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INTERVIEW TO FEDERICO AROSTEGUI Green peas Crop 2020/2021



On this occasion, we interviewed Federico Arostegui, export manager at Uranga Trading, a company affiliated with Agro Uranga.

Agro Uranga is a traditional family-owned company in Argentina, well established in grain and pulse markets. Founded in 1857 by Ignacio Uranga, the family has 163 years in the business and Agro Uranga has become one of the most renowned companies in the sector today. It has operations in the provinces of Cordoba and Santa Fe. In 2018, Agro Uranga split and created Uranga Trading, a firm comprised of the same shareholders. It was established in order to separate the agricultural and production side of the business from the sales, processing and export side. The firm has two plants of its own, both primary customs zones and authorized to export peas to China.

JC: How is Argentina's pea harvest coming along? Was the crop planted and harvested during the regular window this year? Can you describe the weather conditions in the major growing areas?

FA: This was a tough year, first off because of the dry conditions at the start and later because of frost. The 2019/20 campaign was excellent for peas. The quality of the crop was very good and the market remained firm, with strong demand. This incentivized

seeding in 2020/21 and the area sown to peas increased by 30%. Growers are very traditional in that regard; if they have success with a crop, they will seed it again the following year.

For 2020/21, some 65,000 hectares were seeded and 130,000 MT of production is expected. On average, Argentina seeds 50,000 hectares to peas and produces 70,000 MT. Export availability for the marketing year is estimated at 80,000 MT. The area seeded to yellow peas was insignificant this campaign.

Although the 2020/21 campaign got off to a bad start, in the last 20 to 30 days, which we consider the most important, we had very good weather and, therefore, anticipate a good crop, at least in terms of grain quality.

JC: What are the expectations for green and yellow peas in terms of quality, sizes and calibers this year? How do they compare to an average crop?

FA: We have not harvested the crop yet. In the coming days, we will begin harvesting, but, given that the weather at the end of the campaign was very good, we expect to see good quality, large sizes and an overall good quality product. That is what we expect, but we will see how the crop turns out as harvest progresses.

JC: Agro Uranga was one of the driving forces behind the opening of China's market to Argentine peas exports.



That was a big achievement for the country and especially the sector. How do you see pea exports to China at present? What future prospects do you see for increasing trade with the Asian Giant?

FA: We have been working on a relationship with China since 2012, when we went to SIAL in Shanghai. It is clear that China is a potential market given its voluminous business opportunities and its booming and constantly growing economy.

For that reason, our company and some fellow exporters, represented by Argentina's Chamber of Pulses (CLERA), even provided financial support for a delegation from China to travel to Argentina to negotiate direct exports. After many years of negotiations, we can now export to China. This is great news.

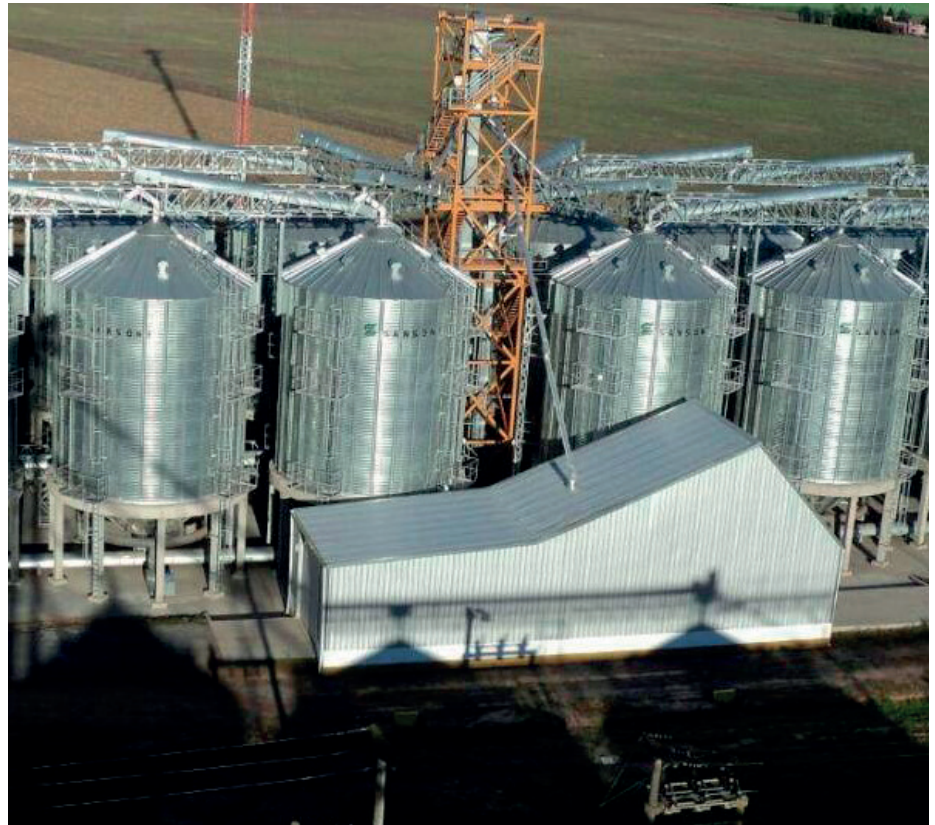
However, in order for Argentina to take advantage of the trade agreement, we consider it vitally important for the country to achieve greater competitiveness by lowering costs, for instance by eliminating export taxes, in order to compete against the prices and terms offered by other dry pea origins, especially Canada. Today, with the market open to us, our exports are at a big disadvantage because we lack logistical competitiveness and have operational costs imposed by our country.

JC: This year, Canada had a record green pea harvest and a large pea crop overall. This means that on the supply side, there is a large volume available. However, prices seem to be remaining firm. What do you think is supporting prices?

FA: In our opinion, there are various reasons for it and it is difficult to determine which have more weight than others. To begin with, there is great demand from China, driven by the diverse uses they have for pulses. In our opinion, this demand is not only driven by the food industry and destined for human consumption, but also because a huge pet food market has opened up there.

In the case of peas, the demand is even greater because, as a source of plant-based protein, it is highly competitive compared to other alternatives. This is evident when we analyze the correlation between the yellow pea price curve and that of soy flour, for instance.

Here in Argentina, grain crops also function as stores of value. At times, growers prefer to take a position on grain instead of in U.S. dollars, Argentine pesos or some other asset. Therefore, although we are seeing good



harvests in Canada and Argentina this year, domestic prices have remained firm.

The current situation with COVID-19 has created great uncertainty. The global economy is volatile and unstable, and pulses and grains, though perishable products, have long shelf lives if properly stored. In this context, dry food products take on differential value because they can be used in multiple ways, for human consumption or as pet food or animal feed, and as a store of value. Every grower has his own way of thinking, and sometimes it differs from the opinions of market analysts, brokers or traders because, as I mentioned before, growers can physically hold onto grain as a store of value.

JC: How do you see demand now and moving forward (in the medium and long terms) in Argentina's traditional

markets, such as Brazil, the countries of Central America, Italy, Russia and West Africa?

FA: It is difficult to know what will happen in the future with the markets. In the initial days of COVID-19, there was a boom in demand from neighboring countries like Chile and also from many other markets.

Prices firmed and a lot of product was exported. Right now, it appears things have calmed down.

We also believe that the importing markets are waiting for the product to become available, waiting to see where prices go and where the equilibrium price will be.

The million-dollar question is: Will the world be richer or poorer post-COVID? If we assume it will be poorer, then will buying capacity be restricted even for food?

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JC: If you had to give your opinion on how Argentina's harvest is coming along, what would you say?

FA: Our clients can expect a good product this campaign. We had a bad start, but then things improved, and we anticipate a production volume that is the same as or more than last year's crop, with very good to excellent quality and size, and firm prices.