

# GRAINS

## 2022/2023 OUTLOOK SUMMARY



JULY/2022



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*Fears of a global recession, with interest rate hikes spreading across the major economies of the EU-27 and the US, are pushing down prices for oil, minerals and agricultural commodities, with the biggest losses – in the case of grains – in wheat, corn, soy and cotton.*

*The futures market also corrects part of the excessive increases that occurred during the first half of the year, intensified by the war in Ukraine and problems in global logistics.*

*In the domestic market, the rise in the dollar mitigates part of these declines, but the downward pressure is intensifying on the domestic prices of corn, soybeans, wheat and cotton, with stability only for rice and beans.*

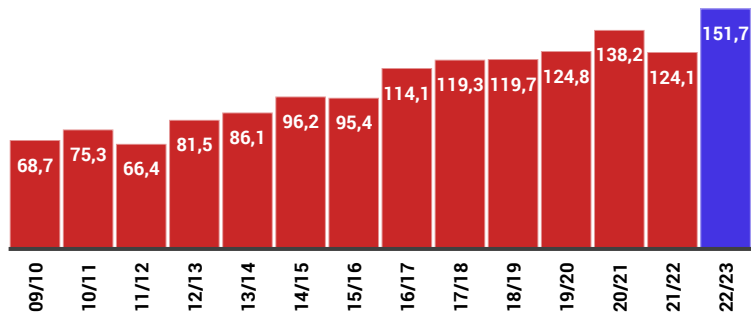
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# SOYBEAN: 2022/2023 MARKET OUTLOOK

- On the Chicago Stock Exchange, futures prices remain above the historical average of the last 10 years, but are far from the beginning of the year peak, accumulating a low of 28% in 2022.
- The contract expiring in May 2023, for example, dropped from US\$ 15.65 per bushel at the beginning of June 2022, to US\$ 13.44 per bushel in the 1<sup>st</sup> half of July – a 14% drop.
- In Brazil, the rising dollar mitigates the fall in prices, but the average price of soybeans in the countryside of PR fell from R\$ 203.22 per 60 kg in March/2022 to R\$ 184.65, a decrease of 9% .
- In Chicago, contracts for 2023 range from \$12.50 to \$13.50 a bushel, already below the \$13.40 to \$14.70 a bushel range for 2022 maturities.
- The sharp drop in oil and palm oil prices put downward pressure on the prices of soybean oil and other vegetable oils, reflecting fears of a recession in the global economy.
- The USDA revised the 2022/2023 US acreage forecast from +4.4% growth to +1.2% and also lowered the forecast for the 2022/2023 US crop from 126.3 MMT in the June/2022 report, to 122.6 MMT in the July/2022 report.
- In South America, the confirmation of the 3<sup>rd</sup> consecutive La Niña will bring drought risks to the southern part of the region and may give greater support to long-term futures contracts.

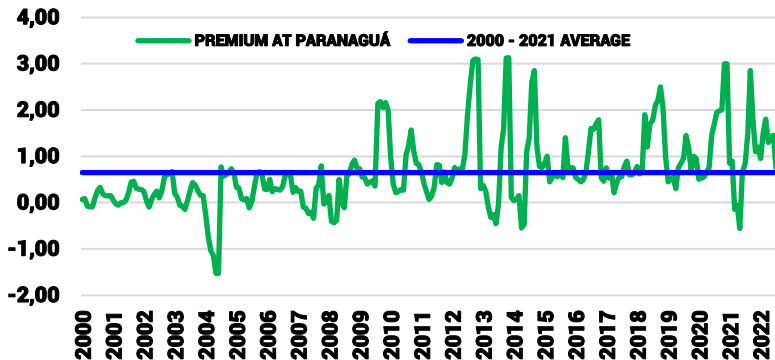
### SOYBEAN: BRAZIL PRODUCTION - MMT



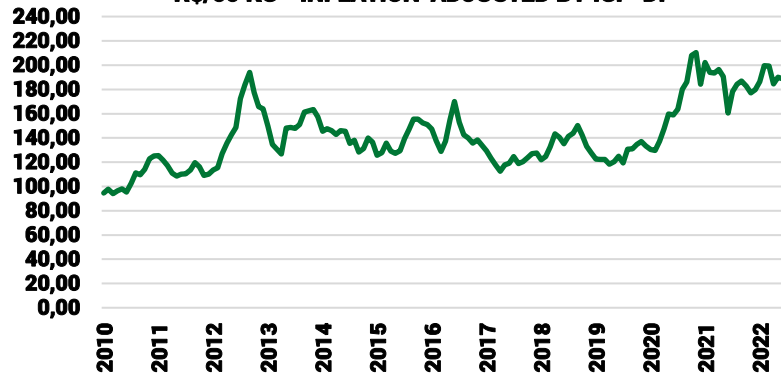
### SOYBEAN: CHICAGO FUTURE PRICES US\$/BUSHEL



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



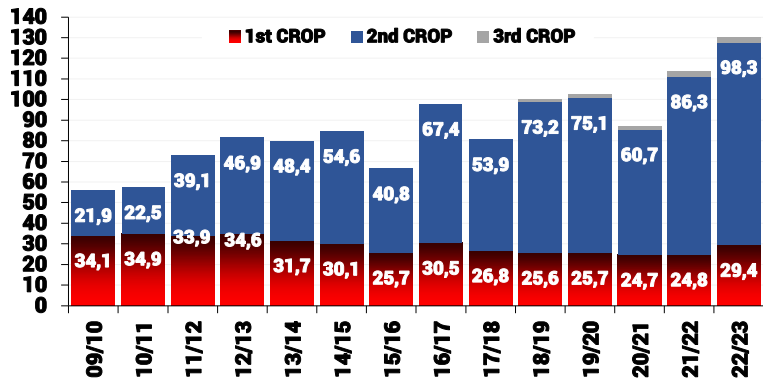
### SOYBEAN: PRODUCER PRICES FOB PR R\$/60 KG - INFLATION-ADJUSTED BY IGP-DI



# CORN: 2022/2023 MARKET OUTLOOK

- On the Chicago Stock Exchange, futures prices remain above the historical average of the last 10 years, but are far from the beginning of the year peak, accumulating a low of 25% in 2022.
- The contract expiring in May 2023, for example, retreated from its peak of US\$ 7.66 per bushel in May 2022, to US\$ 6.08 per bushel in the 1<sup>st</sup> half of July – down 21%.
- In the July/2022 report, the USDA raised the US production forecast for the 2022/2023 crop, from 367.3 MMT (June), to 368.4 MMT.
- In Chicago, futures contracts for 2023 fluctuate between \$5.60 and \$6.10 a bushel, already below the \$6.00 to \$7.00 a bushel range for 2022 expirations.
- The sharp drop in wheat futures and the sharp decline in oil prices – which reduces the competitiveness of corn ethanol in the US – are putting downward pressure on corn futures.
- In Brazil, the record 2<sup>nd</sup> crop harvest, the lack of storage spaces and the increase in internal freights are causing downward pressure on prices, which fell 6% in 2022.
- However, current prices are already in line with export parity and the dollar is at higher levels, which should stop sharper price drops in the domestic market.

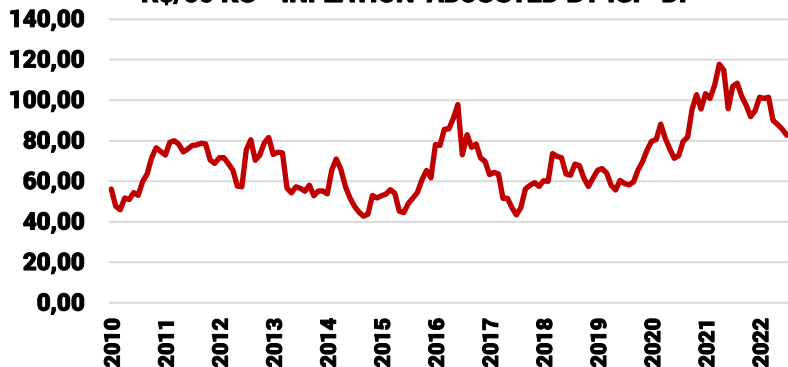
### CORN: BRAZIL PRODUCTION - MMT



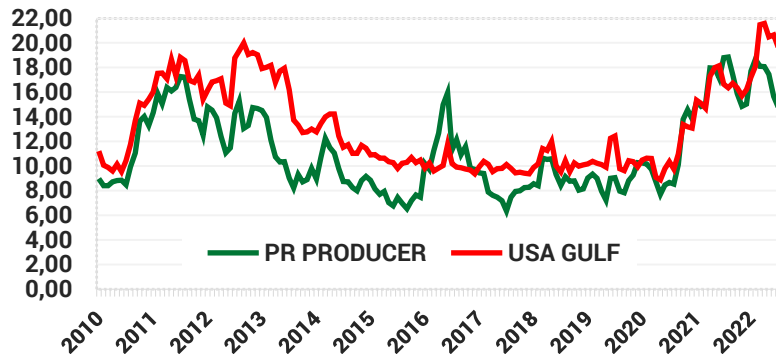
### CORN: CBOT FUTURE PRICES US\$/BUSHEL



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



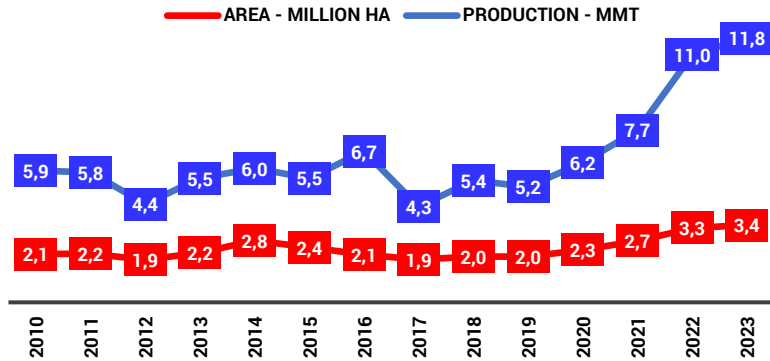
### CORN: PRICE PARITY PRODUCER PARANÁ X USA GULF - US\$/60 KG FOB



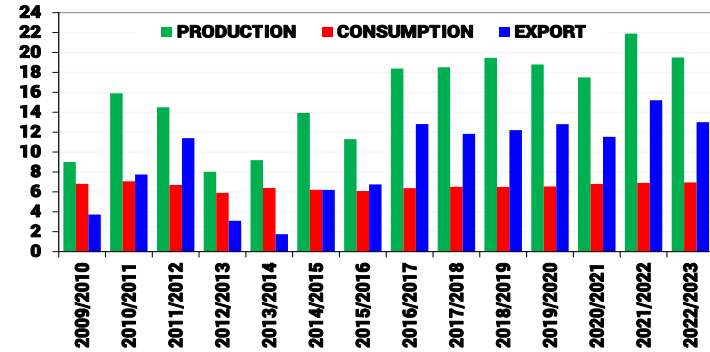
# WHEAT: 2022/2023 MARKET OUTLOOK

- On the Chicago Stock Exchange, SRW (Soft Red Winter) futures prices remain above the historical average of the last 10 years, but are significantly away from the peak recorded at the beginning of the year, accumulating a low of 51% between April and July 2022.
- The contract expiring September/2022, for example, retreated from its peak of US\$ 12.75 per bushel in May/2022, to US\$ 7.96 per bushel in this 1<sup>st</sup> half of July – down 37%.
- In Chicago, SRW (Soft Red Winter) futures for 2023 fluctuate between \$8.00 and \$8.40 per bushel, well below the \$10.00 to \$12.00 per bushel in H1 of 2022.
- In the domestic market, the rise in the dollar and the off-season attenuate the external downward pressure, but prices retreated in July, after an accumulated increase of 31% in the 1<sup>st</sup> half of 2022.
- The wheat area in Brazil in 2022 is estimated at 3.3 million hectares, 21% more than in 2021 and the largest since the 1987/1988 season -, with production estimated at a record 11 MMT, which could cause downward pressure on prices in the harvest period.
- The trend is for domestic prices in line with import parity in the 2022 harvest period (from August): with low foreign prices and the low volume of anticipated sales, buyers should impose downward pressure on price indications.

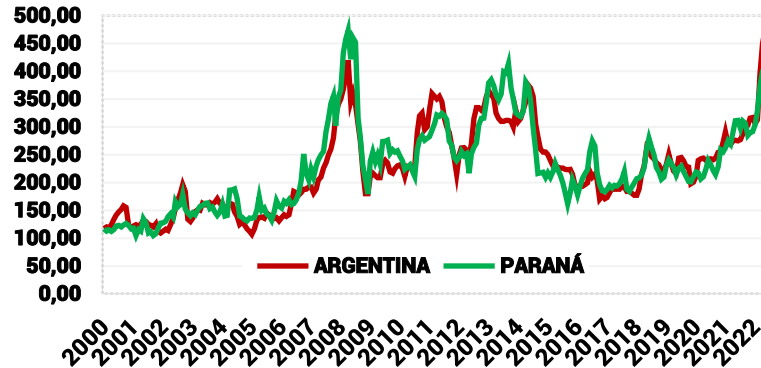
### WHEAT: BRAZIL AREA AND PRODUCTION



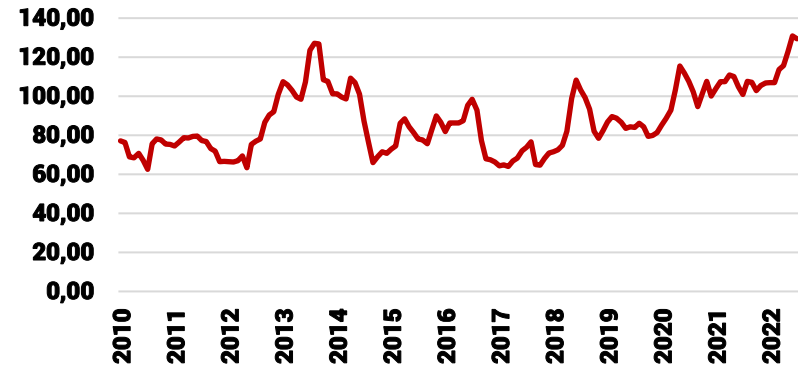
### ARGENTINA: WHEAT SUPPLY - MMT



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



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



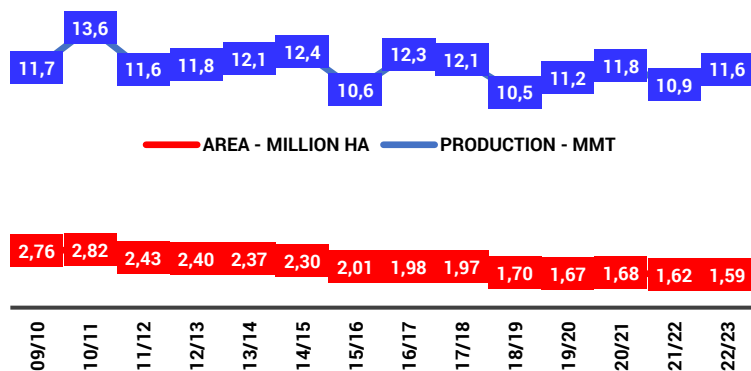


# RICE: 2022/2023 MARKET OUTLOOK

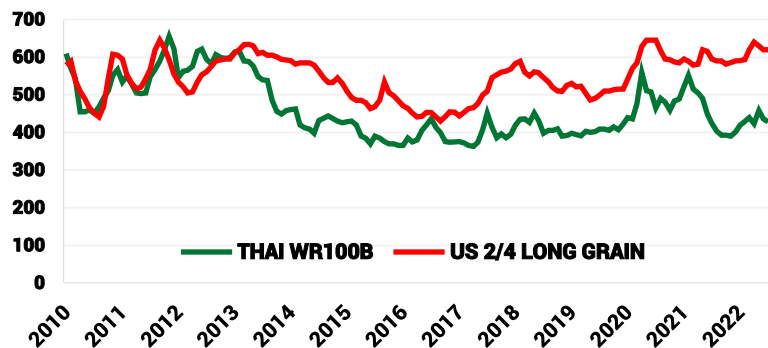
- The prices of paddy rice are firm in the domestic market, with an increase of 5.4% in the last 30 days and 22.1% YTD, between January and July.
- In the April-May period, exports were weak, with the dollar down in this period, which kept the domestic market oversupplied and prices pressured by producers.
- However, in June, Brazilian rice exports performed well and grew 87% compared to the same month in 2021.
- From January to June 2022, Brazilian exports (paddy basis) grew 44% compared to the same period of the previous year.
- On the other hand, in the same period of the year, imports grew by only 4%.
- As a result, exports exceed imports by 113 thousand tonnes in the 1<sup>st</sup> half of 2022.
- Domestic demand still weak and stagnant international prices continue to prevent sharper increases in the product in the Brazilian domestic market.
- The dollar and rising freight rates are pushing up import costs for Mercosur countries, which could pave the way for a sharper rise in prices over the current off-season.



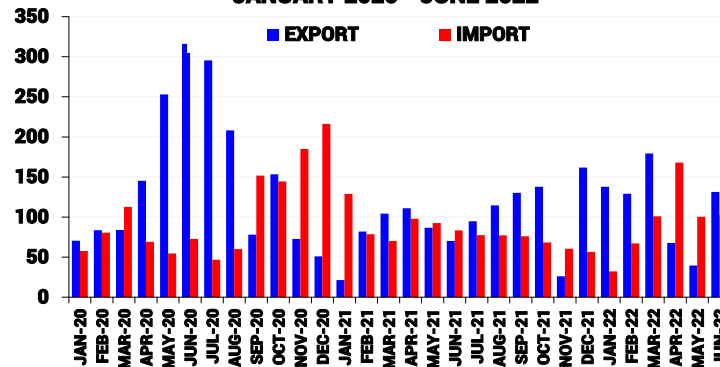
## RICE – BRAZIL AREA AND PRODUCTION



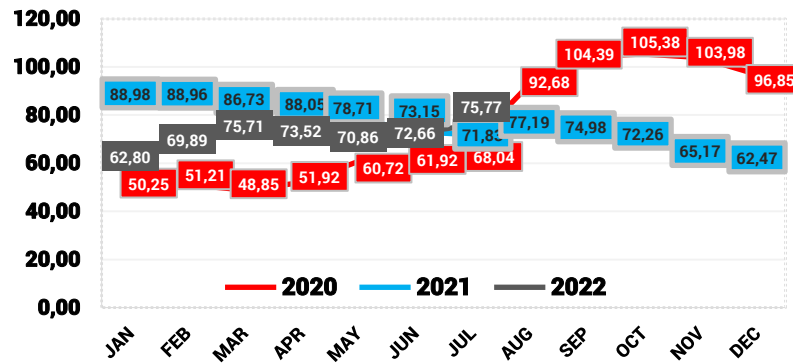
## PROCESSED RICE LONG-GRAIN: FOB PRICES US\$/TONNE - THAILAND X USA



## RICE: BRAZIL EXPORT x IMPORT 1000 T (PADDY) JANUARY 2020 - JUNE 2022



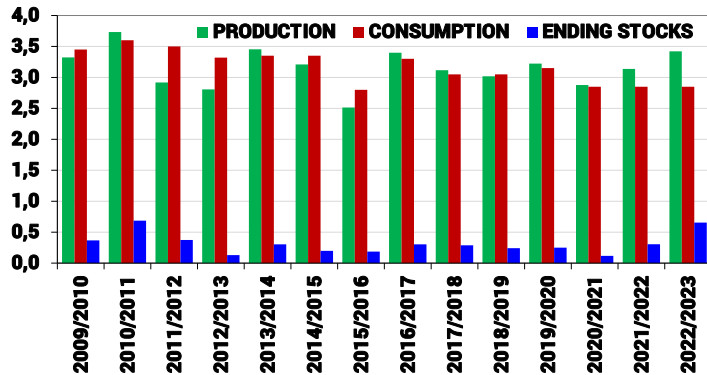
## PADDY RICE: FOB PRODUCER RS PRICES 58% UNBROKEN - R\$/50 KG



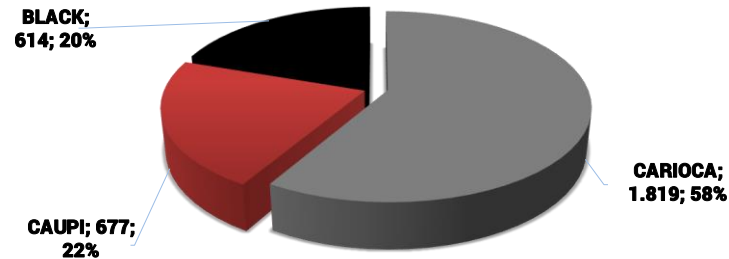
# **PULSES - BEANS: 2022/2023 MARKET OUTLOOK**

- **Prices paid to bean producers have remained relatively stable throughout this year, with occasional drops and rises, depending on available supply on the market.**
- **Prices for carioca beans rated 8.5/9.5, FOB producer, are oscillating in July between R\$280 to R\$315 per 60 kg, compared to R\$290 to R\$320 per 60 kg in June/2022.**
- **Prices for black beans-extra, FOB producer, are oscillating between R\$ 185 and R\$ 215 this month of July, in the same range of R\$ 185 to R\$ 215 per 60 kg in June 2022.**
- **The trend is the total area to be planted in the 3 harvests of 2023 to be kept, but productivity should recover and increase domestic supply.**
- **The projection of our Consultancy for the total area of the 3 crops cultivated in 2022/2023 is 2.8 million hectares, with an estimated production of 3.4 MMT, 9% above the volume expected for the total production of the 3 crops in the current 2021/2022 season.**
- **The reduction in the purchasing power of consumers and the supply adjusted to demand lead to a trend of stability for prices in the second half of 2022.**
- **The confirmation of the 3<sup>rd</sup> consecutive La Niña will bring drought risks to southern Brazil, which could negatively impact the productivity of the 1<sup>st</sup> harvest 2023 and cause price increases.**

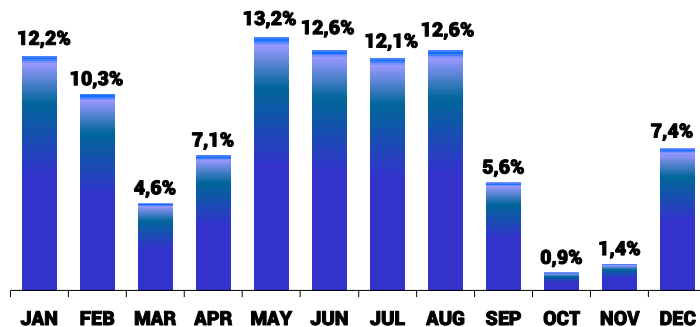
### BEANS: BRAZIL SUPPLY - MMT



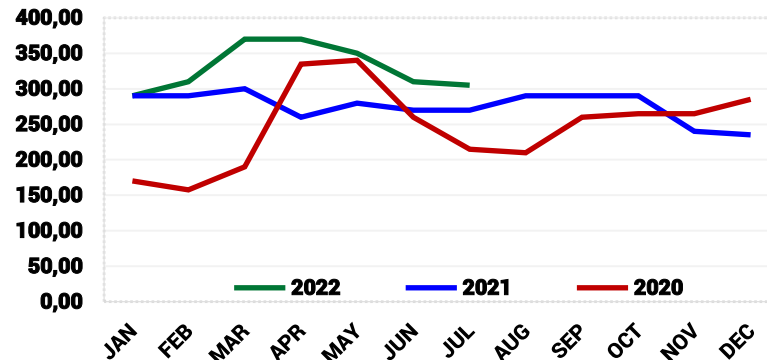
### BEANS: BRAZIL 2022 PRODUCTION DISTRIBUTION BY CLASS - THOUSAND TONNES AND %



### BEANS: MONTHLY CROP DISTRIBUTION 3 ANNUAL HARVESTS



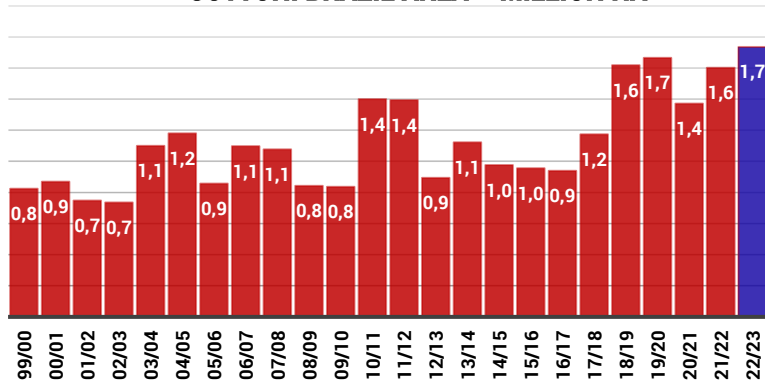
### CARIOCA BEANS: FOB PRODUCER SP PRICES R\$/60KG - BATCH MARKET



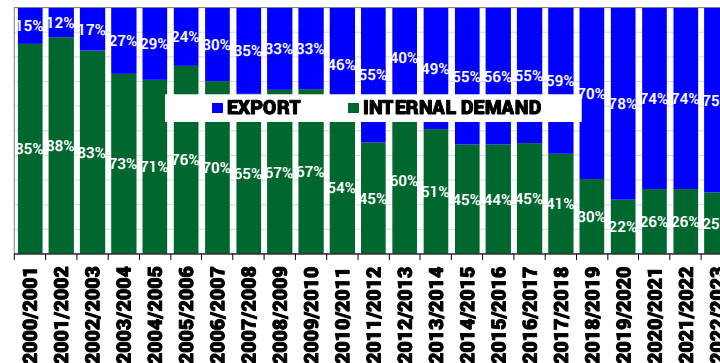
# COTTON: 2022/2023 MARKET OUTLOOK

- The sharp drop in foreign prices between April and July of this year – 35% in this period – put pressure on domestic prices, which dropped 19% in the last 30 days and 24% between the months of May and July.
- After reaching the highest levels of the last 10 years, around 140 ¢ per pound in the 1<sup>st</sup> half of 2022, the futures prices of the plume on ICE US (New York) are already positioning themselves below the level of 100 ¢ per pound.
- The prospects of a global economic recession and a reduction in global demand, especially from China, are some of the factors that exerted pressure on international prices, in addition to the sharp drop in oil prices, which increases the competitiveness of synthetic fibers.
- Given this scenario, in Brazil, lint prices are the lowest since November 2021 and are already below export parity.
- The FAS (Free Alongside Ship) export parity is R\$ 6.21 per pound and should serve as a floor for domestic prices, which are at R\$ 6.02 per pound.
- As a result, the advance of planted area in Brazil in the 2022/2023 crop may be held back by the sharp rise in input prices and production costs, combined with the decline in future quotations.

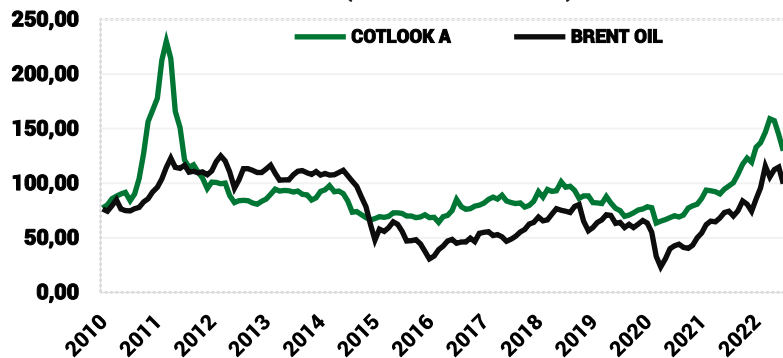
### COTTON: BRAZIL AREA – MILLION HA



### 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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