

ARGENTINA`S GRAIN MARKET

As harvesting comes to an end, the 2019/20 campaign is defined and producers begin to focus on the planning of the 2020/21 season. Many companies are making purchases for the new campaign, but the unattractive price scenario does not allow for sales to close. What to expect in the short term and how do companies position themselves in this environment?

In the world, the scenario is transforming, the pandemic continues to generate uncertainty and a 5% drop in global GDP is estimated. However, certain indicators reflect a slow commercial recovery. The grain market is closely monitoring the price of oil, which is slowly recovering.

Until June there were drops in the prices of certain inputs (mainly fertilizers) and there was availability of financing alternatives in Argentine pesos (ARS). Many companies took the opportunity to advance with the purchase of inputs for the 2020/21 campaign (both fine and thick). Harvest liquidity and the lack of safeguards or value alternatives also turned an important flow into the advance purchase of inputs. Today the question is focused on sales prices for the new harvest, producers having already incurred a significant volume of costs.

CORN

Regarding corn, the 2020/21 campaign is presented with world record production levels, especially in the USA. It should be borne in mind that, with these volumes of world production, the price scenario is not encouraging.

In Argentina, export activity is strong, sales abroad are ahead of last season's and in line with purchase volumes. Export volumes published by national statistic bureau INDEC are at record levels to date. If this trend continues, the local market may present an adjusted final balance and reflect increases at the end of the year. In the short term, the harvest pressure of the Brazilian safrinha and the harvest of the late corn crops in Argentina put a brake on prices.

SOY

The soy scenario presents some opportunities. International prices improve in line with commercial recovery. Brazil abandons the months with the highest volume of supply and China keeps demand active. Weekly US sales are also above average. These two factors support short-term international values.

In Argentina, the harvest concluded with an estimated volume of 50 million tons. There is still 50% of production to market. The reluctance to part with soy can sustain prices in the local market. For the new campaign, the values of \$ 218 / t. as of May 2021 are still below expectations. Please see the other note on Agroberichten Buitenland for some more information about the contribution of soy to the Argentine economy.

WHEAT

The international market observes the definition of the 2020/21 campaign in the northern hemisphere, as harvesting work on winter crops progresses. The salient figure of the USDA June report is the return of Australia after two seasons strongly affected by drought. Australia estimates a production of 26 million of tn. with exports of 17 million tn. positioning itself as the main competitor of Argentina over the harvest months.

In Argentina, planting advances on 71% of the area, with good general conditions. Local production is estimated at 21 million tn. and 13% of production was already committed for sales (above the volume committed at the same date last year). The average sales price of the companies that chose to cover in production ranges from \$ 165 to \$ 175 /t. At these values, the price-input relationships are positive and the double wheat-soybean crop yields provide for the most favorable projected margins for the main production areas.