



GIEWS Update

Argentina

Food emergency declared by the Government amidst worsening access to food

Highlights:

- The Government declares the food emergency law until 2022, as the upsurge of food prices is severely constraining access to food.
- Despite the expected record cereal production in 2019, prices continue to increase mainly due to the sharp weakening of the local currency and soaring inflation rate.

Argentina increases financial support for food programmes

The food emergency law, to be valid until 2022, was approved in September 2019¹ amid the high inflation that significantly eroded households' purchasing power. Aiming to guarantee adequate access to food, of the vulnerable population in particular, the law sets out 50 percent increase in budget for public food and nutrition policies by the end of 2019. The budget is officially estimated at 10 000 million Argentinian pesos (ARS),² equivalent to about USD 184 million. In the 2020-2022 period, the budget will be revised quarterly according to the changes in prices of basic consumer goods, including food and non-alcoholic beverages. However, given the already high fiscal deficit, the intended increase in the current budget could escalate the burden on fiscal resources.

Argentina's economic crisis and its negative impact on livelihoods

Since 2018, the country's real GDP is experiencing a negative growth, coupled with a sharp depreciation of the local currency. The weakening of the ARS has stemmed from a decline in foreign investments (mainly due to increasing US interests) and a lower demand for Argentine Peso³ on account of the yearly decline in maize exports in the 2018/19 marketing year, affected by dryness during the first quarter of 2018. As of September 2019, the local currency has lost 97 percent of its value against the US dollar since early 2018, when the depreciation started. The annual inflation rate was 52.4 percent in the Buenos Aires Metropolitan Area in September 2019, with increasing prices of medical care, household equipment and food and non-alcoholic beverages contributing to the upsurge.⁴

¹ Diputados de Argentina, "Proyecto de Ley, Expediente 4259-D-2019", 2019 September.

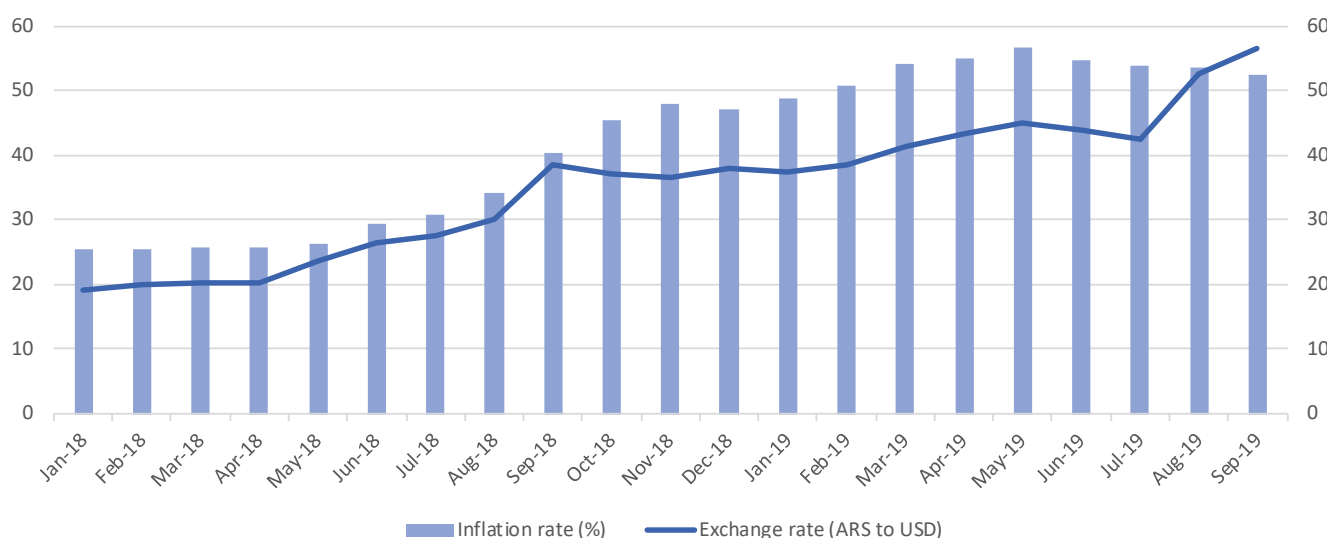
² Oficina de Presupuesto del Congreso de Argentina, "Impacto fiscal del proyecto de ley de Emergencia Alimentaria", 2019 September.

³ Organization for Economic Co-operation and Development (OECD), "OECD Economic Surveys Argentina", 2019 March.

⁴ National Statistical Institute (INDEC), "Índice de precios al consumidor", 2019 September.

Argentina - Annual inflation and exchange rates

(January 2018 - September 2019)



Source: INDEC (annual inflation rate) and Central Bank of Argentina (exchange rate).

The country has taken several measures to stabilize the economy since 2018. In July 2018, the Government signed with the International Monetary Fund (IMF) a financing arrangement worth about USD 50 billion, which was expanded to USD 56.3 billion two months later. This arrangement aims to lower the federal financing needs, strengthen the social safety net and reduce the current account deficit.⁵ In addition, the Government has tried to boost consumption by lowering the interest rates for credit to purchase consumer durables and by providing subsidies for car sales and mortgages.⁶ Given the declining foreign currency reserves, the Government placed a restriction on the purchases of foreign currency on 1 September 2019.⁷

The economic recession has affected the livelihoods of the poor households. The purchasing

power was significantly reduced as salaries increased less than the soaring inflation rate. As a result, the proportion of urban households in poverty⁸ is officially estimated to have increased from 17.9 percent in late 2017 to 23.4 percent in late 2018. Also, according to the United Nations' "The State of Food Security and Nutrition in the World 2019", the prevalence of moderate or severe food insecurity in the total population increased from 19.1 in the 2014-2016 period to 32.1 percent in 2016-2018.⁹

Positive effect of bulk cereal harvest outweighed by the economic crisis

From the supply side, cereal production in 2019 is anticipated at a record level. The 2019 maize crops were harvested in June and the output is officially estimated at a record high of 57 million tonnes, more than 40 percent above the five-year average, on account of large plantings

⁶ Economist Intelligence Unit (EIU), "Government seeks to lend impetus to recovery", 2019 June.

⁷ BBC, "Argentina imposes currency controls to support economy", 2019 September.

⁸ According to the INDEC, the households under "poverty" refer to those whose income does not meet a threshold to cover essential foodstuffs and non-food commodities and services (clothing, transport, education, etc.). The figures are calculated by INDEC twice a year. For the detailed methodology, please see the latest report: https://www.indec.gob.ar/uploads/informesdeprensa/eph_pobreza_02_18.pdf.

⁹ FAO, IFAD, UNICEF, WFP and WHO, "The State of Food Security and Nutrition in the World 2019", 2019 July.

and excellent yields. The 2019 wheat crop, to be harvested in December, is currently at the developing and flowering stages. Production is forecast at an above-average level due to enlarged plantings instigated by the high prices, although uncertainties remain as dry weather conditions in the main producing Buenos Aires and Cordoba provinces may adversely affect crop yields. The abundant availability of crops, coupled with the significant depreciation of the local currency, increased the competitiveness of domestic cereals in the international markets. As a result, maize exports are expected at a record level in the 2019/20 marketing year (March/February), 65 percent higher than the five-year average. For the 2020/21 marketing year, although the planting of the maize crop has only recently started, more than 6 million tonnes of the 2020 maize crop were pre-purchased for exports as of end-August,¹⁰

which is equivalent to one-quarter of exports of the five-year average. Exports of wheat grain are also preliminarily forecast at a near-record level in the 2019/20 marketing year (December/November).

The positive effect of increased supplies from the large harvest are expected to be outweighed by the impact of the economic crisis, which failed to ease rising pressures on prices. Prices for consumers in real values (i.e. adjusted for inflation) were generally higher than their values a year ago. In August, prices of bread, sugar and potatoes were slightly higher year on year and prices of rice and milk were about 9 and 20 percent, respectively, above their year-earlier values. The rise in consumer prices has worsened the access to food, exacerbating the food insecurity situation of the poor households.

¹⁰ Bolsa de Comercio de Rosario, "Gran avance en la comercialización de granos gruesos de campaña 2019/20 en nuestro país, y nueva escalada en el conflicto EE.UU.-China", 2019 August.

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