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Report Highlights:

Post raises its corn production estimate for market year (MY) 2019/20 (March 2020 – February 2021) by 3 million metric tons (MMT) to 103 MMT, based on a large expansion of area, especially in the Center-West state of Mato Grosso, as well as good yields for the safrinha corn crop. Post also increases its corn production forecast for MY 2020/21 (March 2021 – February 2022) to 107 MMT, and corn area is forecast to expand to 19.2 million hectares (MHa). For MY 2020/21 (April 2021 – March 2022), Post raises its forecast for rice area by 90,000 hectares, to 1.72 MHa, in response to record high domestic prices. Post also raises its forecast for MY 2020/21 rice production to 7.4 MMT, consistent with the expanded area forecast paired with a return to trend yields. Post raises its estimate for MY 2020/21 (October 2020 – September 2021) wheat area to 2.33 MHa and the production forecast to 6.6 MMT.

Corn

Corn Market Year Begins Brazil	2018/2019		2019/2020		2020/2021	
	Mar 2019		Mar 2020		Mar 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	17500	17500	18500	18500	19500	19200
Beginning Stocks (1000 MT)	9315	9315	5292	5292	5492	6392
Production (1000 MT)	101000	101000	102000	103000	110000	107000
MY Imports (1000 MT)	1659	1659	1200	1100	1500	1500
TY Imports (1000 MT)	1189	1189	1300	1350	2000	1500
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	111974	111974	108492	109392	116992	114892
MY Exports (1000 MT)	39682	39682	34000	34000	39000	37000
TY Exports (1000 MT)	38773	38994	35000	31000	39000	34000
Feed and Residual (1000 MT)	57000	57000	59000	58500	60000	60000
FSI Consumption (1000 MT)	10000	10000	10000	10500	10000	11000
Total Consumption (1000 MT)	67000	67000	69000	69000	70000	71000
Ending Stocks (1000 MT)	5292	5292	5492	6392	7992	6892
Total Distribution (1000 MT)	111974	111974	108492	109392	116992	114892
Yield (MT/HA)	5.7714	5.7714	5.5135	5.5676	5.641	5.5729
(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. 2020/2021 = October 2020 - September 2021						

Corn Production

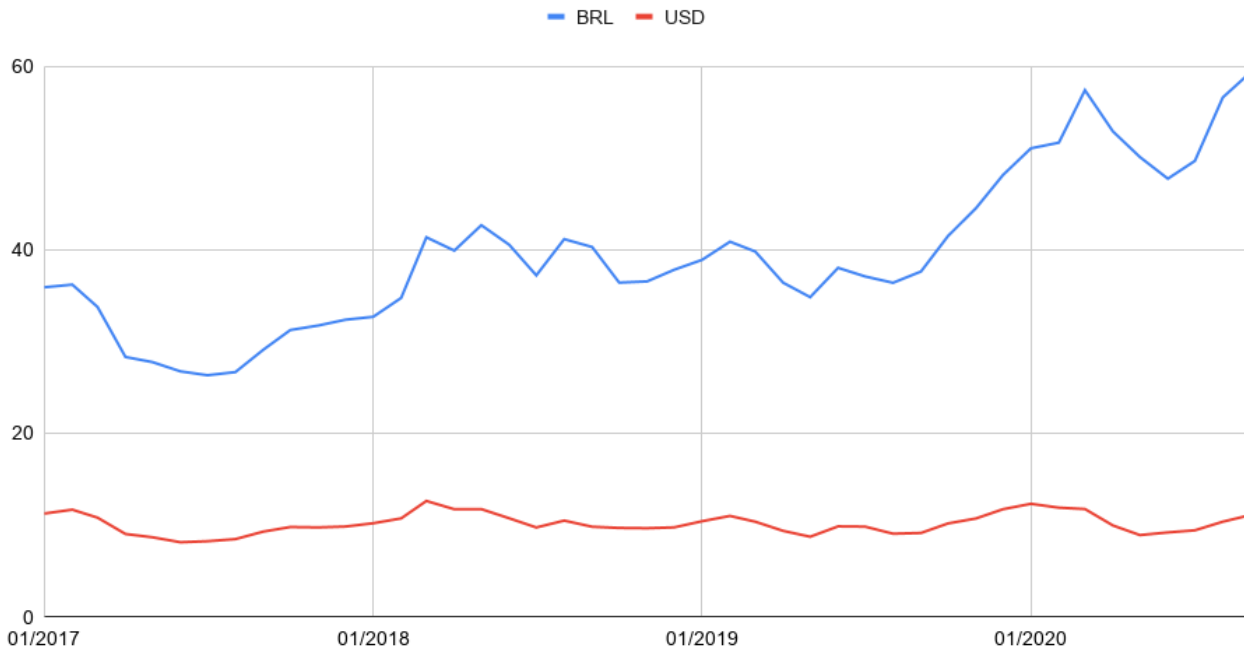
Post raises its corn production estimate for market year (MY) 2019/20 (March 2020 – February 2021) by 3 million metric tons (MMT) to 103 MMT, based on a large expansion of area, especially in the Center-West state of Mato Grosso, as well as good yields for the second corn crop. Post also increases its estimate of MY 2019/20 area by 50,000 hectares to 18.5 million hectares (MHa). This reflects an expansion of 1 MHa, or 5.7 percent, over the previous year, and comes in response to firm prices due to exports well above the five-year average, and strong domestic demand from the poultry and livestock sectors, as well as the growing corn ethanol business. Brazil's domestic corn prices in September have hovered around record highs of RS60 (US\$11) per 60-kg bag. The soaring prices come after record-breaking 2019 exports depleted stocks and the Brazilian real (BRL) plummeted in value against the U.S. dollar (USD) in 2020.

Post increases its production forecast for MY 2020/21 (March 2021 – February 2022) to 107 MMT, representing a 4 percent increase over the estimate for the MY 2019/20 season. Area is forecast to expand to 19.2 MHa, which would be 700,000 Ha (4 percent) greater 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 2019, as their fields experienced severe dryness and high temperatures in December 2019, 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.

Corn Price on BM&F Exchange

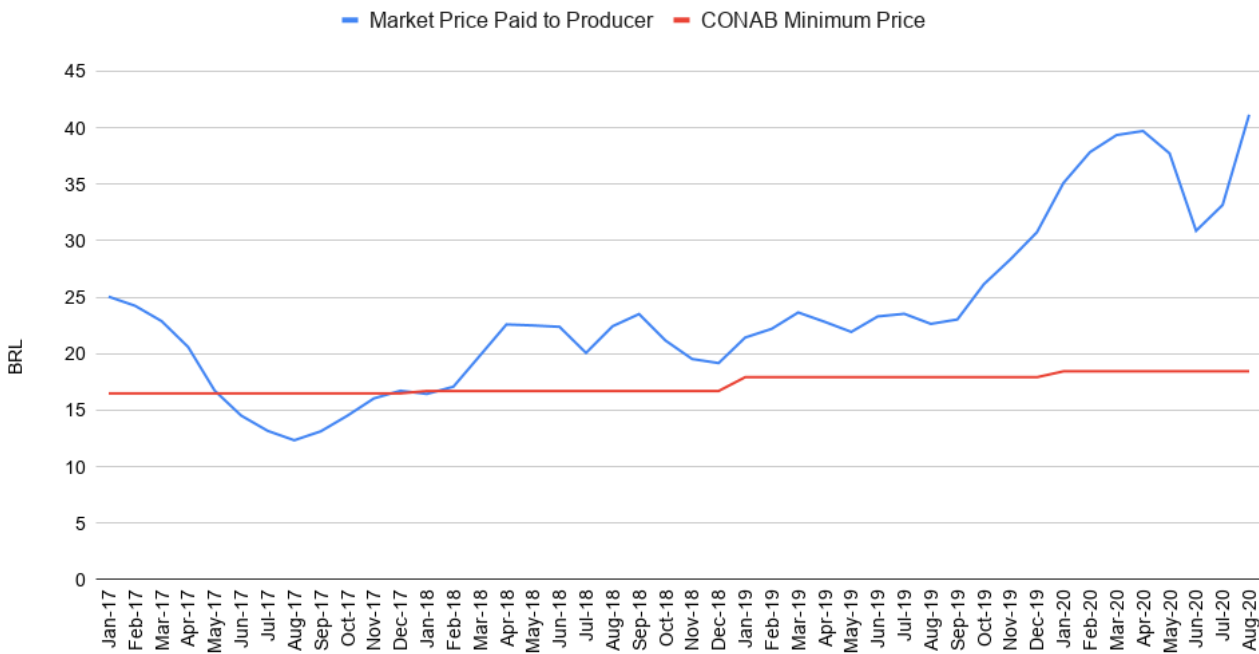
60-Kilogram Sack



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

Mato Grosso Corn Price

Per 60-Kilogram Sack



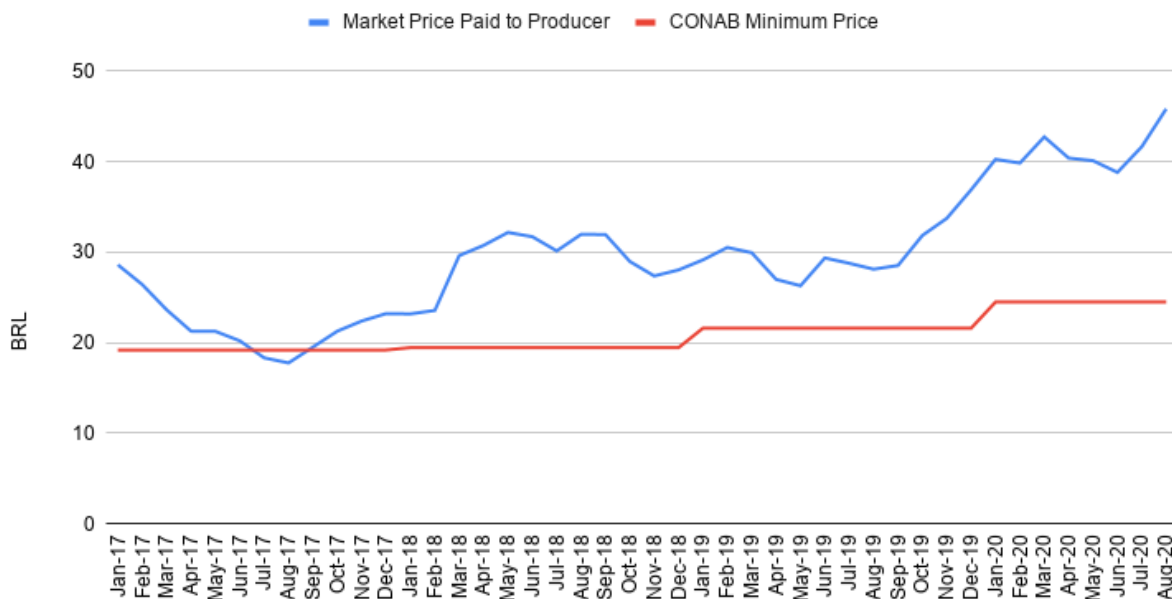
Data Source: CONAB

Meanwhile, Brazil’s second-crop “safrinha” corn also saw dry conditions in some parts of major growing regions, including the states of Parana and Mato Grosso do Sul, causing mixed productivity results. Nationwide, the crop saw yields 4 percent smaller than the previous season, according to the National Food Supply Company (CONAB), Brazil’s agricultural statistics agency. However, the largest producer state, Mato Grosso, saw a large expansion of safrinha corn area with a slight decrease in average yields. Driven by record-high domestic corn prices, producers rapidly expanded safrinha corn area in Mato Grosso by more than half a million Ha, topping 5.4 MHa in total, according to the Mato Grosso Institute of Agricultural Economics (IMEA). The safrinha corn harvest in the state wrapped up in mid-August. Mato Grosso alone produced more than one-third of Brazil’s national corn crop in MY 2019/20, as many farmers in the state 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 coronavirus pandemic. Overall, safrinha corn area expanded by nearly 1 MHa nationwide in MY 2019/20.

Parana is Brazil’s second-largest corn producing state, accounting for about 17 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 was nearly complete as of mid-September. According to Parana’s Department of Rural Economy (DERAL), yields fell by about 13 percent year-over-year, averaging about 5.5 MT/Ha. The agency also estimates that Parana’s safrinha corn production shrank by nearly 1.5 MMT year-over-year, totaling about 11.8 MMT in MY 2019/2020. Only 44 percent of the safrinha crop is in good condition.

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 of mid-September, the Mato Grosso do Sul Corn and Soy Producers Association (Aprosoja/MS) reported that the safrinha corn harvest was more than 90 percent complete in the state. Corn yields have fallen by 7 percent year-over-year, while production is down 8 percent compared to MY 2018/19. Overall, Post expects the state will harvest about 700,000 MT less year-over-year, for a total of 8.8 MMT in MY 2019/20.

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, an area which is known by the acronym "Sealba." 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. Post expects this third-crop corn will account for about 1.5 percent of Brazil's total MY 2019/20 production, and around 3 percent of area. According to CONAB, the production volume of third-crop corn should grow by more than 40 percent over last season. Post concurs with this assessment, given the increased interest in agricultural production in the Sealba region.

For MY 2020/21, first-crop corn planting was about 20 percent complete as of mid-September, ahead of the five-year average. Due to the occurrence of a La Nina weather phenomenon, soil moisture levels in some regions have been drier than can normally be expected at this time of year. While it is typical for Brazil to see very dry conditions at this time of year (nearing the end of the dry season), below-normal rainfall levels have worried producers of both first-crop corn and soybeans as soil moisture levels have been diminished. While some regions have seen sporadic rains in the last couple of weeks, it may not be sufficient to raise soil moisture levels to an acceptable level, which could delay sowing of first-crop corn and potentially harm yields. Moreover, a delay in soybean planting could in turn delay the planting of safrinha corn and push more of the sowing of the crop past the ideal planting window. These concerns have pushed domestic corn prices even higher in recent days, setting a new record on the B3 exchange of R\$61.28 (US\$11.11) on September 24.

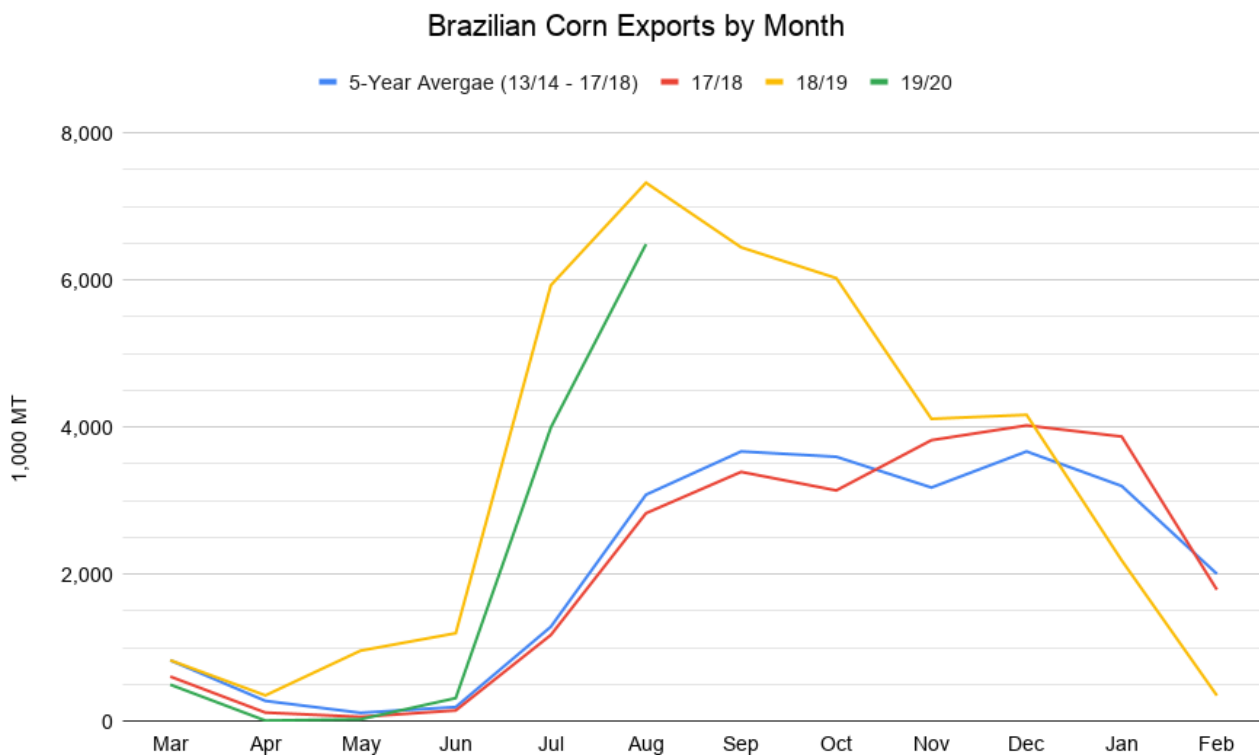
Post expects corn prices to remain high well into 2021, a phenomenon that should incentivize expanded safrinha corn planting. In the state of Mato Grosso, IMEA expects corn area to expand by 5 percent in the coming season, with planting on nearly 5.7 MHa, which would set a new record. Moreover, assuming normal weather conditions, Mato Grosso could be on track to harvest more corn than soybeans in MY 2020/21, another first in the state. IMEA is forecasting soybean production of just over 35 MMT, while the safrinha corn harvest is projected to hit 36.3 MMT. This scenario is certainly realistic, although Post cautions that safrinha corn production will depend heavily on what percentage of the crop is in the ground before the ideal planting window closes in late February for much of the state.

Brazil's southernmost state of Rio Grande do Sul is typically the largest producer of first-crop corn, responsible for more than one-fifth of the crop. Based on a survey conducted in August, the Rio Grande do Sul Extension Service (EMATER/RS) projects planted area for first-crop corn will expand by nearly 5 percent, while average yields and total production are expected to rebound from last year's poor showing. In total, Post expects the state could produce about 6 MMT of first crop corn, assuming on-time planting.

Corn Trade

Exports

Post raises its forecast for MY 2019/20 corn exports by half a million tons, to 34 MMT, which would still be a year-over-year decrease of approximately 14 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. However, the rapid pace of MY 2019/20 exports through August is still well ahead of the five-year average, even as it lags behind the volumes seen in MY 2018/19. For MY 2020/21, Post also raises its corn export forecast, by 1 MMT, to 37 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.



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

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. As of September 24, the BRL is trading at R\$5.56 to the USD. Since the first of the year, the BRL has lost about 30 percent of its value, having started the year trading about R\$4 to the USD. This made a number of 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 have rushed to sell their MY 2019/20 corn crop. According to data from IMEA, as of mid-September, about 93 percent of Mato Grosso's corn crop had been commercialized, ahead of the five-year average of 86 percent at the same point in the year.

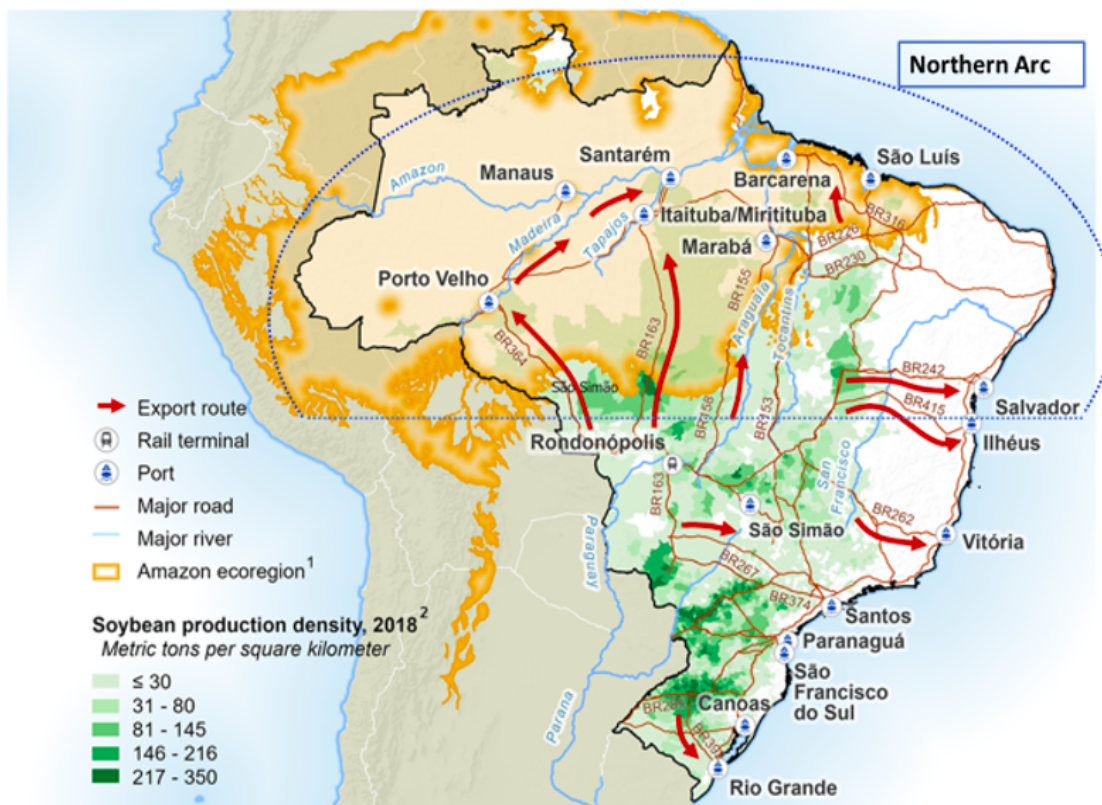
After record-shattering exports of 39.8 MMT in MY 2018/19, corn exports got off to a very slow start in the first three months of MY 2019/20, with only 527,419 MT leaving Brazilian ports from March to May. That was the slowest three-month trade total in at least seven years, and less than a quarter of the exports in the same period last year, as Brazilian ports were feverishly loading the country’s soybean crop. However, trade picked up as soy supplies began to dwindle. In July, Brazil exported nearly 4 MMT of corn, while August saw 6.5 MMT of foreign sales. While those volumes were not as high as the record-shattering totals seen in the same period in MY 2018/19, both months showed export volumes more than double the five-year average (MY 2013/14 – MY 2017/18).

One factor affecting corn export prospects in Mato Grosso has been the completion of the paving of BR-163, the so-called “soybean highway.” The road runs north through Mato Grosso into the state of Para for more than 1,000 kilometers, ending at the river terminals of Miritituba, where most major grain trading companies have barging facilities located on the banks of the Tapajos River. In late November 2019, the Brazilian government announced that a military engineering and construction battalion had asphalted the last few unpaved kilometers of the road, a feat that took more than 40 years from the time the road was first created. Prior to being fully paved, truck drivers faced the peril of becoming stuck in a muddy mess throughout the rainy season. At times, the Brazilian military would have to air drop supplies to hundreds of stranded truckers who would have no choice but to wait days for the unpaved portion of the road to dry. Even in good weather, the trip could take several days to a week. Earlier this year, during crop travel, Post made the journey from Sinop, Mato Grosso, to Miritituba, Para, in only 14 hours.

From July 2019 to July 2020, truck freight rates from Sorriso, Mato Grosso to Miritituba, Para fell by about 13 percent to an average of R\$205.18 (US\$38.69) per ton in July 2020, compared to an average of R\$236.35 in July 2019, according to research by the University of Sao Paulo’s Luiz de Queiroz College of Agriculture. The price decrease occurred because truck drivers can now make more trips every month, use significantly less diesel, and vehicles require less maintenance due to the paving of BR-163. As a result, Brazil’s National Department of Transportation Infrastructure (DNIT) estimates that truck volumes on the route have grown by 30 percent in 2020. As such, corn exports from Mato Grosso through Brazil’s Northern Arc have increased significantly. From January to August, at least 4 MMT of corn left the state for export via ports in the Northern Arc, while about 3.8 MMT departed via the south, including the country’s largest ports, Santos in Sao Paulo state and Paranagua in Parana state.



Source: Valor Economico



Source: USDA/Agricultural Marketing Service (AMS)

The paving of BR-163 has made Mato Grosso corn more competitive and increased profits for producers in the region. Those effects are expected to expand in the future, especially with if the Ferrograo (“grain railroad”) is finally constructed adjacent to BR-163. The Brazilian government is slated to auction off the US\$3-billion project in the first half of 2021, but it will likely take the concessioner at least five years to bring the railroad into operation. Once functional, the Ferrograo has the potential to transport 35 MMT of grain and oilseeds each year, further reducing transportation costs and increasing the competitiveness of agriculture in Mato Grosso.

Imports

Post lowers its MY 2019/20 import forecast to 1.1 MMT, which would be a decrease of more than one-third 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 at 1.5 MMT.

From March to August, Brazil imported about 300,00 MT of corn, less than half of the volume imported during the same period in MY 2018/19. Virtually all of which came from Mercosur neighbors Paraguay and Argentina, responsible for two-thirds and one-third of imported volumes, respectively. Paraguay supplied about 94 percent of Brazilian corn imports in MY 2018/19.

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 and logistically feasible to move corn overland from Paraguay than it is to transport corn domestically from high-production areas in central Brazil, like Mato Grosso.

The current market year has seen a very rapid pace of exports, as well as stubbornly high domestic prices, which have only increased further even as the country's safrinha corn harvest is wrapping up. This has worried Brazil's livestock and poultry sector, which typically consumes about 65 percent of the country's corn crop. Considering the rise in food price inflation seen since the start of the pandemic, Brazil's Ministry of Agriculture has reportedly considered putting forth a proposal to temporarily eliminate the 8 percent import tariff for corn coming from non-Mercosur countries. However, the logistics of imports by sea are limited, as the prospect is complicated by port infrastructure and asynchronous approvals for biotech corn events. The bulk grain and oilseed terminals at many Brazilian ports are configured only for exports, and changing that infrastructure, especially as corn exports continue to flow to foreign markets, could cost more money than it is worth.

Additionally, the potential for U.S. corn exports in particular could be stymied by an asynchrony of approvals of genetically modified corn varieties in Brazil. There are at least nine commercially available biotech varieties approved for cultivation in the United States that contain events that are not currently approved for import to Brazil, according to the database maintained by the International Service for the Acquisition of Agri-Biotech Applications (ISAAA). If Brazil-approved varieties are not reliably segregated in the United States, any potential Brazilian importer would need to submit a special approval request to Brazil's National Technical Commission on Biosecurity (CTNBio). These requests are considered on a case-by-case basis, and there are only two CTNBio meetings scheduled for the rest of 2020, meaning that the approval process could be lengthy, which complicates and discourages U.S. corn exports to Brazil.

Corn Consumption

Post raises its estimate for Brazil's MY 2019/20 domestic consumption by 1 MMT, for a total of 69 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. That represents a 3 percent increase over MY 2018/19. For MY 2020/21, Post also raises its forecast for corn consumption by 2 MMT, to 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.

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 estimates chicken meat production will grow by 1 percent, while the 2021 forecast is for even greater growth of 4 percent, with production topping 14.4 MMT. Post estimates pork meat production will increase by nearly 3 percent this year, with of forecast of 4.5 percent expansion 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. According to the Brazilian Feed Rations Association, total production by the sector (including corn and other ingredients) in calendar year 2020 is on track to grow by 3.8 percent to 80.5 MMT, while corn consumption for all types of feed is set to grow by 1.8 MMT in 2020, representing a 4 percent increase year-over-year.

Post forecasts Brazil's MY 2019/20 food, seed, and industrial (FSI) consumption at 10.5 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, dampened the outlook for fuel consumption earlier this year. Nevertheless, the industry is adding capacity in 2020, and as a result, Post expects Brazil's FSI consumption to grow to 11 MMT in MY 2020/21. Even through strict social distancing measures at the start of the pandemic dampened fuel consumption in Brazil, forcing ethanol prices downward, the sector has started to recover as Brazilians are slowly returning to some version of their normal lives. According to the Brazilian Corn Ethanol Union (UNEM), the sector is expected to produce around 2.5 billion liters of ethanol this year, making up 8 percent of Brazil's total ethanol production. The ethanol sector is projected to consume about 6 MMT of corn this year. UNEM forecasts production will grow to 8 billion liters by 2028, accounting for as much as one-fifth of total ethanol production in Brazil and consuming 20 MMT of corn in the process.

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. There are currently 11 ethanol plants capable of processing corn in Brazil, largely in the state of Mato Grosso with several more in Goias and Parana. Three additional plants (two corn only and one flex) are under construction in Mato Grosso, and when finished they could add another 1.4 billion liters of capacity for the sector in the next two years. The potential for growth of corn ethanol production in Brazil is still limited by regional fuel demand and the logistical challenges and profitability of transporting excess fuels to other parts of the country. Although concentrated in the Center-West region, the sector already sells corn-based ethanol to 10 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 earlier this year, with exports of fuel ethanol to the EU and industrial ethanol to Peru and Chile.

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	1660	1665	1700	1720
Beginning Stocks (1000 MT)	589	589	248	218	309	170
Milled Production (1000 MT)	7140	7126	7561	7602	7344	7412
Rough Production (1000 MT)	10500	10479	11119	11179	10800	10900
Milling Rate (.9999) (1000 MT)	6800	6800	6800	6800	6800	6800
MY Imports (1000 MT)	747	735	800	800	800	850
TY Imports (1000 MT)	691	691	800	750	800	850
TY Imp. from U.S. (1000 MT)	0	0	0	150	0	0
Total Supply (1000 MT)	8476	8450	8609	8620	8453	8432
MY Exports (1000 MT)	878	882	1100	1000	900	700
TY Exports (1000 MT)	954	982	1200	1100	900	700
Consumption and Residual (1000 MT)	7350	7350	7200	7450	7200	7400
Ending Stocks (1000 MT)	248	218	309	170	353	332
Total Distribution (1000 MT)	8476	8450	8609	8620	8453	8432
Yield (Rough) (MT/HA)	6.1765	6.1641	6.6982	6.7141	6.3529	6.3372
(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 7.6 million metric tons (MMT), based on year-over-year reduced area offset by record yields in several major production regions. The new estimate is an increase of 2.7 percent (122,000 metric tons) from Post’s last forecast, based on reports of record yields in some parts of the state of Rio Grande do Sul. Post also increases its estimate for MY 2019/20 area by 15,000 hectares, to 1.665 million hectares (MHa). Thus, despite a 2 percent decrease in area from the MY 2018/19, post estimates Brazil’s MY 2019/20 production is 6.7 percent larger year-over-year.

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.

In MY 2019/20, about two-thirds of Brazil’s rice area was concentrated in two southern states (Rio Grande do Sul and Santa Catarina), virtually all of which is irrigated. Rio Grande do Sul alone accounted for more than half of Brazil’s total rice area, despite a 5.5 percent decrease in the state’s area year-over-year. Santa Catarina and Rio Grande do Sul also accounted for four-fifths of national rice production in MY 2019/20, according to the National Food Supply Company (CONAB), Brazil’s agricultural statistics agency. The country’s southernmost state, Rio Grande do Sul, saw production expand by 6.5 percent compared to MY 2018/19, while the state of Santa Catarina, which is just north of Rio Grande do Sul, reported a 7.3 percent production increase year-over-year.

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 8,300 kg/hectare, which is 12.7 percent higher 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 6.71 MT per hectare, which 9 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, Mercosur competition, and cabotage regulations. However, this year's record yields in some regions provided relief for some rice farmers. According to Brazil's Federation of Rice Producers of Rio Grande do Sul (Federarroz), this year's crop provided improved profitability for growers, and prices were expected to exceed costs for the first time in four years. Nevertheless, most rice producers sold their crop before prices rose to recent records. Federarroz reports that the average farmgate price for southern Brazil's rice producer was approximately R\$45 per 50-kg sack. That is less than half of the record paddy rice price of R\$105.75 reported on September 18 in the price database maintained by the University of Sao Paulo's Center for the Advanced Study of Applied Economics (CEPEA).

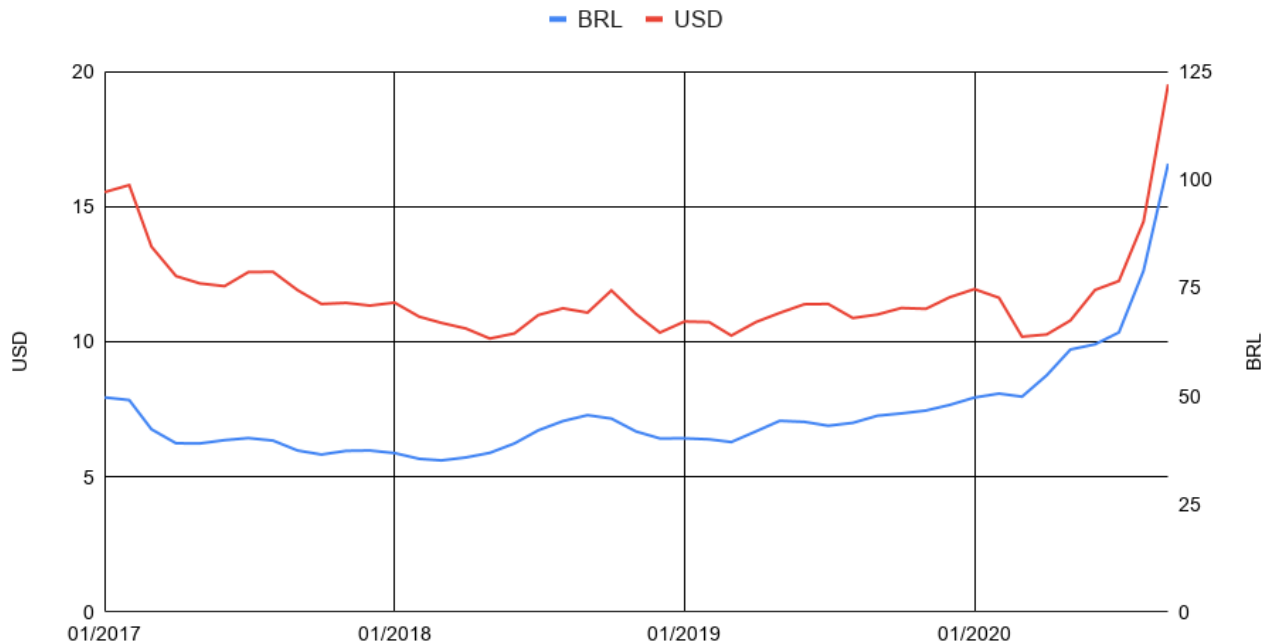
Federarroz also argues that irrigated rice production is still very expensive in Brazil, and the recent rise in prices was really a market correction. According to Federarroz, the current rice price for consumers is similar to the level seen in Brazil 25 years ago when factoring in inflation. Moreover, rice producers are not likely to dramatically increase area in MY 2020/21 because rice competes with other types of production in southern Brazil, mainly soybeans and livestock, both of which have also seen very high prices in recent months. The devalued Brazilian real has fueled an agricultural export boom for many products, but it is also affecting the purchase of some inputs, such as pesticides and fertilizers. Rice producers in Rio Grande do Sul often rotate the crop with soybeans or cattle to maintain soil health, so Federarroz reports that many producers will only plant rice in their most productive fields this year due to the relatively high cost of production for the crop.

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 continued to rise over the last few months and are currently about 128 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 at first, relying instead on domestic stocks. However, as stocks dwindled, the domestic price for paddy rice in BRL terms has skyrocketed, up 31 percent from August to September, and more than doubling since March. So far, the September rice price has averaged R\$103.71 per 50-kg sack (US\$17.72 per hundredweight). That represents an increase of 68 percent since Post's last Grain and Feed Update in June.

Rio Grande do Sul Rice Price

Per 50-Kilogram Sack



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

For MY 2020/21 (April 2021 – March 2022), Post raises its forecast for rice area by 90,000 hectares, to 1.72 MHa, in response to record high domestic prices. Post also raises its forecast for MY 2020/21 production to 7.4 MMT, consistent with the expanded area forecast paired with a return to trend yields.

Planting for the MY 2020/21 crop should be getting underway soon in southern Brazil, where farmers are working to prepare their fields. The Rio Grande do Sul Extension Service (EMATER/RS) recently released its initial forecast for MY 2020/21 rice production in the state. Based on a survey conducted in August, EMATER/RS is projecting planted area in Rio Grande do Sul will expand by about 2 percent, in response to record high prices. However, expansion is limited because rice competes for area with soybeans and cattle, both of which have also seen record prices in recent months. Yields in Rio Grande do Sul are forecast to decrease by about 4 percent, with a return to average growing conditions, and production is expected to shrink by roughly 115,000 metric tons (MT), to 5.3 MMT (milled rice equivalent), according to EMATER/RS. Post concurs with these projections.

Other Brazilian states, especially in central and northeastern Brazil may see an even larger expansion of planted area, but it will largely be rainfed rice, the yields for which are roughly only a third of those for an irrigated crop. According to survey of planting intentions across the country, rice area is expected to expand in nearly every Brazilian state, as producers are incentivized by the current record-high prices. (Rice planting typically starts as early as September in southern Brazil and as early as October for other regions of the country.) One particular area to watch is the state of Tocantins in Brazil's North Region. According to CONAB, the state was Brazil's third-largest rice producer last season, with a harvest of approximately 660,000 MT from an area of 122,700 hectares, 90 percent of which was irrigated. Tocantins accounted for 6 percent of national production. That is a fraction of Rio Grande do Sul's rice crop (13 percent of area and 1.5 percent of production), but Tocantins will be a state to watch in future seasons,

especially if high domestic prices persist, which would allow producers to expand area and input investments.

In its initial projections for MY 2020/21, CONAB forecasts a 12 percent expansion of rice area leading to a 7 percent increase in production (due to a 4 percent drop in yields). While the current record prices could potentially lead to such a dramatic expansion, Post is taking a more conservative view at this time. The weakened BRL fueled the export boom that has driven up rice prices, but it has also made inputs much more expensive, especially for smaller and less capitalized rice producers. This segment of rice producers has long-struggled with the profitability of the crop, and one year of good returns is not likely to be enough to offset years of losses. For these reasons, Post cautiously increased its outlook for MY 2020/21, though not to as great of a degree as CONAB.

Rice Trade

Exports

Post raises its MY 2019/20 export forecast to 1 MT, up 250,000 MT from Post's projection in June, based on the rapid pace of trade in the first five months of the market year. The change is also based on the increased production estimate and the weak BRL continuing to make Brazilian rice more attractive on the international market. Post also raises its MY 2020/21 export forecast to 700,000 MT, based on the expectation of expanded planting in the next season paired with a return to trend yields.

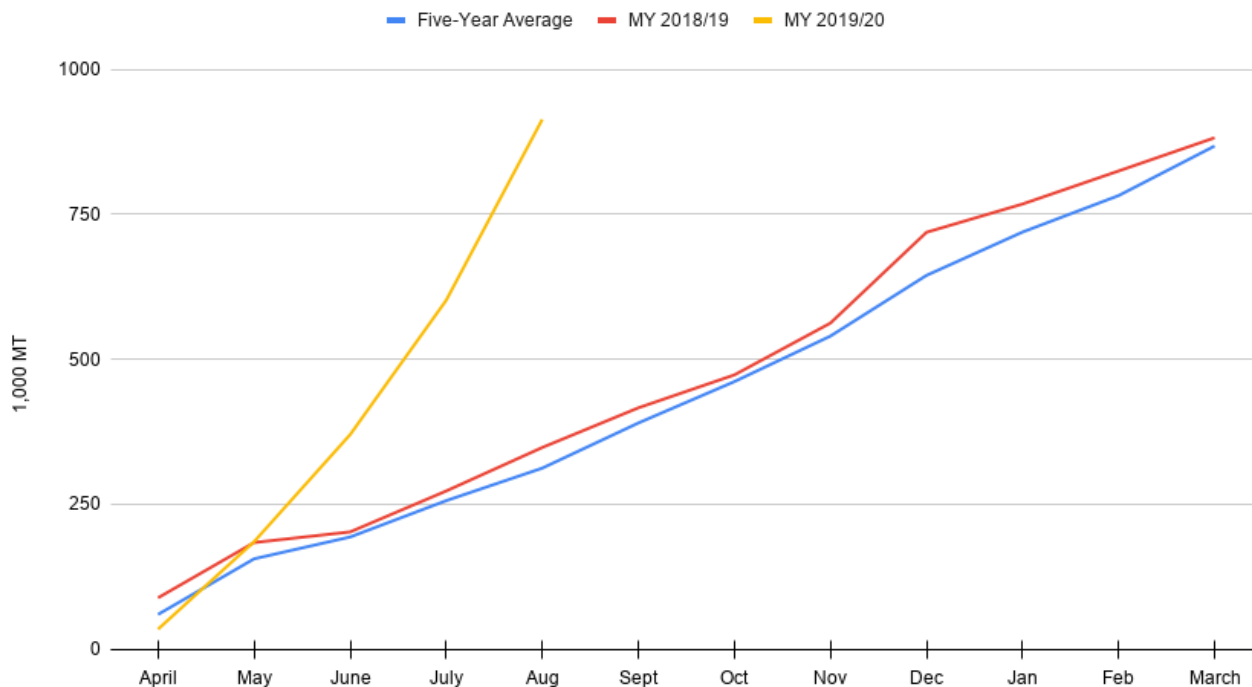
As noted above, the weak BRL has improved profitability for rice producers, as well as making exports more attractive, given that international sales are generally dollar-denominated. Brazil has exported above-average volumes of rice since April, when the bulk of the current crop hit the market. Brazil exported 842,918 MT of rice (milled equivalent) in the first five months (April to August) of MY 2019/20. That is 170 percent larger than the five-year average for the same period. In fact, Brazil has already exported in the first five months of MY 2019/20 more rice than the total average exported for the last five market years. Only MY 2017/18 saw more exports (1.15 MMT) for the entire market year, but the pace of the current MY exports is still well ahead of the same point in MY 2017/18. Additionally, the months of May, June, July, and August for the current market year represent the top four monthly export volumes 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 has repeatedly turned to its South American neighbor to purchase staple foods like rice. From April to August, Brazil exported to Venezuela nearly 143,000 MT (milled rice equivalent) of paddy and white rice, accounting for 17 percent of total exports during that period.

So far in MY 2019/20, Brazil has also sold more than 90,000 MT of paddy rice to Costa Rica, along with another 89,000 MT to Montenegro (between May and July). Brazil also sold one-off paddy rice shipments in excess of 25,000 MT to Honduras and Turkey. Aside from Costa Rica, which has been a periodic buyer of Brazilian paddy rice, the other shipments are likely a direct consequence of the devalued BRL making Brazilian exports very attractive to non-traditional foreign buyers.

Brazil also exported more than 325,000 MT of white rice between April and August, including 60,000 MT to Peru, 35,000 MT to South Africa, and 25,000 MT to the United States. Broken rice typically makes up one of the largest shares of Brazilian exports, accounting for a quarter of all exports so far this market year. Brazil exported nearly 86,000 MT of broken rice to Senegal from April to August and another 54,000 MT to Sierra Leon during that period.

Cumulative Rice Exports from Brazil by Market Year



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Imports

Post also raises its MY 2019/20 import forecast to 800,000 MT, up 100,000 MT from Post’s projection in June. The severely weakened BRL caused imports to lag behind the five-year average in first few months of the market year, but dwindling domestic stocks and record-high internal prices have forced Brazilian buyers to look overseas to procure supplies of this staple food. Moreover, the Government of Brazil recently implemented a duty-free tariff-rate quota (TRQ) for up to 400,000 MT of imports from outside of the Mercosur trade bloc through December 2020. This move is likely to boost imports from less traditional suppliers to Brazil, such as Thailand and the United States.

Post also raises its MY 2020/21 import forecast to 850,000 MT, as depleted stocks this market year are likely to lead an increased need to make rice purchases from abroad next year. It should be noted, however, that Brazil has never imported more than 900,000 MT (milled equivalent) of rice in a market year, 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 meet demand.

Roughly 95 percent of Brazil’s rice imports have typically come duty-free from its Mercosur trade bloc neighbors: Paraguay, Uruguay, and Argentina. Paraguay alone accounted for 56 percent of imports in MY 2018/19, with Uruguay supplying another 27 percent of imports, and Argentina responsible for approximately 11 percent.

Paraguay supplied 76 percent of Brazil’s rice imports in the first five month of MY 2019/20, with Uruguay and Argentina responsible for 15 and 8 percent, respectively. However, skyrocketing domestic prices on the back of huge exported volumes and rising domestic consumption, have worried Brazilian government. According to the Brazilian Supermarket Association, consumer rice prices in July were about 26 percent higher than the same month last year. Consumers have started to complain, and one government entity even launched an investigation earlier this month into price gauging (later quashed by executive action). In response, Brazil’s Foreign Trade Chamber (CAMEX) voted on September 9 to open duty-free access for up to 400,000 MT of paddy and milled rice through December 31, 2020. The TRQ eliminates the 10 percent tariff on paddy rice (tariff code 100601092) and the 12 percent duty on white rice (tariff code 10063021). The move should mainly benefit the United States and Thailand, both of which produce the same rice variety commonly consumed in Brazil. Over the last decade, U.S. exports to Brazil have averaged less than 1,000 MT annually, largely due to Brazil’s import tariffs, as well as a slew of internal value-added and transportation-related taxes. However, within days of the quota, a USDA export sales report recorded a 30,000 MT purchase from Brazil, the largest sale since 2010. Market sources report that more than 100,000 MT in other sales may also be in the works. As stocks continue to dwindle in the five months prior to Brazil’s next domestic harvest getting underway, imports from non-traditional suppliers like the United States are likely to grow, contingent only on how high a price Brazilian consumers are willing to pay for the staple.



Rice Consumption

Post maintains its rice consumption forecast for MY 2019/20 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. According to CONAB data, nearly 95 percent of Brazilian consume rice, with more than half doing so at least once 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.

However, the COVID-19 pandemic has spurred grocery store sales of rice, as consumers have started cooking more meals at home as the social distancing and work from home measures have persisted. Strong demand and diminished stocks have caused food price inflation in Brazil in recent months, even as other

sectors did not see the same trend. As noted above, the Brazilian Supermarket Association has warned government officials that strong consumer demand has boosted prices for staple foods, including rice. Consumer prices for rice were about 26 percent higher in July than the same month last year, according to the trade group.

Another factor supporting higher levels of rice consumption has been pandemic-related government support payments, which Brazil's government has repeatedly extended to keep millions from falling back into extreme poverty. Brazil had struggled in recent years to emerge from the deep recession the country experienced in 2015-2016, and the onset of the COVID-19 pandemic harmed the Brazilian economy further, pushing up the jobless rate and forcing the country back into a recession that many economists expect to last years. As a result, many consumers have once again tightened the grip on their wallets, cutting back on a variety of expenses. Even with staples foods like rice, consumers have already begun to return to recessionary practices of cutting back on food waste. Many families save leftover cooked rice to be consumed at the next meal rather than throwing it out and cooking a fresh pot, which limits the potential upside of rising consumption.

Additionally, the high price of rice has spurred some consumers to consider replacing the staple food with another starchy alternative such as pasta, the price of which has not increased nearly as much as rice. After a meeting with the Brazilian president, the head of Brazil's Supermarket Association (Abrás) noted that grocery stores might promote replacement of rice with pasta to consumers who are not happy with rising rice prices. There have also been anecdotal reports of recipes circulating on social media to teach consumers how to replace rice dishes with potato-based ones. Nevertheless, rice remains a culturally ingrained daily staple for most Brazilians, and for now rice is still cheaper than pasta when compared pound-for-pound.

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	2320	2330
Beginning Stocks (1000 MT)	1311	1311	1057	1057	937	882
Production (1000 MT)	5428	5428	5200	5150	6600	6600
MY Imports (1000 MT)	7020	7020	7200	7250	6700	6500
TY Imports (1000 MT)	7442	7442	7179	7179	6700	6500
TY Imp. from U.S. (1000 MT)	245	314	625	527	0	500
Total Supply (1000 MT)	13759	13759	13457	13457	14237	13982
MY Exports (1000 MT)	602	602	420	425	700	750
TY Exports (1000 MT)	594	594	408	408	700	750
Feed and Residual (1000 MT)	500	500	500	500	500	500
FSI Consumption (1000 MT)	11600	11600	11600	11650	11700	11700
Total Consumption (1000 MT)	12100	12100	12100	12150	12200	12200
Ending Stocks (1000 MT)	1057	1057	937	882	1337	1032
Total Distribution (1000 MT)	13759	13759	13457	13457	14237	13982
Yield (MT/HA)	2.6582	2.6582	2.549	2.5245	2.8448	2.8326

(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 raises its estimate for MY 2020/21 (October 2020 – September 2021) wheat area to 2.33 million hectares (MHa) and the production forecast to 6.6 million metric tons (MMT). High internal prices incentivized expanded planting in the major production regions, supporting Post’s projection for a year-over-year increase of 14 percent for area and 28 percent for production, as yields rebound from the damage caused by adverse weather last season.

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 states expanded area this season. According to data from the National Supply Company (CONAB), Brazil’s agricultural statistics agency, wheat area in Parana grew by 9 percent year-over-year, while Rio Grande do Sul’s wheat area expanded by a whopping 26 percent. The Parana Department of Rural Economy (DERAL) reported that the state’s 1.1 MHa were fully planted as of July, and approximately 25 percent harvested as of mid-September, roughly in line with the five-year average. In August, Parana saw the occurrence of frost in the south and southwest of the state, as well as heavy rains and gusting winds in other regions. However, 90 percent of the crop was rated in “average” or “good” condition as of mid-September, according to DERAL. Overall, production in the state is on track to expand dramatically year-over-year, from about 2 MMT in MY 2019/20 to approximately 3.5 MMT in My 2020/21. This change is largely due to the expectation of vastly improved yields, from an average of 2.2 MT/Ha last season to roughly 3 MT/Ha for the MY 2020/21 crop.

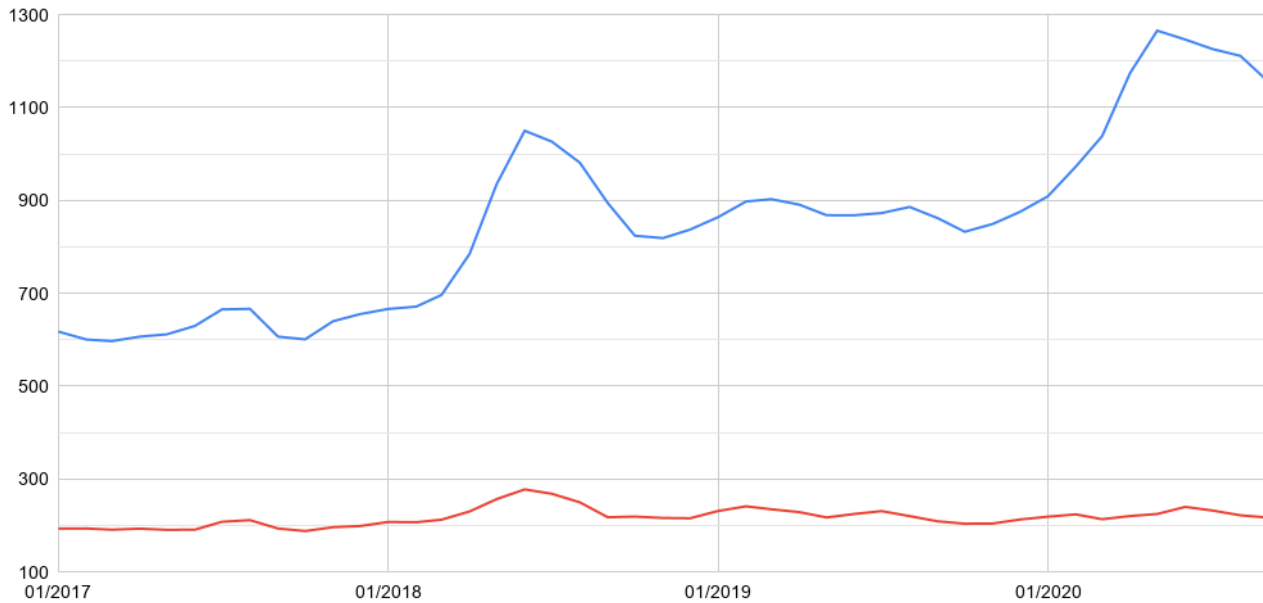
With the elevated yields expected in Parana, the state of Rio Grande do Sul is expected to return to its position as Brazil’s second-largest wheat producer. The Rio Grande do Sul Extension Service (EMATER/RS) reported that wheat sowing in the state wrapped up in late July, with an increase of about 25 percent in planted area, to approximately 930,000 Ha. Most of Rio Grande do Sul’s wheat area saw low temperatures and even frosts in August, during the vegetative development stage of growth. The ultimate

damage caused by those conditions is still being assessed, but yields are not expected to shrink much from last year. Combined with the large expansion in area, Rio Grande do Sul is still expected to have a sizeable wheat harvest this year. Harvesting had not begun as of mid-September, but CONAB expects the large expansion in area, aided with a slight uptick in yields, could produce a harvest of around 2.7 MMT, more than 20 percent larger year-over-year.

Parana Wheat Prices

Per Metric Ton

— BRL — USD



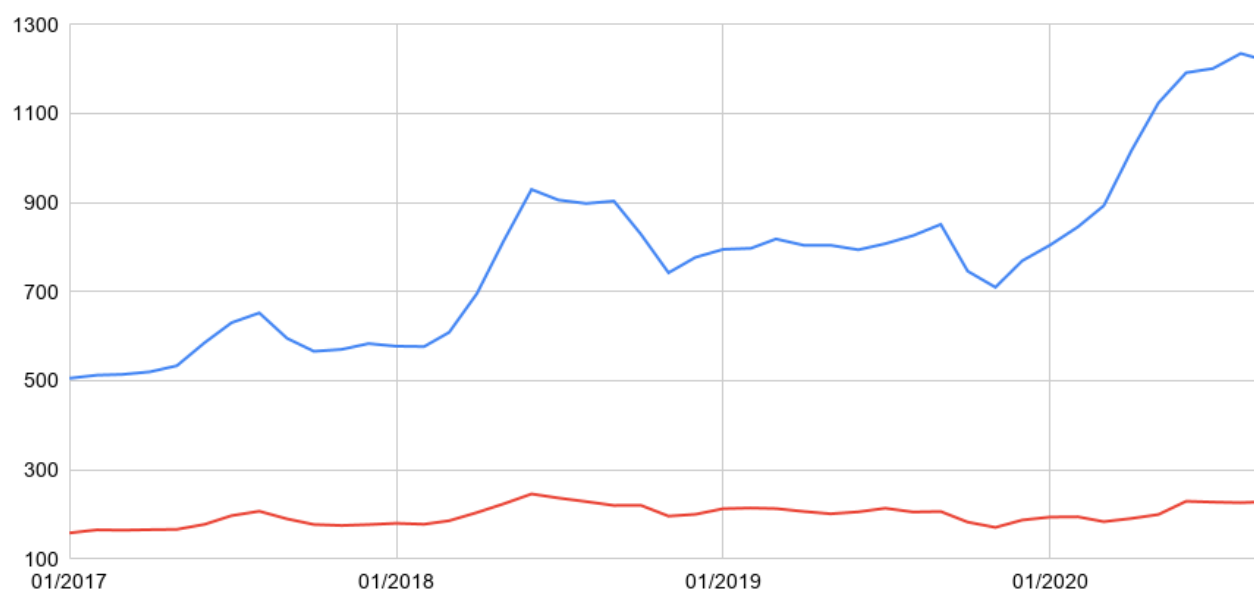
Data Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA)

Several factors incentivized producers to greatly expand wheat area in southern Brazil this year. 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 sent commodity prices, including wheat, soaring 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 Parana reached their highest ever peak in June, averaging R\$1,266 (US\$225) per metric ton. Meanwhile, prices in Rio Grande do Sul hit record levels in August, averaging R\$1,235 (US\$226) 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.

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)

In the long term, Brazil is working to expand wheat area and decrease the country's heavy dependence on imports to meet domestic demand and reduce dependence on imports from Argentina. One region drawing attention as of late is Matopiba, which is an area in northeastern Brazil where the borders converge for the states of Maranhao, Tocantins, Piaui, and Bahia. According to Brazilian agricultural research agency 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 for soybeans and corn. Matopiba has seen rapid expansion in recent years for soybeans, cotton, and corn 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 this season, all in the state of Bahia. That is insignificant compared to the 2 million hectares of wheat area 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, post estimates that the Center-West and Matopiba regions account for just 2.5 percent of total wheat area and 3 percent of total production this season. However, it should be noted that the yields for irrigated wheat area seem to be far above the non-irrigated fields in the south. According to CONAB, the average wheat yield in the cerrado state of Goias could reach 3.9 MT/Ha, while the state of Bahia's average wheat productivity could reach 5.7 MT/Ha, nearly double that of the traditional growing region in southern Brazil.

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 the small area cultivated this season, as well as the competition from other, potentially more profitable crops such as soybeans. If EMBRAPA achieves its goal, the research agency estimates that the region could produce as much as 3 MMT of wheat.

Another region being explored by EMBRAPA is Sealba, a region comprising the northeastern states of Sergipe and Alagoas, and the northern part of Bahia. Specifically, EMBRAPA has been conducting wheat trials in the state of Alagoas since 2019. EMBRAPA is evaluating the productivity and quality of the research agency's tropical wheat varieties that are already in commercial production in the Center-West state of Goias and the Federal District, as well as the southeastern state of Minas Gerais, as part of EMBRAPA's "Genetic Improvement for Wheat in Brazil, 2017-2021" project. Researchers found that the tropical cultivars, which are irrigated, required a cycle of 76-93 days and showed yields as high as 4.7 MT/Ha. Further data is needed to determine the optimal planting window in the region, as well as techniques to maintain proper soil management and control for pests and diseases. EMBRAPA is optimistic about the prospects because these varieties have shorter growing cycles and the ability to adapt to tropical climate conditions with low rainfall.

Wheat Trade

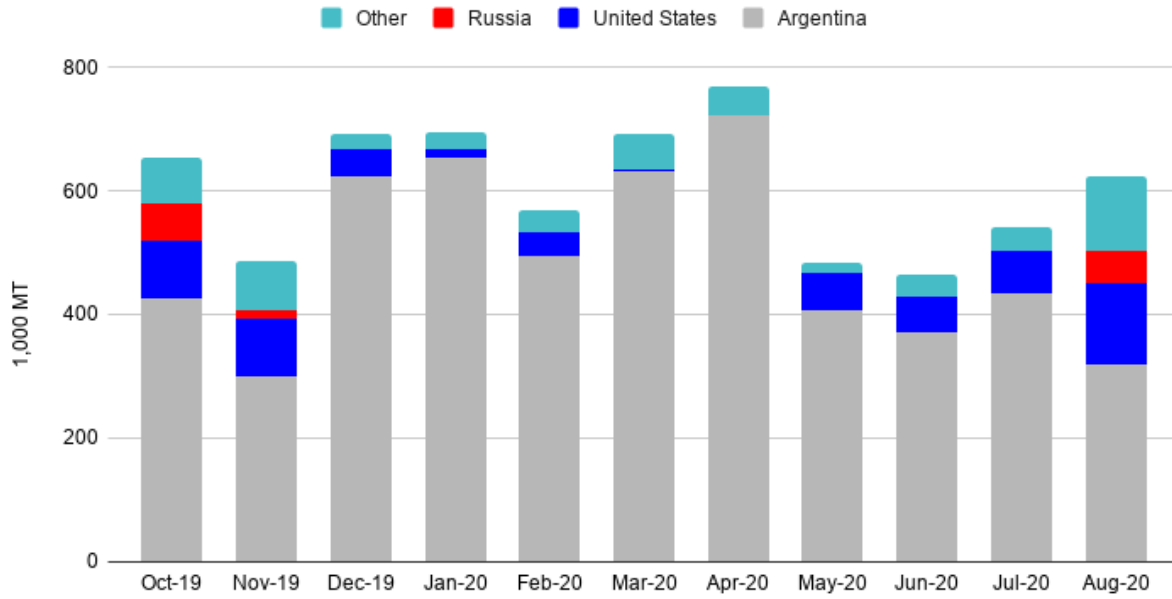
Imports

Post lowers its MY 2019/20 import estimate to 7.25 MMT, based on the pace of trade. The import forecast for MY 2020/21 is also lowered to at 6.5 MMT, based on the increased production estimate leading to 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 estimates that imports account for 60 percent of Brazil's consumption in MY 2019/20. Most of Brazil's imports are duty-free purchases from Mercosur trade bloc neighbor Argentina, which have supplied roughly 80 percent of Brazil's wheat imports in MY 2019/20 through August. In the same period, Paraguay has been responsible for about 4 percent of Brazil's imports. Russia has taken less than 2 percent of market share so far in MY 2019/20, while the United States has accounted for 9 percent of total supply (602,987 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 arriving between July and November, according to customs data.

MY 2019/20 Brazilian Wheat Imports to Date

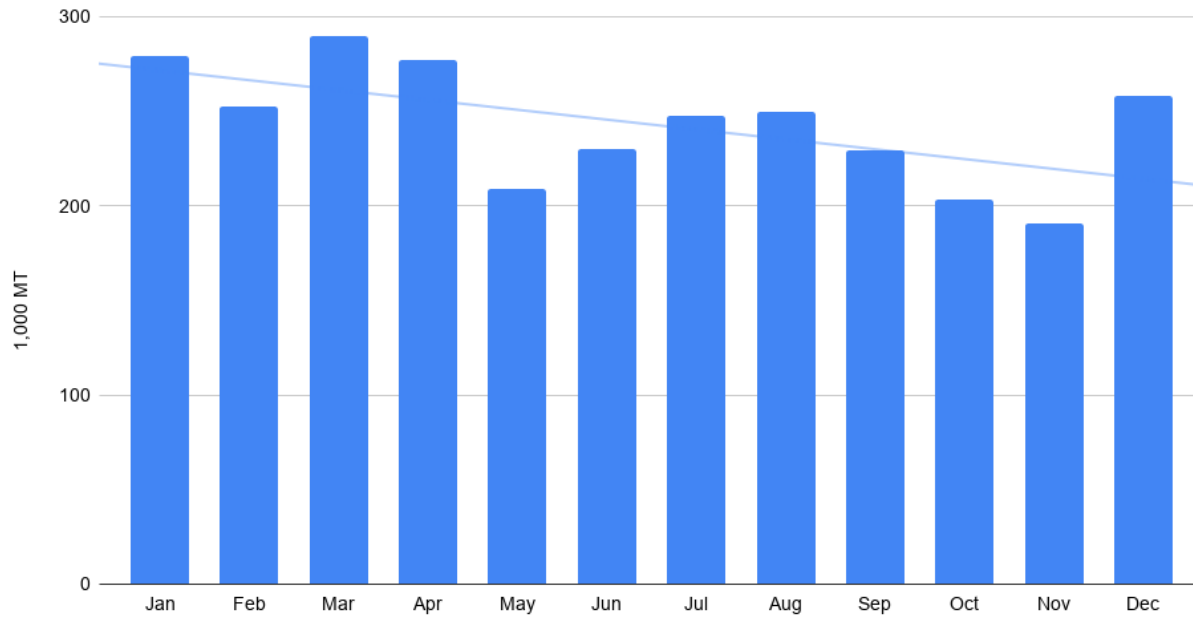
October 2019-August 2020



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

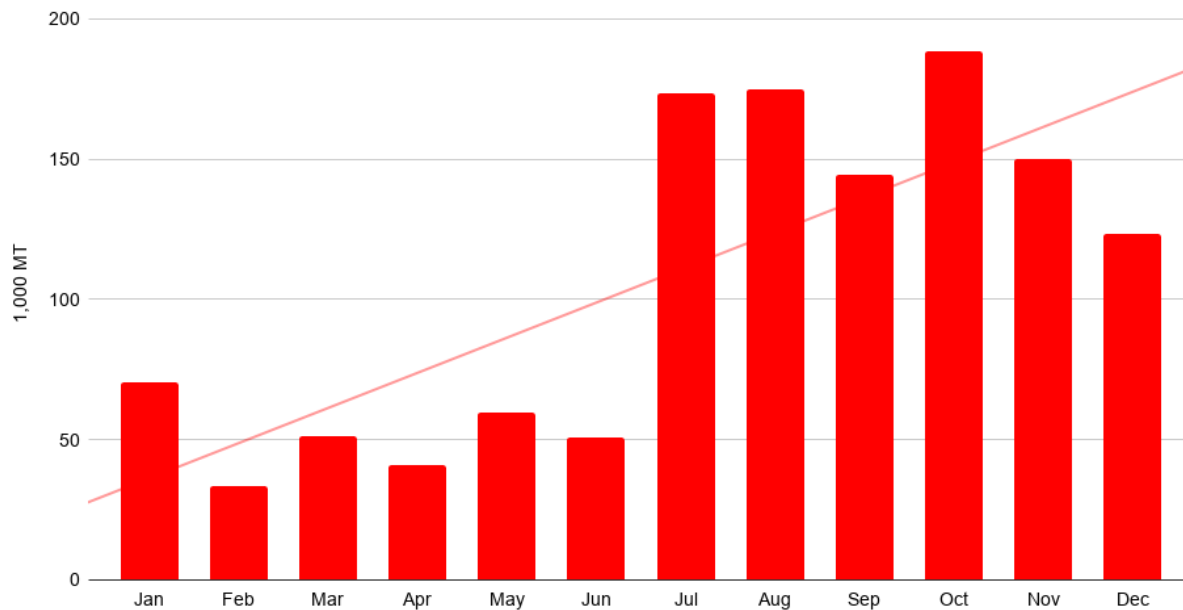
Seasonality of Brazilian Imports of Argentine Wheat

Monthly Average, 2013-2019



Seasonality of Brazilian Imports of U.S. Wheat

Average Monthly Volume, 2013-2019



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Increased U.S. market share comes at least in part due to Brazil's implementation in November 2019 of a duty-free annual tariff-rate quota (TRQ) for 750,000 MT of non-Mercosur wheat imports. Amid pressure from the Brazilian Wheat Millers' Association (Abitrigo) 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 that it would allow an additional 450,000 MT of duty-free wheat imports from non-Mercosur countries this year, bringing the TRQ total to 1.2 MMT through November 17, 2020. As of September 13, 2020, Brazilian government data show that two-thirds of the quota (801,859 MT) was already filled. Outside of the TRQ, Brazil applies 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.

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-Mercosur wheat supplies through the TRQ. 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 425,000 MT, based on the slower pace of trade and reports of diminished stocks as the market year comes to a close. Post raises its MY 2020/21 export forecast to 750,000 MT in response to the higher estimate for 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. With the forecast for increased production in MY 2020/21 and the devalued BRL, Post expects exports to increase by approximately 65 percent year-over-year. The top export markets for Brazilian wheat in MY 2018/19 were Indonesia, Philippines, and Vietnam. So far in MY 2019/20, Vietnam, Saudi Arabia, and Philippines have been the largest importers of Brazilian wheat, while Venezuela has been the largest foreign buyer of Brazilian wheat flour, accounting for 96 percent of flour exports.

Wheat Consumption

In response to increased consumption due to the coronavirus pandemic, Post raises its forecast for Brazil's wheat consumption in MY 2019/2020 by 50,000 MT, to 12.15 MMT. Post also raises its forecast for wheat consumption for MY 2020/21 to 12.2 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 year-over-year in the first few months of 2020. 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.

As the effects of the pandemic have lingered longer than most consumers expected, many Brazilians are still working from home, while others are staying at home while they look for work to replace jobs lost due to the pandemic. In both cases, these consumers continue to eat more meals at home than prior to the onset of the pandemic. Brazil has seen food price inflation in recent months, even as other sectors did not see the same trend. Some staple foods, such as rice and beans have seen consumer prices rise by more than 20 percent. While consumer prices for wheat-based products have also increased, the rise has not been quite as steep. As such, some consumers are already looking for ways to substitute wheat products like pasta in place of rice, at least on some occasions. Food manufacturers, especially those who make wheat-based foods, have already begun to refocus production lines on pasta and other wheat products. For these reasons, Post raises its estimate for wheat consumption in MY 2019/20, as well as its forecast for MY 2020/21.

Attachments:

No Attachments