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Report Highlights:

A new government policy raising export taxes for agricultural products from 6.7 percent to 12 percent in December 2019 drives advanced MY19/20 grain crop sales. For MY19/20, wheat production is estimated at 19.3 million tons, higher than USDA, barley production at 3.9 million tons, 800,000 tons lower than USDA and corn production at 48 million tons, 2 million tons lower than USDA. Post estimates of corn consumption for MY 18/19 and 19/20 are significantly lower than USDA. Corn exports in MY 18/19 are expected to hit a record 38 million tons.

New Policies Affecting Grains

Since the December 2019 inauguration of President Alberto Fernandez, a return to reliance on interventionist trade policies to raise fiscal revenue has impacted the agricultural sector. One of the first measures taken by the Fernandez government was to increase export taxes. On December 14, under Decree 37/2019, the government eliminated the \$4 pesos per US dollar cap on export taxes on grains (which in December 2019 represented 6.7 percent) which raised taxes on all grains to 12 percent. In late December, Congress passed Law 27,541 “Social Solidarity and Productive Reactivation” in which the government gained authorization to increase export taxes, including on grains, up to 15 percent which, so far, has not been implemented.

Argentine Grain and Oilseeds Export Taxes

Commodity/Date	Nov. 2019	Dec. 2019 (Decree 37)	Solidarity Law (Max)
Wheat	6.7%	12%	15%
Barley	6.7%	12%	15%
Corn	6.7%	12%	15%
Rice (Paddy)	5.0%	12%	15%
Soybean Complex	6.7%+18% = 24.7%	12%+18% = 30%	15%+18% = 33%

Prior to the new administration taking office in December 2019 farmers engaged in aggressive future grain sales for the 19/20 crop (which began with the wheat harvest in December 2019) to avoid anticipated increases in their tax burden. By the first week of December 2019, farmers had sold not only wheat but also corn and soybeans in volume that exceeded 19 million tons more compared to the same week a year ago. Strong agricultural global agricultural prices recently helped absorb some of the negative impact of the additional export tax, but farmers also face new currency controls that make converting their grain into dollars more expensive.

Wheat: Post estimates Argentine wheat production for marketing year (MY) 19/20 at 19.3 million tons, 300,000 tons higher than USDA’s official number. Although most contacts expected production of 21 million tons, scarce rains and pervasive frosts in the central and southwestern part of Buenos Aires province during early growth points reduced some production projections to 18 million tons. Additional moisture in spring saw the crop developing well into harvest which took place in mid-November in the northern provinces and in December in the central and southern regions, the main wheat production area. High levels of technology and appropriate levels of fertilization for the crop resulted in good protein quality for positive commercialization in both domestic and export markets.

Wheat exports for MY 19/20 are forecast at 13.0 million tons (including wheat flour exports converted into equivalent wheat), equivalent to USDA. Through January 8, 2020, the Argentine Ministry of Agriculture indicated that exporters have purchased 13.4 million tons and have declared sales for 12 million tons in aggressive buying to lock in prices before an expected hike in export taxes. Shipments in December totaled approximately 2 million tons, with Brazil accounting for 660,000 tons, Indonesia 400,000 tons with other destination markets including countries in Africa, South East Asia and South America. Regional exports in

December fell below projections due to the low level of the Parana river following scarce rains in Brazil, Bolivia and Paraguay which caused some logistical problems but is not expected to be a major issue. Exports in January are projected at approximately 3 million tons, primarily to Indonesia of approximately 1 million tons. Exports in February and March could add approximately 4 million more tons.

Post estimates domestic consumption for MY 2019/20 at 6.15 million tons, 100,000 tons higher than USDA. The new government's measures to improve the purchasing power of a large portion of the population, whose ability in the past few years has suffered from strong devaluations and high inflation, are expected to have a positive influence on demand for wheat flour products. Through the first week of 2020, domestic mills had purchased 1.35 million tons of their annual wheat needs which are estimated at approximately 6 million tons. The government is monitoring this supply/demand situation very closely. In the past, government policies have intervened in the supply balance through wheat exports quotas and export taxes up to 23 percent which negatively affected farmer's and trader's alike.

Barley: Post estimates barley production for MY19/20 at 3.9 million tons, 800,000 tons lower than USDA as drought-related impacts saw barley fields abandoned or uses revised to silage, pasture or wheat in response to market signals. A recent report released by the Bolsa de Cereales de Bahia Blanca, which covers the largest barley production area (south west Buenos Aires and east La Pampa provinces), confirmed 683,000 hectares were harvested in MY19/20, 109,000 hectares below the previous season, with average yields of 2.8 tons per hectare, 32 percent lower than the previous high-yielding season. In southeastern Buenos Aires province, barley's highest yielding area, productivity benefitted from more adequate rainfall with yields of 7 tons per hectare across many fields with some peaking at 9 tons per hectare. Industry sources report that, overall, the crop quality is very good with some instances of pre-germinated grains due to rainy days at the end of the harvest.

For MY18/19, based on stocks reported by the private sector, Post's production estimate remains at 4.9 million tons, 160,000 tons lower than USDA. Beginning stocks for December 2019 are estimated between 500-600,000 tons.

Barley exports in MY 2019/20 are forecast at 2.4 million tons. Brokers indicate that roughly 1.2 million tons of malting barley will be exported primarily to other South America markets with another 1.2 million tons of feed barley exported primarily to Saudi Arabia. Exporters report that a large volume of Argentine barley will likely fill a November 2019 Saudi Arabian tender for 1 million tons of feed barley for delivery in February and March 2020. Through the first week of 2020, exporters purchase of 950,000 tons of barley was 70 percent feed barley. Export declarations totaled 1.5 million tons.

Post estimates that the domestic use of barley for feed in MY 19/20 will be 400,000 tons, 100,000 tons lower than USDA, but 100,000 higher than in MY 2018/19. Industry contacts report that roughly 60-70 percent of the carry out stock rolled into December 2019 is of poor quality with low protein and low germinative power which could encourage more use in animal feeding.

Corn: Post projects corn production in MY 19/20 at 48 million tons, 2 million tons lower than USDA due to reduced acreage (-100,000 hectares) and a slightly lower yield (-2.4 percent). Following a dry spring, plentiful rainfall over the main corn belt between late December and the first two weeks in January provided needed moisture when most early corn fields were flowering or in fill stages. These rains also moved up planting for second or late corn crops which had been delayed pending more favorable soil humidity. Almost 95 percent of the corn crop has been planted with roughly 50 percent planted early for harvest primarily in March and the other 50 percent planted late for harvest in June/July. Sources agree that following an unexpected primary election defeat in August 2019 by former President Macri, farmers changed planting intentions for 200-400,000 hectares from corn to soybeans in anticipation of a regime change. Industry reports the harvested area of commercial corn will be close to 6.0 million hectares.

Post projects corn domestic consumption for MY 19/20 at 13.4 million tons, 1.6 million tons lower than USDA. For MY 18/19, Post estimates consumption at 13.0 million tons, 800,000 tons lower than USDA. Among the industries that consume corn, the broiler industry is on an upward production trend due to higher domestic consumption, strong demand from China and more competitive international prices following a currency devaluation. Pork and beef production are also on an expansion swing, with egg production increasing marginally and milk production dropping slightly. Wet and dry milling and ethanol production (based on grain) remained practically unchanged. For 2020, the egg, poultry, dairy and pork industries are expected to expand with cattle production stable. The corn ethanol industry could drop somewhat due to the vulnerable financial situation of one of its key companies that processes bioethanol.

Exporters have purchased and declared shipments for the MY 19/20 (beginning in March 2020) for 18 million tons, almost 12 million tons more than a year ago. Both farmers and exporters advanced contracts to avoid the payment of higher export taxes expected in mid-December 2019.

Argentina is very competitive in world markets between March and June, during the peak of harvest. Corn exports for MY 18/19 are expected to reach a record 38 million tons, 2 million tons higher than USDA, based on attractive export prices. Exports from March-December 2019 are estimated at 34 million tons, plus 2 million tons more in January and February 2020.

Larger than expected exports will draw down ending stocks to 2.4 million tons by the end of MY 18/19 (February 2020), a lower volume than USDA's 36 million tons. Brokers and exporters believe stocks range between 1.5-3.0 million tons, a tight supply as reflected in the prices paid.

Sorghum: Post concurs with USDA's supply and demand values except estimates MY19/20 exports at 300,000 tons, 100,000 tons higher than USDA, based on expected growth in some recent small contracts with China.

Rice: Post projects MY 19/20 production at 770,000 tons (milled base), down slightly from USDA's official volume. Wet conditions in October delayed planting for about a month and slightly cooler than normal weather is expected to lower yields somewhat. Contacts indicate that 60-70 percent of planting in Entre Rios province was delayed while Corrientes province had delays but less widespread. The rice harvest is expected to begin in the latter part of January in northern Corrientes.

Export taxes for rice are currently 9 percent for milled rice and 12 percent for paddy rice. The local rice industry has asked the government to lower the tax to 5 percent in line with other regional production sectors.

Most contacts report practically no rice stocks rolling into the new marketing year.

Statistical Tables

Wheat	2017/2018		2018/2019		2019/2020	
	Dec 2017		Dec 2018		Dec 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Begin Year						
Argentina						
Area Harvested	5800	5800	6050	6050	6370	6400
Beginning Stocks	245	245	470	470	1737	1737
Production	18500	18500	19500	19500	19000	19300
MY Imports	5	5	5	5	10	5
TY Imports	5	5	4	4	10	4
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	18750	18750	19975	19975	20747	21042
MY Exports	12730	12730	12188	12188	13000	13000
TY Exports	14000	14000	12680	12680	13000	13000
Feed and Residual	50	50	50	50	50	50
FSI Consumption	5500	5500	6000	6000	6000	6100
Total Consumption	5550	5550	6050	6050	6050	6150
Ending Stocks	470	470	1737	1737	1697	1892
Total Distribution	18750	18750	19975	19975	20747	21042
Yield	3.1897	3.1897	3.2231	3.2231	2.9827	3.0156
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley Market Begin Year Argentina	2017/2018		2018/2019		2019/2020	
	Dec 2017		Dec 2018		Dec 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	935	935	1200	1100	1200	1020
Beginning Stocks	447	447	388	388	711	551
Production	3740	3740	5060	4900	4700	3900
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4187	4187	5448	5288	5411	4451
MY Exports	2399	2399	3237	3237	3200	2400
TY Exports	2537	2537	3001	3001	3200	2400
Feed and Residual	200	200	300	300	500	400
FSI Consumption	1200	1200	1200	1200	1200	1200
Total Consumption	1400	1400	1500	1500	1700	1600
Ending Stocks	388	388	711	551	511	451
Total Distribution	4187	4187	5448	5288	5411	4451
Yield	4	4	4.2167	4.4545	3.9167	3.8235
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn	2017/2018		2018/2019		2019/2020	
	Mar 2018		Mar 2019		Mar 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Begin Year						
Argentina						
Area Harvested	5200	5200	6100	6100	6100	6000
Beginning Stocks	5273	5273	2407	2407	3612	2412
Production	32000	32000	51000	51000	50000	48000
MY Imports	7	7	5	5	5	5
TY Imports	7	7	5	5	5	5
TY Imp. from U.S.	4	4	0	0	0	0
Total Supply	37280	37280	53412	53412	53617	50417
MY Exports	22473	22473	36000	38000	33500	33500
TY Exports	24198	24200	32879	32879	33500	33500
Feed and Residual	8500	8500	9700	9000	10300	9400
FSI Consumption	3900	3900	4100	4000	4700	4000
Total Consumption	12400	12400	13800	13000	15000	13400
Ending Stocks	2407	2407	3612	2412	5117	3517
Total Distribution	37280	37280	53412	53412	53617	50417
Yield	6.1538	6.1538	8.3607	8.3607	8.1967	8
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sorghum	2017/2018	2018/2019	2019/2020

Market Begin Year	Mar 2018		Mar 2019		Mar 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Harvested	700	700	630	630	575	575
Beginning Stocks	889	889	653	653	423	423
Production	3000	3000	2500	2500	2500	2500
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3889	3889	3153	3153	2923	2923
MY Exports	36	36	330	330	200	300
TY Exports	329	296	196	196	200	300
Feed and Residual	2800	2800	2000	2000	1900	1800
FSI Consumption	400	400	400	400	400	400
Total Consumption	3200	3200	2400	2400	2300	2200
Ending Stocks	653	653	423	423	423	423
Total Distribution	3889	3889	3153	3153	2923	2923
Yield	4.2857	4.2857	3.9683	3.9683	4.3478	4.3478
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled	2017/2018	2018/2019	2019/2020
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Market Begin Year	Apr 2018		Apr 2019		Apr 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Harvested	198	198	183	183	186	185
Beginning Stocks	304	304	264	284	156	233
Milled Production	889	889	774	774	806	770
Rough Production	1368	1368	1191	1191	1240	1185
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	7	7	8	5	8	5
TY Imports	7	7	8	5	8	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1200	1200	1046	1063	970	1008
MY Exports	426	426	370	370	330	330
TY Exports	375	391	370	340	330	330
Consumption and Residual	510	460	520	460	525	460
Ending Stocks	264	284	156	233	115	218
Total Distribution	1200	1170	1046	1063	970	1008
Yield (Rough)	6.9091	6.9091	6.5082	6.5082	6.6667	6.4054
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments