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Argentina

Oilseeds and Products Update

2015/2016 Sunflower and Peanut Production Revised Down as Soybean Production Rises

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Report Highlights:
2015/2016 soybean production is revised up to 58.5 million tons on good crop conditions resulting in higher yields. 2015/2016 sunflower and peanut production is revised down as a result of lower area and yields to 2.35 and 1.0 million tons, respectively. 2015/2016 sunflower exports are revised up to 85,000 tons as producers expect a more favorable international market that is expected to make exports more lucrative. Major changes in agricultural polices under new government will have a significant impact.

Policy Changes Under New Macri Government

Soon after the accession of President Maurico Macri on December 10th, his administration implemented a series of significant policy changes in the agricultural sector affecting the entire grain and oilseed sector in Argentina. These changes included the reduction of the export tax on soybeans and its byproducts by 5 percentage points and eliminating export taxes on all other agricultural commodities (see New Government Lifts Currency Controls and Cuts Export Taxes). Agricultural commodities with a new zero percent export tax include meat products, grains, fruits, and vegetables among other products. Soon after that, the Macri administration eliminated export permits (ROEs) for grains and oilseeds (see New Government Eliminates Export Permits for Grains and Oilseeds). This dropped the pre-approval requirement for export sales and eliminates an intrusive control on the flow of grain exports, particularly corn and wheat.

Along with these policy changes, came the removal of foreign exchange restrictions and devaluation of the Argentine peso by about 45 percent on December 17th. This boosted the competiveness of agricultural exporters and was a positive signal to producers who waited for such an adjustment to occur before they began liquidating their inventories. In the short term, these changes are expected to spur an increase in the sales of Argentine agricultural commodities, particularly corn and wheat, on the world market as producers move forward with sales that have been held up in anticipation of policy changes. Medium to longer term, these changes are expected to significantly improve farmer returns (where in most cases were negative prior to these policy changes) and encourage greater wheat and corn planting for the 2016/2017 season and beyond.

For oilseed production, these changes are not expected to have a significant impact for the 2015/2016 season as the policy and monetary changes came after producers had largely finalized their planting decisions or planted already. As for 2016/2017, sources indicate that the above mentioned changes and present conditions will spur sunflower and peanut production significantly while soybean production is expected to remain relatively stable.

Soybeans

Oilseed, Soybean (Local)	2013/2014	2014/2015	2015/2016
Market Begin Year	Apr 2014	Apr 2015	Apr 2016

Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	19400	19400	19800	19300	20000	20150
Area Harvested	19400	19400	19790	19300	20000	20000
Beginning Stocks	7515	7515	10600	10100	13035	11735
Production	53500	53000	61400	60800	57000	58500
MY Imports	2	2	2	2	2	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	61017	60517	72002	70902	70037	70237
MY Exports	7433	7433	11800	11850	11400	11400
MY Exp. to EU	52	50	60	60	60	60
Crush	38497	38497	42150	42300	43000	43000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	4487	4487	5017	5017	5102	5102
Total Dom. Cons.	42984	42984	47167	47317	48102	48102
Ending Stocks	10600	10100	13035	11735	10535	10735
Total Distribution	61017	60517	72002	70902	70037	70237
(1000 HA) ,(1000 MT)						

Production

Local crop progress reports indicate that as of late January the entire 2015/2016 soybean crop has been planted – about 21.5 million hectares. While some areas are affected by a lack of moisture, overall conditions in the main producing areas are generally good.

Currently in the Nucleo Norte[1] area, crop development ranges between beginning pod (R3) and full pod (R4) with adequate soil moisture except for a few areas in the east where there are water shortages. According to local reports, wilting foliage in those areas is setting off alarms for observes (see local report) and the lack of additional rain could result in pod failures. In Nucleo Sur[2], crop conditions are fairly good with their development also ranging between beginning pod (R3) and full pod (R4). However, the water situation has worsened with low rain levels that are not enough to meet crop needs coupled with extreme high temperatures that are beginning to reflect with some crops showing symptoms of water stress, potentially affecting yields. Particularly in the northeast of Buenos Aires province, these conditions are resulting in drought for some fields leading to low plant heights – exacerbating crops' ability to reach critical leaf stage - and the appearance of dry climate pests. In Cordoba, the crop is experiencing excellent water levels with only a few isolated instances of water excesses or deficits. The crop in this region is between first flowering stages (R2) and pod differentiation (R3-R4). Toward the southern regions, recent rains have bolstered crop profiles. Crop development is slightly delayed around flowering and pod development (R2-R3) as delays in winter grain harvest resulted in later soybean plantings.

Contacts indicate there will likely be some area losses due to increment weather, yet production is expected to be strong as most soybeans were planted in the most productive areas which should result in above average yields. In summary, 2015/2016 total area harvested remains unchanged at 20 million hectares with yields at 2.93 tons per hectare leading to an upward revision of 58.5 million tons in 2015/2016.

[1] East of Cordoba, Central-South of Santa Fr, Southeast of Entre Rios
[2] South of Santa Fe and North of Buenos Aires province

In the area of profitability, the devaluation and reduction of export taxes by five percentage points for soybeans and its byproducts provided much needed relief to producers; however, the recent decline in world prices has offset some of the benefits. One analysis of producer margins estimated a noteworthy increase in returns from a negative USD $43 per hectare before the inauguration of President Macri to USD $30 per hectare based on the new economic and policy climate[3].

Crush

2014/2015 crush is revised up to 42.3 million tons based on year-to-date crush data by the Ministry of Agro-Industry. Crush continues as exporters find it more lucrative to crush soybeans (to export its byproducts) instead of selling the beans. 2015/2016 crush is left unchanged.

Trade

2014/2015 exports are revised slightly up to 11.85 million tons based on current trade data and perspective sales based on the ROE registry. During the early part of January, the Ministry of Agro-Industry noted its expectation that soybean exports were going to be higher during the month of December after the various policy changes. Many market observers expected a significant sell-off of Argentine soybeans; however, producers did not sell as much as they expected a higher dollar around 14-15 Argentine pesos per U.S. dollar, instead the dollar averaged around 13.5 pesos during the second half of December. Local analysts have also raised questions about whether current stock levels are as high as generally believed. 2015/2016 exports are left unchanged at 11.4 million tons, since exporters have generally found crushing soybeans presents more lucrative returns than exporting soybeans.

Sunflower

Oilseed, Sunflowerseed	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2014		Mar 2015		Mar 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1300	1300	1440	1300	1300	1250
Area Harvested	1300	1300	1440	1240	1300	1200
Beginning Stocks	998	998	675	675	1040	645

[3] Based on a report from Margenes Agropecarios. Margins are based on a yield of 3.8 tons per hectare.

Production	2000	2000	3160	2755	2600	2350
MY Imports	1	1	1	1	2	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2999	2999	3836	3431	3642	2997
MY Exports	74	73	68	68	75	85
MY Exp. to EU	18	18	20	20	20	20
Crush	2211	2211	2680	2670	2700	2700
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	39	40	48	48	54	54
Total Dom. Cons.	2250	2251	2728	2718	2754	2754
Ending Stocks	675	675	1040	645	813	158
Total Distribution	2999	2999	3836	3431	3642	2997
(1000 HA) ,(1000 MT)						

Production

Based on updated data from local analysts and information from industry, 2014/2015 area harvested is revised down to 1.24 million hectares with production at 2.76 million tons. This production level was supported by record yield levels at 2.22 tons per hectare.

Harvest of the 2015/2016 crop has already begun in the northern part of the country specifically the regions of NEA[4], Center-North Cordoba, Santa Fe, and Nucleo North. Local estimates indicate that over 276,000 hectares have been harvested as of late January with average yield of 1.92 tons per hectare. In NEA, sunflower harvest has completed with an average yield of 1.95 tons per hectare. A wide range of yields were recorded in the sunflower center of Center-North Santa Fe between 1.8 to 2.5 tons per hectare as a result of varying moisture levels and stress. In the regions of center-Buenos Aires province and North La Pampa/West of Buenos Aires province, the crop has passed the flowering stage and is experiencing good plant health and moisture conditions. Although harvest will not begin for some time, the crop is presently in optimal conditions with the potential to reach high yields. The variation in conditions in sunflower area throughout the country complicates determining an average yield for the entire country. ASAGIR, the Argentine Sunflower Association, along with local analysts estimate that 2015/2016 planting area is lower than what was initially expected in the beginning of the season as market conditions discouraged producers from dedicating a greater amount of area for sunflower production. As such, 2015/2016 area planted is revised down to 1.25 million hectares. Production is revised down to 2.35 million tons with average yield at 1.96 tons per hectare – higher than average.

Moving forward, industry contacts expect a more favorable environment to increase sunflower plantings for the 2016/2017. The recent policy changes along with the devaluation should allow the sector to recover area lost over the past few years as sunflower becomes a more lucrative crop compared to others such as soybeans - which is expected to have higher production costs next season in comparison to sunflower. Contacts have indicated that area could expand by 400,000 hectares next season. Such expansion will not without its issues as Argentina faces significant competition from Ukraine in the world market and costs in labor, transportation and inputs are rising.

[4] Chaco, East Santiago de Estero, and Formosa

Crush

2014/2015 crush is revised down to 2.67 million tons based on official crush data and expected crush levels for the last two mouths of the marketing year. 2015/2016 crush is left unchanged at 2.7 million tons as industry contacts claim that it will take some time for industry to fully absorb the new political and economic climate and rebuild the crush capacity the industry previously had.

Trade

2014/2015 exports are unchanged based on current export data and perspective sales based on the ROE registry. 2015/2016 exports are revised up to 85,000 tons as industry sources expect the export sector will be more profitable for producers this season due mainly to the removal of its export taxes.

Stocks

Based on the changes made to production and use, ending stocks for 2014/2015 and 2015/2016 are revised down to 645,000 and 158,000 tons, respectively.

Peanuts

Oilseed, Peanut	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2014		Mar 2015		Mar 2016	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	380	380	341	345	360	330
Area Harvested	378	378	341	341	360	330
Beginning Stocks	447	447	598	585	670	622
Production	997	997	1188	1188	1170	1000
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1444	1444	1786	1773	1840	1622
MY Exports	566	579	780	805	750	750

MY Exp. to EU	370	370	465	465	485	485
Crush	210	210	260	270	265	280
Food Use Dom. Cons.	50	50	53	53	55	55
Feed Waste Dom. Cons.	20	20	23	23	25	25
Total Dom. Cons.	280	280	336	346	345	360
Ending Stocks	598	585	670	622	745	512
Total Distribution	1444	1444	1786	1773	1840	1622
(1000 HA) ,(1000 MT)						

Production

Based on updated area estimates, 2015/2016 area planted and harvested is revised down to 330,000 hectares. As of early January, the entire Argentine peanut crop was planted. During this season, over 75 percent of planting occurred during the month of November due to cold temperatures and higher levels of rain. On average, temperatures for the mouth of October 2015 were 4 to 5 º C lower than the same mouth the year before – around 15 º C for the more important growing regions. At present, plant development is also delayed with most of the crop between beginning bloom (R1) and beginning pod (R2) stages. Some pest incidence, particularly locusts have been detected in certain departments such General Roca, Rio Cuarto and Puerto Roque Pena. In the province of Cordoba – where over 95 percent of the crop is produced – a local survey has indicated that over 54 percent of the crop is “very good” and 34 percent is “good.” The same survey revealed that over 10% of the crop is experiencing excessive moisture levels. These factors combined signal average yields for the 2015/2016 season around 3 tons per hectare. As such, 2015/2016 production is revised down to 1.0 million tons, driven by lower planting area.

Crush

2014/2015 crush is revised slightly to 270,000 tons based on updated official crush data. 2015/2016 crush is revised up to 280,000 tons to reflect industry sentiment and a rising crush trend over the past couple of years.

Trade

2013/2014 exports are revised slightly up to 579,000 tons to reflect actual trade data. 2014/2015 exports are revised up based on to 805,000 tons on greater demand and higher perspective shipments recorded in the ROE registry. 2015/2016 exports remains unchanged at 750,000 tons.

Stocks

As a result of these revisions, ending stocks for 2014/2015 and 2015/2016 are revised down 622,000 and 512,000 tons, respectively.