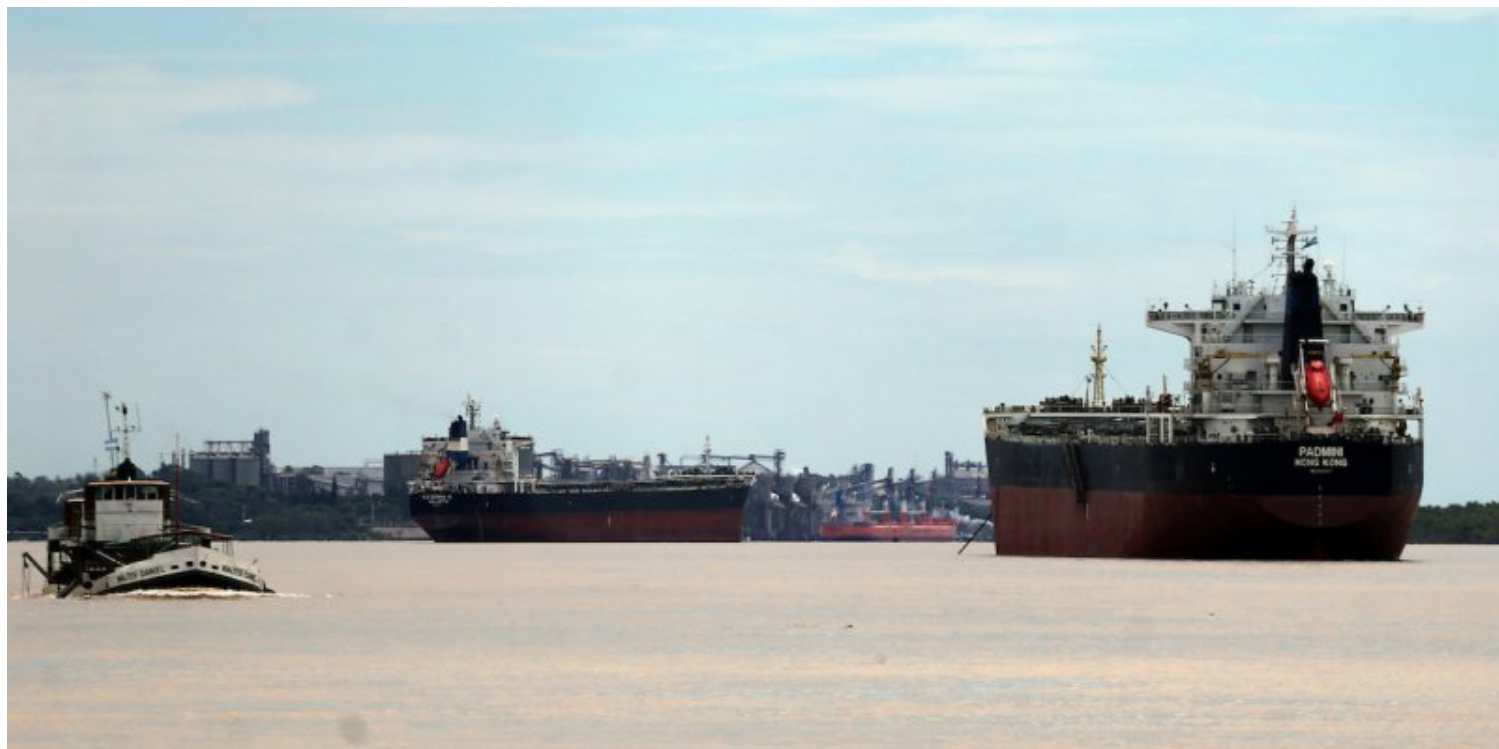


Argentina's Rising Grains Production Strands Vessels in River Traffic February 16, 2017 by Reuters



Ships used to carry grains for export are seen next to a dredging boat (L) on the Parana river near Rosario, Argentina, January 31, 2017.

Picture taken January 31, 2017. REUTERS/Marcos Brindicci

By Hugh Bronstein

ROSARIO, Argentina, Feb 16 (Reuters) – When a boat carrying soy oil destined for India ran aground on the Parana River near Buenos Aires in late January, ships loaded with most of Argentina's grains exports were blocked for hours.

It was the latest accident on one of the world's great food highways, which is straining to carry rising volumes of Argentine agricultural products embarking on the first leg of the journey from the fields of the Pampas to the feeding troughs of cattle, pigs and chickens worldwide.

Increasing congestion on the Parana, which carries 80 percent of Argentina's grains exports, could hamper President Mauricio Macri's efforts to expand farm output and pull the country out of recession.

Macri wants Argentina to grow 25 percent more grains to boost rural income and has cut export taxes to attract more investment in the sector. But to haul all that grain to market, Macri needs the log jams on the river to end.

The government is studying how to accommodate the growing flotilla plying the waterway without driving up shipping costs – which could cancel out the benefits of the export tax cut to farmers and agricultural businesses.

“The entire river system is at its current limit,” said Koen Robijns, Argentine operations manager for Jan De Nul, the privately-owned, Luxemburg-based company that operates the Parana and is responsible for dredging.

The grounding in January made commerce grind to a halt, Robijns said in an interview aboard one of the company's dredging vessels near Argentina's main grains hub of Rosario, some 300 kilometers northwest of Buenos Aires.

"Every ship behind it, all the way up to Rosario, had to stop or slow down for more than an hour," he said.

Efforts to develop the waterway to carry more of Argentina's burgeoning exports, however, could be delayed by negotiations between the channel's operator and the traders that ship grain along it.

Jan De Nul favors dredging the channel deeper. The firm declined to provide an estimate on how much that would cost, but the shippers say the bill would be billions of dollars. That would likely mean an increase in the toll, currently \$3 per net tonne, which the shippers would pass on by paying the farmers less for their grains.

The world's largest bulk grains traders Bunge, Cargill, Louis Dreyfus Company and ADM – who together ship much of the grain exported via the Parana – would prefer the less expensive option of widening the river at trouble spots, said two industry groups representing the shippers and traders using the waterway.

The industry groups declined to give an estimate on how much cheaper it would be to widen rather than deepen the river.

"Rather than dredging deeper, we need wider curves in places where vessels have run aground," said Guillermo Wade, a spokesman for the Rosario-based maritime chamber.

Macri's government says it aims to cut the cost of exporting grains by 30 percent, including lowering tolls on waterways. But the government has not said yet which option it favors, and is unlikely to do so until a report on the project is completed.

Bunge, Cargill and Louis Dreyfus declined to comment. ADM, in a statement, said it "supports the expansion of the Parana River and Paraguay-Parana waterway to meet the growth needs of the entire region."

The company did not specify how the river should be expanded.

PUSHING THE LIMIT

Argentina is the world's top exporter of soymeal feed for animals, key to global meat production and meeting the protein needs of a global population growing toward 9 billion. The South American country is also the world's third-largest supplier of corn and soybeans and the seventh largest supplier of wheat.

Macri's government expects farm output of 130 million tonnes this season, up from 123 million before he took office. Macri is targeting 150 million tonnes by the end of his first term in late 2019.

Groundings are becoming more common as exporters, under pressure to haul as much grain as possible, often overload vessels. There were 15 groundings on the waterway last year, up from 12 in 2015 and nine the previous year, according to port data.

The January accident took place in the Mitre section of the Parana, just north of the capital city Buenos Aires.

The same vessel, the Theresa Success, ran aground near Rosario several days earlier. That time, it took longer for tug boats to pry the vessel loose, but traffic was able to move around the blockage as the river was wider there.

Baltzer, the vessel's Rosario-based shipping agency, declined to comment on the groundings.

Other incidents have seen ships stuck for days while floating cranes arrive to unload cargo until vessels are light enough to float.

TOLLS AND TOP OFFS

Jan De Nul has had the Parana concession since 1995. The contract ends in 2021, and the company wants to renew it.

The toll it charges for plying the waterway is negotiated by Jan De Nul, the port terminal owners and the government.

The Parana's shipping canal is maintained at 34 feet from the ocean to the port of San Martin, 35 kilometers north of Rosario, said Pieter Jan De Nul, an area manager for the company and son of its owner.

The firm could easily dredge to 36 feet, he said.

The additional two feet of depth would allow larger vessels carrying several thousand tonnes more cargo to load in Rosario before heading out to sea, he said. Larger cargoes would reduce shipping costs.

Currently, traders have to load part of their cargo in Rosario and then stop to add more in deep-water Atlantic ports before heading into international waters. That means additional port and loading costs, as well as longer shipping times.

The privately-owned Rosario Grains Exchange favors deepening, because larger ships could load and therefore fewer vessels would be needed to carry the rising volume of grains.

"Everyone wins with the deepening of the Parana River," analysts for the exchange said in a report.

Deputy Transport Secretary Jorge Metz said the service on the river needs to improve, as delays can cost shippers \$40,000 to \$50,000 a day, a cost that is eventually passed on to farmers.

Decades of underinvestment in roads and rail have made transportation one of the biggest costs faced by growers, said Martin Fraguio, executive director of the Maizar corn industry chamber.

"Argentina has the possibility of increasing its farm production enormously," he said. "We need the Parana to be as competitive as possible, as soon as possible." (Additional reporting by Caroline Stauffer; editing by Simon Webb and Brian Thevenot)

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