

GRAINS

2021/2022 OUTLOOK SUMMARY



JANUARY/2021



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2021 starts with a strong increase in international commodities prices, especially soybeans, corn, wheat, rice and cotton.

This external scenario, combined with the volatile exchange rate - but sustained above R\$ 5 - results in upward trend in domestic prices.

Besides, uncertainties remain about the impacts of “La Niña” on grain crops in southern South America.

Domestic prices are expected to keep high in the 1st half of the year, and may lose momentum in the 2nd, if 2021/2022 area increases in the Northern Hemisphere are confirmed.

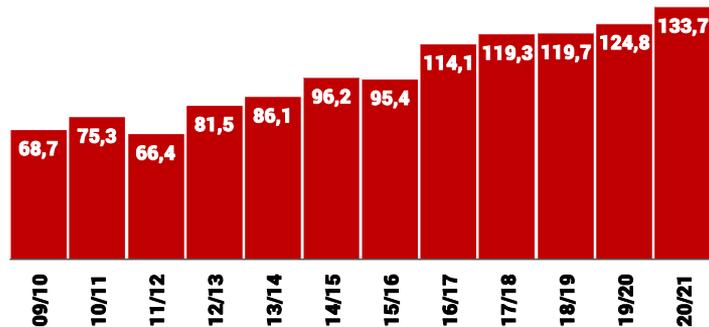
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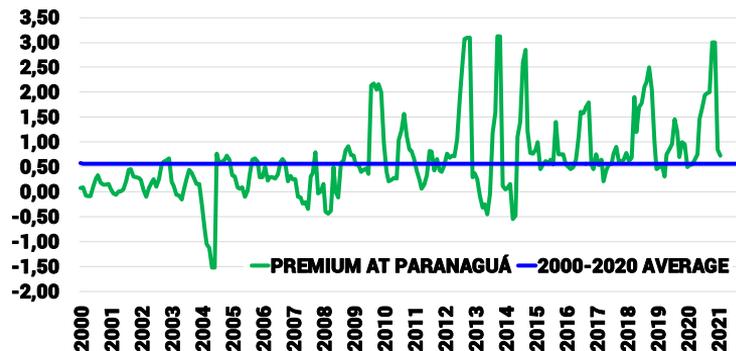
SOYBEAN: 2021/2022 MARKET OUTLOOK

- The trend is bullish for soybeans in the Brazilian market, with the dollar sustained at high levels, firm future prices above US\$ 14 / bushel in Chicago - operating at the highest levels since 2014 -, downward revision of the United States harvest and stocks, weather threat persisting over areas of South America and much of the current crop (60%) already sold in Brazil, prior to the beginning of the harvest.
- In addition, there is bigger demand from China for soy from the United States - a country that exported a record volume in the current 2020/2021 season.
- In the domestic market, the trend is for prices sustained at high levels for byproducts - soybean meal and oil, with restricted domestic grain supply throughout 2021.
- Among the factors that contain international prices in the second half of 2021, we highlight the USA intention to increase the planted area in in 2021/2022.

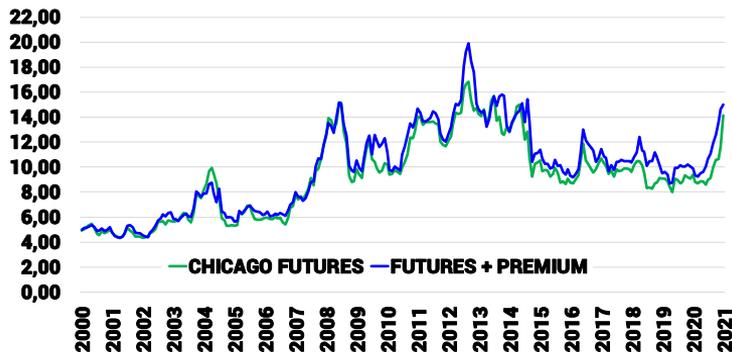
SOYBEAN: BRAZIL PRODUCTION - MMT



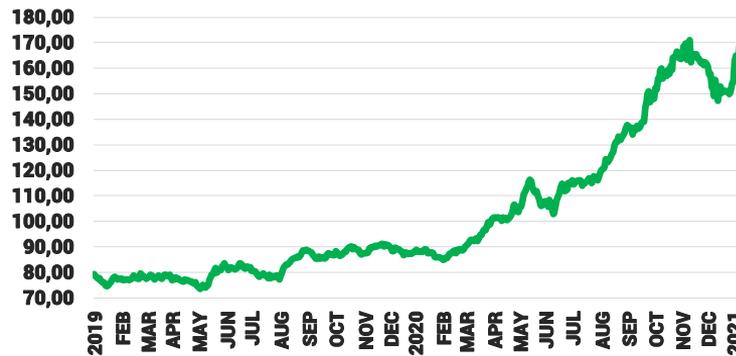
SOYBEAN: PREMIUMS AT PARANAGUÁ IN US\$/BUSHEL OVER CBOT FUTURES



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



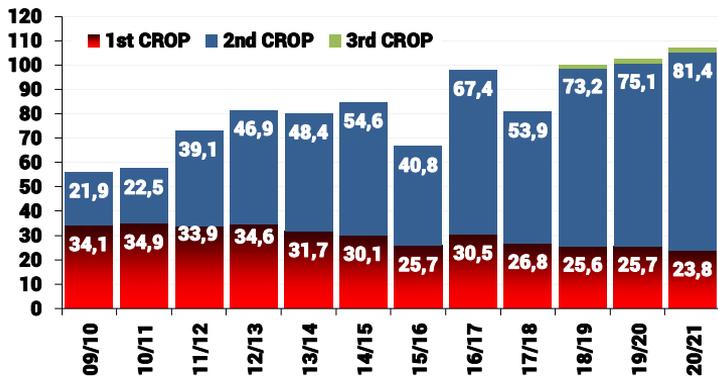
SOYBEAN: DAILY PRICE FAS PARANAGUÁ PORT R\$/60 KG



CORN: 2021/2022 MARKET OUTLOOK

- The trend is for sustained corn prices at high levels in the Brazilian market this 1st half year, with the dollar above R\$ 5, breaks in the 1st harvest 2020/2021 in Southern Brazil, expectation of adversities and greater weather risks in the 2nd harvest of 2021, an increase in export parity in Brazilian ports, with the strong advance of external quotations on the Chicago Stock Exchange, which are above the US\$ 5 per bushel level.
- Demand is heated, both in the domestic feed segment and for exports.
- Low ending stocks in Brazil and 2021 first harvest breaks should keep the internal supply very tight in the first half of 2021.
- Prices may fall to lower levels in the 2nd half, if the expected growth in production in the 2nd harvest is confirmed, but the expressive volume of pre-sales for the 2nd crop should contain a more intense downward pressure on prices.

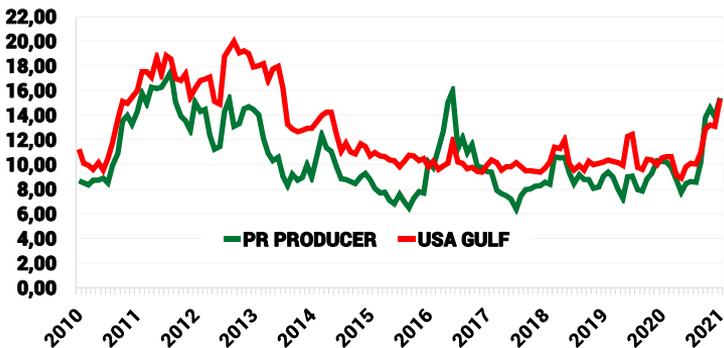
CORN: BRAZIL PRODUCTION - MMT



CORN: CBOT FUTURE PRICES BETWEEN 2008 AND 2021 - US\$/BUSHEL



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



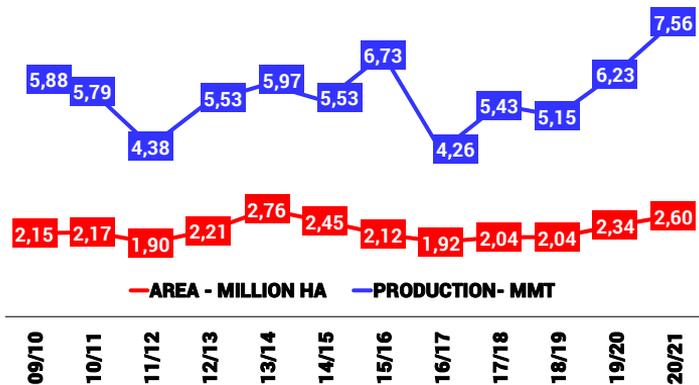
CORN: WHOLESALE PRICES CIF SÃO PAULO R\$/60 KG - INFLATION-ADJUSTED BY IGP-DI



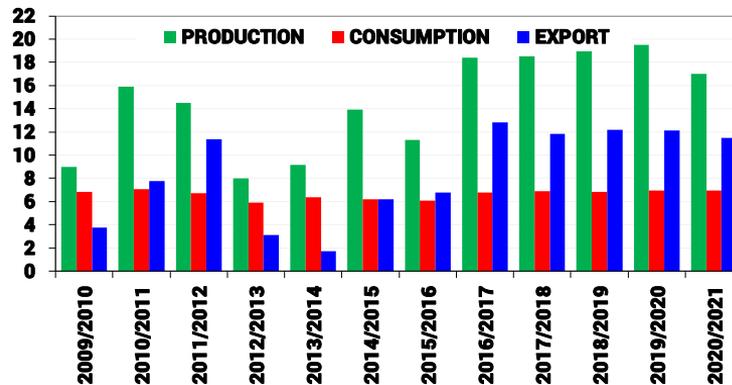
WHEAT: 2021/2022 MARKET OUTLOOK

- The trend is upward for wheat grain prices in the Brazilian market, with international prices sustained at high levels, increased grain import cost, advanced marketing of the 2020 harvest, both for the domestic and foreign markets, with negotiations for shipments of 1 MMT before harvesting.
- Russia's decision to double the export tax by 6/30/2021 further supports international quotations on futures exchanges.
- The largest Brazilian wheat supplier - Argentina - had breaks in the 2020/2021 harvest and already has a large part of the exportable surplus negotiated this season.
- Camex renewed the TEC-exempt import quota for another 750 thousand tonnes from outside Mercosur, which would be 10% until 11/17/2021.
- Rising prices are expected to encourage an increase in planting area in Brazil in 2021.

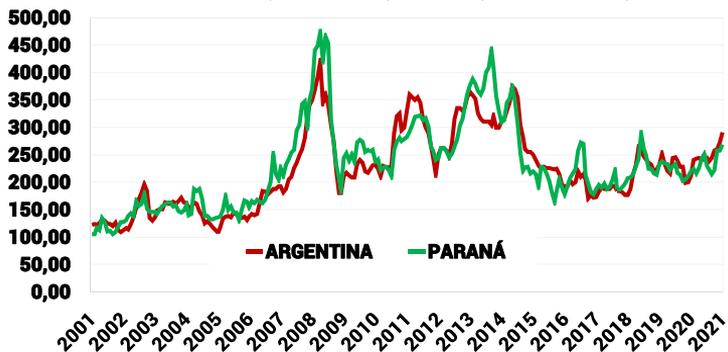
WHEAT: BRAZIL AREA AND PRODUCTION



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

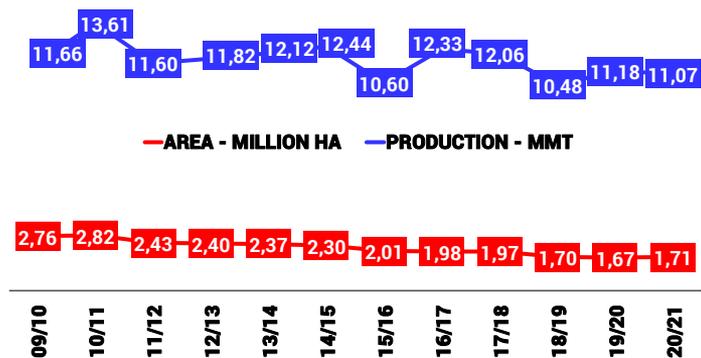


RICE: 2021/2022 MARKET OUTLOOK

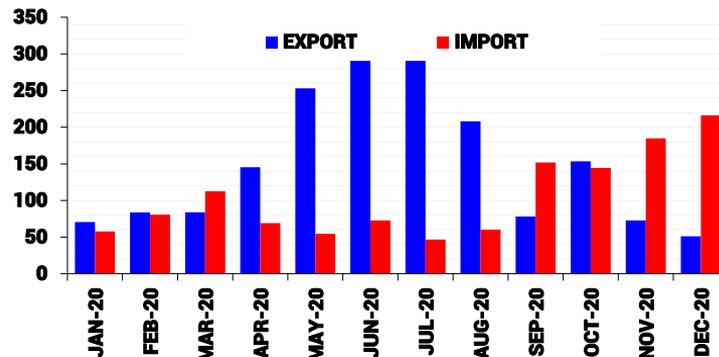
- In the short term, the trend is bearish on the prices of paddy and processed rice, with the entry of the new 2020/2021 harvest into the market.
- Domestic demand has decreased and is moving towards a normal pace of consumption, after the strong rise seen in 2020, with the pandemic increasing consumption of the product in homes and with emergency government aid channeled to basic products.
- The downward pressure will be limited by the adjustment between supply and demand in 2021, rising international prices - which raise export parity and make imports more expensive - , the dollar at high levels and the projection of a surplus in rice trade balance, with exports surpassing imports , as in 2020.
- The potential downward factors for domestic prices is a exchange rate fall and the end of emergency government aid.



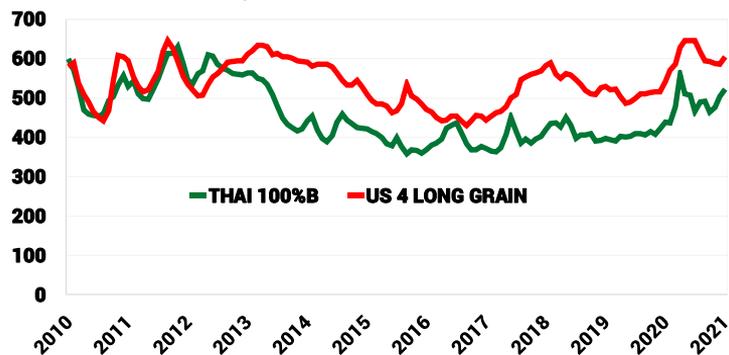
RICE: BRAZIL AREA AND PRODUCTION



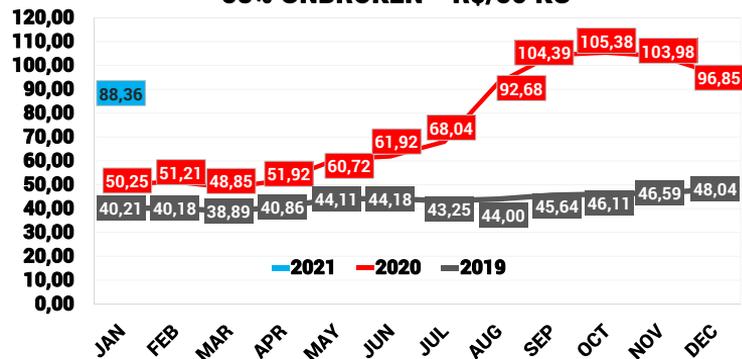
RICE: BRAZIL EXPORT x IMPORT 1000 T (PADDY) JANUARY - DECEMBER 2020



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



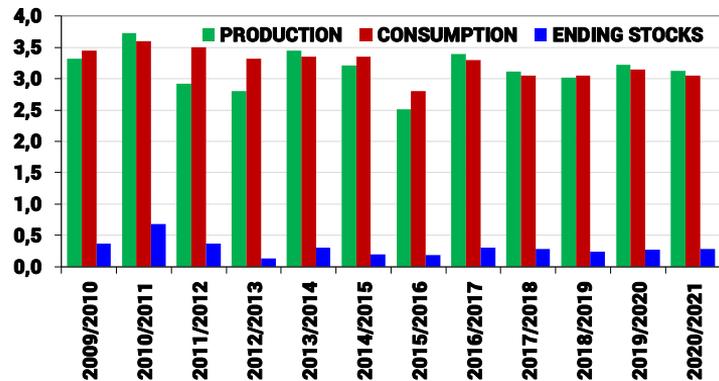
PADDY RICE: FOB PRODUCER RS PRICES 58% UNBROKEN - R\$/50 KG



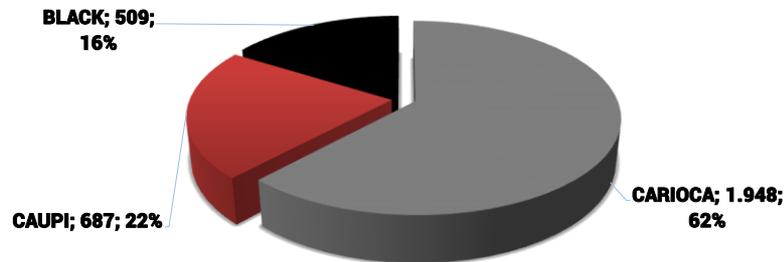
PULSES - BEANS: 2021/2022 MARKET OUTLOOK

- 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 since the beginning of the pandemic in Brazil, with firm domestic demand, supported, in 2020, by emergency aid from the government.
- The producer price of carioca beans registered an increase of 70.6% in the last 12 months.
- Quotations for Carioca beans grades 8.5 / 9.5 range between R\$ 280 to R\$ 300 per 60 Kg, compared to R\$ 260 to R\$ 280 in December. Prices for black beans - extra, FOB producer, float between R\$ 260 and R\$ 280, compared to the R\$ 270 to R\$ 290 range in December.
- The weather adversities resulting from *La Niña*, such as the risk of droughts in the south of Brazil and excessive rainfall in the Southeast, Midwest and Northeast, may affect quality and yield in the upcoming months.

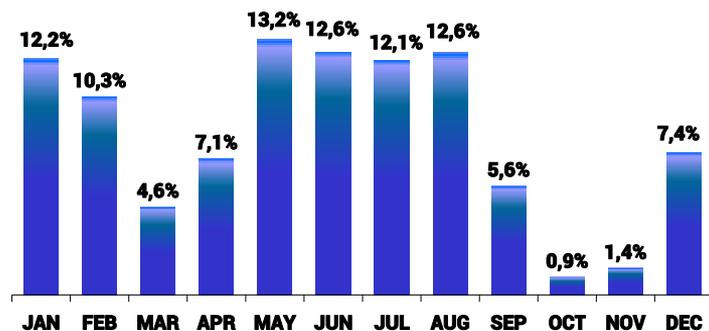
BEANS: BRAZIL SUPPLY - MMT



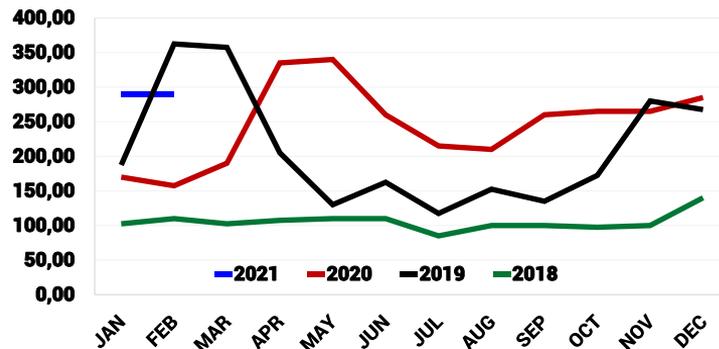
BEANS: BRAZIL 2021 PRODUCTION DISTRIBUTION BY CLASS - THOUSAND TONNES AND %



BEANS: MONTHLY CROP DISTRIBUTION 3 ANNUAL HARVESTS



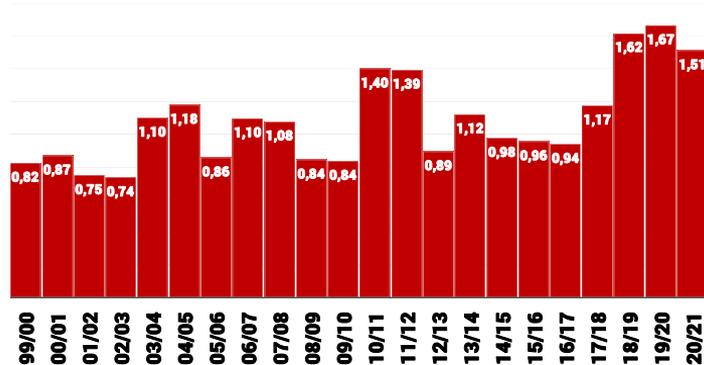
CARIOCA BEANS: FOB PRODUCER SP PRICES R\$/60KG - BATCH MARKET



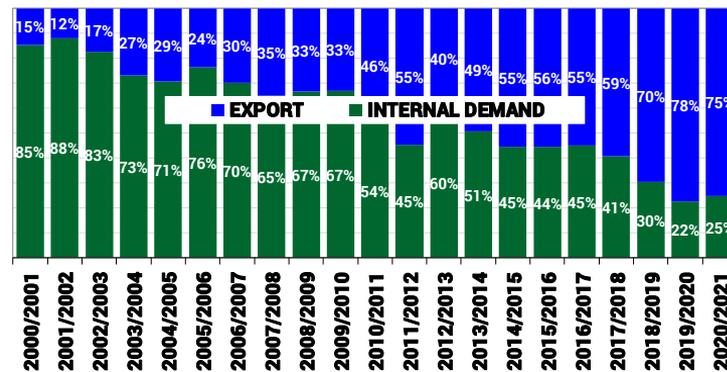
COTTON: 2021/2022 MARKET OUTLOOK

- The trend is upward for cotton lint prices in Brazil, with a strong recovery in foreign prices, advanced sales in Brazil and record exports.
- New York futures are above 80¢ per pound, exceeding pre-pandemic levels, accumulating gains of 57.8% since the low in April 2020, with the projection of lower production in the USA in 2020/2021 and increase in the value of oil.
- The CEPEA / ESALQ cotton lint indicator, presents a 60.3% increase in the last 12 months.
- The FAS (Free Alongside Ship) export parity at the Port of Santos (SP) is R\$ 4.12 / pound.
- As a result, negotiations involving cotton for the 2020/2021 and 2021/2022 seasons are growing, with cotton growers taking advantage of external highs and the US\$ at a high level.
- With projections of a new exports record in 2021 and an increase in profit margins throughout this year, the trend is for an increase in planted area in 2021/2022.

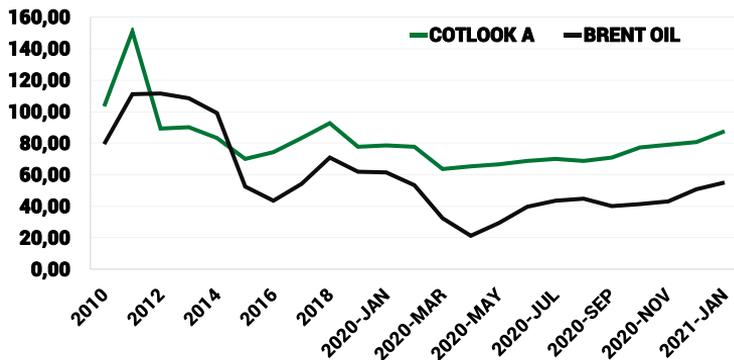
COTTON: BRAZIL AREA - MILLION HA



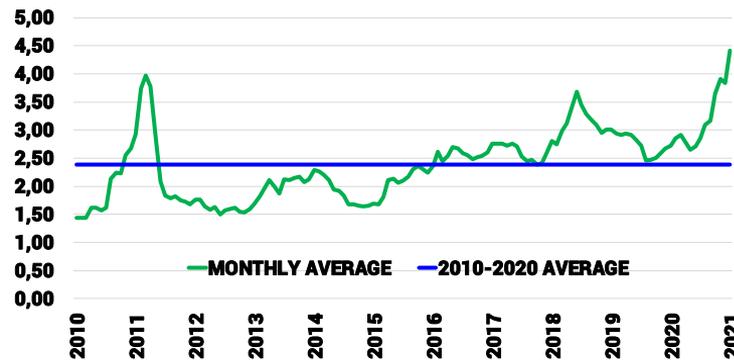
COTTON LINT: BRAZIL PRODUCTION DESTINATION



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



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





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