Required Report: Required - Public Distribution **Date:** April 14, 2023

Report Number: AR2023-0004

Report Name: Oilseeds and Products Annual

Country: Argentina

Post: Buenos Aires

Report Category: Oilseeds and Products

Prepared By: Benjamin Boroughs

Approved By: Rachel Bickford

Report Highlights:

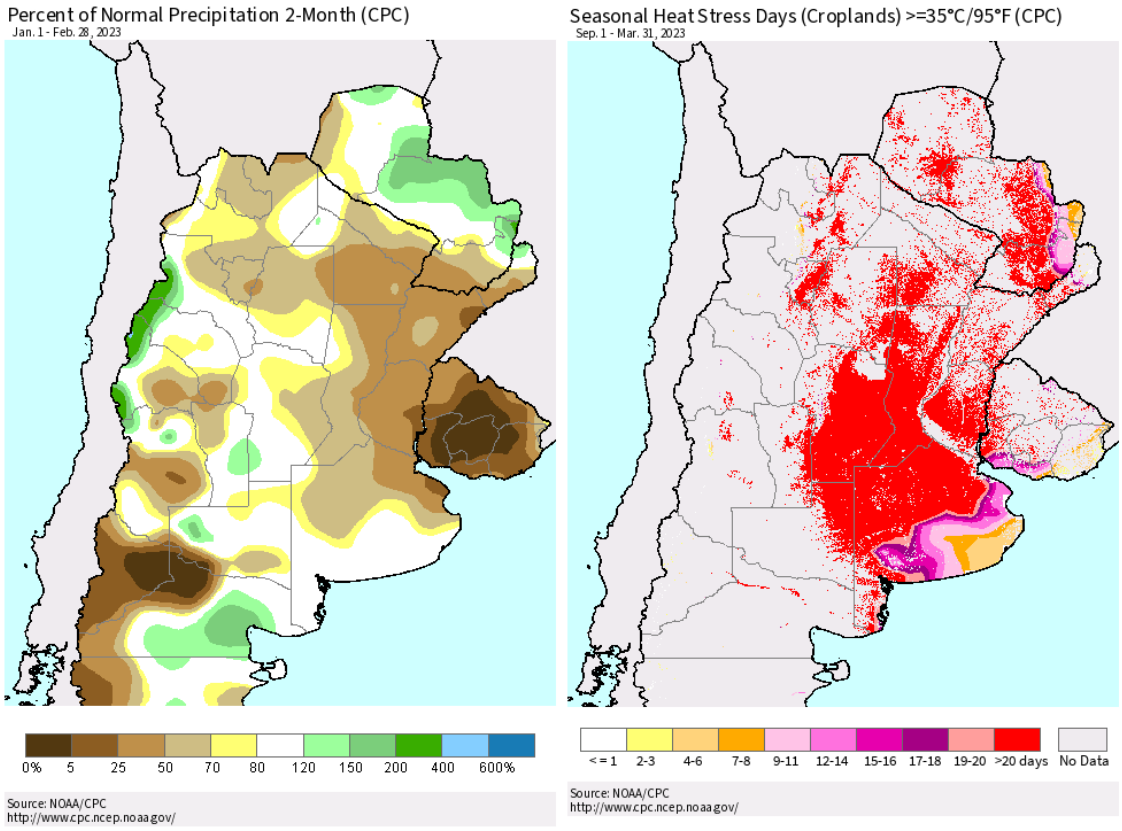
Post lowers its 2022/2023 estimate for Argentine soybean production to 23.9 million metric tons (MMT). This production estimate is the lowest in 24 year and the yield estimate is the lowest in almost 50 years. As a result of the drought, Post estimates that Argentina will need to import a record 11 MMT of soybeans to achieve a crush of 29.5 MMT. This reduced crush would lead Argentina to export only 18.75 MMT of soybean meal, potentially losing its position as the world's largest exporter of soybean meal. Soybean oil exports are estimated at 3.65 MMT. Sunflowerseed production is estimated unchanged at 4 MMT and peanut production is lowered to 970,000 MT due to the effects of drought. For MY 2023/2024 Post projects a recovery in soybean and peanut production at 50.5 MMT and 1.32 MMT respectively on higher planted acreage and a return to normal weather conditions. Sunflowerseed production is projected down 3.8 MMT on lower planted area.

Summary

The marketing year (MY) 2022/2023 crop season brought some of the worst growing conditions for soybeans in Argentina's history. Post estimates soybean production will be the lowest in 24 year and yields the lowest in almost 50 years. 2022/2023 was the third dry year in a row and unlike in the prior two seasons when rains arrived in time to save the harvest, the combination of a lack of starting soil moisture, poor rains and high heat in the key months of January and February led to widespread yield declines across central Argentina, the most important soybean production region. In addition to the fall in production, serious quality problems are being observed in early harvested fields with a higher-than-normal incidence of shrunken and green beans.

With Post's estimate of total soybean production at 23.9 million metric tons (MMT), Argentina will have to import a record 11 MMT of soybeans to supply its crushing sector. In recent years Argentina has crushed about 40 MMT per year and has a theoretical annual capacity greater than 65 MMT. These imports will primarily come from Paraguay, Brazil, and Bolivia, but depending upon global supply and demand, could come from as far afield as the United States.

Figure 1: Lack of Precipitation and Heat Stress in Argentina during MY 2022/2023



Much of Argentina's prime farmland received 30-50 percent less rainfall than normal in January and February and almost all croplands experienced more than 20 days of temperatures over 95⁰ F.

Source: FAS Crop Explorer – NOAA/CPC

In contrast to soybeans, 2022/2023 sunflower yields and production will be average and on a higher planted acreage, Argentina has the potential to match 2021/2022's high production level. According to the Buenos Aires Grain Exchange, the harvest was 84 percent complete as of April 5, 2023. Post estimates total production at 4 MMT. While international prices for soybean oil have declined dramatically since the high levels reached after the Russian invasion of Ukraine, the combination of low input costs and resistance to the drought have made sunflower a bright spot for Argentine farmers in an otherwise difficult year.

Post lowers its 2022/2023 estimate for peanut production to 970,000 MT on lower yields and a smaller harvested area of 350,000 hectares (HA). While peanut yields suffered due to the drought, peanuts generally resisted the hot and dry weather better than soybeans. Varieties with short maturation cycles saw the largest yield losses and may have some quality concerns including limited incidence of aflatoxin. Varieties with intermediate or long maturation cycles have benefitted from recent rains and are still defining their final yields. Uncertainty about supply has made Argentine processors reticent to pre-sell peanuts to their European customers. This dynamic has helped to firm up peanut prices and temporarily shifted the market in favor of exporters over importers.

Looking toward 2023/2024, Argentine farmers will face financial challenges as two disappointing harvests in a row (winter and summer crops) mean that 2022/2023 will be a losing proposition for most producers. Though farmers have had profitable seasons due to high commodity prices the last few years, farmers are cash poor as they have sought to convert their profits into inputs, machinery, or land to avoid high inflation of around 100 percent and the risk of currency devaluation. This means that many producers will face liquidity challenges and will look to renegotiate rental agreements when possible. The government has announced some limited aid to small producers and provided some tax relief to farmers in drought affected areas.

Post projects a recovery in soybean production based on a return to normal weather patterns. Some analysts are anticipating a change to an El Niño weather pattern which usually means higher than average precipitation in Argentina's main production regions. Post projects 2023/2024 soybean production at 50.5 MMT on 16.9 million HA. Post projects sunflowerseed planted area to decline 10 percent to 2 million HA, thanks to a fall in global sunflowerseed oil prices and as farmers in central Argentina switch to more potentially profitably crops like corn in anticipation of a wetter production cycle. Post projects total production at 3.8 MMT on trend yields. Post projects a rise in planted area for peanut to 380,000 HA as land owners recovering from poor returns in 2022/2023 will find the higher guaranteed rents offered by peanut processors to be a more attractive proposition than last year. Post projects 2023/2024 peanut production at 1.32 MMT.

Political considerations will be top of mind for producers in 2023 as presidential primary elections will be held in August, with general elections scheduled for October and a potential runoff in November. The winner of these election, and new members of congress, would take office in December. The current center-left Fernandez Administration continues to take active steps to manage Argentina's trade flows to preserve foreign currency reserves and to try to lower inflation. In April, the government announced a third round of a special exchange rate for

soybean exports in order to encourage farmer selling and currency inflows of Argentina's most important export commodity. Though cash-strapped farmers are likely to take advantage of this incentive that runs from April 10 through May 31, producers in a stronger financial position may still try to hold onto stocks with the hope that a new administration might reduce export taxes or allow for a full devaluation of the peso. Sunflowerseed and peanut (and subproducts) will also reportedly be available included in the new special exchange rate program, but implementing regulations had not yet been published by the Argentine government at the time of drafting of this report.

Soybeans

Production

MY 2023/24

For MY 2023/2024, Post projects soybean planted acreage at 16.9 million HA, up 600,000 HA or 3.7 percent from Post's adjusted estimate for MY 2022/23. Total production is projected at 50.5 MMT, up 111 percent from the historic drought in MY 2022/23. While this forecast assumes a return to normal/neutral weather, some analysts are predicting a turn to a El Niño weather pattern after three consecutive years of a La Niña pattern. While La Niña patterns typically lead to drier weather in key growing regions of Argentina, an El Niño pattern typically increases rainfall which could lead to higher-than-average soybean yields.

The increase in planted area will largely come from areas which were not planted to any summer crop in MY 2022/23, as drought conditions discouraged planting in many areas, especially second crop soybeans. Availability of seed will be a concern for Argentine producers due to the prior year's drought which resulted in much higher percentage of green and shrunken beans than normal. Thanks to Argentina's lax intellectual property right rules and seed law, many farmers save soybean seed from year to year for replanting. While this has reduced costs for farmers, it has led to a plateauing of yields (compared to corn) as seed companies have been hesitant to introduce their latest technology and varieties into the Argentine market. But concerns over quality of saved seed may encourage more farmers than normal to enter the formal seed market in MY 2023/2024 to assure good quality seed. Some farmers still have seed saved from the MY 2021/2022 season, but germination rates are lower for older seeds, so farmers choosing to plant this older seed may need to increase seeding rates to account for the lower expected rate of germination.

The planting and marketing outlook for MY 2023/2024 is particularly uncertain to the confluence of a number of factors namely: the financial condition of farmers following the MY 2022/2023 drought, environmental conditions for winter crop planting, the 2023 Argentine presidential election, and policy changes by the current Argentine government which is facing an economic crisis.

In general farmers have made money over the last three years and are in a strong position in terms of working capital, however most have limited cash savings due to their attempts to manage assets in an inflationary environment and the poor MY 2022/2023 winter and summer

harvests. The financial position of farmers varies by region, with the worst-hit region being northern Buenos Aires Province, where high rents and three disappointing harvests have put producers in a more precarious position. Argentina saw nearly 100 percent inflation in 2022 and a similar rate is expected in 2023. In this environment farmers seek to quickly move out of pesos and into harder assets like machinery, farm inputs like seeds, fertilizer, or chemicals, livestock, and property. Currency controls make conversion into foreign currency like U.S. dollars difficult, expensive, or illegal. Thus a farmer who may have purchased a new truck, planter, and fertilizer during the prior years may struggle to pay rental payments on land or purchase new inputs in the face of a failed harvest. Even wealthy farmers who may have purchased a small apartment in a nearby city as a store of value, may have difficulty selling such an asset at a fair price in the face of the general economic problems facing Argentina. While these asset-holding producers may not garner much sympathy from the rest of the population, in the absence of concerted action from private and public financial sectors there will be a liquidity problem in the Argentine ag economy.

So far, signs of relief are mixed. Public sector banks, both provincial and national have been offering small to medium-sized peso-denominated loans at very favorable interest rates. Farmers availing of these credits must comply with a number of pre-conditions, including having sold almost all of their grain stocks. So-called “rural” credit cards are still available and are also offering favorable interest rates. Smaller producers who are willing to take on debt may find these sources sufficient to purchase inputs for planting in the coming cycle. Input suppliers like seed, chemical, and fertilizer suppliers so far appear to be tightening their business terms rather than being open to refinancing their customers. Many of these suppliers imported their products when world prices were higher and will need to sell the products at lower prices.

On March 28, the Argentine government issued Resolution 5339/2023 that changed tax rules for importers of a variety of products. The resolution is effective through December 31, 2023 and would temporarily eliminate an exemption from paying certain taxes on the sales of their imported products. Some importers of fertilizers announced they would stop importing and selling these products until the policy was reversed. Some industry sources reported that if the policy remained in place, it could add around 10 percent to the cost of imported fertilizers and crop protection chemicals. Not accounting for this change, compared to May 2022, fertilizer prices have fallen by more than half. Depending on the region farmers, may apply fertilizers containing phosphorus or sulfur but in most growing areas Argentine farmers do not apply nitrogen fertilizer to plant soybeans.

Following a very dry January and February in 2023, rains returned to much of Argentina in March. However, after three years of dry conditions a great deal of rain will be required to refill the soil profile. Agronomists surveyed in the central pampas indicate that 300 mm of rainfall are needed between March and June to assure adequate reserves for planting winter wheat and barley. However, some producers may be willing to plant with less than half of that amount in the anticipation of a wet spring with an El Niño weather pattern. Farmers under financial stress may want to plant wheat in order to receive income in December at harvest time and then plant second crop soybeans to receive a second harvest. While this double-cropping strategy has had

the highest theoretical margins in recent years, it has underperformed in recent cycles, especially in 2022/2023 when second crop soybeans were some of crops most drastically damaged by the drought. At present, thanks to lower fertilizer prices, corn has the highest theoretical margin for 2023/2024 and corn (thanks to new hybrids and biotechnology) has shown more resistance to the adverse weather conditions in recent years than soybeans.

Accordingly, rain totals in the coming months should dictate how much winter grains are planted. If there is high planted area for winter crops like has been seen in recent years, then Argentina would continue to plant a relatively high proportion of second crop soybeans (which typically yield less) compared to first crop soybeans. If rains do not arrive and farmers are unwilling to risk the outlays needed to plant winter grains, then farmers are faced with the choice of planting corn or first crop soybeans on fallowed fields. On paper, corn with its higher theoretical margin would be the logical choice, however soybeans cost only about half as much per hectare as corn. If financing is widely available then corn acreage should rise, if not soybeans, the more conservative choice would be expected to expand. Another factor in favor of soybeans is that most rental contracts are denominated in tons of soybeans per hectare. Since August 2022 there have been three "soy dollar" programs which have raised the domestic price of soybeans. Planting soybeans protects a farmer from these price increases in terms of their rental payments. In contrast, a farmer who plants corn (which hasn't benefited from a "corn dollar") must then sell more corn to meet the higher rental payment which is being distorted by the exchange rate change.

2023 is also a presidential election year in Argentina. The center-left, Peronist, Fernandez Administration, which has been in power since December 2019, inherited an economic recession and then immediately had to confront COVID-19. Its decisive response to COVID-19 which included lockdowns and social spending was initially very popular, but eventually led to unrest and economic retraction as the lockdowns were extended in duration and severity compared to neighboring countries. The unfunded spending also contributed to high levels of inflation which the country is still suffering from. To fight inflation and to preserve the value of the peso, the government has intervened aggressively in the economy, setting price controls, banning exports of politically sensitive food products, limiting imports, and maintain strict currency controls. Despite these efforts, poverty rates have risen to new highs, and public opinion polling in recent months has been unfavorable to the Fernandez Administration. Primarily elections will be held in August and general elections in October with a possible runoff in November. The winner of those elections would take office in December.

If farmers believe that an opposition candidate is likely to win the election it could also influence their planting and marketing decisions. While the primary effect would be over marketing decisions, if opposition candidates begin to circulate proposals detailing their plans to modify the export tax regime, farmers may then alter their planting decisions. Under the prior center-right, Macri Administration, the government eliminated export taxes on grains entirely, before later reimposing them at lower levels when the loss of tax revenue caused fiscal problems. At present soybeans face an export tax of 33%, while corn has a 12% export tax. A proposed change that

significantly affected the returns to either crop would push planting decisions toward the favored crop.

Conversely, the present government is struggling to grapple with Argentina’s macro and microeconomic challenges and will face profound challenges due to the loss of foreign currency earnings from missing agricultural exports thanks to the drought, as well as all the knock-on effects in the rest of the real economy due to lower crop production. If the government imposes new restrictions or regulations on particular crops or reduces the availability of subsidized financing for farmers it could lead to changes in planted area. While soybean export taxes are at their legislative maximum of 33 percent, the government could increase export taxes on grains and other oilseeds to 15 percent without congressional approval under the current law. With regard to the government's attempts to fight inflation, prices for wheat and corn are seen to be more politically sensitive since wheat prices are more easily translated to bread and pasta prices, and corn prices to meat prices. In contrast, most soybeans are exported in the form of soymeal and oil and the government relies upon these tax revenues to fund state programs.

Soybean cultivation continues to become more complicated and input intensive as weeds and insects acquire resistance to herbicides and some BT traits. While demand continues to grow most crop protection chemistries have seen their prices remain steady or fall relative to last year (in dollar terms). Crop rotation is now seen as crucial in areas that commonly planted soy on soy seven to eight years ago. More farmers are also experimenting with a wide variety of cover crops in regions that have sufficient moisture to support the practice. In discussions with producers, the most commonly listed resistant weeds are Lolium multiflorum, Sorghum halepense, Conyza sumatrensis, and Amaranthus spp. While no-till farming is still very popular in Argentina, adoption has fallen below 90% in recent years according to AAPRESID, the no-till society. Causes for the increase in conventional tillage include frustration with infestations of resistant weeds, environmental restrictions passed by towns and cities that mandate pesticide free buffer zones, and at times the relatively low cost of diesel fuel vs herbicides.

MY 2022/2023

Post lowers its estimate for MY 2022/23 production to 23.9 MMT, down 12.1 MMT from its January estimate. Post reduces its estimate for planted acreage to 16.3 million hectares, as dry conditions discouraged planting by farmers who were, until very late in the season, hoping for rain. The loss of planted area was especially notable on fields which had been planted to winter grains. Post lowers its harvested area to 15.1 MMT as many fields that were planted to second-crop soybean in central Argentina have failed and will not be worth harvesting. In the core production areas of Argentina, this is the worst drought in more than 70 years. Average yield is estimated at 1.58 T/HA, which is the lowest yield since the MY 1974/1975, well before the introduction of modern varieties or biotechnology and when Argentina only harvested 356,000 HA of soybeans annually.

Figure 2: Failed Second-Crop Soybean Field

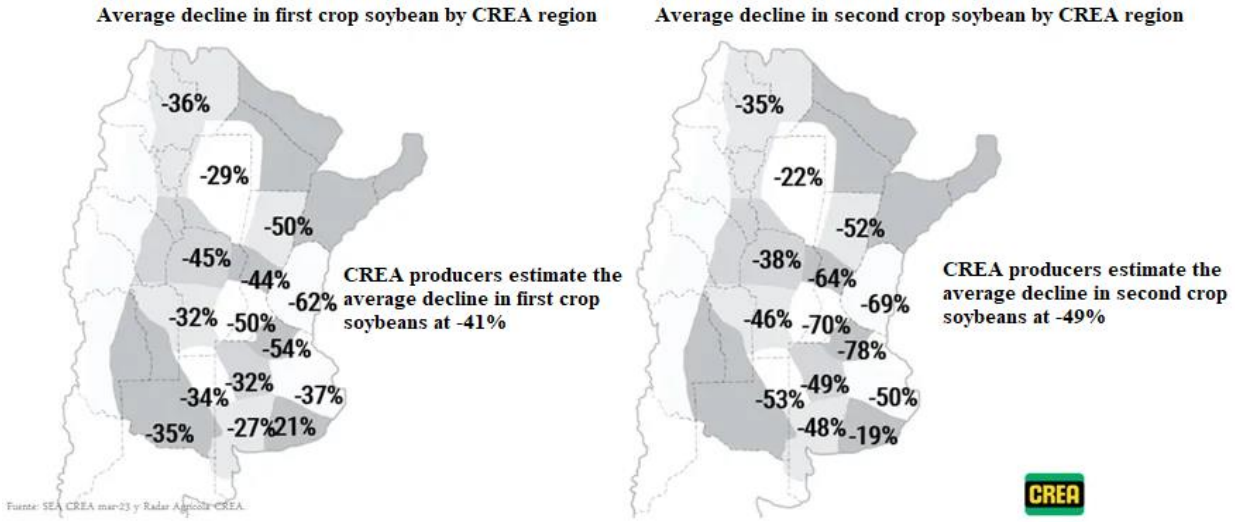
Source: FAS Buenos Aires, March 30, 2023, near Junin, Buenos Aires Province.

The core-growing region, referred to as the Zona Nucleo, is similar in soil quality and average precipitation to the central corn belt of the United States. Yields for first-crop soybeans are normally in the range of 4.25-5.5 MT/HA. The most hard-hit region was precisely the Zona Nucleo, in particular the north and northwest of the Province of Buenos Aires, eastern Cordoba, central and southern Santa Fe, and Entre Rios. Collectively these four provinces account for more than 80 percent of soybean production, so the impact of the drought was particularly detrimental to Argentina's total soybean production. Santa Fe Province would normally have received about 625 mm of rainfall by the end of February, but this year it received only 390 mm. In recent crop travel throughout this region, Post observed many first-crop soybean fields in highly productive land that are unlikely to reach half of their normal yield. Second-crop soybeans were in generally worse condition as the wheat or barley that was grown during June-November 2022 used up all of the available soil moisture and temperatures were very elevated during second-crop soybean flowering in February 2023.

Despite the devastation wrought in some areas, there are pockets of average to better than average conditions. Southeastern Buenos Aires Province in the area of Balcarce/Necochea has had good growing conditions. Southwestern and western Buenos Aires Province, La Pampa, and southern Cordoba are all expected to have average to slightly below average yields. However even within these areas, conditions were highly variable depending upon the timing and magnitude of rains received. This region as also affected by the February 18 frost, which in some localities was quite damaging particularly in low-lying parts of fields.

A recent survey of CREA members (a prominent farm organization that shares best practices and conducts research and development) found that soybean production fell below expected levels in almost every region of the country. Losses in second crop soybeans in the most productive region of the country were particularly notable.

Figure 3: Self-Reported Yield Declines by Members of Farm Group, CREA



Source: CREA https://www.crea.org.ar/el-impacto-del-desastre-climatico/
Percent declines in yield are from budgeted yield estimates at the beginning of MY 2022/2023

In both first and second-crop soybeans, fields in the core growing region were so stunted by heat and lack of precipitation that they never grew taller than knee-high, whereas normally they would be more than waist-high. The lack of development meant that the soybeans were never ever to close their canopy over the furrow which allowed more weeds to develop. Many farmers applied preemergent herbicides, but the dry conditions inhibited their effectiveness.

Pest pressure varied by region, but generally there was low incidence of fungal diseases due to the dry weather. Insect pressure likewise was less pronounced, but there were widespread problems with spidermites and thrips. Despite the drought, farmers generally chose to spray to control these pests rather than risking further losses. In north-central Argentina, farmers continue to struggle with the spread a Lepidoptera species, Rachiplusia which is resistant to current BT traits.

Though the principal obstacle was drought, a very unexpected and early frost struck the southwestern production area on February 18. This frost came after several days of temperatures over 100 degrees and severely damaged crops in western La Pampa, San Luis, and southern Cordoba. Effects of the frost were felt in western Buenos Aires and southern Santa Fe provinces as well. Late planted crops were particularly affected.

Figure 4: Second-crop Soybeans with Frost

Source: Santiago del Solar, Trenque Lauquen, Buenos Aires Province, Feb 18, 2023.

As harvest begins in the core soybean production area, farmers in areas hard hit by drought are reporting lower than expected yields. In addition to poor yields there are widespread concerns about quality. There is a high incidence of green beans in many fields and bean size is smaller than normal. At this point in the cycle, processors are eager to receive any production and have relaxed quality standards. As the harvest proceeds and supply grows, processors are likely to tighten rules about the percentage of green beans.

As of April 5, the Buenos Aires Grain Exchange estimates that only about 4 percent of first-crop soybeans have been harvested. This early progress has been made in portions of the Provinces of Santa Fe, Cordoba, and Buenos Aires.

Figure 5: First Crop Soybeans Almost Ready for Harvest

First-crop soybeans near Venado Tuerto, Santa Fe Province. considered to be in "decent" condition for the area. It was estimated to yield half of its historic average for the field.
Source: FAS Buenos Aires, March 30, 2023

Consumption

Post projects MY 2023/2024 crush at 41 MMT, up 39 percent from Post's revised MY 2022/2023 estimate as a recovery in domestic production of soybeans allows for a recovery in crush volume. Feed waste and domestic consumption is projected up slightly at 5.7 MMT. Domestic consumption of soybean oil for biodiesel is projected to rise to 2.1 MMT as a larger crush allows for more domestic oil production and global edible oil supply constraints continue to ease, making biodiesel more competitive. Soybean meal domestic consumption is forecast relatively steady across both marketing years. Domestic consumption of soy oil is estimated to decline slight following a temporary increase in 2022/2023.

Stocks are projected to rise in MY 2023/24 thanks to increased supply. Argentine presidential elections are scheduled for November 2023, and producers are likely to store an increased volume of soybeans in anticipation that elections could lead to a change in export taxes or a relaxation of currency controls, which currently lead them to receive significantly less money per ton than their global competitors. The Argentine soybean market has become dependent upon

exchange rate incentive programs, so-called “soy dollar” or “agro-dollar” that the government has implemented. Sales outside of these periods where special exchange rates are offered have been lackluster.

MY 2022/23 crush is lowered to 29.5 MMT, due to the serious drought affecting soybean production in Argentina. This would be the smallest crush since MY 2008/2009. In addition to the reduction in volume, there are widespread concerns about the quality of soybeans being produced in the Zona Nucleo of Argentina. The two principal problems are a high proportion of green beans which can result in oil with high levels of chlorophyl, and small or misshapen beans which may be rejected by sorting machinery or yield less than normal beans. Oil derived from green beans will need to be carefully blended or further refined to meet end-user color specifications. Processors will attempt to segregate poor quality beans and will attempt to source more beans from areas less affected by the drought like northern Argentina or southern Buenos Aires Province. Imported beans from Paraguay and Brazil will also be important for Argentina to meet quality standards.

Domestic consumption of oil for biodiesel is projected down at 1.7 MMT due to lower supplies from a smaller crush as well as declining demand from EU. At the same time, the biodiesel sector will be an important outlet for lower quality oil this marketing year. Domestic soybean oil consumption for food use is estimated to rise slightly to 550,000 MT as low prices will boost demand for “vegetable oil” blends which are approximately 90 percent soybean oil and 10 percent sunflower oil. Domestic soybean meal consumption is estimated flat at 3.65 MMT, but consumption could decline if the current outbreak of highly pathogenic avian influenza is not contained and more commercial chicken flocks are culled.

Trade

Post projects MY 2023/24 exports of whole soybeans at 5.5 MMT. This would be a sharp recovery from Post’s estimate for MY 2022/2023 of 1 MMT, the lowest level since MY 1996/1997. Most whole soybean exports will be loaded in the southern Buenos Aires ports of Necochea or Bahia Blanca to complete vessels. The lack of available supply in the country will mean that crushers will compete to source as many beans as possible for crushing so that their plants are not lying idle. Since November 28, 2022 whole soybean exports have been taxed at 33 percent while soybean meal and oil are taxed at 31 percent. This differential provides an additional incentive for soybean crushing in Argentina.

Post projects MY 2023/2024 whole soybean imports to fall to 3.5 MMT as a recovery in domestic soybean production allows Argentina to reduce imports from record levels the prior year. Argentina will primarily import soybeans from Paraguay with higher protein levels to augment declining protein levels in Argentine soybeans. For MY 2022/2023 Post estimates imports of whole soybeans at 11 MMT, a new record, as crushers seek to keep plants running. Imports will come from primarily from Paraguay, Brazil, and Bolivia. The historic decline in Uruguayan production due to drought will limit Uruguayan exports to Argentina. At present, poor crush margins in Argentina and the global supply and demand situation does not support exports from the United States to Argentina as was seen during MY 2018/2019. However, if

global demand for meal and oil rises and the United States has a large harvest, Argentina could begin to import U.S. beans after the start of the U.S. harvest in September.

Argentina has already begun importing Brazilian soybeans in both river barges and ocean-going vessels from southern Brazilian ports. Brazilian river barges loading in the western states of Matto Grosso de Sul and Matto Grosso can transit navigable tributaries to reach the Parana and Paraguay river system then to the port complex of Gran Rosario in Argentina where the soybean crushing industry is centered. Most modern crush plants have facilities to unload these barges and are accustomed to receiving barges from Paraguay and Bolivia. In contrast only a handful of crushers are able to discharge cargos directly from ocean-going vessels. For crushing plants without such unloading facilities that wish to use imported soybeans the most common practice is to anchor an ocean-going vessel in the Parana River and unload soybeans onto empty barges using the ship's own equipment. The barges are then unloaded at the shipping terminal of the crush plant. Industry sources estimate that Argentina has the capacity to import around 1.1 million tons of soybeans per month.

Figure 6: Physical Structure of an Argentine Soybean Export Terminal

In foreground unloading barges of soybeans from Paraguay, in background loading soybean meal for export in ocean going vessel. The berths closer to the shore at which barges unload are generally two shallow for ocean-going vessels. Gran Rosario, Santa Fe– Source: FAS Buenos Aires

For MY 2023/2024 Post projects Argentina to export 27 MMT of soybean meal, regaining its status as the world's largest exporter of soybean meal. For MY 2022/2023 Post estimates that Argentina's soybean meal exports will fall to 18.75 MMT on the small expected crush. This

would allow Brazil to pass Argentina as the worlds largest export of soybean meal for the first time since MY 1996/1997. Similarly in soybean oil, Post projects a recovery in exports to 5.5 MMT for MY 2023/2024 following an estimated decline to 3.65 MMT in MY 2022/2023. Despite the decline in oil exports due to the smaller crush, Post estimates that Argentina will retain its status as the world's largest exporter of soybean oil.

Following disruptions in global edible oil markets over the last few years due to the effects of COVID-19 and the Russian invasion of Ukraine, there have been a confluence of edible oil prices which does not reflect the usual hierarchy of "quality" in edible oils and has led many importers and food processors to experiment with substituting new oils for different commercial applications. Increasing demand for soybean oil by the renewable fuel industries in Brazil and the United States and the short production in Argentina should continue to support soybean oil prices in the short term and make Argentine soybean oil less competitive in comparison with European and Black Sea rapeseed and sunflowerseed oil.

During the week of April 4, Argentine government officials began to publicly circulate the idea of another "agro-dollar" to stimulate farmers selling of soybeans. In a press conference on April 5, 2023 Economy Minister Massa and Agriculture Secretary Bahillo, said that soybean exports would receive a special exchange rate of ARS$300 pesos per $1 USD during the period of April 10-May 31. The official exchange rate at the time of the announcement was around ARS$208 per $1 USD while various informal exchange rates were in the range of ARS $370-$400 pesos per $1 USD. At the time of publishing of this report, the government of Argentina had not yet issued regulations describing how the measure would be implemented. In previous iterations, exporters were required to deposit U.S. dollars in an Argentine bank and pay export taxes on future exports to receive the better exchange rate during the special period. Government and industry sources indicate that around 10 million tons of soybeans could be sold during the program, though about half of those sales could be "price setting" where farmers who have already physically delivered their soybeans to exporters formally lock in a price and sell their soybeans.

The primary purpose of the various soybean dollar programs has been to replenish the foreign currency reserves of the Central Bank of Argentina to meet the quarterly targets for Net International Reserves as agreed to by the International Monetary Fund (IMF) and the Government of Argentina as a part of Argentina's standby agreement. Argentine officials have requested that NIR targets be adjusted downward to account for the effects of the drought and subsequent loss of exports. The most recent IMF Staff assessment of Argentina's performance under the standby agreement can be found here.

Table 1: Production, Supply, and Distribution Soybean Oilseed

Oilseed, Soybean (Local)	2021/2022		2022/2023		2023/2024	
Market Year Begins	Apr 2022		Apr 2023		Apr 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	16500	16400	17000	16300	0	16900
Area Harvested (1000 HA)	15900	15800	15000	15100	0	16900
Beginning Stocks (1000 MT)	8687	8687	6727	6626	0	5426
Production (1000 MT)	43900	42900	27000	23900	0	50500
MY Imports (1000 MT)	3400	3630	8500	11000	0	3500
Total Supply (1000 MT)	55987	55217	42227	41526	0	59426
MY Exports (1000 MT)	5560	5600	1500	1000	0	5500
Crush (1000 MT)	36500	35791	31000	29500	0	41000
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	7200	7200	5700	5600	0	5700
Total Dom. Cons. (1000 MT)	43700	42991	36700	35100	0	46700
Ending Stocks (1000 MT)	6727	6626	4027	5426	0	7226
Total Distribution (1000 MT)	55987	55217	42227	41526	0	59426
Yield (MT/HA)	2.761	2.7152	1.800	1.5828	0	2.9882
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 2.: Production, Supply and Distribution – Soybean Meal

Meal, Soybean (Local)	2021/2022		2022/2023		2023/2024	
Market Year Begins	Apr 2022		Apr 2023		Apr 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	36500	35791	31000	29500	0	41000
Extr. Rate, 999.9999 (PERCENT)	0.78	0.7505	0.78	0.7542	0	0.7561
Beginning Stocks (1000 MT)	2675	2675	2895	1054	0	1004
Production (1000 MT)	28470	26860	24180	22250	0	31000
MY Imports (1000 MT)	175	169	1	100	0	2
Total Supply (1000 MT)	31320	29704	27076	23404	0	32006
MY Exports (1000 MT)	25100	25000	21500	18750	0	27000
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	3325	3650	3375	3650	0	3650
Total Dom. Cons. (1000 MT)	3325	3650	3375	3650	0	3650
Ending Stocks (1000 MT)	2895	1054	2201	1004	0	1356
Total Distribution (1000 MT)	31320	29704	27076	23404	0	32006

(1000 MT) ,(PERCENT)

Table 3: Production, Supply and Distribution – Soybean Oil

Oil, Soybean (Local)	2021/2022		2022/2023		2023/2024	
Market Year Begins	Apr 2022		Apr 2023		Apr 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	36500	35791	31000	29500	0	41000
Extr. Rate, 999.9999 (PERCENT)	0.1972	0.1933	0.1976	0.1932	0	0.1976
Beginning Stocks (1000 MT)	611	711	519	557	0	357
Production (1000 MT)	7198	6920	6126	5700	0	8100
MY Imports (1000 MT)	80	78	10	0	0	0
Total Supply (1000 MT)	7889	7709	6655	6257	0	8457
MY Exports (1000 MT)	4600	4742	3950	3650	0	5500
Industrial Dom. Cons. (1000 MT)	2250	1900	1800	1700	0	2100
Food Use Dom. Cons. (1000 MT)	520	510	500	550	0	520
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	2770	2410	2300	2250	0	2620
Ending Stocks (1000 MT)	519	557	405	357	0	337
Total Distribution (1000 MT)	7889	7709	6655	6257	0	8457
(1000 MT) ,(PERCENT)						

Sunflowerseed

Production

MY 2023/2024

Post projects planted area to fall to 2 million HA, down 7 percent from Post's MY 2022/2023 estimate. While sunflowerseed has been one of the best performing crops of the last few years, a decline in international sunflowerseed oil prices will make the crop less attractive for farmers in the central growing region of Cordoba, Santa Fe, and northern Buenos Aires. Sunflowerseed performs best in drier environments and most farmers are anticipating a return to wetter, more normal growing conditions with a neutral or El Nino climate pattern. Corn is the crop with the highest theoretical return and will compete for sunflowerseed acreage in the entire country.

Sunflowerseed in the coming year will be a low-cost, low-return crop. Certain factors could lead farmers to change their planting intentions back to the crop. There will continue to be strong interest in sunflower in southern Buenos Aires Province which has had excellent returns from sunflowerseed the past few years. Any reduction in wheat or barley acreage in this region due to insufficient rain this winter would be taken by sunflowerseed in the spring. In the northern growing region of Chaco, Santiago de Estero, and northern Santa Fe Provinces, there is an

important area which has not met its potential for planting to sunflowerseed in the last three years due to dry winter conditions. A wetter southern hemisphere winter could finally permit producers in this area to plant another 100,000 HA.

From the mid-1980s to 2000s, Argentina regularly planted more than 2 million HA of sunflowerseed and even exceeded 4 million hectares in 1997/98. However, as Russia and Ukraine increased production throughout the 2000s, Argentina began to reduce acreage. Competition from new soybean varieties and corn hybrids pushed sunflowerseed onto more marginal land. Farmers have criticized the relative lack of investment in new genetics and the lack of competition in buyers. With the Russian invasion of Ukraine pushing sunflower oil prices to record highs, more Argentine farmers began giving the crop a second look last year. The past three years have provided growers with excellent returns and improved genetics are helping make the crop more resistant to diseases and pests. Declining world prices for sunflowerseed oil have dampened interest somewhat, but sunflowerseed's resistance to drought in recent years means that it has regained respect among Argentine farmers in all regions.

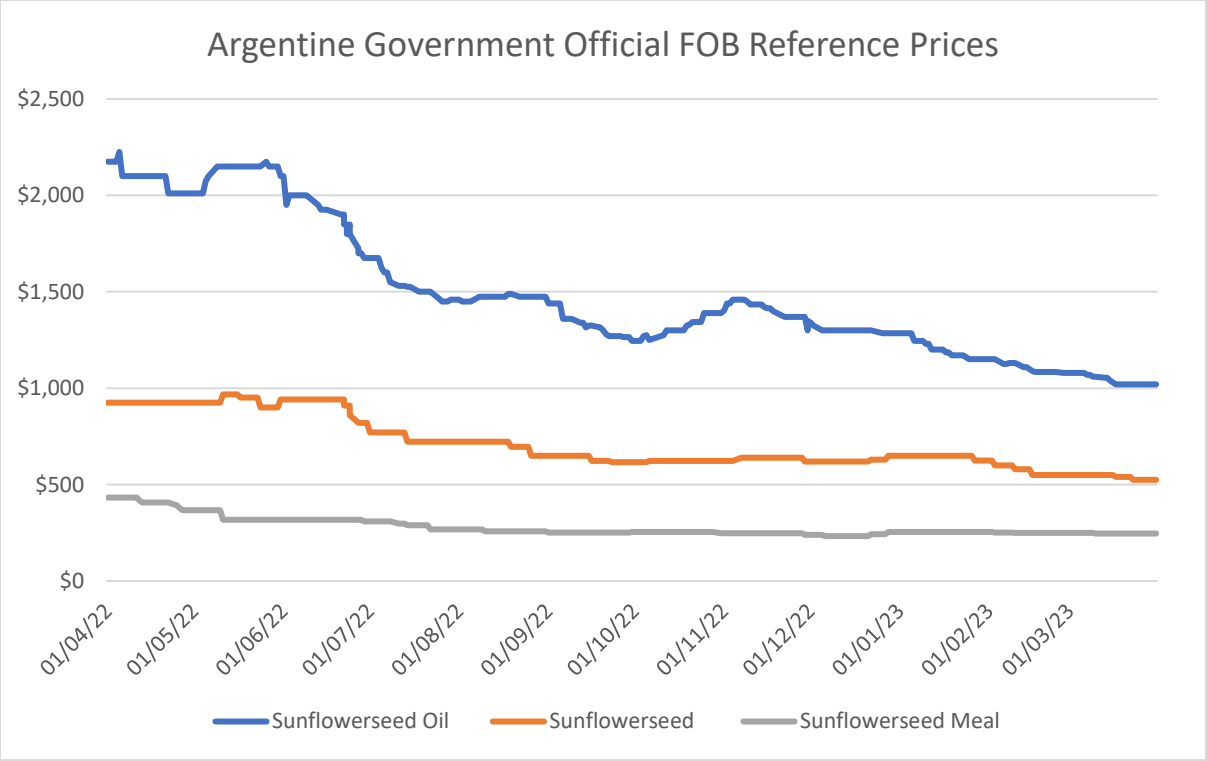
MY 2022/23

Post maintains its production estimate of 4 MMT on a harvested area of 2.1 million HA. According to the Buenos Aires Grain Exchange, as of April 5, harvest was 84 percent complete. Disease pressure was relatively light this year thanks to dry conditions during much of the growing season. While yields were lower than expected in north and central Argentina, producers are anecdotally reporting record yields in parts of southern Buenos Aires. It's in these high-yielding regions that the remainder of the fields to be harvested are located.

Consumption

MY 2023/2024 crush is projected to fall 2.7 percent to 3.5 MMT in response to reduced production. MY 2022/23 crush is estimated at 3.6 MMT which is up only slightly from MY 2020/21. On February 16, 2023, the Argentine government renewed for another six months (through October 2023) its special tax on exporters of edible oils and vegetable meals to subsidize domestic consumption of edible oils in the face of rising prices. The government intends to collect USD $120 million from sunflower and soy oil value chain to subsidize the consumption of 29 million liters per month of bottled edible oil with a minimum percentage of 80% sunflower oil. Post raises very slightly its domestic consumption of sunflower oil at 680,000 MT. Argentine consumers continue to prefer sunflower oil to other edible oils for many applications.

Figure 7: Sunflowerseed and Product Export Prices



Source: Argentine Ministry of Agriculture, Livestock, & Fisheries

Trade

Post projects MY 2023/2024 sunflowerseed oil exports down at 825,000 MT, in response to a smaller crush. MY 2022/2023 exports are estimated down slightly at 850,000 MT, as improved supply from Ukraine reduces Argentine competitiveness.

Currently export taxes on sunflowerseed oil are set at 7% and the government could raise this to 15% without congressional approval. While not yet officially defined by regulation, government sources have indicated that sunflowerseed grain, oil, and meal would all be included in at least some portion of the new “agro-dollar” program.

Over the last few years, India, Chile, and Brazil have been the largest purchasers of Argentine sunflowerseed oil. In CY 2022, India greatly ramped up purchases of Argentine sunflowerseed oil, going from being simply the largest purchaser of sunflowerseed oil, to buying more than all other countries combined. This dynamic is not anticipated to continue with the return of Ukrainian exports to global markets. Meal exports are projected to maintain at relatively steady levels with the EU continuing to be by far the most important destination. In CY 2021 India became Argentina’s second largest market for sunflower seed meal, but these exports did not continue into CY2022. Uruguay and South Africa continue to be import minor purchasers of Argentine sunflowerseed meal.

Tables 4-6: Production, Supply, and Distribution – Sunflowerseed, Meal, and Oil

Oilseed, Sunflowerseed	2021/2022		2022/2023		2023/2024	
Market Year Begins	Mar 2022		Mar 2023		Mar 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	1960	1960	2200	2150	0	2000
Area Harvested (1000 HA)	1960	1960	2200	2100	0	2000
Beginning Stocks (1000 MT)	804	804	848	833	0	758
Production (1000 MT)	4050	3900	3800	4000	0	3800
MY Imports (1000 MT)	0	1	1	0	0	0
Total Supply (1000 MT)	4854	4705	4649	4833	0	4558
MY Exports (1000 MT)	156	161	150	170	0	160
Crush (1000 MT)	3550	3411	3450	3600	0	3500
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	300	300	300	305	0	305
Total Dom. Cons. (1000 MT)	3850	3711	3750	3905	0	3805
Ending Stocks (1000 MT)	848	833	749	758	0	593
Total Distribution (1000 MT)	4854	4705	4649	4833	0	4558
Yield (MT/HA)	2.0663	1.9898	1.7273	1.9048	0	1.9
(1000 HA) ,(1000 MT) ,(MT/HA)						

Meal, Sunflowerseed	2021/2022		2022/2023		2023/2024	
Market Year Begins	Mar 2022		Mar 2023		Mar 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	3550	3411	3450	3600	0	3500
Extr. Rate, 999.9999 (PERCENT)	0.4265	0.4307	0.4267	0.4222	0	0.4271
Beginning Stocks (1000 MT)	128	128	126	71	0	166
Production (1000 MT)	1514	1469	1472	1520	0	1495
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1642	1597	1598	1591	0	1661
MY Exports (1000 MT)	976	976	875	875	0	900
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	540	550	575	550	0	560
Total Dom. Cons. (1000 MT)	540	550	575	550	0	560
Ending Stocks (1000 MT)	126	71	148	166	0	201
Total Distribution (1000 MT)	1642	1597	1598	1591	0	1661
(1000 MT) ,(PERCENT)						

Oil, Sunflowerseed	2021/2022		2022/2023		2023/2024	
Market Year Begins	Mar 2022		Mar 2023		Mar 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	3550	3411	3450	3600	0	3500
Extr. Rate, 999.9999 (PERCENT)	0.4234	0.4436	0.4235	0.4306	0	0.4314
Beginning Stocks (1000 MT)	234	234	282	200	0	225
Production (1000 MT)	1503	1513	1461	1550	0	1510
MY Imports (1000 MT)	0	1	0	0	0	0
Total Supply (1000 MT)	1737	1748	1743	1750	0	1735
MY Exports (1000 MT)	873	873	875	850	0	825
Industrial Dom. Cons. (1000 MT)	2	0	2	0	0	0
Food Use Dom. Cons. (1000 MT)	570	675	600	675	0	680
Feed Waste Dom. Cons. (1000 MT)	10	0	10	0	0	0
Total Dom. Cons. (1000 MT)	582	675	612	675	0	680
Ending Stocks (1000 MT)	282	200	256	225	0	230
Total Distribution (1000 MT)	1737	1748	1743	1750	0	1735
(1000 MT) ,(PERCENT)						

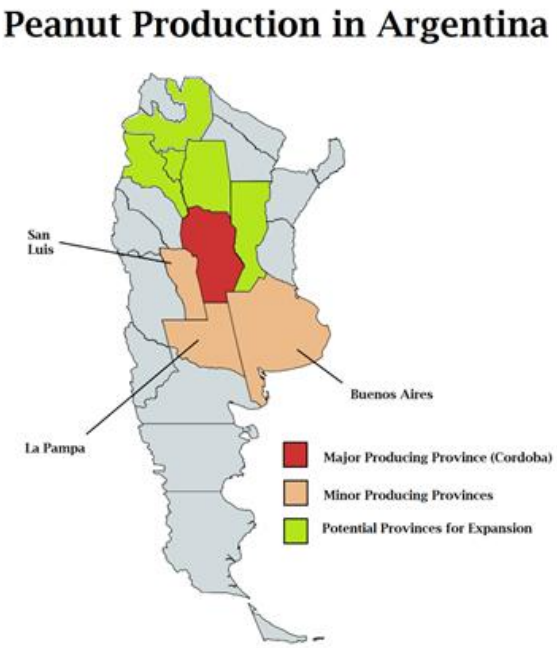
Peanuts

Production

MY 2023/24

Post projects a small recovery in planted area of 7 percent or 25,000 HA for peanuts. As other commodity prices have fallen relative to MY 2022/2023, peanuts should be more competitive. Most peanut production in Argentina is contracted and it can be difficult to convince some farmers who are committed to no-till production to plant peanuts because of the amount of soil disruption that is necessary to produce the crop. With a low relative price of peanuts compared to corn and soybeans in MY 2022/2023, peanut companies didn’t have much financial margin to sign contracts that could convince farmers to overcome their hesitation. However, with lower corn and soybean prices, and many producers losing money during the prior year’s drought, peanut contracts will be more attractive. Processors will work through the coming months to ensure adequate production to run their factories at optimal levels. Because of this base level of demand and lack of incentive for independent producers, peanut planted area is relatively stable in Argentina. Post projects production at 1.32 MMT, as yields return to trend.

Figure 8:



Source: FAS Buenos Aires

Peanut production continues to be centered in the Province of Cordoba where about 25 companies responsible for the bulk of Argentine processing have installed their capacity. Post estimates less than 10% of peanut production is attributable to independent farmers planting without an agreement with a processor. Since peanuts can only be grown on the same land every 3-5 years due to soil disease problems, the companies have expanded the production region into most of the provinces bordering Cordoba, including San Luis, La Pampa, Buenos Aires, Santa Fe, and Santiago de Estero. Some experiments have been conducted in northwestern Argentina in the provinces of Tucuman and Salta. While the results have been positive due to a conducive climate, growth in the region is unlikely in the short term due to high transportation costs and problems with aflatoxin. However, some companies are considering the region as a place to source peanut seed.

MY 2022/23

Post reduces its projected peanut production estimate to 970,000 MT on harvested area of 350,000 HA. Dry weather and high heat have challenged the peanut crop, but not led to yield declines on the same scale as seen in soybeans. In general, yield determinations are still being made as plants have shown signs of recovery after Argentina began receiving rain in March. While the above ground portion of the plants look quite healthy now in regions with recent precipitation, industry contacts are conflicted on how much yields could recover by the end of April. Estimates range from yield losses of 33 percent to 15 percent. The longer that plants are allowed to grow (with sufficient heat units) the higher yields can rise. At the same time, the later in the year that producers choose to harvest, the more they run the risk of frosts which can

damage quality. The early frost on February 18 affected peanuts grown in southern Cordoba and San Luis, but merely slowed plant growth and development rather than causing serious yield damage.

Short cycle peanuts have been growing in popularity over the last few years as producers have sought to diversify harvest dates and broaden the export window. These varieties represent less than 20 percent of the area sown to peanuts in Argentina. This year, these short-cycle varieties were particularly damaged by the drought and generally saw higher than average yield declines. Quality issues are also being reported with some cases of aflatoxin detected which make these loads ineligible for export to the EU. These peanuts containing aflatoxin will be redirected to the crushing sector which currently has strong margins.

Consumption

Post estimates that peanut crush will fall to 240,000 MT in MY 2022/2023 on lower production before rising back to 250,000 MT in MY 2023/2024. Crush margins are currently attractive for processors, but the lack of overall supply means that competition for raw material will be strong. Despite this competition, the drought may lead to a higher proportion of lower quality peanuts which will be more attractive to crushers than processors.

Peanut companies are continuing to increase the diversity of their product offerings in the domestic market, with new brands of domestically produced peanut butter appearing in health food stores, also gaining popularity are other peanut flour products intended to be mixed into protein shakes. Always a somewhat niche product, imported peanut butter has been squeezed out of the market in the past year. Peanuts are also competing for space with other nuts in trail-mix type products that are becoming popular. While high inflation and unemployment are constraining growth in domestic food use, commitment to new products and marketing efforts should lead to increased consumption in the coming years.

Trade

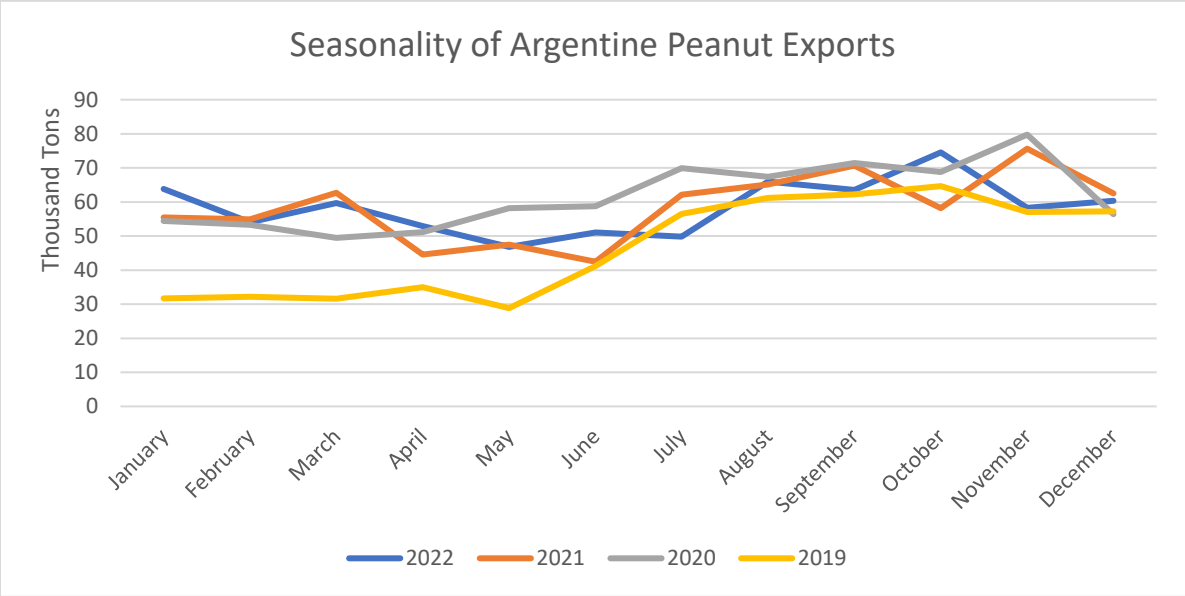
The dramatic decline in freight costs since last year are making it easier for Argentina to compete in all markets, but due to lower production, exports are estimated to fall to 665,000 MT for MY 2022/2023. Post projects Argentina to recover to 850,000 MT in 2023/2024. Argentine peanut processors have made significant investments in machinery and processes to comply with stringent EU import requirements and Europe continues to be the top destination for Argentine peanuts.

The uncertainty surrounding the ultimate availability of exportable supplies in Argentina is providing Argentine processors with negotiating power relative to their EU customers that they haven’t experienced for many years. Typically, at least some portion of the Argentine processing and export sector is eager to sign contracts with their EU customers to lock-in export volumes and receive advance payments. This tends to drag down prices for the whole sector since a base supply is guaranteed. In contrast, this year Argentine companies have been fearful of production losses and have held off signing many large contracts. This has caused EU customers to bid up

the price of available Argentine peanuts. Argentine exporters hope that the short crop this year will continue to support this favorable positioning for the sector.

Peanuts are reportedly included in the government's new "agro-dollar" program which means they peanut exports should receive an exchange rate of ARS$300 pesos per dollar. While this will provide a much appreciated boost for peanut exporters, it is unclear what pricing mechanism is appropriate for the industry. The higher exchange rate is intended to be received by peanut farmers, but most peanuts are grown under contract and don't receive an open market price for their production. Corporate farms which receive the more favorable exchange rate will need to find a way to invest the additional pesos to avoid the erosion of the value of the money in Argentina's inflationary macroeconomic environment.

Figure 9: Peanut Export Seasonality:



While exports typically rise following the April-June harvest season and peak before the European winter holiday season, exporters try to maintain steady, year around exports.

Data Source: TDM

On the product side, China will continue to be the primary market for Argentine peanut oil. Thanks to increased production and crush, peanut oil exports are projected to fall slightly at 70,000 MT in MY 2023/2024. Peanut meal exports are expected to rise to 25,000 MT, with Chile being the primary destination. In contrast to almost every other peanut product, most peanut meal is consumed domestically.

Tables 7-9: Production, Supply, and Distribution – Peanuts, Meal, and Oil

Oilseed, Peanut	2021/2022		2022/2023		2023/2024	
Market Year Begins	Mar 2022		Mar 2023		Mar 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	410	410	400	355	0	380
Area Harvested (1000 HA)	407	407	380	350	0	380
Beginning Stocks (1000 MT)	386	388	382	370	0	260
Production (1000 MT)	1340	1340	1150	970	0	1320
MY Imports (1000 MT)	0	1	0	0	0	0
Total Supply (1000 MT)	1726	1729	1532	1340	0	1580
MY Exports (1000 MT)	936	925	825	665	0	850
Crush (1000 MT)	280	259	240	240	0	250
Food Use Dom. Cons. (1000 MT)	78	90	80	90	0	90
Feed Waste Dom. Cons. (1000 MT)	50	85	50	85	0	85
Total Dom. Cons. (1000 MT)	408	434	370	415	0	425
Ending Stocks (1000 MT)	382	370	337	260	0	305
Total Distribution (1000 MT)	1726	1729	1532	1340	0	1580
Yield (MT/HA)	3.2924	3.2924	3.0263	2.7714	0	3.4737
(1000 HA) ,(1000 MT) ,(MT/HA)						

Meal, Peanut	2021/2022		2022/2023		2023/2024	
Market Year Begins	Mar 2022		Mar 2023		Mar 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	280	259	240	240	0	250
Extr. Rate, 999.9999 (PERCENT)	0.4286	0.4324	0.4292	0.4292	0	0.428
Beginning Stocks (1000 MT)	3	3	7	1	0	1
Production (1000 MT)	120	112	103	103	0	107
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	123	115	110	104	0	108
MY Exports (1000 MT)	31	31	22	22	0	25
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	85	83	84	81	0	82
Total Dom. Cons. (1000 MT)	85	83	84	81	0	82
Ending Stocks (1000 MT)	7	1	4	1	0	1
Total Distribution (1000 MT)	123	115	110	104	0	108
(1000 MT) ,(PERCENT)						

Oil, Peanut Market Year Begins Argentina	2021/2022 Mar 2022		2022/2023 Mar 2023		2023/2024 Mar 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	280	259	240	240	0	250
Extr. Rate, 999.9999 (PERCENT)	0.2929	0.2819	0.2917	0.2917	0	0.292
Beginning Stocks (1000 MT)	18	18	23	15	0	7
Production (1000 MT)	82	73	70	70	0	73
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	100	91	93	85	0	80
MY Exports (1000 MT)	74	74	75	75	0	70
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	3	2	3	3	0	3
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	3	2	3	3	0	3
Ending Stocks (1000 MT)	23	15	15	7	0	7
Total Distribution (1000 MT)	100	91	93	85	0	80
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments