04-09-2024 - PERIOD:
16/08/2024 A 30/08/2024

Argentina Agri Market Report

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04-09-2024 - Period: 16/08/2024 to 30/08/2024

Data in this report refers to the last fortnight (August 16-30, 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's August 2024 Global Market Report (IGC GMR), production of global grains —including rice—is expected to see a marginal increase of 0.7% to 2375 MMT for 2024/25. However, global trade is forecast to decline by 7.7% to 419 MMT, while consumption or use will see a slight increase of 0.26% to 2321 MMT, and ending stocks are projected to fall by 1% to 581 MMT. This balance clearly indicates a marginal increase in global production and consumption, and even shaper reductions in trade and ending stocks. (Table 4).

Currently, the Northern Hemisphere harvest for the first split of 2024/25 is underway, while planting in the Southern Hemisphere has just begun and will be completed at the end of the cycle. Thus, global harvest of wheat, corn, and other minor crops accounting for the largest volume is nearly completed. In contrast, the Southern Hemisphere faces uncertainties regarding planting due to low prices and climatic conditions, which are often a source of forecasting errors each season. Soybeans are the region's principal crop, representing 55% of global volume. This crop has experienced the most significant growth in recent cycles, resulting in a clear oversupply amidst a global context where other grains are facing productivity challenges. Thus, uncertainties persist in the market, and prices play a significant role. It is worth highlighting the August 2024 IGC indicators for global soybean supply and demand for the 2024/25 season: production is up by 7% to 419 MMT, trade is up by 2.3% to 177 MMT, use or consumption is up by 5.7% to 406 MMT, and ending stocks are up by 21% to 82 MMT. The market is forecasting soybean prices in Chicago to fall below USD 400/ton, a 14-year low. This could reduce planting and production in the Southern Hemisphere in the last split of 2024/25.

The grain market is currently experiencing stagnation in trade and limited global growth due to worldwide conflicts, such as wars and trade sanctions, which have generally depressed global trade.

In the last half of July /16-30, 2024), the prices for nearby September 2024 contracts on the Chicago market showed an increase due to rising demand, leading to higher prices for wheat, corn, soybeans, and oils. Soybean gained USD 16 to USD 361/ton, soybean oil closed USD 70 higher at USD 951/ton, and soybean meal gained USD 9 to USD 344/ton. Corn closed USD 3 higher at USD 149/ton. Chicago wheat rose by USD 8 to USD 196/ton while Kansas wheat settled USD 5 higher at USD 203/ton. In turn, vegetable oils -on average- rose by USD 53 to USD 1039/ton.

SUMMARY

Wheat, Corn and Soybean Crop Condition in the US.

According to the USDA as of August 26, 2024, crops in the US for the 2024/25 season are progressing within expectations, at the critical reproductive stages. Soybeans and corn are 89% and 84% in pod and grain formation stages, respectively, fairly close to last year's figures and their average. Soybean leaf loss was reported at 6%, compared to the average of 4%. For corn, grain is 11% mature versus the 6% average. Corn and soybean condition is reported at 65% and 67% good to excellent, respectively, compared to the average of 59% for both.

Spring wheat is 97% heading and 18% harvested, showing a slight delay. Spring wheat harvest stands at 51%, which is 1% ahead of last year but 2% behind the average. Spring wheat condition is rated 73% good to excellent, which is 16% above the average. Harvest data indicate record yields, leading to bearish news for prices. Yield projections and final harvest information are expected to be very favorable, which could support the USDA's August forecasts.

US Wheat, Corn and Soybean Weekly Exports

According to the USDA as of August 22, 2024, and published on August 29, 2024, total US weekly exports were varied, with the new crop year exceeding expectations, resulting in a bullish impact on prices. While the 2023/24 figures were marginal, the 2024/25 corn projections at 1494 MMT exceeded expectations (0.7-1.4 MMT) and were bullish. In total, the combined figures reached 1509 MMT, which is noteworthy. Weekly soybean exports for the 2023/24 season totaled 0.144 MMT, within the expected range (-0.15 and 0.15 MMT) and considered neutral. However, exports for the 2024/25 season reached 2.616 MMT, surpassing expectations (1.5 and 2.5 MMT) and meeting market projections. For the combined cycles, exports reached 2372 MMT, surpassing expectations and showing a bullish trend. Soybean sales are currently averaging 51% of the historical levels to date. Finally, wheat exports were neutral for prices at 0.532 MMT, all from the 2024/25 cycle, and within the expected range of 0.3-0.65 MMT. They are -11% delayed, compared to the average.

SUMMARY

US hedge funds

Regarding US investment funds, the Commodity Futures Trading Commission (CFTC) report as of August 27, 2024, indicated a sustained level of short positions for all grains, especially corn and soybeans. Hedge funds made minimal adjustments in soybean positions, holding a net short position of -23.14 MMT, slightly up from -23.02 MMT previously, indicating a nearly neutral shift. The net interest rate stood at -16.3%, compared to -15.58% the previous week. In corn, there were net purchases amounting to 3.51 MMT, which reduced the net short position to -25.24 MMT, down from -28.45 MMT previously. This reflects a bullish trend, with a net interest rate of -11.2%, slightly up from -11.09% the previous week. For wheat, there were net sales of 1.17 MMT, increasing the net short position to -11.61 MMT from -10.44 MMT previously, indicating a bearish movement. This is equivalent to a rate of -19.2% (versus -15.62% last week). Balances continue to be dominated by short positions and/or near-term contracts. Finally, index funds (wheat, corn, and soybeans) increased their net long positions by 1.43 MMT, closing at 55.47 MMT. In conclusion, funds remain weak in their holdings of near-term futures, while index funds have increased their positions in commodity volumes following historic lows.

Argentine Overview

According to a report from the Agricultural Foundation for Argentina's Development (FADA), it examines 20 sectors based on 10 indicators and delves into the country's limitations in better positioning its products in the global market. The positive results show that agricultural exports grew by 19% compared to the first half of 2023. However, there were significant obstacles to growth, including a lack of incentives for new investments, more employment, and increased foreign exchange.

Argentina holds the top global positions as exporters of lemon juice and oil, and soybean oil. It is second in peanuts, beans, and yerba mate, and third in corn and soybean meal.

SUMMARY

Wheat reaches over 25 countries, and Argentine grapes and wines are exported to over 80 countries. Beef is well received globally, being served in over 50 countries. The report reveals that agro-industrial chains contribute USD 6 out of every USD 10 entering the country, accumulating USD 24 billion in the first half of 2024. These foreign exchange earnings are crucial for purchasing inputs that are not produced domestically, avoiding crises, and generating more jobs. This has been achieved despite less-than-ideal conditions for growth in both the agricultural sector and other areas of the economy. Analysis of exports shows that 72% comes from grain chains, 13% from regional economies, 8% from meats, and 2% from dairy products. The report concludes that it would be ideal for all sectors to drive growth together. To achieve this, it is necessary to improve the conditions under which the production and export sectors operate. Sustaining and strengthening the export sector requires local commercial political dominance and domestic investments to compete in agricultural goods and advance in the value chain.

Looking ahead to the 2024/25 planting season, there are concerns about corn planting due to market signals and unfavorable trade policies. According to the Rosario Board of Trade, the initial projection for 2024/25 corn planting suggests a 30% reduction in acreage. At the same time, a significant initiative has emerged with the cultivation of sorghum, which has garnered unexpected attention according to the latest Aapresid congress. The potential for expanding this crop in various regions of the country could enhance both supply and exports.

WHEAT

Prices showed rebounds, with the last week of increases resulting in a net biweekly rise for Chicago wheat of 3% to USD 196/ton. Kansas wheat gained 2.6%, closing at USD 203/ton. The USDA's August 2024 report projected a very comfortable and bearish balance for the US wheat market. In contrast, the IGC's global forecast was slightly adjusted downward from the previous year but remained bullish. Funds continue with strong net sales and dominance of short positions and negative rates. US weekly exports for the 2024/25 cycle amounted to 532 TMT, which are neutral but delayed compared to the average. In Argentina, the 2024/25 planting season has concluded over an area of 6.2 Mha. Conditions were favorable due to rainfall, with projections at around 17 MMT.

International Market

Last Fortnight Prices

During the last two weeks (August 16-30, 2024), futures prices for wheat on the Chicago and Kansas markets exhibited a decline of -3% and a strong increase of +6%, respectively.

Chicago wheat futures ended with a net gain of 1%, closing at USD 196/ton (compared to USD 195 the previous fortnight and USD 198 the previous month). In contrast, Kansas wheat futures saw a net gain of +2.6%, closing at USD 203/ton (compared to USD 198 the previous fortnight and USD 206 the previous month). Funds remain in a short position, with a predominance of negative rates. The USDA's August supply and demand report projected a very ample stock-to-use ratio for the US at 73%, compared to 33% the previous year, which is bearish for prices. On a global scale, the August IGC report estimated a tighter stock-to-use ratio of 33.1%, compared to 33.5% the previous year, which was bullish for prices. Price trend changed, closing USD 3 and USD 4 lower than the 20-day average of USD 199 and USD 203/ton for Chicago and Kansas, respectively.

Headline News

Wheat made headlines as Chicago prices posted gains, marking the largest weekly increase of +6% in over three months. Funds covered short positions amid concerns over reduced wheat production in Europe.

The EU lowered its production estimate by 4.7 MMT to 116.1 MMT, the lowest in four years, and cut its export forecast by 6 MMT. Meanwhile, Russia’s Sovecon reduced its 2024/25 export forecast by 6.1 MMT to 46 MMT, and Ukraine cut its forecast by 4.6 MMT to 13.6 MMT. Overall, these reductions total 16.7 MMT, adjusting the global balance and bringing the stock-to-consumption ratio to its lowest level in the past five seasons.

WHEAT

Contrary news came from the August IGC monthly report, which reduced global wheat production for 24/25 by 2 MMT to 799 MMT, while the USDA increased its estimate for the same month by 8 MMT to 798 MMT.

Doubts about global wheat production forecasts for 2024/25 are causing a reversal of short positions among investment funds.

Bullish factors have returned, pushing net interest rates to new negative highs.

German cooperatives estimated a 13% decrease in wheat production, to 18.76 MMT.

The U.S. stock-to-use ratio was reported to increase to 73% vs. 63.2% the previous cycle.

According to the August IGC report, the global wheat balance saw a slight decline in the stock-to-use ratio, falling to 33% from 35% in the previous cycle. Additionally, low prices from Russia's market exit were reported. The USDA's projections for Argentina's 2024/25 wheat crop are estimated at 18 MMT, a figure failing to align with the current climatic situation and Futures profitability.

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

According to the USDA WASDE report dated August 12, for the US and the 2024/25 crop year, estimated annual production increased by 9.4% to 53.9 MMT (compared to 49.3 MMT in 2023/24). Annual exports are projected to rise sharply by 17% to 22.5 MMT (compared to 19.2 MMT in 2023/24). Total annual use would increase by 2.3% to 30.9 MMT (2023/24: 30.2).

The balance closed +18% higher at 22.5 MMT year-on-year (2023/24: 19.1). The stocks-to-use ratio would rise to 72.9% versus 63.2% in the preceding marketing year. This balance, with higher increases and surpluses, was bearish for cereal prices.

According to the IGC report as of August 15, global 2023/24 production was up 0.6% at 799 MMT (last month: 801; 2023/24: 794). Exports dropped -8.4% to 196 MMT (last month: 195; 2023/24: 214). Total use fell slightly by 0.25% to 803 MMT (compared to 802 MMT in July 2024 and 805 MMT in 2023/24). Ending stocks fell by 1.5% to 266 MMT (compared to 269 MMT in July 2024 and 270 MMT in 2023/24). The stock-to-use ratio declined to 33.1% (compared to 33.5% in July 2024 and 33.5% in 2023/24). The global balance was slightly tighter and slightly bullish for cereal prices (see Table 1).

WHEAT

Local Market

Last Fortnight Prices.

During the last fortnight, the local market, unlike Chicago's, accumulated -2% weekly drops. For spot or contractual delivery, prices adjusted strongly to $225000/ton (-4.3%). This aligned with external references, and the premium for local wheat also declined for nearby months and/or forward contracts. Available cereal in Rosario closed at USD 244/ton (last fortnight: 249; last month: 250). In pesos cereal fell to ARS 225000/ton, returning to mid-May prices. Futures positions for September 2024 and January 2025 declined to USD 230 and USD 217/ton, respectively. Yield projections for the crop declined for the new season.

Yields

Wheat profitability declined for the new harvest, the spot price falling to USD 244/ton, with typical yields and average technology, leading to indicative gross margins of USD 205 and 366/ha. This was less attractive and affects the January 25 sale, as price could fixed at USD 217/ton (see Chart 1).

Harvest Projections

According to the Buenos Aires Grain Exchange, as of August 29, wheat planting for the 2024/25 season reached 6.3 Mha. Hydric conditions in Buenos Aires and La Pampa have improved, with 85% of the area in good to excellent condition. In northern Santa Fe, 70% of the area is experiencing regular to poor hydric conditions. The projection would stand at around 17 MMT.

CORN

During the last fortnight, Chicago corn prices showed mild weekly rises of 2.1%, closing at USD 149/ton (last fortnight: 146; last month: 152). According to the USDA August 2023 report, the balance for the US for the 2024/25 cycle expected to close with a 1.6% decrease in stocks. Globally, the IGC estimated a 1.4% decrease in the stock-to-use ratio to 277 MMT compared to the previous year, with a year-on-year decline in trade of 7%. Investment funds returned with strong sales, short positions and negative interest rate, nearing a record. US weekly exports settled at 1.5 MMT, exceeding trade estimates. Local harvest ended with production at 49.5 MMT. Initial projections for 2024/25 indicate a decline in planting intentions.

International Market

Last Fortnight Prices

During the last two weeks (August 16-30, 2024), September 2024 corn futures in Chicago showed weekly gains with a net increase of 2.1%, closing at USD 148.90/ton (compared to USD 145.90 the previous fortnight and USD 152.20 the previous month). According to the USDA's August 2024 supply and demand report, the US and global balance for the 2024/25 crop year is projected to show a stock-to-use ratio increasing to 16.4%, compared to 14.8% the previous year. The report confirmed a lower annual supply for the US and a slight recovery in stocks, which is bearish for prices. The IGC August report showed marginal changes in total production and use but a 7.2% decrease in exports. The year-on-year balance saw a reduction in both stocks and the stock-to-use ratio, dropping to 22.5% from 23% in the 2023/24 cycle. With declines in both trade and stock levels, the report was slightly bullish for prices. Investment funds remain heavily short with a high negative interest rate. Weekly US exports for the 2024/25 season reached 1.5 MMT, exceeding expectations and providing a bullish signal. However, the price trend remained bearish. Despite a rebound, prices closed USD 5 below the 20-day average of USD 199/ton.

Global News

Chicago wheat prices rebounded significantly in the last week, achieving their highest gains in five weeks. However, corn experienced the smallest increase among the grains, although it reached USD 196/ton.

Uncertainty persists regarding the 2024/25 corn planting in the Southern Hemisphere. Additionally, US harvest is expected to conclude, with the possibility of record yields for feed grain crops not ruled out.

CORN

USDA weekly export sales of corn, which were 1.5 MMT above analysts' expectations, provided support for prices.

For local corn, the outlook is complex, but agricultural companies remain optimistic.

According to the Rosario Stock Exchange, the planting projection for the 2024/25 season indicates a decline of approximately 30% compared to the previous cycle. In this context, the surge in sorghum cultivation has garnered unexpected attention, becoming a noteworthy development. According to Aapresid, sorghum has expansion potential in various regions.

News highlighted the selling pressure from farmers due to delays compared to average timelines. Additionally, the need to create storage space for the new harvest has added bearish pressure. A significant development in the 2024/25 cycle was the shift in planting and production forecasts between corn and soybeans in the US. Nearly 2.5 Mha transitioned from one crop to another.

It was reported that Brazil reduced its corn exports in August 2024 to 6.61 MMT, an improvement from 4.7 MMT in July but still below the 9.2 MMT recorded in August 2023.
The investment fund operators reversed their positions to become net buyers. There were net purchases of 3.51 MMT, increasing its short position to -25.24 MMT (previous: -28.45), which indicates a bullish movement and corresponds to a -11.2% rate.

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

According to the USDA's World Agricultural Supply and Demand Estimates (WASDE) report as of August 12, for the US and the 2024/25 crop year, changes were similar to the previous month. Year-on-year production was estimated -1.3% down at 384.7 MMT (2023/24: 389.7).

Trade closed 2.2% higher at 58.4 MMT (2023/24: 57.2). Total annual use would increase by 0.4% to 321.7 MMT (2023/24: 320.4). Ending stock would thus increase by +11% to 52.7 MMT (from 47.4 MMT in 2023/24 crop year), a record high since 2018/19. The stocks-to-use ratio would rise to 16.4% versus 14.8% in the preceding cycle. This balance confirmed a reduced annual supply and slight rebuilding of stocks, which is bearish for feed grain prices.

CORN

According to the IGC report as of August 15, the global level and the 2024/25 cycle are estimated to see a year-on-year rise of 0.25% in production to 1226 MMT (last month: 1225 MMT; 2023/24: 1223). Exports are expected to decrease by -7.2% to 181 MMT (last month: 170; 2023/24: 195). Total use grew slightly by 0.65% to 1229 MMT (last month: 1230; 2023/24: 1221). The year-on-year balance for 2024/25 would close with a -1.4% decline in stocks to 277 MMT (last month: 278; 2023/24: 281). The stocks-to-use ratio would reach 22.5% vs 22.6% last month and 23% in 2022/24. The balance adjusted with a decrease in trade and stocks. This was slightly bullish for feed grain futures prices (Table 2).

Local Market

Last Fortnight Prices

During the last two weeks, the local market, unlike Chicago, showed net variations of 0.3% that were opposed and offsetting, resulting in a neutral to slightly bullish trend in pesos. In Rosario, the spot price was similar, closing at USD 175/ton (unchanged from the previous fortnight and up from USD 168 the previous month). In pesos, this represented a 1.2% gain, closing at ARS 167000/ton. Local futures for September 2024 closed at USD 176/ton, while April 2025 futures were up by 2.2%, closing at USD 174/ton. Local harvest estimates for the 2024/25 season remained unchanged at 46.5 MMT. The 2024/25 planting projections face uncertainty due to climatic and pricing factors impacting profitability.

Crop Yield

Corn yield for the current harvest, at the available price of USD 175/ton, with average yields and standard technology, offered indicative gross margins of USD 276 and USD 479/ha. April 2025 contract was relatively unattractive, as it traded at the same price of USD 174/ton (see Table 1).

Harvest projection

According to the Buenos Aires Grain Exchange, as of August 29, corn harvest for an area of 17.3 Mha settled at 99.3%, i.e., was complete. The projection remains at 46.5 MMT. There are no projections for 2024/25, and there is uncertainty regarding planting intentions. The 2023/24 sorghum harvest has concluded, with an area of 0.95 Mha, a yield of 36 qq/ha, and a total production of 3 MMT.

CONTROLUNION

SOYBEAN

Soybean prices for the fortnight showed net decreases of -9.8% to USD 345/ton (last fortnight: USD 387; last month: USD 417), the lowest since May 2010. Soybean oil fell by -4%, closing at USD 881/ton (last fortnight: USD 920; last month: USD 1026). Soybean meal dropped by -10.5% to USD 334/ton (last fortnight: USD 399; last month: USD 371). The USDA August 2024 report confirmed global production increases for 24/25, with record highs. The balance would close with a stock-to-use ratio of 22.1% for the U.S. and a record 33% globally. This was unprecedentedly bearish for future prices. Hedge funds, with new sales, were bearish for the market. Local harvest is complete, with a projection of 50.5 MMT.

International Market

Last Fortnight Prices

During the last fortnight (August 16-30), near-term soybean futures in the US (September 2024) showed significant weekly declines, of reversals and with net gain of 4.5% closed to USD 361/ton (last fortnight: USD345; last month: 378). The price surpassed the minimum of USD 345/ton, the lowest level since 2010. Soybean oil, with weekly gains, increased by 7.8% and closed at USD 951/ton (compared to USD 881 the previous fortnight and USD 920 the previous month). Similarly, soybean meal rose by 2.7%, closing at USD 343.50/ton (up from USD 334.50 the previous fortnight and down from USD 398 the previous month). The USDA's August 2024 monthly report reiterated increased production in the US, while the IGC confirmed a global production increase of +7% to 419 MMT. Exports are expected to grow by 2.3%, total use by +5.7%, and ending stocks are projected to increase by a historic +21%. The growth in soybean supply continues to lead among all grains. Investment funds remain heavily short. Although soybean prices rebounded, they closed USD 7 below the four-week average of USD 368/ton. It is worth noting that prices in Chicago are still below USD 400/ton, a level not seen since 2010.

Exports amounted to 2.616 MMT, exceeding expectations (ranging from 1.5 to 2.5 MMT) and meeting forecasts. For the combined cycles, exports reached 2.372 MMT, surpassing expectations and showing a bullish trend.

International News

The news highlighted the reaction of soybean prices in Chicago, which recorded their largest weekly increase in four months. This was attributed to a surge in demand.

SOYBEAN

USDA reported weekly exports totaling 2.4 MMT across both cycles, exceeding the expected range. Additionally, there were reports of 132 TMT sold to China and 100 TMT of soybean meal sold to Colombia. Overall, exports for both cycles reached 2372 MMT, surpassing expectations and proving bullish for the market.

The substantial growth in global soybean supply for the 2024/25 season, which is projected to reach record levels, has been a recurring headline from various sources. This stands in stark contrast to the contraction observed in nearly all other grains. The low prices that soybeans hit in Chicago, which were below USD 350/ton in May 2010, have not been prominently featured in recent news. These prices were last seen 14 years ago.

Another key development is the acceleration of sales by US farmers amid a backdrop of delayed sales. Additionally, there is a notable emphasis on the need for storage space in anticipation of the imminent harvest of corn and soybeans in the US. The strong impact of the USDA and IGC August 2024 Supply and Demand reports remains a bearish news highlight.

At the start of planting in the US, it was notably reported that corn acreage decreased by nearly 3 Mha in favor of soybeans. This shift has led to a record-setting soybean area for the 2024/25 cycle, following the previous year's record maize planting. The global soybean production forecast for the 2024/25 season, which is set to reach record levels, has been highlighted as bearish for prices.

A significant news item has been the preference for soybean planting over corn in the US for the 2024/25 season. There are concerns that this shift in planting preferences might be adopted by other soybean-producing countries. It is mentioned that a similar trend could occur with soybean and corn plantings from September 2024 onwards for Argentina.

Fundamentals Analysis. 2024/25 Soybeans. USDA, IGC. August 2024.

According to the USDA WASDE August report regarding the US 2024/25 marketing year, production posted a +10.2% rise to 124.9 MMT (2022/23: 113.3). Exports are expected to grow annually by +8.8% to 50.4 MMT (2023/24: 46.3). Total use rose +5.6% to 69.1 MMT (2023/24: 65.4). The balance concluded with a significant increase in ending stocks, up 62% to 15.2 MMT, compared to 9.4 MMT for the 2023/24 cycle. The stock-to-use ratio reached 22.1%, surpassing the previous month’s 17.3% and the previous year’s 14.3%. This is the highest level since the 2018/19 season. As a result, ending stocks were higher than expected, which is strongly bearish for soybean prices.

SOYBEAN

According to the IGC report for soybeans and the global market for the 2024/25 cycle, there was a reiterated substantial year-on-year increase in production, the largest among grains. Production was up by +6.7% to a record of 419 MMT (last month: 415; 2023/24: 392). Exports declined by 2.3% to 177 MMT (last month: 177; 2023/24: 173). Total use is expected to grow by 5.7% to a record of 406 MMT (404 in July 2023 and 384 in the 23/24 cycle). The 2024/25 balance would end with a significant increase in ending stocks, up 20.6% to 82 MMT (compared to 79 MMT in July 2024 and 68 MMT for the 2023/24 cycle), marking an all-time record. The stock-to-use ratio is expected to rise to 20.2%, compared to 19.6% last month and 17.7% the previous year. This year-on-year balance for the 2024/25 cycle is strongly bearish for future soybean prices (see Table 3).

Local Market

Last Fortnight Prices

During the last two weeks, the local market, in line with external references, showed a bullish trend with a 4.9% gain for the spot price, closing at USD 318/ton, and a 4.8% gain in pesos, closing at ARS 300000/ton. September-November 2024 positions traded at USD 314/ton. For May 2025, prices increased by 3% to USD 288/ton. The pace of commercialization remains slow and below the five-year average. However, following recent harvest progress, sales have picked up in the past few days.

Crop Yield

The profitability for the current harvest at the spot price of USD 303/ton, assuming typical yields and modern farming technology, provided indicative gross margins of USD 338 and 555/ha. It was less enticing to lock in prices for May 2025 contract, which paid only USD 288/ton (Chart 1).

Harvest projection

According to the Buenos Aires Grain Exchange as of June 26, 2024, soybean harvest was completed on 99.9% of the 17.3 Mha, with an average yield of 30 qq/ha, resulting in a total production of 50.5 MMT.

VEGETABLE OILS

The biweekly prices of vegetable oils in Rotterdam and major ports saw a net gain of 5.4%. Palm and sunflower oils led the increases. The average prices reached USD 1039/ton, surpassing the USD 1000/ton threshold. Oil World highlighted that edible oil prices have reached their highest level in 20 months, while oilseed meals have fallen to levels not seen in nearly four years. Exports from Russia and Ukraine are expected to decrease drastically in the 2024/25 season. The local sunflower harvest for 2023/24 was 3.6 MMT, and planting for 2024/25 has progressed to 5.2% of the projected area, which is 1.8 Mha.

International Market

Last Fortnight Prices

During the last two weeks (August 16-30, 2024), the average prices of vegetable oils in Rotterdam and major exporting ports experienced weekly increases, with a net gain of 5.4% for the average price. This marked the highest recovery in several months, driven by the emergence of demand. In Rotterdam, palm oil, soybean oil, and sunflower oil led the price increases, with other oils also reaching higher prices. Average prices increased, surpassing the USD 1000/ton threshold, with the average index closing at USD 1039/ton (up from USD 986 the previous fortnight and USD 1005 the previous month). The trend was bullish, ending USD 10 above the four-week average of USD 1029/ton.

International News

According to Oil World’s August reports, global production of 10 oilseeds is estimated to reach 665.5 MMT in 2024/25, an increase of 30 MMT from the previous year. The largest increases are expected in Brazil, the US, Argentina, and Canada. In 2024/25, a reduced supply of vegetable oils and lower stocks are anticipated. The most significant changes are expected in sunflower and canola oil. The increase in soybean oil production will be a key market variable.

According to Oil World’s August reports, edible oil prices reached their highest level in 20 months in July. Meanwhile, prices for oilseed meals fell to their lowest levels in nearly four years. Vegetable oil prices have begun to recover and are expected to appreciate further in the coming months, reflecting a global adjustment in supply and demand fundamentals However, preliminary data indicates that global exports of the four main vegetable oils reached a record 23.1 MMT from May to July 2024.

Exports from Russia and Ukraine are expected to decrease drastically in 2024/25. The heat and drought have endangered oilseed and cereal crops, with sunflowers and corn being the most affected.

VEGETABLE OILS

Soybean sales from the seven leading countries increased by 5.4 MMT, or 20%, in June 2024. The global dependence on soybeans is expected to continue rising throughout 2024 and into the first half of 2025. Additionally, global soybean meal exports from January to July 2024 were up by 7 MMT compared to the previous year. Nevertheless, placing increasing supplies will be challenging in 2024/25. China's soybean imports rose to 66.3 MMT in July 2024, an increase of 2.3 MMT from the previous year.

Sunflower prospects in Argentina for 2024/25 have deteriorated, partly due to drought.

The decrease in palm oil imports by the EU contrasts with record sunflower oil figures for the current season.

The anticipated lower production and small stocks of rapeseed and canola for 2024/25 are expected to reduce the supply by 5 MMT, making demand rationing inevitable.

India's vegetable oil supplies are projected to decline in 2024/25 due to reduced production and restrictions on global export supplies, driven by population growth and increased biodiesel production.

Fundamentals Analysis. Vegetable Oils Market. USDA WASDE August 2024.

According to the USDA WASDE report dated August 12, the world vegetable oil market forecast a 1.4% production rise to 227.1 MMT (2023/24: 223.8) for 2022/24. Exports settled stable in 87.3 MMT (2023/24: 87.2). Use hit a record rise of +2.6% settling at 224.4 MMT (2023/24: 218.7) and stocks declined by -7.2% to 30.1 MMT (2023/24: 32.4). The annual balance is expected to close with a stock-to-use ratio of 13.4% compared to 14.8% in the 23/24 cycle.

For global sunflower oil, a year-on-year production decrease of -7.3% to 20.6 MMT (2023/24: 22.2) is expected. Exports are projected to decline by -7% to 12.4 MMT (2023/24: 14.8), and total use is forecast to drop by -4.8% to 19.6 MMT (2023/24: 20.6). This results in a closing balance with a stock decrease of -20% to 2.4 MMT compared to 20.7 MMT for 2023/24. The stock-to-use ratio would close at 11.2% versus 14.5% in the 2023/24 cycle, which was bullish for prices.

VEGETABLE OILS

Local Market

During the last fortnight, global oil markets showed increases, with the most notable gains in palm oil, soybean oil, and sunflower oil. In the Rosario Exchange and the reference market, the price remained at USD 330/ton for the spot market, while it closed lower in pesos at ARS 311000/ton.

Sunflower Yield

For the 2023/24 sunflower harvest, with yields of 18 and 25 qq/ha and the current delivery price of USD 330/ton, the indicative gross margin was USD 159 and USD 327/ha, respectively (see Chart 1).

Sunflower Harvest Projections

According to the Buenos Aires Grain Exchange, as of August 29, 2024, sunflower planting for 2024/25 season has progressed to 5.2% of the 1.8 Mha area. Production for 2023/24 was 3.5 MMT.

CHARTS

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

Date 30/08/24		WHEAT		SUNFLOWER		CORN		SOYBEANS	
Yield	qq/ha	35	45	18	25	75	95	28	38
Future price	u$/qq	24.4	24.4	33	33	17.5	17.5	31.8	31.8
Gross income	u$/Ha	854	1098	594	825	1313	1663	890	1208
Selling expenses	%/IB	25	25	18	18	35	35	24	24
Net Income	u$/Ha	641	824	487	677	853	1081	677	918
Tillage	u$/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	77	99	53	74	92	116	71	97
Direct costs	u$/Ha	-436	-458	-328	-349	-577	-601	-338	-364
Gross margin	u$/Ha	205	366	159	327	276	479	338	555
PLANTING PERCENTAGE									
GM-40%GI	u$/Ha	-137	-74	-79	-3	-249	-186	-18	71
LEASE									
Average rent	qq/Ha	10	10	9	9	20	20	13	13
GM-Rent	u$/Ha	-39	122	-138	30	-74	129	-75	141

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

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CHARTS

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

GMR 557	21/22	22/23	23/24	24/25	
Wheat				18-jul	15-ago
Production	780	803	794	801	799
Trade	198	209	214	195	196
Consumption	784	796	805	802	803
Carryover Stocks	274	281	270	269	266
S/C %	34.9	35.3	33.5	33.5	33.1

Source: IGC GMR August 15, 2024

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

GMR 557	21/22	22/23	23/24	24/25	
Corn				18-jul	15-ago
Production	1222	1163	1223	1225	1226
Trade	181	180	195	180	181
Consumption	1210	1179	1221	1230	1229
Carryover Stocks	296	279	281	278	277
S/C %	24.5	23.7	23	22.6	22.5

Source: IGC GMR August 15, 2024

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

GMR 557	21/22	22/23	23/24	24/25	
Soybeans				18-jul	15-ago
Production	357	376	392	415	419
Trade	157	173	173	177	177
Consumption	360	369	384	404	406
Carryover Stocks	54	61	68	79	82
S/C %	15	16.5	17.7	19.6	20.2

Source: IGC GMR August 15, 2024

Table 4.
Total Grains

GMR557	21/22	22/23	23/24	24/25	
Total Grains				18-jul	15-ago
Production	2293	2267	2299	2321	2315
Trade	427	428	454	418	419
Consumption	2290	2274	2315	2324	2321
Carryover Stocks	610	603	587	586	581
S/C %	26.6	26.5	25.4	25.2	25

Source: IGC GMR August 15, 2024

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