The extensive use of silo bags in Argentina helped to reduce the seasonal variation in grains prices

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Through the extensive use of silo bags in Argentina, the seasonal component in prices experienced a significant change. We refer to seasonal component in prices as the oscillation of prices at the spot market within a year that repeats very similarly in the same periods of each productive cycle. During sowing months, when supply is low, prices rise, while in harvest periods, supply is high and prices fall. In order to monitor grains prices evolution we considered two different periods: 1992-2003 monthly averages and 2004-2017 averages. The widespread use if silo bags took place in the second period. Therefore, we could conclude from this comparison that thanks to the implementation of silo bags in Argentina, prices became more stable throughout the year.

1994-2003 average		
1	January	1,060
2	February	1,003
3	March	0,953
4	April	0,924
5	May	0,942
6	June	0,945
7	July	0,966
8	August	0,980
9	September	1,012
10	October	1,026
11	November	1,063
12	December	1,083

2004-2017 average		
1	January	1,033
2	February	1,036
3	March	0,987
4	April	0,965
5	May	0,983
6	June	0,986
7	July	0,988
8	August	0,984
9	September	0,985
10	October	0,989
11	November	1,013
12	December	1,022

The green line in the following graph shows how soybean prices at harvest season (March-June) experienced a sharp drop in the 1992-2003 period, evidencing a strong seasonal nature of prices. On the other hand, the red line (2004-2017 monthly averages) is more stable showing softer price variations throughout the cycle.

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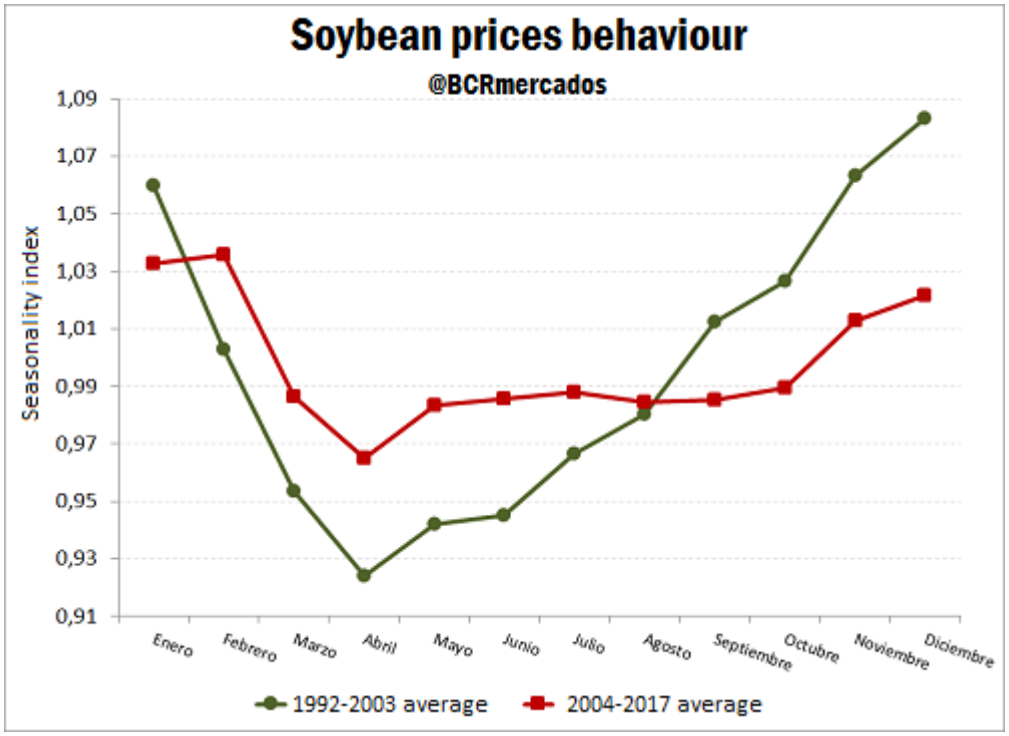

Silo bags not only helped to give soybean prices greater stability by moderating the fall in prices at harvest season but they also allowed farmers to store grains in their own farm at a low cost, avoiding the costs of moving the grains to local elevators. In addition, silo bags can be used as a complement to other storage systems. In case of weather adversities, the harvest can be stored at source, waiting for better conditions to transport it. Silo bags allow scheduling more economic freights from farms to local elevators and port terminals, at different times of the year to avoid high freight prices. Moreover, the system offers the possibility of separating different types of seeds and grains qualities. Silo bags use projections for 2018/19 crop cycle Furthermore, extensive use of silo bags reduces the incentives to invest in grain elevators reconditioning and expansion. In 2016, commercial storage capacity was 61.5 million tons while farmers' storage capacity in 2008 was around 15 million tons. The number and capacity of farmers' grain elevators would not have change significantly in the past year; what is more, it probably decreased in this period. As a result, about 45 million tons of grain would be stored in silo bags during the 2018/19 crop cycle, which would take about 250 thousand bags. The annual turnover of silo bags industry is US$ 500 million, including silo bags sales and contractors services (installation and maintenance works). This figure does not include the production agricultural machinery specifically designed for silo bag uses turnover and international trade, which represents around US$ 50 million a year. If 2018/19 crops meet planted area and yields projections, silo bags sales in Argentina could reach US$ 88 million and constructors services would represent US$ 410 million. Therefore, silo bags turnover would be US$ 500 million.

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