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Argentina

Grain and Feed

Annual

2000

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Report Highlights:
Although total Argentine grain production in the 1999/2000 year is expected to be important, low prices and high farm debt have negatively impacted this sector. Unless commodity prices improve significantly, area dedicated to wheat in 2000/2001 will remain steady, while corn area could decline in favor of soybeans. Despite expected lower output, with relatively low internal consumption, Argentina will continue to be an important factor in world grain trade in 2000/2001.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

For 1999/00, grain farmers allocated their land between productive enterprises based on two main factors. First, prices played their role, favoring those crops with better prospects. Thus, corn area expanded. Second, farmers increased planting of those crops which require fewer productive inputs and can thus can be seeded with lower input costs. Therefore, wheat led the way to a 9 percent expansion in area for the main grain crops These two factors were principle as farmers attempted to repair their balance sheets that have been negatively impacted by lower net income in recent years. Lower expected financial rewards for barley and reduced export prospects for rice diminished area for those crops. Good climactic conditions in many areas benefitted overall grain output, meaning that Argentina will continue to be a major factor in world trade as grain from the current season enters the world market.

For the 2000/01 year, the production mix is not expected to change notably. Farmers could plant similar area to wheat (in some areas, there is no real alternative due to agronomic conditions) as in the current year, but may move some land from corn to soybeans as prices for the latter edge upward. Unless the situation improves in terms of price and world markets, barley, sorghum and rice area planted are not expected to increase notably, and may fall.

Argentine agriculture is at a critical juncture. With continued low world prices for grains and oilseeds expected in the near term and high debt loads carried by some farmers, many producers are struggling to make ends meet. As a response, the government has proposed repayment schemes through the National Bank which would allow farmers to access easier credit terms and thus alleviate some of that stress.

Argentina continues to avoid the use of export subsidies and production supports. However, some farm groups and industry figures have recently been requesting that the government provide some sort of assistance in these times of low commodity prices.

Section I. Situation and Outlook

As the current marketing year began, farmers dedicated increased area to wheat, in part due to the fact that it is a relatively low cost commodity to produce, and the farmer's need to generate cash flow to pay off debts and other obligations as they come due at year-end. Input use (chemical and fertilizers) was reportedly lower due to both cost cutting measures and reduced willingness by farm service companies to risk providing supplies to farmers who may not later be able to pay for them. Wheat has the advantage of being part of a system that includes double-cropped soybeans, a combination that many farmers recognized as being the most profitable for their operations and that fits well into local cultural practices, especially with the advent of GMO soybeans with their lower cost of production.

This year, farmers responded to expected relatively higher oilseed prices and planted record area to soybeans. This factor could have reduced corn area. However; corn prices were expected to be favorable as planting commenced, expanding area in traditional growing areas and in some cases replacing area dedicated in the previous season to sunflowerseed and peanuts.

Barley lost area as compared to the previous year as there was less demand for new crop from the processing industry. In the case of rice, reduced prices due to greater local and world production dampened industry enthusiasm for that crop,

dropping area. Sorghum, a somewhat specialized crop for dryer areas in Santa Fe and the western grain belt, remained steady in both production and area.

Amongst the year's most notable events was the "reversed" rainfall pattern; that is, rainfall was better toward the western areas of the grain belt, and below normal in the eastern portion and in Entre Rios. As the latter area is traditionally very important for corn production, output will be lower than normal in that region. Still, with the employment of better varieties and improved production techniques, output, led by expected record yields in Cordoba province, should be the second highest for the country. Except for some frost damage in the wheat areas of southern Buenos Aires, dryness in the rice production region, and excessive moisture in Cordoba, the climactic conditions were good.

Domestic demand for grain is expected to remain about steady in the short run. Feed use, with relatively low returns in the dairy sector and no great expansion expected for intensive beef feeding, will not move strongly upward. Sugar prices are low; thus, corn sugar production is not expected to expand. For barley, nearly all of the grain is used for malt processing which is expected to be steady. Grain exports will continued to be the primary outlet for Argentine production.

For the next year, post projects production of wheat at13.5 million metric tons (mmt), corn at 15.0 mmt, barley at 400,00 metric tons, rice at 650,000 metric tons, and sorghum at 3.5 mmt.

Table 1. Changes in Area Planted to Principle Crops

Commodity	1999/2000	1998/99	% Change
Barley	194	242	-20%
Corn	3,623	3,268	11%
Rice	212	291	-27%
Sorghum	858	880	-3%
Wheat	5,942	5,263	13%
Total	10,829	9,944	9%

Data in thousands of hectares
Source: SAGPyA

Section II. Statistical Tables

Table 2. Barley Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		12/1998		12/1999		12/2000
Area Harvested	215	215	170	170	0	175
Beginning Stocks	70	110	85	85	50	85
Production	540	540	400	400	0	400
TOTAL Mkt. Yr. Imports	50	50	50	50	0	50
Oct-Sep Imports	50	50	50	50	0	50
Oct-Sep Import U.S.	7	7	0	0	0	0
TOTAL SUPPLY	660	700	535	535	50	535
TOTAL Mkt. Yr. Exports	75	75	75	75	0	75
Oct-Sep Exports	107	107	100	75	0	75
Feed Dom. Consumption	220	100	115	75	0	0
TOTAL Dom. Consumption	500	540	410	375	0	400
Ending Stocks	85	85	50	85	0	60
TOTAL DISTRIBUTION	660	700	535	535	0	535

Table 3. Barley Exports

Export Trade Matrix			
Country	Argentina		
Commodity	Barley		
Time period	Jan-Dec	Units:	mt
Exports for:	1998		1999
U.S.	800	U.S.	
Others		Others	
Brazil	84200	Brazil	75854
Chile	3740	Chile	17051
Ecuador	1005	Peru	999
Uruguay	36014	Uruguay	30856
Total for Others	124959		124760
Others not Listed			
Grand Total	125759		124760

Table 4. Corn Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		03/1999		03/2000		03/2001
Area Harvested	2550	2550	3100	3100	0	3000
Beginning Stocks	1540	1540	741	741	742	742
Production	13500	13500	15500	15500	0	15000
TOTAL Mkt. Yr. Imports	1	1	1	1	0	0
Oct-Sep Imports	1	1	1	1	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	15041	15041	16242	16242	742	15742
TOTAL Mkt. Yr. Exports	7800	7800	8700	8700	0	8500
Oct-Sep Exports	7849	7849	8500	8500	0	8500
Feed Dom. Consumption	4900	4900	5000	5000	0	4500
TOTAL Dom. Consumption	6500	6500	6800	6800	0	6500
Ending Stocks	741	741	742	742	0	742
TOTAL DISTRIBUTION	15041	15041	16242	16242	0	15742

Table 5. Corn Exports

Export Trade Matrix			
Country	Argentina		
Commodity	Corn		
Time period	Oct 98-Sept 99	Units:	tmt
Exports for:	Corn		1
U.S.		U.S.	
Others		Others	
Spain	1617922		
Chile	741458		
Brazil	698035		
Egypt	520609		
Japan	504120		
Peru	413594		
Malaysia	339713		
Jordan	320856		
United Kingdom	275543		
Portugal	266455		
Total for Others	5698305		0
Others not Listed	2440222		
Grand Total	8138527		0

Table 6. Corn Prices

Prices Table			
Country	Argentina		
Commodity	Corn		
Prices in	pesos	per uom	mt
Year	1998	1999	% Change
Jan	117	116	-0.85%
Feb	119	91	-23.53%
Mar	102	91	-10.78%
Apr	96	90	-6.25%
May	101	96	-4.95%
Jun	102	97	-4.90%
Jul	101	94	-6.93%
Aug	98	95	-3.06%
Sep	94	93	-1.06%
Oct	100	94	-6.00%
Nov	106	93	-12.26%
Dec	113	92	-18.58%
Exchange Rate	1	Local currency/US $	

Table 7. Rice Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		04/1999		04/2000		04/2001
Area Harvested	289	289	210	210	0	200
Beginning Stocks	52	43	237	228	142	83
Milled Production	1080	1080	725	600	0	650
Rough Production	1662	1662	1115	923	ERR	1000
MILLING RATE (.9999)	6500	6500	6500	6500	0	6500
TOTAL Imports	5	5	5	5	0	0
Jan-Dec Imports	5	5	5	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1137	1128	967	833	142	733
TOTAL Exports	650	650	550	500	0	400
Jan-Dec Exports	650	650	550	500	0	400
TOTAL Dom. Consumption	250	250	275	250	0	250
Ending Stocks	237	228	142	83	0	83
TOTAL DISTRIBUTION	1137	1128	967	833	0	733

Table 8. Sorghum Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Sorghum				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		03/1999		03/2000		03/2001
Area Harvested	750	735	800	800	0	800
Beginning Stocks	620	620	720	518	720	518
Production	3200	3200	3500	3500	0	3500
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	3820	3820	4220	4018	720	4018
TOTAL Mkt. Yr. Exports	600	550	800	800	0	1000
Oct-Sep Exports	519	1000	800	800	0	1000
Feed Dom. Consumption	2450	2450	2650	2000	0	2000
TOTAL Dom. Consumption	2500	2752	2700	2700	0	2500
Ending Stocks	720	518	720	518	0	518
TOTAL DISTRIBUTION	3820	3820	4220	4018	0	4018

Table 9. Sorghum Exports

Export Trade Matrix			
Country	Argentina		
Commodity	Sorghum		
Time period	Oct 98-Sept 99	Units:	mt
Exports for:			1
U.S.	0	U.S.	
Others		Others	
Japan	413629		
Chile	50467		
South Africa	16427		
Brazil	14550		
Colombia	8800		
Brazil	5685		
Norway	4691		
Chile	2722		
Total for Others	516971		0
Others not Listed			
Grand Total	516971		0

Table 10. Sorghum Prices

Prices Table			
Country	Argentina		
Commodity	Sorghum		
Prices in	pesos	per uom	mt
Year	1998	1999	% Change
Jan	87	82	-5.75%
Feb	87	80	-8.05%
Mar	85	79	-7.06%
Apr	76	74	-2.63%
May	83	75	-9.64%
Jun	87	76	-12.64%
Jul	91	76	-16.48%
Aug	92	75	-18.48%
Sep	91	76	-16.48%
Oct	88	76	-13.64%
Nov	85	76	-10.59%
Dec	84	76	-9.52%
Exchange Rate	1	Local currency/US $	

Table 11. Wheat Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		12/1998		12/1999		12/2000
Area Harvested	5133	5133	5800	5800	0	5500
Beginning Stocks	420	420	300	300	325	325
Production	12000	12000	14500	14500	0	13500
TOTAL Mkt. Yr. Imports	25	25	25	25	0	25
Jul-Jun Imports	25	25	25	25	0	25
Jul-Jun Import U.S.	1	0	0	0	0	0
TOTAL SUPPLY	12445	12445	14825	14825	325	13850
TOTAL Mkt. Yr. Exports	8200	8000	10000	10000	0	9000
Jul-Jun Exports	8700	8400	10000	10000	0	9075
Feed Dom. Consumption	100	100	300	100	0	100
TOTAL Dom. Consumption	3945	4145	4500	4500	0	4500
Ending Stocks	300	300	325	325	0	350
TOTAL DISTRIBUTION	12445	12445	14825	14825	0	13850

Table 12. Wheat Exports

Export Trade Matrix			
Country	Argentina		
Commodity	Wheat		
Time period	July 1998-June1999	Units:	tmt
Exports for:	1998		1999
U.S.	0	U.S.	
Others		Others	
Brazil	6650571		
Chile	278936		
Peru	244559		
Kenya	228040		
Iraq	208780		
Paraguay	122322		
Sri Lanka	105000		
Algeria	103124		
Bolivia	82558		
Egypt	77500		
Total for Others	8101390		0
Others not Listed	245645		
Grand Total	8347035		0

Table 13. Wheat Prices

Prices Table			
Country	Argentina		
Commodity	Wheat		
Prices in	pesos	per uom	mt
Year	1998	1999	% Change
Jan	125	114	-8.80%
Feb	124	104	-16.13%
Mar	122	107	-12.30%
Apr	123	120	-2.44%
May	126	122	-3.17%
Jun	119	128	7.56%
Jul	116	126	8.62%
Aug	108	127	17.59%
Sep	110	130	18.18%
Oct	131	112	-14.50%
Nov	126	95	-24.60%
Dec	115	88	-23.48%
Exchange Rate	1	Local currency/US $	

Section III. Narrative on Supply and Demand, Policy & Marketing

Although some factors such as weather cannot be controlled, there are several issues influenced by either the public or private sectors that will help to define supply and demand, and thus Argentina's role in world trade. Several of these are highlighted below.

Agricultural Policy

The Secretariat of Agriculture has been actively working with the public and private sector in developing solutions to address both low commodity prices and increasing farm debt. These solutions have included a fund that allows farmers to hold wheat off the market in the short term in anticipation of a better price levels, and an attempt to reduced farm debt load by developing alternative repayment schemes. Reportedly, farmers have been taking advantage of the latter program, resulting in some price increase on the local market. There has also been a short-term moratorium placed on forced farm sales for those operations with overdue debts. The overall effect of those latter two policies on grain output should be minor. Overall, the land will be farmed as long as the economic fundamentals are sound.

Some leaders within Argentina's agriculture sector have expressed a need for government support for farmers, including the adaption of production subsidies for agriculture. This would point to a shift in philosophy, as Argentina has long opposed the use of such tools, and expressed this on many occasions in international fora. The key impediment to implementation, if such policy is actually developed, would be insufficient funding and lack of infrastructure to make the program operational. For these reasons, post does not believe that at the current time subsidies will be implemented.

There are no government-funded promotion programs for grain exports in Argentina.

Biotechnology

Argentina has been a world leader in the adaption of biotechnology for soybeans, and to a lesser extent, corn.

Increasing numbers of farmers are incorporating Bt corn in their operations, but for the crop about to be harvested Bt represents only around 5 percent of total area. Planting seed production is continuing, and given market conditions, a 20-30 percent Bt corn crop is expected in 2000/01. Bt corn varieties have not been as rapidly adapted as for RR soybeans because insects are a lesser problem for corn, and part of the appeal of RR soybeans is derived from its use in the minium tillage operations not common to corn production. Argentina closely monitors world market acceptance of biotechnology products, and has to date only approved varieties for commercial production that are already allowed into the EU, providing a statement to that effect to the relevant importing countries.

Analysts believe that GMO grains, with some effort and coordination between producers and buyers, can be segregated by the elevators and port facilities. However, importing countries have not yet indicated a willingness to pay the associated extra cost.

Grain Consumption Patterns

For the next year, grain consumption patterns are not expected to change notably. Interest in cattle feedlots exists to finish animals for export, but the use of this method is not growing rapidly-- the Argentine beef production system still is focused on grass feeding. Corn use in the milling industry to create products such as sugar is expected to remain steady. For barley, use will depend both on the local market for beer, and the market for malt in other countries, particularly Brazil. Investments have been completed in that sector to increase processing capacity, but as production is "regulated" by contracts, throughput is steady.

Table 14. Various Components of Grain Demand

Commodity	Principle Use	Expected Trend	Current Events
Barley	Nearly all for the domestic malting industry or for export to neighboring countries	Steady	New barley processing plants coming on line
Corn	Primarily for export	Steady feed use due to stable livestock industry and cattle feeding, and no expansion in processing	Non-GMO corn advantage into Europe
Rice	Primarily for export	Slow domestic consumption increase. Exports will depend on market events, particularly in Brazil. Some increase in internal rice consumption due to immigration	Low investment in processing and storage
Sorghum	Small amount of domestic processing	Lower export potential	Lower demand in some markets
Wheat	Primarily for export	Steady domestic use	New variety development proceeding slowly

Infrastructure

With privatization of ports and some roads, Argentina's transportation system has made major advances in efficiency. Now, industry analysts recognize that steps need to be taken to reduce costs of transporting grain from the farm gate to the port. Although the main growing regions are located within several hundred miles of modern port facilities, the trucks commonly used to haul grain from the country stations to the river are costly and the roads are often not paved. Thus, transport fees continue to represent an important fraction of the farmer's cost structure, lowering the farm gate price considerably. Some plans have been floated to change this situation, but a lot of money and time will need to be invested.

Argentina's improvements to its river transportation system have given its export industry a big boost in competitiveness in world markets. Costs for loading and shipping grain are now among the lowest among major exporters. However, the system faces a great challenge. The decline in draft, due to drought upstream in northern Argentina and neighboring countries, has hurt the industry by reducing the capacity of the ships that can call on some ports, thus increasing costs per ton. Although trade has by no means stopped during the wheat harvest, as most wheat is shipped out of deep water ports in southern Buenos Aires province, it could negatively impact both the pace and cost competitiveness of corn exports, as much of this grain leaves from the Rosario area.

Although the rice industry had been making investments in both processing and storage, the situation has changed. With currently depressed world market prices and poor short term trade prospects, both farmers and mills have been reluctant to begin construction of new facilities. This will hurt their competitiveness in the near and medium term.

Table 15. Comparison of Costs from Farm Gate to Market

Item	Cost Per Metric Ton of Grain
Sorghum	$28.30
Corn	$20.90
Wheat	$20.90
Barley	$7.90

Source: Based on Margenes Agropecuarias, May 1999