

# GRAINS

## 2020 OUTLOOK SUMMARY



FEBRUARY/2020









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*The trend is bullish for soybean, with record US\$ x R\$ exchange rates, heated domestic demand for bran (feed) and oil (biodiesel) and higher premiums at the ports, offsetting the downward on futures.*

*For corn, the trend is also upward, with the summer crop break in the South, drop in ending stocks, heated domestic demand and the greater weather risk for the second crop this year.*

*For beans and rice, the harvesting advance should pressure prices downwards, while for wheat the trend is upward, with the off-season in Brazil, the US\$ at record levels and the rise in Argentine grain prices making importation more expensive.*

*For cotton, the trend is bullish, with projected record exports and stable international prices.*

Item	Trend
Soybean: 2020 outlook	
Corn: 2020 outlook	
Wheat: 2020 outlook	
Rice: 2020 outlook	
Beans: 2020 outlook	
Cotton: 2020 outlook	

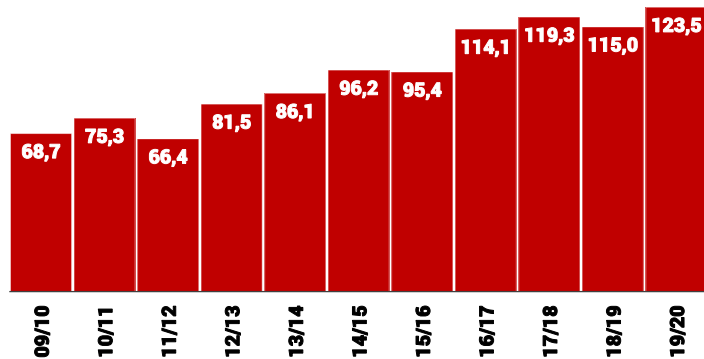


# SOYBEAN: 2019/2020 MARKET OUTLOOK

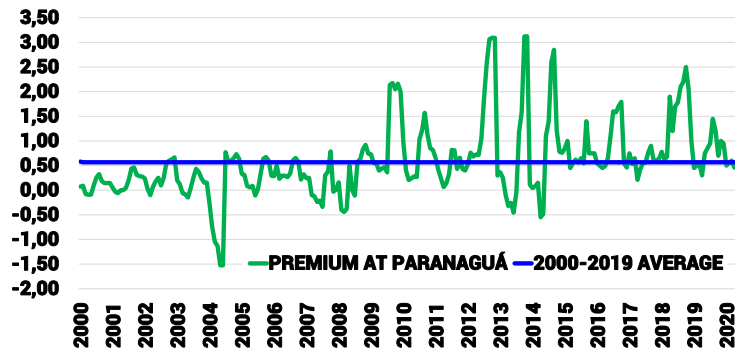
- The trend is stable for the internal market soybean prices, with record U\$ x R\$ exchange rates, higher premiums at the ports and high domestic demand for feed (soybean meal) and oil (biodiesel), offsetting CBOT's futures drop.
- Chicago futures are being pressured by coronavirus outbreaks in several countries, record harvesting in Brazil and uncertainties regarding "phase 1" of the US – China trade agreement.
- China is expected to increase soybeans imports by 6.6% this 2019/2020 season.
- Brazilian ports premiums for soybeans are higher and, after reaching a low of +U\$ 0.15/bushel for March / 2020 shipping in late 2019, it is now quoted at +U\$ 0.56/bushel.
- Higher domestic supply, the U\$ at record highs and fears of increased U.S. soybean sales to China indicates a selling market for soybeans for the current 2019/2020 harvest and 2020/2021.
- In the domestic derivatives market, meal prices rose 4.3% in the last 30 days, up 16.7% in 12 months, while oil prices fell 3.2% in 30 days, up 28, 6% in 12 months.



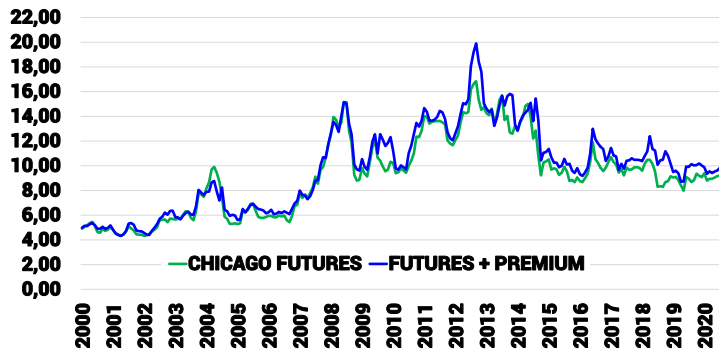
### SOYBEAN: BRAZIL PRODUCTION - MMT



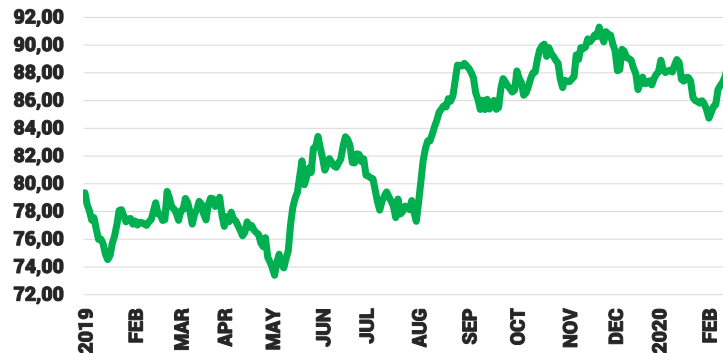
### SOYBEAN: PREMIUMS AT PARANAGUÁ IN U\$/BUSHEL OVER CBOT FUTURES



### SOYBEAN FOB PARANAGUÁ: CBOT FUTURE PRICES + PREMIUMS IN U\$/BUSHEL



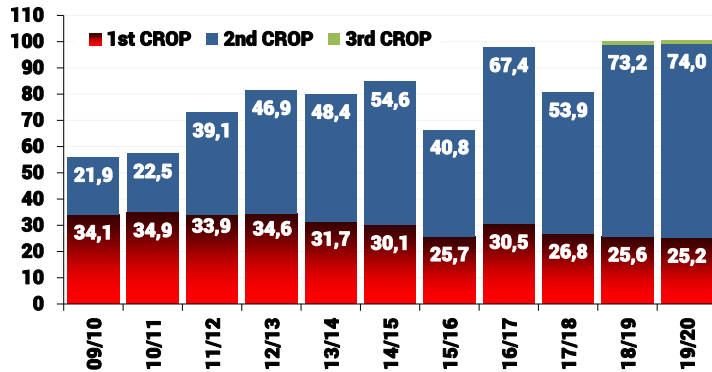
### SOYBEAN: DAILY PRICE FAS PARANAGUÁ PORT R\$/60 KG



# CORN: 2020/2021 MARKET OUTLOOK

- The trend is bullish for prices in Brazil, with relatively stable future prices in Chicago, U\$ at record levels, 2020 summer crop break in the South of the country, higher domestic feed demand, drop in ending stocks and uncertainties related to the 2<sup>nd</sup> harvest of 2020.
- These factors will lead to a more restricted domestic supply in the 1<sup>st</sup> half year and a reduction of exportable surpluses of the current harvest, after a record of exports in the previous harvest and a sharp drop in ending stocks.
- The 2<sup>nd</sup> crop of 2020 will have greater weather risks, with early cold and frost forecasted.
- The ESALQ / BM&F Indicator (Campinas / SP) is quoted at R\$ 52.13 per 60 kg, up 3.6% in the last 30 days and 30.6% in 12 months.
- Domestic consumption is expected to grow 8% in the current harvest, driven by higher demand in the feed sector (with strong chicken and pork exports expansion expected for in 2020) and by the expansion of corn ethanol plants in the Midwest Region.
- Exports are expected to decline to 34 MMT in 2019/2020, 17% below the 41.2 MMT of 2018/2019, which could keep inland prices above export parity throughout the year.

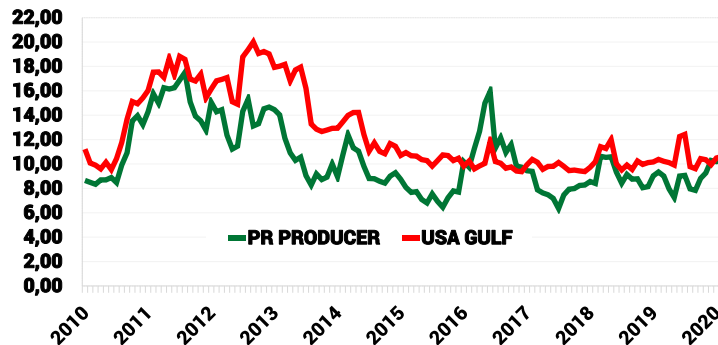
### CORN: BRAZIL PRODUCTION - MMT



### CORN: CBOT FUTURE PRICES BETWEEN 2008 AND 2020 - U\$/BUSHEL



### CORN: PRICE PARITY PRODUCER PARANÁ X US GULF - U\$/60 KG FOB



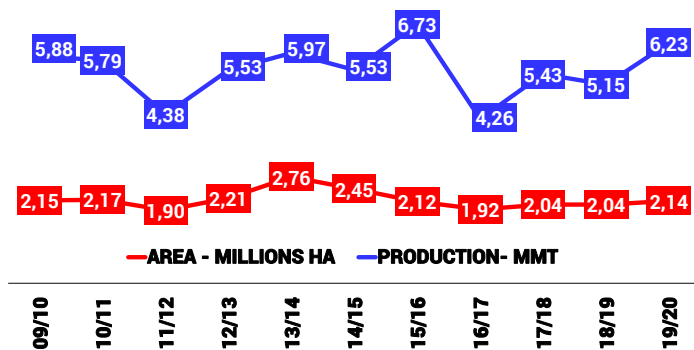
### CORN: WHOLESALE PRICES CIF SÃO PAULO R\$/60 KG - INFLATION-ADJUSTED BY IGP-DI



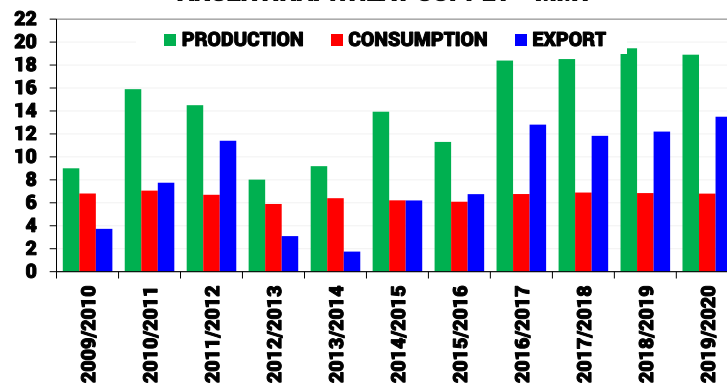
# WHEAT: 2020/2021 MARKET OUTLOOK

- The trend is stable wheat grain prices, with an upward bias in the short and medium terms, in view of the record levels of the U\$, the domestic off-season and the low export stocks in Argentina.
- In the short term, wheat grains prices are relatively held by the weak domestic demand, with a seasonal low consumption, stable flour prices and higher bran prices.
- The 750,000 tonnes import quota of wheat from countries outside Mercosur, at a zero import duty, should not avoid an upward pressure on domestic prices.
- The increasing exchange rate and raising FOB wheat prices in Argentina - which rose 13.7% in the last 30 days - continue to favor a higher domestic market demand instead on imports.
- The import parity of Argentine wheat is R\$ 1,087.25 placed in Paraná, compared to the state average of R\$ 977.25 per ton (FOB producer).
- In the domestic market, in the last 30 days, FOB producer prices accumulate a strong increase of 7.5% in Paraná and 6.0% in Rio Grande do Sul, which may lead producers to expand their cultivation area in 2020.

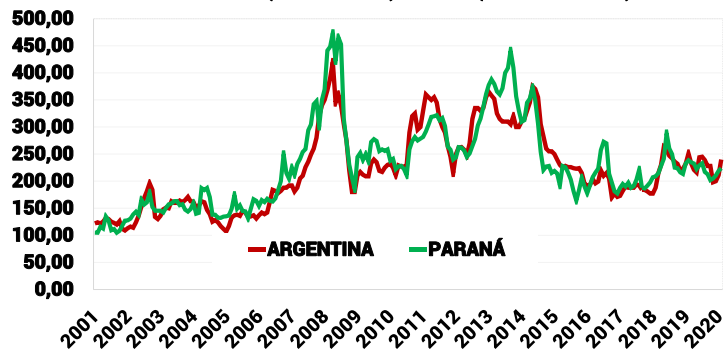
### WHEAT: BRAZIL AREA AND PRODUCTION



### ARGENTINA: WHEAT SUPPLY - MMT



### BREAD WHEAT: FOB PRICES US\$/T ARGENTINA (ROSARIO) X PR (PRODUCER)



### WHEAT: FOB PRODUCER PR PRICES - R\$/60 KG INFLATION-ADJUSTED BY IGP-DI



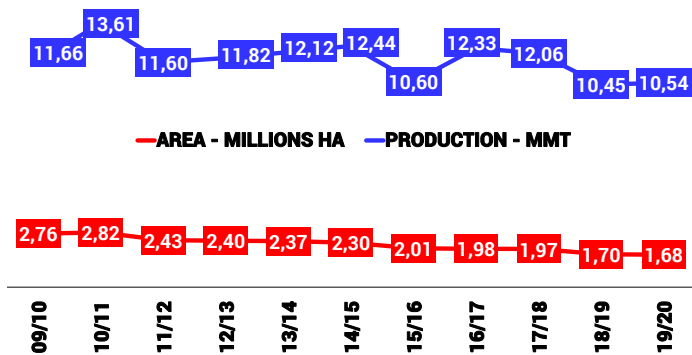


# RICE: 2020/2021 MARKET OUTLOOK

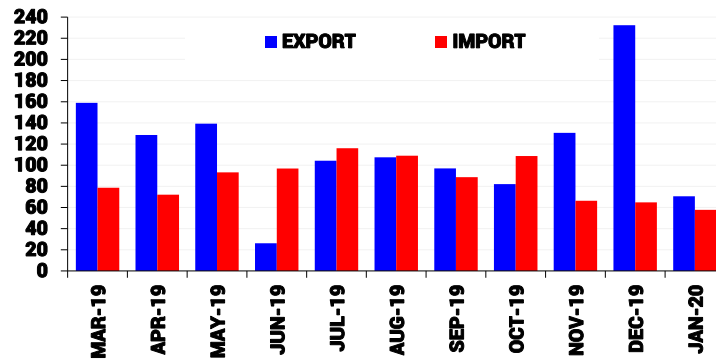
- Prices are at the highest yearly levels at this end of the off-season, with the average paddy rice FOB producer in Rio Grande do Sul of R\$ 50.65 per 50 kg, an increase of 2.1% in 30 days and 26.8% in the last 12 months.
- In the short term, the trend is downward for the prices paid to the producer, as the harvests begin in southern Brazil and Paraguay, which should start offering the product in the Brazilian market.
- The downward pressure, however, should not continue for long, given the low ending stocks and the US\$ at record levels, making imports more expensive.
- In the current crop year 2018/2019, which ends on 02/29/2020, between March / 2019 and January / 2020, Brazilian exports decreased 21% in relation to the same period of the previous year, while, at the same time, imports grew by 22%.
- Even so, with exports of 1.277 MMT (paddy rice) and imports of 952.4 thousand t at the same period, there is a trade surplus of 324.7 thousand t in the sector.
- The 2019/2020 Brazilian harvest is estimated at 10.53 MMT, adjusted to the consumption of 10.45 MMT, which should keep final stocks at low levels.



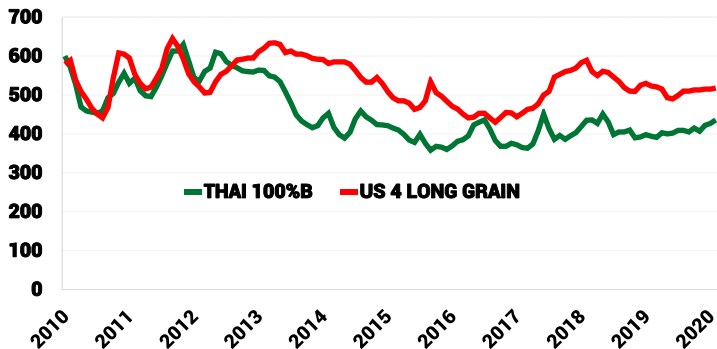
### RICE: BRAZIL AREA AND PRODUCTION



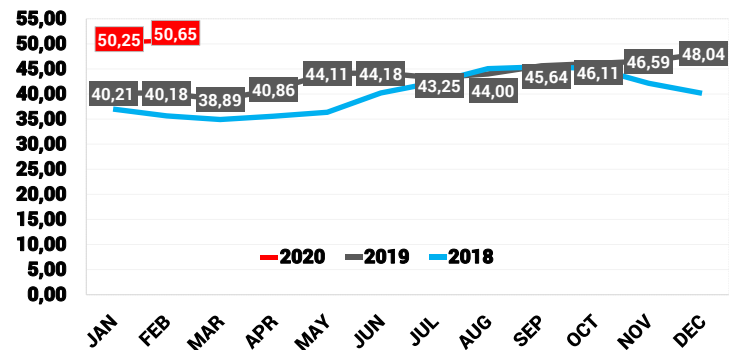
### RICE: BRAZIL EXPORT x IMPORT 1000 T (PADDY) 2018/2019 HARVEST



### PROCESSED RICE LONG-GRAIN: FOB PRICES U\$/TON - THAILAND X USA

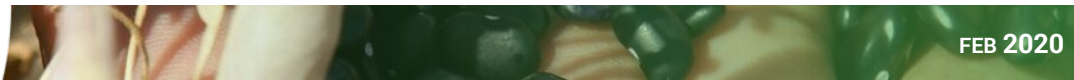


### PADDY RICE: FOB PRODUCER RS PRICES 58% UNBROKEN - R\$/50 KG

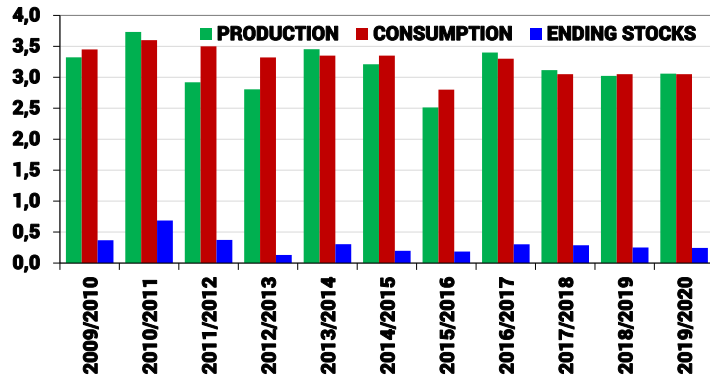


# PULSES - BEANS: 2020/2021 MARKET OUTLOOK

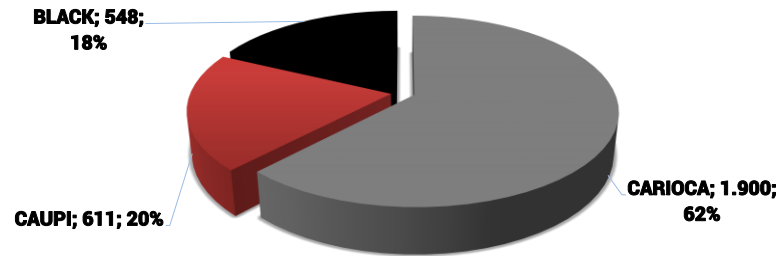
- The trend is stable for carioca and black beans prices in the short term, with supply adjusted to consumption and first crop quality losses due to excess rain.
- At the wholesale level, sales continue to be slow, with withhold buyers in the face of weakened consumption at this time of year.
- In the short term, the trend is for stable prices, both for carioca and black beans, with the harvesting begin of the 1st crop of 2020 and the projection of Brazilian production of 3.058 MMT (3 harvests), adjusted to the projected consumption of 3.050 MMT.
- The prices of carioca beans, FOB producer, grades 8.5 to 9.5, fluctuate between R\$ 120 and R\$ 130 per 60 Kg in the second half of February, against R\$ 125 to R\$ 180 in January / 2020 and R\$ 170 to R\$ 275 in December / 2019.
- The higher quality and less defects carioca beans reaches prices between R\$ 150 and R\$ 180 per 60 Kg.
- The prices of black beans - extra, FOB producer, fluctuate in an interval between R\$ 110 and R\$ 130 in the second half of February, against R\$ 100 to R\$ 125 per 60 Kg in January / 2020 and between R\$ 120 to R\$ 140 per 60 kg last December.



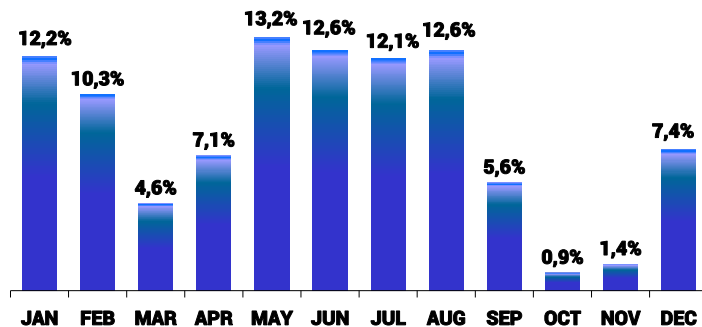
### BEANS: BRAZIL SUPPLY - MMT



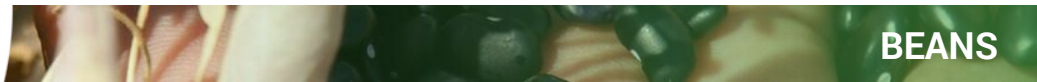
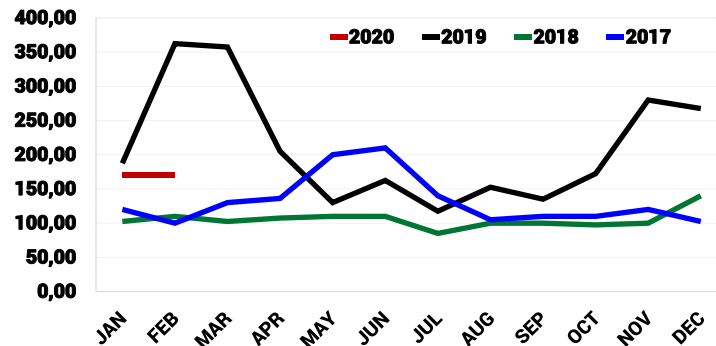
### BEANS: BRAZIL 2020 PRODUCTION DISTRIBUTION BY CLASS - THOUSAND TONS AND %



### BEANS: MONTHLY CROP DISTRIBUTION 3 ANNUAL HARVESTS



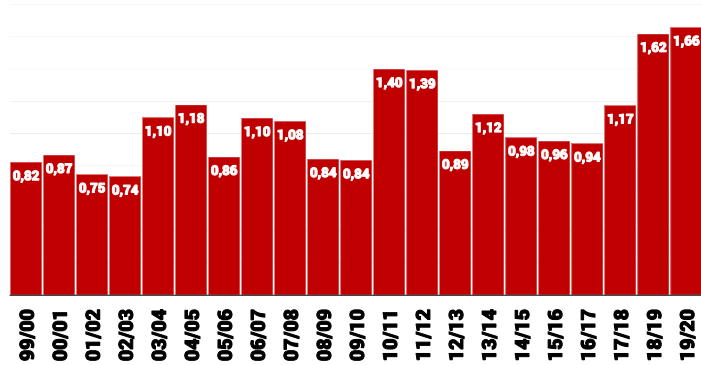
### CARIOCA BEANS: FOB PRODUCER SP PRICES R\$/60KG - BATCH MARKET



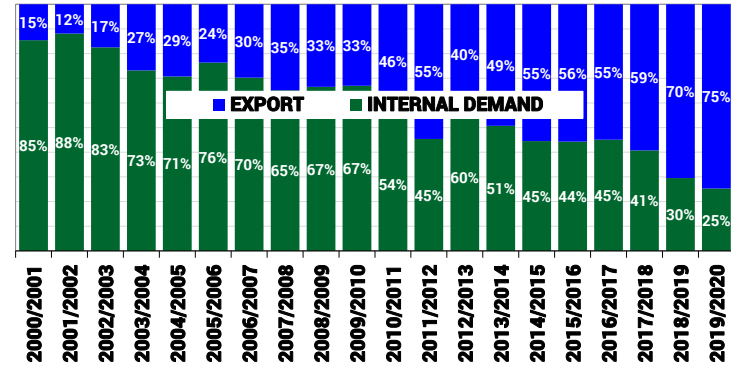
# COTTON: 2020/2021 MARKET OUTLOOK

- In the last 30 days, the CEPEA / ESALQ cotton lint indicator, with payment in 8 days, accumulates an increase of 5.5%, quoted at R\$ 2.86 / pound, but with a reduction of 1.6% in 12 months.
- At the international market, the Cotlook A Index, referring to cotton placed in the Far East, reached a 0.9% drop in the last 30 days and of 4.4% in the last 12 months, pressured by the fall in the price of oil (which reduces the cost of synthetic fibers).
- Tradings forecast cotton prices for April, May and June in the range of 73 ¢ per pound or R\$ 3.14 per pound.
- For the current harvest, many producers and tradings already have a good volume traded and are retracted, with an indication of purchase between 63 ¢ and 64 ¢ per pound, FOB Mato Grosso, from August on.
- For 2020/2021, there are indications of purchase between 61 ¢ and 62 ¢ per pound, load at Mato Grosso and Bahia.
- Brazilian exports reached a record of 308.8 thousand t in January, 165% above January / 2019, and the projections are for record production and exports in the current season 2019/2020, of 2.85 MMT and 2.10 MMT, respectively.

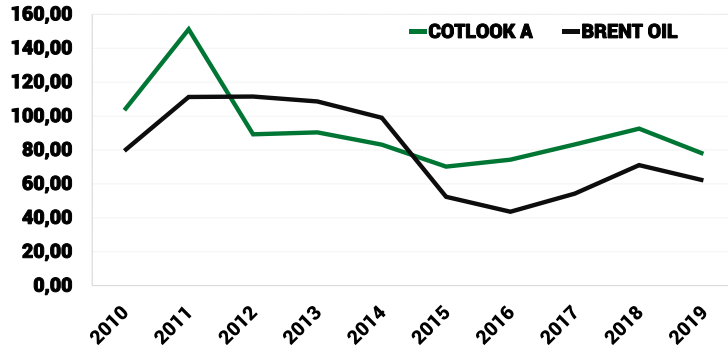
### COTTON: BRAZIL AREA - MILLIONS HA



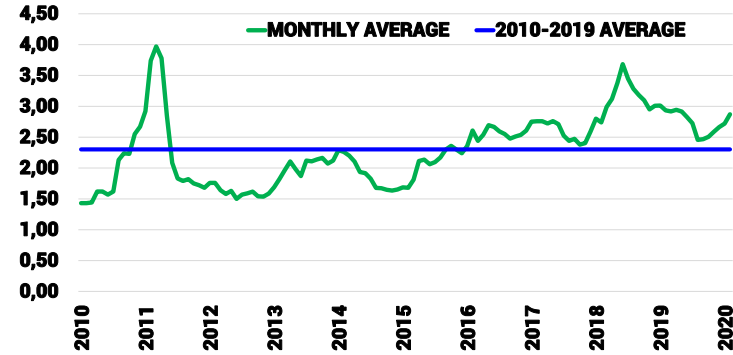
### COTTON LINT: BRAZIL PRODUCTION DESTINATION



### BRENT OIL (U\$/BARREL) X COTLOOK A INDEX (CENTS/POUND)



### COTTON LINT: ESALQ INDICATOR MONTHLY AVERAGE R\$/POUND





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