



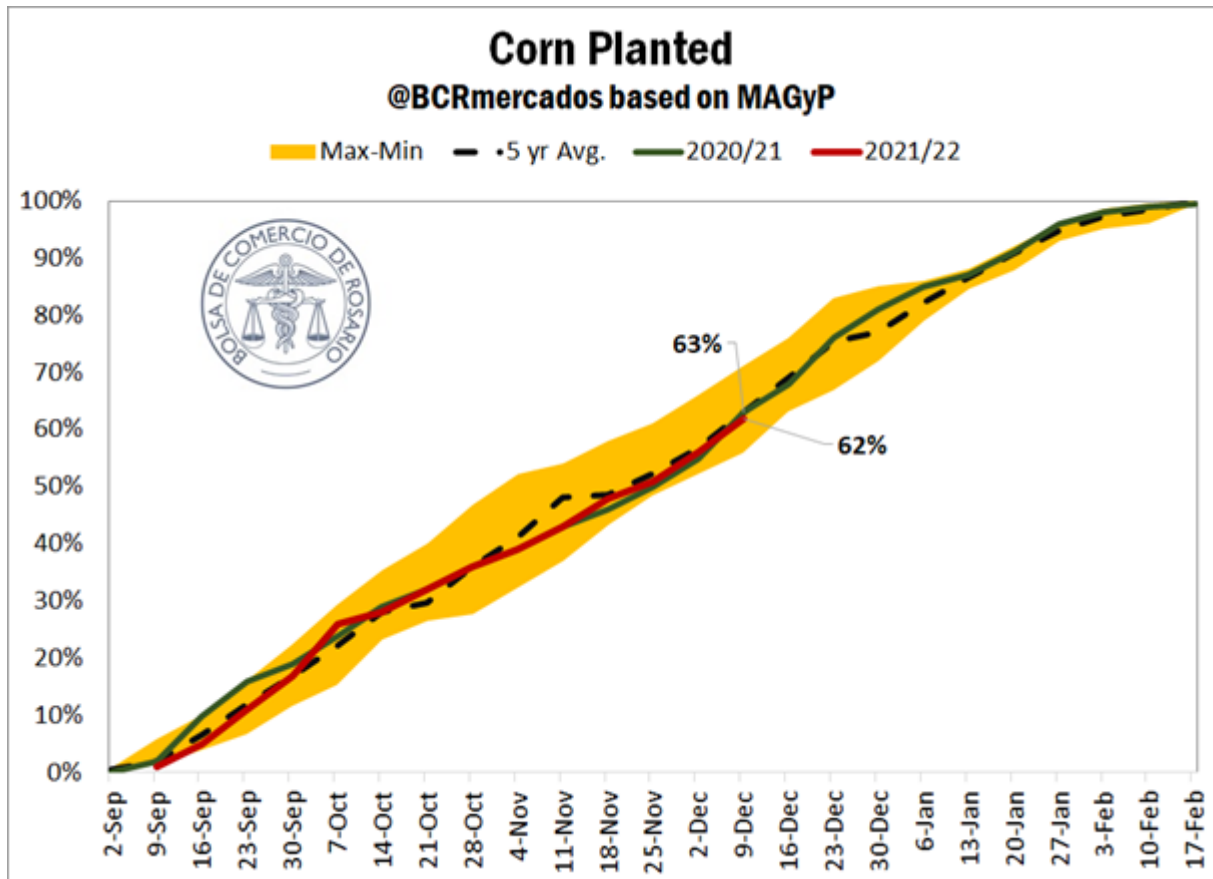
# Price differential between early and late corn remains high

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With over 50% of the target area already sown, harvest prices of corn and soybean are the highest since 2012 for this moment of the year. Also, the price differential between early and late corn reaches US\$ 14.5/t.

With the beginning of December, the window for sowing late/second crop corn starts in Argentina. Just as reported in [previous editions of the Weekly Report](#), the number of hectares destined to this segment during crop season 2021/22 reaches a historical maximum of 6.5 Mha. Of this total, 2.8 Mha have already been planted, so that the progress of corn sowing at country level already covers 62% of the total area to be planted, taking both early and late corn into consideration. In this sense, it shows a similar rate both to that of the previous crop season and to the average of the last five crops (63% in both cases), according to the Argentinian Ministry of Agriculture, Livestock and Fisheries (MAGyP, for its Spanish acronym).

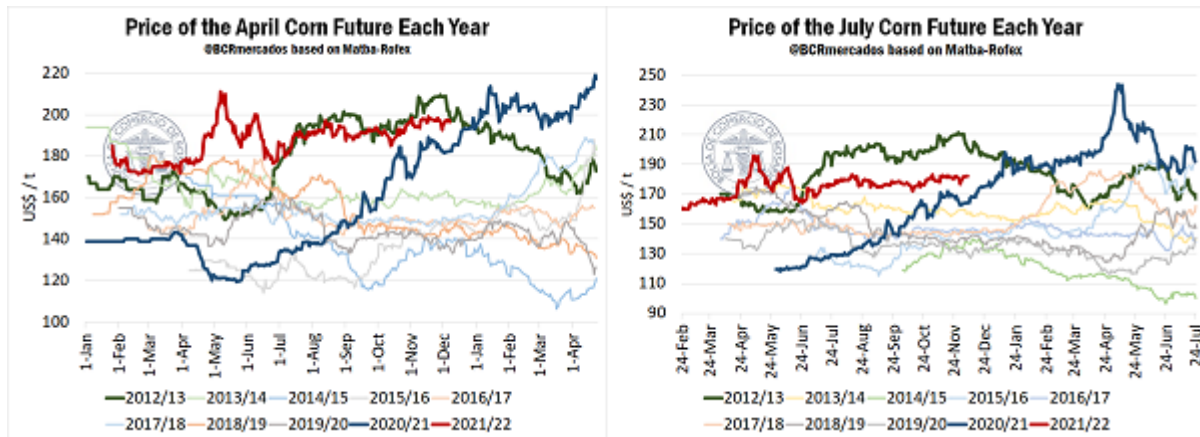




Now all the attention is focused on what will happen to the weather in the next few months. Between October and November, rains were higher than initially forecast, leaving a good buffer of reserves in the first two meters of soil, a remarkably different outlook from what was glimpsed a year ago.

However, the forecast for the next 15 days does not show a promising outlook in connection to the probability of precipitation. According to Dr. Aiello in the latest monthly report of the Agribusiness Strategy Guide (GEA, for its Spanish Acronym), the surface temperature anomaly of the Pacific Ocean not only did not disappear, but it even worsened, exhibiting a greater cooling compared to the previous month. In fact, according to the December report of the International Research Institute for Climate and Society (IRI) of Columbia, the probability of a Niña event in the Nov/Jan and Dec/Feb quarters is of 100% and 95%, while in November these probabilities were 97% and 92%, respectively.

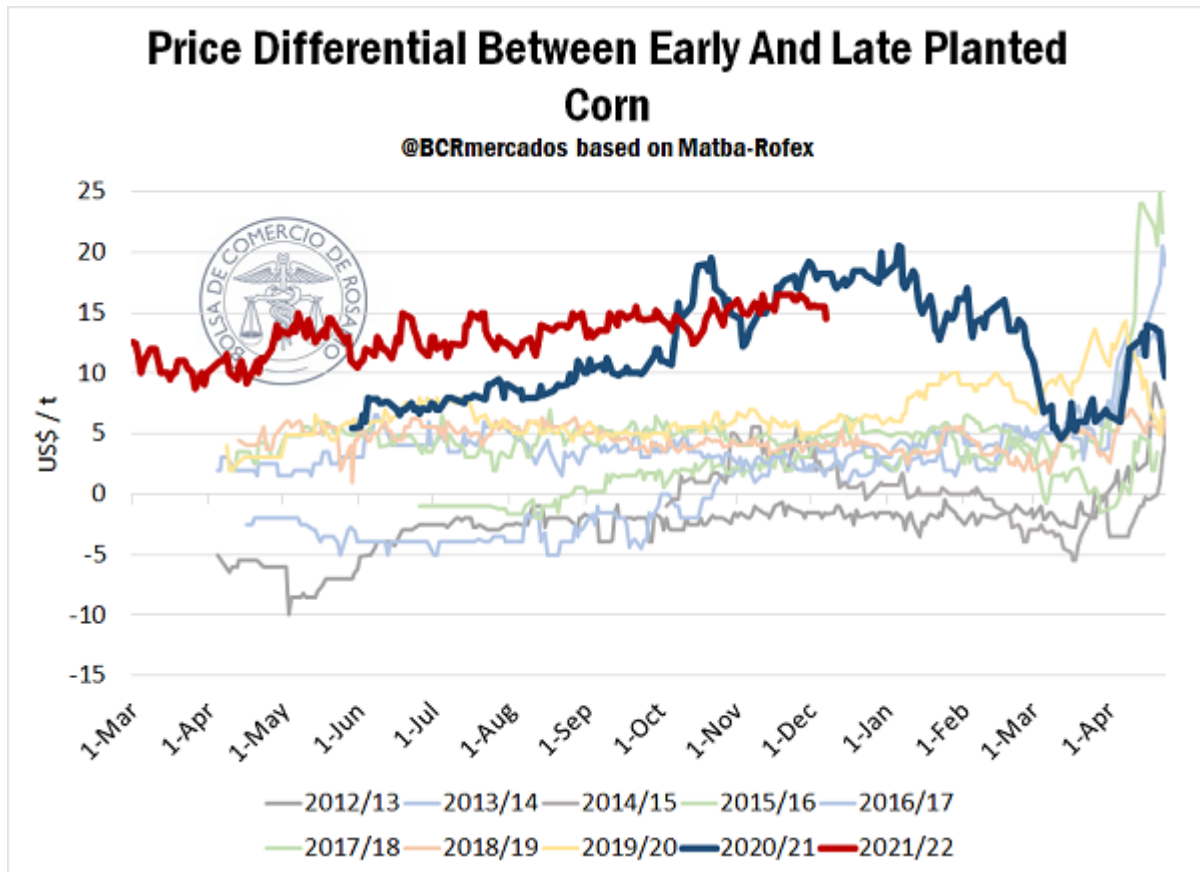
However, despite this concerning climate outlook, there is an important incentive from the prices of yellow grains. Taking the future Matba-Rofex contract with delivery in April of each year as an indication of the early harvest prices of corn and the future with delivery in July as a reference for the prices of late corn, it is evident that, in both cases, harvest prices are the highest since the 2012/13 crop season for this time of year. Presently, the future with delivery in April is US\$ 196.5/t, while that with delivery in July is US\$ 182/t.



Good harvest prices for corn have boosted the trade of the cereal. To date, according to data by the MAGyP, farmers have already sold 11.2 Mt of grain in absolute terms, the highest volume in history for this time of the year. This is only behind what happened in 2019, when the political uncertainty generated by the election year led producers to sell 16.7 Mt of yellow beans around this time of the year.

However, an element that stands out when analysing the evolution of these two futures contracts is how the price differential between them has evolved over the years. During the last decade, the difference between the price of early corn and that of late corn has never been so marked. As can be seen in the following chart, between the 2012/13 and the 2019/20 crop seasons, the difference in the price of both contracts remained around US\$ 5/t, with some years even presenting a negative differential (that is, the price of late corn exceeding early corn).

However, this trend was broken in the last two seasons. During crop season 2020/21, as of September 2020 (when the cereal starts to be sown), the difference between both contracts remained between US\$ 10 and 15 per ton, and it even reached US\$ 20/t, while for crop season 2021/22 the price of the contract with delivery in April was over US\$ 10/t above the contract with delivery in July during virtually all the life of the contract and, currently, this difference is US\$ 14.5/t. In any case, it is important to mention that this differential is below what occurred a year ago, when it reached US\$ 18.2/t.



This phenomenon can be explained by the what was mentioned before: the number of hectares destined to late corn. Both in the current crop and in the new one, the area planted with late corn reached a record, so between July and August a higher volume of cereal will enter the markets than at the beginning of the crop (March-April), which tends to put pressure on prices.

Turning to what happens with soybean, the outlook presented is very similar to what happened with corn. Regarding production, more than 59% of the total area to be sown has already been implanted, and the high humidity in the edaphic profile is much more promising than the outlook seen a year ago. In addition, in terms of prices, the Matba-Rofex price of the future soybean with delivery in May reaches 318.5 US\$/t, the highest value since 2013 for this time of year.

However, a striking issue that contrasts with what happens with corn is that, despite the high prices at harvest, the volume sold in advance by farmers is the second lowest in the last six years (only above 2018/19).

## Soybeans 2021/22: Purchases by millers and exporters

By Dec-1st each year	2021/22	Avg. 5 years	2020/21
Production (Million tons)	49,0	48,9	45,0
<b>Farmer selling* (Million Tons)</b>	<b>3,4</b>	<b>5,8</b>	<b>4,6</b>
	7%	12%	10%
Deferred pricing contracts	2,4	2,8	2,5
	71%	48%	56%
Priced contracts	1,0	3,0	2,0
	29%	52%	44%
<b>Available for further buyings</b>	<b>38,1</b>	<b>36,6</b>	<b>32,9</b>
<b>Volume still not priced</b>	<b>40,5</b>	<b>39,4</b>	<b>35,4</b>

Source: Rosario Board of Trade based on Ministry of Agriculture and estimations of our own.

As of December 1st, farmers had traded 3.4 Mt of the 2021/22 soybean, while the previous year they had already sold 4.6 Mt in the same period. Furthermore, taking sales as a share of the forecast production, the current volume of grain sold represents only 7% of it, while the previous year it was equivalent to 10%. At the same time, regarding the average of the last five years, this figure stands at 12%.

On the other hand, of those 3.4 Mt traded to date, only 1 Mt has already been quoted (29% of total sales), well below the volume that had been quoted by this time in previous years. That is why, of the total grain forecast to be obtained in crop season 2021/22 (minus what was destined for use as seed, animal feed, and others), 40.5 Mt still need to be priced, that is, 5 Mt more than the previous crop.