slower annual yield gains), a lack of competition among buyers and processors, and the risk of predation by doves as justifications for their caution about increasing planting. Total production is projected at 2.9 MMT, matching USDA official. Exports will be limited to 150,000 tons, primarily for confectionary uses.



2019/20

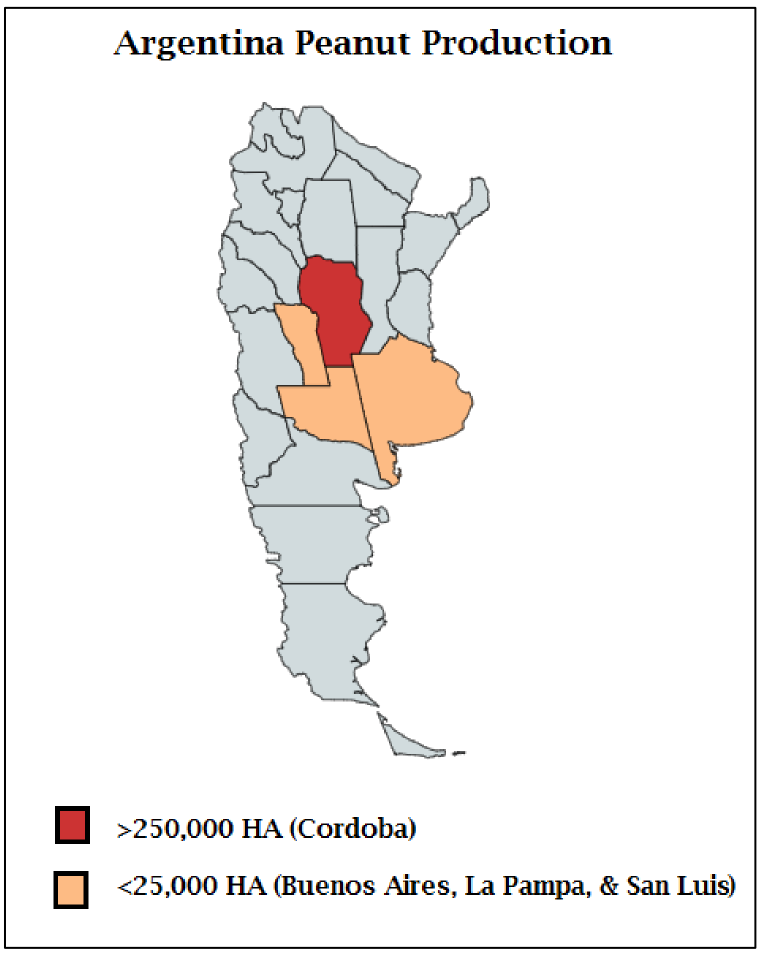
Post revises production down slightly to 3.24 MMT in line with USDA official. Crush is lowered to 2.7 MMT on lower than expected monthly crush numbers. Exports are revised up slightly to 188,000 tons.

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	1410
Area Harvested (1000 HA)	1876	1876	1530	1575	1380	1380
Beginning Stocks (1000 MT)	990	990	987	987	847	1059
Production (1000 MT)	3825	3825	3235	3235	2900	2900
MY Imports (1000 MT)	1	1	0	0	0	0
Total Supply (1000 MT)	4816	4816	4222	4222	3747	3959
MY Exports (1000 MT)	173	173	200	188	150	150
Crush (1000 MT)	3380	3380	2900	2700	2900	3000
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	276	276	275	275	277	285
Total Dom. Cons. (1000 MT)	3656	3656	3175	2975	3177	3285
Ending Stocks (1000 MT)	987	987	847	1059	420	524
Total Distribution (1000 MT)	4816	4816	4222	4222	3747	3959
Yield (MT/HA)	2.0389	2.0389	2.1144	2.054	2.1014	2.1014
(1000 HA) ,(1000 MT) ,(MT/HA)						

Peanut

2020/21

Planted acres are projected at 350,000 HA, up 10,000 HA from the September report and 11% from 2019/2020 planted acreage. The increased acreage and a return to trend for yields will result in projected production of 1.35 MMT, 50,000 tons lower than USDA official. After two seasons of consecutive declines in planted acres farmers have returned some acres to peanuts after rotating to other crops. Much peanut acreage is contracted and processors are keen to avoid oversupply while still taking advantage of expected growing global demand. Export taxes for peanuts and peanut products were reduced in March 2020 as part of the Decree 230/2020 increasing their profitability relative to soybeans and grains. The bulk of peanut production is in southern Cordoba Province, with some production in La Pampa, Buenos Aires, and San



Luis Provinces. After a dry spring, recent rains in the peanut growing region have provided producers with some additional weeks to continue crop development. Post raises export projection 200,000 tons to 950,000 tons close to USDA official which lowers ending stocks to 410,000 tons.

2019/20

Post revises peanut production up 90,000 tons to 1.39 MMT tons, on latest available estimates due to better than expected yields following positive weather conditions in the lead up to harvest. Crush is revised downwards to 260,000 tons on lower than anticipated monthly crush numbers. Domestic feed waste and domestic food use are both revised up slightly on latest available estimates.

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	368	310	350	350
Beginning Stocks (1000 MT)	350	350	572	480	539	525
Production (1000 MT)	1419	1419	1300	1390	1400	1350
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1769	1769	1872	1870	1939	1875
MY Exports (1000 MT)	800	800	965	910	980	950
Crush (1000 MT)	319	319	290	260	310	340
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	368	435	390	515
Ending Stocks (1000 MT)	572	480	539	525	569	410
Total Distribution (1000 MT)	1769	1769	1872	1870	1939	1875
Yield (MT/HA)	4.3528	4.3528	3.5326	4.4839	4	3.8571
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments