Argentina´s 2018/19 wheat exceeded the US $ 200 / t barrier

SOFÍA CORINA - FRANCO RAMSEYER - EMILCE TERRÉ

The increase in wheat prices was reflected in our operations area, with a weekly rise of 2.8% in the Rosario Board of Trade reference price, closing on Thursday at ARS 5,800 /t (USD 212,4 /t), supported by the short availability of cereal for the last third that remains of the current commercial year. However, the focus was placed on next harvest wheat, which prices rose by 8% with respect to previous week for the December delivery and 5% for January, reaching on Thursday USD 200 and USD 205 per ton; at these prices there was a remarkable commercial activity, giving an account of the encouraging export prospects for the Argentine cereal in the next 2018/19 crop year. In relation to the 2017/18 wheat, the current availability is among the lowest in the last three years. This gives support to the cereal prices.

Wheat 2017/18: Buyings by millers and exporters

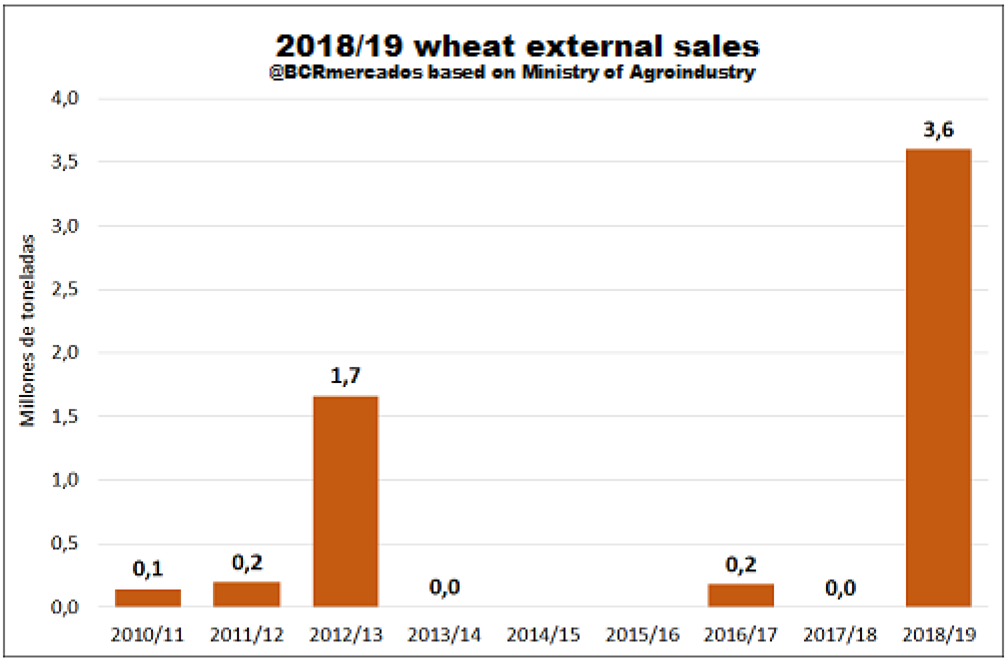
Up to 07/18/2018	2017/18	5 Years Avg	2016/17
Produccion	17,50	13,72	18,17
Total purchases by exporters and millers	**15,15**	**11,29**	**14,90**
	87%	82%	82%
Deferred pricing contracts	0,76	0,69	0,62
	5%	6%	4%
Priced contracts	14,39	10,60	14,28
	95%	94%	96%
Available for selling	**1,5**	**1,8**	**2,6**
Volume still not priced	**2,3**	**2,5**	**3,2**

Except for percentages, the figures are in millions of metric tons
Source: Rosario Board of Trade - @BCRmercados

Of the 15.1 million tons that have been purchased by industries and exporters, 11.5 Mt correspond to the latter, just above the 11.05 Mt external sales, as reported by the Ministry of Agroindustry. With regard to the 2018/19 wheat, the industrial sector has acquired almost 100,000 tons while exporters have already secured 3.3 million tons, the highest historical record for this time of year. In line with this, committed external sales reach 3.6 million tons, a historic record for this height of the year.

BCR
DIRECCIÓN DE INFORMACIONES Y ESTUDIOS ECONÓMICOS

PROPIETARIO: Bolsa de Comercio de Rosario
DIRECTOR: Dr. Julio A. Calzada
Córdoba 1402 - S2000AWV Rosario - ARG
Tel: (54 341) 5258300 / 4102600 Int. 1330
iyee@bcr.com.ar - www.bcr.com.ar
@BCRmercados



In terms of production, the weather conditions for wheat in Argentina continue to be favorable for productivity. Temperatures are cool and there were even some frosts. Low temperatures, although they slow down the growth of the crop, are necessary for the formation of the tillers and as long as a high thermal amplitude is not registered (that is to say, sudden changes of temperature) the frosts do not generate serious damages in the crop, but rather a slight leaf tip necrosis. Finally, the recent drizzle covered much of the country and softened the weather. Thus, the soil´s humidity remains propitious to face the winter. This climatic scenario, combined with good prices, invites us to invest in nitrogen fertilization in order to achieve high yields and grain quality. This scenario allows to be optimistic in the production projections, and based on an estimate of 6.18 Mha planted area and a trend yield of the last five seasons, the production could border the 20/21 Mt. The initial 2018/19 stock is expected to be very tight, domestic consumption of around 6 million tons would still leave 13.5 million tons available for selling, without compromising the final grain stock. If achieved, this would be a historic record for Argentine wheat exports and more than half a million tons above the previous highest record, but both the production problems in some of the world's main suppliers and the trade conflict between the United States and Mexico encourage the best prospects for the placement of Argentine wheat.

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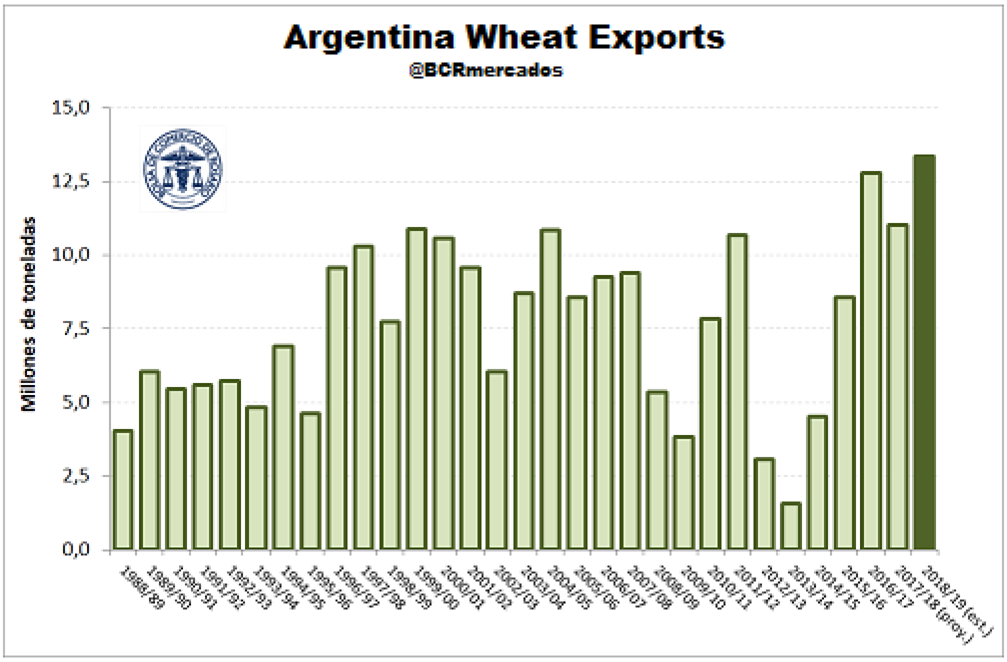

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