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Grain and Feed Update

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Report Highlights:
Argentine wheat production for 2016/17 is projected at 13.7 million metric tons (MMT), 1.3 MMT lower than USDA. This is a direct consequence of a lower harvested area due to weather problems. Exports are adjusted down accordingly. Barley production for 2016/17 is forecast at 3.0 MMT, 400,000 tons lower than USDA, also as a result of weather limitations. Corn projections for 2016/17 remain practically unchanged, except that Post projects a larger harvested area but a lower average yield than USDA. Sorghum production for 2016/17 is forecast at 3.4 MMT, 500,000 tons lower than USDA as Post projects a smaller harvested area. Sorghum will face a lot of competition from other crops and the export demand is expected to remain slow. Rice production and harvested area for 2016/17 are expected to be slightly smaller than what USDA forecasts.

Post:
Buenos Aires

Author Defined:

Wheat: Post projects Argentine wheat production for 2016/17 at 13.7 million metric tons (MMT), 1.3 MMT lower than USDA's official number. The main reason for such a difference is Post's lower projected harvested area, which is now estimated at 4.6 million hectares, 400,000 hectares lower than USDA. The unusually wet conditions during autumn and early winter in the main wheat production areas of the central part of the country, due to El Nino weather pattern, complicated and limited the sowing of winter crops. Parts of Entre Rios, Santa Fe and Cordoba provinces have suffered unusually excessive rains, high moisture and very cloudy days during April-July which have shut down part of the road network (many dirt roads) and have worsened the problem of high water table levels in many areas. Meanwhile, the country's key wheat area, the center and south of Buenos Aires province, has also been suffering unusually wet weather from May to date. The harvest of soybeans and corn in this area is very delayed due to logistical problems caused by muddy roads and wet fields that cannot be harvested yet. Private sources indicate that approximately 80 percent of the country's wheat has been planted to date. In the northern area, the planting window is practically over, while in the southern part of Buenos Aires province producers still have time until mid-August, but it will all depend on the weather of the next 2-3 weeks. In this area, some farmers are starting to evaluate whether to skip planting winter crops and plant directly soybeans or corn. Despite serious problems at harvest, yields of summer crops in most of this area have been and remain very good. Therefore, the final planted area could even suffer an additional cut. For crop 2014/15 post sets harvested area at 4.6 million hectares and production at 12.7 MMT, both lower than USDA, based on information provided by several private industry contacts. This difference also explains the 1.3 MMT lower ending stocks that Post carries into crop 2015/16.

Exports in 2016/17 are forecast at 7.5 MMT, lower than the 9.0 MMT estimated by USDA. This is primarily explained by the difference of production forecast between Post and USDA. The Brazilian market continues to be seen as the priority, with local traders estimating shipments between 4-5 MMT of wheat and an additional volume of wheat flour. The production of good quality wheat will be essential to supply this market. The balance will be shipped to many other markets around the world. Wheat exports for 2015/16 are estimated at 8.1 MMT, 700,000 metric tons lower than USDA. Post estimates that some 7.5 MMT of wheat will be shipped by the end of November 2016 (exports from December 2015-July 2016 will total approximately 6.5 MMT) and wheat flour for the equivalent of 600,000 MT of wheat. Local traders and the government are vigilant that the domestic industry does not run short of wheat supplies. In June 2016, an Argentine flour mill imported 290 tons of wheat from neighboring Uruguay to analyze its quality and see the feasibility of importing larger volumes. Argentina's 2015/16 season resulted in good yields but poor quality as most of the crop had low protein. Contacts believe that there will not be significant imports of wheat.

Post projects domestic wheat consumption for 2016/17 at 6.2 MMT, 100,000 tons lower than USDA, and for 2015/16 at 5.8 MMT, 350,000 tons lower than the official number. The local economy is going through serious economic adjustments, such as strong reduction of energy subsidies, and a continued high inflation which are significantly harming consumption. Industry contacts indicate that wheat flour mills have reduced the volume they process as sales are slow. However, most economists project a rebound of the economy during 2017 which would result in a stronger demand.

Barley: Argentine barley production for 2016/17 is forecast at 3.0 MMT, 400,000 tons lower than USDA. The main reason for such a difference is that Post now estimates a harvested area of 800,000 hectares, 100,000 hectares lower than USDA. As for wheat, a very wet autumn and early winter in central and southern Buenos Aires province are limiting plantings. Some contacts are doubtful that the estimated area will be fully covered, estimating a total area closer to 700,000 hectares at the most. In addition, the abundant volume of barley in the country (in hands of traders, malting plants, and producers) and weak international demand has made buyers offer growers contracts that are not very price attractive. Furthermore, now that wheat can be sold and exported freely, many producers prefer to reduce or completely drop barley production as it is commercially more complicated to meet minimum quality standards to capture higher prices. Post estimates a total harvested area for 2015/16 at 1.1 million hectares with a total production of 4.8 MMT, both lower than USDA's official number.

Despite a smaller production volume than what's projected by USDA, barley exports for 2016/17 remain the same at 1.9 MMT, as result of a higher carry in and a lower carry out compared to USDA for the marketing season. Exports for 2015/16 are expected at 2.8 MMT, 200,000 tons lower than USDA. Local traders estimate that Argentina, through November 2016, will export 1.9 MMT of feed barley (1.8 MMT have already been shipped or compromised), and 900,000 tons of malting barley, which is the typical volume which Argentina ships to South American countries.

Domestic consumption of barley for the industry in 2015/16 is expected at 1.2 MMT, 100,000 tons lower than USDA. The local production of malt for export to Brazil is slowing down somewhat as beer consumption in that country has weakened.

Corn: The local agricultural sector continues to be very optimistic about the 2016/17 corn crop. President Macri's policy changes in December 2015 have made corn returns very attractive. The new situation encourages farmers to incorporate corn into their farm's crop rotation scheme, which in the past several years had shifted strongly towards soybean production. Post projects planted area to increase 1.0 million hectares, 300,000 hectares more than USDA. There are some players who estimate even a larger expansion. Despite a larger area than USDA, Post projects total corn production at 34 MMT, the same as USDA. The difference is that Post estimates a lower average yield, at 7.55 tons per hectare. Producers are expected to use high technology in their crops, especially greater volumes of fertilizers which are significantly less expensive than in the past several years. The last two corn crops in Argentina have benefited from excellent wet weather which helped yields reach record highs. Weather forecasters are debating on whether the upcoming summer will be neutral or if La Nina will have any effect. La Nina in Argentina's most productive region is usually dry. As the planting season approaches (September for early corn in the corn belt), producers will define, based on weather forecasts, if they plant early or late corn to skip the flowering stage in hot, dry January. With normal weather, early corn yields are significantly higher than late corn. However, corn planted in December has shown to be very stable.

Corn exports for 2016/17 are left unchanged at 23.0 MMT. Shipments for 2015/16 are also maintained with no change at 19.0 MMT. Local traders estimate that exports during March-June 2016 totaled 7.9 MMT, July could total 2.5 MMT, following August with 3.0 MMT, September 1.7 MMT and October with 1.3 MMT. Argentina's export window begins to end in August when Brazil's production comes in, followed by the United States and then Ukraine. To date traders have declared shipments for 17.0 MMT.

Sorghum: Production for 2016/17 is projected at 3.4 MMT, 500,000 tons lower than USDA. Post also projects harvested area at 750,000 hectares, 100,000 hectares lower than USDA. Although sorghum could grow in some areas, it will face competition from higher planted areas for sunflower and corn. Sorghum has a lot of problems with bird damage which diminish yields significantly. It also faces competition from low technology corn (producers plant the seed they harvested the previous year), which gives producers the ability to consume it as forage or harvest it for use or sell. Apart from this, sorghum prices are lately valued at 80 percent of corn. The fact that there is little export demand also sets a limit to area expansion.

Post forecasts sorghum exports for 2016/17 at 900,000 tons, lower than USDA's 1.3 MMT. This is explained primarily because of a projected smaller production. Local traders indicate that there is little demand for export. Shipments during March-July 2016 will total approximately 120,000 tons.

Rice: Production in 2016/17 is forecast at 920,000 tons (milled basis), 80,000 tons lower than USDA. This is primarily due to Post projecting a lower harvested area of 208,000 hectares, 12,000 hectares lower than USDA. Although rice prices paid to farmers have increased lately as Brazil is demanding higher volumes after its production losses, local producers are quite discouraged with this crop. The El Nino weather pattern caused the breaking of several water ponds which many producers are not expected to fix, especially in central-northern Entre Rios province. Producers in this province have other production alternatives which are more profitable, such as corn or soybeans. In Corrientes province, area is expected to remain unchanged or drop marginally as several thousand hectares which last year were not sown because of El Nino and the risk of large river flooding, would come back into production. Production for 2015/16 is now estimated at 819,000 tons, lower than USDA's 891,000 tons. Rainy and cloudy weather have had a negative impact on average yields, which totaled 6.4 tons per hectare in Corrientes and 6.8 tons per hectare in Entre Rios.

Exports for 2016/17 are forecast at 550,000 tons, 50,000 tons lower than USDA. Industry contacts indicate that there is a lot of rice in Argentina and that exports are relatively slow. However, exports in 2015/16 have reacted lately due to Brazil's shortage. However, this situation would probably not repeat itself the following year.

Statistical Tables

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Dec 2014		May 2015		Dec 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4960	4600	3765	3765	5000	4600
Beginning Stocks	2490	2490	4874	3574	1229	1004
Production	14000	12700	11300	11300	15000	13700
MY Imports	35	35	5	30	5	30
TY Imports	35	35	5	30	5	30
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16525	15225	16179	14904	16234	14734
MY Exports	5301	5301	8800	8100	9000	7500
TY Exports	4200	4200	8600	8000	9000	7500
Feed and Residual	300	300	100	100	100	100
FSI Consumption	6050	6050	6050	5700	6200	6100
Total Consumption	6350	6350	6150	5800	6300	6200
Ending Stocks	4874	3574	1229	1004	934	1034

Total Distribution	16525	15225	16179	14904	16234	14734
(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	1225	1100	900	800
Beginning Stocks	492	492	340	340	540	740
Production	2900	2900	4900	4800	3400	3000
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	5240	5140	3940	3740
MY Exports	1552	1552	3000	2800	1900	1900
TY Exports	1599	1599	2900	2700	2000	2000
Feed and Residual	200	200	400	400	200	200
FSI Consumption	1300	1300	1300	1200	1300	1300
Total Consumption	1500	1500	1700	1600	1500	1500
Ending Stocks	340	340	540	740	540	340
Total Distribution	3392	3392	5240	5140	3940	3740
(1000 HA) ,(1000 MT)						

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	Mar 2015		Mar 2016		Mar 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3500	3500	3500	3500	4200	4500
Beginning Stocks	1408	1408	1909	1909	1614	1614
Production	28700	28700	28000	28000	34000	34000
MY Imports	3	3	5	5	5	5
TY Imports	3	3	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	30111	30111	29914	29914	35619	35619
MY Exports	18902	18902	19000	19000	23000	23000
TY Exports	18448	18448	20500	20500	23000	23000
Feed and Residual	6000	6000	6000	6000	6600	6600
FSI Consumption	3300	3300	3300	3300	3800	3800
Total Consumption	9300	9300	9300	9300	10400	10400
Ending Stocks	1909	1909	1614	1614	2219	2219
Total Distribution	30111	30111	29914	29914	35619	35619
(1000 HA) ,(1000 MT)						

Sorghum	2014/2015		2015/2016		2016/2017	
Market Begin Year	Mar 2015		Mar 2016		Mar 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	770	770	750	750	850	750
Beginning Stocks	1202	1202	971	971	846	846
Production	3500	3500	3375	3375	3900	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	4746	4246

MY Exports	931	931	700	700	1300	900
TY Exports	954	954	900	900	1100	1000
Feed and Residual	2400	2400	2400	2400	2550	2550
FSI Consumption	400	400	400	400	400	400
Total Consumption	2800	2800	2800	2800	2950	2950
Ending Stocks	971	971	846	846	496	396
Total Distribution	4702	4702	4346	4346	4746	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	207	207	220	208
Beginning Stocks	359	359	586	586	479	430
Milled Production	1014	1014	891	819	1001	920
Rough Production	1560	1560	1371	1260	1540	1415
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	1378	1378	1482	1410	1485	1355
MY Exports	312	312	520	520	600	550
TY Exports	310	310	480	480	600	550
Consumption and Residual	480	480	483	460	475	460
Ending Stocks	586	586	479	430	410	345
Total Distribution	1378	1378	1482	1410	1485	1355
(1000 HA) ,(1000 MT)						