

ARGENTINA'S GRAINS INDUSTRY: Implications for Australia

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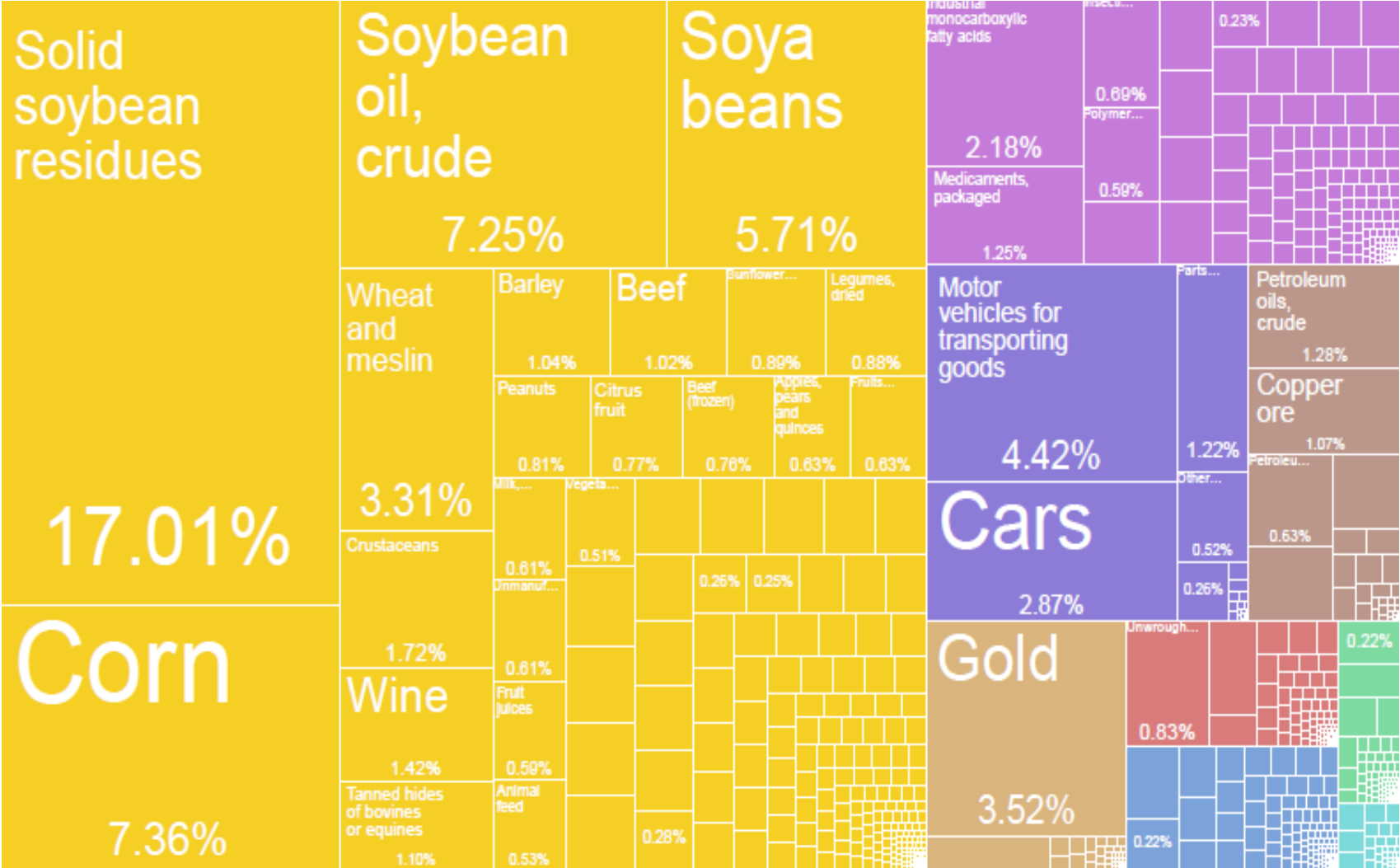


Argentina versus Australia: Key differences

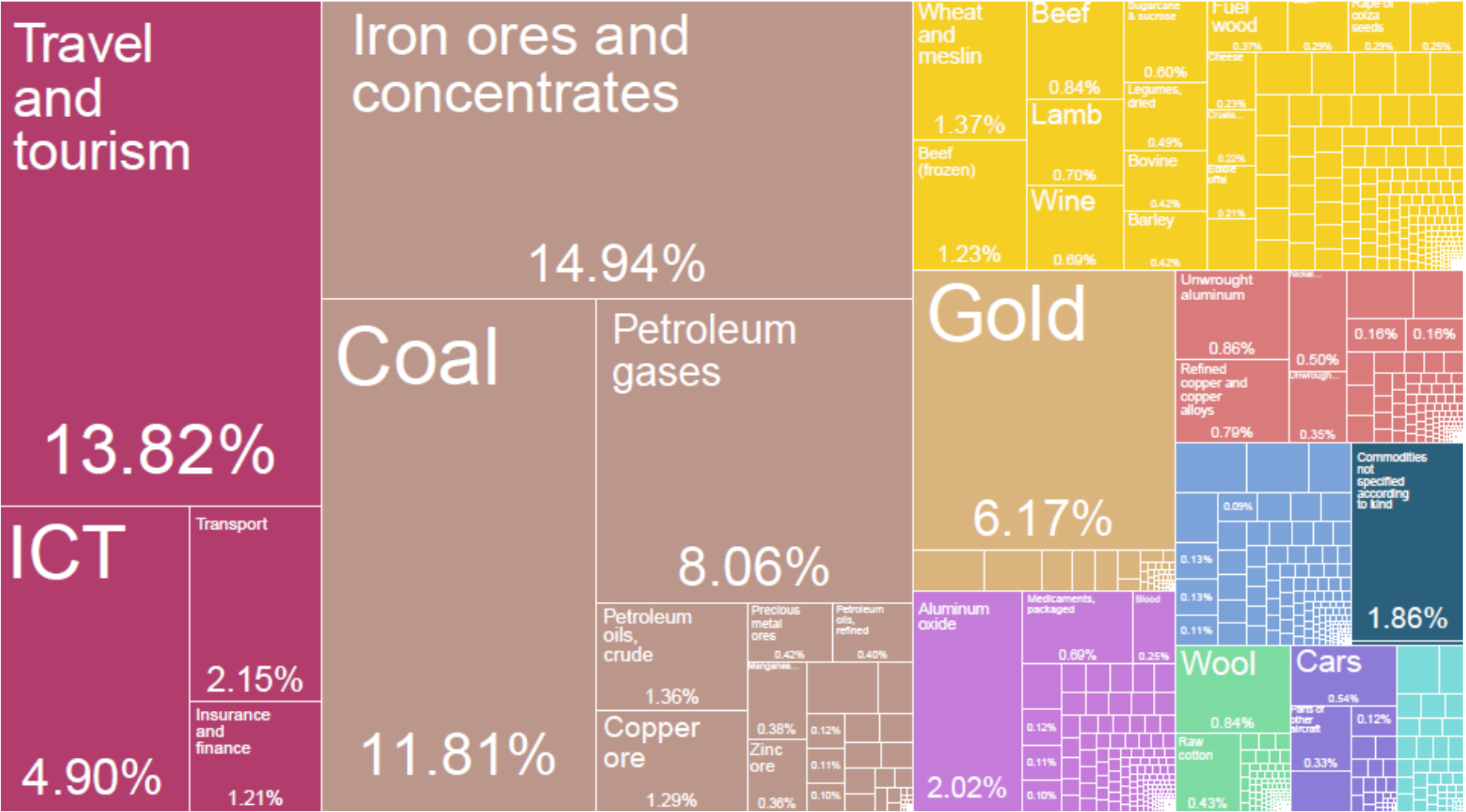


	Argentina	Australia
GDP (\$USD billion)	545	1259
GDP per capita (\$USD)	12,503	51,850
Exports (% of GDP)	12	19
Population (million)	44	24
Rural population (% of total population)	8.1	10.4
Land area (thousand km²)	1,487,000	7,682,300
Agricultural area (as % of land area)	54	53
Arable land (as % of land area)	14	6
Arable land (Mill. ha)	39.2	47.0
Agricultural land irrigated (% of agricultural land)	1.5	0.6
Food exports (% of merchandise exports)	62.4	15.8
Fertiliser use (kg/ha of arable land)	36	54
Agriculture value-added (% of GDP)	7.6	2.6

The product composition of Argentina's export revenues (in 2016)

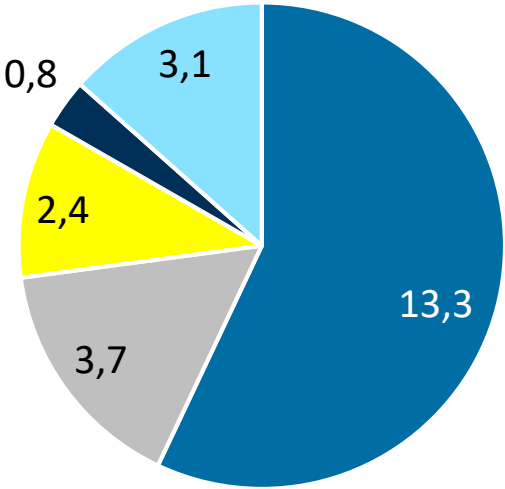


The product composition of Australia's export revenues (in 2016)



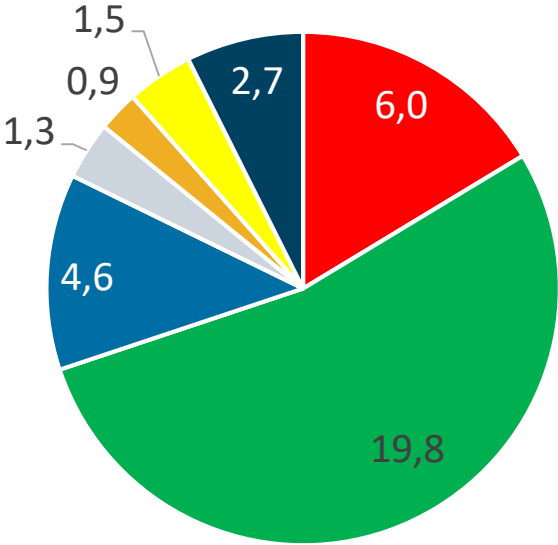
Argentina vs Australia areas sown to main crops (mill. ha)

Australia



■ Wheat ■ Barley ■ Canola ■ Oats ■ Other

Argentina

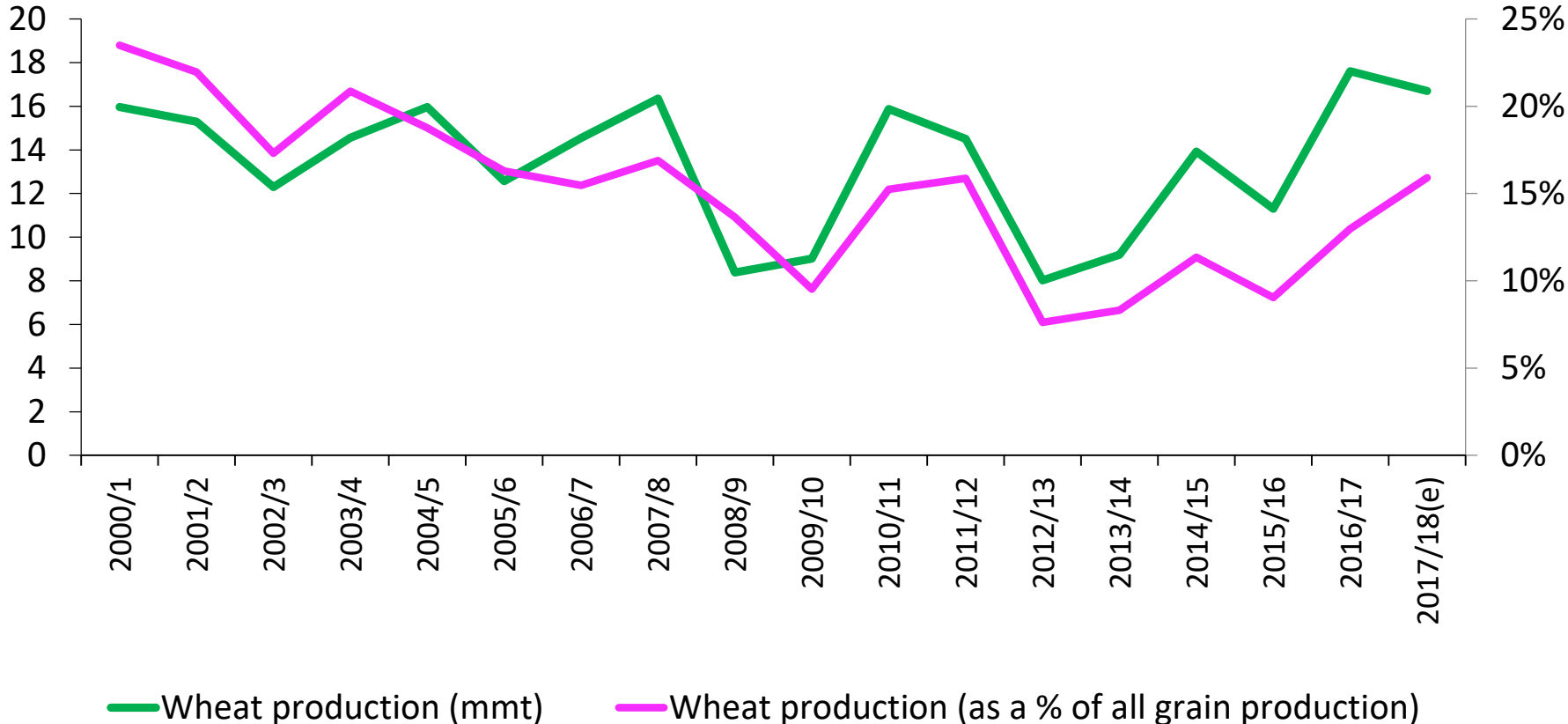


■ Corn ■ Soybean ■ Wheat ■ Barley
■ Sorghum ■ Sunflower ■ Other

Argentina's wheat production

Wheat Production (mmt)

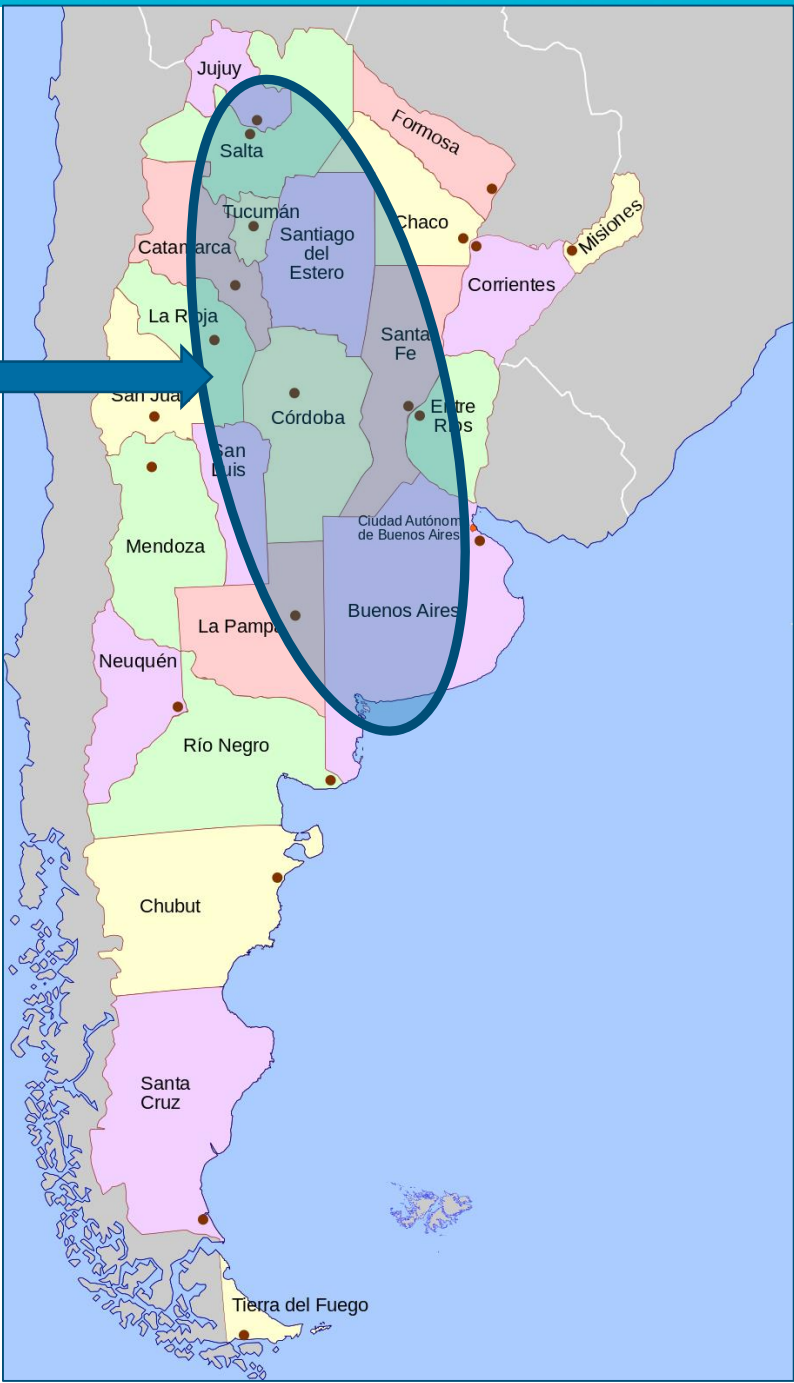
Wheat production (as a % of all grain production)



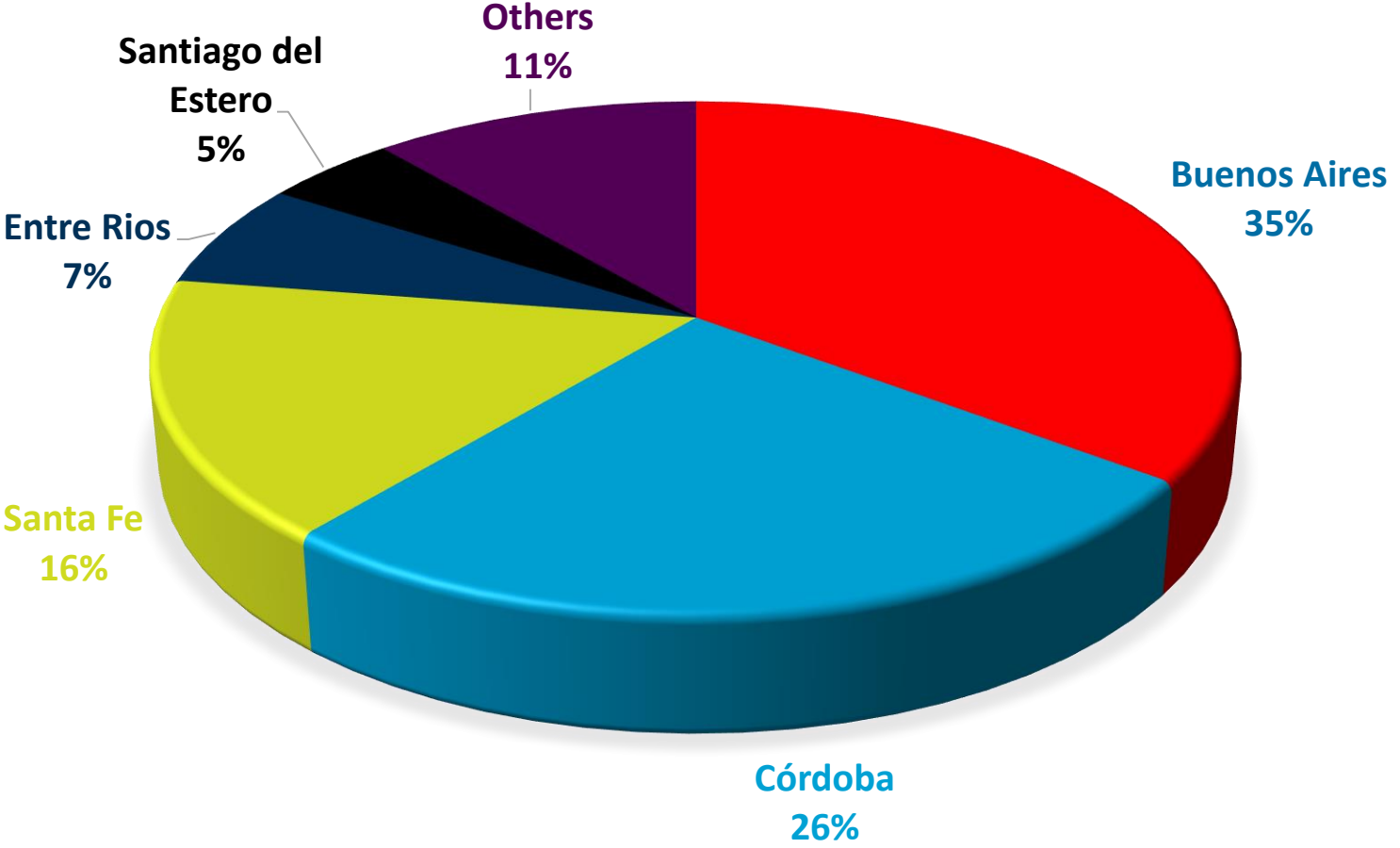
Note: Argentina's 2018/19 wheat production will be ~19.1MMT

Argentina's provinces

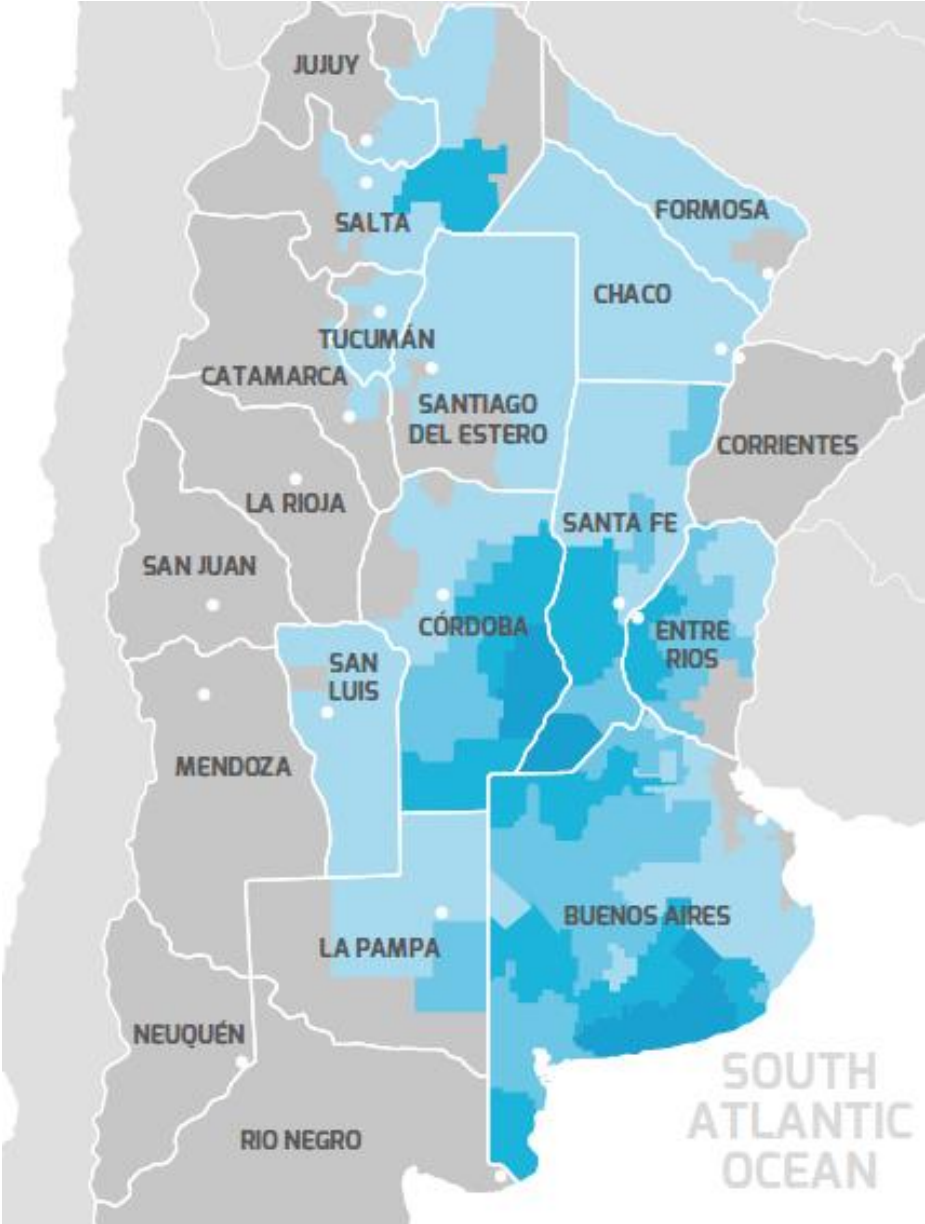
Grain producing regions



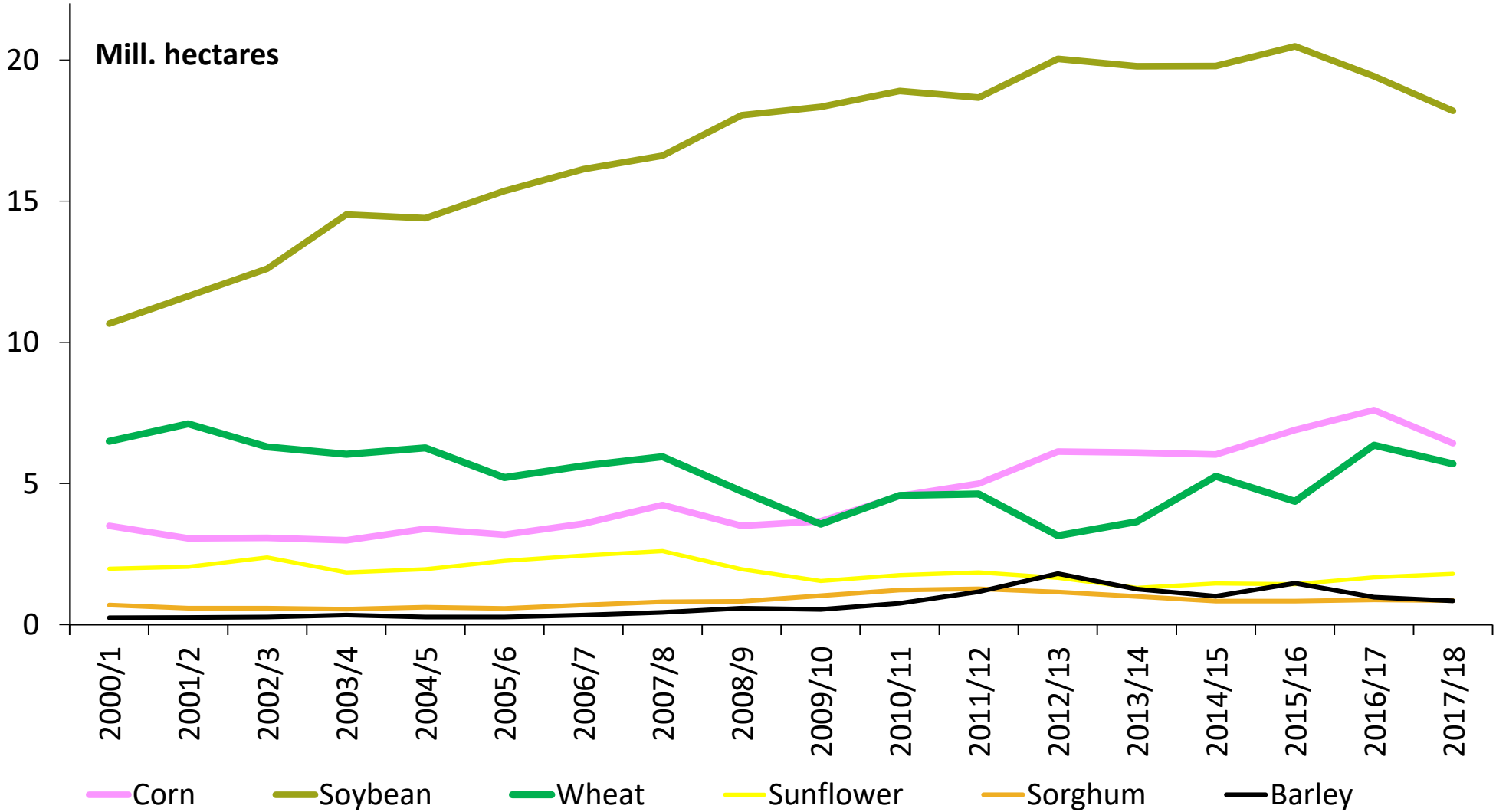
Argentina's provincial shares of crop production



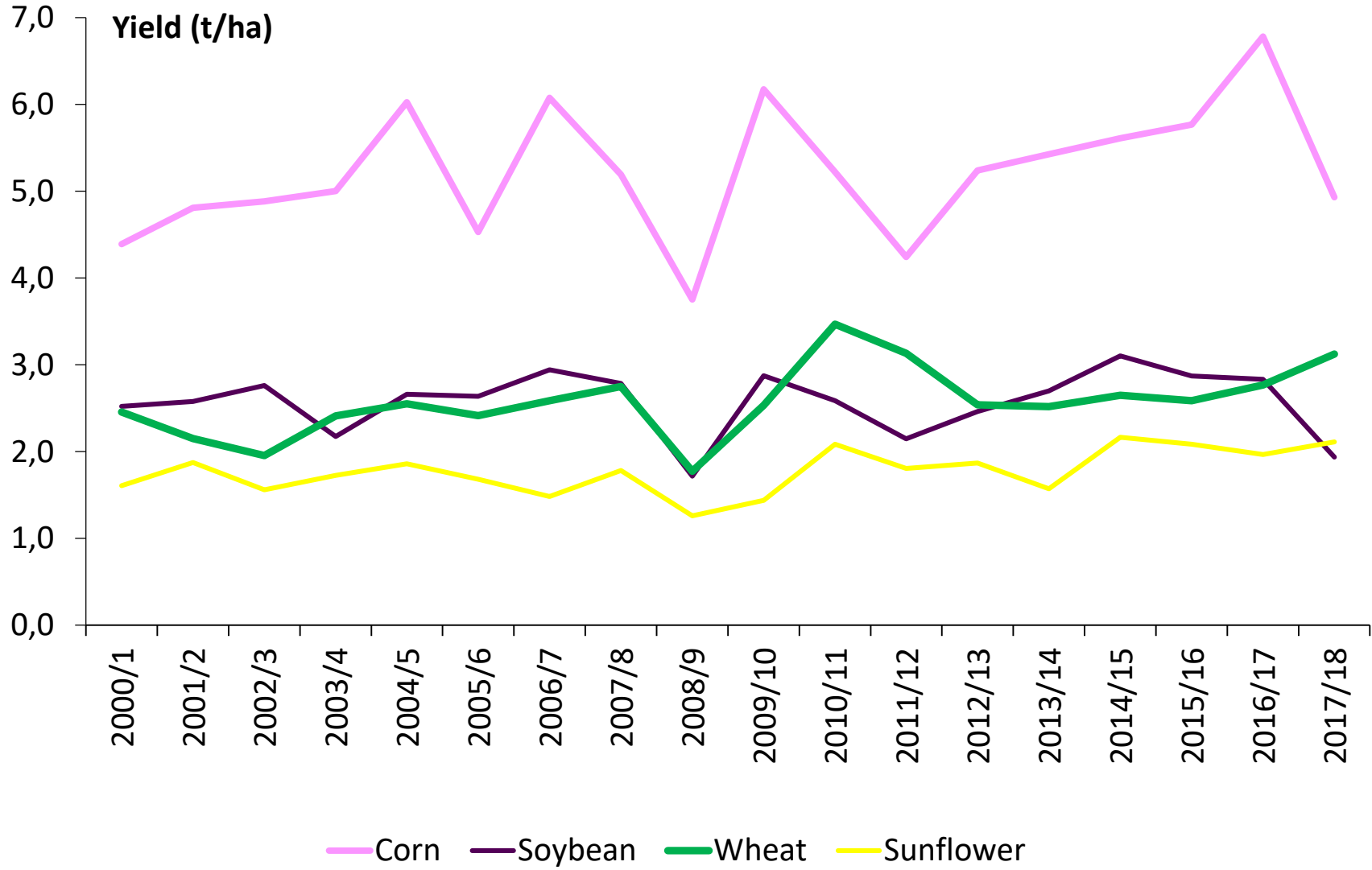
Argentina's wheat areas



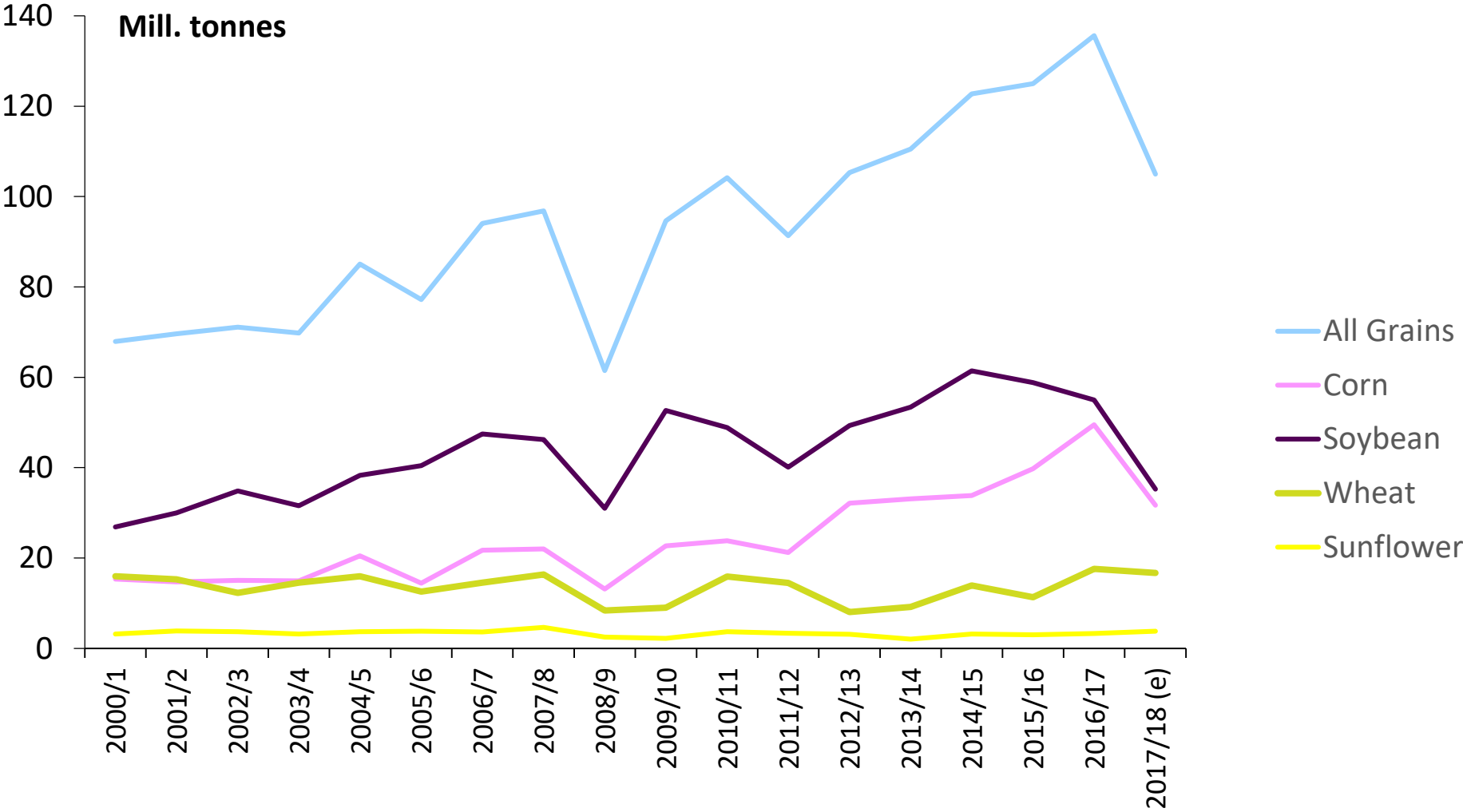
Argentina's areas planted to crops

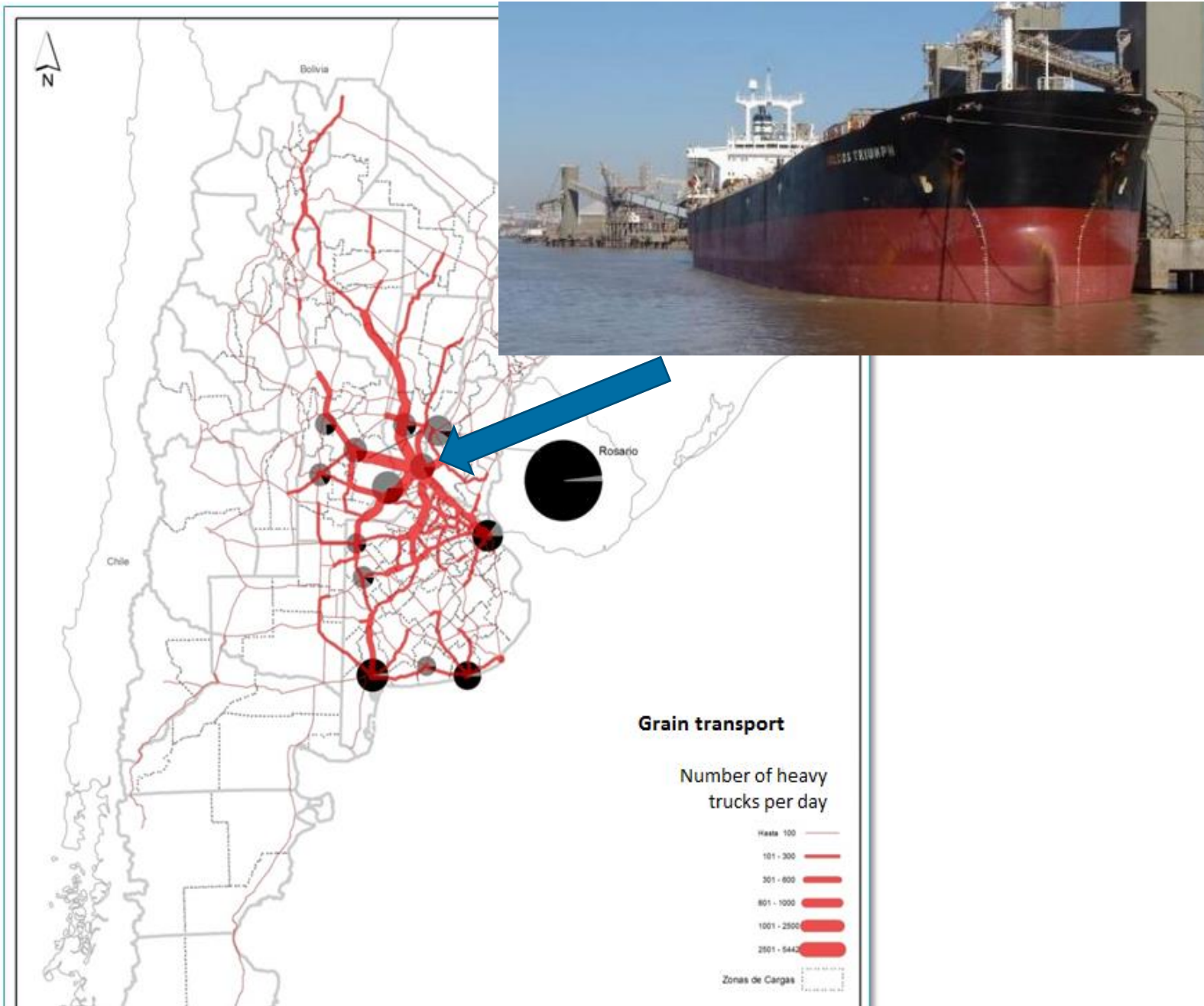


Argentina's crop yields



Argentina's grain production





Argentina....main type of grain transport





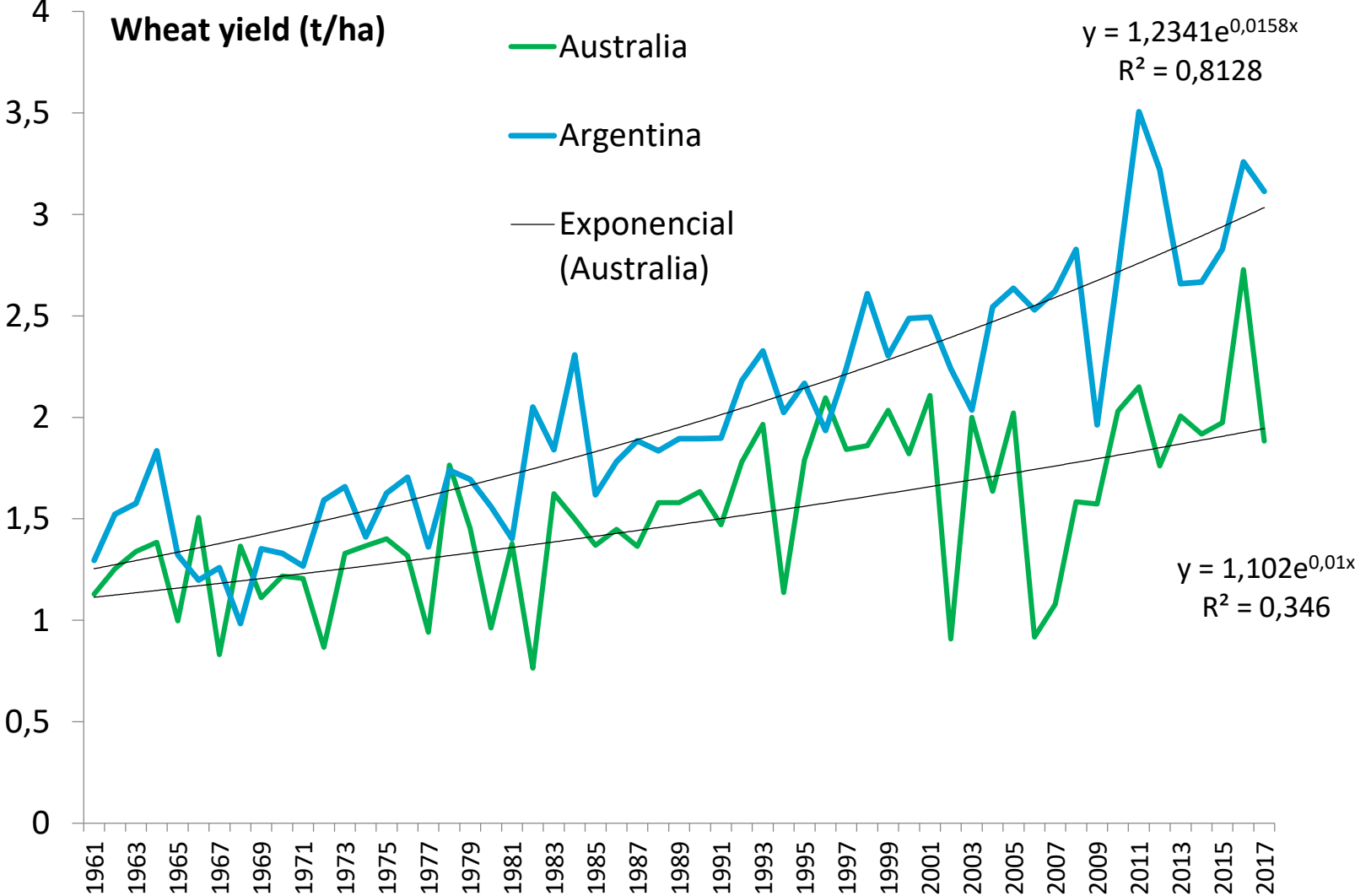
New 65 t wagons



A 500km track renewal program north of Rosario is underway involving a US\$2.8b investment in tracks, locomotives and wagons from Chinese sources. The investment package includes 107 locomotives and 3500 grain wagons.

Chinese investors have provided a capital loan to be repaid over 20 years with an upfront grace period of five years during which no repayments are required. Of the 500km to be upgraded, 230km were already completed by September 2017.

Wheat yield improvement



Local state-of-the-art machinery



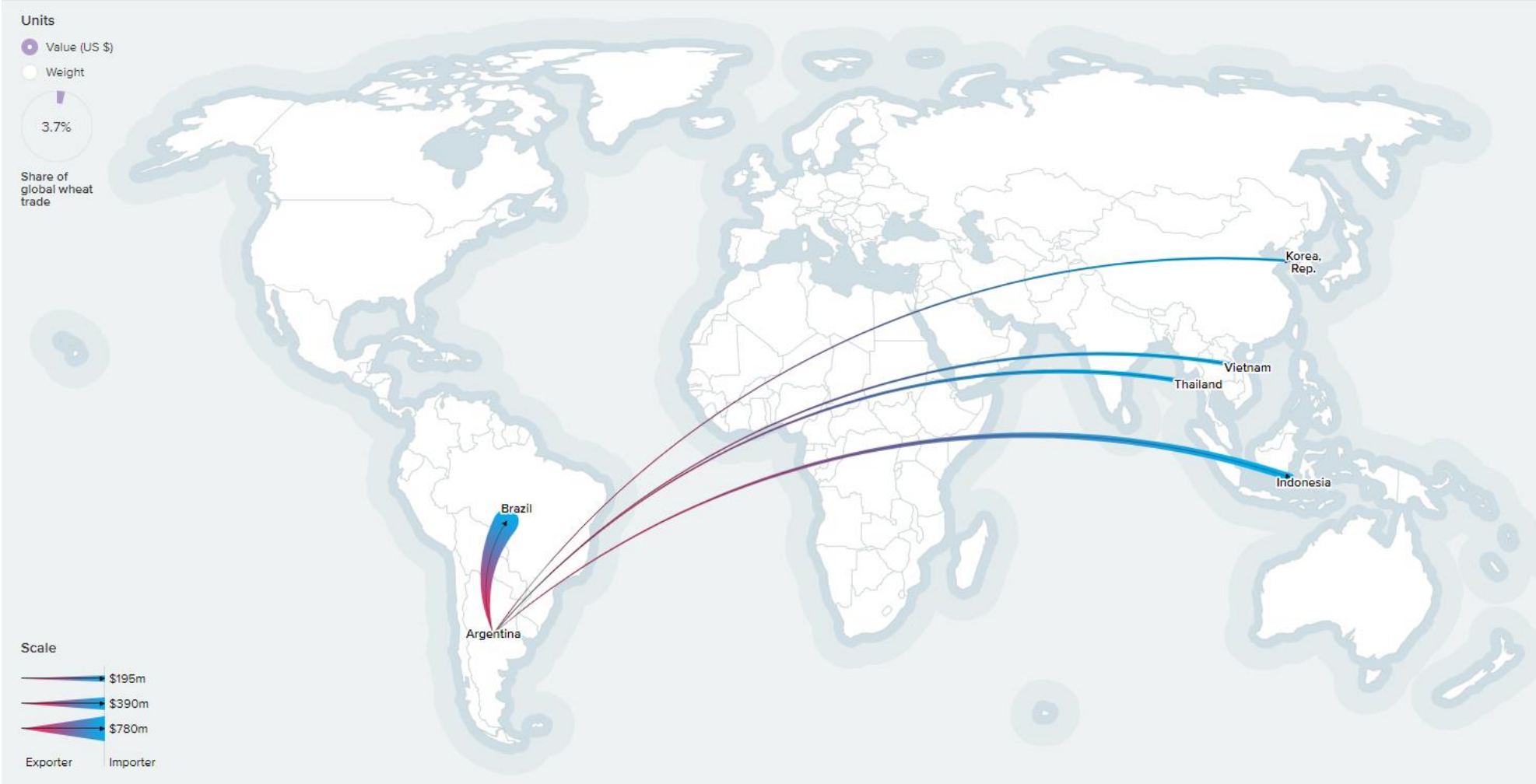
Argentina vs Australia cost of wheat production (USD\$/t)

	ARGENTINA		AUSTRALIA	
	Cost (\$US/t)	% supply chain cost	Cost (\$US/t)	% supply chain cost
Cartage to bin	2.3	5%	\$6.1	11%
Storage	1.1	2%	\$3.9	7%
Upcountry handling	10.3	21%	\$8.1	15%
Transport to port	23	47%	\$18.4	33%
Handling at port	5	10%	-	-
Shipping	7.1	15%	\$16.9 ^d	30%
Levies			\$2.2	4%
Supply chain cost	\$48.8	27%	\$61.4	30%
Production cost (wheat)	\$129.2	73%	\$144.0	70%
TOTAL COST (\$/t)	\$178.0		\$205.4	

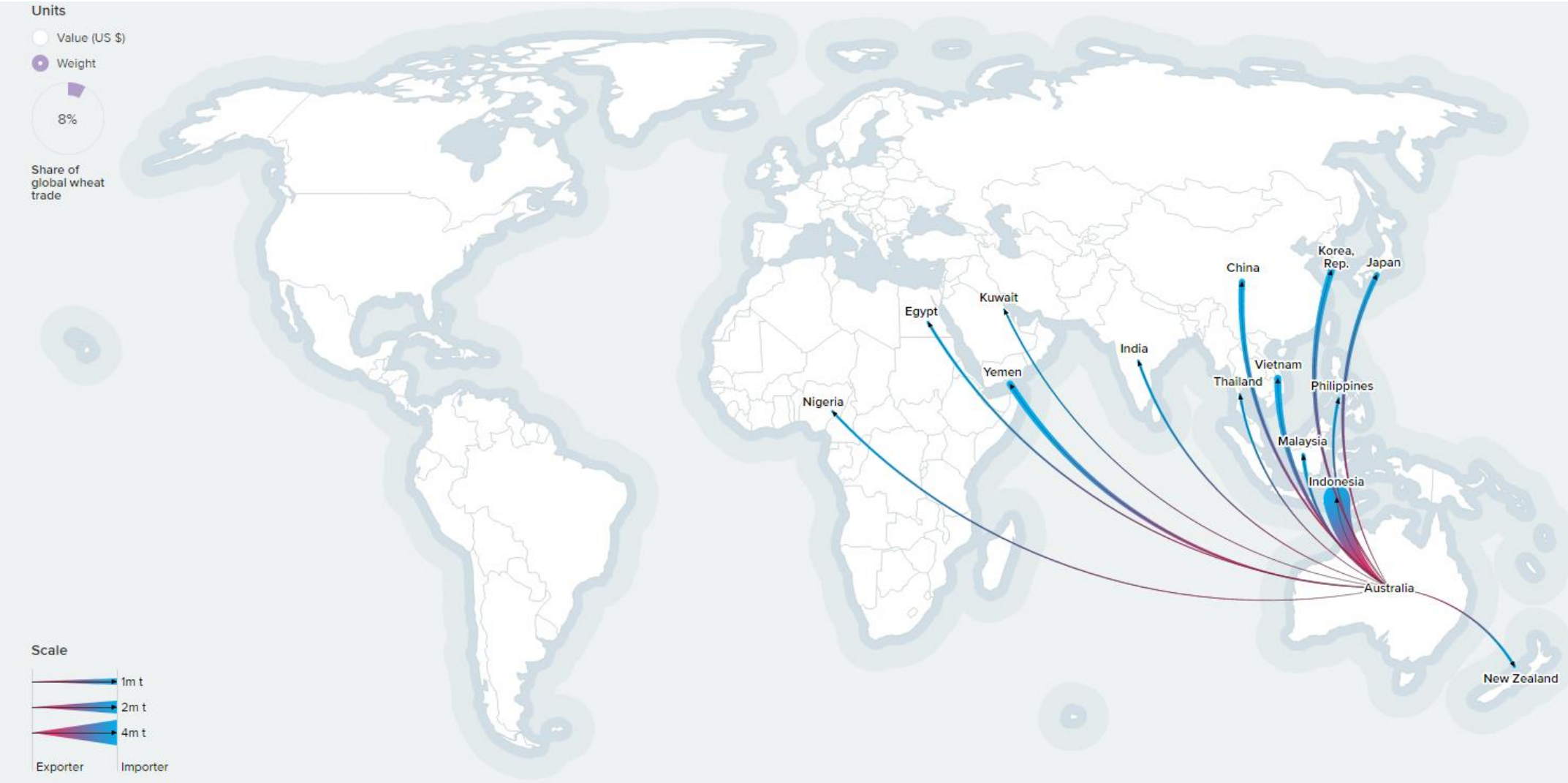
~ = \$AUD 247/t (Argentina) vs \$AUD286/t (Australia)



Argentina's wheat exports



Australia's wheat exports

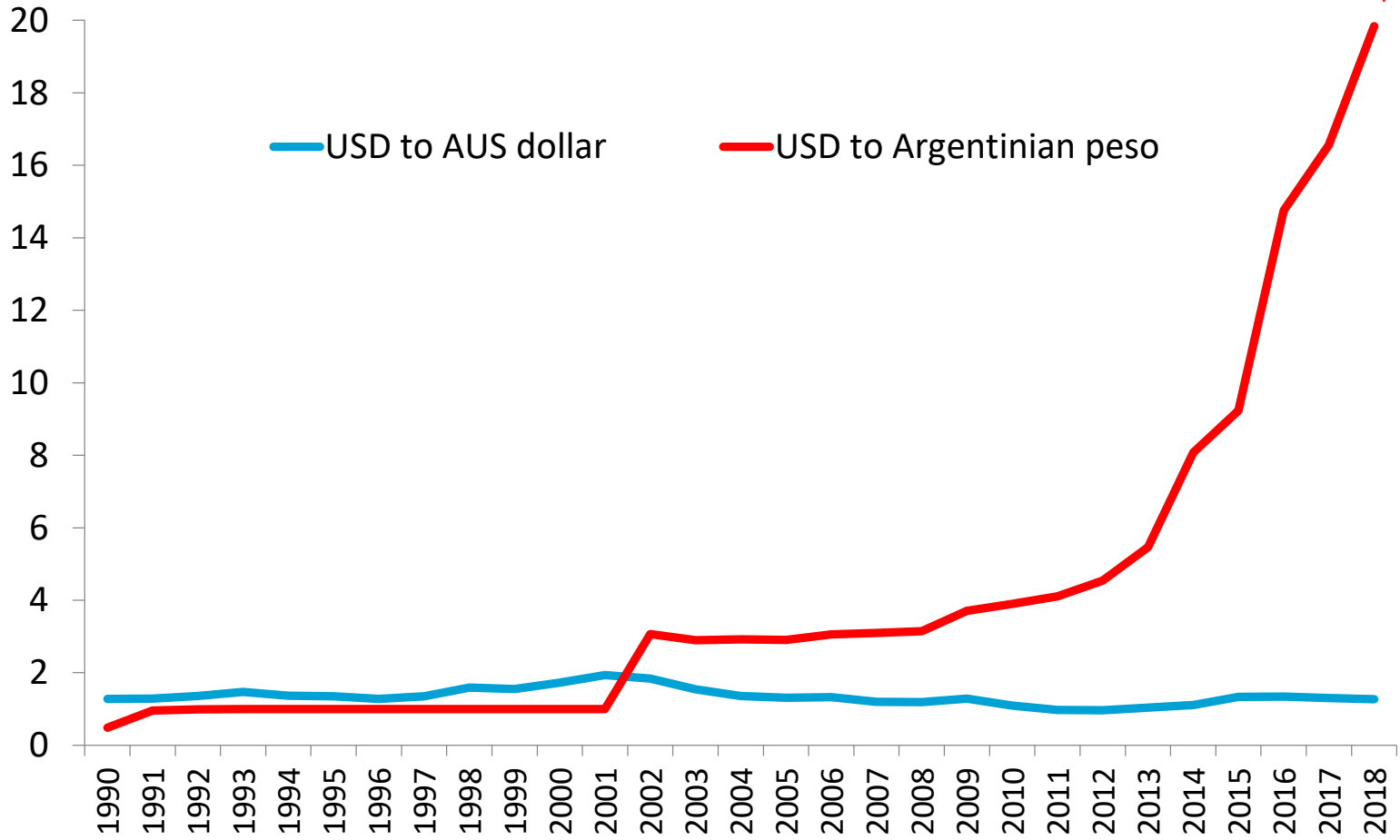


Wheat exports (MMT)

Country	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
Russia	11.3	18.6	22.8	25.5	27.8	36.0	↑
Ukraine	7.2	9.8	11.3	17.4	18.1	17.0	↑
Kazakhstan	6.3	8.1	5.5	7.6	7.4	7.5	↔
Australia	18.7	18.6	16.6	16.1	22.6	16.0	↔
Argentina	3.6	2.3	5.3	9.6	13.3	11.9	↑
Canada	19	23.3	24.1	22.1	20.2	22.5	↔
EU-27	22.7	32	35.4	34.7	27.3	27.0	↔
USA	27.5	32	23.3	21.2	28.7	25.9	↔

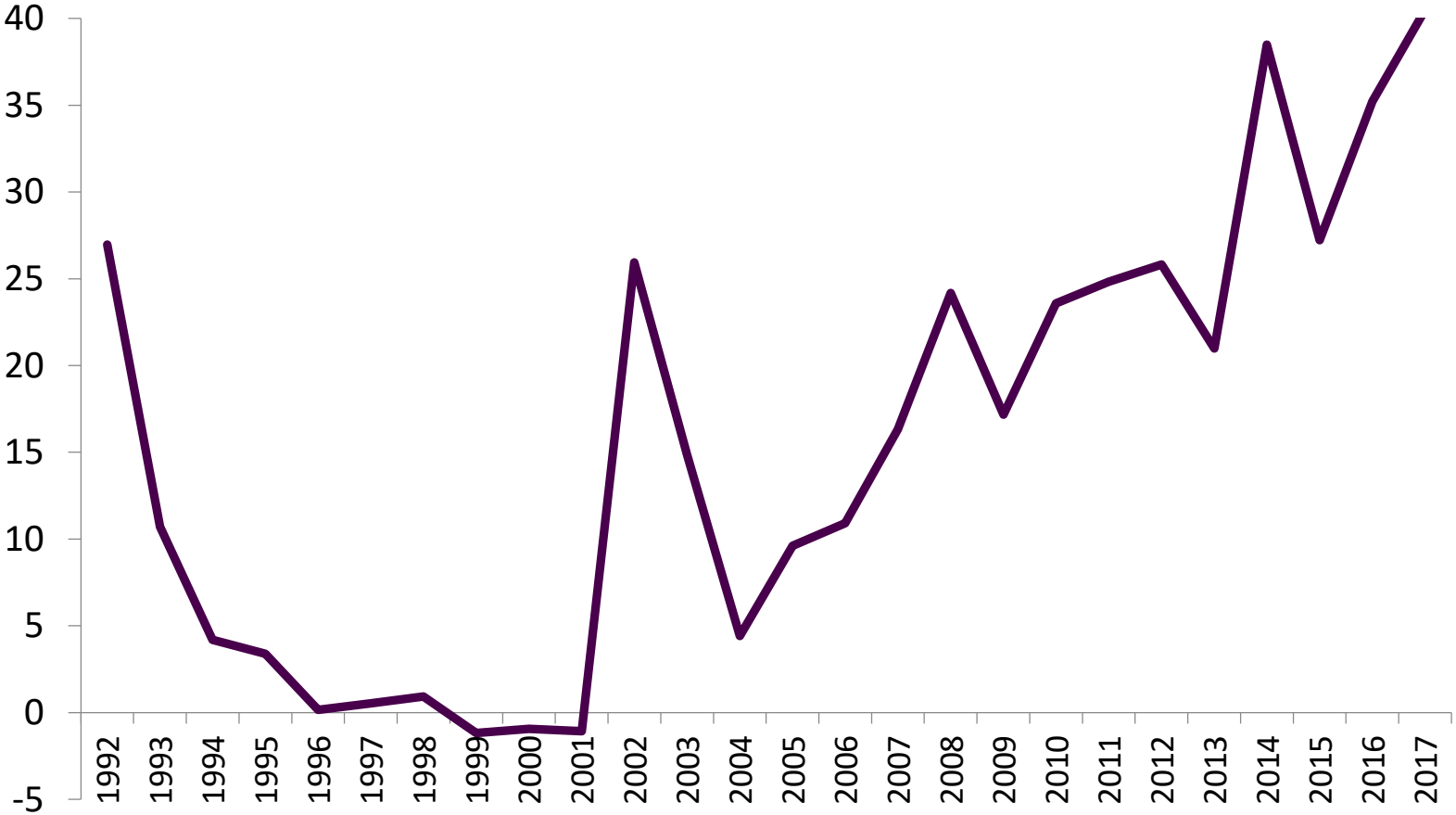
Note: Australian wheat production in 2018/19 is ~15.8MMT of which WA will produce ~9.1MMT (i.e. ~60%). Australian wheat exports in 2018/19 could be ~11 MMT. Argentina's wheat exports in 2018/19 could be ~13MMT.

Argentina versus Australia: Exchange rate differences

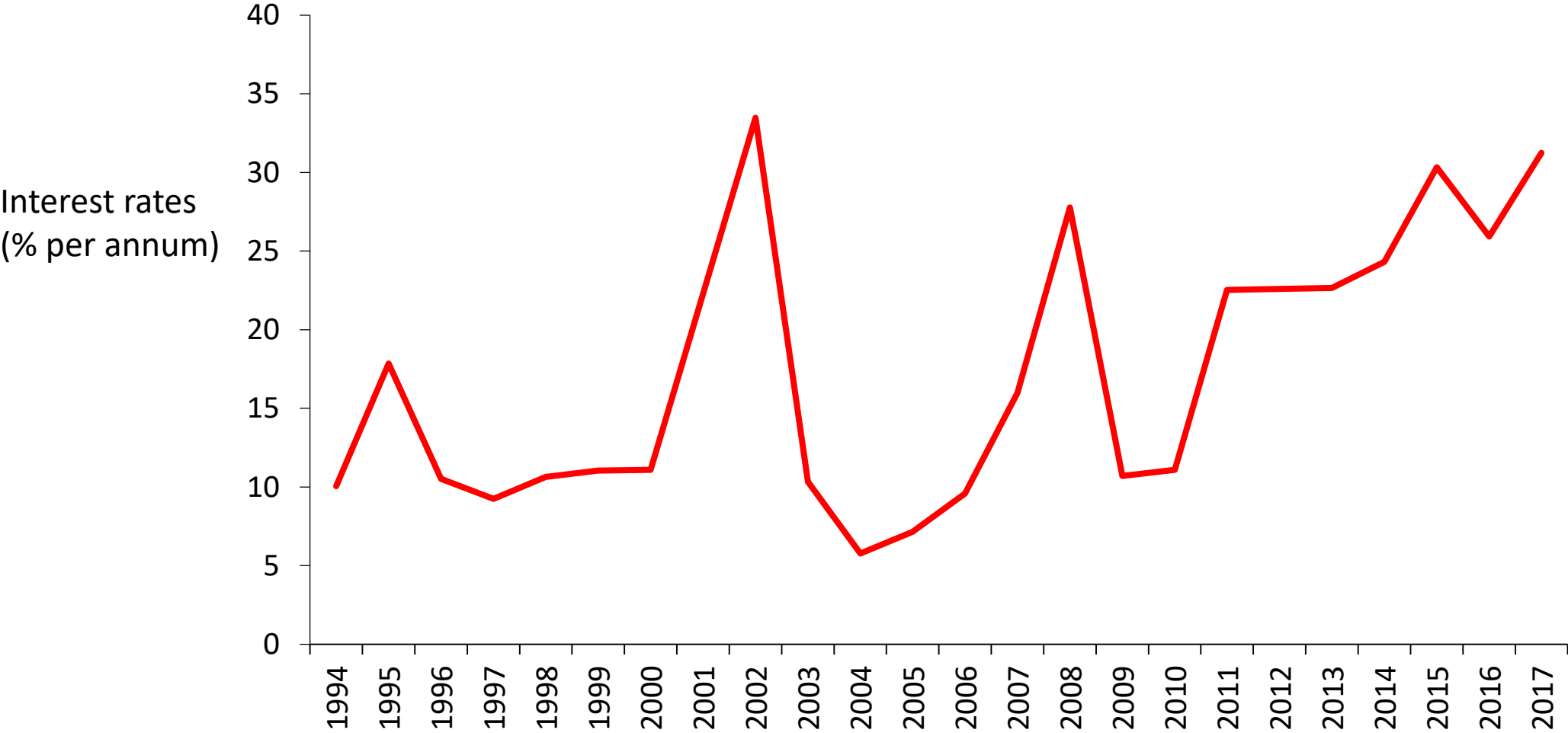


Argentinian inflation

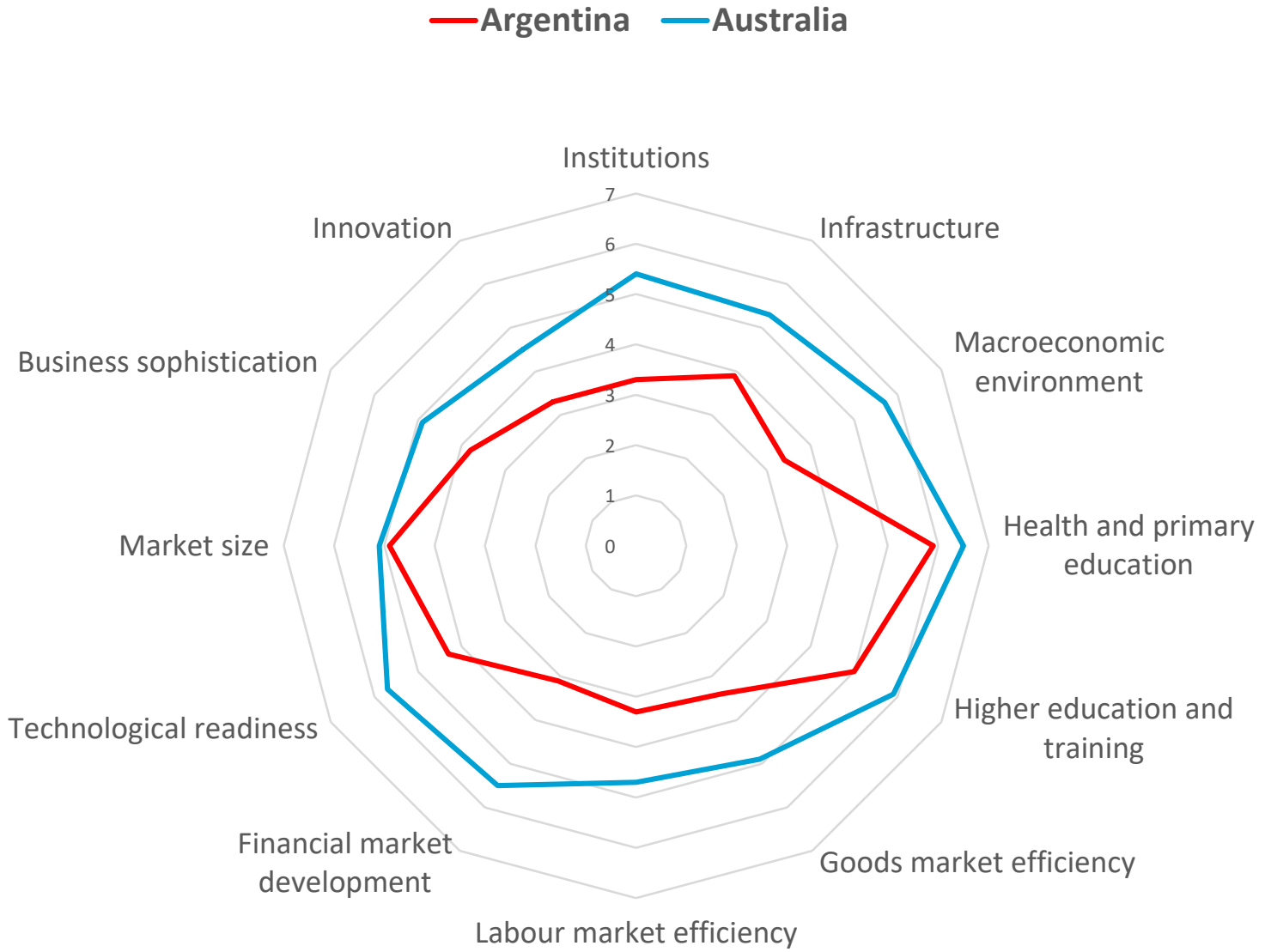
Annual rate of inflation
(% per annum)



Argentina's lending interest rates



Argentina versus Australia: Elements of competitiveness



Key Messages for Australia

Expect greater competition from Argentina in our wheat markets

Already 40 percent of Argentinian wheat exports are directed to markets in which Australia is also a supplier.

Although Argentina's premier market is and is likely to remain Brazil, the projected increases in Argentinian wheat production and exports will need to find markets elsewhere; and on current indications, some of those markets will be ones shared with Australian wheat exports.

Argentinian wheat exports will be supported by the modernising of its grain logistics network.

Institutional competition from Argentina, regarding market access and market development, will increase.

Additional wheat production from Argentina needs to be exported, so their grain organizations will commit to facilitating wheat exports.

Key Messages for Australia

Assess the efficacy and potential savings from use of Argentinian cropping gear

There is an opportunity for DPIRD, GRDC, GGA, FMIA and Kondinin Group to assess the value to grain farms from use of Argentinian cropping gear.

Machinery depreciation costs the average WA farm ~\$160K each year or \$50/crop hectare.

Fuel&oil costs \$25-30/hectare.

Monitor developments in Argentina

The Black Sea countries and Argentina are responsible for about 35 percent of global wheat exports.

Hence, any changes in their wheat production, most especially in the Black Sea region, due to climate, technology, politics or policy, have the capacity to greatly influence the international wheat trade, thereby directly or indirectly affecting Australian wheat exports. Australia's grains industry needs to be well informed about developments in these countries, mostly in the Black Sea region but also extending to include Argentina.

Sound economic and social policies matter!

Trustworthy institutions matter!