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Report Highlights:

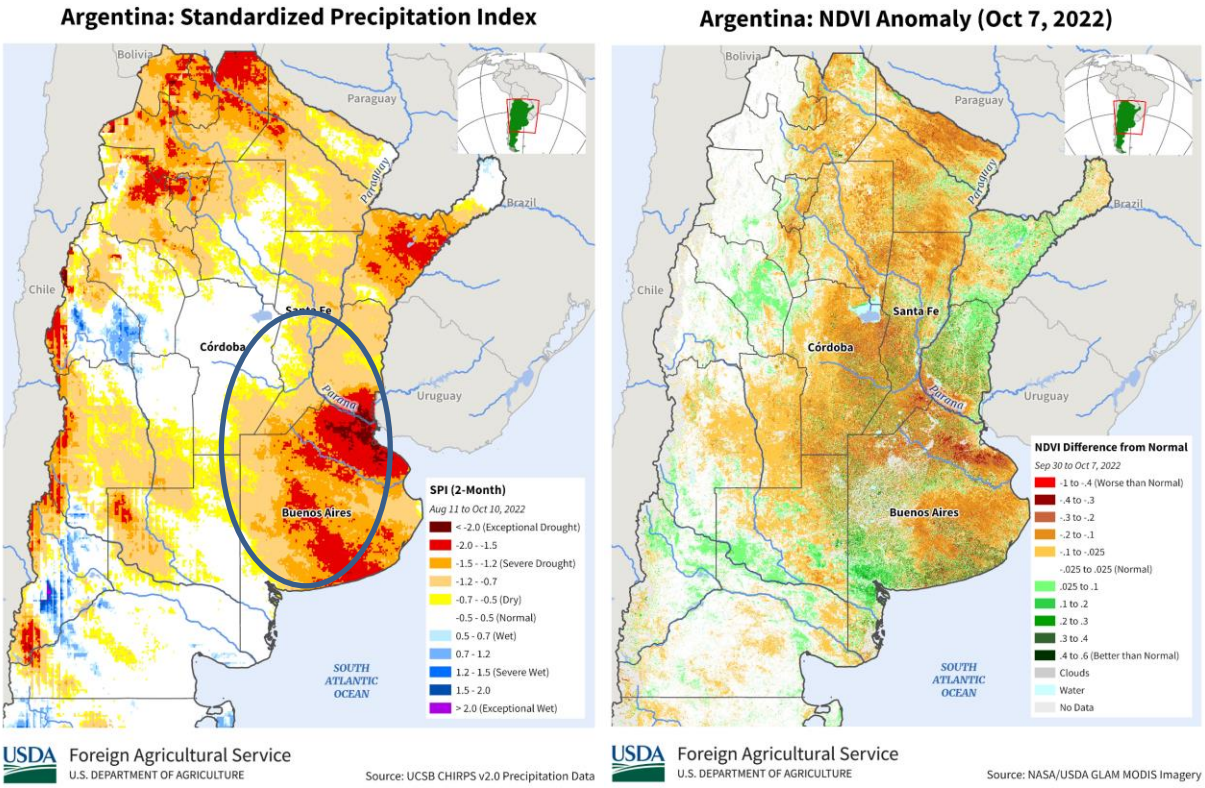
Due to dry conditions, Argentine wheat production for marketing year (MY) 2022/23 is forecast down at 15.5 million metric tons (MMT), 2 MMT lower than the official USDA estimate. As a consequence wheat exports are lowered to 10 MMT. Barley exports for MY 2022/23 are also forecast down at 3 MMT, 500,000 MT lower than official USDA projection as result of lower production and slower farmer selling. Corn exports in MY 2022-23 are projected at 37.5 MMT, 3.5 MMT lower than the official USDA estimate mainly due to a smaller forecast crop. Sorghum exports in MY 2022-23 are forecast at 2.2 million tons, with China being the primary destination.

Overview

In Argentina, growing conditions for winter crops (principally wheat and barley) have steadily degraded in recent months. Argentina is experiencing its third dry year in a row and the current drought is damaging maturing wheat and barley and preventing farmers from planting “early” corn. The maps below highlight this precarious situation through the first week of October 2022. The map to the left shows the precipitation index, where the country’s main agricultural area (circled in blue) is under severe drought stress. During this winter, many areas received as little as 20-30 percent of the average

rainfall of the past 100 years. The map to the right shows the vegetation index (NDVI), with very poor condition in the north of Buenos Aires as well as large areas in Santa Fe and Cordoba provinces, the three most important provinces for row crop production. October is the key month for yield development for wheat and barley and drought conditions were exacerbated by late frosts in a significant part of Buenos Aires Province and southern Santa Fe Province. While some rain is forecast in the coming weeks, most weather forecasts currently predict dry conditions to persist over the next few months.

Figure 1: Remote Sensing Data – Precipitation and Plant Growth



Wheat

Post forecasts Argentine wheat production for MY 2022/23 at 15.5 million metric tons (MMT), 2 MMT lower than the official USDA estimate. Due to persistent dry conditions, potential wheat production has been falling steadily across the country. Due to the latitudinal variation in Argentina, key growing regions are passing through different growth and development stages based on their locations. In some locations stress or frost can lead merely to a decline in yield potential, however in others damage is so extensive that fields are being abandoned. Late frosts in September and mid-October have also negatively impacted wheat fields in the core area of the central-southeast Buenos Aires province as well as northwestest Buenos Aires and southern Santa Fe provinces. The condition of wheat north of Highway 5 is regular to poor. Fields look very spotted, with short, yellow plants. In the northern Province of Chaco, wheat is grain filling and close to beginning the harvest but many fields in this region will not be harvested as expected yields are very low. While Post's projection already represents

an 11 percent reduction from the official USDA estimate, some local analysts are privately estimating that total production may fall below 14 MMT.

Figure 2: Drought-stressed wheat near Junin, northwestern Buenos Aires Province.

Source: Gustavo Franco, mid-October 2022

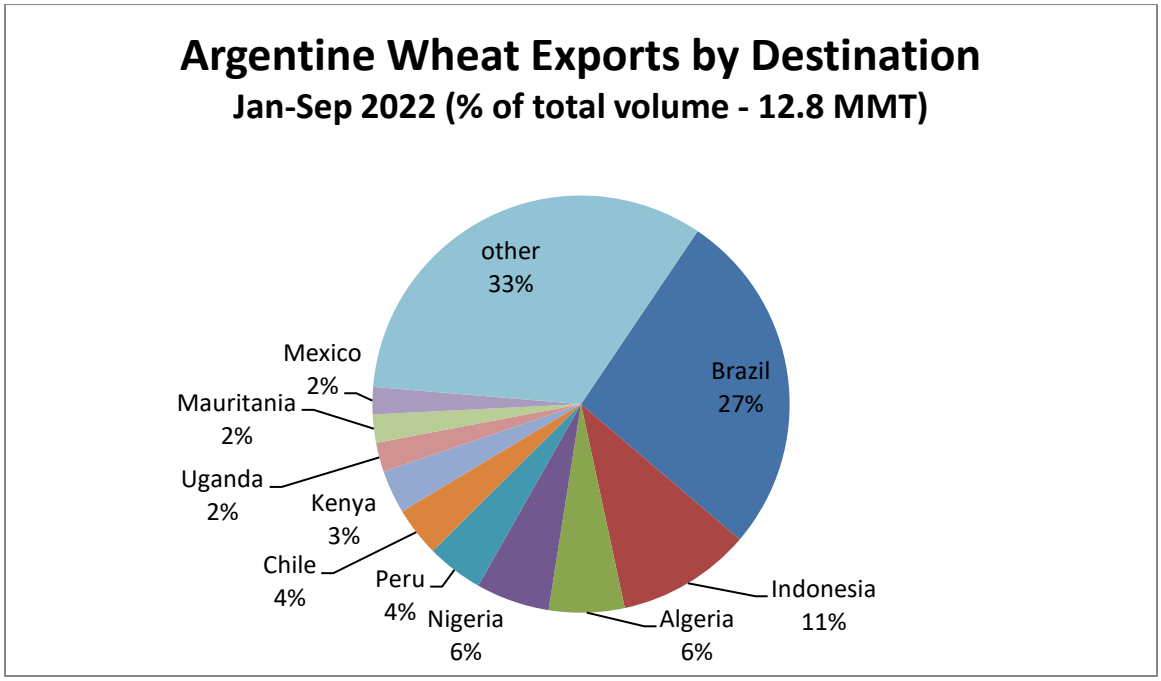
Wheat exports for MY 2022/23 are forecast at 10 MMT, 2 MMT lower than the official USDA estimate as a direct reflection of an expected lower production. Shipments could be even smaller if unfavorable weather continues to damage the crop. To date, the government has authorized an export quota (or volume of equilibrium) of 10 MMT of wheat for MY 2022/23. Through mid-October, 2022, the government has officially registered export certificates for a volume of 8.85 million tons. The uncertainty of the crop size is putting pressure on the local wheat market and there are rumors that the government could authorize shipments to take place on an extended period of time in order to take pressure off the market. Based on current authorizations, exports in December 2022 through February 2023 would total 8.4 MMT of wheat (not including wheat flour), but local exporters believe that the shipment pace will be slower given the current situation of the crop and a slow farmer selling (to date roughly 30 percent of the total export potential has been purchased and priced). Farmers know that the crop will be smaller than expected and some believe that due to the Central Bank's need for foreign currency, the government foreign could implement a similar scheme as the "soy dollar" put in place during September 2022, which encouraged producers to sell a large portion of their production by allowing for a more favorable temporary exchange rate which resulted in a 30-40 percent price increase in peso terms. Please see the October Oilseeds and Products Update published by FAS Buenos Aires for more information on the "soy dollar".

Brazil, Argentina's number one wheat market, is expected to have a large wheat crop in MY 2022/23 and traders believe it will seek to source a significantly lower volume of wheat than the historic average of about 5.0-6.0 million tons from Argentina. Argentine wheat is currently more expensive vis-à-vis other origins like Russia and the United States.

Argentine official trade data by destination reports a significant volume as "Confidential", not allowing identifying the final volume shipped to each individual country. The following chart shows the top ten

destinations of Argentine wheat exports during the period January-September 2022 based on data reported by NABSA, one of the leading local shipping agents.

Figure 2: Argentine Wheat Exports by Destination



Source: FAS Buenos Aires using NABSA data

Barley

Post forecasts barley production for MY 2022/23 at 4.9 million tons, 200,000 tons lower than USDA's official number. The barley crop in the northern part of Buenos Aires Province and south of Santa Fe Province has suffered the effects of severe draught, and several thousand hectares will not be harvested due to their poor condition. On top of that, late frosts in September and mid-October are expected to cut yields further. The recent showers are not expected to have a significant impact on production as it did not rain in the main barley area. The condition of barley fields in the main production area which is located in southeast Buenos Aires Province was very good until early October. Since then, there have been no more rains. This drought combined with a few late frosts, are expected to have a negative impact on yields. Most farmers who planted barley made significant investment in fertilizer, seeds, and agrochemicals, but the dry conditions have limited the effectiveness of these measures. If it does not rain by the end of October, Argentina will harvest a significant volume of poor-quality barley, with small grain size and high levels of protein. If this occurs, more exports will go out as feed barley instead of malting barley or Fair Average Quality (FAQ).

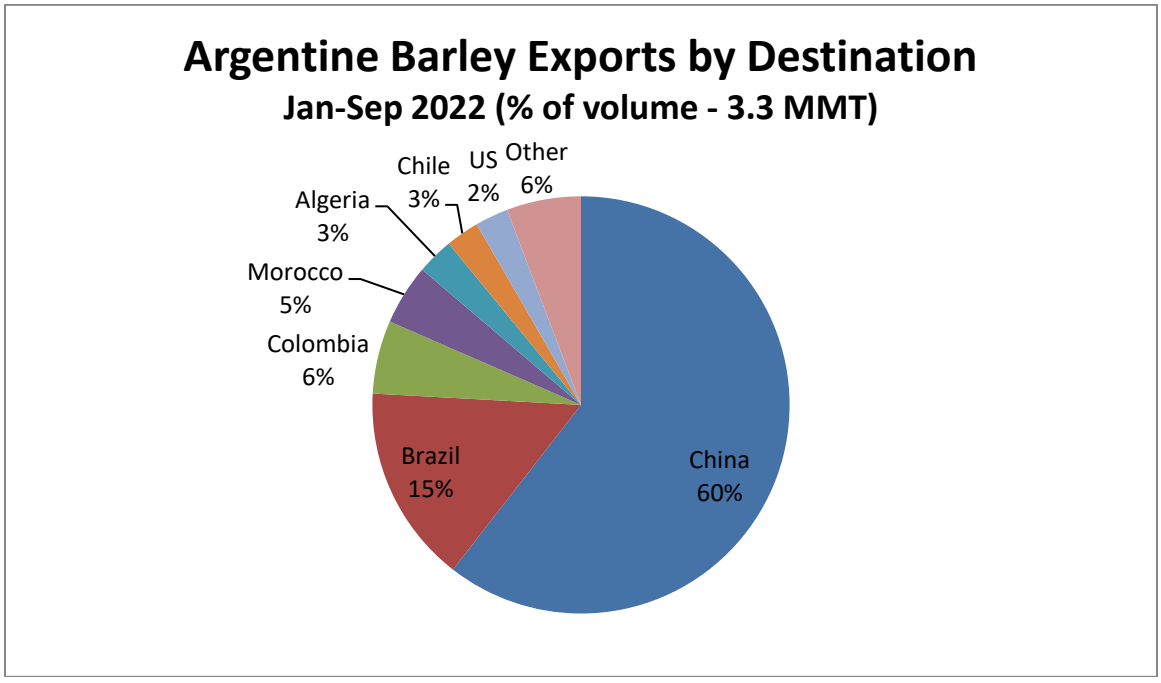
Figure 3: Drought-stressed barley in southeast Buenos Aires Province

Source: www.Cebadacervecera.com.ar Mid-October 2022

Posts forecasts barley exports in MY 2022.23 at 3 MMT, 500,000 MT lower than the official USDA projection as a result of a somewhat smaller crop output and larger farmer grain retention. Post estimates that roughly 1.2 MMT of productions will be classified as malting barley and 1.8 MMT as feed barley. Though more than half of this feed barley could be sold as FAQ. China is expected to be the destination for over 80 percent of the country's feed and FAQ barley exports, and for 200,000-250,000 MT of malting barley. Most malting barley exports normally go to other South American countries. Through early October 2022, exporters had purchased 20 percent of the potential exports for MY 2022/23. Local brokers believe farmer selling will be slow as producers will want to retain as much grain as possible believing there could be a sudden devaluation, lower export taxes, or a "barley dollar" similar to the government's "soy dollar". In late 2023 there will be presidential elections and some farmers speculate there could be policy changes, especially related to the lowering or elimination of some export taxes on agricultural commodities if the conservative opposition defeats the current government

Argentine official trade data by destination reports a significant volume as "Confidential", not allowing identifying the final volume shipped to each individual country. The following chart shows the top seven destinations of Argentine barley exports during January-September 2022 based on data reported by NABSA, one of the leading local shipping agents.

Figure 3: Argentine Barley Exports by Destination



Source: FAS Buenos Aires using NABSA data

Domestic consumption for MY 2022/23 remains unchanged at 1.6 million tons. However ending stocks are projected to be higher at 584,000 tons primarily due to an expectation that farmers will retain larger than normal stocks due to economic and political factors mentioned above.

Corn

Post forecasts Argentine corn production for MY 2022/23 at 52 MMT, 3 MMT lower than USDA's official data. The severe drought and resulting the lack of soil moisture, plus a significant increase in the required investment per hectare are expected to negatively affect total corn acreage, especially that of early planted corn. Post forecasts harvested area in MY 2022-23 at 6.8 million hectares, 200,000 hectares lower than the official USDA estimate and 500,000 hectares lower than MY 2021/22.

Despite corn being a better theoretical economic alternative than producing soybeans, the significant increase in production costs for MY 2022/23 has encouraged some farmers at the margin to shift some of their planned corn acreage to soybeans. Farmers have been forced to reckon directly with these higher costs because the crop season has started very dry and most weather forecasts predict that dry conditions will continue for at least 3 more months. Fuel, seed, and fertilizer prices have increased quite significantly from last marketing year. For the same initial investment, farmers can plant almost two hectares of soybeans for every hectare of corn. Based on information published by Margenes Agropecuarios, the following chart shows average projected production costs and returns for corn and soybeans for a farm in the most productive crop region "zona nucleo". The chart compares production costs (in dollars per hectare) for September 2022 versus September 2021. September is the month when early corn begins to be planted in Argentina.

Table 1: Corn and Soybeans Costs and Margins in USD per Hectare

	Corn 09/21	Soy 09/21	Corn 09/22	Soy 09/22	Diff. 22/21 Corn	Diff.22/21 Soy
Direct Costs	457	249	597	318	31%	28%
Total Costs	546	339	714	411	31%	21%
Gross Margin	803	701	985	786	23%	12%

Source: Margenes Agropecuarios

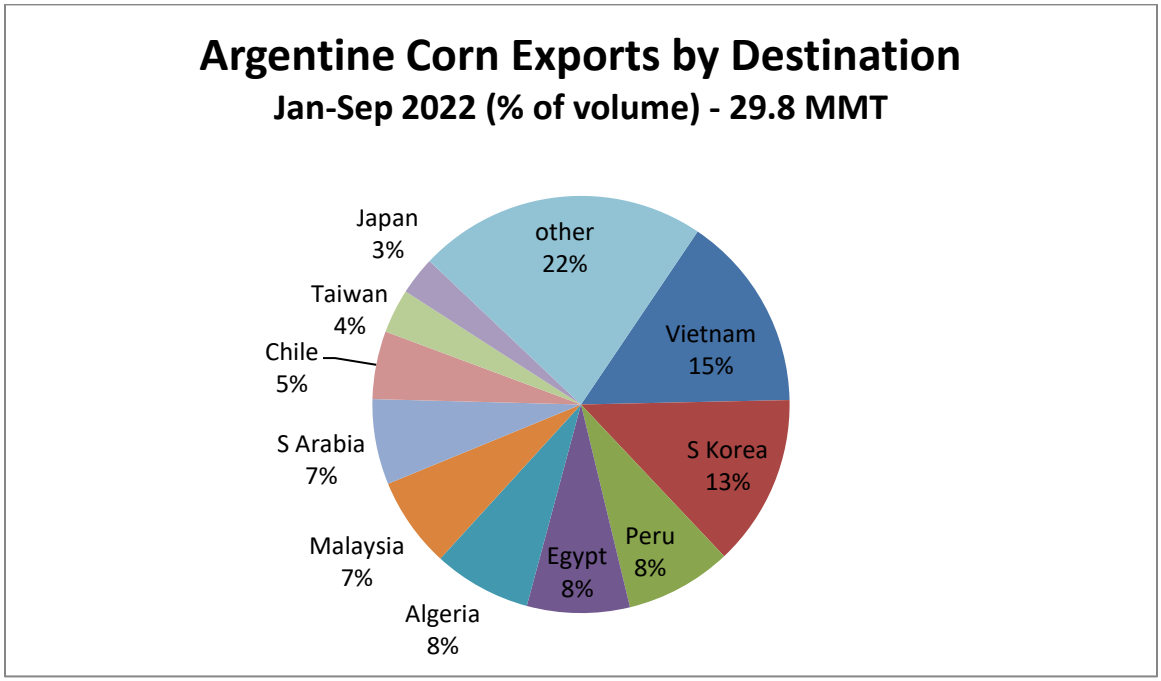
Due to the dry conditions there are very few fields planted with early corn in Argentina. In the more temperate central region, where the best production environments are located, most farmers try to plant early corn as it typically yields 10-15 percent more than late planted corn. At a country level, in a normal year, roughly 40 percent of the corn is planted early and 60 percent late. In MY 2022/23, these percentages are estimated to change to 25 percent early corn and the and 75 percent late corn. This is because many farmers were not able to plant early because of the lack of soil moisture, but also because farmer have learned adaptive strategies from the last two dry years. In anticipation of continued dry weather some farmer those took the decision to plant late (late November/mid-December) in an effort to prevent their corn from passing through the vulnerable flowering stage during a potentially a hot and dry January. February is normally much wetter and helps to provide production and yield stability. Late corn usually has lower production costs (especially a lower use of fertilizer), but yields somewhat less. Prices for corn harvested during this time can also be less because it coincides with the late harvest of Brazilian corn in June-July.

Post revises MY 2021/22 corn production to 53 MMT, 1.5 MMT tons higher than the official USDA estimate. Contacts indicate that final yields were higher than expected, especially for late corn which in most areas received good autumn rainfall.

Post forecasts corn exports in MY 2022?23 at 37.5 MMT, 3.5 MMT lower than USDA, primarily because Post forecasts a smaller crop. Farmer selling is projected to be somewhat slower than normal years because there will be presidential elections in late 2023 and many farmers speculate that if the government changes, there could be a drop in export taxes and the elimination of currency controls that could lead to a more favorable exchange rate for exports. At present, the gap between the official exchange rate and less formal exchanges rates exceeds 90 percent. Farmers perceive that they are currently receiving only about half of the market value of their harvest when they are paid at the official exchange rate.

Posts forecasts corn exports for MY 2021/22 at 36.0 MMT, 1.5 MMT lower than USDA. The official export ceiling (volume of equilibrium) is 36 MMT, and to date, exporters have purchased and priced almost 27 MMT. They have received government export authorization for almost 33 MMT. Traders indicate that while there is strong global demand, slow local farmer selling is forcing prices too high and Argentina has become uncompetitive against other origins.
Argentine official trade data by destination reports a significant volume as “Confidential”, not allowing the identification of the final volume shipped to each individual country. The following chart shows the top ten destinations of Argentine corn exports during January-September 2022 based on data reported by NABSA, one of the leading local shipping agents.

Figure 4: Argentine Corn Exports by Destination



Source: FAS Buenos Aires using NABSA data

Post forecasts corn ending stocks for MY 2022?23 up at 5.5 million tons, significantly higher than in normal years as farmers are expected to keeping more grain as they see that production will be lower than previously anticipated and there could be some policy changes that could favor them in the future.

Sorghum

Posts forecasts MY 2022/23 production at 3.4 MMT, 400,000 MT lower than USDA's official number. Area is projected at 875,000 hectares the same as USDA, but Post expects yields to be almost 3.9 tons per hectare, significantly lower than USDA and somewhat higher than last year's yields. A dry environment is expected to play against its production, despite sorghum generally performing well under limited soil moisture.

Post forecasts sorghum exports for MY 2022?23 at 2.2 million tons, with China projected to be the main destination. Exports in MY 2021/22 are estimated at 1.85 million tons, somewhat lower than the official USDA estimate. Based on Nabsa data, sorghum exports in January-September 2022 totaled 1.53 million tons, with China being the exclusive destination. Shipments began in late April and have continued every subsequent month.

Rice

Post forecasts rice production for MY 2022/23 at 1.27 MMT (rough base) and 825,000 MT milled base, practically the same as USDA's official estimate. Post forecasts a harvested area at 181,000 hectares, 5

percent lower than the official USDA projection. Producers are bracing for the third La Nina climate pattern in a row, which in Argentina it normally results in a dry conditions Water levels for reservoirs in Corrientes Province, the number one rice producing province, are significantly lower than normal, negatively affecting the potential planted area. Higher production costs are also expected to reduce the final planted area. In general, complications from drought and high production costs are making farmers be more conservative in their planting decisions.

If the weather had been normal, contacts estimate that roughly 200,000 hectares would have been planted in the entire country, with 13-15,000 hectares more in Corrientes and some additional acreage in Entre Rios. The following table, which uses official data published by INTA (National Institute of Agricultural Technology), shows the aggregated surface area in 84 water reservoirs in six departments in Corrientes Province over the past four crop seasons. 2019 was the last year with a normal/neutral weather pattern and the following three were affected by La Nina.

Table 2: Surface Area of Reservoirs in the Province of Cordoba (in Hectares)

Year	August 2019	August 2020	August 2021	August 2022
	30,331	20,893	26,906	23,169
Diff vs 2019	0	-31%	-11%	-24%

Source: FAS Buenos Aires with data from INTA

Farmers expect rice prices to continue to be good, but high production costs, primarily fertilizers and fuel, will force them to obtain high yields in order to have positive returns. This is especially true in Entre Rios province where costs are even higher. This is primarily because farmers irrigate their rice fields with water pumped from deep underground using diesel motors, and diesel costs have risen sharply relative to last year. In this province, many rice producers have the possibility to produce other crops such as soybeans or corn. In contrast, in Corrientes Province, producers do not have other viable land use options beyond raising cattle.

To date, roughly 50 percent of the rice in Argentina has been planted. Planting in Entre Rios has been slower-than-normal as temperatures have been low. Most large producers in Corrientes Province have completed planting.

Post projects rice exports in MY 2022/23 at 370,000 tons, milled basis, 50,000 tons higher than USDA's official number. Exports are expected to be quite similar to the previous season. Chile and Brazil are projected to be the top destinations, with roughly 100,000 tons of rice each. Spain is forecast to take roughly 65,000 tons of different types of rice. Other EU countries like German and Beligum could import around 50,000 tons, primarily entering through ports in the Netherlands. Exports of organic rice to the US are forecast at 12,000-14,000 tons.

Tables 3-8
Production, Supply and Distribution Wheat, Barley, Corn, Sorghum, & Rice

Wheat	2020/2021	2021/2022	2022/2023
Market Year Begins	Dec 2020	Dec 2021	Dec 2022

Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	6395	6395	6550	6550	5800	5800
Beginning Stocks (1000 MT)	2357	2357	2122	2122	2026	2076
Production (1000 MT)	17640	17640	22500	22500	17500	15500
MY Imports (1000 MT)	6	6	4	4	5	3
TY Imports (1000 MT)	6	6	4	4	5	3
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	20003	20003	24626	24626	19531	17579
MY Exports (1000 MT)	11531	11531	16250	16200	12000	10000
TY Exports (1000 MT)	9597	9597	17651	17651	12500	10500
Feed and Residual (1000 MT)	50	50	50	50	50	50
FSI Consumption (1000 MT)	6300	6300	6300	6300	6200	6300
Total Consumption (1000 MT)	6350	6350	6350	6350	6250	6350
Ending Stocks (1000 MT)	2122	2122	2026	2076	1281	1229
Total Distribution (1000 MT)	20003	20003	24626	24626	19531	17579
Yield (MT/HA)	2.7584	2.7584	3.4351	3.4351	3.0172	2.7458

(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 2022/2023 = July 2022 - June 2023

Barley	2020/2021		2021/2022		2022/2023	
Market Year Begins	Dec 2020		Dec 2021		Dec 2022	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1010	950	1340	1250	1350	1280

Beginning Stocks (1000 MT)	608	608	619	484	469	284
Production (1000 MT)	4035	3900	5300	5300	5100	4900
MY Imports (1000 MT)	12	12	0	0	0	0
TY Imports (1000 MT)	5	0	7	7	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	4655	4520	5919	5784	5569	5184
MY Exports (1000 MT)	2336	2336	3750	3900	3500	3000
TY Exports (1000 MT)	2458	2458	3700	3850	3500	3000
Feed and Residual (1000 MT)	400	400	300	200	200	200
FSI Consumption (1000 MT)	1300	1300	1400	1400	1400	1400
Total Consumption (1000 MT)	1700	1700	1700	1600	1600	1600
Ending Stocks (1000 MT)	619	484	469	284	469	584
Total Distribution (1000 MT)	4655	4520	5919	5784	5569	5184
Yield (MT/HA)	3.995	4.1053	3.9552	4.24	3.7778	3.8281

(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 2022/2023 = October 2022 - September 2023

Corn	2020/2021		2021/2022		2022/2023	
Market Year Begins	Mar 2021		Mar 2022		Mar 2023	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	6550	6550	7400	7300	7000	6800

Beginning Stocks (1000 MT)	3619	3619	1182	1682	1487	4987
Production (1000 MT)	52000	52500	51500	53000	55000	52000
MY Imports (1000 MT)	5	5	5	5	5	5
TY Imports (1000 MT)	5	5	5	5	5	5
TY Imp. from U.S. (1000 MT)	2	2	0	0	0	0
Total Supply (1000 MT)	55624	56124	52687	54687	56492	56992
MY Exports (1000 MT)	40942	40942	37500	36000	41000	37500
TY Exports (1000 MT)	36544	36544	39500	38000	41000	37500
Feed and Residual (1000 MT)	9500	9500	9800	9800	10000	10000
FSI Consumption (1000 MT)	4000	4000	3900	3900	4000	4000
Total Consumption (1000 MT)	13500	13500	13700	13700	14000	14000
Ending Stocks (1000 MT)	1182	1682	1487	4987	1492	5492
Total Distribution (1000 MT)	55624	56124	52687	54687	56492	56992
Yield (MT/HA)	7.9389	8.0153	6.9595	7.2603	7.8571	7.6471

(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 2022/2023 = October 2022 - September 2023

Sorghum	2020/2021		2021/2022		2022/2023	
Market Year Begins	Mar 2021		Mar 2022		Mar 2023	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	750	750	925	925	875	875

Beginning Stocks (1000 MT)	266	266	196	196	247	297
Production (1000 MT)	3320	3320	3400	3400	3800	3400
MY Imports (1000 MT)	1	1	1	1	0	0
TY Imports (1000 MT)	0	0	1	1	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	3587	3587	3597	3597	4047	3697
MY Exports (1000 MT)	2241	2241	2000	1850	2500	2200
TY Exports (1000 MT)	1973	1973	1900	1750	2300	2000
Feed and Residual (1000 MT)	850	850	1100	1200	1100	950
FSI Consumption (1000 MT)	300	300	250	250	250	250
Total Consumption (1000 MT)	1150	1150	1350	1450	1350	1200
Ending Stocks (1000 MT)	196	196	247	297	197	297
Total Distribution (1000 MT)	3587	3587	3597	3597	4047	3697
Yield (MT/HA)	4.4267	4.4267	3.6757	3.6757	4.3429	3.8857

(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 2022/2023 = October 2022 - September 2023

Rice, Milled	2020/2021		2021/2022		2022/2023	
Market Year Begins	Apr 2021		Apr 2022		Apr 2023	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	190	185	190	177	190	181

Beginning Stocks (1000 MT)	107	107	76	109	40	94
Milled Production (1000 MT)	840	840	780	813	830	825
Rough Production (1000 MT)	1292	1292	1200	1251	1277	1269
Milling Rate (.9999) (1000 MT)	6500	6500	6500	6500	6500	6500
MY Imports (1000 MT)	2	2	7	2	5	2
TY Imports (1000 MT)	2	2	7	2	5	2
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	949	949	863	924	875	921
MY Exports (1000 MT)	385	385	350	370	320	370
TY Exports (1000 MT)	400	400	350	370	320	370
Consumption and Residual (1000 MT)	488	455	473	460	480	465
Ending Stocks (1000 MT)	76	109	40	94	75	86
Total Distribution (1000 MT)	949	949	863	924	875	921
Yield (Rough) (MT/HA)	6.8	6.9838	6.3158	7.0678	6.7211	7.011

(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 2022/2023 = January 2023 - December 2023

Attachments:

No Attachments