

# Investments - Flash



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## CHINA'S DROUGHT WILL UNBALANCE THE WHEAT MARKET

The macro scenario hides an extreme situation

Europe has been experiencing one of the most severe droughts on record for several weeks, which will already significantly affect grain production and wheat prices. But more recently, in China, the government has just issued a new national drought warning that also heralds one of the lowest production forecasts in half a century. After fears of a total shutdown of grain exports due to the war in Ukraine, it is now a new uncertainty about production in another important region that threatens grain supply and availability.

China, which has become the world's largest grain producer and consumer, but is also a major importer, may find itself having to import even more grain for domestic use.

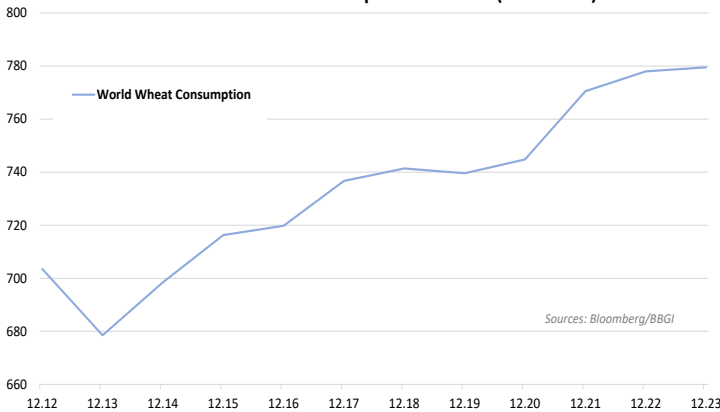
Already low wheat stocks will not prevent renewed competition among consumers.

Wheat reserves and stocks outside China are expected to fall to a 15-year minimum in the coming quarters. It is estimated that the decline in inventories (outside China) would then fall to 70 days of world consumption, almost 25% below the 2018-2019 level. The fact that China is going through an exceptional dry spell is likely to lead to a substantial increase in imports and will further reduce available wheat inventories.

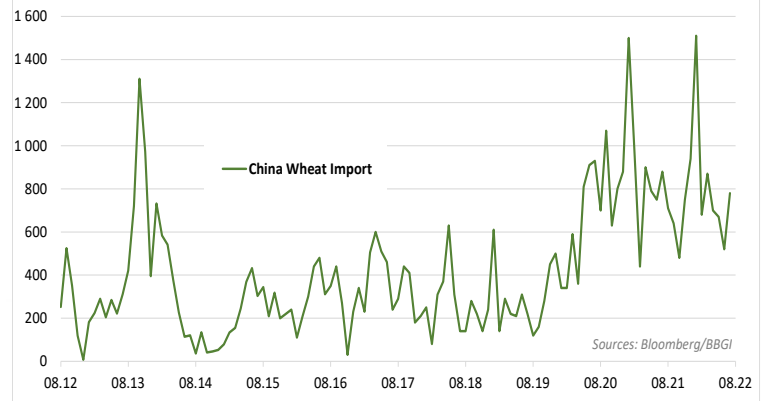
Wheat prices do not yet seem to have taken this into account and are trading around -40% below their March high and only marginally recovered from the 12-month low reached in August. A recovery in wheat prices in the coming months looks increasingly likely.



Total world wheat consumption estimate (2012-2023)



China wheat import volume per capita (2012-2022)



United-States wheat inventories (million bushels)



Evolution of wheat prices (2021-2022)



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