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Report Highlights:

Post forecasts that Brazilian producers will expand soybean planted area to reach 40 million hectares (ha) in 2021/22 season, up from the estimated 38.5 mn ha planted in the 2020/21 season. Post forecasts 2021/22 soybean production at 141 million metric tons (MMT), up from the estimated 134 MMT harvest this season. Soybean expansion is forecast on current market conditions and trends - including strong demand, high prices, and a favorable exchange rate. All these conditions are expected to persist well into the 2021/22 season. Soybean exports are forecast to hit records this season and next at 85 MMT and then 87 MMT. Peanut planted area and production are also forecast to rise on the same factors. Cottonseed area and production will rebound next season (2021/22) after a dip in the current season.

Oilseed Sector in Brazil

Brazil is a key global oilseed producer, accounting for almost a quarter of total global supply. For the 2019/20, marketing year (MY), Post estimates that the country produced almost 134,000 million metric tons (MMT) of soybeans, cottonseed, palm kernel, peanuts, and sunflower seed. Soybeans are by far the most dominant oilseed; in the 2019/20 MY, soybeans accounted for 96 percent of all oilseeds produced in the country. Cottonseed production is a distant second with 3.6 percent of Brazil's total oilseed volume, while peanuts, palm kernel, and sunflower seed account for less than one percent of production.

Globally, Brazil is the leading producer and exporter of soybeans, accounting for more than one-third of the world's soybean production. Brazil contributes about ten percent of cottonseed production, however, 99 percent of cottonseed production in Brazil is consumed domestically.
When it comes to peanuts, Brazil accounts for less than two percent of global peanut production, however it is the world's fifth-largest exporter of peanuts and third-largest exporter of peanut oil. Brazil's contribution to global production and trade of sunflower seed and palm kernel is negligible, well below one percent. Going forward, Brazil is expected to maintain its position as the oilseed production powerhouse in 2020/21 and 2021/22 based on its dominance in the global soybean sector.

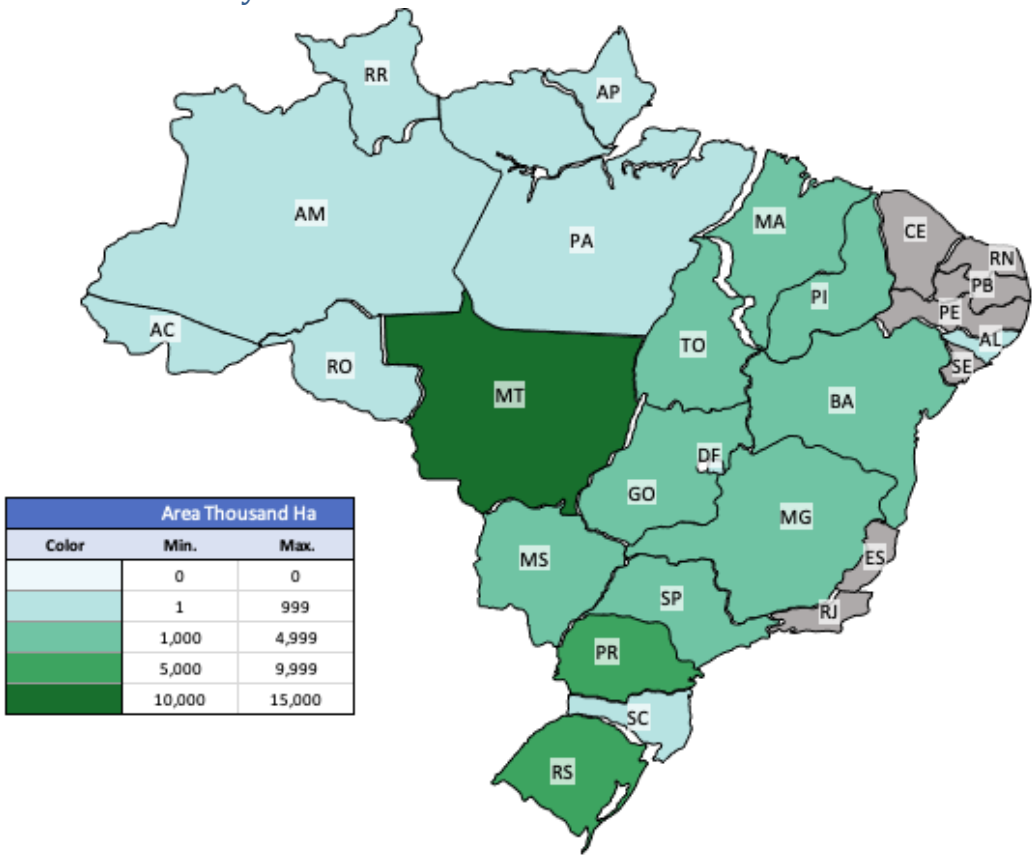
Across all oilseed crops, a key factor that will drive the expansion of planted area next season and beyond is the availability of arable land. Brazilian growers are also expected to avail themselves of innovative technology (seeds and crop protection) allowing them to make impressive gains in yields across the oilseed spectrum. Farmers will continue to reap the benefits of the weak domestic currency, fueling the agricultural export boom. Domestic demand for oilseeds is expected to grow as well, with rising consumption of both oil and meal. Healthy returns will leave growers well capitalized to make future investments. Expansion may be somewhat constrained by inadequate infrastructure, though the country has made some strides on this score in recent years.

PRODUCTION

Soybean Planted Area to Continue Above Trend Expansion in 2021/22

Post forecasts that Brazilian producers will expand soybean planted area to reach 40 million hectares (ha) in 2021/22 season, up from the estimated 38.5 mn ha planted by farmers in the 2020/21 season. Soybeans are grown in 19 of Brazil's 26 states, as well as in the capital Federal District. Post forecasts planted area to increase by 3.6 percent year-on-year, which is above the three percent annual area growth estimated by Post for the last five seasons.

Soybean Production Volumes Across Brazil



Area Thousand Ha		
Color	Min.	Max.
	0	0
	1	999
	1,000	4,999
	5,000	9,999
	10,000	15,000

Source: Planted Area estimates and chart by OAA Brasilia

According to the Post estimates, in the last five seasons, Brazil's cumulative soybean planted area grew by almost 14 percent, or 4.7 million ha. The USDA planted area estimate is in-line with the area expansion reported by Brazil's National Supply Company (CONAB). CONAB estimates that over the last five seasons, Brazil's cumulative soybean planted area rose almost 13 percent, or by 4.55 million ha.

Soybean Planted Area by Region		2016/17	2017/18	2018/19	2019/20	2020/21*	5-yr total Δ
North	planted area (mn ha)	1.81	1.93	1.99	2.11	2.28	**0.47**
	% increase	15%	7%	3%	6%	8%	**26%**
Northeast	planted area (mn ha)	3.10	3.26	3.33	3.36	3.54	**0.44**
	% increase	8%	5%	2%	1%	5%	**14%**
Center West	planted area (mn ha)	15.19	15.65	16.10	16.64	17.20	**2.00**
	% increase	2%	3%	3%	3%	3%	**13%**
Southeast	planted area (mn ha)	2.35	2.47	2.57	2.76	3.08	**0.73**
	% increase	1%	5%	4%	7%	12%	**31%**
South	planted area (mn ha)	11.46	11.84	11.88	12.09	12.37	**0.91**
	% increase	-1%	3%	0%	2%	2%	**8%**
Total Brazil	planted area (mn ha)	**33.91**	**35.15**	**35.87**	**36.95**	**38.46**	**4.55**
	% increase	**2%**	**4%**	**2%**	**3%**	**4%**	**13%**

Data Source: CONAB March 2021 report data, OAA Brasilia table

Brazil's massive Center West region – encompassing the states of Mato Grosso (MT), Mato Grosso do Sul (MS), Goais (GO), and the capital Federal District (DF) - is by far the biggest producer accounting for well over a third of the country's planted area and production volume. CONAB estimates that in the last five seasons, soybean planted area in the Center West region rose in-line with the national trend of 13 percent cumulative growth; farmers sowed 17.2 million ha in the current season, expanding soybean acreage by two million ha in the last five seasons. Post contacts in the region's biggest producing state of Mato Grosso have suggested that there is substantial opportunity for planted area expansion. The Mato Grosso Institute of Agricultural Economics (IMEA) estimates that by 2030, soybean planted area in the state will grow by over 40 percent to 14.79 million ha, up from just over 10.3 million ha in 2021. Looking at the 2021/22 season, Post anticipates that area in Mato Grosso will expand about three percent.

Meanwhile, planted area growth will continue to plateau in the South – this region encompasses the states of Paraná (PR), Rio Grande do Sul (RS), and Santa Catarina (SC). Although this is Brazil's second-largest soybean-producing region, in the last five years cumulative planted area expanded eight percent, just over half the rate of national growth. In Paraná, nearly all arable land has been put into crop rotation, thus planted area gains will be minimal in 2021/22. There is some pastureland that could be converted in Rio Grande do Sul and Santa Catarina, with expansion on the order of one to two percent year-on-year.

The two regions that saw the fastest expansion over the last five seasons were the Southeast region – encompassing the states of Minas Gerais (MG) and São Paulo (SP) – where planted area rose 31 percent to reach over 3 million ha in 2020/21, up from 2.4 million in 2016/17; and the North – with most of the soybean production there concentrated in the states of Roraima (RR), Rondônia (RO), Pará (PA), and Tocantins (TO) – where planted area rose 26 percent in the last five years to 2.3 million ha, up from 1.8 million ha. That said, crop agriculture has always had a big presence in the Southeast. There, the increase in soybean area represents a switch from other crops, such as sugarcane, given the high profitability and liquidity of the oilseed globally.

New cropland has been developed in the North and Northeast of Brazil. For example, Roraima saw soybean planted area double, from 30,000 ha to 60,000 ha, though it remains quite limited in comparison to the powerhouse producer states. In this part of the country, expansion in crop cultivation is accomplished by converting degraded pastureland and by developing new fields for production. Post anticipates that crop development in this part of Brazil will continue to accelerate on the back of improving infrastructure logistics.

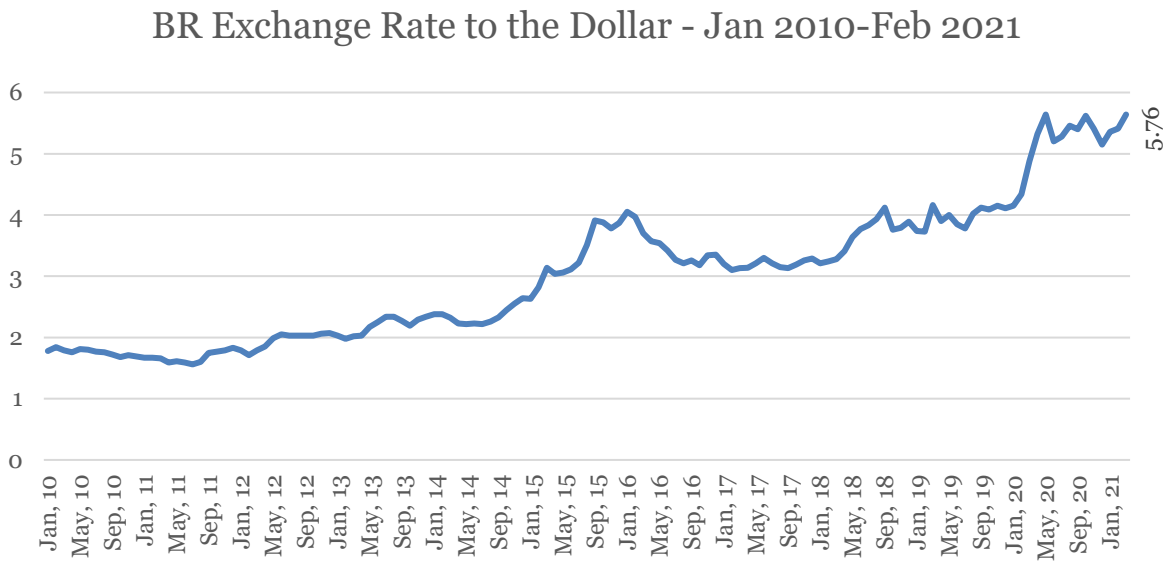
Perfect Storm of Factors Drives Expansion

The Post forecast for above-trend expansion of planted soybean area is based on current market conditions and trends detailed below that are expected to persist well into the 2021/22 season.

Global Demand: The global novel coronavirus pandemic has reinforced the market sentiment that soybean demand will remain on an upward trajectory regardless of any calamities and economic shake-ups. Post contacts indicate that global soybean demand will likely continue to rise exponentially, as the commodity is used in food, feed, and fuel. The Brazilian market anticipates that soybeans will be increasingly used in the production of biodiesel with the growing push for sustainable, renewable energy sources. There is also an emerging global trend of consumers seeking to supplement their diets with plant protein and plant lipid ingredients. At the same time, rising meat consumption is expected to create additional feed demand.

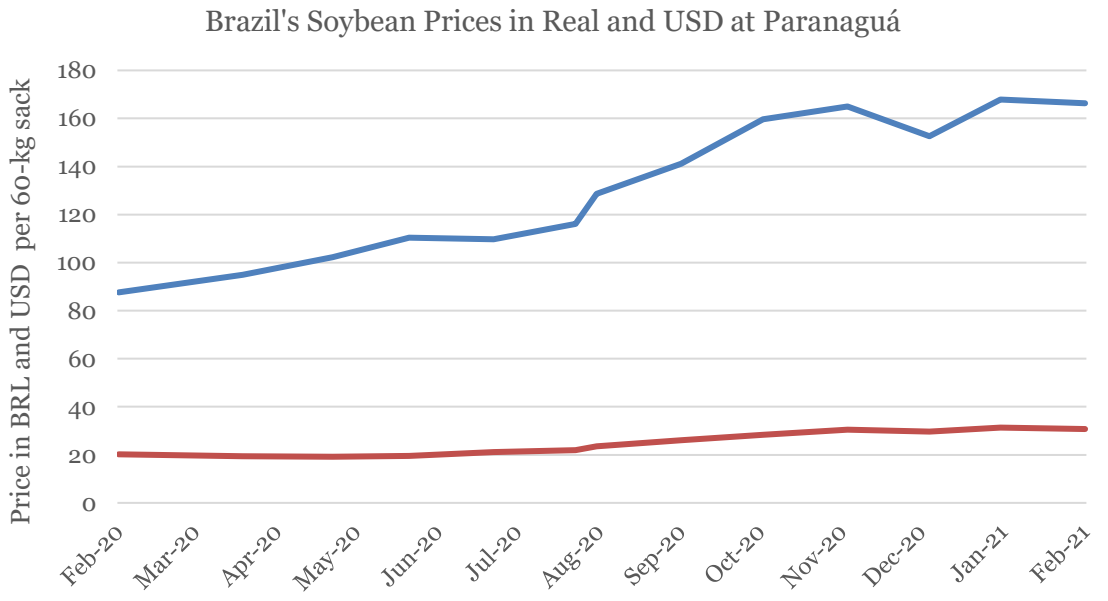
China is the primary driver of global demand, accounting for most soybean imports worldwide. Post contacts do not report major concerns about the U.S.-China Phase One Trade Agreement, which stipulates that China purchase significant volumes of agricultural commodities from the United States. The U.S. and Brazilian soybean harvest and export calendars are complementary and there is plenty of demand for both U.S. and Brazilian soybeans. Post contacts note that China is unlikely to significantly pull back on purchases of Brazilian soybeans, because of established relationships, and because of the inherently less politically charged relationship between Brasilia and Beijing. That said, the Brazilian market is closely following reports that there may be a re-emergence of African Swine Fever (ASF) in Chinese pig herds, which could potentially depress China's soybean purchases.

Favorable Exchange Rate: Due to the pandemic-induced economic turmoil, the Brazilian currency, the real (BRL) shed more than 30 percent of its value in 2020. Most analysts currently forecast that the Brazilian real will remain weak over the next two years, as Brazil's economy continues to be bogged down by the pandemic, a slow vaccination campaign, and limited government resources. As of early March, the Central Bank survey indicated that on average, the market expects the BRL to trade at R$ 5.15 to the USD in 2021, and at R$ 5.13 to the USD in 2022. So far, the real is hitting well above year-end targets. As of March 31, the BRL stood at R$5.76 to the USD, reflecting investors' concerns over prospects for economic recovery and reform.



Source: Brazilian Central Bank

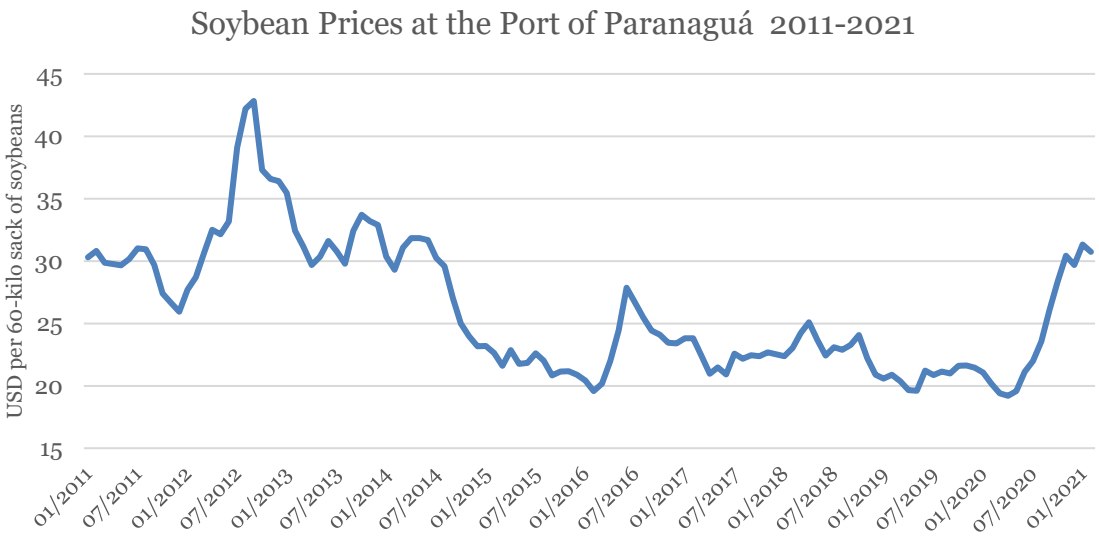
The steep devaluation of the real has had a positive impact on Brazilian commodity prices. For example, from February 2020 to February 2021, the average price for a 60-kilogram (kg) sack of soybeans at the Port of Paranaguá rose 90 percent when valued in BRL – to R$166.32 per 60-kg sack. In those same 12 months, prices in USD climbed just over 52 percent – to $30.73 per 60-kg sack.



	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Real	87.61	94.97	102.3	110.41	109.76	116.05	128.59	141.2	159.64	164.99	152.56	167.87	166.32
USD	20.16	19.41	19.2	19.58	21.11	21.99	23.55	26.13	28.36	30.44	29.68	31.33	30.73

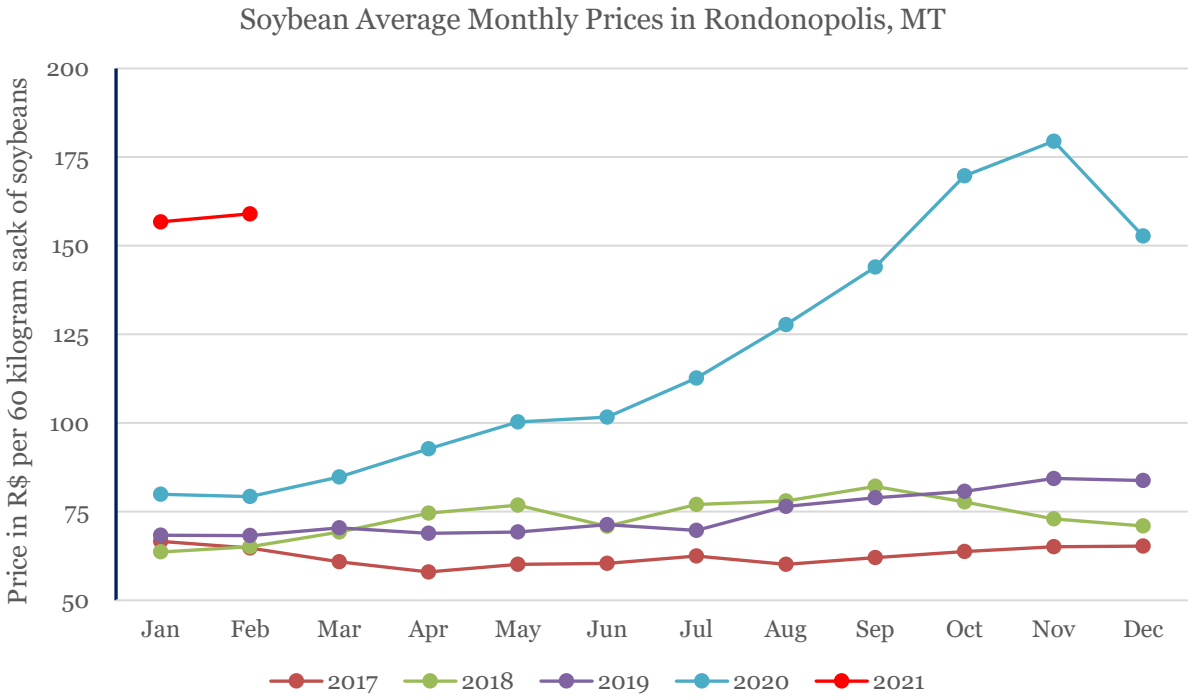
Source: CEPEA data, OAA Brasilia chart

High Prices: While it is impossible to predict all the factors that will affect Brazilian soybean premiums, growers saw phenomenal growth in prices in 2019/20 and going into the 2020/21 season. Market analysts have indicated to Post that there is an increasing belief in the market that the global soybean sector may be entering a new super cycle for the next several years, with limited stocks and high prices, and despite rising production, demand will outstrip supply. The chart below shows the dramatic rise in soybean prices at the port of Paranaguá, starting in 2020 and into 2021. Notably, these prices are still far from the records set in 2012.



Source: OAA Brasilia chart using CEPEA data

Brazilian soybean prices tend to reflect global soybean price trends. As already noted above, thanks to the substantial depreciation of the BRL in 2020 and 2021, sales revenues in domestic currency rose even higher. Currently, Brazilian soybean prices also reflect a domestic premium that is supported by the scarcity of the oilseed in the market. Due to strong exports in the first half of 2020, and weather-related delays for planting and harvest of the 2020/21 crop, the Brazilian market has been virtually without beans for several months. This situation has put further upward pressure on Brazilian soybean prices.



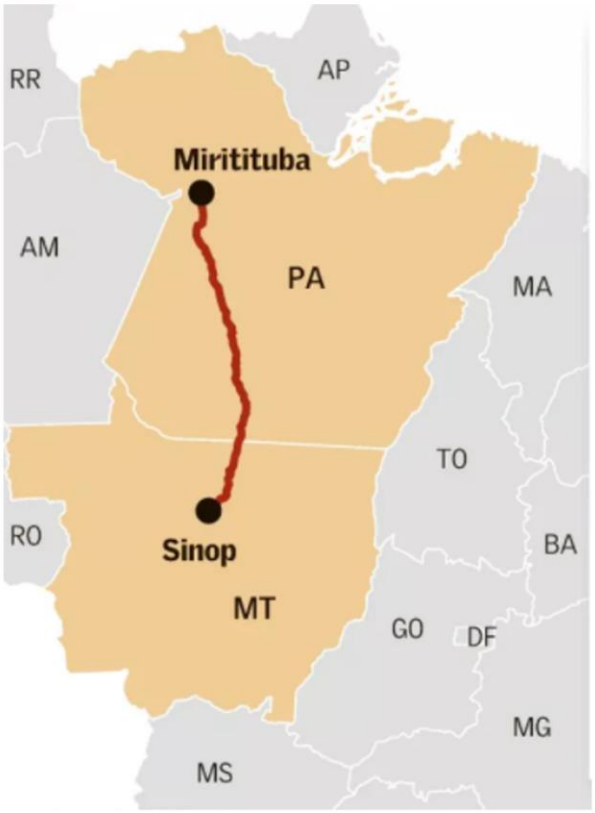
Data Source: ABIOVE, Chart OAA Brasilia

Infrastructure Improvements:

BR-163 Highway: According to the USDA's Agricultural Marketing Service (AMS), Brazil Transportation Report, the soybean shipping rates across the country declined 24 percent year-on-year in 2020. Although the steep devaluation of the Brazilian real was a key factor, infrastructure improvements cut down on driving time and brought down the costs of fuel and truck maintenance, further reducing freight rates. The most important development in roadway infrastructure was the inauguration of the mountainous BR-163 highway in December 2019. The road, known as the "soybean highway" connects Mato Grosso state to the state of Pará for more than 1,000 kilometers, ending at the river terminals of Miritituba, where most major grain trading companies have barging facilities on the Tapajós river. Before being fully paved, even in good weather, the trip could take several days to a week. Post drove the newly paved section of BR-163 from Sinop to Itaituba in January 2020, a journey that only took 14 hours. AMS estimates that the cost of transporting soybeans from Mato Grosso to the port of Santarém declined almost 25 percent – from US$ 52.04 per MT in 2019 to US$39.20 per MT in 2020.

BR-163 Highway

EF-170 Railroad: Ferrogrão



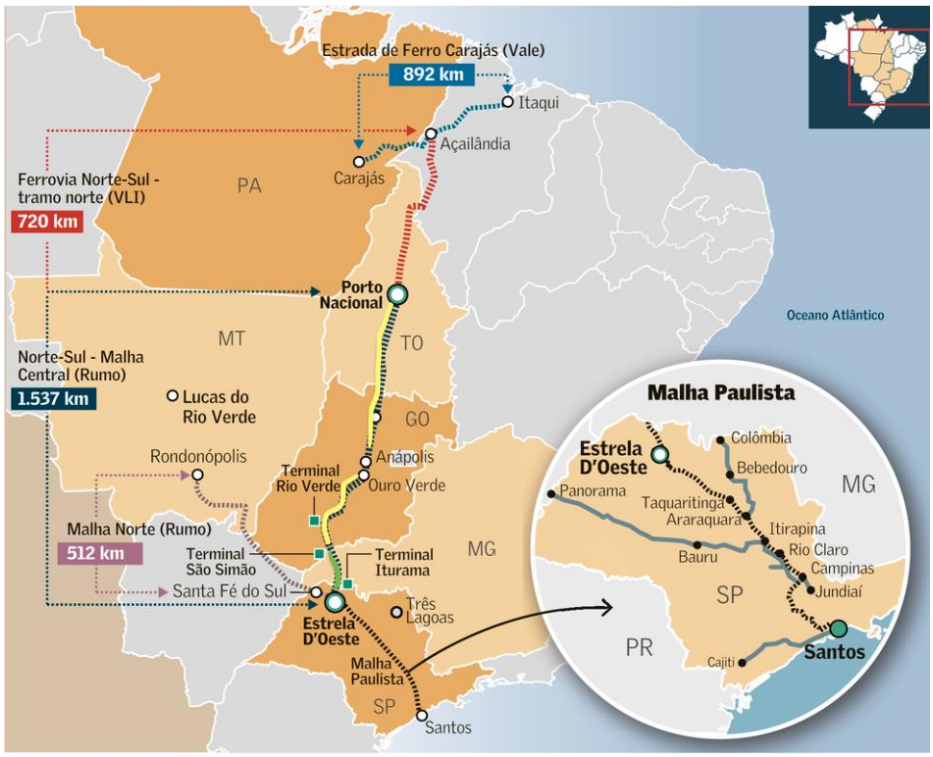
Source: Valor

Railways: The paving of BR-163 has made Mato Grosso's soybeans more competitive in foreign markets and increased profits for producers in the region. Those effects are expected to expand in the future, especially if the EF-170 or Ferrogrão ("grain railroad") is finally constructed adjacent to the BR-163. Decades in the making, the $4 billion project is currently held up in the Supreme Court, pending a decision on the boundaries of the Jamanxim National Park, through which the railroad is currently slated to be built. In recent months, there has been a rising tide of criticism of the rail link because it would potentially have adverse impacts on close to 50 indigenous areas and communities in Mato Grosso and Pará. Regardless of whether permission to build is ultimately granted, a fully functioning Ferrogrão is likely years away. However, if it comes to fruition, this railroad link would have the potential to transport 35 MMT of grain and oilseeds each year from the Center West region to the river and ocean ports in the northern part of Brazil, known as the Northern Arc, unlocking expanded export potential.

Brazil is also on a verge of finishing a major railway project EF-151, or the North-South railway that would integrate four states: Tocantins (TO), Goais (GO), Minas Gerais (MG), and Sao Paulo (SP). Projected to be completed in 2021, the EF-151 will connect the northeastern port of Itaquí-Sâo Luis, in the state of Maranhão, and the southern port of Santos, SP. Much of the railway has been operational for years. In March 2021, President Jair Bolsonaro inaugurated one of the last remaining sections, a 172-kilometer stretch from Estrela d'Oeste, SP and Sao Simao, GO – highlighted below in green. The concession operator company, Rumo Logistica pledged to bring the rail track to Porto Nacional in

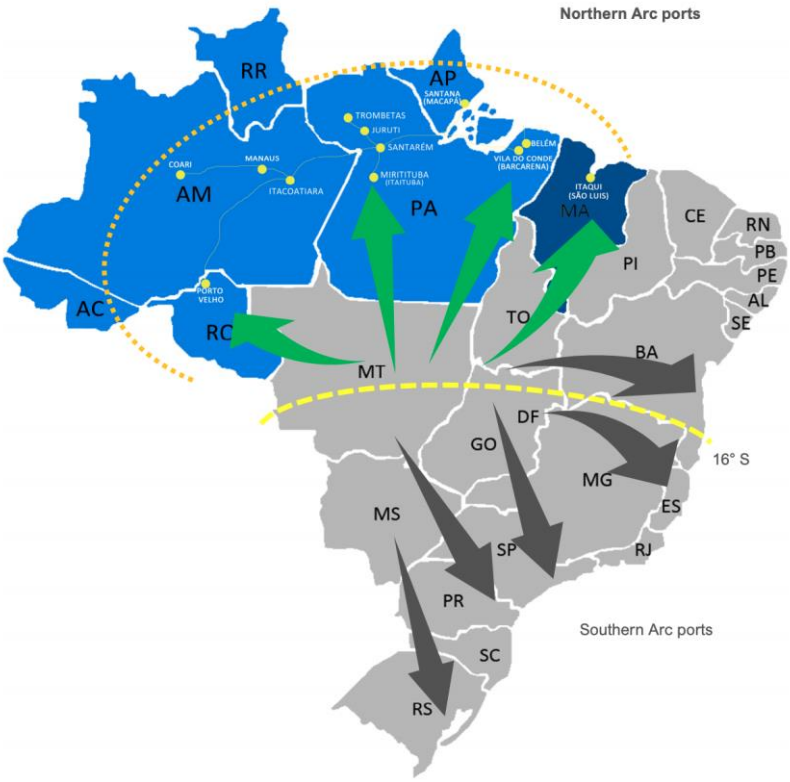
Tocantins by the end of 2021, where it will link up with the north section of the North-South Railway, operated by another concession, VLI.

The North-South Railway Map



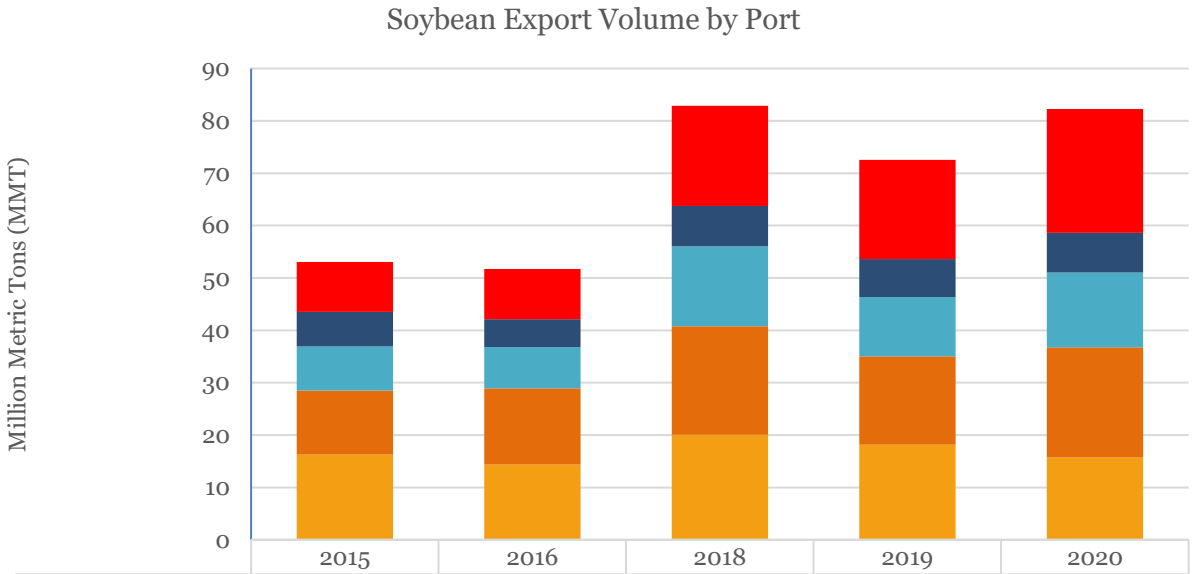
Source: Valor, with OAA Brasilia elaboration

Northern Arc Ports: Brazil's National Department of Transportation Infrastructure (DNIT) estimates that truck volumes on the BR-163 route grew by almost a third in 2020. As such, soybean exports from Mato Grosso through Brazil's Northern Arc - river and ocean ports in the north and northeast region - have increased significantly. These ports are primarily located along the Amazon River, Tapajós River, and the Atlantic coast, including in the cities of Barcarena/Belem and São Luis with ocean access, and river ports in the cities of Porto Velho, Manaus, Santarem, and Miritituba.



Source: Proinde Brazil's Northern Arc Ports

According to the data from the National Exporters Association (ANEC), in 2020, Northern Arc ports accounted for the shipment of almost 24 MMT of soybeans, which is 29 percent of the total volume exported. Compared to the same period in 2018, Brazil shipped 19 MMT of soybeans through the Northern Arc, or 26 percent of total exports. The increase in volume in percentage terms for 2019 is particularly significant, given that in 2018 Brazil's total soybean volume exported was higher than the following year. The expansion in shipping volumes via the Northern ports is even more impressive in comparison to the last five years. In 2015, only 18 percent or 9.5 MMT of Brazilian soy was transported through the Northern Arc.



	2015	2016	2018	2019	2020
Arco Norte	9.51	9.58	19.15	18.93	23.66
Northeastern Ports	6.65	5.29	7.66	7.26	7.60
Paranagua	8.43	7.92	15.29	11.33	14.26
Santos	12.18	14.53	20.74	16.87	21.06
Southern Ports	16.29	14.36	20.04	18.14	15.70

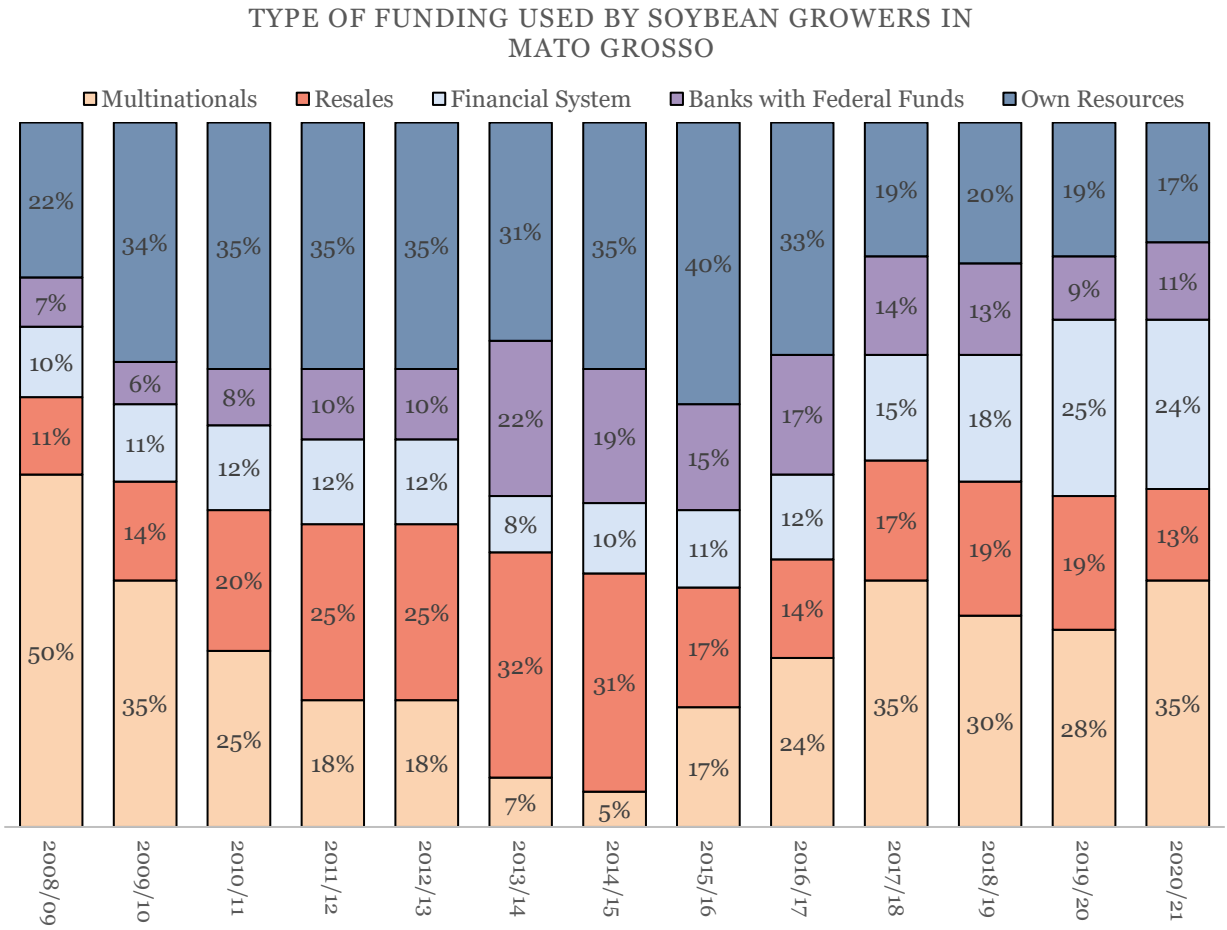
Source: ANEC data, OAA Brasilia Chart. Northern Arc ports: Itacoatiara, Santarem, Santana, Barcarena, Sao Luis, Aratu, Sergiipe, Ilheus; Northeastern ports: Vitoria, Aratu, Sergipe, Ilheus; Southern ports: Rio Grande, Imbituba, Sao Francisco).

Red Flags for the Industry Remain

Infrastructure Disruptions: Brazil has made substantial improvements to its infrastructure in recent years. However, it continues to depend heavily on trucks to transport soybeans and grains to major destinations. This dependence poses challenges and risks to the industry. For example, in 2018, Brazil experienced a major disruption to commodity exports and domestic deliveries when truck drivers launched a nationwide strike, closing main highways for several weeks. The government managed to resolve the conflict by establishing a floor for commercial freight rates. However, ramblings of yet another strike continue to percolate, leading the government to continue negotiating and making concessions. In addition to truckers, other groups have taken note of the importance of highways for commodity deliveries. In October 2020, members of two indigenous tribes, the Kayapo and the Mundurukudes, set up roadblocks on Highway BR-163 to protest illegal gold mining and lumber extraction on their reserve. Courts ordered an injunction, but during six days of protest, traffic was allowed through for just one hour per day.

The examples above demonstrate that until there is an alternative way to transport soybeans and grains to the Northern Arc ports, any group – be it truck drivers or protestors espousing another cause - may call nationwide attention simply by blocking traffic. The potential risk of delivery disruptions has ramifications for landed costs, forward contracts, and on the bottom line for producers.

Financing Constraints: With several profitable seasons on the books, most Brazilian farmers are well capitalized going into the 2021/22 season. However, due to the current economic and market situation, the government-subsidized loans and contracts from multinational traders may be constrained next season. The graph below shows that growers typically use no more than 40 percent of their private funds to finance soybean planting in Mato Grosso. In the current season, farmers relied on government-backed loans and financing from multinationals for almost half of all the required investment.

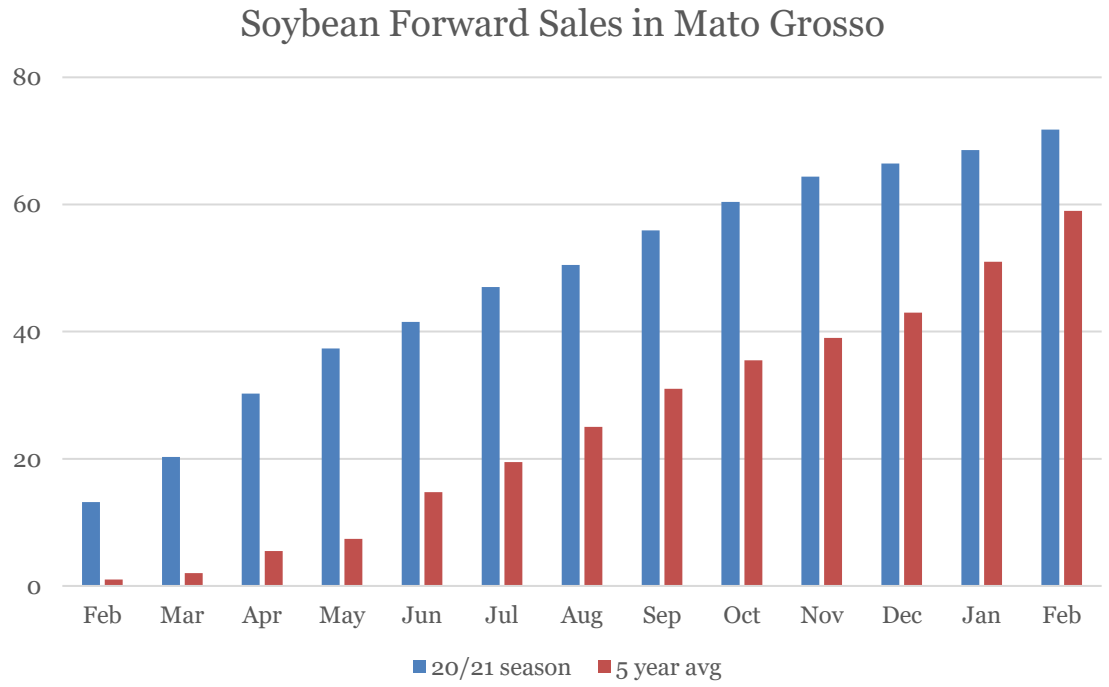


Source: IMEA

Looking to next season, some smaller farmers may face difficulty securing credit, simply because the support allocated by the federal government via the annual farm bill (*Plano Safra*) has been depleted. The *Plano Safra* operates on a July 1 – June 31 fiscal year. At the beginning of February 2021, with still five months left to go in the existing season, 10 of the 19 rural credit lines from the National Bank for Economic and Social Development (BNDES) were closed due to the depletion of resources. Each line is available to farmers for certain types of activities. For example, the Modernization Program for the Agricultural Tractor and Implements Fleet (Moderfrota) made R$ 6 billion available, but the resources only lasted the first four months. BNDES suspended requests for this financing line in November 2020, reopened again on January 4, and closed again three days later. According to BNDES, for the lines to be reopened, new contributions by the government are necessary. Given the fiscal crunch exerted by the pandemic, new resources are unlikely to come in.

More trouble may be brewing for the 2021/22 season, as there are already rumblings that the next *Plano Safra* will have far more limited resources as the government grapples with ballooning deficits and dwindling resources in the aftermath of the pandemic. The market is also pricing in expectations of higher interest rates. In early March, the Central Bank increased Brazil's benchmark interest rate (Selic) by 75 basis points. In mid-March a survey of 72 lenders and consulting firms conducted by Brazilian newspaper *Valor*, showed that the median projection pointed to the Selic rate of 5 percent at the end of this year. The previous average estimate had been 4.5 percent. A Higher Selic rate could further constrain lending.

Growers may also face increasing scrutiny and tighter conditions regarding securing forward contracts from traders. Multinational companies assume a role a bank in providing resources to farmers. In Brazil, growers tend to sell a significant portion of their projected harvest before the seeds are even in the ground; the sales' revenues allow them to secure inputs for the coming season. For the 2020/21 season, Brazilian farmers have concluded forward sales contracts at a record pace. By June 2020, 40 percent of the 2020/21 crop was already contracted, compared with the five-year average of 12 percent. At the same time, between February 2020 and February 2021, soybean prices have more than doubled on robust demand out of China. Some Brazilian soybean farmers are now defaulting on forward sales made early on in 2020. Forward contracts between traders and farmers usually include a fine that must be paid in case of non-compliance. The penalty ranges from 20-50 percent of the value of the non-delivered cargo. Considering local soybean prices may have doubled since the forward sale, farmers can make more by paying the fine and selling the same beans on the spot market.



Source: IMEA

While the defaults are still seen as isolated cases, traders are growing more concerned. Since traders cannot risk their reputation with a failed delivery, they must buy beans on the spot market at the very high current price. The current situation could have ramifications for the 2021/22 season and even

beyond. Back in 2004, after soybean prices soared during the season, Brazilian farmers defaulted on their forward contracts, leading grain merchants to cut back forward purchases the next season, thereby reducing the funding for next season's planting.

Cost of Production: As has been the case over several seasons, Brazilian farmers have to contend with the rising cost of production. According to the IMEA, variable production costs in 2021/22 are expected to rise by eight percent for growers in the state. In direct outlays, the largest increase in costs is forecast for seeds, fertilizers, and crop protection (herbicides, fungicides, and insecticides) – outlays are expected to rise by around 10 percent for each line-item next season. The cost increase is linked to the exchange rate since many of the above-mentioned farm inputs are imported. The only on-the-farm cost component that will go down is manual labor, owing to unemployment and the weak currency. IMEA projects that leasing costs will rise by almost one-third next season, due to higher projected soybean prices. Lease of equipment is often contracted based on a barter arrangement – in exchange for harvested soybeans.

Estimated Production Costs for Biotech Soybeans Varieties in Mato Grosso (Reals per ha)

	2020/21	**2021/22**	**% Δ**
Variable Cost of Production	**3347.91**	**3643.65**	**8%**
Variable Costs of Production (on Farm)			
seeds	348.18	387.62	10%
fertilizers	907.72	999.38	9%
crop protection (herbicides, fungicides, insecticides)	937.48	1030.38	9%
machinery operation	104.41	106.11	2%
labor	132.64	99.94	-33%
Variable Costs of Production (ex Farm)			
maintenance of equipment and installations	113.32	113.65	0%
taxes and tariffs	149.95	155.35	3%
insurance and financing costs	217.08	235.92	8%
classification, processing	63.4	63.88	1%
transport	80.77	80.91	0%
storage	26.13	26.21	0%
other costs	96.51	105.55	9%
lease	170.32	238.75	29%
Fixed Costs of Production	**286.12**	**285.81**	0%
depreciation	209.75	209.47	0%
other fixed costs	76.37	76.34	0%
Total Operating Costs	**3,634.03**	**3,929.46**	8%
Opportunity Cost	**564.79**	**730.07**	23%
Total Cost (Operating Cost and Income Factors)	**4,198.82**	**4,659.53**	10%

*All costs cited in Brazilian Real for March 2021 and projected March 2022. The exchange rate used is R$5.42 to the USD

Source: IMEA

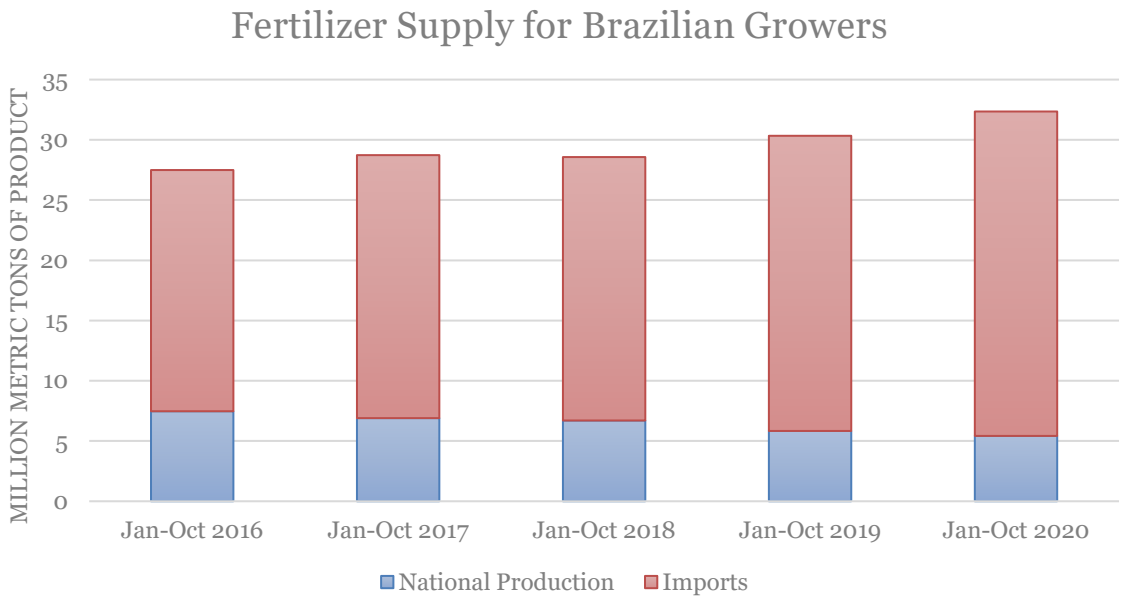
The above-mentioned risk factors do not outweigh the benefits of growing soybeans in Brazil. Soybeans are by far the most dominant crop produced in Brazil, owing to their liquidity and profitability. In the current environment with high global demand and prices, as well as improving logistics, it is difficult to see how Brazilian growers would not continue to invest in soybean production expansion.

2021/22 Soybean Production to Post a New Record

Post forecasts 2021/22 soybean production at 141 million metric tons (MMT), based on a yield of 3.53 mt per ha. The yield forecast represents an increase of one percent year-on-year and assumes that producers will not skimp on seeds and other inputs. Over the last three seasons, yields hovered just under 3.5 my per ha. Post believes that key reasons for steady yields are adoption and investment in inputs, such as Genetically Engineered (GE) seeds and the use of chemicals and fertilizers. Investment in technology has alleviated some of the variability brought by climatic conditions around the country.

Seed Technology: Brazil is one of the global leaders in the planting of GE crops. Soybeans have an adoption rate of 96 percent. As of October 2020, Brazil's National Technical Commission on Biosafety (CTNBio) had approved a total of 107 GE events for commercial cultivation, of which 19 are for soybeans. Post has spoken with several sources in Mato Grosso and Bahia that indicate that the new drought-and pest-resistant seed varieties have significantly improved yields, particularly in problematic seasons. For example, interlocutors in Bahia have noted that whereas drought-like conditions 10 years ago could result in yields of below 40 sacks per hectare, now producers still expect to collect upwards of 50-plus sacks per ha for a season with adverse climate. Similarly, industry contacts reported much improved and consistent yields in Mato Grosso and Mato Grosso do Sul due to new seed varieties.

Fertilizer Use: Post forecasts that in 2021/2022 Brazil's fertilizer demand will grow at least six percent, well above the average pace of two to three percent in recent years. Post interlocutors often note that Brazilian growers follow technological innovation and the newest soil and crop protection recommendations to maximize yields. The latest available data from the National Fertilizer Association (ANDA) shows that for the first 10 months of 2020, the total fertilizer volume supplied to the Brazilian market increased by 10 percent. Fertilizer sales last year were aided by strong commodity prices, which led to higher margins for farmers. Post contacts note that despite the weak domestic currency, with the profits from commodity sales, producers are seeing the best purchasing power relative to fertilizers over the last five-six years. In response to higher commodity prices, some growers have already made fertilizer purchases for the 2021/22 crop. The anticipation of fertilizer purchases is a good signal for another robust increase in demand in 2021.



Source: ANDA, Chart OAA Brasilia

Post expects that Brazil will remain heavily dependent on fertilizer imports. According to ANDA, in the first 10 months of 2020, Brazil's fertilizer imports reached over 80 percent of total supply in the domestic market. National fertilizer production for the 10 months of 2020 was down seven percent from the previous year. Meanwhile, fertilizer imports were up 10 percent year-on-year in that same time frame. Most of the product used in Brazil is imported, at a total value of around $8 billion. The main exporters are Russia, Canada, China, and Morocco.

In early March, secretary of Strategic Affairs for the presidency, Flavio Rocha convened several ministers, including Ministry of Agriculture and Livestock (MAPA) Minister Tereza Cristina, Science and Technology Minister, Marcos Pontes, and Mines and Energy Minister, Bento Albuquerque, in addition to MAPA research agency (Embrapa) representatives to draft a national fertilizer plan. Still in its initial phase, one of the possibilities of the plan involves the exploration of potash reserves in the Amazon and a change in the legislation on the exploitation of resources in indigenous lands. Post anticipates that if Brazil finds a way to bring down imports and decrease its dependence on imported fertilizers, soybean production would significantly benefit.

Soybean Production Estimate Revised Up for 2020/21

Post maintains its estimate for soybean planted area at 38.5 million ha for 2020/21, up from 36.9 million ha in 2019/20. Post revised up its 2020/21 soybean production to 134 million metric tons (MMT), based on a better than initially expected yield of 3.48 mt per ha.

Across the country, the 2020/21 planting got off to a slow and uneven start due to a lack of consistent rains that normally arrive in September, just in time for planting. However, this season, given the inadequate soil moisture, sowing was delayed by as much as six weeks in parts of the country. The delayed start was not in and of itself problematic, as soybean varieties in Brazil are tolerant of scant rain

during the vegetative stage, while root development even benefits, leading to a greater absorption of nutrients. This season, from December and through January, regular rains set in, allowing for the normalization of crop development.

However, inclement weather continues to pose challenges to growers this season. With heavier than normal precipitation in March, the harvest pace is the slowest in a decade. In its March 19 update, CONAB estimated the soybean harvest at 60 percent complete, compared to 71 percent harvested at this time last season. Field reports from Center West and North region indicate that excessive moisture has prevented harvesters from entering the fields leaving mature pods exposed to high humidity levels, with some plants starting to sprout in their pods. As mature soybeans remain in the fields, the seeds begin to lose weight. It is entirely possible that some of poorer quality, lightweight crops will be rejected by the grain companies thereby never entering the market. However, until traders and crushers begin to intake more of the current harvest, it is difficult to estimate the bottom-line impact for yields. Therefore, Post's 2020/21 harvest estimate may be revised downward pending those market reports.

Region/ State	2020/21 Soybean Harvest		
	Area (mn ha)	Yield (kg/ha)	Production (mn t)
Center West	**17,330**	**3.49**	**60,530**
MT	10,300	3.47	35,700
MS	3,200	3.56	11,400
GO	3,750	3.51	13,150
Other (DF)	80	3.50	280
South	**12,370**	**3.48**	**43,000**
PR	5,600	3.59	20,100
RS	6,050	3.36	20,300
Other (SC)	720	3.61	2,600
North East	**3,553**	**3.46**	**12,309**
BA	1,700	3.68	6,250
MA	1,000	3.25	3,250
PI	850	3.29	2,800
Other (AL)	3	3.40	8.5
South East	**3,000**	**3.67**	**11,000**
MG	1,850	3.68	6,800
SP	1,150	3.65	4,200
North	**2,260**	**3.19**	**7,200**
TO	1,110	3.29	3,650
PA	650	3.08	2,000
Other (RR, RO, AC, AM, AP, PA)	500	3.10	1,550
BRAZIL	**38,513**	**3.480**	**134,039**

Source: Post Brasilia estimates

Despite the substantive delays and excessive moisture, Post continues to anticipate a record harvest for the current season. Across Brazil's soybean-growing states, only one is expected to bring in a lower total harvest than last season: the southern state of Paraná. In all other states, production is projected to rise on the back of larger planted area, which will cushion the impact of lower yields.

As of the third week of March, IMEA estimates that farmers had harvested 91.75 percent of Mato Grosso state's soybean area, compared to 98.38 percent at this time last year. Reports from the state point to several problems that plagued growers, from harvesters having difficulty entering the fields, to excessive moisture in beans, and a higher incidence of burnt grains. Due to the ongoing rains in the state of Mato Grosso, the Association of Soy and Corn Producers of Mato Grosso (Aprosoja MT) asked the municipal authorities to declare a calamity situation in 21 municipalities in the north of the state. However, Post believes that these reports point to problems in select areas, rather than a poor harvest across the state. Post anticipates that yields for Mato Grosso will be about 2 percent lower than last season. However, the impact of lower yields will be cushioned by larger area planted, which in turn should yield a harvest of 35.7 million metric tons, an increase of 1 percent on last season's record-breaking haul. A similar situation is evident in Mato Grosso do Sul (MS) and Goais (GO) with isolated reports of problems associated with the weather, but an overall higher volume harvested as compared to last season.

In Brazil's southern-most state of Rio Grande do Sul (RS), harvest is barely underway, with just 10 percent in the hopper as of 25 March, compared to 39 percent harvested at this time last year, and 25 percent complete on a five-year average. About half of the crop is still in the growing phase which requires moisture. However, with ample rain in the forecast, Post anticipates that RS will emerge as the second-biggest producer state, with a record harvest for the state of 20.2 MMT. Meanwhile, in Parana, according to the Department of Rural Economics (Deral) growers harvested 75 percent of their soybean acreage as of March 22. Post anticipates that Parana growers will collect 20.1 MMT of beans, a reduction of about 200,000 MT on earlier estimate on the account of excessive rainfall at harvest time.

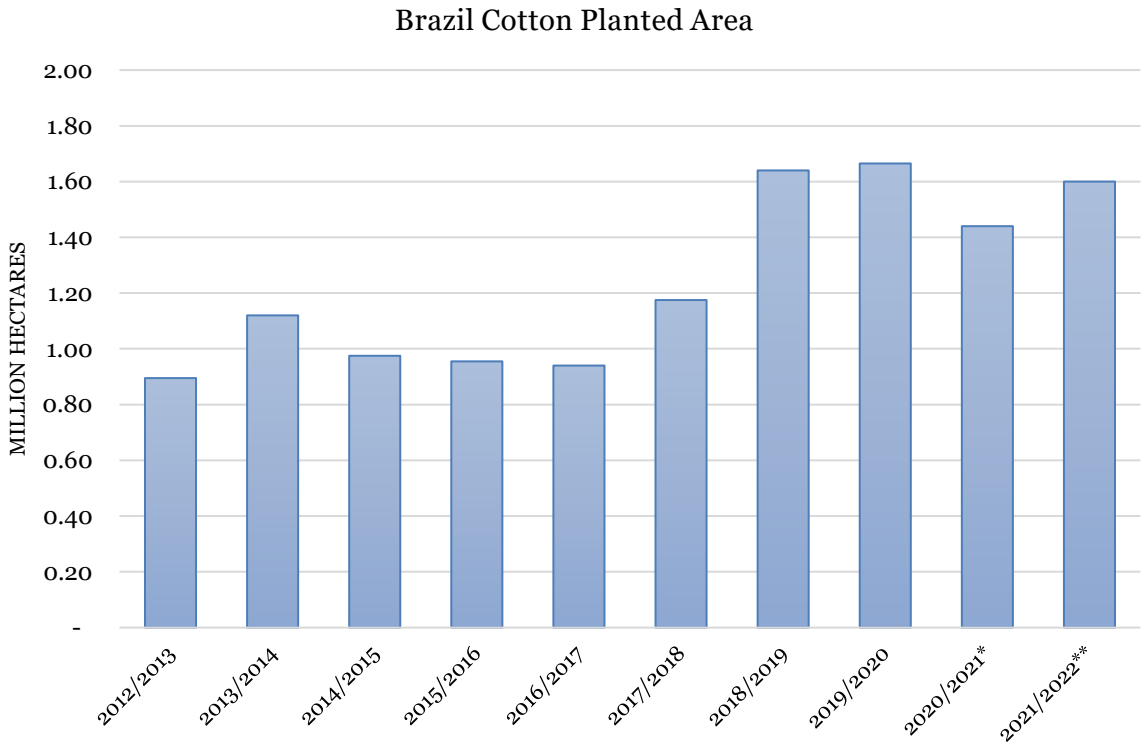
The North and North East regions of Brazil are expected to post good gains this season for both area planted and production. Bahia saw area expansion at the expense of cotton and should harvest 6.25 MMT of soybeans this season, with good yields owing to ample rainfall in February. In the frontier region of Maranhão, Tocantins, Piauí (MATOPI) the harvest has been delayed by the rains this season, and yields are expected to suffer an adverse impact on the account of beans being left too long in the field.

COTTONSEED PRODUCTION

Cottonseed 2021/22 and 2020/21 Production to Follow Global Cotton Demand Trends

Cottonseed production is intrinsically linked to cotton production, with growers mainly focused on proceeds generated by cotton lint, rather than cottonseed. In the last decade, Brazil's cotton sector saw remarkable growth; particularly, in the last five seasons. Post believes that cotton production expansion was driven by the availability of ample arable land in key growing states, equipment capacity, and rising global cotton consumption, which, in turn, spurred global cotton prices. Brazil's cotton sector exports

about 80 percent of its cotton lint production, making the sector very focused on external demand drivers.



Source: USDA/ FAS PSD, 2020/21* and 2021/22** Post estimate and forecast

Post forecasts Brazil's 2021/22 cotton planted area to rebound to 1.6 million hectares. The forecast represents an 11 percent expansion on the current season but is below the record planted area of 1.67 million ha in 2019/20. Post anticipates that next season, growers in Brazil will increase planted area based on global economic recovery and a rebound in cotton demand, as the world attempts to move past the novel coronavirus pandemic. Strong global prices and a weak exchange rate will motivate producers to plant cotton, especially because the sector is already set up with the necessary equipment to harvest up to 3 MMT of cotton, as evidenced by the 2019/20 season. However, due to the rising cost of production, and the high profit margin for alternative crops such as soybeans and corn, Post anticipates that the cotton planted are will remain below the record planted last season. (For an expanded discussion on cotton outlook please see Cotton 2021 Annual Report).

Post forecasts 2021/22 cottonseed production at 4.15 MMT, based on a yield of 2.59 mt/ha. The yield represents an increase of just over one percent on the current season. Post yield and production forecasts for 2021/22 are based on steady yield improvement due to adoption and investment in inputs, such as Genetically Engineered (GE) seeds and the use of chemicals and fertilizers.

Post lowered the estimate for 2020/21 cotton area planted to 1.44 million ha, from 1.5 million ha anticipated in the December 2020 Cotton Update. The new planted area estimate represents a decrease of more than 13 percent from last season. Lower area planted year-on-year reflects global cotton market conditions associated with the Covid-19 pandemic in 2020. Post interlocutors report that due to the

pandemic, the market in Brazil saw stalled sales, re-negotiated, and/or canceled contracts. Growers also reduced planted area on rainy weather that pushed back soybean planting in Mato Grosso, causing growers to miss out on the ideal cotton planting window.

Post estimates 2020/21 cottonseed production at 3.7 MMT, on a yield of 2.56 mt/ha. Last season, growers saw nearly ideal planting, growing, and harvest conditions leading to record-setting productivity. In the current season, many farmers were forced to plant outside of the ideal planting window and, as a result, they are likely to see reduced yields. The Post yield estimate may be revised further pending weather during crop development in the April-June timeframe.

PEANUT PRODUCTION

Peanut Production to Continue Expansion in 2021/22 on Strong Profits

Post forecasts peanut planted area at 180,000 ha in 2021/22, up 5,000 ha on the current season. Post forecasts total peanut production at 700,000 mt in 2021/22, assuming normal weather patterns. The forecast for continued growth of peanut production in Brazil is based on the expectation of good returns from the 2020/21, as well as the 2019/20 seasons.

Peanuts are a relatively high-value product, are non-perishable, and have strong export potential. Press reports from Sao Paulo indicate that as of March 2021, farmers receive around R$100 per 25-kg sack of peanuts, up from R$ 60 per 25-kg sack in March 2020. In addition, there is great demand for Brazilian peanuts, given the BRL devaluation. As the market anticipates continued weakness of the real, key drivers indicate continued expansion. At the same time, expansion will be somewhat constrained by the needed additional investments in processing; peanuts must be cleaned, dried, and processed shortly after harvest to maintain quality.

Source: Foreign Trade Secretariat, Ministry of Economy (SECEX) data, Post Brasilia chart

Peanuts are grown across nine states in Brazil during both a first and second harvest. However, more than 90 percent of the crop is produced in the state of Sao Paolo during the first harvest. The main reason for this is that producers in Sao Paulo state alternate peanut planting during the sugarcane off-

season. Peanuts are ideally suited to facilitate soil recovery by fixing nitrogen. Peanuts are also tolerant of various pests, and in fact, peanuts break the cycle of pest and disease infestations, as well as invasive plant growth in areas cultivated with other crops. Importantly, Sao Paulo state has a more stable climate than other sugarcane growing states in the Northeast of the country. As such, the growing of peanuts in crop rotation is much less popular in Bahia, for example. In addition, producers in Sao Paulo state benefit from being close to the processing, confectionery, and vegetable oil industry, as well as to ports, thereby reducing cost for buyers – whether domestic industry or traders.

2020/21 Peanut Harvest to See Large Expansion in Sao Paulo

Post estimates peanut planted area at 175,000 ha, up from 165,000 ha planted in the previous marketing year. Post estimates that the 2020/21 yield will decrease to 3.85 mt/ha, decreasing slightly from the phenomenal results in 2019/20 when yields benefitted from excellent weather and reached 3.97 mt/ha. Post estimates total peanut production at 674,000 MT in 2020/21, up from 655,000 MT in 2019/20.

Most of the peanut area expansion is concentrated in the Sao Paulo state; this season farmers planted almost 164,000 ha in the state, up more than six percent on the previous season. Growers in Sao Paulo normally plant peanuts in October, however, due to lack of rain, they were forced to postpone sowing to the November – December timeframe. The estimated yield for the current season is 3.93 mt/ha, which is lower than the record productivity registered in 2019/20, on account of poor weather. Despite lower yields, the state's production is expected to top 642,000 MT, up 2.7 percent on last season thanks to large area expansion.

Data from the Agricultural Economy Institute (IEA) in Sao Paulo shows that in the last decade, Sao Paulo peanut production grew by an average of 11 percent annually thanks to expansion of planted area and improving yields. In 2009/10, the average yield in the state was 2.6 mt per ha, rising to 4.06 mt/ha last season. Over this timeframe, Sao Paulo state has fully mechanized the peanut harvesting process, which has reduced manual labor, consequently decreasing the cost of production, in addition to substantially increasing operating income. Peanut quality also improved as a quicker harvest reduces the time that the product remains in the field subject to weather events.

In 2020/21, Post anticipates that peanut area will also expand by around 15 percent in Parana, where the actual area dedicated to peanuts is relatively small, at around 2,000 ha, and most peanut crops are grown by subsistence farmers. Plated area in other states such as Rio Grande do Sul and Mato Grosso do Sul held steady this season. In 2020, growers in Brazil's agricultural heartland state of Mato Grosso planted peanuts on 880 ha of farmland. Although still small relative to Sao Paulo, or even Rio Grande do Sul where growers sowed 3,400 ha of peanuts, there is huge upside potential in Mato Grosso given the size of available land for farming. According to Mato Gross's Deputy Secretary for Investments, Innovation and Sustainability, Walter Valverde, peanut cultivation is an alternative to corn, sesame, and chickpeas for second-season crops, and peanut cultivation may also be viable as a third crop, provided it is done on an irrigated farm.

DOMESTIC CONSUMPTION & PROCESSED PRODUCTS

Soybean Crush Industry to Grow on Trend in 2021/22 and 2020/21

Post forecasts 48 MMT of soybeans destined for processing in the 2021/22 MY, an increase of just over two percent on the 2020/21 estimate of 47 MMT. The forecast expansion is in-line with the five-year average growth rate. The expansion based on available soybean supply and rising demand for both soy oil and soymeal domestically, as well as export demand which will be supported by the continued weakness of the Brazilian real. The estimated crush should rise just 1 percent this season, based on the expectation of slow economic recovery, and constrained supplies owing to strong soybean exports.

Post forecasts 2021/22 soybean meal production at 36.9 MMT, up from the estimated 36.15 MMT in 2020/21. Domestic soymeal consumption is forecast to increase around 3 percent in the current and next seasons. Post anticipates domestic meal demand will grow in line with a recent increase in beef and pork production of between two and three percent.

For next MY, Post forecasts soy oil production at 9.5 MMT. Domestic oil consumption is expected to increase to 9.1 MMT, up from 8.4 MMT in the current season. For 2020/21, Post estimates soy oil production at 9.3 MMT. Domestic oil consumption is expected to rise by nearly eight percent to 8.55 MMT, up from 8.1 MMT in the current season.

Post expectations for higher oil production and consumption are based mostly on higher biodiesel blending mandates. Brazil's current rate is set at 13 percent, or B13, and is slated to increase to B14 in 2022. In addition to a higher blending rate, biodiesel demand is also projected to rise as economic and commercial activity picks up post-pandemic. According to Brazil's National Agency of Petroleum, Natural Gas and Biofuels (ANP), each percentage increase in the blend rate represents about 600 million liters of additional biodiesel production annually.

It is worth noting that in mid-March, after B13 was already officially adopted, Brazil's congressional agricultural caucus, popularly known as the Parliamentary Front for Agriculture (FPA), published an open letter to the government warning of the dangers of potentially lowering the mandatory biodiesel blending mandate from B13 to B8. With ongoing food and fuel price inflation, there is notable concern among the processing industry that the idea of lower blend rates may yet resurface. In Brazil, about 80 percent of biodiesel is derived from soybean oil, with the remainder made from beef tallow, sunflower oil, and several other sources.

In the letter, the FPA warned that if a lower biodiesel mandate is adopted by the government, Brazil may see a reduction of soybean processing of more than 9 million metric tons (MMT) from the total estimated volume of 46 MMT. As a result of lower crush, soybean meal production would fall by over 7 MMT, driving up feed prices. The FPA also appealed to the fact that a lower blend mandate would further complicate Brazil's path to meet its climate commitments under the Paris Agreement. A lower blend rate remains a risk for the industry – one that is unlikely to come to pass but would have significant ramifications if it does.

Under the base case scenario, blending rates are expected to drive substantial processing expansion. According to ABIOVE, there are about 50 biodiesel plants spread across the country, with the capacity

to process enough soybeans into oil to meet a blending rate of 22 percent (B22). Right now, the increases are slated to end after reaching the B15 blend level in March 2023. However, the government is already preparing to review the proposal to gradually increase mandatory blend rates to 23 percent, or B23.

Cottonseed Crush Dependent on Cotton Production

Most of Brazil's cottonseed production is destined for crush, with raw cottonseed exports and stocks accounting for less than five percent of the total supply of cottonseed on the market. As such, cottonseed crush has kept almost equal pace with cottonseed production in the last five years.

For the 2021/22 MY, Post forecasts 4.05 MMT of cottonseed will be processed into oil and meal. Post forecasts cottonseed oil production at 650,000 MT, with 420,000 MT for industrial use, and 230,000 MT destined for food use. In the 2021/22MY, Post forecasts cottonseed oil cake production at 1.92 MMT, nearly all of which is destined for animal feed, save for negligible carryover.

For the 2020/21 MY, Post estimates Brazil's crush industry will process 3.7 MMT of cottonseed into oil and meal, a substantial decrease on the previous season's 4.2 MMT destined for processing. The decline is associated with a lack of available supplies due to a smaller cotton harvest. Post forecasts cottonseed oil production at 592,000 MT, with 410,000 MT destined for industrial use for biodiesel, 220,000 MT utilized for food use, with negligible exports. Cottonseed oil cake is a byproduct of oil production. For the 2020/21 MY, Post forecasts cottonseed oil cake production at 1.76 MMT, with nearly the entire volume used for animal feed, with negligible carryover stocks.

Note that because of a considerable increase in cottonseed prices – spiking on increased demand for cottonseed meal and oil and constrained supply in 2020/21 – there is considerably less cottonseed used as low-quality feed material. Cottonseed and cottonseed oil stocks are projected to almost evaporate on account of high prices and lower supply. This trend will be evident in both 2021/22 and 2020/21.

Domestic Peanut Consumption Rising on Crush Demand

Brazil consumes domestically about half of its total peanut supply each year. For 2021/22 (January-December 2022), Post forecasts domestic consumption at 352,000 MT, which represents about a seven percent increase on the estimate for the current marketing year. The increase in domestic consumption will be driven mostly by crush. Processing is forecast to increase by eight percent to 261,000 MMT, while peanut food use is forecast to increase by two percent to 93,000 MT in 2021/22, up from 90,000 MT in the current season. Peanut consumption in Brazil increased due to the pandemic, with consumers cutting back significantly on eating out while increasing food purchases at supermarkets. The Post forecast for domestic raw peanut consumption is based on the expectation that as the domestic economy recovers, consumers will continue to eat more at home in 2022, in the aftermath of the coronavirus pandemic in 2020 and 2021.

Meanwhile, the peanut crush increase will be driven by demand for peanut oil exports, which are forecast to produce good returns with the expected continuation of the weakness of the real. Domestic peanut oil consumption is forecast at 9,000 MT in 2021/22, up 1,000 MT due to Brazilians increasingly looking to supplement their diets with plant-derived proteins. For 2021/21, Post forecasts peanut meal

production at 100,000 MT, with a small amount left over for stocks. The livestock industry has been squeezed by the rising feed prices associated with soybean and corn price inflation. Post anticipates that as a result, there will be increasing demand for non-soybean meal, including peanut meal and cottonseed mentioned above.

The domestic peanut industry is supported by the Food Technology Institute (ITAL-APTA) which offers quality control with laboratory analysis accredited by the pro-peanut program. The pro-peanut program carries the seal of the Brazilian Association of the Chocolate, Peanut and Candy Industry (ABICAB), which provides certification based on regulations established by the National Health Surveillance Agency (ANVISA) and the Ministry of Agriculture, Livestock and Supply (MAPA). ITAL also offers support for technical research, including on sustainability of production, such as the reuse of industry surplus products like bark and oil to manufacture new by-products. ITAL facilitates the promotion and sale of equipment to small and medium-size processors.

Post estimates that total domestic consumption in 2020/21 (January-December 2021) will reach 328,000 MT, 10 percent above the 306,000 MT estimated to have been consumed last season. While peanut processing is expected to increase by almost 10 percent to 239,000 MT, up from 219,000 MT in 2019/20, food use – mostly driven by the confectionary industry – will grow only incrementally to 88,000 MT, up from 86,000 MT in the previous season. The domestic confectionary industry is expected to grow in 2021 with the beginning of the recovery from the coronavirus pandemic; the economic recovery will be reflected in consumer purchases.

Peanut oil production is estimated at 85,000 MT for the current MY, of which 75,000 MT is estimated to be exported. Peanut meal production is a by-product of oil production and is not driven by demand factors. All of Brazil's peanut meal production is consumed domestically. In 2020/21, Post estimates peanut meal production to reach 90,000 MT, all of it destined for animal feed.

TRADE

Soybean and Soybean Meal Exports in 2021/22 Forecast Up

Soybean exports in the 2021/22 (February 2022 to January 2023) marketing year (MY) are forecast at 87 MMT, 2 MMT higher than in the current MY. The forecast is based on available supplies and a favorable exchange rate. Post anticipates continued weakness of the Brazilian real amid the expected sluggish domestic economy grappling with aftereffects of the coronavirus pandemic. The current government projection is that GDP will grow 3.2 percent in 2021; this number has been revised down several times already and may well continue to be downgraded.

At this point, Post (along with many Brazilian market analysts) believes that global demand for soybeans will not see a severe downturn connected with the coronavirus pandemic. Unlike a multitude of other sectors, soybean consumption has limited elasticity. In China and Europe – key soybean importers – despite the expected continuing economic slowdown, meat consumption is not expected to suffer a dramatic downturn. China is expected to remain the top importer of Brazilian soybeans, notwithstanding the Phase One trade deal between Washington and Beijing that was announced in mid-December 2019 (see planted area section for expanded discussion on this subject).

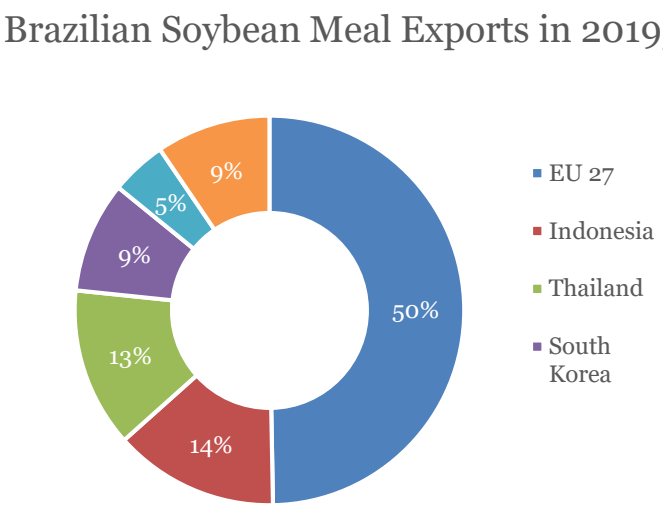
Brazil's Top 10 Soybean Export Markets (in MMT)			
	2015/16	2019/20	% Δ in 5 Seasons
China	39.00	59.60	53%
EU 27	5.34	8.19	53%
Thailand	1.55	2.55	64%
Turkey	0.28	2.14	660%
Pakistan	0.48	1.22	156%
Russia	1.04	1.01	-3%
Taiwan	0.88	0.98	12%
Mexico	0.13	0.85	555%
Iran	1.18	0.71	-40%
Vietnam	0.32	0.71	120%
World Total	**52.10**	**81.63**	**57%**

Source: SECEX

The EU accounts for around 10 percent of all Brazilian soybean exports. Of all EU countries, the Netherlands is the largest importer of soybeans from all countries and it is also the largest EU importer from Brazil. Spain is another large soybean importer from Brazil. Around one-quarter of all soybeans imported by the Netherlands are directly re-exported to other countries, as the country acts as a logistics hub and a point of clearance for products distributed to the rest of Europe.

Over the last year, Brazil has come under intensifying criticism over the rollback of environment protection and rising rates of deforestation, linked to soybean production and farming practices writ large. Representatives of several European countries, including Ireland, France, Germany, and the Netherlands, have spoken publicly against ratification of the EU-Mercosur free trade agreement (FTA) due to concerns with the preservation of the environment and the Amazon. France's President Emanuel Macron has publicly urged buyers to eliminate soybean purchases from Brazil.

If this criticism does not subside and instead intensifies, soybean exports to Europe may decline. If Europe stops sourcing from Brazil, it will likely have to turn to the other large soybean supplier: the United States. Brazil would then re-direct the 10 percent of soybeans it currently ships to Europe to other destinations typically serviced by the U.S. supplies.



Source: SECEX, Chart OAA Brasilia

Post forecasts soybean meal exports to increase almost 3 percent to 17.5 MMT in 2021/22, based on available supply and export demand supported by continued weakness of the Brazilian real. In 2019/20, almost 50 percent of Brazil's soymeal exports were shipped to the EU-27. It would be much harder to seamlessly transition sales for 50 percent of the soybean meal that Brazil currently ships to the EU. Post does not believe this scenario to be likely for several reasons, including the co-dependency of exporters and importers: while Brazil has limited options for where to shift its soymeal exports outside of the EU, the EU buyers are also limited by the number of soymeal suppliers they can source from. Meanwhile, soy oil exports are expected to drop off in 2021/22, to 700,000 mt, down from 1 MMT in the current season. Soy oil exports are not at risk from geopolitical disruptions. Instead, soy oil exports are expected to taper off due to rising domestic demand for biodiesel, which utilizes soy oil as input.

Current Soybean Export Season off to a Slow Start

As outlined in the production section of this report, 2020/21 soybean planting was delayed by dry weather in September and October and the subsequent harvest is now well behind the typical pace. Delays in the harvest produce a domino effect on port deliveries, with significant deferments registered to start the season. There are reports of multi-day delays for trucks waiting to unload soybean deliveries at ports because the harvest was initially delayed and then came all at once. As wet weather continues, there are now emerging concerns that port loading may also see significant delays. In Brazil, ports suspend loading operations during rainy weather.

To start the 2020/21 season, Brazil exported 2.9 MMT of soybeans in February. The volume is 40 percent below the 4.8 MMT shipped in February 2020, and 22 percent below the five-year average for the month. As of early March, the soybean lineup hit 19 MMT at Brazilian ports – the largest in history. However, Post sources indicate that as much as six MMT may have to be rolled over into subsequent months as logistics are severely hampered by the weather. According to the Center for Advanced Studies in Applied Economics (CEPEA) at Sao Paulo University, between truck traffic jams and

inability to load, port logistics were so compromised for March that most agents gave up on negotiating soybean contracts with delivery before April 2021.

Despite a slow, problem-ridden start to the season, Post maintains its soybean export forecast for the 2020/21 (February 2021 to January 2022) marketing year (MY) at a record-setting 85 MMT. The forecast is based on expectations of available supplies and an extremely favorable exchange rate. The market expectation is that the Brazilian real will continue to trade at just above R$ 5 to the USD in 2021. The Post export estimate also assumes that global demand for soybeans will not see a severe downturn. There is limited risk to exports in the event of a serious second wave of the coronavirus pandemic. Notably, unlike a multitude of other sectors, soybean consumption has limited elasticity, particularly in the main importing hubs of China and Europe.

Post estimates soybean meal exports at 17 MMT for 2020/21, nearly stagnant on last season. Exports of soy oil are forecast to decrease to one MMT from 1.1 MMT in 2019/20. Post anticipates that exports of both soybean meal and oil will continue to be supported by the relatively weak domestic currency. However, competition from the domestic crush industry will restrict potential export volumes.

Soybean Imports to Subside in 2021/22 after a Strong 2020/21

Post forecasts imports to drop to 500,000 MT in 2021/22. The forecast considers record forecast production for 2021/22. Although the forecast represents a 37.5 percent decline on the current season estimate of 800,000 MT in imports, it is still nearly twice the average volume. In the five years before the current season, Brazil imported on average about 260,000 MT of soybeans per season. Post anticipates that in 2021/22, import volumes will remain elevated because of extremely low stocks in recent seasons. The Brazilian domestic crush industry functions year-round, and often sources soybeans in the last quarter of the season, when domestic crop supplies run low.

Post estimates 2020/21 imports at 800,000 MT, a slight decline on the 884,000 MT of record imports recorded in 2019/20. The estimate is based on the tightness of supplies at the beginning of the season due to the delay in planting and subsequently in harvesting. Soybean imports will continue to come in mostly from Paraguay, notwithstanding a host of policy measures adopted by the Brazilian government in late 2020 to facilitate imports from outside Mercosur. Despite tight supply, Post does not anticipate that the Brazilian government will extend or create additional policy measures to facilitates imports. (For more discussion on 2020 government import policies see December 2020 Brazil Oilseeds Update).

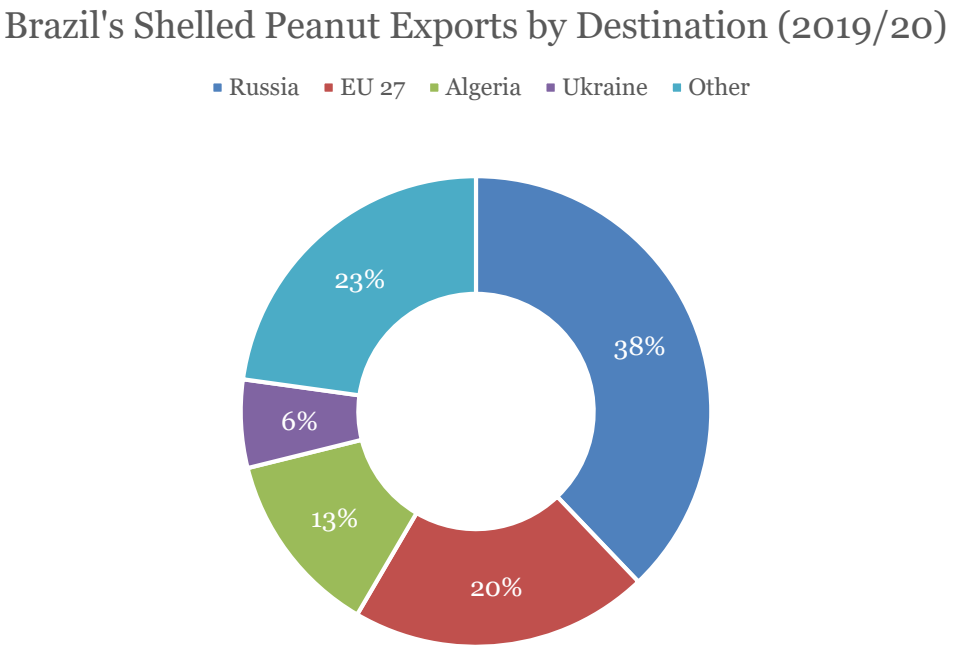
Cottonseed Use to Remain Concentrated in the Domestic Market

More than 99 percent of cottonseed production in Brazil is consumed domestically. Post expects that domestic consumption will continue to account for virtually all cottonseed use in the coming seasons. Post forecasts that cottonseed exports will be 20,000 MT in 2021/22, on par with the estimate for 2020/21. Over the last decade, Brazil's cottonseed exports approached close to 100,000 MT at one point, however, domestic processing demand has increased in line with the growth of the domestic livestock sector, which uses cottonseed cake as part of feed rations. As a result, Post does not anticipate that exports will rebound soon.

Peanut Exports Forecast to Continue Upward Trajectory in 2021/22 and 2020/21

Although Brazil does not rank among the top ten peanut producers globally, it's the world's fifth-largest exporter of shelled peanuts. Over the last decade, Brazil's peanut exports grew exponentially, rising to an estimated 264,000 MT in 2019/20, up more than three times from 77,000 MT in 2010/11. The 2019/20 volume rose more than 30 percent on the previous season. Post forecasts peanut export expansion to continue, with exports rising to 350,000 MT in 2021/22, up from 320,000 MT estimated for 2020/21. As already outlined in the production section, in recent years, Brazilian growers have invested in planting, harvesting, and processing equipment, which has resulted in higher yields and better-quality products. As a result, Brazil often competes directly with Argentina and the United States in the global peanut market.

Post's outlook for export expansion in the current and subsequent season is based on available supply and continued demand in the main importing markets. Most of Brazil's peanut exports are of the shelled variety (HS 120242) and are destined for buyers in Russia, the EU-27, and Algeria, where consumers should maintain enough purchasing power even during the economic downturn.



Source: Foreign Trade Secretariat, Ministry of Economy (SECEX), Chart Post Brasilia

When it comes to trade in peanut processed products, Brazil does not export or import peanut meal. Conversely, the majority of Brazil's peanut oil production is exported. Similar to shelled peanut exports, Brazil has made substantial inroads in the global peanut oil market, emerging as the third largest global exporter of peanut oil during the 2019/20 season. Last season, Brazil exported a record-setting 67,000 MT of soy oil, fueled by the favorable exchange rate. The main destinations for peanut oil were China, accounting for 74 percent of all peanut oil exports, and Italy with 25 percent. Post expects peanut oil exports to continue expanding at a fast clip, reaching a forecasted 80,000 MT in 2021/20, up from an estimated 75,000 MT in 2020/21.

Oilseed, Soybean (Local)	2019/2020		2020/2021		2021/2022	
Market Begin Year	Feb 2020		Feb 2021		Feb 2022	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	37000	36900	38600	38500	0	40000
Area Harvested	36900	36900	38600	38500	0	40000
Beginning Stocks	2881	2881	1994	1579	0	1813
Production	128500	128500	134000	134000	0	141000
MY Imports	884	884	884	884	0	500
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	132265	132265	136244	136463	0	143313
MY Exports	81621	81686	85100	85000	0	87000
MY Exp. to EU	3500	3500	3500	3500	0	0
Crush	46000	46500	46500	47000	0	48000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2650	2500	2650	2650	0	3500
Total Dom. Cons.	48650	49000	49150	49650	0	51500
Ending Stocks	1994	1579	1994	1813	0	4813
Total Distribution	132265	132265	136244	136463	0	143313
CY Imports	822	150	250	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	82969	74600	85000	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0
Yield	3.4824	3.4824	3.4715	3.4805	0	3.525
1000 HA, 1000 MT, MT/HA						

Meal, Soybean (Local)	2019/2020		2020/2021		2021/2022	
Market Begin Year	Feb 2020		Feb 2021		Feb-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	46000	46500	46500	47000	0	48000
Extr. Rate, 999.9999	0.775	0.7699	0.7751	0.7691	0	0.7688
Beginning Stocks	3482	3482	3479	3629	0	3794
Production	35650	35800	36040	36150	0	36900
MY Imports	12	12	15	15	0	15
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	39144	39294	39534	39794	0	40709
MY Exports	16965	16965	16700	17000	0	17500
MY Exp. to EU	8900	8900	9000	9000	0	9500
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	18700	18700	19600	19000	0	19500
Total Dom. Cons.	18700	18700	19600	19000	0	19500
Ending Stocks	3479	3629	3234	3794	0	3709
Total Distribution	39144	39294	39534	39794	0	40709
CY Imports	12	25	15	15	0	15
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	16956	16956	16700	17000	0	17500
CY Exp. to U.S.	0	0	0	0	0	0
SME	18700	18700	19600	19000	0	19500
1000 MT, PERCENT, 1000 MT						

Oil, Soybean (Local)	2019/2020		2020/2021		2021/2022	
Market Begin Year	Feb 2020		Feb 2021		Feb-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	46000	46500	46500	47000	0	48000
Extr. Rate, 999.9999	0.1924	0.1978	0.1925	0.1979	0	0.1979
Beginning Stocks	400	400	513	543	0	493
Production	8850	9200	8950	9300	0	9500
MY Imports	240	240	50	50	0	100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	9490	9840	9513	9893	0	10093
MY Exports	1097	1097	1150	1000	0	700
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	4105	4400	4210	4500	0	5000
Food Use Dom. Cons.	3775	3800	3800	3900	0	4100
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	7880	8200	8010	8400	0	9100
Ending Stocks	513	543	353	493	0	293
Total Distribution	9490	9840	9513	9893	0	10093
CY Imports	199	199	50	50	0	100
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	1110	1110	1150	1000	0	700
CY Exp. to U.S.	0	0	0	0	0	0
1000 MT, PERCENT, 1000 MT						

Oilseed, Cottonseed	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jan-20		Jan-21		Jan-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (Cotton)	1675	1675	1450	1444	0	1600
Area Harvested (Cotton)	1665	1665	1450	1444	0	1600
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	162	162	285	76	0	6
Production	4575	4350	3818	3700	0	4150
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	4737	4512	4103	3776	0	4156
MY Exports	45	29	40	20	0	20
MY Exp. to EU	0	0	0	0	0	0
Crush	4200	4200	3850	3700	0	4050
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	207	207	130	50	0	50
Total Dom. Cons.	4407	4407	3980	3750	0	4100
Ending Stocks	285	76	83	6	0	36
Total Distribution	4737	4512	4103	3776	0	4156
CY Imports	0	0	0	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	45	45	40	20	0	0
CY Exp. to U.S.	0	0	0	0	0	20
Yield	2.7477	2.6126	2.6331	2.5623	0	2.5938
1000 HA, RATIO, 1000 MT, MT/HA						

Meal, Cottonseed	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jan 2019		Jan 2020		Jan 2021	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	4200	4200	3850	3700	0	4050
Extr. Rate, 999.9999	0.475	0.475	0.474	0.4743	0	0.4743
Beginning Stocks	5	5	5	5	0	5
Production	1995	1995	1825	1755	0	1921
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2000	2000	1830	1760	0	1926
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1995	1995	1825	1755	0	1920
Total Dom. Cons.	1995	1995	1825	1755	0	1920
Ending Stocks	5	5	5	5	0	6
Total Distribution	2000	2000	1830	1760	0	1926
CY Imports	0	0	0	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0
SME	1616.5485	1616.5485	1478.7975	1422.0765	0	1555.776
1000 MT, PERCENT, 1000 MT						

Oil, Cottonseed	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jan 2019		Jan 2020		Jan 2021	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	4200	4200	3850	3700	0	4050
Extr. Rate, 999.9999	0.16	0.16	0.16	0.16	0	0.1605
Beginning Stocks	41	41	52	51	0	12
Production	672	672	616	592	0	650
MY Imports	2	3	2	2	0	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	715	716	670	645	0	664
MY Exports	3	5	3	3	0	3
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	425	425	420	410	0	420
Food Use Dom. Cons.	235	235	225	220	0	230
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	660	660	645	630	0	650
Ending Stocks	52	51	22	12	0	11
Total Distribution	715	716	670	645	0	664
CY Imports	2	2	2	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	3	3	3	3	0	3
CY Exp. to U.S.	0	0	0	0	0	0

Oilseed, Peanut	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jan 2019		Jan 2020		Jan 2021	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	157	165	160	175	0	180
Area Harvested	157	165	160	175	0	180
Beginning Stocks	1	1	12	88	0	113
Production	545	655	540	674	0	700
MY Imports	4	3	4	1	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	550	659	556	763	0	813
MY Exports	295	264	300	320	0	350
MY Exp. to EU	50	50	50	60	0	0
Crush	160	219	160	239	0	261
Food Use Dom. Cons.	82	87	82	90	0	93
Feed Waste Dom. Cons.	1	1	1	1	0	1
Total Dom. Cons.	243	307	243	330	0	355
Ending Stocks	12	88	13	113	0	108
Total Distribution	550	659	556	763	0	813
CY Imports	4	1	4	1	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	352	265	300	320	0	350
CY Exp. to U.S.	0	0	0	0	0	0
Yield	3.4713	3.9697	3.375	3.8514	0	3.8889
1000 HA, 1000 MT, MT/HA						

Meal, Peanut	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jan 2019		Jan 2020		Jan 2021	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	160	219	160	239	0	261
Extr. Rate, 999.9999	0.4125	0.411	0.4125	0.41	0	0.41
Beginning Stocks	0	0	0	0	0	0
Production	66	90	66	98	0	107
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	66	90	66	98	0	107
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	66	90	66	98	0	107
Total Dom. Cons.	66	90	66	98	0	107
Ending Stocks	0	0	0	0	0	0
Total Distribution	66	90	66	98	0	107
CY Imports	0	0	0	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0
SME	74.184	101.16	74.184	110.152	0	120.268
100 MT, PERCENT, 1000 MT						

Oil, Peanut	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jan 2019		Jan 2020		Jan 2021	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	160	219	160	239	0	261
Extr. Rate, 999.9999	0.3563	0.3562	0.3563	0.3556	0	0.3563
Beginning Stocks	1	1	1	5	0	7
Production	57	78	57	85	0	93
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	58	79	58	90	0	100
MY Exports	51	67	51	75	0	80
MY Exp. to EU	12	12	12	12	0	12
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	6	7	6	8	0	8
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	6	7	6	8	0	9
Ending Stocks	1	5	1	7	0	11
Total Distribution	58	79	58	90	0	100
CY Imports	0	0	0	0	0	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	67	67	51	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0
1000 MT, PERCENT, 1000 MT						

Attachments:

No Attachments