EXECUTIVE SUMMARY OF AGRICULTURAL MARKETS

Crops, Climate, Costs, Profitability and Agricultural Market Trends – 2026/2027
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Climate – El Niño strengthens and could reach historic intensity

El Niño has strengthened significantly and is expected to continue intensifying through the end of 2026. Pacific Ocean temperature anomalies have already exceeded +2.0°C in some areas, while atmospheric and oceanic indicators confirm the strengthening of the phenomenon. For the October–December 2026 quarter, corresponding to spring and the beginning of summer in the Southern Hemisphere, there is a 69% probability of a historic event, with an intensity exceeding previous episodes recorded since 1950. The probability of a very strong El Niño during the spring and summer of 2026/27 exceeds 90%. An event of this magnitude increases climate risks for the Brazilian crop, although its intensity alone does not determine the magnitude of regional impacts on crops.

Fertilizers – delayed purchases increase delivery risk

Fertilizer purchases for the 2026/2027 crop season remain delayed, while high prices, credit constraints, logistics costs and limited availability of urea and MAP increase risks for producers. Between January and July, Brazilian imports fell 7.5%. The situation is becoming more critical because the available window until planting is estimated at approximately 50 days, while the process from contracting through transportation, blending and delivery can take at least 30 days. Although there are signs of possible future relief in international prices, further delays in purchases increase the risk of product shortages, late deliveries or unavailability of the desired formulations. At this point, securing availability, formulation and timely delivery of critical nutrients is more important than seeking the lowest absolute price.

Soybeans – weather in Brazil and Chinese purchases increase volatility

The global market remains amply supplied, with favorable conditions for U.S. crops limiting more consistent upward price movements in the short term. In Brazil, planted area is expected to remain virtually stable in 2026/2027, while high costs reduce producer margins. The main risk is gradually shifting to South America, where the strengthening El Niño could cause irregular rainfall in the Center-West and delay planting. At the same time, additional Chinese purchases of U.S. soybeans could reduce U.S. stocks and redirect other importers toward Brazil and Argentina, increasing price volatility.

Corn – ample supply limits prices, but risks for 2027 are increasing

The high availability of Brazil's 2026 second corn crop continues to pressure the domestic market, while exports remain below the pace required to significantly reduce stocks. Domestic demand, particularly from the ethanol industry, is helping absorb part of the supply, but is still insufficient to support a more consistent price recovery. In the international market, lower U.S. stocks, reduced European production and logistics difficulties in the Black Sea region are increasing supply risks. In Brazil, attention is beginning to shift toward 2027, as a potential delay in soybean planting could narrow the ideal planting window for the next second corn crop.

Wheat – smaller Brazilian crop increases dependence on imports

The domestic market is experiencing low liquidity, with mills relatively well supplied and limited remaining availability from the previous crop. Brazilian production in 2026 is expected to decline significantly, mainly reflecting the sharp reduction in planted area and increasing import requirements during 2026/27. Argentina will remain the main supplier, while other origins may complement domestic supply. In the international market, production losses in Europe and growing logistics difficulties in the Black Sea region are increasing price sensitivity. In southern Brazil, El Niño also heightens risks associated with excessive rainfall and the quality of the upcoming crop.

Cotton – lower global supply improves the price outlook

The market is showing signs of recovery, supported by the lower availability of higher-quality lint and improving international prices. The expected decline in production in major producing countries should reduce global stocks and provide greater support to prices. In Brazil, harvesting is advancing and producers have increased forward sales of the 2026/2027 crop, taking advantage of the international recovery. Exports remain strong and Brazil is consolidating its position as the world's leading exporter, supported by its high competitiveness. For 2027, planted area is expected to expand slightly, although risks associated with El Niño may affect the planting window and yields.

Rice – restricted supply sustains price recovery

The paddy rice market remains firm, supported by producer selling restraint and the need for mills to replenish stocks. Limited availability is keeping liquidity low and favoring further price gains during the off-season, although difficulties in passing higher costs through to milled rice are containing stronger increases. Imports have risen to supplement domestic supply, while exports have lost momentum following the strong performance of previous months. For the next crop, the strengthening El Niño increases the risk of excessive rainfall in southern Brazil. In the global market, the prospect of lower production and declining global stocks is providing support to prices.

Beans – progress of the third crop keeps pressure on carioca

The advance of the irrigated third-crop harvest has increased the availability of carioca beans and intensified downward pressure on prices, particularly for higher-quality lots. Buyers remain cautious amid expectations of additional volumes entering the market, while the sharp decline in margins is beginning to encourage some producers to store their production. For black beans, the market remains relatively firmer due to lower domestic availability. Brazilian exports reached a record volume in the first seven months of 2026, helping remove part of the domestic supply, but still without enough strength to offset seasonal harvest pressure.

Sugarcane – E32 strengthens ethanol demand

The 2026/2027 crop is gaining support from the adoption of E32, which is expected to add 633 million liters to demand for anhydrous ethanol. At the same time, excessive rainfall has been limiting the pace of harvesting and sugar production in Brazil's Center-South. Through early July, sugar production fell 12.4%, while ethanol production increased 20.4%, reflecting a greater allocation of sugarcane to biofuel production. The scenario supports prices for the sector's products, although agricultural profitability remains under pressure from high production costs.

Sugar – lower supply and global deficit support recovery

The market is showing more favorable fundamentals, supported by lower Brazilian production, a greater allocation of sugarcane to ethanol and the prospect of consecutive global deficits. In the Center-South, cumulative sugar production remains 12.4% below the previous season, while rainfall is hampering crushing progress and reducing the sugar content of the feedstock. In the international market, weather problems in India are increasing supply concerns. The prospect of a global deficit in 2026/27 and an even larger imbalance in 2027/28 reinforces support for prices, although previously accumulated stocks continue to act as a buffer in the short term.

Ethanol – rising demand signals price recovery

The Brazilian market is showing signs that a price floor is forming after the sharp decline in prices since April. The strong competitiveness of hydrous ethanol versus gasoline, with price parity near 57% in São Paulo, is supporting consumption growth, while the stocks-to-demand ratio remains below the historical average. Exports have also gained momentum, helping absorb part of production. At the same time, the recovery in international sugar prices increases sugar's relative attractiveness and could limit ethanol availability. The combination of rising demand, proportionally low stocks and E32 creates conditions for a gradual price recovery.

Coffee – crop quality and El Niño heighten attention on 2027

Brazil's coffee harvest is entering its final stage, reaching 76% of production by the end of July. Above-normal rainfall during harvesting caused fruit drop, hampered drying and increased concerns over quality, particularly for arabica. Prices remain historically high, and attention is now shifting to El Niño and the return of rainfall between late August and September, a decisive period for flowering. Early rainfall has already triggered isolated flowering events, increasing the risk of uneven maturation. Even so, there are still no signs of significant losses for the next crop. The evolution and distribution of rainfall during spring will be decisive in determining the production potential of Brazil's 2027/2028 crop.

Citrus – high costs and weaker consumption pressure the supply chain

Brazil's citrus sector is going through a period of intense economic pressure resulting from the combination of high production costs, restrictive interest rates, producer indebtedness and weakening demand for orange juice. Following the strong price appreciation recorded between 2022 and 2024, driven by tighter supply, low inventories and the spread of citrus greening, higher prices reached consumers and contributed to lower consumption. The supply chain is therefore moving from a scenario of scarcity and high prices to one of weaker demand and compressed margins. Deteriorating profitability is already encouraging the removal of orchards, including productive ones, reducing the future raw-material base and potentially compromising utilization of processing capacity. Recovery will depend on lower costs, restored margins throughout the supply chain and, above all, a recovery in orange juice consumption.

Cattle – restricted supply supports prices, but exports limit gains

The fed cattle market maintains a positive bias, supported by restricted supplies of finished cattle, relatively short slaughter schedules and a gradual improvement in demand. The cattle price in São Paulo is R$ 346.75 per arroba, up 0.5% over the past 30 days and 10.4% over 12 months. Exports remain strong, with 1.722 million metric tons of beef shipped between January and July, up 10.2%, but shipments declined in July and are expected to lose momentum as China's 2026 quota is exhausted. The outlook is therefore for a firm market in the short term, although slower exports should limit more pronounced price gains.