

INTERNATIONAL MILLING DIRECTORY 2006

ARGENTINA

Grain crops giving way to soya?

Bigger Argentine wheat and maize crops were a key influence on world markets in 2004/05, resulting in steep increases in exports to an ever-broadening customs base.

Although wheat area remained well below the record high of 7.1m ha (set as far back as 1996/97) a 7% increase over 2003/04 was augmented by good weather and relatively high yields, resulting in a 2m tonne rise in production and an export surplus of 13m tonnes for the global July/Jun trade year. Increased self-sufficiency in Brazil had meanwhile resulted in a 2m tonne decline in sales to Argentina's main export customer, increasing the imperative to find new markets. Many buyers - some traditional, others new - were attracted by Argentina's discounted prices for its good quality trigo pan breadwheat, resulting in heavy sales to the Mid-East/North and Sub-Sahara Africa - even to Asia where unusually expensive ocean freight costs might have been thought a major handicap. Particularly good sales were also made to Egypt, displacing US and French soft wheat as well as challenging newer suppliers to this market, like the FSU.

Argentine wheat customers

(Jul/Jun crop years)

(000 tonnes)	2001/2	2002/3	2003/4	2004/5	
Brazil	6,730	5,279	5,055	4,831	
Egypt	109	-	4	1,466	
S Africa		330	14	214	795
Sri Lanka	na	-	-	705	
Peru	470	171	87	514	
Indonesia	na	-	-	445	
Bangladesh	na	-	-	414	
Bolivia	na	1	190	191	
Muscat/Oman	na	-	-	173	
Algeria	na	-	347	161	
Yemen	na	-	44	153	
Chile	121	116	46	146	
Morocco		49	-	284	129
Malaysia		na	-	-	114
Jordan	203	-	-	101	
Syria	236	-	-	6	
Iraq	347	-	110	-	
Iran	1,026	-	-	-	

Argentina has also tended to mill more wheat domestically in recent years, linked to its expanding role as a flour exporter. The International Grains Council is forecasting 2004/05 flour exports at 600,000 tonnes - a near 30% increase in just four years and placing Argentina as third largest world flour exporter behind the EU and Turkey.

Argentine maize area rose more steeply in 2004/05 - by 17% to 2.6m ha but again, remained well below its all time peak (3.4m in 1996/97). However, yields have risen considerably for maize over this period and with good weather, these rose to a new record 7.2 tonnes/ha, achieving a 19.5m tonne crop - which was just ahead of the previous record of 19.4m (1997/98). Although

Argentina's domestic use of maize in feeds has been creeping up from a trough over the past three or four years, this giant crop was still ample enough to enable a massive rise in exports to a new all-time peak of 14.2m tonnes. Argentina's maize customers tend to be spread over more countries than for wheat, although dominated by the top customer, the EU, which usually takes twice as much as number two buyer Saudi Arabia. Sales to the EU hit a 5-year high of almost 2m tonnes in 2003/04 amid Europe's own crop shortfalls but have declined in 2004/05 as the EU crop recovered. Still, notable gains were achieved to many other buyers, especially Malaysia - which took record quantities - Egypt and Algeria. Argentine sales to Far eastern customers were helped by much reduced maize availability from China and in Asian and Mideastern markets by hefty Argentine discounts of \$10 and more to US offers.

Argentina's top corn markets (world July/Jun crop year)

	2001/2	2002/3	2003/4	2004/5	
EU	1,553	1,274	2,118	1,513	
Malaysia		285	-	166	1,463
Egypt	573	1,616	607	1,428	
Saudi	458	712	1,030	1,078	
Peru	694	783	779	994	
Algeria	258	290	579	981	
Chile	1,103	939	927	832	
Israel	49	180	167	425	
Morocco		155	535	417	390
Indonesia			77	381	
Syria	97	401	93	294	
S Korea		1,038	-	227	236
Colombia	98	361	236	203	
Tunisia	87	381	219	195	
S Africa		237	178	503	134
Taiwan	-	445	25	121	
Ecuador		29	129	47	85
Jordan	338	394	202	63	
Turkey		1	248	258	15
Japan	326	368	170	-	
Iran	545	192	-	-	

Falling returns and steep increases in growing costs of fertiliser-hungry cereals are expected to curtail sowings for 2005/06, especially for wheat, which has suffered long planting delays due to dry weather.

A recent unofficial forecast from Argentine Agriculture Secretariat officials suggests wheat production might drop to 13m tonnes and maize to 17.35m.

Some sources have questioned whether Argentina's crop boom - which began with the massive peso devaluation of 2002 may now be reaching maturity. Small and medium farmers have been hit particularly hard by falling incomes, reportedly getting a third less for both grains and oilseeds earlier in 2005 at a time when fertiliser costs had increased by over 50%.

Soya may be a beneficiary of these cuts with officials recently forecasting this crop will rise to a new record 40m tonnes next spring. The increase might have been greater were it not for punitive export taxes on soya and rising costs of GM seed and the glyphosate herbicide needed to grow them. Some agronomists also fear too much soya area will deplete soil fertility over the next

decade or two. The rise in soya acreage over the past seven years has been remarkable, roughly doubling to take almost two thirds of the entire land under cultivation from these three crops (compared with one third in the mid-nineties). However, despite their lower production costs and higher returns, beans have expanded at a far slower pace than grains in 2004/5 so it remains to be seen if these increases will occur.