



2018/2019: Oilseed crushing would remain low in Argentina

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Several factors contribute to Argentina's decreasing crushing performance.

Major oilseed crushing countries

Ranking	Country	billion tons			
		Oct-Sep. 2018/2019 (estimate)	Oct-Sep. 2017/2018	Oct-Sep. 2016/2017	Oct-Sep. 2015/2016
1°	China	109.652	114.074	108.745	103.260
2°	United States	61.000	60.748	56.538	55.541
3°	EU - 28	49.183	49.280	47.628	47.129
4°	Brazil	47.328	46.830	42.403	41.751
5°	Argentina	45.685	40.376	46.829	46.361
6°	India	27.846	27.830	26.000	22.003
Total crushing (top six crushing countries considered)		340.694	339.138	328.143	316.045
Global oilseed crushing		481.369	474.164	456.831	435.375
Top six crushing countries share in total		71%	72%	72%	73%

Source: @BCRMercados based on OIL World Statistics Update. 28/9/2018

In 2017/18 cycle, Argentina fell from the fourth to the fifth position among major crushing countries. The country is likely to keep the fifth place during the current cycle, processing about 45.6 Mt. China, U.S., E.U. and Brazil lead the ranking.

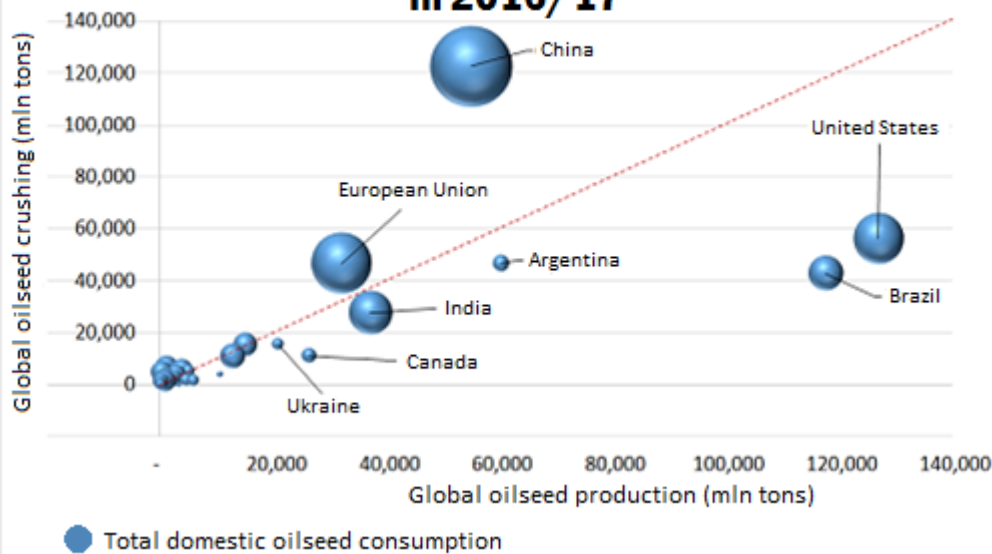


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Global oilseed production, crushing and consumption in 2016/17

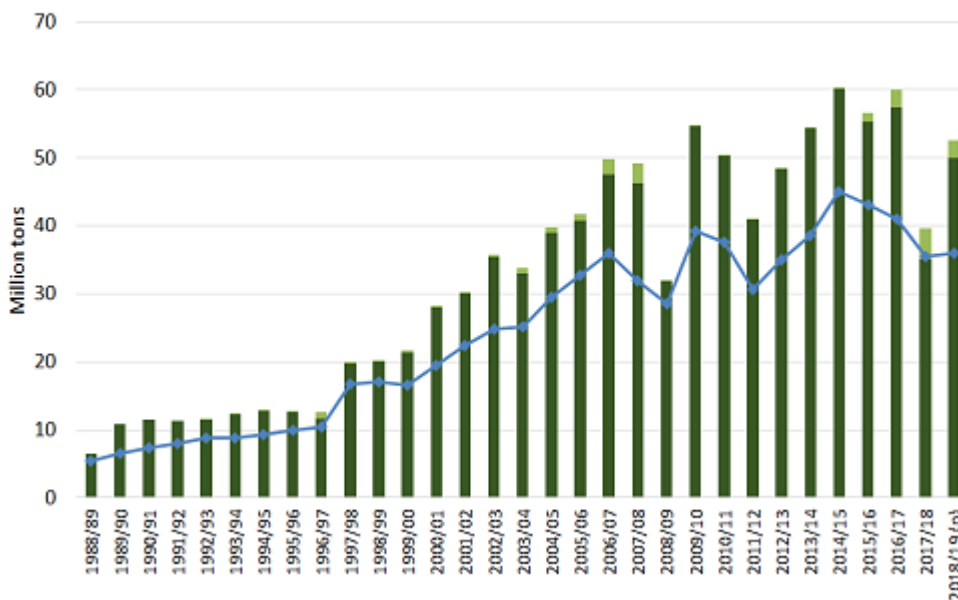


So, why is Argentina losing ground in terms of oilseed crushing as worldwide crushing increases year after year? In the first place, the country suffered the worst drought of the last 50 years in 2017/18 season. The adverse weather led to a cut in soybean production of 20 Mt. Therefore, it is expected for crushing to fall this cycle due to a smaller harvest. Secondly, it is usually very difficult for production to recover in the cycle that follows a severe drought. Furthermore, current cycle's situation is even more complex for farmers due to the high interest rates scenario that limit credit possibilities.

Soybean production and crushing in Argentina

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■ Production ■ Imports — Crushing



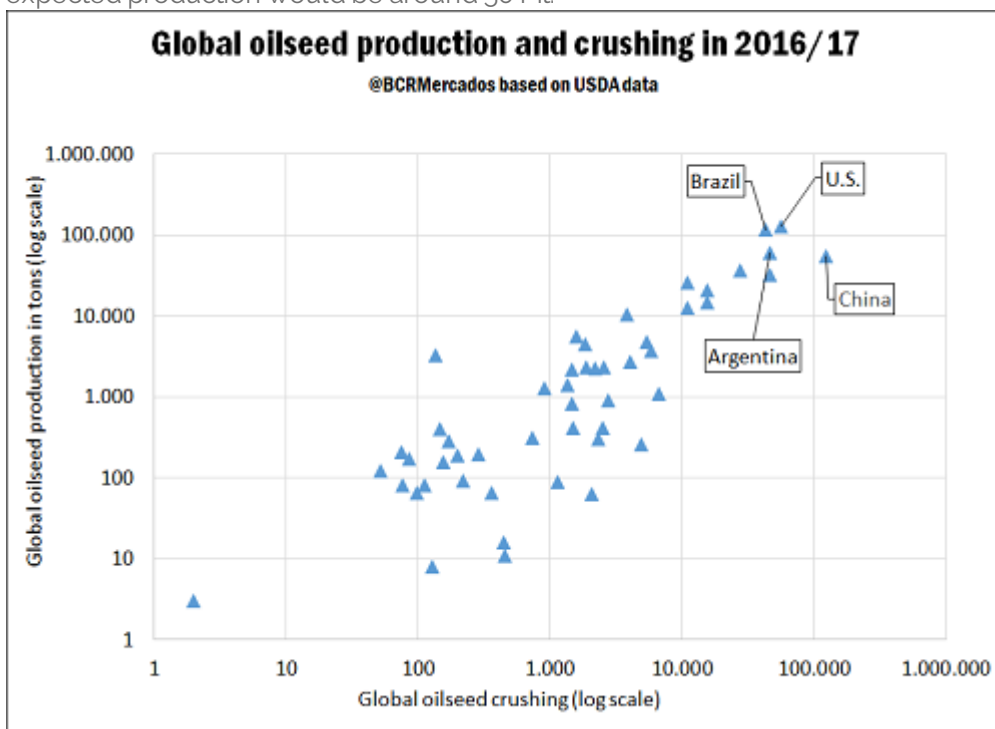


In the third place, in recent years, Argentina has been planting less soybean, which affects directly the local crushing industry. Soybeans planted area in 2015/16 was about 20.2 million hectares (Mha), and from then on soybean planted area decreased, falling to 17.9 Mt in 2018/19.

Soybean planted area in Argentina

Cycle	Planted area (Mha)
15/16	20,2
16/17	19
17/18	17,7
18/19	17,9

Thus, a lower local production would lead to a smaller crushing activity. Given the estimated 17.9 Mt planted area, the expected production would be around 50 Mt.



Last but not least, the removal of differential export taxes in the Argentine soybean complex will result in lower crushing activity in 2018/2019 and higher exports of unprocessed beans.

