

GRAINS

2021/2022 OUTLOOK SUMMARY



DECEMBER/2020



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The strong fall of the dollar in recent weeks is pressuring the domestic market for soybeans, corn, wheat, rice and cotton. In addition to the exchange rate, the approach of the new soybean, corn and rice crops also puts downward pressure on prices.

In the wheat case, prices are down pressured by the ending of the 2020 harvest, the fall of the dollar and the increase in supply.

However, several external and internal factors are expected to keep prices sustained in the first half of 2021. Only further declines in the dollar will be able to cause sharper declines in domestic grain prices.

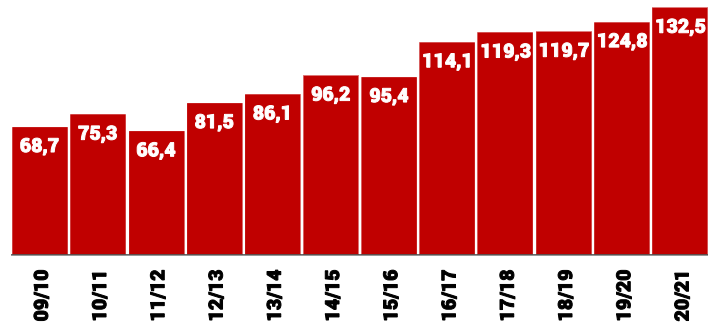
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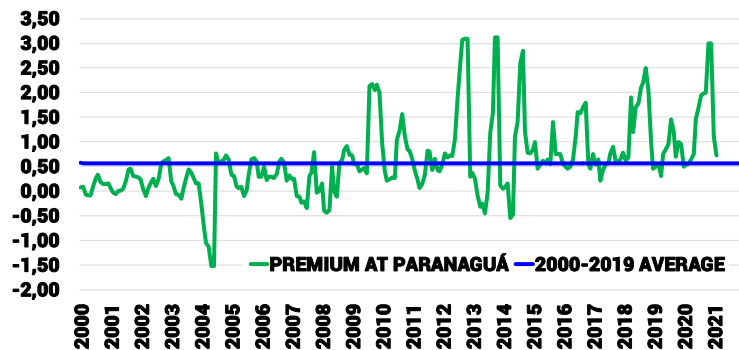
SOYBEAN: 2021/2022 MARKET OUTLOOK

- The pressure is bearish on the prices and projections of soy in the Brazilian market, with the sharp fall of the dollar in recent weeks and the retreat of premiums in Brazilian ports.
- Soybeans accumulated a sharp drop of 19.6% to the producer in the last 30 days.
- At its fundamentals, the trend is for sustained soybean prices in 2021, given the large volume of anticipated sales (60%) of the next 2020/2021 harvest, future quotes in Chicago at levels above US \$ 11.50 / bushel , heated demand from China and weather risks in South America with the *La Niña*.
- On the Chicago Stock Exchange, the March / 2021 contract for soybeans accumulated a strong increase of 41.8% between May and December 2020.
- The single factor that could cause further drops in soybean prices on the domestic market is the fall of the dollar, which may ease against the Real in the post-pandemic period.

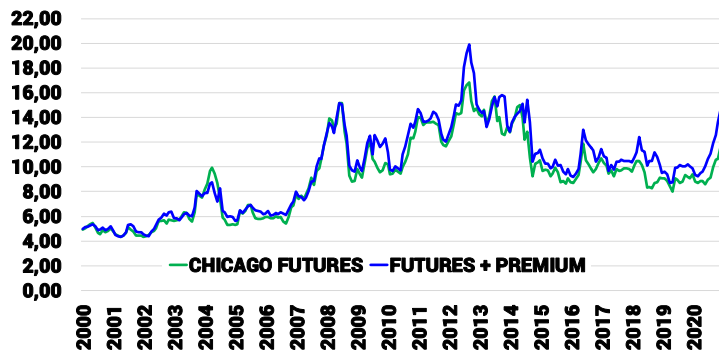
SOYBEAN: BRAZIL PRODUCTION - MMT



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



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



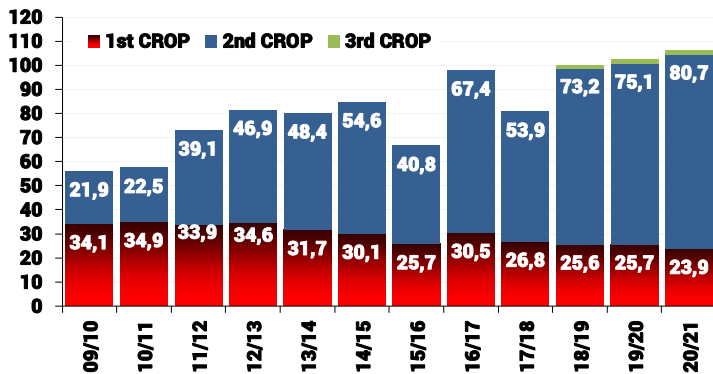
SOYBEAN: DAILY PRICE FAS PARANAGUÁ PORT R\$/60 KG



CORN: 2021/2022 MARKET OUTLOOK

- The trend is downward for domestic prices, driven by the fall of the dollar, in addition to the retraction of buyers and the fall of Brazilian exports in 2020.
- On the other hand, weather adversities arising from *La Niña* are expected to cause breaks in the first harvest 2020/2021 (summer) in southern Brazil and increase the weather risks on the development of the second harvest of 2021 (winter).
- In addition, future quotes in Chicago sustained above US\$ 4 / bushel levels, low ending stocks in Brazil, adjusted domestic supply in the first half of 2021 and the large volume of pre-sales for the second harvest of 2021 should support the domestic quotations in the first half of 2021.
- One factor that could cause further drops in corn prices on the domestic market is the fall of the dollar, which may ease against the Real in the post-pandemic period.

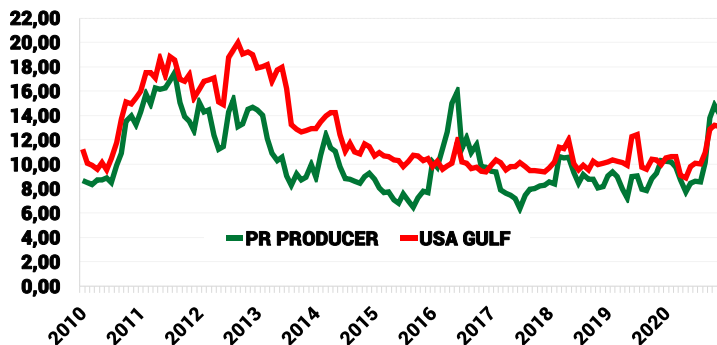
CORN: BRAZIL PRODUCTION - MMT



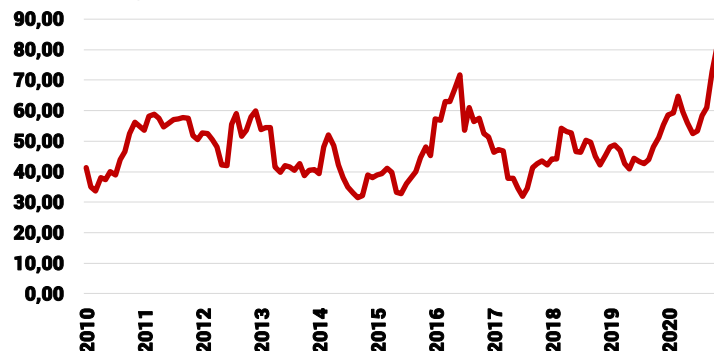
CORN: CBOT FUTURE PRICES BETWEEN 2008 AND 2020 - US\$/BUSHEL



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



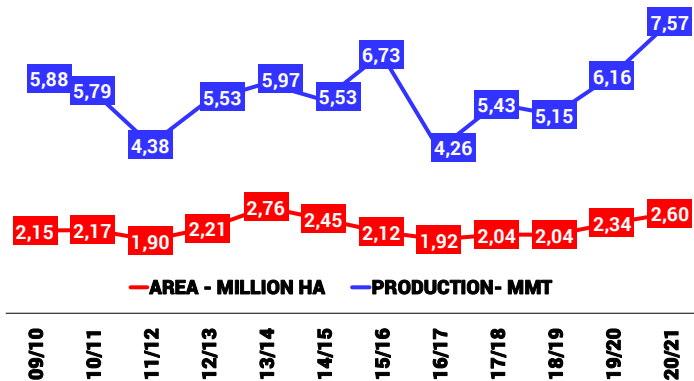
CORN: WHOLESALE PRICES CIF SÃO PAULO R\$/60 KG - INFLATION-ADJUSTED BY IGP-DI



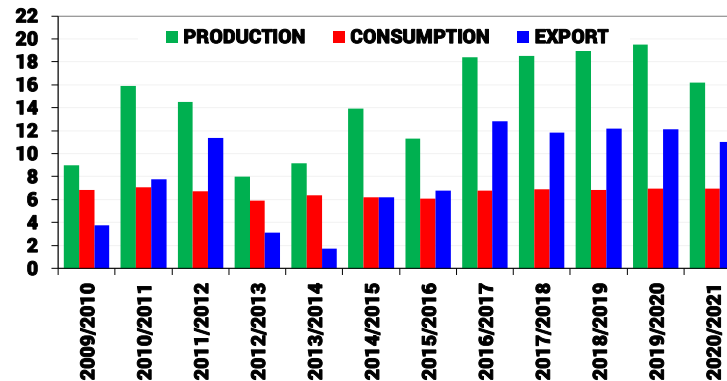
WHEAT: 2021/2022 MARKET OUTLOOK

- The trend is bearish on the prices of wheat in the domestic market, driven by the sharp fall of the dollar - which reduces the parity of imports of grain from other sources -, in addition to increased 2020 harvest offers.
- After accumulating a strong increase of 41.9% in 2020, the producer prices of wheat grains in Paraná registered a decrease of 8.1% in the last 30 days, with mills supplied.
- Despite the frost breaks in southern Brazil, the 2020 harvest is 20% higher than last year, with a good share of it being committed to exports and with a large volume of anticipated sales made in the pre-harvest period.
- If the dollar continues to fall, the downward pressure on domestic prices could increase, but there are many factors to keep support to the market in the first half of 2021, such as the fall in Argentina's harvest and the higher levels of international prices.

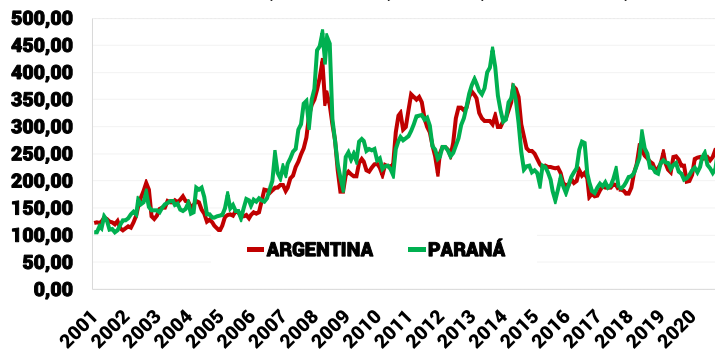
WHEAT: BRAZIL AREA AND PRODUCTION



ARGENTINA: WHEAT SUPPLY - MMT



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



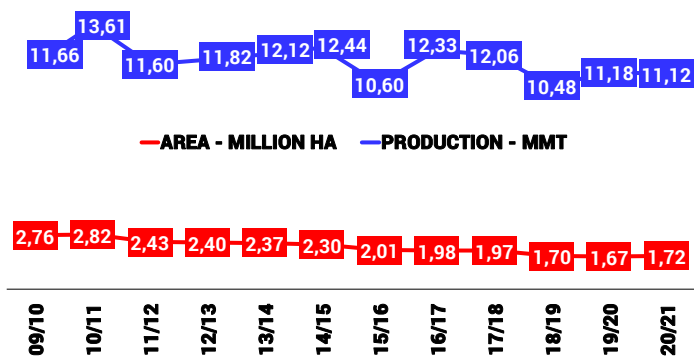
WHEAT: FOB PRODUCER PR PRICES - R\$/60 KG INFLATION-ADJUSTED BY IGP-DI



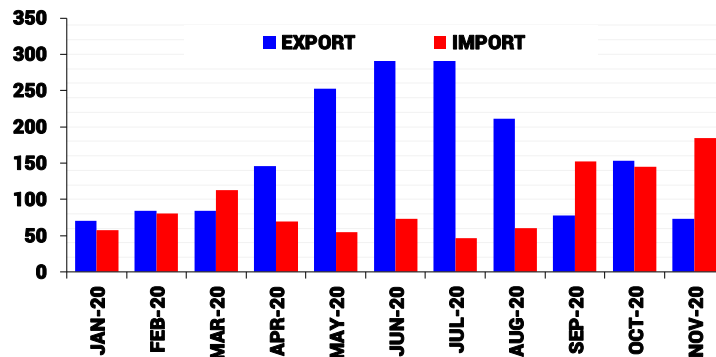
RICE: 2021/2022 MARKET OUTLOOK

- The trend is bearish on the prices of paddy and processed rice, with the fall of the dollar and the entry of the new 2020/2021 harvest into the market.
- If the dollar continues to fall, the downward pressure could intensify on domestic rice prices, as it will reduce the export parity of Brazilian products and make product imports from Mercosur's neighboring countries more attractive.
- However, a combination of factors is expected to form a support base for prices in the first half of 2021: low ending stocks in Brazil, declines in productivity in neighboring Mercosur countries and production adjusted to demand in Brazil.
- Brazilian exports are expected to remain heated in 2021, estimated at 1.8 MMT (paddy basis), compared to a projection of 1.2 MMT of imports.
- The potential downward factor for domestic prices is the exchange rate, if it continues to fall.

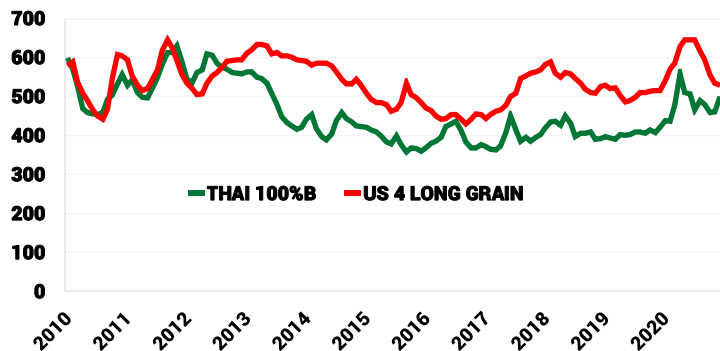
RICE: BRAZIL AREA AND PRODUCTION



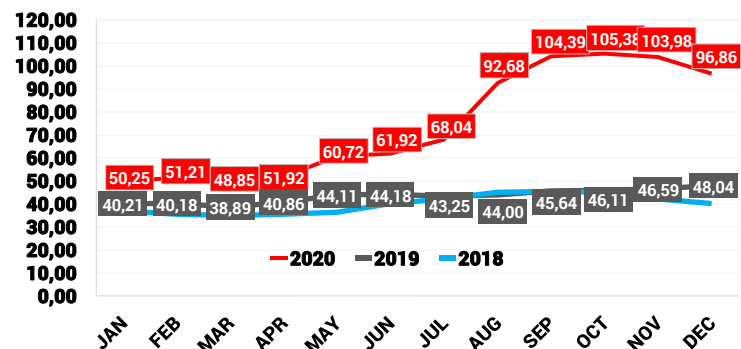
RICE: BRAZIL EXPORT x IMPORT 1000 T (PADDY) JANUARY - OCTOBER 2020



PROCESSED RICE LONG-GRAIN: FOB PRICES US\$/TONNE - THAILAND X USA



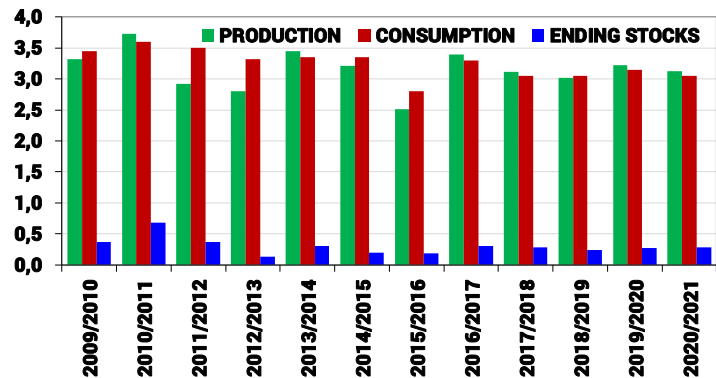
PADDY RICE: FOB PRODUCER RS PRICES 58% UNBROKEN - R\$/50 KG



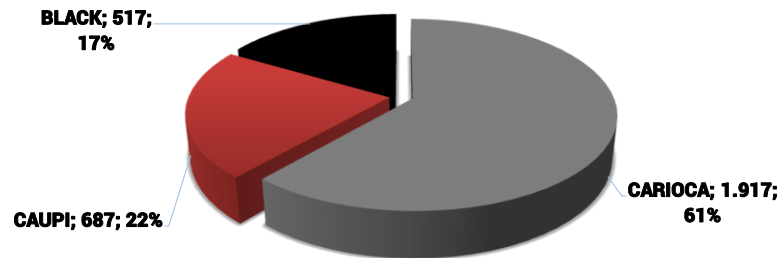
PULSES - BEANS: 2021/2022 MARKET OUTLOOK

- The trend is for stability in the prices of carioca, black and caupi beans in the short and medium terms, with supply adjusted to demand in the producing regions.
- Bean prices have been sustained in recent months, since the beginning of the pandemic in Brazil, with heated demand and restricted offers throughout this year.
- The average producer price of carioca beans registered an increase of 11.3% in the last 30 days, with quotations for the product grades 8.5 / 9.5 between R\$ 280 to R\$ 305 per 60 Kg, compared to R\$ 240 to R\$ 270 in November. Prices for black beans - extra, FOB producer, float between R\$ 280 and R\$ 320, compared to the R\$ 240 to R\$ 260 range in November.
- The weather adversities resulting from *La Niña*, such as the risk of droughts in the south of Brazil and excessive rainfall in the Midwest and Northeast, may affect quality and yield in the first and second crops of 2021, rising the prices.

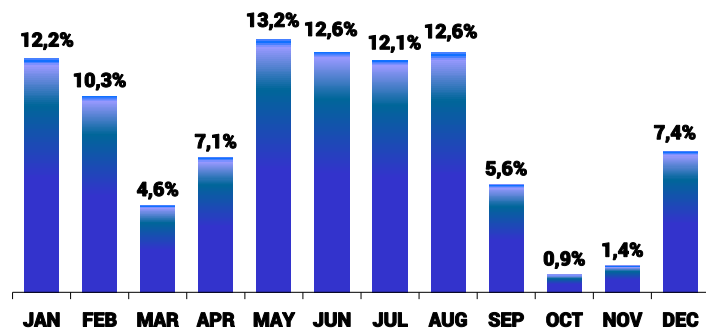
BEANS: BRAZIL SUPPLY - MMT



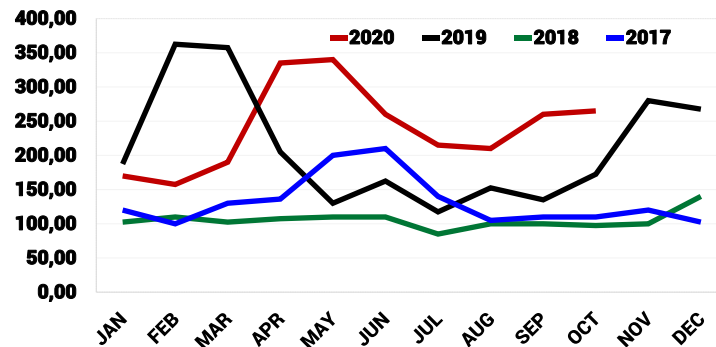
BEANS: BRAZIL 2020 PRODUCTION DISTRIBUTION BY CLASS - THOUSAND TONNES AND %



BEANS: MONTHLY CROP DISTRIBUTION 3 ANNUAL HARVESTS



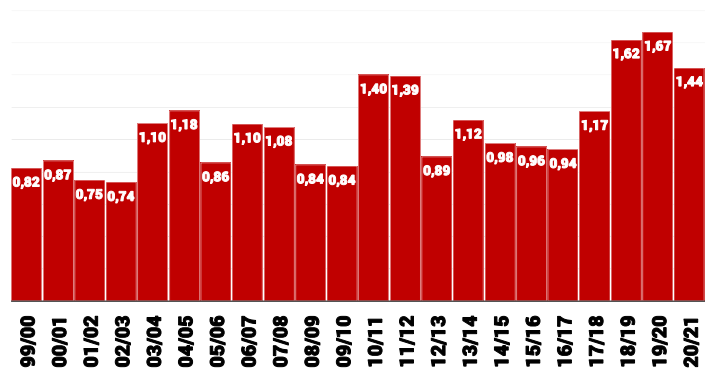
CARIOCA BEANS: FOB PRODUCER SP PRICES R\$/60KG - BATCH MARKET



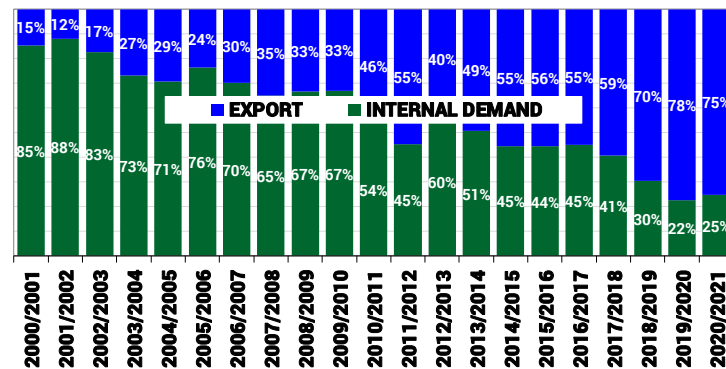
COTTON: 2021/2022 MARKET OUTLOOK

- The fall of the dollar is causing downward pressure on cotton prices in Brazil.
- The CEPEA / ESALQ cotton lint indicator, with payment in 8 days, recorded a 3.0% fall in the last 30 days, quoted at R\$ 3.78 / pound, but still presents a 39.4% increase year to date and 41.8% in the last 12 months.
- The FAS (Free Alongside Ship) export parity at the Port of Santos (SP) is R\$ 3.41 / pound.
- International prices returned to the Covid-19 pre-pandemic levels, with the recovery of oil prices and an improvement in global demand.
- The planted area reduction projection in Brazil in 2020/2021 was increased to 13.3% compared to the previous crop, with difficulties for the implantation of crops in MT and BA.
- 50% of the 2020/2021 harvest was sold in advance, which, combined with the record forecast for exports, should keep prices sustained in 2021.

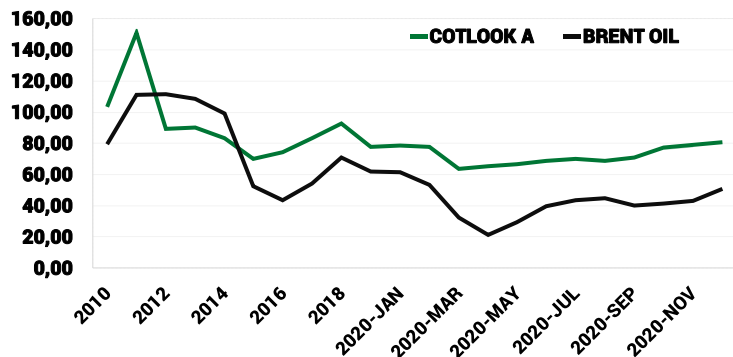
COTTON: BRAZIL AREA - MILLION HA



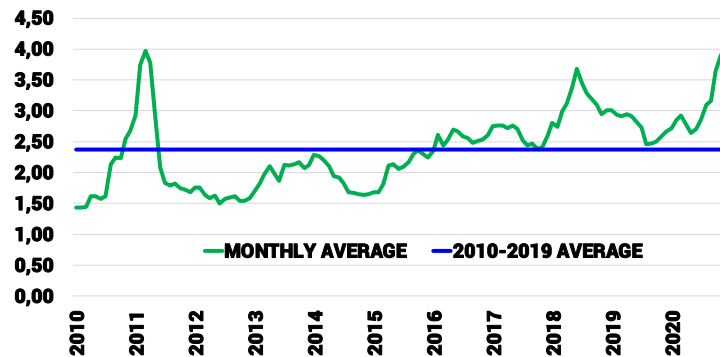
COTTON LINT: BRAZIL PRODUCTION DESTINATION



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



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





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