Wheat 18/19: New crop forward volume reached the highest value in 17 years.

FEDERICO DI YENNO

New crop forward business at the physical market usually starts between the last days of May and first days of July. The current demand for the local supply of wheat augmented this trading, which allowed to start earlier in the current year. At April 11th forward contracts volume for the new crop wheat reached 500.000 tons, according to the latest Ministry of Agroindustry report. This trading volume is higher than the last recorded in the 2001/2002 marketing year, where total volume came to 439.000 tons. On balance, this is the largest traded volume in record for the new crop wheat at this time of the year.

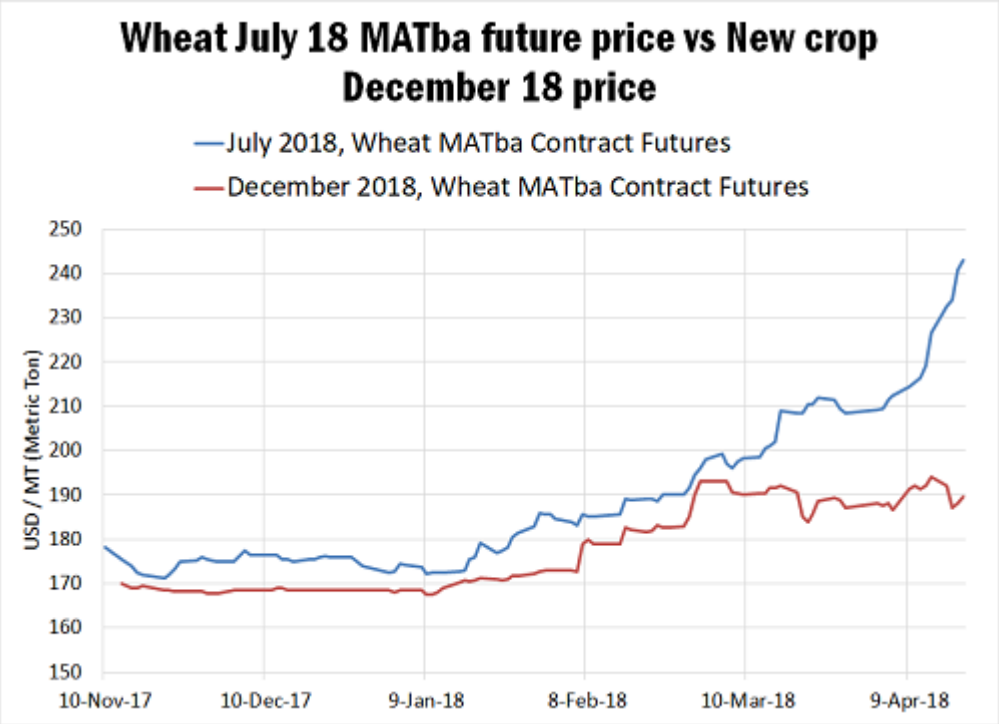
The increasing trading volume for the next marketing year is explained by the present 17/18 marketing year conditions. Current stronger demand and fewer stocks at cash and deferred wheat market are making an impact on the expectations for the new crop market. As highlighted in the last newsletters, more destinations have been added to the local wheat exports besides Brazil. Global demand from some regions increased dramatically in the last 5 marketing years consequently shaping our external wheat demand. The largest increases came about the regions of Southeast Asia and Sub-Saharan Africa. At the global market, this increases were 14 million tons (Mt) and 6 Mt respectively.

On April 19, July Wheat MATba (Buenos Aires Futures Market) future contracts traded at 242 USD/Tn. This particular contract rose 46 USD / Tn throughout March, very similar to what happened at the wheat cash market. In the same time, new crop wheat futures contracts barely moved, still showing good prices compared with the last years, around 190 USD / Tn. As a result, the spread between July wheat prices and new crop prices increased up to 52 USD/ Tn.

BCR
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The good performance at the local wheat prices was due to the increasing external and domestic demand for wheat. This performance can be seen at current wheat shipments, export sector official purchases figures and export sales. As April 11, according to Ministry of Agroindustry data, the export sector have purchased 9.6 Mt of wheat, while shipments and export sales (DJVE, as it acronym in Spanish) amounted to 8.9 Mt. This data shows 800.000 tons to be shipped in the short term and 2.1 Mt of wheat exports to be done in the next 7 remaining months. At the local market, the BCR published wheat prices went up from 4,375 ARS per ton on Friday 13 th to 4.520 ARS per ton on Thursday 19 th . At the Rosario Board of Trade (BCR, as it acronym in Spanish), trading floor the better prices compared to the last week improved the volume traded. Among the whole segments, the cash market was the most active. The biggest peak was seen at Thursday 19. Cash prices for standard quality wheat increased from around 215 - 220 USD / Tn up to 220 – 230 USD / Tn.

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