

GRAINS

2023/2024 OUTLOOK SUMMARY



MAY/2023



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Future grain prices continue to retreat on the Chicago Board of Trade, with the expectation of a record global supply of grains in 2023/2024.

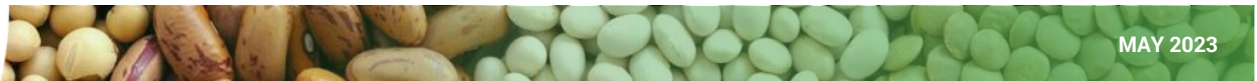
Soybean and corn futures are in a bearish bias, approaching pre-pandemic levels.

The profitability margins of Brazilian farmers will suffer a sharp decline in 2022/2023, given the record costs of grain production.

On the other hand, the decline in production costs for the 2023/2024 season is significant, with a sharp drop in the prices of fertilizers and pesticides.

Profitability margins should grow in 2023/2024, with the drop in costs more than offsetting the decline in grain prices.

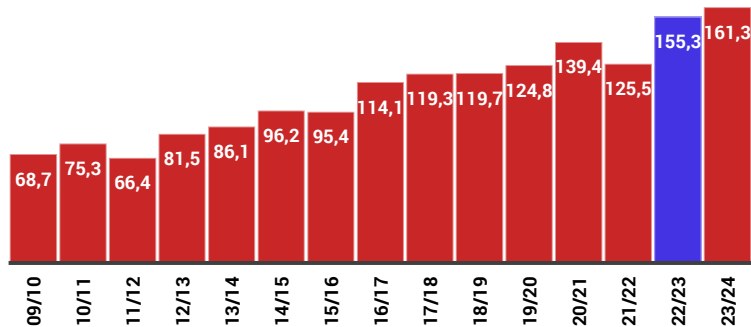
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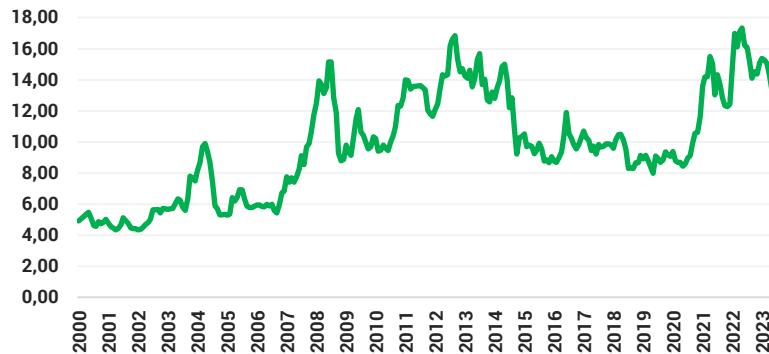
SOYBEAN: 2023/2024 MARKET OUTLOOK

- The trend is towards more sustained prices for soybeans on the domestic market, after the sharp declines recorded throughout March and April of this year, which resulted from a combination of factors, including: the drop in the dollar; the increase in domestic supply; the low volume of anticipated sales in the 2022/2023 harvest; the rise in freight costs between the interior and the ports; the accumulation of ships at export terminals; and negative premiums in Brazilian ports.
- There is a gradual retreat of negative pressure on premiums in Brazilian ports, which are positive for shipments from August/2023.
- The trend is for firm prices for derivatives – meal and oil – in the domestic market, with the good pace of exports, which should help support grain prices in the second half.
- On the Chicago Board of Trade, maturities for the 2nd half of 2023 float between US\$ 12.00 and US\$ 13.20 per bushel, reflecting the global supply increase expectation, with the record harvest in Brazil in 2022/2023 and the expectation record harvest in the US in the current 2023/2024 season.
- For 2024, future quotations fluctuate between US\$ 11.80 and US\$ 12.50 per bushel in Chicago.
- What's on the radar: premiums at Brazilian ports, weather market in the 2023/2024 US crop, exchange rate in Brazil and high chances of El Niño occurrence in the summer of 2023/2024.

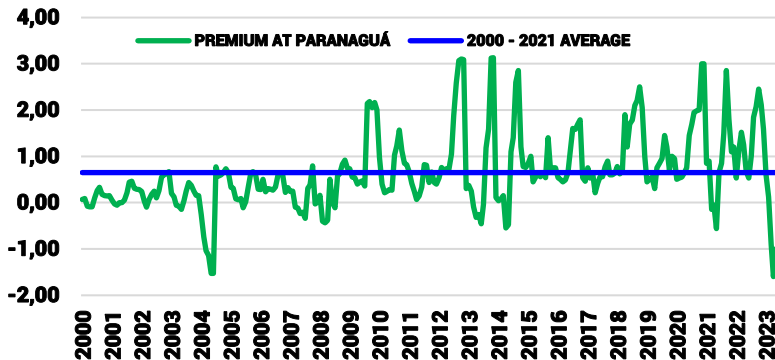
SOYBEAN: BRAZIL PRODUCTION - MMT



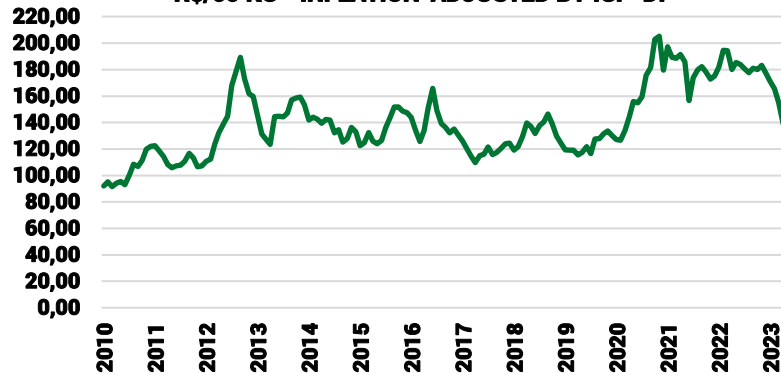
SOYBEAN: CHICAGO FUTURE PRICES US\$/BUSHEL



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



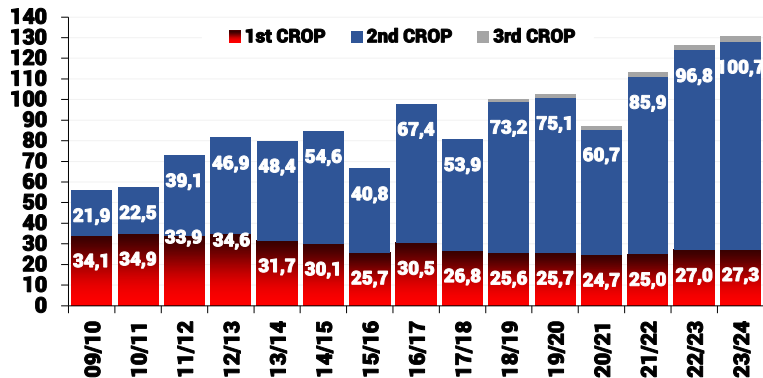
SOYBEAN: PRODUCER PRICES FOB PR R\$/60 KG - INFLATION-ADJUSTED BY IGP-DI



CORN: 2023/2024 MARKET OUTLOOK

- In the domestic market, there is strong downward pressure on prices, with the fall in the dollar, the start of the record 2nd harvest of 2023 and expectations of increased supply in the coming weeks.
- Premiums are negative in Brazilian ports, with the storage capacity deficit and the expectation of a record harvest reducing the export parity in the country's ports.
- The downward pressure should intensify in the short term, with excess supply concentrated in May/June and the market's inability to absorb these surpluses.
- At the Chicago Stock Exchange, the trend is downward for future corn prices, with expectations of a record harvest in Brazil in 2023, and in the US, in the current 2023/2024 season.
- Futures contracts for the second half of 2023 range from US\$5.00 to US\$5.90 per bushel, while maturities for 2024 range from US\$5.00 to US\$5.30 per bushel.
- Brazilian exports remain heated, with an increase of 100% in the accumulated from January to May 2023, compared to the same period of the previous year.
- What's on the radar: premiums at Brazilian ports, weather market in the 2023/2024 US harvest, exchange rate in Brazil, flow of Brazilian exports throughout 2023 and high chances of El Niño occurrence in the summer of 2023/2024.

CORN: BRAZIL PRODUCTION - MMT



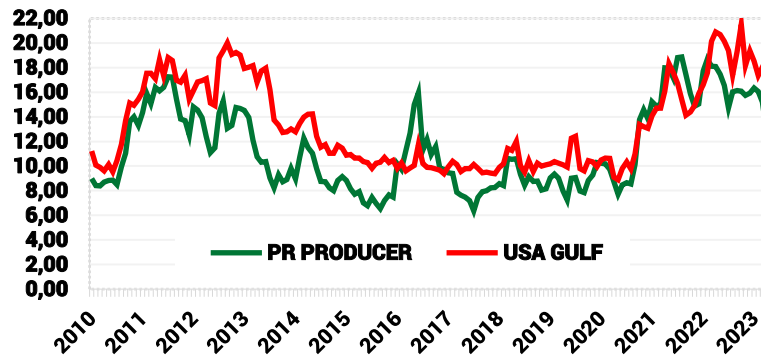
CORN: CBOT FUTURE PRICES US\$/BUSHEL



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



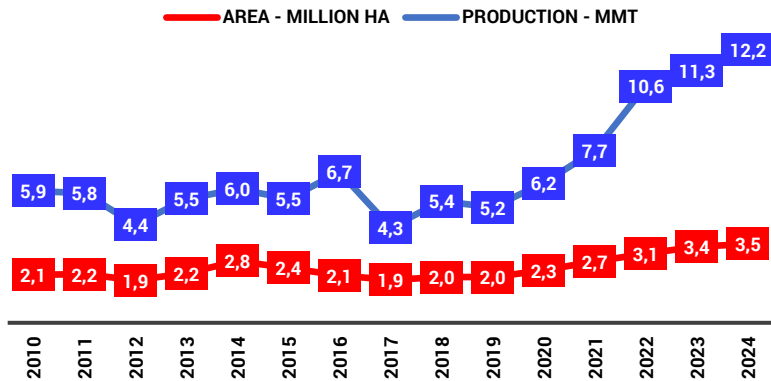
CORN: PRICE PARITY PRODUCER PARANÁ X USA GULF - US\$/60 KG FOB



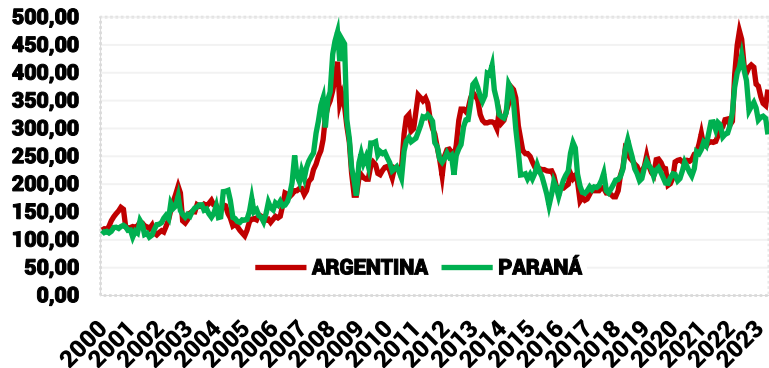
WHEAT: 2023/2024 MARKET OUTLOOK

- On the Chicago Board of Trade, future prices for SRW wheat (Soft Red Winter) are stable, oscillating between US\$ 6.60 to US\$ 7.00 per bushel on maturities for the 2nd half of 2023.
- In the domestic market, however, there is downward pressure on wheat prices, with the fall in the dollar, the record crop harvest in 2022 and the need to open spaces in warehouses for the record summer crop and for the 2nd record crop in corn.
- Current prices on the domestic market range from R\$1,400 to R\$1,450 a tonne for type 1 wheat in Paraná and between R\$1,280 to R\$1,300 a tonne in Rio Grande do Sul.
- Mills still have extended inventories and tend to manage current reserves at low levels until the start of the next harvest, starting September 2023.
- The early negotiation of the next 2023 harvest is still very slow, amid high inventories in the national milling industry.
- What's on the radar: exchange rate in Brazil, flow of exports in the Black Sea region, need for wheat imports from third markets in the coming months and import parity in Brazil.

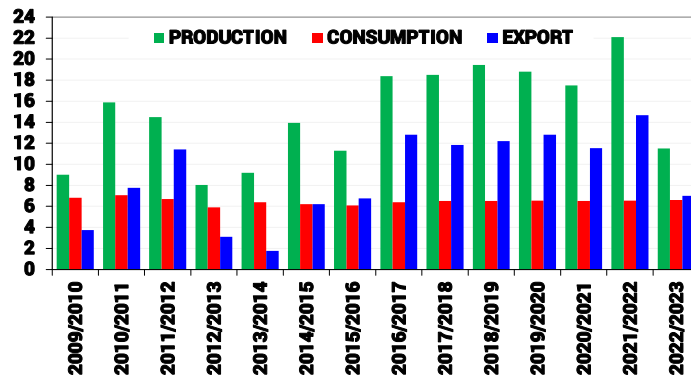
WHEAT: BRAZIL AREA AND PRODUCTION



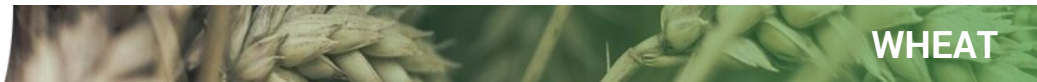
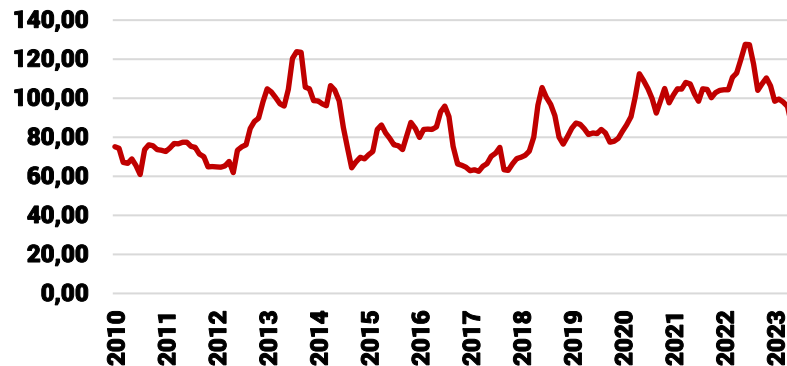
BREAD WHEAT: FOB PRICES US\$/T ARGENTINA (ROSÁRIO) X PR (PRODUCER)



ARGENTINA: WHEAT SUPPLY - MMT



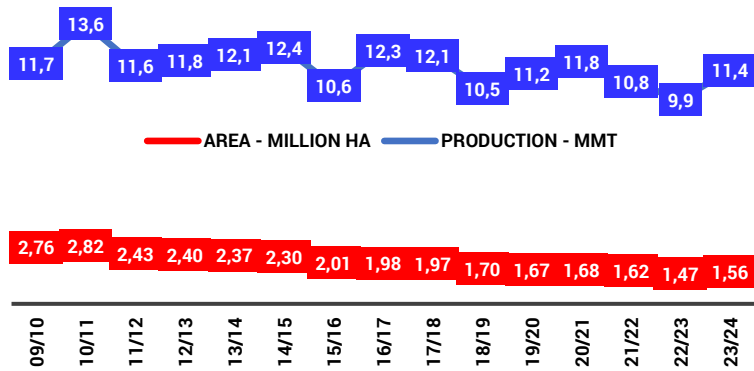
WHEAT: FOB PRODUCER PR PRICES - R\$/60 KG INFLATION-ADJUSTED BY IGP-DI



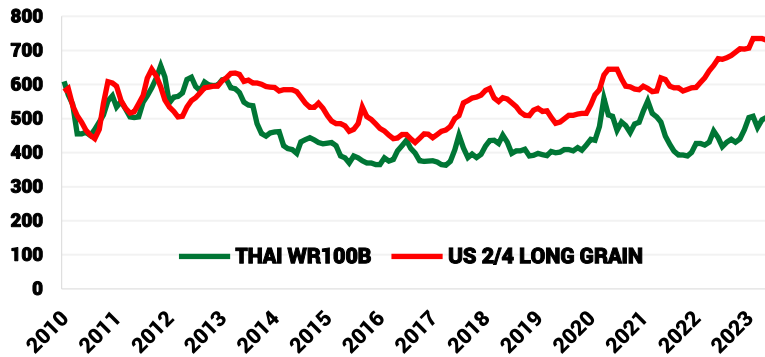
RICE: 2023/2024 MARKET OUTLOOK

- Paddy rice prices dropped, on average, 3.4% in the last 30 days, but accumulated a nominal increase of 18.8% in the last 12 months, even with the completion of the 2023 harvest.
- With the lowest domestic production since 1998, the tendency is for more sustained prices in this harvest period, with an upward bias for the off-season.
- The Brazilian rice crop for 2023 is estimated at 9.95 MMT, down 8% compared to the previous year, well below the estimated domestic consumption of 10.25 MMT.
- In the accumulated from January to April 2023, Brazilian exports of rice (paddy basis) decreased by 1% compared to the same period of the previous year, while imports, in this same interval, grew by 26%.
- In the first quarter of 2023, exports of 507.5 thousand tonnes (paddy basis) and imports of 465.6 thousand tonnes (paddy basis) result in a small surplus of 41.9 thousand tonnes (paddy basis) in the trade balance of the sector.
- What's on the radar: the falling exchange rate in Brazil reduces the export parity at ports, the flow of exports and imports over the next few months and the expectation of a further reduction in carryover stocks from 2023 to 2024.

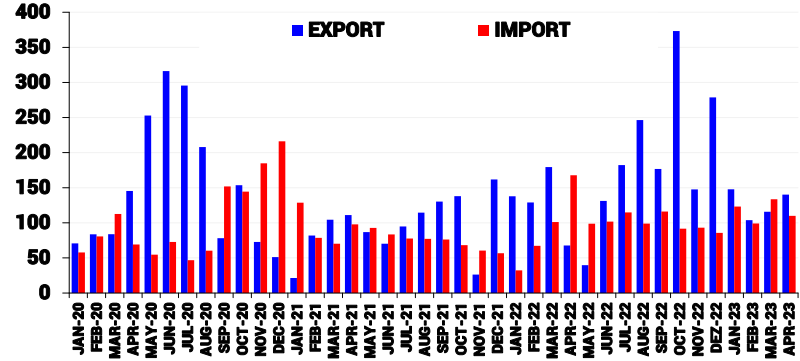
RICE - BRAZIL AREA AND PRODUCTION



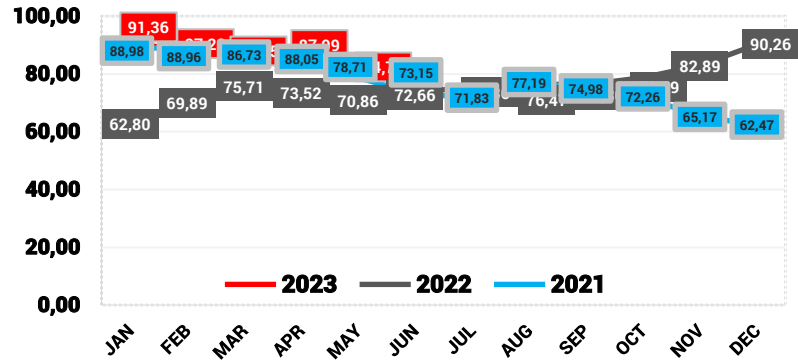
PROCESSED RICE LONG-GRAIN: FOB PRICES US\$/TONNE - THAILAND X USA



RICE: BRAZIL EXPORT x IMPORT 1000 T (PADDY) JANUARY 2020 - APRIL 2023



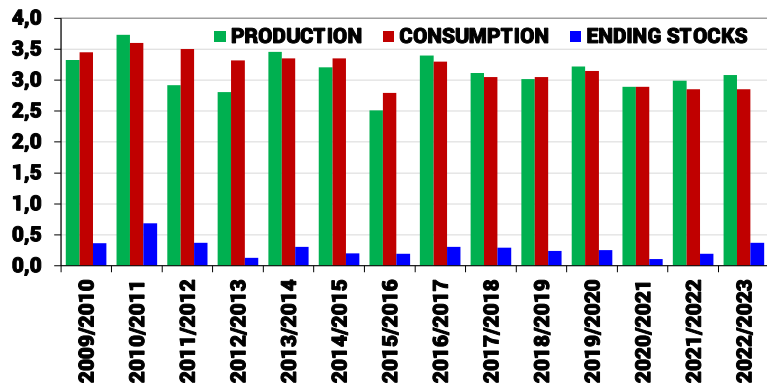
PADDY RICE: FOB PRODUCER RS PRICES 58% UNBROKEN - R\$/50 KG



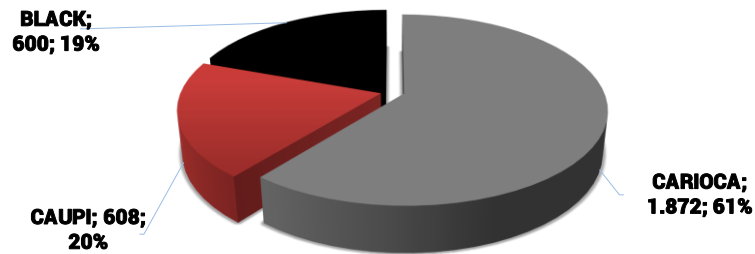
PULSES - BEANS: 2023/2024 MARKET OUTLOOK

- Prices paid to carioca bean producers remain firm in this month of May 2023.
- Carioca bean prices of grades 8.5/9.5, FOB producer are oscillating between R\$ 367 to R\$ 420 per 60 Kg, above the range of R\$ 360 to R\$ 420 per 60 Kg in April 2023.
- Black beans-extra prices, FOB producer, are ranging between R\$ 260 to R\$ 280 this month of May, just below the range of R\$ 265 to R\$ 285 per 60 kg, recorded in April 2023.
- The area planted in the 1st crop 2022/2023, which is at the end of the harvest in the Center-South of Brazil, decreased by 5.5% in relation to the area cultivated in the 1st crop 2021/2022, while the area planted in the 2nd crop 2022/2023 is expected to decline by 5.2%, reducing supply over the first half of 2023.
- Our Consulting projection for the total area of the 3 crops cultivated in 2022/2023 is 2.742 million hectares, a decrease of 4.1% compared to the area planted in the 2021/2022 season, with an estimated production of 3.080 MMT, 3.0% above the volume harvested last season.
- What's on the radar: expectation of an increase in planted area in the 3rd harvest of 2023 and the possibility of expanding domestic supply from July/August, increasing chances of El Niño in the summer of 2023/2024 and risks of drought in the producing areas of the Northeast of Brazil.

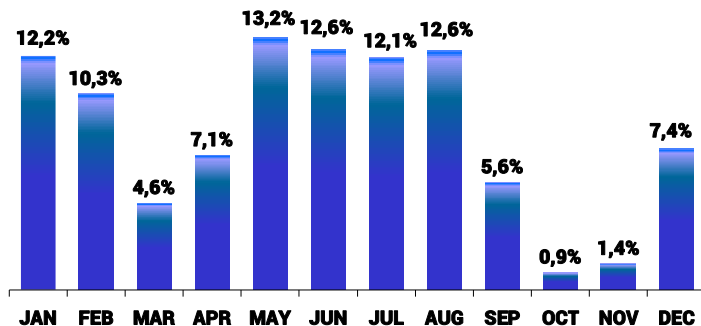
BEANS: BRAZIL SUPPLY - MMT



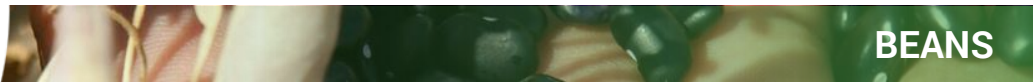
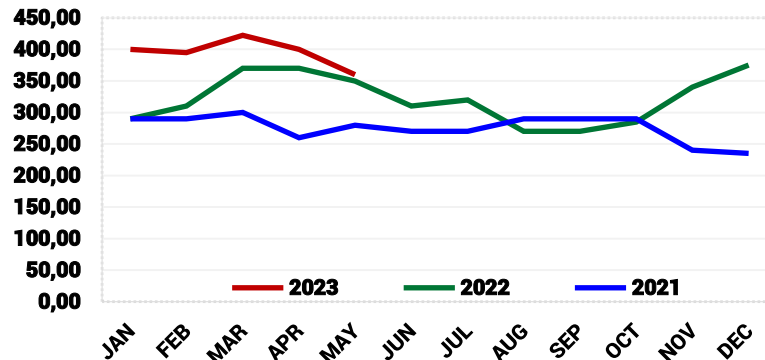
BEANS: BRAZIL 2022 PRODUCTION DISTRIBUTION BY CLASS - THOUSAND TONNES AND %



BEANS: MONTHLY CROP DISTRIBUTION 3 ANNUAL HARVESTS



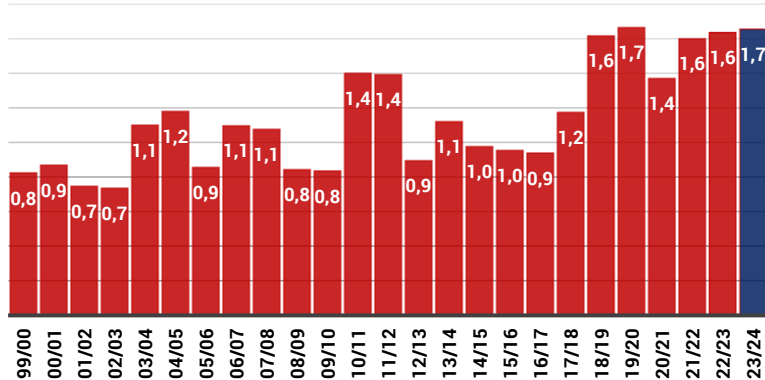
CARIOCA BEANS: FOB PRODUCER SP PRICES R\$/60KG - BATCH MARKET



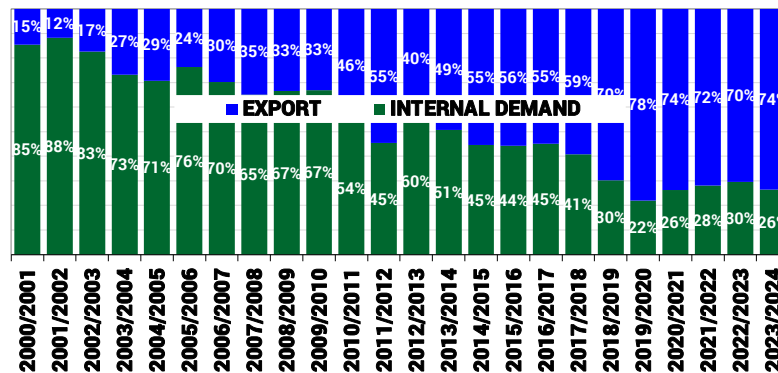
COTTON: 2023/2024 MARKET OUTLOOK

- Feather prices continue to fall sharply on the domestic market, averaging R\$3.86 per pound, accumulating a decline of 11% in the last 30 days and 51% in the last 12 months.
- ICE US (New York) feather futures due in 2024 are trading between 77 ¢ and 82 ¢ per pound, with a long-term bearish bias.
- The external quotations of the plume accumulated a strong retraction of 41% in the last 12 months.
- Domestic plume prices, which have been falling since mid-February, began to retreat even more intensely in early May, with weakened demand.
- Factories that have fiber purchased at R\$5.00 per pound are unable to pass on this value in the sale of yarns and fabrics, and trading offers are in the range of R\$4.50 per pound.
- New crop cotton already available on the market has no buyer and current domestic price levels are 5.3% below export parity.
- What's on the radar: exchange rate in Brazil, weakening domestic demand, decline in global demand for lint, weakness in Brazilian exports, oil prices and prices of synthetic fibers competing with lint.

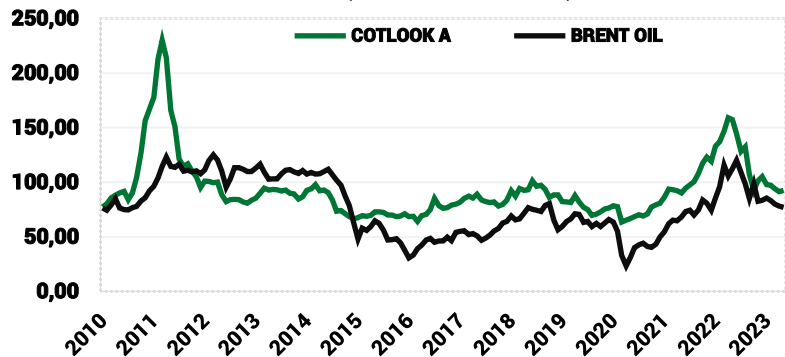
COTTON: BRAZIL AREA – MILLION HA



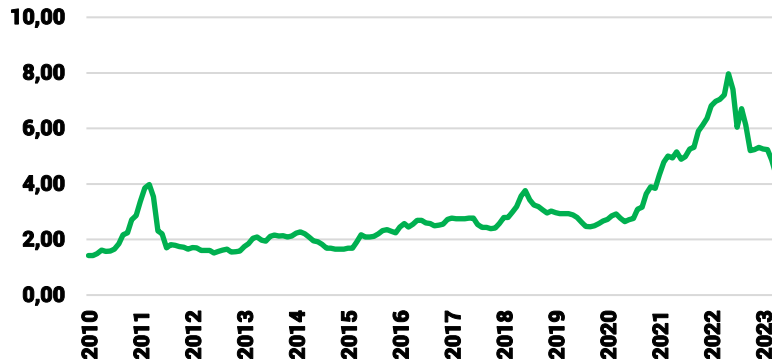
COTTON LINT: BRAZIL PRODUCTION DESTINATION



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



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





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