

**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

**Prepared By:** Chase McGrath

**Approved By:** Chase Mcgrath

### **Report Highlights:**

Post lowers marketing year (MY) 2022/2023 soy production at 20.5 million metric tons (MMT) still below the USDA official on lower than expected harvest area and yields due to drought. Post lowers MY2022/2023 crush to 26 MMT due to decreased exports and the lowest crush operation rates decades during recent months. Post maintains MY2023/2024 at 50.5 MMT, still above USDA official on recent favorable rains at ideal times during planting. The newly sworn in president has already implemented stark economic reforms just weeks after coming into office which will have major implications for the oilseeds sector. These include devaluation of the currency by 50 percent and raising soy export taxes to 33 percent.

## Policy

On December 10, 2023 Javier Milei was sworn in as the new Argentine president promising to bring drastic economic and social reforms to the country to tackle inflation and economic woes. The self-described libertarian told Argentines in his inaugural address that “due to the failure of the previous model and government of decadence and decline” he would introduce “economic shock therapy” to solve the nation’s economic ills. At the same time he warned the country that in the short term the economic situation will worsen.

President Milei said Argentina would embark on a new path with fundamental institutions of private property, markets free of state intervention, free competition, the division of labor, and social cooperation.

Just two days after taking office the new government devalued the official currency exchange rate by 54 percent from 366 to 800 pesos per dollar overnight bringing it closer to, but not aligned with the unofficial “blue dollar” rate (1065 pesos at the time) which is the perceived real value of the currency. Several other exchange rates remain despite promises to eliminate them and bring the country to a single exchange rate. The devaluation was expected at some point after the inauguration, but immediately sparked even faster and higher price inflation across the country.

While the currency devaluation will favor exporters who stand more to gain than even under the previous “soy-dollar” schemes, it is unclear if increased gains will be enough to offset higher costs expected costs for farmers such as fuel.

To cut expenses and raise taxes to curb the government deficit the administration plans to cut transportation, electricity, and gas subsidies, public employees, and public contracts. To grow government revenue, it promised to increase both import and export taxes while supposedly reducing restrictions and bureaucracy on imports at the same time.

On December 20, 2023, the new administration then introduced a sweeping executive decree with over 300 articles affecting nearly every sector of the Argentine economy, including a number of changes specific to agriculture. Most importantly, despite promises to lower or eliminate export taxes, the bill presented to congress raises soybean export taxes by 2 percent to 33 percent. It also would raise export taxes on most other agricultural exports to 15 percent though there are notable and conflicting exceptions including 8 percent on wine and essential oils for food processing, in contrast 0 percent on dairy and others. Contacts report there are still ongoing negotiations between industry and parts of the government as to which export taxes will rise and to what levels. However, the bill grants the Executive Power the authority to discretionarily adjust export duties until December 9, 2027.

At the same time, portions of the decree stand to benefit imports and exports. One decree prohibits the government from imposing export or import restrictions for economic reasons. The decree also establishes a more favorable exchange rate for exporters included in the “Programa Incremento Exportador” established in Decree 28/2023. In detail, for each dollar given to the Central Bank, these exporters will receive 80 percent of their dollar in pesos determined by the official exchange rate, while the remaining 20 percent will be set by the “contado con liquidación”. This formula has the potential for exporters to receive an exchange rate of more pesos per dollar, slightly surpassing the official exchange

rate. The new decree also allows parties to sign contracts in any currency though the details are still unclear but has positive potential for the Argentina agricultural sector and outside exporters looking to export to Argentina.

Simultaneously, the decree brings higher taxes but other benefits for imports. The decree increases portions of import taxes of the "PAIS" tax from 8% to 17.5% on imports, which sets the exchange rate for importers at 940 pesos per dollar. But the decree also establishes a new imports system, "SEDI" (Sistema Estadístico de Importaciones, in Spanish) replacing the restrictive "SIRA" (Sistema de importaciones de la República Argentina, in Spanish). According to contacts, SEDI is now functioning relatively well with faster processing times than its predecessor as import license approvals are not required. The central bank will also now collect imports in four equal payments over 120 days from importation. Private sector contacts are still evaluating the effectiveness of this measure.

The costs increase of several inputs crucial to agricultural production, notably fuel are significant concerns to the industry. Markedly, fuel prices increased by 40 percent in just weeks, occurring during the planting season. Prices of other inputs, including agrochemicals, are expected to increase in line with the official exchange rate devaluation. Finally, likely increases labor wages remain up in the air and undetermined at this point.

While the agricultural sector overall has come out staunchly against the export and import tax hikes, a group of the major agricultural organizations state the government "is in the right direction" with most measures and that it "will help to promote investment and growth in the agricultural sector." However, there is a concern in the industry that a lack of a clear government plan or timeline to reduce or eliminate export taxes to the sector could undermine the promised boost in production, efficiency, and cost reduction in the sector.

The administration claims the mega-decree aims to promote investment, reduce costs, and improve productivity. Other key provisions that will impact the oilseeds and broader agricultural sector include:

- Removal of all limitations on foreign ownership of rural land in Argentina. This change could potentially attract increased foreign investment in the agricultural sector. Previously, restrictions included a maximum holding of 1,000 hectares, among others.
- Prohibits the government from imposing export or import restrictions for economic reasons. Potential to increase Argentina's agricultural exports and reduce production costs on imported inputs.
- Removes the government's ability to control prices, markets, and production of essential goods with the hope to increase domestic competition towards a freer economy to lower prices for consumers and boost freedom of operation for businesses.
- Reforms customs codes to remove several bureaucratic processes that have long created problems with the flow of goods across borders.
- Eliminates the registration requirement for exports and imports.

All these measures will take time to understand their real impact and if they will be fully enacted. Some measures must work through congress where the president’s party only has a small minority while others already face legal challenges.

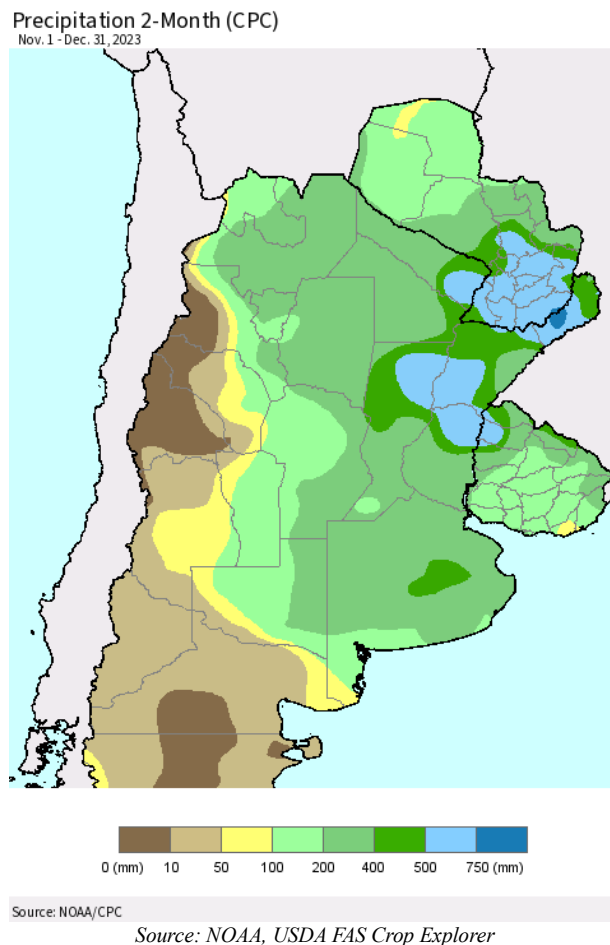
## Soy

### Production

Post maintains production estimated at 50.5 MMT in MY2023/2024, still higher than USDA official due rains arriving at optimal times during and following planting. Higher than average rainfall came to much of the major growing areas beginning in early November and continuing through December. With closer to average precipitation levels across other areas, including the province of La Pampa, but still vastly increased from the previous year of drought.

As expected, the El Niño weather pattern this year finally broke the historic worst drought in over 60 years that gripped much of the growing region and expectations are high the favorable weather will continue throughout the growing season. Rain began falling on November 1 in the major soy production provinces of Cordoba, Santa Fe, and Buenos Aires province have continued through December.

Figure 1:

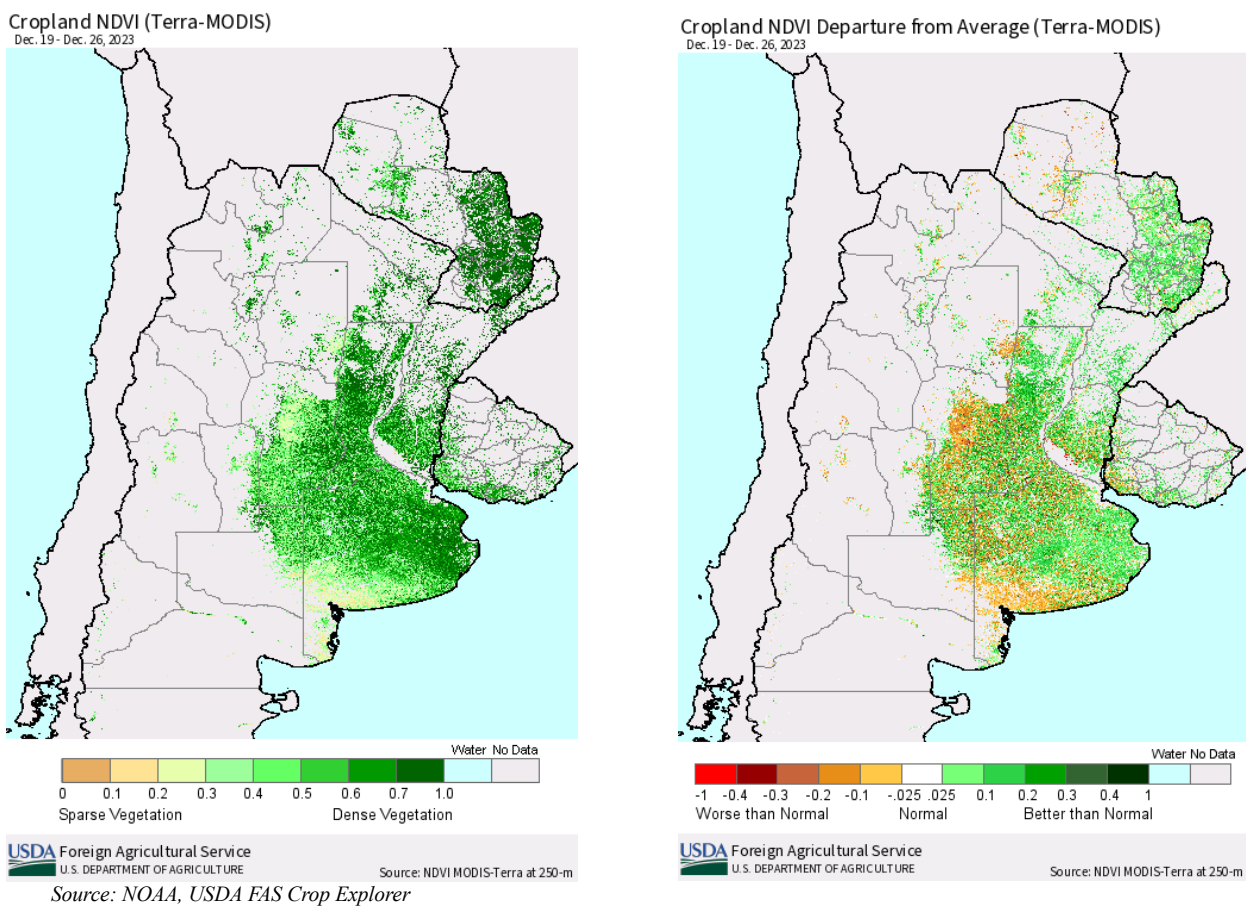


Post increases area planted by 100 million hectares (MHA), still above USDA official estimates due to expected favorable weather with farmers expectations of El Niño conditions in the growing year and potential economic policy changes by the new government that will encourage exports.

Nationwide, 79 percent of the soybean crop had been planted as of December 31, progress of 8.8 percent ahead by the same time last year. Nearly all the planted crop is rated in a condition of optimal or adequate according to the Buenos Aires Cereals Exchange at time of writing.

In conversations with local industry contacts optimism shines through with expectations for more normal precipitation throughout the growing season. Some industry analysts expect an even larger harvest of as much as 53 MMT this year.

**Figure 2: Current Argentina Cropland Normalized Difference Vegetation Index (NDVI) and Departure from Average**



### Consumption/Trade/Crush

Post’s crush estimate is lowered in both MY2022/23 and MY2023/2024 after crushers reported their lowest crush in two decades in September and October. As the availability of last year’s small harvest dwindles, imports will be required to sustain crushers. Actual effects of new government policies on imports remain unseen as the new government rolls out hundreds of new policies. However, many of these must work through congress where the president only has only a small minority.

Table 1: Production, Supply, and Distribution of Soybeans

Oilseed, Soybean (Local) Market Year Begins	2021/2022		2022/2023		2023/2024	
	Apr 2022		Apr 2023		Apr 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted (1000 HA)	16500	16400	17000	16000	16400	17200
Area Harvested (1000 HA)	15900	15800	15000	13000	16400	17000
Beginning Stocks (1000 MT)	8687	8687	8506	7300	6606	3300
Production (1000 MT)	43900	42900	25000	20500	48000	50500
MY Imports (1000 MT)	4571	4571	10500	9000	4700	4000
Total Supply (1000 MT)	57158	56158	44006	36800	59306	57800
MY Exports (1000 MT)	5552	5552	1900	1900	5100	6000
Crush (1000 MT)	35900	35913	27000	26000	38000	40000
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	7200	7393	8500	5600	7250	6300
Total Dom. Cons. (1000 MT)	43100	43306	35500	31600	45250	46300
Ending Stocks (1000 MT)	8506	7300	6606	3300	8956	5500
Total Distribution (1000 MT)	57158	56158	44006	36800	59306	57800
Yield (MT/HA)	2.761	2.7152	1.6667	1.5769	2.9268	2.9706

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

## Sunflower

Post maintains estimates for sunflower production relatively the same with only a slight decrease in area harvested due to drought in MY2022/23. The 2023/24 sunflower crop planting is complete with indications for a good quality but slightly smaller crop than USDA official estimates due to expected low prices and some loss to increased soy planting in areas.

Post increases MY2022/2023 exports to 1 in line with USDA official estimates due to exports brought in to meet crush demand.

Table 2: Production, Supply, and Distribution of Sunflowerseed

Oilseed, Sunflowerseed Market Year Begins	2021/2022		2022/2023		2023/2024	
	Mar 2022		Mar 2023		Mar 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted (1000 HA)	1960	1960	2460	2150	2300	1800
Area Harvested (1000 HA)	1960	1960	2453	2000	2200	1700
Beginning Stocks (1000 MT)	671	671	715	715	1089	861
Production (1000 MT)	4050	4050	5019	4050	4500	3700
MY Imports (1000 MT)	0	0	1	1	0	0
Total Supply (1000 MT)	4721	4721	5735	4766	5589	4561
MY Exports (1000 MT)	156	156	96	100	200	175
Crush (1000 MT)	3550	3550	4000	3500	4000	3500
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	300	300	550	305	400	305
Total Dom. Cons. (1000 MT)	3850	3850	4550	3805	4400	3805
Ending Stocks (1000 MT)	715	715	1089	861	989	581
Total Distribution (1000 MT)	4721	4721	5735	4766	5589	4561
Yield (MT/HA)	2.0663	2.0663	2.0461	2.025	2.0455	2.1765

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

## Peanuts

Post maintains previous estimates and forecasts for peanuts.

Table 3: Production, Supply, and Distribution of Peanuts

Oilseed, Peanut Market Year Begins	2021/2022		2022/2023		2023/2024	
	Mar 2022		Mar 2023		Mar 2023	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	410	410	400	360	380	380
Area Harvested (1000 HA)	407	407	372	355	380	380
Beginning Stocks (1000 MT)	386	386	382	382	337	272
Production (1000 MT)	1340	1340	963	980	1320	1320
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1726	1726	1345	1362	1657	1592
MY Exports (1000 MT)	936	936	750	675	950	850
Crush (1000 MT)	280	280	150	240	250	275
Food Use Dom. Cons. (1000 MT)	78	78	73	90	75	90
Feed Waste Dom. Cons. (1000 MT)	50	50	35	85	45	85
Total Dom. Cons. (1000 MT)	408	408	258	415	370	450
Ending Stocks (1000 MT)	382	382	337	272	337	292
Total Distribution (1000 MT)	1726	1726	1345	1362	1657	1592
Yield (MT/HA)	3.2924	3.2924	2.5887	2.7606	3.4737	3.4737

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

### Attachments:

No Attachments