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Argentina

Grain and Feed

June Update

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Report Highlights:

With favorable prices and improving growing conditions, wheat planted area is expected to increase in 2000/2001, and Argentina will continue to be a strong competitor in world markets. Harvest progress for other grains has been negatively affected by recent heavy rainfall, but production should not fall if conditions improve as expected.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Buenos Aires [AR1], AR

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Executive Summary

Heavy rainfall during the month of May in many regions of the Argentine grain belt has negatively affected grain harvest progress, with the major crops being collected more slowly than in the 1998/1999 season. However, analysts believe that unless this situation continues for some time more (which is not being predicted at this point), production should not fall significantly. This same rainfall (among other factors) has brightened perspectives for wheat, which should enjoy an increase in planted area.

With significant production of the major grains in the current year, Argentina should continue to be an important player in world markets.

Wheat Production

Wheat planting for the 2000/2001 crop is just beginning in several regions of Argentina, namely in the southeast portion of Buenos Aires province and in Santa Fe, too. Favorable local wheat prices generated by an expectation of tighter world supplies have supported the price of this grain, and analysts believe that area will expand over 1999/2000 as farmers perceive greater profitability. Recent rainfall has recharged soil moisture in some regions (a few areas received over 200 mm in recent weeks), an additional positive factor as long as planting is not delayed due to muddy conditions. As the main planting period does not start until next month, the situation is not yet seen to be critical.

Several other factors support the expectation of expanded area. First, wheat has a key role as a complement to soybean production in the commonly-used combination of wheat and second-crop soybeans, and these two crops together are expected to remain relatively more profitable for the farmer in 2000/2001, especially now as soybean prices are stronger on the local market due to competition from exporters and crushers for available domestic supplies. Second, wheat may expand into some traditional sunflowerseed areas, as the output price for the latter crop (due to low world sunflowerseed oil demand) is not favorable.

Wheat Trade and Use

As of May 24, wheat sales for the export market total about 9.2 million metric tons (mmt), and actual exports reached 6.9 mmt, both figures well ahead of the pace in the 1998/99 season. Millers have also been purchasing more rapidly, and have already acquired about 2.8 mmt of grain in the current season, versus 2.3 mmt in 1998/1999. Part of this more rapid pace may be to ensure that better quality supplies are available for processing.

Corn Production

The country's corn crop has also been negatively affected by the heavy rainfall during May, and a reduction in harvesting percentage of about 8 percent has been reported by the government. The areas most affected by these wet conditions are reported to be the provinces of Entre Rios and Santa Fe. Currently, the harvest is about 65 percent complete. Yields to date are reported to be very good, with examples of about 6.2 mt/ha in Buenos Aires province 6.3 mt/ha in Cordoba;

the latter, if confirmed, could be a record for that region.

Corn Trade and Use

Although production will be several million tons below the record of 1997/98, this crop's resultant exportable supplies will continue to keep Argentina among the world's leading exporters. To date, however, shipments have been somewhat slow, with only about 4.1 mmt being exported as of May 24. This may represent slower deliveries to export points, as export commitments, at 5.8 mmt are 400,000 metric tons greater than in 1998/1999.