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Argentina

Grain and Feed

Lock-Up Report

2008

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Report Highlights:
Post lowers its 2008/09 corn area forecast to 2.95 million hectares. Production is forecast at 21 million tons due to expected area drop, and lower than initially expected yields. 2008/09 corn exports are forecast at 15 million tons due to lower production and complications with the export registration process. Domestic feed consumption is expected to fall to 4.6 million tons due to a tighter corn supply and increased supply of substitute feeds like sorghum and barley. Post forecasts the 2008/09 wheat harvested area to fall by 12 percent from the previous year, totaling 4.9 million hectares. Production is forecast to reach 14 million tons, a decrease of 2 million tons from the previous year, due to the drop in area. Wheat exports for 2008/09 are expected to fall to 9.1 million tons due to lower production and stable domestic consumption. The Government of Argentina (GOA) announced authorization of an additional 902,608 tons of wheat for export. The GOA increased export taxes on wheat flour to 18 percent.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Quarterly Report
Buenos Aires [AR1]
[AR]

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Corn

Post maintains the USDA production estimate for 2007/08 at 21 million tons. The crop is more than 98 percent harvested with only a few lots remaining in the northwestern provinces of Salta and Tucuman to be collected.

On July 18, President Cristina Kirchner signed Decree 1176, which returned export taxes for corn, wheat, soybeans, and sunflowers to their fixed levels prior to the March 11 implementation of variable export taxes. Currently the export tax on corn is 25 percent.

For the 2008/09 crop, Post forecasts a drop in harvested area by 5 percent from the previous year -- leading to an expected area harvested of 2.95 million hectares. This drop in area is mainly due to external factors which have created uncertainty about future corn prices. Particularly, unresolved concerns over the export registration process, which has a significant impact on producer prices, will likely affect planting intentions. Although export registrations are open for corn, Argentina's Oficina Nacional de Control Comercial Agropecuario (ONCCA), has broad authority to stop future commodity exports to control domestic supplies – a situation that leaves many producers concerned that future restrictions on corn (as well as wheat) exports could occur. New prerequisites/requirements placed on exporters have also added complications to the export registration application and approval process. In addition, the high costs associated with corn production (as well as its greater yield risk due to inclement weather compared to other crop options) will entice farmers to choose cheaper, less risky crops – particularly soybeans.

Post is lowering its 2008/09 production forecast to 21 million tons and expects overall production to remain unchanged from last year's level due to lower harvested area and lower than initially expected yields. Yields are forecast to be slightly lower than initially believed due to expected decreases in fertilizer use (particularly urea) and a lack of high yielding hybrid seeds. Increased fertilizer costs will likely lead many farmers to use less of those inputs. Planting seeds of good quality are somewhat scarce due to lower yields in the 2007/2008 crop due to unfavorable weather.

Post is lowering the 2008/09 export forecast to 15 million tons due to lower expected production, as well as previously mentioned complications with the export registration process. Post forecasts domestic feed consumption to fall to 4.6 million tons due to a tighter corn supply and increased supplies of substitute feeds like sorghum and barley.

Wheat

Post forecasts the 2008/09 wheat area harvested to fall by 12 percent from the previous year, totaling 4.9 million hectares. Dry conditions earlier in the planting season forced many farmers to delay seeding, which has now reached around 80 percent of the total projected area. The lack of moisture, particularly in the central northern wheat regions and southeastern Buenos Aires province, has delayed planting coverage by around 6 percent from this time last year. In the northern provinces of Santa Fe, Cordoba, and Entre Rios, as well as La Pampa, about 80 percent of the projected area for wheat was planted. Although some farmers may plant in those areas, southern Buenos Aires is the only remaining area where a viable planting window is still open (until late August). It is unlikely that the government's repeal of the variable export taxes will have a significant favorable impact on planting intentions in southern Buenos Aires due to unresolved complications with the export registration process.

Production is forecast to reach 14 million tons, a decrease of 2 million tons from the previous year, due to the drop in area mentioned above. In addition, lower than average yields are expected in 2008/09 due to higher prices for urea (nitrogen) and more spring wheat planted in northern Buenos Aires due to the drought in the fall (which prevented planting winter wheat, which would have given higher yield).

Exports for 2008/09 are expected to fall to 9.1 million tons due to lower production and stable domestic consumption. In addition, Brazil (the largest buyer of Argentine wheat) has eliminated its external Mercosur import tariff for wheat, which means that Argentine wheat will have stronger competition for the Brazilian market from other world suppliers in a global situation that will likely see increased production in (and exports from) competitor countries. Ending stocks are expected to drop by 100,000 tons due to the tighter supply.

Currently, export registrations are open for 2007/08 crop wheat. The GOA previously announced export registration openings for 100,000 tons in April (destination Brazil) and 1 million tons in June (500,000 tons destination Brazil). On July 31, ONCCA published Resolution 2404/2008, which opens an additional 902,608 tons of wheat for export. A portion of that wheat (340 thousand tons), however, corresponds to the unexported portion of the 1 million tons announced in June. On July 28, the GOA published Resolution 189/2008, which increased the export tax for wheat flour (HS 1101.00.10) to 18 percent -- from 10 percent previously. As established in Decree 1176, the export tax on wheat is currently 28 percent.

Relevant Reports

AR8013: Argentina Imposes Variable Export Taxes; Raises Duty on Major Commodities
http://www.fas.usda.gov/gainfiles/200804/146294193.pdf

AR8016: Argentina Grain and Feed Annual 2008
http://www.fas.usda.gov/gainfiles/200804/146294412.pdf

PSD Table: Argentina Corn

Corn Argentina	2006 2006/2007 Market Year Begin: Mar 2007 Annual Data Displayed		New Post	2007 2007/2008 Market Year Begin: Mar 2008 Annual Data Displayed		New Post	2008 2008/2009 Market Year Begin: Mar 2009 Annual Data Displayed		New Post	
	Official	Post Estimate	Data	Official	Post Estimate	Data	Official	Post Estimate	Data	
Area Harvested	2800	2800	2800	3100	3100	3100	3100	3100	2950	(1000 HA)
Beginning Stocks	1156	1156	1156	1657	1656	1657	1157	1456	1157	(1000 MT)
Production	22500	22500	22500	21000	21500	21000	23500	23500	21000	(1000 MT)
MY Imports	10	0	10	0	0	0	0	0	0	(1000 MT)
TY Imports	8	0	8	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	23666	23656	23666	22657	23156	22657	24657	24956	22157	(1000 MT)
MY Exports	15309	15300	15309	15000	15000	15000	16200	16200	15000	(1000 MT)
TY Exports	15693	15693	15693	14500	14500	14500	16500	15000	14500	(1000 MT)
Feed Consumption	4800	4800	4800	4600	4800	4600	5000	5000	4600	(1000 MT)
FSI Consumption	1900	1900	1900	1900	1900	1900	1900	1900	1900	(1000 MT)
Total Consumption	6700	6700	6700	6500	6700	6500	6900	6900	6500	(1000 MT)
Ending Stocks	1657	1656	1657	1157	1456	1157	1557	1856	657	(1000 MT)
Total Distribution	23666	23656	23666	22657	23156	22657	24657	24956	22157	(1000 MT)
Yield	8.0		8.0357	7.0		6.7742	8.0		7.1186	(MT/HA)
TS=TD			0			0			0	

PSD Table: Argentina Wheat

Wheat Argentina	2006 2006/2007 Market Year Begin: Dec 2006 Annual Data Displayed		New Post	2007 2007/2008 Market Year Begin: Dec 2007 Annual Data Displayed		New Post	2008 2008/2009 Market Year Begin: Dec 2008 Annual Data Displayed		New Post	
	Official	Post Estimate	Data	Official	Post Estimate	Data	Official	Post Estimate	Data	
Area Harvested	5285	5285	5285	5600	5600	5600	5100	5000	4900	(1000 HA)
Beginning Stocks	500	500	500	305	305	305	880	880	880	(1000 MT)
Production	15200	15200	15200	16000	16000	16000	14500	14100	14000	(1000 MT)
MY Imports	5	5	5	5	5	5	5	5	5	(1000 MT)
TY Imports	5	5	5	5	5	5	5	5	5	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	15705	15705	15705	16310	16310	16310	15385	14985	14885	(1000 MT)
MY Exports	10500	10500	10500	10000	10000	10000	9500	9200	9100	(1000 MT)
TY Exports	12210	12210	12210	9800	9800	9800	9500	9500	9500	(1000 MT)
Feed Consumption	80	80	80	80	80	80	80	80	80	(1000 MT)
FSI Consumption	4820	4820	4820	5350	5350	5350	5400	5400	5400	(1000 MT)
Total Consumption	4900	4900	4900	5430	5430	5430	5480	5480	5480	(1000 MT)
Ending Stocks	305	305	305	880	880	880	405	305	305	(1000 MT)
Total Distribution	15705	15705	15705	16310	16310	16310	15385	14985	14885	(1000 MT)
Yield	3.0		2.8761	3.0		2.8571	3.0	3.0	2.8571	(MT/HA)
TS=TD			0			0			0	