

# GRAINS

## 2021/2022 OUTLOOK SUMMARY



JUNE/2021



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*With the dollar at lower levels and the retreat of commodities on international exchanges, the downward pressure is accentuated in the grain markets in Brazil.*

*There is downward pressure on the prices of soybean, corn and rice in the domestic market, while wheat continues with stable prices, due to the off-season, as well as beans, due to the decline caused by the drought.*

*The breaks in the 2<sup>nd</sup> corn crop in 2021 are significant and could generate a new wave of high prices in the 2<sup>nd</sup> half. The exchange rate will be the most important factor for domestic prices in the short and mean term.*

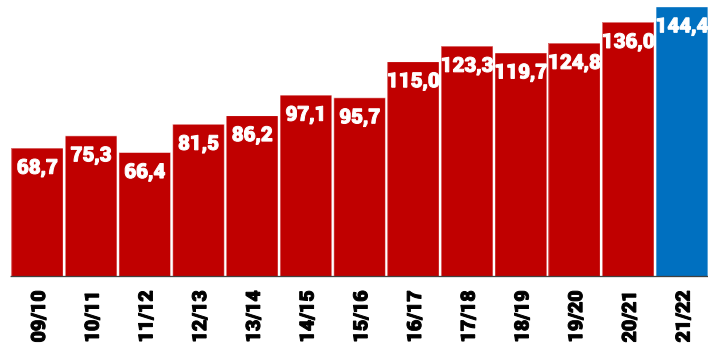
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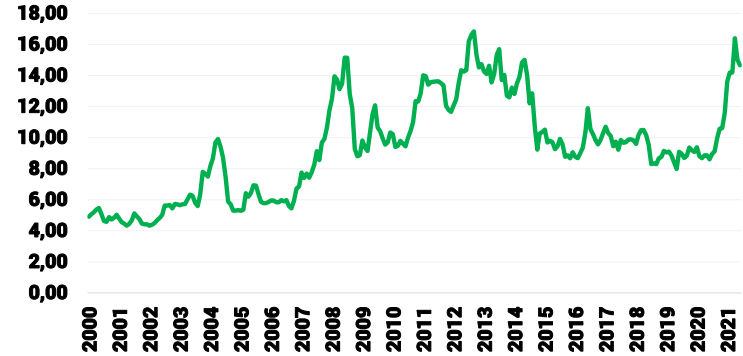
# SOYBEAN: 2021/2022 MARKET OUTLOOK

- The trend is downward for soybean prices in grains and byproducts (meal and oil) in Brazil, with the fall of the dollar and futures in Chicago retreating, given the improvement in the US climate.
- Since 05/12, when the July/2021 contract reached US\$ 16.42/bushel, the quotation dropped 10.7%, to US\$ 14.65/bushel.
- In Brazil, the price of soybean accumulates a 10% drop in 30 days, or R\$ 18 per 60 kg.
- Contracts for the 2<sup>nd</sup> half of 2021 range between US\$13.70 and US\$14.00/bushel, while maturities for the 2<sup>nd</sup> half of 2022 range between US\$12.40 and US\$13.50/bushel.
- If the current US crop forecast for 2021/2022 is confirmed, the bias is bearish for futures, to a range between \$12.50 to \$13.00/bushel throughout 2022.
- In Brazil, however, accelerated exports and advanced trading of the 2020/2021 harvest may lead to higher prices in the second half of the year, given the shortage of grain in the domestic market.
- The trend is an increased area and a record soybean production in Brazil in 2021/2022.

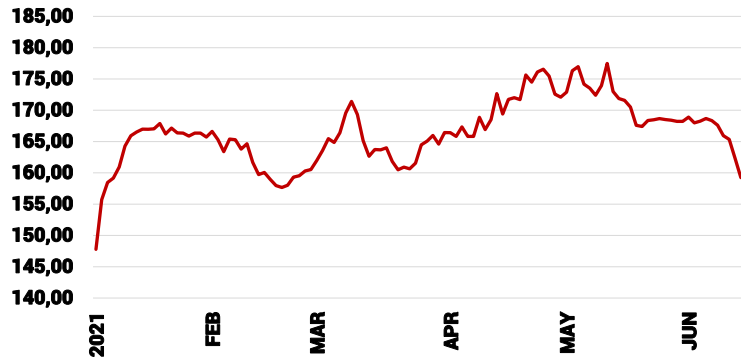
### SOYBEAN: BRAZIL PRODUCTION - MMT



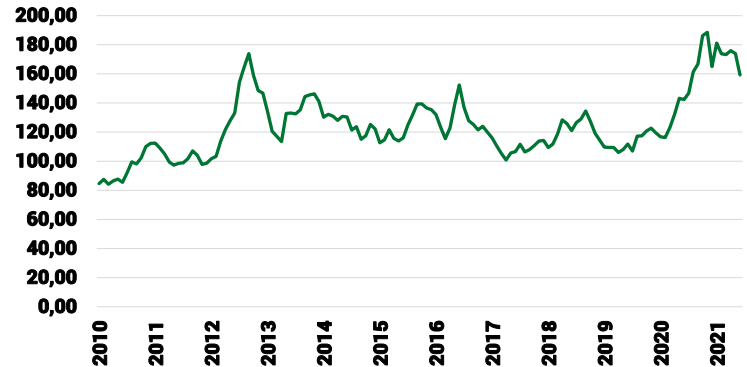
### SOYBEAN: CHICAGO FUTURE PRICES US\$/BUSHEL



### SOYBEAN: CEPEA/ESALQ INDICATOR FOB PARANÁ - R\$/60 KG



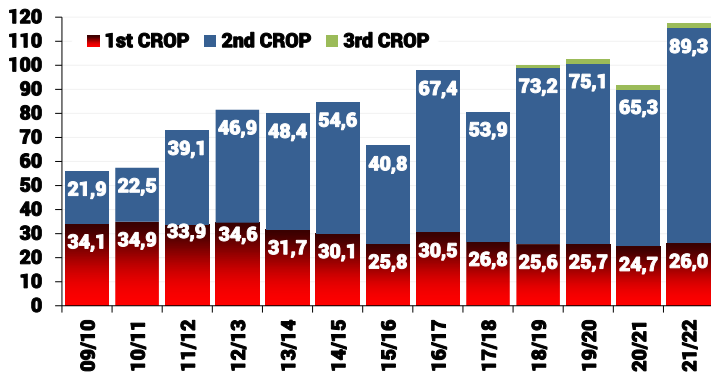
### SOYBEAN: PRODUCER PRICES FOB PR R\$/60 KG - INFLATION-ADJUSTED BY IGP-DI



# CORN: 2021/2022 MARKET OUTLOOK

- In the short term, the trend is bearish for corn prices in Brazil, with futures in Chicago retreating, given the improvement of the climate in the US, and the fall of the dollar.
- Since last 05/12, when the July/2021 contract reached US\$ 7.31/bushel, the quotation dropped 8.6%, to US\$ 6.68/bushel.
- Contracts for the 2<sup>nd</sup> half of 2021 range between US\$ 5.70 and US\$ 5.90/bushel, while maturities for the 2<sup>nd</sup> half of 2022 range between US\$ 5.00 and US\$ 5.70/bushel.
- Partial losses of 21% in the 2<sup>nd</sup> harvest of 2021 should curb the downward pressure on domestic prices throughout the 2<sup>nd</sup> half of this year.
- On the other hand, Argentina's import parity indicates prices lower than those practiced in Brazil, which will serve as a limit to the rise in domestic prices in the second half of this year.
- The trend is for Brazilian exports to decline in 2021, with inland prices positioned above the export parity in the country's ports.

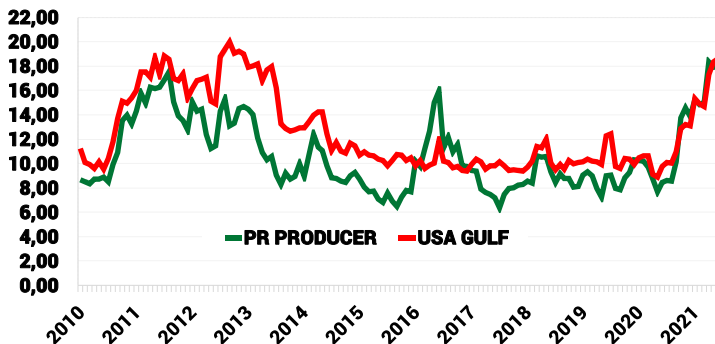
### CORN: BRAZIL PRODUCTION - MMT



### CORN: CBOT FUTURE PRICES US\$/BUSHEL



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



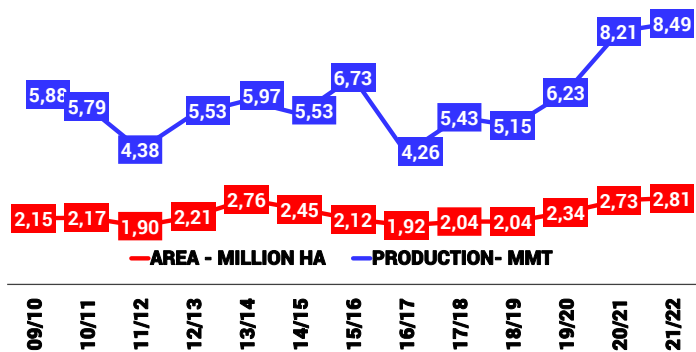
### CORN: WHOLESALE PRICES CIF SÃO PAULO R\$/60 KG - INFLATION-ADJUSTED BY IGP-DI



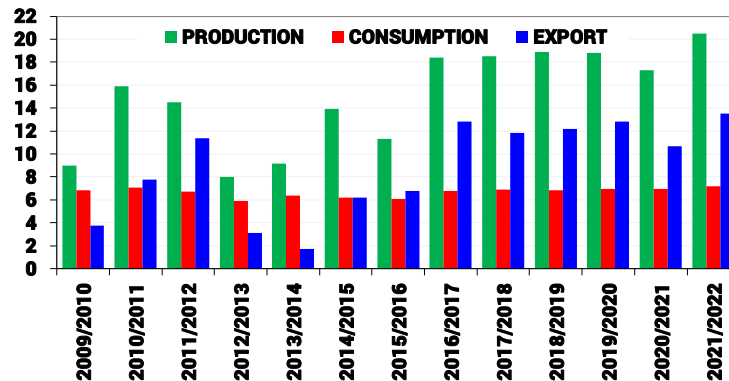
# WHEAT: 2021/2022 MARKET OUTLOOK

- The trend is for stable prices in Brazil, until the start of the new harvest, in September.
- With the retreat of the dollar and the drop in the FOB Argentine port price, wheat grain imports grew 26.4% in May compared to the same month of 2020, with the mills well supplied.
- The import parity for wheat originating in Argentina is US\$ 284.14/tonne.
- Considering the average dollar at R\$ 5.10, imported wheat reaches the inland of the South Region at R\$ 1,449/tonne, while wheat from Paraná has an average of R\$ 1,610/tonne.
- The bias is bearish in the long term, with the retreat of the dollar, drop in the import parity and projection of an increase in area and production in Brazil and Argentina in the 2021 harvest.
- Our Consultancy's forecast is for a 17% expansion of the wheat area in Brazil in 2021, with an estimate of a strong increase of 32% in production, to a record 8.2 MMT.
- In addition, global wheat prices tend to converge in the same direction as corn, which has a downward bias in futures contracts maturing in 2022.

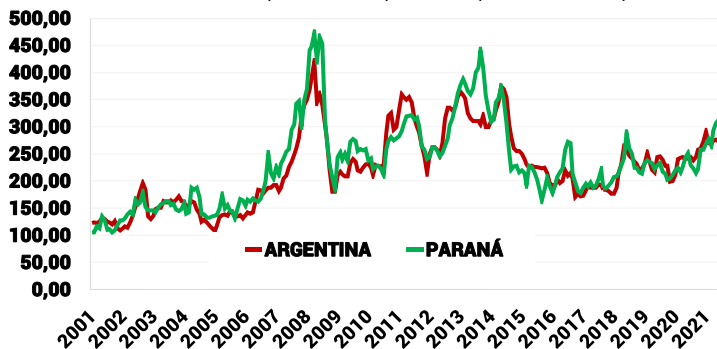
### WHEAT: BRAZIL AREA AND PRODUCTION



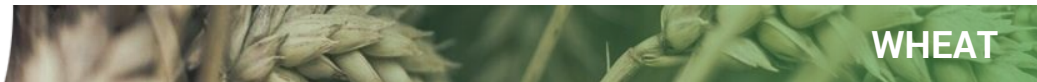
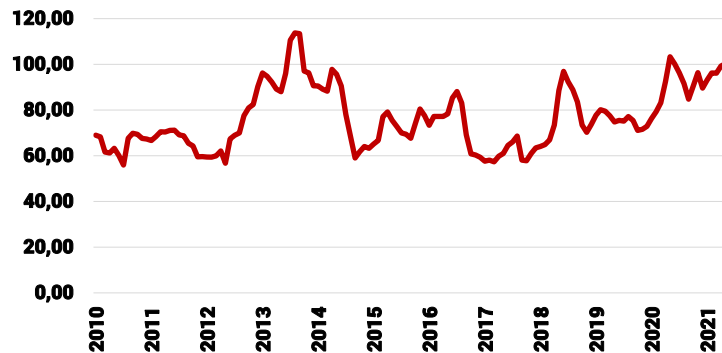
### ARGENTINA: WHEAT SUPPLY - MMT



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



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



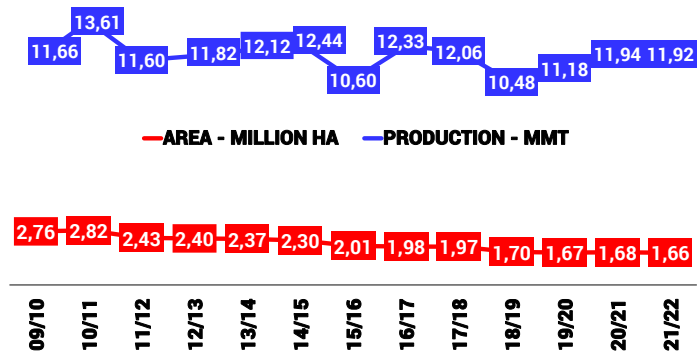


# RICE: 2021/2022 MARKET OUTLOOK

- The downward pressure on paddy rice prices is accentuated as a result of the decline in international prices and the dollar in Brazil - which causes a reduction in the export parity in Brazilian ports -, affecting the performance of exports and increasing the available supply.
- Between January and May 2021, Brazilian rice exports (paddy basis) dropped 36% compared to the same period of the previous year, while imports grew 25% in the same period.
- International prices are falling in 2021, accumulating, in the last 12 months, a decrease of 15.6% for the processed product from Thailand (WR 100% B).
- The dollar exchange rate will also lead the direction of domestic prices in the 2<sup>nd</sup> half of the year.
- Paddy rice prices dropped 13.4% in 30 days and 19.7% between January and June 2021.
- If imports continues to exceed exports in the coming months, downward pressure could increase even more on domestic rice prices, in addition to raising the projection of ending stocks for the current season.

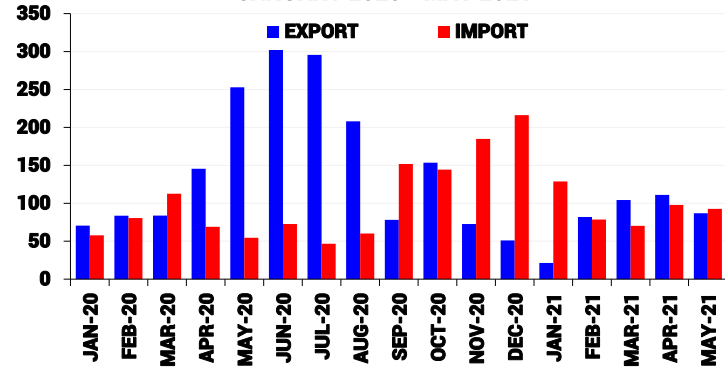


### RICE: BRAZIL AREA AND PRODUCTION



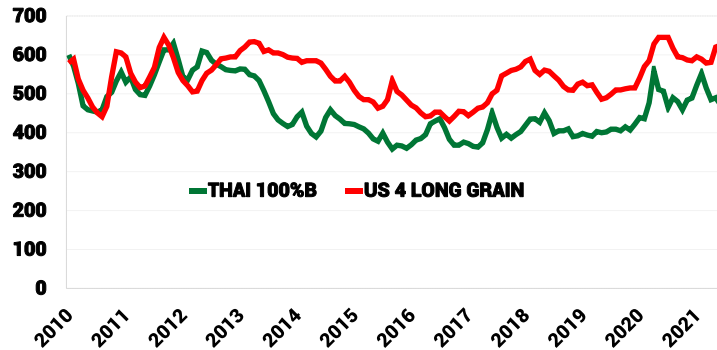
### RICE: BRAZIL EXPORT x IMPORT 1000 T (PADDY)

JANUARY 2020 - MAY 2021



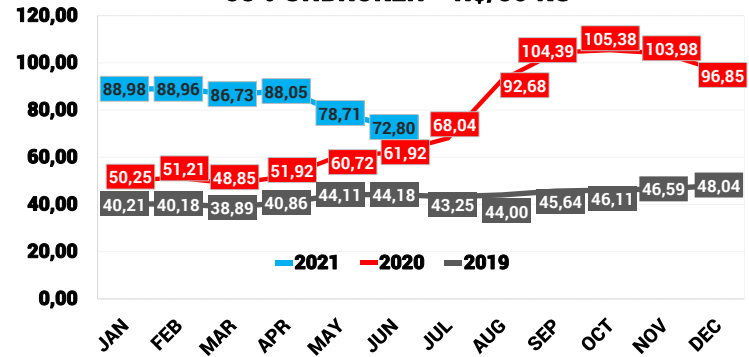
### PROCESSED RICE LONG-GRAIN: FOB PRICES

US\$/TONNE - THAILAND X USA



### PADDY RICE: FOB PRODUCER RS PRICES

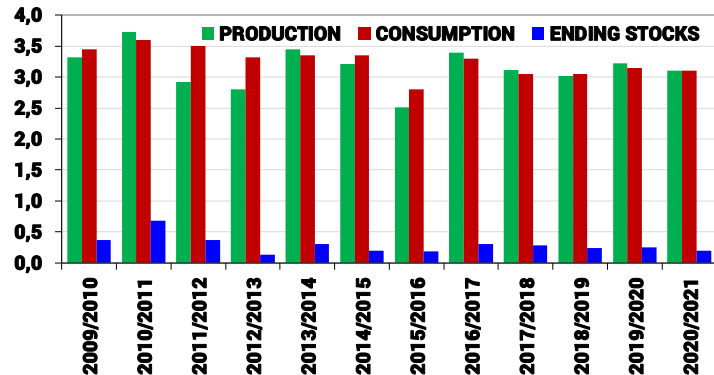
58% UNBROKEN - R\$/50 KG



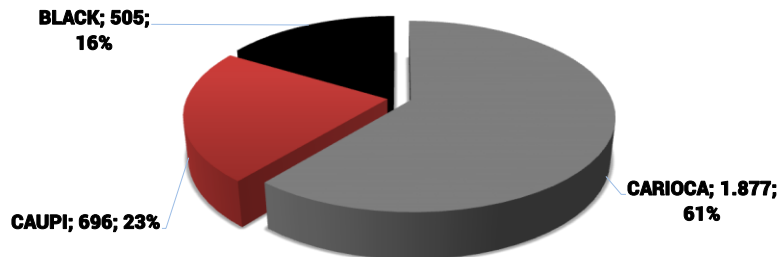
# PULSES - BEANS: 2021/2022 MARKET OUTLOOK

- The trend is for stability in prices of carioca, black and caupi beans in the short and mean terms, with crop failures in several producing regions, due to the prolonged drought.
- Bean prices have been sustained since the beginning of the pandemic in Brazil.
- The forecast is for a harvest of 3.077 MMT in the total of 3 crops planted in 2021, compared to a consumption of 3.1 MMT estimated for this year.
- The prices of carioca beans grades 8.5/9.5, FOB producer, are fluctuating between R\$ 270 and R\$ 290 per 60 kg in June, the same levels verified throughout the month of May.
- Prices for black beans - extra, FOB producer, float between R\$ 280 and R\$ 300 in this month of June, just below the fluctuation range throughout May – between R\$ 290 and R\$ 310 per 60 kg.
- The drought that affects several producing regions, especially in the 2<sup>nd</sup> harvest this year, may also cause difficulties for irrigated crops in the 3<sup>rd</sup> harvest of 2021, keeping the supply restricted in the domestic market throughout the 2<sup>nd</sup> semester of this year.

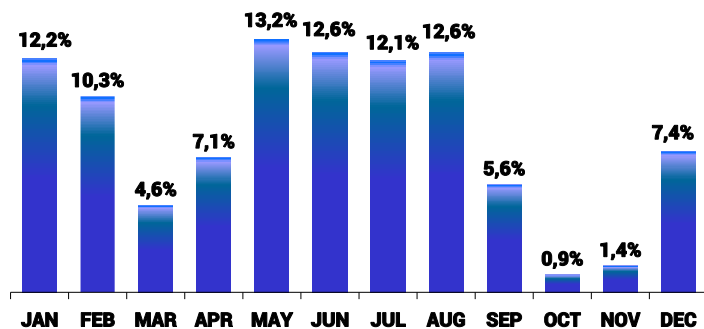
### BEANS: BRAZIL SUPPLY - MMT



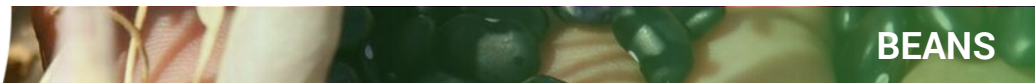
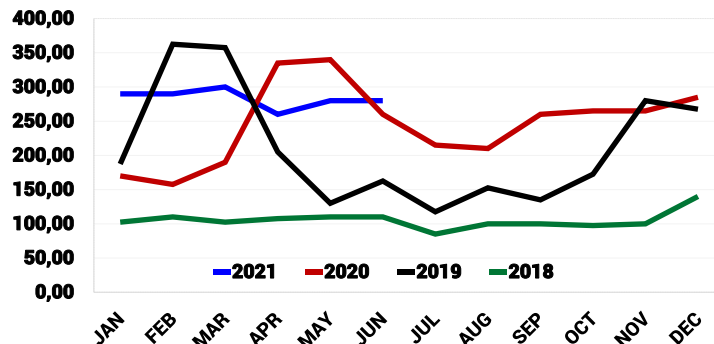
### BEANS: BRAZIL 2021 PRODUCTION DISTRIBUTION BY CLASS - THOUSAND TONNES AND %



### BEANS: MONTHLY CROP DISTRIBUTION 3 ANNUAL HARVESTS



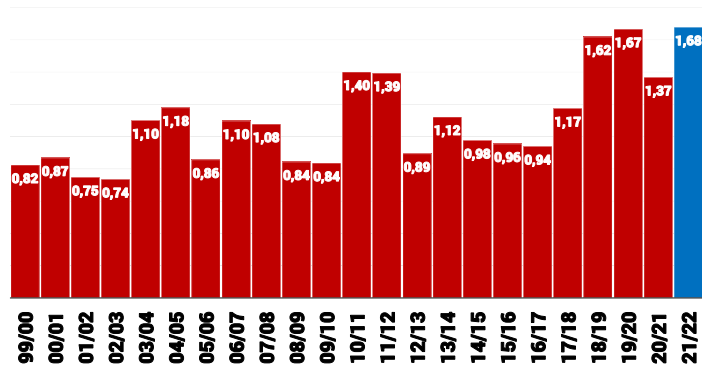
### CARIOCA BEANS: FOB PRODUCER SP PRICES R\$/60KG - BATCH MARKET



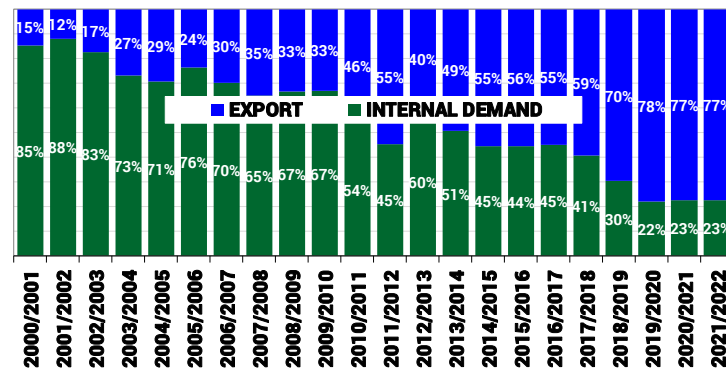
# COTTON: 2021/2022 MARKET OUTLOOK

- The trend is for stable cotton prices in Brazil, remaining at high levels.
- The CEPEA/ESALQ indicator, with payment in 8 days, registers a slight decrease of 3.8% in the last 30 days, but still accumulates an increase of 83% in the last 12 months, quoted at R\$4.96/pound.
- The lint prices in Brazil are 23% above the export parity, indicating the greater attractiveness of domestic sales compared to exports.
- The export parity FAS (Free Alongside Ship) is R\$ 4.25/pound at the Port of Santos.
- However, exports remain heated and Brazil shipped 1.023 MMT of lint between January and May 2021, 31% above the amount exported in the same period in 2020.
- After the 18% decline in the 2020/2021 harvest, the projection is for an expansion of 22.7% in the planted area in Brazil in the 2021/2022 season, given the strong recovery in oil prices.
- The external values of the fiber accumulate an increase of 46% in the last 12 months and the trend is for prices sustained in 2022, both in the foreign market and in the domestic market.

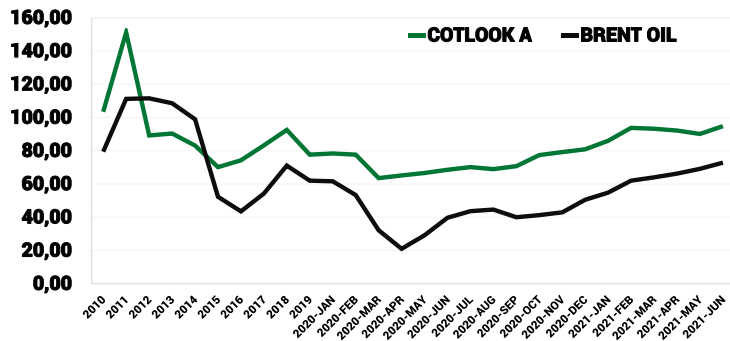
### COTTON: BRAZIL AREA - MILLION HA



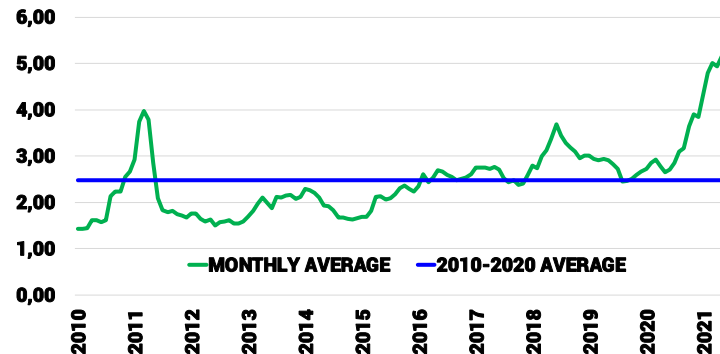
### COTTON LINT: BRAZIL PRODUCTION DESTINATION



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



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





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