

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 4/1/2011

GAIN Report Number:

Argentina

Grain and Feed Annual

2011

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Report Highlights:

Wheat production for 2011/12 is projected at 13 million tons, lower than in 2010/11. Harvested area is expected to increase by 300,000 hectares, but yields are estimated lower than last year's record. Harvested area with corn is also expected to grow in 2011/12, to 3.4 million hectares. Production is forecast to increase significantly at 25 million tons estimating average weather and yields. Corn output in 2010/11 was negatively damaged by a drought during the flowering stage and we are reducing production by 1 million tons to 21 million tons. Current projected returns for almost all grains are good, with the exception of rice which has lower prices and higher production costs. Exports in 2011/12 are forecast at 7.2 million tons for wheat, and 17.2 million tons for corn.

Commodities:

Wheat

Corn

Sorghum

Rice, Milled

Production:

Wheat: Despite a higher projected planted area for 2011/12, production is forecast at 13 million metric tons, down from 15 million in 2010/11 which had record yields. After a season with good returns due to high prices and yields, many producers are expected to expand area to 4.7 million hectares, 300,000 hectares more than this year. This is still well below Argentina's average area of 6 million hectares. The past few seasons suffered a significant loss in area due to drought and of domestic marketing problems which continue to negatively affect farmers' decisions on expanding area. Current projected returns for wheat, compared to a year ago are significantly better as high prices more than offset higher production costs. Other reasons which justify a bigger planted area are: a large portion of the land in production is leased by producers which want to get the most of it, typically planting wheat followed by second crop soybeans; in some areas, mostly in the southern part of Buenos Aires province, there are little alternatives to wheat production; and many farmers plant wheat as a cash crop to have money at the end of the year to pay for planting costs of the soybean or corn crop. Also in several key wheat areas it has been raining normally, building good reserve of water in soil for the planting season which will begin in late May and end by mid-August. Some contacts are more optimistic, but the generalized perception is that if prices continue to be good and rainfall is normal, area could be somewhat higher than post's projection. Many farmers decide to plant wheat at the last minute.

Barley: Barley area is expected to increase 60-80,000 hectares in next marketing year 2011/12, with production at 2.7 million tons, lower than in 2010/11 which also had record yields. The Ministry of Agriculture, estimates 2010/11 planted area at 755,000 hectares. Barley has an advantage over wheat because it is harvested between 15-20 days earlier, a key factor when double cropping with soybeans, especially in the southern part of Buenos Aires province. Barley demand and production are growing. The vast majority of the production is done under contract between malting companies and exporters with farmers. Quite recently China opened its imports to Argentine barley with a recent first shipment of 14,000 tons. The domestic price of barley is pegged to the price of wheat, at an average ratio of 90 percent of its value. Contacts indicate that the opening of new export market plus the possibility of de-linking the domestic price to that of wheat will boost production in the future.

Corn: Projected planted area for 2011/12 is up at 3.4 million hectares, 200,000 hectares more than this year's crop, more in line with the average of the past ten years. Although the additional area is relatively small,

production under normal weather patterns is expected to be 25 million tons, much higher than 2010/11 crop which was negatively affected by drought. Farmers will probably plant more as projected returns are very attractive. As in practically all crops, high world prices are expected to more than offset higher production costs. Although some producers will have negative returns with corn in 2010/11 due to low yields, farmers' general financial and economic condition is solid. This together with projected good returns will encourage farmers to increase the rotation of their fields and to use good technology. The additional area with corn could be higher, but it faces fierce competition from soybean production which demands a significant lower investment per hectare, is less risky, and does not have marketing problems. After the 2010/11 drought, more producers will plant corn in different stages to minimize risks and stabilize yields. This year, second crop or late planted corn fields are in general in very good conditions. One key factor which will determine final plantings is the rainfall during autumn and winter. Soil humidity in the central part of the country is currently quite limited.

Post expects corn production for the 2010/11 crop at 21 million tons, 1 million tons lower than USDA's estimate. Most contacts' estimations range between 19.5 and 22 million tons. A very dry period from mid December through mid January, coinciding with the flowering stage in the primary corn production area negatively affected yields. The harvest in the central part of the country is underway, with a large variation in yields, but practically all significantly below their expected potential. Some fields were chopped for silage due to low yields.

Sorghum: Planted area for 2011/12 is forecast at 850,000 hectares, just 50,000 hectares more than the previous year. However, with normal weather, production is expected at 4.2 million tons, a significant jump from the 2010/11 crop which was negatively affected by a dry period during the summer. Of the last three crop seasons, two were dry in several key producing areas of Argentina. With a stronger export demand, there is more interest in planting sorghum, especially in areas which normally have somewhat limited rainfall for corn and makes it too risky. Many producers, especially those with cattle, have little alternatives based on the area they are located or have field limitations. In the past few seasons, sorghum production has increased in provinces such as Cordoba, Entre Rios, Chaco and Santiago del Estero. Projected costs and returns for 2011/12 are good, comparable in most cases to first soybean crop. Compared to corn, returns are lower but investment per hectare is significantly lower and less risky in many cases.

Sorghum production for MY2011 is expected at 3.4 million tons, lower than USDA's official estimate. Although sorghum is more tolerant to dry weather, yields are expected to be below average.

Rice: 2011/12 planted area is projected to drop roughly 20 percent to 210,000 hectares. Even though yields in the 2010/11, which is in the middle of the harvest, are expected to be record or near record, returns are expected to be very slim or negative in some cases. Rice is almost the only product to have seen prices drop, which combined with higher production costs, discourage production. The cost of fuel for pumping water from underground is detrimental. This is especially the case of many small and medium producers in Entre Rios where many are expected to shift to soybean production. Producers in Corrientes province, which normally own large fields, have lower land costs and use ponds to collect water, have little production alternatives.

Planted area in this province is expected to fall marginally or remain fairly unchanged. Higher than normal stocks is a factor which is expected to put downward pressure on the market.

Consumption:

Wheat: Domestic consumption for 2011/12 is forecast to increase marginally to 5.925 million tons, accompanying the population growth rate. The local bread and pasta market is very mature and therefore stable. Due to official policies governing the local wheat market, contacts expect larger domestic demand of wheat to produce more flour for export. Export quotas on wheat allow mills to source raw material at good market conditions and the differential export tax between wheat exports (23%) and wheat flour (13%) provide an additional incentive.

Corn: Domestic use in 2011/12 is projected to continue to increase further at 7.6 million tons. The local poultry, dairy and pork industries are expected to continue to expand, offsetting a smaller demand from the feedlot industry which for the next couple of years will continue to have significantly smaller number of cattle in production because of the considerable drop in the local cattle herd. Moreover, with abundant idle pastures which in most cases are in good condition, producers are taking advantage and keeping their cattle on pastures for longer periods of time. Argentina has a biofuels mandate since 2010 for biodiesel and ethanol. In the case of ethanol, so far it is exclusively produced by sugar mills using cane and molasses as feedstock. However, the Secretariat of Energy has recently approved a few projects which will produce ethanol from corn for the domestic mandate. These plants have to be built and could be in operation in late 2012 or early 2013. Some preliminary calculations estimate that some 500,000 tons of corn could be initially processed.

Sorghum: Domestic consumption for 2011/12 is forecast to expand further at 2.4 million tons. Argentina primarily produces brown sorghum which in many cases has compensated tannin, used for cattle feeding but not in the poultry or pork industry. White sorghum is planted in a lesser proportion but contacts indicate that it has good potential growth as the poultry industry is using it in small proportions replacing higher-priced corn. The government has in study a new standard for the commercialization of sorghum, basically distinguishing between sorghum with or without compensated tannin.

Rice: 2011/12 domestic consumption is anticipated at 360,000 tons. This reflects a marginal increase from the 2010/11 crop season. A smaller use for seed will be more than offset by larger human consumption. The local rice market is mature and gains little when other food product prices increase.

Trade:

Wheat: Exports in 2011/12 are forecast at 7.2 million tons, lower than in the previous year which had a larger production volume and thus higher export surpluses. Most contacts expect that the government will want to retain stocks of about 1.5-2.0 million tons in order to secure a well supplied domestic market. Therefore, exports will continue to be closely monitored and authorized through quotas. Brazil is expected to continue to be the most important market for wheat and flour, with Bolivia as an important market for wheat flour. In February, the government established, through resolution 62, an export quota for low protein wheat (below 9.5 percent), as a result of rainy weather and high yields which produced low protein wheat in many areas. The initial quota is 1 million tons and has a price discount.

Corn: With a projected growth in production, exports in 2011/12 are forecast at 17.2 million tons, a significant increase from 2010/11 expected exports. As with wheat, corn exports are expected to continue to be closely monitored and authorized by the government. The government secures its domestic needs, and then allows through periodic quotas the exportation of the excess supply. Iran has consolidated as the largest market for Argentine corn, followed by Colombia and Algeria. The Argentine government is working with the Chinese government to be eligible to export corn, which is roughly 80 percent GMO. The phytosanitary agreement has not been reached yet, but the government is very optimistic about reaching an agreement very soon. Argentina is also negotiating the opening of the Russian market.

Corn exports in 2010/11 are projected at 13.25 million tons, lower than USDA's estimate, because of post's lower expected production, and higher ending stocks, more in line with the volume the government wants to have. Post is reducing corn imports for both 2009/10 and 2010/11. While some Paraguayan corn is trans-shipped through Argentina, this is not shown in official import or export statistics.

Sorghum: Exports in 2011/12 are forecast at 1.8 million tons, higher than the export projection of 2010/11, as a result of projected higher production. The main markets are expected to continue to be Japan, Chile and Colombia.

Exports in MY2011 are forecast at 1.3 million tons, slightly lower than USDA's estimate as a result of a smaller estimated production.

Rice: 2011/12 exports are projected at 600,000 tons, similar to the forecast for 2010/11. Despite lower production, expected high carry in stocks will encourage exporters to ship larger volumes. Brazil is expected to continue to be the most important market. However, Venezuela has several agreements with Argentina on food imports. In the case of rice, it imported approximately 100,000 tons in 2010, of which the vast majority was in the husk. Recent news indicates that Venezuela confirmed the import of a similar volume in 2011, which could eventually double. Chile is also expected to continue to be a good market.

Policy:

The Argentine government has in place a policy to maintain adequate domestic supplies of corn and wheat at reduced prices. This is achieved through subsidies for wheat and corn mills supplying the domestic market, export taxes and controls on export licenses. The government also maintains a subsidy program for small and medium producers to rebate part of the export taxes paid.

In order to be eligible to export, the GOA issues export licenses on the basis of a supply and demand matrix set by the former National Office of Agricultural Trade Control (ONCCA), determining the amount of corn and wheat needed domestically and releases the surplus for export. The latest authorizations for wheat were announced in June and December 2010 and January 2011, for a total of 7 million tons. In February 2011 it added a one million ton quota of low protein wheat (below 9.5 percent).

On February 24, 2011 the government eliminated the National Agricultural Trade Control Agency (ONCCA) which, since 2008, has issued and regulated export licenses (ROEs) in the grain and beef sectors and administered subsidies to producers. On the same day another regulation was published announcing a new agency that will handle ONCCA's responsibilities, the Group of Coordination and Evaluation of Subsidies for Internal Commerce (UCESCI in Spanish). The new agency will have more oversight than ONCCA and will be lead jointly by the Ministry of Agriculture, the Ministry of Economy, the Ministry of Industry as well as the Ministry of Internal Commerce and the Customs and Tax Agency. Thus far, the elimination of ONCCA has had no effect on the grain market and it appears that ONCCA is still issuing ROEs and publishing the data on their public website (as of March 23, 2011).

Export taxes on corn remain at 20 percent; and wheat export taxes are at 23 percent. Export licensing requirements limit the numbers of buyers for wheat and corn.

The farm sector continues to have major differences with the Argentine Government (GOA) over agricultural policies. Farmers are asking for the elimination of export taxes for agricultural products and the lifting of restrictions on exports of wheat, corn and beef.

For further details on policy please refer to 2010 Argentina's Grain and Feed Annual Report.

Production, Supply and Demand Data Statistics:

Wheat Argentina	Market Year Begin: Dec 2009		Market Year Begin: Dec 2010		Market Year Begin: Dec 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,650	3,650	4,300	4,400		4,700
Beginning Stocks	1,285	1,285	1,364	1,363		1,892
Production	11,000	11,000	15,000	15,000		13,000
MY Imports	3	3	100	4		5
TY Imports	3	3	100	4		5
TY Imp. from U.S.	0	0	0	0		0
Total Supply	12,288	12,288	16,464	16,367		14,897
MY Exports	5,099	5,100	8,500	8,600		7,200
TY Exports	5,172	5,256	7,000	7,500		7,000
Feed and Residual	25	25	25	25		25
FSI Consumption	5,800	5,800	5,850	5,850		5,900
Total Consumption	5,825	5,825	5,875	5,875		5,925
Ending Stocks	1,364	1,363	2,089	1,892		1,772
Total Distribution	12,288	12,288	16,464	16,367		14,897
Yield	3.	3.0137	3.	3.4091		2.766

Not Official USDA Data

Corn Argentina	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Mar 2010		Market Year Begin: Mar 2011		Market Year Begin: Mar 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,700	2,700	3,200	3,200		3,400
Beginning Stocks	992	992	642	999		1,457
Production	22,800	23,300	22,000	21,000		25,000
MY Imports	250	7	100	8		9
TY Imports	141	7	100	8		9
TY Imp. from U.S.	1	1	0	1		1
Total Supply	24,042	24,299	22,742	22,007		26,466
MY Exports	16,500	16,400	14,500	13,250		17,200
TY Exports	16,971	16,973	13,000	12,000		17,000
Feed and Residual	5,000	5,000	5,300	5,300		5,500
FSI Consumption	1,900	1,900	2,000	2,000		2,100
Total Consumption	6,900	6,900	7,300	7,300		7,600
Ending Stocks	642	999	942	1,457		1,666
Total Distribution	24,042	24,299	22,742	22,007		26,466
Yield	8.	8.6296	7.	6.5625		7.3529

Not Official USDA Data

Sorghum Argentina	2009/2010	2010/2011	2011/2012
	Market Year Begin: Mar 2010	Market Year Begin: Mar 2011	Market Year Begin: Mar 2011

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	751	751	800	800		850
Beginning Stocks	194	194	223	173		173
Production	3,629	3,629	3,800	3,400		4,200
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	3,823	3,823	4,023	3,573		4,373
MY Exports	1,700	1,750	1,400	1,300		1,800
TY Exports	1,507	1,509	1,400	1,300		1,850
Feed and Residual	1,700	1,700	2,100	1,900		2,200
FSI Consumption	200	200	200	200		200
Total Consumption	1,900	1,900	2,300	2,100		2,400
Ending Stocks	223	173	323	173		173
Total Distribution	3,823	3,823	4,023	3,573		4,373
Yield	5.	4.8322	5.	4.25		4.9412

Not Official USDA Data

Rice Milled Argentina	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Apr 2010		Market Year Begin: Apr 2011		Market Year Begin: Apr 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	215	215	260	260		210
Beginning Stocks	125	125	81	61		259
Milled Production	706	706	1,175	1,138		850
Rough Production	1,086	1,086	1,808	1,751		1,308
Milling Rate (.9999)	6,500	6,500	6,500	6,500		6,500
MY Imports	10	10	5	10		10
TY Imports	10	10	5	10		10
TY Imp. from U.S.	0	0	0	0		0
Total Supply	841	841	1,261	1,209		1,119
MY Exports	430	450	700	600		600
TY Exports	450	470	600	550		600
Consumption and Residual	330	330	350	350		360
Ending Stocks	81	61	211	259		159
Total Distribution	841	841	1,261	1,209		1,119
Yield (Rough)	5.	5.0512	7.	6.7346		6.2286

Not Official USDA Data

