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Argentina

Grain and Feed Annual

2019

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Report Highlights:

For marketing year 2019/20, wheat production is forecast at a record 20.4 million tons with exports expected at 14.5 million tons. Barley production is projected down to 3.5 million tons with exports following the downward trend to 2.2 million tons. Corn production is forecast to drop to 46 million tons with exports projected at a record 31.5 million tons and consumption rising to 14.5 million tons. Sorghum and rice values remain unchanged from last year.

Commodities:
Select

Author Defined:

Wheat

Production:

For marketing year (MY) 2019/20, wheat production is forecast at a record 20.4 million tons with positive signals encouraging modest expansion in planted area to 6.4 million hectares. Farmers remain optimistic due to favorable returns last year and a forecast for good weather during the production period. Furthermore, wheat as a winter crop for weed and erosion control and financial liquidity for operating expenses remains popular as does a wheat followed by soybean planting rotation.

In MY 2019/20, production costs will be lower in dollar terms than in MY 2018/19 after last year's peso devaluation, especially those nominated in local currency, such as for contracted operational expenses and a 20 percent drop in freight prices. Farmers will have access to quality seed from last year and new wheat varieties that are high-yielding and in strong demand by local flour mills.

Despite the recent drop in wheat future prices (January 2020), farmers receiving $170 per ton remain profitable but in December 2018, many farmers sold during harvest at $190 per ton and some also sold a portion of their MY 2019-20 wheat crop at that same price.

In September 2018, the Argentine government reinstated export taxes on grains at 4 pesos per US dollar. At the current exchange rate of approximately 43 pesos per US$1, the Argentine exporter must absorb an additional 9.3 percent cost which is passed back through the supply chain to the farmer. Argentine grain producers, keenly aware of the impact of government policies on their bottom line will be monitoring the upcoming Presidential elections in October 2019 and incorporating potential policy shifts into their planting decisions.

Due to the positive returns to the MY 2018/19 wheat crop, farmers secured some economic relief from the previous season's crushing crop loss due to the drought. Nevertheless, financial solvency has improved in a sector that continues to face external challenges including limited and expensive access to credit, high interest rates, rising inflation and currency volatility. Most farmers sold their wheat right after harvest at good prices to pay the debts left from the previous crop season and to cover part of the planting expenses of the new summer crops. By the end of January 2019, two months since the harvest had begun; farmers had sold almost 60 percent of the wheat crop.

Looking ahead, Argentine farmers may have the option to incorporate a new variety wheat seed in the future. An HB4 wheat, genetically modified for drought tolerance, has received first tier approval by the local plant

health service and the National Commission of Agricultural Biotechnology. The technology faces resistance from The Secretariat of Agroindustry, however, based on export market rejection concerns. Sources indicate that international buyers are already requiring GMO free wheat certificates from Argentine exporters.

Domestic consumption: Wheat consumption in MY 2019-20 is forecast at 5.75 million tons, excluding wheat milled for flour exports. Although wheat consumption in Argentina is generally inelastic, Post forecasts a marginal increase from the previous year conditioned on expectations that the domestic economy will experience some recovery in 2020.

Argentina has approximately 170 flour mills with the vast majority of the plants located in Buenos Aires, Cordoba, Santa Fe and Entre Rios provinces, which based on industry sources, are currently operating at half capacity. One company accounts for around 45 percent of capacity operating 12 plants with two other major companies operating seven and two plants, respectively.

The imposition of an export tax of 3 pesos per $US1 in September 2018 added an additional 7 percent cost to wheat flour exports. Since September, flour exports have dropped by more than 20 percent and preliminary data shows that the volume of shipments in March 2019 were half that of a year ago.

Trade: Wheat exports for MY 2019/20 are forecast at a record high 14.5 million tons (including flour exports in wheat equivalent) *and industry sources report sales of 733,000 tons of next year's wheat year's crop.* Brazil is forecast to continue as the primary destination for Argentine wheat exports. Sources indicate that Brazil will import between 6-7 million tons in MY 2019/20 followed by Algeria, Morocco and other African countries. Any lower quality wheat may find a market in Southeast Asia for feed use. The bulk of wheat exports depart Argentina between December and April and thereafter, most of the shipments will be directed to Brazil.

In March 2019, Brazil announced an intention to open a 750,000 ton duty free wheat import quota from non-Mercosur countries. The common market's external import duty for wheat is 10 percent, while trade among members is duty free. In the week of the announcement, Argentine FOB prices dropped roughly $5 per ton. Local traders will have to be more competitive, despite having significant advantages in freight costs and logistics, as most imported wheat in Brazil goes to mills in the southern part of the country. Contacts indicate that the quota is still under analysis.

Wheat exports in MY 2018-19 are expected to reach 13.0 million tons, 700,000 tons lower than USDA's official volume. Exports from December 2018-February 2019 were significant in volume but brokers said that as Argentine wheat got" too expensive too quickly" shipments in March and April slowed significantly. Shipments are expected to continue at a slow pace over the next few months having Brazil as the main destination. By early April 2019, exporters had purchased 11 million tons of the MY 2018-19 wheat crop, and will have exported in December 2018-April 2019 an estimated 8.2 million tons.

Barley

Production: Barley production for MY 2019/20 is forecast at 3.5 million tons, a significant drop from the previous year. Planted area is projected to fall to 900,000 hectares as returns are expected to be tight and yields lower than the previous high-yielding season. In MY 2018-19, farmers planted in May/June and were then hit in September 2018 with a new government policy that imposed export taxes of between 9 and 10.5 percent, depending on the exchange rate. As a result, producers projected returns were lower than expected. Nevertheless, projected returns for MY 2019-20 have incorporated the export tax impact and lower world

barley prices such that expectations are for an overall price drop of roughly 15-20 percent from a year ago. At current prices, in the core barley production area, projected wheat returns for MY 2019-20 are 20-30 percent higher than barley (taking an average price between malting and feed barley).

As in wheat, production costs for the new crop season are expected to be roughly 10 percent lower than a year ago. The main reductions are in contracted services and freight costs which in dollar terms fell after last year's devaluation.

Barley reached a record planted area of 1.5 million hectares in MY 2012/13 when government market intervention in wheat was in place and farmers planted barley as an alternative winter crop. However, since the current government exited market intervention in late 2015, barley has retracted to its natural production environment in central and southern Buenos Aires province. Barley farmers benefit from being able to plant soybeans after barley 10-14 days earlier than wheat farmers.

Barley production in MY 2018-19 enjoyed high yields, good quality and high prices. However, in several operations in the southeast Buenos Aires province, late frosts and excess rain during flowering and harvest produced lower quality barley that is being marketed for feed (at lower prices) due to the presence of the mycotoxin DON.

Domestic consumption: Domestic consumption of barley for MY2019/20 is forecast at 1.35 million tons, marginally lower than the previous year. Barley use by three large and two smaller domestic malting plants and for seed is expected to remain stable. Of the total production of malt, roughly 25-30 percent is consumed domestically and the balance is exported to countries around the region.

The local consumption of feed barley in MY 2019-20 is projected to drop somewhat from the previous year which had some quality problems due to cold and rainy weather at the end of the cycle and during harvest time. The main consumers are dairy and feedlot operations mostly close to the production areas.

Argentina's consumption of barley by malting companies in MY 2018/19 is approximately 2 million tons per year for own use and for export as malting barley. Malting companies traditionally secure supplies through annual purchase contracts with growers.

Trade: Exports of barley in MY 2019-20 are forecast at 2.2 million tons, significantly lower than in MY 2018-19 due to the expected drop in production which will limit the availability for export. Roughly 1.0 million of malting barley is expected to be shipped to countries within the region, with Brazil the major destination. Minor exports would go to Chile, Peru, and Colombia. Shipments of feed barley are projected to drop to 1.2 million tons, as the Russian Federation and Ukraine are expected to increase their exports. As usual, Saudi Arabia is expected to be the leading destination for Argentine feed barley but the UAE and Kuwait could also be export markets.

Corn

Production:
Despite a projected marginal increase in corn area, production for MY 2019/20 is forecast to drop at 46 million tons. At current market conditions, Post projects a total acreage of 5.75 million hectares and a yield of 8 tons per hectare, lower than the expected record yield for MY 2018/19. Corn production has higher projected returns than soybeans, except for those areas which are a far distance from ports, such as the Northern provinces or west of Buenos Aires province. In very productive areas, farmers indicate that it is

easier to obtain high yields in corn than it is in soybeans. Nevertheless, a few contacts believe corn area could drop in MY 2019/20 in response to the presidential elections in the middle of the planting season. Depending on the polls and the results of the elections, farmers may decide to plant soybeans which demand a lower investment.

Farmers are expected to utilize quality inputs, such as hybrid seed and good management practices, including adequate fertilizer and crop protection, in the coming corn season. Production costs in dollar terms are very similar to MY 2018/19, with a small drop in machinery cost and rise in some input costs. The strong devaluation last year reduced the significant cost of corn transportation and other overhead expenses.

However, due to lower global prices and a new export tax (currently at 9.3%) current corn prices in Argentina have dropped more than 20 percent from a year ago. For example, in March 2019, a farm in the corn belt of Argentina could project a gross margin (excluding overhead costs and land rent) of roughly $450 per hectare in MY 2019/20, while a year ago the projected amount was $710 per hectare.
The comparative projected gross margin for soybeans is roughly $400 per hectare.

Land rental costs for MY 2019/20 are expected to remain unchanged or rise marginally. In prime soils in the Argentine corn belt, producers pay the equivalent of 1.5-1.8 tons of soybean s(at current prices of US$330-$400) per rented hectare. Most rental contracts are renewed annually.

Argentine farmers were badly affected by last year's drought in their corn and soybean output. However, after a winter crop season with high returns to wheat and barley and the high yields showing in the MY 2018/19 corn and soybean season, which is 35-40 percent harvested, farmer's financial situation is expected to be much improved. Although availability of financing in MY 2019/20 will not be a problem, extremely high interest rates in peso terms are making producers either take debt in dollar terms at 5-10 percent yearly or take inputs in barter and pay at harvest with their produce.

Early corn is normally planted in September/October and harvested in April/May. Late corn or second corn crop (after wheat or barley), is normally planted in early December (and January in the Northern provinces) and harvested in June/July. Roughly 50 percent is early planted corn and 50 percent late corn.

Production in MY 2018-19 is expected at 49.0 million tons, the highest ever thanks to the combination of the record high planted area, the use of good technology and excellent weather throughout the entire production cycle (most late corn fields are in very good condition but still need some time to end their cycle). By mid-April roughly 25 percent of the corn crop had been harvested. Yields so far are record in most of the operations, with record peaks of 16-18 tons per hectare. Most contacts believe that the average yield will be at least 10 percent higher than in a normal year. In fact, some analysts and contacts believe total production will end above 50 million tons.

Domestic consumption: Corn consumption in MY2019-20 is projected at a record 14.5 million tons. A stronger economy, improved purchasing power and continued larger exports of most meats and dairy products are expected to encourage greater production and thus larger corn consumption. The consumption of corn for grain ethanol is also expected to increase together with higher gasoline sales. The official blending mix, at 12 percent (supplied in halves by the sugar industry and the grain ethanol sector), is not expected to change.

Trade: Corn exports in MY 2019/20 are forecast at 31.5 million tons, record high. Large stocks and a large production will force exporters to be very active o move such a large volume. In general, producers first sell the wheat, then the corn and keep soybeans as reserve, which they sell during the rest of the year. Argentina's main destinations for corn exports are forecast to be Vietnam, Malaysia, Korea, Saudi Arabia, Algeria, Egypt and Chile. These seven destinations accounted for more than 70 percent of total corn exports in calendar year 2018. Argentina normally exports corn to roughly 100 markets.

Corn exports in MY 2018-19 are expected at 31 million tons, significantly higher than in MY 2017-18. Through mid-April, exporters had already purchased more than 16 million tons of corn of the MY 2018-19. Exports in March and April 2019 will total approximately 8.0 tons. In May-July, monthly exports could average 3.5 million tons, starting to decline thereafter to 2.0-2.5 million tons per month in August/September when domestic production competes with Brazilian corn. Thereafter, the US corn comes into the market, with Argentine monthly corn exports dropping even further.

Sorghum

Production: Sorghum production for MY 2019-20 is forecast at 2.75 million tons, somewhat lower than the past two marketing years. Without a significant export demand and lower technology available vis-à-vis corn and soybeans, sorghum production continues to decline as most farmers prefer to produce corn. Also, after an extremely good corn year in MY 2018-19, contacts expect a decline in sorghum area in the coming season. The use of sorghum has limitations and its commercialization is harder than corn.

Sorghum is associated with small producers who use it for their own feed or have a close by industry with demand. The cost of sorghum production is half that of corn and is less risky as it stands dry conditions much better. The core area of production is Chaco province and the Northern areas in Santa Fe and Cordoba provinces. Other important areas of production are the southwest of Buenos Aires province and Entre Rios. The normal average yield for sorghum varies between 4.0-4.5 tons per hectare. However, the more efficient farmers can produce 6-7 tons per hectare. Sorghum planting decisions are typically taken late in the season. High tannin seed accounts for more than 90 percent of the total, while the balance is low tannin. Bird attacks are a big problem in Argentina and definitely play against the expansion of the crop. Quite recently, a seed company launched a technology by which its sorghum is tolerant to herbicides to control grasses in post emergence.

Domestic consumption: Total consumption for MY 2019-20 is forecast at 2.75 million tons, practically unchanged from the previous year. Most of the sorghum is consumed on-farm by beef cattle producers, feedlots and dairies.

Trade: Argentine sorghum exports for MY 2019-20 are forecast at 200,000 tons, the same as in MY 2018/19. Argentine sorghum exports have been declining since the 3 million tons shipped in MY 2012-13. Japan at that time was a very large customer, buying over 1 million tons. In 2018, Japan, still the number one market, purchased less than 100,000 tons. Other markets were the US and Chile.

Rice

Production: Rice production for MY 2019-20 is forecast at 1.24 million tons of rough production, the equivalent to 806,000 tons milled base. Despite a projected lower harvested area, this volume represents a marginal increase from the previous year which had lower than normal yields because of bad weather and floods in

some production areas. Post projects harvested area at 182,000 hectares, while planted area could be around 186,000 hectares, a roughly 5 percent drop from last year. Very tight returns and the sector's financial limitations are expected to negatively impact the rice sector due to the need for large-scale investment. Current farmer rice prices do not fully cover the total production costs of most producers. Since September 2018, rice exports are taxed with $4 pesos per dollar, nowadays the equivalent to 9.3 percent. Most farmers indicate the situation would be different without this tax.

Argentina's rice area has been dropping almost consistently since MY 2010/11 when 257,000 hectares were harvested. The sector is becoming more concentrated in larger companies, which in general are vertically integrated. Rice production is moving to areas where costs are lower, especially those which can irrigate from rivers or ponds and utilize less energy. Production in Entre Rios, which generally uses electricity to pump water from deep wells, continues to suffer the loss of rice farmers and area. Very tight returns and the high investment are expected to affect the area in the three main producing provinces of Corrientes, Entre Rios and Santa Fe. In MY 2019/20, less efficient producers are expected to cut area, as well as large rice companies which are forecast to reduce those areas where production is more risky. Many small and medium rice mills, especially in Entre Rios province, continue to go out of business.

The current total cost of production in Entre Rios is around $1300 per hectare, which at current rice prices, producers need almost 7.5 tons per hectare to break even, higher than the provinces' normal average yield. Corrientes, the number one producing province, has lower costs of production because they primarily use water from rivers or ponds. However, average yields are lower and transportation costs to the mills or ports are significantly higher than rice produced in Entre Rios province.

Production in MY 2018-19 is expected at 1.2 million tons of rough rice. The harvest is practically ended. Approximately 6-7,000 hectares were lost next to the Corrientes River and some 3,000 hectares were lost in Santa Fe province due to excess rain in most part of January 2019. However, in March, dry, cool weather in most of the rice area allowed the harvest to advance rapidly. Nonetheless, average yields were lower than earlier expected. Contacts indicate that the quality of the rice is very good.

Domestic consumption: Rice consumption in Argentina in MY 2019-2020 is forecast at 460,000 tons, the same as Post's estimate for the previous year. Contacts indicate that as there is a significant informality in the market, it is difficult to obtain accurate data. Rice for human consumption is about 400,000 tons, milled base, while the balance is consumed by the local pet food sector and as seed for the following planting season.

Trade: Rice exports are forecast at 340,000 tons milled base. This volume is somewhat in line with the previous two marketing years. The main markets are expected to be Chile, Iraq and Brazil. A Spanish company has recently landed in Argentina and it is exporting specialty rice in containers to Spain and Portugal. So far, they have started with small volumes, but they are expected to increase their trade in the near future.

Stocks: Industry and producer contacts coincide that beginning stocks in April 2018 (MY 2017-18) were no more than 20-40,000 tons, milled base. In April 2019 (MY 2018-19), beginning stock were also very low, with no more than 40-50,000 tons, milled base. These stocks are very different to the ones reported officially by USDA.

Statistical Tables

Wheat	2017/2018	2018/2019	2019/2020
Market Begin Year	Dec 2017	Dec 2018	Dec 2019

Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5800	5800	6200	6200	0	6400
Beginning Stocks	245	245	939	940	0	1795
Production	18500	18500	19500	19500	0	20400
MY Imports	4	5	10	5	0	5
TY Imports	5	5	10	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	18749	18750	20449	20445	0	22200
MY Exports	12160	12160	13700	13000	0	14500
TY Exports	13575	13575	13000	13000	0	14500
Feed and Residual	50	50	100	50	0	50
FSI Consumption	5600	5600	5600	5600	0	5700
Total Consumption	5650	5650	5700	5650	0	5750
Ending Stocks	939	940	1049	1795	0	1950
Total Distribution	18749	18750	20449	20445	0	22200
Yield	3.1897	3.1897	3.1452	3.1452	0	3.1875
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2017/2018		2018/2019		2019/2020	
Market Begin Year	Dec 2017		Dec 2018		Dec 2019	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	935	935	1200	1000	0	900
Beginning Stocks	447	447	487	387	0	337
Production	3740	3740	4500	4500	0	3500
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	4187	4187	4987	4887	0	3837
MY Exports	2500	2500	3100	3150	0	2200
TY Exports	2600	2600	3100	3150	0	2200
Feed and Residual	100	150	100	250	0	200
FSI Consumption	1100	1150	1100	1150	0	1150
Total Consumption	1200	1300	1200	1400	0	1350
Ending Stocks	487	387	687	337	0	287
Total Distribution	4187	4187	4987	4887	0	3837
Yield	4	4	3.75	4.5	0	3.8889
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn	2017/2018		2018/2019		2019/2020	
Market Begin Year	Mar 2018		Mar 2019		Mar 2020	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5200	5200	5700	5600	0	5750
Beginning Stocks	5273	5273	3878	2324	0	6529
Production	32000	32000	47000	49000	0	46000
MY Imports	5	5	5	5	0	5
TY Imports	5	5	5	5	0	5
TY Imp. from U.S.	4	4	0	0	0	0
Total Supply	37278	37278	50883	51329	0	52534
MY Exports	21000	22454	30500	31000	0	31500
TY Exports	24200	24200	28000	28000	0	31000
Feed and Residual	8500	8500	9700	9700	0	10200
FSI Consumption	3900	4000	4100	4100	0	4300
Total Consumption	12400	12500	13800	13800	0	14500
Ending Stocks	3878	2324	6583	6529	0	6534

Total Distribution	37278	37278	50883	51329	0	52534
Yield	6.1538	6.1538	8.2456	8.75	0	8
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sorghum	2017/2018		2018/2019		2019/2020	
Market Begin Year	Mar 2018		Mar 2019		Mar 2020	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	700	700	700	700	0	650
Beginning Stocks	889	889	639	505	0	605
Production	3000	3000	2800	3000	0	2750
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	3889	3889	3439	3505	0	3355
MY Exports	50	184	200	200	0	200
TY Exports	296	296	200	200	0	200
Feed and Residual	2800	2800	2300	2300	0	2350
FSI Consumption	400	400	400	400	0	400
Total Consumption	3200	3200	2700	2700	0	2750
Ending Stocks	639	505	539	605	0	405
Total Distribution	3889	3889	3439	3505	0	3355
Yield	4.2857	4.2857	4	4.2857	0	4.2308
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled	2017/2018		2018/2019		2019/2020	
Market Begin Year	Apr 2018		Apr 2019		Apr 2020	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	198	192	185	185	0	182
Beginning Stocks	409	409	445	482	0	450
Milled Production	889	845	780	780	0	806
Rough Production	1368	1300	1200	1200	0	1240
Milling Rate (.9999)	6500	6500	6500	6500	0	6500
MY Imports	7	8	8	8	0	6
TY Imports	7	7	8	8	0	6
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1305	1262	1233	1270	0	1262
MY Exports	340	320	360	360	0	340
TY Exports	291	291	380	380	0	340
Consumption and Residual	520	460	520	460	0	460
Ending Stocks	445	482	353	450	0	462
Total Distribution	1305	1262	1233	1270	0	1262
Yield (Rough)	6.9091	6.7708	6.4865	6.4865	0	6.8132
(1000 HA) ,(1000 MT) ,(MT/HA)						