Ministerio de Agroindustria
Presidencia de la Nación

PERSPECTIVES OF THE AGROINDUSTRIAL SECTOR IN ARGENTINA

NEW POLICIES

Workshop
“Business Opportunities, Trade and Investment
Hamburg, Germany, 5th July 2016

Gastón Funes
Agroindustrial Attaché
Argentinean Embassy to the European Union

ARGENTINEAN REPUBLIC

Governmental System:
•Representative democracy & federal republic
•23 Provinces + City of Buenos Aires + Antarctic Region & South Atlantic Island

GDP:
•475.000 MM US$
•GDP / capita 11.000 US$
•Diversity & Disparities between regions

Extension & Geography:
•2.800.000 Km2
•Great diversity of climates, regions, territories and physiognomies/cultures

Population:
•42.000.000 inhabitants (10,4% Rural population)
•Population density: 13,3 inhab/Km2
•40% population concentrated in 1% of national territory

Strongly rooted in a federal structure, and regional and local development

Structure

- **Minister of Agroindustry**
  RICARDO BURYAILE
  - Secretariat of Agriculture, Livestock and Fisheries
  - Secretariat Agroinstrial Markets
  - Secretariat of Added Value
  - Secretariat of Coordinatination and Territorial Developement
  - Secretaroat of Family Farming

- ✓ Value of Productive Sector and Industry as strategic partners.
- ✓ Production and trade integration of the Agroindustrial sector - value chains.
- ✓ Public-private interaction/partnership
- ✓ More and better communication between farmers, industry and consumers
- ✓ Domestic supply and international markets

AGROINDUSTRIAL SECTOR :
“Platform for growth and connection for Argentina to the world”

Contributions from the agroindustrial sector

62% of the ARGENTINEAN EXPORTS

Agroindustrial Sector

- **276.581 farmers** (80% S&M farmers)
- **17.800 Processing industries**.
- **U$S 40.000 MM A**nnual investment
- **40% exports from Food & Drink Industry** (97% of F&DI are S&ME)**.**

18% of GDP

In 2015 exports for more than **35.000 USD millons** to more than **180 markets**[1]

Employment: over **1.9 millons people**[2]

Fuentes: 1: OPEX (INDEC); 2: CEPAL

New goverment goals

Food Security – Added Value

Hunger and Poverty Reduction

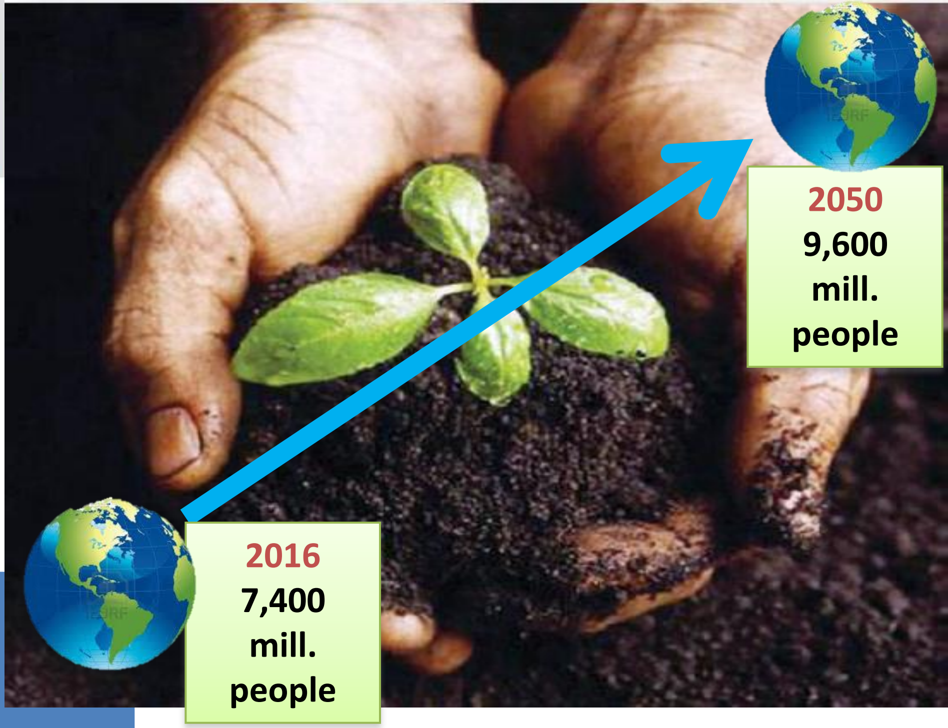
Consistency with the commitments with Sustainable Development Goals SDGs

FAO – Argentina objetives.

Argentina: New government goal. **Zero poverty .**

(i) Real and effective inclusion, (ii) equal opportunities, (iii) access to nutritious food, (iv) quality education (v) Decent job.

INTERNATIONAL CONTEXT



For 2050 it is expected that global population will exceed 9,600 million people

70% of global population will be living in cities

Changes on consumption patterns

Food production should increase sustainably by 60% (2005-2007 basis)

Strategic áreas to boost the sector’s development

Maximum productive potential in the whole country; in a sustainable way

Competitiveness and transparency of agroindustrial chains

Differentiation and added value in origin, focused on regional economies

Innovation / new technologies (training & capacity building fo their implementation)

Promoting new investments to increase & boost production capacity

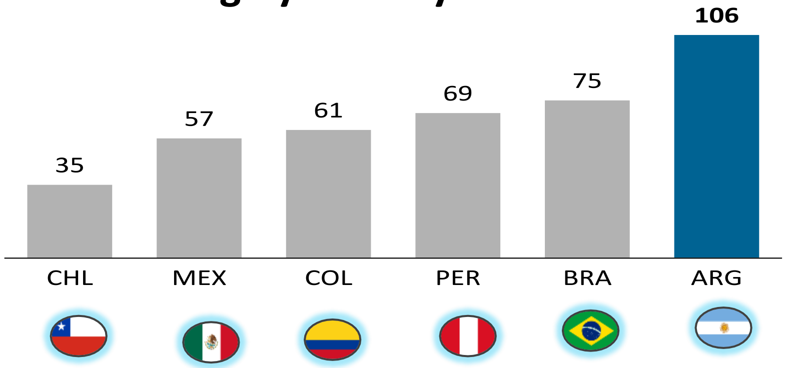
Export of agro products and services. Diversifying markets

Implemented measures

NEW POLICIES THAT FOSTER THE AGROINDUTRY SECTOR

- ✓ Establishment of the "new" Ministry of Agro-Industry
- ✓ Correction and unification of the exchange rate and liberalization of the exchange market.
- ✓ Elimination of obstacles and barriers to exports and imports (Ex ROEs and DJAI)
- ✓ Elimination of export taxes on agricultural and agro-industrial products

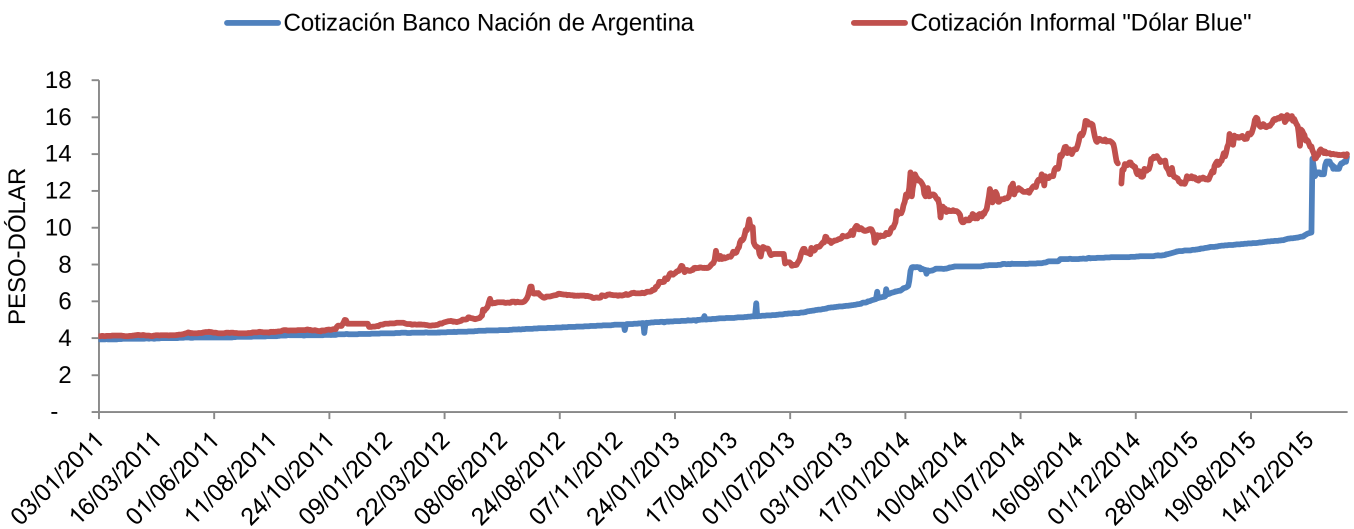
Global Competitiveness Index Ranking by country



From September 2015 to March 2016 the country risk decreased from 620 bp (basiC points) to 450 bp.

Effects of the new measures

CORRECTION AND UNIFICATION OF THE EXCHANGE RATE



Oficial rate exchange AR$/US$ from **$9,74 to $13,75 (41%)**

Fuente: Banco Nación Argentina (Oficial) y La Nación journal (Dólar Blue)

- ✓ increased profitability and competitiveness of agricultural producers (in addition to the elimination of export taxes).
- ✓ Investments: stable and predictable conditions, enabling capital & dividens repatriation abroad.

ELIMINATION OF EXPORT TAXES ON AGRICULTURAL AND AGRO-INDUSTRIAL PRODUCTS

Decree Nº 133/2015 (17 December 2015) to mitigate the agricultural crisis, stimulate the sector, and to reverse the decline in exports of regional economies.

Export duties were reduced to 0% for the goods of the NCM chapters:

- **1 to24 (except soy reduced from 35% to 30% soybean meal /oil from 32% to 27%)**
- **41 to 43(except some hides and leather reduced from 15 to 10%, or 15-5%)**
- **44-49 (except some corks and papers reduced to 5%, 10% or 20%)**
- **50 to 53 (except for some wool fell from 15% to 5%)**

✓ Increased profitability and competitiveness of farmers and agribusiness sector (combined with the unification / correction of the exchange rate);

✓ Strengthening regional economies;

✓ Increased production of wheat and corn: increases crop rotation (soil protection) and environmental benefits.

ELIMINATION OF OBSTACLES AND BARRIERS TO EXPORTS

On December 28 the following Resolutions Nº 4/2015 (Min. Agro-industry), Nº7/2015 (Min. Economics) and Nº 7/2015 (Min. Production) were issued, regarding:

•Elimination of ROE (Register for export operations - permits for export)

•Establishment of exports Declaration (DJVE) with statistical purpose

•Elimination of the quota system for exports (to achieve a more fluid flow of foreign exchange and improve agricultural projections)

•Removing burocratic procedures to facilitate the export of agricultural products.

- ✓ Increased predictability, certainty and legal security.
- ✓ less burdensome processes for exports.
- ✓ Better planning.

Effect of the new measures

OTHER POLICIES AND FAVORABLE MEASURES :

- ✓ Re-stablishùent of the "Agricultural Advisory Board of the Banco Nación": Strategic Alliance (Ministry of Agro Industry, Banco Nacion and farmers Associations) to provide credit and financing, to Foster growth and investment.
- ✓ Payment to holdouts: access to global capital and financial markets.
- ✓ Goals to reduce inflation
- ✓ Modification of Land Law implementing Decree
- ✓ Creation of the Agency of Promotion for Investment and Trade

Agencia Argentina de Inversiones y Comercio Internacional

- New regulatory framework to promote investment through Public-Private Partnership (PPP)
- Plan to eliminate the primary fiscal deficit
- Relaunching of National Bureau of Statistics (INDEC).

INFRASTRUCTURE

Key role in the new policy:	Tecnological Innovation
	Infrastructure Improvement
	Research

Improving infrastructure: roads, energy, transportation, port terminals, communications, services, etc.

- Belgrano Plan - comprehensive set of actions in NOA (Argentinean northwest region) and NEA (Argentinean northeast region). Infrastructure investment: USD 16,000 billion over 10 years + Historical Reparation Fund of $ 50,000 million in 4 years.

Sectorial roundtables

Mesa N°	Sector
1	LEGUMES
2	BOVINE
3	POULTRY
4	PORCINE
5	MILK AND DAIRY PRODUCTS
6	MEALS
7	FRUITS
8	WINES
9	RICE
10	APIARIAN
11	PEANUTS
12	FISHERY
13	SUGAR
14	ORGANIC
15	VEGETABLES
16	GRAINS / OILSEEDS: WHEAT, CORN, SUNFLOWER, SOYA
17	AGRICULTURAL MACHINERY

"OPENING MARKETS" Programme

- ✓ Structure and value chain,
- ✓ Productive escenario
- ✓ Economic and trade scenario,
- ✓ Logistic,
- ✓ Competivity,
- ✓ Health and Quality issues,
- ✓ Institutional and sectorial relations
- ✓ International negotiations
- ✓ Market Opening (opportunities and competing countries),
- ✓ Trade Promotion (Image-Country Brand)

GENERAL LEGAL FRAMEWORK

- ✓ National and international regulations granted legal protection for both investors and foreign investment
- ✓ The Argentina National Constitution establishes a principle of equality and recognizes the same civil rights to foreign and national people (Article 20).
- ✓ **Foreign Investment Law (Law No. 21,382) grantee to foreign investors the right to:**

  - Transfer abroad and repatriate profits / capital
  - Use any legal form of organization under national law.
  - Equal rights and credit conditions that owned firms.

- ✓ **Recent amendment to the regulatory decree of land law**

✓ **Adequate environment/conditions & increased investment opportunities**

✓ **Promote investment through Public-Private Partnership**

✓ **Identification of potential sectors for joint ventures (wine ?, renewable energy ?, fishing and aquaculture ?, agricultural machinery ?, forestation ?, irrigation ? infrastructure ?, others ...)**

GLOBAL POSITIONING

WORLD RANKING on EXPORTS

1

- Soy oil
- Lemon juice
- Peanut Oil
- Soy meal
- Pears

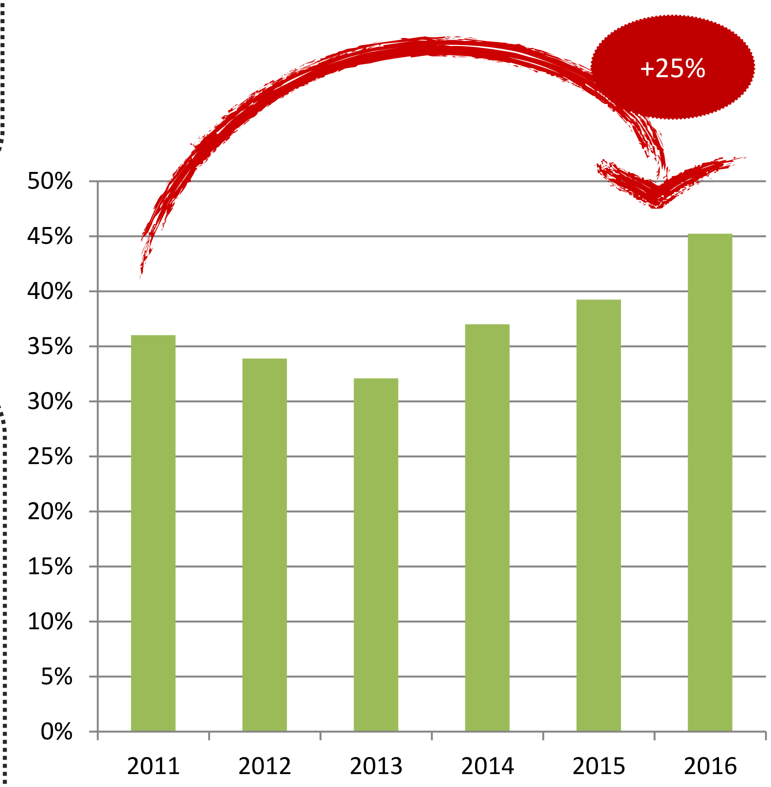
2 & 3

- Maize
- Honey
- Yerba mate
- Dry beans
- Sunflower oil
- Grape juice
- Soy
- Wheat meal

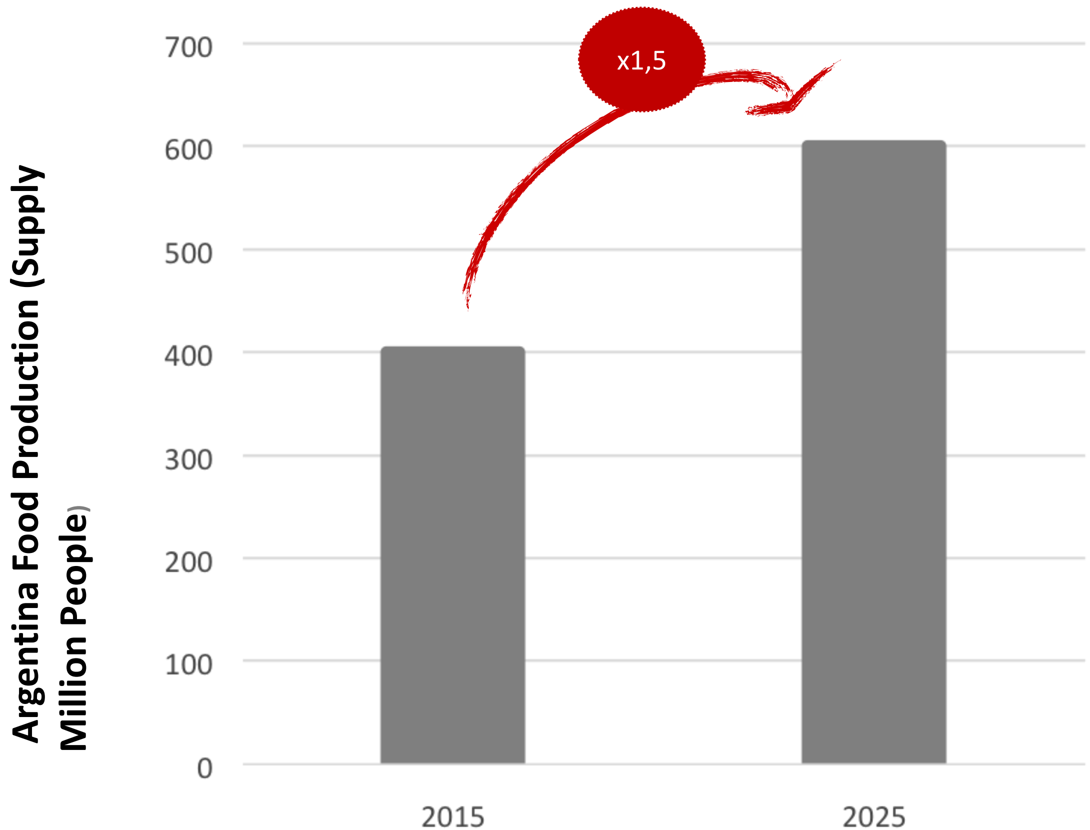
4 & 5

- Garlic
- Dried plums
- Peanuts
- Canned olives

Share of food & drinks in argentinean Exports (1st quarter)



Potentiality for 10 years

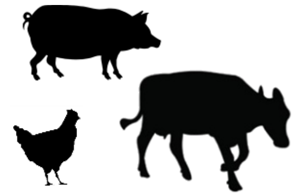


We produce food for 440 million people and we can do it for 630 million.

"World Market"

POTENTIAL TO 2020

+50%
(100 → 150 mill. de tn.)



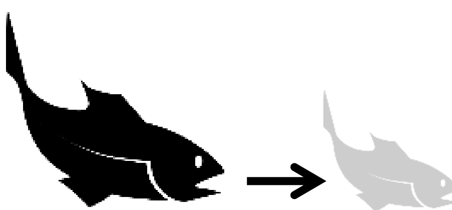
+15%
(5,2 → 6 mill. de tn. Of meat

+20%
(11,5 → 14 mil mill. de litres)

+80%
(12,2 → 22 mill. tn rolls)

Fruits and Vegetables→ objetive: 300 gr/hab/day

Food Industry Production Growth: +2% annually



Control and transparency

WHEAT: Potentiality to 2025

2007-2015 (Deterioration sector)

Serious problems for sale. Lack of demand. Without regularly stock price

Permits systems (ROEs) & export quotas (limited)

Lower profitability & high commercial risk, resulted in less use of inputs & technology

Fall of the seed area: affected crop sequence in crop rotation

Protein and gluten content have decreased sharply in the last two seasons

2016 (Recovery)

Market normalizatio,, interaction between domestic and external demand

Elimination of the export quotas and ROE system;

Commercial improvements: higher technology crop programming.

Better profitability: inclusion of wheat in rotations (sustainability and soil recovery)

Recovery of protein content (ghigher than 11%) and gluten (higher than 25%) could be reached.

2025 (Projection - Good Prospects)

Specialized demand towards wheat differentiation.

Simplification of export operations.

New technologies for wheat cropare applicable in all wheat-growing regions of the country.

An ideal balance for crop rotation could be reached

Improved wheat quality: price bonuses & avoiding discounts

INITIAL EFFECTS OF THE NEW POLICY

- ✓ Significant increase in wheat exports (recovery of markets): 133% during 1st quarter 2016.
- ✓ Significant increase in corn exports: 91% duringin the 1st quarter 2016
- ✓ Great expectations for the new planting season, with projected increases for seeding areas (23% for wheat, 30% for sunflower and 15% for corn).
- ✓ Increased use of inputs. Increased purchases of fertilizers. (Inauguration of fertilizer plant in Pergamino - exports).
- ✓ Conditions favoring crop rotation and improving soil quality, resulting in higher protein content in wheat and soybeans.
- ✓ 5% increase in tractor sales during 1st quarter 2016.

INTERNATIONAL TRADE

JANUARY-MAY 2016

RESULTS GENERATED BY MEASURES

Soy oil
Exports more than 2,574,700 Tons and 1761.4 million USD FOB

+ 44,3 % in volume
+40,2 % value

SUGAR
Exports more than 154,784 tn
And USD 56.6 million FOB

+ 92,6% in volume
+ 62,9% value

Bovine Meat
Exports over 64,192 tons and 430.4 million USD FOB

+ % 9,2 in volume
+ 12,2% value

RICE
Exported more than 183,500 tons and FOB USD 73 million

+ 96,7 % in volume
+43,5 % value

Wheat flour
Exports more than 202,000 tons and USD 60.6 million FOB

+ 19,9 % in volume
+ 4,8 % value

Tea
Exports more than 35,600 tons and USD 45.3 million FOB

+ 7,1% in volume
+1,4% value

Note: variations for the period January-May 2016/2015

INTERNATIONALLY

MATURE RELATIONSHIPS WITH ALL COUNTRIES AND INTERNATIONAL ORGANISATIONS

REGAIN CONFIDENCE ON THE BASIS of PREDICTABILITY, TRANSPARENCY AND COMPETITIVENESS

COMMERCIAL INTEGRATION

Mercosur

We want to deepen the consolidation of the regional bloc. Additionally we want to advance in new trade and cooperation agreements with other countries and blocs (European Union)

Pacific Alliance

The recent admission as observer opens new paths and opportunities to improve the way Argentina interacts with the world

INTERNATIONAL FORUM

WTO

- Elimination of distortive policies & measures (quotas, export duties)

OCDE

- future membership of Argentina
- Participation in Ministerial Meeting in Paris
- Participation in COAG (Study of agricultural policies)

ODS

- Commitment to meet the 2030 Sustainable Development Goals through agricultural cooperation and innovation

G20

- Participation Summit of Ministers of Agriculture in China.
- 2018 Presidency

INTERNATIONAL COOPERATION

Our commitment on International cooperation aims to share knowledge and technology with other countries towards the achievement of food security.

Development of South-South cooperation and triangular cooperation

New era in the international arena: dialogue & discussion of key issues in order to achieve genuine integration of nations.

- E.G: **FAO official Recognition** of National Advisory Commission on Agricultural Biotechnology (CONABIA) as Reference center for Biosafety of Genetically Modified Organisms.

FO.AR.Program

Memorandum of Understanging (**M.O.U**)

Thank you

Welcome to Argentina !

Land of agroindustrial opportunities

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