

# Argentina

## Argentina's grains industry: Implications for Australia



**Argentina...**  
produces 125mmt  
of grain



...exports 86mmt of grains  
and oilseed products



...representing 15% share  
of world grains trading

## Key findings

### Grain production and export

Argentina produces 125mmt of grain, or 5% of world grain production. Its share of world grains and by-products' trading is 15%, involving exports of 86mmt of grains and oilseed products.

### Wheat production and export

Wheat production in Argentina could consistently reach 21mmt by 2025 as the area planted to wheat increases by a further 2m ha and farmers get better yields through increased farm inputs, superior varieties and improved technologies. Argentina will continue to use around 6-7mmt of wheat domestically, so about 14-15mmt will regularly be available for export, compared to the average annual export of only 6.5mmt between 2008/9 to 2014/15. In 2018, around 6.1 million hectares is being planted to wheat with anticipated production being 19.1mmt.

### Production and supply chain costs

The per tonne farm cash costs of wheat production in Argentina are low by international comparison. Argentinian wheat can be grown and placed aboard ships for about US\$27/t cheaper than Australian wheat. Supply chain costs range from between 22% and 27% of the FOB price, depending on distance to port. Total farm costs are greatly influenced by government taxes relating to whether or not a farm is owned or rented.

### Wheat breeding

Wheat breeders have historically been constrained by poor enforcement of intellectual property rights, however this is improving. Currently, breeders focus on yield rather than grain functionality and quality, and while yield will always remain a priority, many Argentinian experts acknowledge that as Argentinian wheat exports re-enter markets or attempt to establish new markets, greater diversity in grain functionality and quality will be required.

### Government reform

Argentina's government has a reform agenda that includes not viewing the grains industry solely as a 'cash cow' to be relentlessly heavily taxed. Policy reform and infrastructure investment will help sustain the export competitiveness of its industries, including the grains industry. For agriculture, an eventual lessening or removal of export taxes, enhancing productivity, and upgrading supply chain infrastructure are already helping to underpin the export competitiveness of Argentina's grains sector.

### Industry-good functions

Argentina's grains industry has largely self-funded its industry-good functions. Rather than rely on government funding and action, the grains industry has established and supported its own set of industry-good organisations. Australia could potentially learn from Argentina about how to fund and undertake industry-good functions.



## Actions for Australia's grains industry

- Keep committing to R&D for farm-level innovation that drives down the unit cost of wheat production.
- Commit to R&D for supply chain innovation. Upgrade, rationalise and unleash competitive and collaborative pressure in supply chains to drive down their overall unit costs.
- Learn from Argentina regarding how to efficiently and effectively fund and undertake various industry-good functions.
- Monitor and report changes in Argentina that affect grain markets. Argentinian wheat could form a slightly larger share of the international wheat trade, so it is likely that Argentinian wheat production and exports will affect grain markets.
- Target markets and market segments with differentiated types of Australian wheat. This requires gathering intelligence about the specific characteristics of Australian wheat that are highly valued in different markets or that are required by different end users of wheat. This intelligence can be used to align wheat breeding, classification, assessment and handling to support the export of Australian wheat to differentiated, premium markets.
- Form an organisation to collect end user intelligence and demonstrate, and communicate, the value of Australian wheat to end users. Industry will and leadership (and a degree of inventiveness) is required to form and sustain such an organisation.
- Don't panic. Australia faces a gradual intensification of competition from Argentinian wheat not an immediate avalanche of grain. In that sense, Australia has time to respond. The more immediate and commercially powerful threat for the Australian wheat industry, is Black Sea wheat production, not Argentinian wheat production.

## Key implications for Australia's grains industry

### Increased wheat competition

Increased wheat exports from Argentina will cause increased direct and indirect competition in Australia's key wheat export markets. The indirect impacts arise as Argentina initially enlarges its exports to the Mercosur trade bloc and other nearby markets, displacing other origin wheat, some of which may be redirected to other markets in which Australia has a stake. Direct competition will arise when Argentinian wheat directly enters key Australian markets such as those in South East Asia.

### Organisational competition

Australian wheat exporters will face not only growing price competition but also intensified organisational competition from Argentinian industry organisations funded to serve Argentina's grains sector and its customers.

### Australian industry improvements

Australia needs organisational innovation to ensure its wheat breeding, classification systems, supply infrastructure and trade

development activities efficiently align to deliver strategic benefits to all transactional parties, including end users. Australia especially could learn from Argentina about how to fund and undertake some industry-good functions.

### Growth in Asian demand

Asia's rapidly growing markets are likely to continue to accept wheat from Australia and wheat from other origins, such as Argentina and the Black Sea region, with Australia's market share in some of those markets likely to be diluted.

### Remember Argentina, but focus on Black Sea

Argentinian wheat production is a far lesser threat than wheat production in the Black Sea region in the near and longer term. However, the growing importance of Argentinian grain in international grain markets makes it necessary for Australia to monitor and respond to developments there.



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