

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Oilseeds and Products Update

Flood Damage May Lead to Delays in Oilseeds Sowings, Full Extent of Damage Still Under Evaluation

Approved By:

David Mergen

Prepared By:

Lazaro Sandoval

Report Highlights:

Heavy rains during August and September have caused noteworthy damage across Argentina's main crop areas (specifically in the provinces of Buenos Aires, Santa Fe, and Cordoba). Local reports estimate 5-10 million hectares could be underwater or damaged due to these rains. While excess rain has affected the winter crop, this is not currently expected to affect soybean, peanut, and sunflower planted area (although planting may be delayed). As such, Post has not modified planting area for these oilseeds crops as there remains time for crop land to recover.

Post:

Buenos Aires

Heavy Spring Rains Cause Damage Across Argentina's Crop Areas

Heavy rains during August and September have caused noteworthy damage across Argentina's main crop areas (in the provinces of Buenos Aires, Santa Fe, La Pampa, and Cordoba). Local reports estimate anywhere between 5-10 million hectares are flooded or severely damaged due to these rains. While these rains and their damage have impacted the winter crop (wheat, barley, etc.), current conditions indicate that they should not affect soybean, peanut, and sunflower planting intentions, but may delay their plantings.

This flooding not only affected rural areas and their local economies but has had serious consequences on the entire Argentine economy, including government receipts and exports. According to the newspaper La Nacion, the flooding has led to an economic loss of US \$1.7 billion for Argentina, equivalent to 0.25 percent of GDP [1]. Moreover, an estimated 4.1 billion Argentine pesos (about US \$241 million) in government revenues have been lost due to declines in tax receipts (income, export, and VAT taxes). This flooding damage is not exclusive to crop agriculture but also affected the beef and dairy sectors, with economic losses estimated over US \$550 million. This same analysis also estimates approximately 1.19 million hectares of crop area have been lost due to this flood damage. However, contacts indicate that it is too early to definitively measure area losses.

Post believes that if conditions do not worsen, there should not be a significant change in soybean area. In addition, there is a possibility of higher soybean area as many producers may switch over to soybeans as it could lead to greater soybean plantings as producers opt for a low-risk and low-cost crop option. This is especially the case for those producers for those who may end up incurring economic losses due to the rain damage, but still want to plant a summer crop.

Investment in inputs has risen dramatically since President Macri's policy changes in December 2015 (reduction of commodity export taxes, lifting of currency controls, elimination of export permits, and the devaluation of the Argentine peso) revitalized the agricultural sector, delivering it higher returns, greater access to credit, and more stable economic conditions. According to the Fertilizer Association of Argentina, fertilizer use is expected to set a record in 2017 at 3.9 million tons, an increase of over 5 percent compared to 2016. [2] In 2015, prior to the above-mentioned reforms, national fertilizer use was 2.7 million tons. An estimated 57 percent of Argentina's current soybean area is fertilized, much less than wheat (92 percent) and corn (84 percent). Yet, first crop soybean fertilized area is expected to increase by 6 percent this year. This is another indication that producers have greater room to reinvest to achieve higher production in a more efficient manner. Because of this effort to maximize yields and a greater concentration of soybean area in more premium lots, Post expects above average yields at 2.98 tons per hectare. This average yield level along with an estimated area of 19.1 million hectares supports USDA's official production estimate of 57 million tons.

Producers face a complicated scenario in respects to margins. Land rents vary upon the lot's prior yields levels and any damage it might have incurred due to increased moisture levels. Those lots left untouched (or minimally affected) by the heavy rains and with historically higher yields are charging

rents 10-20 percent higher than those last year. Weed and pest control costs continue to increase and have been aggravated by the recent rains, in addition to transport and fixed costs. These elevated costs combined current market prices are expected to result in a 7 percent decline in profit margins for soybeans compared to the previous season.

China Reopens its Market to Argentine Soybean Oil

After being out of the market for almost two years (since October 2015), China reauthorized the import of Argentine soybean oil in August. In 2015, Argentina exported a total of 539,098 tons of soybean oil to China at a value of \$365 million. The processing sector has welcomed the news of the opening and hopes to shift more soybean oil exports to this market. [3] However, it acknowledges that potential soybean oil exports will not recover to prior volumes as China has diminished imports since then.

They assert that if conditions do not worsen, there won't be significant area losses or noteworthy changes to planting intentions. Instead, oilseed plantings may be delayed as lots slowly recover from the water damage. The planting window is extensive enough to allow producers to plant later than usual (with planting of soybeans possible into January). The monitoring of the next two months will be essential to determine final area planted and planting intentions for the 2017/18 season. Post will continue to monitor this closely.

As for the rains' effect on the current wheat crop, there have been reports of decreased planting area as some producers found it too difficult to sow and some area was lost due to flooding. These producers are now focusing on the upcoming summer crop season where they will plant either corn or soybeans as long as they are able to access the fields. These reports are not indicative of the entire crop and analysts are still evaluating the rains' full effect.

Soybeans

Oilseed, Soybean (Local) Market Begin Year	2015/2016		2016/2017		2017/2018	
	Apr 2016		Apr 2017		Apr 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	19700	20250	19200	19200	19100	19100
Area Harvested	19530	19530	18350	18500	19100	19100
Beginning Stocks	10800	10800	12457	11873	16672	15173
Production	56800	56800	57800	57800	57000	57000
MY Imports	1304	1304	1500	1500	1500	1600
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	68904	68904	71757	71173	75172	73773
MY Exports	9046	9046	6500	8000	8000	8500
MY Exp. to EU	60	60	60	65	60	0
Crush	43080	43085	44100	43000	45000	46000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	4321	4900	4485	5000	4600	5100
Total Dom. Cons.	47401	47985	48585	48000	49600	51100
Ending Stocks	12457	11873	16672	15173	17572	14173
Total Distribution	68904	68904	71757	71173	75172	73773
CY Imports	854	2	1500	0	1500	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	8945	10700	6500	0	8000	0
CY Exp. to U.S.	55	30	50	0	50	0

Yield	2.9083	2.9083	3.1499	3.1243	2.9843	2.7979
(1000 HA) ,(1000 MT) ,(MT/HA)						

Due to the recent rains and their resulting floods, there remains much uncertainty over the 2017/18 soybean crop. Post maintains USDA's official area estimate of 19.1 million hectares as there remains time for damaged areas to recover. Some local observers and analysts, however, already estimate a significant drop in planting area and production due to these conditions. In the Grains Exchange of Buenos Aires' recent outlook forecast, it estimated a 6 percent drop in 2017/18 area planted at 18.1 million hectares. In addition to excessive water conditions and damage, the Grains Exchange also cites area expansions for corn, wheat, and sunflower as another cause for less soybean area.

Sunflower

Oilseed, Sunflowerseed	2015/2016		2016/2017		2017/2018	
	Mar 2016		Mar 2017		Mar 2018	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted	1300	1250	1715	1700	1900	1800
Area Harvested	1270	1200	1715	1630	1900	1750
Beginning Stocks	1038	1038	598	500	676	440
Production	2700	2600	3400	3300	4000	3800
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	3738	3638	3998	3800	4676	4240
MY Exports	306	306	68	100	270	300
MY Exp. to EU	248	20	15	15	15	15
Crush	2779	2775	3200	3200	3500	3400
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	55	54	54	60	54	65
Total Dom. Cons.	2834	2829	3254	3260	3554	3465
Ending Stocks	598	500	676	440	852	475
Total Distribution	3738	3635	3998	3800	4676	4240
CY Imports	0	2	0	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	304	73	70	0	270	0
CY Exp. to U.S.	5	1	2	0	2	0
Yield	2.126	2.1667	1.9825	2.0245	2.1053	2.1111
(1000 HA) ,(1000 MT) ,(MT/HA)						

2017/18

According to the Grains Exchange of Buenos Aires, over a third (36.5 percent) of this season's expected sunflower crop has been planted. [4] Sowings in the northern part of Argentina are practically complete

and have seen a noteworthy increase in planting area in the provinces of Chaco, Formosa, east Santiago del Estero, and central-north Santa Fe. Combined, this region experienced area growth of 15 percent to 640,000 hectares. Meanwhile, early sowings have commenced in south Cordoba, south Santa Fe, and north Buenos Aires provinces and will continue as producers expect greater moisture to accumulate in the soils. The southern planting regions of Buenos Aires and La Pampa provinces represent over 62 percent of the total sunflower crop area in Argentina. Local sources report that if heavy rains persist and flooding continues in Buenos Aires province, this could put in jeopardy sunflower planting intentions for that province. Based on the excellent sowing progress in northern sunflower crop areas and no clear indication that planting intentions have been interrupted in Buenos Aires and La Pampa provinces as of present, Post estimates sunflower crop area at 1.8 million hectares for 2017/18. This represents an area increase of 5 percent over last season thanks to area gains in north Argentina as sunflower is an increasingly lucrative crop choice compared to other alternatives. Combined with a projected yield estimate of 2.11 tons per hectare, Post estimates 2017/18 production at 3.8 million tons.

Sunflower cultivation continues to experience noteworthy growth because of its competitive margins and agronomic pressures (crop rotation), especially in marginal lots. Under these conditions, producers are working hard to maximize their returns by integrating new production management and marketing strategies. To maximize potential yields, fertilization in sunflower areas is expected to increase by 18 percent this year.

Peanuts

Oilseed, Peanut Market Begin Year	2015/2016		2016/2017		2017/2018	
	Mar 2016		Mar 2017		Mar 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted	300	330	370	365	345	370
Area Harvested	290	290	345	360	345	370
Beginning Stocks	565	565	283	271	223	131
Production	930	930	1140	1140	1160	1160
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1495	1495	1423	1411	1383	1291
MY Exports	877	877	860	920	860	840
MY Exp. to EU	540	540	520	520	545	545
Crush	269	269	270	275	275	280
Food Use Dom. Cons.	50	55	53	58	53	61
Feed Waste Dom. Cons.	16	25	17	27	17	29
Total Dom. Cons.	335	349	340	360	345	370
Ending Stocks	283	271	223	131	178	81
Total Distribution	1495	1497	1423	1411	1383	1291
CY Imports	0	0	0	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	912	0	860	0	860	0
CY Exp. to U.S.	11	0	10	0	10	0
Yield	3.2069	3.2069	3.3043	3.1667	3.3623	3.1351

(1000 HA) ,(1000 MT) ,(MT/HA)

2017/18

The 2017/18 peanut production estimate remains unchanged at 1.16 million tons. To maintain and improve soil health, producers and processors have expanded planting area in southern Santa Fe and north-west Buenos Aires and implemented soil management practices. This year's planting contracts include specific clauses that require the owner of the lot to plant a cover crop after harvest. This is in response to the deterioration of soils, especially in south Cordoba province.

2016/17

Post maintains USDA's official estimate for 2016/17 peanut production at 1.14 million tons. The season was marked by delayed harvest due to adverse weather conditions, specifically excessive rains between March and June that resulted in flooding. The departments of General Roca and Pte. Roque Sáenz Peña were the most damaged by these conditions. [5] In July 2017, only 61 percent of the peanut crop was harvested when in prior seasons the harvest was more advanced at 89 percent for July 2016, and 100 percent for July 2015. Observers expect that adverse weather could potentially lead to quality issues. Despite the weather conditions, 2016/17 production is the second highest in history thanks to above-average area and yields.

^[1] <http://www.lanacion.com.ar/2063541-inundaciones-el-impacto-economico-mas-alla-del-campo>

^[2] <http://www.lanacion.com.ar/2053568-proyectan-un-nuevo-record-en-el-consumo-de-fertilizantes-en-2017>

^[3] <http://www.lanacion.com.ar/2056425-china-comprara-aceite-de-soja-pero-no-alcanzara-a-compensar-la-sancion-de-eeuu>

^[4] Based on a projected 2017/18 area of 1.8 million hectares - <http://www.bolsadecereales.com/pas>

^[5] [1] Grains Exchange of Cordoba - <http://www.bccba.com.ar/dia/info/con-importantes-demoras-continua-cosecha-mani-cordobes-8055.html>