

GRAINS

2020 OUTLOOK SUMMARY



APRIL/2020









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The Covid-19 pandemic has a distinct impact on grain prices in the global and domestic markets.

The trend is upward for soybeans, with the devaluation of the Brazilian Real and increased exports, while corn and cotton are under downward pressure on the foreign market, with the sharp drop in oil prices.

The sharp drop in oil prices reduces the use of corn for ethanol in the USA and lowers the cost of synthetic fibers that compete with cotton, with negative pressure on both commodities in the domestic market.

Wheat and rice, on the other hand, accumulate strong global increases, which are being passed on to domestic prices, also leveraged by heated domestic demand. This is also true with beans, with consumers stockpiling in the face of the Covid-19 pandemic.

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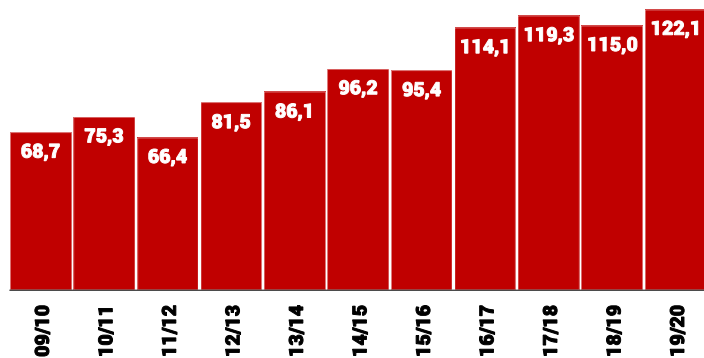


SOYBEAN: 2020/2021 MARKET OUTLOOK

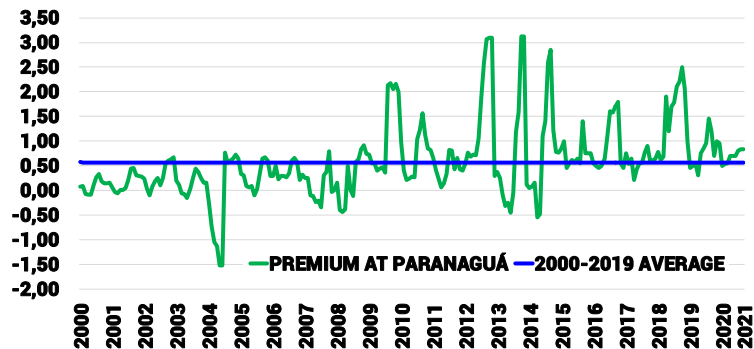
- The trend is bullish for prices in the Brazilian market, with the dollar at high levels, high premiums at Brazilian ports, exports at a very high pace, and a significant portion of the current harvest already sold by producers.
- Year to date, between 01/02 and 04/15, the May / 2020 contract for soybeans fell 5.0% on the Chicago Stock Exchange, while the price in Paranaguá registered an increase of 15.4% in the same period.
- In the Brazilian derivatives market, soybean meal prices rose 20.4% year to date (01/02 to 04/15), while oil recorded a decrease of 7.1%.
- Year to date (01/02 to 04/15/2020), soybean grain exports registered an expansion of 36% compared to the same period of the previous year.
- 72% of the Brazilian 2019/2020 soybean crop has already been marketed until 04/15/2020 and harvest 2020/2021 future sales keep advancing.
- In the long run, the bias is bearish, with a projected increase of 9.7% in soybean area in the USA for 2020/2021 - which may grow even more, with the increasing spread between soybean and corn prices in the global market - in addition to the downward trend of the dollar in relation to current levels.



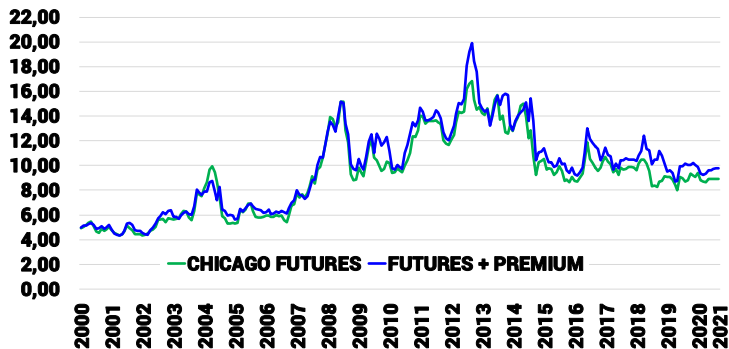
SOYBEAN: BRAZIL PRODUCTION - MMT



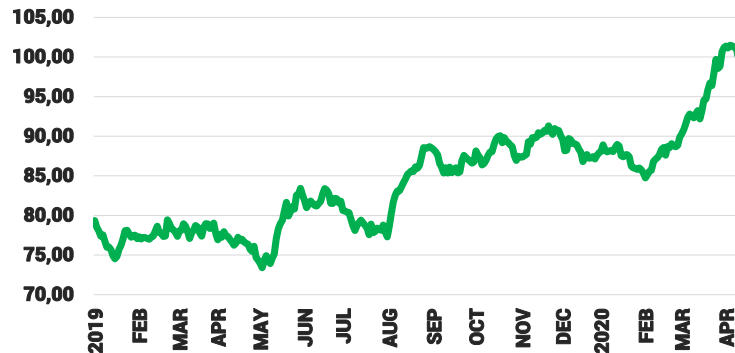
SOYBEAN: PREMIUMS AT PARANAGUÁ IN U\$/BUSHEL OVER CBOT FUTURES



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



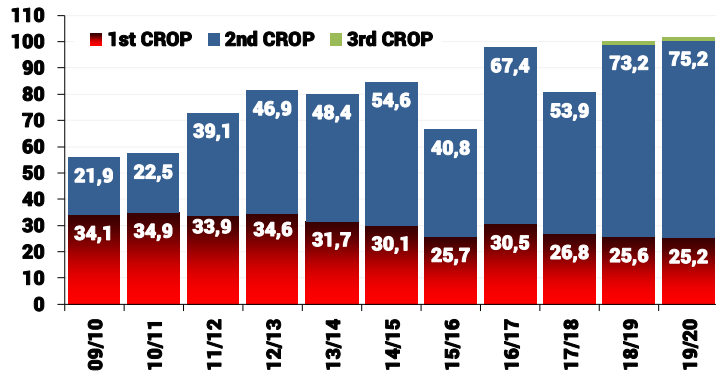
SOYBEAN: DAILY PRICE FAS PARANAGUÁ PORT R\$/60 KG



CORN: 2020/2021 MARKET OUTLOOK

- In the short term, the trend is for stable prices in the domestic market, with a downward bias, due to the decline in global prices and the retraction of domestic demand, after strong accumulated increases in 2020.
- In the Chicago future market, corn price is pressured by the sharp drop in oil, which reduces the competitiveness of ethanol produced in the USA - the largest global producer of biofuel - which allocates more than 40% of domestic production to ethanol.
- Besides that, the projection is for an 8.2% corn area expansion in the USA in 2020/2021 and the harvest estimated at a record 392.7 MMT.
- Year to date (01/02 to 04/15/2020), the May / 2020 contract decreased 14.5% in Chicago, while the ESALQ / BM & F Indicator rose 13.6% in the same period.
- The domestic price has accumulated a strong increase of 51.1% in the last 12 months, but has fallen 6.3% in the last 30 days.
- In the long run, US export surpluses will tend to grow - with less corn used for ethanol production - putting pressure on global prices. For the 2020/2021 season, domestic prices will tend to adjust to export parity, falling back to levels well below current ones.

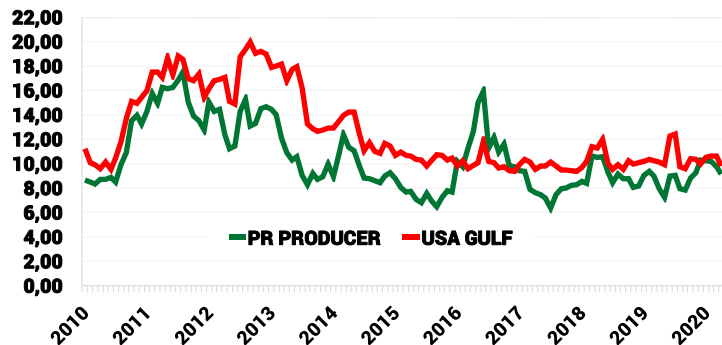
CORN: BRAZIL PRODUCTION - MMT



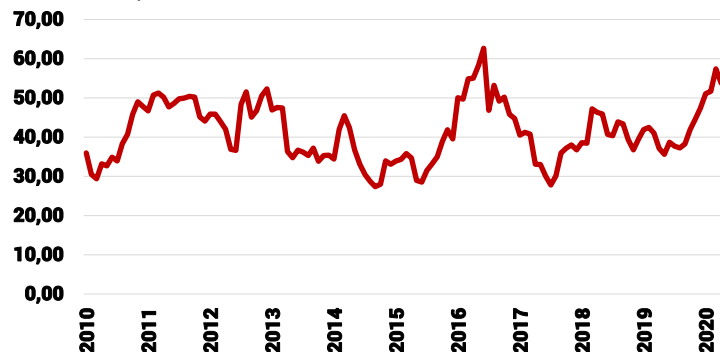
CORN: CBOT FUTURE PRICES BETWEEN 2008 AND 2020 - U\$/BUSHEL



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



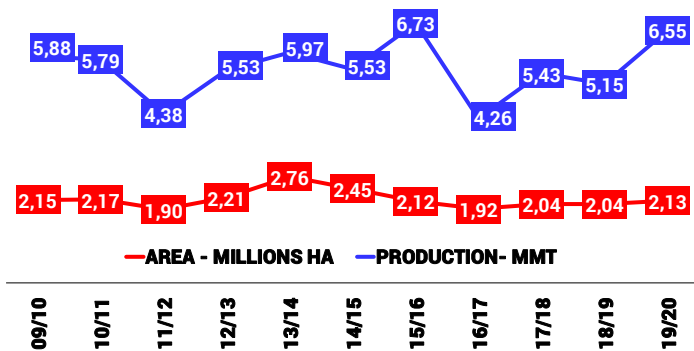
CORN: WHOLESALE PRICES CIF SÃO PAULO R\$/60 KG - INFLATION-ADJUSTED BY IGP-DI



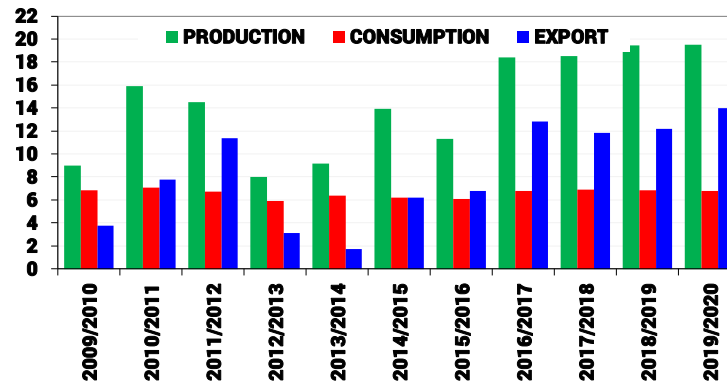
WHEAT: 2020/2021 MARKET OUTLOOK

- The trend is for stable prices at high levels, with the strong rise in the dollar and the increase in international quotations, raising import costs in the off-season in Brazil.
- Year to date (01/02 to 04/15/2020), the prices of wheat grain registered a strong increase of 35.0% in the Brazilian market, while the increase in global prices was 22.4% in the same period.
- Wheat is the 2nd most consumed cereal globally and is part of the staple diet, especially in Europe. With the Covid-19 pandemic, demand for derivatives is growing strongly.
- In the wheat derivatives market, the prices of flour follow an upward trend, with an increase in the cost of raw material (grain) due to the rise in the dollar, even with increased domestic demand.
- With a reduction in the supply of Argentine wheat, the mills are seeking alternative import sources of raw material at lower costs, in order to address the heated demand for flour and by-products.
- Higher prices throughout 2019 and also in 2020 should lead to an increase in wheat area in Brazil in the next winter crop of 2020, which may stabilize prices in the second half of the year.

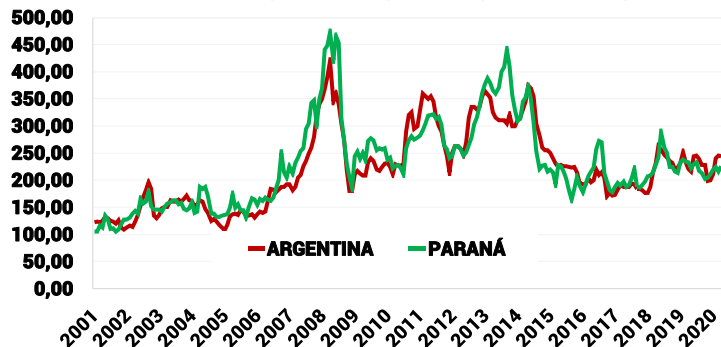
WHEAT: BRAZIL AREA AND PRODUCTION



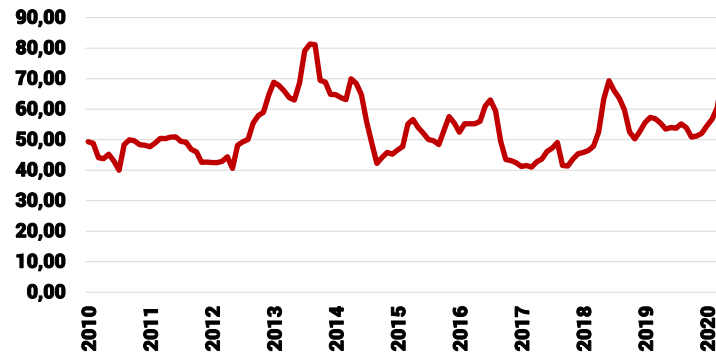
ARGENTINA: WHEAT SUPPLY - MMT



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



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

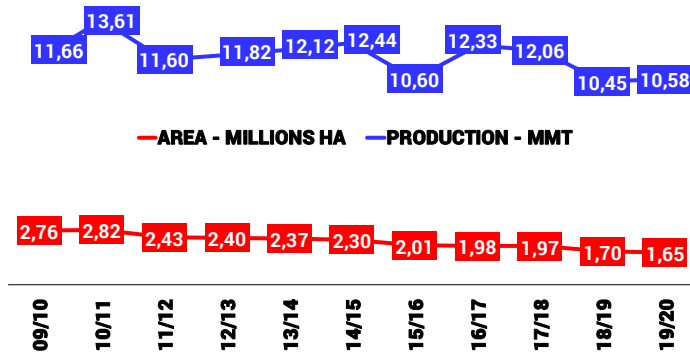


RICE: 2020/2021 MARKET OUTLOOK

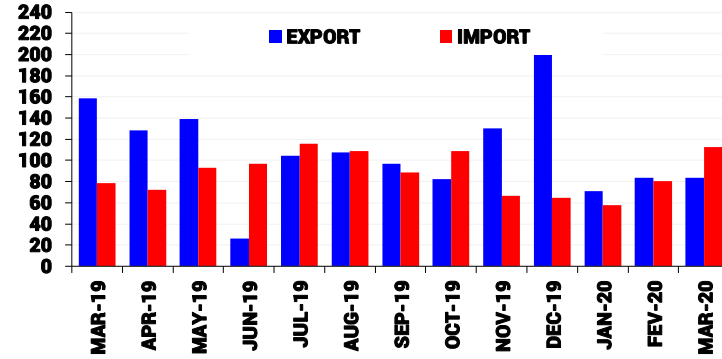
- The short term trend is upward prices of paddy rice and the processed product, even with the advance of the harvest of the irrigated areas in the South of Brazil and in the Mercosul producing countries.
- Rice is the 3rd most consumed cereal globally and registers an acceleration of demand, after the outbreak of the Covid-19 pandemic. Consumers are stockpiling, especially in Asia and Latin America, areas with higher consumption per capita, in addition to the export restriction imposed by some countries.
- International rice prices register strong increases year to date.
- The processing industries quickly used their finished product reserves and need to seek more raw material (paddy rice).
- This reverted the historic seasonal downward trend in this period of the year, with the price paid to the producer in Rio Grande do Sul registering a strong increase of 15.4% (01/02 to 04/15/2020).
- The trend is for sustained prices, with strong domestic demand and the expectation of expanding exports, given the dollar and global prices rise, but the anticipation of retail purchases may slow down domestic consumption in the second half of the year.



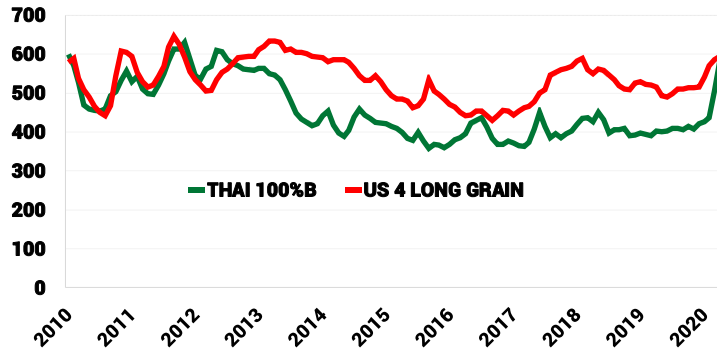
RICE: BRAZIL AREA AND PRODUCTION



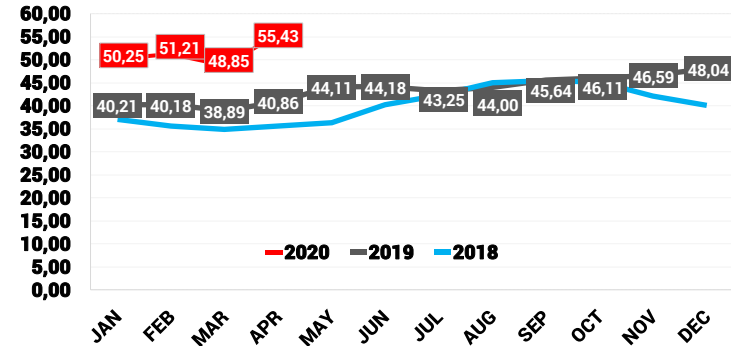
RICE: BRAZIL EXPORT x IMPORT 1000 T (PADDY) 2018/2019 HARVEST



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



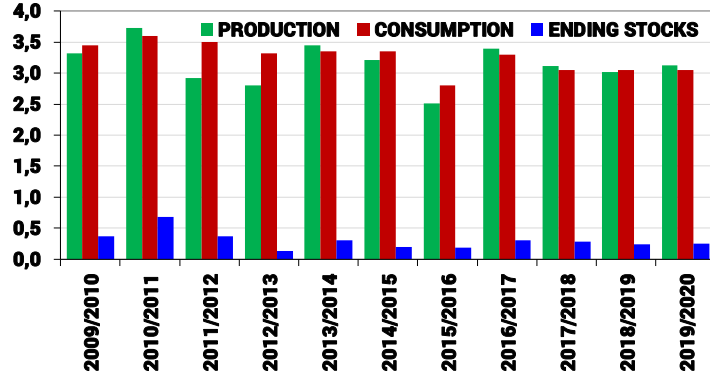
PADDY RICE: FOB PRODUCER RS PRICES 58% UNBROKEN - R\$/50 KG



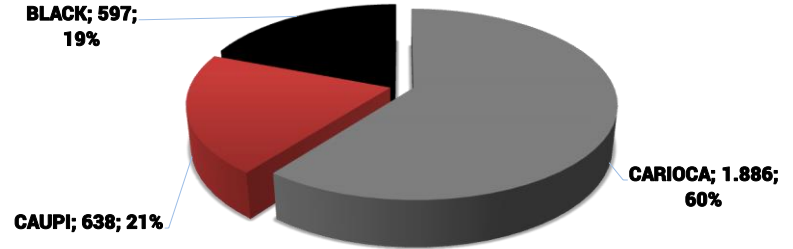
PULSES - BEANS: 2020/2021 MARKET OUTLOOK

- The trend is for sustained prices for carioca and black beans, with decreases in the harvests of the South and Southeast regions, consumers stockpiling due to the Covid-19 pandemic in Brazil and domestic supply adjusted to consumption in 2020.
- The prices of carioca beans, FOB producer, grades 8.5 to 9.5, range from R\$ 290 to R\$ 350 per 60 Kg, compared to R\$ 130 to R\$ 150 per 60 Kg in the 1st half of March.
- The prices of black beans - extra, FOB producer, fluctuate between R\$ 180 and R\$ 220 per 60 Kg, compared to R\$ 130 to R\$ 150 (first half of March).
- The higher quality and less defects carioca beans reaches prices between R\$ 370 up to R\$ 400 per 60 Kg.
- Year to date (01/02 to 04/15/2020), the price of carioca beans in the wholesale of São Paulo registered an increase of 24.3% on average, with an increase of 62.2% in the last 12 months.
- The anticipation of retail purchases by consumers may cause a retraction in prices in the mean term, with the trend of expansion of the area in the third harvest of 2020 and the supply returning to normal levels, with consumers provisioned.

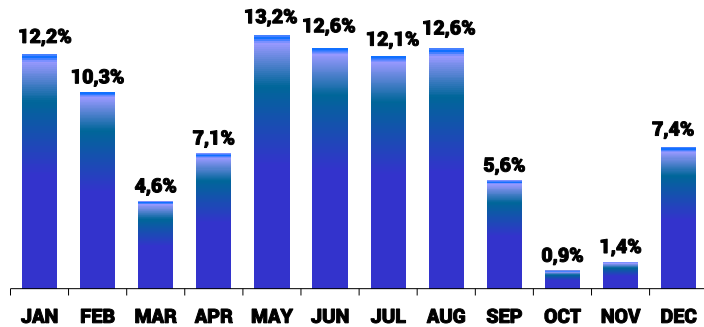
BEANS: BRAZIL SUPPLY - MMT



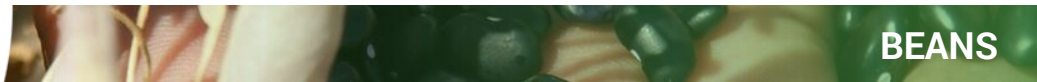
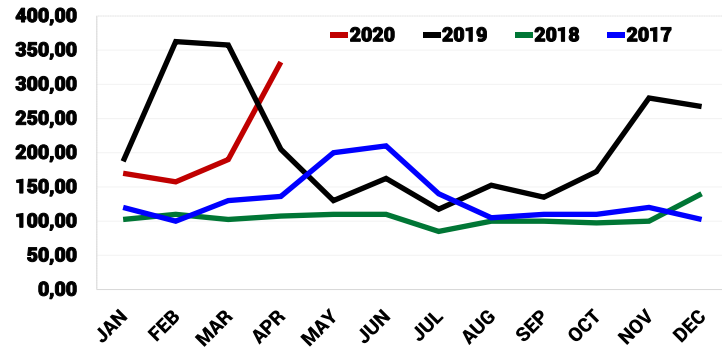
BEANS: BRAZIL 2020 PRODUCTION DISTRIBUTION BY CLASS - THOUSAND TONS AND %



BEANS: MONTHLY CROP DISTRIBUTION 3 ANNUAL HARVESTS



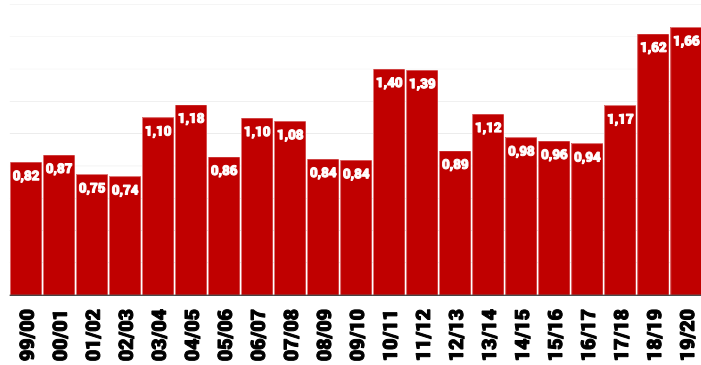
CARIOCA BEANS: FOB PRODUCER SP PRICES R\$/60KG - BATCH MARKET



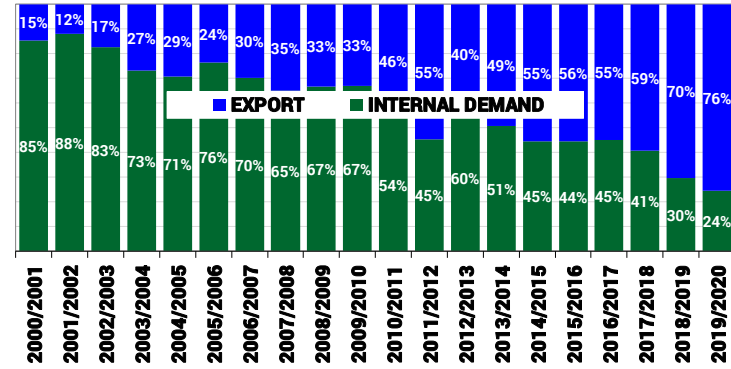
COTTON: 2020/2021 MARKET OUTLOOK

- In the last 30 days, the CEPEA / ESALQ cotton lint indicator, with payment in 8 days, accumulates a 4.6% decrease, quoted at R\$ 2.80 / pound, with the dollar rise not being enough to compensate for the sharp drop in global prices.
- The Covid-19 pandemic caused a sharp drop in oil prices - which in turn cheapens the cost of synthetic fibers -, bringing global cotton prices down to the lowest level in 10 years.
- Cotton prices are expected to remain pressured down by weakened global textile demand and lower oil prices.
- Year to date (02/01 to 04/15/2020), the Cotlook A Index, referring to the plume placed in the Far East, accumulates a strong decrease of 19.1%, with a sharp decrease of 27.7% in the last 12 months.
- Despite the current off-season, the cotton lint supply is bigger than the demand and some sellers are more flexible in terms of pricing, but the few active buyers offer even lower values.
- Most industries remain closed due to the Covid-19 pandemic and the persistence of low prices in the domestic market could discourage cotton planting in the next 2020/2021 season.

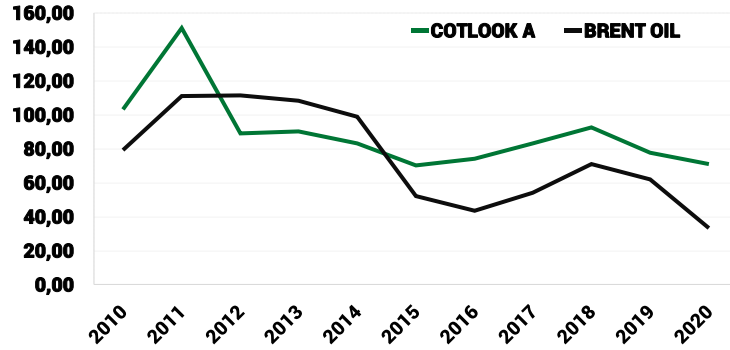
COTTON: BRAZIL AREA - MILLIONS HA



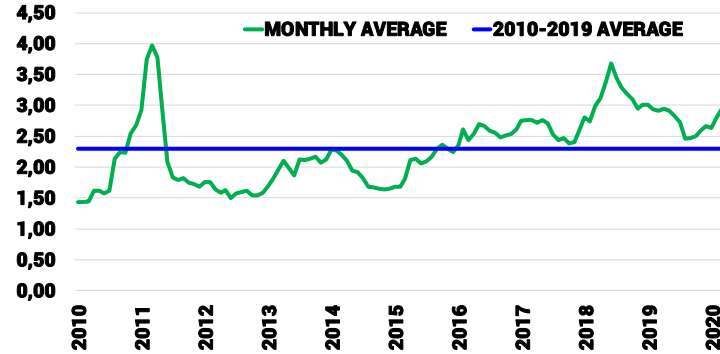
COTTON LINT: BRAZIL PRODUCTION DESTINATION



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



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





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