

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Oilseeds and Products Update

Soybean and Sunflower Sowings Move Forward as Weather Conditions Improved in November

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Report Highlights:

Beginning in mid-November weather conditions improved in growing regions for soybeans and sunflower seed affected by previous heavy rains, allowing producers to reactivate their planting intentions. Based on this development, Post maintains its production estimates for both crops as local sources indicate that no major area losses occurred. Excessive rains in late September/early November had led to damaging floods in some regions.

Soybean

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	13100	9852
Production	61400	60800	56800	56800	57000	55000
MY Imports	35	35	675	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	68390	66652	70400	65152
MY Exports	11669	11670	9500	10100	9250	9500
MY Exp. to EU	60	60	60	60	0	65
Crush	44890	45110	41400	41600	44300	41000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	4175	5017	4390	5100	4455	5150
Total Dom. Cons.	49065	50127	45790	46700	48755	46150
Ending Stocks	10915	9252	13100	9852	12395	9502
Total Distribution	71649	71049	68390	66652	70400	65152

(1000 HA) ,(1000 MT)

Production

During late September/early November, one of primary growing regions (central-north La Pampa, northeast Buenos Aires, and south Cordoba provinces) for soybeans and sunflower seed was hit by excessive rains that in some circumstances led to damaging floods for certain crop areas. The damage led to serious concerns over this season's soybean and sunflower seed crop as well as the local livestock sector as reports estimated at least 600,000 hectares were under water or at great risk of¹. Moreover, local reports indicated that north La Pampa province experienced a record 19.7 inches of rainfall, with 15.7 inches falling in only 12 days. Such damage not only affected crop lots, but also hit roads and paths, limiting producers' access to croplands and nearby towns. By November 5, the Ministry of Agro-Industry declared these provinces in state of emergency. In Buenos Aires province, the districts of Carlos Tejedor, Florentno Amerghino, General Villegas, and Rivadari were declared "emergency" and/or "disaster" areas by the provincial government. Such declaration allowed Buenos Aires producers to postpone the payment of provincial taxes and credits.²

However, after some weeks, relief came thanks to moderating weather conditions. Local contacts and reports indicate that these areas should not affect the national production forecast for the 2016/2017 soybean crop as the areas in question have recovered. As of December 1st, 46 percent of the crop has been planted according to the Grains Exchange of Buenos Aires³, representing a 8.4 percent decline in crop progress compared to last season. Producers in north La Pampa and west Buenos Aires provinces reactivated sowing after days of no rain towards the end of month. Moreover, sowing reportedly accelerated greatly in the areas of central-north Santa Fe, Nucleo Norte⁴, Nucleo Sur⁵, and south

¹ <http://www.lanacion.com.ar/1952889-hay-600000-hectareas-productivas-afectadas>

² <http://prensa.cancilleria.gov.ar/agro-emergencia-para-buenos-aires-cordoba-y-tucuman>

³ Based on estimate of 19.6 million hectares for 2016/2017 soybean crop

⁴ Este de Córdoba+Centro-sur de Santa Fe+Sudoeste de Entre Ríos.

Cordoba provinces. The area still facing issues is concentrated around central and south Buenos Aires province as low temperatures and the lack of adequate moisture levels are delaying sowings.⁶ Based on the developments of the second half of November, Post maintains its harvested area of 19.3 million hectares – as it had already incorporated possible area losses in this estimate. The events of November do not necessitate any lowering of planting area nor yields at this time. As such, 2016/2017 soybean production is left unchanged at 55 million tons.

Crush/Trade

Based on updated crush figures, 2015/2016 soybean crush is revised up to 41.6 million tons.

Sunflower seed –

Oilseed, Sunflowerseed Market Begin Year	2014/2015		2015/2016		2016/2017	
	Mar 2015		Mar 2016		Mar 2017	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1440	1300	1300	1250	1650	1675
Area Harvested	1440	1240	1270	1200	1650	1650
Beginning Stocks	740	740	1038	636	554	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	3854	3446
MY Exports	63	62	300	305	118	80
MY Exp. to EU	13	20	250	20	15	0
Crush	2749	2750	2830	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	2884	2789	3054	3210
Ending Stocks	1038	636	554	144	682	156
Total Distribution	3901	3496	3738	3238	3854	3446
(1000 HA) ,(1000 MT)						

Production

Sunflower seed plantings are practically done according to the Grains Exchange of Buenos Aires which reports that 97 percent of the crop has been planted⁷. Sowings remain to be completed in areas of central and west Buenos Aires province along with north La Pampa province. Conditions in southeast Buenos Aires province continue to limit sowings and inhibit the growth of planted area due to low temperatures and low moisture levels present inadequate conditions for plantings. Moreover, these factors are inhibiting the wheat crop which will likely delay its harvest and thus the sowing of sunflower seed in these areas. Producers in these areas are now waiting for new rains in order to advance plantings.

Overall, conditions appear to be very good for the crop. In the Chaco region –where 20 percent of this

⁵ Sur de Santa Fe+Norte de Bs. As

⁶ <http://www.bolsadecereales.com/pas>

⁷ Based on estimate of 1.7 million hectares for 2016/2017 soybean crop

season's crop is planted – is experiencing adequate to optimal moisture levels with yield expectations above the levels of last season.⁸ Based on these developments, Post maintains its area harvested and production forecast for the 16/17 sunflower seed crop at 1.65 million hectares and 3.3 million tons, respectively.

Marketing

The Argentine Sunflower Association (ASAGIR) is reporting moderate increases in sunflower and products prices based on prices registered in Rotterdam and the Argentine Ministry of Agro-Industry. The Ministry recently published Free on Board (FOB) price indices for sunflower oil at USD 765 per ton and sunflower seed at USD 380 per ton (a 4.1 percent increase compared to last year). According to ASAGIR, Argentine sunflower oil traded at USD 832.5 per ton in Rotterdam for November/December contracts, an increase of USD 2.5 compared to October.⁹ These developments are a positive sign for the sector who thanks to the removal of sunflower export taxes during December 2015 are aggressively expanding production (nearly a 35 percent increase in area planted) for the 2016/2017 season in the expectation of higher returns. As such, ASAGIR is working with its members to grow and market its crop in the best way possible. ASAGIR is advising its members that the two most important actions they can take to bolster the marketability of their crop is to avoid mixing different types of sunflower crops (i.e. high oleic and linoleic) and to avoid the use of insecticides to better market their product in world markets, especially the European Union. Specialists indicate that at least two seasons without insecticide use need to pass in order for Argentine sunflower seed to recover the confidence of the EU market. Sunflower producers and exporters seek to avoid shipment issues in the EU related to pesticide residues. Moreover, ASAGIR advises producers to consult with buyers if any insecticide application is planned in order to avoid a rejection of grain later on. In addition to this, the sector is advising producers to secure contracts if they plan to produce high oleic as a way to absorb the price premiums such crop has to offer.¹⁰

⁸ <http://www.bolsadecereales.com/pas>

⁹ http://www.asagir.org.ar/asagir2008/news_detail.asp?id=441

¹⁰ <http://www.ellitoral.com/index.php/diarios/2016/11/26/laregion/REG-11.html>

Peanuts

Oilseed, Peanut 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
Argentina						
Area Planted	341	345	300	330	350	365
Area Harvested	341	341	290	290	350	360
Beginning Stocks	568	568	565	589	269	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	1756	1756	1495	1519	1424	1507
MY Exports	848	833	915	870	900	900
MY Exp. to EU	487	465	540	450	520	490
Crush	278	277	245	252	270	270
Food Use Dom. Cons.	48	53	50	55	53	58
Feed Waste Dom. Cons.	17	23	16	25	17	27
Total Dom. Cons.	343	353	311	332	340	355
Ending Stocks	565	589	269	317	184	252
Total Distribution	1756	1775	1495	1519	1424	1507

(1000 HA) ,(1000 MT)

Production

Industry publications report over 80 percent of this season's peanut crop is planted with current crop progress demonstrating a 5 percent increase in area compared to last season¹¹. In their December 1 weekly report, the Ministry of Agro-Industry reported 74 percent of peanut crop planted (nearly 225,000 hectares). This demonstrates an aggressive acceleration in peanut sowing as the Ministry's estimate indicate that planting progress as only 5 percent of crop was planted on November 3. Moreover, practically all peanut sowing has finalized in the primary production department (county-equivalent) of Rio Cuarto. The second most important department, Laboulaye, reportedly has 60 percent of its crop planted thanks to better conditions. Post maintains its 16/17 area harvest and production forecast at 360,000 hectares and 1.2 million tons, respectively.

Although last season's harvest was complicated by rains near the latter part of the season, seed quality is adequate but not necessarily optimal. Nonetheless, local observers report satisfactory results with the peanut crop so far. Over the past three seasons, producers have dealt with peanut leaf spot caused by *Cercospora arachidicola* fungi, which is facilitated by rainfall. However, producers have perfected their controls against it. It is expected that the first application against this fungi to occur around the beginning of January, Producers are expecting a weak La Nina weather pattern season with the possibility of dry conditions near the middle of the summer during the month of January.

Investment in the Agriculture Sector

¹¹ <http://www.todomani.com.ar/mani/notas.asp?nid=785>

In August, the Argentine government commenced a tax amnesty program to bring billions of dollars of undeclared wealth— offshore and domestic – into the formal economy and expanding the tax base. As of November 21, Argentina’s tax agency registered over USD 20 billion in assets, including more than USD 7 billion in cash. The government expects Argentines will disclose USD 50-80 billion by the final March 31 deadline.

This program has presented producers, agribusiness firms, and investors a unique opportunity to invest in the agricultural sector. Over the past few months, new funds have emerged that are specially designed to invest in the sector. These funds are particularly attractive as they provide a vehicle for investors and producers to reincorporate undeclared wealth into the formal economy, they operate in dollars, and deliver tax benefits. However, local reports have also indicated that some producers and investors are finding the program difficult. Activity in the real estate market for agriculture lands registered a slight drop in October, per the Argentine Chamber of Rural Inmobiliarias (Cair). The chamber attributes this drop to complex nature of the tax amnesty which they claim has postponed investment decisions.¹²

In addition to the expected infusion of capital from previously undeclared wealth, investment is also coming from other sources. The World Bank’s International Financial Corporation plans to loan USD 50 million to the Argentine agribusiness firm, Adecoagro, for the development of efficient and environmentally-friendly agricultural technologies. The investment will specifically be utilized to replace diesel-powered water pumps to electronic ones and expand/update the company’s dairy operations¹³.

Upcoming policy developments – especially higher taxes - are worrying the agriculture sector and may inhibit additional investments. Both the provinces of Buenos Aires and Cordoba are considering increases in rural property taxes. In addition to this, many members/associations continue to express their displeasure with the government not fulfilling its promise to reduce the soybean export tax by another 5 percentage points.¹⁴

¹² <http://www.cronista.com/negocios/Trabas-para-ingresar-al-blanqueo-postergan-inversiones-en-campos-20161116-0034.html>

¹³ <http://www.cronista.com/negocios/El-Banco-Mundial-financia-a-la-local-Adecoagro-para-proyectos-sustentables-20161117-0052.html>

¹⁴ <http://www.lanacion.com.ar/1957985-malestar-en-el-campo-por-la-suba-de-impuestos>