

**Required Report:** Required - Public Distribution

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## **Report Name:** Oilseeds and Products Update

**Country:** Argentina

**Post:** Buenos Aires

**Report Category:** Oilseeds and Products

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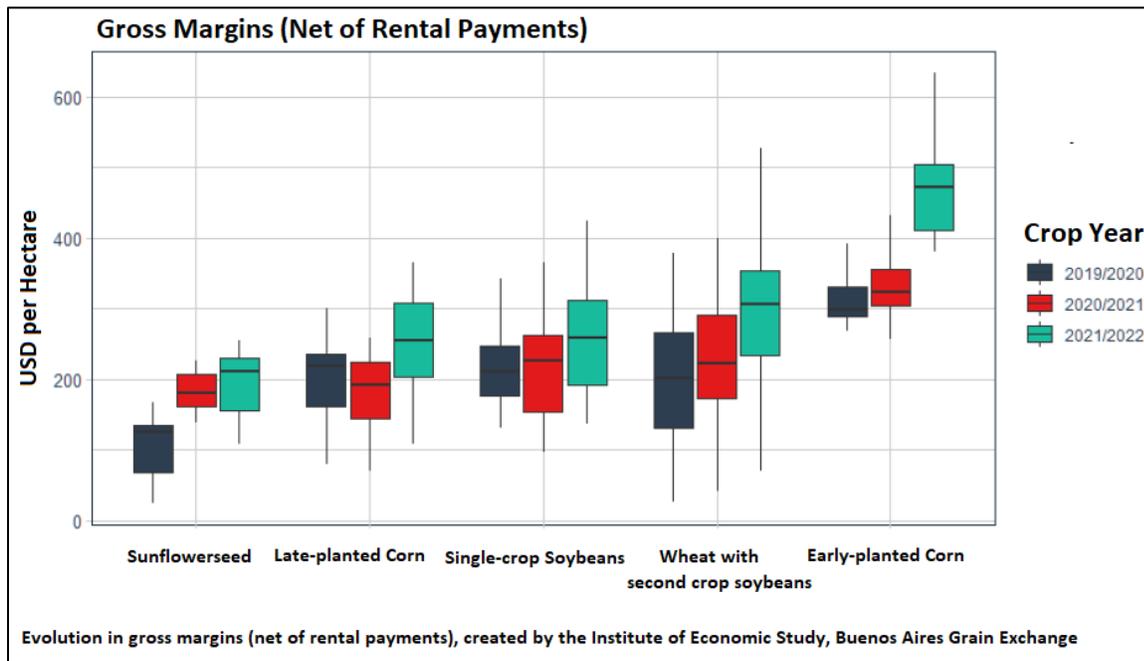
### **Report Highlights:**

Post lowers its MY 2021/22 projected planted area for soybeans to 17.0 million hectares. This reduction of 500,000 hectares will translate to total projected production of 49.7 million metric tons, 2.3 million metric tons below the USDA Official estimate. The reduction in area is driven primarily by better anticipated margins for other crops, especially corn. Dry weather in the northernmost sunflowerseed production area meant that some farmers didn't plant or delayed August planting in many parts of the Provinces of Chaco and Santiago de Estero, but good planting conditions in Santa Fe Province mean that northern Argentina will see a partial recuperation of sunflowerseed production in comparison with MY 2020/21.

## Soybeans

At the start of the 2021/22 oilseed crop season Argentine farmers are finishing input purchases in preparation for planting. Post projections are adjusted somewhat from the July report to account for changes in anticipated planted acreage but yield forecasts have not been adjusted to account for long-term weather forecasts which indicate the possibility of a return to La Niña weather conditions similar to last year. Analysts from the Rosario Grain Exchange have noted that back-to-back La Niña years have historically severely impacted productivity in the second year in Argentina.

Post anticipates a contraction in the area planted with soybeans, especially to single-crop soybeans. Total planted acres for MY 2021/22 are reduced to 17.0 million hectares, with an average estimated abandonment of 500,000 hectares, projected harvested acreage is 16.5 million hectares and a total production of 49.7 million metric tons (MMT). This is a reduction of 1.5 MMT from the June projection and is 2.3 MMT lower than USDA Official. Farmers will substitute soybeans with corn, but almost all crop combinations will grow at the expense of single-crop soybeans.



Source: Buenos Aires Grain Exchange – Translation FAS Buenos Aires

Several factors help to explain this divergence from planting patterns seen at the last time of sustained high commodity prices a decade ago, when soybean acreage increased. The first is government policy, specifically export tax rates. Former president (and now vice-president) Cristina Fernandez de Kircher, raised export taxes on all commodities with export tax rates on corn set at 20 percent and soybeans at 30 percent (with soy products at 27 percent). Current President, Alberto Fernandez, set the soybean export tax rate at 33 percent (soy products at 31 percent) with corn and wheat export taxes set at 12 percent. This expanded differential between the export tax rates results in lowered farm gate prices for soybeans. This differential makes corn more attractive relative to soybeans it has also encouraged more farmers to plant winter grains like wheat and barley and grow second crop soybeans. This combination

is potentially more profitably than a single crop, but soybean yields in this system are generally lower than those of single crop soybean.

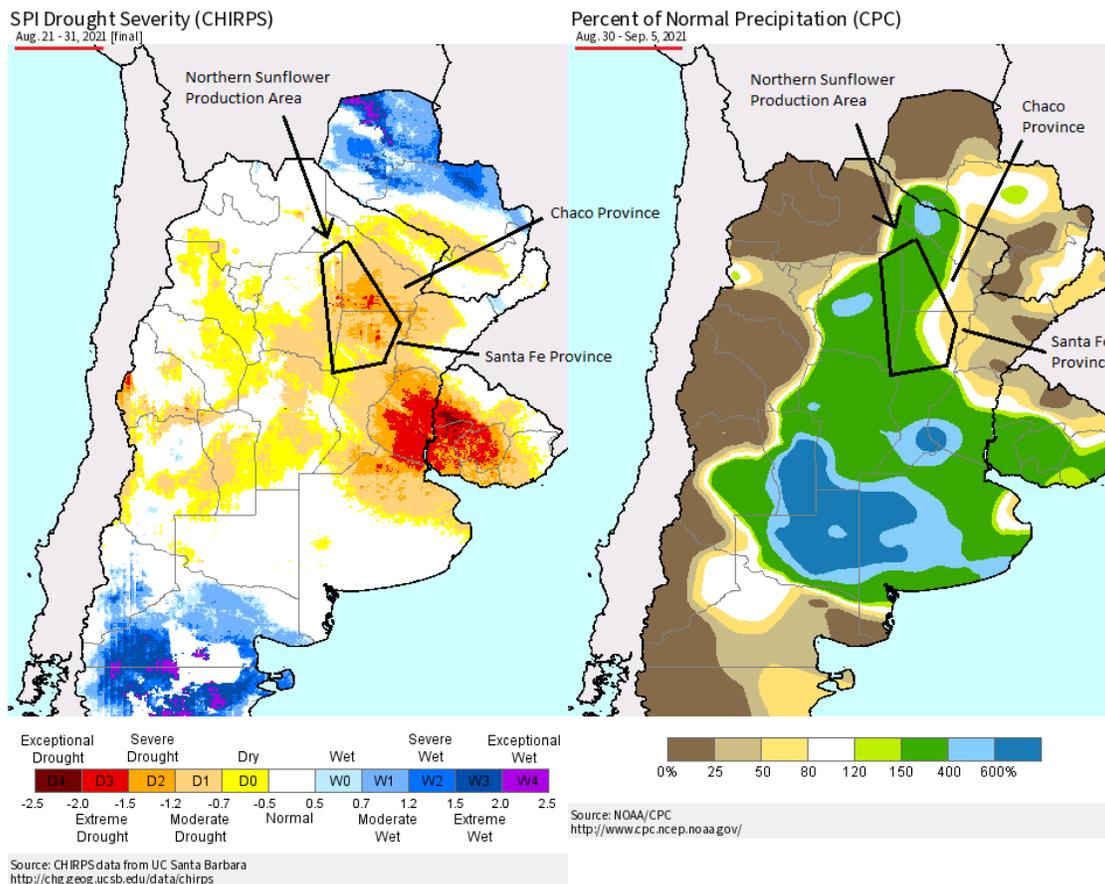
The second factor influencing producer decision-making is increased availability of high-quality hybrid corn seed adapted to different regions. Because hybrid corn seed must be purchased every year, whereas soybean seed can be saved by farmers, seed companies have invested in improving corn varieties. Argentine corn yields have risen faster than soybeans over the last 10 years and new varieties have performed better under drought stress conditions than soybeans. A wider range of maturity dates allows farmers to make planting decisions based on when they anticipate drought stress. Whereas 10 years ago, or as recently as five years ago, Argentine farmers tended to view soybeans as the least risky crop (since it required lower upfront seed costs, less fertilizer and pesticide treatments than corn), recent experiences of poor soybean yields due to drought stress at critical growth periods have begun to challenge this conventional wisdom.

Post's MY 2020/21 production estimate is unchanged at 44.5 MMT, but updated export statistics and private shipping estimates for September and October lead Post to raise its export projection 200,000 metric tons to 5.2 MMT matching USDA Official. However, slower than expected pace of crushing leads Post to lower its crush estimate to 40.5 MMT, 1.8 MMT below USDA official. Low water levels on the Parana River continue to raise transportation costs as shippers are forced to load ships lighter to navigate shallower channels. This has encouraged more farmers to ship soybeans longer distance overland to the deeper ocean port of Bahia Blanca where they can receive higher prices than in the Rosario river port export complex which is subject to the lower river levels. The river level depends on rains in central and southern Brazil and traditionally recovers in December or November. The pace of farmer selling still trails last year and high stocks are partially a reflection of a general expectation of a more aggressive currency devaluation following mid-term congressional elections scheduled for November 2021. Because capital controls prevent farmers from converting pesos to USD, and because of inflation that is currently running more than 50% on an annual basis, many farmers prefer to retain a portion of their harvested soybeans in storage rather than taking advantage of current high prices, selling and losing the value of the proceeds of the sale to inflation or devaluation. Following a poorer than expected showing in primary elections in August, the ruling coalition replaced many ministers including the former Minister of Agriculture Luis Basterra with Julian Dominguez, who had previously served as Minister of Agriculture from 2009-2011. Dominguez has pledged to reinvigorate dialogue with the farming sector and announced a series of measures intended to boost production and trade. While a decree had not yet been published at the time of printing, these included relaxing a credit restriction which prevented farmers from holding back more than five percent of production in stocks.

### *Sunflowerseed*

According to government of Argentina statistics, as of September 24, 20 percent of the total sunflower acreage had been planted, lagging slightly behind the pace of last year. Despite higher prices that encouraged producers to purchase sunflowerseed for planting, industry sources indicate that dry conditions prevented or delayed planting in much of the far northern planting area in the Provinces of Chaco and Santiago de Estero. The ideal planting window for sunflower in these provinces is late July to

mid-August and as can be seen in the chart below, even by the end of August the region was still under drought stress. Rains arrived early in September in time for the normal planting window in north and central Santa Fe Province. Therefore, rather than a full recuperation of 600,000 hectares in the northern production area, there will be approximately 400,000-420,000 hectares of sunflower in the north (compared to roughly 275,000 hectares in MY 2020/21). In the southern production area, centered in the Province of Buenos Aires, farmers are preparing to plant in October and November. Much of the Province of Buenos Aires received good rainfall during the first half of September, but additional rain is needed in the coming weeks for optimal planting conditions. Post projects total estimated MY 2021/22 planted acreage for Argentina unchanged from July at 1.675 million hectares with total production of 3.4 million tons, matching USDA Official. Due to increased barley planting this year, and high sunflowerseed prices, some farmers may plant up to 50,000 hectares of low density second-crop sunflower this year. If this occurs, it could both raise planted acreage slightly, but also lower average yield. Second crop-sunflower must be planted immediately after harvesting winter crops. This practice has a higher risk of disease and poor maturation, but the low cost of seed may entice some producers.



## Peanut

Post peanut productions estimates remain stable. Increased land rental prices driven by rising commodity prices for corn, soybeans, and other commodities are making it more difficult for peanut companies to contract peanut acreage since peanut prices have not risen to the same extent as other

crops. Companies will raise land bids or expand further afield geographically to ensure there is sufficient capacity to meet minimum supply needs for existing plant capacity. Post raises its 2020/2021 export estimate to 960,000 metric tons, matching USDA official, lowering ending stocks to 417,000 metric tons.

*Production Supply & Demand Tables*

Oilseed, Soybean (Local) Market Year Begins	2019/2020		2020/2021		2021/2022	
	Apr 2020		Apr 2021		Apr 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted (1000 HA)	16700	17200	16740	17300	17500	17000
Area Harvested (1000 HA)	16700	16800	16500	16700	17200	16500
Beginning Stocks (1000 MT)	9850	9850	11920	13908	8220	12208
Production (1000 MT)	48800	48880	46000	44500	52000	49700
MY Imports (1000 MT)	4940	4940	5100	5000	4800	4500
Total Supply (1000 MT)	63590	63670	63020	63408	65020	66408
MY Exports (1000 MT)	6660	6662	5200	5200	6350	6500
Crush (1000 MT)	37870	37700	42300	40500	43000	42500
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	7140	5400	7300	5500	7370	5600
Total Dom. Cons. (1000 MT)	45010	43100	49600	46000	50370	48100
Ending Stocks (1000 MT)	11920	13908	8220	12208	8300	11808
Total Distribution (1000 MT)	63590	63670	63020	63408	65020	66408
Yield (MT/HA)	2.9222	2.9095	2.7879	2.6647	3.0233	3.0121
(1000 HA) ,(1000 MT) ,(MT/HA)						

Oilseed, Sunflowerseed Market Year Begins	2019/2020		2020/2021		2021/2022	
	Mar 2020		Mar 2021		Mar 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted (1000 HA)	1560	1625	1670	1370	1600	1675
Area Harvested (1000 HA)	1530	1575	1670	1300	1600	1625
Beginning Stocks (1000 MT)	987	987	980	1256	1120	316
Production (1000 MT)	3235	3235	3430	2650	3400	3400
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	4222	4222	4410	3906	4520	3716
MY Exports (1000 MT)	183	184	180	180	165	190
Crush (1000 MT)	2750	2473	2800	3100	2900	2900
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	309	309	310	310	315	315
Total Dom. Cons. (1000 MT)	3059	2782	3110	3410	3215	3215
Ending Stocks (1000 MT)	980	1256	1120	316	1140	311
Total Distribution (1000 MT)	4222	4222	4410	3906	4520	3716
Yield (MT/HA)	2.1144	2.054	2.0539	2.0385	2.125	2.0923
(1000 HA) ,(1000 MT) ,(MT/HA)						

Oilseed, Peanut Market Year Begins	2019/2020		2020/2021		2021/2022	
	Mar 2020		Mar 2021		Mar 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Area Planted (1000 HA)	368	340	385	360	350	340
Area Harvested (1000 HA)	367	340	385	360	350	340
Beginning Stocks (1000 MT)	572	572	553	532	565	417
Production (1000 MT)	1285	1350	1280	1300	1400	1300
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1857	1922	1833	1832	1965	1717
MY Exports (1000 MT)	988	988	960	960	1000	950
Crush (1000 MT)	235	227	225	280	280	300
Food Use Dom. Cons. (1000 MT)	56	90	57	90	58	90
Feed Waste Dom. Cons. (1000 MT)	25	85	26	85	27	85
Total Dom. Cons. (1000 MT)	316	402	308	455	365	475
Ending Stocks (1000 MT)	553	532	565	417	600	292
Total Distribution (1000 MT)	1857	1922	1833	1832	1965	1717
Yield (MT/HA)	3.5014	3.9706	3.3247	3.6111	4	3.8235
(1000 HA) ,(1000 MT) ,(MT/HA)						

**Attachments:**

No Attachments