EXECUTIVE SUMMARY OF AGRICULTURAL MARKETS

Harvests, Climate, Costs, Profitability and Grain Market Trends – 2026/2027

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Climate – El Niño Strengthens and Expands Risks for the 2026/27

El Niño conditions are already present in the Pacific Ocean and are expected to intensify throughout the 2026/2027 crop season, with a high probability of developing into a strong to very strong event. In Brazil, the Center-South region may benefit from more regular rainfall, favoring the production potential of soybeans, corn and cotton. In contrast, MATOPIBA and the Northern region face a greater risk of dry spells, water deficits and yield losses. The phenomenon also increases the risk of excessive rainfall in Southern Brazil.

Fertilizers – End of the Conflict Expected to Ease Costs

The agreement between the United States and Iran reduces part of the geopolitical tensions involving the Strait of Hormuz and opens room for a gradual normalization of the global fertilizer market. After a sharp rally during the conflict, prices of urea, ammonia and phosphates have already started to correct, favoring the rebuilding of global inventories and reducing pressure on production costs for the 2026/27 crop season. Nevertheless, the downward trajectory remains conditional on the operational resumption of Persian Gulf plants and on the stability of geopolitical negotiations in the coming months.

Soybeans – Record Supply Limits Upside in the Global Market

The main source of uncertainty continues to be the ability of the United States to expand its exports to China. Although the USDA projects shipments of 15 million metric tons to the Chinese market, U.S. soybeans are losing competitiveness relative to Brazilian and Argentine supplies, in addition to remaining subject to China's import tariff. In the international market, prices continue to be pressured by abundant global supply, but they find support in the possibility of an intense El Niño event, which is already developing and could become the main source of price volatility during the second half of 2026.

In Brazil, high export premiums and strong demand from the domestic crushing industry help sustain market liquidity and limit steeper declines, even in the face of expectations for a record crop. In Chicago, the November contract is trading close to important support levels. A recovery toward US$12.00 per bushel is possible, but it will depend on new signs of Chinese demand or significant weather problems in the United States. In the absence of these factors, the market is likely to remain vulnerable and struggle to sustain more consistent upward movements.

Corn – Domestic Market Under Pressure from the Second Crop

The Brazilian corn market remains under pressure due to expectations of ample domestic supply, the arrival of the second crop and high carryover stocks. Buyers remain cautious, while sellers are showing greater flexibility as the harvest progresses. On the international front, although global production is expected to decline slightly, world stocks continue on a downward trend, reducing the stock-to-use ratio to the lowest levels in more than a decade. In Brazil, weather conditions for the second crop remain favorable across most regions, although the market remains attentive to drought and frost risks.

Wheat – Domestic Market Supported by the Off-Season

The wheat market remains firm in Brazil, supported by the scarcity of high-quality lots and the need for inventory replenishment by the milling industry. Remaining supplies from the previous crop are limited, while planting of the new crop is progressing at a slower pace in Southern Brazil. Internationally, the prospect of a reduction in planted area in Argentina, Brazil's main foreign supplier, reinforces price support. High production costs continue to limit the expansion of cultivated area

Cotton – Strong Exports but Slower Physical Market

Trading activity in cotton lint remains slow due to the recent weakness in international prices. In the domestic market, prices range between R$4.14 and R$4.16 per pound, still approximately 7% above export parity. Forward sales of the crop continue to advance steadily, with 23% of the estimated 2025/2026 production already committed. In the international market, improving crop conditions in the United States are putting pressure on futures prices on the New York Board of Trade. In the short term, oil prices will continue to be one of the main drivers of the market, while competition from synthetic fibers limits more pronounced price appreciation.

Rice – Low Profitability May Support Prices

The rice market remains under pressure due to low liquidity, slowing demand and prices below production costs. Exports remain relevant, but insufficient to reverse the current scenario of compressed profitability. Producers' financial difficulties reduce investment capacity and increase the likelihood of a reduction in planted area in the next crop season. At the same time, the strengthening of El Niño raises weather risks in Rio Grande do Sul, Brazil's main producing state, creating conditions for a possible structural recovery in prices over the medium and long term.

Sugarcane – Sugar Under Pressure and Ethanol Gains Importance

The global sugar market is expected to remain in surplus in 2026/2027. Global production is projected to exceed consumption by 5.9 million metric tons, contributing to the rebuilding of world inventories. Although Brazil will remain the world's largest producer and exporter, its production is expected to decline to 42.5 million metric tons due to the greater attractiveness of ethanol. At the same time, India is expected to significantly increase its production, reinforcing international supply. This scenario tends to limit more significant upward movements in international prices. Nevertheless, the market remains attentive to weather risks associated with the potential development of El Niño, particularly in Brazil, India and Thailand, since relatively small losses could reduce or eliminate the projected surplus.

Ethanol is expected to remain the most dynamic segment of Brazil's sugar-energy industry in 2026/2027. Mills are likely to allocate a larger share of sugarcane to biofuel production due to the better profitability provided by the domestic market compared with sugar. Total ethanol production is expected to reach a record 42.1 billion liters, representing growth of 12.1% compared to the previous crop year. The highlight continues to be corn ethanol, whose production is projected to increase to 12.8 billion liters, consolidating its position as an important complement to the traditional sugarcane ethanol supply. The increase in the mandatory ethanol blend in gasoline and the strengthening of energy transition policies support positive demand prospects over the coming years.

Coffee – Harvest Progress and Record Crop Pressure Prices

The coffee market remains under pressure due to the progress of the harvest in Brazil and the prospect of abundant global supply. Rainfall in key producing regions has delayed field operations and raised concerns regarding bean quality, but as harvesting progresses, product availability for export increases. Over the last 30 days, Arabica coffee prices have fallen by 8.2%, while Robusta has posted a modest recovery of 2.2%. Expectations of a record crop in Brazil, combined with growth in global production and recovery among major producing countries, reinforce an environment of weaker prices. In addition, the increase in short positions held by investment funds indicates that the market is still betting on the continuation of the bearish trend, although occasional corrective movements cannot be ruled out.

Citrus – Juice Processors Reduce Buying Pressure

The first negotiations for the 2026/2027 orange crop in the citrus belt of São Paulo and the Triângulo Mineiro region indicate a less strained environment than that observed in the previous cycle. Although production remains relatively limited, processors started the season with higher juice inventories and in the face of still sluggish international demand, reducing concerns over supply availability and, consequently, their willingness to repeat the record prices paid in the previous crop. Initial offers presented by processors are below previous levels and, so far, have not resulted in closed contracts. Expectations are that negotiations will gradually advance over the coming weeks as the harvest of mid-season fruit intensifies and processors increase the pace of crushing operations.

Cattle – Tight Supply and Exports Support Firm Market

The Brazilian fed cattle market continues to show a positive bias, supported by the combination of tight supplies of finished animals and strong export performance. In São Paulo, cattle prices have reached R$353.80 per arroba, representing an appreciation of 11.6% over the last 12 months. The off-season period reduces the availability of pasture-finished cattle, while high replacement costs limit selling pressure from livestock producers. In the international market, Brazilian beef exports continue to post record performance, totaling 1.215 million metric tons between January and May, an increase of 16.2% compared with the same period in 2025. Despite concerns related to the Chinese quota limit and the incidence of additional tariffs, the strong diversification of destinations reinforces the competitiveness of Brazilian beef and helps sustain fed cattle prices throughout the off-season.

+55 51 3248 1117
consultoria@carloscogo.com.br

Av. Soledade, 361/sala 901
90470-340 Porto Alegre/RS