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Report Highlights:
Wheat exports for 2017/18 are forecast at 10.5 million tons, slightly higher than the previous year. Despite an expected larger harvested area, Post expects lower yields than the previous highly productive season. Barley area for 2017/18 is forecast to drop for the second year in a row, with production at 2.8 million tons and lower exports at 1.4 million tons. Corn harvested area and production are forecast to increase marginally, with production projected at 39.0 million tons and exports at a record 28.0 million tons. Sorghum area, production and exports remain relatively unchanged. Rice area and production for 2017/18 are forecast to drop somewhat, reflecting the sector's low profitability. Exports are projected down at 400,000 tons (milled basis).

Production

Wheat: Argentine wheat production for crop 2017/18 is forecast at 16.65 million tons, which is higher than the previous season. The harvested area is forecast at 5.2 million hectares, the highest since 2008/09, but still far from the 7.1 million hectares of 1996/97. Despite an increase of 500,000 hectares, yields are expected to be lower than the previous year which benefited from very good weather for wheat production in a vast area of the country. Expected returns for the future crop are quite tight, but the area is still expected to increase because: 1) current high soil moisture would provide a good start for the crop; 2) farmers' experience in a previous season with good yields and crop quality; 3) the need in many cases of farmers to have a winter crop to help "dry up" their fields; 4) have a cover winter crop to help control weeds; and 5) to the fact that the combination of wheat with second soybeans is one of the most profitable alternatives in many parts of the country. In some areas of Cordoba the combination of second crop corn after wheat is becoming very popular.

This would be the second year in a row in which wheat area increases as result of the policies put in place by President Macri's administration in mid-December 2015. The government decided to eliminate the 23 percent export tax on wheat, eliminate distortions in the domestic market through export limitations and allow a strong devaluation of the local currency.

Production costs (in dollar terms) for the season which will be planted in May-July 2017 are slightly higher than last year at the same time. The total cost of a hectare of wheat is roughly $430 (this includes tillage, spraying, fertilization, all agricultural inputs and harvest. Commercialization costs and overhead costs are not included). Higher tillage costs and seed prices more than offset lower fertilizer prices.

A vast area of Argentina's main cropland is currently with problems of flooding or saturated soils. This area is located primarily in the north west of Buenos Aires province, south and east of Cordoba and south of Santa Fe. Also Salta and the northern part of Tucuman have had lately problems of heavy rainfall. As an example, in areas in southern Santa Fe province it has rained 30 inches since the beginning of the year, roughly 70 percent of the total rain in 12 months. It is unknown at this time if some fields in these areas will be able to be planted with winter crops. The weather over the next three months will be key.

Wheat production for 2016/17 is estimated at 16.0 million tons. The Ministry of Agriculture recently bumped up their production volume at 18.4 million tons. The private sector's estimate ranges between 15.0-17.0 million tons.

Barley: Harvested area in crop season 2017/18 is forecast to drop to 750,000 hectares with a production of 2.8 million tons. This is the second reduction in a row, primarily as a result of Macri's policy of freeing up the local wheat market in late 2015. Barley planted area was record in 2012/13 with 1.5 million hectares, at a time where government intervention in the local wheat market was substantial. Barley area is coming back to similar levels of when most of the production was done under grower contracts. The production area is also coming back to its natural area which is mainly localized in the province of Buenos Aires. Barley has a big advantage over wheat, and it is that it is harvested practically two weeks earlier, giving farmers the possibility of planting second crop soybeans earlier. This is especially important in the central-south part of Buenos Aires province.

Farmer returns for 2017/18 are expected to be good for barley produced under contract (with quality for malting), but barley for feed is expected to be significantly less profitable, even less than wheat, as its price is normally 20-25 percent below of malting quality. This situation was experienced in crop 2016/17, and some farmers will prefer to plant wheat. Local traders indicate that Argentina is suffering strong competition from European barley and also a weaker demand in the region as Brazil and Uruguay had very good crops in 2016/17.

Corn: Production for crop 2017/18 is forecast at 39.0 million tons, the highest ever. This is a result of a total harvested area of 5.0 million hectares, slightly higher than in 2016/17. Although expected returns are lower than last year, and in many cases are expected to be similar to those of soybeans, they are still anticipated to be positive. Most corn will be planted in farms planted by its owners rotating crops to maintain soil productivity. Most landowners are returning to their normal rotation schemes (soybeans-wheat/second crop soybeans-corn) which many had abandoned during the period of market intervention in search of the most profitable (and easier to sell) alternatives. The total cost of production of corn is roughly $620 per hectare (this includes tillage, spraying, fertilization, all agricultural inputs and harvest - commercialization and overhead costs are not included). This cost is somewhat higher than last year's, as higher tillage costs and seed prices more than offset lower prices of crop protection products. Higher freight costs also impact significantly on corn returns, especially in areas far from ports.

The average yield Post projects for 2017/18 is slightly lower than the past two crop seasons which had very good rainfall and resulted in high productivity. Most contacts believe farmers will use good technology for the coming crop, especially the use of fertilizers which continues to be very attractive for farmers. Late planted corn production continues to expand. Although difficult to estimate accurately, its share is estimated at about 50-60 percent of the country's total corn area. Farmers continue to adopt this technology as the results have been very good; with good stability and higher yields than expected just a few years ago (in this season some producers are expected to harvest 9-10 tons per hectare). Also second corn crop (after a winter crop) is gaining popularity in some areas like in the west of Cordoba. Farmers prefer to plant corn instead of second crop soybeans. Because of the popularity of the second crop/late corn, a large portion of the crop now comes in to the market 2-3 months later than a few years ago, when most of it was harvested in March-April. In 2017, delivery to ports or town elevators is expected to have additional delays due to the excess rain and the poor condition of dirt roads. Most producers will be able to harvest, but they will have to put the corn in silo bags at the fields and wait several months until the condition of the roads allow them to take it out of the farms.

In late 2015 President Macri announced the elimination of the 20 percent export tax on corn and the lowering of soybean's export tax from 35 percent to 30 percent. In the following planting season (2016/17), corn planted area increased roughly 1.0 million hectares, practically the same area soybeans dropped. After several years of low returns, planting corn in 2016 was very profitable, being a better business than soybeans. In late 2016 the government announced that starting in January 2018 and through December 2019 the export tax on soybeans will drop 0.5 percent per month. That means that by December 2018 the export tax will drop to 24 percent and by December 2019 to 18 percent. This will improve soybeans' returns, with a probable negative impact on corn planted area.

Argentine farmers continue to face a very serious problem with weeds which are showing resistance to glyphosate, the herbicide used extensively during the past two decades. During this same period, soybeans were the main crop planted in Argentina, with a small area devoted to corn and sorghum. The lack of rotation and the use of the same weed killer year after year now have producers spending more money to control weeds.

Post estimates corn production for crop 2016/17 at 38.5 tons, the same as USDA. Most contacts' estimations range between 37.0 and 40.0 million tons and a harvested area close to 4.8 million tons, higher than in the previous report and higher than USDA. The harvest of this crop season will probably end by August 2017, with the last lots of late corn drying down in the fields. Through mid-April, roughly 25 percent of the total crop was harvested**.**

Sorghum: Production and area for 2017/18 are forecast to remain quite similar to last year's crop season, with 3.35 million tons and 760,000 hectares respectively. The strong expansion of corn area in the past couple of years, as a result of policy changes and improved seed technology, has made sorghum planted area remain stable. The majority of producers prefer to produce corn instead of sorghum as they find it easier to use and market. Sorghum still has the advantage of being more tolerant to drought or dryer environments and it is excellent for crop rotation. The province of Chaco and the northern part of Santa Fe province is the main sorghum area. Several other areas like the north of Cordoba, southwest of Buenos Aires and Entre Rios have significant area planted.

Most of the sorghum produced in Argentina is high in tannin which limits its use in animal feed. Bird attacks are a serious problem in many areas where it is grown.

In late 2014, the Argentine government signed a sanitary protocol to export sorghum to China. In 2015, there were exports of 87,000 tons. However, after those first few shipments, local traders stopped exports as they consider it very risky to comply with the very strict protocol. If trade with China were move active, there would be an expansion in planted area.

Rice: Production for 2017/18 is forecast to drop to 800,000 tons (milled basis) as a result of a projected smaller planted area. Contacts indicate there are substantial uncertainties in the sector as returns have not been good in the past three crops. There are many small and medium producers seriously thinking of changing to other alternatives. In Corrientes province the alternative is to go back to raising cattle. In Entre Rios, where most of the shift could happen, most producers could instead plant soybeans or corn. In general, large producers are projected to maintain their area. There are a total of 400-450 rice producers in Argentina.

Most contacts are very concerned about next year's crop season, as they do not project significant changes from the current situation. Argentina depends heavily on exports and the current exchange rate makes it hard to compete. In addition, the region is well supplied with rice.

Rice production for 2016/17 is estimated at 845,000 tons (milled basis). Rough production is estimated at 1.3 million tons, although there are some contacts who estimate an even lower volume. The total harvested area is estimated at 200,000 hectares, with Corrientes province with 92,000 hectares and Entre Rios with 64,000 hectares. The balance is in Santa Fe, Formosa and Chaco provinces. The harvest is currently estimated to be 85 percent complete.

The planting of rice normally begins in September in Corrientes and continues in October/November in Entre Rios, while the harvest begins in February in Corrientes and normally ends in April.

Consumption

Wheat: Total wheat demand for 2017/18 is projected at 6.0 million tons, slightly higher than the previous crop year. Wheat flour consumption in Argentina is quite inelastic. An expected larger planted area would result in the use of more wheat for seed. The per capita consumption of wheat flour ranges between 85-90 kilos per year, with fluctuations reflecting the dynamics of the local economy. The main use of wheat flour is for bread. Other uses are 1-kilo packaged flour bags, dry pastas and cookies and crackers.

Domestic consumption in 2016/17 is not expected to increase as anticipated as the local economy is not showing the rebound projected earlier.

There are approximately 180 flour mills in the country with a milling capacity of about 12 million tons of wheat. Buenos Aires, the largest wheat producing province has the largest number of mills.

With the government's new policies in place, local mills are recovering the volume of exports of flour, which were limited in the past. In crop season 2015/16, these accounted for 555,000 tons with an equivalent of 760,000 tons of wheat. The local industry projects wheat flour exports to grow at least 50 percent in 2016/17.

Barley: The total consumption for crop 2017/18 is projected at 1.4 million tons, the same as the previous season. However, we forecast a recovery in demand from the malting industry and a slight drop in local feed use. Consumption in crop season 2016/17 is forecast to drop to 1.4 million tons as the export malting industry is expected to reduce somewhat its exports of malt because the region is well supplied as a result of very good barley crops in Brazil and Uruguay. Although very difficult to track, most contacts indicate that barley for feed use is lately ranging between 300-400,000 tons.

Corn: Domestic consumption of corn in crop year 2017/18 is forecast at 11.2 million tons, higher than in crop 2016/17. Most analysts project Argentina's economy to grow in 2018. The livestock sector is expected to accompany such growth. For several years now, the local cattle herd is expanding, with a projected increase in slaughter over the next few years. The dairy sector, which is coming out of a severe crisis due to low milk prices and severe rainy weather, is also expected to begin to recover, with additional production. The poultry sector is expected to continue to grow, especially if the local economy gets stronger. Pork production is also forecast to continue to expand as pork demand is on the rise.

Corn demand from the bioethanol sector is expected to remain flat as there are no new plants or investments announced. The 5 plants are operating at almost full capacity, consuming approximately 1.2 million tons of corn. Most of the companies which are currently operating are ready to expand capacity if they are given additional quota for the domestic biofuels mandate. The local production capacity of high fructose corn syrup expanded in 2016 with the inauguration of a new plant in Cordoba province which will be fully operational in 2017. This plant has the capacity to process 250,000 tons of corn.

Sorghum: The total domestic demand for 2017/18 is forecast at 3.0 million tons, very similar to the past two crop seasons. Animal feed for dairy and beef cattle is the main destination for sorghum produced in Argentina. A substantial amount is consumed on farm or sold between neighbors. Its use in the pork and broiler sectors is quite limited. The potential use of sorghum for human consumption is substantial, since its flour can be consumed by people who suffer from celiac disease.

Rice: Domestic consumption for 2017/18 is projected at 460,000 tons, unchanged from the previous year. Rice domestic consumption is hard to estimate, with market estimates (official and private) ranging between 350-420,000 tons (milled basis). Contacts indicate that there is a volume of "unofficial" rice which is sold locally and also is traded in the border. This volume is very difficult to estimate and fluctuates every year depending on the economic conditions on both sides of the border.

Trade

Wheat: Exports for crop 2017/18 are forecast at 10.5 million tons, the highest since 2011/12. This is a result of a projected increase in production with relatively a stable domestic consumption. After the change in policies in December 2015, Argentina is recovering its importance as one of the world's major wheat producers and exporters. Although farmer returns are tight, local farmers are expected to continue to use good seed technology and good fertilization in order to produce good quality wheat to be able to sell without difficulties in the local and world markets. The weather will obviously play a significant role in determining the final quality.

Brazil is expected to continue to be the top destination, buying 5-6 million tons of wheat and flour. Argentina, with the new level of production and exports, is looking to expand number of export markets. In 2016 and 2017, countries like Vietnam, Thailand and Bangladesh have become large destinations, accounting for roughly 25-30 percent of Argentina's total wheat exports in CY2016. African countries, such as Algeria, Kenia and Morocco have also become important buyers. Regional countries like Chile, Ecuador, Peru and Bolivia are expected to continue to buy what they normally purchase.

Wheat flour exports are also projected to increase in 2017/18. The local flour mill industry, which is operating at half capacity, is working to regain the volume of exports it had prior to the implementation of the previous policies to limit exports. Wheat flour exports in CY2016 totaled 575,000 tons. Private industry contacts estimate that flour exports could grow 50 percent in CY2017 and even further in 2018. However, they also report that to achieve these volumes, Argentina will need to gain in competitiveness as local costs of production in dollar terms are high.

Barley: Exports in 2017/18 are projected at 1.4 million tons, the lowest since 2009/10. Post forecasts lower production which would negatively affect exports, as domestic consumption is expected to remain unchanged. Argentina is expected to export 850,000 tons of malting barley to countries in the region (Brazil, Colombia, Peru, Uruguay, and Chile). The balance will be feed barley which is primarily exported to Saudi Arabia.

Exports in 2016/17 are estimated at 1.95 million tons, of which feed barley is an estimated 1.3 million tons and malting barley the balance. Brazil, which is normally the main buyer of malting barley, is expected to reduce imports quite significantly as it had a very good barley crop in 2016/17. Barley exports through mid-April totaled 1.23 million tons. As of May, monthly shipments are expected to diminish significantly.

Corn: Exports for 2017/18 are forecast at 28.0 million tons, the highest ever. The combination of larger beginning stocks plus a projected record production is expected to increase exports by 1.5 million tons from 2016/17. Argentina, the second largest corn exporter in 2016/17, has a wide list of clients which buy corn throughout the world. In 2016 almost 40 countries purchased at least 30,000 tons. The top 5 destinations (Vietnam, Egypt, Algeria, Malaysia, and South Africa) accounted for 57 percent of the total. The Middle East, Southeast Asia and Africa are the main buying regions. There are many buyers which prefer Argentina's corn quality, but with increased production and export surpluses, local corn will need to be very price competitive to move such a large volume.

The export window for Argentine corn has changed significantly in the past five years. The rapid popularity of late/second crop corn makes supplies for export available in two distinct periods of time: 1) the early corn, harvested in March-April, and 2) the late corn, harvested in June-July. In 2016/17 roughly 45 percent of the expected production could be available by April and the balance in June. The late corn has the commercial problem of being available at the same time as the Brazilian late corn.

Exports for 2016/17 are projected at a record 26.5 million tons. Exports will change from last year, when Brazil (and South Africa) was unusually active due to production problems. To date, local traders have purchased more than 11 million tons. Traders indicate that in general local producers prefer to sell wheat and corn and keep their soybeans, expecting a rebound in prices.

In 2013, when the first grain bioethanol plants began production, Argentina started to export DDGS. At that time, most of the plants did not have drying facilities. Currently almost all five plants can dry. Exports of DDGS in CY2016 totaled 96,000 tons, lower than the previous year. Lower prices have made some of the plants dry less and sell more WDGS to nearby dairies or feedlots. Uruguay and Chile are the top destinations.

Sorghum: Exports for crop 2017/18 are forecast at 500,000 tons, the lowest since 2005/06. Except for Japan, there seems to be limited demand for sorghum from Argentina. A few years ago, Argentina exported to 6-8 countries, primarily in the region. Local traders had placed their expectations on the opening of the Chinese market, but they mention that under the current protocol they prefer not to export.

Rice: Argentine exports for crop 2017/18 are forecast at 400,000 tons (milled basis), significantly lower than the previous two seasons, because of projected smaller beginning stocks and a drop in production. Argentine rice faces strong competition from the region, especially from that of Paraguay and Uruguay. The main markets are expected to be Brazil, Chile, and other regional countries. Iraq is another country which local traders normally export to.

Statistical Tables

Wheat Market Begin Year Argentina	2015/2016 Dec 2015		2016/2017 Dec 2016		2017/2018 Dec 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3945	3945	4900	4700	0	5200
Beginning Stocks	4804	4804	616	616	0	521
Production	11300	11300	16000	16000	0	16650
MY Imports	12	12	5	5	0	10
TY Imports	3	3	15	15	0	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16116	16116	16621	16621	0	17181
MY Exports	9600	9600	10100	10200	0	10500
TY Exports	8750	8750	11000	11000	0	9900
Feed and Residual	200	200	100	100	0	100
FSI Consumption	5700	5700	6100	5800	0	5900
Total Consumption	5900	5900	6200	5900	0	6000
Ending Stocks	616	616	321	521	0	681
Total Distribution	16116	16116	16621	16621	0	17181
(1000 HA) ,(1000 MT)						

Barley Market Begin Year Argentina	2015/2016 Dec 2015		2016/2017 Dec 2016		2017/2018 Dec 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1250	1200	900	800	0	750
Beginning Stocks	340	340	603	513	0	313
Production	4940	4850	3200	3150	0	2800
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5280	5190	3803	3663	0	3113
MY Exports	3077	3077	1800	1950	0	1400
TY Exports	2836	2836	2000	2150	0	1400
Feed and Residual	500	500	200	350	0	300
FSI Consumption	1100	1100	1300	1050	0	1100
Total Consumption	1600	1600	1500	1400	0	1400
Ending Stocks	603	513	503	313	0	313
Total Distribution	5280	5190	3803	3663	0	3113
(1000 HA) ,(1000 MT)						

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Mar 2016		Mar 2017		Mar 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3500	3700	4600	4800	0	5000
Beginning Stocks	2898	2898	1053	1503	0	2808
Production	29000	29500	38500	38500	0	39000
MY Imports	5	5	5	5	0	0
TY Imports	2	2	5	5	0	0
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	31903	32403	39558	40008	0	41808
MY Exports	21700	21750	26000	26500	0	28000
TY Exports	21672	21672	26500	27000	0	28000
Feed and Residual	5850	5850	7000	7000	0	7300
FSI Consumption	3300	3300	3700	3700	0	3900
Total Consumption	9150	9150	10700	10700	0	11200
Ending Stocks	1053	1503	2858	2808	0	2608
Total Distribution	31903	32403	39558	40008	0	41808
(1000 HA) ,(1000 MT)						

Sorghum	2015/2016		2016/2017		2017/2018	
Market Begin Year	Mar 2016		Mar 2017		Mar 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	750	750	800	750	0	760
Beginning Stocks	971	971	896	946	0	546
Production	3375	3375	3600	3200	0	3350
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4346	4346	4496	4146	0	3896
MY Exports	550	500	900	600	0	500
TY Exports	772	772	850	500	0	500
Feed and Residual	2500	2500	2550	2600	0	2600
FSI Consumption	400	400	400	400	0	400
Total Consumption	2900	2900	2950	3000	0	3000
Ending Stocks	896	946	646	546	0	396
Total Distribution	4346	4346	4496	4146	0	3896
(1000 HA) ,(1000 MT)						

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Apr 2016		Apr 2017		Apr 2018	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	208	207	205	200	0	190
Beginning Stocks	529	529	384	373	0	213
Milled Production	910	819	935	845	0	800
Rough Production	1400	1260	1438	1300	0	1231
Milling Rate (.9999)	6500	6500	6500	6500	0	6500
MY Imports	5	5	5	5	0	5
TY Imports	5	5	5	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1444	1353	1324	1223	0	1018
MY Exports	540	520	550	550	0	400
TY Exports	527	480	550	550	0	400
Consumption and Residual	520	460	510	460	0	460
Ending Stocks	384	373	264	213	0	158
Total Distribution	1444	1353	1324	1223	0	1018

(1000 HA) ,(1000 MT)						