

Doing the La Niña tango

■ By Peter McMeekin

THE weather woes afflicting Argentina's cropping regions this year have been extensive and look set to worsen in December with the La Niña phenomenon running at its strongest level in almost a decade. Many areas of Argentina have been in a moisture deficit since March, and the spring rains have been very sporadic, seriously impacting winter crop production and the summer crop planting program.

There has been a troubling trend across Argentina this year that is very familiar to Australian farmers. The weather forecasts have not been matching reality, the expected rain has not been turning up for the dance, and the dryer than normal pattern is expected to slow the Argentine summer crop planting program.

In mid-November the Buenos Aires Grain Exchange (BAGE) reported that planting of the projected 17.2 million hectares of soybean had been kicked along by scattered rains. But this was still 2.5 percentage points behind last year's planting progress.

Conversely, the seeding of this season's corn crop has stalled, due to both the extremely dry seedbed and a reluctance to plant during November to avoid flowering in the peak of summer.

Moisture permitting, seeding will resume in earnest in December with the total planted area forecast to reach 6.3 million hectares, down from 6.5 million hectares in 2019–20.

But many parts of Argentina remain woefully dry, and it is believed that some of the early sown row-crops in the driest regions will have to be replanted when soil moisture improves.

The first phase of corn planting in Argentina typically sees around 45 to 50 per cent of the crop planted by early November. With less than a third of the crop now in the ground, what will farmers do come December? Will they continue with their original corn area intentions and plant more of the lower-yielding late crop? Or will they swing some corn area across to soybeans?

It seems several local analysts are expecting the latter, which places a downward bias on corn production estimates and an upward bias on soybean production estimates, assuming the planting rains arrive in time to complete the seeding campaign.

In terms of production estimates, the USDA pegged the Argentinian soybean and corn crops at 51 and 50 million tonnes (mt) respectively. The BAGE estimates are a little more conservative, currently running at 47 mt for soybeans and 46.5 mt for corn.

Abysmal winter crop yields

Meanwhile, the Argentinean winter crop harvest is progressing slowly, and early yields are abysmal as a result of the extremely dry growing season, particularly in the northern provinces.

As of mid November, 19.8 per cent of the forecast wheat area had been harvested, up from 15.5 per cent a week earlier. The yields improved slightly week-on-week from an average of 1.0 tonne per hectare to 1.2 tonnes.

But with a planted area of 6.5 million hectares, there needs to be a dramatic recovery in yields if final production is going to get remotely close to the BAGE production estimate of 16.8 mt, let alone the USDA's 18 mt forecast.

In fact, the balance of the harvest will need to average almost 3.0 tonnes per hectare just to make the BAGE number.

The wheat crop is currently rated at 17 per cent good to

excellent, 40 per cent fair and 43 per cent poor to very poor. The deteriorating state of the crop throughout the growing season is clearly evident in the Wheat Crop Condition chart (Figure 1).

The Argentine barley crop has largely escaped the effects of the drought as it is mainly planted in Buenos Aires province and the eastern reaches of La Pampa province. Soil moisture levels have been quite favourable during the season which may well lead to higher than average yields if the kind conditions continue through to harvest. Smaller production areas further north in Cordoba and Santa Fe provinces are, like the wheat, in generally poor condition.

Good news for Australia

A smaller wheat crop means export offerings out of Argentina will be vastly reduced in the 2020–21 season. And at current prices, it is hard to see the Republic finding much demand outside of the local Mercosur region.

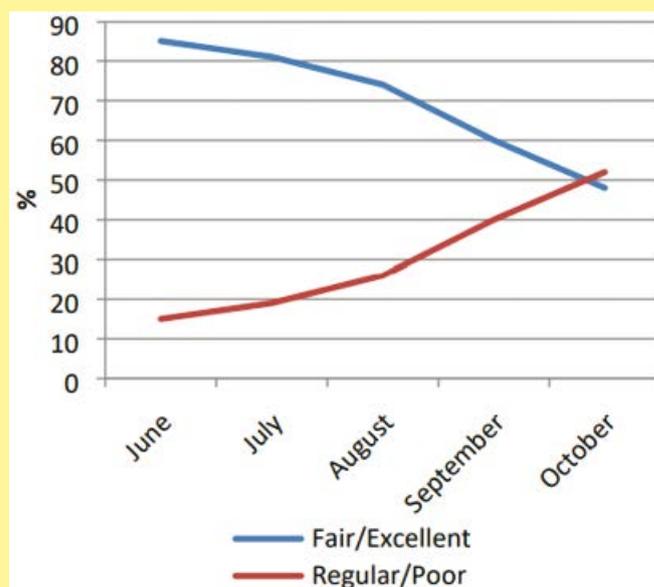
China is reported to have been purchasing barley of different qualities, including FAQ (fair average quality) which is used for malting. But other than China, barley export sales outside Mercosur block members will also be minimal.

In the search for new demand for its burgeoning exportable surpluses, in recent years Argentina has been a persistent seller into Asian markets. But the smaller crop this year and higher prices virtually eliminates Argentina as a competitor in the 2020–21 marketing season.

Currently, that leaves Australia the sole aggressive seller into Asia.

Call your local Grain Brokers Australia representative on 1300 946 544 to discuss your marketing needs. ■

FIGURE 1: Argentina wheat crop condition (marketing year 2020–21)



Source: FAS with database from "Crop Condition & Development Stages", Buenos Aires Grain Exchange (Bolsa de Cereales de Buenos Aires).