Argentine Agricultural Sector
Impact of new policies and trade tensions

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ECONOMIC CONTEXT AND INCENTIVES

RECENT CHANGES IN AGRICULTURAL POLICIES

WHAT TO EXPECT FOR 2018/19 AND 2019/20 CROP SEASONS?

AGRICULTURAL LONG-TERM OUTLOOK FOR ARGENTINA (ERAMA 2027/28)
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ECONOMIC CONTEXT AND INCENTIVES
ARGENTINA

- 11º world supplier
- 3% of agro-industrial exports
Main products (AVG 2015-17)

- Soybean Meal: 26%
- Soybean Oil: 10%
- Soybean: 9%
- Corn: 10%
- Wheat: 5%
- Shrimps and prawns: 3%
- Biodiesels: 2%
- Wine: 2%
- Bovine meat: 2%
- Peanuts: 1%

USD 36.7 billion
60% of total exports

Soybean complex accounts for almost 50% of Argentine agricultural exports.
AGRICULTURAL POLICIES IN ARGENTINA

HIGHLY REGULATED AGRICULTURAL SECTOR
- Government intervention in wheat domestic price setting.
- Export quotas
- Export duties

1980’s

DEREGULATION
- Elimination of export quotas and export duties

1990’s

CRISIS
- 2002 Economic crisis
- Depreciated exchange rate
- Reintroduction of export duties

2000’s

2007-2015

MACROECONOMIC INSTABILITY
- High inflation, Overvalued Exchange rate
- Increase in export duties
- Quantitative restrictions
- Limitations on the foreign exchange market

NEW ADMINISTRATION
- Removal of currency controls
- Elimination of export restrictions
- Elimination and/or decrease of export taxes

2016
Economic institutions shape economic incentives: the incentives to become educated, to save and invest, to innovate and adopt new technologies, and so on.

— Daron Acemoglu, Why Nations Fail: The Origins of Power, Prosperity, and Poverty
Argentinean farmers: early adopters of new technologies when they face positive economic incentives.

Great increase in fertilizer application and no-till farming since 16/17.
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RECENT CHANGES IN POLICIES

Main two factors of uncertainty:

- Changes in local policies
- Trade tensions

Recent changes in policies:

- New export duties
NEW MEASURES APPLIED IN ARGENTINA

% Change in Export Duties

- Soybean Meal: +5 p.p.
CROP SEASON 2018/19

First Soybean 2018/19: Crop and Moisture Condition in Argentina

Production Estimates (Million Tons)

- Soybeans: 53
- Wheat: 45 +2
- Corn: 19 -0.7
- Oats: 3.9

Source: Department of Agricultural Estimates - Buenos Aires Grain Exchange

As of Feb. 6, 2019
EFFECTS OF TRADE TENSIONS ON SOYBEAN

Soybean FOB Prices (usd/tn)

Argentina soybean imports (million tns)

China soybean imports (millions tns)

Source: Reuters and Bolsa de Cereales

2012 2013 2014 2015 2016 2017 2018

58 63 71 82 83 96 88

- 8%

6.4

0.3 0.3 0.6 0.7 0.7 2.2 2.9 0.8

0 0 0 0 0 0 0 0 0 0

Trade tensions have boosted demand for Argentine soybeans at the expense of byproducts.
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In order to analyze the impact on argentine crushing and exports, 4 different SCENARIOS were defined:

1. **Baseline**
   - US-China trade tensions
   - New export duties

2. **Agreement**
   - End of trade tensions
   - Only new export duties

3. **Previous Duties**
   - US-China trade tensions continue
   - Previous export duties

4. **Regular**
   - End of trade tensions
   - Previous export duties
SHORT-TERM ESTIMATES: SOYBEAN RESULTS 2018-2019

Soybean (Million tons)

Baseline

Agreement

Previous Duties

Regular

Crushing

Exports

1 38 15

2 39 11

3 41 10

4 43 7

Source: Elaborated by the Buenos Aires Grain Exchange in collaboration with the INAI Foundation
SHORT-TERM ESTIMATES: CROP SEASON 2019-2020

Planted Area 2019-2020: 4 main crops (Million Ha)

- Planted area could be 1 million hectares below the potential.
- Cereals will grow at a lower rate than soybeans.
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LONG-TERM PROJECTIONS: CLOSING POTENTIAL GAPS

Production (Million Tons)

Scenario 1
Efficiency improvements in logistics

Scenario 2
Closing yield gaps among farmers

Scenario 3
Closing gaps among farmers and logistic improvements

Baseline
- Oleaginosas: 84
- Cereales: 65
- Total: 149

Scenario 1 Logistics
- Oleaginosas: 88
- Cereales: 66
- Total: 155

Scenario 2 ReTAA
- Oleaginosas: 95
- Cereales: 72
- Total: 166

Scenario 3 ReTAA + Log
- Oleaginosas: 100
- Cereales: 73
- Total: 173

+4% +12% +16%
FINAL REMARKS

Opportunities
- Access to new markets
- Intensify negotiation agenda
- R+D
- Bioeconomy / Smart agriculture

Challenges
- Policy measures
- Trade, financial and geopolitical tensions
- Infrastructure / Logistics
- Climate Change
Source: Estimates Department, Bs As Grain Exchange and INAI Foundation.
http://www.bolsadecereales.com/
Thank you
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http://www.bolsadecereales.com/
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IMPACT OF POLICY MEASURES

Producer Support Estimate (PSE)
% of Gross Farm Receipts (GFR)

Argentina farmers received negative support by government policies.
PRODUCT SUPPORT ESTIMATE (PSE)

% of Gross Farm Receipts (GFR)

Main Supporter Countries
AVG 2013-15 Billion USD

Source: IADB-Agrimonitor and OECD.