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Required Report - public distribution

Date: 10/28/2015

GAIN Report Number:

Argentina

Grain and Feed Update

October 2015

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Report Highlights:
Post continues to project the 2015/16 wheat crop at 10.2 million metric tons (mmt), slightly below USDA's official number. Lower exports for 2014/15, are now revised down to 5.0 million tons (adding wheat and flour), and a smaller ending stock in 2015/16 would result in increased exports at 6.0 mmt, 1.0 mmt higher than USDA. Barley exports in 2015/16 are revised down at 1.8 mmt, 200,000 tons lower than USDA. 2015/16 corn area and production remain the big question, but Post maintains its previous forecast at 21.0 mmt, 3.0 mmt lower than USDA. Sorghum PSD remains practically unchanged, except for a 10 percent reduction in USDA's 2014/15 export to 1.0 mmt. Argentine rice production for 2014/15 is adjusted upwards to 1.49 mmt, but still somewhat lower than USDA.

Post:
Buenos Aires

Background: As in the past update (July 2015), farmers continue to suffer uncertainty on some key factors which could impact their business in the near future. After the presidential elections of October 25, the two most popular candidates will head to a runoff election next November 22, taking office whoever wins on December 10, 2015. Both candidates have expressed (in different ways) that they would eventually work on policies to improve the competiveness of the local agricultural sector to encourage farmers to produce more. Most analysts believe that the ROE system, by which exports of corn and wheat are controlled, would be eliminated, as well as the export taxes in most grains (exports of corn are currently taxed 20 percent and wheat exports 23 percent). Many local economists also indicate that the local currency needs to be adjusted to become more competitive. If these adjustments/changes in policy take place, the low or in some cases negative returns which farmers currently face would improve significantly. However, it remains a big question how fast a newly elected President will be able to implement changes and how will it impact on farmers' decision for the summer crop season. The 2015/16 crop season for winter crops (mainly wheat and barley) is already in the ground (in fact wheat harvest began in the Northern provinces). Until a few weeks ago, most farmers' planting decisions were very pessimistic for corn and practically neutral or barely optimistic for soybeans. Early corn planting in the local Corn Belt is practically over, showing a significant contraction from last year. Moving forward, based on expectations and whatever political signals farmers receive, there is room for second crop or delayed planted corn area to expand somewhat over current planting intentions. December is when most of the late corn is planted in the main production area.

Wheat: Post expects wheat production at 10.2 million metric tons (mmt), 300,000 tons lower than USDA's official number. Post continues to estimate harvested area at 3.7 million hectares, 200,000 hectares more than USDA. Although there was a loss of approximately 70-100,000 hectares of wheat due to excess rain during last August in the north eastern part of Buenos Aires province and southern Santa Fe, several sources indicate that there is a larger-than-expected wheat area in the province of Cordoba. Also Post expects a smaller yield than USDA as the technology (seed quality, level of fertilization and crop protection) used in the crop has been lower than in previous crops and to the fact that many producers have shifted from higher yielding varieties to better quality wheat varieties which normally yield less.
Exports in of the 2015/16 crop (through November 2016) are projected at 6.0 mmt, 1.0 mmt higher than USDA. This is a result of a larger beginning stock from the previous crop of 500,000 tons and the potential for removal of export restrictions for the 2015/16 crop. Exports in 2014/15 are forecast at 5.0 mmt, 500,000 tons lower than USDA. For this crop, the government has so far announced an export quota of 4.4 mmt of wheat (of which 0.4 million tons are form the previous crop season) and 330,000 tons of wheat flour, equivalent to approximately 450,000 tons of wheat. Through October 2015 shipments (of both wheat and flour) will total approximately 4.5 mmt, expecting exports of 500,000 tons in November, the last month of the crop season.

Ending stocks by November 2015 are expected at 3.7 mmt, higher than USDA as exports are reduced. Approximately 80 percent of wheat stocks are located in southern Buenos Aires province (far from the local milling demand), and it is of medium quality which is not what Brazil normally demands. Farmers will most likely hold to it expecting to sell it under better market conditions (after December 2015) and mix it with the new crop which they expect will have better quality. If not exported to Brazil, it could find a market in West

African countries, the Middle East or some regional markets. Last July the government announced a special export quota of 500,000 tons for low protein (below 10.5 percent) wheat from southern Buenos Aires province. However, through late October less than 30,000 tons had been officially authorized to be exported.

Barley: Post projects beginning stocks for 2015/16 at 252,000 mmt, 240,000 mmt lower than USDA's official number. The main malting players found serious difficulties to purchase barley domestically in the past few months, despite offering higher prices than what they theoretically could pay. A lower beginning stock is expected to negatively affect total supply and thus cut potential exports, which are now forecast at 1.8 mmt, 200,000 mt lower than USDA. As in the past report, Post estimates barley production in crop 2014/15 at 2.8 mmt, 100,000 tons lower than USDA, reflecting a lower harvested area (-100,000 hectares) than USDA due to flooding in southern Buenos Aires province. Barley exports in 2014/15 are now estimated at 1.54 mmt, 40,000 thousand tons higher than USDA. Exports through October 2015 were approximately 1.52 mmt, with an expected small export volume for November, the last month of the crop season. Of the total exports, roughly 800,000 tons was malt barley and the remainder feed barley. A smaller beginning stock, a lower production volume, and somewhat higher exports will close the 2014/15 crop season with 252,000 tons of barley in stock. Contacts indicate that some 400,000 tons of feed barley were consumed by the local livestock industry in 2013/14, 100,000 tons higher than USDA, as demand has been strong due to the profitability of adding additional value to grains.

Corn: Post continues to project harvested area for 2015/16 at 2.8 million hectares, 500,000 hectares less than the previous year (or 15 percent less harvested area) and 200,000 hectares lower than USDA's official number. There is currently great uncertainty what the final area will be. Early planted corn in the core area is practically all planted, totaling somewhat less than 1million hectares. Until mid-October 2015, most contacts were very pessimistic about the total planted area, estimating in general a drop ranging between 20-40 percent from last year's area. In the past few weeks, and especially, after the Presidential elections of October 25, there is a change of mood and expectations, with many players hoping that export limitations and export taxes on corn will be eliminated by whoever is elected president in the November 22 runoff. Domestic corn prices have been increasing significantly in the past few days, discounting already some of the gains that local corn prices would receive if these limitations/taxes were removed. Better future corn prices are changing the results of projected returns for the harvest beginning in March 2016. This situation is expected to diminish somewhat the significant drop in planted intentions projected earlier as many farmers might increase at the last minute the area devoted to late corn, in detriment of soybeans. However, in many cases, there is an important productive limitation as most lots going to soybeans have been prepared and treated with chemicals to control weeds and cannot be shifted to corn production.

Post estimates production at 21.0 mmt, 3.0 mmt lower than USDA. This is the result of a smaller harvested area and an expected lower yield. The local market estimates currently range between 20.0-23.0 mmt of production. In general, most crops were being planted with lower technology than normal due to very tight (often negative) projected returns, with less expensive seed, lower-priced agricultural chemicals and less fertilization. Furthermore, a higher share of late corn is expected this season and normally yields significantly less than early planted corn. In the past several months many weather forecasts have indicated a strong El Nino, which in the Argentine corn area means more rain than normal and typically higher yields. However, two months have gone by with no real effects yet.

Post forecasts Argentine corn export for 2015/16 at 11.5 mmt, 3.0 mmt lower than USDA, reflecting the difference in production. Argentine exports for 2014/15 continue to be estimated at 17.0 mmt, the same as

USDA. The government so far has announced export quotas for 15.5 mmt, and has provided certificates for 14.3 mmt. Post believes exports through February 2016 should be closer to USDA's official number. Local traders indicate that countries in South East Asia prefer to buy corn from Argentina or Brazil. Currently Brazil is very competitive as result of the strong devaluation. From March onwards, Argentine corn becomes competitive. With a possible elimination of export limitations and export taxes, Argentine corn is expected to become very competitive in world markets. Local traders believe that corn exports to China continue to be very risky and indicate that there is currently little need to export to that market.

Sorghum: Ending stocks for 2015/16 are now projected at 902,000 tons, 100,000 tons higher than USDA. This is as a result of lower exports expected for 2014/15, now at 1.0 million tons, 100,000 tons lower than USDA. Exports through October 2015 totaled 670,000 tons and approximately 330,000 tons could be exported between now and the end of the crop season in February 2016. Argentine sorghum exports have been significantly slower than earlier projected when there was a lot of expectations of exports to the newly opened (November 2014) Chinese market. Local traders have found difficulties in obtaining export certificates issued by the local sanitary service which pre-monitors each shipment. Sources indicate that the protocol specifies that shipments need to be free of a list of 25 weeds, but there have been some problems with Johnson Grass. The whole process is troublesome and has yet not resulted in fluid exports. The segregated and cleaned sorghum was redirected to other markets. Local exporters indicate that in August 2015 Argentina exported 18,000 tons of sorghum to the US, purchased by a feed company in California.

Rice: The only significant change to the PSD is the production volume of crop 2014/15 which Post increased to 1.491 mmt, but still lower than USDA which is at 1.56 mmt. The main differences are due to a somewhat smaller harvested area and average yield. The local rice sector is in a difficult situation as the international market has slowed down and high domestic costs make local production difficult to compete worldwide. Stocks of crop 2014/15 are high and moving very slowly with a few shipments to Irak. Exporters are looking forward to Iraq's opening bids in next November. Despite low returns, producers have almost finished planting the 2015/16 crop, expecting policy changes that will bring some profitability and relief to the sector.

STATISTICAL INFORMATION

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Dec 2013		Dec 2014		Dec 2015	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3500	3500	4200	4200	3500	3700
Beginning Stocks	288	288	2490	2490	3175	3675
Production	10500	10500	12500	12500	10500	10200
MY Imports	2	2	35	35	30	30
TY Imports	2	2	35	35	30	30
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	10790	10790	15025	15025	13705	13905
MY Exports	2250	2250	5500	5000	5000	6000
TY Exports	1675	1675	4200	4200	5500	6500
Feed and Residual	100	100	300	300	100	100
FSI Consumption	5950	5950	6050	6050	6050	6050
Total Consumption	6050	6050	6350	6350	6150	6150
Ending Stocks	2490	2490	3175	3675	2555	1755
Total Distribution	10790	10790	15025	15025	13705	13905
(1000 HA) ,(1000 MT)						

Barley	2013/2014		2014/2015		2015/2016	
Market Begin Year	Dec 2013		Dec 2014		Dec 2015	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1270	1270	900	800	950	950
Beginning Stocks	333	333	592	492	492	252
Production	4750	4750	2900	2800	3400	3400
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5083	5083	3492	3292	3892	3652
MY Exports	2891	2891	1500	1540	2000	1800
TY Exports	2829	2829	1600	1599	2000	1800
Feed and Residual	300	400	200	200	200	200
FSI Consumption	1300	1300	1300	1300	1300	1300
Total Consumption	1600	1700	1500	1500	1500	1500
Ending Stocks	592	492	492	252	392	352
Total Distribution	5083	5083	3492	3292	3892	3652
(1000 HA) ,(1000 MT)						

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2014		Mar 2015		Mar 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3400	3400	3200	3300	3000	2800
Beginning Stocks	1308	1308	1408	1408	1513	1513
Production	26000	26000	26500	26500	24000	21000
MY Imports	2	2	5	5	5	5
TY Imports	1	1	5	5	5	5
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	27310	27310	27913	27913	25518	22518
MY Exports	17102	17102	17000	17000	14500	11500
TY Exports	12846	12846	18500	18500	15000	11000
Feed and Residual	5800	5800	6100	6100	6500	6500
FSI Consumption	3000	3000	3300	3300	3500	3500
Total Consumption	8800	8800	9400	9400	10000	10000
Ending Stocks	1408	1408	1513	1513	1018	1018
Total Distribution	27310	27310	27913	27913	25518	22518
(1000 HA) ,(1000 MT)						

Sorghum	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2014		Mar 2015		Mar 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1000	1000	770	800	1000	1000
Beginning Stocks	781	781	1202	1202	802	902
Production	4400	4400	3500	3500	4500	4500
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5181	5181	4702	4702	5302	5402
MY Exports	1279	1279	1100	1000	1600	1600
TY Exports	953	953	1000	1000	1500	1500
Feed and Residual	2300	2300	2400	2400	2500	2500
FSI Consumption	400	400	400	400	400	400

Total Consumption	2700	2700	2800	2800	2900	2900
Ending Stocks	1202	1202	802	902	802	902
Total Distribution	5181	5181	4702	4702	5302	5402
(1000 HA) ,(1000 MT)						

Rice, Milled	2013/2014		2014/2015		2015/2016	
Market Begin Year	Apr 2014		Apr 2015		Apr 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	241	241	231	225	205	205
Beginning Stocks	227	227	359	359	498	453
Milled Production	1027	1027	1014	969	890	890
Rough Production	1580	1580	1560	1491	1369	1369
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	5	5	5	5	5	5
TY Imports	6	6	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1259	1259	1378	1333	1393	1348
MY Exports	465	465	450	450	480	500
TY Exports	494	494	400	400	480	500
Consumption and Residual	435	435	430	430	430	430
Ending Stocks	359	359	498	453	483	418
Total Distribution	1259	1259	1378	1333	1393	1348
(1000 HA) ,(1000 MT)						