

Voluntary Report – Voluntary - Public Distribution

Date: November 05,2020

Report Number: AR2020-0040

Report Name: Argentina Introduces Export Tax Compensation Program for Small Farmers

Country: Argentina

Post: Buenos Aires

Report Category: Agriculture in the News, Oilseeds and Products, Agricultural Situation

Prepared By: Benjamin Boroughs

Approved By: Melinda Meador

Report Highlights:

On November 2, 2020, Argentina authorized a payment scheme to compensate small and midsize farmers for a portion of their export taxes paid on soybeans. Payments are based upon sales recorded between February 1 and December 31, 2020 and smaller farms and farms located outside of the core growing region receive a more generous reimbursement rate. Due to economic uncertainty, Argentine farmers are currently sitting on record levels of soybean stocks. This measure is intended to incentivize selling for the next several months among smaller scale farmers, a sector targeted for assistance by the Fernandez government.

Since February, the government of Argentina has been publicly discussing a “segmentation” policy that would provide financial benefits to small and mid-size farmers, especially those in in marginal soy production zones. The government of Argentina estimates that such farms account for approximately 23% of total soybean production.

On November 4, 2020, Argentina published [Joint Resolution 1/2020](#) which detailed a payment scheme to compensate small and midsize farmers for a portion of the export taxes paid on soybeans. Eligibility and payments are based on farm size and location and is limited to recorded soybean sales made between February 1 and December 31, 2020. Farmers will not receive a reimbursement on actual taxes paid, but instead based upon a production-based formula. Individual farmers or farm corporations are also subject to certain income restrictions based on past tax records. Payments are divided among farm size: 0-100 HA, 101-200 HA, 201-300 HA, 301-400 HA, and reimbursement rates are higher for both smaller farms and farms located outside of the core production region of the Provinces of Buenos Aires, Santa Fe, Cordoba, and Entre Rios. However, farmers in the core production region can claim higher yields in the core production area (2.9 tons per hectare vs. 2.5 tons per hectare). Thus the sold maximum tonnage that can be claimed for reimbursement is 1,160 tons in the core growing region and 1000 tons outside the core region.

Payment is calculated based on the following formula:

Total Payment = (Tons of soybeans sold, up to 2.9 or 2.5 tons/HA) X (Farm Size Reimbursement Rate by Province)

Provinces of Buenos Aires, Cordoba, Entre Rios, and Santa Fe				Rest of Country			
Farms Size by Hectare	Reimbursement Rate (pesos/ton)	Maximum Payment (pesos)	\$USD* Conversion	Farms Size by Hectare	Reimbursement Rate pesos/ton	Maximum Payment	\$USD* Conversion
0-100	\$441.00	\$511,560	\$6,483.65	0-100	\$661.50	\$661,500	\$8,384.03
101-200	\$661.50	\$575,505	\$7,294.11	101-200	\$882.00	\$661,500	\$8,384.03
201-300	\$1,102.00	\$639,160	\$8,100.89	201-300	\$1543.50	\$771,750	\$9,781.37
301-400	\$1,543.50	\$447,615	\$5,673.19	301-400	\$2205.00	\$551,250	\$6,986.69
Maximum Reimbursable Yield: 2.9 (ton/hectare)				Maximum Reimbursable Yield: 2.5 (ton/hectare)			
*Official Rate (November 4, 2020 – Central Bank of Argentina = \$78.9 Arg. Peso per \$1 USD)							

For sales recorded between February 1 and September 30, 2020 farmers will receive reimbursement payments in two transactions, 50% in November 2020 and 50% in December 2020. For sales recorded between October 1 and December 31, 2020, farmers will receive

reimbursement payments in three transactions, 40% in January 2021, 40% in February 2021, and 20% in March 2021.

Because this resolution expires on December 31, 2020 and is based on sales recorded in 2020, it is unlikely to affect future planting decisions. It could spur some smaller-scale farmers to sell a portion of their soybean production currently held in stocks, since the benefits are more generous at smaller production levels and prices have risen substantially since harvest in April 2020. However, farmers will still need to have an imminent need to spend the pesos received to overcome their inclination to hold soybeans in stock as a form of savings, since inflation is running at greater than 40% and farmers continue to anticipate a currency devaluation.

Attachments:

No Attachments.