30-07-2024 - PERIOD:
12/07/2024 A 26/07/2024

Argentina Agri Market Report

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Argentina Agri Market Report

17-07-2024 - Period: 28/06/2024 to 12/07/2024

Data in this report refers to the last fortnight (July 12-26, 2024). The grains market is analyzed on the basis of reports released by the US CBOT market and other entities, including the USDA, FAO, IGC, Oil World, and private sources.

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SUMMARY

International Overview

According to the International Grains Council (IGC) in its Global Supply and Demand Report GMR 555 for July 2024, the projected global cereal production (including wheat, corn, and rice) for the 2024/25 marketing year is expected to increase by 1% to 2331 MMT. However, trade is forecast to decline by 6.7% to 418 MMT, while consumption is expected to rise slightly by 0.5% to 2324 MMT, resulting in a reduction of stocks by 0.51% to 586 MMT (see Table 4).

For corn, which represents the largest volume, production is projected to grow marginally; however, trade is expected to decline by 6.3%, and stocks are forecast to decrease by 1.4%. Similarly, wheat production is forecast to see a slight increase, but trade is expected to drop by 8%, with ending stocks decreasing by 1.4%. In contrast, soybeans continue to outperform indicators and set records, with production up 5.8%, trade increasing by 2.9%, consumption rising by 5%, and ending stocks climbing by 15%.

As noted by other sources, there are few substantive changes with no clear recovery leading to increased supply. The stagnation resembles that of the past four cycles, with soybeans being the only exception, achieving growth for the third consecutive year. Conversely, there would be a global decline in wheat and corn production, the grains accounting for the larget volume of the world grain supply. Import trade data and weak demand are reiterated and tend to keep grain subdued. Thus, there is currently no price incentive for agricultural producers to work toward increasing global supply. For the fourth consecutive cycle, stock-to-use indicators remain anchored at around 25%, a 5-year record low.

The world is currently experiencing a depressed environment for trade and economic growth. Wars, trade sanctions, conflict escalation, US elections, NATO aid agreements, and threats from Russia are all creating a climate of fear throughout Europe. This situation is resulting in a stagnation of trade and global economic growth, affecting nearly all commodities and high-tech products alike.

During the last fortnight (July 12-26, 2024), nearby contracts for July 2024 in the Chicago market showed declines across wheat, corn, and soybeans. Soybean prices fell by USD 20 to USD 396/ton, soybean oil dropped by 85 USD to USD 963/ton, and soybean meal declined USD 17 to USD 389/ton. Corn declined by USD 2 to USD 155/ton. Chicago wheat dropped by USD 5 to USD 192/ton and Kansas wheat settled USD 22 lower at USD 200/ton. In turn, vegetable oils -on average- fell by USD 22 to USD 1003/ton.

SUMMARY

Wheat, Corn and Soybean Crop Condition in the US.

According to the USDA as of July 22, 2024, crops in the US for the 2024/25 season are progressing well, within expectations, but face challenges due to high temperatures and concerns over inadequate moisture favored critical reproductive stages. Soybeans and corn are currently at 65% and 61% flowering stage, respectively, surpassing last year's average. Soybeans and corn in pod and grain formation phases are at 29% and 17%, respectively, also exceeding last year's figures and the average.

Spring wheat is 89% heading. Winter wheat is 76% harvesting, surpassing last year by +11% and the five-year average by +4%. The condition of both soybeans and corn reached 68% and 67% good to excellent, significantly above last year and the average, respectively. Spring wheat is rated 77% good to excellent, surpassing the average by +15%. The initial data from the harvest showed record yields, leading to bearish price news. The progress of the summer crop appears very promising, and the USDA maintained its projections in light of improved conditions and moisture levels. Persistent concerns about global weather conditions remain due to a warmer-than-usual Northern context of Hemisphere.

US Wheat, Corn and Soybean Weekly Exports

According to the USDA as of July 18, 2024, total weekly exports from the US were varied and in line with expectations. For the corn crop of 2023/24, the figures were 0.331 MMT, aligning with expectations (ranging from 0.2 to 0.7 MMT). However, the projections for 2024/25 reached 0.745 MMT, exceeding the expected range (0.1 to 0.6 MMT) and indicating a bullish trend. In total, the combined figures reached 1.077 MMT, which is noteworthy. It is important to mention that corn sales for the 2023/24 marketing year stand at 84% (compared to an average of 92%), while sales for the new marketing year are at 10% (against average levels of 20%).

Weekly soybean exports for 2024/25 were recorded at 0.83 MMT, falling within the expected range (0.5 to 0.8 MMT), which is considered neutral. The cumulative total for both cycles reached 0.918 MMT, close to expectations. Additionally, soybean sales for the 2023/24 marketing year are at 88% versus an average of 95%, while sales for 2024/25 stand at 8%, compared to average levels of 20%. Finally, wheat exports were neutral for prices at 0.309 MMT, all from the 24/25 cycle, and below the expected range of 0.3-0.625 MMT.

SUMMARY

US hedge funds

Regarding US investment funds, the Commodity Futures Trading Commission (CFTC) report as of July 23, 2024, indicated a return of purchasing dominance, particularly affecting corn and soybeans. Hedge funds sold a net 3.46 MMT of soybeans and increased their net sold position to -21.6 MMT (previous estimate: -18.1), indicating a bullish movement with a net interest rate of -14.5% (last week: -16.7). Corn purchases totaled 2.67 MMT, declines the net long position to -37.6 MMT (previous: -40.2), indicating a sharp bullish movement equivalent to a rate of -14.0% (last week: -15.23). Wheat, on the other hand, saw net purchases of 0.31 MMT and trimmed net sold positions to -11.8 MMT (previous estimate: -12.15), indicating a neutral movement with a rate of -18.5% (las week: -19.58), equivalent to a rate of -17.0% (versus -17.6% last week). The balances weakened short and/or near-term positions. However, alerts have resurfaced due to a reversal in the closing figures, particularly concerning corn and soybean indicators. Lastly, index funds (wheat, corn, and soybeans) increased their net long position by 0.68 MMT, closing at 58.3 MMT. It can be concluded that funds remain uncertain about holding near-term futures, which have gained volatility but still present weak profit potential, leading to a bearish outlook.

Argentine Overview

In the context of the Rural Society, during the first presidential visit in five years, President Milei emphasized, “We need certainty that the export taxes will be eliminated.” He stated that “instead of complaints and demands,” there are “ample reasons” to appeal for patience among the men and women of the agricultural sector, and he extended “a vote of confidence” to the government. President Milei also highlighted the desire to achieve “a profound change” in the economy, but emphasized that “achieving sustainability takes time, and to say otherwise would be misleading,” given that the “inherited situation is very severe” and does not allow for “immediate solutions.” He warned of the need to move away from the “disastrous model” where the state, through export taxes and restrictions, expropriates 70% of agricultural production. He insisted that this would be resolved once and for all, but cautioned that failing to address the underlying issues would only exacerbate the crisis. Thus, he affirmed, “We will respect the achievement of macroeconomic balance.” In conclusion, the support was mutual, creating an atmosphere of agreement regarding the needs of the agricultural sector and the country’s global financing requirements.

SUMMARY

According to sector studies, the Argentine agricultural sector is experiencing a decline in profitability. The tax burden has not decreased, which poses a challenge for productivity recovery. Comparative analysis of producer prices in Brazil, Uruguay, Paraguay, and others clearly shows Argentine prices being surpassed.

National and agricultural policy measures in Argentina remain under debate and need to align with global agricultural trade, where prices are generally low. For instance, dry crops in the US, following a warm and dry weather forecast for the Midwest at the beginning of the week, caused price increases supported by purchases from funds. However, a week later, rainfall and improved forecasts triggered the declines considered in this report. Therefore, much more is required from an agro-exporting country like Argentina, whose wealth comes from the primary and agricultural sectors. Sustaining and strengthening this role requires local political and commercial dominance and investments from companies aimed at competing with agricultural final goods from many highly developed countries.

WHEAT

Prices for Chicago wheat showed new net declines over the past two weeks, falling by 2.6% to USD 192/ton. Kansas wheat experienced a decline of nearly 10%, closing at USD 200/ton. The CG estimated a slightly tighter global balance than the previous month, with production up by 1%, exports down by 8%, total use down by 0.25%, and ending stocks down by 0.4%. The stock-to-use ratio declined to 33.5%. This balance was weak but neutral to bearish for prices. Funds returned to strong net selling, maintaining short positions and negative rates. Weekly US exports totaled 0.310 MMT for the 2024/25 cycle, falling within the expected range. In Argentina, thanks to rainfall, planting for 2024/25 progressed to 98.5% over an area of 6.2 Mha, with projections hovering around 17 MMT.

International Market

Last Fortnight Prices

During the last fortnight (July 12-26, 2024), futures prices for Chicago and Kansas wheat both showed significant declines at closing, with Chicago wheat dropping by 2.6% to USD 192/ton (last fortnight: 198; last month: 203), while Kansas wheat fell nearly 10%, closing at USD 200/ton (last fortnight: 222; las month: 216). Funds continued to fluctuate with slight gains, dominated by short positions and negative rates. The IGC's July supply and demand report for the global market estimated a slightly tighter balance than the previous year. Production is projected to increase by 1%, with exports down by 8%, total use down by 0.25%, and ending stocks down by 0.4%. The stock-to-use ratio declined to 33.5%. This balance was weak and neutral to bearish. Price trends declined, closing USD 16 and USD 17 below the 20-day averages of USD 206 and USD 217/ton for Chicago and Kansas, respectively.

Headline News

Bearish news included record yields for spring wheat in North Dakota following an assessment tour. Meanwhile, SovEcon of Russia raised its wheat production estimate from 84 to 85 MMT.

The monthly IGC report for July was significant, leading to another drop in prices. Wheat contracts fell at closing, accumulating losses of 4.5% in the last week and 10% over two weeks.

On a bullish note, France reported a significant drop in exports and stocks for this campaign due to crops affected by rainfall.

WHEAT

Doubts about global wheat production forecasts for 2024/25 prompted investment funds to reverse short positions in wheat. Bearish factors re-emerged with strong fund sales, reversing positions over the weeks, leading to net interest rates approaching record negative levels.

During these weeks, there was a price collapse due to the high yields of US spring crops and the low prices imposed by Russia as it releases grain into the market.

The USDA's projections for Argentina's 2024/25 wheat crop are estimated at 18 MMT, a figure that does not align with the current climatic situation and profitability.

Fundamentals Analysis. 2024/25 Wheat. USDA IGC, July 2024

According to the USDA WASDE report of July 12, for the US and the 2024/25 crop year, production increased by +7% month-over-month and 10.8% year-over-year to 54.7 MMT (2023/24: 49.3). Exports increased to 22.5 MMT from 19.2 MMT in the 2023/24 cycle. Total use settled at 30.9 MMT (2023/24: 30.2). The annual balance closed with year-on-year indicators showing a 22% increase in stocks, now at 23.3 MMT, compared to 19.1 MMT in the 2023/24 cycle. The stocks-to-use ratio would rise to 75.5% versus 63.2% in the preceding marketing year. The balance closed with strongly higher carryover stocks, which was bearish for cereal prices.

According to the IGC report dated July 19, the global balance was estimated to be tighter than the previous year. For the 2024/25 cycle, production is projected to increase by 1.0% to 801 MMT (up from 793 MMT in the 2023/24 cycle). Exports are expected to decrease by 8% to 195 MMT (from 212 MMT in the previous cycle), and total use is projected to decline by 0.25% to 802 MMT (from 804 MMT in 2023/24). Ending stocks are anticipated to fall by 0.4% to 269 MMT (2023/24: 270). The stock-to-use ratio is projected to decline to 33.5% from 33.6% in the 2023/24 cycle. This global balance is slightly tighter but almost neutral for prices (see Table 1).

WHEAT

Local Market

Last Fortnight Prices.

During the last fortnight, the local market, similar to Chicago, showed greater weekly increases among grains. For spot or contractual delivery, prices reached ARS -0.9% 230,000/ton. The local price in dollars exceeds the external reference, with close sales and/or to-be-fixed operations. The declines of available wheat in Rosario settled at -1.2% prices closing at USD 248/ton (last fortnight: 251; last month: 238). In pesos, Rosario available cereal fell -0.9%, closing at ARS 230,000/ton, returning to mid-June prices. Futures positions for July and January 2025 declined to USD 255 and USD 213 per ton, respectively. Profitability projections for the crop declined for the new season.

Yields

The profitability of wheat declined for the harvest as the spot price increased to USD 254/ton. With typical yields and average technology, this would provide indicative gross margins of USD 228 and 395/ha. January 2023 was less attractive, settling at USD 215/ton (Table 1).

Harvest Projections

According to the Buenos Aires Grain Exchange, as of July 24, 2024, planting for the 2024/25 wheat season reached 98.5% of the projected 6.2 Mha. Progress in the central and southern regions allowed completing intention. However, crop condition fell by 5% in prime areas due to drought and frost. Harvest projection settled at around 17 MMT.

CORN

During the last fortnight, corn prices in Chicago fluctuated with weekly declines and losses, achieving a net increase of -1.4% to , close at USD 154/ton (last fortnight: 157; last month: 156). According to the July IGC for the global level and the 2024/25 cycle, a balance was estimated to close with a decline in stocks -1.4%. Investment funds returned with weeks, with strong sales of short positions and a negative interest rate, nearing record values. US weekly exports settled at 0.313 MMT, within trade estimates. Locally, harvesting progressed to 86.6% of the planted area, with projected production reaching 49.5 MMT. Local and initial projections for the 2024/25 cycle indicate a decline in planting intentions.

International Market

Last Fortnight Prices

During the last fortnight (June 12 - 26, 2024), futures prices (Jul-24) for corn in Chicago showed weekly fluctuations with a net price balance of -1.4%, , closing at USD 155/ton (last fortnight: 157; last month: 156). According to the IGC’s July 2024 supply and demand report for the global market in the 2024/25 cycle, production is estimated to remain unchanged, while exports are projected to decrease by 6%. Total use or consumption is expected to increase by 0.6%, with ending stocks projected to decline by 1.4% to 278 MMT. The stocks-to-use ratio would rise to 22.6% versus 23.1% in the preceding year. This balance indicates a reduction in both annual supply and stocks, which is expected to be neutral to bullish for forage prices. Investment funds are currently experiencing instability, with weekly reversals occurring. Weekly US exports for the 2024/25 cycle reached 745,000 TMT, exhibiting a bullish trend. However, the overall price trend remains bearish, closing at USD 8 below the 20-day average of USD 163/ton.

Global News

One of the most significant concerns is the uncertainty surrounding corn production in Argentina for the 2024/25 cycle. Planting intentions are estimated to be down 30% compared to last year, with declines reported between 10% and 60% according to various surveys. The pre-campaign environment contrasts sharply with the previous year, as there are reports of “no sales of inputs or operations.” Concerns persist regarding a potential lack of rainfall in September 2024 due to the “La Niña” phenomenon, alongside the risk of damage from the “chicharrita” virus. Additionally, the declining prices for the current harvest further explain the decrease in planting intentions.

CORN

Regarding the "La Niña" forecast, the Rosario Commodity Exchange suggests that the impact will be "moderate" and last less than initially estimated.

US producers are taking advantage of rising prices to sell, amidst delays in their planting campaigns compared to averages. Sales of corn for the 2023/24 cycle have reached 84% versus an average of 92%, while sales for the 2024/25 cycle stand at 10% compared to an average of 20%. Moreover, the return of rain in forecasts adds downward pressure, especially after reports indicated that up to 20% of the US crop is experiencing stress. As a result, the price rebound has been limited due to favorable weather predictions.

The market continues to assess the impact of floods in Brazil and extreme heat in the major corn and soybean producing regions of central US.

A significant development in the 2024/25 cycle was the shift in planting and production forecasts between corn and soybeans in the US. Nearly 2 Mha transitioned from one crop to the other. Since the previous year's corn record, it almost set a new record for soybeans in the 2024/25

The investment fund operators reversed their positions once again to become net sellers. However, in the previous weeks, the opposite occurred, and the price increases were not sustained.

Fundamentals Analysis. 2024/25 Corn. USDA IGC, July 2024.

According to the USDA's World Agricultural Supply and Demand Estimates (WASDE) report as of July 12, for the US and the 2024/25 crop year, there were changes from the previous month, almost equivalent to those of the previous year. Annual production was estimated to decrease by 1.6% to 383.6 MMT. Trade will settle unchanged, similar to last year, at 50.5 MMT. Total annual use would increase by 0.4% to 322.1 MMT (2023/24: 320.2). The closing stock would thus increase by 11.7% to 53.3 MMT (from 47.7 MMT in the 2023/24 crop year), marking the highest level since 2018/19. The stocks-to-use ratio would rise to 16.5% versus 14.9% in the preceding year. This balance confirmed a slight decrease in annual supply and a mild rebuilding of stocks, which was bearish for forage prices.

CORN

According to the IGC report dated July 18, 2024, for the global level and the 2024/25 marketing year, there an estimated year-on-year marginal rise in production to 1225 MMT (2023/24: 1224). Exports declined by -6.3% to 180 MMT (2023/24: 192). Total use rose by barely 0.6% to 1230 MMT (2023/24: 1222). The 24/25 year-end balance would close with a slight decrease in stocks of -1.4% to 278 MMT (2023/24: 282). The stock-to-use ratio settled lower at 22.6% (2023/24: 25.4). The balance is tighter, but with a decrease in trade and surplus stocks. This was neutral to bullish for feed futures prices (Table 2).

Local Market

Last Fortnight Prices

Over the last fortnight, the local market displayed was bullish sharp in such marketplace dollars and pesos. Available wheat in Rosario saw weekly increases totaling 1.8%, closing at USD 174/ton (last fortnight: 171; last month: 176). Peso denominated-prices gain reached 2.6%, closing at ARS 162,000/ton. The local near-term futures for July 2024 showed a bullish trend, while the changes for the futures up to April 2025 were modest but bearish. For April 2025, there was a decline of -2%, with prices settling at USD 168/ton. Harvest projections were estimated unchanged at 46.5 MMT.

Crop Yield

Corn profitability for the current harvest at the available price of USD 177/ton, with typical yields and modal technology, offered indicative gross margins of USD 272 and 474/ha. April 2025 was less attractive as it also paid USD 168/ton (Table 1).

Harvest projection

According to the Buenos Aires Grain Exchange, as of July 24, 2024, corn harvest area of 17.2 Mha progressed to 86.6%. The average yield 66 qq/ha. In the Córdoba and Southern regions, yields are down 18%, while in the NEA region, they fell by 35%, below averages. Production projection remained steady at 49.5 MMT.

SOYBEAN

The bi-weekly soybean prices experienced a net decrease of -5.1%, closing at USD 395/ton (last fortnight: 417; last month: 423). Soybean oil closed with -8% lower at USD 962/ton (last fortnight: 1048; last month: 965). Meanwhile, soybean meal recovered by a net -3.8% to USD 389/ton (last fortnight: 406; last month: 397). The IGC July 2024 report confirmed the global production increases for 2024/25, leading growth among grains and soybeans. The balance would result in an increase of 15% in stocks. Hedge funds reversed their sales, exerting bearish pressure on the market. Local harvest progress was completed, with production projection at 50.5 MMT.

International Market

Last Fortnight Prices

During the last fortnight (July 12-26, 2024), nearby futures (August 2024) for soybeans in the US exhibited weeks of both declines, resulting in a net weekly strong decrease of -5.1% to USD 395/ton (last fortnight: 416; last month: 423). Soybean oil declined by 8.3%, closing at USD 962/ton (last fortnight: 1048; last month: 965). Meanwhile, soybean meal fell by a strong -3.8% to USD 389/ton (last fortnight: 406; last month: 397). The IGC's July 2024 monthly report confirmed US and global production increases for 2024/25, showing a sustained supply growth, the highest among grains. Production is expected to increase by 6%, while exports are projected to decline by 3%. Total use is anticipated to grow by 5%, and stocks will rise by 15%. This would result in higher balances than in previous years. Such a comfortable balance has been bearish for future prices. Additionally, investment funds have recently changed their positions to short. The price trend of soybean grain was bearish, closing USD 26 below the last 4-week average of USD 420/ton.

International News

Reports indicate that U.S. producers have taken advantage of rising prices to sell, amid a context of delayed sales. For the 2023/25 soybean cycle, sales stand at 88% compared to an average of 95%, while for the 2024/25 cycle, they are at 8% versus an average of 20%. Furthermore, forecasts for the upcoming weeks predict rain in the agricultural belt of the US.

For South America, there were few changes in Brazilian production estimates. However, a strong contrast exists as producers are rapidly selling soybeans due to a "premium" absent in the Argentine market, attributed to exchange rate and trade factors that limit opportunities compared to their Argentine neighbors.

SOYBEAN

China's June imports increased by +11% year-over-year, with a clear preference for grains from Brazil.

Bearish news included a negative net weekly variation for soybeans in Chicago, following the strong impact of the IGC's July 2024 Supply and Demand Report. The global 24/25 production projection affirmed a record output, with surplus stocks, and which was bearish for prices.

Global production is expected to reach a new high of 415 MMT, which has an impact on prices.

A significant development is the preference for soybean planting over corn in the 2024/25 season in the US. This trend has been confirmed, and the area changes may be a forecast that could be mirrored by other soybean-producing countries. It is mentioned that a similar trend could occur with soybean and corn plantings from July 2024 for Argentina.

The notable news was the reversal of funds in Chicago with purchases and new sales, and a high sold and sustained volume, close to record negative interest rate levels.

Fundamentals Analysis. 2024/25 Soybeans. USDA , July 2024.

According to the USDA WASDE December report regarding the US 2024/25 marketing year, production posted a +6.5% decline to 120.7 MMT (2022/23: 113.3). Exports are expected to grow annually by +6.5% to 49.7 MMT (2023/24: 46.3). Total use rose +5.5% to 69 MMT (2023/24: 65.4). Consequently, the closing balance would show a stock increase of +26% to 11.9 MMT compared to 9.4 MMT in the 23/24 cycle. As a result, the increases in stocks have surpassed expectations and have been bearish for prices.

According to the International Grains Council (IGC) report dated June 27, 2024, for soybeans at the global level in the 2024/25 cycle, it was sharp rises to have the highest year-on-year increase among grains. Production was up by +5.9% to a record 415 MMT (2023/24: 392). Exports rose 2.9% to 1177 MMT (2023/24: 172). Total use rose 5.2% to 404 MMT (2023/24: 384). Thus, the 2024/25 season would close with a significant increase in stocks, up by +15% to 79 MMT (compared to 69 MMT in the 2023/24 cycle), marking the highest levels in seven years. The stocks-to-use ratio would rise to 19.6% versus 18% in 2022/24 hit another all-time high. With such ample year-over-year balance, the 2024/25 cycle proved bearish for future soybean prices (Table 3).

SOYBEAN

Local Market

Last Fortnight Prices

Over the last fortnight, the local market experienced strong fluctuations for spot prices, reaching USD 311/ton and ARS 290000/ton. Positions for July-November 2024 were traded down by approximately -1%. However, prices for May-25 declined by 1% to USD 284.5/ton. Overall, current sales remain slow and below the five-year average. With harvesting progress, sales are anticipated to improve with better opportunities ahead.

Crop Yield

The profitability for the current harvest at the spot price of USD 311/ton, assuming typical yields and modern farming technology, provided indicative gross margins of USD 325 and 537/ha. It was less enticing to lock in prices for May 2025, as it paid the same at USD 284/ton (Table 1).

Harvest projection

According to the Buenos Aires Grain Exchange, as of June 26, 2024, soybean harvest covered 99.9% of the area (17.3 Mha). The average yield is 30 qq/ha. Higher soy yields in the second crop offset declines in NOA region. The production projection remained steady at 50.5 MMT.

VEGETABLE OILS

Last fortnight, vegetable oil prices evidenced -2.2% net rises at the Port of Rotterdam and at the main export ports. The average prices continued around USD 1,000/ton. Available wheat price closed at USD 1003/ton (last fortnight: 1025; last month: 1006). Domestic sunflower harvest concluded with 1.85 Mha planted area and production holding steady at 3.6 Mt.

International Market

Last Fortnight Prices

During the last fortnight (July 12-26), vegetable oil average prices at the Port of Rotterdam and at the main export ports kept posting marginal ups and downs, accumulating net weekly declines of -2.2%. In Rotterdam, soybean and canola oil led the declines, while other commodities experienced little change. Average prices approached USD 1000/ton, with the closing index averaging USD 1002.5/ton (last fortnight: 1025; last month: 1006). The trend was bearish and ended USD 49 below the 4-week average of USD 1051/ton.

International News

According to Oil World's July 2024 reports, ending soybean stocks are expected to reach their highest level in four years. US soybean liquidations will increase in Jun/August 2024, but stocks will reach a four-year high of 10.3 MMT (last year: 7.2). An increase in exports is expected for 2024/25.

Global oilseed production is estimated to reach 665.5 MMT in 2024/25, an increase of 30 MMT from the previous year, with major increases in Brazil, the US, Argentina, and Canada.

In 2024/25 a reduction in global vegetable oil supplies is expected. There will be lower supply and inventories during 2024/25. A slowdown in global vegetable oil production appears inevitable next season. The most significant changes are expected in sunflower and rapeseed oil production, with only +0.5 MMT versus +2.4 MMT in 2023/24. The increase in soybean oil production will be a key market variable.

Global oilseed meal supply is expected to be abundant in 2024/25. Global soybean meal production will increase by 9 to 10 MMT, while the other 11 meals are to stagnate.

Soybean sales from the seven leading countries rose by 5.4 MMT, or 20%, in June 2024 compared to the same month last year. Global dependence on soybeans is expected to continue increasing from July to December 2024 and from January to June 2025.

VEGETABLE OILS

Record soybean supplies and a slowdown in global sunflower, rapeseed, and palm oil production will increase global dependence on soybean oil in 2024/25. However, this increase in crushing may lead to an excess of meal supply. Consequently, it is expected that soybean meal will face price pressure in July/September and October/December 2024.

It is estimated that global soybean production will increase by 28 MMT in 2024/25, resulting in a third consecutive season of global surplus stock. Soybean prices may fall below USD 400/ton if crops America in 2025 exceed estimates. Farmers may face bearish fundamentals in their sales.

In contrast, global sunflower and rapeseed (including canola) supplies are expected to decrease a combined total of 4 MMT in 2024/25, forcing a reduction in crushing. The deficit in production of these oils will be challenging, if palm oil growth remains below normal.

Soybean plantings in Brazil for 2024/25 are likely to increase slightly or stabilize due to low domestic prices and high production costs. The use of marginal lands would be unprofitable.

Sunflower and soybean crops are at risk in Russia, Ukraine, and Romania due to below-normal rainfall and above-normal temperatures. Despite abundant global soybean supplies, losses in Black Sea sunflower crops could have a bullish impact on prices.

Fundamentals Analysis. Vegetable Oils Market. WASDE USDA, July 2024.

According to the USDA's Jul 10 WASDE report for the 2024/25 cycle, the global market for vegetable oils anticipates a year-over-year increase in production of 1.9% to 228 MMT, with exports rising by in 3 years in 88 MMT. Furthermore, there's an expected record employment of +2.8% to 225 MMT and a decrease in reserves of -6% to 29.8 MMT. The annual balance is expected to close with a stock-to-use ratio of 13.3% compared to 14.5% in the 23/24 cycle.

For global sunflower oil, there's an expected annual decrease of -0.5% in production to 21.7 MMT (compared to 21.8 MMT in 2023/24 cycle). Exports are projected to decline by -7% to 13.4 Mt, and total use is expected to decrease by -1.8% to 20.4 MMT, resulting in a 7% reduction in stock to 2.5 MMT compared to 2.7 MMT in the 2023/24 cycle. The stock-to-use ratio would close at 12.3% versus 12.8% in the 2023/24 cycle, which was bullish for prices.

VEGETABLE OILS

Local Market

During the last fortnight, global oil markets saw slight declines with minimal gains in soybean oil. In Rosario bids for chamber-condition available cereal prices settled unchanged at USD 350/ton, while closing higher at ARS 315000/ton in pesos.

Sunflower Yield

For the 2023/24 sunflower harvest, with yields of 18 and 25 q1/ha and at the current harvest price of USD 350/ton, indicative gross margin stood at USD 185 and USD 364/ha (see Table 1).

Sunflower Harvest Projections

According to the Buenos Aires Grain Exchange, as at April 11, 2023/24 sunflower harvest amounted to area of 1.85 Mha and a 2 0.2 qq/ha yield. Exports stood at 3.6 MMT.

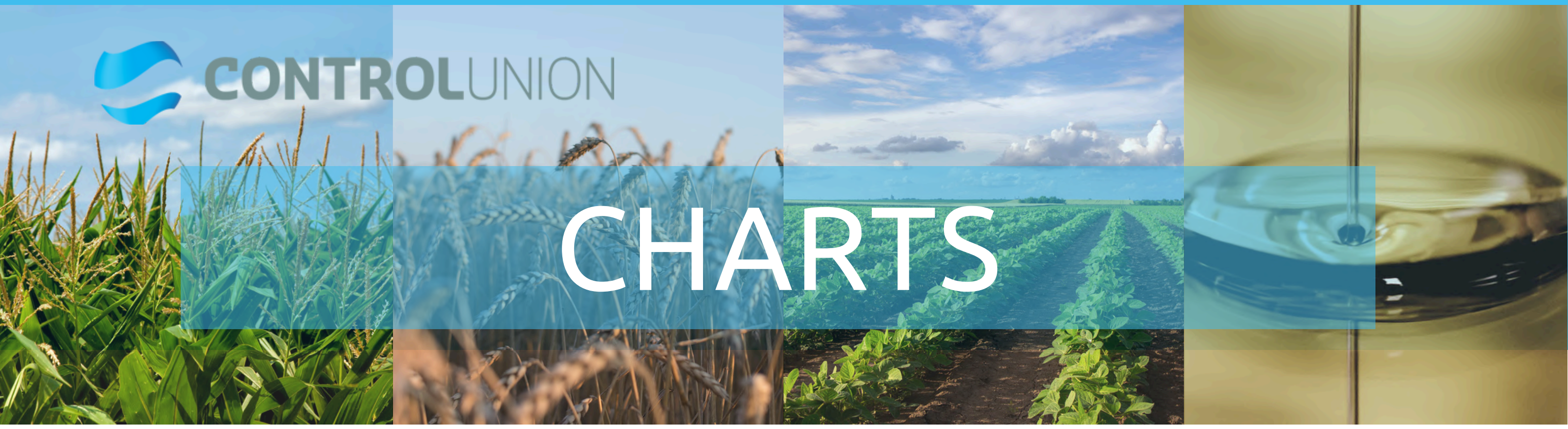

Chart 1.
Crop Gross Margins. Northern Buenos. Aires. Argentina. In USD/ha.

Date 28/06/24		WHEAT		SUNFLOWER		CORN		SOYBEANS	
Yield	qq/ha	35	45	18	25	75	95	28	38
Future price	u$/qq	25.4	25.4	35	35	17.4	17.4	31.1	31.1
Gross income	u$/Ha	889	1143	630	875	1305	1653	871	1182
Selling expenses	%/IB	25	25	18	18	35	35	24	24
Net Income	u$/Ha	667	857	517	718	848	1074	662	898
Tillage	u$/Ha	70	70	66	66	65	65	85	85
Seed	u$/Ha	66	66	69	69	168	168	54	54
Urea, FDA	u$/Ha	174	174	88	88	154	154	70	70
Agrochemicals	u$/Ha	49	49	52	52	98	98	58	58
Harvest	u$/Ha	80	103	57	79	91	116	70	95
Direct costs	u$/Ha	-439	-462	-332	-354	-576	-601	-337	-362
Gross margin	u$/Ha	228	395	185	364	272	474	325	537
PLANTING PERCENTAGE				230			197		339
GM-40%GI	u$/Ha	-128	-62	-67	14	-250	-187	-23	64
Gross margin									
PLANTING PERCENTAGE	qq/Ha	10	10	9	9	20	20	13	13
GM-40%GI	u$/Ha	-26	141	-130	49	-76	126	-79	132

Note: Prices without VAT, short-distance freight 20 KM, long-distance freight 200 km. Source: report data

CHARTS

Table 1.
Wheat World Supply and Demand. In MMT..

GMR555	21/22	22/23	23/24	24/25	
Wheat				27-jun	18-jul
Production	780	803	793	793	801
Trade	198	209	212	194	195
Consumption	784	796	804	800	802
Ending Stock	274	281	270	261	269
S/C %	34.9	35.3	33.6	32.6	33.5

Source: IGC GMR July 17, 2024

Table 2.
Corn World Supply and Demand. In USD.

GMR555	21/22	22/23	23/24	24/25	
Corn				27-jun	18-jul
Production	1222	1164	1224	1223	1225
Trade	181	180	192	178	180
Consumption	1210	1181	1222	1228	1230
Ending Stock	298	280	282	281	278
S/C %	24.6	23.7	23.1	22.9	22.6

Source: IGC GMR July 17, 2024

Table 3.
Soybeans World Supply and Demand. In MMT..

GMR555	21/22	22/23	23/24	24/25	
Soja				27-jun	18-jul
Producción	357	376	392	415	415
Comercio	157	173	172	175	177
Consumo	360	369	384	404	404
Stock Final	54	60	69	79	79
S/C %	15	16.3	18	19.6	19.6

Source: IGC GMR July 17, 2024

Table 4.
Grains World Supply and Demand. In MMT

GMR555	21/22	22/23	23/24	24/25	
Total Granos				27-jun	18-jul
Producción	2293	2267	2299	2312	2321
Comercio	427	429	448	416	418
Consumo	2289	2277	2313	2321	2324
Stock Final	613	603	589	582	586
S/C %	26.8	26.5	25.5	25.1	25.2

Source: IGC GMR July 17, 2024

***Report issued by Reinaldo R. Muñoz for Control Union Argentina S.A**