AHDB cereal exports ***competitor report***

Argentina

Harvest 2018/19

Grain production in Argentina is centred mostly in three provinces – Córdoba, Santa Fe and Buenos Aires. These three provinces are the source of around 80% of the nation's crop production. All these main production regions are close to Gran Rosario ports or the southern port of Bahia Blanca. Hence, the trucking distance to port for much of Argentina's wheat production is not far, often less than 250 km.

Argentina is re-emerging as an important southern-hemisphere producer and exporter of cereals, with wheat production growing and remaining a key feature of Argentinian grain production.

Barley is favoured as the grain of greatest yield and resistance to disease; types for feed and beer are grown in the pampas areas, having soil unfavourable or a climate too rigorous for wheat.

Argentina's wheat production towards 2025 is likely to increase, based firstly on its wheat area expanding by up to a further two million hectares, depending on relative prices. Secondly, as more farmers adopt best-practice methods, with increased use of inputs, superior varieties and improved technologies, wheat yields will increase. Around 21 Mt of wheat are likely to be produced regularly by the end of the next decade. Noting that Argentina's domestic requirements are likely to remain at between 6–7 Mt, this suggests around 14–15 Mt could be regularly available for export some time after 2025.*

Harvesting of the 2018/19 wheat crop was completed in January 2019, with a record output of 19.5 Mt, on account of favourable weather conditions and larger plantings instigated by high prices at the planting period.

*Source: AEGIC Argentina report, 2018

Exports

Exports of wheat have increased due to the bumper output and the depreciation of the Argentinian Peso.

Asian wheat millers have been taking a large share of Argentinian wheat in the first half of 2019, typically peak export season for traditional supplier Australia, where a second year of drought has hit production.

Large volumes of exports to Asia from Argentina could further chip away at Australia's dominance of the region's wheat supply, which has already been eroded by growing Black Sea shipments over the past few years.

Argentina's South American neighbours, principally Brazil, are the main buyers of its wheat. Brazil now regularly imports 5–7 Mt of wheat. Argentinian wheat is displacing US wheat in Brazil. The US share of wheat imports by Brazil has declined from around 25% down towards 5%, while Argentina's share has grown from 55% to 85%.

Among African countries, Algeria stands out as an importer of Argentinian wheat. In 2017, Algeria imported 1.8 Mt, while in 2018 it imported 1.2 Mt.

The production and export of wheat from Argentina is set to grow over the next decade, stimulated and supported by investment in infrastructure. Many of the additional exports will initially flow to nearby South American markets, especially Brazil, but eventually more could head towards Asia and Africa – the principal sources of wheat demand growth over coming decades. If these flows of grain, along with flows from the Black Sea region, enter Asian markets in which Australian wheat has a reasonable stake, then their availability will limit either price premiums or market volumes for Australian wheat. Australian wheat exports will likely face a lessening market share of growing wheat markets in Asia. In 2017, for example, Argentina exported around 0.68 Mt to Vietnam, an important export destination for Australian wheat. Vietnam was Argentina's fifth largest export destination for wheat in 2017.

The destinations being developed for Argentinian wheat exports are likely to first include Mercosur countries, especially Brazil, but eventually also sub-Saharan Africa, such as Nigeria, and other regions, such as southern Africa and Southeast Asia. If Argentina views west Africa as a strategically important current and longer-term market, given its relative proximity to Argentina, then Australia may benefit from that focus as less Argentinian wheat will find its way onto Southeast Asian markets already serviced by Australian wheat. Certainly, the population growth in South America will provide market expansion opportunities for Argentinian wheat. Nonetheless, due to Argentina's low cost of wheat production and the longer-term likelihood that its supply chain costs will be lower, then its wheat, along with Black Sea region wheat, will be attractive to purchase by some price-conscious Southeast Asian customers, conditional on changes in sea freight.

In the shorter term, it is likely that Argentina will strongly focus on exporting wheat and wheat flour to Brazil and other nearby Mercosur countries such as Chile due to their ease of entry – a product of the negotiated trade treaty that underpins Mercosur.

As the quantity of Argentinian wheat exports increases and its grain logistics network modernises, it is likely, at least in the short and medium term, that Argentinian wheat will remain price-competitive against Australian wheat in many markets.

Source: AEGIC Argentina report, 2018

Main ports in Argentina

Argentina's key cereal production regions are not far from high-throughput export port terminals which are in the Gran Rosario region. The Gran Rosario ports are the main source of exports of grain and account for the majority of grain exports. Almost three-quarters of the nation's crop production is exported, with most exports moving via port terminals in the Gran Rosario region.

River infrastructure upgrades in coming years and further investment in barges will facilitate access to grain in these nearby countries and boost exports from Gran Rosario port terminals.

Standards for Argentinian wheat – grades 1–3

The wheat quality receival standard in Argentina applies bonuses and discounts to wheat based on its protein, with any bonuses for protein only applying if the test weight is at or above 75 kg per hectolitre (hl).

Grades	Specific weight kg/hl	Foreign material % max	Burned/heat damaged % max	Total damaged % max	Grain carbon % max	Yellow berry kernels % max	Shrunken/ broken kernels % max	Moisture %
1	79	0.2	0.5	1.0	0.1	15	0.5	14
2	76	0.8	1	2.0	0.2	25	1.2	14
3	73	1.5	1.5	3.0	0.3	40	2.0	14

Source: AEGIC Argentina report, 2018

Argentinian wheat and barley exports

Wheat

Unit (Tonnes)	2017		2018
Brazil	5,230,716	**Brazil**	5,910,541
Algeria	1,809,261	**Algeria**	1,251,814
Chile	863,175	**Indonesia**	832,992
Bangladesh	697,371	**Chile**	583,299
Vietnam	686,693	**Thailand**	565,330
Thailand	597,759	**Peru**	344,443
Kenya	419,694	**Kenya**	257,313
Ecuador	263,956	**Bangladesh**	246,237
Peru	243,803	**Nigeria**	194,354
Morocco	193,698	**Vietnam**	175,729
Indonesia	193,660	**Morocco**	159,950
Uganda	192,335	**Ecuador**	134,610
Bolivia	157,278	**Mauritania**	96,757
Oman	126,203	**Bolivia**	75,956
Egypt	126,000	**Senegal**	56,022

Source: INDEC - National Institute of Statistics & Census

Barley

Unit (Tonnes)	2017/18		2018/19
Saudi Arabia	987,683	**Saudi Arabia**	830,432
Brazil	444,145	**Brazil**	532,622
Colombia	274,555	**Kuwait**	258,371
Kuwait	176,435	**UAE**	223,370
India	149,326	**India**	84,735
Peru	123,000	**Colombia**	52,830
UAE	116,846	**Chile**	33,090
Oman	71,833	**Peru**	28,174
Qatar	52,394	**Uruguay**	20,925
Morocco	44,000	**Oman**	18,470

Source: INDEC – National Institute of Statistics and Census

Supply and demand

As at July 2019 1000 Mt	2018/19 Wheat	2018/19 Barley	2019/20 Wheat (Forecast)	2019/20 Barley (Forecast)
Beginning stocks	639	437	1,394	487
Production	19,500	4,500	20,000	4,000
Imports	5	0.0	10	0.0
Total supply	20,144	4,937	21,404	4,487
Exports	13,000	3,100	14,000	2,700
Feed domestic consumption	50	250	50	200
FSI consumption	5,700	1,100	5,900	1,200
Domestic consumption	5,750	1,350	5,950	1,400
Ending stocks	1,394	487	1,454	387

Source: USDA

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