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Government Modifies Export Rebates to Bolster Value-Added Products

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Agricultural Situation
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Grain and Feed
Oilseeds and Products
Livestock and Products

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Report Highlights:

On December 30th, 2016, the government of Argentina modified export rebates for a wide range of high value and value-added agricultural products to support regional rural economies and strengthen the competitiveness of these exports. Local reports and contacts indicate that the agro-export sector had sought differential treatment vis-à-vis raw commodities. This measure is estimated to cost the Argentine government over USD \$160 million.

Export Rebate Modifications

Decree 1341/2016¹ published in *Boletín Oficial de la República Argentina* (Official Bulletin) raises and/or introduces export rebates for various agricultural products, including beef, horticultural products, organic products, plant oils, and various grain flours/meals. The stated purpose of this measure is to promote diversified agro-industrial development by promoting greater value-added production chains and exports. Its estimated cost is over USD \$160 million.² This move fulfills one of the Macri Administration's main campaign promises to encourage innovation in the sector and bolster regional rural economies.

The modified export rebate levels vary upon the product's stage in the industrial/production chain, delivering products with greater processing or value-added with higher rebate levels (see Annex 2 of the decree for a detailed enumeration of value-added product rebates based on size, processing, state, and packaging of product). The government's differential approach on the rebates seeks to partly reimburse the incurred taxes of each additional stage of processing or value addition. More specifically, the government calculated each rebate by analyzing the tax burden for the different products, from gross receipts to taxes on bank deposits/checks, among others.

This decree also seeks to bolster a burgeoning sector of the agro-export complex - organic and geographically-specific production. On top of the product-specific export rebate, exporters will be able to solicit an additional 0.5 percent rebate for those products distinguished by geographical origin or alternative production methods e.g. organic (see page 3 of this report for information on requirements).

New Export Rebate Rates

<u>HS Code Chapter</u>	<u>Select Products</u>	<u>Export Rebate Range</u>
Chapter 2: Meat Products	- beef, pork, lamb, poultry, animal/meat by-products	2.5 - 6%
Chapter 3: Fish and Crustaceans	- fresh/chilled and frozen fish, salted fish, mollusks	1.75 - 8%
Chapter 4: Dairy, Eggs, Honey	- milk, cream, butter, whey, yogurt, cheese, eggs, honey	2.5 - 5%
Chapter 5: Animal Products	- animal guts, bladders, stomachs & parts	2.5%
Chapter 7: Edible Vegetables	- onions, dry and fresh vegetables, leguminous vegetables	4.05 - 6%
Chapter 8: Edible Fruits & Nuts	- nuts, berries, citrus, grapes, apples, pears, deciduous fruit	3 - 9.5%
Chapter 9: Coffee, Tea, Mate & Spice	- coffee, tea, mate, pepper, cinnamon, saffron, other spices	3 - 4.5%
Chapter 10: Cereals	- corn, rice	1 - 3.5%
Chapter 11: Milling Industry Products	- cereal flours, groats, meals, grains, malt, starches, gluten	3 - 6%
Chapter 12: Oilseeds/Miscellaneous Grains	- peanuts, copra, sunflower seed, straw, sugar cane	0.05 - 3.5%
Chapter 13: Lac, Gums, Resins, Etc.	- gum, vegetable saps, agar	2.7 - 4.7%
Chapter 15: Animal or Vegetable Fats & Oils	- peanut, olive, palm, and sunflower oils, other oils	2.5 - 6%
Chapter 16: Edible Preparations of Meat, Fish, Etc.	- sausages, prepared meat, fish, crustaceans	4.5 - 8.5%
Chapter 17: Sugars & Sugar Confectionery	- cane & beet sugar, molasses, sugar confection.	4 - 7%
Chapter 18: Cocoa & Cocoa Preparations	- cocoa shells, paste, butter, powder, chocolate	2 - 7%

¹ <https://www.boletinoficial.gob.ar/#!DetalleNormaBusquedaAvanzada/11515433/null>

² <http://www.lanacion.com.ar/1972481-aumentan-reintegros-para-las-exportaciones-agroindustriales>

Chapter 19: Preparations of Cereals, Flour, Starches or Milk - malt, doughs, pasta, bread	3.5 – 6.5%
Chapter 20: Preparations of Vegetables, Fruits, Nuts, Etc. - tomatoes, mushrooms, jams, juices	4.5 – 9.5%
Chapter 21: Miscellaneous Edible Preparations - extracts, yeasts, prepared sauces, soups, ice cream	2 – 6.5%
Chapter 22: Beverages, Spirits & Vinegar - beer, wine, fermented beverages, ethyl alcohol, vinegar	5.5 – 6%
Chapter 23: Residues from Food Industries, Animal Feed - plant and vegetables meal (except soy), bran	2 – 4%
Chapter 25: Salt - salt, pure sodium chloride	2%
Chapter 29: Organic Chemicals - acyclic alcohols, lecithins, cyclic amides	3%
Chapter 30: Pharmaceutical Products - antisera, hormones	5%
Chapter 33: Oils, Cosmetic Preparations - essential oils, odoriferous substances	4%
Chapter 35: Albuminoids, Starches, Enzymes - egg albumin	4%
Chapter 41: Raw Hides & Skins & Leather - bovine and equine leather	1.15 – 2.5%
Chapter 42: Articles of Leather, Saddlery, Handbags - articles of apparel, of leather	3.4 - 6.8%
Chapter 44: Wood & Articles of Wood - hoopwood, wood sawn, fiberboard, plywood, pallets, tool bodies	1.6 – 6%
Chapter 54: Man-Made Filaments, Yarns & Woven Etc. - synthetic filament yarn	0%
Chapter 64: Footwear, Gaiters - parts of footwear, of wood	5.25%
Chapter 94: Furniture, Bedding, Cushions, Lamps - parts of seats	3.5%
Chapter 96: Miscellaneous Manufactured Articles - sanitary towels	3.4%

Special Product Group

Additional Export Rebate

Ecological or Organic ³	0.5%
“Argentine Food A Natural Choice” Sealed Products ⁴	0.5%
Products with a Denomination of Origin or a Geographical Indication ⁵	0.5%

Example of Differential Rebate By Source Product and Derivatives

Product	HS Code	Export Rebate
Wheat and Meslin (grain)	1001	0
Wheat Flour	1101.00.10	3%
Wheat Flour - in packaging less than or equal to 2.5 kilograms	1101.00.10	4%

³ Organic products must be certified by the Argentine government or by competent authority in accordance with Law No. 25,127 and other relevant regulations. These products have the right to utilize the seal “Argentine Food A Natural Choice” as authorized by the Secretariat of Value-Aggregation of the Ministry of Agro-Industry, in accordance with the provisions by Law No. 26,967.

⁴ In accordance with the provisions of Law No. 26,967.

⁵ Registered by the Secretariat of Value-Aggregation of the Ministry of Agro-Industry, in accordance with the provisions by Law No. 26,967, its amendment and supplementary.

Expected Impact on Agro-Export Sector and Agricultural Production

The agro-export sector, including livestock, poultry, wine, and horticulture has for several years sought support through differential treatment via preferential rebate rates and a more competitive exchange rate. These sectors cite the lack of this treatment and more precisely an uncompetitive exchange rate for the loss of market share in global markets. In addition, these sectors cite greater competition from Brazil, as a key factor in the loss of market share.

This decree has been widely welcomed by the agricultural sector whose members have signaled it as way to level the playing field and allow Argentina to compete near the same level of major competitors. Certain industries, such as the wheat mill sector, argue the new rate may not be elevated enough to cover all fiscal costs but nonetheless is a step in the right direction and will aid job creation.⁶ Contacts report that this should give producers incentive to increase production as more favorable export conditions should deliver better farm gate prices, especially for those products distinguished by alternative production methods. One contact in the horticultural sector reports that the combination of the mentioned factors and the ongoing growth of the Argentine organic sector are expected to spur more fruit/vegetables producers in provinces such as Mendoza, Neuquén, and Rio Negro to switch from conventional to organic production to capture better price premiums.

The decree also complements recent measures to support rural economies in Northern Argentina,⁷ a key region for the government. Late last year, the government announced its plan to provide a rebate equivalent to 5 percent of the Freight on Board (FOB) price for soybean and soybean products exports from the region (reducing the export tax for soybeans from 30 to 25 percent).⁸ Moreover, the government continues to move forward with *Plan Belgrano*, an infrastructure and economic development project for the region with a budget estimated at USD \$5.9 billion.⁹

Planned Additional Rebates and Support for Beef and Poultry Sectors

In an effort to support meat exports, the government announced plans to provide additional export rebates for beef and poultry on top of the modified rebate levels under Decree 1341/2016. These additional rebates are 1.8 percent for beef and 1 percent for poultry meat. They will serve as a temporary 1-year measure to foment exports, promote greater formality in the sectors, and generate employment. The export rebate and supplemental rebate mark the first time meat exports are receiving rebates since November 2005 – a sign of the Macri administration’s intent to reenergize the sector.¹⁰

Unofficial Translation of Select Sections of Decree 1341/2016

Decree 1341/2016 resolution provides for the following:

⁶ <http://www.lanacion.com.ar/1972481-aumentan-reintegros-para-las-exportaciones-agroindustriales>

⁷ Salta, Tucumán, Jujuy, Catamarca, Santiago del Estero, Corrientes, La Rioja, Misiones, Formosa, Chaco

⁸ http://www.agroindustria.gob.ar/sitio/areas/prensa/index.php?accion=noticia&id_info=161003193207

⁹ <http://www.lanacion.com.ar/1954632-plan-belgrano-se-dieron-a-conocer-los-detalles-de-las-obras-y-presupuestos>

¹⁰ <http://www.infobae.com/economia/2017/01/23/el-gobierno-aprobo-un-reintegro-extra-para-las-exportaciones-de-carne-vacuna-y-avicola/>

Article 1 ° - Replacement levels of the Export Reimbursement (RE) applicable to the tariff positions of the Common Nomenclature of MERCOSUR (NCM) are replaced in Annex I of Decree No. 509 dated May 15, 2007 and its modifications. Are included in Annex I of this measure, registered under the number GDE (IF-2016-04783203-APN-SSAYB # MA), for which in each case there are indicated.

ARTICLE 2 - Replace Annex III of Decree No. 509 dated May 15, 2007 and its amendments, by Annex II, registered with the number GDE (IF-2016-04783260-APN-SSAYB # MA), form Part of this measure.

ARTICLE 3 - A refund of ZERO COMA FIVE PERCENT (0.5%) is established for those products that are organic, biological or organic, duly certified and authorized by the competent body, under the terms of Law No. 25,127, Ecological, Biological or Organic Production, and its regulatory and complementary regulations.

ARTICLE 4 - A refund of ZERO COMA FIVE PERCENT (0.5%) is established for those products that have the right to use the "ARGENTINE FOODS A NATURAL ELECTION" Seal and its English version, "ARGENTINE FOOD A NATURAL CHOICE ", duly authorized by the SECRETARIAT OF VALUE AGGREGATION of the MINISTRY OF AGROINDUSTRY, in accordance with the provisions of Law No. 26,967.

ARTICLE 5 - A refund of ZERO COMA FIVE PERCENT (0.5%) is hereby established for products with a Denomination of Origin or a Geographical Indication, duly registered by the SECRETARIAT OF VALUE AGGREGATE of the MINISTRY OF AGROINDUSTRY, in accordance with the provisions of Law No. 25,380, its amendment and supplementary.

ARTICLE 6 - The MINISTRY OF AGROINDUSTRY will dictate the complementary and clarifying rules that are necessary in relation to what is regulated by the present decree, being able to require to the intervention of other ministerial units with competence in the matter.

ARTICLE 7 - This decree shall enter into force on the day of its publication in the Official Gazette and shall take effect for taxable events that are perfected as from January 1, 2017, inclusive.

Annex I

Note: For Annex 2, view the full decree at this [link](#)

HS Code	Export Tax Rebate (%)
0201.10.00	2.5
0201.20.10	2.5
0201.20.20	2.5
0201.20.90	3.5

0201.30.00	3.5
0202.10.00	3
0202.20.10	3
0202.20.20	4
0202.30.00	5
0203.12.00	3.5

0203.19.00	3.5
0203.21.00	3
0203.22.00	4
0203.29.00	5
0204.10.00	3
0204.21.00	3

0204.22.00	4
0204.23.00	4
0204.30.00	3.5
0204.41.00	2.5
0204.42.00	4
0204.43.00	4
0204.50.00	4
0205.00.00	3
0206.10.00	2.5
0206.21.00	3
0206.22.00	3
0206.29.10	3
0206.29.90	3
0206.30.00	3
0206.41.00	3
0206.49.00	3
0206.80.00	2.5
0206.90.00	3
0207.11.00	3.5
0207.12.00	4
0207.13.00	4.5
0207.14.00	4.5
0207.24.00	3
0207.25.00	3.5
0207.26.00	3.5
0207.27.00	4.5
0207.41.00	3
0207.42.00	4
0207.43.00	5
0207.51.00	3
0207.52.00	4
0207.53.00	5
0208.10.00	4
0209.10.11	4
0209.10.19	4
0209.10.21	4
0209.10.29	4
0210.11.00	5.5
0210.12.00	5.5
0210.20.00	3
0210.91.00	3

0210.92.00	3
0210.93.00	3
0210.99.00	3
0401.10.10	3
0401.10.90	3
0401.20.10	3
0401.20.90	3
0401.40.10	3
0401.40.21	3
0401.40.29	3
0401.50.10	3
0401.50.21	3
0401.50.29	3
0402.10.10	3
0402.10.90	3
0402.21.10	3
0402.21.20	3
0402.21.30	3
0402.29.10	3
0402.29.20	3
0402.29.30	3
0402.91.00	3
0402.99.00	3
0403.10.00	3
0403.90.00	3
0404.10.00	5
0404.90.00	3.5
0405.10.00	2.5
0405.20.00	4.5
0405.90.10	2.5
0405.90.90	2
0406.10.10	5
0406.10.90	5
0406.20.00	5
0406.30.00	5
0406.40.00	5
0406.90.10	5
0406.90.20	5
0406.90.30	5
0406.90.90	5
0407.11.00	4

0407.19.00	4
0407.21.00	3
0407.29.00	3
0407.90.00	4
0408.11.00	5
0408.19.00	5
0408.91.00	5
0408.99.00	5
0409.00.00	3
0410.00.00	4.5
0504.00.11	2.5
0504.00.12	2.5
0504.00.13	2.5
0504.00.19	2.5
0504.00.90	2.5
0703.10.19	4.05
0703.20.90	4.05
0711.20.10	5
0711.20.20	5
0711.20.90	5
0711.40.00	5
0712.20.00	4.5
0712.90.10	4.5
0801.21.00	4.5
0801.22.00	4.5
0801.31.00	4.5
0801.32.00	4.5
0802.11.00	4.5
0802.12.00	4.5
0802.21.00	4.5
0802.22.00	4.5
0802.31.00	4.5
0802.32.00	4.5
0802.41.00	4.5
0802.42.00	4.5
0802.51.00	4.5
0802.52.00	4.5
0802.61.00	4.5
0802.62.00	4.5
0802.70.00	4.5
0802.80.00	4.5

0802.90.00	4.5
0803.10.00	4.5
0803.90.00	4.5
0804.10.10	4.5
0804.10.20	4
0804.20.10	3.5
0804.20.20	4
0804.30.00	3.5
0804.40.00	3.5
0804.50.10	3.5
0804.50.20	3.5
0804.50.30	3.5
0805.10.00	3.5
0805.20.00	3.5
0805.40.00	3.5
0805.50.00	3.5
0805.90.00	4
0806.10.00	3.5
0806.20.00	3
0807.11.00	3.5
0807.19.00	3.5
0807.20.00	3.5
0808.40.00	3
0809.10.00	3
0809.21.00	3
0809.29.00	3
0809.30.10	3
0809.30.20	3
0809.40.00	3
0810.10.00	3
0810.20.00	3
0810.30.00	3
0810.40.00	3
0810.50.00	3
0810.60.00	3
0810.70.00	3
0810.90.00	3
0811.10.00	4.5
0811.20.00	4.5
0811.90.00	4.5
0812.10.00	4.5

0812.90.00	4.5
0813.40.10	8.5
0901.11.10	3.5
0901.11.90	3.5
0901.12.00	4
0901.21.00	4
0901.22.00	4
0901.90.00	4
0902.10.00	3.5
0902.20.00	3
0902.30.00	3.5
0902.40.00	3
0903.00.10	3
0903.00.90	3
0904.12.00	4
0904.21.00	4
0904.22.00	4.5
0905.20.00	4
0906.11.00	4
0906.19.00	4
0906.20.00	4
0907.20.00	4
0908.21.00	4
0909.22.00	4
0909.32.00	4
0910.12.00	4
0910.20.00	4
0910.91.00	4
1006.20.10	3
1006.20.20	1
1006.30.11	2.5
1006.30.19	2.5
1006.30.21	2
1006.30.29	2
1008.50.90	2.05
1101.00.10	3
1102.20.00	4
1102.90.00	3
1103.11.00	3
1103.13.00	4
1103.19.00	4

1103.20.00	3
1104.12.00	3
1104.19.00	3
1104.22.00	4
1104.23.00	3.5
1104.29.00	3
1105.10.00	4
1105.20.00	5
1106.10.00	4.5
1106.20.00	3.5
1106.30.00	3.5
1107.10.10	3.5
1107.10.20	4
1107.20.10	3.5
1107.20.20	5
1108.11.00	3
1108.12.00	3
1108.13.00	3.5
1108.14.00	5
1108.19.00	4
1108.20.00	4.5
1109.00.00	3
1202.42.00	2.5
1203.00.00	2
1206.00.90	1.8
1207.10.90	2
1207.29.00	2
1207.30.90	2
1207.40.90	2
1207.50.90	2
1207.60.90	2
1207.70.90	2
1207.91.90	2
1207.99.90	2
1210.10.00	3
1210.20.10	3.5
1210.20.20	3
1211.40.00	2
1211.90.10	2.5
1212.99.10	3
1213.00.00	2.05

1301.20.00	2.7
1301.90.10	2.7
1302.19.30	2.7
1302.19.40	2.7
1302.19.50	2.7
1302.19.91	2.7
1302.31.00	4.7
1505.00.10	4
1506.00.00	2.5
1508.90.00	2.5
1509.10.00	2.5
1509.90.10	3
1509.90.90	3
1510.00.00	3
1511.10.00	3
1511.90.00	2.5
1512.11.10	3
1512.11.20	2.5
1512.19.11	3
1512.19.19	2.5
1512.19.20	3
1512.21.00	3.5
1512.29.10	4
1512.29.90	3.5
1513.11.00	2.5
1513.19.00	3
1513.21.10	2.5
1513.21.20	2.5
1513.29.10	3
1513.29.20	3
1514.11.00	2.5
1514.19.10	3
1514.19.90	2.5
1514.91.00	2.5
1514.99.10	3
1514.99.90	2.5
1515.11.00	2.5
1515.19.00	3
1515.21.00	2.5
1515.29.10	3
1515.29.90	2.5

1515.30.00	3
1515.50.00	2.5
1515.90.10	3
1515.90.90	3
1516.10.00	3
1516.20.00	3
1517.90.10	3
1517.90.90	3
1518.00.10	3
1518.00.90	3
1520.00.10	3
1520.00.20	3
1521.10.00	3
1521.90.11	3
1521.90.19	3
1521.90.90	3
1522.00.00	3
1601.00.00	6.5
1602.20.00	5.5
1602.42.00	6
1602.50.00	5
1602.90.00	4.5
1701.13.00	5
1701.14.00	5
1701.91.00	5
1701.99.00	5
1702.20.00	4
1702.30.11	4
1702.30.19	4
1702.40.10	4
1702.40.20	4
1702.50.00	4
1702.60.10	4
1702.60.20	4
1702.90.00	4
1703.10.00	4
1704.10.00	6.5
1704.90.20	6.5
1704.90.90	6.5
1801.00.00	2
1802.00.00	2

1803.10.00	2
1803.20.00	3
1804.00.00	3
1805.00.00	4
1806.20.00	5
1806.32.10	6.5
1806.32.20	6.5
1806.90.00	6.5
1901.10.20	4.5
1901.10.30	5
1901.20.00	3.5
1901.90.20	6
1902.11.00	5
1902.19.00	5
1902.20.00	5
1902.30.00	5
1904.10.00	3
1904.20.00	3
1904.30.00	3
1904.90.00	4
1905.10.00	4
1905.20.10	4
1905.20.90	4
1905.31.00	4
1905.32.00	4.5
1905.40.00	4
1905.90.10	4
1905.90.20	4
1905.90.90	4
2002.10.00	5
2002.90.90	4.5
2003.10.00	4.5
2003.90.00	4.5
2004.90.00	5
2005.10.00	5
2005.40.00	5
2005.51.00	5
2005.59.00	5
2005.70.00	5
2005.80.00	5
2006.00.00	6

2007.10.00	5
2007.91.00	6
2007.99.10	6
2008.40.10	6
2008.40.90	5
2008.70.10	6
2008.70.90	6
2008.80.00	6
2008.99.00	5
2101.30.00	5
2102.10.10	2
2103.10.90	6
2103.20.10	6.5
2103.20.90	6.5
2103.90.99	5.5
2104.10.19	5.5
2104.10.21	6.5
2104.10.29	6.5
2105.00.90	5.5
2106.10.00	5.5
2106.90.10	5.5
2106.90.21	5.5
2106.90.29	5.5
2106.90.50	5.5
2203.00.00	6
2204.29.11	5.5
2204.29.19	5.5
2206.00.10	5.5
2206.00.90	5.5
2208.70.00	5.5
2208.90.00	5.5
2209.00.00	5.5
2301.10.10	4
2301.10.90	4
2302.10.00	2.5
2302.30.10	2.5
2303.10.00	2.5
2303.20.00	3
2305.00.00	2
2306.10.00	3
2306.20.00	2

2306.30.10	2
2306.30.90	2
2306.41.00	2
2306.49.00	2
2306.90.90	3.5
2307.00.00	2.5
2308.00.00	3.5
2501.00.20	2
2905.43.00	3
2905.45.00	3
2923.20.00	3
2924.29.91	3
2925.11.00	3
2938.90.20	3
3301.12.10	4
3301.12.90	4
3301.13.00	4
3301.19.10	4
3301.19.90	4
3301.24.00	4
3301.25.10	4
3301.25.20	4
3301.25.90	4
3301.29.11	4
3301.29.12	4
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3301.90.10	4
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3502.19.00	4
4404.10.00	1.6

4404.20.00	1.6
4407.10.00	4.05
4409.10.00	5
4409.21.00	5
4409.29.00	5
4410.11.10	5
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4411.14.90	5
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4411.92.90	5
4411.93.10	5
4411.93.90	5
4411.94.10	5
4411.94.90	5
4412.10.00	5
4412.31.00	5
4412.32.00	5
4412.39.00	5
4412.94.00	5
4412.99.00	5
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4417.00.90	5
4418.10.00	6
4418.20.00	6
4418.40.00	6
4418.50.00	6
4418.60.00	6

