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Oilseeds and Products Annual

2015/16 Soybeans Area Forecast Marginally Down to 20.3 Million Hectares; Increased Farmer Sales are Forecast to Boost Crush and Exports

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Report Highlights:
Post forecasts 2015/16 soybean area at 20.3 million hectares, marginally lower than Post's 2014/15 area estimate, though up 2.5 percent from USDA 2014/15 estimates. Production is forecast at 55.5 million metric tons (mmt). Due to a variety of factors, Post forecasts increased farmer sales which will help boost crush and exports, forecast at 43 mmt and 10 mmt, respectively.

Commodities:
Meal, Peanut
Meal, Soybean (Local)
Meal, Sunflowerseed
Oil, Peanut
Oil, Soybean (Local)
Oil, Sunflowerseed
Oilseed, Peanut
Oilseed, Soybean (Local)
Oilseed, Sunflowerseed

PRODUCTION:

Soybeans

Post forecasts 2015/16 soybean production area at 20.3 million hectares, a marginal decline from Post's 2014/15 production area estimate. Compared to the 2014/15 USDA official estimates, however, this represents a 2.5 percent increase. The leading cause for this slight drop in area is the growing preference for alternate crops in Argentina for 2015/16. Due to commodity prices, market opportunities, and agronomic requirements (i.e. crop rotation patterns), Argentine producers are gradually shifting production to alternate crops, such as sunflowerseed (see below). This shift brings with it an opportunity cost that essentially reduces soybean area for the outyear. For more information on forecasts for grain and feed commodities, see the Global Agricultural Information Network (GAIN) Annual Report for Grain and Feed. 2015/16 soybean production is forecast at 55.5 million metric tons (mmt). Yields are forecast in line with historic trends though lower than all-time high 2014/15 yields, which enjoyed almost perfect weather.

Farmers will continue to look to soybeans for their relatively-low production costs, high liquidity, relatively-stable international demand, and their function as an alternate store of value in the context of a devaluing currency. Soybeans are relatively cheaper to produce than most other row crops. Production costs in Argentina are forecast to remain high and inelastic to other global economic fundamentals, namely the significant drop in global crude and ag commodity prices. With a state-controlled petroleum industry, cost savings have not trickled down at the pump for the consumer or for the farmer in the field. With high carry-over stocks, farmers have appreciated being pursued by crushers for their soybeans. This apparently-guaranteed demand will be an additional factor for farmers in their planting decision. Finally, the ability to store soybeans in silo bags offers producers the possibility of holding onto their soybeans as an alternate store of value. Post cannot overstate the importance of this commodity-in-hand wealth for farmers. In an economy that controls foreign reserves and continues to overvalue the peso, land holdings and soybeans have proven perhaps to be the only viable alternatives for holding savings in country.

The geographic distribution of production is forecast to remain approximately the same for 2015/16. Industry sources have been predicting that "marginal" areas planted to soybeans would reduce, namely

the northwestern region of the country. However, despite logistical costs, there are no indications that these areas will experience a reduction in area planted to soybeans. Land rents are forecast to decrease by an average of 10-15 percent for 2015/16, based on falling commodity prices. Land rents are a significant production cost factor for farmers, as approximately 60 percent of the area farmed in Argentina is rented. Unlike the beginning of the 2014/15 season, land owners by now have become aware of the "new normal" in soybean prices. Land rental agreements will continue to trend towards contracts tied to kilograms of soybeans per hectare as a payment as opposed to a fixed amount of dollars per hectare. Farmers and landlords alike recognize the need to share the risk and the reward. Overall, Post is forecasting a stable area to early-planted soybeans, as farmers marginally alter winter crop production, and a marginal loss of area to late-planted soybeans. Early-planted soybeans historically net higher yields. With this shift in planting seasons, 2015/16 national yields will be slightly lower than 2014/15 yields, which was significantly boosted by remarkable weather.

2015/16 financing will be tight for farmers. In general, farmers took 2014/15 financing options in pesos with high interest rates (30 percent plus)—as opposed to financing options in dollars with lower interest rates—betting on a currency devaluation. Farmers who own their own land will most likely exit the 2014/15 year in a break-even situation. Farmers who have rented land will exit 2014/15 under water. Because of this, industry contacts forecast that it will difficult for producers to obtain financing from banks and traditional funding sources. Agricultural input suppliers will gain market share for financing producers in 2015/16. Financing costs will be higher, but at least producers have alternate venues to obtain financing.

For the current year, 2014/15, Post maintains its estimate of soybean production at 57 mmt. Overall, the crop is in excellent condition. The rain and sunshine during the first few months of the year promise record soybean yields (almost 2.8 mt/ha) at the average level. There are isolated regions of crop loss, however. Parts of southwestern Buenos Aires province have experienced excessive heat, and parts of Santa Fe and Cordoba provinces have had too much rain, which has led to flooded fields. Most industry analysts now see the record yields handily offsetting the marginal losses from adverse weather.

There are no changes to production for 2012/13, with production estimated at 54 mmt.

Sunflowerseed

Area for sunflowerseed production for 2015/16 is forecast at 1.6 million hectares, a 15 percent recovery from 2014/15 estimates. Profit margins made sunflowerseed a popular planting choice for 2014/15 and the the crop enjoys sizeable momentum going into 2015/16. Argentina boasts a strong tradition of sunflowerseed production, with production area having reached as high as 4 million hectares in its heyday. The "take-over of the soybean," excessive sunflowerseed supply depressing prices and margins, and the growing presence of Ukraine and Russia in the global production arena have tempered sunflowerseed production area over the past decade. Certain regions in the southeast and southwest of Buenos Aires province are traditional sunflowerseed production areas that are forecast to gain area from soybeans and corn. The best yields come from this region and the local producers face virtually no barriers to increasing planted area there. In 2015/16, high oleic sunflowerseed fetched significant premiums which led to profit margins that surpassed the market's expectations. Traditionally, the northwest of Argentina and Chaco province are home to 20 percent of the sunflower production area.

Since this region is at the mercy of notable weather variability, robust precipitation during planting season can essentially increase the planting area by 300,000 ha in this zone at the last minute. If this is the case, increased area planted to sunflowerseed will offset some cotton areas in Chaco province. Production is forecast at 2.9 mmt, based on average yields. Like most other sectors, the sunflowerseed sector will exit the 2014/15 crop season with high indebtedness and is forecast to invest less in 2015/16 production. High oleic varieties are forecast to occupy approximately 25 percent of the production area, a 25 percent increase from 2014/15. With high oleic varieties, farmers have had positive experiences in the field and the market.

2014/15 production area is maintained at 1.4 million hectares. 2014/15 sunflower yields appear to have rebounded very well from the impacts of adverse weather: yields are estimated at highs of 1.9 mt/ha. This estimate represents a 16 percent yield increase from 2013/14 which experienced historically-low yields. Based on the yields, Post raises its 2014/15 production estimate to 2.6 mmt.

Almost all seed genetics for sunflowerseed in Argentina are hybrids. There are no biotech seed varieties available on the market, even though there are several varieties that have been developed and require the market's blessing and regulatory review. Seed developers have successfully bred three different biotech traits for sunflowerseed: glyphosate resistance, sclerotinia resistance, and a Bt lepidoptera pest resistance.

Peanuts

Post forecasts 2015/16 peanut production area at 350,000 ha, down approximately ten percent compared to the 2014/15 USDA official production area estimate of 385,000 ha. Like sunflowerseed producers, peanuts are somewhat of a niche market in Argentina and not just any farmer will rotate peanuts into production based on prices or other favorable factors. Production costs are nearly three times as high as they are for soybeans, so that will inhibits any aggressive expansion. That being said, production area is available to expand, should farmers in the sector read that the market demands additional peanuts. U.S. peanut planting intentions significantly influence Argentine farmers' peanut planting intentions, since the United States is both a competitor and an importer of Argentine peanuts. With more area planted in the United States, prices become depressed. It is not worthwhile to sell peanuts to the United States under the tariff rate quota (TRQ) in years when there is a large production (see more on the TRQ in the policy section). Post forecasts a drop in area based on the market anticipating a significant increase to 2015 peanut production area in the United States. (As of the writing of this report, USDA has not yet officially published its 2015 planting area intentions.) With high carryover stocks and signals that the United States will increase hectares to peanuts, Argentine farmers are forecast to reduce area. Production in 2015/16 is forecast at 1 mmt, based on the area reduction and average yield trends.

For the current 2014/15 peanut crop, Post maintains estimated area at 382,000 ha and adjusts production upwards to 1.15 mmt. Similar to the other oilseeds, the peanut crop has experienced excellent weather conditions over the past few months. In contrast to poor harvests over the past few years, 2014/15 peanut yields are projected at 3 to 3.1 mt/ha. (As the harvest has not begun, these yields are projections and not yet validated in the field.) Some regions in the north and center of Cordoba province experienced excess precipitation, and some regions of southern Cordoba province and La Pampa province are complaining of water shortages. Nevertheless, excellent weather should lead to high yields

at the national level that will offset whatever marginal yield losses the sector will undergo in isolated regions. The high amounts of rainfall have increased the pressure of peanut crop diseases, but thus far producers have effectively staved off diseases with early treatments. Currently, crop conditions indicate great yields, yet several critical production phases in the upcoming months may still undermine the final yields.

CONSUMPTION:

Soybean and Soybean Products

More than three quarters of soybean production in Argentina is processed in-country and crushed for meal and oil. Argentina has the capacity to crush over 60 mmt of soybeans annually, and with such large infrastructure, investment, and lower tax incentives, the trend is for crush to increase, especially when production goes up. However, the increase is not as aggressive as it could be, as many producers will be holding more stocks in anticipation of a continuation of the current economic situation in Argentina. For 2015/16, Post forecasts soybean crush at 43 million tons, up 3 mmt from the official USDA 2014/15 estimate, due to a large carry-over supply. The majority of Argentina's oil and meal is exported, however, there is a small amount of domestic consumption, forecast for 2015/16 at 450,000 mt and 2,400 mt, respectively. Food use consumption of soybean oil at the retail level is slowly increasing as more soybean oil is being seen on grocery shelves. Soy oil is used to make biodiesel, of which production approximately two-thirds is exported and the rest is used domestically to meet the national biodiesel blend mandate of ten percent (although it is currently not met). Of note, Argentina has become eligible as of early 2015 to export biodiesel to the United States and have its exports count against the U.S. domestic renewable fuel standards obligations. Some analysts forecast that Argentine biodiesel exports to the United States can grow to as high as 400,000 mt. For more information see Argentina's Annual Biodiesel reports in the GAIN system.

2014/15 crush is maintained at 40 mmt. Crushers reported that sourcing beans during the Argentine between-harvest period has been a challenge, with sales particularly slow in the first quarter of 2015. On average across the country, analysts estimate that crushing plants have been operating significantly lower than capacity. Farmers either do not have any soybeans available to sell or else are loathe to sell in the current environment. In the latter case, the 2014/15 soybeans will not enter the books, albeit as exports or as crush, until 2015/16. As of late March 2015, a mere five percent of the 2014/15 soybean harvest has been sold.

Post has adjusted upwards the Feed Waste Domestic Consumption line for 2014/15 to 6 mmt and forecasts similarly high levels for 2015/16. Post is increasing this as an effort to comprehensively capture into the analysis those soybeans that do not always enter the official commercial stream. For instance, sector contacts believe that as many as 1.5 to 2 mmt soybeans are extruded or crushed in rural areas throughout the country. Nearby livestock feeders and food manufacturers consume the locally-crushed soybean oil and meal. Significant amounts of soybeans appear to leak out of the official system in other manners as well, and Post hereby captures them in this analysis.

Sunflowerseed and Products

Nearly all sunflowerseeds in Argentina are crushed for oil and meal, with only a very small amount exported as confectionary sunflowerseeds. Sunflowerseed oil continues to be subsidized for local consumption. The subsidies do not come directly from the government but from the soybean crushers who operate in Argentina, via an arrangement or sorts with the government. Consumption remains steady at approximately 700,000 mt per year, while the remaining oil is exported. Sunflowerseed meal is used for animal feed in the dairy and poultry sectors and is expected to grow slightly to 800,000 mt. Contacts indicate that there is ample crushing capacity and storage capacity for the sector. Post forecasts sunflowerseed crush for 2015/16 at 2.7 mmt, based on increased production. Oil production is projected at 1.15 mmt and meal production at 1.15 mmt.

In the current year, 2014/15, crush is forecast at 2.5 mmt with oil and meal production estimated at 1.06 mmt and 1.09 mmt, respectively, in line with official USDA estimates. Crush for 2013/14 is estimated at 2.25 mmt, in-line with official USDA estimates.

Sunflowerseed meal has very slim to no profit margins. For that reason, sunflowerseed oil continues to drive the crushing industry.

Peanut and Peanut Products

Domestic peanut consumption is low in Argentina with the majority of the production destined for the confectionary export market, specifically the European Union. Peanuts that do not meet food-grade standards are utilized for crushing. In fact, crushing can be considered a residual activity in the peanut industry. Over the years, crush has no direct relationship or trend in-line with production. If there are peanuts of export quality, they will be exported. There is no new crush capacity, so crush will continue to be a function more of peanut quality and international demand for derivative products. Domestic consumption of peanut oil and meal are low, with most oil being exported and meal used for residual feeding.

Crush for 2015/16 is forecast at 270,000 mt, a seven percent increase on the 2014/15 USDA official crush estimate. The increase in crush is forecast based on the sector's view of market opportunities for augmenting peanut oil exports to China. The sector projects that it can export peanut oil to China in the window before China's next harvest comes on line. 2014/15 crush is estimated at 220,000 mt, based on information from peanut sector sources.

TRADE:

Soybean and Soybean Products

Argentina crushes approximately three-quarters of its soybeans in country. Nearly all of the remaining whole soybeans are exported to China. In 2014/15 nearly 80 percent of all whole soybeans were shipped to China, approximately 6.1 mmt. Other important markets for whole beans include Egpyt, Bangladesh and Iran. Argentina dominates the world market as the largest exporter of soybean oil. In 2014/15, the largest export markets for Argentine soybean oil were China, Malaysia, South Korea and

Morocco. The largest soybean meal markets for Argentina in 2014/15 were the European Union (approximately a third of all meal exports), Vietnam, Indonesia, and Iran.

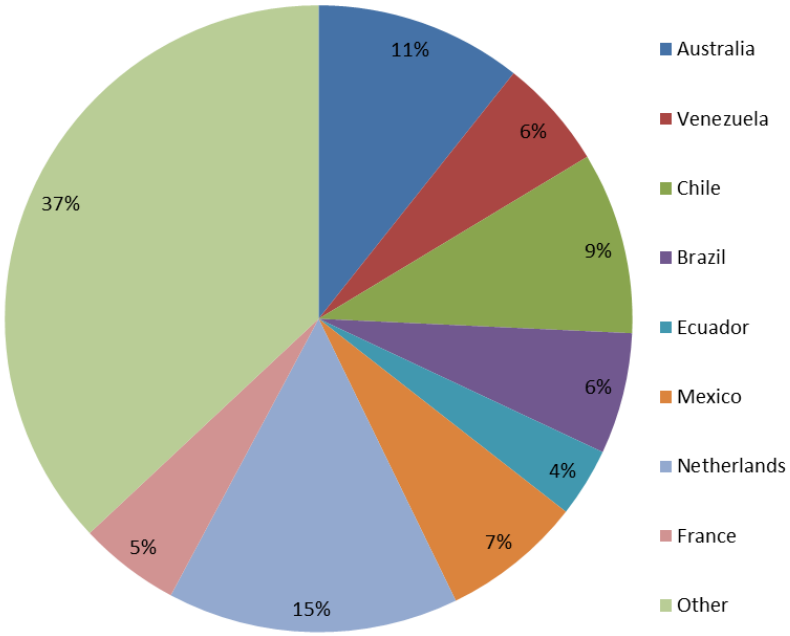
Soybean exports for 2015/16 are forecast to reach 10 mmt, based on a higher production forecast and high carry over stocks from 2014/15. For 2015/16, crushers and traders anticipate farmers selling between the months of May and July, at which point all farmers will cease sales until December 2015. It is uncertain how much farmers will sell in that three-month window, but what is certain is that they will sell only what is necessary to pay off loans and obtain the liquidity necessary to finance 2015/16 production costs. Farmers are hedging that as a new government will take power in December 2015, a currency devaluation and export policy changes will immediately occur. (The entire sector hotly debates the timing, breadth, and impact of such measures. See the Policy section for further details.) As such, the market anticipates farmers unloading large amounts of soybeans in December 2015-January 2016, which would coincide and compete with U.S. soybean exports. Since crush is forecast to increase to 43 mmt, both soybean oil and soybean meal exports are forecast up for 2015/16 to 5.2 mmt and 32 mmt, respectively. Contacts forecast that soybean meal exports to the European Union will be a challenge for 2015/16 due to a currency exchange situation in which the market has devalued the euro but not the Argentine peso (the peso does not float but is fixed by government controls).

For current year 2014/15, whole bean exports disappointed the market. Beans were definitely available for export, but because of the political-economic situation, soybean exports are estimated at only 8.3 mmt, a far cry from traders' mid-year projections of 10 mmt. In general farmers had little desire to sell their on-farm stocks. Other contributing factors were (1) a low draft at the port of Necochea in southern Buenos Aires province and (2) protein "wash outs" in some of the soybeans due to excessive rains.

Sunflowerseed and Products

A small amount of confectionary sunflowerseeds are exported to the EU, Mexico, Brazil, Algeria, Colombia, and several other markets for a total quantity around 50,000 MT. Argentina has historically been the world's third largest exporter of sunflowerseed oil, behind Ukraine and Russia. In 2014, Argentina lost some market share for sunflowerseed oil exports, accounting for only four percent, while Ukraine accounted for 60 percent, and Russia for 19 percent.

Argentina's 2014 Sunflowerseed Oil Export Markets



As a niche market, sunflowerseed exports are forecast steady at 80,000 mt. Sunflowerseed oil exports are forecast a rebound at 500,000 mt, a significant 40 percent increase from 2014/15 based on a larger available supply from augmented production and crush. Sunflowerseed meal exports are forecast at 300,000 mt. The slight bump is also due to the increased sunflowerseed production and crush.

For 2014/15, Argentina's sunflowerseed oil exports were less than the market expected, estimated at 350,000 mt. From 2013/14 to 2014/15 Argentina increased its crush but its sunflowerseed oil exports remained flat.

It is estimated that 20 percent of the 2014/15 crop was contracted on the futures market. In general, the local sunflowerseed and derivatives market is characterized by few actors and few transactions. This has led to a lack of transparency and predictability in the market.

For 2013/14, sunflowerseed exports are held steady at 75,000 mt. Sunflowerseed oil and meal exports are held to 350,000 mt and 250,000 mt, respectively. Overall, 2013/14 sunflowerseed and derivative exports fell short of market expectations, due to a shorter supply and the growing competition from Ukraine and Russia.

Peanuts

Argentina is known for producing high quality confectionary peanuts and although Argentina ranks number seven for peanut production in the world market in 2014, they were the third largest exporter of peanuts in the world behind India and the United States. The largest markets for Argentine peanut exports were the Netherlands, Russia, the United Kingdom, Algeria, Mexico and Germany. The EU is forecast as the natural destination for Argentina's 2015/16 peanut exports. With the political

uncertainty in Russia, it may yet grow as a market for Argentine exports. Of note, Argentine 2014/15 peanut exports to Ukraine and Brazil plummeted, though at the macro level the exports were offset by additional exports to the EU. Due to international market demand, the sector anticipates exports at a minimum of 450,000 mt per year. Exports are forecast at 600,000 mt for 2015/16, based on increased export competition from the United States. 2014/15 exports are maintained at 750,000 mt. 2015/16 peanut oil exports are forecast at 84,000 mt, a 20 percent increase on 2014/15 export estimates due to a marginal bump in Chinese demand for peanut oil imports.

STOCKS:

Soybeans

It is estimated that there is over 52 mmt of fixed storage capacity in Argentina for grains. This does not include private on-farm silos or silo bags. Silo bags give the producer the ability to store as much or as little grain as necessary and it can vary greatly from year-to-year. Each bag can store between 60 to 250 tons of grain, depending on the size. Essentially, there is no limit to storage capacity when including silo bags.

The Ministry of Agriculture publishes information on stocks on their "Dirección de Mercados Agrícolas" website. However, these numbers estimate total stocks based on the day of the estimate, so they include carry-in, new harvest and discount carry-in that is already sold, etc. A better estimate of stocks is through the Ministry of Agriculture's monthly reports published by "Sistema Integrado de Información Agropecuaria." Here, the estimate is taken on a marketing year basis, the same way USDA calculates stocks.

Beginning stocks (mt) for 2013/14:

	Ministry of Agriculture	**USDA Official**
Soybeans	4,430,000	10,892,000
Sunflowerseed	260,000	760,000
Peanuts	190,000	880,000

Estimated beginning stocks for (mt) for 2014/15:

	Ministry of Agriculture	**USDA Official**
Soybeans	5,330,000	18,644,000
Sunflowerseed	580,000	652,000
Peanuts	250,000	893,000

Over the last few years, producers have had more and more incentive to hold onto farm stocks year after year as physical assets instead of selling the commodity and depositing the money in a bank. After the financial crisis in 2001, when there was a freeze on bank accounts and people were not allowed to withdraw from their own accounts, producers began investing their money in anything but untrustworthy bank accounts. Today, they purchase new land, if any is available, or perhaps for a shorter term, hold onto their grain in large silo bags. Like last year, because of several converging dynamics in the local economy, many will be hanging onto more beans until a profit can be made,

selling only when necessary to cover costs. It does not make sense to sell a large quantity when unofficial inflation is estimated at over 40 percent and the peso is unstable. Proof of this trend is evidenced by a much slower than average pace of soybean sales to the industry this year (currently estimated at five percent of total production). Producers naturally sell other commodities, such as wheat and corn, first to pay their costs for the next crop year. Furthermore, soybeans are easier to store for longer periods of time and easier to sell for export since there are no export quotas in place. Silo bags can store soybeans for approximately three years, and one can assume a loss of 2-3 percent when silo bags are utilized. For more detail on this, see the policy section below.

In 2014/15, there have been several developments surrounding silo bags in Argentina. Between September 2014 and February 2015 there have been some 50 incidents reported of silo bag vandalism, wherein silo bags are deliberately cut open. These actions frequently force farmers to sell their soybeans and may send a threatening message to farmers. On March 2, 2015, Argentina's tax agency AFIP published General Resolutions 3744 and 3745 in the Official Bulletin. Measure 3745 creates new reporting requirements for grain silo bag manufacturers and vendors, enabling AFIP to keep a registry of how many silo bags the industry is manufacturing and selling, and more importantly, who is buying and how much. Measure 3744 establishes a separate registry process for the marketing of select agricultural commodities (grains, oilseeds, and dried legumes), excluding those products destined to be used as seed. In publishing these new measures, AFIP decried producer's speculatory use of silo bags that disrupts the market and keeps much-needed funds from entering the country.

There is a lot of debate on the exact size of soybean stocks out there. Some producers will say there is nothing, and when driving through the heart of soybean country, there are very few silo bags, therefore validating this theory. Most post contacts do not agree with the official USDA soybean stocks for Argentina, estimated at 13.9 mmt for 2013/14 and 18.6 mmt for 2014/15. They indicate that these estimates are too high. The industry consensus is that Argentina held 3-4 mmt in stocks exiting 2013/14 and approximately 7-8 mmt exiting the 2014/15 year. However, when one analyzes production, exports and crush, which are generally known and accepted statistics, it is difficult to arrive at stocks much lower than the official USDA estimates.

For 2015/16, Post anticipates that the stocks bubble will begin to break due to a conflation of factors: currency devaluation pressure, farmer indebtedness, and a surging industry demand. Producers, crushers, and the government can only play the game of chicken so long before someone will have to cave.

Sunflowerseed

Historically, sunflowerseed is not held in stocks as a type of savings like soybeans are. For one, it is harder to store in silobags, two, the seeds don't keep as long and three, it takes up a lot of space. After closing out crush and export numbers form 2013/14, stocks are high, at 771,000 mt, or about one third of total production. Industry contacts believe that these stocks are already held with the industry and not in producer's hands.

POLICY:

Biotechnology

Virtually all soybeans produced in Argentine are derived from modern agricultural biotechnology. While several new soybean events have been approved in recent years, commercial issues and an existing seed law that does not protect intellectual property rights (IPR) are the major factors hindering commercial production of the new varieties. Argentine law allows producers to save seeds for use on their own farms, but prohibits the producers from selling the seeds. This essentially means that producers only have to pay royalties on the initial purchase of seeds but not on subsequent crop years.

Without an update to the seed law, producers and seed companies have produced a draft agreement that will allow producers to purchase new varieties of seeds and pay royalties to the seed companies.

Over the past several years, the government has been working on drafting a new seed law that will protect IPR. Although it has made it to Congress, it is back at the Ministry of Agriculture for discussion. Contacts indicate that the draft law is unlikely to move forward until after presidential elections in 2015. For more information on biotechnology in Argentina, see GAIN Annual Biotechnology Reports.

Export licenses and taxes

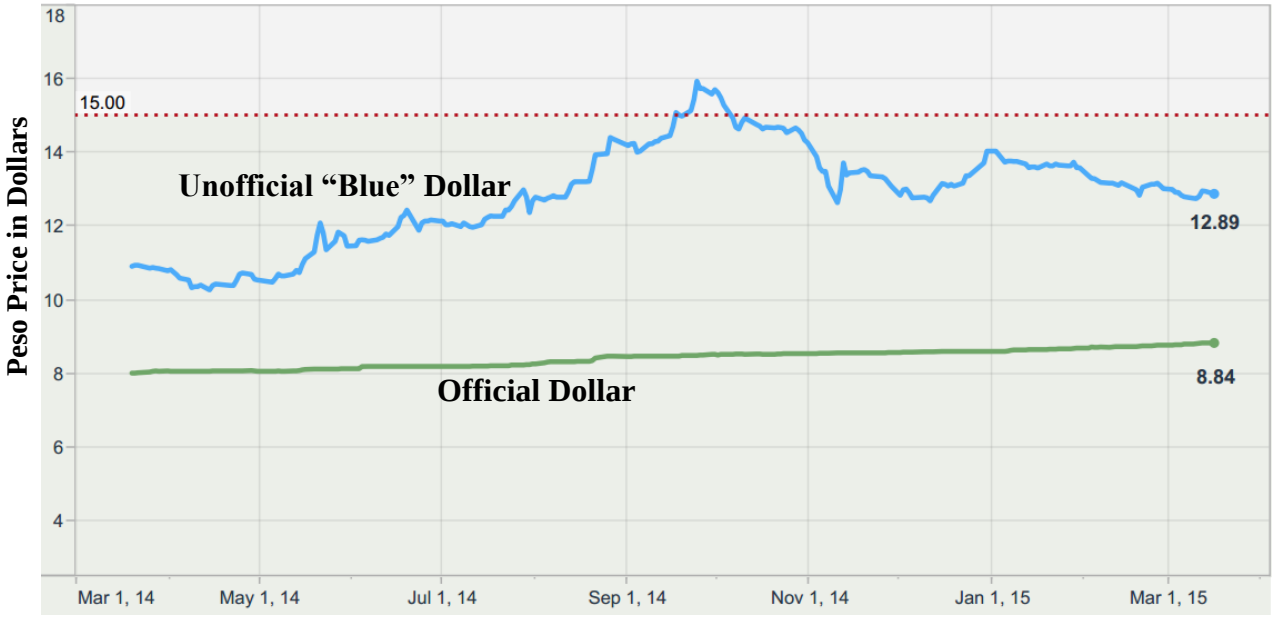
The ex National Agricultural Trade Control Agency (ex-ONCCA) regulates agricultural exports in Argentina and requires exporters to solicit export registrations (ROEs). Approval of ROEs is generally automatic for oilseeds and there are two different embarkation periods, either 45 or 180 days, depending on when the exporter pays the required export tax. If paid within five days of soliciting the ROE, the exporter is granted an embarkation period of 180 days. If paid at the time of export, the exporter is granted a 45 day embarkation period. Export taxes on oilseeds are as follows:

Soybeans	35%
Soybean Oil	32%
Soybean Meal	32%
Sunflowerseed	32%
Sunflowerseed Oil	30%
Sunflowerseed Meal	30%
Peanuts	23.5%
Peanut Oil	5%

High export taxes on agricultural products have been an important source of income for the Government of Argentina (GOA) for many years. In fact, soybean complex export taxes are the GOA's largest source of U.S. dollars and a major contributor to the Central Bank reserves, which currently hover around $30 billion. High inflation, a gradual but insufficient devaluation of the peso, and currency controls have put extra pressure on the economy and the expected influx of dollars from soybean complex exports play a major role in replenishing foreign reserves and funding government initiatives.

The GOA maintains tight controls on the exchange rate and on foreign currencies entering and exiting the market. An essential ingredient for the GOA to control the exchange rate is the retention of sufficient foreign currency reserves on hand . For 2014/15, the GOA has kept the official exchange rate relatively tame, increasing it from 8 pesos per dollar to 8.84 pesos per dollar over the course of 2014/15. The unofficial exchange rate, or the "blue" dollar, has experienced much greater volatility and may serve as a shadow exchange rate if the Argentine peso were allowed to float in the international currency market.

Comparison of Official vs. Unofficial Exchange Rates in 2014/15



Source: Ambito Finaciero

The agricultural sector largely expected the official peso to devalue by some 30 percent in the first quarter of 2015. So far, there has been no move to devalue, and the GOA indicates that it has no intention to devalue. With official GOA statistics pegging the 2014 inflation rate at 25 percent (and private sector inflation estimates ranging from 40 to 45 percent), Argentines have experienced a remarkable decrease in their purchasing power. Furthermore, the Argentine peso is experiencing the perfect storm: a strengthening dollar (weaking the peso), a sizeable devaluation of the Brazilian real (Argentina's neighbor and competitor in the global marketplace), and a marginal devaluation of the euro (weakening the purchasing power of one of Argentina's most important export markets for soybean meal and oil). It is uncertain how much longer the Argentine peso can weather the pressure to devalue. It is not a question of *if* but a question of *when*.

With the above inflation rates, a peso that the market deems overvalued by at least 30 percent, and an export tax of over 30 percent, the farmer's perspective and actions make a lot of sense. The "dolar soja" is another term frequently heard in Argentina, it is essentially the rate paid to the producer for their product (the official rate minus the export tax). On soybeans, the producer would receive an average of 6.2 pesos/per dollar. This is less than half of what the "blue rate" is currently at. It makes sense for

producers to want to hold onto their physical soybeans as a form of savings and sell the minimum amount possible to pay debt, especially since pesos today do not have the same value as pesos in one month or six months. Farmers did not see the commodity price bust in mid-2014, in which many commodity prices dropped by 40 percent nominally. On the face of it, Argentine producers lost on their bet to store and hold their product. Time will tell, however, as the uncertainties of currency devaluation and an uptick in prices may vindicate their moves. Storing product on-farm is not a new trend. For at least the past five years, more and more producers are storing grains in large plastic silo bags vs. in silos at local cooperative elevators. With access to silo bags, there really is no maximum limit to on-farm storage capacity. Producers have the tools to fill and empty these portable bags and will do so as long as they see soybeans and other grains as a sure form of savings.

U.S. Tariff-Rate Quota for Argentine Peanuts

Argentina has a tariff rate quota available in the United States for a total of 43,901 tons of peanuts each year (April 1 through March 31). Historical tariff-rate quota fill rates have been below 30 percent fill because the production is generally high enough in the United States to meet internal demand. Furthermore, prices aren't high enough in the United States and Argentina prefers to ship to the EU, its largest market, at more competitive prices.

Below is a look at historical fill rates, where 2012/13 and 2013/14 have been exceptionally high:

Marketing Year	Quantity Shipped (tons)	Percent Filled
2013/2014	6,719.21	15.31%
2012/2013	27,468.49	62.57%
2011/2012	39,687.75	90.4%
2010/2011	5,684.35	12.95%
2009/2010	8,460.19	19.27%

Source: U.S. Customs and Border Protection

Speculations on Policy Changes and Their Impacts on 2015/16

With a change in political administration arriving in December 2015, there is every likelihood that the new government will change some agricultural and export policies. These changes could significantly impact planting, crushing and exporting decisions in the outyear. Per USDA guidelines, this report has forecast 2015/16 production, consumption and trade on current policies, hence not incorporating speculations inherent to political changes. (Other market-driven—i.e. non-political—speculations have been built into this report and indicated as such.) Nevertheless, it is important to highlight some of these speculated policy changes and the likely impacts these changes could bear. The three leading presidential candidates have hinted at, if not outright endorsed, some or all of these policies:

- *Repealing ROEs*: by repealing the requirement for export registrations—the need to obtain export licenses—the industry expects that farmers will immediately increase area planted to wheat and area planted to corn. By repealing ROEs, corn and wheat become economically viable crops for farmers. In addition, farmers have been anxious to rotate out of soybeans to improve their soil characteristics but feel boxed into soybean production because no other crop

makes economic sense in Argentina. An increase in wheat production will reduce area planted to early-soybeans and slightly increase area for late-soybeans, with the overall impact of reducing net soybean yields. An increase in corn production will reduce soybean area altogether.

- *Repealing/Reducing Export Taxes*: repealing or reducing export taxes will intensify the impact of repealing ROEs, i.e. less soybean area and production and more corn and wheat area/production. Many flavors may characterize this policy change, such as an immediate export tax elimination for wheat, an immediate reduction for corn, and a possible reduction or phasing out for soybeans. Removing export taxes on soybeans is the most polemic change, as all analysts recognize the important revenue stream soybean exports bring in for the government. Any adjustment to the differential export taxes on soybeans and derivative products will also have an immediate impact on crushing.
- *Devaluing the Argentine Peso*: devaluing the peso will incentivize farmers to sell their soybeans, loosening up supply in the market, reducing stocks, exacerbating the slide of commodity prices (ceteris paribus). Financing debt will become cheaper for farmers and agricultural imputs will also become cheaper. Instead of minimal investments in 2015/16 production, farmers may invest more and choose better technology lines.
- *Loosening Controls on Foreign Reserve Flows*: by making dollars more accessible to the market, parallel exchange rates will phase out and, theoretically, the drive to store beans on the farm will diminish.
- *Allowing Crushers to Process Foreign Soybeans*: by allowing Argentine crushing plants to process foreign beans, crush may marginally increase over night. Crushers based in Rosario and in other strategic ports may begin to process Paraguayan soybeans again. This impact is expected to be only marginal, since Paraguay's crushing capacity is now well-established and the effects of the original ban on foreign beans largely nil.
- *Eliminating the Subsidy for Sunflowerseed Oil*: by removing measures that keep certain food products artificially cheap for the masses at the retail level, food prices will surely increase. Subsequently, the demand for sunflowerseed oil may decrease and the demand for soybean oil (a cheaper though less traditional alternative) may increase.

PRODUCTION, SUPPLY AND DEMAND DATA STATISTICS:

Oilseed, Soybean (Local)	2013/2014		2014/2015		2015/2016	
Market Begin Year	Apr 2013		Apr 2014		Apr 2015	
Argentina	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	19,800	20,300	19,800	20,800	0	20,300
Area Harvested	19,800	20,300	19,800	20,500	0	20,300
Beginning Stocks	8,620	8,620	13,892	10,892	0	13,594
Production	54,000	54,000	56,000	57,000	0	55,500
MY Imports	2	2	2	2	0	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	62,622	62,622	69,894	67,894	0	69,096
MY Exports	7,510	7,510	8,300	8,300	0	10,000
MY Exp. to EU	50	50	50	50	0	50
Crush	38,220	38,220	39,850	40,000	0	43,000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3,000	6,000	3,100	6,000	0	6,000

Total Dom. Cons.	41,220	44,220	42,950	46,000	0	49,000
Ending Stocks	13,892	10,892	18,644	13,594	0	10,096
Total Distribution	62,622	62,622	69,894	67,894	0	69,096
1000 HA, 1000 MT						

Oil, Soybean (Local)	2013/2014		2014/2015		2015/2016	
Market Begin Year	Apr 2013		Apr 2014		Apr 2015	
Argentina	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	38,220	41,000	39,850	40,000	0	43,000
Extr. Rate, 999.9999					0	
Beginning Stocks	232	232	308	308	0	268
Production	7,150	7,150	7,610	7,600	0	8,200
MY Imports	20	20	10	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	7,402	7,402	7,928	7,908	0	8,468
MY Exports	4,260	4,260	4,640	4,640	0	5,200
MY Exp. to EU	50	50	50	50	0	100
Industrial Dom. Cons.	2,450	2,450	2,550	2,550	0	2,700
Food Use Dom. Cons.	384	384	400	450	0	450
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	2,834	2,834	2,950	3,000	0	3,150
Ending Stocks	308	308	338	268	0	118
Total Distribution	7,402	7,402	7,928	7,908	0	8,468
1000 MT, PERCENT						

Meal, Soybean (Local)	2013/2014		2014/2015		2015/2016	
Market Begin Year	Apr 2013		Apr 2014		Apr 2015	
Argentina	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	38,220	38,220	39,850	40,000	0	43,000
Extr. Rate, 999.9999	1	1	1	1	0	1
Beginning Stocks	4,911	4,911	4,851	4,851	0	3,751
Production	29,400	29,400	30,985	31,100	0	33,500
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	34,311	34,311	35,836	35,951	0	37,251
MY Exports	27,460	27,460	29,780	30,000	0	32,000
MY Exp. to EU	10,250	10,250	10,800	10,800	0	11,000
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2,000	2,000	2,201	2,200	0	2,400
Total Dom. Cons.	2,000	2,000	2,201	2,200	0	2,400
Ending Stocks	4,851	4,851	3,855	3,751	0	2,851
Total Distribution	34,311	34,311	35,836	35,951	0	37,251

1000 MT, PERCENT						

Oilseed, Sunflowerseed	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2013		Mar 2014		Mar 2015	
Argentina	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	1,300	1,315	1,400	1,400	0	1,600
Area Harvested	1,300	1,315	1,400	1,400	0	1,600
Beginning Stocks	1,018	1,018	760	771	0	763
Production	2,100	2,100	2,500	2,600	0	2,900
MY Imports	2	8	2	2	0	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	3,120	3,126	3,262	3,373	0	3,665
MY Exports	80	75	80	80	0	80
MY Exp. to EU	20	20	20	20	0	30
Crush	2,250	2,250	2,500	2,500	0	2,700
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	30	30	30	30	0	30
Total Dom. Cons.	2,280	2,280	2,530	2,530	0	2,730
Ending Stocks	760	771	652	763	0	855
Total Distribution	3,120	3,126	3,262	3,373	0	3,665
1000 HA, 1000 MT						

Oil, Sunflowerseed	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2013		Mar 2014		Mar 2015	
Argentina	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	2,250	2,250	2,500	2,500	0	2,700
Extr. Rate, 999.9999					0	
Beginning Stocks	515	515	415	415	0	403
Production	950	950	1,060	1,060	0	1,150
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	1,465	1,465	1,475	1,475	0	1,553
MY Exports	350	350	375	350	0	500
MY Exp. to EU	100	100	115	115	0	150
Industrial Dom. Cons.	2	2	2	2	0	2
Food Use Dom. Cons.	678	678	700	700	0	700
Feed Waste Dom. Cons.	20	20	20	20	0	20
Total Dom. Cons.	700	700	722	722	0	722
Ending Stocks	415	415	378	403	0	331
Total Distribution	1,465	1,465	1,475	1,475	0	1,553
1000 MT, PERCENT						

Meal, Sunflowerseed	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2013		Mar 2014		Mar 2015	
Argentina	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	2,250	2,250	2,500	2,500	0	2,700
Extr. Rate, 999.9999					0	
Beginning Stocks	197	197	162	162	0	192
Production	980	980	1,090	1,090	0	1,150
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	1,177	1,177	1,252	1,252	0	1,342
MY Exports	250	250	280	280	0	300
MY Exp. to EU	200	200	220	220	0	250
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	765	765	780	780	0	800
Total Dom. Cons.	765	765	780	780	0	800
Ending Stocks	162	162	192	192	0	242
Total Distribution	1,177	1,177	1,252	1,252	0	1,342
1000 MT, PERCENT						

Oilseed, Peanut	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2013		Mar 2014		Mar 2015	
Argentina	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	380	383	385	385	0	350
Area Harvested	378	378	385	382	0	350
Beginning Stocks	713	713	880	730	0	880
Production	997	997	1,050	1,150	0	1,000
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	1,710	1,710	1,930	1,880	0	1,880
MY Exports	580	700	750	750	0	600
MY Exp. to EU	420	465	465	465	0	450
Crush	220	250	250	220	0	270
Food Use Dom. Cons.	20	20	22	20	0	20
Feed Waste Dom. Cons.	10	10	15	10	0	10
Total Dom. Cons.	250	280	287	250	0	300
Ending Stocks	880	730	893	880	0	980
Total Distribution	1,710	1,710	1,930	1,880	0	1,880
1000 HA, 1000 MT						

Oil, Peanut	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2013		Mar 2014		Mar 2015	
Argentina	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	220	220	250	220	0	270
Extr. Rate, 999.9999					0	
Beginning Stocks	23	23	2	2	0	1
Production	60	60	73	70	0	85
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	83	83	75	72	0	86
MY Exports	80	80	70	70	0	84
MY Exp. to EU	15	15	15	15	0	15
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	1	1	1	1	0	1
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1	1	1	1	0	1
Ending Stocks	2	2	4	1	0	1
Total Distribution	83	83	75	72	0	86
1000 MT, PERCENT						

Meal, Peanut	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2013		Mar 2014		Mar 2015	
Argentina	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	220	220	250	220	0	270
Extr. Rate, 999.9999					0	
Beginning Stocks	4	4	5	5	0	2
Production	95	95	100	90	0	110
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	99	99	105	95	0	112
MY Exports	18	18	20	20	0	25
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	76	76	80	73	0	85
Total Dom. Cons.	76	76	80	73	0	85
Ending Stocks	5	5	5	2	0	2
Total Distribution	99	99	105	95	0	112
1000 MT, PERCENT						