

Booming grain output to stress Argentina's infrastructure

Argentina's growing agricultural productivity will demand large-scale investment in inland transport capacity, Roberto Viton from agricultural advisory firm Valoral, told the AgriRisk Forum.

The election of Argentina's new president Mauricio Macri at the end of last year will be a boon to farmers, boosting agricultural exports over the long term, Mr Viton said.

Mr Macri's administration has removed export quotas and tariffs for a range of commodities, from corn, to beef, to soymeal, while soybean tariffs are expected to be reduced over coming years.

And the devaluation of the currency has improved farmer incomes, encouraging production and exports.

Rising production

Valoral, which specialises in South American agribusiness investment, expects agricultural production to rise thanks to the change in regime.

Argentina's soybean numbers could rise to 60 to 65m tonnes in the next 5-10 years, Mr Viton said.

This compares to current production of around 57.0m tonnes.

Corn production could reach over 40m tonnes over the period he said, an increase of nearly 40% from last year's levels.

"Wheat is also a winner in new environment, potentially gaining 1m hectares in the next 5-10 years," Mr Viton said.

Wheat production could get to 15-20m tonnes he said.

This extra production will could be generated by increased sowings, as arable land expands in the north of the country.

And increased production will also be generated by yield improvements with new seed technology and more use of fertilizers, helped by increased farmer incomes.

Logistic bottleneck

But these new volumes will stretch the country's grain handling capacity.

"Logistics remain a major bottleneck in the local agribusiness value chain," Mr Viton said.

Mr Viton told Agrimoney that although port facilities can handle these volumes, inland transport will need to be expanded.

About \$16bn of investments in road and rail system are planned, which will increase the connection of the road and rail system, but Mr Viton said that infrastructure would still be stressed.

Farm incomes in the north of the country are still squeezed due to the freight costs, limiting their benefits from increased imports.

One solution could be increased domestic livestock production in the north, Mr Viton said, which would increase the amount of the crop consumed locally.
