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POLICY

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Argentina's Drought Leads to the Purchase of US Soybeans

Report Categories:

Biotechnology - GE Plants and Animals

Trade Policy Monitoring

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Report Highlights:

In order to maintain soybean processing at normal levels, Argentina is importing US soybeans for the first time in over two decades.

Argentina is the world's third largest soybean producer and the number one soybean oil and meal exporter driven by a crush capacity estimated at 67 million tons. Eighty percent of Argentina's crushing capacity is concentrated in the port city of Rosario. A severe drought during the peak summer months reduced forecasts for Argentine soybean production by 16 million tons to 40 million tons (USDA official). Private local sources estimate production may be even lower. In addition, producers in Argentina that can afford to are holding a significant inventory of beans on speculation of higher prices.

At present, local sources project Argentine soybean production at 36 million tons, down from 54 million tons estimated at the beginning of the crop season, due to severe weather problems. Therefore, the local crushing industry needs to import more soybeans than what it normally imports to maintain its normal processing levels. To date, the plants are operating at 70 percent capacity, but it could drop because of a smaller local soybean supply.

Imports

Local brokers estimate that total soybean imports in MY 2017/18 could range between 4-5.5 million tons, accounting for 10-12 percent of the total domestic crush. Due to lower domestic inventory, the local crush industry must import soybean resources to maintain operation. In the first trimester, Argentina imported 1.3 million tons of soybeans. Imports of soybeans in March 2018 reached a historic high of 928,000 tons. Over 95 percent of the beans were of Paraguayan origin with the balance from Brazil. Argentina imports 1-2 million tons of soybeans from Paraguay every year. Paraguayan beans, with a higher protein content than local beans, are used to raise the protein content of meal for export. In April 2018, US private exporters reported to USDA contracts for shipments totaling 490,000 tons of soybeans to Argentina for delivery in the 2017/18 and 2018/19 marketing years with import sales possible in the near future of up to 1 million tons, depending on market conditions.

Import Policy

With the potential arrival of U.S. soybeans, an import event not seen in Argentina in several decades, the status of entry protocols became a point of discussion, especially relative to biotech events. The U.S. and Argentina have some differences in approved events but, among those, most are not commercialized in the U.S. However, one event, MON87708-9, *Genuity Roundup Ready 2 Xtend*, is commercialized in the U.S. and not approved in Argentina. Sources within the Argentine Government relate that this event may be approved for feed, food and processing by the fall.

On May 18, 2018, the Ministry of Agro-Industry released Resolution 26/2018 (<https://www.boletinoficial.gob.ar/#!DetalleNorma/183969/20180518>) which creates a four year authorization for the importation of biotech products for use as raw material in agroindustrial processing for human food and animal feed ("FFP" (Food, Feed and Processing), but excluding use for planting and seed commercialization.

This initiative addresses the potential importation of biotech soybeans with events not authorized locally, in particular from the United States. This system will last four years. Local reports indicate that this resolution solves all pending issues regarding the import of U.S. soybeans and shipments should be able to enter with no interruptions.¹

¹ <https://www.lanacion.com.ar/2135950-agroindustria-facilita-la-importacion-de-soja>

