ARGENTINE AGRICULTURAL AND WHEAT POLICY

Ministerio de Agroindustria
Presidencia de la Nación

Argentine main facts

- Large territory: seventh in the world (2.800.000 km2)
- Low population: 42 million (10,4% rural) with a density of 13,3 inhabitants/Km2
- Different kind of weather and geography.
- Natural resources: fertile land and water.
- Human resources: well educated, without racial and religious conflicts.

Agricultural figures

- 31 million seeding hectares (tenth in the world) with capacity to extend it to 45 million.
- 136 million tons of grains and oilseeds production (historical record for crop 2017/18).
- 54 million heads of bovine stock.
- More than 4.700 kilometres of maritime coast.
- Ports facilities to export.
- Rail and road capacity for transportation in process of improvement.

Agricultural contribution

- 18% participation in the national GDP
- 15 % of the labor.
- 65% of total exports in 2016 were from agro-industry.
- Exports going to 180 markets
- 276.581 Farmers (80% Small and Medium)
- 17.800 processing industries

Economical Heritage from Former Government

- **30% of poverty rate**
- **Fiscal deficit of 5,5%**
- **Trade deficit equivalent to 5% of the exports, with a decrease of 25% in exports and 20% in imports during 2014 and 2015.**
- **Inflation rate of more than 30% in 2015 (second country in the world).**
- **Official dollar overvaluation, with controlled rate of exchange of the“peso”, and restrictions for free trade.**
- **Decline in the economic activity in general and 3,4% in the industrial sector, with consecuences in the employment..**
- **External debt in default under litigation with “holdouts” lenders.**
- **Worldwide isolation, etc….**

The Agricultural Heritage

- Two rate of exchanges (official and free) with a difference up to 60%.
- Export Taxes (23% for wheat, 20% for corn, 30% for sunseed, 35% for soybeans, etc…)
- Export quotas (wheat, corn, beef, milk powder, etc…)
- Import regulations for supplies-
- Decline in production of wheat, corn, sunseed, cattle, etc…
- Lack of credit.
- Conflict with the agricultural sector (treated as enemies).
- Worldwide isolation.

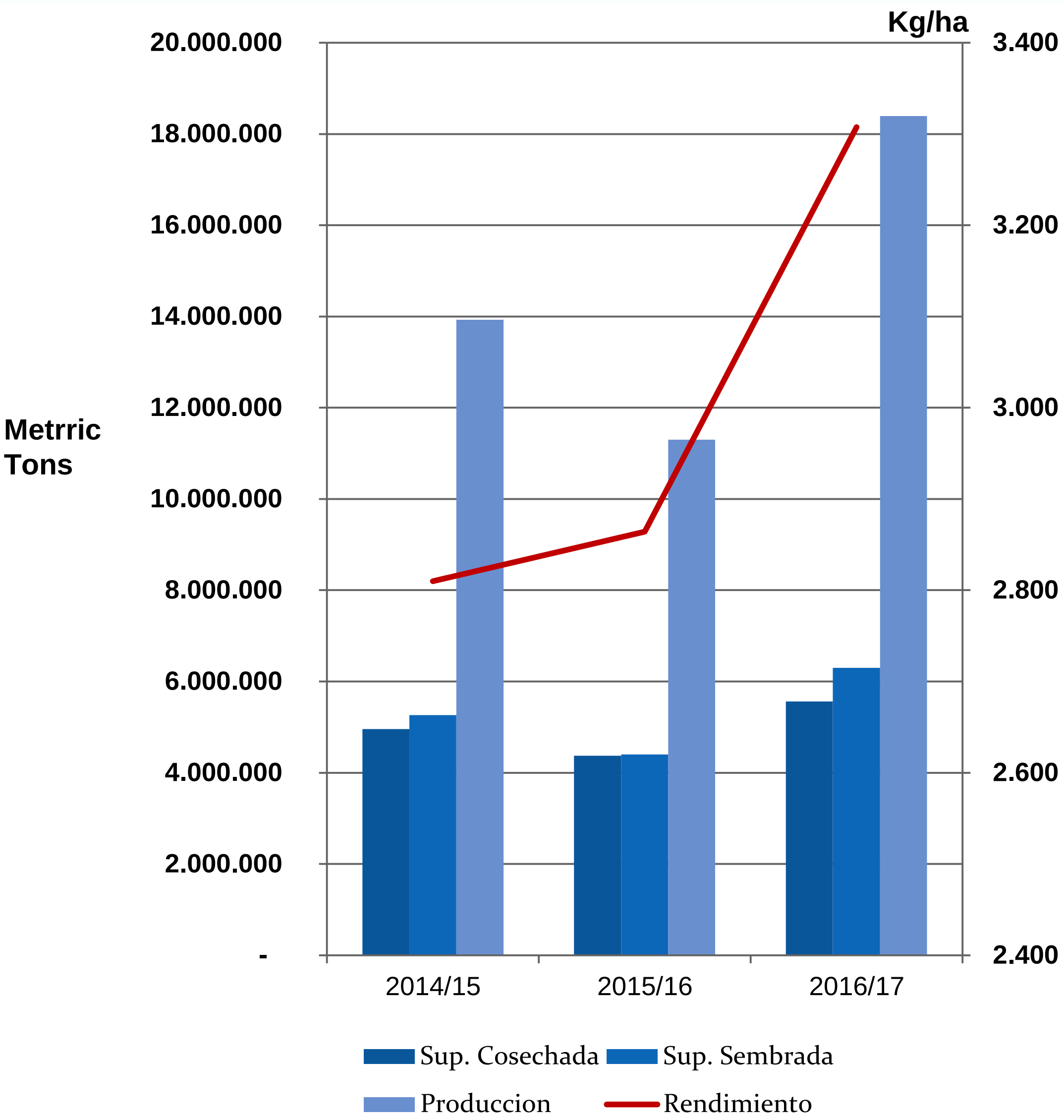
Policy changes for the agricultural sector

- Removal of export taxes (except in the soya complex which were reduced 5% and will continue to be reduce since January 1st. 2018 at the rate of 0,5% per month).
- Release of export quotas.
- Free rate of exchange.
- Payment to the “holdouts” and exit of default recuperating the external credit.
- Permissions to import supplies.
- Open contacts and trade with all the countries of the world. New markets.
- Cooperation between private and public sector.

› Effects of the new policy in wheat production

- Heavy increase of production (+63%).
- Increase of exports (+150% respecting crop 2014/15) and diversification of country destinations (from 23 to 45).
- More aquisitions of fertilizers (+46%).
- Better rotation of soils and quality improvement in protein.
- Heavy increase of tractor sales and agriculture machinery.

Wheat reaction



Export taxes 23%

Export quotas fixed by Government

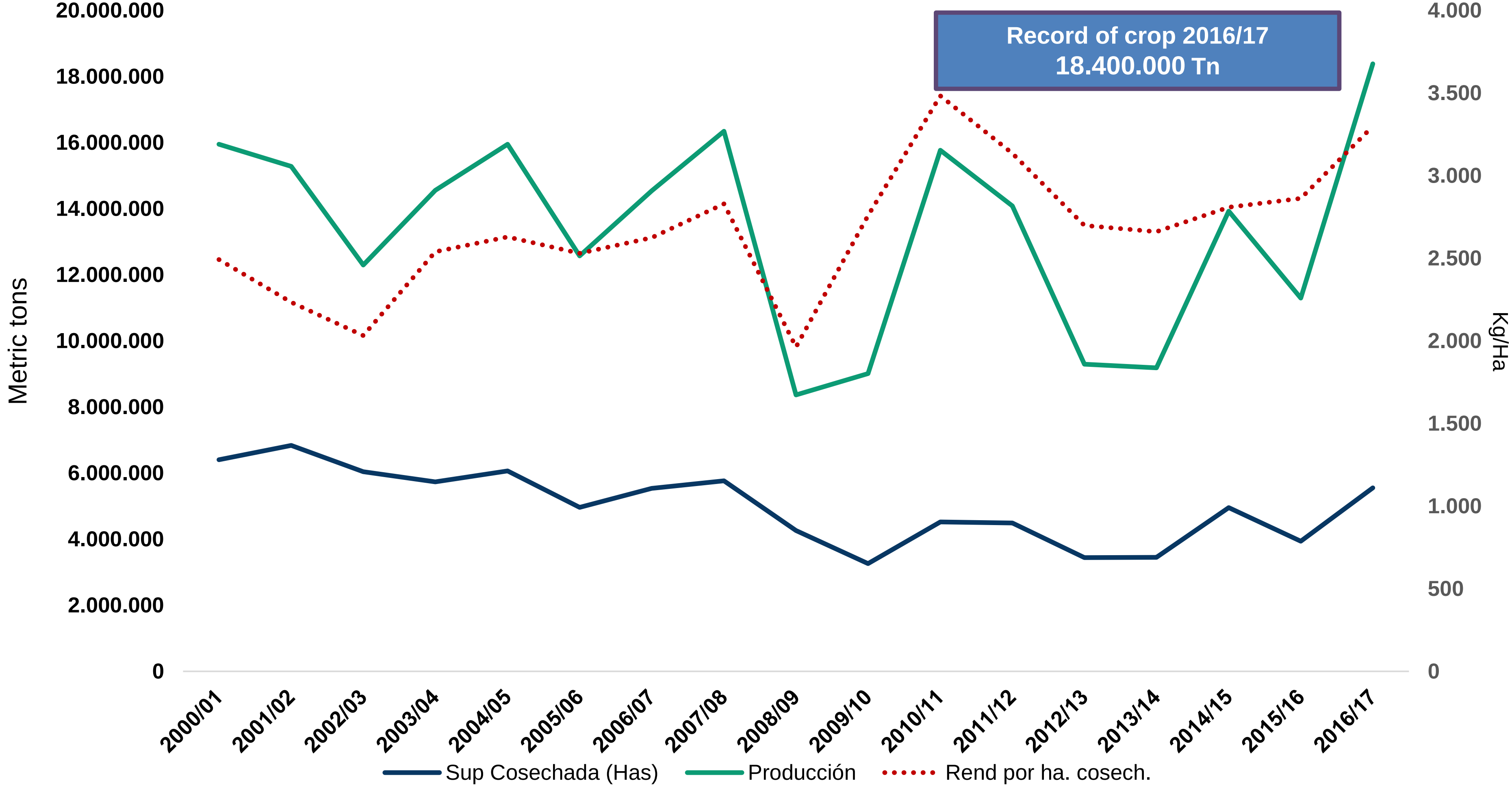
63% increase of production

27% more fiscal incomes due to other taxes

46% more use of fertilizers

Source: BCBA

Wheat production



Source: Dirección de Estimaciones Agrícolas

Wheat: Supply and Demand (million metric tons)

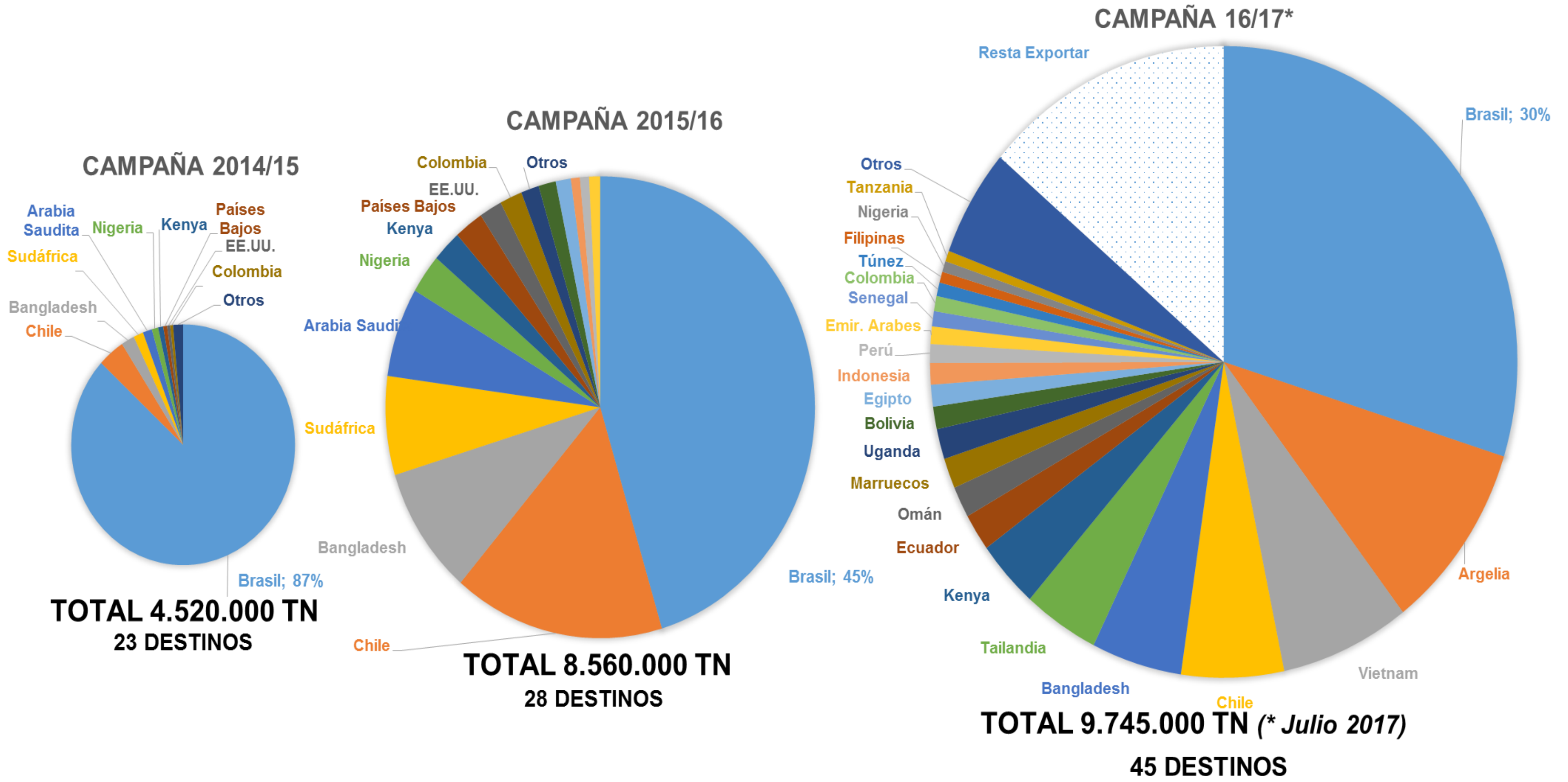
At 21/09/17

Crop	2016/17*	2015/16	2014/15
Beginning stock	1,50	5,13	2,63
Production	18,40	11,30	13,93
Area	6,36	4,40	5,25
Yield	2,89	2,49	2,57
Total supply	**19,90**	**16,43**	**16,56**
Local consumption	6,90	6,39	6,92
Seed and others	0,90	0,80	1,20
Milling	6,00	5,59	5,72
Exports	11,30	8,54	4,51
Demand	**18,20**	**14,93**	**11,43**
Final stock	**1,70**	**1,50**	**5,13**

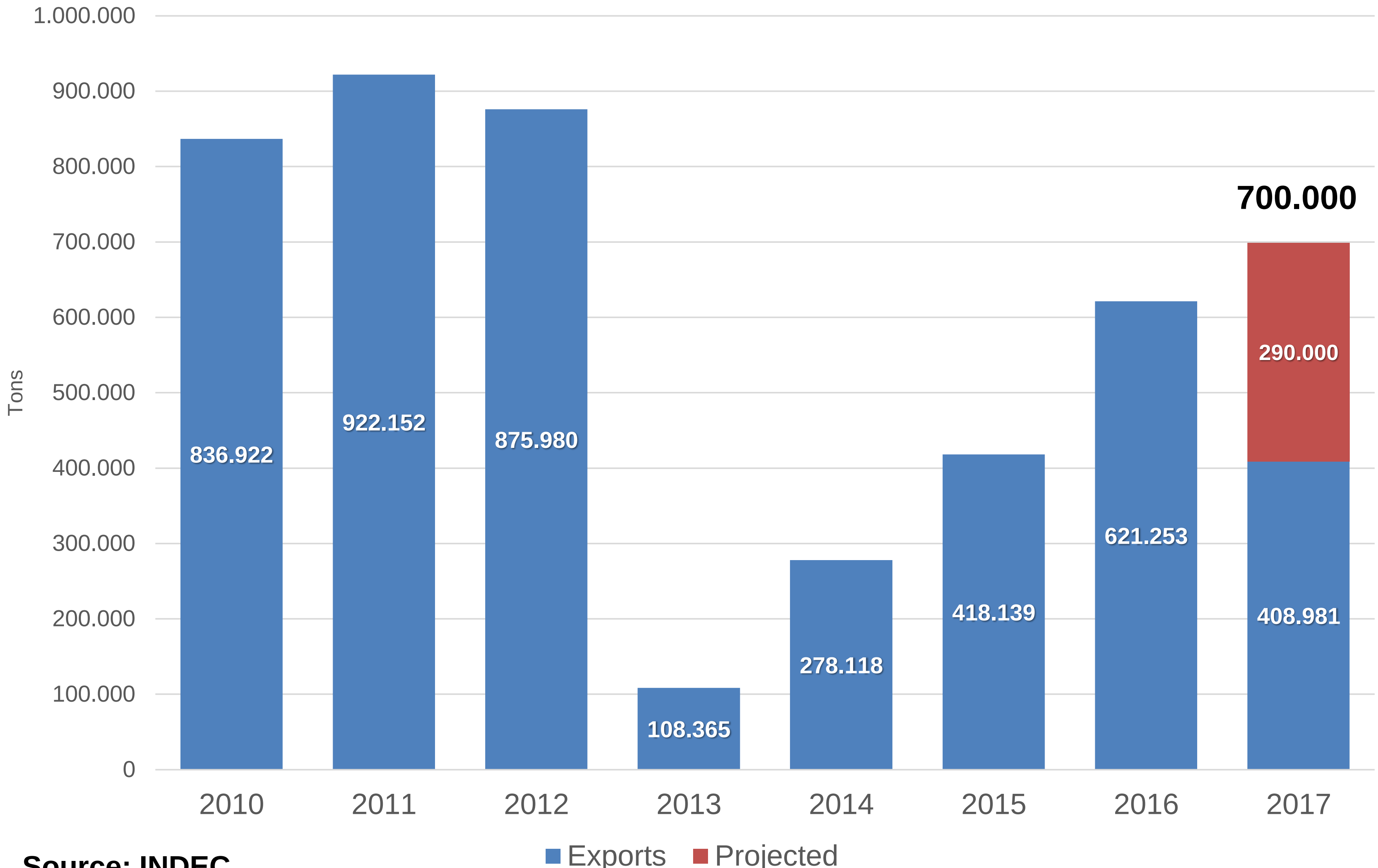
(*) Estimated

Source: Dirección de Estimaciones Agrícolas

Wheat Export Markets



Wheat flour exports (metric tons)

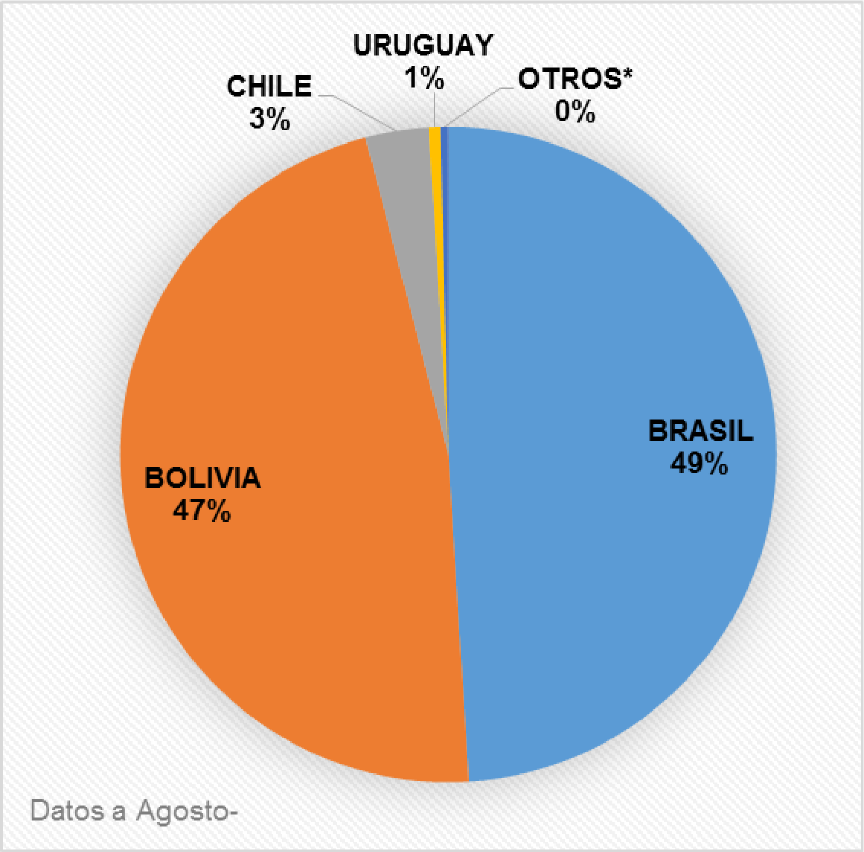


Source: INDEC

Wheat flour exports (metric tons)

Destinations	2016 (Jan-Dec)	2017 (Jan-Jul)
Brasil	324.868	208.082
Bolivia	226.108	180.071
Chile	16.887	10.527
Uruguay	3.849	2.778
Angola		6.000
Paraguay	1.537	472
Ecuador	828	529
EE.UU.	420	148
Venezuela		184
Sierra Leona		112
Costa Rica	92	
Colombia		69
Panamá	23	
Hong Kong	23	
España	1	9
Francia	1	
Total general	**574.638**	**408.981**

Source: INDEC



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