

# GRAINS

## 2020/2021 OUTLOOK SUMMARY



AUGUST/2020



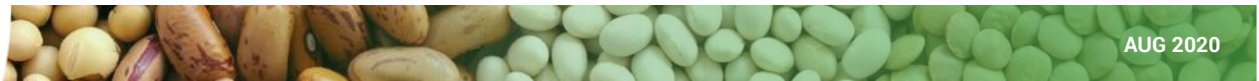
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*The trend is for higher prices for soybeans, corn, rice and cotton in the domestic market.*

*Higher soybeans prices are supported by the record for exports and shortages in domestic supply. In the case of corn, the high volume of anticipated sales prevents the downward pressure of the second harvest. Rice is supported by a combination of domestic demand and heated exports, with prices at record levels, while the oil recovery and restricted supply support the rise in cotton.*

*Wheat prices are stable, with a record harvest approaching. Excess supply continues to put pressure on bean prices.*

Item	Trend
Soybean: 2020/2021 outlook	↑
Corn: 2020/2021 outlook	↑
Wheat: 2020/2021 outlook	→
Rice: 2020/2021 outlook	↑
Beans: 2020/2021 outlook	↓
Cotton: 2020/2021 outlook	↑



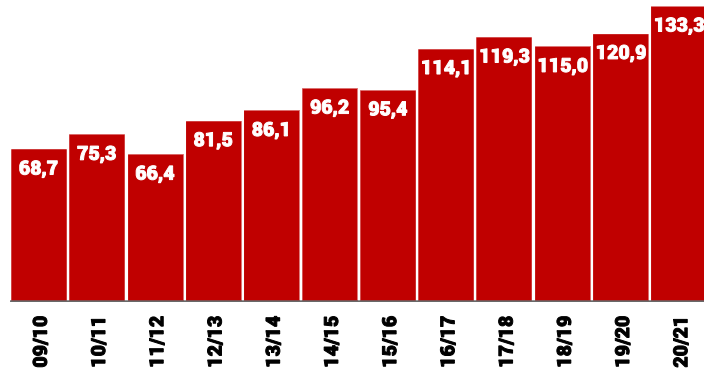
# SOYBEAN: 2020/2021 MARKET OUTLOOK

- The trend is for high soybean prices in the Brazilian market, with accelerated exports between January and July, creating a shortage of supply earlier than in previous years.
- Premiums are on the rise in Brazilian ports, demand is heated for soybean meal and oil in the feed segment and there are few surpluses of the grain in the domestic market.
- In Brazilian ports the premiums range between + U\$ 1.90 and + U\$ 2.00 per bushel for shipments in September and October.
- Between January and July 2020, Brazil exported 69.747 MMT of soybeans, a record volume and 36.3% above the same period last year.
- Besides, soybean meal exports have also grown in 2020.
- 90% of the 2019/2020 harvest has already been sold and there is a dispute between exporters and domestic industries, reducing the price difference between ports and inland.

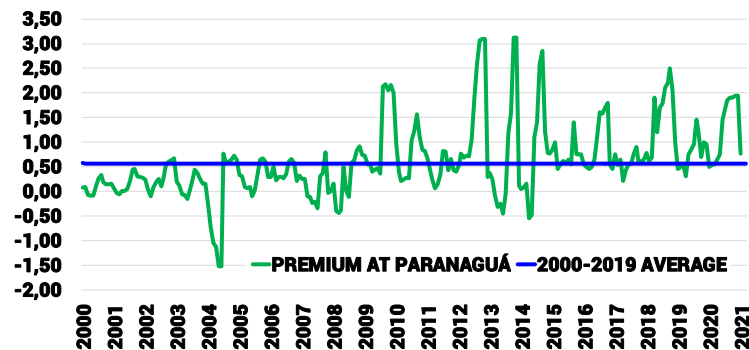
# SOYBEAN: 2020/2021 MARKET OUTLOOK

- Crushers targeting the domestic market will have difficulties in obtaining supplies until the end of the off-season, being forced to pay a higher price than the export parity.
- Wholesale soybean meal prices registered an average increase of 4.1% in the last 30 days, 38.6% year to date and 49.2% in the last 12 months.
- Wholesale soybean oil prices recorded an average increase of 36.1% in the last 30 days, 48.5% year to date and 85.8% in the last 12 months.
- 46% of the 2020/2021 harvest has already been sold by producers until Aug/14, which will avoid supply pressure in the first 4 months of 2021, during the harvest of the new crop.
- Purchase offers are growing for March / April 2022, with bids ranging from R\$ 90- R\$ 92 per 60 Kg average (FOB north of MT); R\$ 96- R\$ 97 (west of BA); R\$ 93- R\$ 95 (Cristalina in GO); R\$ 100 (west of PR); and R\$ 102 (FOB north of RS).

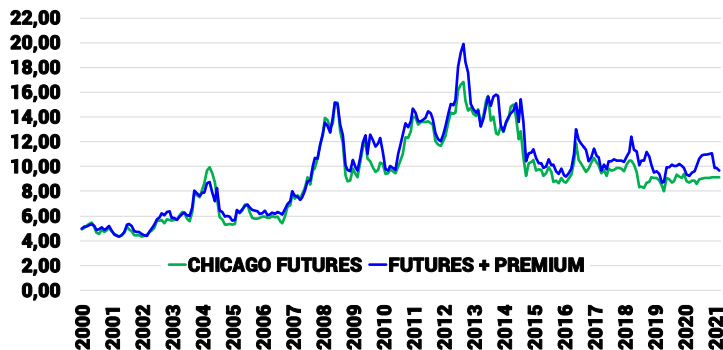
### SOYBEAN: BRAZIL PRODUCTION - MMT



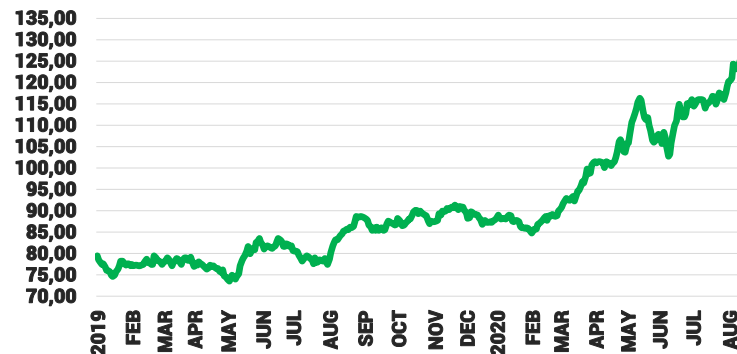
### SOYBEAN: PREMIUMS AT PARANAGUÁ IN U\$/BUSHEL OVER CBOT FUTURES



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



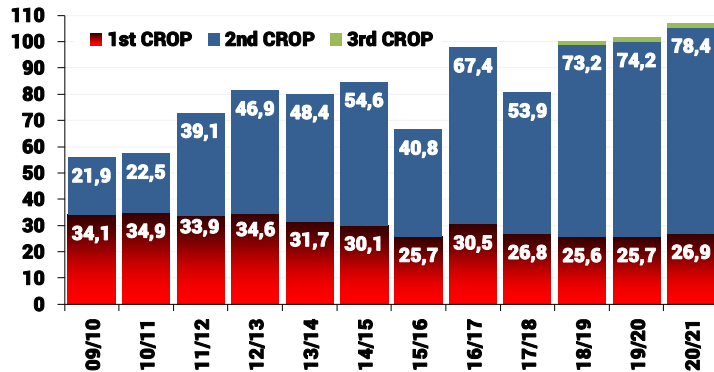
### SOYBEAN: DAILY PRICE FAS PARANAGUÁ PORT R\$/60 KG



# CORN: 2020/2021 MARKET OUTLOOK

- The trend is upward for corn in the Brazilian market, even with 75% of the 2<sup>nd</sup> crop of 2020 already harvested, since a large part of it was already sold before the harvest.
- The ESALQ / BM&F corn indicator (Campinas / SP) is quoted at R\$ 55.51 per 60 kg, with an increase of 11.7% in the last 30 days and 54.7% in the last 12 months.
- In the commercial year 2019/2020 (February to July / 2020), Brazilian corn exports reached only 5.3 MMT. To reach the 34.5 MMT forecast, additional 29.2 MMT will have to be shipped until January / 2021.
- Prices in ports are around R\$ 56.00 per 60 Kg and a convergence between domestic and export parity prices will be necessary in the coming months to align inland prices with FAS Brazilian ports prices. Otherwise, surpluses not exported may put pressure on domestic prices.

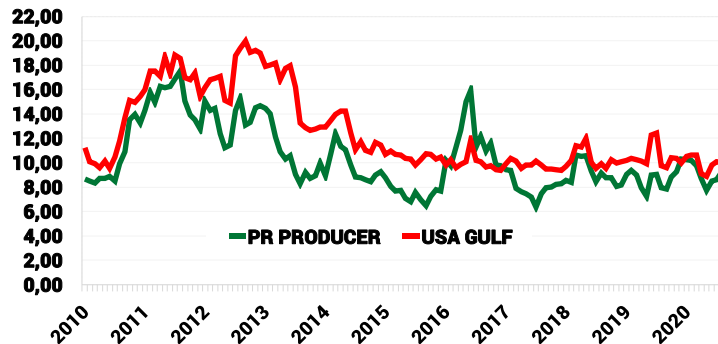
### CORN: BRAZIL PRODUCTION - MMT



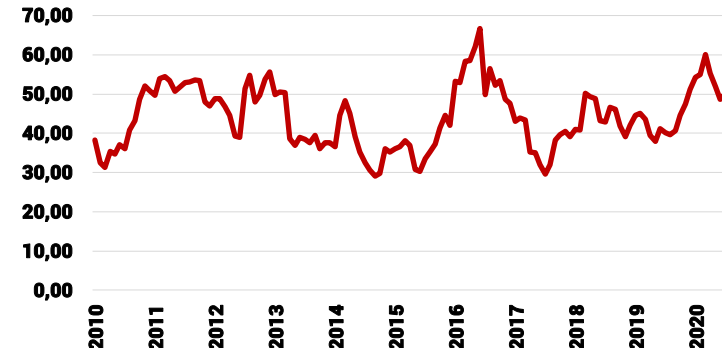
### CORN: CBOT FUTURE PRICES BETWEEN 2008 AND 2020 - U\$/BUSHEL



### 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

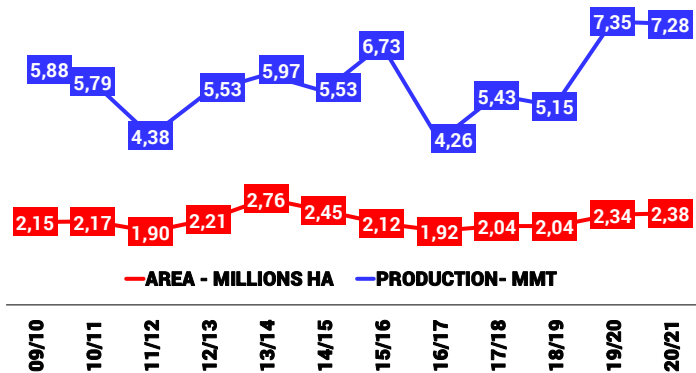


# WHEAT: 2020/2021 MARKET OUTLOOK

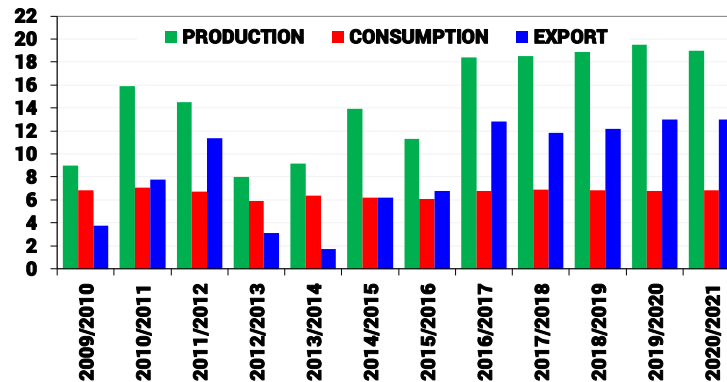
- Wheat prices keep firm in the domestic market, with the end of the off-season. The trend, however, is for downward pressure in the medium term, with the projection of a record harvest in Brazil in 2020, estimated by COGO Intelligence in Agribusiness at 7.3 MMT.
- Some combined factors, however, may prevent a more pronounced drop in prices, such as the advance sales made by growers in the current harvest; the rise in the dollar, which raises the cost of products imported from Argentina and other sources; and the strong volumes already contracted for exports, of 1 MMT, until Aug/14.
- Year to date, the FOB producer Paraná wheat grains prices registered a strong increase of 38.2%, but decreased by 2.1% in the last 30 days.
- Argentina's harvest is estimated at 19 MMT in 2020/2021, which will help to increase the supply in Mercosur in the last quarter of this year.



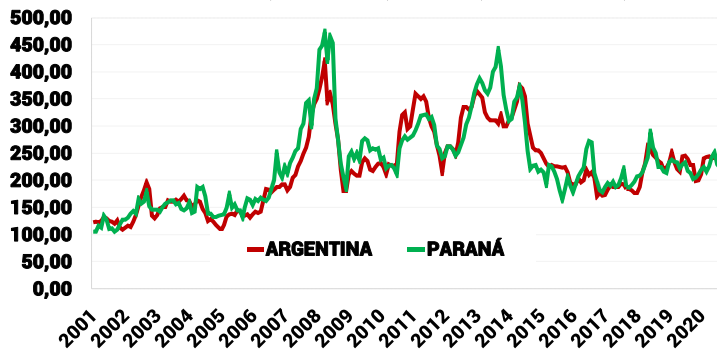
### WHEAT: BRAZIL AREA AND PRODUCTION



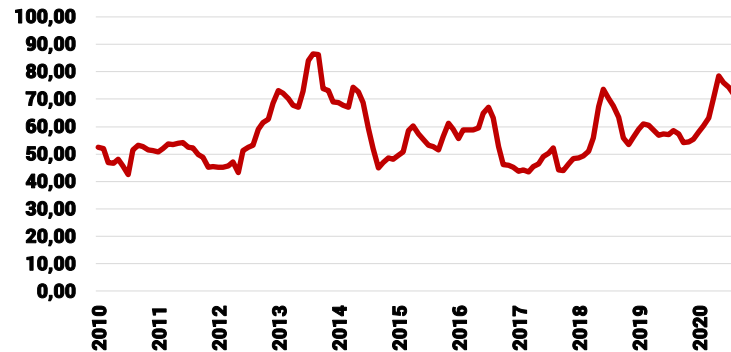
### ARGENTINA: WHEAT SUPPLY - MMT



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



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

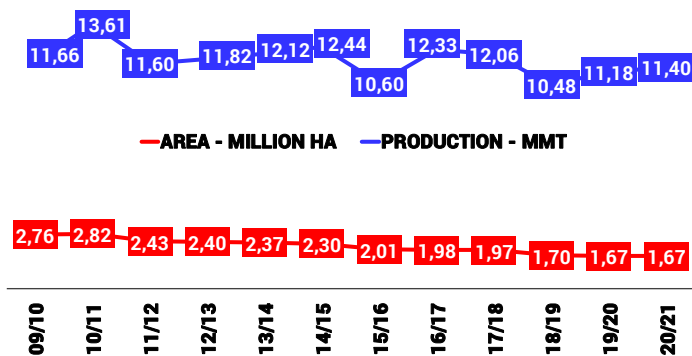


# RICE: 2020/2021 MARKET OUTLOOK

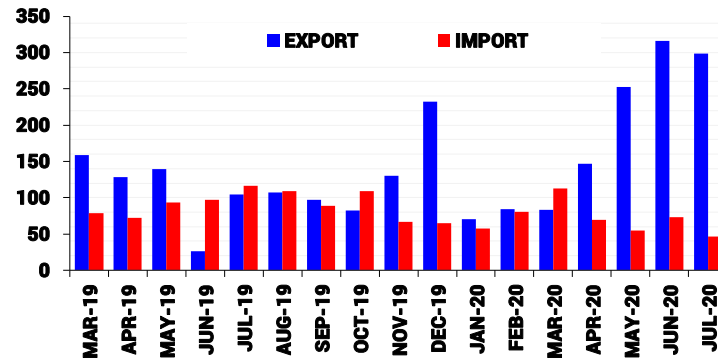
- The trend is for rising paddy rice prices to the producer during this 2<sup>nd</sup> half of the year, due to the heated domestic consumption, the fast pace of Brazilian exports and the decline of imports, with a forecast of supply shortages in the domestic market until the end of 2020.
- In the crop year 2019/2020 (March to July), Brazilian exports grew 97% in relation to the same period of the previous year, while imports decreased 22%.
- International prices for processed Asian and North American rice are, on average, 15% above the same period last year, which, combined with the dollar at high levels, increases the final cost for importing products from third markets.
- If exports does not slow, there is a possibility of severe shortages in the domestic market.
- On the other hand, if the pace of rising prices also does not revert, there should be a decline in export volumes, keeping the market supplied until the harvest of the next crop.



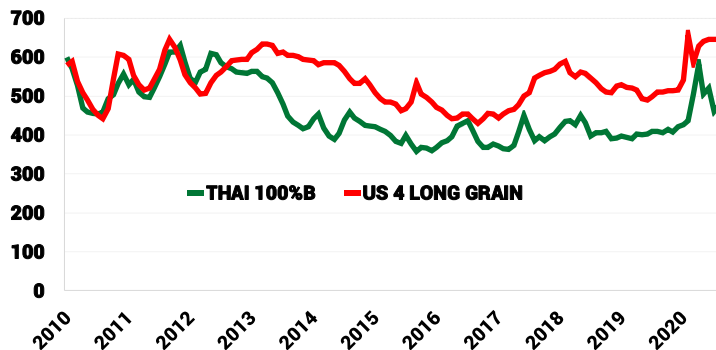
### RICE: BRAZIL AREA AND PRODUCTION



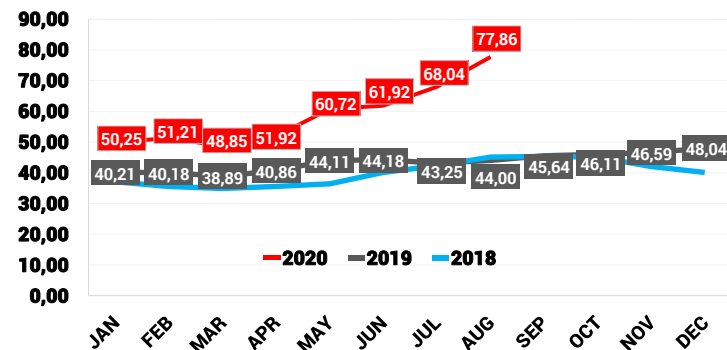
### RICE: BRAZIL EXPORT x IMPORT 1000 T (PADDY) 2019/2020 HARVEST



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



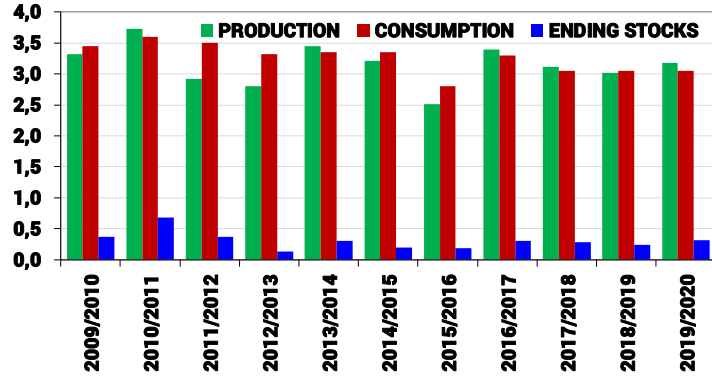
### PADDY RICE: FOB PRODUCER RS PRICES 58% UNBROKEN - R\$/50 KG



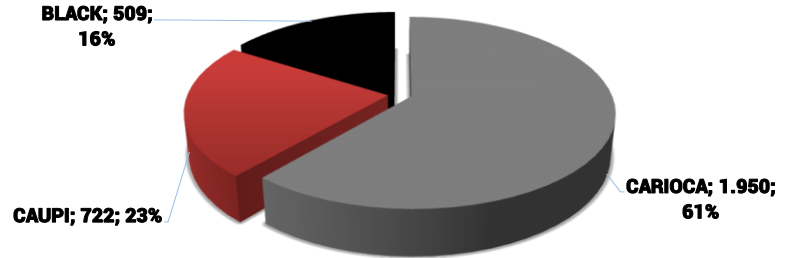
# PULSES - BEANS: 2020/2021 MARKET OUTLOOK

- The short term trend is bearish carioca beans prices, with reduced demand and larger supply in the producing regions.
- After the heated demand in the period of the Covid-19 pandemic outbreak in Brazil, when consumers sought to stockpile the product, the prices lost momentum.
- The producer price of carioca beans decreased 2.3% in the last 30 days and 21.5% year to date, with the quotations for the product grades 8.5 to 9.5 between R\$ 180 to R\$ 210 per 60 Kg, compared to R\$ 210 to R\$ 230 in July.
- Prices for black beans - extra, FOB producer, float between R\$ 200 and R\$ 240 per 60 Kg, compared to R\$ 170 to R\$ 210 per 60 Kg in July.
- Downward pressure is expected to persist, with the trend of supply above wholesale and retail demand.

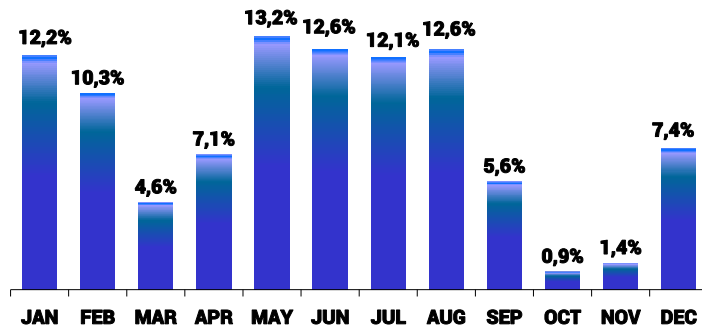
### BEANS: BRAZIL SUPPLY - MMT



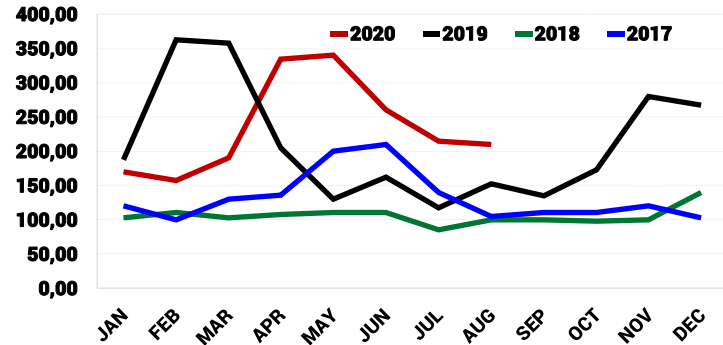
### BEANS: BRAZIL 2020 PRODUCTION DISTRIBUTION BY CLASS - THOUSAND TONS AND %



### BEANS: MONTHLY CROP DISTRIBUTION 3 ANNUAL HARVESTS



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



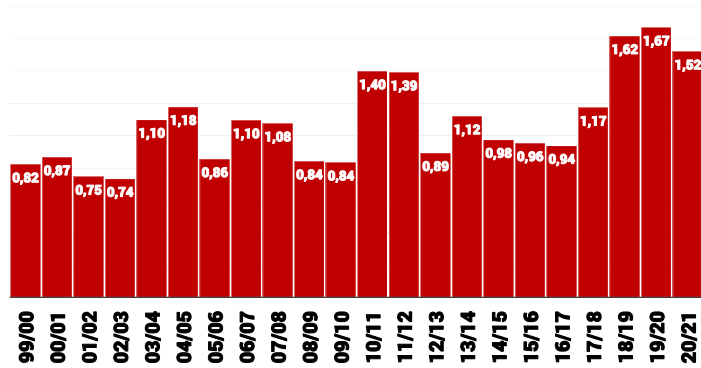
# COTTON: 2020/2021 MARKET OUTLOOK

- The CEPEA / ESALQ cotton lint indicator, with payment in 8 days, recorded an increase of 7.1% in the last 30 days, quoted at R\$ 3.05 / pound, a 12.5% increase year to date and 24.5% in the last 12 months, with the gradual recovery of the price of oil - whose synthetic fibers compete with cotton.
- On the New York Stock Exchange, the first maturity registered a slight increase of 0.9% in 30 days, accumulating an increase of 22.9% since last April - month of bottom low oil prices, when the Covid-19 pandemic broke out globally.
- From April to August this year, the price of Brent oil recovered by 112.2%, reducing the accumulated drop in price in 2020 to 27.9%.
- COGO Intelligence in Agribusiness current forecast is for a 9% reduction in the cotton area of Brazil in 2020/2021. This decrease may be smaller, if prices continue to recover.

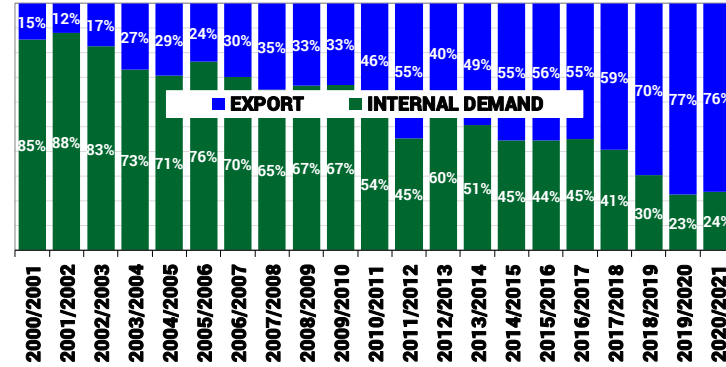
# COTTON: 2020/2021 MARKET OUTLOOK

- Although the harvest of the 2019/2020 Brazilian (record) crop continues to advance, the sellers are firm in the values indicated in the negotiations of new lots.
- Producers are paying attention to the dollar and the fulfillment of forward contracts, mainly for export, keeping low availability in the spot market.
- The FAS (Free Alongside Ship) export parity in Paranaguá / PR is R\$ 3.38 per pound, based on the Cotlook A Index, referring to the plume placed in the Far East.
- For 2020/2021, the indication of buyers is 200 points below the December / 2021 maturity on the New York Stock Exchange - FOB Port of Santos (SP). This does not generate interest in sales, since, although prices are rising in New York, they are still a long way from the average of 68 ¢ per pound, recorded in 2019.
- The producers follow closely the evolution of prices to define the planting in 2021/2022.

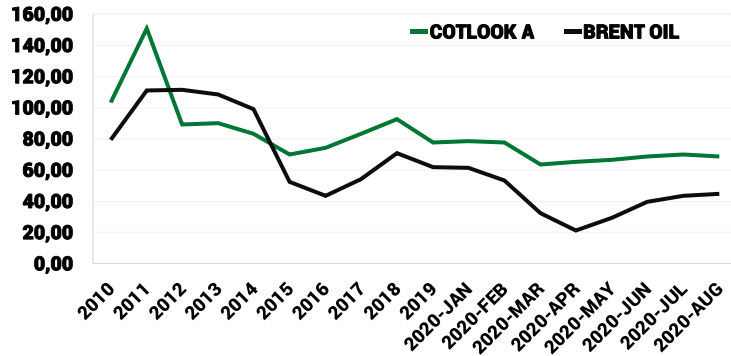
### COTTON: BRAZIL AREA - MILLION HA



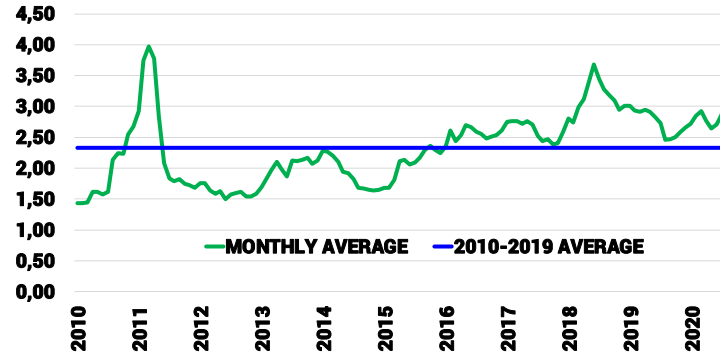
### COTTON LINT: BRAZIL PRODUCTION DESTINATION



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



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







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