



GIEWS Update

The Argentine Republic Drought conditions curbs cereal production, adding upward pressure on prices

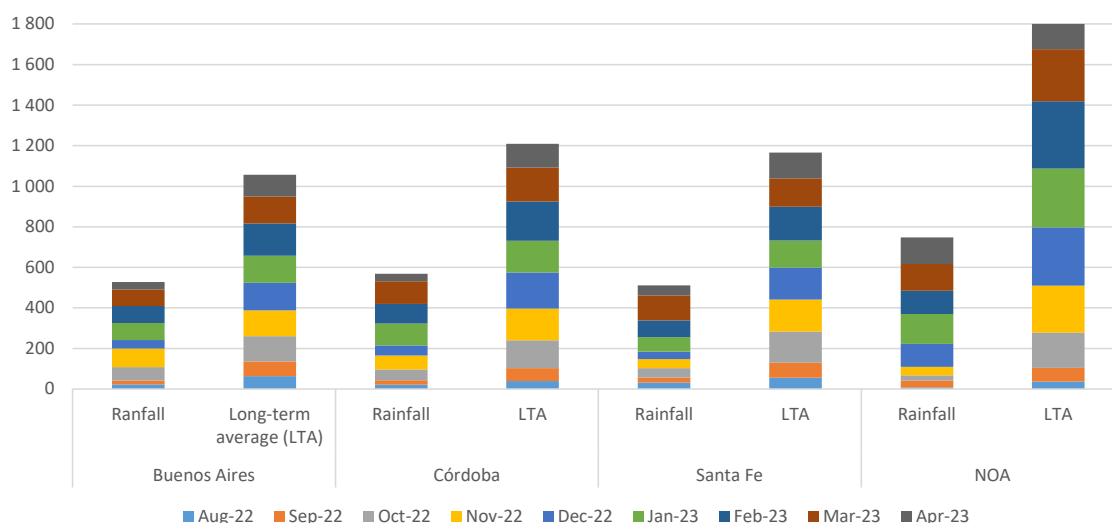
Highlights

- Prolonged drought conditions since August 2022 have severely affected the country's 2022 wheat production and are expected to curb the 2023 maize output, currently being harvested.
- The decline in cereal production will likely affect farmers' livelihoods and exert additional upward pressure on the already high prices, further constraining access to food for the most vulnerable households.

Since August 2022, rainfall amounts have been well below average across the main cereal producing areas (Figure 1), severely affecting yields of the 2022 wheat crop, harvested between November 2022 and January 2023. The 2022 wheat production is officially estimated at 12.6 million tonnes, 35 percent below the past five-year average, with crop yields registering their lowest levels since 2008. The prolonged drought

conditions have also significantly affected yields of the 2023 maize crop, currently being harvested. Satellite imagery indicates below-average crop conditions in early May in the key cereal producing central eastern and northeastern regions (Map 1, red areas). According to official sources, the 2023 maize production is forecast at 41 million tonnes, down by more than 25 percent from the past five-year average.

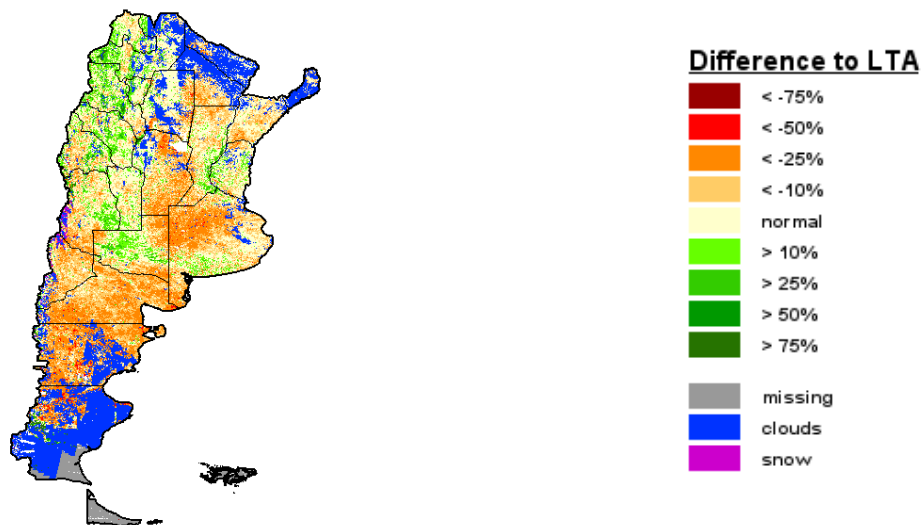
Figure 1: Argentina – Accumulated rainfall amounts in main cereal producing provinces between August 2022 and April 2023, and comparison to the long-term average (mm)



Note: The Argentine Northwest (NOA) is composed of the provinces of Catamarca, Jujuy, La Rioja, Salta, Santiago del Estero and Tucumán, and the figures indicate average values.

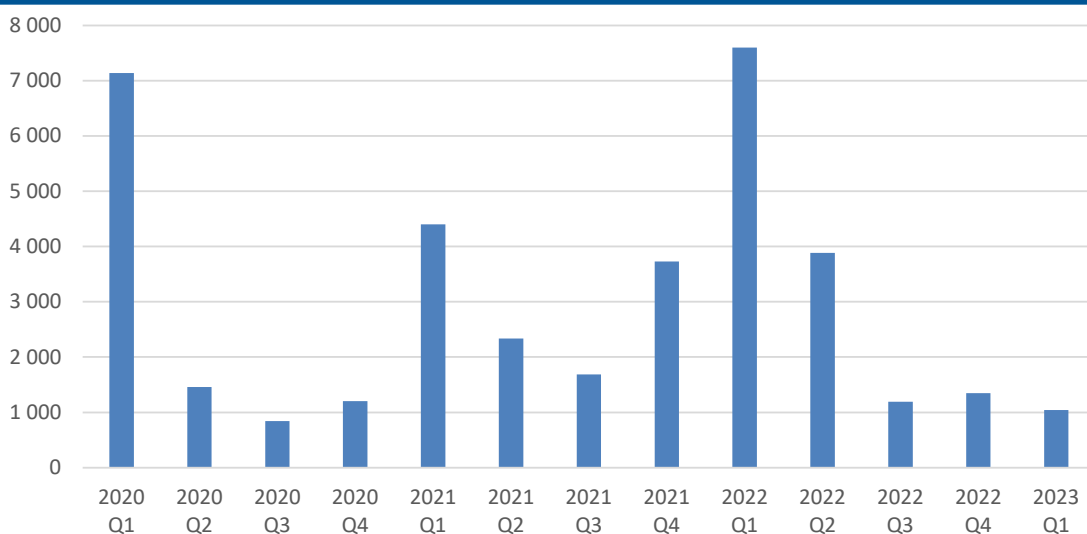
Source: Authors' own elaboration based on data from FAO/GIEWS Earth Observation. www.fao.org/giews/earthobservation, 2023.

Map 1: Argentina – Normalized difference vegetation index (NDVI) anomaly map, as of first dekad, May 2023



Note: The Index calculation is based on METOP-AVHRR data.
 Source: FAO/GIEWS Earth Observation. www.fao.org/giews/earthobservation, 2023.

Figure 2: Argentina – Volume of wheat grain exports by quarter, 2020–2023 ('000 tonnes)

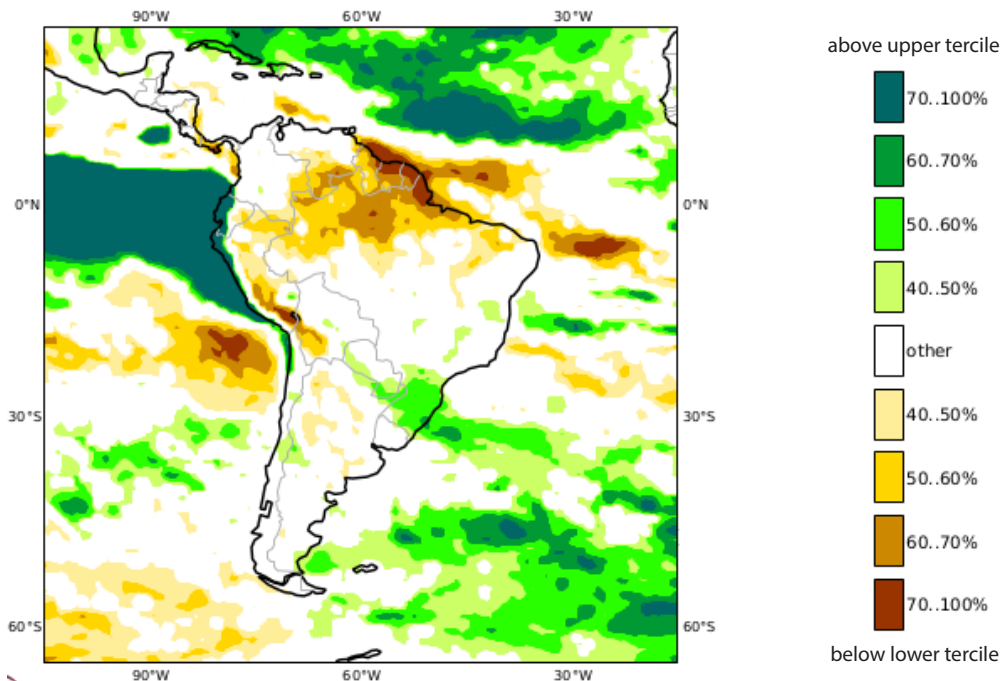


Note: The Argentine Northwest (NOA) is composed of the provinces of Catamarca, Jujuy, La Rioja, Salta, Santiago del Estero and Tucumán, and the figures indicate average values.
 Source: Authors' own elaboration based on the data from the Argentina National Institute of Statistics, 2023.

Reflecting the decline in output, only about 1 million tonnes of wheat grain were exported during the first quarter of 2023, compared to an average of 6.4 million tonnes exported in the same quarter between 2020 and 2022 (Figure 2). Similarly, maize exports are anticipated to decrease in the 2023/24 season due to the reduced exportable surplus. Assuming an average annual domestic utilization of maize of 22 million

tonnes, about 20 million tonnes will be available for exports, substantially lower than the average exports between 2018 and 2022 (34.3 million tonnes). With the lower year-on-year export quotations of maize and wheat in April 2023, it is expected that farmers' earnings will decline, with negative consequences for their livelihoods as well as their financial capacity to adequately carry out agricultural activities during the next season.

Map 2: Argentina – European Centre for Medium-Range Weather Forecasts, ECMWF Model probability forecast for precipitation for June–July–August 2023, May 2023



Source: ECMWF. 2023. ECMWF precipitation 3-month. European Centre for Medium-Range Weather Forecasts. May 2023. https://climate.copernicus.eu/charts/packages/c3s_seasonal/products/c3s_seasonal_spatial_ecmf_rain_3m?area=area13&base_time=202305010000&type=tsum&valid_time=202306010000.

Planted area to the 2023 wheat crop officially forecast to remain below average, despite a year-on-year increase

Planting of the 2023 wheat crop has started in mid-May in southeastern Buenos Aires and the Argentina Northwest, while more precipitation is needed to carry out normal planting operations in central northern Buenos Aires, Córdoba and Santa Fe. Despite a foreseen year-on-year expansion, the planted area is officially forecast at 6.1 million hectares, about 6 percent below the last five-year average. The export order of the new 2023/24 crop was only 235 000 tonnes as of end-April, well below the three-year average of 2.3 million tonnes. Weather forecasts point to average to below-average rainfall amounts for the period June–August 2023 (Map 2), which coincides with planting and early crop vegetative stages. If dryness materializes, it is likely to constrain the normal development of the wheat crop and curb yield potentials.

Drought provides additional upward pressure on the already high prices

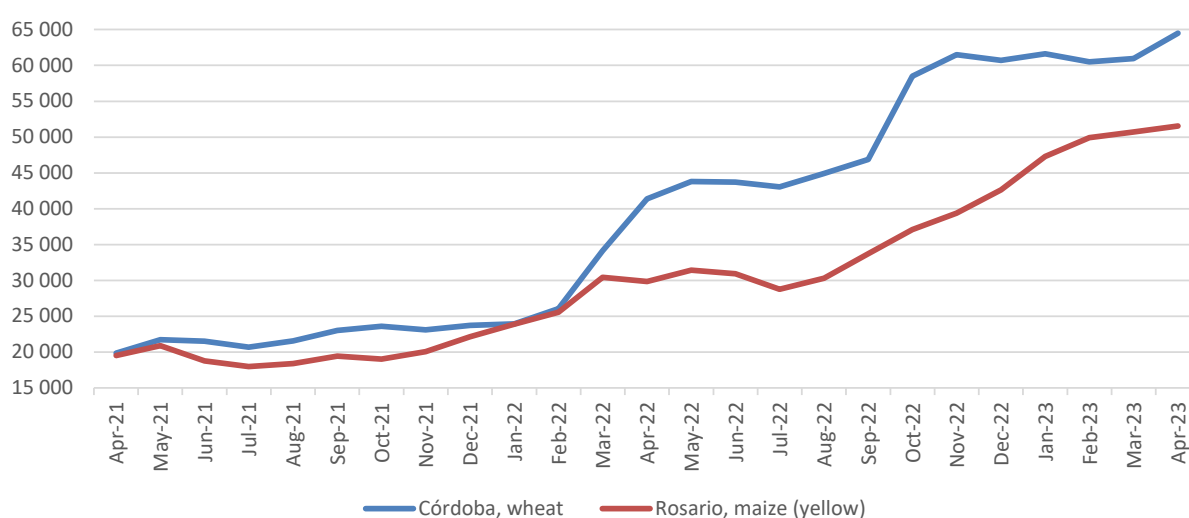
Domestic prices of food commodities have increased in recent years amid difficult macroeconomic conditions, including the depreciation of the Argentine peso, which, as of April 2023, lost 90 percent of its value against the US dollar over the year before. The weakness of the currency contributed to a rise in prices of imported goods, such as agricultural inputs and fuel. The strong export demand for Argentinian cereals, in combination with rising production and transport costs, have exerted upward pressure on wholesale prices of wheat and maize during the past two years (Figure 3). Since February 2022, prices rose sharply due to the uptick in fertilizer prices and international quotations, following the breakout of the war in Ukraine. In recent months, concerns about the impact of drought on cereal production exacerbated the price increases. As of April 2023, wholesale prices of wheat and maize

in Argentina were 55 and 70 percent, respectively, higher year-on-year.

Retail food prices have also steadily increased during the past two years (Figure 4), on account of elevated prices of inputs and high processing and transport costs. According to the National Institute of Statistics (INDEC), the annual inflation rate of food and non-alcoholic beverages was 115 percent in April 2023. To contain the price increases, the

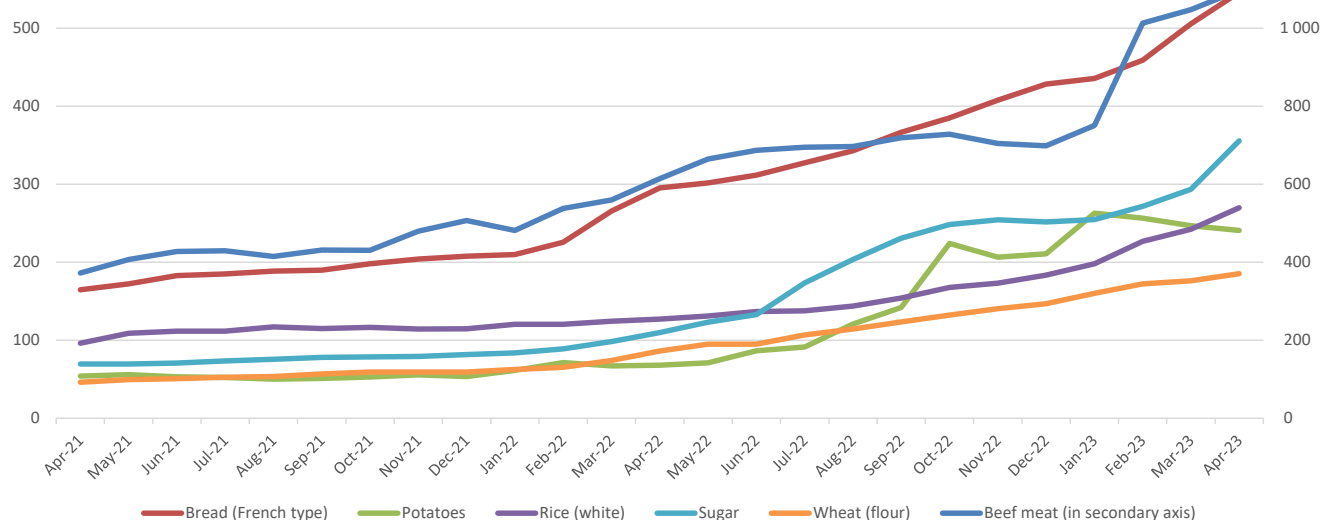
Precios Justos Programme has been extended through June 2023, fixing prices for about 2 000 basic commodities in supermarkets, including staple food items. In February 2023, the programme was revised to allow for a 3.2 percent month-on-month increase in prices. If prices get pushed up further by the drought-affected harvests, the purchasing power of the most vulnerable households will be affected, with severely negative consequences for their access to food.

Figure 3: Argentina – Wholesale prices of yellow maize and wheat, April 2021–April 2023 (ARS/tonne)



Source: Authors' own elaboration based on the data from the FAO/ GIEWS, Food Price Monitoring and Analysis (FPMA) Tool. <https://fpma.fao.org/giews/fpmat4/#/dashboard/home>, 2023.

Figure 4: Argentina – Retail prices of selected food items in Greater Buenos Aires area, April 2021–April 2023 (ARS/kg)



Source: Authors' own elaboration based on the data from the FAO/ GIEWS, Food Price Monitoring and Analysis (FPMA) Tool. <https://fpma.fao.org/giews/fpmat4/#/dashboard/home>, 2023.

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