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Report Highlights:

Post maintains its corn production forecast for market year (MY) 2019/20 (March 2020 – February 2021) at 100 MMT, based on poor yields in the southern states of Rio Grande do Sul and Parana after a prolonged dry spell, which are partially offset by a large expansion of area in the Center-West state of Mato Grosso. Posts raises its milled rice production estimate for market year (MY) 2019/20 (April 2020 – March 2021) to 7.48 million metric tons (MMT), based on year-over-year reduced area offset by record yields in the major production region. Post maintains its MY 2020/21 wheat production forecast of 5.6 MMT, which would represent growth of 8.7 percent year-over-year.

Corn

Corn	2018/2019		2019/2020		2020/2021	
	Mar 2019		Mar 2020		Mar 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Brazil						
Area Harvested (1000 HA)	17500	17500	18400	18450	18900	18700
Beginning Stocks (1000 MT)	9280	9280	5190	5124	4390	4924
Production (1000 MT)	101000	101000	101000	100000	107000	103000
MY Imports (1000 MT)	1659	1659	1200	1300	1500	1500
TY Imports (1000 MT)	1189	1189	1500	1300	2000	1500
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	111939	111939	107390	106424	112890	109424
MY Exports (1000 MT)	39749	39815	35000	33500	38000	36000
TY Exports (1000 MT)	38807	39078	37000	35000	38000	36000
Feed and Residual (1000 MT)	57000	57000	58000	57750	58000	58000
FSI Consumption (1000 MT)	10000	10000	10000	10250	10000	11000
Total Consumption (1000 MT)	67000	67000	68000	68000	68000	69000
Ending Stocks (1000 MT)	5190	5124	4390	4924	6890	4424
Total Distribution (1000 MT)	111939	111939	107390	106424	112890	109424
Yield (MT/HA)	5.7714	5.7714	5.4891	5.4201	5.6614	5.508

(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 2020/2021 = October 2020 - September 2021

Corn Production

Post maintains its corn production forecast for market year (MY) 2019/20 (March 2020 – February 2021) at 100 MMT, based on poor yields in the southern states of Rio Grande do Sul and Parana after a prolonged dry spell, which are partially offset by a large expansion of area in the Center-West state of Mato Grosso. Accordingly, post increases its estimate of MY 2019/20 area by 350,000 hectares to 18.45 million hectares (MHa). This reflects an expansion of 950,000 hectares, or 5.4 percent, over the previous year, and comes in response to firm prices due strong domestic demand from the poultry and livestock sectors, as well as the growing corn ethanol business. Brazil's domestic corn prices reached all-time highs in recent months, after record-breaking 2019 exports depleted stocks and the Brazilian real (BRL) plummeted in value against the U.S. dollar (USD).

Post maintains its production forecast for MY 2020/21 (March 2021 – February 2022) at 103 MMT, representing a 3-percent increase over the estimate for the current season. Area is forecast to expand to 18.7 MHa, 1.4 percent larger than MY 2019/20 area.

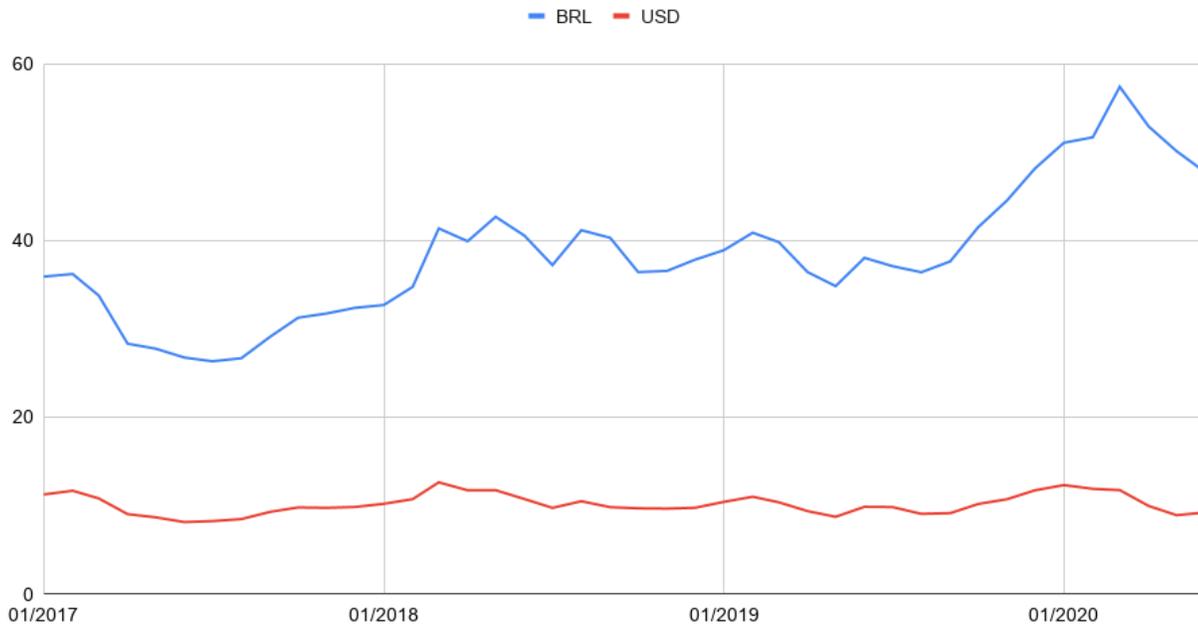
Brazil's first-crop corn is generally planted between September-December and harvested from January-May, depending on the region. In MY 2019/20, major production regions in southern Brazil experienced persistent dryness, which severely damaged yields, especially in the southernmost state of Rio Grande do Sul, where productivity fell by around a third compared to My 2018/19. The state has typically been the largest producer of first-crop corn, but drought conditions between December and February slashed yields, and despite a 5-percent expansion in corn area, Rio Grande do Sul's total production fell by more than 30 percent year-over-year. The hardest hit were the farmers who planted corn in September, as their fields experienced severe dryness and high temperatures in December, which affected the crop during the flowering and grain-fill stages, greatly diminishing yields. Some of these producers reported losses of up to 65 percent of expected production.

Meanwhile, Brazil's second-crop "safrinha" corn has shown mixed productivity results. Nationwide, the crop is about 15 percent harvested as of late June. However, the largest producing state of Mato Grosso had harvested more than 30 percent of planted area as of June 26, according to data from the Mato Grosso Institute of Agricultural Economics (IMEA). That is about 10 percent less than the same point in last year's record early harvest, but still ahead of the 5-year average. Producers rapidly expanded safrinha corn area in response to high internal corn prices earlier this year. While, prices are expected to fall as more of the crop is harvested, the charts in this report show the historic highs seen in the last few months, in large part due to the weakening BRL against the USD.

Overall, safrinha corn area expanded by nearly 1 MHa nationwide. Mato Grosso, the state responsible for about one-third of Brazil's total corn production, saw safrinha corn area expand by 450,000 hectares to a record-setting 5.19 MHa, according to IMEA. The expanded planting was motivated by exceptionally high prices in the state, coupled with strong internal demand from Brazil's poultry and livestock sector after record exports in 2019 depleted corn stocks. Many farmers opted to plant safrinha corn instead of cotton, at a time when cotton prices worldwide had fallen in step with plummeting demand due to the COVID-19 pandemic.

Corn Price on BM&F Exchange

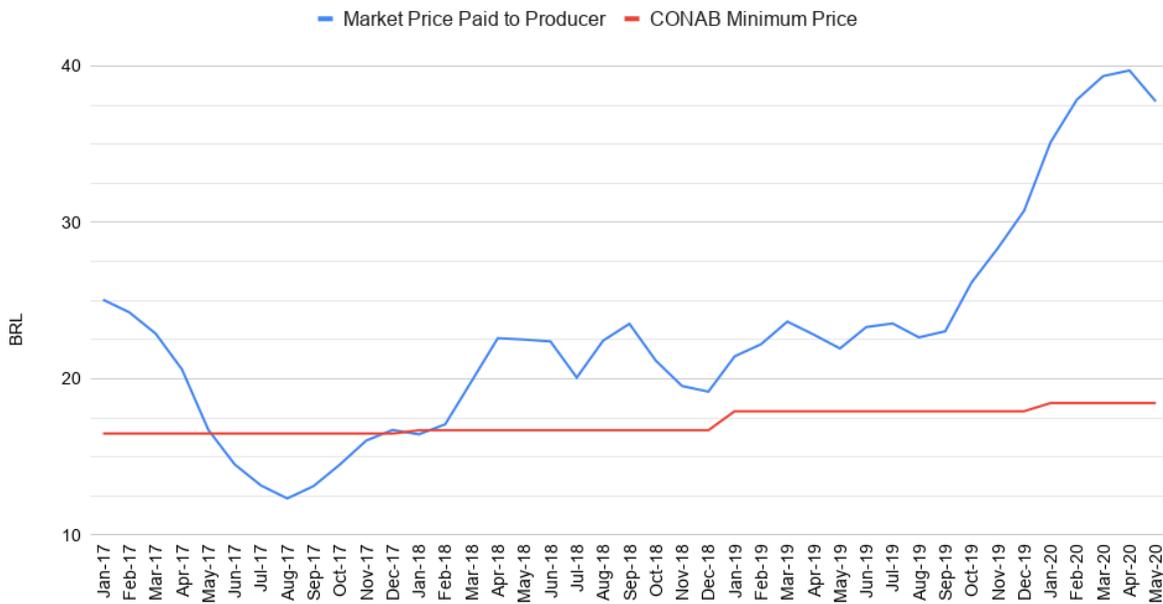
60-Kilogram Sack



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

Mato Grosso Corn Price

Per 60-Kilogram Sack



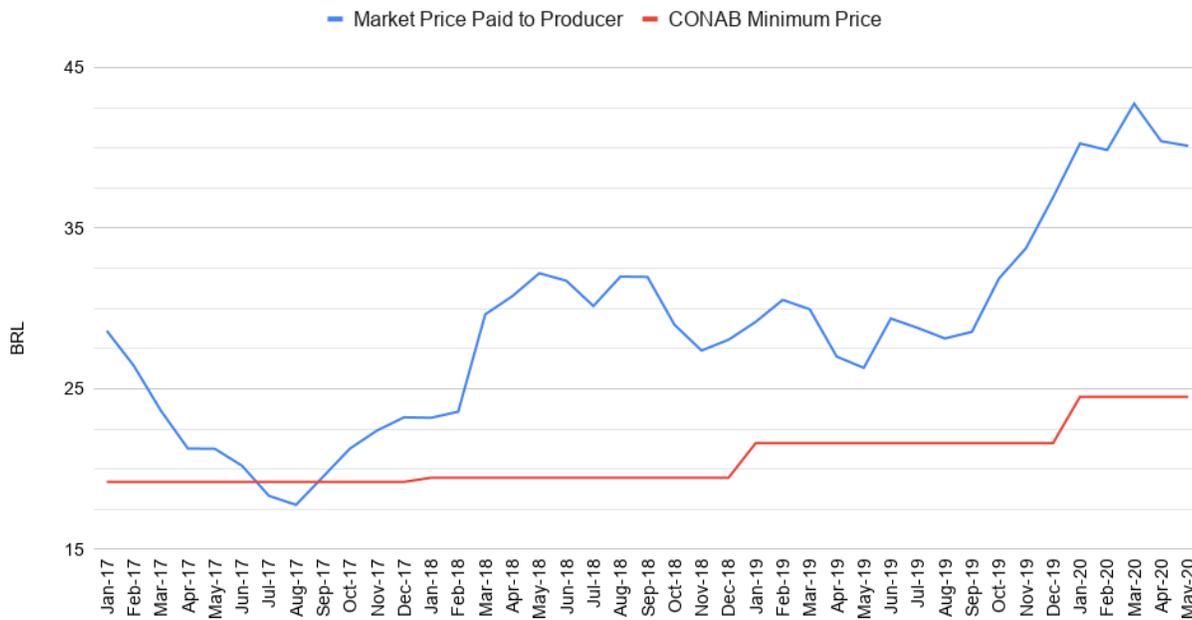
Data Source: CONAB

Mato Grosso is one of Brazil’s largest states, with 30 percent more land area than Texas, so its regions have seen uneven returns on productivity. Around 95 percent of Mato Grosso’s safrinha corn crop was planted within the ideal planting window (by the end of February), and industry sources report that producers invested more in inputs and technology for this year’s crop. According to IMEA data, productivity is expected to decrease compared to last year, down to 6.33 MT/Ha, compared to 6.64 MT/Ha in 2019, but the larger harvested area will offset those losses, making for the largest corn harvest the state has even seen, at 32.86 MMT.

Parana is Brazil’s second-largest corn producing state, accounting for about 16 percent of the MY 2018/19 national harvest. Roughly 80 percent of the southern state’s corn comes from the safrinha crop, since a majority of producers prefer to plant soybeans first. In MY 2019/20, delays in soybean planting due to dry conditions subsequently delayed the soy harvest, which in turn delayed safrinha corn planting in the state. Motivated by high domestic prices, many farmers still planted corn outside of the ideal window, which closed as early as mid-February in some regions of the state. Others decided to plant wheat as a second crop instead, as that grain has also traded at record prices in recent months. Much of the state saw below-average rainfall from March to May, which severely hampered safrinha corn yields. The state’s safrinha corn harvest is just beginning (about 4 percent complete as of June 22), but yields are expected to fall by 15 percent compared to last year, averaging a little over 5 MT/HA, according to Parana’s Department of Rural Economy (DERAL). The agency also reports that only 44 percent of the safrinha crop is in good condition. In total, Post expects Parana’s safrinha corn production to reach approximately 11.3 MMT, compared to 13.5 MMT in 2019.

Parana Corn Price

Per 60-Kilogram Sack



Data Source: CONAB

The neighboring state of Mato Grosso do Sul also experienced dry conditions throughout the safrinha corn growing season. Mato Grosso do Sul is Brazil's fourth-largest corn producer. Due to a delayed soy harvest, safrinha corn was planted extremely late in the state, wrapping up three weeks after the ideal period ended, and leaving the crop susceptible to dry conditions as the rainy season ended. As a result, the Mato Grosso do Sul Corn and Soy Producers Association (Aprosoja/MS) reported that in some parts of the state yields have plummeted and production is expected to fall by as much as a third, compared to MY 2018/19. Overall, the state is expected to produce about 1 MMT less year-over-year.

In late 2019, Brazil's agricultural statistics agency, the National Food Supply Company (CONAB), defined a third corn crop in the country. This corn is primarily planted in the northeastern states of Sergipe, Alagoas, and the northern part of Bahia. Third-crop corn is planted the latest, with a planting and harvest cycle that more closely resembles that of the United States (sowing in May-June and harvesting in October-November). This production was previously folded in with the second-crop safrinha corn, but due to the difference in planting and harvesting periods, CONAB decided to separate it out. Third-crop corn only accounts for about 1 percent of Brazil's total production, and around 2 percent of area. Moreover, yields and production in Northeastern Brazil can vary widely, as they are dependent on unpredictable precipitation. For MY 2019/20, Post concurs with CONAB's estimate of 1.3 MMT production from third-crop corn.

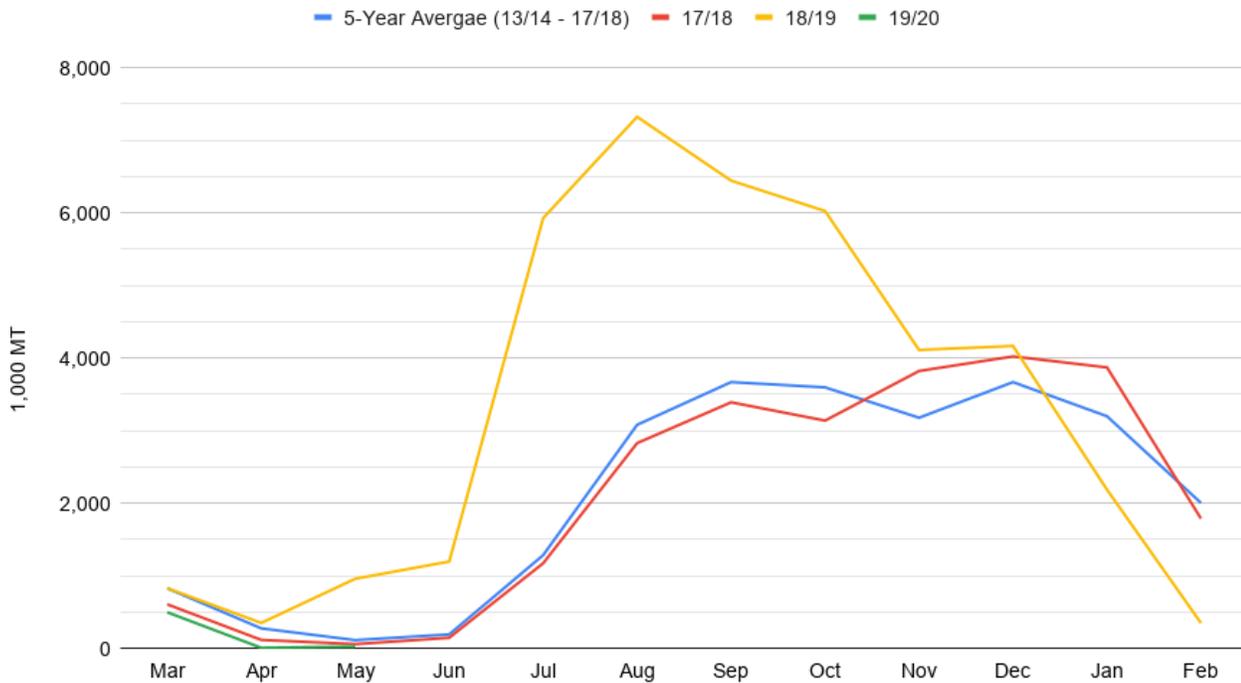
Corn Trade

Exports

Post lowers its forecast for MY 2019/20 corn exports at 33.5 MMT, which is a year-over-year decrease of approximately 16 percent. Record exports of nearly 40 MMT in 2018/19 severely depleted stocks, while strong internal demand by the poultry and livestock sectors suggests that Brazil will consume a greater portion of the current crop. For MY 2020/21, Post maintains its forecast at 36 MMT, based on expectations for expanded production, as well as the likelihood that the BRL will remain weak as Brazil's GDP growth sputters in the wake of the coronavirus pandemic.

The BRL has fallen precipitously in 2020, in large part because of the economic crisis brought on as the pandemic spread throughout Brazil and the country's unemployment rate rose rapidly. Since the start of the year, the BRL has lost about 30 percent of its value. This made Brazilian exports extremely attractive in foreign markets, and as a result, producers have rushed to forward contract their MY 2019/20 corn crop. According to data from IMEA, as of early June, more than 85 percent of Mato Grosso's corn crop had been commercialized, well ahead of the 5-year average of less than 70 percent at that time of year.

Brazilian Corn Exports by Month



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

After record-shattering exports of 39.8 MMT in MY 2018/19, corn exports have been off to a very slow start in the first three months of MY 2019/20, with only 527,419 MT leaving Brazilian ports from March to May. That is the slowest three-month trade total in at least seven years, and less than a quarter of the exports in the same period last year. Brazilian ports have been feverishly loading the country’s soybean crop in recent months, and with sparse corn carryover stocks and firm internal feed demand, corn has not been an export priority so far in MY 2019/20. That is likely to change as the full safrinha crop is harvested, but Post still expects exports to decrease by 7.5 MMT year-over-year.

Imports

Post lowers its MY 2019/20 import forecast to 1.3 MMT, which would be a decrease of more than 20 percent year-over-year. Post is projecting a smaller import volume based on the pace of trade, as well as expectations that a larger percentage of the safrinha crop will be consumed domestically. Post maintains its forecast for MY 2020/21 corn imports set at 1.5 MMT.

The shrinking of Brazil’s first-crop corn area over the years has resulted in unmet domestic demand by the livestock and poultry sector in southern Brazil. While Brazil on the whole grows much more corn than the country consumes domestically, the main production areas have shifted in recent decades, with more corn grown in central Brazil and less in the south where the poultry and pork industries have traditionally been concentrated. The southern state of Santa Catarina, for example, is home to some of Brazil’s largest chicken

and swine operations, located in the western part of the state. However, Santa Catarina still only produces about half as much corn as the industry requires for feed. Thus, the poultry and livestock sector frequently imports corn from nearby Paraguay, as it is much less expensive to move corn overland from Paraguay than it is to transport corn domestically from high-production areas in central Brazil, like Mato Grosso. Paraguay supplied about 94 percent of Brazilian corn imports in MY 2018/19.

Corn Consumption

Post raises its forecast for Brazil's MY 2019/20 domestic consumption by 1 MMT, to 68 MMT, based on increased poultry and pork production, as well as continued expansion of the corn ethanol sector, despite an initial slowdown in production related to the coronavirus pandemic. For MY 2020/21, Post maintains its forecast for corn consumption at 69 MMT, on the expectation of continued expansion of the Brazilian livestock and poultry industry in reaction to strong demand from China and other exports markets.

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 2019 showed a large increase in poultry and pork exports from Brazil, mainly to China, where the hog herd suffered severely from an outbreak of African Swine Fever. This sent Chinese importers in search of animal protein imports, and Brazil's large industry was able to expand to meet that demand last year. That trend is continuing in 2020, and Post forecasts chicken meat production will grow by 1 percent, while pork meat production will increase by nearly 2 percent. 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 2019/20 food, seed, and industrial (FSI) consumption at 10.25 MMT, a slight increase from the previous forecast. The country's small-but-expanding corn ethanol industry has grown rapidly in recent years, however the spread of the coronavirus pandemic throughout the world, including Brazil, has dampened the outlook for fuel consumption this year. Nevertheless, the industry is still adding capacity in 2020. According to the Brazilian Corn Ethanol Union (UNEM), the sector is expected to produce 2-2.5 billion liters of ethanol this year, consuming about 6 MMT in the process. Even through social distancing measures dampened fuel consumption in Brazil, forcing ethanol prices downward, the sector has started to recover in recent weeks as Brazilians are slowly returning to some version of their normal lives. Most corn ethanol producers are looking past the current situation and continue to expand processing capacity on the expectation that Brazil's new carbon credits program, RenovaBio, will boost ethanol demand in the coming years.

Rice

Rice, Milled Market Year Begins Brazil	2018/2019		2019/2020		2020/2021	
	Apr 2019		Apr 2020		Apr 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1700	1700	1650	1650	1600	1630
Beginning Stocks (1000 MT)	589	589	198	182	360	162
Milled Production (1000 MT)	7140	7140	7412	7480	7208	7140
Rough Production (1000 MT)	10500	10500	10900	11000	10600	10500
Milling Rate (.9999) (1000 MT)	6800	6800	6800	6800	6800	6800
MY Imports (1000 MT)	747	735	750	700	800	800
TY Imports (1000 MT)	691	691	750	650	800	800
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8476	8464	8360	8362	8368	8102
MY Exports (1000 MT)	878	882	550	750	550	500
TY Exports (1000 MT)	954	982	600	750	550	500
Consumption and Residual (1000 MT)	7400	7400	7450	7450	7450	7400
Ending Stocks (1000 MT)	198	182	360	162	368	202
Total Distribution (1000 MT)	8476	8464	8360	8362	8368	8102
Yield (Rough) (MT/HA)	6.1765	6.1765	6.6061	6.6667	6.625	6.4417

(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 2020/2021 = January 2021 - December 2021

Rice Production

Post raises its milled rice production estimate for market year (MY) 2019/20 (April 2020 – March 2021) to 7.48 million metric tons (MMT), based on year-over-year reduced area offset by record yields in the major production region. The new estimate is an increase of 4 percent (roughly 300,000 metric tons) from Post's last forecast, based on reports of record yields in the state of Rio Grande do Sul. Post maintains its estimate for MY 2019/20 area at 1.65 million hectares (MHa). Thus, despite a 3-percent decrease in area from the MY 2018/19, Post estimates Brazil's MY 2019/20 production is 4.7 percent larger year-over-year.

Post forecasts MY 2020/21 (April 2021 – March 2022) area to decrease by 1 percent to 1.63 MHa, following the long-term trend of shrinking area. As such, Post also forecasts production for MY 2020/21 to shrink to 7.14 MMT, consistent with the smaller area and a return to trend yields.

About 65 percent of Brazil's rice area is concentrated in two southern states (Rio Grande do Sul and Santa Catarina), virtually all of which is irrigated. That region accounts for approximately 80 percent of national rice production, according to the National Food Supply Company (CONAB), Brazil's agricultural statistics agency. The country's southernmost state, Rio Grande do Sul, is responsible for almost 60 percent of Brazil's total rice area and 70 percent of total production, and the state of Santa Catarina, which is just north of Rio Grande do Sul, accounts for another 10 percent of Brazilian rice production.

The harvest for the MY 2019/20 crop wrapped up in late May and early June, with many producers reporting record yields as a result of favorable weather throughout much of the growing season. Dry weather throughout much of Rio Grande do Sul and Santa Catarina may have harmed other crops, such as soybeans and first-crop corn, but because rice is almost entirely irrigated in southern Brazil, the drought did not negatively affect rice producers. In fact, clear skies, higher daytime temperatures, and temperate nights, fueled exceptional productivity of the rice crop. Moreover, high domestic prices incentivized many farmers to invest in fertilizer and pesticide applications.

According to the Rio Grande do Sul Rice Institute (IRGA), the MY 2019/20 crops resulted in the highest yields recorded since at least 1921 when the state began keeping data on the rice harvest. Some producers saw yields of more than 9,200 kilograms (kg) per hectare, but the average yield for the state was approximately 8.4 kg/hectare, which is more than 13 percent larger than the previous crop.

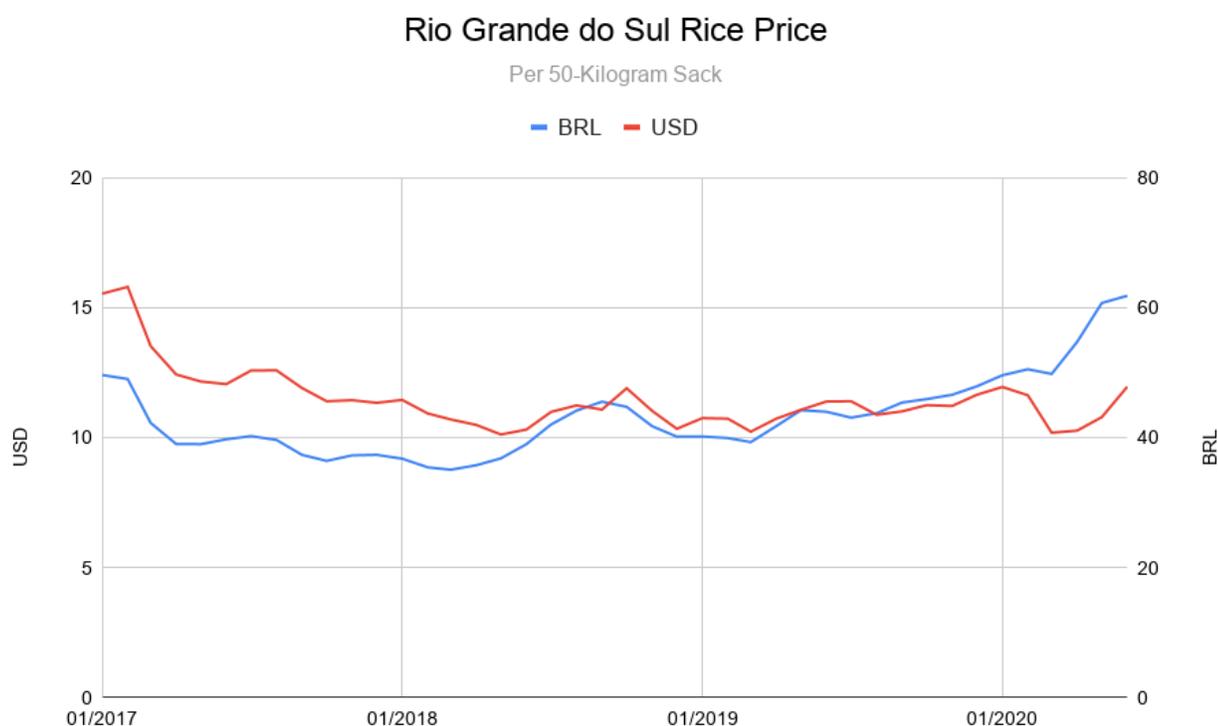
Considering yields for rainfed fields in other parts of Brazil are usually only a third of that for irrigated rice, Post's estimate for Brazil's average MY 2019/20 rice yield is 6.67 MT per hectare, which is 8 percent higher than the previous season.

Brazilian rice producers have long complained that they face steep hurdles in cultivating the crop, including, rising electricity costs to run irrigation systems, high debt levels of producers, high taxation rates, Mercosul competition, and cabotage regulations. However, this year's record yields in some regions may provide rice farmers with some relief. According to Brazil's National Federation of Rice Producers (Fedearroz), this year's crop provided improved profitability for growers, and prices are expected to exceed costs for the first time in four years. Furthermore, Brazilian rice producers are seeing greater price parity with other Mercosul countries, even as domestic prices have remained high.

Due to the COVID-19 pandemic, the Brazilian economy has worsened significantly in 2020, and the Brazilian real (BRL) has lost about 30 percent of its value since the start of the year. Nevertheless, rice

prices in Rio Grande do Sul have remained firm over the last few months and are currently about 40 percent higher than this time last year. The weak BRL has made dollar-denominated imports less attractive, and Brazilian rice millers limited their foreign purchases in recent months, relying instead on domestic stocks. Starting in early 2018, the rice price in BRL and USD terms started to diverge, but the trend has been exacerbated in 2020.

Increased consumption of rice at home, as result of social-distancing orders due to the COVID-19 pandemic was another factor driving up rice prices in the first half of 2020. Despite a slight recovery in early June of the BRL against the dollar, rice prices in Rio Grande do Sul in June have reached record levels in BRL terms, according to a data series maintained by the University of Sao Paulo’s Center for Advanced Studies in Applied Economics. June prices in Brazil’s southernmost state have averaged R\$61.84 (US\$11.96) per 50-kg sack.



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

Data

Rice Trade

Exports

Post raises its forecast for MY 2019/20 exports, to 750,000 MT, based on the increased production estimate, as well as the weak BRL making Brazilian rice more attractive on the international market. Post maintains its MY 2020/21 export forecast at 500,000 MT, assuming decreased production next year due to shrinking area and a return to trend yields.

As noted above, the weak BRL has improved profitability for rice producers, as well as making exports more attractive, given that international sales are generally dollar-denominated. Brazil exported above-average volumes of rice in April and May, after the MY 2019/20 crop hit the market. In April 2020, Brazilian rice exports were 66 percent higher than the five-year average for that month. In May that ratio rose to 82 percent, as Brazil exported more than 174,000 MT of rice, the largest monthly volume in at least five years.

Venezuela has been one of the largest markets for Brazilian rice exports in recent years, and that trend has continued into 2020, with large purchases of both paddy rice and white rice. As Venezuela fell deep into political and economic turmoil over the last few years, Brazil's abundant production and relative geographic proximity made it a convenient rice supplier. Because the BRL remains weak against the dollar, Brazilian rice continues to be relatively cheap, and Venezuela may continue turning to its South American neighbor to purchase staple foods like rice.

Imports

Post lowers its MY 2019/20 import forecast to 700,000 MT, based on the larger production estimate. Post makes this change despite Brazil's diminished domestic stocks and high internal prices because the severely weakened BRL has discouraged rice millers from importing, looking instead to relatively cheaper domestic supplies after the current harvest. Post also lowers its MY 2020/21 import forecast to 800,000 MT, as the pandemic-induced Brazilian recession is likely to discourage imports for a while. Brazil has never imported more than 900,000 MT, and recent market conditions have shown that millers are willing to let stocks dip extremely low, only purchasing supplies from abroad when absolutely necessary to fulfill contracts.

The vast majority of Brazil's rice imports (nearly 95 percent) come duty-free from its Mercosul trade bloc neighbors: Paraguay, Uruguay, and Argentina. Paraguay alone has accounted for 56 percent of imports in MY 2019/19, with Uruguay supplying another 27 percent of imports, and Argentina responsible for approximately 11 percent.

However, the weakened BRL and record rice crop yields in Brazil's main production areas have improved price parity with other Mercosul suppliers, according to Fedearroz. Despite record-high internal prices, rice mills will likely be less inclined to import in MY 2019/20. Instead, they put in extra effort to market Brazilian white and broken rice to other markets, especially if the BRL remains weak against the dollar.



Rice Consumption

Post lowers its estimate for MY 2018/19 milled rice consumption to 7.4 MMT, based on the lower-than-expected import volume and reports of diminished domestic stocks. Post maintains its forecast for MY 2019/20 consumption remains at 7.45 MMT, as well as the MY 2020/21 consumption forecast of 7.4 MMT.

Rice is a staple food in Brazil, with many Brazilians consuming it with black beans one or two times every day. However, the annual consumption volume (gross and per capita) has trended downward over the last two decades, as Brazilians have been replacing some of their rice consumption with other starchy staples, such as bread, potatoes, and manioc.

Brazil has struggled in recent years to emerge from the deep recession the country experienced in 2015-2016. The COVID-19 pandemic has harmed the Brazilian economy further, pushing up the unemployment rate and forcing the country back into a recession that many economists expect to last years. As a result, many consumers have tightened the grip on their wallets, cutting back on a variety of expenses, including restaurant meals. Even with staples foods like rice, consumers are likely to return to recessionary practices of cutting back on food waste. Many families will save leftover cooked rice to be consumed at the next meal rather than throwing it out and cooking a fresh batch of rice, thus reducing overall purchases and consumption.

In a recently released CONAB report on rice stock levels in Brazil, analysts noted that in February, private stock levels were 24 percent lower than the same month in 2019, hitting their lowest levels in three years. The lowered stock levels were largely a result of reduced production in MY 2018/19, but millers were also not incentivized to import, as CONAB notes that consumption levels saw a contraction last year.

The COVID-19 pandemic spurred grocery store sales for a few months, as consumers stocked up on large volumes of rice in preparation for social distancing orders. However, many market watchers have seen the trend subside as Brazilians have adjusted to the new normal and some parts of Brazil have already begun reopening businesses, including shopping malls, although most restaurants remain closed to dine-in service. Brazil saw food price inflation in recent months, even as other sectors did not see the same trend. Some analysts believe prices will begin to subside as consumers eat through their home stockpiles. Many consumers stocked up on enough rice to last months, thereby decreasing the need for additional purchases in the immediate future. Thus, post is forecasting a 6-percent uptick in overall consumption for MY 2019/20.

Wheat

Wheat Market Year Begins Brazil	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	2042	2042	2040	2040	2100	2150
Beginning Stocks (1000 MT)	1311	1311	1057	1057	907	1057
Production (1000 MT)	5428	5428	5200	5150	5500	5600
MY Imports (1000 MT)	7020	7020	7200	7400	7100	7000
TY Imports (1000 MT)	7442	7442	7100	7250	7100	7000
TY Imp. from U.S. (1000 MT)	245	314	0	467	0	500
Total Supply (1000 MT)	13759	13759	13457	13607	13507	13657
MY Exports (1000 MT)	602	602	450	450	600	600
TY Exports (1000 MT)	594	594	450	450	600	600
Feed and Residual (1000 MT)	500	500	500	500	500	500
FSI Consumption (1000 MT)	11600	11600	11600	11600	11600	11600
Total Consumption (1000 MT)	12100	12100	12100	12100	12100	12100
Ending Stocks (1000 MT)	1057	1057	907	1057	807	957
Total Distribution (1000 MT)	13759	13759	13457	13607	13507	13657
Yield (MT/HA)	2.6582	2.6582	2.549	2.5245	2.619	2.6047
(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 2020/2021 = July 2020 - June 2021						

Wheat Production

Post maintains its estimate of market year (MY) 2019/20 (October 2019 – September 2020) wheat production at 5.15 million metric tons (MMT), as well as Post's estimate of harvested area at 2.04 million hectares (MHa). Both of Brazil's major wheat-producing states – Parana and Rio Grande do Sul – experienced adverse weather in MY 2019/20. However, farmers are optimistic about the potential for MY 2020/21 (October 2020 – September 2021) production. Post maintains its MY 2020/21 production forecast of 5.6 MMT, which would represent growth of 8.7 percent year-over-year. Post also maintains its forecast for 2020/21 wheat area at 2.15 MHa, as high internal prices are incentivizing expanded planting in the major production regions.

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, and both are expected to expand wheat area in MY 2020/21, after adverse weather hampered yields last season. According to data from the National Supply Company (CONAB), Brazil's agricultural statistics agency, wheat area in Parana is expected to expand by 6.5 percent year-over-year, while Rio Grande do Sul's wheat area is set to grow by 10 percent. The Parana Department of Rural Economy (DERAL) reported that 89 percent of projected wheat area was planted as of June 22; sowing is believed to now be complete. Meanwhile, the Rio Grande do Sul Extension Service (EMATER/RS) reports that 74 percent of expected wheat area was planted as of June 25. Both states are currently forecast to have favorable weather throughout the growing season.

Several factors have incentivized producers to expand wheat area in southern Brazil. Domestic prices have remained high in recent months, bolstered by firm internal demand, depleted stocks, and limited supplies from Argentina. Due to the COVID-19 pandemic, the Brazilian economy has worsened significantly in 2020, and the Brazilian real (BRL) has lost about 30 percent of its value since the start of the year. That has bolstered wheat prices to record levels in BRL terms. According to a data series maintained by the University of Sao Paulo's Center for Advanced Studies in Applied Economics (CEPEA), wheat prices in Rio Grande do Sul reached their highest ever peak in June, averaging R\$1,190 (US\$230) per metric ton. Meanwhile, prices in Parana hit record levels in May, averaging R\$1,266 (US\$225) per metric ton. Unlike soybeans and corn, very little wheat is forward contracted, leaving producers to hope high prices levels are maintained come the harvest, starting in August and September.

In the long term, Brazil is working to expand wheat area and decrease the country's heavy dependence on imports to meet domestic demand. In a recent media interview, Brazilian President Jair Bolsonaro said his government is looking to boost domestic wheat production in northeastern Brazil. "We can further expand Brazilian agribusiness and use the Matopiba region to plant wheat because we are very dependent on Argentina," the president said, explaining that the Brazilian agricultural research agency, EMBRAPA, has identified that area as an "ideal place" to expand Brazilian wheat cultivation.

Matopiba is an acronym for an area in northeastern Brazil where the borders converge for the states of Maranhao, Tocantins, Piaui, and Bahia. According the EMBRAPA, the region's biome is considered to be "cerrado," the same type of savannah found throughout Brazil's Center-West, which has become the powerhouse agricultural production region. Matopiba has seen rapid expansion in recent years of soybean, cotton, and corn area but has generally been considered too hot and humid to cultivate a traditionally cold-

weather crop like wheat. According to CONAB data, Matopiba only planted about 3,000 hectares of wheat last season, all in the state of Bahia. That is insignificant compared to the nearly 2 million hectares in production in southern Brazil. Nevertheless, EMBRAPA has long sought to expand wheat cultivation outside of Brazil’s traditional production region, as it is the only staple crop for which the country is not self-sufficient.

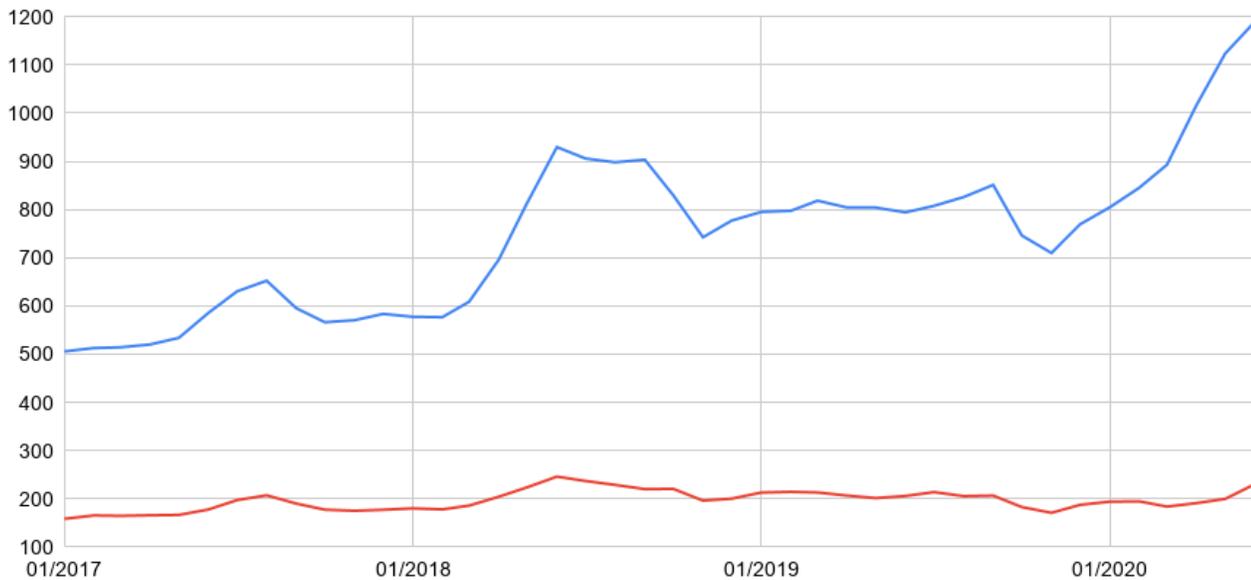
To that end, EMBRAPA worked to develop new irrigated wheat varieties to tolerate the hotter climate of the cerrado, as well as resist fungal diseases during periods of high humidity. However, the region is prone to long periods of dryness, meaning that most of the wheat grown in the Center-West must be irrigated, which raises producers’ costs. While some farmers have invested in pivot irrigation systems, the technology is still relatively rare in the Center-West and Matopiba. In total, the Center-West and Matopiba regions accounted for just 3 percent of total wheat area and 4 percent of total production in My 2018/19.

In recent media reports, EMBRAPA announced plans to help farmers cultivate 1 million hectares of wheat in the cerrado by 2025. Post believes this is an ambitious goal, considering that the region is only expected to cultivate around 60,000 hectares this year. If achieved, EMBRAPA estimates that the region could produce as much as 3 MMT of wheat.

Rio Grande do Sul Wheat Prices

Per Metric Ton

— BRL — USD

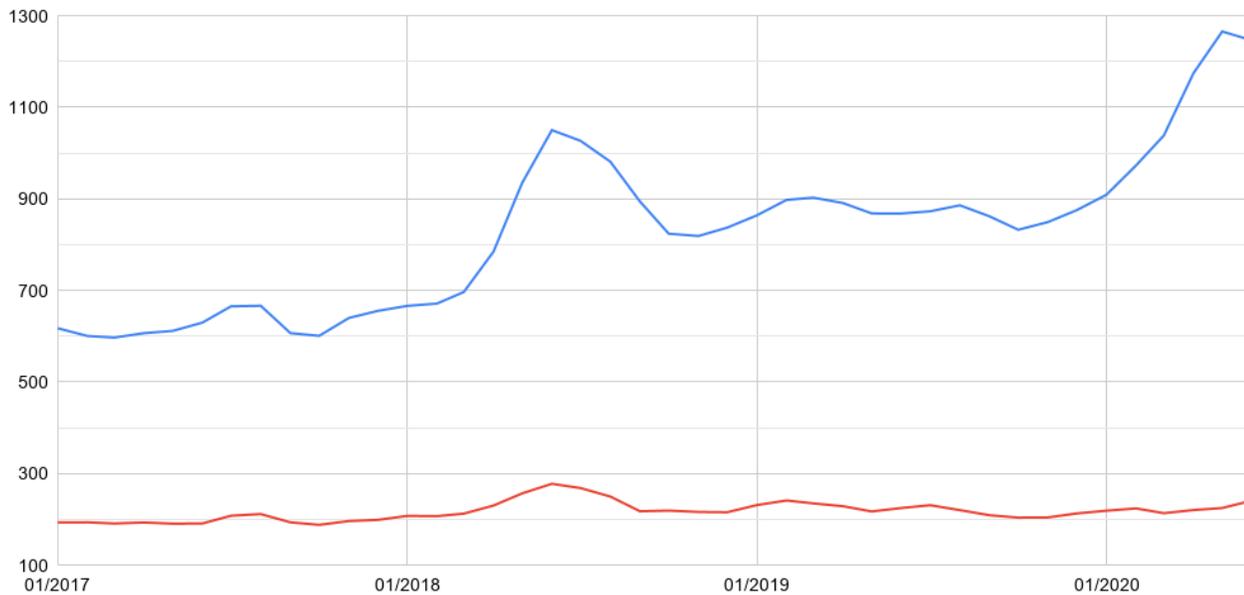


Data Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA)

Parana Wheat Prices

Per Metric Ton

— BRL — USD



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

Wheat Trade

Imports

Post raises its MY 2019/20 import forecast to 7.4 MMT, based on the accelerated pace of trade. The import forecast for MY 2020/21 remains at 7 MMT, based on the expectation of expanded production and less demand for imported supplies next market year.

Imported wheat typically accounts for more than half of Brazil's domestic consumption, making Brazil the third-largest global wheat importer. Post forecasts that imports will supply at least 60 percent of Brazil's consumption in MY 2019/20. Most of Brazil's imports are duty-free purchases from Mercosul-neighbor Argentina, which supplied 84 percent of Brazil's wheat imports for MY 2018/19. In the same period, Paraguay was responsible for 7 percent of Brazil's imports, while the United States and Canada accounted for 4.5 percent and 1.9 percent, respectively.

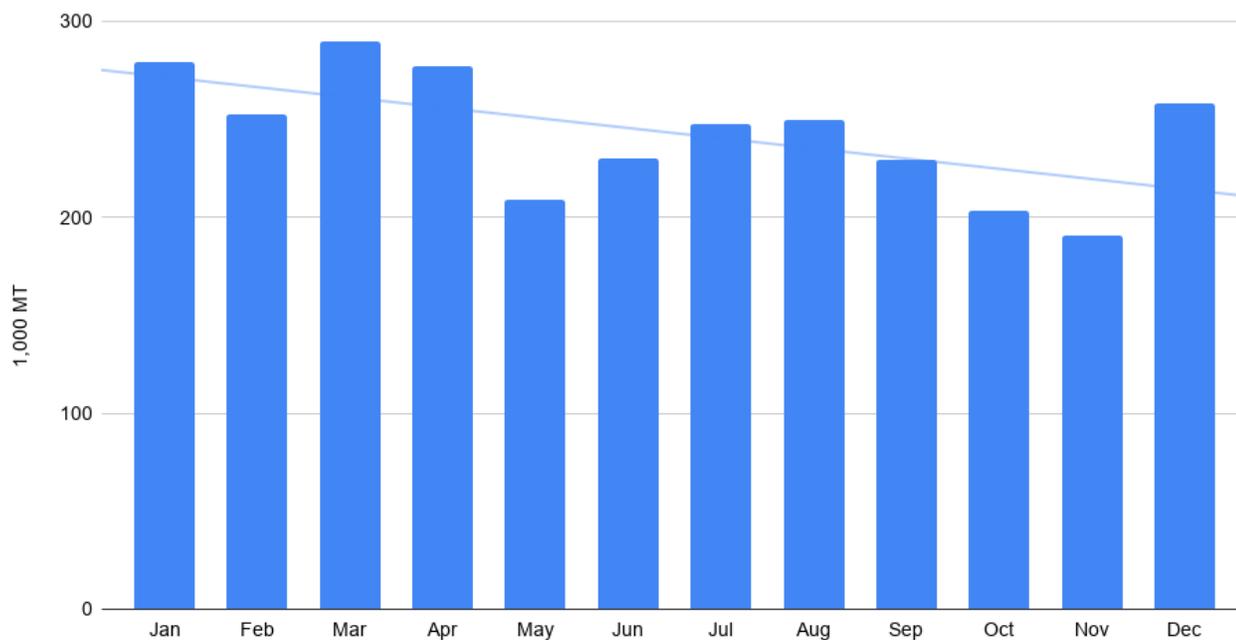
So far in MY 2019/20, considering available trade data (October 2019 – May 2020), Argentina has accounted for 84.5 percent of imports (4.26 MMT), while the United States has taken a greater market share, accounting for 6.8 percent of Brazilian imports (343,349 MT). This change in market dynamics is due at least in part to Brazil's implementation in November 2019 of a duty-free annual tariff-rate quota (TRQ) for 750,000 MT of non-Mercosul wheat imports.

Amid pressure from the Brazilian Wheat Millers’ Association (Abitrigo) to increase the duty-free quota amid the effects of the COVID-19 pandemic (including the weakening of the BRL), Brazil announced on June 17 that it would allow an additional 450,000 MT of duty-free wheat imports from non-Mercosul countries this year, bringing the TRQ total to 1.2 MMT. The additional quota volume will be available starting July 1 through the end of the TRQ year on November 17, 2020. According to Resolution No. 53 of Brazil’s Foreign Trade Chamber (CAMEX), 85 percent of the additional 450,000 MT will be allocated to large, historic wheat importers, under the same regulations as the rest of the quota. Abitrigo president Rubens Barbosa said in a statement, “the concern of the milling industry, in addition to ensuring domestic supply, is to reduce the cost of imports affected by the devaluation of the real and the rise in cost of Argentine wheat.” The Brazilian government has not committed to extending the additional quota volume beyond this year.

About 60 percent of the original quota volume had been filled as of June 9, according to the most current data available from the Brazilian government. Outside of the TRQ, Brazil applies the 10-percent Mercosul common external tariff (TEC, in Portuguese) for all wheat imports coming from countries not in the trade bloc. Mercosul countries (Argentina, Paraguay, and Uruguay) continue to enjoy unlimited duty-free access for wheat exports to Brazil.

Seasonality of Brazilian Imports of Argentine Wheat

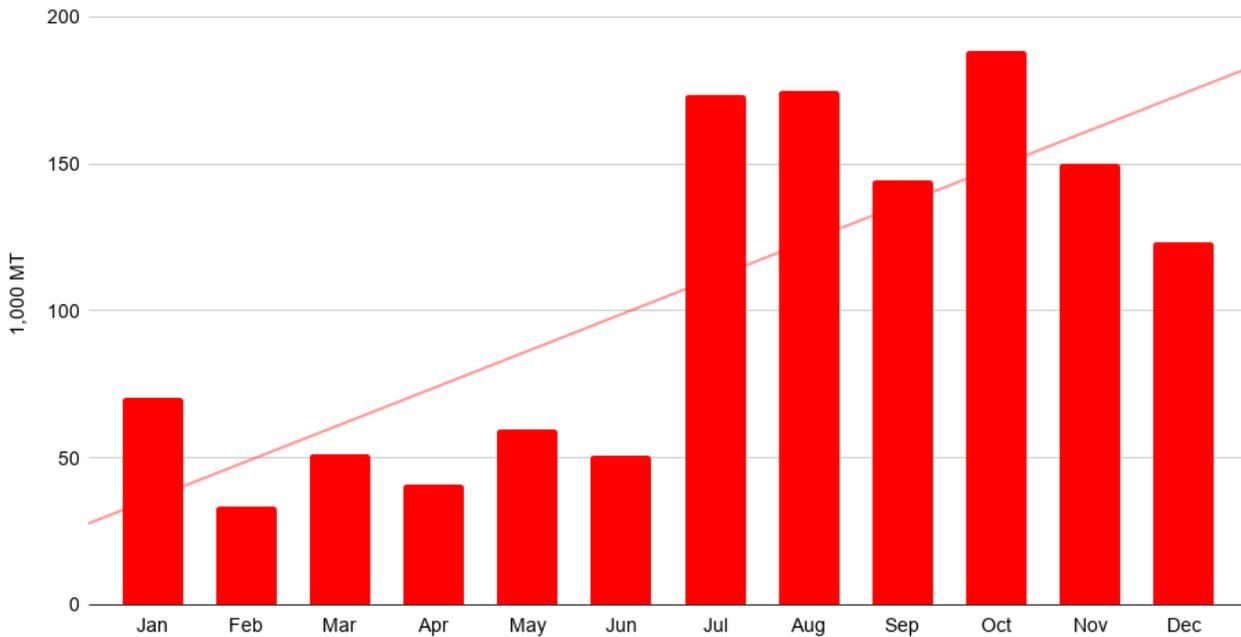
Monthly Average, 2013-2019



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Seasonality of Brazilian Imports of U.S. Wheat

Average Monthly Volume, 2013-2019



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Wheat millers have complained that administrative regulations for the TRQ are complicating the importation process and not providing enough time for TRQ license holders to purchase and import their allocated volumes, with any unused volumes subject to reallocation. Government sources indicate that these deadlines were established so they can ensure full use of the quota prior to its next annual expiration on November 17, 2020. However, in practice these regulations make it difficult for importers to source non-Mercosul wheat supplies through the TRQ. 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 arriving between July and November, according to customs data. Abitrigo has reportedly lobbied the government to loosen the TRQ regulations, but the Brazilian government has yet to publish any updated guidance.

Exports

For MY 2019/20 exports, Post lowers its previous forecast to 450,000 MT, based on the slow pace of trade and reports of diminished stocks. Post maintains its MY 2020/21 export forecast at 600,000 MT, 33 percent higher than the current MY, on the back of anticipated increases in production and available supplies.

Brazil exports only a small share of its wheat production, usually around 10 percent. Exports are entirely dependent on economic conditions and Brazil's typical markets looking for bargain wheat purchases. The top export markets for Brazilian wheat in MY 2018/19 were Indonesia, the Philippines, and Vietnam. So

far in MY 2019/20, Vietnam has been the largest importer of Brazilian wheat, while Venezuela has been the largest buyer of Brazilian wheat flour.

Wheat Consumption

Post maintains its forecast for Brazil's wheat consumption in MY 2019/2020, at 12.1 MMT. Wheat consumption for MY 2020/21 is forecast to remain stagnant at 12.1 MMT. Per-capita consumption of wheat in Brazil has slumped in recent years but has been offset by population growth, leaving the overall wheat consumption level static.

As with other staple products early on in the COVID-19 pandemic, Brazilians stocked up on wheat flour and other wheat-based products like pastas and industrially produced breads as social distancing orders went into effect in March and April. The Brazilian Manufacturers Association of Biscuits, Pasta, and Industrialized Bread & Cakes (ABIMAPI) reported the industry's sales grew by 15 percent from February to April 2020, compared to the same period last year. That was largely a result of consumers stocking up on staple ingredients as restaurants and other businesses shut down across Brazil to stem the spread of the COVID-19 pandemic. Consumers chose easy-to-prepare ingredients to make more meals at home.

However, like the outlook for rice consumption, Post does not expect these effects to last as Brazilians adjust to the new normal. Many will choose to eat through their food stockpiles of pasta and other shelf-stable wheat products before making additional purchases. Brazil saw food price inflation in recent months, even as other sectors did not see the same trend. As such, consumers are likely to cut back on non-essential food purchases and reduce food waste in an effort to save money as Brazil's economy falls back into recession. Thus, Post maintains its forecast for stagnant consumption levels of wheat.

Attachments:

No Attachments