

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Post projects the following for crop season 2013/14: wheat planted area and production are expected to increase as result of anticipated better returns and a drop in barley planted area which was severely affected by disease in the past crop season. Wheat production is forecast at 12.6 million tons and barley at 3.8 million tons. Corn planted area is expected to remain unchanged and production is forecast at 25 million tons. Final planted area will depend on the condition of the US corn crop and world prices at the time local farmers take the final planting decision. Sorghum is forecast to continue a slow, but steady increase, with production at 5.3 million tons. Rice is also projected to expand somewhat, with production at 1.0 million tons (milled base), as prices are expected to be somewhat better. Exports would increase in the case of wheat and rice, will stay almost unchanged for sorghum and drop for corn and barley.

Commodities:

Wheat

Barley

Corn

Sorghum

Rice, Milled

Author Defined:**Production:**

Wheat: Planted area for crop 2013/14 is projected to increase to 4.2 million hectares, and production at 12.6 million tons. Despite continuous government intervention in the commercialization and trade, conditions at decision time are far better than last year. Wheat prices are significantly higher and thus, project better returns. Barley acreage is expected to drop quite significantly as well as minor crops such as lentils, garbanzo and chick peas; due to excess rain their production was lower than anticipated. These crops were planted last year as alternative winter crops to avoid planting wheat which suffered significant marketing limitations. The drop in area of these crops is expected to shift primarily to wheat, while some additional area will be also planted. Last year a large area in the center west of the province of Buenos Aires suffered severe floods and many hectares were not able to be sown. Nowadays, most of these fields are dry and can now be planted. The Argentine Government (GOA) recently announced a wheat export quota of 5 million tons for crop 2013-14, which will be freed at one time, and not in tranches as it used to be until early 2012. By doing this the government is trying to encourage producers to plant more wheat. During the 2012/13 crop year the GOA reserved 7 million tons for the domestic market and opened a 5 million ton export quota, but this was announced when planting was almost over, with little impact at the time. Some contacts are even more optimistic, projecting a somewhat higher area, which could be true if there is good rain during May/June. Many farmers change their decision at the last minute, depending on weather conditions and markets. There are strong rumors that the government will favor small producers and cooperatives to have a good portion of the export quota, while large producers would have to first supply the domestic market and then fulfill the balance of the export quota. Some contacts indicate that this measure, if finally applied, could have a negative impact on the final area. Post continues to estimate 2012/13 wheat production at 10.3 million tons, lower than USDA's number. Most local players estimate production to be between 9 and 10 million tons.

Barley: Planted area for crop 2013/14 is forecast to drop quite significantly at 1.1 million hectares, a loss of 400,000 hectares. Production is projected at 3.8 million tons. Although the area is expected to drop significantly, it still remains quite important. The possibility of producing a winter crop which does not suffer commercialization limitations, the opening of new markets such as China, the possibility of planting soybean second crop two weeks earlier than wheat and the possibility of making forward contracts make this crop still very attractive. Ten years ago, planted area ranged between 200-300,000 hectares. Planted area in crop 2012/13 was a record as many farmers wanted to avoid the difficulties of the local wheat market. However, the crop suffered heavily from weather problems in a very wet season. Yields were affected, but primarily the quality was off due to diseases. This was specifically true in the northern Buenos Aires province and southern

Santa Fe province. Many producers had to sell barley for feed because the quality was below standard. Barley will be sown primarily in the center-south part of Buenos Aires province because production was relatively good, there are not too many alternative crops in this area and planting barley allows farmers to be able to plant a second soybean crop two weeks earlier than with wheat. Most farmers who planted barley for the first time will probably decline planting in the next season. Wheat returns have improved significantly from last year and it is expected to compete strongly for the use of the land for winter crops. Moreover there are strong rumors indicating that the government wants to encourage the planting of wheat vis-à-vis barley. Post estimates barley production for crop 2012/13 at 4.9 million tons, 600,000 tons lower than USDA's number. Most traders and local buyers agree that production ranges between 4.7-4.9 million tons.

Corn: Planted area for crop 2013/14 (begins in late September and goes through December) is forecast at 3.7 million hectares, a similar area to last year. Production is projected at 25 million tons, lower than the output anticipated in 2012/13 which is expected to enjoy high yields because the wet weather during most of its production cycle. Harvest is currently running at 20 percent of the total. Most local farmers will have a good corn crop this year. Some players are somewhat more optimistic, although others indicate that a more accurate estimation will be possible next July/August when there is a better idea of corn production in the US. If prices drop in a significant manner, planting intentions will follow the same direction. Several thousand hectares which were finally not sown in Oct/Dec 2012 due to flooding are expected to go into production in crop 2013/14 as most of the water has receded. There is a strong need for rotation as soybean area is close to 19-20 million hectares. This means that for each hectare of corn, there are about five hectares of soybeans planted. Argentina has a very good production system which combines a very high proportion of no till planting with GMO seed. However, the need to rotate crops to preserve the soil is a very big concern in producers' decision making. Farmers producing on their own land will likely increase corn planted area. Due to increasing transportation costs and its big effect on corn returns, production will take place primarily in areas not too far from ports or where there is local consumption.

Sorghum: Planted area for crop 2013/14 is forecast to continue to increase slowly (and steadily) at 1.15 million hectares. Production is projected at 5.3 million tons, the highest since mid-1980. Good prices, lower production cost than corn, the possibility of using poorer soils, the strong need to rotate crops, the lack of government intervention in its commercialization, and an increasing interest in both the local demand and exports provide a platform to encourage its production. Recent official and private estimations set planted area for 2012/13 somewhat lower than earlier indicated. Post reduced 50,000 hectares the area for that crop year.

Rice: Planted area for 2013/14 is forecast to increase 8,000 hectares to 238,000 as result of somewhat improved prices. Area is expected to continue to drop in Entre Rios province because production costs for farmers using water pumps running on diesel are way too high. These farmers shift to lower cost soybean production. In Corrientes and Santa Fe provinces the area is expected to grow. Producers in these provinces use irrigation water from ponds, which have a much lower cost than using diesel pumps in deep wells. Milled production is forecast at 1 million tons, and 1.54 million tons in rough. Production for 2012/13 is lowered to 910,000 tons milled because excess rains in March are complicating the harvest, reducing somewhat yields and quality.

Consumption:

Wheat: Domestic consumption for crop 2013/14 is projected at 6.050 million tons, a marginal increase from the previous year. The local wheat market is very stable and mature, although an expected larger planted area will demand a larger use of seed.

Government subsidies for wheat flour ended in 2011. Since then, some mills have run into financial difficulties. With the latest government push to limit exports of wheat flour in 2013, to 300,000 MT, (one-third of export in 2012) mills may face even more financial problem. The government continues to reserve 7 million tons of wheat for the mills to fully supply the domestic market. Unofficial exports to neighboring countries have been reported, taking advantage of the gap between the official and unofficial exchange rate.

Barley: Domestic consumption in crop 2013/14 is expected at 1.3 million tons, unchanged from the previous year due to a stable malting capacity. Seed consumption will be approximately 150,000 tons. Despite the serious quality problem in crop 2012/13, traders are working shipments in such a way that they are expected to export almost all of it, leaving a small volume for domestic consumption as feed. Poor quality barley was mixed with good quality product to obtain contracted standards.

Corn: Domestic demand for 2013/14 continues to increase as the pork, feedlot and poultry sectors are projected to grow. In addition, new plants of ethanol using grains as feedstock come on line. Most of the grain used is expected to be corn. In 2014 there should be 2 or 3 new ethanol plants in operation; added to the three which are already processing. The wet milling industry is also expanding its capacity. In addition to the six plants already in operation, a new plant will come in line on late 2013 or early 2014 in Cordoba province to produce fructose and glucose for the local and export markets.

Currently the byproduct of ethanol plants is wet distilled grains which are consumed in nearby feedlots and dairies. In the next two years, most plants plan to eventually build dryers to produce DDGS. Argentina could become an important producer, consumer and, eventually exporter of this type of feed.

Sorghum: Domestic consumption for 2013/14 is forecast to increase to 2.35 million tons, as most livestock sectors are expected to continue growing and new ethanol plants are forecast to demand additional grains. Although at a slow pace, new uses for sorghum (primarily low tannin sorghum) are being incorporated in the local industry. Several ethanol plants are trying to source sorghum instead of corn whenever possible. The sorghum market has the advantage of not having government intervention.

Rice: Domestic consumption for 2013/14 is projected to remain unchanged at 380,000 tons. This is a very mature market.

Trade:

Wheat: Exports for crop 2013/14 are projected at 6.5 million tons, a significant recovery from the very low level of 2012/13 as a result of a larger output and a stable, mature domestic consumption. Brazil is expected to continue to be the number one destination, as it is the natural buyer due to its proximity and duty preferences as both countries are members of Mercosur free trade zone. Other South American countries, such as Peru, Chile and Colombia are expected to purchase significant wheat from Argentina. Countries in North Africa are normally important destinations as well. With projected higher wheat output, post forecasts wheat flour exports to recover from the expected low level of 2013 (limited by the government). Brazil is the top destination followed by Bolivia.

Post estimates wheat exports for 2012/13 at 4.3 million tons, the lowest of the past 22 years. The initial export volume was 5 million tons, which due to an unexpected drop in production was reduced to 3 million tons (so far). There are strong rumors that the government indicated a few weeks ago that because of wheat shortages it would limit wheat flour export in 2013 to 300,000 tons, significantly lower than last year's 875,000 tons.

Barley: Exports in crop 2013/14 are forecast to decline to 2.4 million tons, reflecting a smaller output. South American countries normally purchase about 600,000 tons of malting barley, with Brazil being the main buyer, followed by Colombia, Peru, Uruguay and Chile. Most of the excess production is exported as feed barley (95 percent of the barley sown in Argentina is Scarlett variety), which has Middle East and African countries as important destinations. Because of quality problems faced in crop 2012/13 due to excess rain, there will be a larger proportion than usual of feed barley exports.

Corn: Exports in 2013/14 are forecast at 16.4 million tons, lower than post's estimate for 2012/13. A drop in production plus an expected growing domestic demand will diminish the export surplus. Colombia is projected to continue to be one of the top destinations. Other markets in the region are forecast to be Peru, Venezuela and Chile. Large exports are also expected to flow to the Middle East, North Africa and South East Asia.

As in wheat, the government is expected to announce in the next few months a large export quota for crop 2013/14. For the 2012/13, prior to the planting season, it announced an initial export quota of 15 million tons, which was welcomed by the market. Farmers indicate that with this system, although far from being perfect, they receive a price closer to the world price minus the export tax, which in the case of corn continues at 20 percent. In mid-March 2013 the government announced an additional export tranche of 2 million tons. There are strong rumors that an additional tranche will be released soon for a total of 19 million ton-quota.

On April 2012 the government of China authorized the importation of Argentine corn (insignificant volumes had been purchased on and off in the past 20 years). In October, a large Chinese feed mill imported a first shipment of two containers of Argentine corn. On December 2012, after several inspections, including phytosanitary and GMO material, the shipment was allowed entry. Traders indicate that although most corn imports will continue to be from U.S. origin, China now has an additional supplier in Argentina.

In October 2012 Argentina exported 48,000 tons of corn to the U.S. and 11,000 tons in February 2013. Some more shipments are expected in the next couple of months, before the new U.S. corn crop enters the market. Argentina also exported 12,500 tons of corn seed to the U.S., a significant increase from previous years. Most local seed companies were very busy in 2012 increasing shipments due to the need of larger volumes of seed after the drought in the U.S. Argentina also exported 4 tons of corn seed to Paraguay.

Argentine exports of broken corn to Chile and Uruguay fell significantly in crop 2011/12 and it is expected to continue to do so in the future. Chile is expected to soon set countervailing duties on this product which has lower export taxes than plain corn exports.

In CY2012, and for the first time, Brazil displaced Argentina as the world's second corn exporter. Corn production has been expanding rapidly in the neighboring country.

Sorghum: Exports for 2013/14 are projected at 3 million tons, in line with the past two years. Japan is expected to continue to be one of the top destinations, together with Colombia and Chile. Most of the local sorghum is high tannin.

Rice: Exports in crop 2013/14 are expected at 600,000 tons, a marginal recovery from 2012/13. Average monthly exports are expected at about 50,000 tons, of which Brazil is projected to be the number one market. Other exports are likely to go to Chile, Venezuela and Middle East and West African countries.

Policy: In 2007, the Argentine government implemented measures to decouple high world prices from local food prices. It increased soybean export taxes by 4 percentage points to fund numerous subsidy programs for local users of grains and oilseeds. The dairy, feedlot, pork, poultry and flour sectors had enjoyed large subsidies which are now totally discontinued because of their high cost.

Export limitations were also put in place in order to keep the local market well supplied. The system has evolved through the past couple of years. The current policy basically affects wheat and corn. The government estimates what production can be in the coming crop, deducts roughly 7 million tons of wheat and 8 million tons of corn for domestic use and releases in one tranche the expected export surplus (in 2012/13 initial tranches were 5 million tons for wheat and 15 million tons for corn). Based on how the crop develops, it makes upward or downward adjustments.

The government also continues to tax grain exports as one of the main ways of collecting revenues. Wheat is taxed 23 percent, corn, sorghum and barley 20 percent, and rice 5-10 percent.

Statistical Information

Production, Supply & Demand Tables

Wheat Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Dec 2011		Market Year Begin: Dec 2012		Market Year Begin: Dec 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5,170	5,170	3,700	3,700		4,200
Beginning Stocks	4,107	4,107	762	762		767
Production	15,500	15,500	11,000	10,300		12,600
MY Imports	5	5	5	5		5
TY Imports	13	13	5	5		5
TY Imp. from U.S.	0	0	0	0		0
Total Supply	19,612	19,612	11,767	11,067		13,372
MY Exports	12,900	12,900	5,000	4,300		6,500
TY Exports	11,949	11,949	7,500	6,800		5,800
Feed and Residual	100	100	100	100		100
FSI Consumption	5,850	5,850	5,900	5,900		5,950
Total Consumption	5,950	5,950	6,000	6,000		6,050
Ending Stocks	762	762	767	767		822
Total Distribution	19,612	19,612	11,767	11,067		13,372
1000 HA, 1000 MT, MT/HA						

Barley Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Dec 2011		Market Year Begin: Dec 2012		Market Year Begin: Dec 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,160	1,160	1,500	1,500		1,100
Beginning Stocks	530	530	214	214		214
Production	4,500	4,500	5,500	4,900		3,800
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	5,030	5,030	5,714	5,114		4,014

MY Exports	3,616	3,616	4,000	3,600		2,400
TY Exports	3,631	3,631	4,000	3,600		2,200
Feed and Residual	100	100	200	100		100
FSI Consumption	1,100	1,100	1,300	1,200		1,200
Total Consumption	1,200	1,200	1,500	1,300		1,300
Ending Stocks	214	214	214	214		314
Total Distribution	5,030	5,030	5,714	5,114		4,014
1000 HA, 1000 MT, MT/HA						

Corn Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,600	3,600	3,500	3,700		3,700
Beginning Stocks	4,130	4,130	940	1,023		833
Production	21,000	21,000	26,500	26,500		25,000
MY Imports	10	10	10	10		10
TY Imports	8	8	10	10		10
TY Imp. from U.S.	1	1	0	0		0
Total Supply	25,140	25,140	27,450	27,533		25,843
MY Exports	17,500	17,117	19,000	18,800		16,400
TY Exports	16,501	1,023	20,000	20,000		15,700
Feed and Residual	4,600	4,800	4,900	5,100		5,400
FSI Consumption	2,100	2,200	2,600	2,800		3,200
Total Consumption	6,700	7,000	7,500	7,900		8,600
Ending Stocks	940	1,023	950	833		843
Total Distribution	25,140	25,140	27,450	27,533		25,843
1000 HA, 1000 MT, MT/HA						

Sorghum Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,000	1,000	1,150	1,100		1,150
Beginning Stocks	950	950	150	267		317
Production	4,200	4,300	5,200	5,100		5,300
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	5,150	5,250	5,350	5,367		5,617
MY Exports	3,100	3,083	2,900	2,900		3,000
TY Exports	2,163	2,163	3,200	3,200		2,800
Feed and Residual	1,700	1,700	1,900	1,900		1,950
FSI Consumption	200	200	250	250		400
Total Consumption	1,900	1,900	2,150	2,150		2,350
Ending Stocks	150	267	300	317		267
Total Distribution	5,150	5,250	5,350	5,367		5,617
1000 HA, 1000 MT, MT/HA						

Rice, Milled Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Apr 2012		Market Year Begin: Apr 2013		Market Year Begin: Apr 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	235	235	230	230		238
Beginning Stocks	145	145	125	155		120
Milled Production	1,020	975	1,008	910		1,000
Rough Production	1,569	1,500	1,551	1,400		1,538
Milling Rate (.9999)	6,500	6,500	6,500	6,500		6,500
MY Imports	5	5	5	5		5
TY Imports	5	5	5	5		5
TY Imp. from U.S.	0	0	0	0		0
Total Supply	1,170	1,125	1,138	1,070		1,125
MY Exports	675	600	625	570		600
TY Exports	608	608	625	570		600
Consumption and Residual	370	370	370	380		380
Ending Stocks	125	155	143	120		145
Total Distribution	1,170	1,125	1,138	1,070		1,125
1000 HA, 1000 MT, MT/HA						