Argentine wheat price rise due to foreign markets

FEDERICO DI YENNO

Argentine wheat FOB prices increased 15 USD/MT in the last week due to a stronger demand from Brazil, Algeria and Southeast Asia countries. Thus, the increasing prices at the foreign markets helped to improve the local wheat prices. Therefore, the increasing demand along with the uncertain in the U.S supply boosted the 17/18 MY local wheat prices. According to INDEC data, in December 2017 and January 2018 combined, Argentina's wheat export volume reached 4.28 million tons (Mt) rising 8 percent from the same previous period (This is more than 300,000 tons). This increase is mainly due to larger exports to North Africa, Brazil and Southeast Asia rising 28, 18 and 13 percent respectively compared to the same period of the last 16/17 marketing year.

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Table No 1: Argentine Wheat Exports in the First Two Months of each MY (Dic-Jan)

in MT

Country	2017/18	2016/17	2015/16
Brazil	**1.102.742**	**932.042**	**346.745**
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Southeast Asia	**871.306**	**768.936**	**330.685**
Thailand	443.469	191.095	114.500
Indonesia	427.837	66.000	161.185
Vietnam		432.191	55.000
Philippines		63.500	
Malaysia		16.150	
Norte África	**778.842**	**606.888**	**114.141**
Algeria	766.442	434.929	
Morocco	12.400	58.009	114.141
Egypt		63.000	
Tunisia		50.950	
Africa, Other	**688.335**	**668.442**	**41.049**
Kenya	197.906	245.489	
Uganda	73.050	102.500	
South Africa	82.965	41.496	30.237
Tanzania	69.413	51.080	
Mauritania	88.374	27.500	
Sudan		110.697	
Nigeria	52.633		
Other	123.994	89.680	10.812
Asia, Other	**411.266**	**571.353**	**50.381**
Bangladesh	411.266	396.900	
Other	0	174.453	50.381
Pacific Alliance*	**264.224**	**271.868**	**31.977**
Rest of the world	**164.694**	**137.162**	**79.085**
Gran TOTAL	**4.281.408**	**3.956.691**	**994.064**

**Chile, Perú, Colombia and México*

Source: Based on INDEC data.

The increasing demand for argentine wheat is seen also at the exports sales and wheat purchases by the export sector. According to the Ministry of Agroindustry data, exports sales for 17/18 MY reached 7.6 Mt as March 7 whilst at the same date of the last MY, this figure was 7 Mt. Hence, wheat purchases by the export sector reached at the same date 8.9 Mt as reported from the same source. This amount rose 600,000 tons compared with the same period of the last 16/17 MY.

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According to BCR estimates, 16/17 wheat ending stocks closed on historic lows in record. This added to the lower harvest in the 17/18 MY links to increasing local prices while the external demand remains active showing up from Asia and Africa. This data correspond with the latest reports of other think-tanks like the International Grains Council and the previous WASDE reports. The uncertainty about the weather forecast in the U.S. also helps to the rally in prices at the international markets, as mentioned in the last newsletter. Another data that helps to understand the currently larger exports are the lower ending wheat stocks in Brazil combined with higher needs for stocks at the milling sector to produce flour at April. Looking out at very estimates shipments figures based on NABSA Line-ups, between December 1, 2017 and March 17, 2018 Argentina's ports would have shipped 7.74 Mt of wheat being a very close number to the exports sales reported by the Ministry of Agroindustry. (Note: Exports departures may differ from the various sources: INDEC exports, NASBA Line-ups and exports sales from the Ministry of Agroindustry.)

Table No 2: Wheat Shipments for each Argentine Port Zone. 17/18 MY

In MT

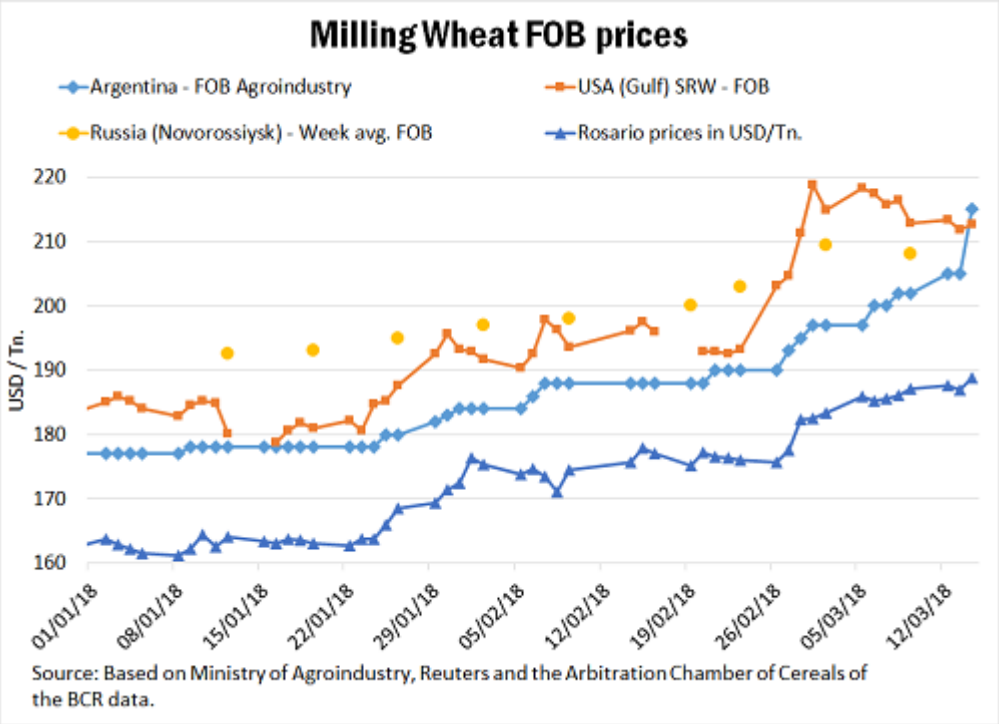
Zona	December	January	February	March	Total
Buenos Aires	153.000	308.633	40.000	72.000	573.633
South BA	441.687	708.380	510.568	250.029	1.910.664
Up River	1.465.750	1.689.583	1.290.800	816.360	5.262.493
Grand Total	2.060.437	2.706.596	1.841.368	1.138.389	7.746.790

Source: Estimates of BCR, based on weekly NABSA Line-Ups data.

Breaking down the latter data, its results that 68 percent of the shipments departed from the Up-river port terminals in the 17/18 marketing year. Analyzing at a country level, a similar share of the total, as seen in the INDEC data, remains for the shipments figures. Brazil dominates 24.61 pct. of the total, Algeria 17.7 pct. while Indonesia, Thailand, Bangladesh and Vietnam grouped by its nearness received 26.71 pct. of the shipments. Egypt did not buy Argentine wheat at all. This is because most of the wheat comes from cheaper and closer wheat from the Black Sea Region (most of them comes from Russia).

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Source: Based on Ministry of Agroindustry, Reuters and the Arbitration Chamber of Cereals of the BCR data.

In view of the aforementioned factors, the official wheat FOB prices published by the Ministry of Agriculture increased from Wednesday, March 7, 15 USD / Tn at the external markets. This rising in prices was evident both in the price of local wheat and in other markets around the world. This gives us the guideline that despite the annual increases that continue to be recorded in production in the world, the demand for cereal remains firm hand in hand with the growth of emerging countries as is the case of Asia and Africa. Following the movement of the price of wheat in USD, as published by the Arbitration Chamber of Cereals of the BCR, it would be reaching highs at the end of August 2014. The price in pesos of the same oscillated in the last week between 3,700 and $ 3,770 / Tn, reaching its maximum value on Wednesday, at $ 3,800 / Tn. Regarding the forwards to Thursday, the deliveries for April and May were offered 187 and 189 dollars per ton while the contracts with July delivery were offered at US $ 192 / t. These positions showed improvements of up to 2 USD / Tn. Finally, the new crop delivery of January 2019 continues with a value of US $ 190 / t.

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