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Grain and Feed Annual

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Report Highlights:
For marketing year 2018/19, Argentine wheat production is forecast at a historic high of 20 million tons driving record exports of 14.2 million tons. Barley production is forecast to rise to 3.5 million tons with corn production forecast up to 40 million tons, 9 million tons higher than Post's projection for the MY 2017/18 drought-affected harvest, which could lift exports to a record 27 million tons. Corn domestic consumption is expected to continue its increasing trend, totaling 13 million tons. Sorghum estimates remain practically unchanged for MY 2018/19. Tight water resources drop planted area for rice projections in MY2018/19. Grain consumption for animal feed (wheat, barley and corn) is expected to be up due to lower feed reserves after drought conditions.

Commodities:

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Author Defined:

Wheat

Production: Argentine wheat production for marketing year (MY) 2018/19 is forecast at a record 20.0 million tons as farmers could expand planting area to 6.2 million hectares, the highest acreage in 11 years, depending on weather conditions. Experts agree that the drier La Nina pattern is fading, after the worst drought in 50 years, to a more normal moisture cycle. Favorable planting conditions in the eastern part of the country, due to recent rains could be offset by other regions, such as north and east Cordoba, southwest Buenos Aires and La Pampa, that still lack the moisture levels needed to plant wheat which could lower overall planting area if not rectified before June 2018.

Expectations for strong future prices, based on tight regional supplies and strong global demand, are driving planting intentions for wheat in Argentina. Wheat prices, in dollar terms, have increased about 20 percent for the coming crop while production costs have increased only 2-3 percent (in dollar terms). This will be a welcome change for farmers after a low-yielding summer crop and negative returns. Where possible, wheat crop followed by second crop soybean gives producers one of the most profitable planting combination as well as cash at the end of the year to help finance summer crop expenses. In addition, wheat planting area may also rise as last year flooding prevented some producers from planting wheat, the use of winter cover crop for weed control continues to expand and the “short memory” of farmers who had a good wheat crop last year.

In general, most contacts indicate that producers will use high technology (quality seed, adequate crop protection and fertilization), except some producers who were negatively affected by the poor corn and soybean season that might limit inputs to save costs. Most local analysts and brokers expect an area expansion between 5-15 percent.

Wheat production in MY 2017/18 is increased to 18.4 million tons because of an estimated larger harvested area, now at 5.7 million hectares.

Domestic consumption: Wheat consumption in MY 2018/19 is projected up at 5.7 million tons, excluding wheat milled for exports of flour, as a slow recovery in the domestic economy is forecast to strengthen demand. A significant increase in planted area will result in larger use of wheat for seed. Although still small, wheat for animal feed may also continue a growth trend as the local corn crop in MY 2017/18 could fall 8-10 million tons. The use of wheat for flour exports has been expanding in response to a government policy change that eliminated restrictions on wheat and flour exports. Argentina is currently exporting the wheat flour equivalent to 1.0 million tons of wheat.

Trade: Argentine wheat exports for MY 2018/19 are forecast at a record high of 14.2 million tons as traders recover markets lost from 2012-15 under previous export restrictive measures. This trend is expected to continue in the future. Of total wheat exports over the past 12 months, Brazil accounted for 41 percent, Africa 25 percent, Southeast Asia 17 percent and other countries in South America 13 percent.

In MY 2018/19, Argentina is expected to ship more than 6 million tons of wheat (including flour) to neighboring Brazil at between 400-600,000 tons per month. Shipments are normally somewhat larger in March/April when Brazilian mills have consumed most of their domestic wheat. In the first months after harvest, Argentina exports feed wheat to South East Asian countries such as Indonesia, Thailand and Bangladesh, and milling wheat to African countries such as Algeria, Kenya and Nigeria.

Barley

Production: As with wheat, farmers are enthusiastic about planting barley in the coming season. Production is estimated at 3.5 million tons, 300,000 tons higher than MY 2017/18 on harvested area of at least 900,000 hectares. An advantage of barley over wheat is that producers sowing a second soybean crop are able to plant two weeks earlier, allowing higher potential yields. As in wheat, some barley areas need to replenish soil moisture before planting, especially in the southwest Buenos Aires province, that continues very dry.

Producers in southeast Buenos Aires province, where 40-45 percent of the country's barley is produced, normally use high technology (with good levels of fertilization) to obtain high yields. Producers in the southwest Buenos Aires province typically use lower technology. With such a strong market for both malt and feed barley, producers feel they will not run the risk of getting significant price discounts if they do not meet malting quality levels as in past crops.

Local barley prices have recovered in the past months and, despite higher production costs, barley future returns are better than wheat. Nowadays, malt and feed barley futures prices are similar. Local brokers indicate that farmers recently sold some 200-300,000 tons of barley in the future's market at an average price of $187 per ton for delivery in January 2019. Malting processors and malt barley exporters are expected to propose contract conditions in the next few weeks that most believe will be attractive to farmers.

Barley yields are showing a ongoing growth trend due to several factors. First, many farmers have switched from the Scarlett seed variety to Andreia, a variety with better disease resistance and higher yields that currently covers approximately 70 percent of the local barley area. In addition, barley production has slowly increased in the southeast region (vis-à-vis the southwest region) which has better growing conditions and farmers are no longer planting barley in the poorest lots of their farms as in the past.

Domestic consumption: Barley consumption for MY 2018/19 is forecast at 1.2 million tons, a marginal increase from the previous year. Demand by malting plants will be a little below 1.0 million tons, while seed use will be close to 100,000 tons. Barley feed use is expected to grow marginally at 125,000 tons by different livestock industries looking to substitute feed ingredients after the dry and hot summer which negatively impacted corn and pasture production.

Trade: Barley exports for MY 2018/19 are projected at 2.2 million tons, similar to the previous year. Local exporters indicate world demand for barley is strong due to tight supplies with rough export estimates of 1.2 million tons of malt barley and 1.0 million tons of feed barley. The main markets for malt barley are Brazil and

other countries in South America, while the main destination for feed barley is the Middle East, led by Saudi Arabia.

Corn

Production: Post forecasts Argentine corn production for MY 2018/19 at 40.0 million tons, the second highest volume in history and 9 million tons higher than the drought-impacted MY 2017/18 crop. Harvested area is projected to increase 100,000 hectares to a record 5.2 million hectares. Strong domestic futures corn prices (April 2019 at $174 per ton) position corn, with stable production costs, as a strong option in MY 2018/19 to provide higher income and positive returns. Furthermore, farmers will continue to incorporate corn in their crop rotations to improve soils and combat problematic herbicides-resistant weeds. Higher growth potential, though, is tempered by drought impacts on farmer solvency that may see strapped farmers planting soybeans due to their lower financial investment, per hectare, than corn.

The planting of late corn or second corn crop (over a winter crop such as wheat, barley, canola or peas) which is normally planted in the first two weeks of December, is expected to drop vis-à-vis early corn in MY 2018/19. Over the past several seasons, the preference for late corn has grown due to stable yields as it skipped flowering in the normally dry and hot window of late December-early January. In MY 2017/18, late corn accounted for about 60 percent of the country's corn planted area. To date, late corn is showing a very poor condition after the extended drought that affected a vast area between December-March. Most corn planted early (September) yielded better as soils had higher moisture. Contacts anticipate that the share of late planted corn in MY 2018/19 could drop to 40-45 percent.

Corn production in MY 2017/18 is estimated at 32.0 million tons, 1.0 million tons below USDA's. Late-planted corn had low moisture levels during the season and for harvest in May is not in good condition. Most local analysts and traders estimate that corn production for MY 2017/18 will be between 30.5-32.0 million tons.

Domestic consumption: Corn consumption for MY 2018/19 is forecast up at 13.0 million tons because of an expected growing economy and a rebound from the previous year's drought- affected crop. The local dairy sector is recovering from low milk prices and weather-related problems, and both livestock and broiler sectors are expected to continue to grow and influence consumption.

Consumption in MY 2017/18 is estimated at 12.5 million tons, significantly higher than USDA's official number, as there will be significantly lower feed reserves for cattle (beef and dairy) during the coming winter. The severe drought has affected the supply of corn and other feeds such as grain sorghum. Many pastures were lost or seriously damaged, while many winter pastures, like oats and rye, could not be sown due to the dry conditions earlier in the year. The weather seems to be changing, coming out from La Nina's dry pattern to a more normal/neutral condition with some rain and warm days during April, but winter weather is approaching. Many cattlemen, including cow-calf operations, are expected to use more corn and other alternatives to feed cattle this year.

Trade: Argentine corn exports for MY 2018/19 are projected at a record 27.0 million tons due to a larger output and marginal increase in domestic consumption. Approximately 90 percent of Argentine corn exports are normally shipped to Southeast Asia, the Middle East and Africa with the balance to South and Central America. In order of importance, the main destinations in MY 2016/17 (ending in February 2018) were Vietnam, Algeria, Egypt, Malaysia, South Korea, Chile and Saudi Arabia. This group of countries accounted for almost 80 percent

of total corn exports. Local brokers indicate that many countries in Southeast Asia and the north of Africa pay a premium for South American corn due to a preference for its color, hardness and lower dust content in comparison to alternative suppliers. Argentine late-planted corn is available as of June/July and has to be priced lower than its competition from Brazil and the U.S. to be marketed in large volumes. Exports for MY 2017/18 are expected at 22.5 million tons, 1.5 million tons lower than the USDA official number, as Post estimates a lower output and a higher domestic consumption that reduces export surpluses. Through mid-April 2018, local exporters reported corn purchases for over 10 million tons. Exports in March-April 2018 are expected to total roughly 5 million tons.

Sorghum

Production: Argentine sorghum output for MY 2018/19 is forecast at 3.4 million tons, higher than the past season. Harvested area is expected to increase by 50,000 hectares. The areas of east Santiago del Estero, north Santa Fe and Cordoba provinces, Chaco and center-east Formosa, contain more than 50 percent of the sorghum planted area with Entre Rios province, the east of La Pampa and southwest Buenos Aires province also important regions.

During the very dry summer, sorghum performed better than corn in comparable areas. In the past several years, though, corn has replaced sorghum in many places. Seed companies have developed better technology in corn than in sorghum. Therefore, many farmers, especially in La Pampa and southern Buenos Aires province plant corn (in many cases with very low plant density) with good results. Producers find it significantly easier to market corn than sorghum. Local seed companies estimate that about 80 percent of grain sorghum planted in Argentina is high tannin due to the severe attacks of pigeons that diminish yields significantly. The balance is low tannin sorghum.

Domestic consumption: Sorghum consumption in MY 2018/19 is forecast at 3 million tons, a historically stable figure. Almost 90 percent of the total sorghum output is consumed domestically, primarily by the cattle sector. Sorghum is generally cracked for cattle feed.

Trade: Sorghum exports in MY 2018/19 are forecast at 500,000 tons, a value similar to the previous two seasons. Japan is expected to continue to be the top destination but other countries have lately purchased small volumes of Argentine sorghum, such as Pakistan and Chile. Local traders are closely following the commercial ramifications of China's recent imposition of steep tariffs on U.S. sorghum, which could provide market opportunities for competitors, such as Argentina and Australia. In 2014, Argentina and China signed a sanitary protocol to allow sorghum exports. In mid-2015, an international grain company exported 90,000 tons of Argentine sorghum to China. However, local exporters have complained that the conditions of the import protocol with China are burdensome and costly which hindered subsequent shipments. Sources report that the Argentine government is engaged in bilateral negotiations in the pursuit of securing more commercially viable import sanitary requirements.

Sorghum exports for MY 2017/18 are forecast at 400,000 tons with some brokers pessimistically estimating even lower volumes. Exports in March and April 2018 totaled 68,000 tons.

Rice

Production: Argentine rice production for MY 2018/19 is forecast at 1.145 million tons (rough production), somewhat smaller than the previous marketing year. In the best-case scenario, the area remains unchanged but the current low level of water in irrigation ponds could limit the quantity of area to be planted. Although difficult to forecast, Post projects a conservative drop in area of 12,000 hectares with some contacts estimating a more serious drop in area of 20-25,000 hectares if pond levels are not replenished.

Nevertheless, producers are optimistic that returns will improve in MY 2018/19. Farmers who planted rice and soybeans in MY 2017/18, in general, had far better returns with rice. The severe drought during the summer months depleted most rice ponds in the northern part of Entre Rios and central-south Corrientes, the two main producing provinces. Plentiful rain is necessary to recover the level of water reserves needed to cover the desired planted area, but most contacts are skeptical this will happen. Winter, which is normally dry, is approaching (although in the past three winters it has rained more than normal). Contacts indicate that many producers are preparing only half of the area that they would like to plant because of scarce water reserves. Irrigation ponds normally recharge during heavy autumn rainfall.

Local rice producers are going through difficult times, with tight or scarce profitability in many cases in a sector with some challenging structural problems. The domestic price of energy has increased significantly in the past couple of years, making it even harder for producers to remain financially viable. Contacts indicate that most farmers and rice mills are not in a good financial situation. As an example, ten years ago Argentina had 700 independent rice producers, 5 years later only 400 and now, approximately 150 remain with an average of 250 hectares each.

Contacts mention the low exchange rate is also a key factor that makes production costs, in dollar terms, high. Argentina normally exports about half of its rice production, thus is dependent on the value of the dollar (vis-à-vis the Peso) and the world price of rice.

Corrientes province is the main producing province, with about 94,000 hectares harvested in MY 2017/18. Production is primarily by large producers that irrigate from ponds or rivers. Because of this, they have lower production costs. If they do not plant rice, they will not plant an alternative crop. In Entre Rios, with 62,000 hectares harvested in MY 2017/18, producers use the water from ponds or deep wells to irrigate rice fields. Productions costs are significantly higher (due to the large use of diesel or electric energy) than those in Corrientes, but most producers can sow alternative crops, such as soybeans.

The harvest of rice in Argentina normally begins in mid-January in the provinces of Formosa, Chaco and the northern part of Corrientes. By mid-February, the harvest moves to the core production area of southern Corrientes and northern Entre Rios. In the rest of Entre Rios province, the harvest normally begins in early March. Years ago, the harvest was normally in full swing by April.

Nowadays, roughly 80 percent of rice production in Argentina is in hands of large, vertically integrated producers/mills and only 20 percent is produced by independent farmers. Several contacts indicate that the rice area is well defined (with the help of satellite imagery), but accurate yields and final production volumes still difficult to obtain. Argentina has 80-85 rice mills but 8-9 mills account for roughly 80 percent of the country's rice production. Of these, about half are focused on the export market, while the other half operate in both the domestic and export markets. The balance is in the hands of many small and medium mills, which contacts say operate partially in informal channels to survive.

Domestic Consumption: Rice consumption for MY 2018/19 is forecast at 460,000 tons, unchanged from the previous two years. Post contacts indicate that due to the significant informal market, it is difficult to obtain accurate data on consumption. While some local groups estimate per capita consumption at 6 kilos of white rice, part of the industry believes per capita consumption is closer to 8-9 kilos. Therefore, human consumption for MY 2018/19 would total almost 400,000 tons of white rice. Seed consumption is about 20-25,000 tons (milled base). There is a small market for broken rice by pet food companies.

Close to 95 percent of Argentina's rice production and consumption is long, thin rice. The balance is wide rice. The percentage of broken rice in a bag will depend on the quality and the brand of each supplier, but in the local market, it varies between 15-25 percent. Local mills during the industrial process obtain 12-15 percent broken rice. As most foreign clients buy a maximum 5-7 percent broken, significant volumes are exported as broken or sold domestically in different channels (human, pet food, flour). Roughly, 30 percent of the rice sold domestically is parboiled.

Trade: Argentine rice exports in MY 2018/19 are forecast at 400,000 tons, similar to the previous year. Local brokers target Brazil and Iraq as potential customers for larger exports. Argentina is not a large rice producer and exporter so it does not set world prices. Exporters indicate that due to the high local costs, Argentina's rice price is more expensive than many competitors. In fact, they believe that exporters many times ship at a loss.

Stocks: Ending stocks for MY 2018/19 are forecast to drop to 253,000 tons, milled basis. Rice beginning stocks in 2017/18 are estimated at 423,000 tons. Although difficult to determine, the perception of local brokers is that there was very little rice going from MY 2016/17 into MY 2017/18. They estimate stocks of 50-100,000 tons of white rice.

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	5700	0	6200
Beginning Stocks	816	816	245	245	0	655
Production	18400	18400	18000	18400	0	20000
MY Imports	4	4	10	10	0	10
TY Imports	13	13	10	10	0	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	19220	19220	18255	18655	0	20665
MY Exports	13825	13825	12800	12500	0	14200
TY Exports	12275	12275	14500	14000	0	14200
Feed and Residual	50	50	100	50	0	100
FSI Consumption	5100	5100	5100	5450	0	5600
Total Consumption	5150	5150	5200	5500	0	5700
Ending Stocks	245	245	255	655	0	765
Total Distribution	19220	19220	18255	18655	0	20665
Yield	3.3094	3.3094	3.2143	3.2281	0	3.2258
(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	760	760	0	900
Beginning Stocks	703	703	347	347	0	147
Production	3300	3300	3200	3200	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	4003	4003	3547	3547	0	3647
MY Exports	2556	2556	2200	2200	0	2200
TY Exports	2696	2696	2500	2500	0	2200
Feed and Residual	100	100	100	100	0	125
FSI Consumption	1000	1000	1000	1050	0	1075
Total Consumption	1100	1100	1100	1150	0	1200
Ending Stocks	347	347	247	147	0	247
Total Distribution	4003	4003	3547	3497	0	3647
Yield	3.7931	3.7931	4.2105	4.2105	0	3.8889
(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	5000	5100	0	5200
Beginning Stocks	1459	1459	5276	5276	0	2281
Production	41000	41000	33000	32000	0	40000
MY Imports	3	3	5	5	0	5
TY Imports	8	8	5	5	0	5
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	42462	42462	38281	37281	0	42286
MY Exports	25986	25986	24000	22500	0	27000
TY Exports	22951	22951	24000	23000	0	27000
Feed and Residual	7500	7500	6500	8500	0	8800
FSI Consumption	3700	3700	3800	4000	0	4200
Total Consumption	11200	11200	10300	12500	0	13000
Ending Stocks	5276	5276	3981	2281	0	2286
Total Distribution	42462	42462	38281	37281	0	42286
Yield	8.3673	8.3673	6.6	6.2745	0	7.6923
(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	760	700	0	750
Beginning Stocks	952	952	889	889	0	489
Production	3400	3400	3000	3000	0	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	4352	4352	3889	3889	0	3889
MY Exports	563	563	500	400	0	500
TY Exports	457	457	550	450	0	500
Feed and Residual	2500	2500	2300	2600	0	2600
FSI Consumption	400	400	400	400	0	400
Total Consumption	2900	2900	2700	3000	0	3000
Ending Stocks	889	889	689	489	0	389
Total Distribution	4352	4352	3889	3889	0	3889

Yield	4.8571	4.8571	3.9474	4.2857	0	4.5333
(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	192	192	0	180
Beginning Stocks	409	409	322	423	0	361
Milled Production	863	819	790	790	0	744
Rough Production	1328	1260	1215	1215	0	1145
Milling Rate (.9999)	6500	6500	6500	6500	0	6500
MY Imports	5	5	8	8	0	8
TY Imports	2	5	7	7	0	8
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1277	1233	1120	1221	0	1113
MY Exports	425	350	400	400	0	400
TY Exports	392	392	400	400	0	400
Consumption and Residual	530	460	500	460	0	460
Ending Stocks	322	423	220	361	0	253
Total Distribution	1277	1233	1120	1221	0	1113
Yield (Rough)	6.5098	6.4286	6.3281	6.3281	0	6.3611
(1000 HA) ,(1000 MT) ,(MT/HA)						