

# Weather & Economy/Currency. They are inter-connected.

The Economic Cycle of Agribusiness in Argentina



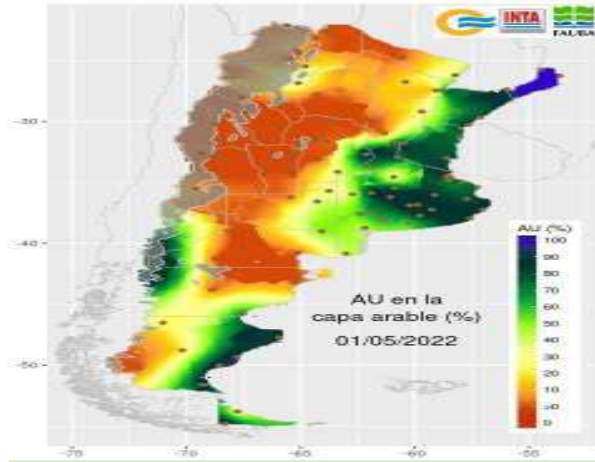
# Drought: Weather & Economy/Currency. They are inter-connected.

## Weather

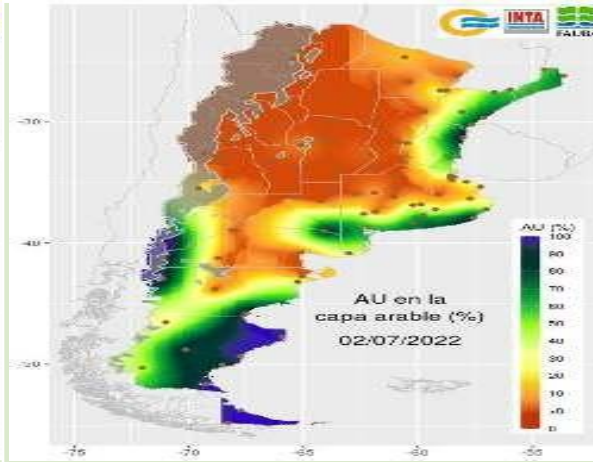
- ▶ Less Agricultural Output (expected 36 MM Ton compared to 52 MM Ton of 2021/22).
- ▶ Soya: 25 MM Tons, i.e., a decrease of 44% considering the average of the last 5 agricultural campaigns. Worst campaign in 15 years.
- ▶ Maize: Expectations of Decrease to lowest output in 21 years.
- ▶ If any, farmers use cheapest available technology which leads to less Sales of Agrochemicals, Fertilizers, Seeds, tractors, etc.

# Available Water in Topsoil

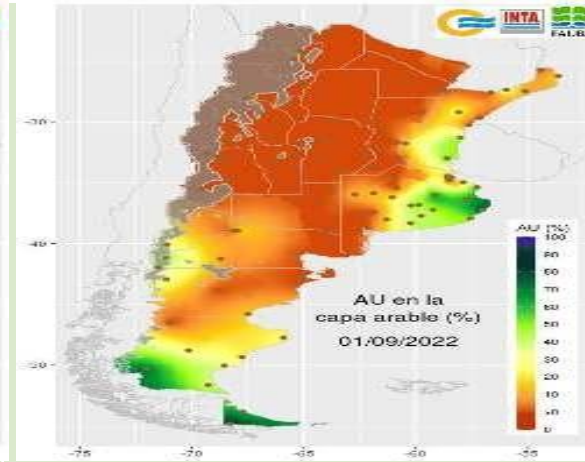
(Source: National Meteorological Service, School of Agriculture of the University of Buenos Aires, National Institute of Agronomical Technology.)



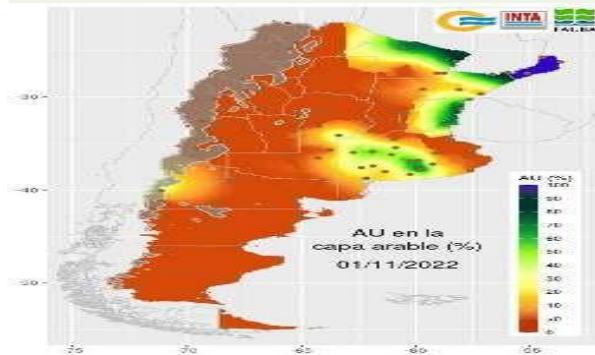
May 1st, 2022



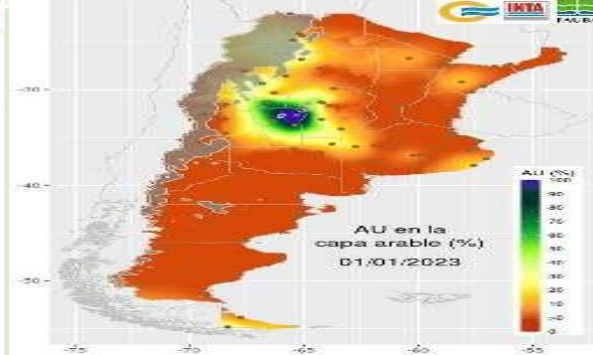
July 1st, 2022



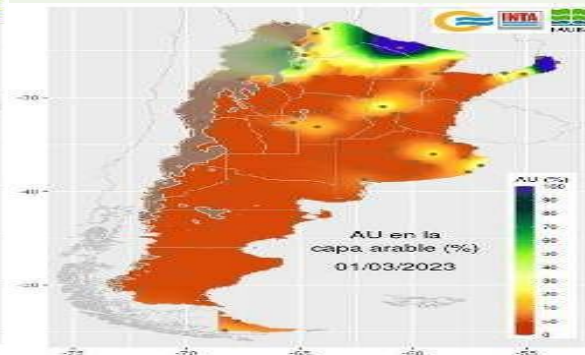
September 1st, 2022



November 1st, 2022



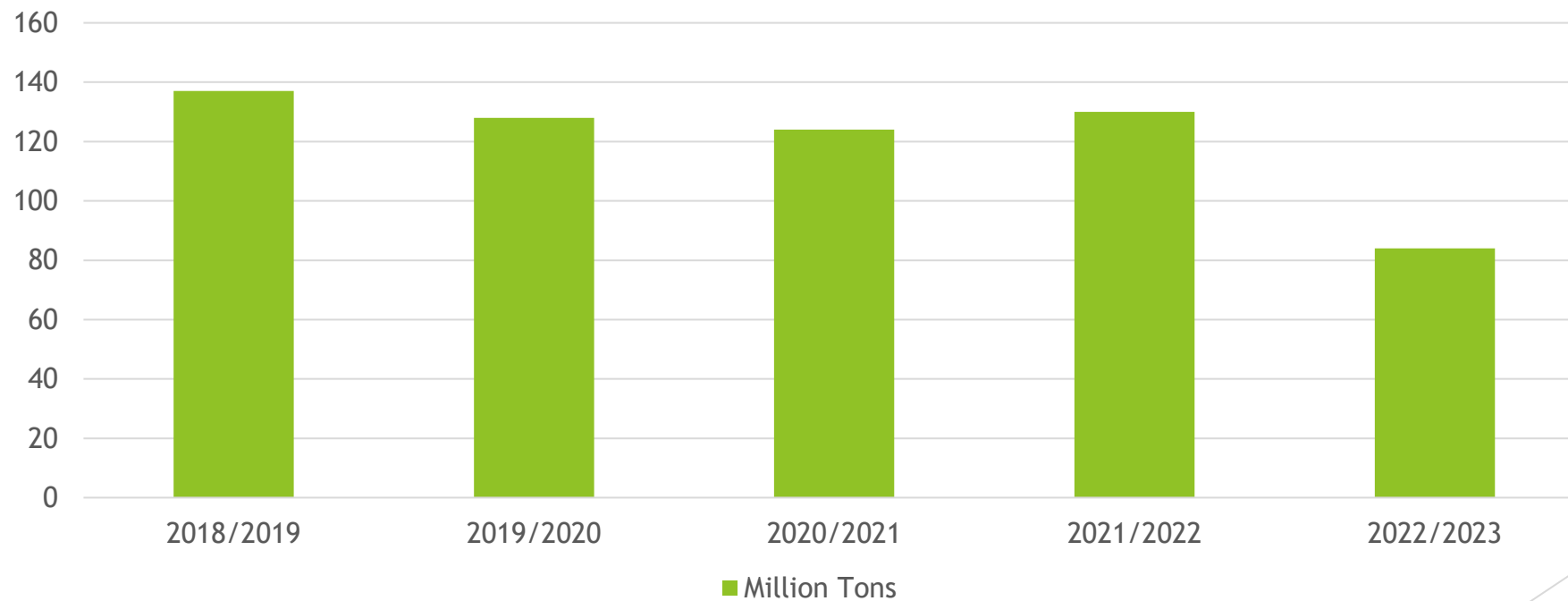
January 1st, 2023



March 1st, 2023

# Production Forecast Wheat, Barley, Corn, Sorgam, Soya, Sunflower

(March 2023 - Bolsa de Cereales de Rosario)



# Production Forecast

(March 2023 - Bolsa de Cereales de Rosario)

## Soya

- ▶ Production decreased 18,3 MM Tons to 25 MM Tons.

## Corn

- ▶ Production decreased 16 MM Tons to 36 MM Tons.

## Overall

The Agricultural sector represents 65% of the currency that enters Argentina.

The new output means a loss of 48% of the exports, equivalent to US\$ 20.811 MM

# Droughts: Weather & Economic/Currency

## They are inter-connected.

### Economic/Currency

- ▶ The output decrease creates pressure in the Central Bank since they don't collect export tax (30-35% depending on the crop) for US\$ 20.000MM and the reserves decrease. US\$ 20.000MM are equivalent to 7 yearly markets of Agrochemicals.
- ▶ Due to this, the economic freedom & the possibility of getting import licenses decrease accordingly.
- ▶ The Central Bank imposes longer payment terms for payment of imports.
- ▶ In a Micro Level, the tension due to lower sales and not reaching forecasts lead to decreasing prices to move product; it is very difficult to increase the prices later.
- ▶ On a Macro Level the “multiplier effect” is minimized. Nearly 1,6M truck loads were lost. Since the farmers don't make money they can't buy a new car, invest in new machinery, in improving their homes, travel, etc.

# Drought: Senasa & New Registers

- ▶ Significant areas of Senasa never recovered from lock down.
- ▶ Registrations, specially of TCs are taking longer than ever.
- ▶ The bottle neck is Confidential Info of TCs.

# Agrochemical Companies in LATAM

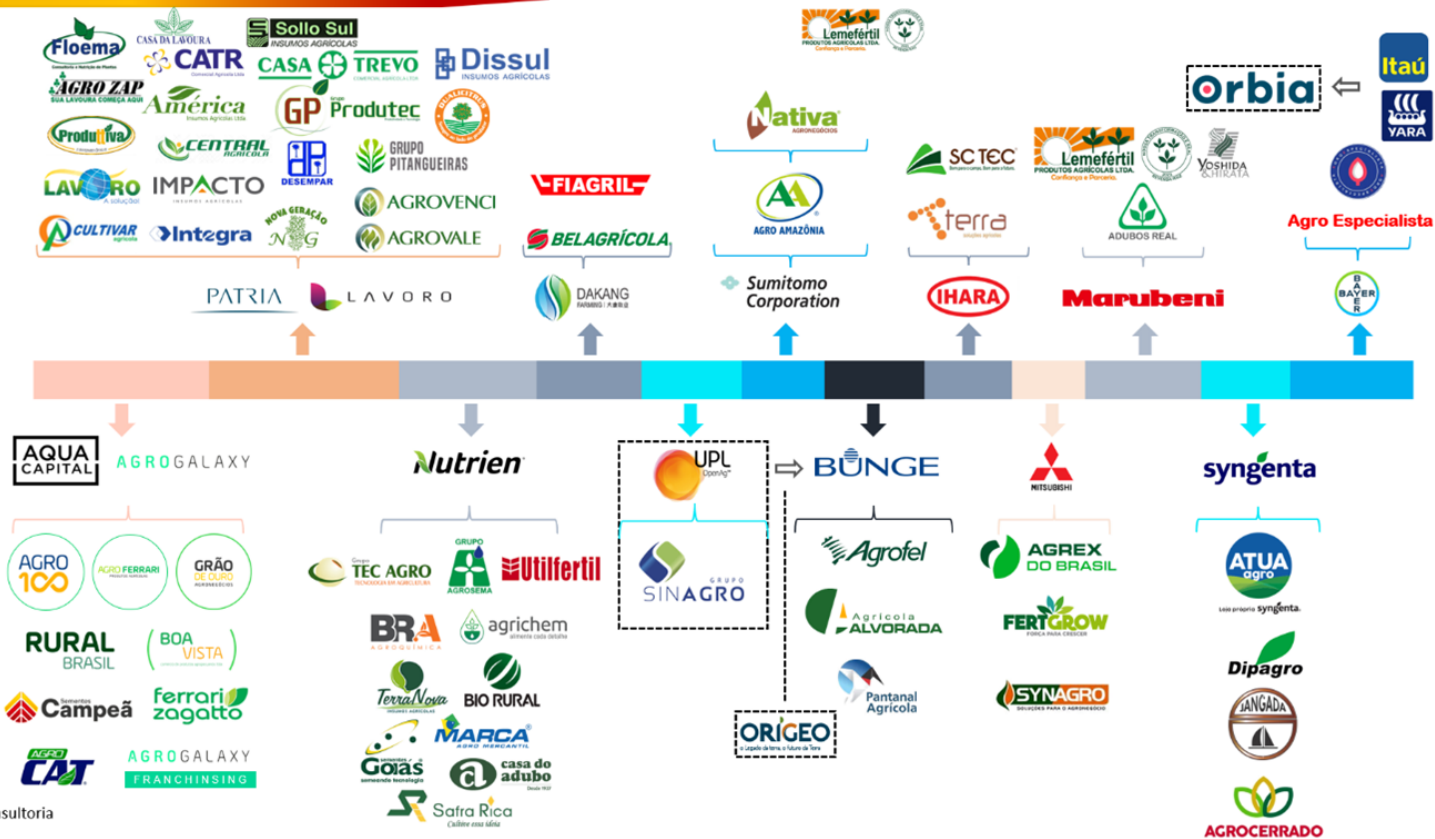




# Andean Region - Mergers & Acquisitions Agri-Inputs distributors



# Brazil - Mergers and Acquisition of Agri-Inputs distributors



Source: ZMP Consultoria