

ARGENTINE COUNTRY REPORT 2007

1) General economic comments

The Argentine economy has completed yet another year of significant growth, reflected in an annual 8% rise in its GDP. The last four years have shown annual growth rates averaging increases of around 9%. Such infrequent situation in the late Argentine economy has accumulated a 40.5% growth with reference to the 2002 minimum.

Regarding the leading sectors responsible for this expansion, it is worth pointing out that between 2003 and 2006 the transactional goods producer sectors experienced an important activity, largely owing to a sustained and competitive real exchange rate. The positive performance of the agribusiness sector has been of substantial significance in the improvement of the foreign situation.

Key factors of this growth are the existing surplus in foreign trade and public finances, and an interesting amount of international reserves, which provide solid grounds for this process to continue.

2) Market comments on main oilseeds/ oils/ meals

The Argentine oilseed complex continues its expanding performance trend of the last years.

The present 2006/2007 harvest shows an increase of the sown area compared to the previous one, led by soybean, responsible for 5% of this growth.

Argentina: Area Sown with Oilseeds

	2005/06 (000 ha)	2006/07 (000 ha)	Variation (%)
Soybean	15,329	16,100	5.0
Sunflower	2,260	2,440	8.0
Peanut	174	212	21.8
Flax	47	29	-38.3
Rape	7	11	57.1
Safflower	27	76	181.5
Total	17,844	18,868	5.7

Everything appears to indicate that, despite the weather difficulties experienced in the month of April, especially those due to the abundant rains recorded in the province of Santa Fe and the northern Buenos Aires province, the harvest is bound to set a record.

The latest report of the Agriculture Secretariat (of April 18), which takes into account the progress of the harvest as well as the yields obtained, estimates an overall production for the 2006/07 harvest nearing 50 million tons of oilseed grains, distributed as follows:

Argentina: Oilseed Production

	2005/06 (000 t)	2006/07 (000 t)	Variation (%)
Soybean	40,500	45,500	12.3
Sunflower	3,800	3,500	-7.9
Peanut	347	500	44.1
Flax	54	34	-37.0
Rape	9	12	33.3
Safflower	18	61	238.9
Total	44,728	49,607	10.9

With reference to the current activity levels of the crushing industry, throughout the year 2006, the crushing, oil production and meal production were as follows:

Argentina: Oilseed Grains Crushing

	Crushing 2005 (000 t)	Crushing 2006 (000 t)	Variation (%)
Soybean	28,691	32,732	14.1
Sunflower	3,563	3,755	5.4
Peanut	159	139	-12.6
Flax	19	27	42.1
Cotton	60	39	-35.0
Rape	19	11	-42.1
Safflower	65	13	-80.0
Total	32,576	36,716	27.1

Oil and Oilseed Meals Production – (000 t)

(000 t)	Vegetable Oils		Oilseed Meals	
	2006	2005	2006	2005
Soybean	6 161	5 396	25 517	22 662
Sunflower	1 580	1 523	1 753	1 513
Peanut	56	66	76	85
Flax	9	5	16	9
Cotton	7	9	30	50
Rape	5	8	7	10
Safflower	15	23	14	40
Total	7 833	7 030	27 413	24 369

The exports recorded in 2006 continued the same upward trend as that of the production, encouraged by the good prices verified in the last years.

Argentina: Exports of Oilseed Complex Products

	Volume (000 t)	Value (000 US\$)
Oilseeds	8,136	1,941,199
Soybean	7,872	1,778,883
Others	264	162,316
Oils	7,431	3,854,187
Soybean Oil	5,741	2,788,838
Sunflower Oil	1,233	703,420
Others	457	361,929
Oilseeds Meals	25,087	4,466,689
Soybean Meal	23,937	4,356,801
Sunflower Meal	1,003	78,097
Others	147	31,791

3) Changes in the Soybean Complex Exports Taxes

Late last January, the Government decided to increase the Exports Taxes for the soybean complex products by 4% compared to the previous levels, remaining at the

following rates as from January 12, 2007: soybean, 27.5%; soybean oil, 24%; and soybean meal, 24%.

This measure was adopted with the purpose of creating a U\$S 500 m fund in order to compensate the local industrialists who purchase wheat, maize, soybean and sunflower for the manufacturing of foods destined to the domestic market, and with the aim of maintaining the prices of the products sold on the domestic market unaltered, in face of the rise of prices in the international markets. Such decision has made it possible to keep the prices of many of the products of the basic consumer basket at the levels of November 2006.

4) Biodiesel

Argentina has started giving its first steps in the field of biofuels. Thus, Law 26 093 and Decree 109/07 set the legal and tax frameworks for investments in biofuel production plants, and state that, by the year 2010, liquid fuels must be mixed with 5% biofuels.

Within this context, at present there are investments being made on plants whose production is estimated to start in the second semester of the current year.

From the regulatory point of view, some modifications to the present legislation are deemed necessary, in order to allow all the actors of the chain to participate on equal conditions.