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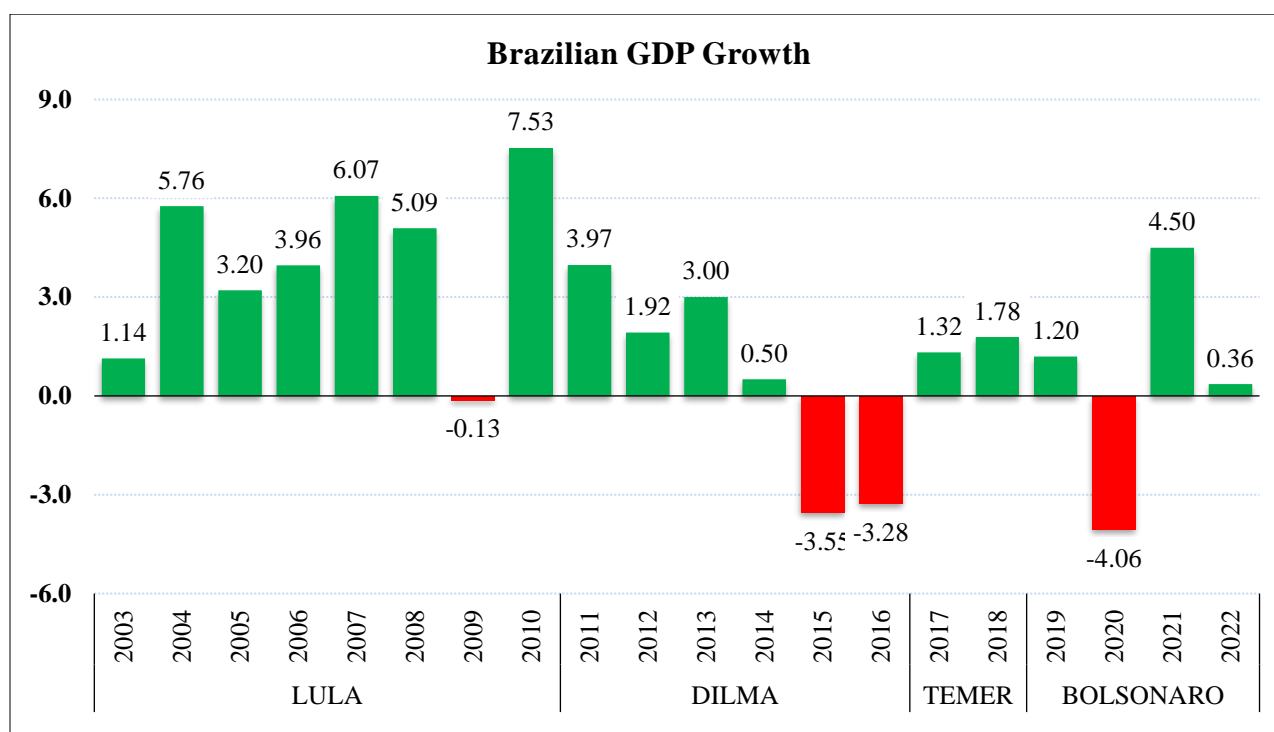
**Report Highlights:**

This report highlights the major macroeconomic indicators in Brazil, providing a forecast for 2022 and an overview of the Brazilian agricultural situation, including trade figures.

## Brazilian Economic and Agricultural Overview

### Major Macroeconomic Indicators

Brazil ranks among the top 12 largest economies in the world. Brazil's gross domestic product (GDP) is estimated at US\$1.65 trillion in 2021, resulting in US\$7,760 per capita income. After experiencing years of high growth rates in the first decade of the 2000s, the Brazilian economy slowed down, reaching a recession in 2015 and 2016. After the economic recovery between 2017-2019, the COVID-19 pandemic in 2020 brought new challenges for Brazil. The GDP growth for 2021 is estimated at 4.5 percent; however, the forecast for 2022 is modest due to the ongoing pandemic challenges and the volatile political climate as a result of the presidential elections in October 2022. The graph below shows the evolution of the Brazilian GDP since 2003 associated with the different Brazilian presidential administrations, followed by a table with major Brazilian macroeconomic indicators.



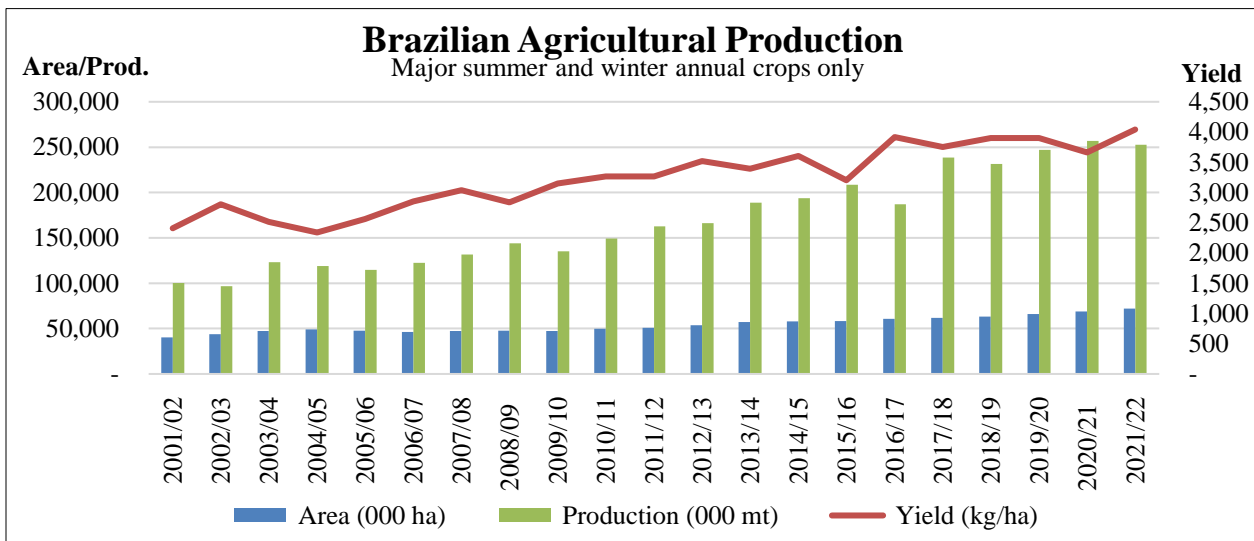
Source: IBGE (Brazilian Institute of Geography and Statistics). 2021 = estimate, 2022 = forecast

<b>Brazilian Macroeconomic Indicators</b>					
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022 f/</b>
<b>Ag Contribution to GDP</b>	20.11%	20.51%	26.57%	N/A	N/A
<b>Inflation (IPCA Index)</b>	3.75%	4.31%	4.52%	10.06%	5.03%
<b>Avg Exchange Rate (R\$/US\$)</b>	3.66	3.95	5.16	5.40	5.60
<b>Central Bank Prime Interest</b>	6.40%	4.40%	1.90%	9.25%	11.75%

Source: IBGE (Brazilian Institute of Geography and Statistics), ESALQ/CEPEA (Agricultural School "Luiz de Queiroz"/ Center for Advanced Studies on Applied Economics), BACEN (Brazilian Central Bank). f/forecast.

## Brazilian Agricultural Production

Brazil has invested heavily in agricultural research and technology since the early seventies with the foundation of the Brazilian Agricultural Research Enterprise (EMBRAPA). Spurred by overall high commodity prices, improved crop management, high-quality seeds, and biotechnology advances, the country reached significant increases in production without greatly expanding land used. As reported by Brazilian official sources, grain yields increased roughly by 50 percent over the past 20 years. Moreover, a large portion of Brazil's planted area can produce two crops per year due to favorable climate conditions. The graph below shows the evolution of Brazilian agricultural production for major summer and winter annual crops.



Source: MAPA/CONAB (Ministry of Agriculture, Livestock and Supply/National Supply Company).

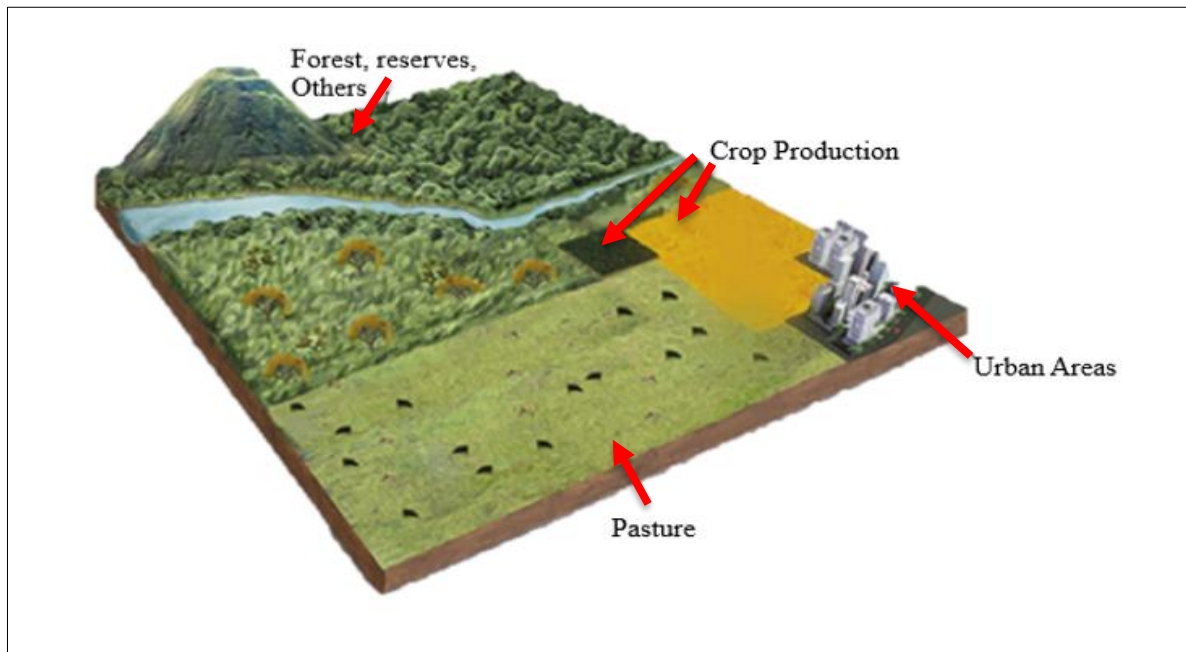
As a leading producer and exporter of agricultural products, Brazil is one of the few countries well placed to lead global food security efforts. Brazil ranks as the number one worldwide producer for soybeans, sugar, coffee, and frozen concentrated orange juice (FCOJ). Brazil is second-largest producer of beef and chicken products and third-largest producer of corn and pork products. The table below shows Brazil's production and export figures for major commodities as well as the share in total world production.

Brazilian Production and Export Figures for Major Commodities for MY 2021/22					
Commodity	Rank in Production		Rank in Exports		Brazil/World Prod.
Sugar	1	36 MMT	1	26 MMT	20%
FCOJ (65 Brix eq.)	1	967,000 MT	1	1.0 MMT	57%
Coffee	1	56.30 MBags	1	33.22 MBags	34%
Soybeans	1	144 MMT	1	94 MMT	38%
Beef	2	9.70 MMT CWE	1	2.65 MMT CWE	17%
Chicken	2	14.72 MMT	1	4.18 MMT	15%
Corn	3	118 MMT	2	43 MMT	10%
Pork	3	4.45 MMT CWE	3	1.38 MMT CWE	4%
Cotton	4	13.20 MMT	2	8.30 MMT	11%

Source: USDA/PSD Online (updated in December 2021). Note: MMT = million metric tons, CWE = Carcass Weigh Equivalent

## Brazilian Land Use

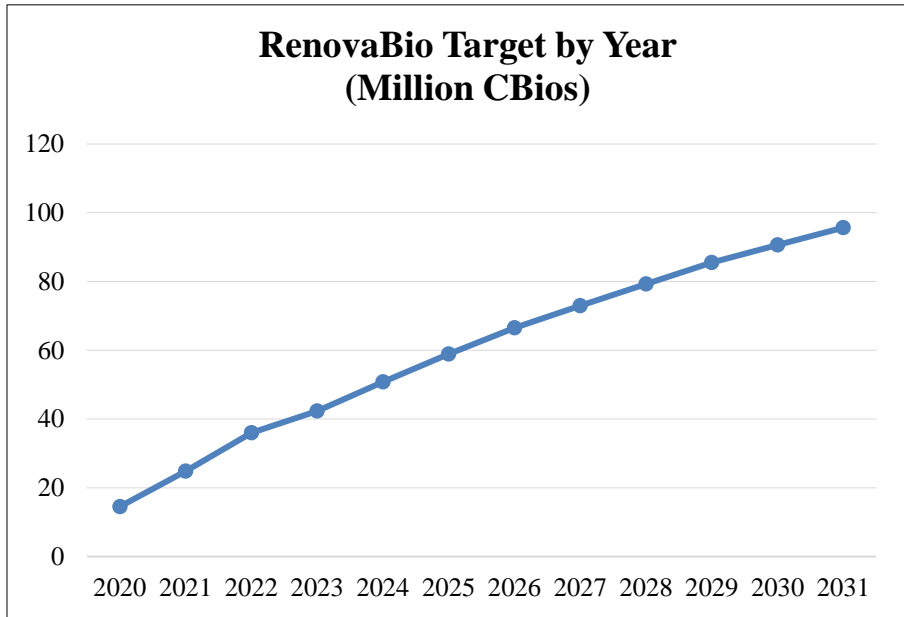
Brazil has a total area of 851 million hectares. Approximately 85 million hectares are in crop production (annual, perennial crops, and planted forests) and roughly 180 million in pasture (both native and managed). Other areas, including native forests, indigenous reservations, national reserves, protected areas, and national parks, account for approximately 556 million hectares. Urban areas represent roughly 3.5 percent of the Brazilian territory.



Source: [www.abagr.org.br/uso-das-terras](http://www.abagr.org.br/uso-das-terras)

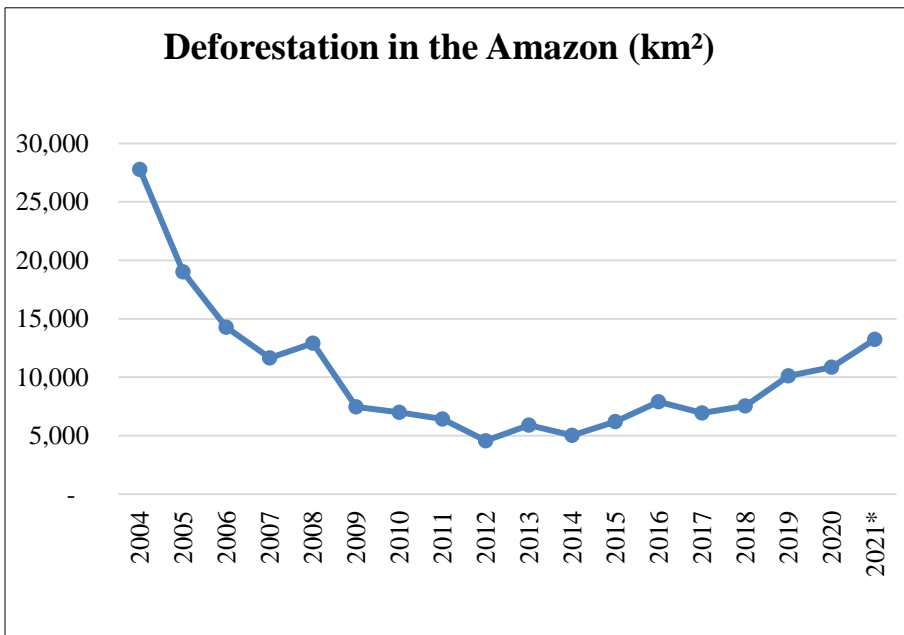
## Climate Change

In 2021 at the Conference of Parties (COP26), Brazil reconfirmed its commitment made in 2015 to reduce domestic emissions of greenhouse gases (GHG), announcing a 50 percent reduction by 2030 based on 2005 levels. Brazil also reported that the country's Nationally Determined Contribution (NDC) is compatible with an indicative long-term objective of reaching climate neutrality in 2050. The Brazilian Government has implemented several initiatives to mitigate climate change, such as implementing the National Biofuels Policy (RenovaBio) and enhanced funds to finance the Greenhouse Gases Emission Reduction Program Plan (Plano ABC) which support sustainable agricultural practices. The graph below shows the RenovaBio program targets up to 2031. Each CBio under the program represents one metric ton of carbon saved through the utilization of biofuels versus fossil fuels.



Source: National Agency for Petroleum, Natural Gas, and Biofuels (ANP).

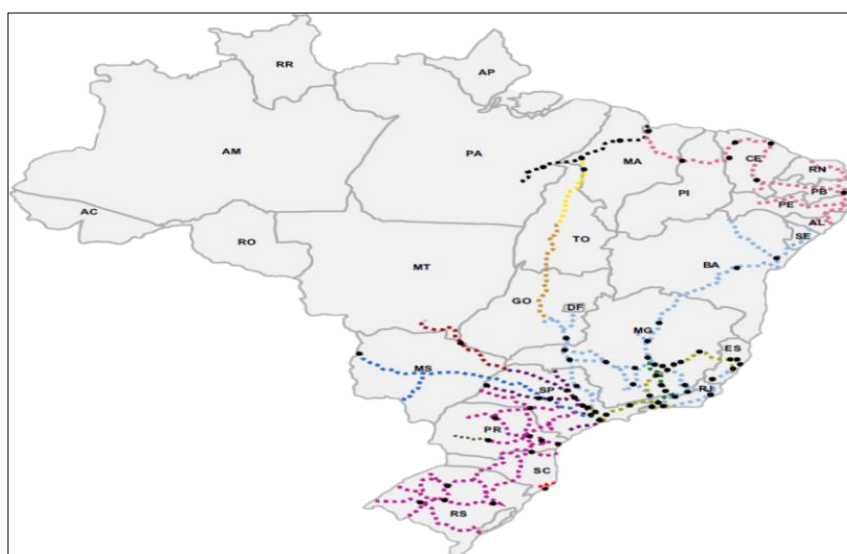
However, the deforestation of natural forests, notably in the legal amazon, has posed a gigantic issue for the country in recent years. The graph below shows the deforestation rate in the region since 2004. Deforestation has quickly increased since 2018 after a 10-year period of low and stable rates as measured by the Brazilian National Institute for Space Research (INPE).



Source: INPE (National Institute for Space Research). November 2021.

## “Custo Brasil”

Despite the significant investments made by the current administration, infrastructural development of storage, port facilities, roads, and railways in Brazil has not kept up with the breakneck pace of growth in agricultural production and exports. Large investments in rehabilitating and expanding transportation infrastructure are still needed to meet demand growth and lower the cost of freight, a significant component of the so-called “Custo Brasil” (Brazilian cost). Indeed, “Custo Brasil” refers to all factors contributing to the cost of inefficiency in Brazil, including not only production and distribution bottlenecks and export logistics hurdles, but also high taxes, burdensome government regulations, labor market rigidities, and inadequate education and training, among others. Transactional export costs, for example, represent 15 to 20 percent of the free-on-board price of Brazilian agricultural commodities. The map below illustrates the low capillarity of the Brazilian railway existing and projected infrastructure.



Source: ONTL (Brazil National Observatory for Planning and Logistics)

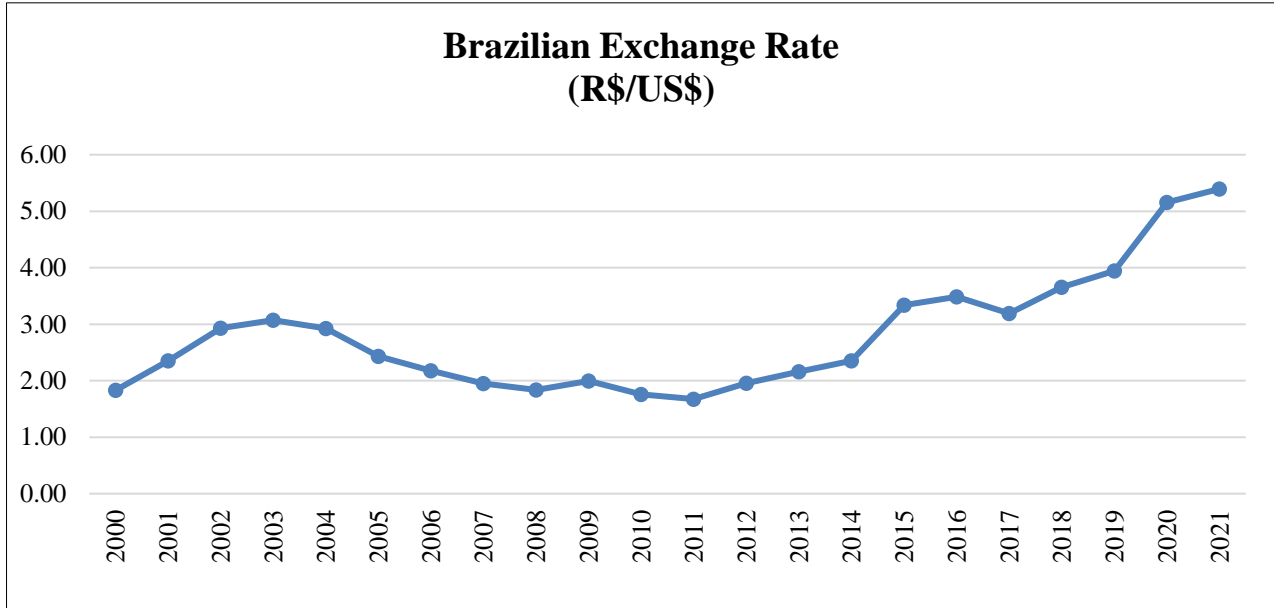
## Agricultural Trade

Agriculture is an important sector of the Brazilian economy and is crucial to economic growth and foreign exchange earnings. In 2020, the agribusiness sector (including production, processing, and distribution) accounted for almost 27 percent of Brazil’s GDP. Moreover, in 2021, agribusiness represented 43 of Brazil’s total exports but only 7 percent of total imports. The table below illustrates the Brazilian Foreign Trade in recent years.

Brazilian Overall and Agricultural Foreign Trade						
Year	All products			Agricultural Products		
	Exp.	Imp.	Balance	Exp.	Imp.	Balance
2017	214,988	158,951	56,037	96,014	14,154	81,860
2018	231,890	185,322	46,568	101,168	14,038	87,130
2019	221,127	185,928	35,199	96,851	13,782	83,069
2020	209,180	158,787	50,393	100,702	13,054	87,648
2021	280,633	219,409	61,223	110,700	14,100	96,599

Source: Brazilian Secretariat of Foreign Trade (SECEX)

The local currency (the Real) exchange rate plays a significant role in foreign trade. The steady devaluation of the Brazilian currency since 2011, as shown in the graph below, has strongly supported the continuous increase in exports.



Source: BACEN (Brazilian Central Bank)

### U.S. and Brazil Agricultural Trade

The U.S.-Brazil bilateral agricultural trade notably favors Brazil, which exports to the United States almost four times in value terms more than what the country imports as shown in the table below. The following tables show major bulk and consumer-oriented products trade between the United States and Brazil in recent years.

	2018	2019	2020	2021
U.S. Ag Exports to Brazil (US\$ million)	1,373	1,078	1,018	744
% of total U.S. Ag Exports	0.94%	0.76%	0.68%	0.42%
U.S. Ag Imports from Brazil (US\$ million)	3,939	4,060	4,054	4,736
% of total U.S. Ag. Imports	2.78%	2.79%	2.70%	2.70%

Source: U.S. Census Bureau (BICO)

<b>Brazilian Imports from the U.S.</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>COP* Total (US\$ thousand)</b>	<b>247,276</b>	<b>223,826</b>	<b>217,417</b>	<b>212,745</b>
Dairy Products	30,719	34,514	44,429	42,944
Food Preparations	34,496	32,042	31,521	35,939
Distilled Spirits	26,118	21,202	25,574	30,781
Eggs & Products	31,871	40,075	37,905	28,044
Tree Nuts	12,638	15,381	21,096	13,599
Others	111,434	80,612	56,892	61,438
<b>Bulk Products Total (US\$ thousand)</b>	<b>89,123</b>	<b>93,031</b>	<b>213,421</b>	<b>32,694</b>
Wheat	59,495	86,090	153,922	26,227
Cotton	25,037	1,892	3,826	2,573
Other Bulk Commodities	2,637	2,681	2,159	2,219
Pulses	36	1,473	1,719	953
Rice	800	179	38,166	582
Others		716	13,629	140

Source: U.S. Census Bureau (BICO) \* COP = Consumer-Oriented Products.

<b>Brazilian Exports to the U.S.</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>COP* Total (US\$ thousand)</b>	<b>1,391,659</b>	<b>1,277,345</b>	<b>1,315,133</b>	<b>1,919,396</b>
Beef & Beef Products	276,857	324,025	415,398	805,115
Fruit & Vegetable Juices	551,058	428,948	278,414	389,029
Fresh Fruit - Other	46,710	68,269	85,748	114,213
Roasted & Instant Coffee	105,127	97,115	115,572	103,312
Other Consumer Oriented	61,224	64,704	63,427	91,158
Others	350,683	294,284	356,574	416,569
<b>Bulk Products Total (US\$ thousand)</b>	<b>1,330,508</b>	<b>1,445,233</b>	<b>1,433,895</b>	<b>1,708,631</b>
Coffee, Unroasted	962,099	1,034,535	1,045,775	1,223,045
Raw Beet & Cane Sugar	104,477	93,805	182,474	163,897
Tobacco, Unmanufactured	211,163	219,722	144,338	158,437
Oilseeds	1,755	2,257	1,901	105,858
Coarse Grains (Including Corn)	21,997	68,181	11,683	30,773
Others	29,017	26,733	47,724	26,621

Source: U.S. Census Bureau (BICO) \* COP = Consumer Oriented Product.

#### **Attachments:**

No Attachments.