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Argentina

Grain and Feed Update

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Report Highlights:
Argentine wheat production for 2017/18 is increased to 18 million tons, 500,000 tons higher than USDA as final yields have been surprisingly higher than earlier expected. Post increases exports marginally to 12 million tons and bumps up ending inventories to 826,000 tons. Local traders expect about 50 percent of the exports to go to Brazil. Barley production for 2017/18 is also raised to 3.2 million tons, 350,000 tons higher than USDA because of excellent weather conditions, new seed varieties, and good input application. Exports are adjusted upwards at 1.95 million tons. Post forecasts 2017/18 corn production at 40 million tons, 2 million tons lower than USDA. There are still many uncertainties over the final estimate as the weather has been very dry and hot. Planting is still underway in the northern regions of the country. Sorghum exports for 2016/17 are raised to 600,000 tons, 200,000 higher than USDA. Rice

harvested area is increased to 196,000 hectares, 11,000 hectares more than USDA due to improved weather and new infrastructure put into production.

Post:
Buenos Aires

Author Defined:

Wheat: Post estimates production for crop season 2017/18 at 18 million tons, 500,000 tons higher than USDA's official number. Post's harvested area is 5.3 million hectares compared to USDA at 5.6 million hectares. By now, the harvest should be finished throughout the country, including the major southern wheat areas of south Buenos Aires province. The average yield was surprisingly high at 3.4 tons per hectares, just below last year’s high yield. The combination of good humidity at the beginning of the crop season (some areas had difficulties to plant on time due to excess water), good rainfall during the early stages of the crop and dry and cool temperatures in the last part of the season favored crop development in the majority of the growing areas. The widespread use of fertilizers and good crop protection practices against diseases was key to support high yields. Production in the provinces of Buenos Aires and Cordoba were high, as well as in Santa Fe. Wheat fields in Entre Rios province suffered of late disease attacks that hurt final yields. Production in the Northern provinces, where conditions for wheat production are not optimal, suffered dry conditions. Although the quality of this year's wheat is not as good as the previous crop (lower protein content), most traders are confident they will have no problems in marketing it.

Post forecasts total wheat exports for crop 2017/18 at 12 million tons, 100,000 tons higher than USDA because of a larger output. To date, exporters have been very aggressive in sourcing wheat, having closed purchases for more than 7.5 million tons. Farmers have also been aggressive in selling their wheat and barley to cover their debts with input suppliers and banks; while keeping large volumes of soybeans in stock waiting for better prices (in addition, as of January 2018, the soybean export tax will be reduced by 0.5 percentage points per month over the next 24 months). Wheat exports in the first 2 months of crop season 2017/18 have been significant, totaling approximately 4.0 million tons. The main destinations were Algeria and Brazil for milling wheat and South East Asia for feed wheat. There have also been exports to countries in East Africa and South America. For the remainder of the crop season, brokers expect shipments to Brazil to increase as of March-April, when they start to run short of local supplies and need to rely more on imported product. Local traders estimate total exports to Brazil at 6 million tons (including flour exports at the equivalent of roughly 1 million tons of wheat). Brazil has had a short wheat crop and some quality problems, the same as Paraguay and Uruguay, which normally ship to the neighboring country most of their surpluses.

For 2016/17, Post sets exports at 13.86 million tons, 60,000 tons higher than USDA. Post lowered feed use by 50,000 tons as most of the crop was of good quality, exports were strong and alternative feed prices were quite inexpensive. The ending stocks are estimated at 316,000 tons, practically 100,000 tons higher than USDA. There is a wide range of what contacts believe ending stocks are, ranging between 0.3-1.2 million tons. Most local exporters and analysts have had to readjust the balances of several previous seasons to come up with higher stocks to support larger than expected exports.

Local brokers indicate that most of Argentina's exports in November 2017 (crop season 2016/17) were wheat from the new crop (2017/18). By the end of November last year, there were 1.6 million hectares harvested in the northern part of the country with an estimated volume of 4.0 million tons.

For 2015/16 Post sets exports at 9,545,000 tons, 55,000 tons lower than USDA. Post also lowered feed use by 50,000 tons.

Barley: Post increases 2017/18 crop season production to 3.2 million tons, significantly larger than our previous estimate and 350,000 tons higher than USDA. Harvested area remains at 760,000 hectares, but average yields have been surprisingly higher than expected in practically all the country's main barley areas (most of the province of Buenos Aires and the eastern part of La Pampa). Yields in the key barley area of southeast Buenos Aires were just below 5 tons per hectare, while the country's average was close to 4.2 tons per hectare. As in wheat, growing conditions were very good, with the addition of good fertilization (the price relation was very convenient) and good crop protection against diseases. Argentina's barley production has made a significant and rapid change of seed varieties in the past 3-4 years. The Scarlett variety which was widely used until a few years ago has been replaced by Andreia, Shakira and other varieties which have shown to be higher yielding and less susceptible to diseases. The high yields have had a negative impact on the quality of barley, resulting in somewhat lower protein content than expected.

A larger output could boost exports, which Post now estimates at 1.95 million tons, 250,000 tons higher than USDA. Roughly 1.1 million tons of malting barley are expected to be shipped to Brazil and other South American countries (including Uruguay), while 850,000 tons of feed barley would be exported primarily to Saudi Arabia and Oman. Exports in December 2017-January 2018 would add more than 700,000 tons.

The local malting industry is currently not operating at full capacity. The mergers and acquisitions of international beverage companies which have taken place in recent years is making malt companies that are not part of these large enterprises more difficult to maintain their demand. In addition, beer consumption in Brazil and Argentina in the past couple of years has been somewhat weak.

Corn: Post projects Argentine corn production for 2017/18 at 40 million tons, 2 million tons lower than USDA, on an estimated harvested area of 5.1 million hectares, 100,000 hectares lower than USDA's official number. Argentina has been suffering through dry and hot conditions since November 2017, affecting the development of the early-planted corn and delaying the planting of late corn that is still underway in the northern part of the country. Most areas have received significantly lower rainfall than normal, and much lower compared to the past two crop seasons. Some areas are in relatively good shape as rains were very spotted. Approximately 35-40 percent of the corn was planted early, prior to December. This corn, which is normally planted in the better yielding areas and have the greatest productive potential, will see yields negatively affected as most of it flowered during the very dry and extremely hot window of mid-December and early January. In fact, some fields sown for commercial corn were chopped and converted into silage for cattle feed. Much of the late and/or second corn crop was planted already but most plantations are in need of significant rain (Argentine corn under irrigation is almost exclusively for seed production). It remains a concern if and what area will finally be planted in Salta, Tucuman, Santiago del Estero and Chaco where more than 500,000 hectares are waiting to be sowed. There, corn could be planted through February. If soybeans are not planted due to the low soil humidity, some producers could plant corn as an alternative, but many producers in the northwestern part of the country would probably plant beans (black, red or white). Several local contacts and analysts have recently reduced their crop expectation for 2017/18, ranging between 38-40 million tons of commercial corn.

Post expects corn ending stocks for 2017/18 at 4.3 million tons, 2 million tons lower than USDA because of an expected shorter crop.

Argentine corn exports for 2016/17 continue to be estimated at 25.5 million tons. Exports in March-December 2017 totaled 22.74 million tons. Exports in January could add approximately 1.6 million tons and a somewhat lower volume in February. Argentine ports during this time of the year normally suffer operational problems and strikes that slow down shipments. Brokers also indicate that nowadays Argentine corn is expensive compared to other supplying countries as farmer sells have slowed down. Producers who have stocked corn in bags will most likely sell wheat or barley first.

Sorghum: Argentine sorghum supply and demand table remains practically unchanged. The only modification are the expected exports for 2016/17 that are increased to 600,000 tons, 200,000 tons higher than USDA. On December, there was a shipment to Pakistan and in January, shipments to Japan and Chile. These higher exports are expected to negatively affect ending stocks that are adjusted accordingly.

Rice: Post increased harvested area for crop season 2017/18 to 196,000 hectares, 11,000 hectares more than USDA. Production remains practically unchanged at 806,000 tons (milled base) as Post expects a lower average yield than USDA. Contacts report that large producers in Corrientes province were able to finalize the construction of new infrastructure projects and that water reservoirs are full. After a very rainy winter which complicated and delayed plantings, the weather has turned quite dry and many weather forecasts predict the effects of La Nina, which in the case of rice, it is convenient due to the plants' long exposure to sun radiation. Another benefit is that losses of planted area tend to be significantly lower as there are much lower risks of flooding or overflows of rivers. Producer returns continue to be very tight.

Statistical Tables

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Dec 2015		Dec 2016		Dec 2017	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	3945	3945	5560	5200	5600	5300
Beginning Stocks	4804	4804	816	921	221	316
Production	11300	11300	18400	18400	17500	18000
MY Imports	12	12	5	5	10	10
TY Imports	3	3	13	13	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16116	16116	19221	19326	17731	18326
MY Exports	9600	9545	13800	13860	11900	12000
TY Exports	8750	8750	12275	12275	13000	13000
Feed and Residual	200	150	100	50	100	100
FSI Consumption	5500	5500	5100	5100	5400	5400
Total Consumption	5700	5650	5200	5150	5500	5500
Ending Stocks	816	921	221	316	331	826
Total Distribution	16116	16116	19221	19326	17731	18326
Yield	2.8644	2.8644	3.3094	3.5385	3.125	3.3962
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2015/2016		2016/2017		2017/2018	
Market Begin Year	Dec 2015		Dec 2016		Dec 2017	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1250	1250	870	870	760	760
Beginning Stocks	340	340	703	703	247	247
Production	4940	4940	3300	3300	2850	3200
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	5280	5280	4003	4003	3097	3447
MY Exports	3077	3077	2556	2556	1700	1950
TY Exports	2836	2836	2696	2696	1800	1850
Feed and Residual	400	400	200	100	100	100
FSI Consumption	1100	1100	1000	1100	1100	1150
Total Consumption	1500	1500	1200	1200	1200	1250
Ending Stocks	703	703	247	247	197	247
Total Distribution	5280	5280	4003	4003	3097	3447
Yield	3.952	3.952	3.7931	3.7931	3.75	4.2105
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Mar 2016		Mar 2017		Mar 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3700	3700	4900	4900	5200	5100
Beginning Stocks	2898	2898	1459	1459	5762	5762
Production	29500	29500	41000	41000	42000	40000
MY Imports	3	3	3	3	5	5
TY Imports	2	2	8	8	5	5
TY Imp. from U.S.	1	1	1	1	0	0
Total Supply	32401	32401	42462	42462	47767	45767
MY Exports	21642	21642	25500	25500	29000	29000
TY Exports	21678	21678	22951	22951	27000	27000
Feed and Residual	6000	6000	7500	7500	8500	8500

FSI Consumption	3300	3300	3700	3700	4000	4000
Total Consumption	9300	9300	11200	11200	12500	12500
Ending Stocks	1459	1459	5762	5762	6267	4267
Total Distribution	32401	32401	42462	42462	47767	45767
Yield	7.973	7.973	8.3673	8.3673	8.0769	7.8431
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sorghum	2015/2016		2016/2017		2017/2018	
Market Begin Year	Mar 2016		Mar 2017		Mar 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	750	750	700	700	760	760
Beginning Stocks	971	971	952	952	852	652
Production	3375	3375	3400	3400	3500	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	4346	4346	4352	4352	4352	4152
MY Exports	494	494	400	600	600	600
TY Exports	772	772	457	457	600	600
Feed and Residual	2500	2500	2700	2700	2500	2500
FSI Consumption	400	400	400	400	400	400
Total Consumption	2900	2900	3100	3100	2900	2900
Ending Stocks	952	952	852	652	852	652
Total Distribution	4346	4346	4352	4352	4352	4152
Yield	4.5	4.5	4.8571	4.8571	4.6053	4.6053
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Apr 2016		Apr 2017		Apr 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	208	207	204	196	185	196
Beginning Stocks	537	537	409	367	286	256
Milled Production	910	819	863	819	812	806
Rough Production	1400	1260	1328	1260	1249	1240
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	8	5	9	5	10	10
TY Imports	9	5	9	5	9	9
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1455	1361	1281	1191	1108	1072
MY Exports	526	526	475	475	430	450
TY Exports	527	527	500	500	430	450
Consumption and Residual	520	460	520	460	518	460
Ending Stocks	409	367	286	256	160	162
Total Distribution	1455	1353	1281	1191	1108	1072
Yield (Rough)	6.7308	6.087	6.5098	6.4286	6.7514	6.3265
(1000 HA) ,(1000 MT) ,(MT/HA)						