

Required Report: Required - Public Distribution

Date: June 21, 2021

Report Number: BR2021-0023

Report Name: Grain and Feed Update

Country: Brazil

Post: Brasilia

Report Category: Grain and Feed

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Report Highlights:

Post lowers its corn production forecast for market year (MY) 2020/21 (March 2021 – February 2022) to 94 million metric tons (MMT), a reduction of 11 MMT from Post’s April projection. The change is based on the deteriorating yield outlook for second-crop “safrinha” corn after widespread delayed planting and persistent dry conditions in the major production regions. Post raises its estimate of market year MY 2020/21 (April 2021 – March 2022) rice production (milled equivalent) to 7.9 MMT, which is 425,000 MT higher than Post’s last estimate. Post maintains its forecast for MY 2021/22 (October 2021 – September 2022) wheat area at 2.6 MHa, as record prices continue to incentivize expansion. Given a short delay in planting in Rio Grande do Sul due to dry conditions, Post lowers its projection for MY 2021/22 Brazilian wheat production by 200,000 MT, to 6.85 MMT, which would still set a new record for the crop.

Corn

Corn Market Year Begins Brazil	2019/2020		2020/2021		2021/2022	
	Mar 2020		Mar 2021		Mar 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	18500	18525	19875	19850	20800	20250
Beginning Stocks (1000 MT)	5311	5311	5230	5393	5230	4393
Production (1000 MT)	102000	102600	98500	94000	118000	116000
MY Imports (1000 MT)	1648	1648	3500	3000	1700	1750
TY Imports (1000 MT)	1338	1303	2600	2000	2700	2000
TY Imp. from U.S. (1000 MT)	0	1	0	200	0	100
Total Supply (1000 MT)	108959	109559	107230	102393	124930	122143
MY Exports (1000 MT)	35229	35166	33000	27000	43000	40000
TY Exports (1000 MT)	34137	34138	32000	29000	40000	38000
Feed and Residual (1000 MT)	58500	58500	59000	60000	62000	60500
FSI Consumption (1000 MT)	10000	10500	10000	11000	11000	11500
Total Consumption (1000 MT)	68500	69000	69000	71000	73000	72000
Ending Stocks (1000 MT)	5230	5393	5230	4393	8930	10143
Total Distribution (1000 MT)	108959	109559	107230	102393	124930	122143
Yield (MT/HA)	5.5135	5.5385	4.956	4.7355	5.6731	5.7284

(1000 HA) ,(1000 MT) ,(MT/HA)
 MY = Marketing Year, begins with the month listed at the top of each column
 TY = Trade Year, which for Corn begins in October for all countries.TY 2021/2022 = October 2021 - September 2022

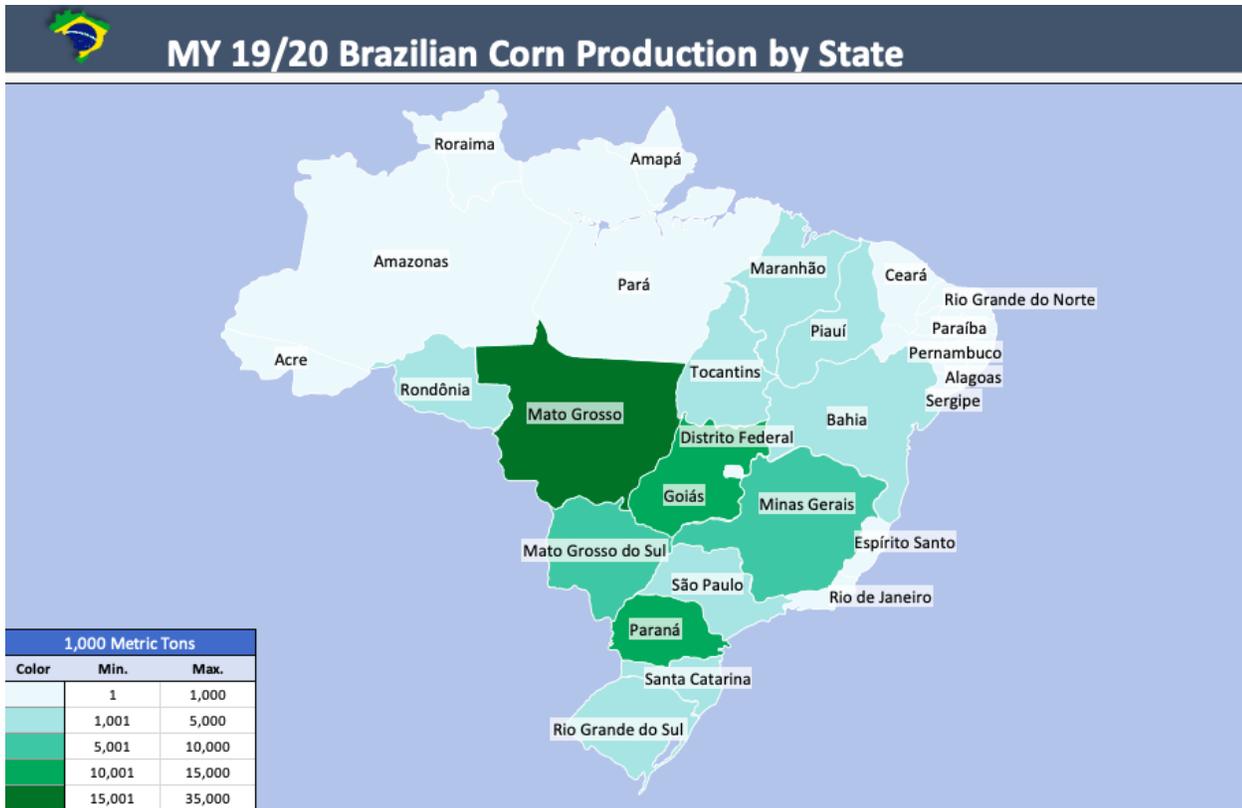
Corn Production

Post lowers its corn production forecast for market year (MY) 2020/21 (March 2021 – February 2022) to 94 million metric tons (MMT), a reduction of 11 MMT from Post’s April projection. The change is based on the deteriorating yield outlook for second-crop “safrinha” corn after widespread delayed planting and persistent dry conditions in the major production regions. The forecast, if realized, would represent the lowest production volume for Brazilian corn since MY 2017/18 when a drought severely hampered yields for the crop.

At the same time, Post expects Brazil’s harvested corn area in MY 2020/21 to expand to 19.85 million hectares (MHa), an all-time high. The new forecast is an increase of 350,000 hectares from Post’s previous projection and would represent an increase of 1.3 MHa (7 percent) compared to MY 2019/20. Despite concerns about yields for late-planted safrinha corn, record-setting corn prices motivated producers to expand corn area even as they risked diminished yields by pushing the growing cycle deeper into the dry season. Strong domestic demand from the poultry and livestock sectors, as well as the growing corn ethanol industry have greatly expanded corn consumption in recent years, boosting domestic prices. Paired with an abundance of exports in the last two market years, the internal corn price in Brazil continued to set new records in recent months and is expected to remain firm throughout 2021.

For MY 2021/22 (March 2022 – February 2023), Post increases its corn production forecast to 116 MMT, up 2 MMT from the previous projection. Post also increases its forecast for corn area by 250,000 hectares, to a total of 20.25 MHa. Post expects corn prices in Brazil to remain high through at least the end of 2021, considering strong internal and external demand as well as the smaller-than-hoped for MY 2020/21 harvest. As has been the case this year, Brazilian producers should be incentivized in MY 2021/22 to expand corn planting, especially in the Center-West. Even southern states such as Rio Grande do Sul could be motivated to increase corn planting by brining summer pasture into production. Historically high prices

and a state campaign to increase production are likely to at least have some impact on summer corn area planted later this year. Factoring in trend yields, Brazil could easily smash its corn production record. However, the outcome of next season will depend on punctual planting of safrinha corn, as well as normal weather patterns.



Data Source: CONAB
Graphic: FAS Brasilia

For the MY 2020/21 first-crop corn cycle, extreme dryness caused by a La Nina weather phenomenon left much of southern Brazil with drought conditions from August to November 2020. Farmers in southern Brazil who planted their first-crop corn on the early side were met with very low soil moisture levels paired with a delayed start to the rainy season. The dry conditions inhibited germination and development of the corn crop for many producers. Producers who planted later in the season were not as affected by the drought, as southern Brazil saw average to above-average precipitation levels from December to February. Post estimates first-crop corn production was approximately 25 MMT for MY 2020/21.



Source: FAS Brasília

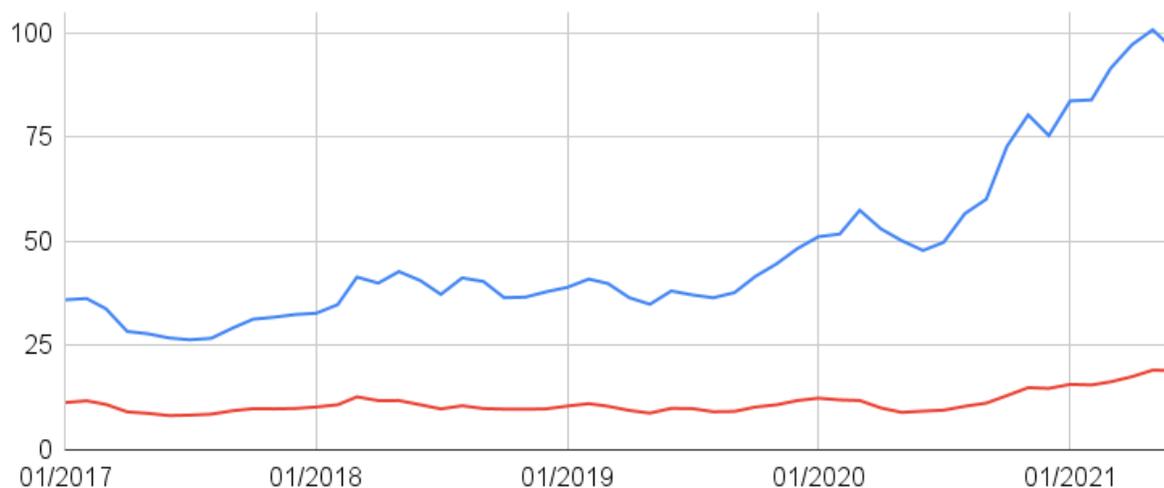
Meanwhile, Brazil's safrinha corn crop has been severely affected by the above-mentioned dry conditions, as the delay in sowing much of Brazil's soybean crop in the South and Center-West regions led to a weeks-long delay of the soybean harvest. The knock-on effect was a significant delay in planting the safrinha corn crop, which has had grave repercussions for yields. According to industry sources, the planting pace for safrinha corn was the slowest in at least a decade. The success of Brazil's safrinha corn crop is usually dependent on the pace of the soy harvest each year. Farmers rush to get the safrinha crop in the ground to avoid additional weather-related risks caused by late sowing. The earliest window closes around the third week of February in southern Mato Grosso do Sul and southern Parana, due to the potential for freezing temperatures in June and July. For Mato Grosso and Goiás, the ideal window closes in late February, to ensure that the crop has sufficient moisture to develop before rains trail off at the start of the dry season in early May. Corn planted after these dates faces considerably higher risks and may not be eligible for crop loss payments under government-guaranteed insurance programs.

Despite the significant delay in planting and the greater associated risk with crop loss, most farmers decided to expand safrinha corn area in MY 2021/22, as Brazil's internal corn price continued to set new records. Corn trading in June has averaged R\$95.92 per 60-kilogram (kg) bag (US\$8.01/bushel) on the Brazilian Mercantile & Futures Exchange (BM&F), the country's primary commodity exchange market. That is slight decrease from the all-time monthly average set in May, when corn traded at an average of R\$100.72 per 60-kg bag (US\$8.06/bushel). Those prices are more than double the levels seen at the same points last year. Given the grim expectations regarding the safrinha corn crop, Post expects domestic corn prices will remain firm throughout 2021, supported by strong domestic demand for animal feed.

Corn Price on BM&F Exchange

60-Kilogram Sack

— BRL — USD



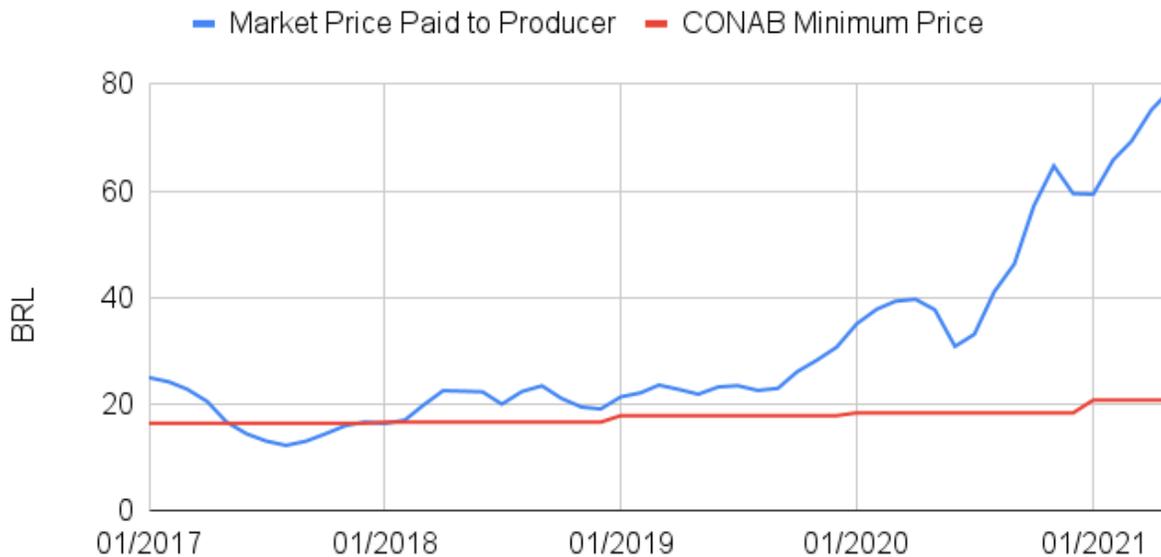
Date Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA)

Chart: FAS Brasilia

The Center-West state of Mato Grosso is Brazil's largest corn producer overall, responsible for roughly one-third of total production. Virtually all of the state's crop is safrinha corn planted after the soybean harvest. Mato Grosso's soybean sowing was severely delayed in MY 2020/21 as the La Nina weather pattern left much of the state parched at a time when the summer rains would have normally arrived to replenish soil moisture levels. As a result, soybean planting did not ramp up until the second half of October, well behind the five-year average, according to data from the Mato Grosso Institute for Agricultural Economics (IMEA). Thus, the soybean harvest also lagged well behind the five-year average pace, which in turn stalled safrinha corn planting. Overall, about 45 percent of Mato Grosso's corn crop was planted after the close of the ideal planting window, according to IMEA. Even with an expansion of corn area by 5 percent year-over-year to a total of 5.5 MHa, Post expects total corn output for MY 2020/21 will be smaller than last season due to a precipitous fall in yields. Post projects Mato Grosso will produce about 32 MMT of corn this year, about 3 MMT less than MY 2019/20.

Mato Grosso Corn Price

60-Kilogram Sack



Date Source: CONAB
Chart: FAS Brasilia

Parana is Brazil's second largest corn producing state, typically accounting for about 15-20 percent of the national harvest. Roughly 75-80 percent of the southern state's corn comes from the safrinha crop, as a majority of producers prefer to plant soybeans first. According to the Parana Department of Rural Economy (DERAL), the state's safrinha corn planting pace was close to the five-year average, although some regions, including the western part of the state, were very delayed. However, despite a 10 percent expansion in area, Post expects yields to plummet and overall production to fall to approximately 10 MMT, about 1.5 MMT less than MY 2019/20. Moreover, according to DERAL, the crop's quality has fallen significantly due to the dry conditions. As of mid-June, only 23 percent of the crop was rated in "good" condition, with 45 percent rated "average," and about one-third rated as being in "poor" condition.

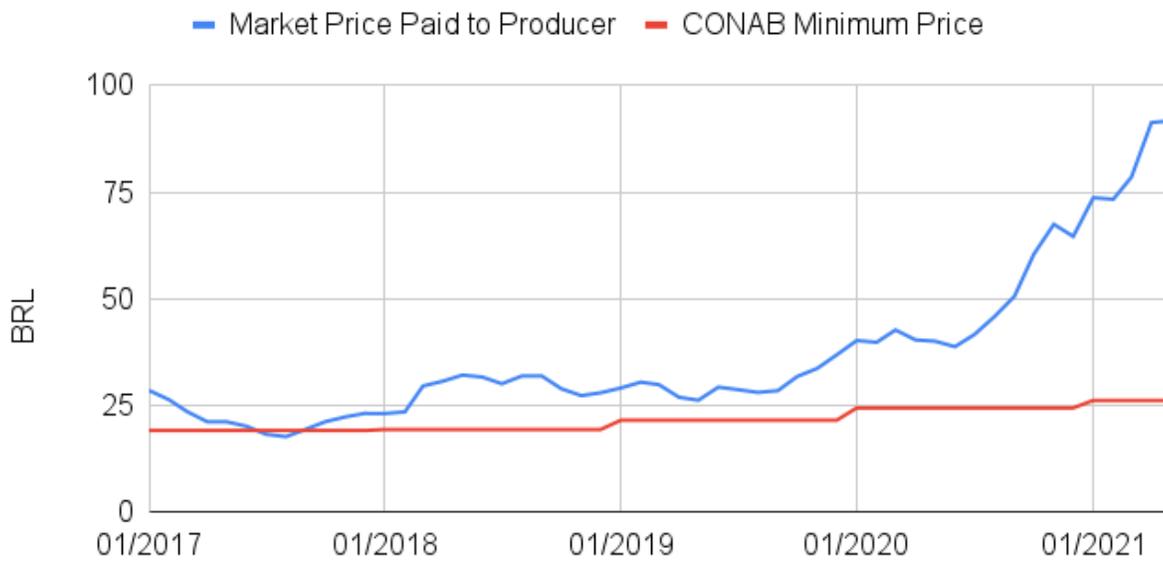
Brazil's third largest corn producer is the Center-West state of Goias, responsible for about 12 percent of the national crop in MY 2019/20. About 80 percent of the Goias corn crop is safrinha corn, and in MY 2020/21, about one-half to two-thirds of the state's second-crop corn area was seeded after the close of the ideal planting window. Like other parts of the country, farmers in Goias were motivated by record corn prices to expand corn area, even as weather risks loomed. The delayed planting, paired with a severe dry spell in April and May, have put stress on the crop. As a result, many producers in the state have curtailed the use of fertilizer and agricultural chemicals, not wanting to sink investment into an already failing crop. This is likely to hamper yields and crop quality even more. Post projects average yields in the Goias will fall by at least 20 percent, with total production likely less than 9 MMT, which is about 30 percent smaller than the MY 2019/20 season.

The state of Mato Grosso do Sul is Brazil's fourth largest corn producer, responsible for about 10 percent of Brazil's total corn crop in MY 2019/20. For the reasons mentioned above, producers in Mato Grosso do Sul expanded safrinha corn area this season by about 15 percent. However, the Center-West state has been

plagued by the same dryness seen in the neighboring states of Mato Grosso, Goias, and Parana. Many parts of Mato Grosso do Sul went up to 70 days without precipitation. While the state had some precipitation in late May, the moisture came too late to help the already struggling corn crop. Producers have reportedly curbed the use of pesticides and fungicides on poorly performing fields, most of which were planted early in the sowing cycle. Post expects safrinha corn yields to tumble by about 20 percent year-over-year, with production of around 8 MMT total. Despite expanded area this season, the harvest is expected to be about 10 percent smaller than the volume reaped in MY 2019/20. As of mid-June, Mato Grosso do Sul’s farm bureau rated just 6 percent of the state’s crop in “good” condition, with 58 percent rated “average,” and 36 percent rated “poor.”

Parana Corn Price

60-Kilogram Sack



Date

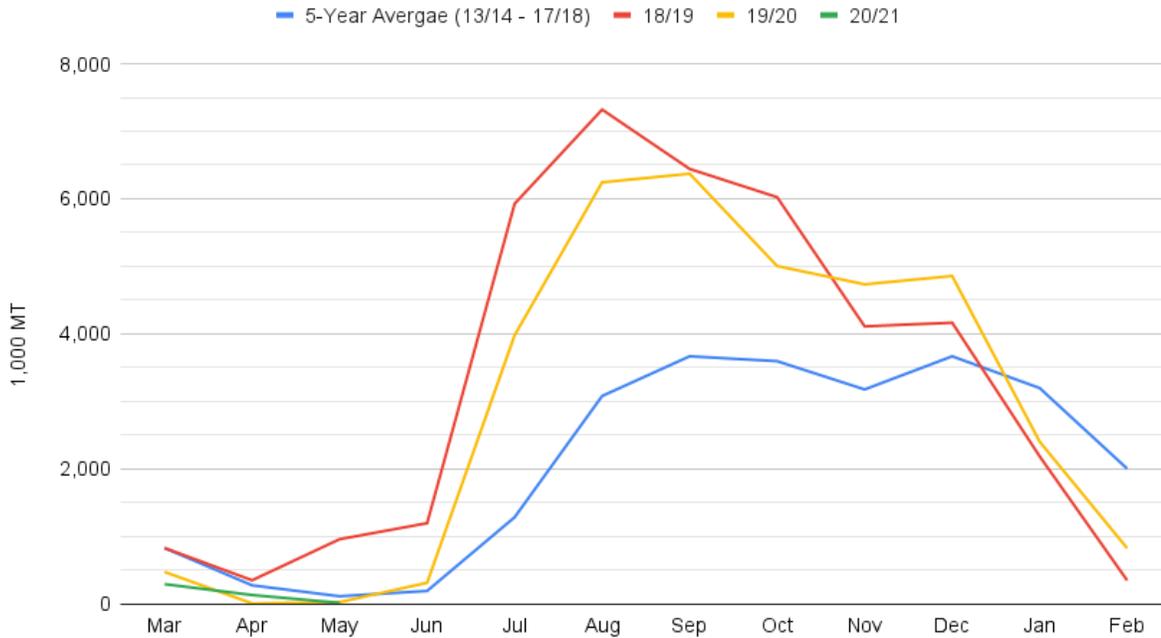
Source: CONAB
Chart: FAS Brasilia

Corn Trade

Exports

Post reduces its corn export forecast for MY 2020/21 by 10 MMT to a total of 27 MMT, which would represent a 23 percent decrease year-over-year. The weak BRL had been expected to fuel large export volumes, but the sharp decline in projected yields is likely to limit the volume of corn available for export. Moreover, domestic demand by the livestock and poultry sectors continues to limit the upside potential of foreign sales. In the first three months of MY 2020/21 (March-May 2021), exports have lagged behind the five-year average by at least 50 percent each month.

Brazilian Corn Exports by Month

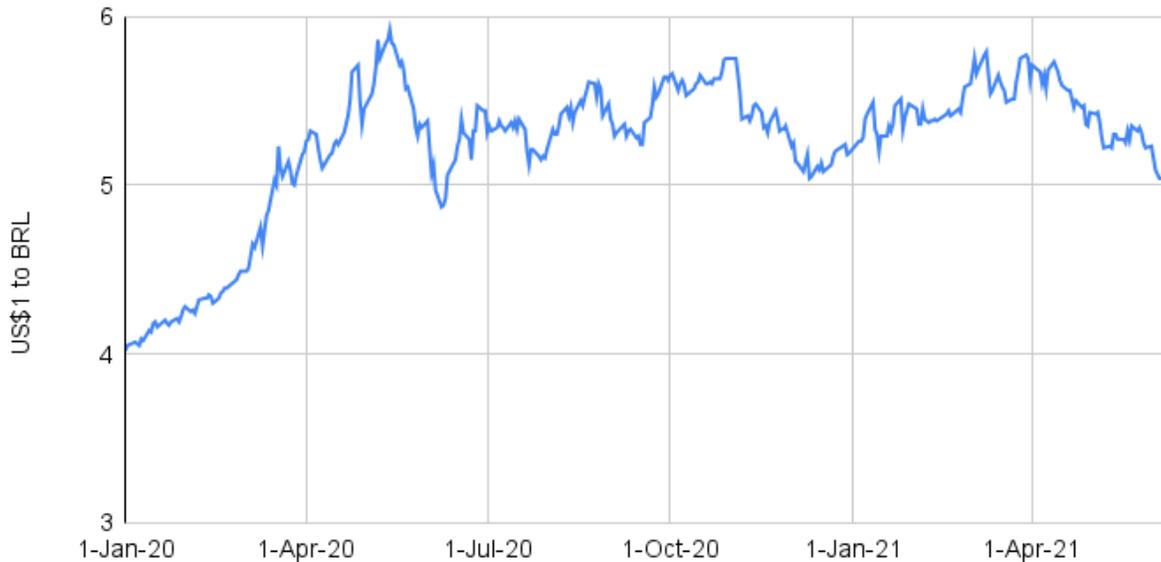


Data Source: Brazilian Foreign Trade Secretariat (SECEX)
 Chart: FAS Brasilia

The Brazilian real (BRL) rapidly devaluated against the USD last year as the COVID-19 pandemic spread across Brazil. The devalued currency made Brazilian agricultural exports extremely attractive in foreign markets, boosting internal prices to record levels for several commodities, including corn, wheat, and rice. As a result, producers rushed to contract their MY 2020/21 corn crop. Now, concerns about the eventual size of the harvest have led to anecdotal reports of cancelled contracts. Moreover, the BRL has strengthened in the last month, recovering about 18 percent of its value against the dollar since the start of the year. If the BRL continues to increase in value compared to the USD, the situation will discourage Brazilian corn exports and could help rein in domestic prices.

USD to BRL Exchange Rate

January 1, 2020 - June 16, 2021



Date Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA)

Chart: FAS Brasilia

For MY 2021/22, Post maintains its corn export forecast at 40 MMT. This is based on an expectation of expanded production, as well as the likelihood that the BRL will remain relatively weak as Brazil's GDP growth sputters in the wake of the coronavirus pandemic. However, dwindling stocks and increasing internal demand by the poultry, livestock, and ethanol sectors are likely to boost domestic consumption and constrain the volume of corn available for export next season.

Imports

Post increases its forecast for MY 2020/21 corn imports to 3 MMT, up 1 MMT from the April projection. The change is based on strong internal demand from Brazil's poultry and livestock sectors, along with mounting worries about yields for safrinha corn. For MY 2021/22, Post maintains its corn import forecast at 1.75 MMT, which is down from 2020/21 but still higher than 2019/20. This forecast is based on an expectation of increased production, but demand by the poultry, pork, and ethanol sectors should remain strong.

Brazilian imports of corn surged in the second half of MY 2019/20, totaling close to 1.4 MMT between October and February, as poultry and livestock producers struggled to procure feed rations for their animals. In response, on October 16, 2020, the Brazilian government announced the suspension of import tariffs for corn and soybeans from countries outside the Mercosur trade bloc. The 8 percent tariff on corn was eliminated for all imports through March 31, 2021, with no quota limiting the duty-free volume. Several weeks later, on November 3, 2020, the Ministry of Agriculture, Livestock, and Food Supply (MAPA) issued new regulations intended to facilitate the import of genetically engineered (GE) corn and soybeans by changing the information that must be included on import licenses. However, the bureaucratic maneuver did not change the approval process for biotechnology events, which is handled by an independent agency known as the National Technical Biosafety Commission (CTNBio). As such, the

importation of corn from outside of the Mercosur trade bloc, including from the United States, was stymied by an asynchrony of approvals for GE corn varieties in Brazil, even as the Brazilian poultry and livestock sectors pleaded with MAPA to help them access other sources for corn imports. Despite the Brazilian government's efforts to promote imports from outside of the Mercosur trade bloc, 99.9 percent of Brazilian corn imports in MY 2019/20 came from either Paraguay or Argentina. The United States was the source of a mere 754 MT of Brazil's MY 2019/20 corn imports.

However, the situation is changing in MY 2020/21. In mid-April, Brazil announced that it was again suspending the import duties for corn and soybeans, eliminating the Mercosur common external tariffs for these products through the end of 2021 with no quota to restrict the volume of imports. In mid-June, CTNBio announced the approval of the last individual GE event for corn produced in the United States, eliminating the asynchronous approvals issue. Additionally, CTNBio announced that starting in July, it will simplify and expedite approvals of stacked event varieties containing more than one GE trait if all individual traits were previously approved. The rule change will apply to commodities intended for human and animal consumption or industrial processing. Stacked event varieties intended for cultivation in Brazil will still undergo CTNBio's traditional review and approval process. Once the updated regulation goes into effect upon its publication in Brazil's official gazette, the measure is expected to facilitate corn imports from the United States and other sources outside of the Mercosur trade bloc. The announcement was lauded by the Brazilian Animal Protein Association (ABPA), which has steadfastly lobbied the government for months to make non-Mercosur corn imports more accessible for the country's livestock and poultry sectors.

Posts forecasts that these developments will provide a rare market opportunity for U.S. corn exports to Brazil in trade year (TY) 2020/21 (October 2020 – September 2021) and TY 2021/22 (October 2021 – September 2022). With Brazilian corn prices likely to remain high throughout 2021, American corn could be particularly competitive in northeastern Brazil. However, total sales volumes will depend on the competitiveness of the FOB price of U.S. corn out of the Gulf of Mexico.

Corn Consumption

Post maintains its MY 2020/21 forecast for corn consumption at 71 MMT, which is 3 percent higher than MY 2019/20. The increase is based on the expectation of continued expansion of the Brazilian livestock and poultry industries in reaction to strong demand from China and other exports markets, as well as increased production of corn ethanol in Brazil's Center-West region. Post also maintains its forecast for MY 2021/22 corn consumption at 72 MMT. The projection is based on an expectation of continued growth of the poultry and livestock sector, as well as further expansion of corn ethanol production in Brazil.

Corn consumption in Brazil has nearly doubled over the last two decades as the country became the world's largest chicken meat exporter and fourth largest pork exporter. Brazil's large poultry and pork sectors consume the vast majority of the corn crop each year, as the grain makes up about 60 percent of feed rations. Calendar year 2020 showed steady growth of Brazil's poultry and pork production. Post forecasts poultry production will expand by about 2 percent in calendar year 2021, with production topping 14.15 MMT. At the same time, Post forecasts that Brazil's pork meat production will grow by 3.3 percent in 2021, driven by record pork exports as well as growth in domestic demand. The Brazilian pork industry consumes about half as much feed rations as the poultry sector, but the rapid growth is still significant.

Post forecasts Brazil's MY 2020/21 food, seed, and industrial (FSI) consumption will grow to 11 MMT, with further expansion to 11.5 MMT in MY 2021/22. The country's relatively small corn ethanol industry has grown rapidly in recent years. The sector continued to add capacity last year, attracting new investments

to construct corn ethanol plants that will come online in the coming years. The Brazilian Corn Ethanol Union (UNEM) estimates that the sector produced about 2.5 billion liters of corn-based ethanol in 2020, consuming close to 6 MMT of corn in the process. According to data from Brazil's Sugarcane Industry Union (Unica), that amounts to about 9 percent of Brazil's total ethanol production. Moreover, most corn ethanol plants have been relatively unscathed by skyrocketing corn prices. According to industry sources, many corn ethanol producers sign forwards contracts with corn producers well in advance of the season, guaranteeing supplies at lower prices. In addition, the large warehouses built by the corn ethanol sector easily store hundreds of thousands of tons of corn. This allows the plant to operate for several months without needing to make any corn purchases. It also allows corn ethanol producers to sell their corn stocks on the spot market when soaring prices make such a move financially attractive.

The growth potential for corn ethanol production in Brazil is still limited by regional fuel demand and the logistical challenges and profitability of transporting excess fuel to other parts of the country. Although concentrated in the Center-West region, the sector already sells corn-based ethanol to about a dozen states in Brazil's northern and northeastern regions and continues to eye expansion of distribution capabilities to the population centers along Brazil's northeastern coast. The industry also completed the first foreign sale of corn-based ethanol last year, with the export of fuel ethanol to the EU and shipments of industrial ethanol to Peru and Chile.

Rice

Rice, Milled Market Year Begins	2019/2020		2020/2021		2021/2022	
	Apr 2020		Apr 2021		Apr 2021	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1665	1665	1687	1684	1700	1750
Beginning Stocks (1000 MT)	248	248	205	201	424	606
Milled Production (1000 MT)	7602	7602	7899	7905	7820	7820
Rough Production (1000 MT)	11179	11179	11616	11625	11500	11500
Milling Rate (.9999) (1000 MT)	6800	6800	6800	6800	6800	6800
MY Imports (1000 MT)	874	874	700	800	700	800
TY Imports (1000 MT)	853	853	730	800	700	800
TY Imp. from U.S. (1000 MT)	82	82	0	4	0	0
Total Supply (1000 MT)	8724	8724	8804	8906	8944	9226
MY Exports (1000 MT)	1219	1223	980	950	1000	900
TY Exports (1000 MT)	1240	1244	1000	900	1000	900
Consumption and Residual (1000 MT)	7300	7300	7400	7350	7450	7400
Ending Stocks (1000 MT)	205	201	424	606	494	926
Total Distribution (1000 MT)	8724	8724	8804	8906	8944	9226
Yield (Rough) (MT/HA)	6.7141	6.7141	6.8856	6.9032	6.7647	6.5714
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2021/2022 = January 2022 - December 2022						

Rice Production

Post raises its estimate of market year (MY) 2020/21 (April 2021 – March 2022) rice production (milled equivalent) to 7.9 million metric tons (MMT), which is 425,000 metric tons (MT) higher than Post's last estimate. That represents approximately 300,000 MT more rice production than MY 2019/20. Although record-high domestic prices supported expansion of Brazil's rice area, growth was limited by competition from other crops like corn and soybeans, which have also seen soaring prices. Post estimates that rice area in Brazil expanded by 19,000 hectares to 1.684 million hectares (MHa) in MY 2020/21, but production growth was largely driven by improved yields for irrigated rice fields in southern Brazil.

Brazil's MY 2020/21 rice harvest wrapped up in mid-May. According to the Rio Grande do Sul Rice Institute (IRGA), the state saw the highest yields ever recorded, topping 9 MT/Ha on average, with some parts of the state harvesting more than 9.7 MT/Ha. The record-setting yields resulted in Rio Grande do Sul's fourth large rice harvest ever, with more than 8.5 MMT of rough rice produced in the state. Surging productivity was largely due to ideal weather paired with effective management by producers and the widespread adoption of higher-yielding cultivars, including several developed by IRGA. According to IRGA, close to two-thirds of rice area in the state was seeded with high-yielding cultivars, the expansion of which has fueled record yields in five of the last seven harvests in the state. The development and use of new and improved rice cultivars have solidified Rio Grande do Sul's place as the largest rice producer in Brazil. Today, the state produces about 70 percent of Brazil's total rice crop.



Brazilian Rice Production by State



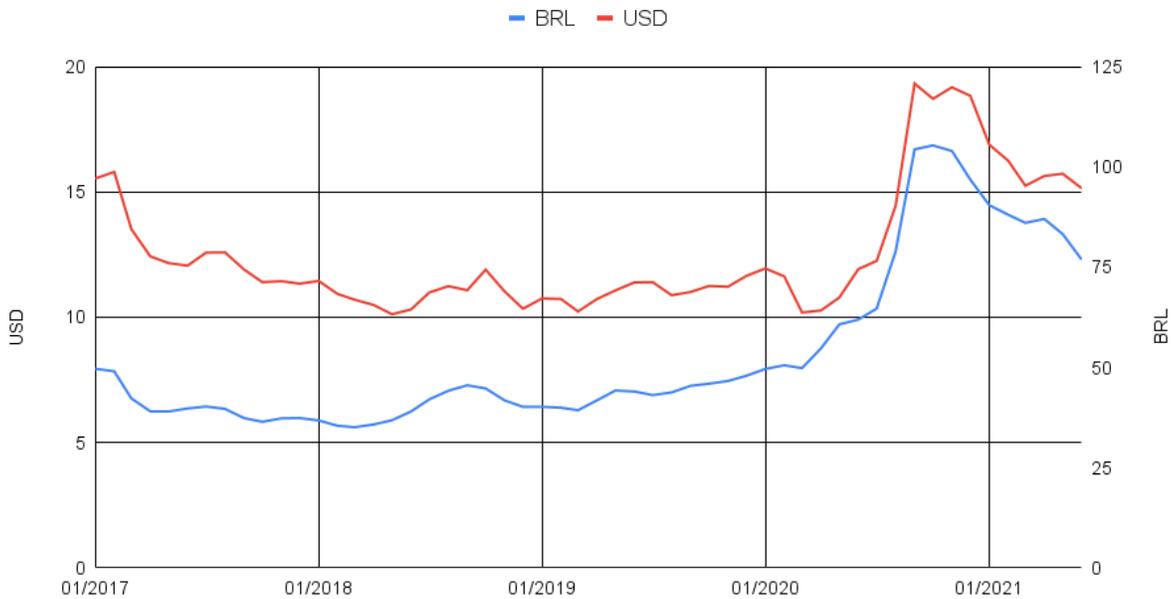
Data Source: CONAB
Graphic: FAS Brasilia

For MY 2021/22 (April 2022 – March 2023), Post maintains its forecast for rice area at 1.75 MHa, about 4 percent larger than the current crop. Assuming a return to trend yields, Post projects milled rice production at 7.82 MMT next season. This forecast is based on the expectation that domestic rice prices in Brazil will remain relatively high in the coming months, even as prices have decreased from the record highs seen in 2020. The Brazilian economy is struggling to deal with the effects of the coronavirus pandemic, which is expected to keep the Brazilian real relatively weak compared the U.S. dollar. The high exchange rate is likely to motivate larger-than-average export volumes, which will prop up the domestic rice price for the foreseeable future. In response, Post expects Brazilian producers will strive to expand rice area for the MY 2021/22 crop to take advantage of the opportunity for large returns.

Prices began to level off in October and November of 2020, after hitting record highs in both BRL and U.S. dollar (USD) terms. The average price in June has been about 27 percent lower than the all-time high of R\$105.38 seen in October 2020. However, current prices, especially in BRL terms, remain high compared to historical averages. According to data from the University of Sao Paulo’s Center for Advanced Studies in Applies Economics (CEPEA), the average price in May was about 37 percent above that seen one year ago.

Rio Grande do Sul Rice Price

Per 50-Kilogram Sack



Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA)
 Chart: FAS Brasilia

Data

Rice Trade

Imports

Post slightly lowers its estimate for MY 2020/21 imports to 800,000 MT, based on the larger-than-expected national crop. For MY 2021/22, Post maintains its import forecast of 800,000 MT. An export boom in early MY 2019/20 led to unmet domestic demand, and depleted stocks at the close of MY 2019/20 are supporting imports even with the larger Brazilian crop. It should be noted, however, that Brazil has never imported more than 900,000 MT (milled equivalent) of rice in a market year, and market conditions last season have shown that millers are willing to let stocks dip extremely low, only purchasing supplies from abroad when absolutely necessary to meet demand.



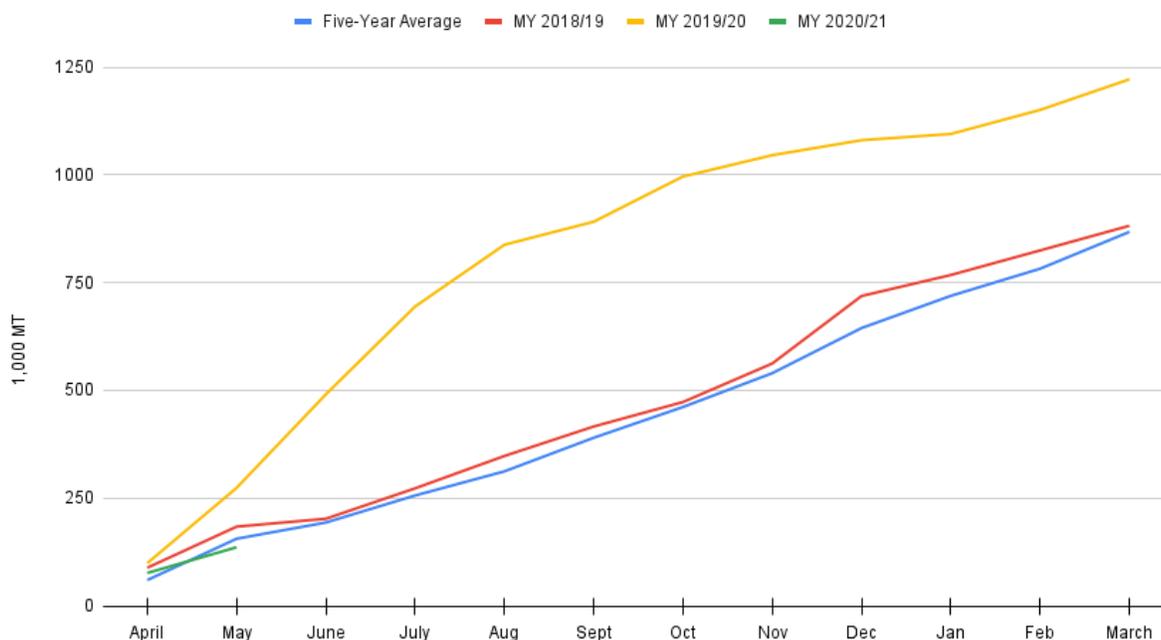
Exports

Based on the larger MY 2020/21 rice crop, Post raises its export forecast for the current market year to 950,000 MT, an increase of 150,000 MT over post's last forecast. Post maintains its MY 2021/22 rice export forecast at 900,000 MT.

The weak BRL throughout MY 2019/20 boosted Brazilian rice exports to 1.2 MMT, the highest level in nearly a decade and second highest level ever, behind only MY 2010/11 when Brazil exported 1.5 MMT of rice. However, the BRL has strengthened in the last month, recovering about 18 percent of its value against the dollar since the start of the year. If the BRL continues to strengthen, the situation will discourage Brazilian rice exports and could help rein in domestic rice prices even further. Moreover, higher shipping costs to many destinations have lessened the appeal of Brazilian rice on the global market, further hampering export potential for MY 2020/21.

Brazilian rice exports in the first two months of MY 2020/21 have lagged far behind the levels seen in MY 2019/20. The volume is closer to the five-year average pace of rice exports from Brazil. Costa Rica, Peru, Venezuela, and the Netherlands have been the largest exports markets so far in MY 2020/21.

Cumulative Rice Exports from Brazil by Market Year



Data Source: Brazilian Foreign Trade Secretariat (SECEX)
Chart: FAS Brasilia

Rice Consumption

Post maintains its rice consumption forecast for MY 2020/21 at 7.35 MMT. Soaring export levels and high retail prices discouraged domestic consumption in the last market year. However, rice remains a staple food in Brazil, and the larger-than-expected current crop should help incrementally increase consumption over MY 2019/20 levels. For MY 2021/22, Post maintains its consumption forecast at 7.4 MMT, an incremental increase year-over-year based on population growth.

Wheat

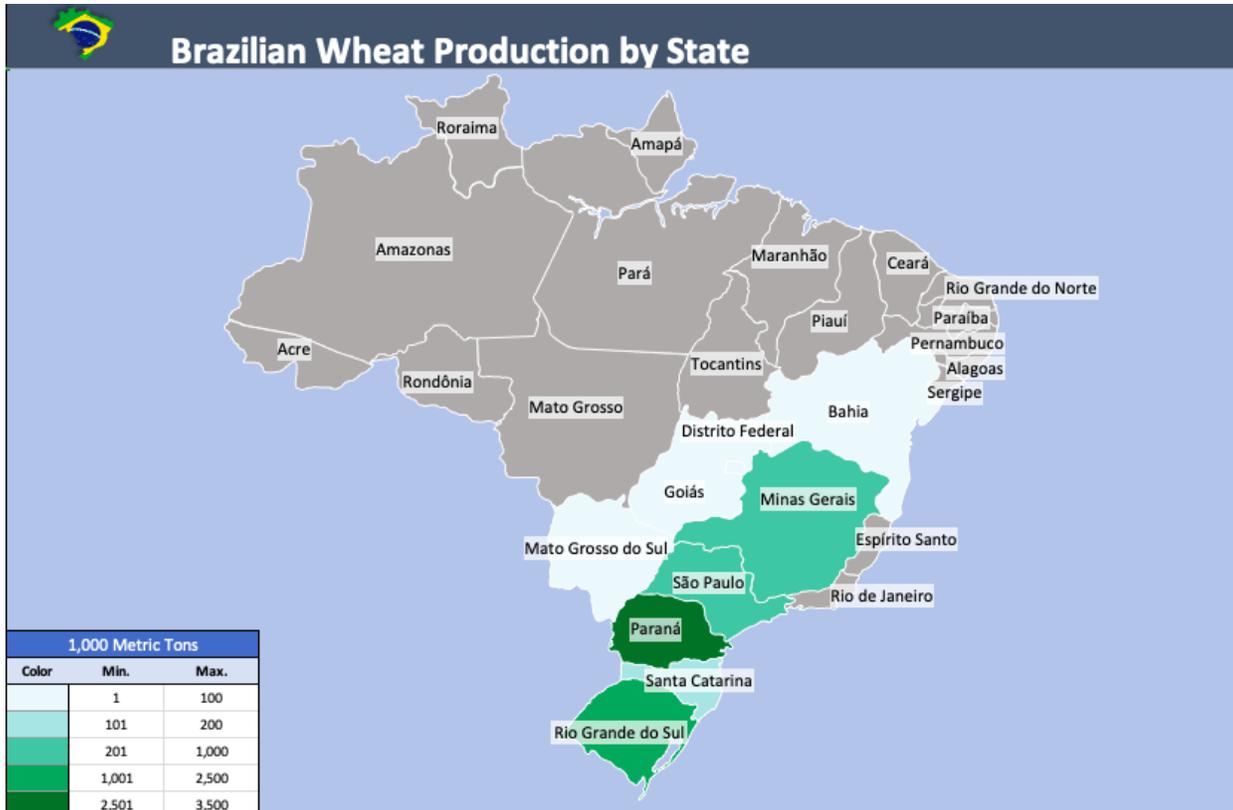
Wheat Market Year Begins Brazil	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	2040	2040	2340	2340	2500	2600
Beginning Stocks (1000 MT)	1057	1057	937	711	637	361
Production (1000 MT)	5200	5200	6250	6250	6800	6850
MY Imports (1000 MT)	7200	7029	6600	6500	7000	6700
TY Imports (1000 MT)	7179	7063	6600	6300	7000	6500
TY Imp. from U.S. (1000 MT)	625	527	0	600	0	650
Total Supply (1000 MT)	13457	13286	13787	13461	14437	13911
MY Exports (1000 MT)	420	425	950	900	1000	1000
TY Exports (1000 MT)	408	408	950	900	1000	1000
Feed and Residual (1000 MT)	500	500	500	500	700	550
FSI Consumption (1000 MT)	11600	11650	11700	11700	11800	11800
Total Consumption (1000 MT)	12100	12150	12200	12200	12500	12350
Ending Stocks (1000 MT)	937	711	637	361	937	561
Total Distribution (1000 MT)	13457	13286	13787	13461	14437	13911
Yield (MT/HA)	2.549	2.549	2.6709	2.6709	2.72	2.6346
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Wheat begins in July for all countries.TY 2021/2022 = July 2021 - June 2022						

Wheat Production

Post maintains its estimate for MY 2020/21 (October 2020 – September 2021) wheat area at 2.34 million hectares (MHa), as well as Post’s estimate of production at 6.25 million metric tons (MMT). High internal prices incentivized expanded planting in the major production regions, supporting Post’s estimate for a year-over-year increase of 15 percent for area. The MY 2020/21 crop was more than 20 percent larger than the previous season, as yields rebounded from the damage caused by adverse weather in MY 2019/20.

For MY 2021/22 (October 2021 – September 2022), Post maintains its forecast for wheat area at 2.6 MHa, as record prices continue to incentivize expansion. Given a short delay in planting in Rio Grande do Sul due to dry conditions, Post lowers its projection for MY 2021/22 Brazilian wheat production by 200,000 MT, to 6.85 MMT, which would still set a new record for the crop.

Brazilian wheat production is concentrated in the south of the country, especially in the states of Parana and Rio Grande do Sul. Together, those two states account for roughly 85 percent of total Brazilian production. Both Parana and Rio Grande do Sul expanded wheat area in MY 2020/21, and Post expects the trend to continue for the next crop. Wheat sowing in the largest producing state, Parana, began in late April and was approximately 80 percent complete as of early June. Post expects the state will plant approximately 1.1 MHa for MY 2021/22. Meanwhile, planting in the next largest producer state, Rio Grande do Sul, was delayed until late May due to a lack of soil moisture. Rainfall in mid-May allowed farmers to begin sowing the wheat crop, which is now about 25 percent complete. According to industry contacts, wheat area in Rio Grande do Sul could top 1 MHa for the first time, though expansion may be limited by the availability of wheat seed.



Data Source: CONAB
Graphic: FAS Brasilia

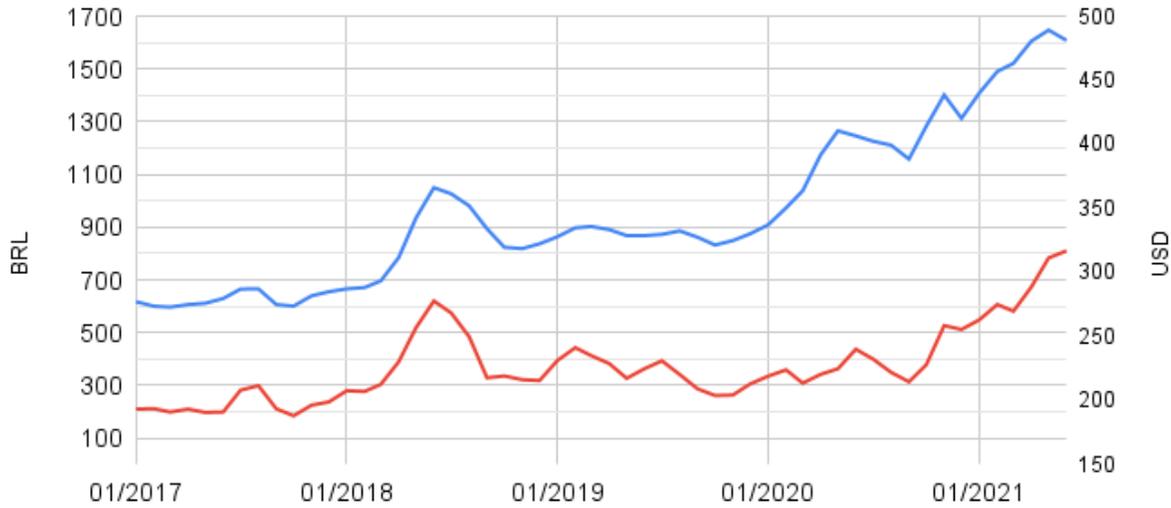
Wheat area in southern Brazil competes with other crops, mainly safrinha corn in Parana and soybeans in Rio Grande do Sul. Both of those crops have also seen very high prices in recent months, but the delayed planting of second-crop corn in Parana pushed some producers to instead sow wheat, a more drought-tolerant crop. There were also anecdotal reports of producers plowing over fields of poorly performing second-crop corn and planting wheat instead. Nevertheless, according to industry sources, historically about half of Brazil's wheat crops have experienced weather-related challenges that have hampered potential yields. This includes frosts in southern Brazil, which can be seen in June and July most years, as well as untimely rainfall around the harvest period, which can cause crop losses and damage wheat quality. If similar adverse weather effects are seen during the growing season for the MY 2021/22 crop, record production could be stymied.

According to a data series maintained by the University of Sao Paulo's Center for Advanced Studies in Applied Economics (CEPEA), wheat prices in Parana are still hovering around record levels in nominal terms, averaging about R\$1,608 (US\$317) per metric ton in the first half of June. That is about 30 percent higher than the same point in 2020. Meanwhile, prices in Rio Grande do Sul have remained near record levels, averaging R\$1,538 (US\$303) per metric ton in the first half of June, 30 percent higher year-over-year.

Parana Wheat Prices

Per Metric Ton

— BRL — USD

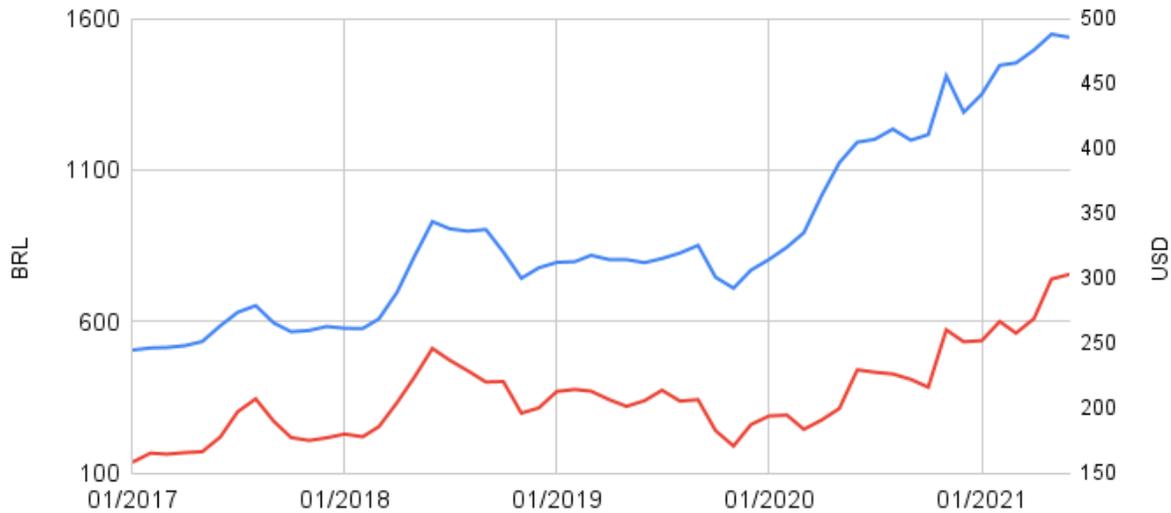


Data Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA)
Chart: FAS Brasilia

Rio Grande do Sul Wheat Prices

Per Metric Ton

— BRL — USD



Data Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA)
Chart: FAS Brasilia

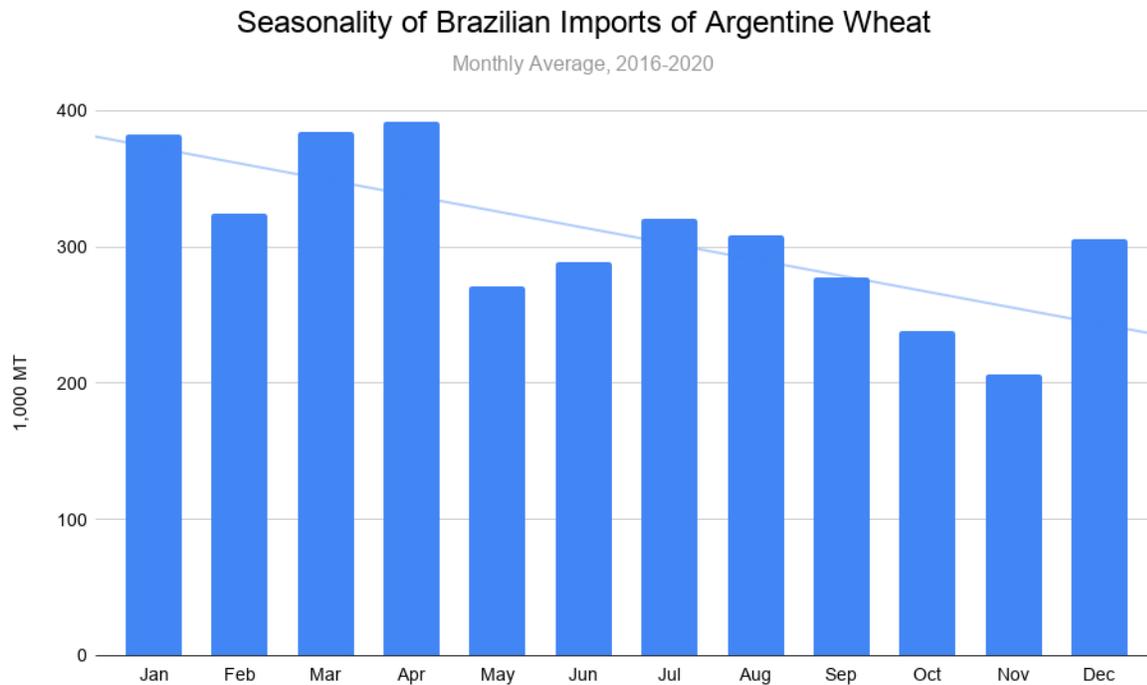
Wheat Trade

Imports

Post maintains its import forecast for MY 2020/21 at 6.5 MMT, based on the pace of trade. The devalued Brazilian real (BRL) has made dollar-dominated imports more expensive and reduced mills' willingness to make large purchase unless absolutely necessary to meet demand. The Brazilian Wheat Millers' Association (Abitrigo) indicated that it might approach the Brazilian government for an additional duty-free quota for non-Mercosur wheat, as domestic prices have continued to climb, and millers' margins are increasingly squeezed.

For MY 2021/22, Post maintains its import forecast at 6.7 MMT, as dwindling stocks at the end of the current market year will likely spur imports to meet domestic demand, and consumption is expected to tick up slightly.

Imported wheat typically accounts for more than half of Brazil's domestic consumption, making Brazil the fourth largest global wheat importer in MY 2019/20. Post estimates that imports accounted for 60 percent of Brazil's consumption in MY 2019/20, although that ratio is expected to shrink slightly in the current market year due to the larger Brazilian wheat harvest.



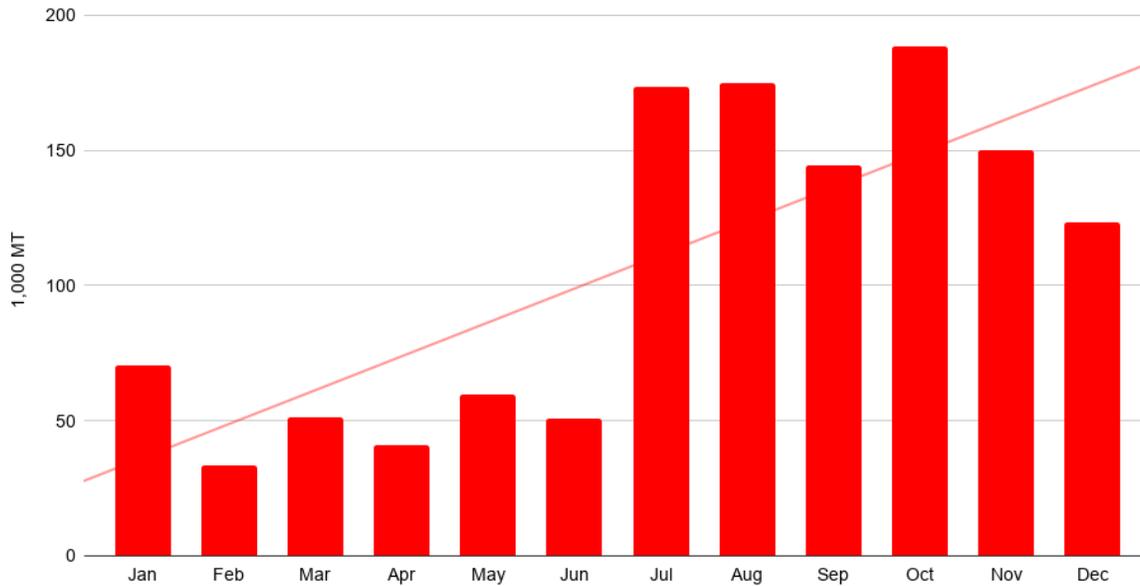
Data Source: Brazilian Foreign Trade Secretariat (SECEX)
Chart: FAS Brasilia

Most of Brazil's imports are duty-free purchases from Mercosur trade bloc neighbor Argentina, which supplied roughly 79 percent of Brazil's wheat imports in MY 2019/20. In the same period, Paraguay was responsible for about 4 percent of Brazil's imports, while Uruguay contributed another 2.5 percent. Russia accounted for 2.4 percent of market share in MY 2019/20, while the United States was the second-largest overall supplier with 10 percent of market share (707,837 MT), more than double the U.S. market share seen in MY 2018/19.

Argentine wheat is the dominant import source for roughly the first half of the calendar year, given the timing of the harvest there. Meanwhile, American wheat exports to Brazil gain competitiveness later in the year, with the largest volumes normally arriving between July and November, according to Brazilian customs data. In MY 2020/21, Post expects this trend to hold, with Argentina supplying the vast majority of Brazilian wheat imports, despite limitations to supply in that country.

Seasonality of Brazilian Imports of U.S. Wheat

Average Monthly Volume, 2016-2020



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Chart: FAS Brasilia

U.S. market opportunities in Brazil have increased in recent years in part due to the implementation in November 2019 of an annual duty-free tariff-rate quota (TRQ) for 750,000 MT of non-Mercosur wheat imports. Amid pressure from Abitrito to increase the duty-free quota due to the effects of the COVID-19 pandemic (including the weakening of the BRL), Brazil announced on June 17, 2020, that it would allow an additional 450,000 MT of duty-free wheat imports from non-Mercosur countries, bringing the TRQ total to 1.2 MMT through November 17, 2020. Brazilian government data show that at the end of the quota period, Brazil had issued licenses for close to 1.1 MMT of the quota, but only about 866,000 MT of wheat actually entered Brazil duty-free before the TRQ expired. Outside of the TRQ, Brazil applied the 10 percent Mercosur common external tariff (TEC, in Portuguese) for all wheat imports coming from countries not in the trade bloc. Mercosur countries (Argentina, Paraguay, and Uruguay) continue to enjoy unlimited duty-free access for wheat exports to Brazil.

The Brazilian government renewed the TRQ for an additional 750,000 MT of non-Mercosur wheat imports from November 18, 2020, through November 17, 2021. Then, on December 1, 2020, the Brazilian President issued decree No. 10,577 to make the TRQ permanent, meaning that it will no longer have to be renewed on an annual basis by Brazil's Foreign Trade Chamber. Accordingly, Brazil changes the quota period to match the calendar year. Between January 1 and May 24, only 33,145 MT of the 750,000 MT quota had been filled, amounting to less than 5 percent of the total available volume. As noted above, Post

expect American wheat exports to Brazil to gain momentum starting in July, taking advantage of the duty-free quota.

Exports

Brazil generally exports only a small share of its wheat production, usually around 10 percent, though that proportion has changed in response to the current market dynamics. Exports are entirely dependent on economic conditions, and Brazil's typical markets look for bargain wheat purchases.

Post reduces its MY 2020/21 export forecast by 50,000 MT to a total of 900,000 MT based on the pace of trade and export commitments. The change comes on the back of the rebound in harvest volume year-over-year, as well as the some strengthening of the BRL against the U.S. dollar (USD). The weak BRL boosted exports in the first half of MY 2020/21. However, the BRL has strengthened in the last month, recovering about 18 percent of its value against the dollar since the start of the year. If the BRL continues to increase in value compared to the USD, the situation will discourage Brazilian wheat exports, could help rein in domestic wheat prices.

For MY 2021/22, Post maintains its wheat export forecast at 1 MMT, on the expectation of expanded production. Post also expects the BRL to remain relatively weak against the USD (compared to historic levels), which could fuel foreign sales in the next market year.

Wheat Consumption

Post maintains its forecast for Brazil's wheat consumption in MY 2020/21 at 12.2 MMT and raises its MY 2021/22 consumption forecast to 12.35 MMT, an increase of 100,000 MT over the April projection. The worsening scenario for second-crop corn has increased the animal protein sector's interest in wheat as a potential feedstock. According to the Brazilian Animal Protein Association, the spike in domestic corn prices caused meatpackers to look for other feed sources, including winter crops like wheat. That interest in turn incentivized expanded planting of wheat in southern Brazil, a region that is also home to the country's largest pork and poultry suppliers. Some larger meatpacking companies also reportedly signed forward contracts with producers of wheat, barley, and triticale to use as livestock and poultry feed. On a nutritional basis, ABPA says that wheat can fully replace corn as a feedstock. However, given the high prices of wheat on the domestic market, it remains unclear how widespread the trend will be. During a recent trip to Rio Grande do Sul, contacts reported to Post that as much as 400,000 tons of wheat could be used in feed rations for dairy, cattle, poultry and pork this year.

Attachments:

No Attachments