



BCR

USDA's  
93rd  
Annual

# Agricultural Outlook Forum

## A New Horizon: The Future of Agriculture

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

**Session: South America Trade**

# **Argentina's Agribusiness Potential**

**Surface Logistic and Infrastructure**

February 2017

Patricia Bergero, Deputy Director of  
Economic Research and Information Department  
Bolsa de Comercio de Rosario

# Argentina as a food supplier

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

1<sup>st</sup> soybean oil, meal and biodiesel exporter

3<sup>rd</sup> soybean producer & exporter

3<sup>rd</sup> corn exporter

4<sup>th</sup> sunflower oil and 3<sup>rd</sup> sunflower meal exporter

2<sup>nd</sup> grain sorghum exporter

7<sup>th</sup> wheat exporter

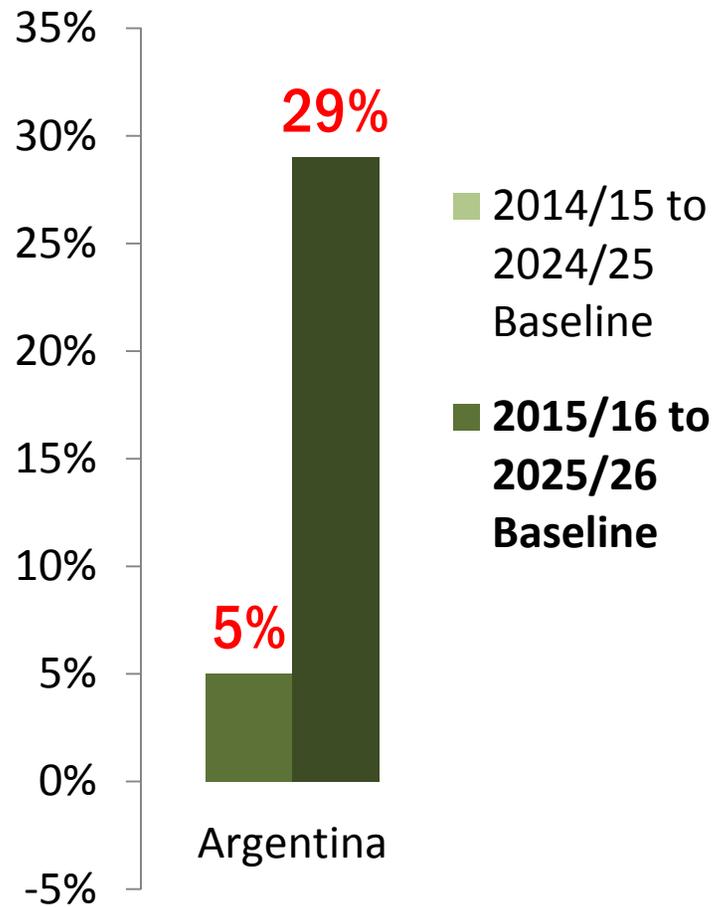
5<sup>th</sup> barley exporter

7<sup>o</sup> poultry meat exporter

10<sup>th</sup> beef exporter

*Source: PSD, USDA*

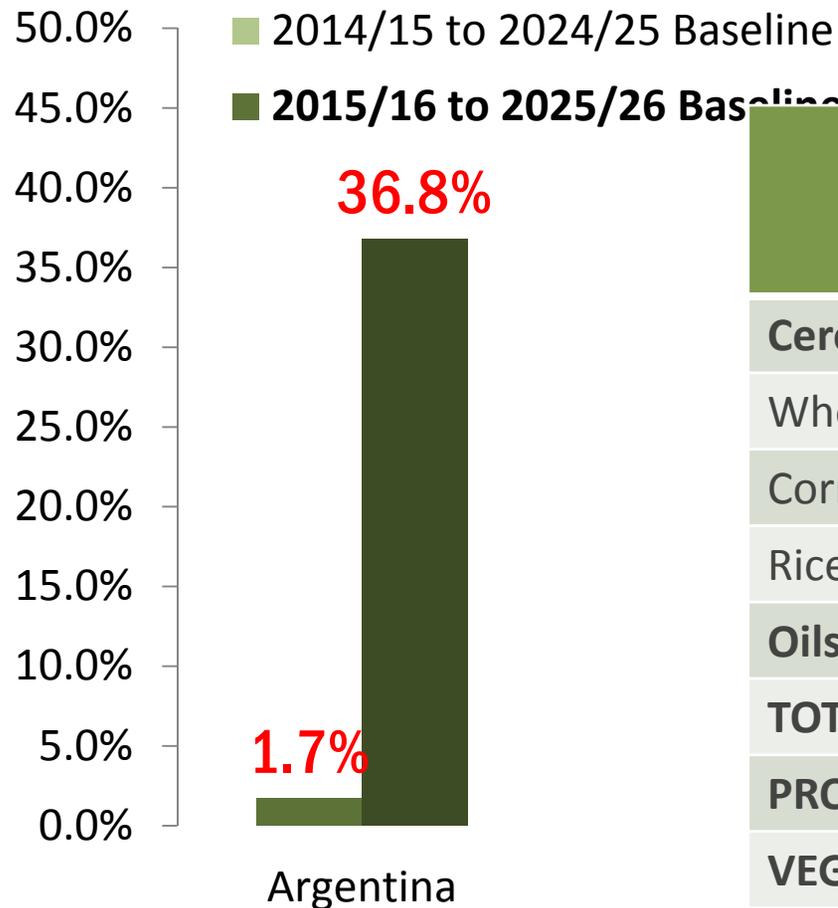
# Changes in Grain Production (ERAMA 2025)



|                 | 2025/26 Production (MMT) | Δ 10 years |
|-----------------|--------------------------|------------|
| <b>TOTAL</b>    | <b>140.4</b>             | <b>29%</b> |
| <b>CEREALS</b>  | <b>74.6</b>              | <b>51%</b> |
| Wheat           | 15.2                     | 48%        |
| Corn            | 49.3                     | <b>64%</b> |
| Grain Sorghum   | 5.0                      | 47%        |
| <b>OILSEEDS</b> | <b>65.8</b>              | <b>11%</b> |
| 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   |
|-----------------------|-----------------------|--------------|
| <b>Cereals</b>        | <b>48.0</b>           | <b>48.9%</b> |
| Wheat                 | 8.3                   | 3.7%         |
| Corn                  | 37.7                  | <b>81.8%</b> |
| Rice                  | 1.1                   | 78.1%        |
| <b>Oilseeds</b>       | <b>10.8</b>           | <b>0.5%</b>  |
| <b>TOTAL GRAINS</b>   | <b>58.7</b>           | <b>36.8%</b> |
| <b>PROTEIN MEALS</b>  | <b>33.0</b>           | <b>7.7%</b>  |
| <b>VEGETABLE OILS</b> | <b>6.9</b>            | <b>13.5%</b> |

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 infrastructure
- Large scale crushing industry

## WEAKNESSES

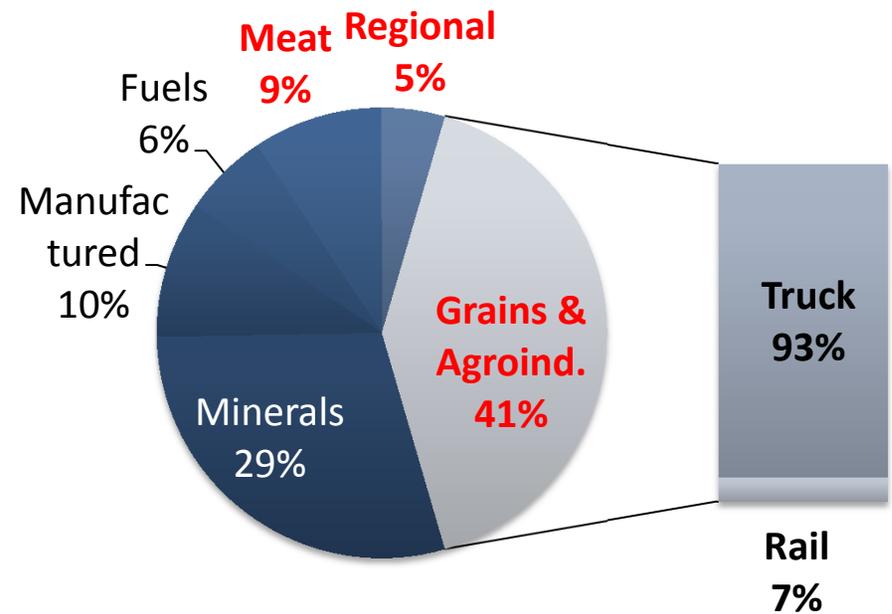


- High tax pressure
- High labor cost
- Inadequate infrastructure for transportation (highways, rural roads, port access, equipment), and, therefore, logistics
- Inefficiencies in energy infrastructure
- Royalties seed issue hindering new technology acquisition

# 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                    |
| <b>Total</b>                | <b>408.9</b>            | <b>22.1</b>            |



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

# 1. L&T Infrastructure: Road System

## Critical points

- ✓ Freight cost<sup>/1</sup>
  - ✓ 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

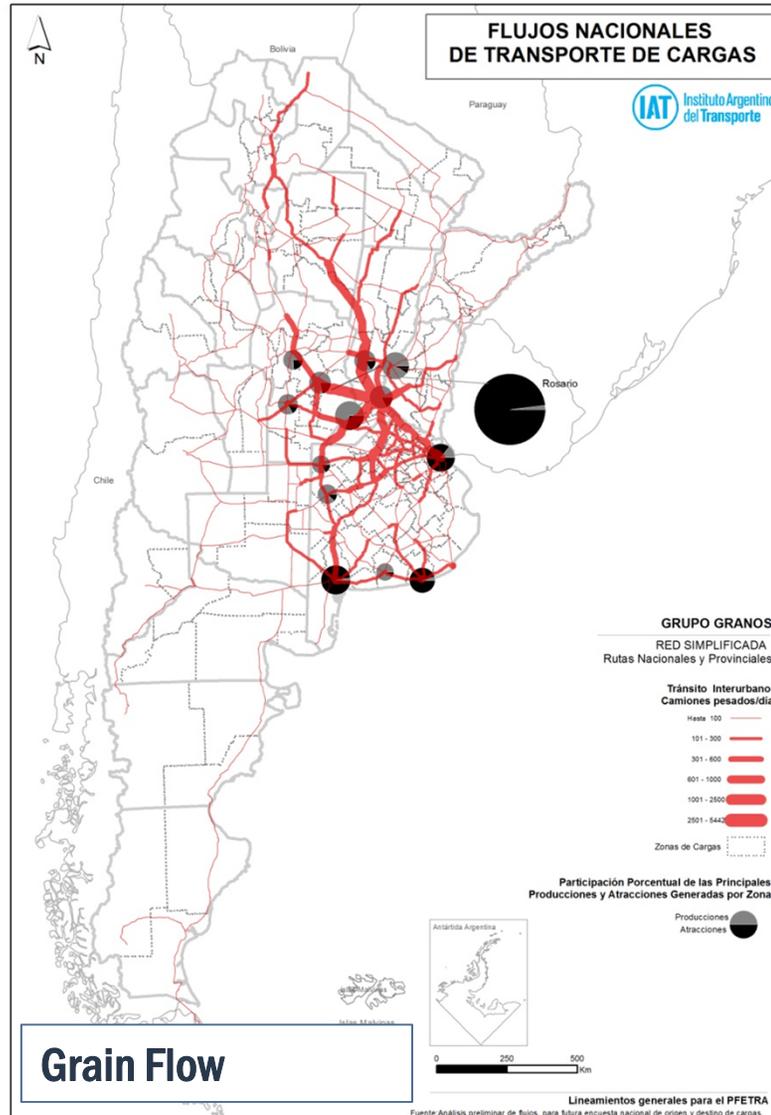
<sup>/1</sup> IAPUCO/FADEAAC.

## 4-Y Plan of Road Transportation Security

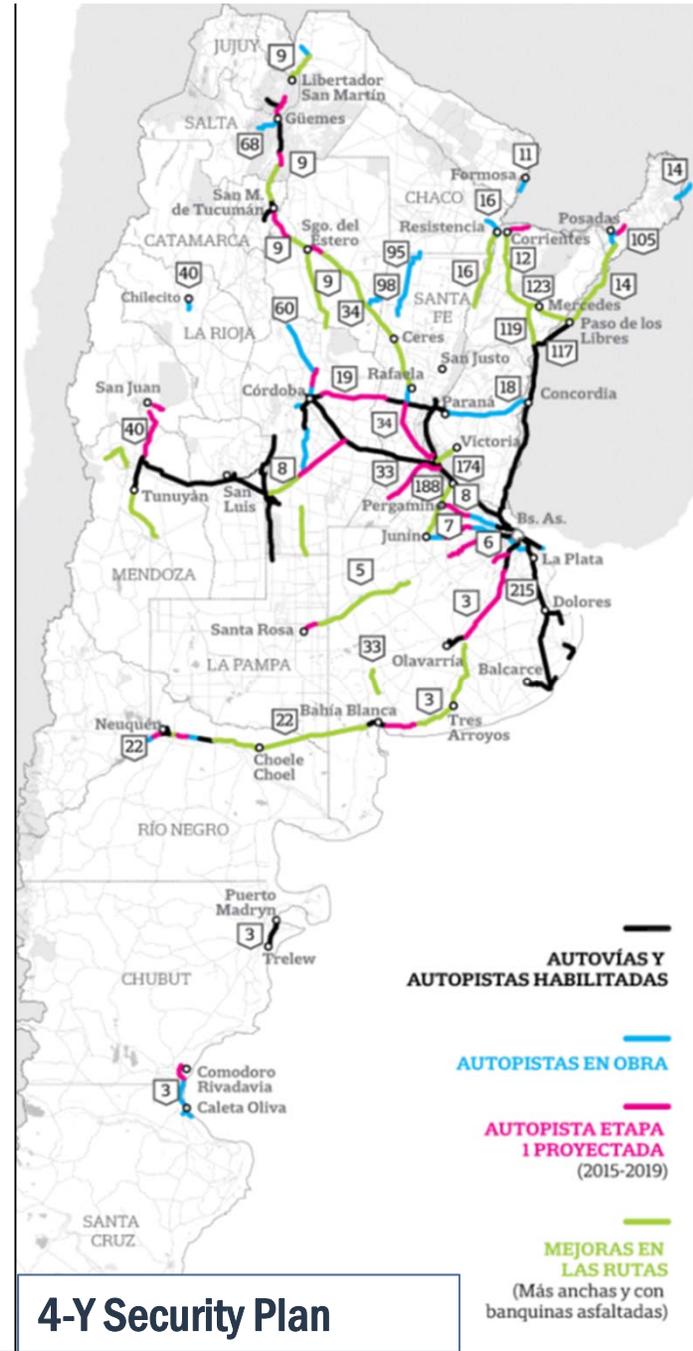
- ✓ Investment of aprox. USD 13 billions
  - Construction of 2,800 km of highways
  - Improvements and repairs of 4,000 km
  - Other repairs and constructions
  - Mixed management of 40,000 km of the national roads <sup>/2</sup>

<sup>/2</sup> 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).

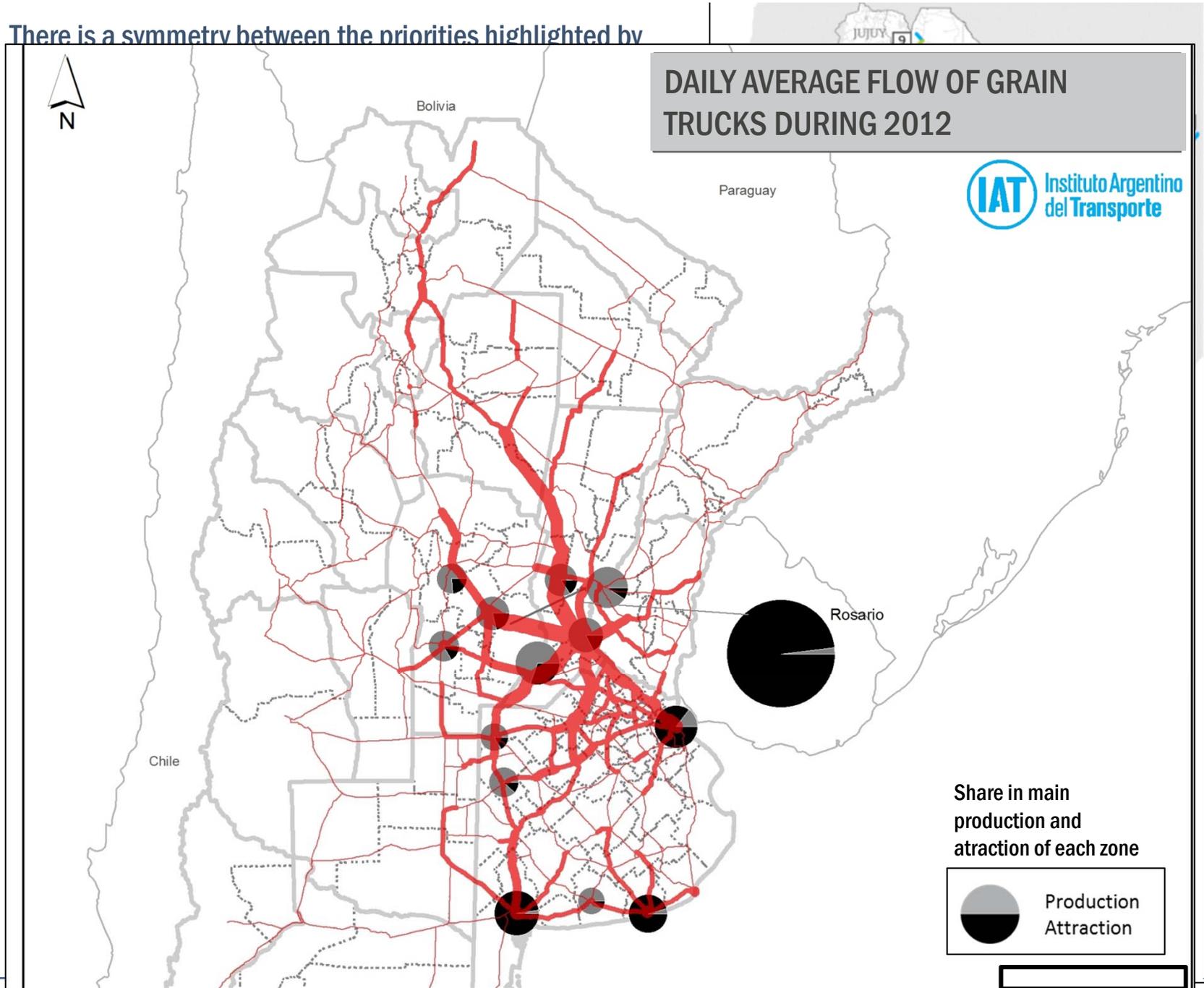


**Grain Flow**



**4-Y Security Plan**

There is a symmetry between the priorities highlighted by



## 2. L&T Infrastructure: Rail System

### Critical points

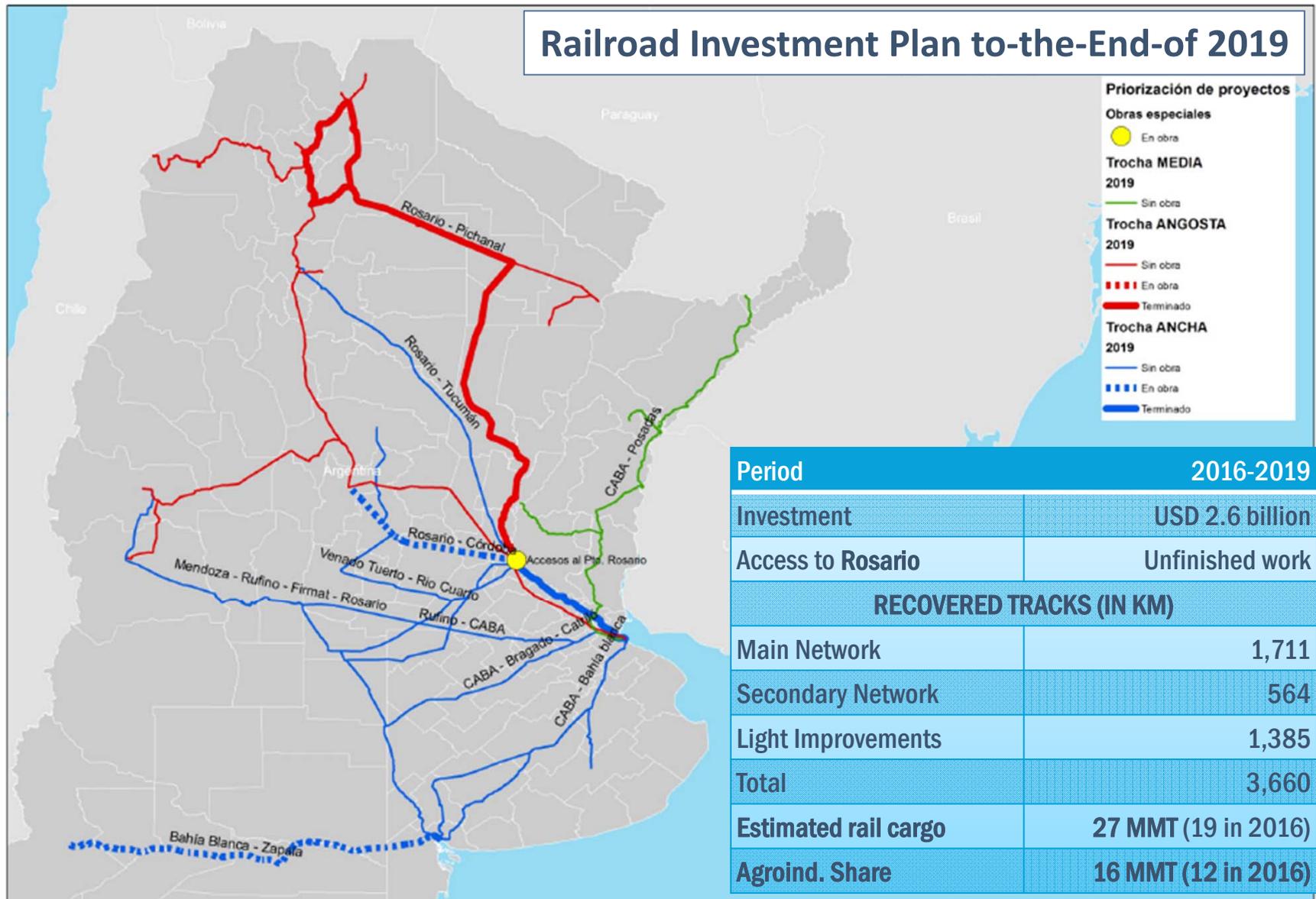
- 28,500 km of railroads network, but only 18,000 km are active <sup>/1</sup>
- Low active equipment (369 locomotives, 17,300 cars)
- No access to all of the export terminal ports

<sup>/1</sup> 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



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)

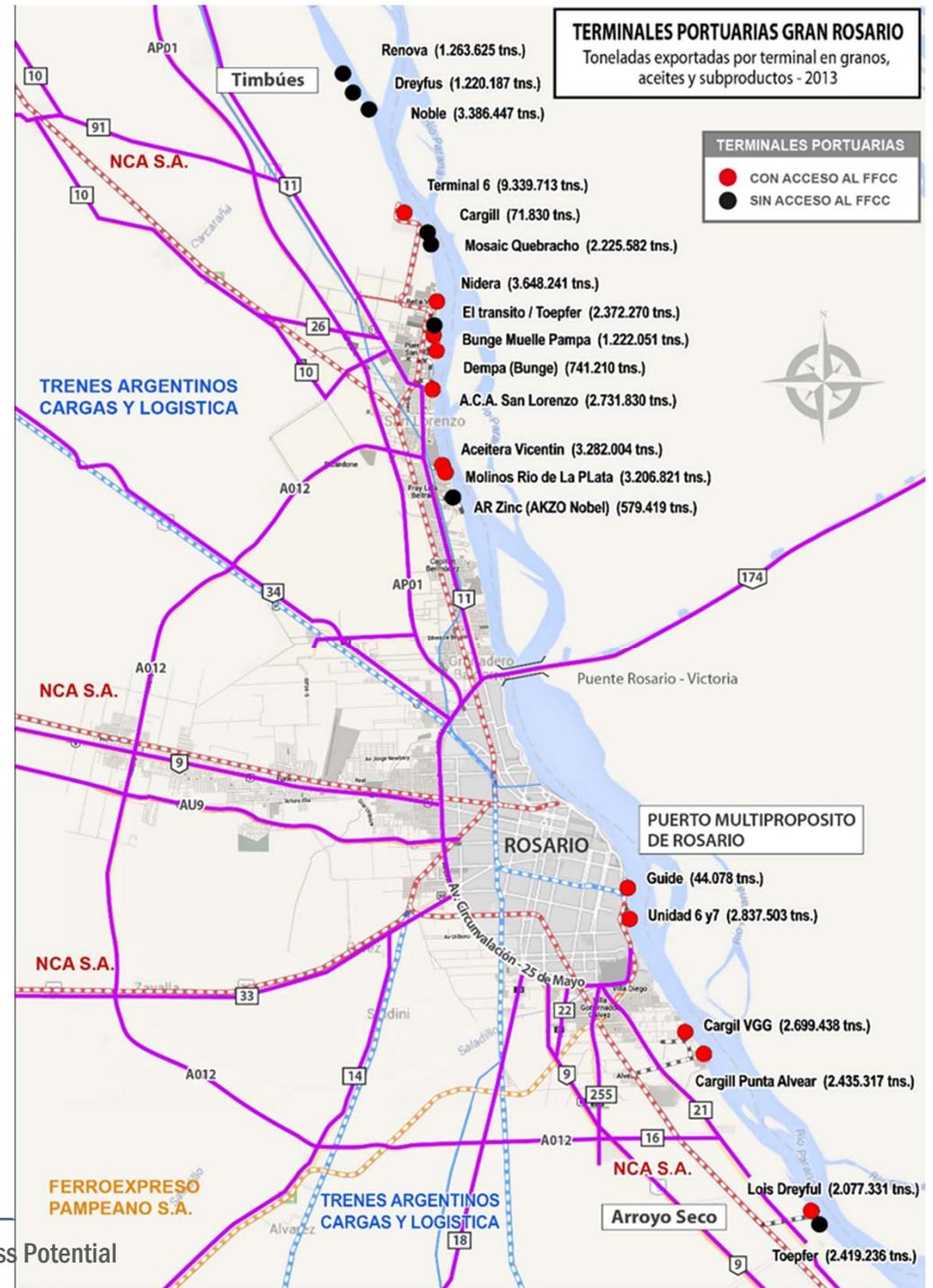
| Within a radio of 300 km radio around Rosario |                      |
|---|----------------------|
| Crop  | 2010-2015 Avg. Prod. |
| Soybean                                       | 57%                  |
| Corn  | 47%                  |
| Wheat   | 41%                  |
| Grain Sorghum         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

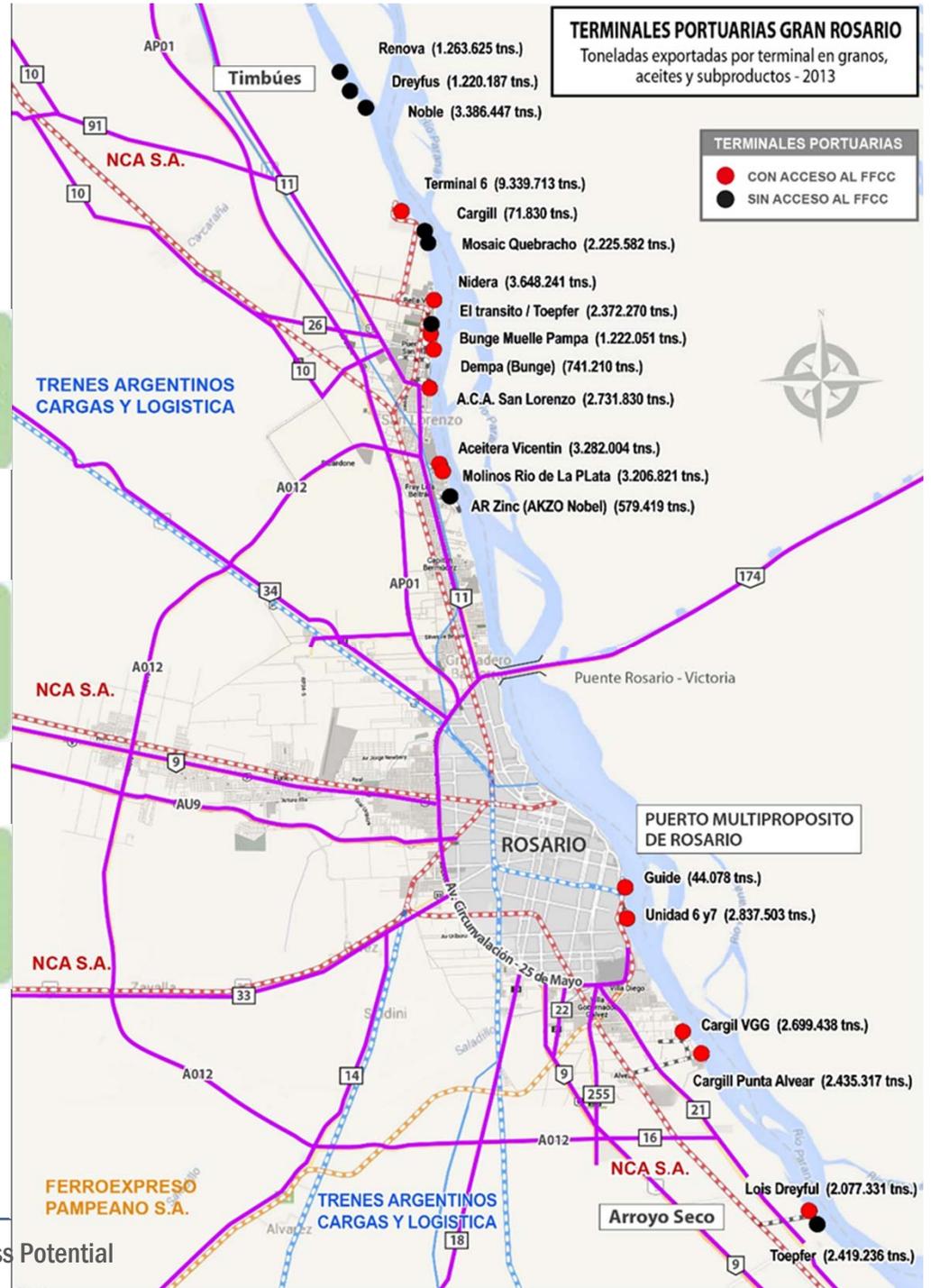
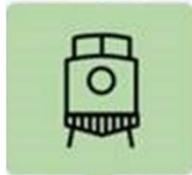
173,000 grain

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 downloading 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  $\approx$  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

...

[diyee@bcr.com.ar](mailto:diyee@bcr.com.ar)

[pbergero@bcr.com.ar](mailto:pbergero@bcr.com.ar)