

Required Report: Required - Public Distribution

Date: July 31, 2023

Report Number: AR2023-0009

Report Name: Grain and Feed Update

Country: Argentina

Post: Buenos Aires

Report Category: Grain and Feed

Prepared By: Kenneth Joseph

Approved By: Benjamin Boroughs

Report Highlights:

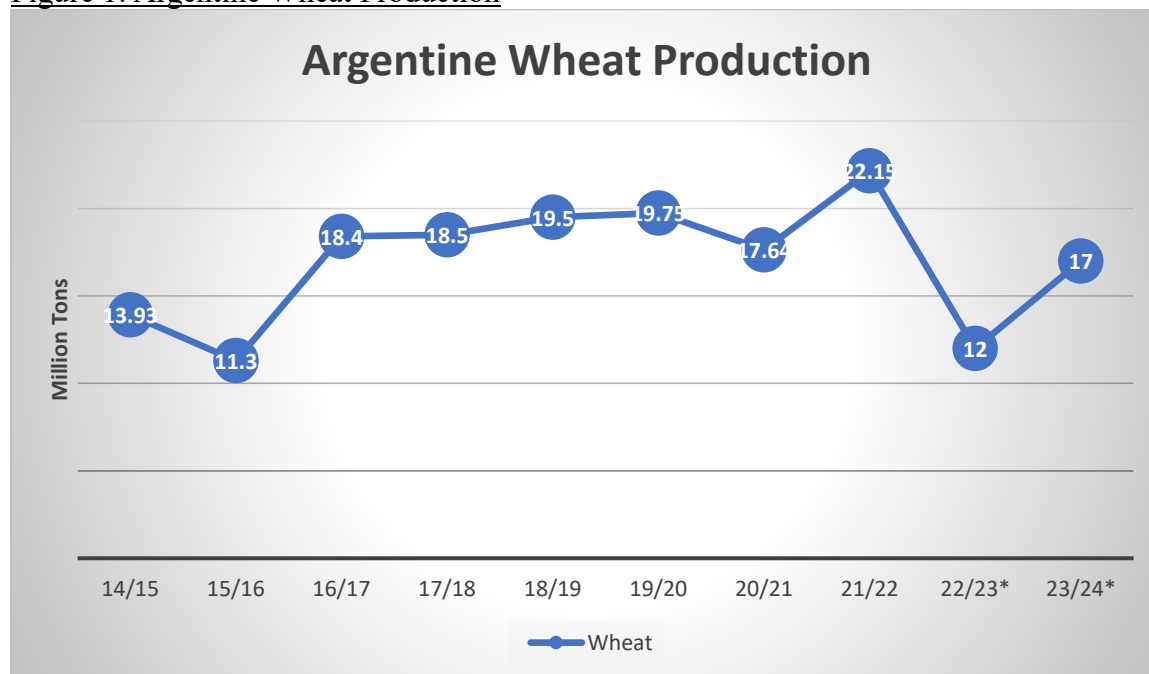
Improved weather forecasts are expected to lead to recoveries in grain production in Argentina. However, continued dry conditions are projected to limit planting of wheat and rice. The Argentine government has announced a new temporary exchange rate program to boost exports of grains in July and August with barley, corn, sorghum and rice all eligible for the favorable exchange rate. Wheat production in marketing year (MY) 2023/24 is lowered to 17.0 million metric tons (MMT). Exports remain unchanged at 12.0 MMT. Barley production for MY 2023/24 is lowered to 4.5 MMT. Smaller output will cut potential exports to 2.6 MMT. Corn production in MY 2023/24 is projected slightly higher at 55.0 MMT. Rice production for MY 2023/24 is forecast at 1.054 MMT, rough base, significantly lower than the official USDA estimate. Rice exports are lowered accordingly.

Wheat

Argentine wheat production in marketing year (MY) 2023/24 is forecast at 17.0 million metric tons (MMT), 500,000 MT lower than the official USDA estimate, as Post lowers its area estimate to 5.6 million hectares (HA). Because of a continued dry environment in many parts of the country, the planted area will be approximately 1 million hectares lower than initially projected. Despite some recent rains that helped farmers sow wheat before the planting window closed, many fields in Cordoba, and northwest and southwest province of Buenos Aires will remain fallow over winter because of continued dryness. The south of the province of Buenos Aires is suffering excess moisture and planting is delayed. Additionally, as the planting season has progressed, economic margins for wheat have been deteriorating due a steady decline in futures prices. Because of this, some farmers with sufficient soil moisture decided to pass on planting in order to focus on planting early summer crops in a few more months.

The following chart shows Argentine wheat production over the last decade. MY 2022/23 and 2023/24 have been affected by weather problems:

Figure 1: Argentine Wheat Production



Source: USDA PSD Online

*Post Projection

At a national level, planting is estimated to be over 80 percent complete. While conditions vary, in general farmers are investing less money in inputs thanks to poor weather at planting, expected lower returns due to lower prices, and farmers' weaker financial conditions after a very bad MY 2022/23. However, wetter conditions from July onwards could help offset yield losses linked to the use of fewer inputs.

Post revises its MY 2022/23 harvested area estimate downward and lowers its total wheat production estimate to 12 million tons. Some brokers believe production was even lower and say that it is difficult to source wheat at present. Quality issues have been reported in wheat harvested in southeastern Buenos Aires province, and industry sources say that some of it will likely be held until it can be blended into new crop wheat.

Wheat exports in MY 2023/24 are projected at 12 million tons, a significant recovery from the low 4.6 million tons now projected for MY 2022/23. In late 2022 and early 2023 the government, in an effort to take pressure off prices in the domestic market, extended the window for exporters to comply with the export declarations (DJVE's). The extension was granted for 360 days for DJVE's that been approved to be shipped between December 1, 2022, and July 31, 2023. DJVE for the MY 2022/23 crop total 8.9 MMT to date, but most brokers believe only 4.0 MMT will ultimately be shipping, with the rest being rolled forward for wheat produced in the coming crop season. Roughly 600,000 tons of exports of wheat flour and other products, in the equivalent of wheat, are expected to be shipped through November 2023.

Barley

Post continues to estimate production for MY 2023/24 at 4.5 million tons, 800,000 tons lower than the official USDA estimate, which estimates area at 1.4 million hectares, 200,000 hectares higher than Post. In recent weeks there has been a late shift of some area from barley to wheat, especially in the southeast of Buenos Aires province, the country's main barley region. Farmers in this area noted that their expected wheat returns were far better than those of barley (when averaging malting and feed barley prices). Post's production and area estimates, based on interviews with local market participants, is also smaller the official USDA estimate for MY 2022/23.

Exports in MY 2023/24 are forecast at 2.6 million tons, significantly lower than USDA because of the smaller output projected by Post in MY 2023/24. Contacts estimate that 1.1 million tons will be of malting barley focused primarily on the South American region, and the remainder will be feed barley. There is great uncertainty about how and when China will reinstate imports of Australian barley, after China imposed an 80.5 percent import tariff over a diplomatic dispute back in 2020. Most local brokers believe this will be resolved over the next few months and that Australian barley will return to China, displacing Argentine product. If this occurs, Argentine barley will revert to Saudi Arabia and other Middle East markets, as was common before the China-Australia spat. Exports to China are mainly FAQ (Fair Average Quality) barley that has a premium of almost \$20 per ton over feed barley. DVJE's for MY 2023/24 are currently slow at 200,000 MT.

Barley exports in MY 2022/23 are estimated at 2.7 MMT, 400,000 MT higher than the official USDA estimate. Based on official export data, Argentina exported 2.15 million tons in December 2022-June 2023 and ship line-ups for July show an additional 325,000 tons for a total of almost 2.5 million tons, with four more months to go before the end of the marketing year. On July 24, 2023, under [Resolution 295/2023](#), the Secretariat of Agriculture published for the first time ever a "Volume of Equilibrium" (VE) for barley exports in MY 2022/23, at 3.55 million tons (2.6

MMT of feed barley and 0.95 MMT of malting barley). The VE is the volume which will be authorized for export, deducting first a volume to supply entirely the demand of the local market. This policy was first put in place by the Government in December 2021 and to date had only applied to corn and wheat. Resolution 295/2023 is directly linked to the announcement of a day earlier made by the Ministry of Economy, under [Decree 378/2023](#), to incentivize the export sales of many agricultural commodities, including barley, corn, and sorghum, to help restore the Central Bank's depleted foreign currency reserves. Barley export sales up to 3.55 MMT for MY 2022/23 will benefit from a special and more favorable exchange rate from July 23, 2023, through August 31, 2023. The special exchange rate will be at 340 pesos per dollar, more than 20 percent higher than the official exchange rate. The VE for barley is 850,000 MT higher than what Post estimates exports in MY 2022/23 will be. Industry contacts are skeptical that Argentina will reach the government's export targets.

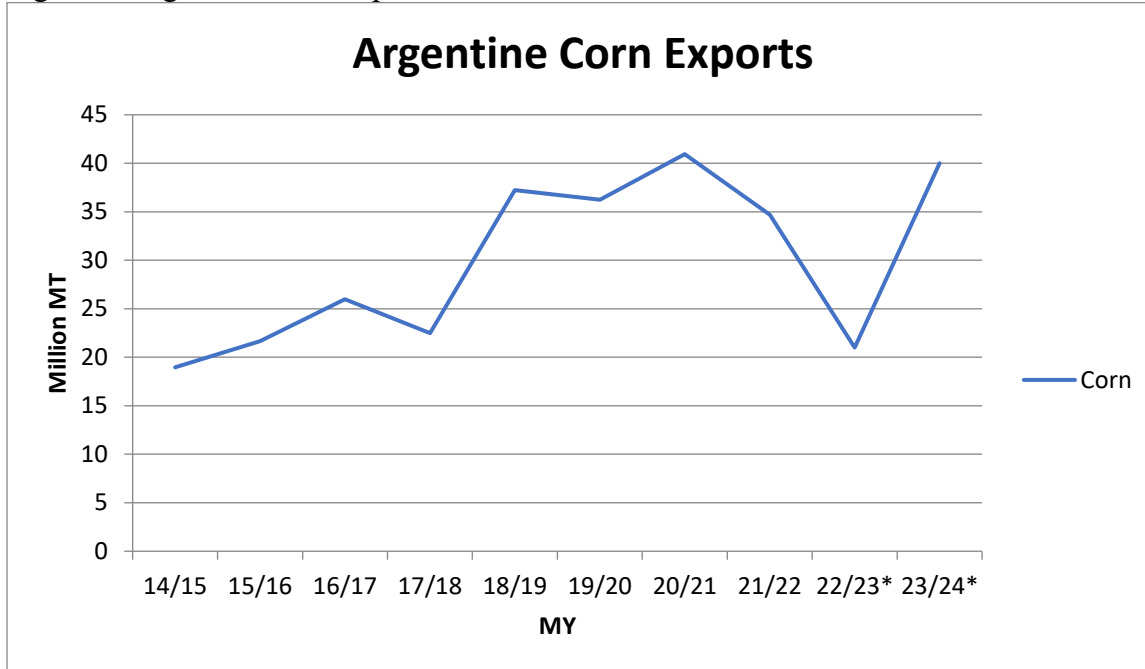
Corn

Argentine corn production for MY 2023/24 is projected up at 55.0 MMT, 1.0 MMT higher than the official USDA estimate. Projected economic returns for the coming corn crop have fallen in the past few months, because of lower future prices, but they are still quite attractive. Most farmers had poor results in MY 2022/23 because of a severe drought in winter 2022 and summer 2023. Argentina has been affected by La Nina for three years in a row, which normally results in a dry environment in most of production regions. In the past few months, the weather is showing a change in pattern and most weather forecasts indicate that El Nino will settle-in, bringing much needed rains. Therefore, farmers are planning to plant a larger area with corn, a crop which can take advantage of good rains to meet its yield potential. Early corn, usually planted in September-early October, is expected to recover some of its share of planted area from late planted corn. Under normal weather conditions, early corn yields higher in most areas, but is more susceptible to drought.

2023 is an election year in Argentina, with primary elections in August, the general election in October, and a possible runoff election in November. The incumbent President, Alberto Fernandez, is not running for reelection, so a new President will assume power in December. Farmers are anticipating that the next government could enact policies which are more friendly to the ag sector, such as phasing out the dual exchange rate system and capital controls, and perhaps beginning to phase out export taxes. This anticipation could lead farmers to plant more and invest more in inputs with the expectation that they will be able to earn more with new policies which will not yet be in place at the time of planting.

Post forecasts corn exports in MY 2023/24 at 40.0 million tons, in line with official USDA estimate. This would be the second highest on record. Exports in MY 2022/23 are estimated at 21.0 million tons, 1 million tons lower than the official USDA estimate as Post continues to estimate domestic consumption at 14.5 million tons, 2.5 million tons higher than USDA. Corn demand remains strong thanks to steady demand from the livestock and bioethanol sectors. Higher domestic consumption is expected to cut exports.

Figure 2: Argentine Corn Exports



Source: USDA FAS PSD Online

* Post projection

Exporters have so far purchased and received 14.4 MMT worth of DJVEs for MY 2022/23. This is only about half of the volume done during the same period a year ago. Exports in March-June 2023 totaled 7.9 MMT, while line ups for July total approximately 3 million tons. On July 24, 2023, under Resolution 295/2023, the Secretariat of Agriculture published a new “Volume of Equilibrium” (VE) for corn exports in MY 2022/23, at 26 million tons (6 million tons higher than previously established). This resolution is directly linked to the announcement of a day earlier made by the Ministry of Economy, under Decree 378/2023, to incentivize the export sales of many agricultural commodities including corn, for the first time, as previous programs were aimed almost exclusively to soybeans and its byproducts. Corn export sales for MY 2022/23 will benefit from a special and more favorable exchange rate from July 23, 2023, through August 31, 2023. The special exchange rate will be at 340 pesos per dollar, more than 20 percent higher than the official exchange rate. The VE for corn is 5.0 million tons higher than what Post estimates exports in MY 2022/23 will be. Most local traders are skeptical that such a large volume will be available for export through February 2024. Local corn users, such as feedlots, poultry producers, dairies, swine producers and the bioethanol sector have expressed their disagreement of such measure because their cost of production will increase significantly and have warned that this will feed more fuel onto an already highly inflationary economy.

Sorghum

Argentine sorghum production in MY 2023/24 is forecast at 4.0 million tons, 700,000 tons higher than the official USDA estimate. High domestic sorghum prices are expected to encourage more farmers to plant a larger acreage, despite projections of good rainfall which

favor the planting of corn. Current future margins are very good, even better than those of corn as prices are higher and production costs are significantly lower, at about \$200 per hectare, because of lower seed and fertilizer costs.

Post estimates MY 2022/23 production at 2.3 MMT, 1.1 MMT lower than the official USDA estimate. The severe dry conditions during the southern hemisphere summer and fall negatively affected the harvested area and yields. This volume will cut potential exports and local use.

Export sales for MY 2022/23 are running much slower than a year ago, but brokers believe that the Chinese demand will reappear in the next few months. China is the almost exclusive export destination for Argentine sorghum. On July 24, 2023, under Resolution 295/2023, the Secretariat of Agriculture published for the first time a “Volume of Equilibrium” (VE) for corn and malting barley exports in MY 2022/23, and confirmed the VE for sorghum at 950,000 tons as established in April 25 2023 through Resolution 156/2023. This resolution is directly linked to the announcement of a day earlier made by the Ministry of Economy, under Decree 378/2023, to incentivize the export sales of many agricultural commodities including sorghum. Sorghum export sales for MY 2022/23 will benefit from a special and more favorable exchange rate from July 23, 2023, through August 31, 2023. The special exchange rate will be at 340 pesos per dollar, more than 20 percent higher than the official exchange rate by which commercial trade is done.

Rice

Production in MY 2023/24 is forecast at 1.054 MMT, rough base, 19 percent lower than USDA’s official volume. The lack of good rains that could refill the level of the main rivers and water reservoirs in Corrientes and northern Entre Rios is expected to significantly limit the planted area in the next season which begins in early September. The harvested area is projected at 158,000 hectares, 32,000 hectares lower than USDA.

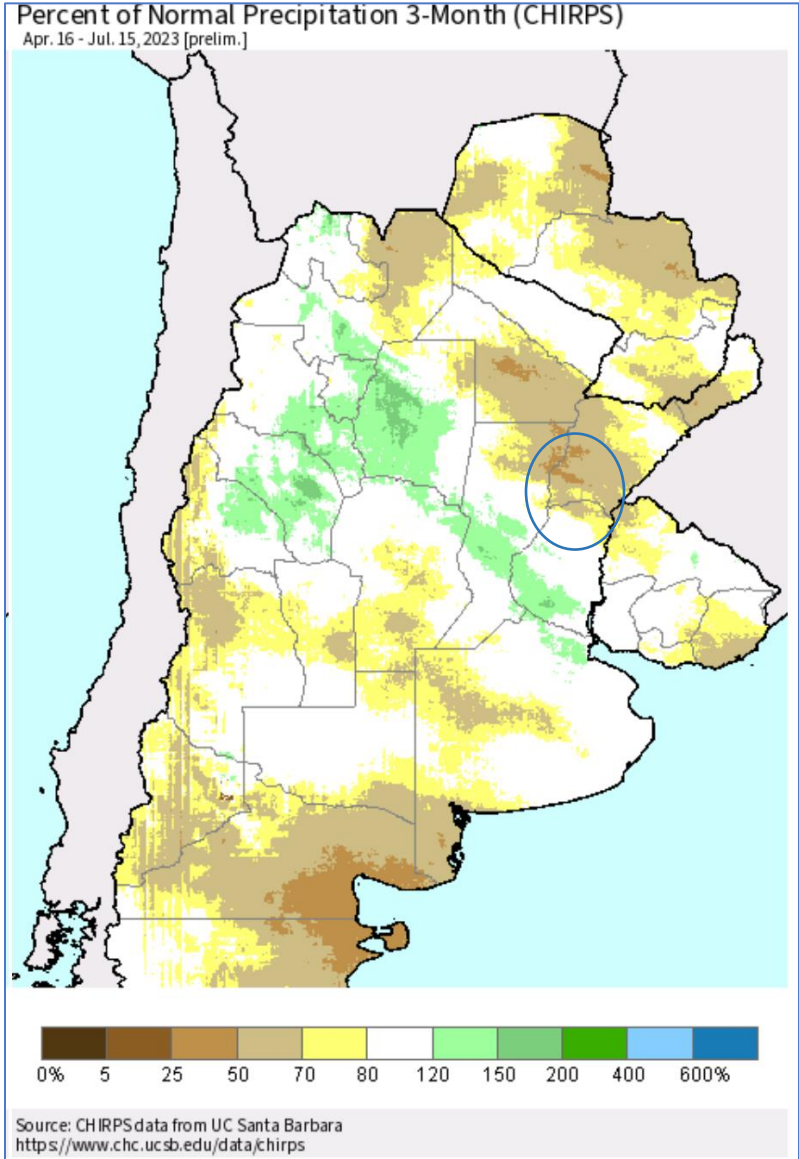
Argentina’s rice production area in the past few years is estimated at about 190,000 hectares, divided mainly in 3 different geographical sectors: 1) fields which are irrigated from water reservoirs, located mainly in Corrientes and northern Entre Rios, where there are approximately 64,000 hectares; 2) fields irrigated from underground wells with gas or diesel pumps, located mainly in the center of Entre Rios, totaling approximately 42,000 hectares; and 3) fields irrigated from rivers, in the 3-4 main producing provinces, totaling approximately 83,000 hectares.

At present, Post anticipates that the area of rice irrigated from water reservoirs is expected to decline because the reservoirs and holding ponds only have water to produce 15-20 percent of the acreage, they can potentially irrigate due to a continued lack of rains. However, thanks to steady prices and lower production costs, rice producers have had good returns and are expected to plant about 50 percent of this area, hoping that El Nino will bring the rain they need to complete the production cycle. The area irrigated with underground wells is expected to expand 15 percent on fields which had previously produced either corn or soybeans. Finally, the area fed by rivers is also forecast to drop, but marginally as several smaller rivers are at very low levels.

On July 24, 2023, the Ministry of Economy, under Decree 378/2023, announced another program to incentivize the export sales of many agricultural commodities including regional commodities such as rice. Rice export sales for MY 2022/23 will benefit from a special and more favorable exchange rate from July 23, 2023, through August 31, 2023. The special exchange rate will be at 340 pesos per dollar, more than 20 percent higher than the official exchange rate by which commercial trade is done. Rice was part of the previous program under Resolution 147/2023 of the Secretariat of Agriculture of April 20, 2023.

The below map shows the scarcity of rains in the past three months in the main rice production area of Argentina (circled in blue):

Figure 3: Map of Percent of Average Precipitation April 16-July 15, 2023



Returns are expected to continue to be good thanks to strong prices of rice because of world prices and regional supply problems, especially in Argentina, Brazil, and Uruguay.

Production in MY 2022/23 is estimated at 1.02 MMT, rough base, 14 percent lower than the official USDA estimate with a smaller area due to a dry environment.

Rice exports in MY 2023/24 are forecast at 230,000 MT, milled base, like what Post estimates for MY 2022/23. These export volumes are significantly lower than the official USDA numbers which estimates significantly higher rice production volumes in both marketing years. The main destinations of Argentine rice exports in MY 2023/24 are expected to be Brazil, Chile, Spain, and the Netherlands. Roughly 8-9,000 tons of organic rice is likely to be shipped to the US. About 60-65 percent of the rice which will be exported in MY 2022/23 has already been sold. The remainder will be sold and shipped over the next 8 months.

Local contacts believe that ending stocks are approximately 20-30,000 tons milled base.

Production Supply and Distribution Tables: Wheat, Barley, Corn, Sorghum, & Rice

Wheat Market Year Begins	2021/2022		2022/2023		2023/2024	
	Dec 2021		Dec 2022		Dec 2023	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	6550	6550	5500	5350	5800	5600
Beginning Stocks (1000 MT)	2322	2322	1926	1926	2931	2881
Production (1000 MT)	22150	22150	12550	12000	17500	17000
MY Imports (1000 MT)	4	4	5	5	5	3
TY Imports (1000 MT)	4	4	5	5	5	3
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	24476	24476	14481	13931	20436	19884
MY Exports (1000 MT)	16000	16000	5000	4600	12000	12000
TY Exports (1000 MT)	17651	17651	4800	4200	11000	11000
Feed and Residual (1000 MT)	250	250	50	50	100	50
FSI Consumption (1000 MT)	6300	6300	6500	6400	6500	6500
Total Consumption (1000 MT)	6550	6550	6550	6450	6600	6550
Ending Stocks (1000 MT)	1926	1926	2931	2881	1836	1334
Total Distribution (1000 MT)	24476	24476	14481	13931	20436	19884
Yield (MT/HA)	3.3817	3.3817	2.2818	2.243	3.0172	3.0357

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Wheat begins in July for all countries. TY 2023/2024 = July 2023 - June 2024

Barley Market Year Begins Argentina	2021/2022		2022/2023		2023/2024	
	Dec 2021		Dec 2022		Dec 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1340	1340	1565	1280	1400	1200
Beginning Stocks (1000 MT)	619	619	469	338	569	238
Production (1000 MT)	5300	5100	4500	4300	5300	4500
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	7	7	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	5919	5719	4969	4638	5869	4738
MY Exports (1000 MT)	3900	3831	2300	2700	3400	2600
TY Exports (1000 MT)	3765	3765	2400	2800	3400	2600
Feed and Residual (1000 MT)	250	250	600	400	300	300
FSI Consumption (1000 MT)	1300	1300	1500	1300	1450	1400
Total Consumption (1000 MT)	1550	1550	2100	1700	1750	1700
Ending Stocks (1000 MT)	469	338	569	238	719	438
Total Distribution (1000 MT)	5919	5719	4969	4638	5869	4738
Yield (MT/HA)	3.9552	3.806	2.8754	3.3594	3.7857	3.75

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Barley begins in October for all countries. TY 2023/2024 = October 2023 - September 2024

Corn Market Year Begins Argentina	2021/2022		2022/2023		2023/2024	
	Mar 2022		Mar 2023		Mar 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	7100	7300	6700	6500	7000	7250
Beginning Stocks (1000 MT)	1182	1182	1495	4295	1505	2805
Production (1000 MT)	49500	52000	34000	34000	54000	55000
MY Imports (1000 MT)	5	5	10	10	5	5
TY Imports (1000 MT)	6	6	10	4	5	5
TY Imp. from U.S. (1000 MT)	4	4	0	0	0	0
Total Supply (1000 MT)	50687	53187	35505	38305	55510	57810
MY Exports (1000 MT)	34692	34692	22000	21000	40500	40000
TY Exports (1000 MT)	38853	38853	24500	22000	33500	42000
Feed and Residual (1000 MT)	10500	10100	8000	10300	9300	10500
FSI Consumption (1000 MT)	4000	4100	4000	4200	4200	4300
Total Consumption (1000 MT)	14500	14200	12000	14500	13500	14800
Ending Stocks (1000 MT)	1495	4295	1505	2805	1510	3010
Total Distribution (1000 MT)	50687	53187	35505	38305	55510	57810
Yield (MT/HA)	6.9718	7.1233	5.0746	5.2308	7.7143	7.5862

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Corn begins in October for all countries. TY 2023/2024 = October 2023 - September 2024

Sorghum Market Year Begins	2021/2022		2022/2023		2023/2024	
	Mar 2022		Mar 2023		Mar 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Harvested (1000 HA)	925	925	850	800	800	950
Beginning Stocks (1000 MT)	196	196	477	347	427	247
Production (1000 MT)	3400	3400	3400	2300	3300	4000
MY Imports (1000 MT)	1	1	0	0	0	0
TY Imports (1000 MT)	1	1	0	0	0	0
TY Imp. from U.S. (1000 MT)	1	1	0	0	0	0
Total Supply (1000 MT)	3597	3597	3877	2647	3727	4247
MY Exports (1000 MT)	1520	1520	1700	1200	1800	1800
TY Exports (1000 MT)	1800	1900	1500	1000	1800	1800
Feed and Residual (1000 MT)	1300	1480	1400	950	1300	1800
FSI Consumption (1000 MT)	300	250	350	250	300	300
Total Consumption (1000 MT)	1600	1730	1750	1200	1600	2100
Ending Stocks (1000 MT)	477	347	427	247	327	347
Total Distribution (1000 MT)	3597	3597	3877	2647	3727	4247
Yield (MT/HA)	3.6757	3.6757	4	2.875	4.125	4.2105

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Sorghum begins in October for all countries. TY 2023/2024 = October 2023 - September 2024

Rice, Milled Market Year Begins	2021/2022		2022/2023		2023/2024	
	Apr 2022		Apr 2023		Apr 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Harvested (1000 HA)	186	186	185	160	190	158
Beginning Stocks (1000 MT)	274	274	163	149	93	147
Milled Production (1000 MT)	794	780	775	663	845	685
Rough Production (1000 MT)	1222	1200	1192	1020	1300	1054
Milling Rate (.9999) (1000 MT)	6500	6500	6500	6500	6500	6500
MY Imports (1000 MT)	2	2	5	5	5	4
TY Imports (1000 MT)	2	2	5	5	5	4
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1070	1056	943	817	943	836
MY Exports (1000 MT)	422	422	400	220	400	230
TY Exports (1000 MT)	402	402	400	220	400	230
Consumption and Residual (1000 MT)	485	485	450	450	420	455
Ending Stocks (1000 MT)	163	149	93	147	123	151
Total Distribution (1000 MT)	1070	1056	943	817	943	836
Yield (Rough) (MT/HA)	6.5699	6.4516	6.4432	6.375	6.8421	6.6709

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2023/2024 = January 2024 - December 2024

Attachments:

No Attachments