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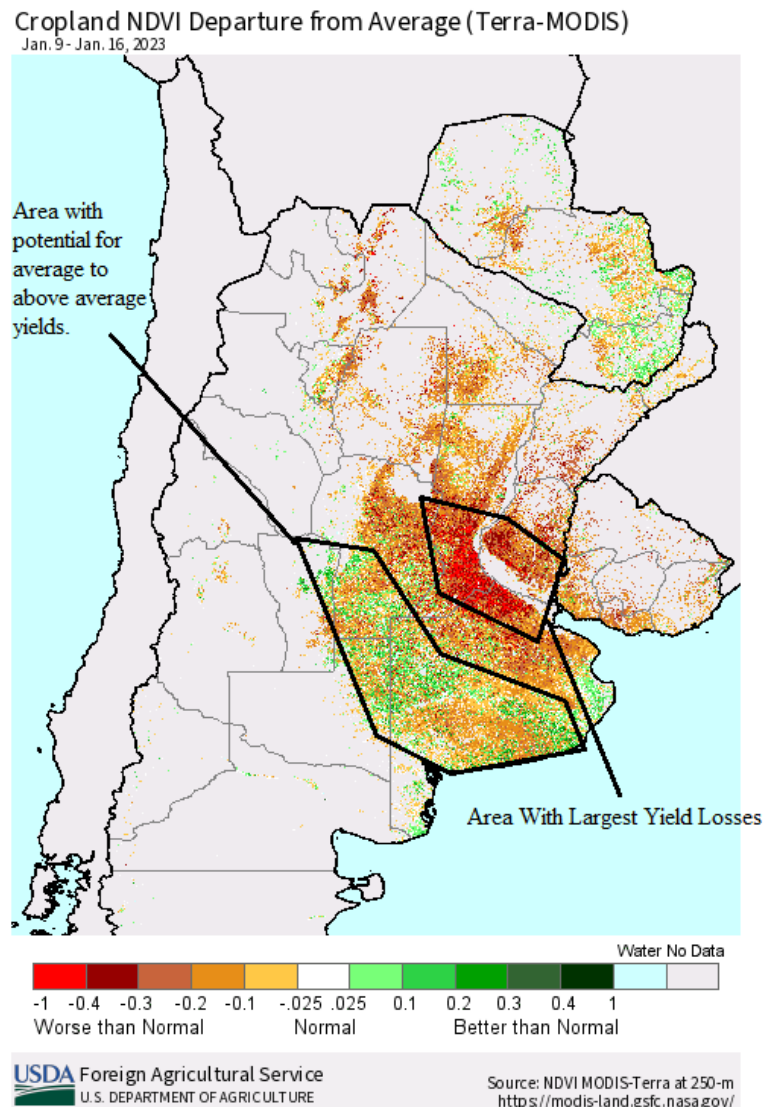
Report Highlights:

Dry weather and high temperatures in the last months of 2022 have damaged the Marketing Year (MY) 2022/23 Argentine soybean crop, particularly affecting first crop soybeans within a 125 kilometer radius of Rosario, Santa Fe Province. Recent rains will buy time for second crop soybeans, but better-than-average weather through February is needed for a substantial recovery. Post lowers its MY 2022/23 estimated production to 36 million metric tons (MMT), 9.5 MMT below the official USDA estimate. The drought is also affecting sunflowerseed and peanut production to a lesser extent. Post estimates sunflowerseed production at 4 MMT on lower-than-expected yields in northern production areas. Peanut production is lowered to 1.05 MMT on smaller-than-expected planted area and anticipated lower yields.

Summary: Argentina is currently experiencing one of its worst droughts in recent history. This is the third year in a row with a dry La Niña influenced weather pattern. As such, there was little soil moisture available during the optimum planting windows for soybeans in October, November, and December. According to the Argentine Meteorological Service, November 2022 was the warmest November in Argentine history and December 2022 was the fifth warmest. 2022 was the eighth driest year on record, with some productive areas receiving 20-24 inches less rainfall than normal. Some of the most productive cropland in the country has been affected, particularly south-central Santa Fe, northern Buenos Aires, and much of Entre Rios Province.

On recent crop travel during the week of January 16, 2023, Post observed unprecedented levels of abandonment in this normally verdant region. Early planted soybeans will see substantially lower yields than normal. Late-planted soybeans still have time to recover if rains improve, but the extent of late planting will likely place a ceiling on yields even in areas where drought and heat conditions moderate. Significant rains fell in many parts of the Pampas over the weekend of January 20. These showers arrested the accelerating pace of yield losses, but above-average precipitation will be needed throughout February to offset damage already caused by drought, heat, and delayed planting. The sunflower crop is proving much more resistant to the drought, but so far yields in the northern production zone have been lower than hoped for by producers. The peanut crop will be smaller than originally anticipated, as high fixed costs discouraged independent farms from planting as many acres as projected. While peanuts are also more drought resistant than soybeans, the slow pace of crop development so far means that yields will likely suffer.

Figure 1: Vegetation Index of Argentine Cropland



Source: USDA FAS IPAD (NDVI MODIS-Terra at 250 - m)

Argentina exports (in processed and raw form) the vast majority of the oilseed crops it produces. Reductions in production will translate to lower export volumes. Argentina oilseed crushers will also seek to import higher volumes of soybeans for processing. Unless the projected reduction in export volume is compensated for with higher prices, Argentina is likely to see a significant reduction in the inflow of foreign currency from the oilseed sector in 2023. Though final 2022 statistics are not yet available, in 2021, the oilseed sector accounted for one third of Argentina's total exports. The effects of the drought will likely complicate the Argentine Central Bank's efforts to boost its foreign currency reserves.

In 2022 Argentina began tightening restrictions on imports of many goods and has had currency controls in place since 2019. The farm sector has had difficulty in securing imported machinery, spare parts, and other goods that are necessary for its continued productivity. Despite two relatively strong financial years for Argentine farmers, rising land rental costs (linked to high global commodity prices) and artificially low farmgate prices (due to export taxes and currency controls) may lead marginal farmers to exit the sector in 2023.

Soybeans

Production

Due to hot, dry weather in late 2022, Post estimates MY 2022/23 soybean production at 36 million metric tons (MMT), 9.5 MMT below the official USDA estimate. A wide range of possibilities still exist for the 2022/23 Argentine soybean crop. With perfect growing conditions for the rest of the season, it is still early enough that the large area planted to second-crop or late planted soybeans could compensate for losses in first-crop beans to yield a total production that exceeds the disastrous drought during the MY 2017/18 crop year. However, a return to high temperatures and dry conditions could drop production lower than Post's current estimate.

Argentina's drought has been generalized, but the intensity of effects of lack of rain and high heat varies by region. Early planted/first-crop soybeans in the most affected areas of south-central Santa Fe, northern Buenos Aires, and much of Entre Rios are likely to yield 40-75% less than normal. In an intermediate zone which includes parts of eastern and central Cordoba, southern Santa Fe, and northwestern Buenos Aires, losses are likely in the 10-25% range. In contrast, parts of southern Buenos Aires, La Pampa, Southern Cordoba, and San Luis, yields may be average to above average.

The signs of drought damage also vary, from thin spotty stands with brown curled leaves in the worst fields to almost all fields showing leaf turning. Despite these different visual markers, much of Argentina's core soybean growing region shows signs of delayed and stunted development. As measured by plant height and canopy cover, significant swaths of central Argentina appear to be several weeks behind in development, with plants that are half the size as normal and with most fields failing to generate a complete canopy. If rains do begin to increase, this could provide weeds with more opportunity to grow since furrows remain exposed. Many farmers who applied pre-emergent herbicides have found these treatments to be ineffective

because there was insufficient water for weeds to uptake these chemicals before the product broke down. Pest pressure has been relatively low, but spider-mite infestation is widespread.

Figure 2: Stunted Early Planted Soybeans in Prime Growing Area



Source: FAS Buenos Aires, January 19, 2023, near Manuel Ocampo, Buenos Aires

Figure 3: Spider-mites on Soybeans



Source: FAS Buenos Aires, January 17, 2023, near Rio Cuarto, Cordoba

In the most important growing regions, first crop soybeans are passing through flowering stages (R1-R3) and second-crop soybeans are still in vegetative stages. The reduced height and number of branches of first crop soybeans means that relatively fewer nodes are developing than normal. Under optimal conditions, soybeans can compensate for fewer nodes by producing a smaller number of heavier pods and some varieties may reflower to form new pods. However, in the most hard-hit regions, such a recovery is unlikely.

Figure 4: Failing Late Planted Soybeans



Source: FAS Buenos Aires, January 19, 2023, near Manuel Ocampo, Buenos Aires

Late planted or second crop soybeans have not entered key reproductive stages and still have time to develop. As a general rule, producers in the main Argentine soybean growing regions estimate that for every day late soybeans are planted after Christmas, yield potential drops 50 kilograms (KG) per hectare (HA), so for instance, soybeans planted on January 4 would be expected to face a 0.5T/HA yield loss. Most producers do not believe that it is worth the risk to plant soybeans after January 15 in the main soy belt. Normally, second crop soybeans (which planted onto small grain stubble) are planted in November and December immediately after harvesting wheat or barley in the same field. During the 2022/23 season, drought conditions delayed planting significantly and a higher-than-normal proportion of fields in the core growing area were not planted to any crop. In addition to the yield loss associated with late planting dates, producers also run the risk of early frosts. While this is usually more of a problem for late-planted corn with a longer maturation cycle, many soybean producers will be at risk during late March and early April.

According to the Buenos Aires Grain exchange, the crop was 95.5% planted by Thursday, January 18, with only some fields in the northern production areas (which normally plant late in

the year) remaining to be sown. Post has observed and received anecdotal reports of some extremely late reseeding in areas receiving precipitation during the weekend of January 20th.

Consumption and Exports

Argentina currently has currency controls that prevent the official value of the Argentine peso from converging with the market value of the currency. There are a variety of different exchange rates, including the “blue” rate (street value of U.S. dollars in Argentina) as well as the “financial” rates (exchange rates obtained through legal exchanges of securities) that approximate the market value of the Argentine peso relative to the U.S. dollar.

Partially due to its efforts to support the official value of the Argentine peso, Argentina’s government continues to face challenges maintaining foreign currency reserves in the central bank. As a consequence, the Argentine government has sought to boost currency reserves quarterly in order to meet targets set by the [International Monetary Fund](#). Meeting these targets is a prerequisite for Argentina to continue receiving disbursements as part of its extended arrangement under the Extended Fund Facility for Argentina.

Since the export of soybeans, soybean meal and oil, are the largest source of foreign currency for the country, Argentina has implemented two rounds of special exchange rates for soybean and soybean product exports in order to encourage farmers to sell their stored soybeans and so the government can receive foreign currency inflows from soybean exports. These special exchange rate periods are locally referred to as “Soy Dollar I” and “Soy Dollar II”. In both Soy Dollar programs, the Argentine government allowed farmers to receive payment in pesos for soybeans at an exchange rate between the official rate and the market rate. This raised the peso-denominated prices for soybeans during both periods. The prices were sufficiently high to incentivize farmers to heavily draw down on farm stocks. Soy Dollar I occurred in September 2022 and according to the Buenos Aires Grain Exchange resulted in sales (new sales, price agreements, and rectifications) of 14.8 MMT, while Soy Dollar II occurred in December 2022 and resulted in sales of 6.4 MMT.

Due to global market conditions in September, more beans than anticipated were exported whole. Post raises its MY 2021/22 export estimate to 5.55 MMT, which is still 450,000 Metric Tons (MT) below the Official USDA estimate. The drought in Paraguay has limited Argentine imports of soybeans in MY 2021/22. However, with an anticipated recovery of Paraguayan production and an estimated large crop in Brazil, Post raises its MY 2022/23 import projection to 6 MMT, 750,000 MT over the Official USDA estimate. Argentine crushers will need to import more beans to offset the short fall in domestic production. River conditions permitting, the most efficient way to ship soybeans to Argentina is by river barge. Imports from Brazil (Mato Grosso Do Sul), Paraguay, and Bolivia are all likely to rise. Argentina can also receive ocean going vessels in some ports, with larger shipments from the United States and Brazil being a possibility.

In December, the government combined the Soy Dollar II program with a return to a differential export tax on soybean meal and oil compared to whole soybeans. Soybeans are charged an export tax of 33% while soybean meal and oil are charged an export tax of 31%. This

differential, combined with the realization by exporters that Argentina would likely face a short crop of soybeans due to drought, meant that soybeans purchased under the Soy Dollar II are more likely to be crushed than exported whole. MY 2022/23 crush is projected at 36.5 MMT, 2.5 MMT lower than the official USDA estimate and would be the lowest crush since the drought in MY 2017/18. Due to the low production and the incentive for exporting products over raw beans, Post lowers its FY 2022/23 export projection to 1.25 MMT, 2.5 MMT under the Official USDA estimate.

Many farmers now believe that a Soy Dollar III and IV are also likely in March and June. How this belief will affect marketing decisions remains to be seen. Soybean sales volumes have been very low outside of the months when the currency incentives were in place. The current drought cut wheat and barley production significantly relative to last year, and has resulted in smaller exports of those commodities. Early planted corn is in particularly poor condition due to drought and high heat in central Argentina. Farmers have greatly reduced their stocks of soybeans over the first two Soy Dollar programs and both farmers and the Argentine government will have few good income options as the small size of the first soybean and corn crops will leave both dependent on the success of crops planted in December and January. As a result of the Soy Dollar programs and estimated small crop, MY 2022/23 ending stocks are estimated at 4 MMT, the lowest level for Argentina in several years.

Table 1: Production, Supply, and Distribution – Soybeans Argentina

Oilseed, Soybean (Local) Market Year Begins	2020/2021		2021/2022		2022/2023	
	Apr 2021		Apr 2022		Apr 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted (1000 HA)	16600	16600	16500	16250	17000	16650
Area Harvested (1000 HA)	16470	16470	15900	15750	16300	15950
Beginning Stocks (1000 MT)	11820	11820	8719	8838	5019	5438
Production (1000 MT)	46200	44500	43900	42000	45500	36000
MY Imports (1000 MT)	4438	4438	4000	4000	5250	6000
Total Supply (1000 MT)	62458	60758	56619	54838	55769	47438
MY Exports (1000 MT)	5377	5377	6000	5550	3800	1250
Crush (1000 MT)	41043	41043	38400	38250	39000	36500
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	7319	5500	7200	5600	7269	5600
Total Dom. Cons. (1000 MT)	48362	46543	45600	43850	46269	42100
Ending Stocks (1000 MT)	8719	8838	5019	5438	5700	4088
Total Distribution (1000 MT)	62458	60758	56619	54838	55769	47438
Yield (MT/HA)	2.8051	2.7019	2.761	2.6667	2.7914	2.2571
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sunflower

Post raises its planted area estimate to 2.2 million hectares matching the official USDA estimate. Reports earlier in the season about lack of available seed did not appreciably constrain planted area. Growth can be seen in all growing areas, with a recuperation in planted area in the northern growing region in Chaco and northern Santa Fe Provinces. While this area once again failed to plant its full “intended” area, it improved over the poor performances in the last two years. Sunflower continues to be seen more in central growing areas that are normally dedicated to corn and soybeans. High prices, low input costs, and fear of a dry La Nina growing season has led farmers to expand planted area.

According to the Buenos Aires Grain Exchange, 13.9% of the planted area has been harvested by January 18, 2023. Various sources are reporting lower-than-expected yields in northern production areas. Though sunflower has proven much more resilient than other crops to the effects of the drought, yields are expected to be below average until harvest reaches the more southerly growing areas, which have received more and more favorably timed rains. Based on lower-than-expected yield in northern and central growing areas, Post reduces estimated yield and total production to 4 MMT, 600,000 MT below the official USDA estimate.

Post anticipates a return to more normal pattern of sunflowerseed product exports for MY 2022/23. In MY 2021/22 Argentine companies identified export opportunities presented by the rise in prices and shipping disruptions due to the Russian invasion of Ukraine and lower production in major northern hemisphere producing countries, and began registering export permits in February and March. For MY 2022/23 both producers and exporters appear to be taking a slower approach to marketing their sunflowerseed. According to SAGyP statistics and the Rosario Grain Exchange, with the exception of the last crop season, Argentine exporters typically register most export sales in April, and May is the month when the greatest volume of oil and meal is shipped. Whole sunflowerseed exports typically peak in April as exporters seek to push out the less dense crop to make space for corn and soybeans in their elevators.

Over the last two years, the government has subsidized domestic oil consumption by taxing exports of edible oils and using proceeds from the taxes to fund a trust that lowers the price of bottled vegetable oil (principally from sunflower) that is sold in the domestic market. Due to high oil prices, the fund ran out early in 2022, and some suppliers stopped supplying retail markets with low cost oil. The new trust, established by [Resolution 30/2023](#), is intended to raise USD \$200 million by taxing edible oil exports produced by companies that participated in the Soy Dollar programs. Companies that sell edible oil to the domestic market in bottles of less than 3 liters in size can then apply to be reimbursed from the trust, but must sell the oil at wholesale and retail prices fixed by the government.

Table 2: Production, Supply, and Distribution – Argentina Sunflowerseed

Oilseed, Sunflowerseed Market Year Begins	2020/2021		2021/2022		2022/2023	
	Mar 2021		Mar 2022		Mar 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted (1000 HA)	1670	1600	1960	1900	2200	2200
Area Harvested (1000 HA)	1670	1600	1960	1850	2200	2150
Beginning Stocks (1000 MT)	967	967	804	537	848	596
Production (1000 MT)	3430	3200	4050	3900	4600	4000
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	4397	4167	4854	4437	5448	4596
MY Exports (1000 MT)	176	183	156	156	250	180
Crush (1000 MT)	3137	3137	3550	3385	3800	3600
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	280	310	300	300	350	305
Total Dom. Cons. (1000 MT)	3417	3447	3850	3685	4150	3905
Ending Stocks (1000 MT)	804	537	848	596	1048	511
Total Distribution (1000 MT)	4397	4167	4854	4437	5448	4596
Yield (MT/HA)	2.0539	2	2.0663	2.1081	2.0909	1.8605
(1000 HA) ,(1000 MT) ,(MT/HA)						

Peanut

Post reduces its estimated planted area for peanuts to 355,000 HA, 45,000 HA below the Official USDA estimate because independent peanut farmers planted less than initially forecast. Due to dry growing conditions and delayed development of some fields, Post is also reducing its average yield estimate to 3 MT/HA, resulting in a total production 1.050 MMT, or 200,000 MT below the official USDA estimate. Spider mites are found in many fields, but other pest pressures are low. Like in soybeans, the plant canopy in many peanut fields has not grown sufficiently to fully cover the furrow, leaving open the possibility that weeds may develop with more rain, leading farmers to need to apply more fertilizer. Peanut plants that are flowering now, before full vegetative development are unlikely to grow greatly in stature as the plant will focus its available resources on forming and filling pods.

Figure 5: Peanuts Beginning to Flower in Central Cordoba



Source: FAS Buenos Aires, January 16, 2022 near General Deheza, Cordoba

In recent years the peanut processing industry in Argentina has steadily increased the proportion of total area that it contracts to be farmed or farms directly. According to industry sources, approximately 80% of the area planted to peanuts in Argentina is at the behest of peanut companies, and only 20% by independent farmers. Peanuts have extremely high fixed costs, more than 1.5-2 times the costs of the next most expensive major field crop, corn. As independent farmers anticipated another dry growing season due to La Niña, they looked to reduce their risk by planting soybeans, which have the lowest upfront costs, or late planted corn, which uses less seed and fertilizer than early corn and can avoid the worst effects of an early season drought.

Land rents have also risen steadily in the Province of Cordoba, which is the center of Argentine peanut production. As farmers looked at relative returns, they considered that while corn and soybean prices had risen, peanuts had not. Therefore, while risk associated with planting peanuts had grown, potential return had not. Many opted to grow corn or soy instead, leaving peanut companies who need to secure a reliable supply, to plant an even higher percentage of the crop (almost 90%).

Post estimates that exports will fall to 790,000 MT in response to lower production. Industry sources report that some peanut blanching and exporting companies are refusing to commit to

filling orders with traditional European customers until they are sure what level of production they can commit to. This is in contrast to a normal year when many peanut blanchers begin signing export contracts early to enable early season cash flow. Declining container freight rates in recent months have improved the competitiveness of Argentine Peanuts.

Post lowers its crush estimate to 230,000 MT, 10,000 MT below the official USDA estimate but the final proportion of peanuts going to exports versus crush will be a result of the quality of the crop. Over the years the crushing industry has become the destination for peanuts unsuited for confectionary use rather than a significant driver of production

Table 3: Production, Supply, and Distribution – Argentina Peanuts

Oilseed, Peanut Market Year Begins	2020/2021		2021/2022		2022/2023	
	Mar 2021		Mar 2022		Mar 2023	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	402	402	410	400	400	355
Area Harvested (1000 HA)	402	402	407	400	380	350
Beginning Stocks (1000 MT)	425	425	388	369	395	394
Production (1000 MT)	1270	1300	1340	1340	1250	1050
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1695	1725	1728	1709	1645	1444
MY Exports (1000 MT)	937	937	925	875	900	800
Crush (1000 MT)	245	244	280	265	240	230
Food Use Dom. Cons. (1000 MT)	76	90	78	90	80	90
Feed Waste Dom. Cons. (1000 MT)	49	85	50	85	50	85
Total Dom. Cons. (1000 MT)	370	419	408	440	370	405
Ending Stocks (1000 MT)	388	369	395	394	375	239
Total Distribution (1000 MT)	1695	1725	1728	1709	1645	1444
Yield (MT/HA)	3.1592	3.2338	3.2924	3.35	3.2895	3
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments