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Argentina Agribusiness Outlook 2025

Grain, Beef and Dairy Trends

Argentina's new president, Mauricio Macri, was sworn in on 10 December 2015, promising a pro-business agenda and a radical change of direction from the widespread intervention that characterised the country's previous administration. The impact of intervention on agribusiness in the preceding years had been significant, affecting cost-competitiveness (via the imposition of currency controls that kept the peso much stronger than it would have otherwise been) and revenues (via the imposition of export taxes). As a result, profitability was reduced, investment discouraged and growth stifled. Area planted to grains & oilseeds actually declined by 8 percent between the 2011/12 and 2015/16 crop years. However, with a dramatic reduction in intervention initiated at the end of 2015, the agribusiness sector is expected to rebound strongly over the coming years. The aim of this report is to re-evaluate the medium- and long-term prospects for production, consumption and exports of Argentina's most important commodities in light of the profound changes in agricultural and exchange rate policies implemented at the end of 2015.

On taking office on 10 December 2015, President Macri certainly didn't waste any time in making changes (see Figure 1). Within a week, he delivered on a pre-election pledge to end export taxes on a number of key agricultural commodities. In brief, the measures introduced included:

- a 5 percent reduction of export taxes for soybean and its by-products;
- the elimination of export taxes on all other agricultural commodities;
- the removal of export restrictions (the need for export permits) for grains & oilseeds

In the same week, the new finance minister announced that the peso—which had been tightly controlled for the previous four years—would be allowed to float, prompting an immediate 40 percent devaluation.

Figure 1: Summary of changes in export tariffs

Commodity	Export tariffs pre-2016	Tariffs in 2016	Expectation 2016-2025
Corn*	20%	0%	0%
Soybeans	35%	30%	-5% per year to 2022
Wheat*	23%	0%	0%
Soymeal	32%	27%	N/A
Refined soy oil	32%	27%	N/A
Beef*	15%**	0%	0%
Dairy products*	0%	0%	0%

Source: Rabobank 2016

* For some commodities, quotas and export licence restrictions were also used at times to limit export volumes.

**Only applied to the principal cuts consumed in the domestic market.

These changes have enormous implications for Argentina's most important agricultural commodity sectors, for the country's economy (agribusiness accounts for 20 percent of GDP and 55 percent of total exports) and for the international markets of Argentina's leading agribusiness exports. After analysing the opportunities created by these changes and having exchanged views with a number of sector players, our main conclusions for the long term are:

- **Grains & oilseeds.** By 2025, the combined output of wheat, corn and soybeans will increase by 40 percent. In addition, total exports of wheat, corn and soybeans will increase by about 50 percent, rising from 34.7m tonnes in 2015 to 52.5m tonnes in 2025.
- **Beef.** While domestic consumption is expected to expand in line with population growth, 2025 beef production is expected to rise, from 2.7m tonnes to 3.5m tonnes. Consequently, exportable beef surplus is expected to reach 0.8m tonnes by 2025, four times greater than current (2015) exports.
- **Dairy.** Milk production will record a minor gain of 3 percent by 2025 on 2015 levels, reaching 11.6bn litres after recovering from a combined contraction of 18 percent in 2016 and 2017. Domestic consumption will increase by 15 percent to 2025, while exports will account for 15 percent of output at the end of the forecast period, down from 24 percent in 2015.

Naturally, any study involving long-term projections of agricultural production necessarily requires that assumptions are made regarding policy and other variables. The projections developed in this study assume that the policy package introduced by Mr. Macri in December 2015 remains in place throughout the forecast period. Any significant change in this assumption would, of course, change the results of the study.

Macroeconomic expectations

Aiming to put the house in order swiftly

The Macri administration took on the difficult challenge of addressing the country's macroeconomic imbalances and decided to do so quickly. Normalisation of the foreign exchange market came first by floating back the currency, and freeing controls on companies and individuals to purchase and sell US dollars. This immediately brought back some competitiveness to the exchange rate, at ARS 14/USD in early 2016 (vs. an average of ARS 9.2/USD in 2015).

Argentina went through one of the largest sovereign defaults in history during its 2001 crisis, suspending payment on around USD 95bn of debt. Since then, the country has settled with most of the bondholders, through a restructuring process in two phases during 2005 and 2010; however, a small group, known as 'holdouts', entered a legal dispute in order to receive 100 percent of the bond's face value. After a lengthy legal battle with the holdouts in New York, Argentina lost the case and was obliged to pay in 2014. The Macri administration prioritised putting an end to the 15-year default by paying the holdout bondholders. On 19 April, Argentina returned to the international capital markets for the first time since the country's default in 2001, with a USD 16.5bn multi-tranche bond offering, the largest ever EM new issue. This successful transaction paved the way for local companies to start accessing international capital after a long shutout period, and it should help private sector to finance investment projects.

Measures to control a 40 percent annual inflation rate included adopting a realistic basic interest rate (peaking at 38 percent in April/May 2016 and currently at 28 percent), with a set of inflation and fiscal targets starting in 2017, while 2016 is regarded as a year of transition. Those targets look difficult to achieve, as the government is undertaking a challenging balancing act—between a shock therapy that would restore credibility and a gradual approach that reduces the risk of social backlash. However, these targets are a sign of the government's intentions to normalise macroeconomic policy.

To reduce the fiscal deficit, and avoid further deterioration of the electricity and gas sectors, utility tariffs, which were heavily subsidised, were readjusted upwards in an attempt to bring back stability and investment to the energy sector.

An adjustment period that demands tough sacrifices

Most of these measures were necessary and were largely well received by the private sector. However, consumption and industrial activity are both down this year, and GDP is forecast to shrink by around 1 percent in 2016. Inflation will probably average 40 percent this year, and the exchange rate is starting to look overvalued, as it stopped depreciating, even seeing monthly inflation rates of around 2 percent in recent months.

There was always going to be a transition period with some painful consequences along the way, given the size of the task at hand and the imbalances in the economy at the start of the current administration. Initially, expectations were for economic improvements to start materialising by the second half of 2016; however, most indicators show that the economy is contracting. The positive news is that market expectations are improving for 2017, and moderate growth is expected to return next year. Inflation has also already been reaching levels of 2 percent or less in recent months. Despite the current difficulties and specific problems, the private sector is largely optimistic that the country is on the right track towards improvement.

Politically, the Macri government has managed to create alliances in congress and ties with provinces, and these are enabling its reformist agenda to gain momentum. The key test will be the 2017 mid-term elections, which will dictate the government's ability to pass through reforms in the second half of its tenure, depending on how the legislative branch shapes up. For now, the opposition's less radical majority seems amenable to working with the government, and a continuation of that relationship will be essential after the mid-term elections. So far, some of the alliances have been costly from a fiscal standpoint, impacting future fiscal targets. The judiciary has already challenged the government's tariff increases, and it is uncertain as to whether further legal battles lie ahead for the administration.

Outlook moderately favourable... but risks must be considered

Overall, the macroeconomic and political outlook feels favourable for agribusiness in Argentina. The government has signalled a willingness to intervene much less than its predecessor, by offering more favourable trade conditions and removing most export tariffs. As described in more detail in the following chapter, it has announced programmes to improve infrastructure, and it has reduced Argentina's isolation of the last decade by initiating dialogues with trade partners beyond Mercosur.

But some crucial factors that will impact the agribusiness sector in the coming years have yet to be addressed: expanding credit access for farmers—particularly small- and medium-sized enterprises, which are undercapitalised after years of market intervention—is key to boosting much-needed investments in technology and genetics. Also, labour market reforms—a difficult area—may have to be addressed in order to achieve long-term gains in productivity.

The government is using considerable political capital in driving the measures it has announced thus far, and it needs public backing to maintain its policy momentum. The question is whether economic growth and lower inflation will come soon enough—solidifying the government's ability to continue a reformist agenda beyond the 2017 mid-term elections.

Thus far, market forecasts indicate that the current policies could yield some improvements next year, with GDP growth of 2.8 percent and inflation of 23 percent forecast for 2017 (according to the Economist Intelligence Unit). It is still early to tell whether growth will materialise, but at least early signs of lower inflation are starting to appear. As mentioned in the introduction, any significant change in the long-term macro and policy outlook would materially influence our projections for agricultural production, consumption and trade.

G&O: tariff removal and improved logistics will boost production

Argentina is the world's largest exporter of soymeal and soy oil, and third-largest exporter of unprocessed soybeans. It is also the third global supplier of corn and eighth-largest wheat exporter. Argentina produces around 110m tonnes of these grains annually, making it one of the world's leading agricultural exporters.

The policy changes made in December were bold and, unsurprisingly, are of vital importance to agricultural players operating in, or exposed to, the Argentine G&O industry. Thus, in this chapter, we explore how these changes are expected to alter the Argentine G&O landscape, particularly with regard to the production of soybeans, corn and wheat—the three most widely-planted crops.

Acreage: corn and wheat to quickly expand after years of losing area to soybeans

In order to avoid taxes and considering the adverse impact of necessary export licences over the past decade, many farmers in Argentina switched to less-regulated crops (such as

barley) in order to benefit from better prices of freely-traded agricultural products. Corn and wheat export quotas—which the government could raise or lower without notice throughout the year—dampened competition among buyers and primarily pushed growers towards soybeans, which were taxed at 35 percent, but were not subject to export curbs.

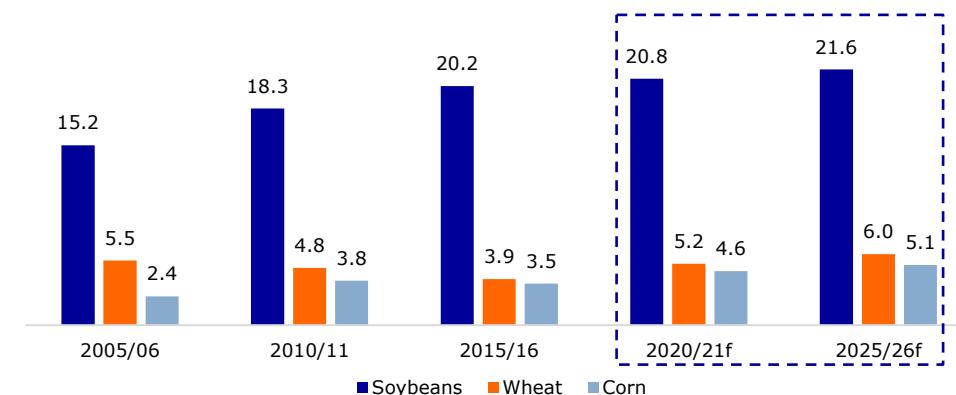
These circumstances led to a general drop in corn and wheat acreage, and a correspondingly large increase of the soybean area, which, as a result, has become even more dominant in Argentina. Meanwhile, in the face of the uncertainties stemming from the volatile regulatory environment, farmers were pressed to focus on short-term profits, even if that meant cutting down on investments in farm inputs and new machinery, or skipping important agronomic practices such as crop rotation.

However, with the abolition of export tariffs and export licences, in addition to a more competitive exchange rate, both corn and wheat production are expected to sharply rebound in the coming years. In the 2016/17 crop year, while wheat is forecast to experience a year-on-year area expansion of 18 percent, to 4.6m hectares, farmers have also been encouraged to plant more corn, as the crop is expected to be installed in 4.2m hectares, or 1.2m hectares more of the cereal than last year—a 23 percent increase.

Although wheat and corn area is projected to expand, Argentine soybean production is nevertheless unlikely to decline any time soon (*see Figure 2*). While the oilseed is not yet fully exempt from export tariffs (currently at 30 percent), the government has signalled with the possibility of gradually lowering these over the next few years (although it is still not set in stone). In addition, the export tax on value-added products, such as soymeal and soy oil, was also reduced by 5 percent, to 27 percent, in order to stimulate industrial exports.

Figure 2: Corn, soy and wheat area forecast, 2005/06-2025/26f

million hectares



Source: USDA, Rosario Board of Trade, Rabobank 2016

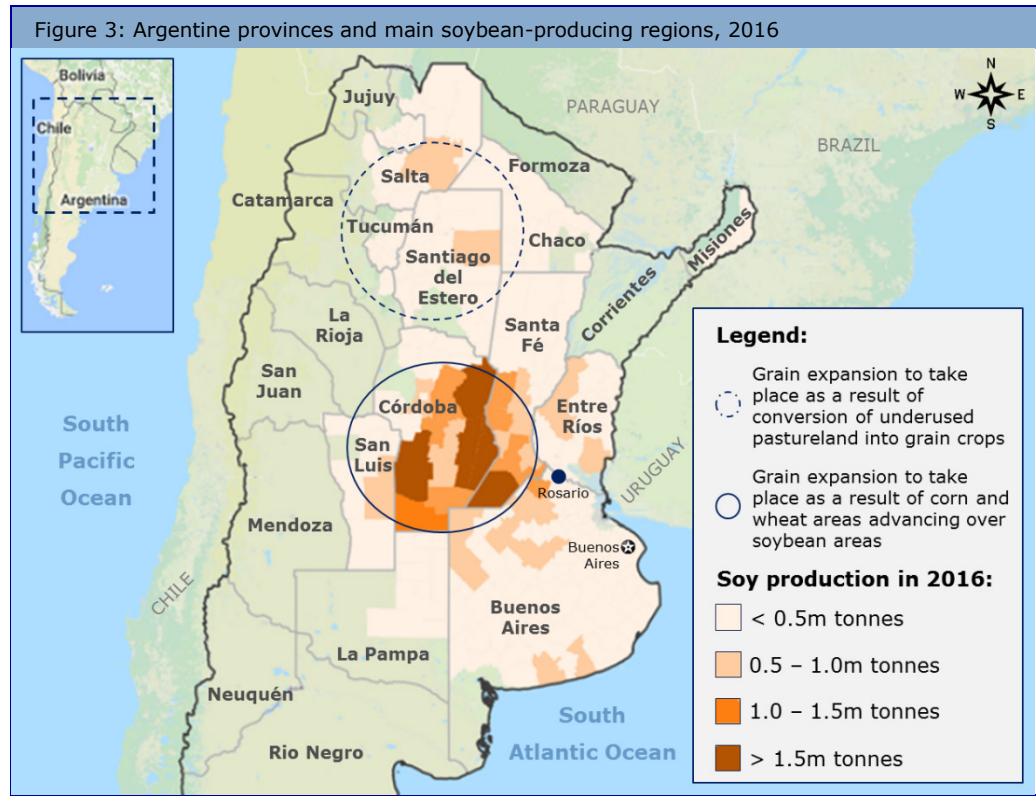
Consequently, soybean production in Argentina is expected to remain attractive in the near future, and for 2016/17, its area is projected to remain unchanged, at about 20.2m hectares. Granted, annual area expansion throughout the next decade is anticipated to be smaller than that of corn and wheat, but positive nonetheless, supported by an expansion in the northern part of the country, predominantly around Salta, Tucumán and Santiago del Estero (*see Figure 3*).

While most of the corn and wheat expansion is expected to occur in soybean areas in the Córdoba and Rosario regions, in the north, soybeans are expected to advance, particularly in underused pasturelands (*see Figure 3*). Poor logistic infrastructure in the northern regions of Argentina is expected to continue resulting in cheaper availability of feedstuff for local consumption. In turn, this is anticipated to stimulate investments towards intensive beef production, resulting in a gradual conversion of underused pasturelands into productive cropland—particularly soybeans—as feedlot beef production replaces traditional grazing.

As a result, going forward, the three crops present a strong likelihood of expanding acreage in Argentina. By the 2025/26 crop year, the soybean area is projected to reach 21.6m hectares, after expanding at an annual rate of 0.8 percent. Meanwhile, corn is expected to

be planted in about 5.1m hectares, growing yearly at 2.2 percent. Finally, wheat is expected to be sown in 6.0m hectares, increasing at an annual rate of 3.0 percent (see Figure 2).

Therefore, the combined acreage expansion for corn, wheat and soybeans is expected to lie at about 32.6m hectares by 2025/26. The increase is substantial, considering that these crops currently occupy 27.6m hectares, implying an 18 percent increase over the next decade.



Yields: technology and better crop management to boost yields

Investments in seeds to increase yields and reduce production costs

The past few years have been quite challenging for the development of a high-technology seed market in Argentina. Today, only 15 percent of what is sown in Argentina is comprised of certified seed. The lack of a comprehensive intellectual property legislation and of mechanisms for seed companies to properly charge farmers royalties have been considered two of the main factors exacerbating this problem, as producers were free to use transgenic seeds, saved from previous harvests or purchased from non-registered suppliers.

Therefore, although Argentina has emerged as one of the top global grain-producing countries and is an increasingly important market for companies like DuPont, Monsanto and Syngenta—who sell seeds and pesticides to farmers—research and development of innovative seed varieties, specifically adapted for the country's conditions and needs, was largely hindered or disincentivised.

Accordingly, the combination of uncertified seeds and low seed technology has been weakening the competitive advantage of Argentine farmers. Based on five-year moving averages (calculated from USDA estimates), while the annual rate of soybean yield growth in Argentina over the past decade was a mere 0.7 percent, Brazil experienced an annual increase of 1.5 percent, while the US witnessed an advance of 1.3 percent. As a result, the current Argentine average soybean yield remains 10 percent below Brazil's and 18 percent below that of the US—Argentina's main global competitors.

Nevertheless, in a bid to rectify this situation, in late August, the new government proposed numerous updates to the legal framework regulating Argentina's seed law, originally approved in 1973, particularly with regard to the collection of royalties for genetically-modified seeds. While the details are still being defined, the Argentine Seed Institute

(INASE) is expected to gain full control of seed commercialisation in the country in order to ensure companies will be able to collect royalties from large farmers—who plant the equivalent of roughly USD 100,000 per year—at the moment the seeds are purchased. Small- and medium-sized farmers would be excluded from that rule.

The new framework is still expected to be passed into law in 2016, putting an end to years of disputes between some of the world's largest seed companies and farmers in the third-largest grain-producing country. And in the long run, this will possibly greatly benefit producers, as demand for chemicals and fertilisers will be reduced thanks to the introduction of innovative seed technologies.

Crop rotation to improve soils, reduce pests and boost yields

Over the past decade—as soybean farming invaded areas once used for corn, wheat and cattle grazing—Argentina's soils have been severely depleted by insufficient crop rotation. Aside from providing mulch that allows rain to percolate into the ground more easily, the stalks left behind by corn and wheat also greatly improve the soil's ability to retain water, making the fields less vulnerable to droughts. When water can't sink in, the runoff carries away soil nutrients and reduces fertility.

In 2015/16, soybeans occupied about 70 percent of the planted grain area in Argentina, when around 50 percent would be ideal for crop rotation. As a result, the imbalance has increased costs associated with pests and diseases, which affect productivity and increases the need for pesticides. While corn yields have roughly doubled over the past decade, to about 11 tonnes/hectare, soybean yields have stayed stagnant, at 2.8 tonnes/hectare. Yet when farmers plant soybeans in fields in which corn has just been harvested, yields can increase by up to 20 percent (see *Figure 4*).

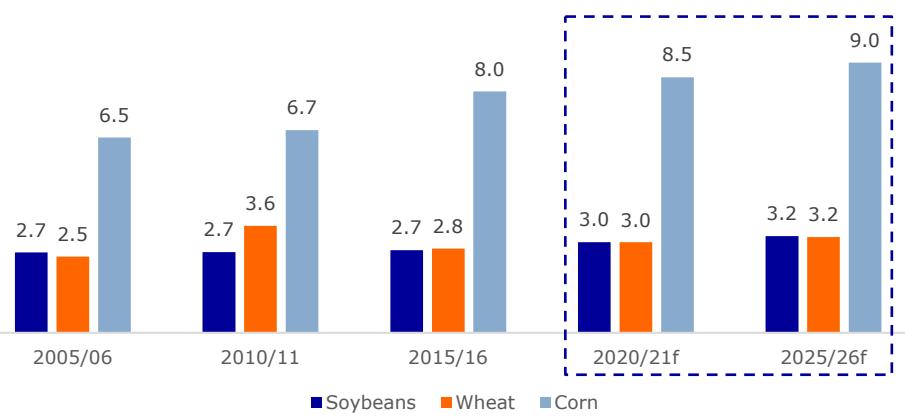
Nevertheless, after several years of skipping such a vital practice for increased soil fertility, the difference in tax policies for soybeans and other agricultural products may allow for a bold return of the practice. Farmers are now expected to increasingly use corn and wheat as alternatives to soybeans. Accordingly, yields can also be expected to improve.

Investments in machinery to help reduce costs and promote yields

Aside from investments in seeds, new machinery and innovative farming technologies (such as precision agriculture) are also critically needed in Argentina. Over the past decade, high inflation, lack of credit and high taxes discouraged the acquisition of modern equipment and the adoption of new production techniques. The use of digital satellite imagery for operational support, for example—while widespread across top producers in other large grain-producing countries such as the US and Brazil—is still in a beginning phase in Argentina.

Figure 4: Corn, soy and wheat yield forecast, 2005/06-2025/26f

tonnes/hectare



Source: USDA, Rosario Board of Trade, Rabobank 2016

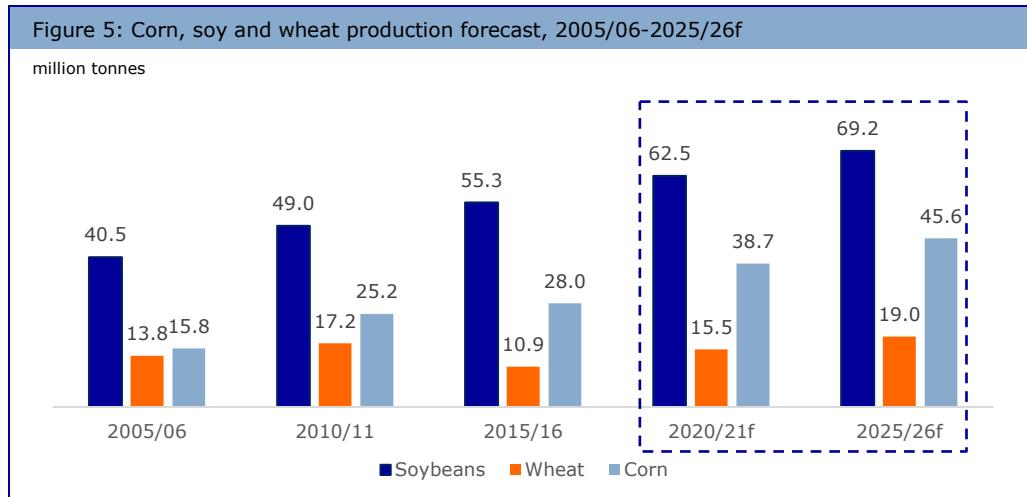
However, the tide seems to be turning for such investments. Going forward, the use of high-tech farming practices is expected to increase in the Argentine market, mainly supported by the establishment of a more inviting business environment.

All of these factors combined are expected to lead to a significant increase in grain yields in Argentina throughout the next decade. While soybean yields are projected to increase annually at 1.30 percent, wheat yields are expected to expand by 1.10 percent per year. Moreover, corn yield is also expected to advance, with increments projected at an annual rate of 1.15 percent (*see Figure 5*).

Nevertheless, it is important to say that, after a decade struggling with a more challenging environment, many farmers have been left without the financial capacity to quickly pursue such investments. And this is especially true in today's global scenario of depressed commodity prices. Thus, even though such progress is anticipated in Argentina over the next few years, in the very short term, such difficulties may hinder fast developments in the expansion of agricultural area and in the improvement of yields.

Tonnage: volumes to increase by 40 percent over the next decade

Argentina is likely to continue positioned as a global grain powerhouse in the foreseeable future. Based on the aforementioned trends, 45.6m tonnes of corn, 69.2m tonnes of soybeans and 19.0m tonnes of wheat are expected to be produced in Argentina by 2025. The volume represents a combined harvest of about 133.7m tonnes.



Internal logistics: increased volumes will demand investments

Poor logistics are perhaps the main bottleneck for future growth of the Argentine agricultural sector. Over the past decade, Argentina suffered a long period of under-investment in logistical infrastructure, as the instability of its policies, high inflation and lacking credit availability hindered progress. Not surprisingly, in recent years, the neglected roads and underdeveloped railways have resulted in rising freight costs, thus reducing the country's competitiveness.

The situation is most pressing in northern Argentina, especially in the provinces of Tucumán, Salta and Santiago del Estero, where producers face distances of 1,000 to 1,400 kilometres to port. To put it into perspective: while the cost for moving grain from Salta to the ports is estimated at about USD 50/tonne, shipping the grain from Rosario all the way to China is estimated to cost about USD 40/tonne. In other words: in Argentina, it can cost more to transport grain internally within the country than to pay international freight charges to ship all the way around the world.

The issues derive from a transportation matrix heavily reliant on trucks—arguably the costlier logistical modal—which account for about 83 percent of all grain shipments, while rail accounts for only 13 percent and waterways for less than 4 percent. In addition, most of the highways are unpaved or in poor condition, and the majority of the truck fleet is in poor condition, with 50 percent of vehicles older than 15 years. It's no wonder that, when it rains, production can't leave the farms.

The situation frequently ends up resulting in severe delays in Argentine grain shipments, which is particularly detrimental during the harvest. It's clear that Argentina is in dire need of the development of new routes and for investments in rail lines in order to fix its internal logistics. While the recent devaluation of the Argentine peso has somewhat lowered freight

costs in US dollar terms, such savings may prove short-lived, as inflationary pressures are likely to continue throughout the next few years.

In order to address this situation, the new government recently announced a bold plan to revitalise northern Argentina's logistical infrastructure and productive capacity, with total investments of about USD 16.3bn expected over the next decade (see Box 1).

Box 1: Logistics going forward—Plan Belgrano

Plan Belgrano is an ambitious project that promises to restore the competitiveness of Argentine agribusiness, particularly in the country's northern provinces. Its main goal is to enable partnerships between the federal government and the private sector, promoting investments in logistic facilities and infrastructure.

By way of this plan, the federal government has announced investments of USD 16.3bn, aimed at developing Argentina's ability to move grain from its producing regions to its ports. From the USD 16.3bn plan, USD 5.5bn is expected to be destined for railways, possibly resulting in 3,800 kilometres of renewed rails and 800 kilometres of refurbished rails.

The investments are expected to focus on the north—not only because the region holds the greatest potential for increased grain production in Argentina, but also because the expansion in planted area in recent years has not been matched by proportional investments in logistics.

So far, the new government has shown strong commitment to the project, to the point where an entire ministry has been created, focusing entirely on its advance.

However, as this is a complex organisational feat that cannot be quickly met, several years will be required before palpable results are seen. In addition, proper funding will be key. In this regard, international organisations such as the World Bank, the Inter-American Development Bank (IDB) and the Development Bank of Latin America (CAF) are expected to play important roles.

Domestic consumption

Soy: crushing industry to recover, but biodiesel margins to remain low

Argentina is the world's top exporter of soymeal and soy oil. Up until 2009, crushing companies in the country operated at full capacity. When local soybean stocks were down, crushers could easily source the grain from neighbouring countries, particularly Paraguay, shipping it for crushing in Rosario. But when the previous Argentine administration decided to close its borders, in a bid to protect local farmers from competition, multinationals—who had been increasing capacities in Argentina until then—turned to investing in Paraguay: a movement that resulted in widespread idleness of the Argentine crushing industry. Thus, with an installed annual capacity of 65m tonnes, Argentine crushers ended 2015 with an idleness of about 23 percent.

Nevertheless, since taking office, the new government has decided to temporarily allow the import of soybeans from Paraguay and Bolivia, free of tariffs, for processing into soymeal, soy oil and biodiesel. The change—together with the recent reduction of export tariffs and the devaluation of the Argentine peso—has the potential to revitalise the crushing activity in Argentina. So far, results for the industry have been positive, as crushing margins improved during the first half of 2016 and, going forward, are expected to remain positive.

With regard to biodiesel production, Argentina's experience for most of the past decade has been very positive. However, in the face of low international oil prices, the expansion of the country's biodiesel industry has been limited. Biodiesel industrial capacity in Argentina is estimated at 3.5m tonnes; however, with only 2.7m tonnes of capacity in operation, the industry has also been struggling with idle capacity, estimated at 21 percent.

The problem has been exacerbated by reduced import demand from Europe, historically Argentina's main biodiesel market, as a result of anti-dumping duties introduced in 2013. Consequently, the Argentine biodiesel industry has been shifting—from supplying markets that need biodiesel to meet their biofuels mandate to selling the product as a direct substitute, directly competing on a price basis with diesel in the US and the EU.

In recent months, Spain has lifted the ban to import biodiesel from Argentina, however, as solving the anti-dumping duties imposed by the remaining EU countries remains crucial for improving Argentine exports, the sector is unlikely to experience significant growth in the coming years.

Corn and soymeal: most demand to come from the animal protein industry

Domestic feed consumption is perhaps the most important driver underlying the future increase in internal demand of corn and soymeal in Argentina. Additional feed demand for our projected increase in animal production is forecast to result in a total of 8m tonnes of corn and an additional 3m tonnes of soybeans by 2025 (see Figure 6).

This forecast is based on our expected growth of poultry, pork and beef production, given the assumption that 60 percent of Argentine beef production will come from feedlots by 2025 and that this intensive system will be used for 100 days, on average, during the animals' finishing stage. The projection also assumes average pork and poultry feed content comprised of 62 percent corn and 20 percent soymeal.

Wheat: industrial use to remain stable, but exports to Brazil expected to increase

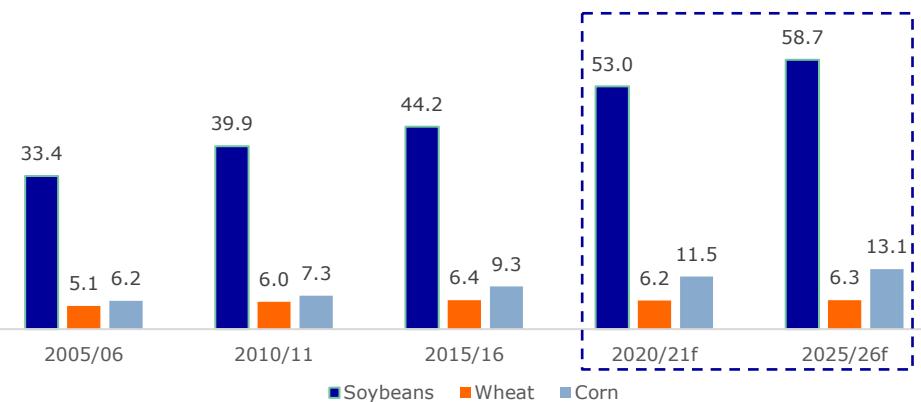
Arguably, wheat was the Argentine crop most harmed by former policies over the past decade. By raising export taxes and setting export quotas, wheat production in Argentina has plunged—from nearly 16m tonnes in 2005 to slightly less than 11m tonnes in 2015. Nevertheless, the decision by the Argentine government last December to scrap the wheat export tax—which previously stood at 23 percent—is expected to generate strong incentives for farmers to revive wheat in the country, going forward.

As a result, wheat area is estimated to have increased by 18 percent in 2016/17, to 4.6m hectares. However, high hopes for a strong rebound in output this year have been recently suppressed by excessive rain. The harvest is still expected to increase, but significantly higher volumes may only materialise over the next few years. In fact, according to Rabobank projections, Argentine wheat production is projected to increase by 74 percent, to 19.0m tonnes by 2025/26.

In Argentina, demand for wheat from local flour mills to supply the domestic market has been quite stable for several years now. What fluctuates within crop years is its use for animal feed, which can increase in years in which there are crop quality problems. Thus, the anticipated increase in production necessarily relies on Argentina's return to the global wheat export market.

Figure 6: Corn, soy and wheat domestic consumption forecast, 2005/06-2025/26f

million tonnes



Source: Rabobank 2016

Argentina has long been the largest exporter of wheat to neighbouring Brazil, annually shipping between 3m and 5m tonnes to the country between 2005 and 2012. Since 2013, however, unable to provide sufficient volumes, Argentine exports to Brazil sharply decreased, to as low as 1.6m tonnes in 2014. To fill the gap left by Argentina in recent years, Brazil began importing from the US and Uruguay.

Nevertheless, Brazil remains a potential market for Argentine wheat, and it continues to import about 6m tonnes annually. However, Argentina will need to recover the credibility it has lost due to the drastic variations in export sales from one year to the next, along with the volatile quality of its product. In addition, the Brazilian market has faced some serious challenges recently. Its domestic flour demand dropped due to the recession, and the

situation was worsened by the devaluation of the Brazilian real, which reduced the purchasing power of importers.

In this uncertain environment, Argentina must also be prepared to look for new markets. However, the feasibility of increasing market share outside of South America will not only depend on Argentine policies, but also on the output of traditional wheat producers such as the US, Canada, Australia and the Black Sea Region.

Corn, soybean and wheat exports to increase by 50 percent by 2025/26

With the Argentine incremental production of corn, wheat and soybeans expected to greatly outpace the expansion of local consumption in the foreseeable future, it's clear that Argentina has strong potential to increase its grain exports in the coming years.

While corn exports are expected to increase by 10.4m tonnes to 2025, soybean exports are forecast to increase by 1.8m tonnes, while wheat exports are projected to increase by 5.4m tonnes. Therefore, the total combined exportable grain surplus for the three crops is forecast to reach 52.5m tonnes by 2025, implying a hefty 50 percent increase from the volume exported in 2015/16 (see *Figure 7*).

In face of such a substantial increase in exports, investments in ports will be vital

For many years, Argentina relied on what amounts to one of the world's best port infrastructures to export processed grain products, thanks largely to the proximity of grain processors to the Paraná River, used as the main route to the international market.

However, in the face of ever-increasing exports of raw grain products—unmatched by proportional investments in infrastructure—this competitive advantage has started to dwindle in recent years. This isn't simply a direct result of increased volumes reaching the port of Rosario, but also of the gradually closing of the Argentine export window in recent years.

The problem is particularly evident for Argentine corn exports. Traditionally, corn exports ramp up from January to April, following the end of the US corn export season. However, over the past decade—particularly due to increased competition from the Brazilian winter corn crop (*safrinha*), which starts to reach the global market in March, peaking in July—it became critical for Argentine producers to ship volumes as fast as possible, in order to secure better international pricing, with less competition from Brazilian production.

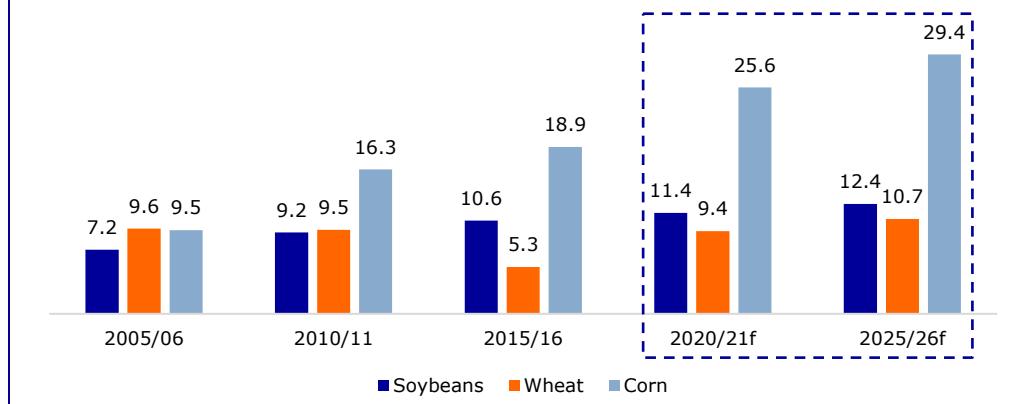
As a result, any shortcomings during the small resulting export window, such as excessive rain, can result in severe impacts on the profitability of the entire Argentine agricultural sector. And the problem is compounded by strikes: port unions in Argentina are well organised, leading employees to take advantage of the country's short export window to exert pressure for higher wages during harvest.

The problem is also aggravated by insufficient on-farm warehouse capacity. When the harvest starts, the grain is shipped to ports as quickly as possible—contributing to lines, losses and other inefficiencies. In recent years, the multiplication of silo bags in Argentina greatly helped to reduce this problem. However, as this cheaper alternative for on-farm grain storage doesn't always allow for proper treatment of the grain, such as drying, the product ends up arriving at the port with undesirable quality or moisture levels.

Moreover, as the port doesn't always have enough capacity to dry or sort the grain, the problem may end up disrupting the shiploads, resulting in additional costs for processors down the stream. In addition, farmers may end up receiving discounts, which impacts their results. Thus, investments in port capacity (which will be driven by the private sector) will be vital in maintaining Argentina's export competitiveness.

Figure 7: Corn, soy and wheat exportable surpluses forecast, 2005/06-2025/26f

million tonnes



Source: Rabobank 2016

Animal Protein: increasing exports—building on a positive reputation

After several difficult years, in which production and exports dropped—particularly for beef—the Argentine animal protein industry is finally looking to a more positive future. While the removal of export tariffs on meat products stimulates the conquest of new markets, an expected increase in grain production is anticipated to facilitate access to locally-produced, high-quality feedstuff which can be turned into meat (*see Figure 1*).

These changes are expected to result in an increased competitive advantage for the Argentine animal protein industry, which—thanks to its very positive international reputation as a high-quality producer—is expected to translate into higher exports. However, several challenges lie ahead. In recent months, the cost advantages the sector has enjoyed over the past few years—owing to low grain prices—have been partially undermined by hefty adjustments in domestic prices (i.e. grain, energy and labour costs). Nevertheless, the sector seems on a clear path towards experiencing solid growth over the coming decade.

Good perspectives to incentivise beef cattle rebuilding

Even after a decade of losing space in the international market—due to a tax system and exchange rate policy that were detrimental to its meat exports—Argentine beef remains globally recognised as a high-quality product. This reputation may prove to be the main competitive advantage this industry has, greatly facilitating the recovery of its market share in the global beef market.

In fact, thanks to the new positive prospects enabled by the recent policy changes, the Argentine beef sector is already taking the first step towards recovery by focusing on herd rebuilding. Consequentially, a significant increase in Argentine beef production should occur as of 2017, when a larger amount of finished cattle—due to the current retention of females—will become available in slaughterhouses. Moreover, this new cycle in the Argentine cattle herd is likely to support sustainable growth in beef production over the coming years.

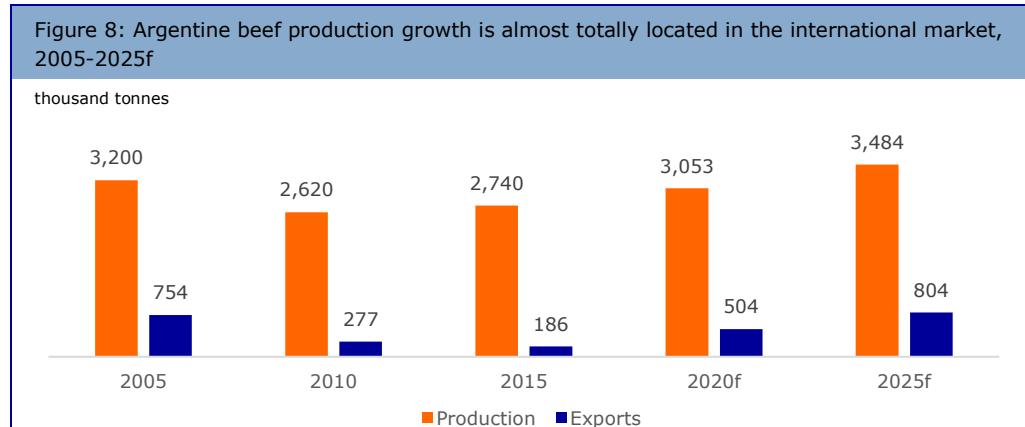
Meanwhile, a heavier carcass weight will also be required in order to comply with international demand. Historically, Argentine consumers prefer small cuts from young animals. As a result of this cultural behaviour, the average carcass weight in Argentina in 2015 was at around 220 kilograms: well behind other South American beef producers.

On the other hand, this also shows that the industry still has room to extract more value per head and improve its operational results. However, for this transition to occur, the Argentine beef supply chain will need to invest in marketing, in order to influence domestic consumers to gradually change their habits. Given that, Rabobank expects average carcass weight to reach 240 kilograms by 2025.

It is also important to note that—although official numbers have shown that around 40 percent of Argentine beef production comes from feedlots—there are small producers who are not covered by these statistics. Therefore, this number is already estimated to be above

50 percent. Moreover, given the expected grain availability growth, Rabobank foresees feedlots in Argentina to be responsible for around 60 percent of total beef production in the country by 2025.

As a result of these changes, beef production in Argentina is projected to increase, from 2.7m tonnes in 2015 to 3.5m tonnes by 2025 (see *Figure 8*).



Argentine beef exports: the recovery of a well-known player

Regarding exports, Rabobank foresees beef shipments to likely total about 800,000 tonnes by 2025, which would represent an average annual growth rate of 15 percent (see *Figure 1*). As a result, Argentine beef exports are expected to represent 7 percent of the international market, compared to only 2 percent in 2015. It is worth noting that, in 2005, Argentina held 12 percent of market share, exporting around 750,000 tonnes.

In order to support this recovery in the international market, however, Argentina needs to gain access to the US fresh beef market before the end of 2016. One strong indicator that supports this view is the recent announcement that Brazil and the US finally reached an agreement for bilateral fresh beef trade. Argentina has the same sanitary status as Brazil, which indicates that an Argentine announcement could be close. This would not only provide access to the US, but would also act as a powerful support for access to other markets that often use the US as a reference for import standards.

In fact, Canada has already opened to Argentine beef as of January 2016. However, Argentine shipments to Canada are in stand-by mode, waiting to access the US, as meat shipped to Canada from Argentina would enter Canada via its southern neighbour. Additionally, Argentina is likely to increase its presence in its current main beef destinations, such as China, the EU, Chile and Israel. However, while the Argentine industry ramps up production, it's important for it to maintain, or even enhance, its reputation as a high-quality beef producer in those markets in which there are consumers who are willing to pay more for a premium product. To find this balance between volume and quality is perhaps one of the key challenges that the Argentine beef industry will need to face, in order to compete against other consolidated exporters.

Meanwhile, the robust prospects for beef exports will certainly have an impact on Argentina's domestic beef prices, which could result in a stronger substitution in local protein consumption—particularly pushing more consumers towards pork, as domestic per capita consumption of poultry is already high, at around 44 kilograms. As a result, the country's annual per capita beef consumption is expected to stabilise, at around 56 kilograms, over the coming ten years.

Overall, the expected beef production growth would be almost totally accounted for by the international market, bringing the export participation in the total production to around 20 percent by 2025—a level already achieved in 2005—compared to 7 percent in 2015.

Pork consumption to increase in the Argentine domestic market

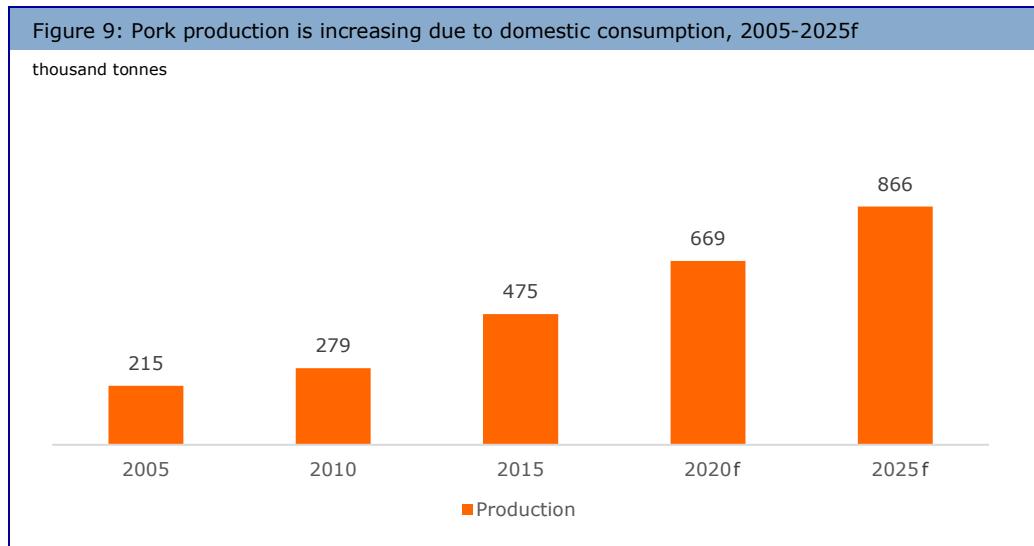
Pork production in Argentina has strongly increased in the past five years (by 70 percent), although starting from a very low base. While several elements underline such achievement,

Argentina can be considered highly competitive in pork production, due to its large availability of grain for feed production, which, in turn, results in lower prices to end consumers. Thus, in recent years, the competitive pricing of pork products within the Argentine market has boosted its domestic sales. Moreover, over the longer term, a competitive advantage in feed components (i.e. local corn and soymeal priced at export parity) is also likely to boost the Argentine pork sector during the coming decade.

However, this will not be an easy task. In Argentina, a significant degree of informality in pork production still exists, which results in imbalanced competition, pressuring those who are compliant with fiscal and sanitary rules. While this informal market is difficult to calculate, its annual production is roughly estimated at around 100,000 tonnes, which represents more than 15 percent of total production.

Additionally, productivity remains below international standards. In fact, in Argentina, each sow produces fewer than 18 piglets per year, on average. This is a result of a supply chain that is still underdeveloped. Actually, more than 90 percent of pork producers are independent in the country. Also, pig production is mostly concentrated in small units averaging 30 sows each, which indeed shows that there is a lot of room to increase productiveness by integrating farmers and packers, as is commonly seen in developed pork-producer countries—this development seems to become the main driver in order to increase production.

Given that the sector's competitiveness is likely to be maintained in the long term—despite the short-term challenges—Rabobank expects that, by 2025, official pork production in Argentina will be above 860,000 tonnes, compared to 475,000 tonnes in 2015 (see *Figure 9*).

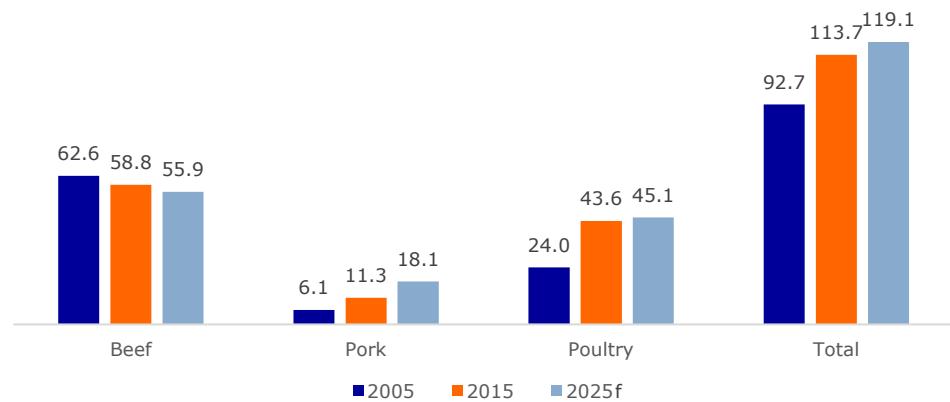


However, as opposed to the beef sector, the Argentine domestic pork market is expected to be the main driver for the development of the industry in the coming decade. The combination of high beef prices and a strong marketing approach—taken by the Argentine pork sector in order to attract consumers—is what is going to drive increased pork consumption in the country. Additionally, by adding value in the underdeveloped pork supply chain, the Argentine industry is likely to simultaneously enhance margins.

Therefore, Rabobank foresees official per capita pork consumption in Argentina increasing, from 11 kilograms in 2015 to 18 kilograms by 2025. However, Argentine per capita animal protein consumption is already high, which, in turn, will result in a change in consumer behaviour (see *Figure 10*).

Figure 10: Argentine animal protein consumption will change, 2005-2025f

kilograms/capita



Source: USDA, Rabobank 2016

The rising scale could represent an opportunity to branch out into export sales

Given still low pork domestic consumption, developing an exporter pork industry in Argentina is still a mid-term target. However, recognising unrealised potential in the domestic market, international players have already been announcing investments in the Argentine pork industry recently.

Meanwhile, the three largest Argentine pork players are estimated to have only 10 percent of total slaughter. In order to achieve the necessary scale to reach the international market, the industry will need to endure further consolidation in the medium term.

Argentine poultry industry: in search of added value

In 2015, Argentina produced around 2m tonnes of poultry, with more than 90 percent of this volume being consumed internally. In fact, domestic per capita consumption of poultry in Argentina reached record-high levels during 2015, after growing steadily over the last ten years. Going forward, per capita consumption, at around 44 kilograms, is already high, which is likely to limit the extent of further growth.

On the other hand, Argentine domestic consumption is highly concentrated in the whole bird—a market that, as with the pork sector, still has a significant informal element. This shows that the poultry industry still has room to improve margins by adding value to its current sales volumes.

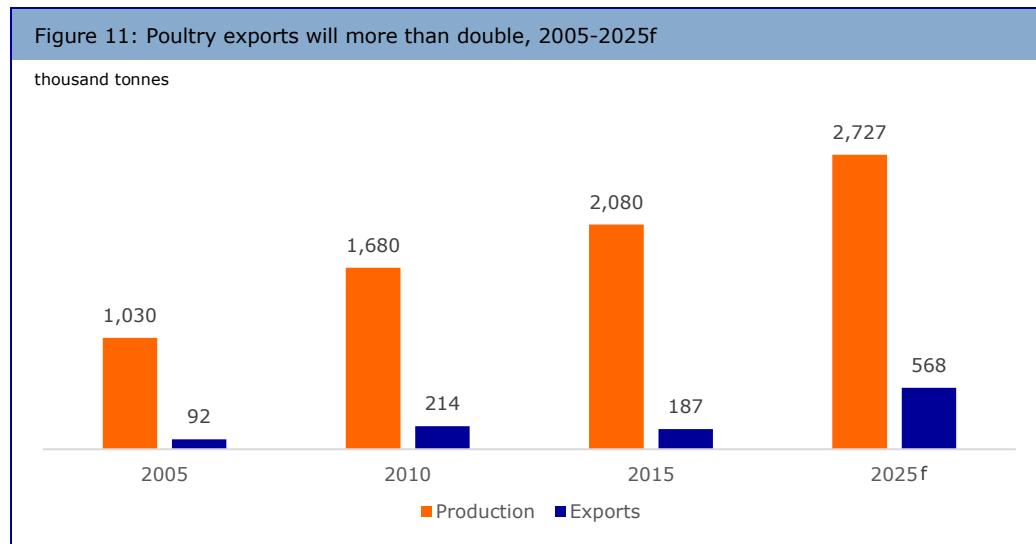
Indeed, adding value to the Argentine poultry supply chain seems to be one of the priorities for the sector, as margins are negative for whole bird sales in the domestic market. As previously mentioned, this current pressure on margins is a result of adjustments in the economy that have been translated into high costs (e.g. grain, energy and labour costs) in the short term.

As a result of already-high domestic consumption, the poultry sector in Argentina knows that it is necessary to focus on the international market in order to sustain production growth.

Chasing Chinese demand

Meanwhile, it is worth noting that South America is one of the few regions worldwide that is clear of avian influenza, and Argentina is an important grain producer. These are structural advantages that could help to develop international poultry sales. In order to make this possible, Argentina is working towards accessing new markets, particularly because Venezuela—an important buyer in recent years—is suffering from a severe economic recession. In the coming months, a Chinese mission is expected to arrive in Argentina in order to certify both new beef and poultry plants. Indeed, the Asian market appears to provide a promising opportunity for growth.

As a result, poultry exports from Argentina are expected to more than double by 2025, compared to 2016, reaching almost 570,000 tonnes. This implies that Argentina will be producing over 2.7m tonnes of poultry by 2025 (see *Figure 11*).



Dairy

In 2015, Argentina produced 11.2bn litres of milk, with negligible imports and exports of 2.7bn litres (23 percent). Per capita consumption stood at 198 litres, a high level for Latin America, but considerably lower than the 230 litres that Argentina reached back in the late 1990s. Meanwhile, the industry continued to suffer from years of underinvestment and rising labour costs, as informality increased, and small and medium-sized companies gained market share at the expense of larger operators. This left large dairy companies very vulnerable to the downturn that ensued in 2016.

Milk production in 2016: the perfect storm

After five years of stable production, in which milk output hovered at around 11bn litres per annum, the dairy sector in Argentina is facing a rough year in 2016, with production expected to contract by around 13 percent in volume terms. Higher grain costs, weak domestic demand, low international prices, and severe flooding in Santa Fe and Córdoba in April helped create the perfect storm in 2016.

The action taken on export taxes for corn and soymeal at the end of 2015 brought an abrupt end to a period of low-cost, grain-based feed for dairy producers. The previous government's policies of export taxes and restrictions to corn and soy created artificially low domestic grain prices which enabled dairy farmers to adjust production systems for higher feed input at a low cost. Some estimates indicate that, prior to 2010, around 0.25 kilograms of grains were used for every litre of milk produced, and this increased to around 0.35 kilograms of feed per litre by 2015, given low domestic grain prices. The corn-to-milk ratio provides an idea as to how many kilograms of corn can be purchased with one litre of milk. Corn remained relatively cheap from 2011 to 2015, compared to the historical average (1970 to 2010), but corrected sharply at the end of 2015, when corn export tariffs were eliminated (see *Figure 12*).

Figure 12: Corn-to-milk ratio adjustment after deregulation of grains, 2011-2016



Source: Rabobank 2016

Higher feed costs squeezed producers' margins at the beginning of the year, at a time when dairy demand remained weak, both domestically—with the Argentine economy contracting and suffering from high inflation—and internationally, owing to low world market prices. Weak demand delayed a correction in pricing, exacerbating the pressure on producer margins.

In another blow to milk production, El Niño brought severe flooding to the provinces of Córdoba and Santa Fe in April. Pastures were lost, and feed became scarce at the worst possible moment, when grains were very expensive. Also, the precarious state of many rural roads and pathways was exposed, and it became impossible to collect milk in some regions.

Milk prices have since increased to above ARS 4/litre, and corn-to-feed ratios are expected to be closer to 2.0 by Q3 2016, when production usually hits its peak in Argentina, bringing some relief to farmers. However, the difficulties of the first semester indicate that milk production will see a decline of around 13 percent in 2016.

Milk production going forward: a slow and gradual recovery

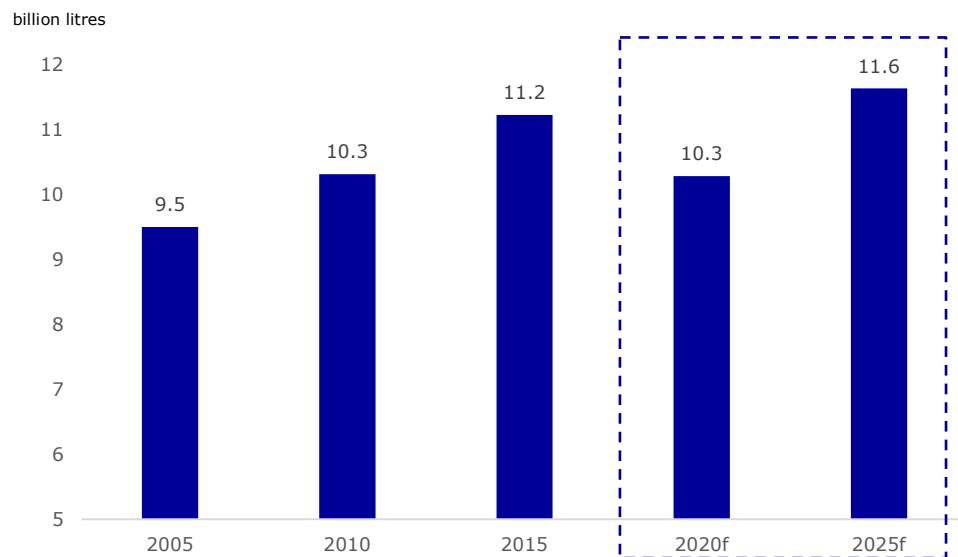
Following a very challenging 2016, in 2017, milk production in Argentina will probably see another drop in volume. Although there are no official statistics regarding the number of cows in milk production, widespread flooding in the main dairy-producing region of the country is likely to have caused a sizeable reduction of the total herd, with many producers reducing their stock of cows or even, in some cases, exiting the business altogether. Furthermore, the loss of pastures and more expensive grains led to a worsening of the animals' body condition in 2016—and this will result in lower pregnancy rates and lower milk production per cow in 2017 (see Figure 13). Therefore, an additional contraction in milk output in 2017 seems likely.

Looking further ahead, in the medium and long term, there are several factors that will determine how milk production performs in Argentina. It seems certain that the times of very cheap grains are over for now (now that the distortion caused by the export tariffs on local market grain prices appears to be a thing of the past), as a result of the new government policies. This puts pressure on dairy farmers to be more cost-efficient. Not just feed will be more expensive; other key factors such as land are set to add stress to milk producers. The opportunity cost of land will increase, given the positive scenario for grains, as dairy-producing regions in Argentina compete with grain farming. This is relevant, as around 50 percent of dairy land is rented in Argentina, and an expansion of grain farming will increase demand for land in the coming years.

Going forward, access to finance is a major hurdle for growth in dairy farming. High interest rates and limited credit lines for farmers mean that many producers will find it hard to grow,

even if margins improve significantly. Also, a large number of farmers have been hit hard in 2016 and will have limited capital to expand in the coming years, making the recovery more gradual and slow. As a result, production will see two consecutive years of declines in 2016 and 2017, before rebounding gradually from 2018 onwards.

Figure 13: Milk production in Argentina, 2005-2025f



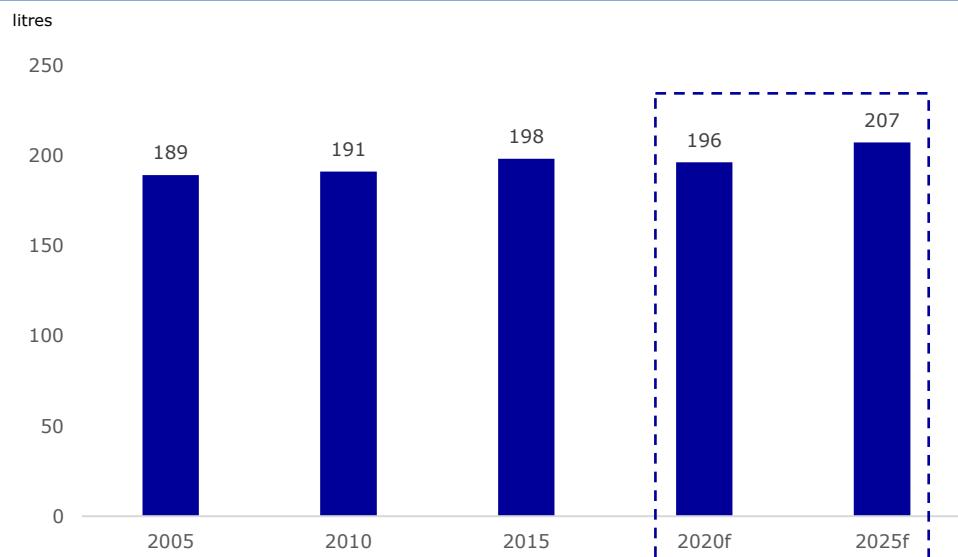
Source: Rabobank 2016

Dairy consumption: another tumble and slow recovery thereafter

Argentina is a mature dairy market in terms of consumption. Per capita intake of dairy products reached a peak of 238 litres in 1999 and then tumbled to 178 litres by 2003, after the recession of the early 2000s. Since then, it recovered back towards 200 litres by 2015, and it will now decline to around 178 litres in 2016. The loss of real incomes has forced consumers to adjust their consumption habits in 2016, by reducing dairy purchases. Value-added categories are seeing the sharpest declines, while liquid milk sales have remained more competitive, via promotions and discounts at supermarkets and mom-and-pop stores. Consumers are switching to B and C brands, and this is hurting leading brands, as sales decline and prices are being put under pressure.

For consumption to recover, the economy will have to return to growth, and wages will need to at least keep up with inflation. Given the base scenario for Argentina, a gradual recovery in consumption patterns is likely. However, a return to the consumption rates of the 1990s seems overly ambitious for the next ten years (*see Figure 14*).

Figure 14: Per capita consumption set to recover gradually, 2005-2025f



Source: Rabobank 2016

Dairy industry: a crisis that could trigger restructuring

The dairy industry in Argentina is going through very challenging times. Years of underinvestment and spiralling wage costs are taking their toll on margins at a time when supply is tighter and competition for milk could drive costs higher.

Unlike other global exporters, Argentina didn't fully benefit from the global market bonanza of high prices (2012 to 2014), as the previous government blocked exports, limiting lucrative foreign sales that would have benefited the industry and the whole value chain. The market bonanza helped other dairy value chains around the world invest in technology, and this is another reason for Argentina falling behind today. Market uncertainties and limited credit availability made investment scarce in recent years, leaving several factories dated and less efficient.

In many cases, costs per employee rose well above inflation over the past decade, reducing margins for the industry. As labour laws currently make it virtually impossible for firms to reduce payrolls during downturns, this will exacerbate losses, as costs continue to go up and demand takes time to react in the short term. Capacity utilisation is reported at around 65 percent by several large players, and this is another big concern, which, given the size of the labour force of plants, adds pressure to margins and profitability.

The industry is finding it hard to compete against informality. A growing number of small dairy plants are gaining market share as tax evasion by small companies is reported as common, giving them a competitive advantage, compared to larger operators who must pay the full tax burden and cannot compete on price. In Argentina, around 40 percent of the end price of a dairy product such as cheese or yoghurt is tax. Therefore, tax evasion plays in favour of small, informal operators.

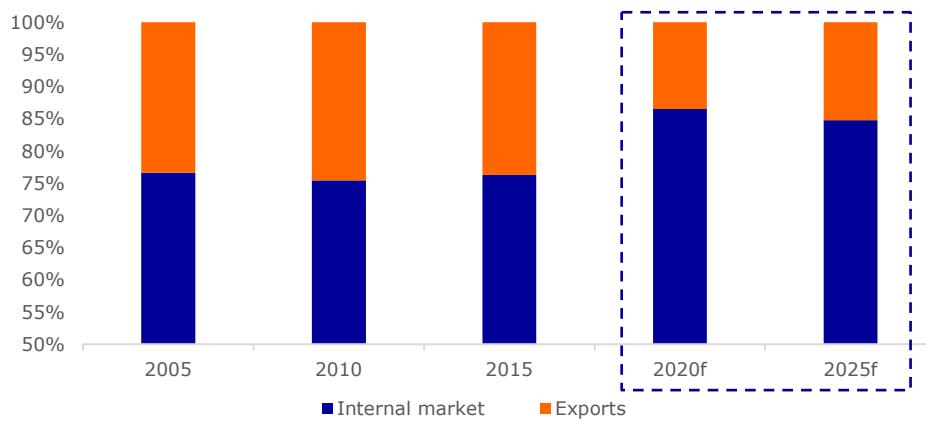
In summary, the Argentine dairy industry is not sustainable in the long term in its current configuration. Overcapacity, low operational efficiency (due to dated technology and labour costs), informality and financial difficulties of key players are some of the key issues that need to be solved before the industry becomes competitive again on an international scale. The current crisis could trigger some restructuring and, potentially, some reforms to put the house in order.

Dairy industry: exports will lose share in the coming years

After reaching a peak of 30 percent of milk being exported in 2013, the current crisis is set to limit the role that Argentina plays in the global dairy market for some time. Lower milk availability and a lack of commercial trade agreements will reduce the options for milk exports, in particular if the global market doesn't recover significantly for some time, as Rabobank currently projects. Therefore, in the coming years, Argentina is forecast to export around 15 percent of its milk production, down from 30 percent in 2013 (see Figure 15).

Figure 15: Exports will decline and remain below 20 percent of production, 2005-2025f

milk destination by share



Source: Rabobank 2016

The main destinations will continue to be Mercosur nations, where Argentina enjoys preferential access. In particular, Brazil and Venezuela will continue to account for the bulk of dairy shipments, while exporting on the open market will be difficult due to high industrial

costs and a lack of trade agreements. Therefore, Argentina will continue to play a role in the global dairy market, but this will be far below its true potential, due to the lower availability of milk, an uncompetitive industrial sector and an absence of favourable trade agreements beyond Mercosur.

Outlook for the dairy sector

The dairy sector in Argentina is going through a very difficult transition period. After five years of stagnation in milk production and stable domestic consumption, milk supply is contracting sharply in 2016, and volume sales are down as consumers cut back on dairy products in the face of lower real incomes and recession. The current crisis should last into 2017 and could help reshape the dairy industry, which is in significant difficulties after many years of underinvestment and growing informality. Several large operators in Argentina are struggling to make ends meet and are looking for refinancing, divestitures or new capital to survive the current trough. How the industry emerges after the current crisis will depend on reforms, tackling informality, and strategic decisions by companies and foreign investors on assets up for sale. After the crisis, Argentina is likely to play a smaller role in the global dairy market, with less available milk for export and a mature domestic market that recovers gradually after periodical downturns. A buoyant global market could accelerate the recovery in production, but current projections by Rabobank point to a more gradual recovery in international prices.

Conclusion

Grains & Oilseeds

The new agricultural and exchange rate policies translate into significant present and future business opportunities for the G&O sector. Argentina presents strong potential to resume growing its agricultural production, despite the current low commodity prices, based on its competitive advantages vs. other producing countries. Based on the aforementioned trends, by 2025/26:

- Corn production is expected to rise by 17.6m tonnes, to 45.6m tonnes.
- Soybean production is expected to increase by 13.9m tonnes, to 69.2m tonnes.
- Wheat production is anticipated to expand by 8.1m tonnes, to 19.0m tonnes.
- These increments imply a combined harvest of about 133.7m tonnes in 2025/26.

Furthermore, with the incremental production outpacing the expansion of local consumption in the foreseeable future, Argentina holds a strong potential to increase its grain exports in the coming years.

- Corn exports are expected to increase by 10.5m tonnes, from 18.9m tonnes in 2015/16 to 29.4m tonnes in 2025/26.
- Soybean exports are forecast to increase by 1.9m tonnes over the next decade, going from 10.6m tonnes in 2015/16 to 12.4m tonnes in 2025/26.
- Wheat exports are projected to increase by 5.4m tonnes, rising from 5.3m tonnes in 2015/16 to 10.7m tonnes in 2025/26.
- Therefore, the total combined exportable grain surplus for the three crops is forecast to reach 52.5m tons by 2025/26: a 51 percent increase from 2015/16.

Animal Protein

Regarding the animal protein sector, it is clear that the Argentine industry has room to grow in the near future, supported by increased domestic availability of grain for feed production and by the possibility of increasing exports. Therefore, Rabobank expects that:

- Argentina will produce an additional 740,000 tonnes of beef in the coming decade, leaping from 2.7m tonnes in 2015 to 3.5m tonnes by 2025.
- Argentine beef exports will reach about 800,000 tonnes by 2025, compared to around 200,000 tonnes in 2015.
- Argentina will have 7 percent of market share in the international beef trade by 2025, compared to 12 percent in 2005 and 2 percent in 2015.
- Poultry production will increase by 2.7 percent yearly over the coming decade, surpassing 2.7m tonnes by 2025.
- Poultry exports will likely surpass 600,000 tonnes during the same period.
- Pork domestic per capita consumption will rise by nearly 1 kilogram per year.

Dairy

The dairy sector in Argentina is set to have a less favourable outlook in the coming years than other major agribusiness sectors. A mature domestic market with limited growth potential, coupled with limited tariff-free access to the world market at a time of relatively low international prices, will cause limited incentive for a strong rise in milk production in the coming years.

- From 11.2bn litres of milk produced in 2015, output is set to decline to 9.3bn litres by 2017, then growing gradually, to 11.6bn litres by 2025.
- Per capita consumption should reach 207 litres by 2025, after registering 198 litres in 2015.
- Limited access to credit for farmers and land competition with grains will hold back the recovery in milk output.

The dairy industry is suffering the impact of years of underinvestment, rising labour costs and growing informality. This will limit its potential to be competitive outside of Mercosur.

- After exporting 24 percent of production in 2015, Argentina should sell around 15 percent of its milk on the international market by 2025. Mercosur will continue to be the main destination.

Final remarks

It is clear that Argentina has considerable potential to increase production and exports of its grain and animal protein sectors. Agricultural production in Argentina enjoys significant natural competitive advantages, and its products are well recognised for their quality in international markets. Moreover, even though they are just recovering from more than a decade of unfavourable policies, Argentine farmers have proven, time and time again, to be very resilient to difficulties.

In contrast, the processing side of agribusiness in general has a little further to go in order to match the international competitiveness of field operations. Improving capacity utilisation (grains, dairy), restructuring (pork, dairy) and better tailoring of products to markets (beef, poultry) are some of the most important points of attention across the sectors analysed. Meanwhile, investments in infrastructure—particularly in new internal routes and increased port capacity, will be essential for the country to fully realize its agricultural potential in the coming years.

Thus, many challenges still lie ahead. Limited credit availability and an uncertain political environment have contributed to increased costs and loss of competitiveness. Financing will remain critical, as will the maintenance of a stable and inviting business environment to attract capital. However, it is expected that the opportunities highlighted in this report should encourage the development of the services and infrastructure necessary to support the expansion of agriculture and of crop and livestock processing.

Against this backdrop, our analysis suggests that the Argentine grain and beef sectors will continue to be prominent players in their respective global markets over the coming years. The growth in output that our projections imply should send a strong signal to both current players and potential new investors: the game has changed, and the prospects for Argentina's agribusiness are promising.

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