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**Date:** 8/14/2012

**GAIN Report Number:**

## Argentina

**Post:** Buenos Aires

### **Biodiesel Tax Increase and Temporary Soybean Import Policy**

**Report Categories:**

Biofuels

Oilseeds and Products

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**Report Highlights:**

Government of Argentina recently announced several new resolutions related to biodiesel and soybeans. The export tax on biodiesel was raised to 32 percent from 20 percent and a required internal reference price for biodiesel was adjusted to \$4,405.30 pesos/ton (approx. USD \$958 per ton), a 15 percent drop from the previous mandate. Furthermore, temporary imports of soybeans will be allowed into Argentina for the purpose of crushing in-country to fill the gap in crushing capacity.

## **General Information:**

On August 10, 2012, the Government of Argentina (GOA) published official bulletin number 32.457 announcing several new resolutions related to biodiesel and soybeans. The export tax on biodiesel was raised to 32 percent from 20 percent and a required internal reference price for biodiesel was adjusted to \$4,405.30 pesos/ton (approx. USD \$958 per ton), a 15 percent drop from the previous mandate. Furthermore, temporary imports of soybeans will be allowed into Argentina for the purpose of crushing in-country to fill the gap in crushing capacity.

Argentina has enough invested in the soybean crushing industry's infrastructure to process more than 50 million metric tons (MMT) of soybeans annually. Last year, supplies were short because of a hard hit drought and only 37 MMT of soybeans were crushed, leaving excess capacity around 30 percent. This caused some crushing plants to close their doors part of the year and many employees to lose their jobs. In March 2012, members of the crushing industry asked the GOA to consider raising soybean export taxes in order to promote more incentive to crush in-country, filling the capacity gap (currently the soybean export tax is 35 percent and the export tax for soybean meal and oil is 32 percent). In the last few weeks, there have been strong rumors that soybean export taxes would be raised to 40 percent. The rumors were quieted when the resolution stated that this would not be an appropriate measure to promote production and competitiveness and instead proposed a solution through two actions: first, raise biodiesel export taxes to 32 percent, equal to that of other soybean by-products and second, to temporarily allow imports of soybeans for processing.

The GOA recognizes that the biodiesel industry has contributed quite a bit to Argentina's industrialization of the soy industry. In fact, production has more than tripled over the last five years and more than half of production is exported. Before the tax hike, returns on biodiesel reached more than 25 percent, which an astonishing difference compared to exporting soybean oil alone whose returns are very low and in the past have even dipped into the negative. The net difference between soybean oil export tax and biodiesel export tax (including a small rebate) was 17.8 percent in favor of biodiesel exports. According to the GOA, raising the tax to 32 percent will allow all sub-products of soybeans to have the same tax, while still promoting value added products within Argentina. A second resolution was released that required internal reference price for biodiesel to be adjusted to \$4,405.30 pesos/ton (approx. USD \$958 per ton), a 15 percent drop from the previous mandate. According to the government, the increase in export taxes and drop in reference price will reduce the domestic price of biodiesel. While it is estimated that nearly 80 percent of total biodiesel production is owned by large corporations which have integrated the biodiesel plants into pre-existing crushing facilities, the tax hike is more likely to negatively affect the other 20 percent of smaller companies. About a third of soybean oil produced in Argentina is destined for biodiesel production. As taxes will be a disincentive for exports, it is possible there will be a drop in exports of biodiesel. Unless the domestic market can make up for the drop in exports, more soybean oil may be destined for export rather than further processing in

the biodiesel industry.

The second prong of the solution to boost crushing to meet capacity is to temporarily allow imports of soybeans. In 2004, Argentina allowed crushers to import soybeans from Paraguay and re-export the soybean meal and oil by only paying the value added tax, not the full export tax. This worked for several years until 2009, when the benefit was taken away and Paraguayan soybeans were no longer allowed to be imported for crushing at the value-added tax rate. Last week's resolution announced the temporary revival of this regime, but the crusher must be registered in the "Authorized Soybean Operators Registry" and must prove that they have purchased 5 MMT of domestic beans for every 1 MMT of imported beans.

During the five years that Paraguayan soybeans were not processed in Argentina, companies in Paraguay started investment projects in crushing and crush capacity in-country has nearly doubled. However, production still exceeds domestic use and with next season's expected crop of more than 8 MMT, some of the exports could be diverted down river to be processed in Argentina again.

Post will continue to monitor the situation and report on market developments as necessary. For more information on biodiesel and oilseeds, please see the reports in the Global Agricultural Information Network (GAIN). Links to the resolutions are below.

[Joint resolutions 38/2012, 269/2012 and 1001/2012.](#)

[Resolution 1436/2012](#)