THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 10/21/2016

GAIN Report Number:

Argentina

Grain and Feed Update

October 2016

Approved By:
David Mergen
Prepared By:
Ken Joseph

Report Highlights:

Post estimates Argentine wheat production for 2016/17 at 14.4 million tons, and exports at 8.3 million tons, both very similar to USDA. Barley production is expected at 3.0 million tons, 650,000 tons lower than USDA because of a smaller harvested area. A smaller supply will negatively affect barley exports, especially feed barley if finally the quality turns to be good as it currently seems so. Post projects corn production for marketing year 2016/17 at 36.5 million tons, the same as USDA. Exports for 2016/17 are forecast at 26 million tons, 1 million tons higher than USDA. This is because of higher beginning stocks, as Post now estimates production for 2015/16 at 30 million tons, 2 million tons higher than USDA due to greater harvested area. The additional output is expected to allow a larger export volume in 2015/16, at 20.5 million tons, and an increase in carry over of 1 million tons. Post estimates sorghum exports for 2015/16 and 2016/17 at 600,000 tons per year, lower than USDA. Local traders indicate that foreign demand of sorghum is weak. Post projects for 2016/17 a somewhat smaller rice production and area than what USDA estimates.

Post:
Buenos Aires

Wheat: Post estimates harvested area at 4.6 million hectares, 200,000 hectares lower than USDA. Due to extreme wet weather during autumn and winter, many producers were not able to sow as many hectares they had planned. There is a wide dispersion of planted area estimates in the local market, ranging between 4.3-5.2 million hectares. Buenos Aires, Cordoba and Santa Fe provinces account together for more than 80 percent of the country's wheat planted area. The crop condition is good/very good in most of the country, especially after the good rainfall of the past two weeks. However, the weather in the next 3-4 weeks will be key to define yields. Producers planted a larger proportion than normal of higher quality wheat varieties demanded by local mills and have used better technology (especially the level of fertilization) in their crops. Yields are expected to be somewhat higher than in the past crop seasons, but most importantly; the quality of grain is anticipated to be significantly better. Argentine production in the past few years had a large proportion of low quality wheat which was primarily exported as feed. The harvest of the crop season 2016/17 began in the Northern provinces, but the core of the harvest will go from Mid-November through early January 2017.

With wheat production estimated at 14.4 million tons in crop 2016/17, Post projects total exports at 8.3 million tons (including flour and products), 300,000 tons higher than USDA's official number. A higher carry over from the previous crop season would result in additional volumes for export. Of the total exports, a little over 7 million tons would be wheat. The main market is expected to be Brazil, the historic, natural market for Argentine wheat and flour. During Argentina's previous administration, exports of wheat were limited in order to keep the domestic market well-supplied and maintain low local prices. In 2013 and 2014 exports to Brazil dropped by more than half, to about 2 million tons. This forced the neighboring country to reach out to other suppliers, such as the United States. Argentine wheat exports to Brazil in 2016/17 are forecast at 3-4 million tons. Local traders indicate that Argentina's comeback most likely will negatively affect wheat exports from the United States, especially those directed to supply the center-south of Brazil. Total Argentine wheat flour exports for 2016/17 are projected at 850,000 tons (product weight), the equivalent to 1.1 million tons of wheat. This is the highest volume since 2012. Of the total, Brazil is forecast to purchase some 600,000 tons, Bolivia 200,000 tons and Chile 20,000 tons.

With the new policies that the Macri Administration put in place late last year, total wheat exports rebounded significantly in 2015/16. Wheat monthly exports jumped from 53,000 tons in December 2015 to 940,000 tons in January 2016. The following months showed large volumes until August-September which began to slow down. Exports of feed wheat to South East Asia countries and South Korea were unusually high, as traders exported high stocks of low protein wheat produced in the 2014/15 and 2015/16 crops.

Wheat domestic consumption for 2015/16 is estimated by post at a total 5.9 million tons, 250,000 tons lower than USDA. Based on official data, the milling in the first 7 months of 2016 dropped 5 percent. This is a reflection of a slow economy which is adjusting to a new environment proposed by the Argentine government in order to have a more sustainable economy in the future. Most economists are quite optimistic about the country's growth as of 2017.

Barley: Post continues to forecast harvested area for 2016/17 at 800,000 hectares and a production of 3.0 million tons, while USDA' official projection is a t 975,000 hectares and 3.65 million tons of production. As in wheat, a very rainy year delayed the harvest of summer crops (corn and soybeans) in many fields, and in others, it complicated the sowing due to a high water table. In a few cases farmers were not able to access their farms as dirt roads were inaccessible. Area projections in the local market range from 700-990,000 hectares. After peaking in the 2012/13 crop, with 1.5 million hectares, in the midst of the government intervention in the local wheat market, barley area in Argentina would seem to be returning to its historic area of 500-600,000 hectares. The current crop condition is good, and as in wheat, the use of technology was far greater than past seasons. Farmers are aiming to produce good quality to be able to obtain price premiums from the malting industry and exporters. Post estimates production for 2015/16 at 4.8 million tons, 140,000 tons lower than USDA. The market estimates range between 4.6-4.9 million tons.

Post projects barley exports for 2016/17 at 1.4 million tons, lower than USDA's 2.1 million tons, primarily explained by the difference in production estimate. Argentina is expected to export some 700-800,000 tons of malting barley to neighboring countries and about 600,000 tons of feed barley. So far, the quality of barley is expected to be good, with small supplies of feed quality barley. The current price differential between malting and feed barley is US$50 per ton. Feed barley exporters foresee price tension in the market and complications to originate as farmers will want to sell at the higher price, but current FOB prices do not allow it.

Domestic consumption of feed barley in 2016/17 is expected to drop to 200,000 tons in 2016/17, more in line with normal years, especially if the quality of the new crop is better than normal. In 2015/16, barley domestic consumption for animal feed was larger (Post's estimate is 100,000 tons higher than USDA). This was due primarily to large supplies of poor quality barley and its price relation vis-à-vis other feed alternatives.

Post projects the carry-over of barley for 2016/17 at 590,000 tons. Some 250,000 tons would be in the hands of malting plants and the balance in the hands of producers. This is somewhat lower than USDA's 730,000 tons, primarily explained by the difference in expected production for crop 2016/17 and a lower carry in stock from crop 2015/16. Local industry contacts indicate that ending stocks in November 2016 will range between 400-500,000 tons, with barley of both malting and feed quality.

Corn: Production for marketing year 2016/17 is projected at 36.5 million tons, the same as USDA. To date, roughly 25-30 percent of the planting was finished. Until a few weeks ago, some areas were lacking soil humidity and in general temperatures were below the optimum for planting. But rains in the past few weeks are allowing farmers to finish the planting of early corn, which in crop 2016/17 is estimated to account for 40-45 percent of the country's total corn area. This percentage is more in line with previous years (except in the 2015/16 crop, where late corn planting increased significantly at the last moment as the new government in place announced changes in policy favoring its planting). Post forecasts harvested area for 2016/17 at 4.5 million hectares, the same as USDA. A few months ago the market was somewhat more optimistic in the growth in area, but late price fluctuations and relations between corn and soybeans have made some farmers change their planting decisions slightly. As an example, the grain exchange of Cordoba province estimates a growth of 170,000 hectares (+11%) in the coming crop season. Cordoba accounts for approximately one third of the country's total corn area. There is a wide range in local estimations of planted corn area for commercial grain. While the private sector's estimates range between 4.5-4.9 million hectares (planted), the government's official estimation is 7.28 million hectares for total corn planted area (versus 6.9 million hectares in 2015/16 of which 1.5 million hectares were lost, made into silage or fed directly to cattle).

Post increases harvested corn area for 2015/16 to 3.7 million hectares, 200,000 hectares more than USDA and corn production at 30.0 million tons, 2.0 million tons higher than USDA's official number. The market agrees that additional hectares were harvested, especially in the center-north part of the country. Final yields were somewhat higher than previously expected. A very wet season complicated much the logistics for harvesting and transportation, but played in favor of sustained, high yields.

A higher production estimate for the 2015/16 crop is expected to allow additional exports of 1 million tons more than USDA estimates, totaling 20.5 million tons. With unchanged domestic consumption, ending stocks for 2015/16 are expected to increase by 1 million tons at 2.1 million tons. This level of carryover is expected to add to volumes for export in 2016/17, which Post now forecasts at 26.0 million tons, 1.0 million tons higher than USDA's projection. Local traders have already purchased approximately 4.0 million tons of the 2016/17 crop, which is currently being planted. This is a significant change from how the market operated until a year ago with the previous administration controlling corn exports. Current future prices for April 2017 in the local market are in the area of US$150 per ton.

Sorghum: The only difference that Post has with USDA's official data is the level of exports for both 2016/17 y 2015/16. Local traders foresee a very slow market for both years as world stocks of feed grains are high. Sorghum exports from Argentina in 2015/16 have totaled through September 2016 370,000 tons, with almost half the exports of the same period in the past two years. Japan is almost the exclusive buyer. Some additional shipments are expected for December 2016.

Ending stocks for 2016/17 are projected at 796,000 tons, higher than USDA's 396,000 tons. The difference is mainly explained by Post's lower export forecast.

Rice: Production for 2016/17 is forecast at 1.415 million tons (rough production), 125,000 tons lower than USDA. While planting in Corrientes province will increase almost 3,000 hectares there will be some drops in Entre Rios and Santa Fe. Post's total harvested area is projected at 208,000 hectares. The drop is not greater because rice producer prices increased 50-60 percent in the past five months in local currency, improving producers' future returns. The final production for the 2015/16 season was 1.26 million tons (rough production), 140,000 tons lower than USDA. Approximately 207,000 hectares were harvested (4,000 hectares were lost), with an average yield of 6 tons per hectare. These were lower than the average as the El Nino weather brought too much rain and cloudy days. Post projects Argentine rice exports for 2016/17 at 500,000 tons, 50,000 tons lower than USDA. At current high domestic prices, local traders foresee exports will be slow.

Statistical Tables

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Dec 2014		May 2015		Dec 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4957	4957	3945	3945	4800	4600

Beginning Stocks	2490	2490	4804	4804	859	1109
Production	13930	13930	11300	11300	14400	14400
MY Imports	35	35	5	5	5	6
TY Imports	35	35	3	3	5	6
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16455	16455	16109	16109	15264	15515
MY Exports	5301	5301	9100	9100	8000	8300
TY Exports	4200	4200	8860	8860	8000	8300
Feed and Residual	300	300	100	200	100	100
FSI Consumption	6050	6050	6050	5700	6200	6200
Total Consumption	6350	6350	6150	5900	6300	6300
Ending Stocks	4804	4804	859	1109	964	915
Total Distribution	16455	16455	16109	16109	15264	15515
(1000 HA) ,(1000 MT)						

Barley	2014/2015		2015/2016		2016/2017	
Market Begin Year	Dec 2014		Dec 2015		Dec 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	900	900	1250	1200	975	800
Beginning Stocks	492	492	340	340	780	490
Production	2900	2900	4940	4800	3650	3000
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3392	3392	5280	5140	4430	3490
MY Exports	1552	1552	2900	2950	2100	1400
TY Exports	1599	1599	2800	2850	2100	1400
Feed and Residual	200	200	400	500	300	200
FSI Consumption	1300	1300	1200	1200	1300	1300
Total Consumption	1500	1500	1600	1700	1600	1500
Ending Stocks	340	340	780	490	730	590
Total Distribution	3392	3392	5280	5140	4430	3490
(1000 HA) ,(1000 MT)						

Corn	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 Harvested	3500	3500	3500	3700	4500	4500
Beginning Stocks	1408	1408	1909	1909	1114	2114
Production	28700	28700	28000	30000	36500	36500
MY Imports	3	3	5	5	5	5
TY Imports	3	3	5	5	5	5

TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	30111	30111	29914	31914	37619	38619
MY Exports	18902	18902	19500	20500	25000	26000
TY Exports	18448	18448	21300	22300	25500	26500
Feed and Residual	6000	6000	6000	6000	6800	6800
FSI Consumption	3300	3300	3300	3300	3700	3700
Total Consumption	9300	9300	9300	9300	10500	10500
Ending Stocks	1909	1909	1114	2114	2119	2119
Total Distribution	30111	30111	29914	31914	37619	38619
(1000 HA) ,(1000 MT)						

Sorghum	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 Harvested	770	770	750	750	750	750
Beginning Stocks	1202	1202	971	971	846	946
Production	3500	3500	3375	3375	3400	3400
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4702	4702	4346	4346	4246	4346
MY Exports	931	931	700	600	900	600
TY Exports	954	954	900	800	800	500
Feed and Residual	2400	2400	2400	2400	2550	2550
FSI Consumption	400	400	400	400	400	400
Total Consumption	2800	2800	2800	2800	2950	2950
Ending Stocks	971	971	846	946	396	796
Total Distribution	4702	4702	4346	4346	4246	4346
(1000 HA) ,(1000 MT)						

Rice, Milled	2014/2015		2015/2016		2016/2017	
Market Begin Year	Apr 2015		Apr 2016		Apr 2017	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	231	231	208	207	220	208
Beginning Stocks	322	322	529	529	364	373
Milled Production	1014	1014	910	819	1001	920
Rough Production	1560	1560	1400	1260	1540	1415
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	5	5	5	5	5	5
TY Imports	7	7	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1341	1341	1444	1353	1370	1298
MY Exports	312	312	560	520	550	500
TY Exports	310	310	560	480	550	500
Consumption and Residual	500	500	520	460	540	460
Ending Stocks	529	529	364	373	280	338
Total Distribution	1341	1341	1444	1353	1370	1298
(1000 HA) ,(1000 MT)						