USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 7/26/2018
GAIN Report Number:

Argentina

Grain and Feed Update

July 2018

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Report Highlights:
Post forecasts wheat exports in MY2018/19 at 13.6 million tons, 600,000 tons lower than USDA, leading to greater stocks at 760,000 tons. Post estimates barley production and exports for MY2018/19 and MY2017/18 slightly lower than USDA's numbers. Argentine corn production for MY2018/19 is increased at 41.5 million tons, 500,000 tons higher than USDA, primarily due to an increase in harvested area. Post estimates significantly higher corn consumption than what USDA's official estimate for MY2017/18 and MY2018/19. There are no significant changes in tables for sorghum or rice.

Post:
Buenos Aires

Author Defined:

Wheat: Post concurs with USDA's official wheat production volume of 19.5 million tons for marketing year (MY) 2018/19. This would be a record crop. Currently, most local analysts' projections range between 19-20 million tons. By late July over 90 percent of the more than six million hectares will have been planted (USDA estimates a harvested area of 6 million hectares). The sowing in the center and south of Buenos Aires province, where a large area is covered with wheat, normally ends later than the rest of the country. After the severe drought that affected most of Argentina during December 2017-March 2018, it rained abundantly in April and early May. The weather then began to normalize as winter approached, with drier and colder days. This allowed planting to progress in a fast manner. In mid-July, there were beneficial rains. Most wheat fields are in good conditions. Post estimates wheat production for 2017/18 at 18.2 million tons, 200,000 tons higher than USDA. This is because post believes yields were somewhat higher, as weather was very good for winter crops and farmers used good technology.

Post estimates wheat exports for 2018/19 at 13.6 million tons, 600,000 tons lower than USDA, primarily because ending stocks would be greater than what USDA estimates. We do not foresee the market allowing stocks to get too low as it would create significant market tensions, with possible price spikes that could have a direct impact on local food prices and inflation. In the total exports, Post includes the equivalent of 1 million tons of wheat that is forecast to be exported as flour. According to local sources, Brazil is projected to take about half of the flour exports, followed closely by Bolivia. Minor volumes will most likely be exported to Chile and Uruguay. Generally, Argentine wheat during the first months of harvest (December-February) is very price competitive. During this period, there are large volumes shipped to South East and Africa. From March/April onwards exports to Brazil become the priority. Local traders expect the neighboring country to import in 2018/19 roughly 6 million tons of wheat plus the usual volume of wheat flour.

Exports in 2017/18 are expected at 12.4 million tons, 400,000 tons higher than USDA (including flour exports). Through mid-July, local traders have exported approximately 9.5 million tons, and have purchased 11.4 million tons of the 2017/18 wheat crop.

A recent report released by the Bolsa de Cereales de Rosario, indicates that there are 170 local companies with 200 wheat mills with a total milling capacity of 13.5 million tons annually. The milling in calendar year 2017 totaled 5.9 million tons of wheat with a production of 4.4 million tons of flour. The domestic market accounted for 84 percent and the balance was exported. Buenos Aires province was the largest producer, followed by Cordoba and Santa Fe.

Barley: Post estimates area and production for MY2018/19 somewhat lower than USDA's number. In general, there is a consensus that roughly 1 million hectares will be planted, while Post estimates a 4 percent loss, totaling 960,000 hectares at harvest. Through mid-July, almost 80 percent was planted. With the same yield used by USDA, the total production is estimated at 3.85 million tons, 150,000 tons lower than USDA. This lower output is expected to result in exports of 2.7 million tons, 100,000 tons smaller than USDA. Of the total exports,

roughly 1.2 million tons are expected to be malting barley, while feed barley would add 1.5 million tons. Local brokers indicate that due to the world's tight barley supply and demand, with lower production in key exporting countries, Argentina will be in a strong position to ship its barley. Argentine feed barley will primarily enter the market in December-February with Saudi Arabia expected to be the main destination by far, followed by UAE, Kuwait and Oman. Malting barley exports are spread more evenly throughout the year. The main destinations are primarily South American countries, with Brazil as the leading market, followed by Colombia. For the first time in years, forward farmer selling has been unusually high. By mid-July, local exporters have purchased 520,000 tons of feed barley and 170,000 tons of malting barley of the 2018/19 crop.

For MY2017/18, Post estimates that barley harvested area was 75,000 hectares smaller and production 240,000 tons lower than USDA's official number. Throughout the season, roughly 60-80,000 hectares were lost due to excessive rain. Lower production is expected to result in smaller exports, which post estimates at 2.45 million tons, 150,000 tons lower than USDA. Exports from December 2017 through June 2018 totaled 2.14 million tons. By mid-July, exporters had declared purchases of 2.25 million tons of barley MY 2017/18.

Corn: Post revises upwards the area and production of Argentine corn for MY2018/19. Harvested area is projected at 5.3 million hectares, 300,000 hectares higher than USDA. In MY2017/18, due to the severe drought during summer, there were 150-200,000 hectares of corn which were not harvested for commercial corn because of potential low yields (these fields were turned into silage, grazed or abandoned). Weather during 2018/19 is expected to be normal (although some forecast are nowadays mentioning the possibility of having an El Nino, which in this part of the world it typically means more rain than normal). Most contacts believe that the planted area will remain between flat or increase at the most 5 percent from last year. Post forecasts production at 41.5 million tons, 500,000 tons higher than USDA. Post utilizes a lower yield than USDA, but it will finally depend on the weather during the growing season. Although MY2017/18 was affected by a severe drought, the weather in the previous two corn crop seasons received significantly more rainfall than normal, resulting in high yields. Farmers are expected to continue to use high technology, especially good levels of fertilization.

Corn consumption for MY2018/19 is forecast at 13 million tons, 1 million tons higher than USDA. Post also estimates a significantly higher corn consumption for MY2017/18. The local livestock sector continues to grow, the same as the corn bioethanol industry. For several years now, the local cattle sector continues to experience an expansion cycle, with a recovery of the herd which results in a larger slaughter and beef production. The poultry and pork sectors seem to have reached a production and demand ceiling for the time being. Milk production is recovering, growing 7 percent in the first semester of 2018. The bioethanol industry continues to expand its production slowly, but steadily year after year. In CY2017, the sector demanded 1.4 million tons of corn, and it is expected to increase its demand by an additional 200,000 tons in CY2018. This is a reflection of a higher average blend in gasoline and a larger consumption of fuel. In six years, this sector has gone from demanding zero to 1.6 million tons of corn.

Production in MY2017/18 is estimated at 32 million tons, 1 million tons lower than USDA. Most local analysts estimate production between 31.0 and 32.5 million tons. By the end of July, the harvest should be close to 90 percent. Farmers are harvesting the last fields of late planted corn, which was also negatively affected by the summer drought, bringing down the average yield.

Post estimates Argentine corn exports for MY2017/18 at 22 million tons, 2 million tons lower than USDA's official number. This is a result of Post estimating a significantly higher consumption than USDA, a very slow

farmer selling and to the fact that Argentine corn is facing a strong competition from less expensive US corn. Exports during the period March-July 2018 are estimated at roughly 11 million tons. Through mid-July, exporters purchased 14.5 million tons of corn of MY2017/18. Some contacts estimate that total exports could be even lower than Post's projection.

Sorghum: Minor adjustments are made to the balance sheet. Harvested area for both MY2018/19 and MY2017/18 is 50,000 hectares higher than USDA's official number. Production in MY2018/19 is forecast at 3.3 million tons, 150,000 tons higher than USDA. For MY2017/18, Post uses a lower average yield than the one estimated by USDA as the severe drought during the summer has significantly affected production despite being a crop which resists dry conditions better than most others. By mid-July, harvest is estimated to be above 80 percent.

Sorghum exports in MY2018/19 and MY2017/18 are expected to remain low. The major historic importers of Argentine sorghum, like Japan, Chile and Colombia, have all diminished sorghum imports over the last few years. Brokers indicate that the current trade dispute between the US and China could eventually open some opportunities. With low exports, domestic consumption is forecast to increase accordingly.

Rice: Post concurs with USDA's 1.3 million tons of production of rough rice in Argentina in MY2018/19. In our first projection back in April 2018, we forecasted a drop in area and production. However, three months later the local situation changed significantly. Firstly, unusual heavy rain in April-May filled practically all the water reservoirs in Corrientes province, which due to the summer drought, were facing a serious problem. Secondly, due to local and international economic tensions, the value of the dollar in Argentina went from 20 pesos in early April to the current 28 pesos. This devaluation, together with production costs that increased at a slower rate, improved the domestic price of rice and thus farmers' returns. The only province where production is expected to grow is Corrientes.

Argentine rice exports in MY2018/19 are projected at 450,000 tons (milled base), 50,000 tons higher than USDA. The recent devaluation of the local currency has helped the competitiveness of Argentine rice and most players hope this situation will continue through 2019. Local brokers hope that Brazil continues to be more active, while they report that Argentina has recently closed export sales of rice to Iraq, Mexico and Spain.

Although there are still no private sector rice estimates published for the MY2017/18, contacts estimate that 190-192,000 hectares were finally harvested, with a rough production of 1.25 million tons. Yields in Entre Rios province were record high, primarily as result of the dry weather and long, sunny days.

Statistical Tables

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Dec 2016		Dec 2017		Dec 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5560	5560	5600	5600	6000	6000
Beginning Stocks	816	816	245	245	700	500
Production	18400	18400	18000	18200	19500	19500
MY Imports	4	4	5	5	10	10
TY Imports	13	13	5	5	10	10
TY Imp. from U.S.	0	0	0	0	0	0

Total Supply	19220	19220	18250	18450	20210	20010
MY Exports	13825	13825	12000	12400	14200	13600
TY Exports	12275	12275	13600	13600	13500	13000
Feed and Residual	50	50	50	50	100	50
FSI Consumption	5100	5100	5500	5500	5600	5600
Total Consumption	5150	5150	5550	5550	5700	5650
Ending Stocks	245	245	700	500	310	760
Total Distribution	19220	19220	18250	18450	20210	20010
Yield	3.3094	3.3094	3.2143	3.25	3.25	3.25
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2016/2017		2017/2018		2018/2019	
Market Begin Year	Dec 2016		Dec 2017		Dec 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	870	870	935	860	1000	960
Beginning Stocks	803	803	447	447	387	297
Production	3300	3300	3740	3500	4000	3850
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	4103	4103	4187	3947	4387	4147
MY Exports	2556	2556	2600	2450	2800	2700
TY Exports	2696	2696	2500	2500	2800	2700
Feed and Residual	100	100	100	100	100	100
FSI Consumption	1000	1000	1100	1100	1100	1100
Total Consumption	1100	1100	1200	1200	1200	1200
Ending Stocks	447	447	387	297	387	247
Total Distribution	4103	4103	4187	3947	4387	4147
Yield	3.7931	3.7931	4	4.0698	4	4.0104
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn	2016/2017		2017/2018		2018/2019	
Market Begin Year	Mar 2017		Mar 2018		Mar 2019	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4900	4900	5100	5100	5000	5300
Beginning Stocks	1459	1459	5284	5284	3489	2789
Production	41000	41000	33000	32000	41000	41500
MY Imports	11	11	5	5	5	5
TY Imports	8	8	5	5	5	5
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	42470	42470	38289	37289	44494	44294
MY Exports	25986	25986	24000	22000	27000	27000
TY Exports	22951	22951	24000	22000	27000	27000
Feed and Residual	7500	7500	7000	8500	8000	8800
FSI Consumption	3700	3700	3800	4000	4000	4200
Total Consumption	11200	11200	10800	12500	12000	13000
Ending Stocks	5284	5284	3489	2789	5494	4294
Total Distribution	42470	42470	38289	37289	44494	44294
Yield	8.3673	8.3673	6.4706	6.2745	8.2	7.8302
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sorghum	2016/2017		2017/2018		2018/2019	
Market Begin Year	Mar 2017		Mar 2018		Mar 2019	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	700	700	700	750	700	750
Beginning Stocks	952	952	889	889	689	689
Production	3400	3400	3000	3000	3150	3300
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	4352	4352	3889	3889	3839	3989
MY Exports	563	563	500	400	500	500
TY Exports	457	457	550	450	500	500
Feed and Residual	2500	2500	2300	2400	2300	2450
FSI Consumption	400	400	400	400	400	400
Total Consumption	2900	2900	2700	2800	2700	2850
Ending Stocks	889	889	689	689	639	639
Total Distribution	4352	4352	3889	3889	3839	3989
Yield	4.8571	4.8571	4.2857	4	4.5	4.4
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled	2016/2017		2017/2018		2018/2019	
Market Begin Year	Apr 2017		Apr 2018		Apr 2019	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	204	196	198	192	200	200
Beginning Stocks	409	409	434	423	373	334
Milled Production	863	819	891	813	845	845
Rough Production	1328	1260	1371	1251	1300	1300
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	5	5	8	8	8	8
TY Imports	9	5	7	7	8	8
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1277	1233	1333	1244	1226	1187
MY Exports	343	350	450	450	400	450
TY Exports	392	392	450	450	400	450
Consumption and Residual	500	460	510	460	500	460
Ending Stocks	434	423	373	334	326	277
Total Distribution	1277	1233	1333	1244	1226	1187
Yield (Rough)	6.5098	6.4286	6.9242	6.5156	6.5	6.5
(1000 HA) ,(1000 MT) ,(MT/HA)						