Wheat bets to early recovery in 2021/22

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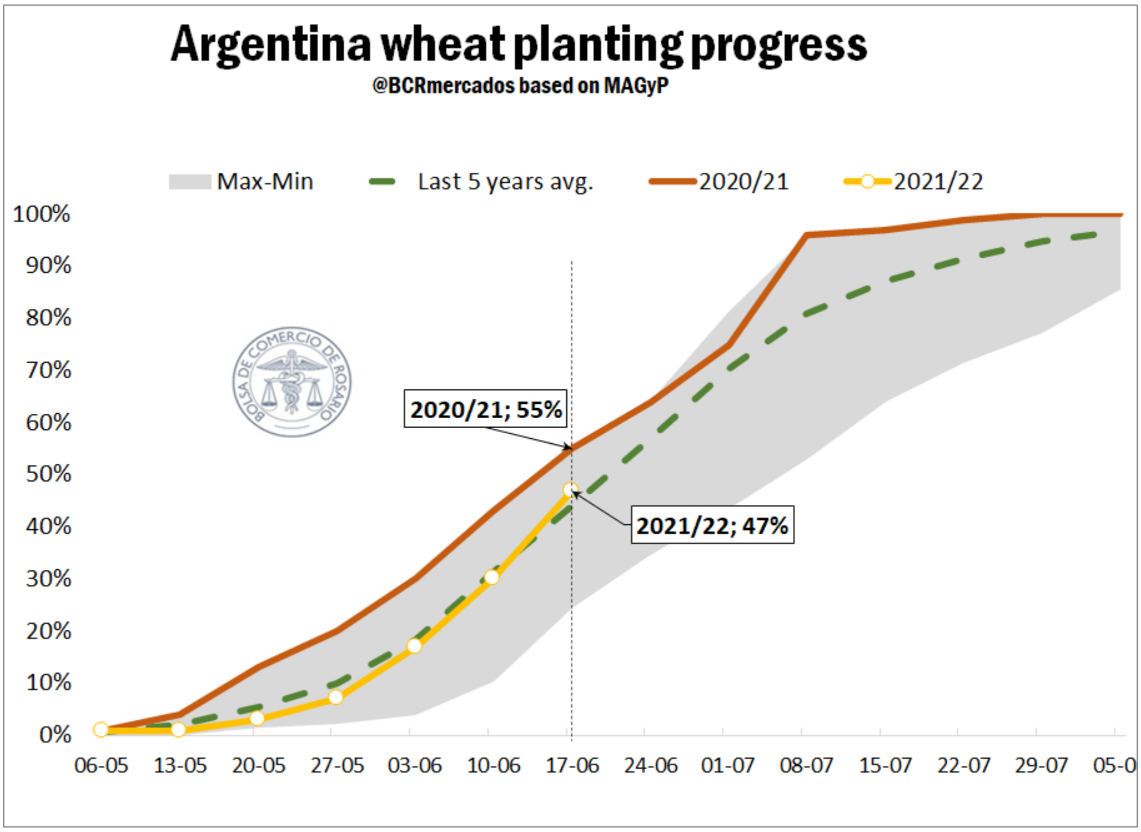
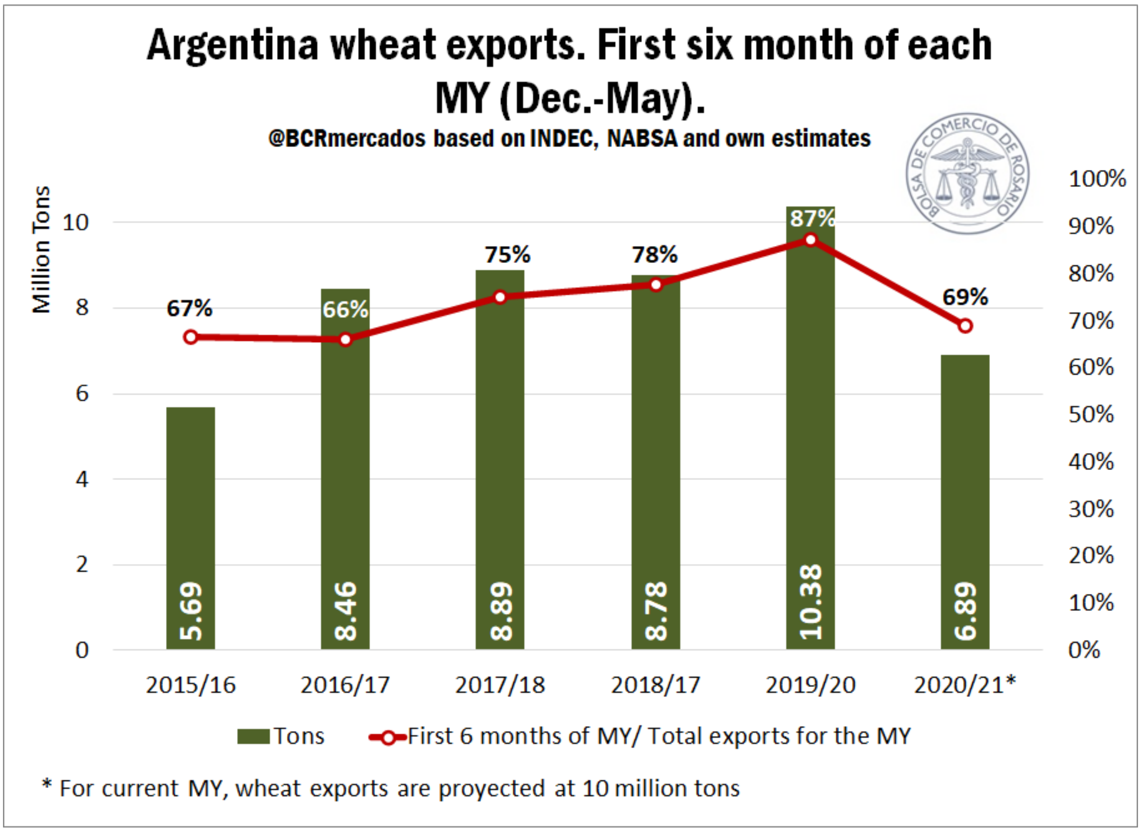
The productive blow of the current crop season leaves exports to date at its lowest level in 5 years. At the same time, 2021/22 planting moves on with favorable agro-climatic conditions.

2021/22 wheat planting in Argentina moves on at a steady pace, supported by favorable agro-climatic conditions. Unlike what happened a year before, when lack of water prevailed over a large part of the country and almost 200 thousand hectares remained unplanted, this year planting started with a strong agro-climatic impulse. The current reserves of soil moisture remain adequate, with some very specific regions presenting a less-than-adequate state, which could be solved with few millimeters.



Under these more than favorable conditions, there have already been planted 3.3 Mha in all the national territory, which equals 47% of the total area to be planted during the new cycle. This is below the previous season, but labor has intensified in such a way during last week, that it has topped the average of the last five seasons. It is worth mentioning that for season 2021/22 it is expected a 3% growth of the planted area, which equals 200,000 ha more than the previous year.

Regarding the current season, although 9.8 Mt of wheat are already committed to be exported out of the 10 Mt forecast to be exported during the current 2020/21 crop season, exports actually made during the first six months of the marketing year amount to 6.9 Mt, the lowest volume since season 2015/16. Part of this is due to the low production obtained in 2020/21 in comparison to previous seasons, which reduced the export forecast. Nonetheless, the total tons exported until the month of June represents 69% of the total export forecast for current season, below the figures reached in the last three business cycles.



There are two factors that explain this drop in tons exported. On the one hand, fewer shippings to Southeast Asia. During the first six months of season 2019/20, shippings to that region of the world totaled 4.4 Mt, while since last December to date, exports to those destinations reached 930,000 t. Just as it has been commented in earlier editions of this report, in the last two years Australian wheat production was severely affected by two droughts, which is why Southeast Asia countries that usually buy Australian wheat had to find new suppliers. Nonetheless, wheat production this year in the oceanic nation reached a historical record, so it has restarted exporting the cereal to the mentioned region, to the detriment of Argentinian exports.

On the other hand, the buyings of wheat by Brazil, which has imported a total of 3 Mt of wheat during the first six months of the crop season, when by the same date last year its imports totalled 3.6 Mt. Besides, the predominance of Argentinian wheat over the total imported by Brazil has been reduced during the current season. Of the 3 Mt imported during the current season, Argentina supplied 2.5 Mt, representing 85% of the total. During the previous cycle, out of the 3.6 Mt imported by Brazil, Argentina represented 92%, which equaled 3,4 Mt. All in all, despite the total being reduced, Argentina remains the main supplier of wheat for Brazil.