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Argentina

Oilseeds and Products Update

2014/15 Soybean Planting at 30 Percent, with Area Still Poised for Reaching 21 Million Hectares; High Oleic Sunflower Oil with 70 Percent Premiums, on Average

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Report Highlights:

Robust soybean planting in Cordoba province and smooth planting in the rest of the country are trending national production area towards the 2014/15 soybean forecast of 21 million hectares. January-February will be key months to dictate final soybean production. Peanut planting is progressing well in Argentina and a new fungicide product may help sustain better yields. Brute high oleic sunflower oil has fetched prices on average 70 percent higher than oil from regular varieties.

Post:

Buenos Aires

Commodities:

Oilseed, Soybean (Local)

Oilseed, Peanut

Oil, Sunflowerseed

Soybeans

Post maintains its 2014/15 production area forecast at 21 million hectares. It is impossible to validate total soybean area until January-February, given the rolling planting cycle throughout the country, but margins, liquidity and the perceived need to plant something are the basis for the current forecast. As of November 24, 2014, planting is 30 percent completed. Planting has progressed particularly well in the southern region of Santa Fe, in the northern and western sections of Buenos Aires province, and in Cordoba province—where some analysts project that the area has increased 11 percent. Contacts indicated that, while the rainfall over the initial weeks of November slightly delayed planting, the rains will increase yields. The water tables in Santa Fe are currently with excellent depths. However, the southern region of Buenos Aires province experienced extensive flooding in September. In addition to reducing winter crop yields, analysts pointed out that the flooding washed away many roads and severely damaged others. There is a good chance the summer sun will dry up this region in time for late soybean planting, but road conditions will be a concern for those who plant.

Post holds its 2014/15 production forecast at 57 million metric tons (mmt), four percent higher than official USDA estimates, based on the planted area and yield trends. However, most producer and trade contacts are reporting that farmers are opting for low technology for 2014/15 soybean production. Given the current taxation regime and an economic environment flavored by currency concerns, high production costs and marginally lower commodity prices, many farmers' sole aim is to survive the production cycle. Farmers anticipate they will lose money no matter what they plant, particularly for those producers who are leasing land. Soybean production seems to offer the smallest loss margins. However, a lower investment in the crop translates into inferior seed genetics, reduced insecticide use, and reduced fertilizer use. Farmers cannot afford to cut back on herbicide use, due to weed pressure, and insecticide reductions are not a feasible possibility in the northern part of the country, which experiences higher pest pressures. On the seed front, the Argentine Seed Association (*Asociación de Semilleros Argentinos*) reported a 15 percent drop in the sale of certified seed. While certified seed use reached only 18 percent of the total seed planted for the 2013/14 soybean crop, the trend is indicative of the producer mindset. Furthermore, seed genetics can significantly increase or decrease the final yields. Many producers plan to rely on their own seed stocks or on seeds held over from the previous cycle. Seed varieties that are new to the market are not experiencing the market penetration that was initially projected.

On November 18, 2014, the National Bank of Argentina sent producers a circular which advised them that the bank would cut their credit line unless the producers demonstrated that they had sold all of their remaining soybean stocks. This practice is not new at the local branch levels of the bank, but it is the first time the practice has been formalized as a bank-wide written policy. Many producers have contractual arrangements that help them get the planting inputs they need from traders and others in the supply chain. Some industry contacts, however, speculate that such bank practices can reduce the capital available for farm machinery purchases. In comparison with 2013, farm machinery purchases in 2014 have decreased by 16 percent in volume.

2013/14 soybeans sales are estimated at less than 70 percent. Crushers had hoped that increased commodity prices over the past few weeks would lead to more wide-spread selling from the farmers. However, this was not the case. Crushers report that idle capacity has increased and that it continues to be a challenge to source the soybeans needed for their operations. The fact that farmers hold on to their soybeans even with an increase in commodity prices sends the market a renewed signal: on-farm stocks are not simply a function of producers trying to time sales on prices but part of a larger and more complex political-economic reality in Argentina.

| Oilseed, Soybean (Local) Argentina | 2012/2013 | | 2013/2014 | | 2014/2015 | |
|------------------------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | Market Year Begin: Apr 2013 | | Market Year Begin: Apr 2014 | | Market Year Begin: Apr 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 19,400 | 19,400 | 19,800 | 20,300 | 20,000 | 21,000 |
| Area Harvested | 19,400 | 19,400 | 19,800 | 20,100 | 20,000 | 21,000 |
| Beginning Stocks | 4,639 | 4,741 | 8,620 | 8,643 | 15,680 | 12,643 |
| Production | 49,300 | 49,300 | 54,000 | 55,000 | 55,000 | 57,000 |
| MY Imports | 2 | 2 | 1 | 0 | 1 | 0 |
| MY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| MY Imp. from EU | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 53,941 | 54,043 | 62,621 | 63,643 | 70,681 | 69,643 |
| MY Exports | 7,817 | 7,900 | 7,721 | 9,000 | 8,500 | 10,000 |
| MY Exp. to EU | 50 | 50 | 50 | 0 | 50 | 0 |
| Crush | 35,004 | 35,500 | 36,220 | 40,000 | 39,850 | 42,000 |
| Food Use Dom. Cons. | 0 | 0 | 0 | 0 | 0 | 0 |
| Feed Waste Dom. Cons. | 2,500 | 2,000 | 3,000 | 2,000 | 3,100 | 2,000 |
| Total Dom. Cons. | 37,504 | 37,500 | 39,220 | 42,000 | 42,950 | 44,000 |
| Ending Stocks | 8,620 | 8,643 | 15,680 | 12,643 | 19,231 | 15,643 |
| Total Distribution | 53,941 | 54,043 | 62,621 | 63,643 | 70,681 | 69,643 |
| | | | | | | |
| 1000 HA, 1000 MT | | | | | | |

Peanuts

Post holds Argentina's 2014/15 peanut production area at 365,000 hectares. Production is forecast at 950,000 mt, based on forecast area planted to peanuts and historic yield trends. Producers expressed keen interest in the launch of a new fungicide product in the local market, which should make good crop management practices easier, and which is not yet available in any other country for peanut production. This form of crop protection is expected to sustain higher yields.

| Oilseed, Peanut Argentina | 2012/2013 | | 2013/2014 | | 2014/2015 | |
|---------------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | Market Year Begin: Mar 2013 | | Market Year Begin: Mar 2014 | | Market Year Begin: Mar 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 380 | 388 | 334 | 383 | 340 | 365 |
| Area Harvested | 380 | 380 | 334 | 378 | 340 | 360 |
| Beginning Stocks | 523 | 523 | 713 | 713 | 860 | 730 |
| Production | 1,016 | 1,016 | 982 | 997 | 1,200 | 950 |

| | | | | | | |
|------------------------------|-------|-------|-------|-------|-------|-------|
| 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 | 1,539 | 1,539 | 1,695 | 1,710 | 2,060 | 1,680 |
| MY Exports | 585 | 585 | 585 | 700 | 700 | 700 |
| MY Exp. to EU | 450 | 450 | 420 | 450 | 465 | 450 |
| Crush | 211 | 211 | 220 | 250 | 250 | 220 |
| Food Use Dom. Cons. | 20 | 20 | 20 | 20 | 22 | 20 |
| Feed Waste Dom. Cons. | 10 | 10 | 10 | 10 | 15 | 10 |
| Total Dom. Cons. | 241 | 241 | 250 | 280 | 287 | 250 |
| Ending Stocks | 713 | 713 | 860 | 730 | 1,073 | 730 |
| Total Distribution | 1,539 | 1,539 | 1,695 | 1,710 | 2,060 | 1,680 |
| | | | | | | |
| 1000 HA, 1000 MT | | | | | | |

Sunflowers

Post maintains the forecast 2014/15 area planted to sunflowers at 1.4 million hectares, in line with the official USDA forecast. Industry contacts continue to corroborate a gain in area planted to sunflower, based on better economic returns and reduced economic volatility. Planting is underway and is projected to be 60 percent complete. Precipitation delayed sunflower planting in the country's primary production region, Buenos Aires province. Prospects appear good, but analysts believe that significant progress updates on crop health and yields will not be available until early-mid December. The November precipitation in northwestern Argentina came at an excellent time during flowering, and the sunflower vegetative index went from "good" to "very good" for the northern and central regions of Santa Fe province.

High oleic varieties are demonstrating remarkable economic margins for producers. Over the first ten months of 2014, brute high oleic sunflower oil was fetching prices an average of 70 percent higher than the brute oil of its conventional counterpart. The primary sunflower oil export destinations have been the Netherlands, France, Australia, Malaysia, Mozambique, Chile and China.

| Oilseed, Sunflowerseed Argentina | 2012/2013 | | 2013/2014 | | 2014/2015 | |
|----------------------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | Market Year Begin: Mar 2013 | | Market Year Begin: Mar 2014 | | Market Year Begin: Mar 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 1,623 | 1,623 | 1,300 | 1,315 | 1,400 | 1,400 |
| Area Harvested | 1,623 | 1,623 | 1,300 | 1,315 | 1,400 | 1,400 |
| Beginning Stocks | 369 | 369 | 1,018 | 1,020 | 760 | 723 |
| Production | 3,100 | 3,100 | 2,100 | 2,100 | 2,500 | 2,500 |

| | | | | | | |
|------------------------------|-------|-------|-------|-------|-------|-------|
| MY Imports | 7 | 9 | 2 | 8 | 2 | 8 |
| MY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| MY Imp. from EU | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 3,476 | 3,478 | 3,120 | 3,128 | 3,262 | 3,231 |
| MY Exports | 84 | 84 | 80 | 75 | 80 | 80 |
| MY Exp. to EU | 20 | 20 | 20 | 20 | 20 | 20 |
| Crush | 2,344 | 2,344 | 2,250 | 2,300 | 2,500 | 2,300 |
| Food Use Dom. Cons. | 0 | 0 | 0 | 0 | 0 | 0 |
| Feed Waste Dom. Cons. | 30 | 30 | 30 | 30 | 30 | 30 |
| Total Dom. Cons. | 2,374 | 2,374 | 2,280 | 2,330 | 2,530 | 2,330 |
| Ending Stocks | 1,018 | 1,020 | 760 | 723 | 652 | 821 |
| Total Distribution | 3,476 | 3,478 | 3,120 | 3,128 | 3,262 | 3,231 |
| | | | | | | |
| 1000 HA, 1000 MT | | | | | | |

Related Reports:

- [Argentina September 2014 Oilseeds Update Report](#)
- [Argentina 2014 Oilseeds Annual Report](#)