

# GRAINS

## 2020/2021 OUTLOOK SUMMARY



JUNE/2020



# SOYBEAN: 2020/2021 MARKET OUTLOOK

- In the short term, the trend is for stable soybean prices in the Brazilian market.
- With the dollar's decline in recent weeks, the export parity in ports also reduced, with reflections on prices paid in the countryside.
- At Paranaguá, since the R\$ 116.27 peak registered on May 14th, the export parity fell 4.5% in local currency, to R\$ 111.01 per 60 Kg.
- At Paraná's countryside, the FOB producer price decreased 3.4% in the last 30 days, but still accumulates highs of 17.5% in 2020 and 30.5% in the last 12 months.
- In the opposite direction, future quotes on the Chicago Stock Exchange are firmer, with a 3.0% advance in the last 30 days.
- In addition, the harvest end in Argentina, the large North American stock and the favorable climate in the United States put pressure on soybean prices in Brazil.

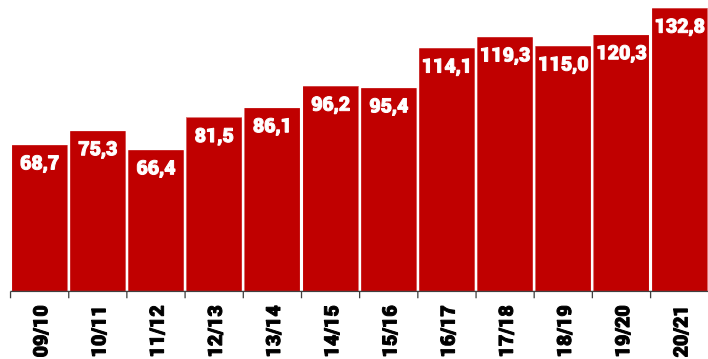


# SOYBEAN: 2020/2021 MARKET OUTLOOK

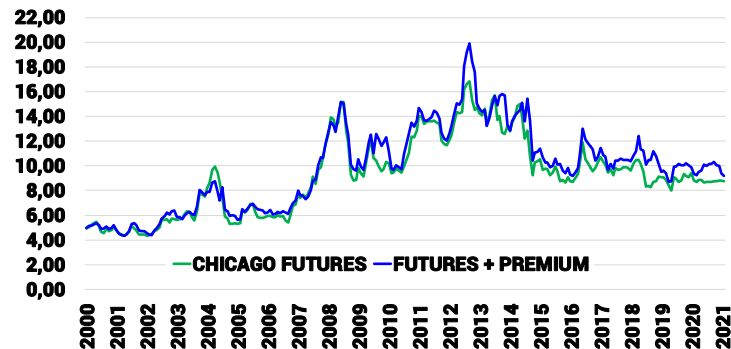
- Rising premiums at Brazilian ports also prevent a sharper decline, with quotes of +\$1.20 per bushel for shipments in June, +\$1.30 per bushel for July, +\$1.45 per bushel for August and +\$1.55 per bushel for October.
- The domestic values of derivatives are also falling and, for soybean oil, the pressure on prices comes from low domestic and foreign demand, with a 1.1% decrease in the last 30 days, to R\$ 3,662.29 per tonne in the wholesale in São Paulo.
- As for soybean meal, prices registered a 0.8% decrease in the last 30 days, also influenced by the lower domestic demand, as buyers have a 15 days stock supply.
- For the second half of 2020, scarce domestic supply is expected to sustain domestic prices, with exports quite advanced.



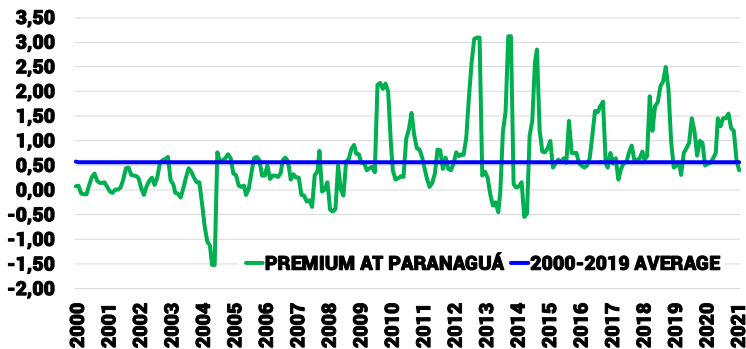
### SOYBEAN: BRAZIL PRODUCTION - MMT



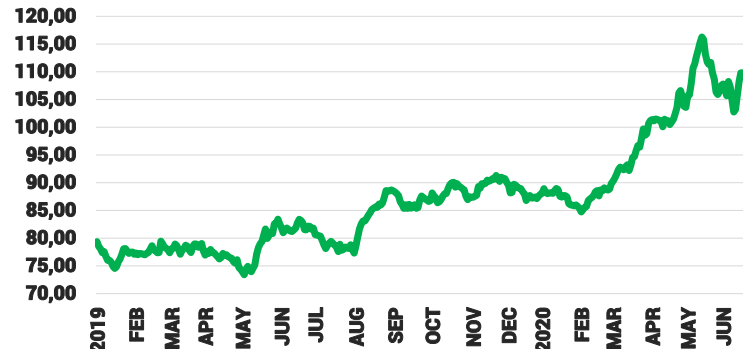
### SOYBEAN FOB PARANAGUÁ: CBOT FUTURE PRICES + PREMIUMS IN U\$/BUSHEL



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



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



# CORN: 2020/2021 MARKET OUTLOOK

- The trend is downward for corn prices in the domestic market, with the advance of the second harvest of 2020, increased available supplies, a weak accumulated result of exports for the year and a drop in exchange rates, which reduces the export parity in Brazilian ports.
- In relation to the peak of R\$ 57.41 per 60 Kg in March / 2020 (average price) in the wholesale in São Paulo, corn prices accumulate a decrease of 18.4% until mid June.
- However, prices are still detached from international parity, which continues to make Brazilian exports unfeasible and increasing availability in the domestic market.
- In the accumulated result from January to May 2020, Brazilian corn exports reached only 3.036 MMT, an expressive 60% decrease in relation to the same period of the previous year (7.842 MMT).

# CORN: 2020/2021 MARKET OUTLOOK

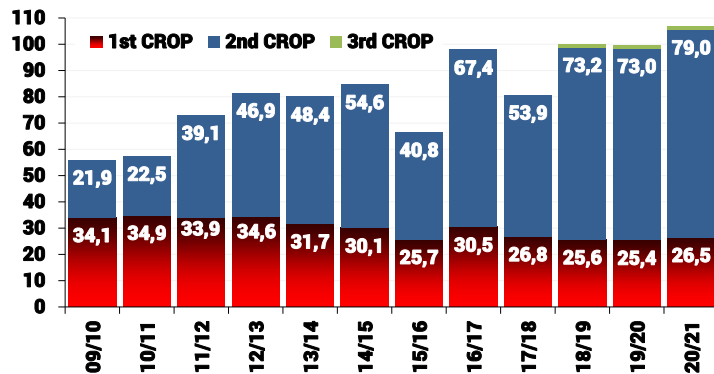
- In the foreign market, future quotations on the Chicago Stock Exchange suffered strong decline between March and April. This was due to the sharp drop in oil prices, which reduced the competitiveness of corn ethanol in the USA (which consumes around 40% of the supply) .
- The projection of a record harvest in the USA in 2020/2021 also influence future prices, with an area increase of 8.2% and a production estimate of 406.3 MMT, 17% above the previous one. This should increase the country's final inventories to 84.4 MMT, 58% above the previous crop year.
- In June, prices are more stable, with the gradual recovery of oil, which accumulates a recovery of 88.4% between April and June, with the Brent barrel rising from a monthly average of U\$ 21.04 in April / 2020, to U\$ 39.66 in June.
- However, this price level doesn't recover the competitiveness of corn ethanol in the USA yet.



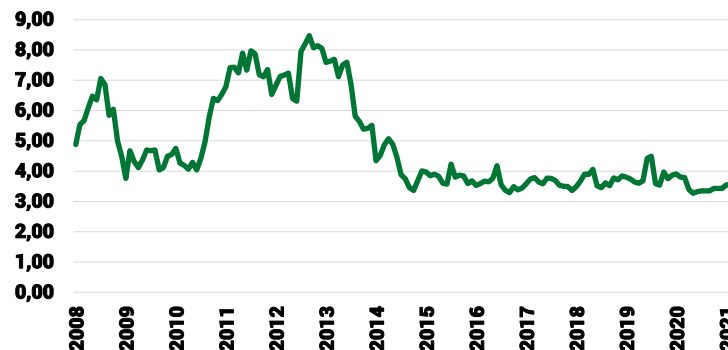
# CORN: 2020/2021 MARKET OUTLOOK

- With the expectation of a high supply in the 2<sup>nd</sup> half, there should be an adjustment of domestic prices with the export parity, in order to reduce surplus and avoid the increase of ending stocks through the end of the 2019/2020 harvest.
- At B3 (BM&FBOVESPA) first maturities prices are falling, already reflecting the possibility of a 2<sup>nd</sup> massive harvest.
- The July / 2020 maturity is quoted at R\$ 43.36 per 60 Kg, down 1.9% in the last seven days, while the September / 2020 contract recorded a 1.6% decline in the same period, falling to R\$ 42.45 per 60 kg.
- For exports to reach at least the expected 34 MMT, domestic prices will need to fall even further, but the large volume of pre-sales for the 2<sup>nd</sup> harvest may prevent a significant drop in domestic prices.

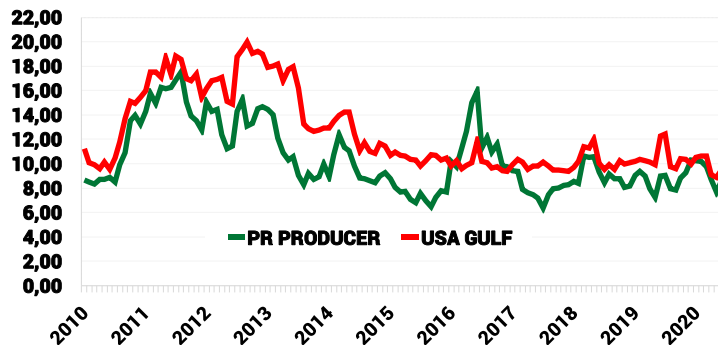
### CORN: BRAZIL PRODUCTION - MMT



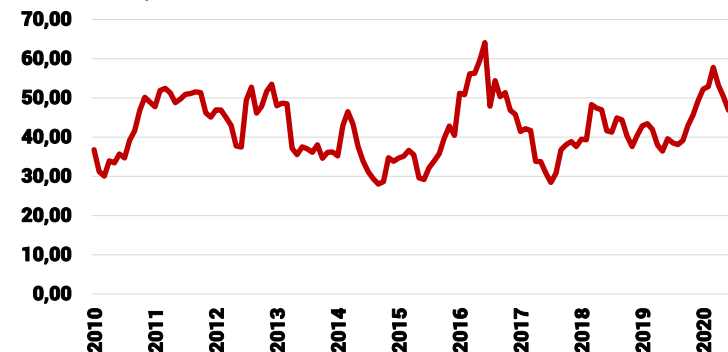
### CORN: CBOT FUTURE PRICES BETWEEN 2008 AND 2020 - U\$/BUSHEL



### 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 of wheat grains and derivatives at high levels until the end of the off-season (August / September), with the dollar at a level above R\$ 5 and the increase in international prices raising import costs in the Brazil.
- Year to date, the FOB producer Paraná wheat grain prices registered a strong increase of 62.2% in the domestic market, while the increase in global quotations was of 20.4% in the same period.
- Wheat, the second most consumed cereal globally, is part of the staple diet of several countries, especially in Europe and the Middle East, which boosted prices with the pandemic.
- In Argentina, the price of bread wheat has increased by 0.8% in the last seven days, quoted at US\$ 242 / tonne FOB Port of Buenos Aires, accumulating an increase of 15.7% between January of June 2020.

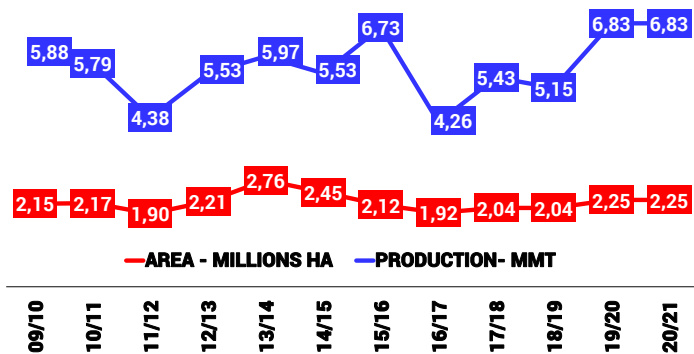
# WHEAT: 2020/2021 MARKET OUTLOOK

- In May, Brazilian imports of wheat grain totaled 466.8 thousand tons, 37.5% below the volume imported in April / 2020, but 13.3% higher than in May / 2019.
- From the total imported by Brazil in May / 2020, 81.5% came from Argentina, 12.7%, from the United States and 2.2%, from Paraguay.
- The average import price, in turn, was U\$ 223.19 per ton, 3.9% above the price of April / 2020, but 5.5% lower than that of May / 2019.
- In June, imports are slow, despite the recent fall in the dollar, with industries avoiding purchases at a time when Argentina also has supply restrictions.
- In Paraná, there is wheat arriving from Uruguay at R\$ 1,400 / tonne CIF in the region of Curitiba while in the spot market, there are only occasional deals, in the region of Ponta Grossa, between R \$ 1,350 and R \$ 1,400 / tonne FOB , for immediate delivery.

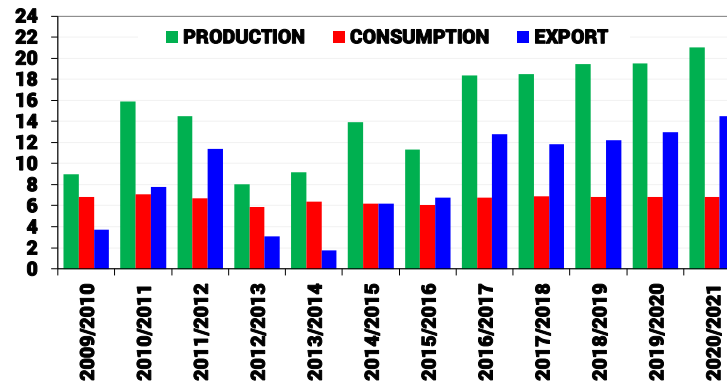
# WHEAT: 2020/2021 MARKET OUTLOOK

- For future delivery, the producers are asking R\$ 1,100 / ton, for delivery in September and October and R\$ 900 / ton, for delivery in November. But the mills are hesitating to do new business, as they expect to buy the cereal for R\$ 800 / tonne at the peak of the harvest, as in former years.
- However, it is unlikely that this scenario will happen, in view of the current level of prices.
- In Rio Grande do Sul, there are deals at R\$ 1,100 / tonne to be collected in the Missões region and R\$ 1,200 / tonne to be collected in the Serra region.
- For future delivery, business in Rio Grande do Sul is more advanced than in Paraná.
- 850 thousand tons of the next harvest have already been sold for export.
- There are deals being closed at R\$ 920 / tonne CIF Porto de Rio Grande for the foreign market, with delivery in October / 2020.

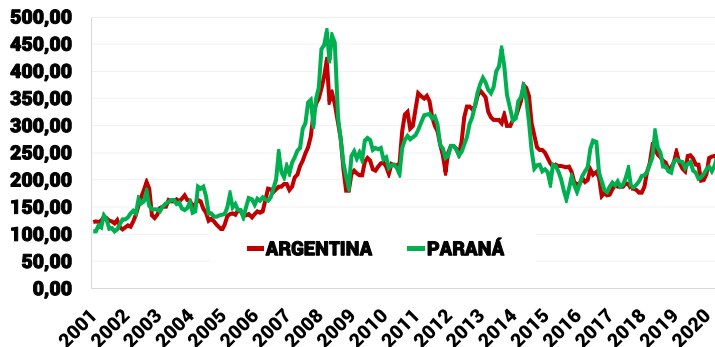
### WHEAT: BRAZIL AREA AND PRODUCTION



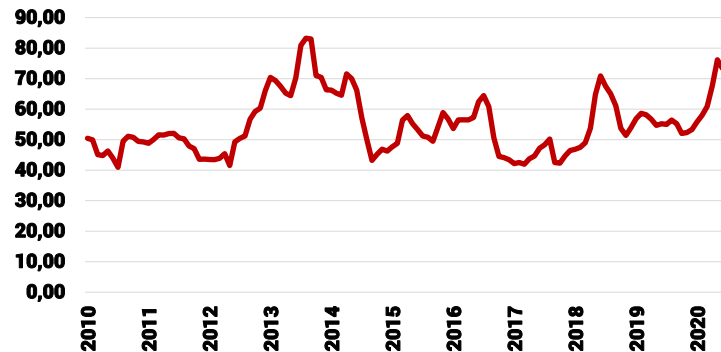
### ARGENTINA: WHEAT SUPPLY - MMT



### 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 trend is for stable paddy rice prices for the producer, with an upward bias in the second half of this year, supported by heated domestic consumption, a dollar above R\$ 5, a strong expansion of Brazilian exports in the current harvest, a drop in imports and projection of final stocks significantly low this season.
- Global prices of processed rice rose sharply between January and May this year, slightly easing from May to June, with the return of India and Vietnam to the world market. Both countries suspended export contracts to avoid shortages in their markets, besides having strong logistic problems related to isolation measures.
- With the resumption of exports, Indian and Vietnamese prices increased by 3% and 4% in May, while prices in Thailand fell 8% after rising 15% in April.



# RICE: 2020/2021 MARKET OUTLOOK

- Since mid-April, importing countries have again shown a preference for India and Vietnam, leaving Thailand aside due to less competitive prices.
- In May, processed rice exports from Vietnam sharply increased by 83%, while sales from Thailand fell by 25%.
- At the end of May, the price difference between Thailand and Vietnam narrowed.
- Thai rice WR 100% B recorded a significant increase of 23.5% year to date and of 29.6% in the last 12 months, while the North American rice US Long Grain 2/4 accumulates an increase of 25.2% between January and June 2020 and 31.6% in the last 12 months.
- The price of type 1 paddy rice, 58/10, spot, FOB producer in Rio Grande do Sul, shows an increase of 2.4% in the last 30 days, of 25.3% year to date and of 40.5 % in the last 12 months, in nominal terms.

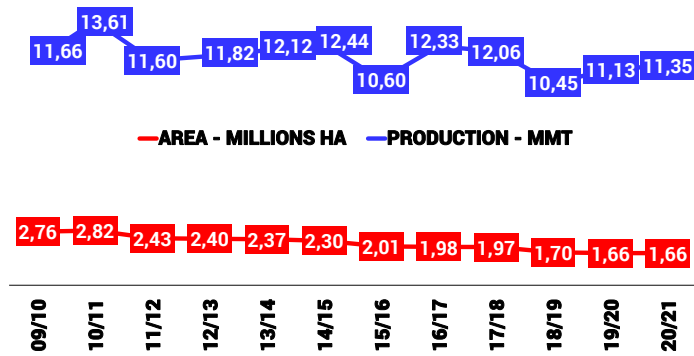


# RICE: 2020/2021 MARKET OUTLOOK

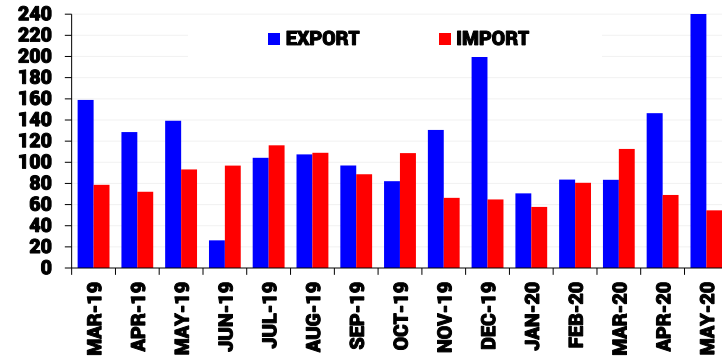
- The high dollar exchange rate in Brazil continues to have a negative influence on rice imports and, at the same time, leverages the expansion of exports.
- Besides the high exchange rate, international prices also rose this year, boosting Brazilian exports and, in the accumulated of crop year 2019/2020 (March to May 2020), Brazilian paddy rice exports reached 482,866 tonnes, 13% above the same period of the previous crop year.
- Brazilian paddy rice imports, in the same period, reached 236,267 tonnes, 3% below the same period of the previous crop year.
- With accumulated paddy rice exports of 482,866 tonnes and imports of 236,267 tonnes, the rice trade balance in the first three months of this 2019/2020 crop year shows a surplus of 246,599 tonnes.



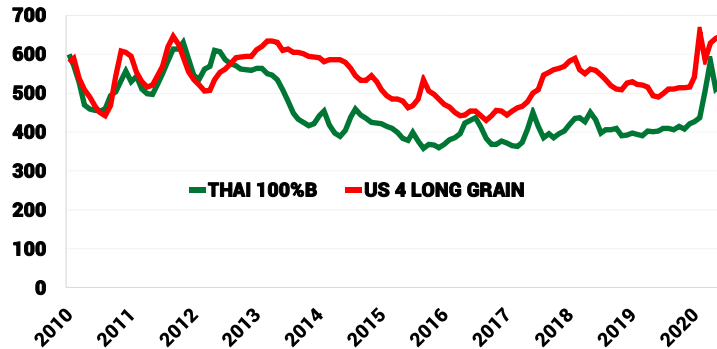
### RICE: BRAZIL AREA AND PRODUCTION



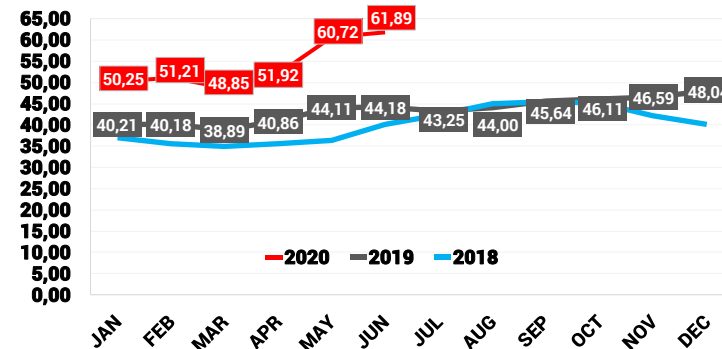
### RICE: BRAZIL EXPORT x IMPORT 1000 T (PADDY) 2019/2020 HARVEST



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



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

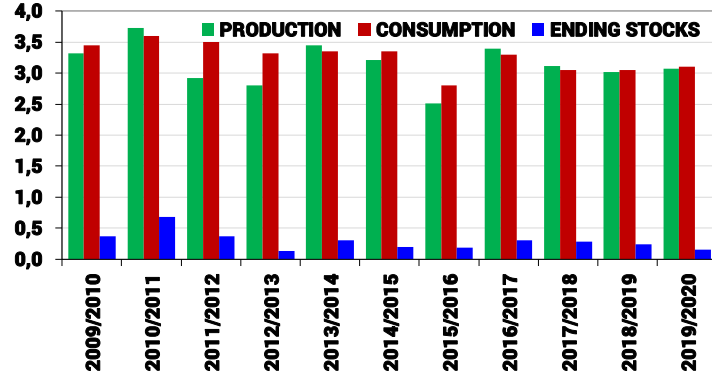




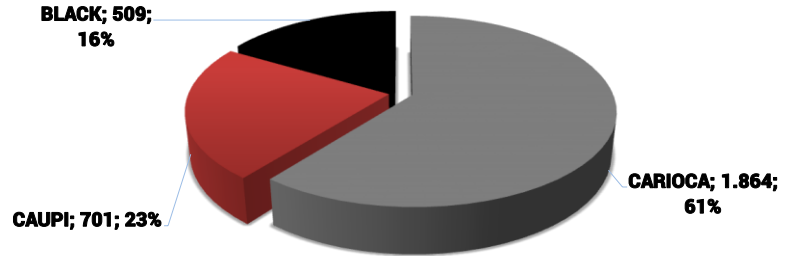
# PULSES - BEANS: 2020/2021 MARKET OUTLOOK

- 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.
- Carioca beans recorded an 27.1% increase in the average producer price year to date and 109.2% in the last 12 months.
- The prices of carioca beans, FOB producer, grades 8.5 to 9.5, range from R\$ 330 to R\$ 350 per 60 Kg, compared to R\$ 280 to R\$ 330 per 60 Kg in May.
- Prices for black beans - extra, FOB producer, fluctuate between R\$ 220 and R\$ 250 per 60 Kg, compared to R\$ 180 to R\$ 230 per 60 Kg in May.
- The rise in prices is expected to raise the planting intention in the 3<sup>rd</sup> harvest of 2020, with high margins for producers who use irrigation systems.

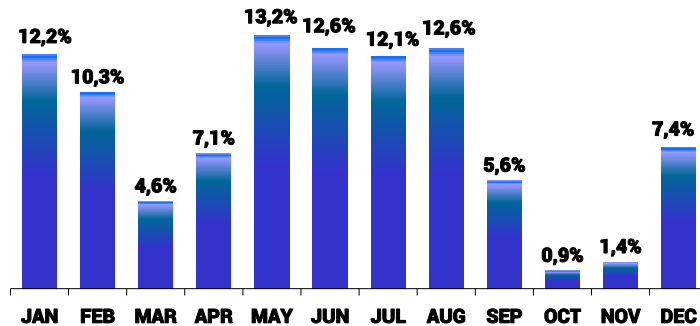
### BEANS: BRAZIL SUPPLY - MMT



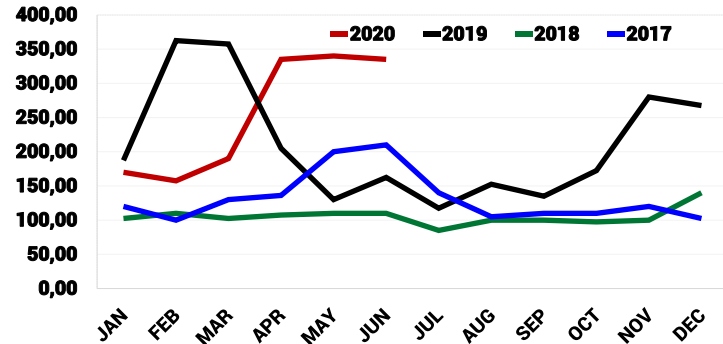
### BEANS: BRAZIL 2020 PRODUCTION DISTRIBUTION BY CLASS - THOUSAND TONS AND %



### BEANS: MONTHLY CROP DISTRIBUTION 3 ANNUAL HARVESTS



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



# COTTON: 2020/2021 MARKET OUTLOOK

- The Covid-19 pandemic caused a sharp drop in oil prices - which cheapens the cost of synthetic fibers -, bringing global cotton prices down to the lowest level in 10 years. The Cotlook A Index, referring to the plume placed in the Far East, fell 15.1% between January and May 2020 and 11.6% in the last 12 months.
- However, with the gradual recovery in oil prices in recent weeks, cotton futures prices have reacted, both on the ICE US (New York) and the Cotlook Index.
- New York cotton futures rose 4.7% in the last 30 days, while the Cotlook A Index, which refers to the plume placed in the Far East, increased by 2.1%.
- In the last 30 days, the CEPEA / ESALQ cotton lint indicator, with payment in 8 days, accumulates an increase of 2.6%, quoted at R\$ 2.71 / pound, due to the recovery of international quotations and the stronger position of the sellers in the domestic market.

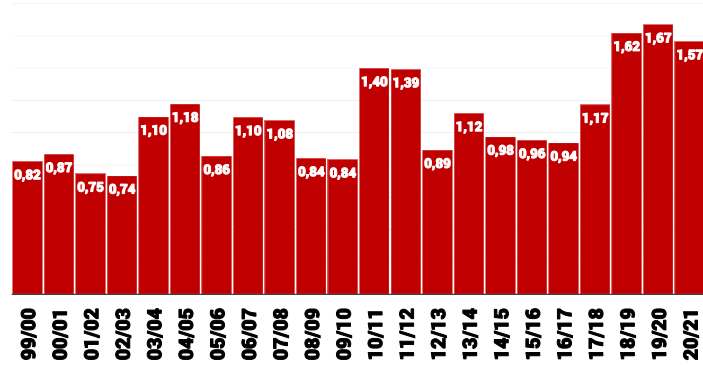
# COTTON: 2020/2021 MARKET OUTLOOK

- Some buyers and sellers are resuming cotton lint negotiations this month, but liquidity has been limited by the high buy/sell price difference and by the low product availability within the desired specifications.
- With the slow resumption of trade in parts of Brazil and the reopening, even if partial, of industries, more fiber deals are beginning to be reported.
- The commercialization of cotton was at a slow pace during much of the period of social distancing to contain the pandemic of the new coronavirus.
- Recent deals have been closed based on the ESALQ Index, around R\$ 2.70 per pound for 41.4 cotton, or at a discount in the case of cotton with some type of characteristic.

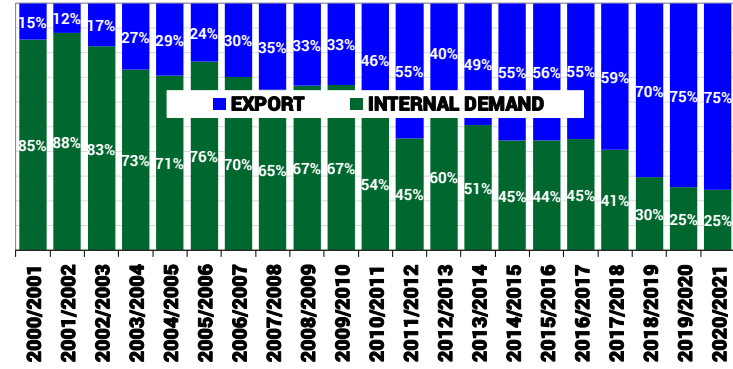
# COTTON: 2020/2021 MARKET OUTLOOK

- Batches of the 2019/2020 crop, which are being harvested in the country, are also beginning to appear for the fulfillment of contracts and commercialization, mainly from SP and MS.
- Cotton deliveries, which in many cases have been postponed both within Brazil and abroad due to the crisis caused by the Covid-19 pandemic, are beginning to resume.
- By the end of June or the first half of July, the situation should normalize.
- Shipments were resumed more strongly in the case of exports, while some factories in the country are still limiting receipt.
- Businesses resumed for the 2020/2021 harvest, in the range of 300 to 400 points above the December / 2021 maturity for cotton 31.4, FOB Port of Santos.
- The FAS (Free Alongside Ship) export parity at the Port of Paranaguá is R\$ 2.98 per pound, based on the Cotlook A Index.

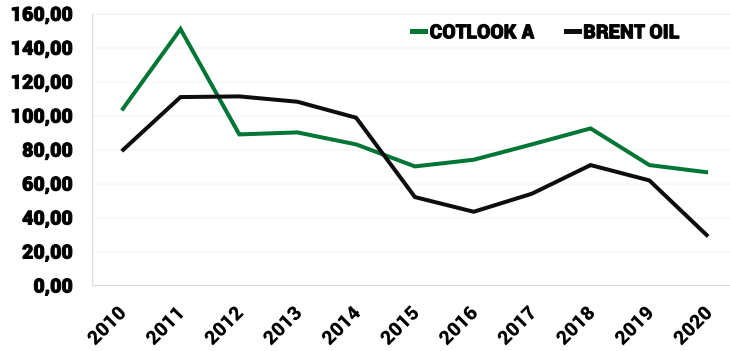
### COTTON: BRAZIL AREA - MILLIONS HA



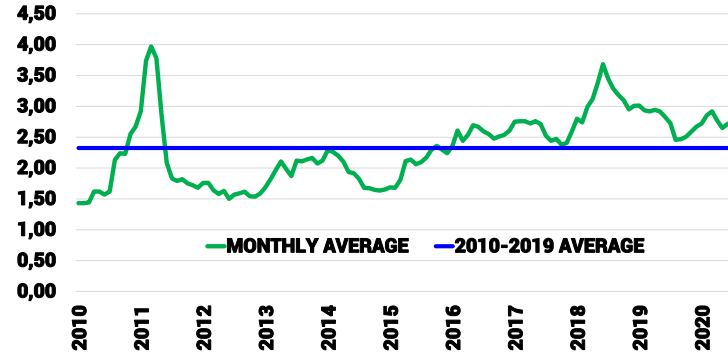
### COTTON LINT: BRAZIL PRODUCTION DESTINATION



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



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





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