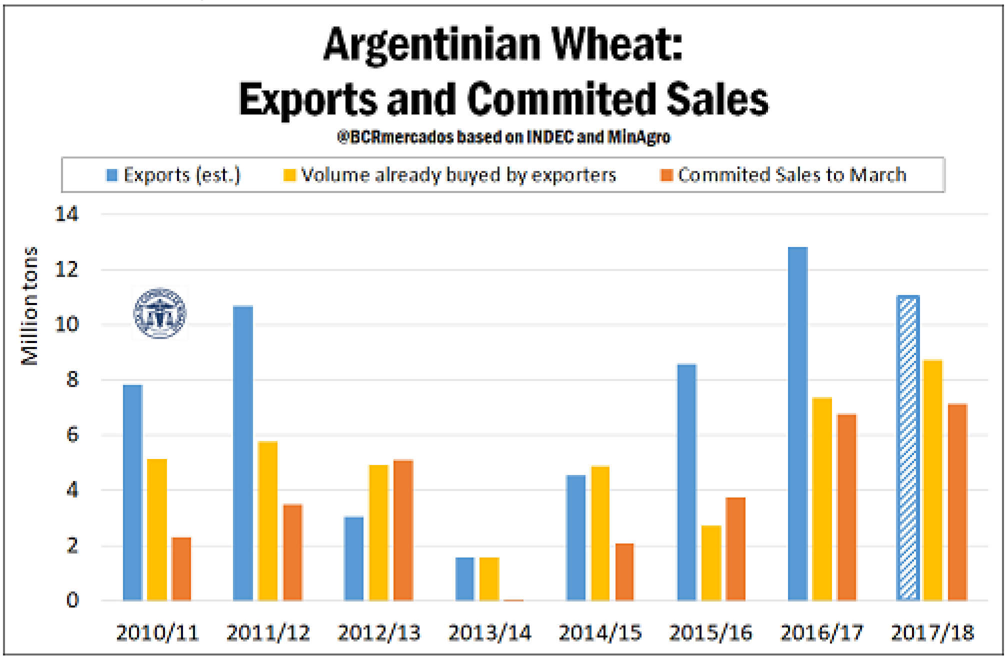
Market is trying to persuade Argentinian producers to seed more wheat

RAMSEYER - TERRE

Ask prices for wheat to be delivered in December 2018 or January 2019 at Rosario's cash market (that is, for next harvest season in Argentina) climbed to US$ 190/ton last week, the same value that is being paid for delivery in July 2018. That is, exporters are willing to give up the normal seasonal decline in prices in order to make sure they hold the grain next marketing year. This 2017/18 season characterized by a very strong demand for wheat and flour, especially from the foreign buyers. Not only production fell in Brazil, but also alternative sellers for their market (such as Paraguay and the United States) expected a lower output. At the same time, drought conditions are persisting in the United States, hitting its winter wheat development, expanding the range of potential export destinations for Argentinian wheat as far as Sub-Saharan Africa and Southeast Asia. Proving how strong foreign demand currently is, export commitments to date reached a maximum on record of 7 million tons. At the same time, the ratio between these commitments to total exports estimate for the marketing year is the highest in 7 years, with the exception of the peculiar 2012/13, suggesting that relatively little wheat remains "freely available". Accordingly, exporters have already purchased the highest volume of wheat on record to March, with 8.7 million tons.



This strong demand, in turn, faces a lower supply than last season due to reduced beginning stocks as well as lower production (despite producers willing to seed a larger area with wheat in 2017/18 season, excessive rain last winter prevented it from happening), as can be seen in the supply and demand balance sheet presented.

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Argentine wheat: Supply and Demand Balance Sheet

(December - November)

		2015/16	*Estimated* 2016/17	*Projected* 2017/18
Seeded Area	*Mill. Ha.*	3,90	5,61	5,43
Harvested Area	*Mill. Ha.*	3,72	5,44	5,24
Lost Area	*Mill. Ha.*	0,18	0,17	0,19
Yield	*Tons/Ha.*	*2,9*	*3,3*	*3,3*
BEGINNING STOCK	*Mill. Ton*	5,6	1,5	0,3
PRODUCTION	*Mill. Ton*	10,9	18,2	17,5
TOTAL SUPPLY	*Mill. Ton*	**16,5**	**19,7**	**17,8**
DOMESTIC CONSUPTION	*Mill. Ton*	6,5	6,5	6,7
Industrial Use	*Mill. Ton*	5,8	5,9	5,9
Seeds and others	*Mill. Ton*	0,7	0,7	0,8
EXPORTS	*Mill. Ton*	8,6	12,8	11,0
TOTAL DEMAND	*Mill. Ton*	**15,0**	**19,3**	**17,7**
ENDING STOCK	*Mill. Ton*	**1,5**	**0,3**	**0,2**
Stock/Usage	*(%)*	*10%*	*2%*	*1%*

Source: Research Department - Rosario Board of Trade *@BCRmercados*

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