



## International Agricultural Trade Report

January 12, 1999

### Brazil and Argentina Grain and Oilseed Update

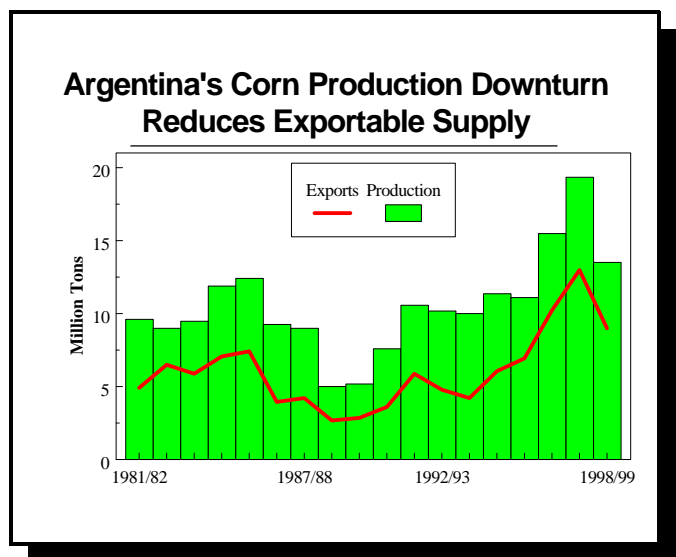
*U.S. Corn and Wheat Exports Benefit From Lower Production in Argentina, but U.S. Soybean and Products Exports Continue to be Pressed by Large South American Supplies.*

#### Summary

- Less competition from Argentina has raised prospects for U.S. corn exports this year. Forecast Argentine corn exports are 9.0 million tons for the 1998/99 marketing year, down from a record 12.8 million tons last year.
- Lower Argentine wheat production and export availability may offer opportunities for U.S. wheat exports to North Africa and the Middle East this year. Argentine production and exports are expected to decrease by 4.5 mmt and 2.9 mmt respectively.
- In 1998/99 soybean production is forecast down 5 percent in Brazil and 7 percent in Argentina from last year's record levels, but large carry-in stocks will more than make up for the smaller crops.

#### Lower Argentine Corn Crop Improves Prospects for U.S. Exports in 1998/99

Reduced corn production will limit export availability for Argentina. Argentina, the world's second largest exporter, typically exports about 65 percent of annual production. With ample supplies available from the United States and less export competition from Argentina, the pace of U.S. corn exports is already several million tons ahead of last year at this time. U.S. corn will capture slightly larger shares of Japan, South Korea, and Taiwan import demand. This boost is not yet sufficient to counteract sluggish world-wide import demand and so will not alone provide substantial price relief for U.S. farmers.



Argentine corn production is estimated at 13.5 million tons, down 5.9 million tons from last year's record crop due to lower prices, delayed plantings, and dry weather. Export estimates are reduced 1.5 mmt for

this year, to 9.0 million tons. Harvested area is down 12 percent from last season, with planting virtually complete. Area is being shifted from corn to soybeans and sunflowerseed this year because of relatively better returns for those crops. After a dry start of the season, crop conditions have improved.

Brazil's 1998/99 corn production is estimated at 33.5 million tons, up 2.5 million from last year. Harvested area is 9 percent above last year. However, Brazilian corn imports are projected to grow slightly to 1.5 million tons this year, despite the increased production. Farmers are shifting area from soybeans to corn in response to relatively lower soybean prices and reduced corn stocks. Most of the main season corn has been planted.

### U.S. Wheat Benefits from Reduced Argentine Production and Exports

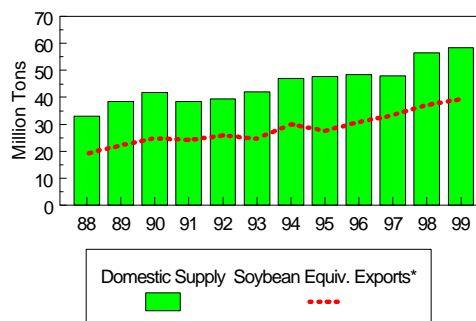
The 1998/99 Argentine wheat crop is forecast at 10.3 million tons, down 4.5 million tons from last year due to decreases in area and yield. Exports are expected to decrease nearly 2.5 million tons. Argentina will remain a regional supplier of wheat, but will likely have to give up market share in areas such as North Africa and the Middle East, which could provide opportunities for U.S. exports. Unlike the last two years, the onset of the Argentine wheat harvest will not likely have a depressing effect on world or U.S. prices. Harvested area is about 18 percent lower than 1997/98 based on depressed prices at planting and dry weather in southern Buenos Aires. Currently, about 90 percent of the wheat has been harvested.

### Lower Brazilian and Argentine Soybean Production Offset by Large Carry-in Stocks

Brazil's 1998/99 soybean production is estimated at 29.5 million tons, down 1.5 million from last year's record crop. Soybean exports will only decline 3 percent, while soybean product exports will increase, bolstered by a 57 percent year-to-year increase in carry-in stocks and a record large soybean crush. This, in conjunction with a strong world vegetable oil market, will support growth in soybean meal and oil exports of 3 percent and 11 percent respectively. Harvested area is estimated to be about 2 percent below last season due to dryness and a small shift into corn. Planting is almost complete and rainfall is near normal.

Argentina's soybean production is estimated at 17.5 million tons, down 1.2 million from last year's record, but still the second largest crop in history. However, the decline in production will be offset by larger carry-in stocks, leading to an overall increase in domestic supply. The larger supply will translate into a 1.7 million ton increase in soybean meal exports which contributes to the smaller U.S. soybean and product export forecast. The harvested area is up 4 percent from 1997/98 due to a shift in area from corn. Nearly all of the crop has been planted and is receiving beneficial rainfall.

#### Brazil & Argentina: Domestic Supplies and Soybean Exports



\*Includes exports of soybeans and meal as soybeans  
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