

MARKET REPORT BUE-LNV:

- 2019 ARGENTINA AGRO EXPORTS BALANCE -

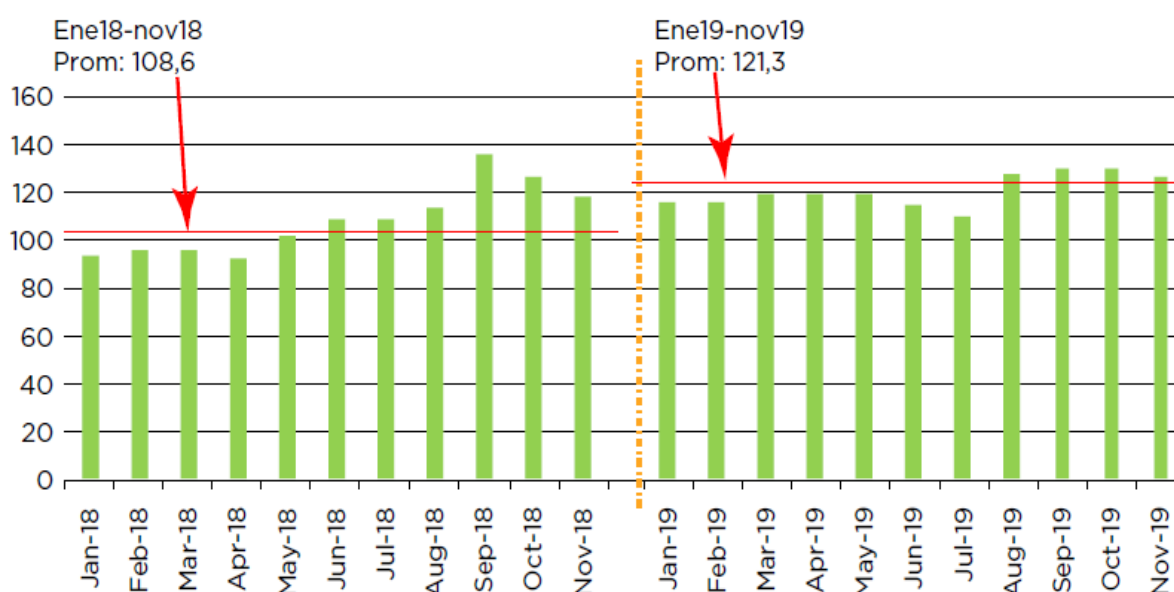
PERFORMANCE OF AGROINDUSTRIAL EXPORTS

- During the January - November 2019 period, Argentine exports to the world reached a FOB value of US \$ 59,703 million. Exceeding the total exported from the previous 2 years, with a favorable balance of 2.6 and 26% respectively.
- Imports US \$ 45,991 million.
- Positive balance of the trade balance: US \$ 13,712 million.
- 65% of exports belonged to the agribusiness complex.
- Most important: Soybean complex, corn, wheat & sunflower.
- Agribusiness sector sales of US \$ 38,761 million, 12% above the previous year.
- Agroindustrial imports for US \$ 5,028 million. T

This performance is the result of the combination of different factors, among which are:

Macroeconomic:

- Real multilateral exchange rate averaged higher than in the same period in the previous year. This placed the country in a more competitive price position compared to other export/producing countries. According to data from the BCRA (Central Bank of the Argentine Republic), on average the real multilateral exchange rate in 2019 was 12% higher than in the same period of 2018. This was due to the exchange effect of the successive "ARS peso" devaluations, while other variables pressed the real downward exchange rate such as the transmission of prices due to the depreciation of the local currency (ARS peso) and the inflationary pressure that came with the inertia of prices.



Graph 1: Real multilateral exchange rate. Source: BCRA (central Bank of the Argentine Republic).

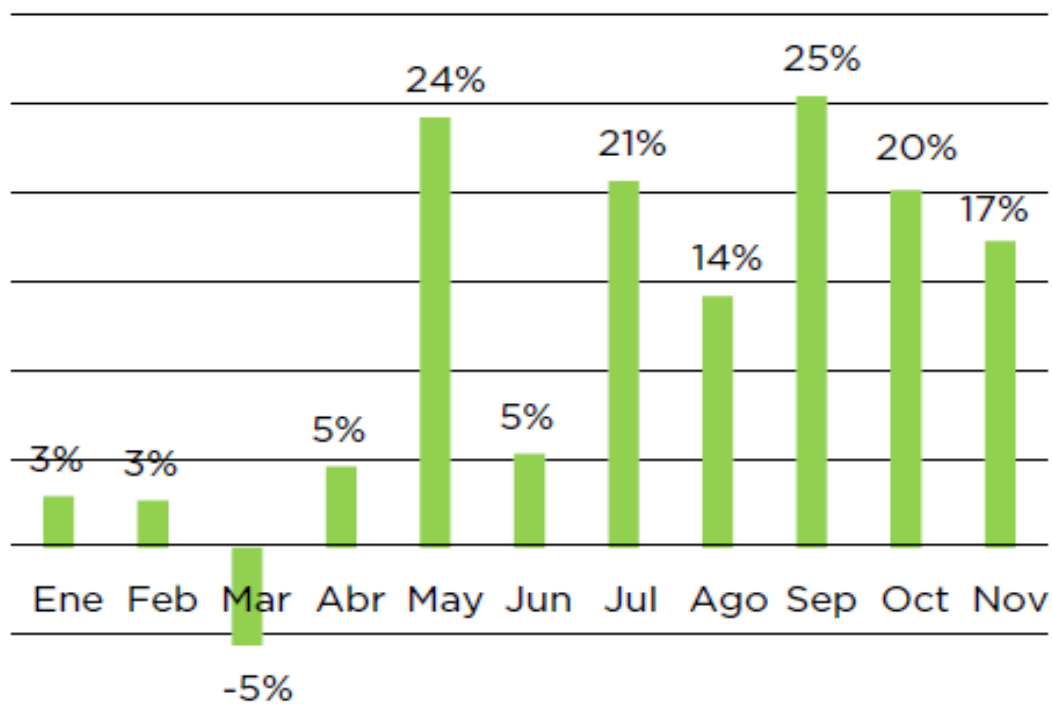
Microeconomic and sectorial:

- Agricultural harvest in the 2019/2020 campaign exceeded the historical maximum, reaching 147 million tons of grain and oilseed production.
- Due to expectations during the second semester, an acceleration of grain sales was detected that stimulated an annual growth in exports. Especially after the October presidential elections, in the face of fear of rising export taxes.

Global:

- International demand to remain firm, especially from China, despite the slowdown in its activity levels.
- The China - US trade war has allowed the sale of soybean remain firm towards China, that seeked to improve its stock level.

In general terms, the fall in cereal prices due to high stocks during the first months of the year was compensated in subsequent months by the positive evolution in the volumes sold by the export sector of the Argentine industry.



Graph 2: Exports - Interannual growth. Source INDEC (National Institute of Statistics and Census - Argentina).

COMPOSITION OF AGROINDUSTRIAL EXPORTS

The sales of the soy complex represented 38% of the total agro-industrial exports, with sales totaling 40,737 million tons and US \$ 14,742 million. The product with the greatest weight in this sector is soy flour (64% in volume and 56% in value).

Cereal sector sales accounted for 22% of total agribusiness exports, exceeded by the soybean complex in this period, with sales totaling 47,204 million tons and US \$ 8,898 million. Corn sales were the ones that contributed most to this sector both in terms of value and volume (73% of the total volume exported by the sector and 65% of the total value exported). They were followed by sectors such as beef (8%), fishing (4%), fats and oils (3%), milling (2%), winemaking (2%), dairy (2%), biodiesel (2%) and oilseeds (2%).

At the product level, soybean meal sales accounted for 21% of Argentine agribusiness exports to the world. Followed by corn (14%), soybeans (9%), soybean oil (8%), wheat (5%), frozen beef (5%), refrigerated beef (2%), sunflower (2%), barley (2%), other by-products of grinding (1%), frozen fish (1%), frozen poultry (1%), prepared peanuts (1%), among others.

These 12 products combine 80% of the total exported by the Argentine agribusiness, revealing some concentration in the export basket in terms of quantity, but not in terms of product as diversification is observed in them (they correspond to sect → you are very different within the industry).

EVOLUTION OF AGROINDUSTRIAL EXPORTS

As mentioned, the soybean complex and the cereal complex continue to stand out as the main sectors of greater participation in exports and therefore of greater contribution (both contributed to the growth 6% and 5%). In this sense, the products that contributed most to the growth of exports during this period were soybeans (which had a positive variation of 197%) and corn (42%). Together they represented 92% of the growth experienced by exports between January and November 2019 (that is, 12% of total growth of agro-industrial exports in this period, 11 percentage points were a contribution of these products), basically due to the weight they have in exports. It is important to highlight that in the case of the soybean complex, its participation has been reduced over the last few years (in 2015 it represented 48% of agro-industrial exports), but not the cereal complex that has It has been gaining participation in this time, as a result of a very strong increase in corn exports.

Although the products of primary origin and of first transformation continue to predominate in the total exported by the sector, during the period analyzed there is an important dynamism in the sales of products such as: frozen beef (84.4 grew % compared to the previous period, and contributed 3% to total growth), peanut without shell (grew 161% and contributed 0.6%), frozen poultry (grew 46.8% and contributed 0.3%), beans (grew 27% and contributed 0.2%), malt (32% and 0.2% respectively),

and sugar (grew 100% and contributed 0.1%), among others as canned vegetables , margarine, frozen fish, peanut oil, chilled beef, fertilizers and butter.

Although other non-traditional products also experienced positive variations in the period, given their lower relative participation in exports, they contributed to a lesser extent to the growth of agribusiness exports. Among those with the greatest cumulative variation are: strawberries (+ 1626%), almonds (+ 1099%), wheat for planting (+ 258%), goat meat (+ 248%), potatoes for planting (+ 246%), oil Something (+ 236%), oatmeal (+ 177%), fresh potatoes (129%), cocoa (+ 112%) and peanuts in shell (+ 104%).

However, not all products had a positive behavior. The one that generated the most negative impact on exports was the flour and soy pellets: although foreign sales of this product did not fall as strong as in others (-4.9%), in absolute terms it meant a loss of US \$ 425 million, basically due to its weight in exports (while in the January-Nov period in 2018 the participation was 25%, in the same period in 2019 it fell to 21%). Since the beginning of this year, this soy by-product has been falling at rates of between 18% and 3% year-on-year (except for the month of July and October, which experienced 11% growth in both months).

In order of greater participation, crustaceans (whose cumulative variation was -21%), biodiesel (-28%), prepared peanuts (-37%), hides and skins (-23%), powdered milk (-27%), lemons (-30%), among others. In any case, the falls failed to reverse the positive effect of the products that grew.

DESTINATIONS OF AGROINDUSTRIAL EXPORTS

As for the export destinations for Argentine agribusiness during this 11-month period, the European Union remains firm as a market for agro-industrial products of Argentine origin (US \$ FOB 5,539 million) with a 14% stake in the total exported in value.

China tops sales with US \$ 5,876, 15% of the total, surpassing the EU that participates with 14%, followed by Brazil (8%), Vietnam (7%), India (4%) and Indonesia (4%).

Although all exports to the European Union showed a minor contraction of 13%, in general terms there is a positive dynamism for the main markets. China, for example, accumulated a 107% increase in shipments of Argentine agroindustrial products, as well as Indonesia and Vietnam, with increases of 27% and 35%, respectively.

Argentine agribusiness exports to the world are characterized by their diversification in terms of destination markets, with a growing consolidation of non-traditional markets that increased their market shares such as Korea (2%), Morocco (1%), Iran (2%), Peru (2%), Indonesia (4%), India (4%), South Africa (1%), Saudi Arabia (2%), among others.

European Union

Agribusiness sales to the EU contracted by 13% compared to the previous year. The falls were mostly in products of greater weight for this market, such as soybean meal (-11% and represents the product with the largest share of 36%), biodiesel (-25% and 12% of participation) and crustaceans (-25% and 8% participation), together they concentrate 56% of agribusiness sales to this destination.

<u>2019 IN THOUSANDS US\$</u>			
Product	US\$	Participation (%)	Var. % annual
Soy (flower, meal & pellets)	1.987.388	36%	-11%
Biodiesel	641.007	12%	-25%
Bovine Meat (refrigerated)	449.078	8%	1%
Crustaceans	416.846	8%	-25%
Peanut	224.146	4%	124%
Others	1.821.075	33%	

China

Agroindustrial sales to China increased considerably during the analyzed period, accumulating 107% annually. Soya bean sales (49% of the total) predominated, with an annual increase of 191%, frozen beef (30% of the total), with an annual increase of 132% and sales of frozen poultry (3% of the total), with an annual increase of 94% and soybean oil (3% of the total) with a rise of 42%. Crustacean sales, another of the main products with this origin, registered a 23% annual drop.

Brazil

Agro-industrial sales to Brazil showed a neutral dynamic during the period with a modest increase of 0.6%. In particular, wheat sales, the main product exported to this destination (33% of the total), were reduced by 13%, together with the decrease in shipments of powdered milk (-19%), as opposed to the sales of malt (33%), canned vegetables (33%) and barley (33%) increased in the last period.

Vietnam

Agro-industrial sales to Vietnam, meanwhile, registered an annual increase of 35% during the first 11 months of the year. Shipments of corn and soy flour continue to lead

sales to that country (both account for 91% of the total exported to this destination) and have increased 46% and 45% respectively during the period. In this sense it is important to highlight that Vietnam is the main destination of Argentine corn, where in turn also part of these exports end up being marketed in China. On the other hand, wheat sales, the third most important product with 2% of the total, registered an increase of 27%.

India

Exports of agroindustrial origin to India increased by 27% over the same period of 2018. Soybean oil sales consolidate 87% of the total marketed to this destination, with an increase of 23%, followed by oil of sunflower (6%) that increased 57% annually, and barley (2%) with a rise of 96%.

Indonesia

Agribusiness sales to Indonesia took sixth place during this period, with a significant increase in wheat shipments by 261% (representing 25% of the total exported) and in corn shipments of 143%. Soybean meal sales to this destination were reduced by 2%, representing 61% of the total exported to this destination.

EXPORT TAXES – “RETENCIONES”

Alberto Fernandez new government decided to increase & update the export taxes. With this decision, from now on, there are 4 categories established over FOB price:

- **30%: Soybean complex.**
- **12%: Corn, wheat and other grains.**
- **9%: Manufactured goods. Including: meat, wheat flour, rice, peanut, milk powder, other beans.**
- **5% (with a maximum of ARS \$3 per dollar exported): some productions of regional economies, such as lemons and industrial products.**