

**Required Report:** Required - Public Distribution

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## **Report Name:** Oilseeds and Products Update

**Country:** Argentina

**Post:** Buenos Aires

**Report Category:** Oilseeds and Products

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### **Report Highlights:**

2019/20 soybean planted area is forecast at 18 million hectares, up 0.2 million hectares as producers shift second season plantings from corn to soybeans. Production is forecast steady at 53 million tons. 2019/20 sunflowerseed and peanut planted areas are forecast down, but production is forecast down only slightly. Economic and political uncertainty is complicating the export of oilseeds and products.

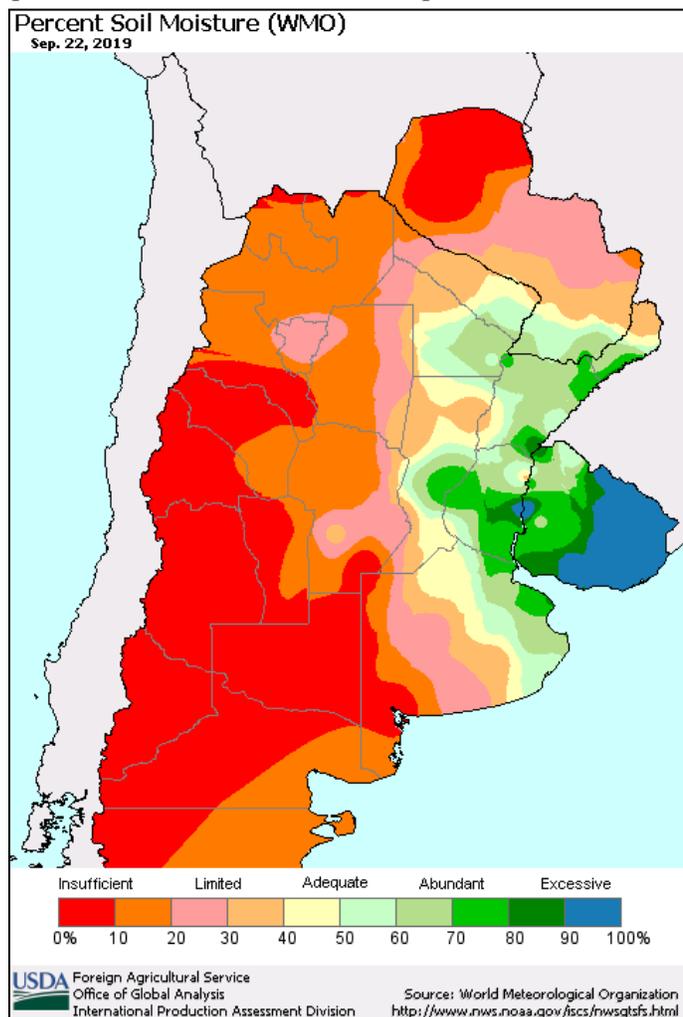
## Overview:

Argentine producers are facing rapidly changing market, political, and climatic factors in making upcoming planting decisions. Prior to August 2019, producers were expected to increase corn plantings due to higher potential returns versus soybeans despite soy's lower input costs. However, a recent fall in global corn prices has moved the price ratio for Argentine producers in favor of soybeans

Ongoing inflation and currency devaluation as well as recent currency controls, imposed September 1, 2019 and scheduled to persist to December 31, 2019, have further complicated business planning and currency risk hedging in the oilseed value chain. Under the new policies, Argentine oilseed exporters are obligated to convert earnings in dollars into Argentine pesos within five days of sale or within 15 days of receiving a shipping permit, whichever is sooner. Individuals are limited to converting pesos to \$10,000 USD per month. Businesses seeking to convert pesos to dollars must use bond swaps or informal channels. Since September 23, several businesses conducting financial transactions in Argentina have notified the EMTA (Emerging Markets Trade Association) of a divergence between the "Blue Chip Swap/contado con liquidacion" rate and the official ARS MAE (ARS05) rate. These rates have diverged by as much as 20%, meaning that businesses were receiving a dollar value 20% less than the official exchange rate when conducting the "Blue Chip Swap". If these conditions persist, they could affect the competitiveness of Argentine oilseed exports or reduce the price paid to producers. An Argentine Presidential election this fall could also stimulate policy changes that could affect the profitability and competitiveness of Argentine oilseed production.

Dry weather has reduced soil profile moisture in areas outside of core growing regions of northern Buenos Aires, southern Santa Fe and northern Cordoba provinces creating concern for some producers who would prefer to plant early. However, soil moisture remains within normal ranges and

lack of a pronounced El Niño/La Niña effect this year should allow seasonal weather patterns to bring sufficient precipitation in time for plantings later in spring and early summer.



## **Soybean:**

2019/20

Post forecasts soybean 2019/2020 planted area at 18 million hectares, same as 2018/2019, but up 0.2 million hectares (Mil. HA) from April 2019 USDA Argentina Oilseeds and Products Annual. Production is forecast at 53 million tons with a reduction from higher than average yields in 2018/19. The forecast yield reduction is attributed to a return to trend and the increased proportion of late-season soybeans, which typically yield less. This is driven by two factors, an increase in double cropping of soybeans following barley and wheat as wheat acreage has risen in recent years, and an increase in producers opting to plant second crop-soybeans in place of late season corn as corn margins have eroded. Producers are unlikely to shift significantly from early season corn to early season soybeans as they have already purchased inputs and in some cases applied field treatments.

Post forecasts 2019/20 soybean exports at 8 million metric tons (MMT), down 4.5 MMT from April, matching USDA Official on decreased global demand for Argentine whole beans. Crush is raised to 44 MMT, up 3 MMT from April, on increased global demand for soy meal and oil. Imports remain at 4.5 MMT primarily from Paraguay and Brazil. Post does not forecast significant imports of US origin soybeans to Argentina, as was seen during the period of June 2018-February 2019.

On September 10, 2019 the Argentine Ministry of Agriculture, Livestock, and Fisheries announced that China had approved the importation of Argentine soymeal. On September 23, 2019, the Ministry announced that China had approved 7 crush plants, owned by Bunge Argentina, LDC Argentina, Cargill, Molinos Río de la Plata, Renova, T6 and COFCO International Argentina, for export to China. In principle, this agreement links the world's largest exporter of soymeal, Argentina, to the world's largest consumer of soymeal, China. However, before the approved plants can begin shipping, they must complete additional registration and permitting processes.

2018/19

Post revises production up slightly to 55.3 MMT matching USDA Official. Excellent growing conditions in 2018/19 provided higher than average yields and gave producers an opportunity to rebuild balance sheets following the devastating drought of 2017/18. Farmer selling has slowed since August 2019 as producers decide whether to sell at what many consider to be low prices or to hold as a hedge against future inflation and economic uncertainty. The current soybean export tax regime, 18% plus a variable \$4 Argentine Peso per \$1USD, has provided steadily lower revenue to the Argentine government as the peso devalued. Since soybean and product export taxes are an important governmental revenue source, local industry contacts fear that export taxes may be increased following the upcoming election, regardless of the result. Exporters and processors will seek to secure forward contracts or take possession of soybeans prior to any potential change in the export tax rate.

Post forecasts 2018/19 crush at 42 MMT, up 0.5 MMT, on higher production statistics in the first half of the year and improved global demand for soybean products since Post's Oilseed Annual published in April 2019. Import and export forecasts are adjusted downward on available trade data for the beginning of the marketing year. Imports are forecast at 4 MMT, down 1 MMT, in line with USDA Official. Exports are forecast at 10.6 MMT down 0.4 MMT.

2017/18

Post revises production up 1.8 MMT, imports up 0.16 MMT, crush up 0.5 MMT, and stocks down 0.65 MMT on available data and in line with USDA Official.

Oilseed, Soybean (Local) Market Begin Year Argentina	2017/2018		2018/2019		2019/2020	
	Apr 2018		Apr 2019		Apr 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	18700	18500	18900	18000	17500	18000
Area Harvested	16300	17000	16600	17500	17500	18000
Beginning Stocks	10943	10943	9230	9230	11062	10714
Production	37800	37800	55300	55300	53000	53000
MY Imports	7256	7256	4000	4000	3900	4500
Total Supply	55999	55999	68530	68530	67962	68214
MY Exports	3719	3719	7475	10600	8000	8000
Crush	36350	36350	43100	42000	45000	44000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	6700	6700	6893	5216	7150	5500
Total Dom. Cons.	43050	43050	49993	47216	52150	49500
Ending Stocks	9230	9230	11062	10714	7812	10714
Total Distribution	55999	55999	68530	68530	67962	68214
Yield	2.319	2.2235	3.3313	3.16	3.0286	2.9444

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

**Sunflowerseed:**

2019/20

Post forecasts sunflowerseed planted area at 1,750,000 HA down 100,000 HA from April, on lower international prices. Production remains at 3.6 MMT with yield returning to trend. Producers in the northern production region of Chaco, Entre Rios, eastern Santiago Estero, and northern Santa Fe provinces have concluded planting. Most of the decrease in acreage from 2018/19 will come from this region which will be harvested in December. In the southern production region of Cordoba and Buenos Aires provinces, planting has just begun. On September 26 the Argentine Ministry of Agriculture, Livestock, and Fisheries reported that total Argentine 2019/20 sunflowerseed was 37% planted.

2018/19

Post revises area up slightly 1.876 Mil (HA) and production down to 3.825 MMT on latest available data.

Oilseed, Sunflowerseed Market Begin Year Argentina	2017/2018		2018/2019		2019/2020	
	Mar 2018		Mar 2019		Mar 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1710	1730	1790	1876	1800	1850
Area Harvested	1678	1677	1750	1876	1800	1750
Beginning Stocks	1138	1138	1276	1689	1321	1742
Production	3538	3500	3800	3825	3780	3600
MY Imports	0	0	0	0	0	0
Total Supply	4676	4638	5076	5595	5101	5342
MY Exports	50	33	70	90	100	110
Crush	3100	2951	3435	3670	3400	3450
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	250	65	250	67	250	69
Total Dom. Cons.	3350	3016	3685	3737	3650	3519
Ending Stocks	1276	1689	1321	1742	1351	1713
Total Distribution	4676	4738	5076	5569	5101	5342
Yield	2.1085	2.0871	2.1714	2.0389	2.1	2.0571

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

### Peanut:

2019/20

Post forecasts peanut planted area at 300,000 HA, down 25,000 HA on increased production costs and market uncertainty. Dry weather is causing concern among some producers, but rain still has time to arrive for late October planting. Production is forecast at 1,000,000 MT on lower planted area and return to average yields.

2018/19

Post forecasts peanut production at 1.38 MMT up 0.23 MTT on better than expected yields estimated at 4.29 MT/HA. The 2018/19 harvest was completed at the end of August. Despite some rains which slowed crop progress, quality was high. Exports are forecast at 948,000 MT, up 168,000 MT from April on strong export sales.

2017/18

Stocks are revised downward in line with USDA official of 383,000 MT. Crush is revised up to 306,000 MT. Exports are revised up slightly 540,000 MT.

Oilseed, Peanut Market Begin Year Argentina	2017/2018		2018/2019		2019/2020	
	Mar 2018		Mar 2019		Mar 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	382	382	325	324	325	300
Area Harvested	382	382	320	322	320	295
Beginning Stocks	447	447	383	383	475	375
Production	867	867	1418	1380	1255	1000
MY Imports	0	0	0	0	0	0
Total Supply	1314	1314	1801	1763	1730	1375
MY Exports	550	540	910	948	900	550
Crush	306	306	339	339	340	340
Food Use Dom. Cons.	54	61	55	65	56	66
Feed Waste Dom. Cons.	21	24	22	36	22	24
Total Dom. Cons.	381	391	416	440	418	430
Ending Stocks	383	383	475	375	412	395
Total Distribution	1314	1314	1801	1763	1730	1375
Yield	2.2696	2.2696	4.4313	4.2857	3.9219	3.3898

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

**Attachments:**

No Attachments