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Grain and Feed Update

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Report Highlights:
Post continues to estimate wheat production for 2014/15 at 12.5 million tons, 500,000 tons higher than USDA, on 4.2 million hectares, 100,000 hectares higher than USDA. This production surplus is projected to be exported, for a total of 6.5 million tons, 500,000 higher than USDA. No significant changes in barley and rice production and trade statistics. Corn production for 2014/15 is now projected at 22.5 million tons, 500,000 tons higher than USDA as a result of very good weather. Corn exports are forecast at 13.5 million tons, 1.5 million more than USDA as a result of higher production volumes than reported by USDA in 2013/14 and 2014/15. Sorghum production for 2014/15 is forecast at 4.0 million tons, 300,000 tons more than USDA as a result of very good weather for summer crops, pushing export forecasts to 1.4 million tons.

Post:
Buenos Aires

Wheat: Post continues to project production for the 2014/15 wheat crop at 12.5 million tons, 500,000 tons more than the official USDA estimates. There is great disparity on wheat numbers among local contacts/sources, ranging from lows of 11.0 million tons, to highs of 13.3 million tons. In general, yields have been higher than average, but somewhat lower than farmers' earlier expectations due to late-season high temperatures in the center of the country and excess rain in southern Buenos Aires province, which in some cases, resulted in acreage losses. Depending on the source, these losses range between 130,000 and 260,000 hectares for the entire country. Post continues to estimate a final harvested area of 4.2 million hectares, 100,000 hectares higher than USDA. The quality of wheat is considered to be average, resulting barely over minimum levels of protein and hectoliter weight. Farmers are not happy with the economic results of this crop season as domestic prices have fallen significantly while production costs continued to increase, closely matching the country's high inflation. Apart from having a deduction in the price of wheat of 23 percent due to the export tax, producers are suffering the effects of the government's export constraints. The government continues to open small export tranches every now and then (so far, for the 2014/15 crop, it has authorized 2.6 million tons of wheat and 0.3 million tons of wheat flour – out of a potential export surplus of eight million tons based on Post's numbers). This situation allows local wheat mills to source their wheat with little competition from exporters. Farmers claim that due to this situation, they are collecting between US$40-60/ton less than what the price should be, based on parity with the Chicago market.

Post continues to estimate wheat exports for 2014/15 at 6.5 million tons, 500,000 higher than the official USDA estimates. There is great uncertainty of what the government policy will be and what farmers will do during this year. There are presidential elections at the end of the year and a change in status quo will occur due to constitutional term limits. The new government is set to take place in early December, and most analysts expect significant policy changes, which may facilitate an increase in exports. At present, traders expect Argentina to export to Brazil 4.5-5.0 million tons of wheat and roughly 700,000 tons of wheat flour during 2014/15.

Ending stocks for 2014/15 continue to be large, at almost 2.5 million tons, the equivalent of the use of five months domestic use. Stocks are mostly located in southern Buenos Aires province, the country's wheat belt.

Barley: No significant change in production and trade estimates. Contacts' estimations for 2014/15 production range between 2.7-3.2 million tons. There has been some area loss due to excess rain primarily in the south east of Buenos Aires province and erratic yields throughout the area. The harvest is fully completed.

Corn: Post estimates corn production for crop 2014/15 at 22.5 million tons, 500,000 tons higher than our last estimate and the official USDA estimate. Very good weather since the planting corn season began in September is making almost everyone expect very good yields. Good weekly rains, plenty of subsoil humidity, and the lack of long periods of extreme high temperature (especially during mid-December/mid-January) benefitted early planted corn which is roughly estimated to account for 45-50 percent of the country's total area. This weather pattern is also helping the late corn (planted between late November/December) develop extremely well. There are some doubts on the impact of continued rainfall, as most weather forecasts predict lots of rain at least through February. However, generally robust rain during the corn season leads to increased production. Also we need to remember that due to very tight returns, many producers have applied lower technology than in past season when planting corn was profitable. Post continues to estimate 2013/14 corn

production at 26 million tons with most in the market ranging between 25.5-27.0 million tons. Some sources have increased harvested area and others yields.
Exports for 2014/15 are projected at 13.5 million tons, 1.5 million tons higher than USDA. This would be as a result of higher production and to smaller ending stocks projected by USDA. As in wheat, corn exports are limited by the government and most of the time producers do not receive the price they believe they should get. Therefore, it is difficult to predict how farmer selling will evolve throughout the year with strong political and economic expectations. Corn will be harvested between March and July, presidential primaries will be in August, elections in October and the effective change of Administration in early December. Many producers (that can financially wait) will probably delay some sales in hopes of better market signals that may accompany policy changes. Overall, local traders expect a shipping pattern similar to 2013/14. So far the government has authorized exports of eight million tons. With China's recent approval of imports of corn event MIR 162, local traders expect an increase in exports. In 2013 Argentina exported 66,000 tons of corn to China, but nothing was shipped in 2014. There are two trading houses partly owned by Chinese interests which operate in the local grain market. Most traders believe that China will need to pay a premium price to buy large volumes of corn in Argentina, because if not, exporters will prefer to export to less risky markets, which they are used to deal with. Corn exports for 2013/14 continue to be estimated at 16.5 million tons, although they could finish anywhere between 16.3 and 16.5 million tons.

Corn domestic consumption for 2014/15 is increased to 9.4 million tons, the highest ever. Feeding cattle is very profitable and all the new local ethanol plants will be processing at full capacity all year around (processing approximately one million tons of corn). There is a general consensus that the different sectors (feed lot, poultry, dairy, pork, ethanol, dry and wet milling) utilize between 9-10 million tons of corn (not including corn silage). Ending stocks for 2014/15 are forecast at 1.6 million tons, 800,000 tons lower than official USDA estimates. With envisioned policy changes, the market projects that rolling stocks will trend smaller.

Sorghum: Production for 2014/15 is now forecast at 4 million tons, 300,000 tons higher than the official USDA estimates. Planted area remains unchanged but yields are expected to increase as a result of very good weather and forecasts of continued rainfall in the months to come. A surplus production would provide the opportunity to increase exports to 1.4 million tons, 200,000 tons higher than the official USDA estimates. Ending stocks are forecast at 1.1 million tons, 300,000 tons higher than USDA. This is due to higher production and higher beginning stocks than previously expected. Sorghum production for the 2013/14 crop is adjusted upwards to 4.4 million tons, 200,000 tons higher than USDA. The harvested area remains unchanged.

On November 2014, China authorized the importation of Argentine sorghum. The two governments signed an agreement, which had initiated back in 2008. This can be an excellent opportunity for this crop. However, local traders indicate that although there is demand and prices are adequate, the agreement requirements cannot be easily met: traders run the risk of not being able to load in Argentina or of having the cargo rejected in destination. Despite this situation, Post does not discard relatively small volumes being shipped during the next crop season.

Rice: Post continues to have the same slight differences with official USDA estimates as in the previous update report. A few thousand hectares in Corrientes province, bordering the Corrientes river are reported to have had some losses due to the river overflowing (damage has yet to be assessed). Generally the weather has been quite cloudy, especially during flowering, which could have a somewhat negative impact. The first fields up in the north part of the country have started to be harvested.

Production, Supply and Distribution Tables

Wheat Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Dec 2012		Market Year Begin: Dec 2013		Market Year Begin: Dec 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,600	3,600	3,500	3,500	4,100	4,200
Beginning Stocks	734	734	286	286	2,556	2,646
Production	9,300	9,300	10,500	10,500	12,000	12,500
MY Imports	2	2	20	2	5	2
TY Imports	4	4	2	2	20	2
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	10,036	10,036	10,806	10,788	14,561	15,148
MY Exports	3,550	3,550	2,200	2,092	6,000	6,500
TY Exports	7,450	7,450	1,601	1,601	6,000	6,500
Feed and Residual	300	300	100	100	100	100
FSI Consumption	5,900	5,900	5,950	5,950	6,050	6,050
Total Consumption	6,200	6,200	6,050	6,050	6,150	6,150
Ending Stocks	286	286	2,556	2,646	2,411	2,498
Total Distribution	10,036	10,036	10,806	10,788	14,561	15,148
1000 HA, 1000 MT, MT/HA						

Barley Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Dec 2012		Market Year Begin: Dec 2013		Market Year Begin: Dec 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,500	1,500	1,270	1,270	900	900
Beginning Stocks	214	214	333	333	583	593
Production	5,000	5,000	4,750	4,750	3,000	3,000
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5,214	5,214	5,083	5,083	3,583	3,593
MY Exports	3,581	3,581	2,900	2,890	1,600	1,600
TY Exports	3,647	3,647	2,829	2,829	1,600	1,600
Feed and Residual	100	100	300	300	200	200
FSI Consumption	1,200	1,200	1,300	1,300	1,400	1,400
Total Consumption	1,300	1,300	1,600	1,600	1,600	1,600
Ending Stocks	333	333	583	593	383	393
Total Distribution	5,214	5,214	5,083	5,083	3,583	3,593
1000 HA, 1000 MT, MT/HA						

Corn Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,000	4,000	3,400	3,400	3,000	3,000
Beginning Stocks	899	899	1,315	1,315	1,620	2,020
Production	27,000	27,000	25,000	26,000	22,000	22,500
MY Imports	3	3	5	5	10	10
TY Imports	4	4	1	1	10	10
TY Imp. from U.S.	0	0	1	1	0	0
Total Supply	27,902	27,902	26,320	27,320	23,630	24,530
MY Exports	18,687	18,687	16,000	16,500	12,000	13,500
TY Exports	22,789	22,789	12,846	12,846	12,000	13,500
Feed and Residual	5,300	5,300	5,800	5,800	6,100	6,100
FSI Consumption	2,600	2,600	2,900	3,000	3,100	3,300
Total Consumption	7,900	7,900	8,700	8,800	9,200	9,400
Ending Stocks	1,315	1,315	1,620	2,020	2,430	1,630
Total Distribution	27,902	27,902	26,320	27,320	23,630	24,530
1000 HA, 1000 MT, MT/HA						

Sorghum Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,050	1,050	1,000	1,000	850	850
Beginning Stocks	167	167	784	784	1,084	1,284
Production	4,700	4,700	4,200	4,400	3,700	4,000
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4,867	4,867	4,984	5,184	4,784	5,284
MY Exports	1,783	1,783	1,200	1,200	1,200	1,400
TY Exports	3,059	3,059	953	1,000	1,300	1,500
Feed and Residual	2,000	2,000	2,300	2,300	2,500	2,500
FSI Consumption	300	300	400	400	300	300
Total Consumption	2,300	2,300	2,700	2,700	2,800	2,800
Ending Stocks	784	784	1,084	1,284	784	1,084
Total Distribution	4,867	4,867	4,984	5,184	4,784	5,284
1000 HA, 1000 MT, MT/HA						

Rice, Milled Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2013		Market Year Begin: Apr 2014		Market Year Begin: Apr 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	233	233	241	232	240	236
Beginning Stocks	175	175	227	227	224	147
Milled Production	1,014	1,014	1,027	950	1,014	975
Rough Production	1,560	1,560	1,580	1,462	1,560	1,500
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	1	1	5	5	5	5
TY Imports	7	7	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1,190	1,190	1,259	1,182	1,243	1,127
MY Exports	533	533	600	600	600	580
TY Exports	526	526	600	600	600	580
Consumption and Residual	430	430	435	435	440	440
Ending Stocks	227	227	224	147	203	107
Total Distribution	1,190	1,190	1,259	1,182	1,243	1,127
1000 HA, 1000 MT, MT/HA						