# EXECUTIVE SUMMARY OF AGRICULTURAL MARKETS

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

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## Climate – El Niño becomes the main risk for the 2026/27 crop season

Climate conditions remain favorable for the conclusion of Brazil's 2025/26 harvest and the beginning of field activities for the 2026/27 season. However, market attention has increasingly shifted toward the evolution of El Niño. NOAA currently indicates an 81% probability that the phenomenon will reach strong intensity during the last quarter of 2026, with persistence expected into early 2027. This scenario increases climate risks for South American crop production, especially soybeans, corn, sugarcane and coffee, while also affecting major global agricultural regions. The coming months will therefore be decisive in defining production potential and price behavior across the world's main agricultural commodities.

## Fertilizers – Geopolitical risks ease, but market remains on alert

The fertilizer market has become less tense following the ceasefire in the Middle East, reducing immediate concerns regarding disruptions in supplies through the Strait of Hormuz. Even so, prices remain above pre-conflict levels, reflecting structural supply constraints and continued dependence on imports. Brazil remains highly exposed, importing approximately 85% of its fertilizer requirements. For the 2026/27 crop season, the combination of exchange rate movements, geopolitical developments and the pace of global demand will continue to determine input costs. Although the risk of shortages has diminished, fertilizer prices are expected to remain firm.

## Soybeans – Strong fundamentals support prices despite record crop

The global soybean market remains supported by strong fundamentals despite expectations for another record crop. Robust Chinese demand, low global ending stocks outside Brazil and persistent climate uncertainties linked to El Niño continue to provide support for international prices. In Brazil, export performance remains strong while domestic crushing demand continues to expand, strengthening the industry's role in balancing supply. Although production is expected to reach another historic record in 2026/27, market fundamentals remain constructive, with weather developments representing the primary source of volatility in the coming months.

## Corn – Stocks tighten while Brazil prepares for another larg crop

Corn prices continue to receive support from declining global ending stocks, especially in the United States, where weather conditions remain under close market scrutiny. In Brazil, harvesting of the second crop continues to advance with generally favorable yields, reinforcing expectations of another large production cycle. Domestic prices remain under pressure from abundant short-term supplies, although export demand and stronger international prices may provide support later in the season. Looking ahead, El Niño represents the main source of uncertainty for the development of Brazil's 2026/27 summer crop.

## Wheat – Global supply tightens while weather supports the crop

Global wheat prices have strengthened following the USDA's downward revision of the U.S. crop to its lowest production level since the 1970/71 season, reinforcing expectations of tighter global supply. Although worldwide production remains high, lower output in North America and declining ending stocks continue to support international markets. In Brazil, recent frosts have caused only localized damage, while overall crop conditions remain favorable. The main weather concern has shifted from frost to excessive rainfall, which could increase disease pressure in southern producing regions. Domestically, limited old-crop supplies continue to support prices, although the stronger Brazilian Real has improved the competitiveness of imported wheat and capped further gains.

## Cotton – Short-term pressure, stronger medium-term outlook

Brazil's cotton market remains under pressure from the advancing harvest and weak purchasing activity from the domestic textile industry. Nevertheless, the outlook for the 2026/27 season is considerably more favorable. Expectations of lower global ending stocks, declining production among major exporting countries and continued growth in world consumption should gradually tighten the international supply-demand balance. In Brazil, marketing of the current crop continues steadily, while export competitiveness remains strong. As a result, current weakness in the physical market is expected to give way to firmer price fundamentals throughout the next marketing year.

## Rice – Ample supplies continue to weigh on prices

The Brazilian rice market remains under pressure due to abundant domestic supplies and sluggish commercial activity. Harvest has been completed with satisfactory production, while buyers continue to purchase cautiously, anticipating comfortable availability throughout the marketing year. International demand has improved but remains insufficient to significantly reduce domestic inventories. Although exports continue to provide some support, the overall balance still favors ample supply. Consequently, rice prices are expected to remain relatively weak in the coming months unless exports accelerate more significantly or adverse weather conditions affect the next crop.

## Beans – Carioca prices soften while black beans remain firm

The gradual expansion of irrigated bean harvesting has increased the availability of high-quality carioca beans, improving market supply and encouraging buyers to negotiate lower prices ahead of larger incoming volumes. Conversely, black bean prices remain supported by the completion of harvesting in Paraná, Brazil's largest producing state, combined with reduced production, weather-related yield losses and firm selling interest. Brazilian bean exports reached a record volume during the first half of 2026, reflecting growing international demand. Overall, the market continues to display distinct regional price behavior according to product quality and local availability.

## Sugarcane – Record crop faces increasing climate risks

The 2026/27 sugarcane season maintains the potential for another record harvest, supported by favorable agricultural performance and above-average yields. However, the abundance of raw material will require sustained processing rates throughout the season, potentially reducing operational flexibility and average cane quality toward the end of the harvest. Market attention is increasingly focused on the possible return of a strong El Niño, which could disrupt harvesting operations through irregular rainfall, reduce ATR (Total Recoverable Sugar) levels and lower industrial efficiency. Weather conditions during the second half of the season will be decisive in determining final production results.

## Sugar – Supportive fundamentals offset by abundant supply

The global sugar market has become fundamentally more supportive, driven by expectations of global production deficits, climate risks in major producing countries and stronger ethanol economics. Nevertheless, Brazil's large sugar supply continues to limit stronger price appreciation in the short term. Weather developments in India, production prospects in Europe and the evolution of El Niño remain the principal drivers of international market volatility. As a result, sugar prices are expected to remain relatively firm, although a sustained bull market will likely require a more pronounced tightening of global supply.

## Ethanol – E32 boosts demand, but abundant supply caps prices

Brazil's increase in the mandatory ethanol blend in gasoline from 30% to 32% (E32) strengthens demand for anhydrous ethanol, improves market predictability and supports the country's energy security strategy. The measure is expected to absorb part of the record ethanol production projected for the 2026/27 season while reducing gasoline imports. However, the rapid expansion of both sugarcane- and corn-based ethanol production keeps the domestic market comfortably supplied. Consequently, although E32 should provide price support and improve industry cash flow, it is unlikely to eliminate the current supply surplus or trigger a significant price recovery.

## Coffee – Climate uncertainty keeps volatility elevated

The coffee market remains highly volatile, driven by weather conditions, the pace of Brazil's 2026/27 harvest and uncertainty regarding bean quality. Recent rainfall in key Arabica-producing regions temporarily disrupted harvesting and drying operations, reinforcing concerns over the availability of premium-quality coffee. Although weather forecasts point to drier conditions that should favor harvest progress, certified stocks on ICE remain historically low and producers continue to market cautiously. Brazil is expected to harvest a significantly larger crop in 2026/27, easing the tight global supply observed over the past two years. However, El Niño remains the principal source of uncertainty for the 2027/28 crop, with potential impacts on flowering in Brazil and Robusta production in Southeast Asia. As a result, international coffee prices are expected to remain highly sensitive to weather developments and supply fundamentals.

## Citrus – New crop begins with lower prices despite smaller production

Brazil's 2026/27 orange crop has started under a markedly different market environment from the previous season. Despite expectations of lower production, prices at the beginning of the harvest are below those recorded one year earlier, reflecting reduced urgency among processors, which enter the new cycle with more comfortable inventories. Initial prices are still largely based on contracts for early- and mid-season fruit, while more representative market references should emerge as the second bloom develops and industrial processing accelerates. In the export market, Brazilian orange juice shipments ended the 2025/26 season with virtually stable volumes but a sharp decline in revenue due to lower international prices and weaker global demand. Market performance in the coming months will depend on crop development, industrial purchasing activity and the pace of recovery in international orange juice consumption.

## Cattle – Slower exports increase pressure on the domestic market

Brazil's cattle market enters the second half of 2026 in an adjustment phase. Tight supplies of finished cattle continue to prevent sharper declines in live cattle prices, but slower beef exports to China are expected to increase domestic meat availability and place additional pressure on the market. Following a record first half for exports, shipments to China are likely to slow considerably as the country approaches its annual import quota, reducing Brazilian export competitiveness. Although exports to alternative destinations continue to expand, they will not fully offset lower Chinese demand. Consequently, domestic beef supplies are expected to increase, creating additional pressure on cattle prices and processing margins between July and September. Market conditions should gradually improve during the final quarter as export flows normalize with the opening of China's 2027 quota.