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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:

Despite initial favorable conditions, Argentine oilseed crops have faced warm and dry weather across most growing regions since mid-December. Rains are needed soon to forestall more significant yield reductions. Post reduces its projected Marketing Year (MY) 2021/22 soybean production to 46.5 million metric tons (MMT), 3 MMT below USDA Official. More advanced drought conditions in Paraguay could reduce Argentine imports below the current projected 4.5 MMT, which is 300,000 metric tons below USDA Official. Argentine MY 2021/22 sunflowerseed and peanut production projections are unchanged at 3.4 MMT and 1.3 MMT respectively.

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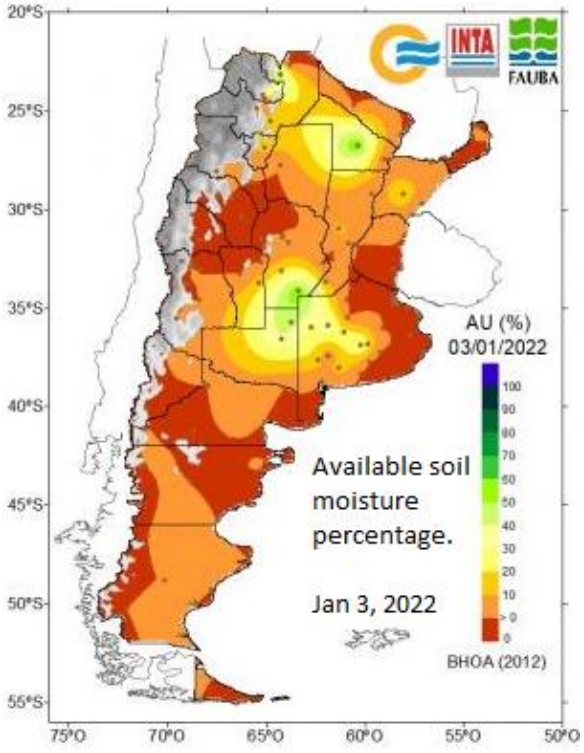
As of the end of December 2021, sunflower and peanut plantings for the 2021/22 marketing year (MY) are complete with soybeans running behind schedule with approximately 81% complete (versus 90% for the past five years) according to the Buenos Aires Grain Exchange. With a La Nina system threatening dry conditions for January and February, Argentine producers are experiencing déjà vu, with crop conditions similar to MY 2020/21, though spring rains in November were more generous than last year. The last two weeks of December have been hot and dry, pulling moisture from the soil. With the exception of parts of northern Argentina, and south of the province of Cordoba/north of La Pampa, most productive regions are exhausting available soil moisture and need rain urgently. Near-term weather forecasts show opportunities for light precipitation, but the medium term outlook increases the probability of dry conditions once again striking during key reproductive periods. These conditions are constraining the upper bound of all crop yields as farmers remain dependent on timely rains to meet yield goals. Post reduces its MYH 2021/22 total production to 46.5 million metric tons (MMT), down 3.2 MMT from October, and 3 MMT below the USDA official number. While the current condition of the soybean crop leaves open the possibility of an average to above average crop, further downward revisions are likely.

Figure 1



Source: Argentine National Institute for Agricultural Technology

Sunflower planted in northern Argentina is being harvested with reports of average to below average yields. Dry conditions during July and August prevented farmers from planting as many acres of sunflower as originally anticipated, though more than twice as much as was sown in the north than in the disastrous MY 2020/21. Farmers in Buenos Aires Province are helping to take up the slack, planting up to 10-15% more acres than last year based on recent crop travel. Soybeans are likely to take most of the acreage intended for sunflower in the north if expected rains provide enough moisture for planting. While corn was the most attractive option for most Argentine farmers this year, changes in input costs, may have nudged those making last minue decisions back to soybeans. Larger to medium-scale farmers who account for most crop production in Argentina were able to lock-in input purchases shortly after the 20/21 harvest. However farmers that did not make these contracts faced sharply rising fertilizer costs since late

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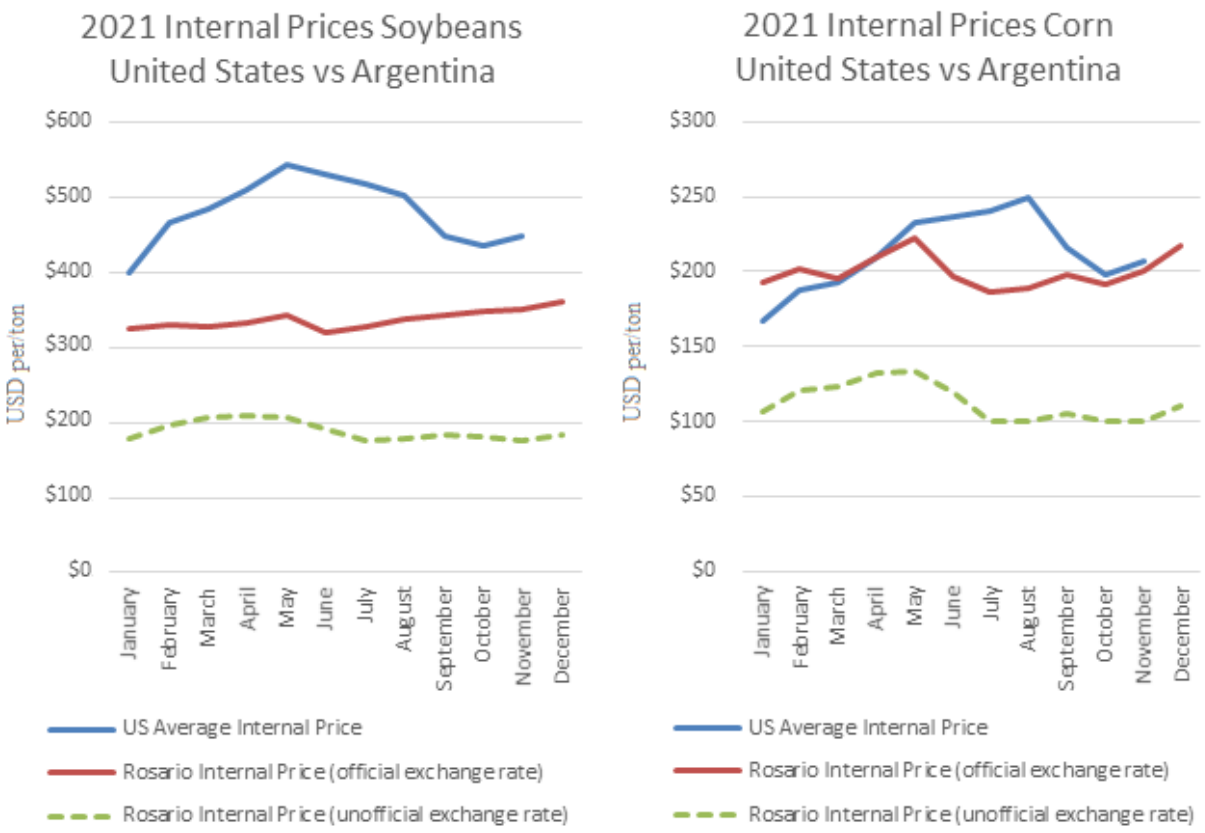
September. While corn and soybean seed remained widely available, seed for sunflower and sorghum became difficult to find in many regions. Costs for pesticides have also risen relative to last crop season.

Figure 2



Source: FAS Buenos Aires using data from USDA NASS, Argentine Ministry of Agriculture, Livestock, and Fisheries, Central Bank of Argentina, and proprietary sources.

Despite the country's overall difficult economic position, Argentine farmers' balance sheets are currently strong. As the small grain harvest concludes, record wheat production and near record barley production and strong world prices are helping to compensate for rising operating costs. With Argentine inflation running over 50 percent in 2021 and set to surpass that level in 2022, farmers are rapidly reinvesting their peso-denominated earnings into equipment, vehicles, and inputs as store of value rather than maintain high peso bank balances. Despite the temporarily positive position of many farmers, government policies continue to constrain investment decisions. Imported products are often delayed due to permitting and port-related complications. These problems, combined with global supply chain issues have led to a shortage of spare parts, including for basic items such as tires for specialized farm equipment. While short-term credit for regular operating costs is widely available, long-term credit for larger investments such as irrigation systems is harder to find, leading farmers to invest in less efficient solutions. For

instance, in the case of irrigation, even larger farmers are more likely to purchase an economical hose-pull reel system rather than installing a center pivot system. While most Argentine prime farmland would remain unirrigated regardless of the economic environment (because of the high quality of the soil and normally adequate rain patterns), underinvestment in irrigation means that Argentina is more vulnerable to drought than it might otherwise be. Credit is not the only consideration, Argentine farmers remain undercapitalized in large part due to export taxes on major commodities that have resulted in decades of farmgate prices that are below the world average.

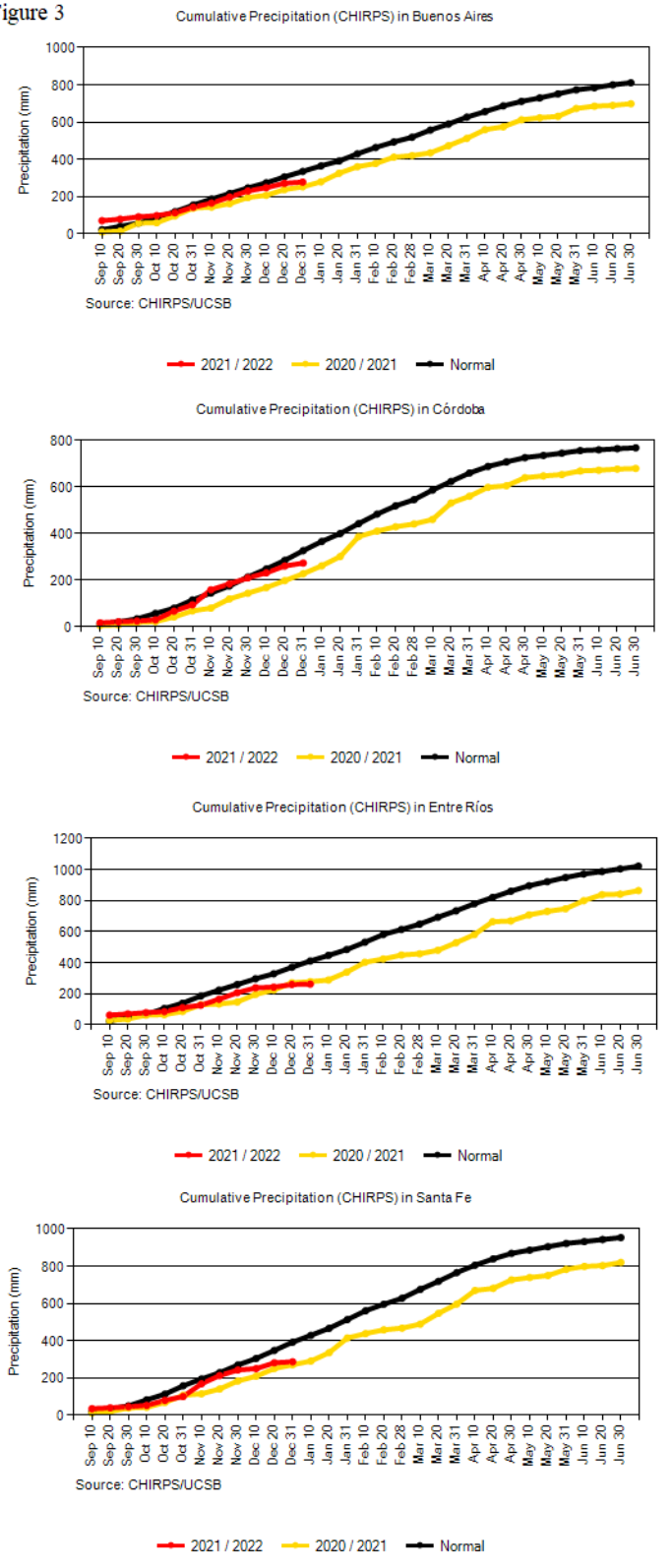
This disparity can be seen in the difference between internal prices in Argentina and the United States over the last twelve months. Although any comparison between average internal prices must take into account a wide variety of variables, the effect of a 33 percent export tax on soybeans in Argentina leads to a wide divergence in price in the internal markets of each country as can be seen in the chart on the prior page. Corn, which has a 12% export tax is less affected. Farmers receive their payment in Argentine pesos which cannot be easily converted to dollars because of currency controls. The unofficial exchange rate for dollars has steadily diverged from the official rate since the imposition of the currency controls and is now roughly double of the official rate.

Soybeans

Post has adjusted planted area for the 2019/20, 2020/21, and 2021/22 marketing years to align more closely with the USDA official number. In most cases these are downward revisions which has in turn raised average yields for prior years. For 2021/22, Post now projects a planted acreage of 16.7 million hectares, which represents a decline of 300,000 hectares from Post's 2020/21 estimation, but is 200,000 hectares more than USDA official. Post retains an assumed loss of 500,000 hectares to drought, flooding, and other negative conditions for a projected harvested area of 16.2 million hectares, which is 200,000 hectares below the USDA official number.

Post lowers its 2021/22 soybean production projection to 46.5 MMT due to challenging current weather conditions, projected continued dryness for key production areas, and a lower revised planted area. Drought conditions are particularly difficult in the Province of Entre Rios and in northwestern Buenos Aires Province. As can be seen in the accompanying Figure 3 on the next page, precipitation for the four largest soybean producing provinces has fallen below the historic average trend line but has so far remained ahead of the pace of 2020/21. Dry weather has delayed planting in the northern production region in the provinces of Chaco, Santiago de Estero, and Tucuman, but due to the longer growing season, producers in the north still have until mid to late January to sow soybeans. Recent rains in the north may provide enough moisture to begin planting. Though some early planted soybeans in the core growing region are beginning to flower, most soybeans are still in a vegetative growth stage, which requires less water and provides some resistance to the dry conditions. According to the Buenos Aires Grain Exchange, as of December 30, the soybean crop was 81% planted. Planting is practically complete in the core growing region of eastern Cordoba Province, northwestern Buenos Aires Province, and southern Santa Fe province.

Figure 3



Post forecasts 2021/22 soybean exports at 5.35 MMT in line with USDA official.

Source: USDA Crop Explorer

This volume is 1 percent lower than revised projected 2020/21 levels. 2021/22 Crush is reduced to 41.5 MMT, down 1 MMT from October, and down 500,000 tons from USDA official. This volume is less than 1 percent higher than revised projected 2020/21 levels. Imports are projected at 4.5 MMT, 300,000 tons below USDA official. However, this number could potentially drop by 1 million to 3 million tons depending upon the ongoing drought situation in Paraguay. Early reports indicate that significant damage may have occurred to the Paraguayan soybean crop with industry sources estimating losses of 10-40 percent of the current USDA Official estimate of 10 MMT. Water levels on the Parana River system have recovered from record lows, allowing ships docking in Rosario to load to normal levels once again. However, problems persist upriver with low water levels that have complicated logistics and shipments from Paraguay. 2021/22 stocks are projected down at 9.7 MMT.

For 2020/21 Post final production estimate remains at 44.5 MMT, 1.7 MMT below the USDA official number. Crush is raised to 41.3 MMT as faster than anticipated farmer selling has allowed processors to maintain an elevated pace of operations despite low water levels that complicated river logistics during the first half of the marketing year.

Table 1: Production, Supply, and Distribution: Soybean (local)

Oilseed, Soybean (Local)	2019/2020		2020/2021		2021/2022	
Market Year Begins	Apr 2020		Apr 2021		Apr 2022	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	16700	17200	16600	17000	16500	16700
Area Harvested (1000 HA)	16700	16700	16470	16470	16400	16200
Beginning Stocks (1000 MT)	9850	9850	11820	13908	7900	11108
Production (1000 MT)	48800	48880	46200	44500	49500	46500
MY Imports (1000 MT)	4940	4940	4800	4900	4800	4500
Total Supply (1000 MT)	63590	63670	62820	63308	62200	62108
MY Exports (1000 MT)	6660	6662	5400	5400	5350	5350
Crush (1000 MT)	37870	37700	42200	41300	42000	41500
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	7240	5400	7320	5500	7450	5600
Total Dom. Cons. (1000 MT)	45110	43100	49520	46800	49450	47100
Ending Stocks (1000 MT)	11820	13908	7900	11108	7400	9658
Total Distribution (1000 MT)	63590	63670	62820	63308	62200	62108
Yield (MT/HA)	2.9222	2.9269	2.8051	2.7019	3.0183	2.8704
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sunflowerseed

2021/22

Post revises sunflower planted area up slightly to 1,700,000 hectares, which is 100,000 HA more than the USDA official number. Despite failing to plant almost 200,000 HA in the in the far northern Provinces of Chaco and Santiago de Estero, which affected the national total, high expected prices and strong returns last year have encouraged farmers in southern Buenos Aires

Province and La Pampa Province to expand their planted acres this year. Despite continued concerns by farmers that the sunflowerseed crushing market remains highly concentrated, last year's high demand for sunflowerseed, and accompanying high prices remains fresh in the minds of many producers. Sunflower has lower input costs than corn and is seen to be more drought resistant, an asset in a La Niña year. In the southern growing region, yields for soybeans are often disappointing, discouraging its use other than when double cropping with wheat or barley. Some shortages of high-quality hybrid sunflower seed were reported this year, though most farmers who wanted to plant the crop were eventually able to obtain it. There is some concern that as some farmers unfamiliar with growing sunflower return to the crop, losses from some diseases which require careful management, like verticillium wilt, could be higher than in recent years. Current dry conditions in southeastern Buenos Aires Province could lead to reduced yields. Exports are projected at 190,000 metric tons, with a mix of some confectionary shipments and some seed for crushing, primarily in France, with additional shipments possible for the Iberian Peninsula and Turkey. Crush is projected 2.9 MMT matching the USDA official number.

2020/21

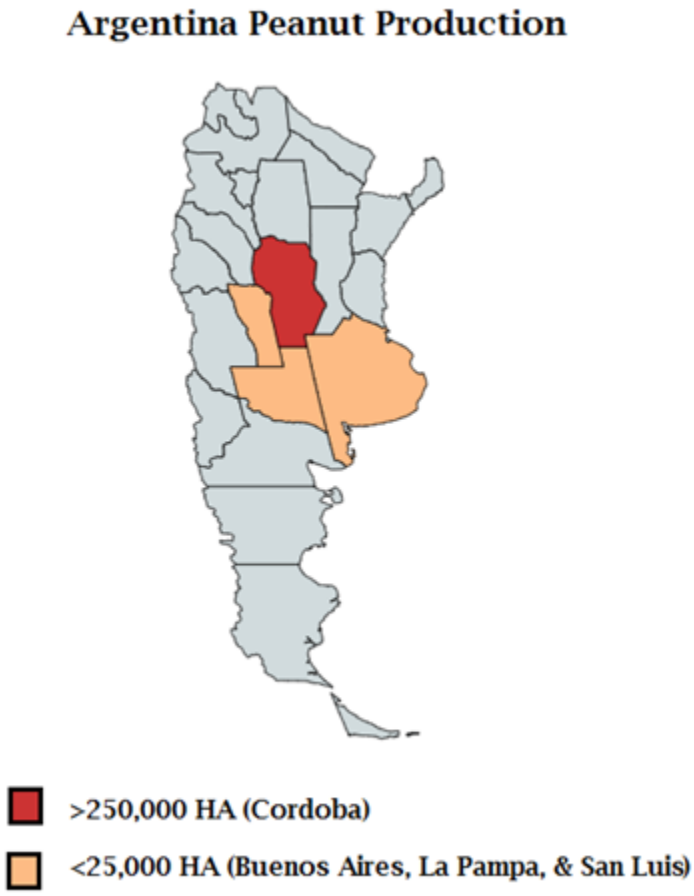
Post revises planted area and production upward to 1.5 million hectares and 2.9 MMT but still below USDA official of 1.67 million hectares and 3.4 MMT. Crush remains at 3.1 MMT, 250,000 metric tons below the USDA official number. Ending stocks are revised downward to 280,000 metric tons, reflecting farmers' strong incentive to sell as much as possible given high prices this year. Exports are revised up slightly to 190,000 tons on latest available data.

Table 2: Production, Supply, and Distribution: Sunflowerseed

Oilseed, Sunflowerseed	2019/2020		2020/2021		2021/2022	
Market Year Begins	Mar 2020		Mar 2021		Mar 2022	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
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	570	280
Production (1000 MT)	3235	3235	3430	2900	3400	3400
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	4222	4222	4410	3880	3970	3680
MY Exports (1000 MT)	184	184	180	190	165	165
Crush (1000 MT)	2750	2750	3350	3100	3000	3000
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	308	308	310	310	315	35
Total Dom. Cons. (1000 MT)	3058	3058	3660	3410	3315	3035
Ending Stocks (1000 MT)	980	980	570	280	490	480
Total Distribution (1000 MT)	4222	4222	4410	3880	3970	3680
Yield (MT/HA)	2.1144	2.054	2.0539	2	2.125	2.0606
(1000 HA) ,(1000 MT) ,(MT/HA)						

Peanut

Figure 4



MY 2021/22 Planted acres are projected at 380,000 HA, matching the USDA official number. This 20,000 hectare decline from the prior marketing year is primarily attributable to rising expected returns from other crops like corn, soybeans, and small grain/soybean double cropping. Because peanut prices have not risen to the same extent as the other major field crops, peanut processing companies offers to contract acres were not as competitive, on the margin, as the prior year. Post projects peanut production at 1.3 MMT, even with the prior marketing year and 100,000 metric tons below the USDA official number. Despite the generally challenging climatic conditions across Argentina, the current crop is still in good condition, and the south of the province of Cordoba (where most peanut production is centered) has more moisture than much of the rest of the country. Exports are projected at 950,000 metric tons, 50,000 metric below the USDA official number based on Post's lower estimate for production. On December 15, 2021, the government of Argentina published decree 851/2021 which lowered export taxes on a number of products. This included reductions in export taxes for peanuts to 4.5 percent for confectionary peanuts, 3 percent for blanched peanuts, and 0 percent for HS code 2008.11, processed products. These reductions should help improve profitability for peanut exporters.

2020/21

Post revises peanut planted area up to 402,000 hectares, matching USDA official. Crush is lowered to 245,000 metric tons on latest available data, which remains 20,000 tons above USDA official.

Table 3: Production, Supply, and Distribution: Peanut

Oilseed, Peanut	2019/2020		2020/2021		2021/2022	
Market Year Begins	Mar 2020		Mar 2021		Mar 2022	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	368	345	402	402	380	380
Area Harvested (1000 HA)	367	345	402	402	380	380
Beginning Stocks (1000 MT)	479	479	423	439	385	359
Production (1000 MT)	1285	1350	1270	1300	1400	1300
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1764	1829	1693	1739	1785	1659
MY Exports (1000 MT)	988	988	960	960	1000	950
Crush (1000 MT)	235	227	225	245	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	420	410	455
Ending Stocks (1000 MT)	423	439	385	359	375	254
Total Distribution (1000 MT)	1764	1829	1693	1739	1785	1659
Yield (MT/HA)	3.5014	3.913	3.1592	3.2338	3.6842	3.4211
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments.