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USDA's 93rd Annual

Agricultural Outlook Forum

A New Horizon: The Future of Agriculture

February 23-24, 2017 • Crystal Gateway Marriott Hotel, Arlington, Virginia

Presentation from the USDA Agricultural Outlook Forum 2017

United States Department of Agriculture
93rd Annual Agricultural Outlook Forum
"A New Horizon: The Future of Agriculture"

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A New Horizon: The Future of Agriculture

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Session: South America Trade

Argentina's Agribusiness Potential

Surface Logistic and Infrastructure

February 2017

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Bolsa de Comercio de Rosario

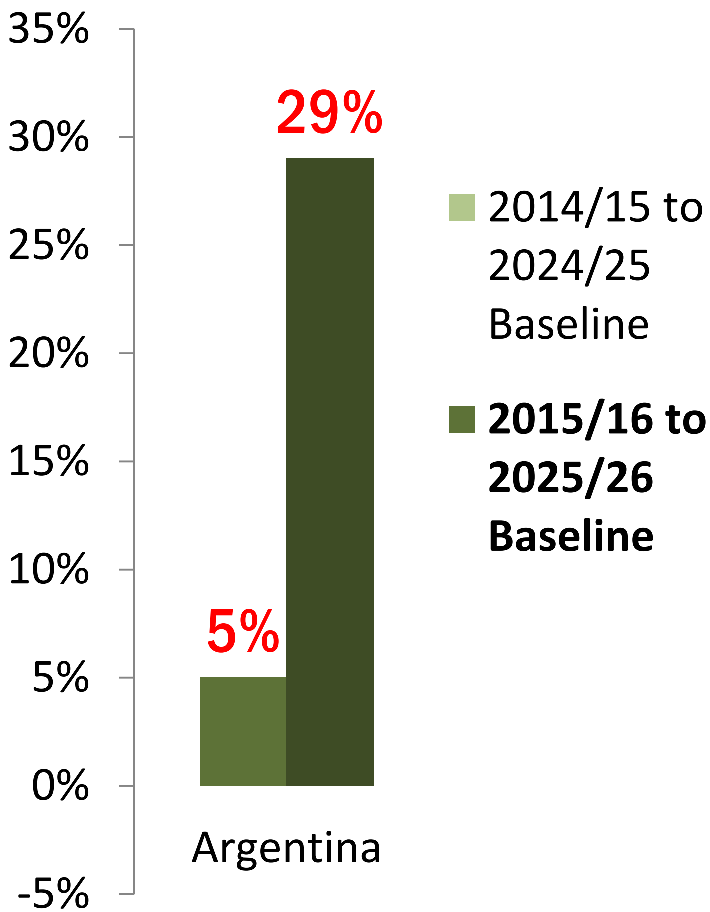
Argentina as a food supplier

- 4th in Arable Land Per Capita ranking: 0.96 ha/cap
- 6th in Food Producing Countries ranking based on net food per capita production value
- 10th in Top Food Exporting Country ranking

1st soybean oil, meal and biodiesel exporter
3rd soybean producer & exporter
3rd corn exporter
4th sunflower oil and 3rd sunflower meal exporter
2nd grain sorghum exporter
7th wheat exporter
5th barley exporter
7° poultry meat exporter
10th beef exporter

Source: PSD, USDA

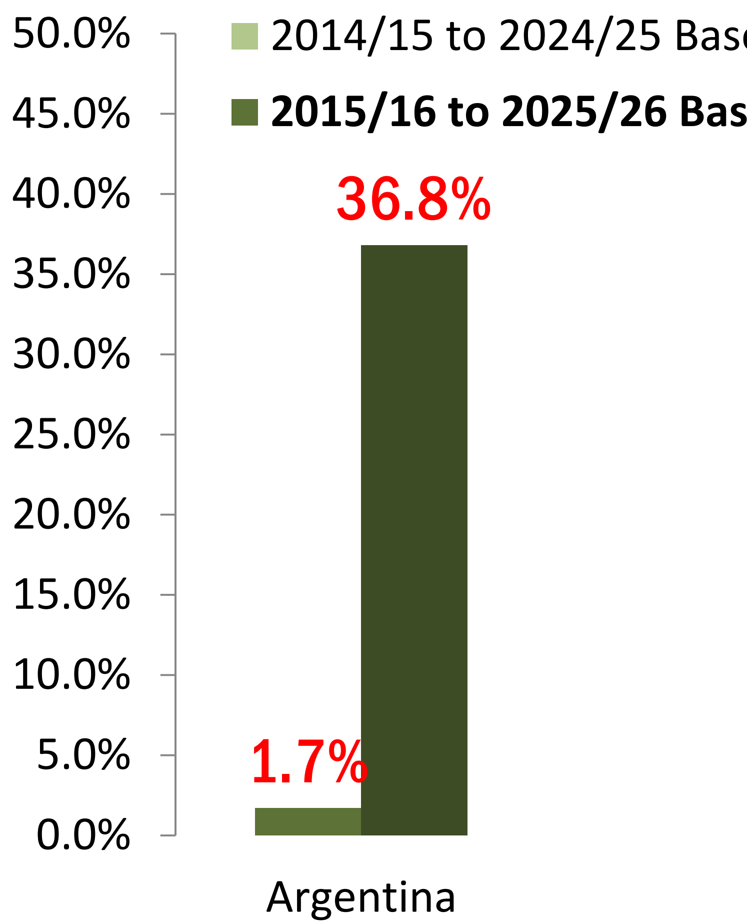
Changes in **Grain Production** (ERAMA 2025)



	2025/26 Production (MMT)	Δ 10 years
TOTAL	**140.4**	**29%**
CEREALS	**74.6**	**51%**
Wheat	15.2	48%
Corn	49.3	**64%**
Grain Sorghum	5.0	47%
OILSEEDS	**65.8**	**11%**
Soybean	60.6	8%
Sunflower	3.8	50%

Source: INAI Foundation. ERAMA 2025 (Reference Scenario for World and Arg Agroindustry 2025.

Changes in **Grain Export** (ERAMA 2025)



	2025/26 Exports (MMT)	Δ 10 years
Cereals	**48.0**	**48.9%**
Wheat	8.3	3.7%
Corn	37.7	**81.8%**
Rice	1.1	78.1%
Oilseeds	**10.8**	**0.5%**
TOTAL GRAINS	**58.7**	**36.8%**
PROTEIN MEALS	**33.0**	**7.7%**
VEGETABLE OILS	**6.9**	**13.5%**

Source: INAI Foundation. ERAMA 2025 (Reference Scenario for World and Arg Agroindustry 2025.

Argentina’s Agribusiness

STRENGTHS

- Geographical concentration of main production area
- Proximity of the main production area to terminal ports and industrial area
- Highly flexible primary producers, growing in scale, of rapidly adopting high technology
- Highly efficient port infraestructure
- Large scale crushing industry

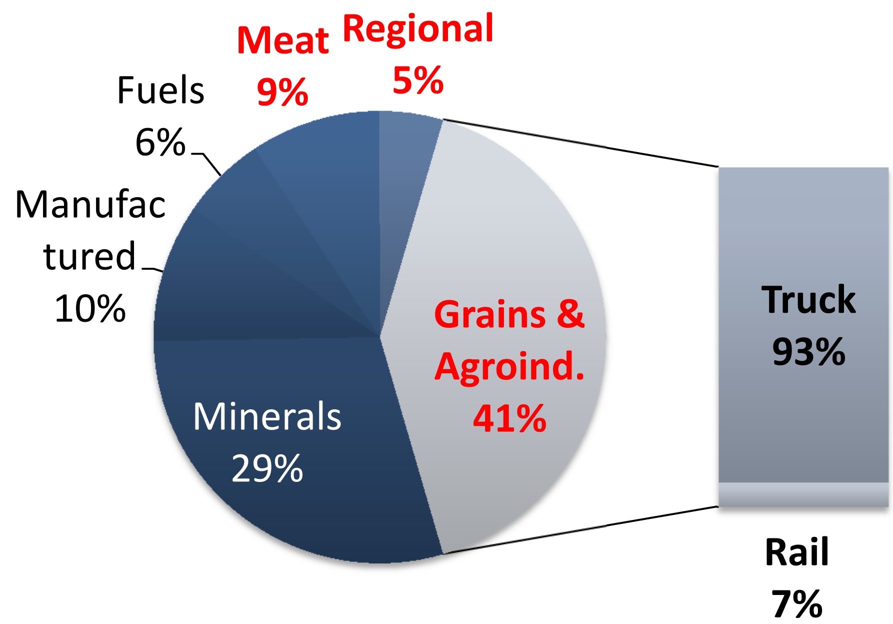
WEAKNESSES

- High tax pressure
- High labor cost
- Inadequate infrastructure for transportation (highways, rural roads, port access, equipment), and, therefore, logistics
- Inefficiencies in energy infrastructure
- Royalties seed issue hindering new technology acquisition

Logistic and Transportation Infrastructure

Surface Transportation Freight

Sector	MMT equivalent by Truck	MMT equivalent by Rail
Meat	40.3	
Grains & Other Agric. Prod.	183.7	12.8
Manuf. Goods	40.0	2.5
Minerals & Metals	119.7	6.6
Fuels	25.2	0.2
Total	**408.9**	**22.1**



Source: CNRT and National Cargo Study from Transportation Ministry (2012 data).

1. L&T Infrastructure: Road System

Critical points

- ✓ Freight cost[/1]
  - ✓ 40% taxes, 24% labor cost, 3.9% truck company profit.
- ✓ Conditions of 240,000 km of national and provincial road system:
  - ✓ 66% unpaved
- ✓ Plus 200,000 km of counties road system

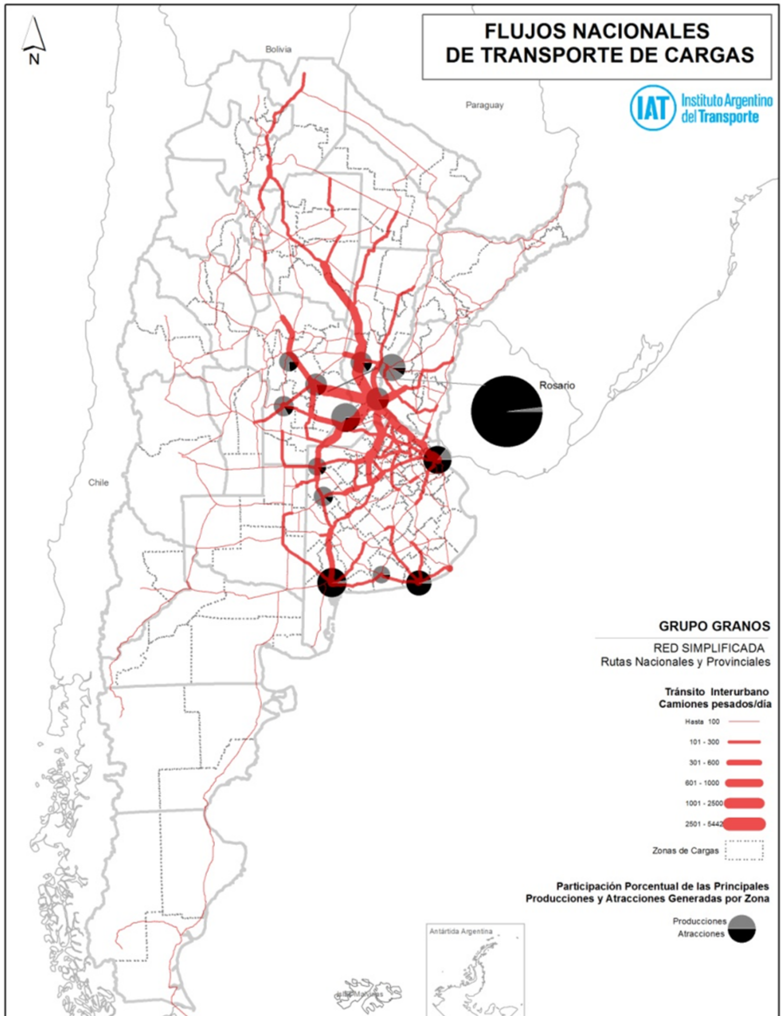
[/1] IAPUCO/FADEAAC.

4-Y Plan of Road Transportation Security

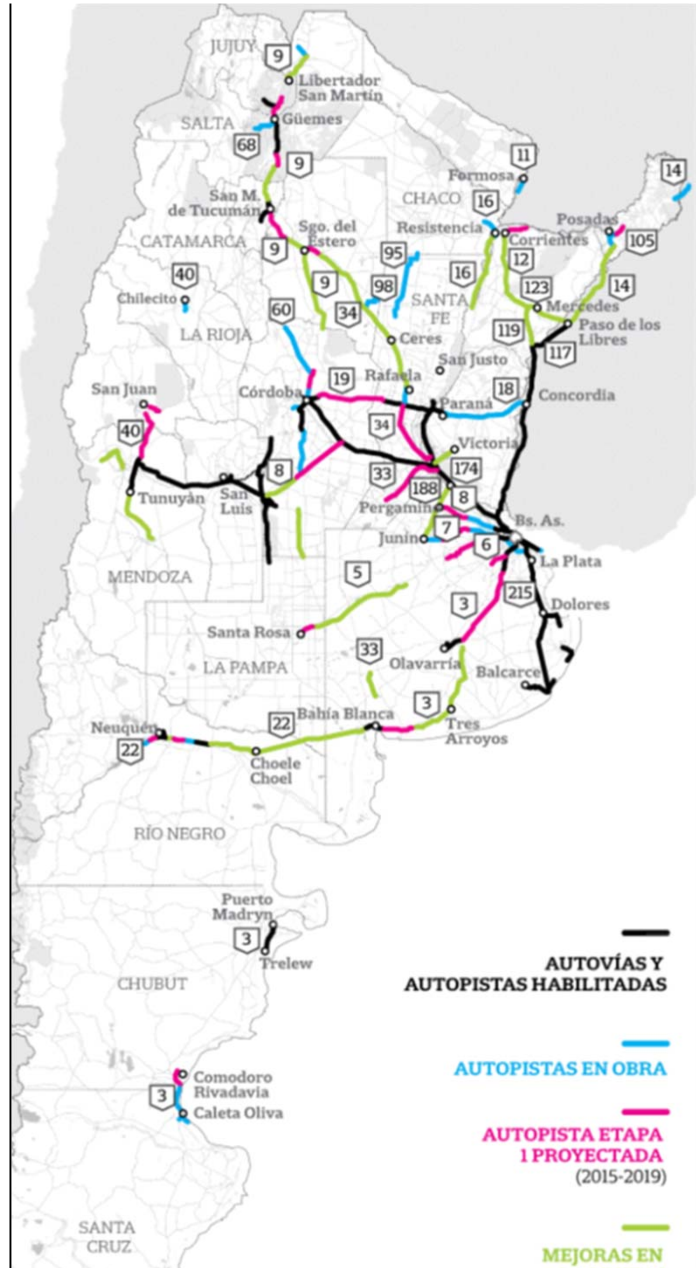
- ✓ Investment of aprox. USD 13 billions
- ▪ Construction of 2,800 km of highways
- ▪ Improvements and repairs of 4,000 km
- ▪ Other repairs and constructions
- ▪ Mixed management of 40,000 km of the national roads [/2]

[/2] New law on public-private investment (PPP)

There is a symmetry between the priorities highlighted by the 4-Year Plan proposed by the new government *(La Nacion Media Infography)* and the Daily Average Flow of Grain Trucks during a year (2012).

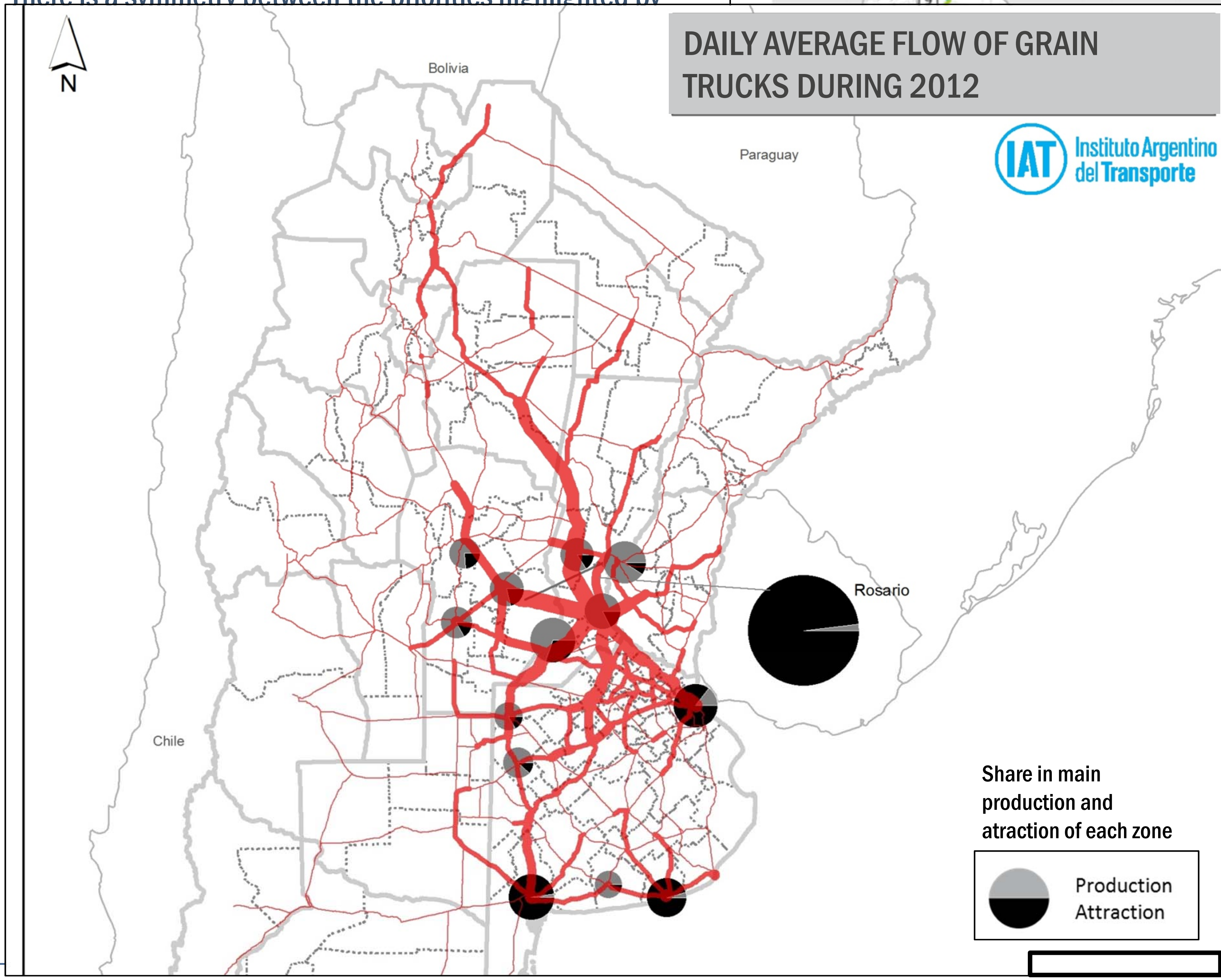


Grain Flow



4-Y Security Plan

There is a symmetry between the priorities highlighted by



2. L&T Infrastructure: Rail System

Critical points

- 28,500 km of railroads network, but only 18,000 km are active /1
- Low active equipment (369 locomotives, 17,300 cars)
- No access to all of the export terminal ports

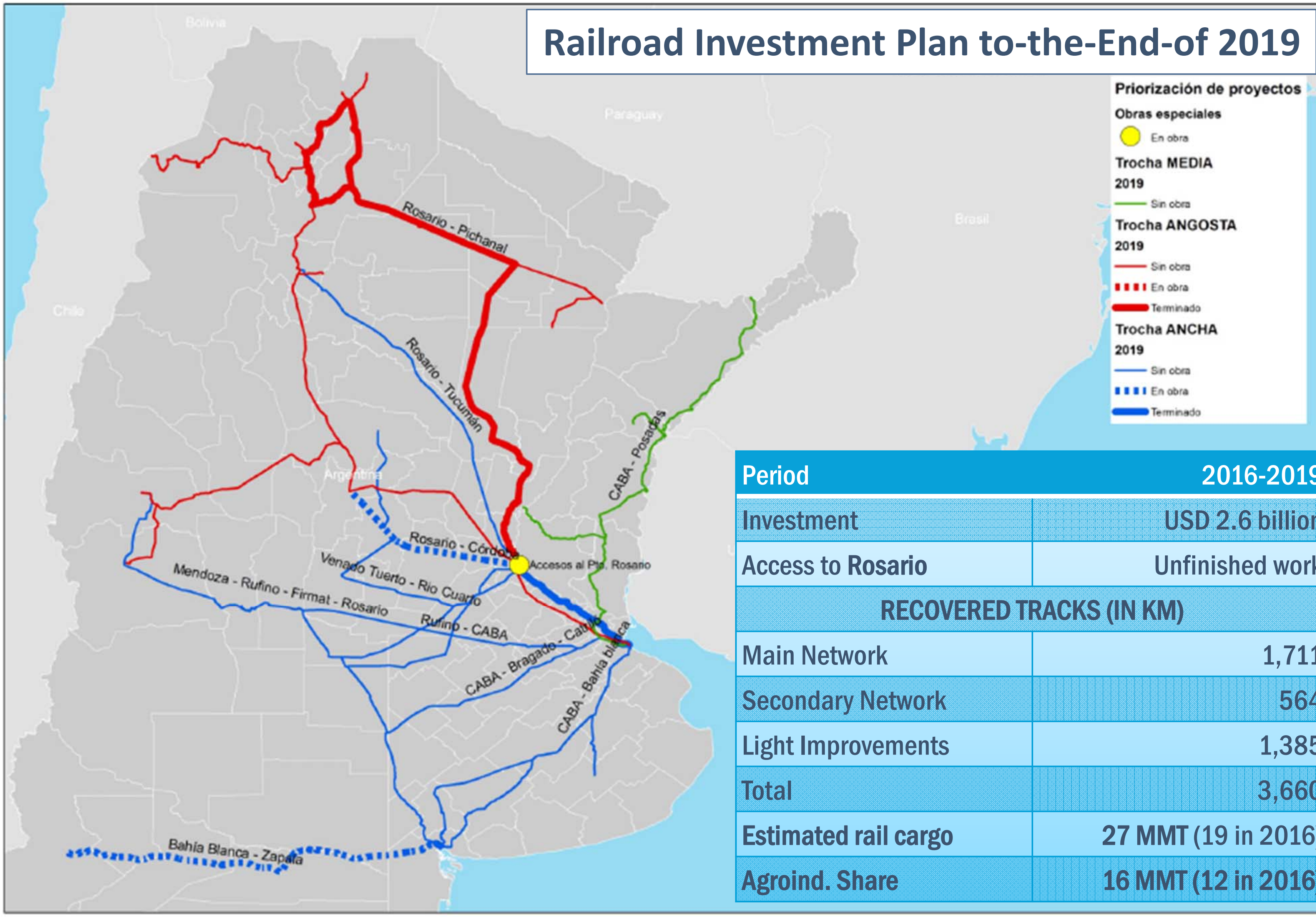
/1 CRT, Ministry of Transportation and Ministry of Agroindustry

2016-2035 Investments Plan

- Volume projection: currently transported by railway + volume derived from truck transportation
- 20-y investment splitted in 4-y periods
- Dateline for the public-private partnership railway lines: 2021-2022
- Under PPP (public-private partnership)

1° stage of the 20-Y Investment Plan for Cargo Railroads prioritize the NOA-NEA potential production

Railroad Investment Plan to-the-End-of 2019



Period	2016-2019
Investment	USD 2.6 billion
Access to **Rosario**	Unfinished work
RECOVERED TRACKS (IN KM)	
Main Network	1,711
Secondary Network	564
Light Improvements	1,385
Total	3,660
Estimated rail cargo	**27 MMT** (19 in 2016)
Agroind. Share	**16 MMT (12 in 2016)**

Based on **Investment Plan for Cargo Railroads 2016-2023** of Transportation Ministry, Argentina

3. L&T Infrastructure: Access to ports

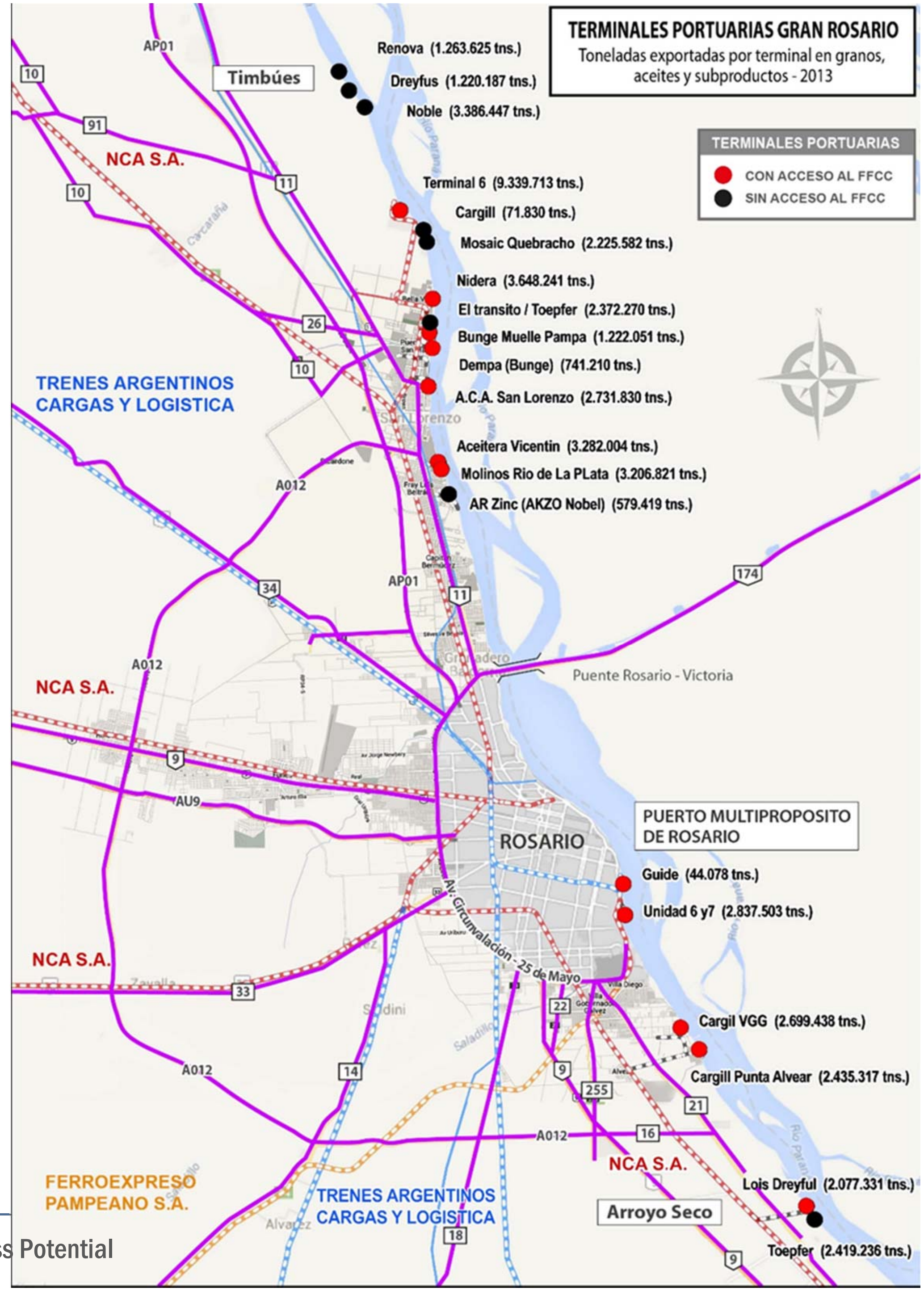
- Improvement to access –for trucks and rails- to bulk grain terminals on Parana River: **Up River Complex + NE BA**

  - ✓ Proximity of main production area
  - ✓ Potential increase of crop area will be located in the North of Argentina
  - ✓ 46% of grain production is 300 km around the terminal ports surrounding Rosario (Up River complex)

Within a radio of 300 km radio around Rosario	
Crop	2010-2015 Avg. Prod.
Soybean	57%
Corn	47%
Wheat	41%
Grain Sorghum	40%

2016 Up River Shipments

66 MMT OUT OF 83 MMT IN TOTAL	
Grain	63%
Proteinmeals	**96%**
Vegetable oils	**97%**
Soybean	35%
Corn	**83%**
Grain Sorghum	99%
Wheat	56%
Estimates based on Ministry of Agroindustry and private sources.	



2016 Estimated Units

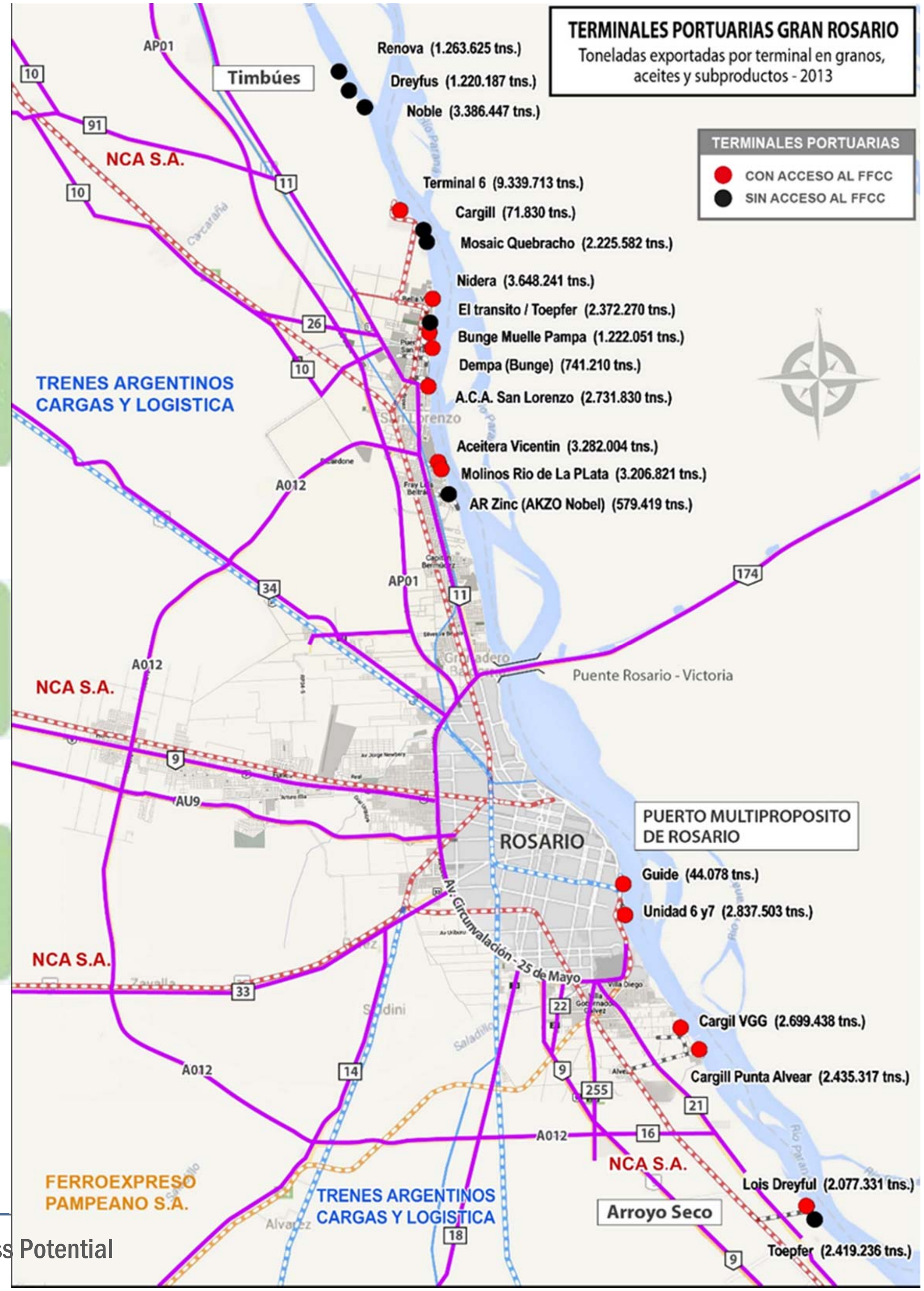
(only for grains)

2 Million for grains
(4 M in and out)
+23% y/y

173,000 grain
railcars

2,900 barges

2,420 overseas vessels
(all cargo) +11.6% y/y



3. L&T Infrastructure: Access to bulk ports

- Even with good road and railways connections, it is required to improve access for trucks and rails to bulk grain terminals in **Bahía Blanca, BA**
  - ✓ With a depth of 45 feet, is critical for the completion of Up River vessels
  - ✓ Key for the petrochemical industry

Bahía Blanca + Necochea	
Grain	2016 share on total shipments
Wheat	42%
Corn	14%
Soybean	49%
Barley	96%

4. L&T Infrastructure: Private strategies

- New port terminals for grain shipping
- Barges facilities
  - ✓ New for unloading grain from Py
  - ✓ Enlarging unloading capacities
- Present terminal ports
  - ✓ Enlarging truck yards capacity
  - ✓ More equipment to increase dowloading speed on trucks
- Investments on fixed silo capacity along the Belgrano Cargas railway line on the North

Conclusions

- Free currency market and the removal of trade barriers, price controls and other regulatory restrictions allowed the noticeable expansion of production, mainly in grain and livestock sectors
- Surface Transportation and Logistic Infrastructure
  - ✓ Inadequate roads and railroads from farms to terminal points and inadequate access to export terminals… meaning high pressure on logistics
  - ✓ Highly efficient terminal ports, with capacity for shipping ≈ 220 MMT of grains, but enlarging unloading speed capacity; investing on capacity for terminals in NE Buenos Aires
  - ✓ BUT, the new government has taken note and prioritized their plans according to those areas that will have a quicker response to stimuli
- There is still a high Argentina's cost (tax system), work in progress
- Demand side: slower economic growth and increasing protectionism

Thank you very much

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