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Grain and Feed Update

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Report Highlights:
Wheat 2014/15 projection is practically unchanged. Exports for 2013/14 are expected at 2.5 million tons, 500,000 tons higher than USDA. Barley production for 2014/15 is now estimated down to 3.1 million tons, a cut of 750,000 tons from USDA's number. Expected exports are also down by 800,000 tons. Corn production in 2014/15 is down 2.5 million tons from USDA's number. The recent drop in world corn prices make returns very slim in the best cases. Exports are now forecast at 15 million tons, 1 million tons lower than USDA. Sorghum is also expected to be negatively affected by weaker world prices, with production now at 4.1 million tons, 700,000 tons lower than USDA. Exports are adjusted accordingly. Rice projection remains quite unchanged.

Post:
Buenos Aires

Executive Summary:

Wheat numbers in 2014/15 stay practically unchanged, with planted area at 4.2 million hectares and production at 12.5 million tons. Exports continue to be projected at 6.5 million tons. Wheat exports for 2013/14 are forecast up at 2.5 million tons (including exports of wheat flour and mixes), 500,000 tons higher than USDA. Barley area and production for 2014/15 are down, at 900,000 hectares and 3.1 million tons respectively, resulting in a reduction of 750,000 tons from USDA's number. Saturated soils in the central and southeastern part of Buenos Aires province are expected to reduce final planting intentions. Exports are adjusted downwards accordingly. Corn area for 2014/15 is down 350,000 hectares and production 2.5 million tons from USDA official number. The recent significant drop in world corn prices impact negatively future returns, making farmers analyze very closely its profitability. We project a shift of some corn area to the least costly soybean production. With a smaller output, corn exports are expected to drop one million tons at 15 million tons. Sorghum area and production in 2014/15 are also expected to drop. Production is forecast at 4.1 million tons, 700,000 tons lower than USDA. This is expected to affect exports accordingly. Rice numbers for 2014/15 are forecast to remain quite similar to USDA.

Author Defined:

Wheat: Argentine 2014/15 production as well as domestic consumption and exports are expected to remain in line with USDA official numbers. Stocks are the only ones to change as Post expects a smaller carry in volume from crop 2013/14. Some analysts earlier expected 100-300,000 additional hectares planted in 2014/15, but excess rain in the central and southeastern parts of Buenos Aires province is likely to cut final acreage. Many soils in these areas are saturated with the additional complication of many dirt roads in miserable condition which impede farmers the access to their operations. To date, 90 percent of the country's planted area was finished. However, most of the area yet to be planted is located in the southeastern part of Buenos Aires province, which if it receives additional showers in the next couple of weeks it could cut even further the country's total wheat area.

The El Nino weather pattern is being forecast this year. In Argentina it means heavier rainfall than normal, usually in October-December. Although it is difficult to anticipate its impact because it will finally depend on when and how that excess rain occurs, wheat usually does not like excess rain in the final stages of its growing cycle. It can either affect quality, yields or both.

Wheat exports in 2014/15 are still projected at 6.5 million tons, with Brazil expected to be the main destination. However, the final volume most likely will be determined and authorized by the government. On one hand the government will want to collect revenue through export taxes, but on the other it will want to maintain local food prices the lowest possible especially during an election year. Local wheat producers continue to claim that the government's policy on wheat sales and exports have discouraged production and negatively affected the commercial flow with Brazil, the main destination, which was forced to reduce its import tariffs and source from other suppliers beyond Mercosur countries.

Based on information of the government and some private analysts, post increases final wheat acreage for 2013/14 at 3.6 million hectares, 100,000 hectares more than USDA. Although the government continues to estimate production at 9.2 million tons, the private sector estimates range between 10.0-10.8 million tons. Contacts indicate that the government could be underestimating production as a way of limiting exports and keeping larger volumes in the local market to maintain food prices under control.

Argentine wheat exports in crop 2013/14 continue to be uncertain, as they mostly depend on what the government will finally authorize. To date, the government set a 1.5 million ton quota of wheat and a small volume of wheat flour. These volumes are practically fulfilled. Traders purchased 2.3 million tons of wheat for exports, thinking that the government would allow additional exports. This has not happened yet, but exporters still believe that some 400,000 tons could be announced before the end of the crop season (November 2014). To the 1.9 million tons of wheat exports it should be added some 600,000 tons (in wheat equivalent) of exports (and sales in bordering areas) of flour and mixes, for a total wheat export of 2.5 million tons, 500,000 tons higher than USDA. Wheat producers in the south of Buenos Aires, typically an area of good quality wheat and very active in exports, are irritated because they have large volumes of product in stock and they can only sell it to local flour mills which are well supplied and offer low prices.
Post expects for 2013/14 a slightly lower production and larger exports than USDA. Therefore, the carry out volume is expected to result in 500,000 tons lower than USDA's number.

Barley: Planted area in crop 2014/15 is negatively affected by the same reasons as wheat. Post's new area estimate is down at 900,000 hectares, 100,000 hectares lower than USDA. The central and southern parts of Buenos Aires province are the key production areas for both crops. To date, roughly 70 percent of the barley area in the country was planted, while most of the area yet to be planted has being suffering the excess of rains. As with wheat, barley does not like excess rain during its growing cycle. Therefore Post's yields are somewhat lower than USDA's, projecting total production for 2014/15 at 3.1 million tons, 750,000 tons lower than USDA. The projected output reduction is forecast to negatively affect barley exports in 2014/15, which are now set at 1.7 million tons, 800,000 tons lower than USDA. Traders expect that roughly 1 million tons would be malting barley and 700,000 tons feed barley, which will need to find a destination.

Corn: Post projects corn area and production for 2014/15 to be lower than USDA's official number. Area is forecast at 3.3 million hectares (vs. Post's new adjusted area for 2013/14 of 3.5 million hectares), 350,000 hectares lower than USDA. Post forecasts production at 23.5 million tons, while USDA is at 26 million tons. The main reasons for this expected drop are: lower world prices, which have dropped significantly in the past couple of months; high production costs; heavy incidence of freight costs, especially in areas far from ports or from local demand; significant local economic uncertainty; high inflation (expected at 35-40 percent in 2014); strong local currency (many producers are expecting a second big devaluation of 20 percent or more, similar to the one in January 2014); high tax pressure; and continued policies which limit exports in order to guarantee a well-supplied local market. The conjunction of all these factors makes the production of corn too risky and unprofitable in most farms on leased land and in some farms produced by their owners. A few months ago the sector was more optimistic, but the large corn harvest in the US and the drop of world corn prices rapidly made producers revisit their planting intentions. Local producers are taking planting decisions at the last minute so depending on market conditions in the next 3-5 months, the area can shift again. The window to plant corn in Argentina goes from September (for early corn in the central area) to January in the northern part of the country.
Post projects 2014/15 corn exports at 15 million tons, 1 million lower than USDA. This is primarily as a result of our lower output forecast. Post forecasts corn domestic consumption 200,000 tons higher than USDA as we also project a slightly higher demand in 2013/14 (8.5 million tons vs. 8.3 million tons). The new grain ethanol industry is operating at full swing, plus a rapidly growing hog industry and good returns in the feedlot business are expected to keep consumption firm. Smaller beginning stocks, lower production and lower exports in 2014/15 are projected to result in 2.1 million tons of ending stocks, 2.4 million tons lower than 4.5 million tons of USDA.
Corn production area for 2013/14 is estimated at 3.5 million hectares, 100,000 hectares higher than USDA's number. This is in line with some other analysts and contacts. Corn area is continuously debated in Argentina.

While most of the private sector believes it ranged between 3.3 and 3.8 million hectares, the government recently announced it totaled 5.1 million tons (only for commercial, harvested corn). Most large ag input suppliers and seed companies continue to doubt the governments new area estimation as they consider that the volume of inputs they supply to farmers does not coincide with such a large extension.

Production in 2013/14 is now estimated by post at 26 million tons, 2 million tons more than USDA. Since Post's last projection (March 2014), Argentina was benefitted by an unusually rainy autumn and winter, which for most of the corn plantations was excellent. Moreover, as never before, and because of drought in the planting season (September-October 2013), the share of late planted corn was very high, making for almost half of the country's total corn acreage. The rainy autumn benefitted enormously the late planted corn which went through the flowering stage with abundant supplies of rain. While early corn yields were somewhat lower than normal (negatively affected by a dry period with high temperatures in December-January), late corn yields continue to show high stability, and this year very high yields. Roughly 75 percent of the corn harvest is over, with many lots waiting to be harvested in the northern part of the country.

Corn exports for 2013/14 are projected at 16 million tons, 2.5 million tons more than USDA, mostly as a result of a larger expected supply. Local traders expect some 13 million tons shipped by early September and they are optimistic that they will be able to export 3 million additional tons during September 2014-February 2015. However, this volume could be somewhat smaller as farmer selling is running slower than usual. North African and South East Asian countries like Argentine corn because it has a good yellow/orange color and has good texture for its use in their livestock industry. Countries in these regions are expected to continue to buy Argentine corn in the months to come.

A year ago a multinational trading company operating in Argentina exported 66,000 tons of corn to China, after several years of being out of that market. The signing of a sanitary protocol (in 2012, but effective as of 2013) permitted exporters to re-initiate shipments. However, no other export has been recorded since then. Traders do not want to run the risk of having their shipments rejected as they claim that it can be difficult to comply with Chinese requirements in relation to GMO corn varieties as several hybrids produced in Argentina are not yet authorized in China. As an example, Argentina allows the production of corn with MIR 162 GMO strain which China currently prohibits its entry. Therefore, further corn exports from Argentina are not expected while this is not resolved.

Sorghum: Planted area for 2014/15 is now forecast down at 950,000 hectares, 150,000 hectares lower than USDA number. Production is also down to 4.1 million tons, 700,000 tons lower than USDA. Most of the reasons for such a cut are similar to those affecting corn planted area. Some producers in marginal areas could either keep away from producing or shift to less expensive soybean production. The very good yields obtained by late corn in 2013/14 will make farmers' decisions tougher to plant sorghum. Sorghum genetics used in Argentina has a yield ceiling of 6-7 tons per hectare, while late corn yields are showing to be more consistent and higher. Doves and birds attacks are also becoming a problem in some areas. Producers also indicate that sorghum has more difficulties to be marketed and that the price premium or similar parity vis-à-vis corn has disappeared in the past several months. Nowadays, the value of sorghum is 80-85 percent of the value of corn.

A projected smaller output in 2014/15 is forecast to reduce potential exports to 1.2 million tons, 600,000 tons lower than USDA. Exports in 2013/14 are also expected at 1.2 million tons, 500,000 tons lower than USDA. Traders indicate that although local sorghum is currently very price-competitive, Japan, its main destination, is buying other feed grains from northern hemisphere suppliers. Lower exports in 2013/14 will force higher ending stocks, now at 1.08 million tons, 400,000 tons higher than USDA. The Argentine government recently announced that in September 2014 Argentina would have access to the Chinese sorghum market. However, local contacts indicate that the new sanitary protocol would allow China to stop shipments arriving to its ports if certain weeds or fungus are found. Therefore, local traders see little future in exports as shipping under such regulations is too risky.

Domestic consumption for 2013/14 and 2014/15 are expected to be somewhat above USDA's volume due to a stronger demand from the local feedlot and pork sectors.

Rice: Post forecasts rice area for 2014/15 at 236,000 hectares, and production at 1.5 million tons, very similar to USDA's numbers. Planted area is expected to increase marginally, with some gains in Corrientes province and Entre Rios and losses in Santa Fe which did not have a good crop in 2013/14. The recent drop in soybean prices (and profitability) could encourage some farmers in Entre Rios to plant some more rice than previously intended.

Rough rice production in 2013/14 is set at 1.46 million tons, lower than USDA 1.58 million tons. The summer and autumn had excess rain and thus many cloudy days which hurt somewhat final yields. Post has checked with several contacts and sources who indicate that production estimations made by the rice producers' association of Corrientes province is quite accurate.

Statistical Tables

Wheat Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Dec 2012		Market Year Begin: Dec 2013		Market Year Begin: Dec 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,600	3,600	3,500	3,600	4,200	4,200
Beginning Stocks	734	734	286	286	2,741	2,238
Production	9,300	9,300	10,500	10,500	12,500	12,500
MY Imports	2	2	5	2	5	2
TY Imports	4	4	5	2	5	2
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	10,036	10,036	10,791	10,788	15,246	14,740
MY Exports	3,550	3,550	2,000	2,500	6,500	6,500
TY Exports	7,450	7,450	1,600	2,100	6,500	6,500
Feed and Residual	300	300	100	100	100	100
FSI Consumption	5,900	5,900	5,950	5,950	6,050	6,050
Total Consumption	6,200	6,200	6,050	6,050	6,150	6,150
Ending Stocks	286	286	2,741	2,238	2,596	2,090
Total Distribution	10,036	10,036	10,791	10,788	15,246	14,740
1000 HA, 1000 MT, MT/HA						

Barley Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Dec 2012		Market Year Begin: Dec 2013		Market Year Begin: Dec 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,500	1,500	1,270	1,250	1,000	900
Beginning Stocks	214	214	333	283	783	733
Production	5,000	5,000	4,750	4,750	3,850	3,100
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	5,214	5,214	5,083	5,033	4,633	3,833
MY Exports	3,581	3,581	2,700	2,700	2,500	1,700
TY Exports	3,647	3,647	2,700	2,700	2,500	1,700
Feed and Residual	100	100	300	300	200	200
FSI Consumption	1,200	1,250	1,300	1,300	1,400	1,400
Total Consumption	1,300	1,350	1,600	1,600	1,600	1,600
Ending Stocks	333	283	783	733	533	533
Total Distribution	5,214	5,214	5,083	5,033	4,633	3,833
1000 HA, 1000 MT, MT/HA						

Corn Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,000	4,000	3,400	3,500	3,650	3,300
Beginning Stocks	899	899	1,315	1,315	3,525	2,825
Production	27,000	27,000	24,000	26,000	26,000	23,500
MY Imports	3	3	10	10	10	10
TY Imports	4	4	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	27,902	27,902	25,325	27,325	29,535	26,335
MY Exports	18,687	18,687	13,500	16,000	16,000	15,000
TY Exports	22,789	22,789	9,500	12,000	17,000	16,000
Feed and Residual	5,300	5,300	5,500	5,600	6,000	6,100
FSI Consumption	2,600	2,600	2,800	2,900	3,000	3,100
Total Consumption	7,900	7,900	8,300	8,500	9,000	9,200
Ending Stocks	1,315	1,315	3,525	2,825	4,535	2,135
Total Distribution	27,902	27,902	25,325	27,325	29,535	26,335
1000 HA, 1000 MT, MT/HA						

Sorghum Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,050	1,050	1,000	1,000	1,100	950
Beginning Stocks	167	167	784	784	684	1,084
Production	4,700	4,700	4,200	4,200	4,800	4,100
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	4,867	4,867	4,984	4,984	5,484	5,184
MY Exports	1,783	1,783	1,700	1,200	1,800	1,200
TY Exports	3,059	3,059	1,200	800	1,800	1,200
Feed and Residual	2,000	2,000	2,300	2,300	2,300	2,500
FSI Consumption	300	300	300	400	300	300
Total Consumption	2,300	2,300	2,600	2,700	2,600	2,800
Ending Stocks	784	784	684	1,084	1,084	1,184
Total Distribution	4,867	4,867	4,984	4,984	5,484	5,184
1000 HA, 1000 MT, MT/HA						

Rice, Milled Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2013		Market Year Begin: Apr 2014		Market Year Begin: Apr 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	233	225	241	232	240	236
Beginning Stocks	175	175	227	175	224	125
Milled Production	1,014	942	1,027	950	1,014	975
Rough Production	1,560	1,449	1,580	1,462	1,560	1,500
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	1	1	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	1,190	1,118	1,259	1,130	1,243	1,105
MY Exports	533	533	600	600	600	580
TY Exports	526	526	600	600	600	580
Consumption and Residual	430	410	435	405	440	410
Ending Stocks	227	175	224	125	203	115
Total Distribution	1,190	1,118	1,259	1,130	1,243	1,105

1000 HA, 1000 MT, MT/HA