

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Argentina**

### **Oilseeds and Products Update**

#### **New Policies Could Spur Greater Soybean Plantings in Northern Argentina. Peanut Sowings in South Cordoba are Delayed because of Adverse Weather.**

**Approved By:**

David Mergen, Agricultural Counselor

**Prepared By:**

Lazaro Sandoval, Agricultural Attaché

**Report Highlights:**

There continues to be significant discussion over the short-term effects of the government's decision to delay the reduction of soybean export taxes and the introduction of a 5 percent export tax rebate for northern provinces, which is expected to take effect in March 2017. Post estimates that it is too early to alter its production forecast based on these developments, and thus its 2016/17 soybean production estimate is left unchanged at 55 million tons. Adverse weather and erratic temperatures have delayed peanut sowing in south Cordoba province. Producers will be forced to quickly reaccelerate planting as the optimal planting window usually concludes around mid to late November.

## Soybeans

Oilseed, Soybean (Local) Market Begin Year	2014/2015		2015/2016		2016/2017	
	Apr 2015		Apr 2016		Apr 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted	19400	20000	19700	20250	19450	19500
Area Harvested	19340	19300	19530	19530	19450	19300
Beginning Stocks	10214	10214	10915	9252	12500	10602
Production	61400	60800	56800	56800	57000	55000
MY Imports	35	35	650	600	300	300
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	71649	71049	68365	66652	69800	65902
MY Exports	11669	11670	10100	10100	9650	10000
MY Exp. to EU	60	60	60	60	0	65
Crush	44890	45110	41400	40850	44300	43500
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	4175	5017	4365	5100	4455	5150
Total Dom. Cons.	49065	50127	45765	45950	48755	48650
Ending Stocks	10915	9252	12500	10602	11395	7252
Total Distribution	71649	71049	68365	66652	69800	65902

(1000 HA) ,(1000 MT)

### 2016/2017

As touched upon in Post's previous oilseeds update, there continues to be discussion over the short and long term effects of the government's decision to delay the reduction of export taxes on soybeans until January 2018 and bolster soy production in 10 northern provinces<sup>1</sup> by providing a rebate equivalent to 5 percent of the Freight on Board (FOB) price (see announcement at [http://www.agroindustria.gob.ar/sitio/areas/prensa/index.php?accion=noticia&id\\_info=161003193207](http://www.agroindustria.gob.ar/sitio/areas/prensa/index.php?accion=noticia&id_info=161003193207)). Most discussion has focused on the implications for this season. One segment of contacts reports that the government's decision to provide a 5 percent refund to producers in the north will not necessarily encourage a significant increase in area planted but will act as income support for producers who traditionally endure a higher cost burden, due to pest control and transportation costs. Other sources suggest that these northern producers may opt for more soybeans in December. This could potentially alter previous area estimates and make the expected decline in soybean area for 2016/17 less pronounced. Post currently estimates a 3.7 percent reduction in 2016/17 area planted from the previous season. This decline will fall primarily in the central part of the agricultural production area, i.e. *zona nucleo*<sup>2</sup>. At the same time, areas in the NOA<sup>3</sup>, NEA<sup>4</sup>, north La Pampa, San Luis, and west and central Buenos Aires are expected to expand plantings in lots that were previously fallow due to high production costs, environmental limitations or a combination of both.

<sup>1</sup> Corrientes, Misiones, Chaco, Santiago del Estero, Formosa, Tucumán, Salta, Jujuy, La Rioja, and Catamarca.

<sup>2</sup> Includes east Cordoba, southeast Entre Rios, south Santa Fe, and north Buenos Aires provinces.

<sup>3</sup> Salta, Tucumán, Jujuy, Catamarca, and west Santiago del Estero provinces.

<sup>4</sup> Chaco, east Santiago del Estero, and Formosa provinces.

Other analysts have begun to speculate that the delay in soybean export tax reduction could cause some producers to avoid soybeans as a crop choice in 2018<sup>5</sup>. Post estimates it is still too early to adjust its production estimates based on these policy changes, since producers still have ample time to monitor market conditions and evaluate other crop alternatives. As such, Post's area harvested and production estimates are left unchanged at 19.3 million hectares and 55 million tons, respectively.

Local sources expect a La Nina or neutral season in terms of weather conditions. As a result, they expect that weather will not inhibit the planting window but could present moisture deficiencies during key growing stages. As for expected returns for this season, one analysis<sup>6</sup> projects an increase in soybean gross margins of 114 percent for 2016/17 compared to the previous season – from U.S. \$70 (15/16) to \$150 (16/17) for the areas in southeast and west Buenos Aires province (based on an average yield of 1.8 tons per hectare). Meanwhile, gross margin estimates for the nation's most fertile soybean area of north Buenos Aires and south Santa Fe provinces are \$404 per hectare (based on an average yield of 3.4 tons per hectare). Provinces in the north such Santiago de Estero and Salta are expected to deliver gross margins of \$72 and \$99 per hectare, respectively.<sup>7</sup> Margins are traditionally lower in the northern areas due to lower average yields and elevated transport costs. Freight costs for this region can represent 35 percent of costs. Moreover, it is estimated that the cost of transporting soybeans a distance of 1,100 kilometers to the Rosario Port is nearly \$76 dollars per ton.<sup>8</sup>

#### *Crush and Trade.*

Based on updated crush figures, 2015/2016 crush is revised down to 40.85 million tons. 2016/2017 exports and crush are revised up to 10 million tons and 43.5 million tons, respectively.

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<sup>5</sup> <http://economia.uol.com.br/noticias/bloomberg/2016/10/19/manobra-de-macri-pode-dar-impulso-a-safra-de-soja-da-argentina.htm>

<sup>6</sup> <http://info.bcp.org.ar/ArchivosPublicados/www.bcp.org.ar/InformesAgricolas/2016/2016-10%20MB%20Gruesa.pdf>

<sup>7</sup> This analysis is based on an average yield of 1.8 tons per hectare for Santiago del Estero and 2.5 tons for Salta.

<sup>8</sup> Margenes Agropecuarios No. 376 – October 2016

## Sunflower

Oilseed, Sunflowerseed Market Begin Year	2014/2015		2015/2016		2016/2017	
	Mar 2015		Mar 2016		Mar 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Argentina</b>						
Area Planted	1440	1300	1300	1250	1650	1675
Area Harvested	1440	1240	1270	1200	1650	1650
Beginning Stocks	740	740	1038	636	454	144
Production	3160	2755	2700	2600	3300	3300
MY Imports	1	1	0	2	0	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	3901	3496	3738	3238	3754	3446
MY Exports	63	62	300	305	118	80
MY Exp. to EU	13	20	250	20	15	0
Crush	2749	2750	2930	2735	3000	3150
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	51	48	54	54	54	60
Total Dom. Cons.	2800	2798	2984	2789	3054	3210
Ending Stocks	1038	636	454	144	582	156
Total Distribution	3901	3496	3738	3238	3754	3446

(1000 HA) ,(1000 MT)

### 2016/2017

Private estimates<sup>9</sup> indicate that almost half of this season's crop has been planted – almost 834,000 hectares – as of October 28. This represents more accelerated crop progress compared to the historical average. Major sunflower production zones report favorable moisture levels that are resulting in good crop conditions. In the northern production areas (NEA), those lots planted earlier are beginning to flower, and moisture levels are fine overall with some select areas reporting excessive levels in lower areas. Just south of this region, central-north Santa Fe province reports varied moisture levels from optimal to excessive. Overall, the crop in this region is in good condition, although low temperatures at the beginning of the season led to slower sowing progress. In the other major sunflower production zone of north La Pampa and west Buenos Aires provinces, planting progress advanced slowly due to excessive moisture levels. Select low areas in General Villegas and Carlos Tejedor could be compromised by additional rainfall. The remaining areas report very good conditions, partly due to preventive measures taken to control caterpillar cutter (orgua cortadora). As such, yields are expected to be greater than historical area averages. In southeast Buenos Aires province, recent rains delayed crop progress, leading to only 12 percent of crop planted in an expected planting area of 360,000 hectares – making southeast Buenos Aires the second largest production area in the country. This area is experiencing a reported area increase of 20 percent compared to last season. Like other areas of the country, the recovery in sunflower prices and elimination of export taxes is encouraging a significant increase in plantings. Moreover, a sunflower crop allows producers in this area to finalize harvest in March, allowing for the planning of winter crops such as wheat or barley soon after.

<sup>9</sup> <http://www.bolsadecereales.com/descargar-documento1-0/pass-descargar>

Per analysis from the Grains Exchange of Bahia Blanca<sup>10</sup>, gross margins for conventional and high oleic sunflower are expected to more than double, with high oleic sunflower receiving a price premium of \$5-\$10 per ton. The increase of sunflower prices by a reported 30 percent in combination with lower agrochemical costs is resulting in gross margins of \$90 and \$100 per hectare for conventional and high oleic sunflower, respectively. Based on an average yield of 1.5 metric tons per hectare, 2016/17 gross margins for sunflower (\$95 per hectare) are 111% higher than 2015/16 margins (\$45 per hectare). The above-mentioned factors support Post's current expectations for the 2016/17 season and as such, area harvested and production are left unchanged at 1.65 million hectares and 3.3 million tons.

Local producer groups, particularly Rural Confederations of Argentina (CRA in Spanish), have expressed dissatisfaction with the prices offered by buyers. CRA claims the prices are lower than what could be offered and cite 2017 forward prices at \$245 - \$260 per ton as below what it estimates processors could offer - \$310 per ton. This group fears such a price gap could lead to lower investment in the sector. It seeks greater cooperation with the Ministry of Agro-Industry to make the market more competitive and equip producers with better tools to market their product<sup>11</sup>.

### Trade

Based on updated trade data, 2015/16 exports are revised up to 305,000 tons.

### Peanuts

Oilseed, Peanut Market Begin Year Argentina	2014/2015		2015/2016		2016/2017	
	Mar 2015		Mar 2016		Mar 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	341	345	300	330	350	365
Area Harvested	341	341	290	290	350	360
Beginning Stocks	587	587	595	589	334	317
Production	1188	1188	930	930	1155	1190
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1775	1775	1525	1519	1489	1507
MY Exports	833	833	870	870	875	900
MY Exp. to EU	520	465	490	450	450	490
Crush	278	277	245	252	270	270
Food Use Dom. Cons.	48	53	50	55	53	58
Feed Waste Dom. Cons.	21	23	26	25	27	27
Total Dom. Cons.	347	353	321	332	350	355
Ending Stocks	595	589	334	317	264	252
Total Distribution	1775	1775	1525	1519	1489	1507

(1000 HA) ,(1000 MT)

### 2016/2017

<sup>10</sup> <http://info.bcp.org.ar/ArchivosPublicados/www.bcp.org.ar/InformesAgricolas/2016/2016-10%20MB%20Gruesa.pdf>

<sup>11</sup> <http://www.lanacion.com.ar/1947905-cra-denuncio-que-en-girasol-no-se-paga-el-precio-que-corresponde>

Local reports indicate that peanut sowing is delayed due to adverse weather conditions. As of present, rainfall has arrived late and erratically in the main production zone of south Cordoba. Some areas are reporting adequate moisture for plantings while others are reporting deficient levels. Local observers indicate that there was virtually no rainfall during month of September with rainfall finally occurring in October<sup>12</sup>. Moreover, in some circumstances, dramatic rainfall occurred as was the case in Huinca Renanco and surrounding areas where hail occurred. However, producers are more worried about the lower temperatures. The past few weeks, temperatures were around 28-30 °C, which are optimal for planting, however, these were followed by erratic temperature drops to 4-5 °C.

It is believed that the optimal planting window for peanuts is October 15 to November 15, with a desired water table of almost two inches. Because of the mentioned conditions, planting progress has been limited. Although there is no estimate of sowing progress for this season, sources indicate that it is well below historical averages and that usually by late October 50 percent of the crop is planted. While planting has been delayed, it is expected that producers will accelerate sowing as soon as better conditions manifest themselves. Based on these factors, area harvested and production is left unchanged at 360,000 hectares and 1.19 million tons, respectively.

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<sup>12</sup> <http://www.todomani.com.ar/mani/notas.asp?nid=765>