



Weather pushes prices of local futures to all-time highs

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The drought that strikes the main agricultural productive regions of our country generated a considerable cut in the coarse grain forecasts, taking harvest prices to historical records for this time of the year.

The last few weeks of the agricultural commodity markets were mainly influenced by the weather in South America, since both the south of Brazil and the core region of Argentina were affected by a drought consistent with the "Niña" years. In addition, high temperatures were recorded which, in the case of our country, climbed above 40°C during the afternoon. These conditions severely harmed crops, to the point of generating significant setbacks in this year's production estimates. In this sense, the Agribusiness Strategy Guide (GEA, for its Spanish acronym) by the Rosario Board of Trade (BCR, for its Spanish Acronym). These losses imply a 16% decrease compared to the forecast that had been made for the cereal, reducing the historical production record that was projected a month ago and ending the next cycle with a total of 48 Mt, while the fall in soybean production expectations was of 11%, now estimating a tonnage equivalent to 40 Mt.

During the weekend, there were "erratic" rains, with areas where peaks of 100 mm were reached, while in other nearby places only 15 or 20 mm were recorded. These rainfalls, for local farmers, depending on the case, could well have been a breath of fresh air, insufficient or even too late. On the one hand, for early corn crops, the contribution that these last rains can give is low due to the fact that they are in the final stages of the cycle (filling of the grains), which is why it is mostly considered that the precipitations help avoiding further decreases of yields. Then, for late corn, it is estimated that the increase in humidity contributes to the development of the plantations and improves the conditions prior to the critical period; that is, in February, when the "flowering" stage starts. However, it is necessary that the rains continue in the next few weeks to ensure the supply of water that this cereal requires. On the other hand, first crop soybean, compared to second crop soybean, is currently in better conditions than their later variant, since its water reserves during sowing were greater. This was a direct consequence of the water extraction carried out by wheat (which resulted in good cereal yields in this crop), which is why there was a lower initial water supply for the oilseed. However, although the rains of the last few days enabled the possibility of yield improvements, the realities of the producers still depend on the present conditions of the crops and on the rainfall that will occur in the coming days.

This situation of uncertainty regarding the future of the domestic production of coarse grains was translated into higher local prices. Both spot values and futures contracts showed increases in recent weeks due to the generalized concerns of economic agents. As a matter of fact, this week's records became the highest prices in history in the contracts traded in the MATBA-ROFEX futures market for corn and soybean at harvest, that is, with delivery in April and May, respectively. In this sense, if we compare the US\$ 225,5/t that were given for corn at the close of the market on January 19, 2022, for contracts with delivery in Rosario in April of this year with previous years, it exceeds by almost US\$ 12/t the maximum values they had reached for this same month (January 1st, 2021). Likewise, it should be noted that the increase with respect to the average of the last 5 years is 41.1% or US\$ 65,7/t in absolute terms. In addition, not only have the values for this time of the year been exceeded, but also **the price currently reached is the highest for any time of the contracts with delivery in April.**



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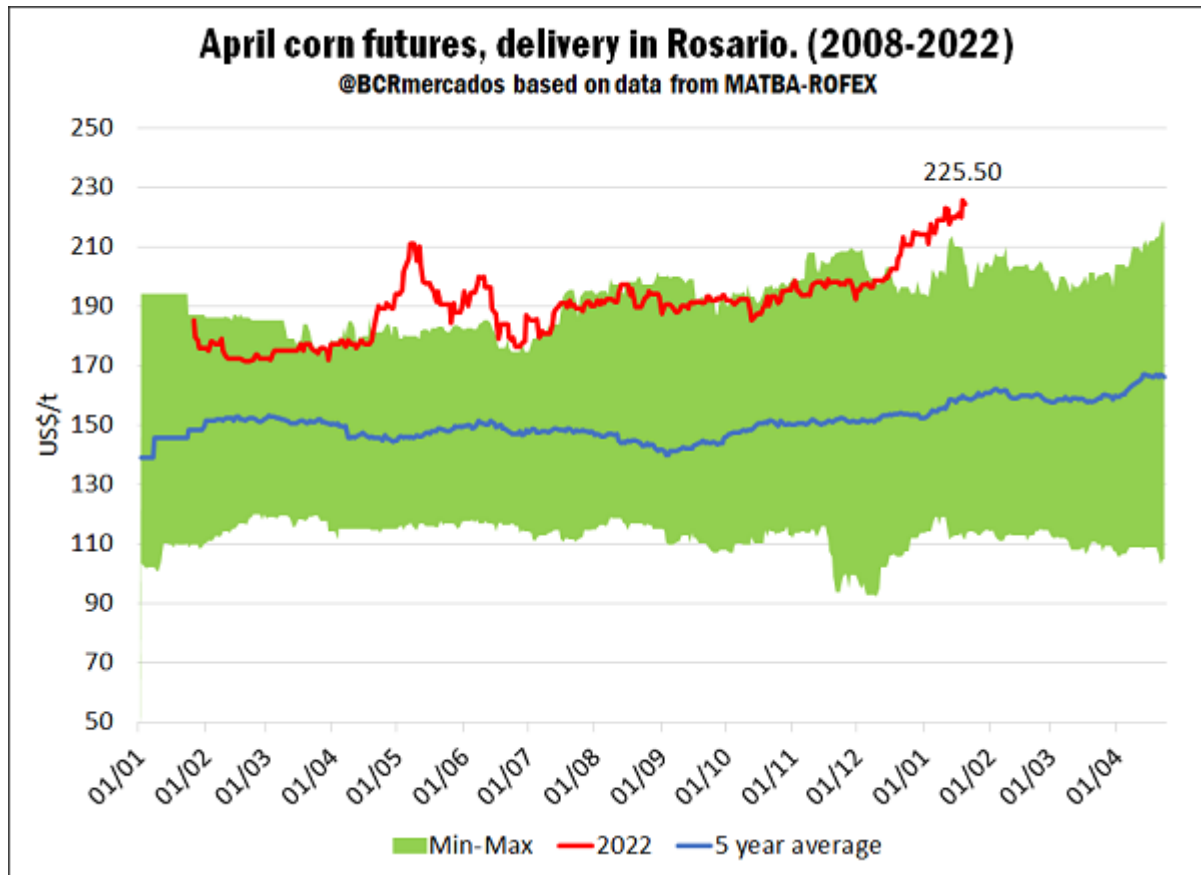
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Finally, it should be considered that there is a determining difference in the corn market, which is the Export Duties. It must be highlighted that when international prices previously reached maximum values between 2011 and 2013, the local tax rate imposed was 23%, while a lower discount is currently applied to the cereal (12%).



At the same time, soybean prices are in a situation similar to that of cereal, futures had values of around US\$ 368.4/ton on January 7th, 2022, for delivery in May, exceeding all records from previous years for this same month. In addition, the average of the last 5 years was far behind current prices, since at this very moment we would have soybean contracts at US\$ 268.9/t, which implies a 35.6% growth comparing this value with current records. The previous maximum for January had been reached on January 13, 2011, at that time the value of the oilseed at harvest was US\$ 357/t. In the same way, the difference of US\$ 11.4/t implies a growth of the values traded of 3.2% compared to the values we had eleven years ago. Finally, it is worth noting that the maximum price registered for a future with delivery in Rosario in May is US\$ 371/t, and it was reached on May 12, 2021, for the delivery contract in that same month.

