THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 1/31/2017

GAIN Report Number:

Argentina

Grain and Feed Update

Approved By:
Lazaro Sandoval
Prepared By:
Kenneth Joseph

Report Highlights:
Post agrees with USDA's estimation of Argentina's 2016/17 wheat production volume (15.0 million tons) and exports (8.6 million tons). The quality of the production is good, far better than the past two crop seasons. Barley production for 2016/17 is projected at 3.15 million tons, the same as USDA. However, Post estimates barley exports at 1.2 million tons, 600,000 tons lower than USDA. Corn production is kept at 36.5 million tons. However, due to the severe rain storms that occurred during mid-December and mid-January, the harvested area is reduced 50,000 hectares. Corn which was not directly affected by floods is in great condition. Post continues to estimate sorghum production in 2016/17 at 3.4 million tons, 200,000 tons lower than USDA. Exports for 2015/16 and 2016/17 are forecast at 600,000 tons each, lower than estimated by USDA. Post estimates rice production for 2016/17 at 845,000 tons (milled basis), lower than USDA. Two important producing provinces confirmed a lower planted area. The harvest just began in northern Corrientes.

Wheat: Post estimates Argentine wheat production for 2016/17 at 15 million tons, the same as USDA.

Post differs with USDA in the area harvested, estimating 300,000 hectares lower. USDA estimates an average yield of 3.06 tons per hectare, while Post estimates a yield of 3.26 tons per hectare. Most contacts indicate that while average yields in the southern wheat belt were lower than normal because of late frosts in October and November and high temperature and scarce rain at the end of the cycle, yields in the rest of the producing areas were significantly higher than normal. Many farmers located in northern Buenos Aires, southern Santa Fe and Cordoba province produced record yields as crops had the precise level of water needed and cooler temperatures than usual. Despite higher-than-normal yields, on average the quality of the wheat in Argentina was far better than in the past two crop seasons, primarily as a result of the use of very good technology, especially high levels of fertilization and a wider use of milling wheat seed varieties.

Post estimates wheat exports (which include wheat flour exports – in wheat equivalent) for 2016/17, at 8.6 million tons, the same as USDA. Through the end of 2016, farmers had sold 6.0 million tons of wheat, of which exporters purchased 5.0 million tons (with 3.4 million tons sold) and local flour mills 1.0 million tons. Local traders believe that Argentina will ship 4.5 million tons of wheat to Brazil. Brazilian mills normally import large volumes of Argentine wheat in March-August. Some 1.3 million tons of feed wheat are expected to be exported from Argentina to Asia and roughly 2.8 million tons of milling wheat primarily to African countries.

On January 13, 2017 the government published Resolution 24 by which it eliminates a resolution passed in 2013 which obliged exporters to import wheat if supplies in the domestic market were short. With this recent measure the government continues to make the local wheat market more transparent, something demanded by producers.

On January 2, 2017 the government passed a decree to increase or reestablish export rebates on many agro industrial products as a way to give back a portion of the many taxes these products pay throughout its production process prior to export. In the case of wheat flour, the export rebate was set at 3 percent (from 0 percent) for bulk or in bags, and 4 percent for 1-kilo bags. Until December 2015, exports of wheat were taxed 23 percent and wheat flour 13 percent. Since then, the local milling sector had requested measures to improve its competitiveness.

Barley: Post estimates Argentine production for 2016/17 at 3.15 million tons, the same as USDA. Most private sector contacts believe that production ranged between 3.0-3.2 million tons. Post estimates 800,000 hectares of harvested area, 140,000 hectares lower than USD, with an average yield of 3.87 tons per hectare, higher than USDA. Although the weather was not the best in the south east and south west of Buenos Aires province, the largest barley growing area, barley performed better than wheat in most cases. Barley is harvested 10-15 days earlier than wheat. Producers used good barley seed and good levels of fertilization. Roughly 55-60 percent of the seed variety used is Andreia, which rapidly replaced the Scarlett variety which was widely used until a few years ago. Contacts indicate that Andreia on average yields 25 percent more than Scarlett, and that it is more stable and more resistant to diseases. Some 350,000 hectares were produced in 2016/17 under contract farming with malting companies. Indicative prices today set feed barley local price at $135 per ton, while prices under contract are estimated at $150 per ton. The quality of barley in this crop is very good, with good grain size and an average protein content of 11 percent.

Barley exports for 2016/17 are forecast at 1.2 million tons, 600,000 tons lower than USDA. Local traders indicate that the world market is well supplied with barley and other feed grains, and local barley price are not very competitive as the quality has been good and farmers are quite reluctant to sell. Moreover, Brazil and Uruguay, natural buyers of Argentine barley, have had very good crops in both quality and volume. Traders indicate that roughly 600,000 tons of feed barley will be exported primarily to Saudi Arabia (and smaller volumes to India and Vietnam), and 600-700,000 tons of malting barley could be exported during the current marketing season to South American countries. Lower exports would result in higher ending stocks, which post forecasts at 813,000 tons, higher than USDA. Most of this barley is expected to remain in the hands of producers. Through the first week in January 2017, local traders had declared export sales for 700,000 tons

The ending stocks for 2015/16 season are estimated at 363,000 tons, lower than USDA, and in line with what local malting companies are reporting.

Corn: Post maintains USDA's 2016/17 official production volume unchanged at 36.5 million tons and reduces by 50,000 hectares the harvested area. One of the country's main corn production regions (east Cordoba, center- south Santa Fe and north of Buenos Aires province) was hit by severe, unusual rainfall during mid-December and mid-January. This vast area received (with different intensity and quite spotted) 11 days of rain, with daily minimums of 0.4 inches to maximums of 8 inches. In a few localities it rained more than 24 inches, approximately 60 percent of the total year's rainfall. Many rural towns were flooded and roads disappeared under the water. In Entre Rios it also rained abundantly but no significant losses were reported as it is hilly, which helps water to run away rapidly. Furthermore, most of the corn was in the grain filling period and was able to stand strong through the storms and rain. Overall, and in the case of corn, losses of area are so far reported to be small. On the contrary, in the center-south part of Buenos Aires and east La Pampa conditions are very dry. Average rainfall in this area in the past two months was 50 percent below normal, complicating the planting season and affecting early plantings. This area represents approximately 7 percent of the country's total corn area but production wise it is even smaller as yields are typically below average. Several entities and organizations are currently assessing losses in both areas. For the moment, Post projects a reduction of 1 percent in the country's potential harvested area, now at 4.45 million hectares. Planting is almost finished, except for some fields in the northern part of the country. Regarding total corn production, Post forecast the same as the previous report and as USDA's current estimate. The losses in area (which need to be confirmed in a future report) are expected to be offset by higher yields than earlier expected. The rainy condition (and cool nights) of this past month, which normally is hot and dry, have promoted strong plant development. Plantings in areas which were not affected by floods are in very good conditions. Most of the early planted corn (September/October), which represents approximately 50 percent of the total crop, is in grain filling period. The other 50 percent is late or second corn crop. Most of it is also in very good condition, but it still has a long way to go before harvested.

Post's harvested area and production for 2015/16 continue to differ from USDA's number. Post believes that some 200,000 additional hectares were harvested, especially in the north-central part of the country. This situation plus higher yields than estimated by USDA resulted in a total production of 30.0 million tons, 1 million tons greater than USDA's official number.

Corn exports for 2015/16 are expected to finish in a range between 21.3 and 21.8 million tons. The current spot price for corn is $170 per ton, a very good price (April 2017 new crop is $152 per ton) as domestic demand is firm and some traders are finding difficulties to fill the capacity of some boatloads which are at port.

Sorghum: At this point Post continues to expect a production of 3.4 million tons, 200,000 tons lower than USDA. It is too early to determine the impact of the flooding in the center of Santa Fe province, one of the country's main sorghum producing areas.

Post continues to forecast exports for the 2016/17 at 600,000 tons, 300,000 tons lower than USDA. Local traders indicate that the demand for Argentine sorghum is slow. Potential sales are to Japan and Chile. Exports in crop 2015/16 are expected to total between 500-600,000 tons. Through December 2016 shipments totaled 440,000 tons, with two more months to go.

Domestic consumption for 2015/16 is increased to 2.5 million tons, 100,000 tons higher than USDA. Current strong domestic demand for feed grains have made corn prices very high, making end users try to shift to more inexpensive feed alternatives. We expect this situation to moderate in March when the new, abundant corn harvest starts to enter the market.

Rice: Post reduces Argentine 2016/17 rice production estimate to 845,000 tons (milled basis), equivalent to 1.3 million tons rough production. This is 105,000 tons lower than USDA. The main reason for such reduction is the confirmed lower planted area in Entre Rios and Santa Fe, two of the three most important rice producing provinces. High production costs, delicate financial situation of many farmers, weak producer prices, and other more profitable production alternatives played against the planting of rice. In general, the crops are in good condition, with insignificant area losses. The harvest began a week ago in northern Corrientes. Post maintains production for 2015/16 at 819,000 tons, 91,000 tons lower than USDA. Some contacts in the private sector indicate that total output could have been even lower.

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Dec 2014		Dec 2015		Dec 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	4957	4957	3945	3945	4900	4600
Beginning Stocks	2490	2490	4804	4804	616	665
Production	13930	13930	11300	11300	15000	15000
MY Imports	35	35	12	5	5	6
TY Imports	35	35	3	3	10	6
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16455	16455	16116	16109	15621	15671
MY Exports	5301	5301	9600	9544	8600	8600
TY Exports	4200	4200	8750	8750	9000	9000
Feed and Residual	300	300	200	200	100	100
FSI Consumption	6050	6050	5700	5700	6200	6200
Total Consumption	6350	6350	5900	5900	6300	6300
Ending Stocks	4804	4804	616	665	721	771
Total Distribution	16455	16455	16116	16109	15621	15671
(1000 HA) ,(1000 MT)						

Barley	2014/2015		2015/2016		2016/2017	
Market Begin Year	Dec 2014		Dec 2015		Dec 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	900	900	1250	1200	940	800
Beginning Stocks	492	492	340	340	603	363
Production	2900	2900	4940	4800	3150	3150
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	3392	3392	5280	5140	3753	3513
MY Exports	1552	1552	3077	3077	1800	1200
TY Exports	1599	1599	2836	2836	2000	1400
Feed and Residual	200	200	500	500	200	200
FSI Consumption	1300	1300	1100	1200	1300	1300
Total Consumption	1500	1500	1600	1700	1500	1500
Ending Stocks	340	340	603	363	453	813
Total Distribution	3392	3392	5280	5140	3753	3513
(1000 HA) ,(1000 MT)						

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	Mar 2015		Mar 2016		Mar 2017	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	3500	3500	3500	3700	4500	4450
Beginning Stocks	1408	1408	2898	1848	1053	1003
Production	29750	28700	29000	30000	36500	36500
MY Imports	3	3	5	5	5	5
TY Imports	3	3	2	2	5	5
TY Imp. from U.S.	0	0	1	1	0	0
Total Supply	31161	30111	31903	31853	37558	37508
MY Exports	18963	18963	21700	21700	25000	25000
TY Exports	18448	18448	21672	21672	25500	25500
Feed and Residual	6000	6000	5850	5850	6800	6800
FSI Consumption	3300	3300	3300	3300	3700	3700
Total Consumption	9300	9300	9150	9150	10500	10500
Ending Stocks	2898	1848	1053	1003	2058	2008
Total Distribution	31161	30111	31903	31853	37558	37508
(1000 HA) ,(1000 MT)						

Sorghum	2014/2015		2015/2016		2016/2017	
Market Begin Year	Mar 2015		Mar 2016		Mar 2017	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	770	770	750	750	800	750
Beginning Stocks	1202	1202	971	971	896	846
Production	3500	3500	3375	3375	3600	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	4702	4702	4346	4346	4496	4246
MY Exports	931	931	650	600	900	600
TY Exports	954	954	772	800	850	500
Feed and Residual	2400	2400	2400	2500	2550	2550
FSI Consumption	400	400	400	400	400	400
Total Consumption	2800	2800	2800	2900	2950	2950
Ending Stocks	971	971	896	846	646	696
Total Distribution	4702	4702	4346	4346	4496	4246
(1000 HA) ,(1000 MT)						

Rice, Milled	2014/2015		2015/2016		2016/2017	
Market Begin Year	Apr 2015		Apr 2016		Apr 2017	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	231	231	208	207	209	200
Beginning Stocks	322	322	529	529	364	373
Milled Production	1014	1014	910	819	950	845
Rough Production	1560	1560	1400	1260	1462	1300
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	5	5	5	5	5	5
TY Imports	7	7	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1341	1341	1444	1353	1319	1223
MY Exports	312	312	560	520	550	550
TY Exports	310	310	560	480	550	550
Consumption and Residual	500	500	520	460	520	460
Ending Stocks	529	529	364	373	249	213
Total Distribution	1341	1341	1444	1353	1319	1223
(1000 HA) ,(1000 MT)						

Post:
Buenos Aires