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POLICY

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New Government Lifts Currency Controls and Cuts Export Taxes

Report Categories:

Agricultural Situation
Agriculture in the News
Trade Policy Monitoring
Grain and Feed
Oilseeds and Products
Livestock and Products

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Report Highlights:

On December 17th, 2015, the government of Argentina removed currency controls and eliminated the multiple exchange rate system. Along with this, the government published the official resolution reducing the export tax on soybeans and its byproducts by 5 percentage points and eliminating export taxes for all other commodities. These policy changes will have a significant impact domestically and in international markets as these changes will make Argentine agricultural commodities more competitive and encourage an increase in export sales in the next few months. The official resolution ending all export permits (ROEs) is expected to be released soon.

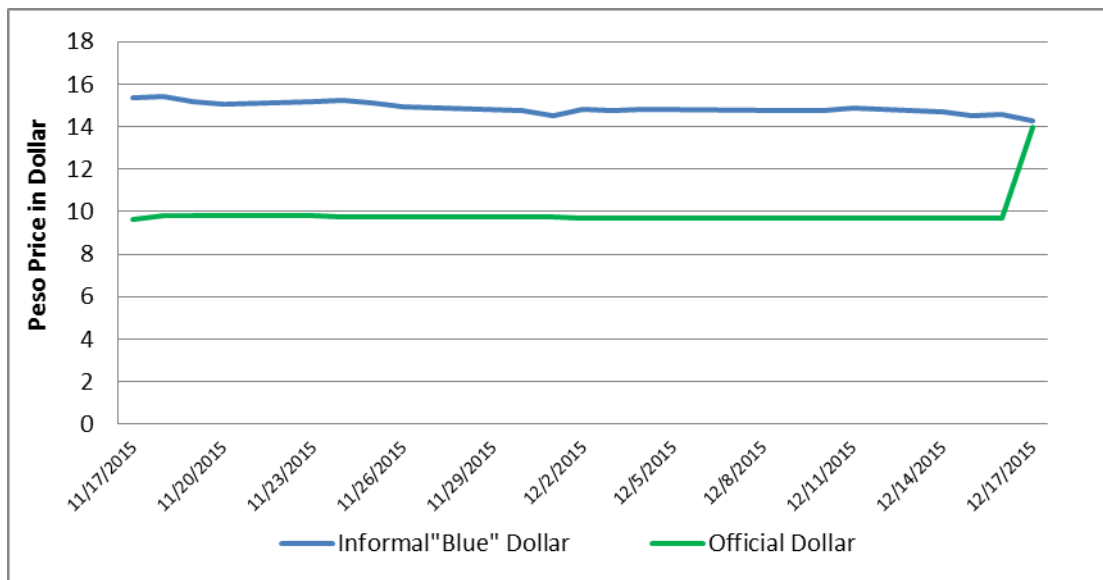
Liberalization of Foreign Exchange Market

The government removed on December 17th foreign exchange restrictions and unified the official and parallel exchange rates. Argentine individuals and businesses now have full access to buy U.S. dollars without taxes on the purchase and without prior government authorization, regardless of motive. The Argentine peso now enters into a managed float with the Central Bank reserving the right to intervene. Economy and Public Finances Minister Prat-Gay stated that the market will determine the value of the peso. In initial trading on the first day of the liberalized exchange market, the peso was traded at around 14 pesos to the dollar, compared to the official rate of 9.8 pesos the previous day.

Exporters and producers will now be able to convert their returns into U.S. dollars without any restrictions and are no longer required to convert export sales into Argentine pesos at an official exchange rate. In addition, importers of agricultural goods will no longer be limited by their ability to obtain U.S. dollars for the purchase of imported goods. The Argentine Central Bank (BCRA) has offered two options to satisfy stocks of importer dollar demand and un-repatriated profits and dividends from the period in which exchange restrictions were in place: companies can either accept immediately bonds or draw down their stocks of pending payments according to a BCRA calendar.

The unification of the exchange rate represents an almost 45 percent devaluation of the Argentine peso. Undoubtedly, this will boost competitiveness of Argentine agricultural exports. Producers over the past few months have waited for such an adjustment to occur before they began liquidating their inventories.

Comparison of Official vs. Informal Exchange Rates in Nov-Dec 2015



Source: Ambito Financiero

Capital Regulations

| | Previous | New |
|------------------------------------|--|------------------------------------|
| Saving purposes | Max of U.S. \$2,000 per month and a 25% tax if withdraw before 1 year. | Max of U.S. \$2 million per month. |
| Off shore credit card transactions | 35% withholding tax | Unrestricted |
| Importers | Max limit of U.S. \$50,000 per day with certain degree of discretion. | Unrestricted |
| Dividend payments | Discretionary restrictions to expatriate dividends | Unrestricted |

Source: J.P. Morgan, Government of Argentina.

Agricultural Commodity Export Tax Changes

Decree 133/2015¹ published in *Boletín Oficial de la República Argentina* (Official Bulletin) reduces the export tax on soybeans and its byproducts by 5 percentage points and eliminates the export taxes on all other commodities (see “Unofficial Translation of Select Sections of Decree 133/2015” below for more details). Agricultural commodities with a new zero percent export tax include meat products, grains, fruits, and vegetables among other products. However, a select group of products including soybean and byproducts, hides and skins, cork products, and wool products will experience a decline in their respective export tax levels, not a complete elimination (see Annexes I-IV in the unofficial translation below). The elimination of export permits (ROEs) has been announced by the government but has not yet been published in an official resolution.

Previous Export Tax Rates for Select Commodities:

Beef 15%

Corn 20%

Wheat 23%

Soybeans 35%

Soybean Oil 32%

Soybean Meal 32%

Sunflowerseed 32%

Sunflowerseed Oil 30%

Sunflowerseed Meal 30%

Peanuts 23.5%

Peanut Oil 5%

Barley 20%

Rice 5-10%

Apples/Pear/Table Grapes 5%

Citrus 2.5%

Expected Impact on Export Sales and Central Bank Reserves

¹ <https://www.boletinoficial.gob.ar/#!DetalleNorma/138329/20151217>

The new policy changes are expected to spur commodity exports - specifically for soybeans, wheat, and corn – and lead to a significant increase in sales of Argentine agricultural commodities on the world market in the short term as producers move forward with sales that have been held up in anticipation of possible policy changes. During yesterday’s announcement on the lifting of currency controls, Minister Prat-Gay stated that grain exporters promise to deliver \$6 billion to the government over the next three weeks, a result of expected export sales. Minister Prat-Gay went on to state the government expects \$15 to \$25 billion in cash from various sources.

Expected Impact on Producer Returns

The new macroeconomic situation will make all Argentine agricultural exports much more competitive and improve the returns of agricultural producers. Initial analysis by FAS Buenos Aires on the returns for wheat, corn, and soybeans indicate that the impact for the 2015/2016 season will be limited as wheat and barley are being harvested and corn and soybean plantings are well in progress. There is possibility that more 2nd crop corn and 2nd crop soybean may be added at the end of the planting window. Net margins on a national average basis for all wheat, corn, and soybean will improve significantly, especially corn. Producers are expected to benefit from greater returns in U.S. dollars due to the elimination of export taxes and ROEs, and will encounter lower production costs especially those denominated in pesos as a result of the devaluation. For next season and onward, Post projects significantly higher wheat and corn area. This situation could potentially lower soybean area and production as incentives to grow alternative crops increase.

Unofficial Translation of Select Sections of Decree 133/2015

Decree 133/2015 resolution provides for the following:

Article 1 - The right to export goods under the tariff headings of Chapter 1-24 of the Mercosur Common Nomenclature (NCM) is lowered to zero percent (0%) except for those listed in Appendix I that is part of the Decree.

Article 2 - The right to export goods under the tariff headings of Chapter 41-43 of the Mercosur Common Nomenclature (NCM) is lowered to zero percent (0%) except for those listed in Appendix II that is part of the Decree.

Article 3 - The right to export goods under the tariff headings of Chapter 44-49 of the Mercosur Common Nomenclature (NCM) is lowered to zero percent (0%) except for those listed in Appendix III that is part of the Decree.

Article 4 - The right to export goods under the tariff headings of Chapter 50-53 of the Mercosur Common Nomenclature (NCM) is lowered to zero percent (0%) except for those listed in Appendix IV that is part of the Decree.

Annex I

Soybeans and byproducts

| HS Code | Description | Export Tax |
|------------|--|------------|
| 1201.90.00 | Soybeans | 30 |
| 1208.10.00 | Soybean flour and meal | 27 |
| 1507.10.00 | Soybean oil | 27 |
| 1507.90.11 | " | 27 |
| 1507.90.19 | " | 27 |
| 1507.90.90 | " | 27 |
| 1517.90.10 | Mix of refined oils that contain soybean oil | 27 |
| 1517.90.90 | Mixes and preparations of vegetable origin, that contain soybean oil | 27 |
| 2302.50.00 | Of Soy | 27 |
| 2304.00.10 | Soybean meal | 27 |
| 2304.00.90 | " | 27 |
| 2308.00.00 | Products that contain soybean in their composition | 27 |

Annex II

Hides and Skins

| HS Code | Description | Reference | Export Tax |
|------------|---|-------------|------------|
| 4101.20.00 | Hides and skins of bovine (including buffalo) | (1) | 10 |
| | Hides and skins of equine | (1) | 5 |
| 4101.50.10 | Hides and skins of bovine (including buffalo) | (1) | 10 |
| | Hides and skins of equine | (1) and (2) | 5 |
| 4101.50.20 | | (3) | 10 |
| 4101.50.30 | Hides and skins of bovine (including buffalo) | (4) | 10 |

| | | | |
|------------|---|-------------|----|
| | Hides and skins of equine | (2) | 5 |
| 4101.90.10 | Hides and skins of bovine (including buffalo) | (1) | 10 |
| | Hides and skins of equine | (1) and (2) | 5 |
| 4101.90.20 | Hides and skins of bovine (including buffalo) whole | (1) | 10 |
| | Hides and skins of bovine (including buffalo) distinct than whole, dry, without vestiges or treatment | | 5 |
| | Hides and skins of bovine (including buffalo) distinct from whole | | 10 |
| | Hides and skins of equine distinct than whole, dry, without vestiges or treatment | | 5 |
| 4101.90.30 | Hides and skins of bovine (including buffalo) whole, raw or salted green (damp) | | 10 |
| | Other hides and skins of bovine (including buffalo), whole | (1) | 5 |
| | Other hides and skins of bovine (including buffalo) distinct from whole, raw or salted green (damp) | | 10 |
| | Other hides and skins of bovine (including buffalo), distinct from whole | (4) | 5 |
| | Hides and skins of equine, distinct from whole, dry, without vestiges or treatment | | 5 |
| 4102.10.10 | | | 10 |

| | | | |
|------------|---|-----|----|
| 4102.21.00 | | | 10 |
| 4102.29.00 | | | 10 |
| 4103.90.00 | Goats | | 5 |
| 4104.11.11 | | | 10 |
| 4104.11.13 | | | 10 |
| 4104.11.14 | | | 10 |
| 4104.11.21 | | | 10 |
| 4104.11.23 | | | 10 |
| 4104.11.24 | | | 10 |
| 4101.19.10 | Descarnes of cattle hides | | 5 |
| | Other hides and skins whole of bovine (including buffalo), with width per unit inferior or equal to 2.6 m ² (wet blue) | | 10 |
| 4104.19.30 | | | 10 |
| 4104.19.40 | | (5) | 10 |
| 4104.41.10 | | (6) | 10 |
| 4104.41.30 | | (6) | 10 |
| 4104.49.10 | | (7) | 10 |
| 4104.49.20 | | (7) | 10 |

Annex III

Cork Products and Paper Scrap

| HS Code | Description | Export Tax |
|------------|-------------|------------|
| 4501.10.00 | | 10 |
| 4501.90.00 | | 10 |
| 4502.00.00 | | 5 |
| 4707.10.00 | | 20 |
| 4707.20.00 | | 20 |
| 4707.30.00 | | 20 |
| 4707.90.00 | | 20 |

Annex IV

Wool Products

| HS Code | Description | Export Tax |
|------------|-------------|------------|
| 5101.11.10 | | 5 |
| 5101.11.90 | | 5 |
| 5101.19.00 | | 5 |

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