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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:

Post reduces its MY 2021/2022 soybean production estimate to 41 million metric tons (MMT), 4 MMT below the official USDA estimate. Despite rains in January which forestalled greater losses, high temperatures and dryness in December and early January caused considerable damage in key growing areas and depleted soil moisture reserves. Severe drought affecting the soybean crop in Paraguay will limit Argentine imports to 2.2 MMT, less than half of MY 2020/2021 imports. In addition to decreased supply from the prior two factors, slow farmer selling is expected to reduce the pace of Argentine soybean crushing in the first half of 2022 with Post projecting MY 2021/2022 crush at 39.4 MMT, matching the official USDA estimate. Soybean exports are reduced to 3 MMT, 700,000 MT below the official USDA estimate. Post maintains its production estimate for sunflowerseed and raises its peanut estimate as these crops are grown in regions which have been less affected by drought and are naturally more drought resistant.

Soybeans

Production

Post reduces its planted acreage estimate to 16.5 million hectares in line with the USDA official estimate, but lowers the projected harvested acreage to 16.0 million hectares assuming normal rates of abandonment, which leaves its projected harvested acreage 200,000 hectares below USDA official. Due yield losses already incurred, and the likelihood of further losses in key growing regions, Post lowers the projection for FY 2021/22 soybean production to 41.0 million metric tons (MMT), 4 MMT below the official USDA estimate of 45 million tons. While mid-January rains saved the soybean crop from catastrophe, in some core growing areas, significant yield reductions have already occurred due to drought and high heat, and more reductions are possible.

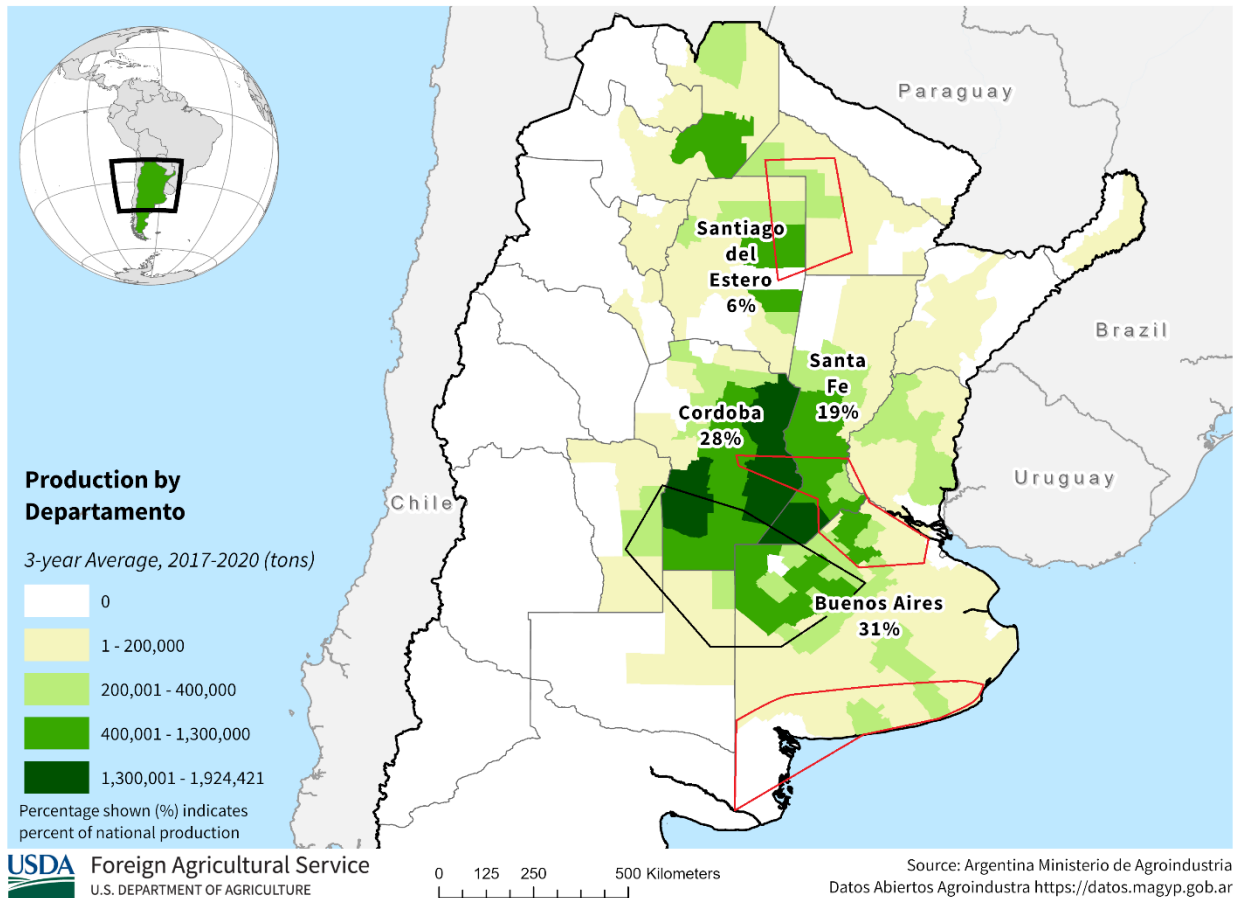
In northwestern Buenos Aires Province, north of Route 5 and especially north of Route 7, the apparent significant improvement in soybean conditions is deceptive due to current the lack of soil moisture, which leaves plants dependent upon continued rainfall which does not appear likely in medium term forecasts. Conditions in south central Santa Fe Province, close to Rosario, are particularly challenging. Farmers in these areas will see reductions of 15-40 percent in first crop soybeans. Second crop and late planted soybeans in this area have seen stand losses due to drought, which killed seedlings without adequate root systems. While the remaining plants can compensate somewhat if adequate moisture continues, yields are still expected to be below average. Parts of northeast Cordoba Province have also seen substantial drought damage. Reports from central Santa Fe Province indicate the potential for average yields, however with highly heterogenous results depending upon local rainfall patterns, soil type, and management practices. Making matters worse in areas affected by drought, farmers have had to repeat herbicide applications because a lack of moisture prevented some chemistries from being efficacious. Herbicide resistant weeds are leading more farmers to utilize tillage and cultivators, especially since domestically produced diesel fuel has been more affordable relative to imported crop protection chemicals. Glyphosate prices have tripled in in the past year. Farmers are also needing to spray for infestations of red spider mites in many areas, and thrips have also been a concern in some localities.

Much of Entre Rios has recovered well from early drought conditions, with many farmers expecting average to slightly below average yields. Southern Buenos Aires province has also seen lower than normal rainfall but yield reductions have generally been lower because soybeans were in earlier stages of development during the most intense heat and dry weather. However, these developmental delays have raised the risk of damage from early frosts in the south and southeast. Dry conditions in the north delayed planting and have slowed crop development, though recent rains in parts of Chaco, Salta, and Jujuy Provinces are improving crop conditions. The Provinces of Santiago de Estero, Tucuman, and parts of Salta remain affected by drought.

Compensating somewhat for the areas affected by drought which are bringing down national yield averages, a band of excellent growing conditions stretching from western Buenos Aires Province, through La Pampa, southern Cordoba, and San Luis may give farmers in this region yields of 5 to 20 percent above average. Localized heavy rains in some more low-lying parts of this area have led to some losses due to flooding especially near General Villegas and Los Toldos in western Buenos Aires Province, but generally even these losses are compensated for by increased yields on fields at higher elevation.

Figure 1:

Argentina: Total Soybean Production



Areas bound by red have been more significantly affected by drought this crop season. Areas bound in black have seen better than average growing conditions. Source: FAS Buenos Aires

Consumption & Trade

The reduction in production for this year will mean less new crop for the domestic crushing industry, which is by the far the main consumer of Argentine soybeans, and whole bean exports will also fall. However, at present Argentine farmers still retain very high stocks of soybeans, which if released could boost crush numbers. Due to persistent high inflation and fear of currency devaluation, farmers retain stocks of soybeans rather than selling them and holding cash savings in peso-denominated accounts. Record high wheat production and a strong barley crop provided many farmers with new cash income in December, reducing their need to sell soybeans in the short term. Additionally, farmers in some regions affected by drought have been hesitant to commit to forward sales of new crop soybeans because of their yield uncertainty. Noting the tight global supply and demand situation, farmers may also wait until the size of the US harvest can be estimated before making marketing decisions. According to the Argentine Ministry of Agriculture, as of February 17, 2022 only 7.5 MMT of soybeans have been sold for the 2021/2022 season, trailing the pace of the last few years. However, high prices and poor yields in some areas will lead farmers to begin partially drawing down soybean stocks between now and July and this will permit Argentine crushers to compensate for lower production.

Contributing to supply difficulties, Post reduces its projected MY 2021/2022 imports to 2.2 MMT due to a severe drought in Paraguay which has reduced production in that country to below 5 MMT. These limited supplies mean that while Paraguay will honor certain soybean export contracts, for instance to some Russian and some Argentine importers, much of the remaining supply will be consumed by the domestic crushing industry. The quality of Paraguayan beans appears to be lower this year as well. Normally, higher-protein Paraguayan soybeans are used to improve the quality of Argentine soymeal. Argentina will likely import soybeans from Bolivia and Uruguay, but imports from Brazil will difficult to secure. Due to these supply constraints, projects a reduction in crush to 39.4 MT, matching the USDA official number. On the demand side, there is some evidence that high prices for soybeans, meal, and oil may lead to more rationing and substitution effects by buyers, reducing overall demand. Argentine crush margins are tight now, due to slow farmer selling requiring higher farmgate bids by crushers. Due to reduced domestic supply, the differential export tax on Argentine whole soybeans (33%) and meal and oil (31%) and the low protein of Argentine beans relative to other origins, Post lowers its projection for Argentine whole soybean exports to 3 MMT.

Low river levels are once again causing difficulties for Argentine oilseed exporters with terminals near Rosario. Though water levels rose in October and November 2021, allowing for more normal operations, since December 2021 lower water levels have once again forced ships to be loaded with up to 30 percent less cargo to safely transit the river system to the ocean. The Argentine Water Institute (INA) has published projections showing that water levels may begin to rise in March, providing for more normal conditions by mid-late April when shipments of newly harvested soybeans begin arriving in force at the Upriver complex of processing plants and export terminals.

Soybean Production, Supply and Distribution

Oilseed, Soybean (Local) Market Year Begins	2019/2020		2020/2021		2021/2022	
	Apr 2019		Apr 2020		Apr 2022	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	16700	17200	16600	16900	16500	16500
Area Harvested (1000 HA)	16700	16700	16470	16470	16200	16000
Beginning Stocks (1000 MT)	9850	9850	11820	13738	7950	10988
Production (1000 MT)	48800	48880	46200	44500	45000	41000
MY Imports (1000 MT)	4940	4940	4850	4850	3100	2200
Total Supply (1000 MT)	63590	63670	62870	63088	56050	54188
MY Exports (1000 MT)	6660	6662	5400	5400	3750	3000
Crush (1000 MT)	37870	37870	42200	41200	39400	39400
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	7240	5400	7320	5500	7200	5600
Total Dom. Cons. (1000 MT)	45110	43270	49520	46700	46600	45000
Ending Stocks (1000 MT)	11820	13738	7950	10988	5700	6188
Total Distribution (1000 MT)	63590	63670	62870	63088	56050	54188
Yield (MT/HA)	2.9222	2.9269	2.8051	2.7019	2.7778	2.5625
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sunflowerseed

Post maintains its 2021/2022 planted acreage estimate at 1.7 million hectares, 100,000 hectares above the official USDA estimate as more farmers were attracted by high prices and strong performance in the previous year. While sunflower has generally been relegated to more marginal land or as a rotational crop in small grain production areas, farmers in more highly productive regions have planted more acreage than normal. New hybrids, with downward facing heads to prevent dove predation also helped. Yields in the far northern production region have been below average due to drought, while fields in north and central Santa Fe have been average but with significant variability between farms. According to the Buenos Aires Grain Exchange, 24 percent of Argentina's sunflower area had been harvested as of February 17, 2022. In Buenos Aires Province where the majority of the sunflower crop is produced, crop conditions have generally been good, especially in western Buenos Aires. In southern Buenos Aires Province, dry conditions have put a ceiling on yields, but crop conditions are still generally good. In some areas, extremely high temperatures in mid-January may have caused damage that cannot be seen until harvest, where lower test weights may be observed.

On January 31, 2022, the Argentine government renewed for another year (through January 2023) its special tax on edible oil producers to subsidize domestic consumption of edible oils in the face of rising prices. The government intends to collect USD \$190 million from sunflower and soy oil producers to subsidize the consumption of 29 million liters per month of bottled edible oil with a minimum percentage of 80% sunflower oil. Despite these subsidies, prices could rise even higher due to competition from export demand if there are production or trade impacts from possible conflict in the Black Sea region. Farmer selling is expected to be brisk across Argentina due to high prices and because sunflowerseed and oil are subject to increased exports taxes at the discretion of the government, since these products currently have rates below the 15% legislative limit. Due to strong domestic and international demand for soybean oil, Post raises its 2021/2022 crush estimate to 3.1 MMT, 100,000 metric tons above the official USDA number, driving ending stocks down to some of the lowest levels in recent years.

Sunflowerseed Production, Supply and Distribution

Oilseed, Sunflowerseed Market Year Begins	2019/2020		2020/2021		2021/2022	
	Mar 2019		Mar 2020		Mar 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted (1000 HA)	1560	1625	1670	1500	1600	1700
Area Harvested (1000 HA)	1530	1575	1670	1450	1600	1650
Beginning Stocks (1000 MT)	987	987	980	980	563	333
Production (1000 MT)	3235	3235	3430	2950	3400	3400
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	4222	4222	4410	3930	3963	3733
MY Exports (1000 MT)	184	184	187	187	165	165
Crush (1000 MT)	2750	2750	3350	3100	3000	3100
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	308	308	310	310	315	315
Total Dom. Cons. (1000 MT)	3058	3058	3660	3410	3315	3415
Ending Stocks (1000 MT)	980	980	563	333	483	153
Total Distribution (1000 MT)	4222	4222	4410	3930	3963	3733
Yield (MT/HA)	2.1144	2.054	2.0539	2.0345	2.125	2.0606
(1000 HA) ,(1000 MT) ,(MT/HA)						

Figure 2:



*Sunflower and peanuts in good condition near General Villegas, Buenos Aires Province.
Picture dated February 8, 2022 Source: USDA FAS Buenos Aires*

Peanuts

Post maintains its MY 2021/2022 planted acreage estimate for peanuts of 380,000 hectares in line with the official USDA estimate. Peanut prices had not risen as quickly as other commodities at the time of planting, leaving independent farmers to choose other crops, and some peanut companies to contract for slightly fewer acres than in MY 2020/2021. However, peanut processors improved the terms of their production contracts sufficiently to ensure adequate production for their factories. Despite a reduction of acreage by 22,000 hectares Post raises its production projection estimate to 1.350 MMT, which is 50,000 metric tons above its January estimate, but still 50,000 tons below the official USDA estimate.

Ample rains throughout much of the peanut growing area have provided excellent growing conditions. Additionally, peanut fields have proved more resilient to heat and drought than corn or soybeans, with fields in parts of northern Cordoba and Buenos Aires Provinces expecting average yields while soybeans in adjacent plots are expecting losses of 20-30%. However, a localized drought near General Deheza is affecting crop conditions in about a 70-mile radius

around the center of the peanut processing industry. Generally speaking, there has been very low incidence of pests and few weed problems. At present, peanut producers are expecting both high yields and excellent quality, however more rain is needed in March to complete the crop. If these rains arrive, yields could rise further. Projected exports are raised slightly to 1 MMT in line with the official USDA estimate on higher production. Post adjusts downward FY 2020/2021 exports to 930,000 metric tons in line with the official USDA number based on latest available data. Based on disappointing crush totals in December, the MY 2020/2021 crush is revised downward to 217,000 metric tons, 7,000 tons below the official USDA number.

Peanut Production, Supply and Distribution

Oilseed, Peanut Market Year Begins	2019/2020		2020/2021		2021/2022	
	Mar 2019		Mar 2021		Mar 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted (1000 HA)	368	368	402	402	380	380
Area Harvested (1000 HA)	367	367	402	402	380	380
Beginning Stocks (1000 MT)	479	479	423	439	415	417
Production (1000 MT)	1285	1350	1270	1300	1400	1350
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1764	1829	1693	1739	1815	1767
MY Exports (1000 MT)	988	988	930	930	1000	1000
Crush (1000 MT)	235	227	225	217	280	280
Food Use Dom. Cons. (1000 MT)	73	90	76	90	80	90
Feed Waste Dom. Cons. (1000 MT)	45	85	47	85	50	85
Total Dom. Cons. (1000 MT)	353	402	348	392	410	455
Ending Stocks (1000 MT)	423	439	415	417	405	312
Total Distribution (1000 MT)	1764	1829	1693	1739	1815	1767
Yield (MT/HA)	3.5014	3.6785	3.1592	3.2338	3.6842	3.5526
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments