Strong growth of the weight of main agro-complexes on exports

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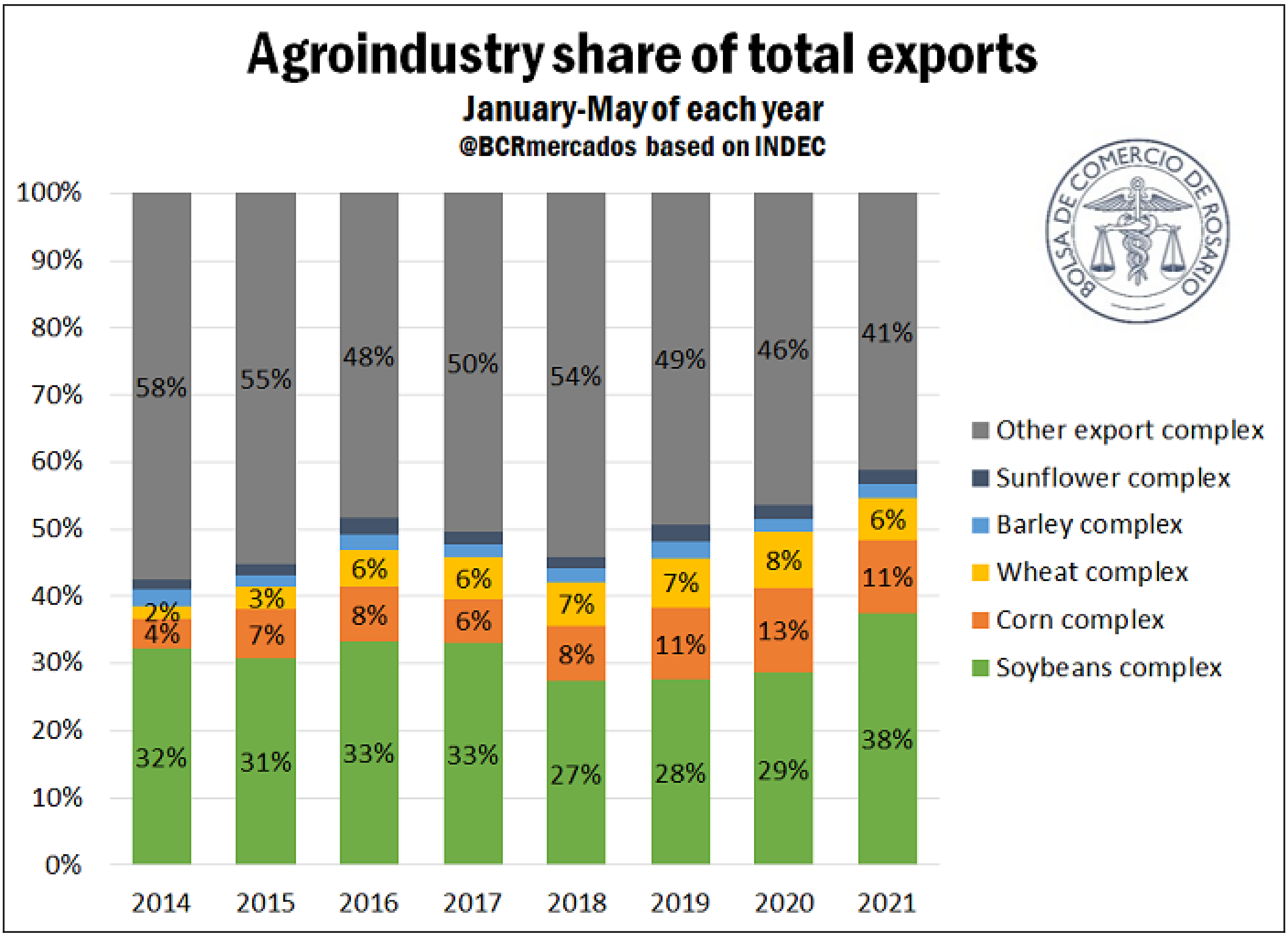
Agribusiness share of total exports increases. Encouraging start for soybean grinding, but caution on the short term. Corn harvest still delayed but expected. Average cargo of ships remains falling.

Between January and May 2021, exports of the six main agro-industrial complexes amounted to US$ 16,000 million, 32% above the same period in 2020. The increase of international prices of agricultural commodities thus allowed a steep rise of the country's foreign currency export income and, along with it, the share of soybean, corn, wheat, barley and sunflower seed complexes on total Argentinian shippings rose to 59%: six of every ten dollars brought into the country by foreign trade are generated by the production of these six crops and their related first and second stage processing industries.



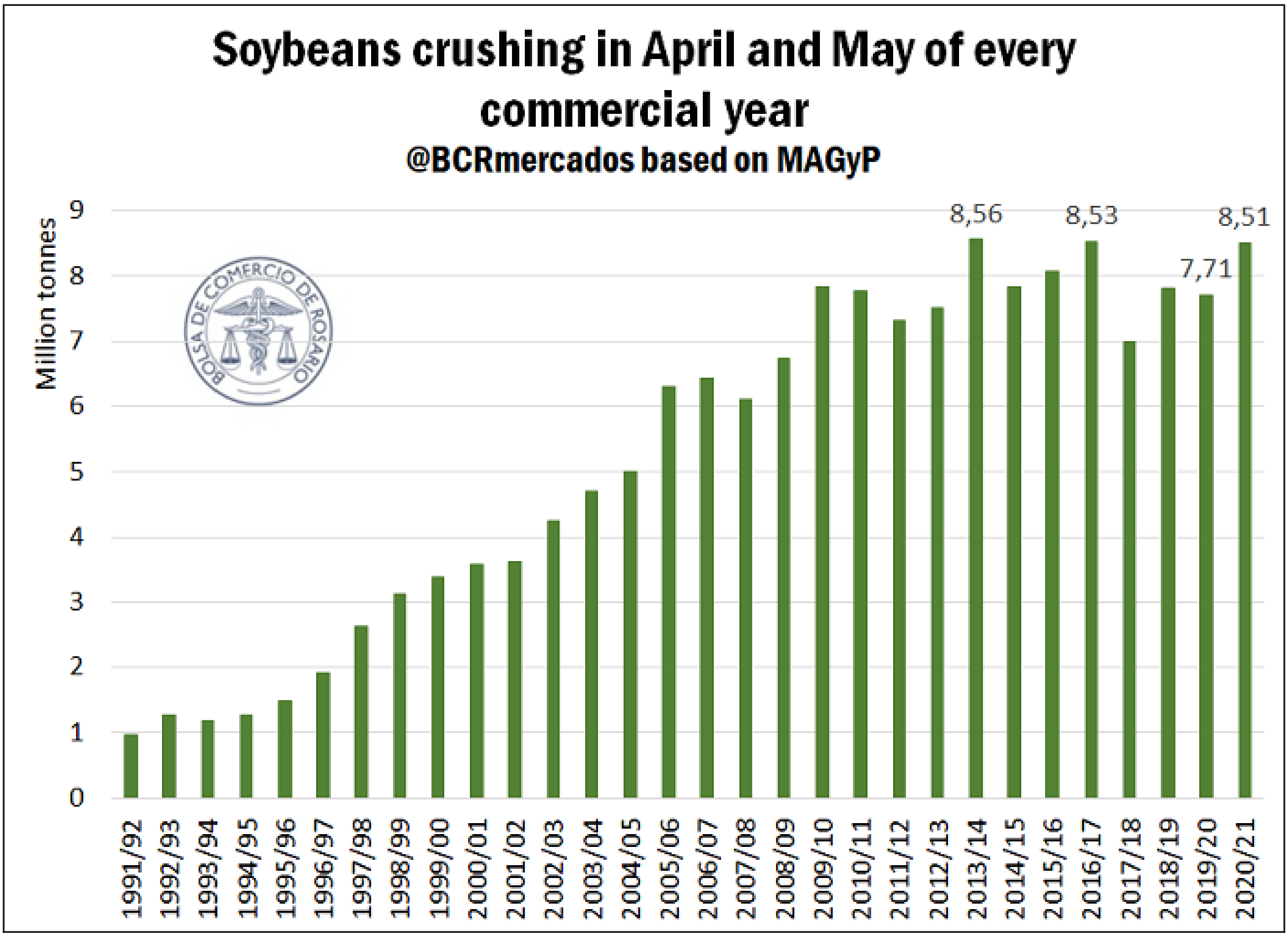
Looking at the abovementioned result in more detail, the Soybean Complex had the best relative performance, fueled by the increase of international prices of vegetable oils and the momentum gained by the industrialization of bean during the new crop season so far, as will be explained in the following paragraph. The value of its exports increased by 62% year-on-year, exceeding US$ 9,500 million, although the volume shipped "only" rose 9% during the same period, reaching 17.3 million tons. Corn Complex shippings, on the other hand, rose by 6% year-on-year between January and May, reaching US$ 2,800 million, although the exported volume decreased by 13% to 13,5 Mt. As will be seen later, the planting delay as a consequence of lack of soil moisture in September/October last year had an impact on the harvested volume of early corn, explaining the fall of shippings between March and April. However, prospects for second crop corn remain favorable, so the performance of the second main agribusiness export complex might improve during the second semester.

Wheat Complex was the most affected by last spring's rain deficit, reason why the price improvement could not compensate the drop of 26% of its exported amounts, which fell to 6.4 Mt during the first 5 months of the year, and the value of shippings receeded by 3% year-on-year, accumulating US$ 1,600 million during the period under analysis.

Barley and Sunflower Seed Complexes, with exports for US$ 522 and US$ 565 million, showed increases in the order of 40% and 33%, respectively, if compared to last year's figures. Their price improvements were remarkable and, at the same time, barley export amounts rebounded, driven by shippings to China.

Crop season off to a good start for soybean grinding, caution for upcoming months

Soybean grinding grew over 10% year-on-year during April and May, which correspond to the first two months of the crop season 2020/21. During those two months over 8.5 million tons were ground, being the third highest amount on record, only surpassed by crop seasons 2013/14 and 2016/17.



Nonetheless, soybean processing must be followed-up closely during the next few months. Productive forecasts of the [Agribusiness Strategy Guide (GEA, for its Spanish acronym)](#) show crop season 2020/21 around 45 Mt of soybean, a drop of over 10% compared to season 2019/20, which will result in less soybean available for grinding.

Price-wise, the increase in export values of industrial by-products enabled an improvement of the industry's theorethical margin (calculated as the difference between the theoretical FAS price of the industry and the Board of Trade price of soybean), which averaged US$ 16/t between April and May. However, in June the indicator started to plunge and, during the last two weeks, it dropped to US$ 2.5/t, halting payment possibilities of the main source of consumption of Argentinian soybean. This, combined with the 10% fall of soybean production during this crop season, which with the harvest virtually completed is forecast in 45 Mt, can limit the recovery of the industrial activity in the future.

On the other hand, the elevated margins observed during the last few months in the processing industry impacted positively on Soybean Complex cargoes. Along July, 2.71 Mt are expected to be shipped so far, a figure similar to the 2.74 Mt from last year. Nevertheless, near 70% of this soon-to-be shipped tonnage consists of soybean meals and pellets, with 18% of oils and only 12% of soybean. This composition is definitely different from the one on 2020, when meals and pellets accounted for 49% of shipments, plus 16% of oils and over 35% in soybeans.

Corn harvest remains below last crop season's pace, expectation for upcoming months

Yellow bean crop has reached 64% of the target area according to official estimations, rising over the average of the last five crop seasons, although it is still 18 percentage points under last year's pace.

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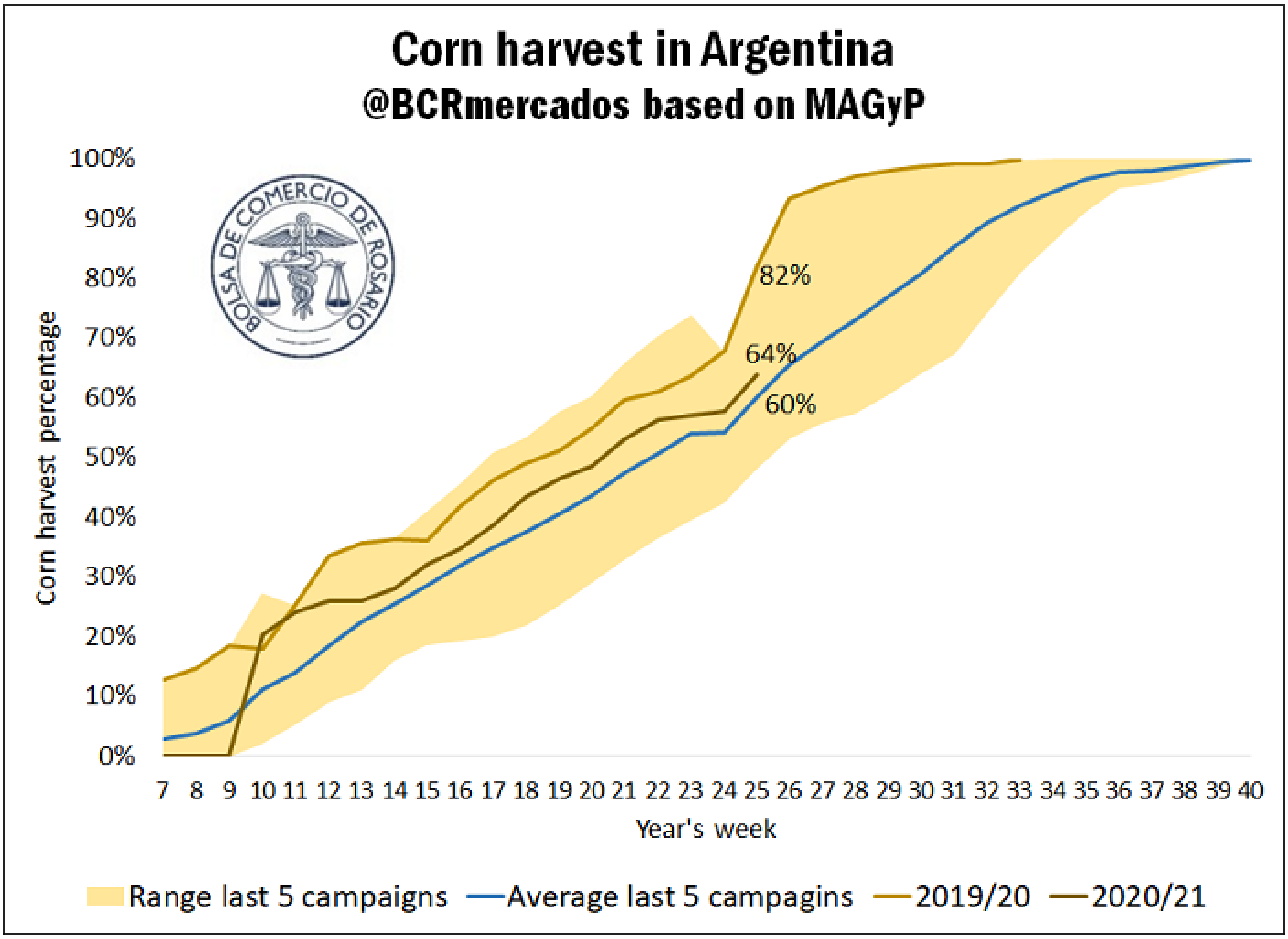

Last month, this weekly report remarked that harvest-pending area for corn was the highest in history. During the last few weeks, high moisture levels along with last week's snowfalls over wide productive areas in Córdoba limited the advance of the harvest. In other areas of Santa Fe, yellow bean is already ripe and waiting to be harvested.

From the beginning of the corn crop season (on March 2021) until this week, near 190,000 trucks with corn entered Up River ports. This number is below the last five crop seasons' average of 200,000 trucks, and even lower than last year's, when almost 241,000 trucks had already been unloaded.

The factories' need of grain has started to impact conditions of reception of yellow bean corn, and some ports increased the moisture tolerance of receipt along Up River Parana Ports, going from 14.5% to 16%, while others reached a tolerance of receipt of 18%. It remains to see what happens with these parameters once the pace of harvest of late corn in the central region of the country is generalized.

The level of Export Sworn Statement (DJVE, for its Spanish acronym) of corn amounts to almost 29.6 Mt, 16% above last crop season's values. 15.5 Mt of this tonnage were declared before the start of the crop, while the remaining 14.1 Mt were declared since March until today. This week, almost 0.85 Mt corn DJVE were added after two weeks that, consolidated, only reached half a million tons.

Alongside this positive dynamics of declaration, all over July almost 2 Mt of corn are forecast to be shipped on the Up River Parana Ports. This value is much higher than last year's 1.2 Mt. On a national level, between July and August, corn shippings are forecast for over 8 Mt.

River volume keeps decreasing, and so do ships' cargo

From this point on, the low water level of the Parana River, exit cargo route of the main origin port node of grain, oil and byproducts of the world, is of increasing concern for the actors of the chain. As highlighted by the National Water Institute (INA, for its Spanish acronym), during last week there was no rainfall on the headwaters of the Parana river, nor are they expected in the next two weeks. Therefore, according to the Argentine Naval Prefecture, the river in front of Rosario only reaches 0.39 m this week, and an average of 0.69 m during the last two months, while its historical average for the month of June is 3.17 mts.

Yet, according to the INA, no considerable improvement is to be expected in the next few months, with July being forecast as particularly critic regarding the Parana water level. Therefore, the Argentinian stretch of river could reach its lowest level in 77 years, which has already started to impact cargoes shipped on Up River Ports.

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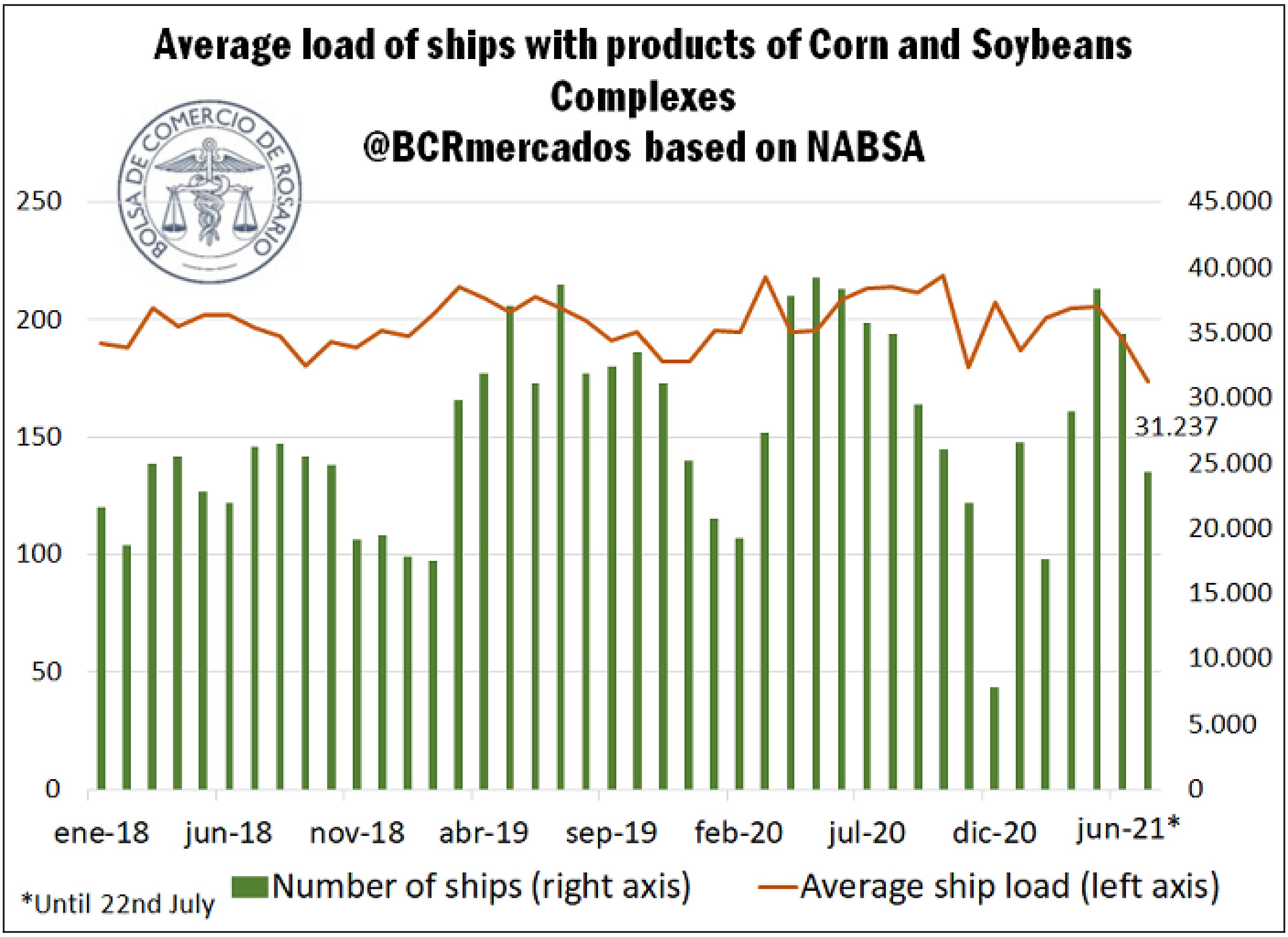

During June to date, the average ship cargo of products of the Corn and Soybean complexes barely surpassed 31,000 tons, when the average of the last three years is near 36,000 tons. At the same time, the fourth month is consolidated with drops in the ships' average cargo, while the months of June of the last two years showed an increase of the tonnage shipped. This cargo idle capacity causes millionaire losses for export logistics of the main genuine foreign currency source of the country.