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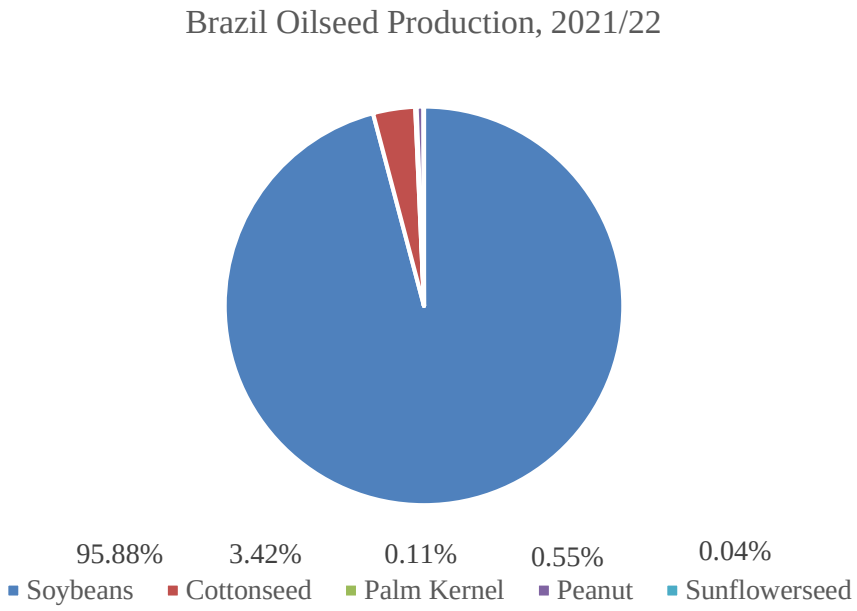
Report Highlights:

(Note: This provides a correction to the report published on April 13. The report has been edited from its original version to correct the soybean area and update the USDA soybean production and area.) Post forecasts that Brazilian producers will expand soybean planted area to 42.5 million hectares (ha) in 2022/23, up from the estimated 40.7 million ha planted in the 2021/22 season. Post forecasts 2022/23 soybean production at 139 million metric tons (MMT), up from the estimated 124.8 MMT harvest this season. The forecast is based on current market conditions and trends, including strong demand, high prices, and a favorable exchange rate. However, the Russia/Ukraine war and resulting fertilizer supply concerns may limit expansion. Soybean exports are estimated lower at 77 MMT for 2021/22, then forecast to rebound to 87 MMT for 2022/23. Peanut planted area and production are also forecast to rise along with soy. Cottonseed area and production, meanwhile, is forecast to shrink slightly next season (2022/23).

Oilseed Sector in Brazil

Brazil is a key global oilseed producer, accounting for almost a quarter of total global supply. For the 2021/22, marketing year (MY), Post estimates that the country produced about 130,200 MMT of soybeans, cottonseed, palm kernel, peanuts, and sunflower seed. Soybeans are by far the most dominant oilseed; in the 2021/22 MY, soybeans accounted for 96 percent of all oilseeds produced in the country. Cottonseed production is a distant second with 3.4 percent of Brazil's total oilseed volume, while peanuts, palm kernel, and sunflower seed account for less than one percent of production.

Figure 1



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 world 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 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 2021/22 and 2022/23 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 and inputs, especially fertilizers. Brazilian growers are expected to continue using innovative technology (seeds and crop protection), hoping to maintain yields across the oilseed spectrum and compensate for anticipated reductions in fertilizer use. While it has strengthened recently, the domestic currency remains weak compared to the dollar, fueling the agricultural export boom. Domestic demand for oilseeds is expected to grow as well, with rising consumption of both oil and meal. However, rising costs will leave some growers will less resources to

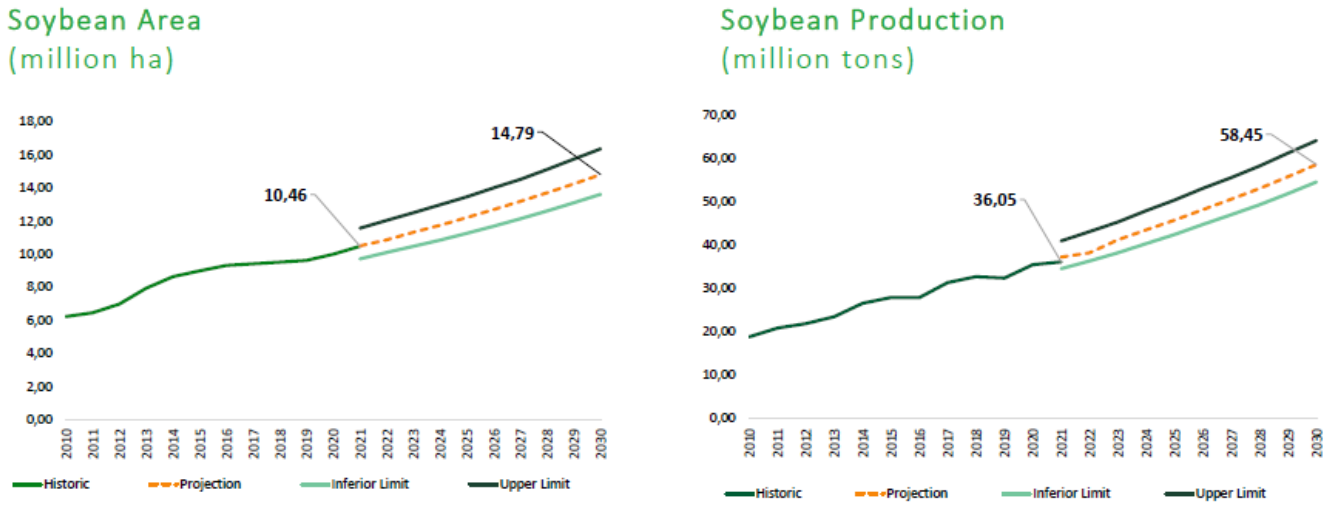
make future investments. Expansion may be somewhat constrained by inadequate infrastructure, though the country has made some strides on this score in recent years.

PRODUCTION

Soybean Planted Area to Continue Expansion in 2022/23, but at a Slower Rate

Post forecasts that Brazilian producers will expand soybean planted area to reach 42.5 million hectares (ha) in 2022/23 season, up from the estimated 40.7 million hectares planted by farmers in the 2021/22 season. Soybeans are grown in 19 of Brazil's 26 states, as well as in the capital Federal District. Due to some concerns about fertilizer supply shortages, Post forecasts planted area to increase by 4.4 percent year-on-year, slightly above the 3.8 percent annual area growth from last year.

Figure 2: IMEA Projections for Soybean Area and Production



Source: The Mato Grosso Institute of Agricultural Economics (IMEA)

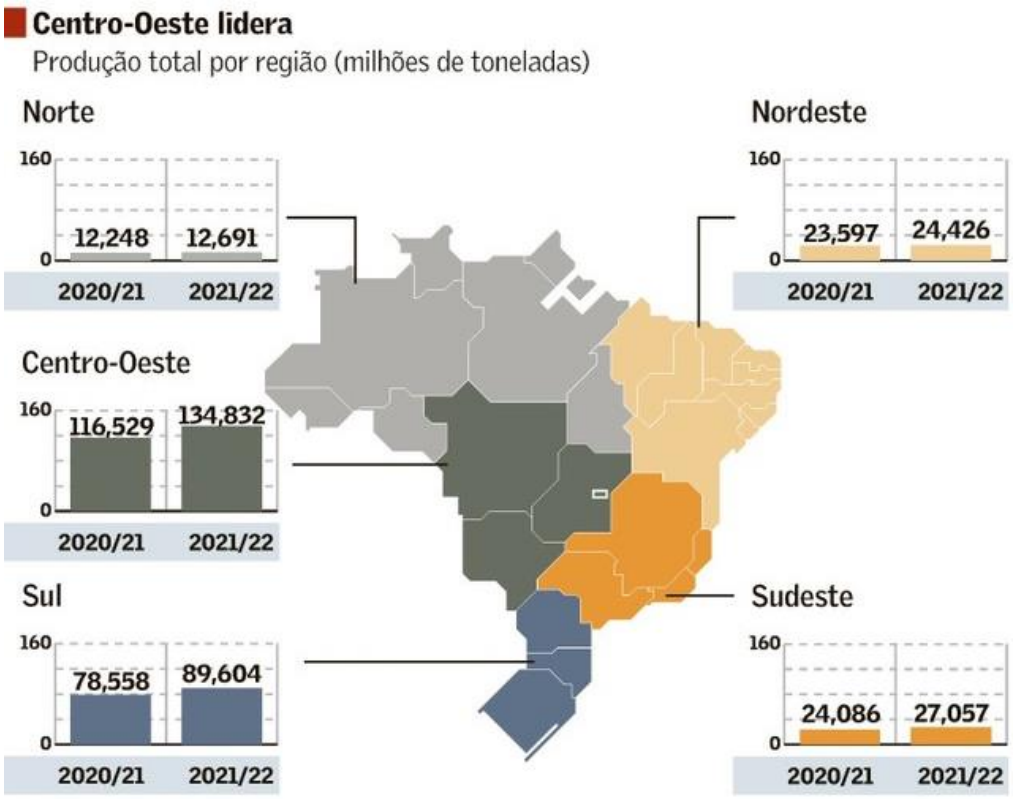
Brazil's massive Center West region – encompassing the states of Mato Grosso (MT), Mato Grosso do Sul (MS), Goais (GO), and the capital Federal District (DF) - is by far the biggest producer, accounting for well over a third of the country's planted area and production volume. Post contacts in the region's biggest producing state of Mato Grosso have suggested that there is substantial opportunity for planted area expansion, assuming fertilizer and other input supplies revert to normal levels. 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.

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 2022/23. 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. 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. 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.

Figure 3: Center-West Leads Soybean Production



Translation: Center-West Leads; Total Production per Region (millions of tons)
Clockwise from top: North, Northeast, Southeast, South, Center West
Note: the comma indicates a decimal
Source: CONAB

STATE ANALYSIS

Rio Grande do Sul: February was marked by the return of the rains to the state, although this came too late to avoid the problems caused by prolonged drought. With almost three months without considerable rainfall, the crop succumbed to the water deficit, which was accentuated by a historic and prolonged heat

wave. The losses were higher in cultivars sown in early October, with crops already harvested with yields from 240 kg/ha to 600 kg/ha. The quality of the first grains harvested is also poor, practically making the extraction of oil by the industry unfeasible, and therefore, destined for animal feed. The harvested area is still small, reaching only one percent, 16 percent in maturation, 54 in grain filling and 25 percent in the flowering stage.

Paraná: In this state, almost 30 percent of the areas have already been harvested. In the western regions, it was impossible to recover the productive potential, with significant losses in yields and grain quality. However, some regions in the eastern part of the state have crops in good condition, estimated at 75 percent with favorable conditions that will come close to their productive and quality potential.

Santa Catarina: The low rainfall recorded since November 2021 in the state and in the South Region has caused significant losses in productivity in the soybean crop. The losses are differentiated between the regions due to the planting schedule and the intensity of the drought in different regions. The return of rainfall has alleviated the situation of some crops that were sown later. The harvest has reached 17 percent of the area.

Mato Grosso: Rains occurred for several days during harvest, slowing advancement. Since most of the crop was already at the point of harvest, consequently, there was an increase in the percentage of damaged and moisture in the grains. However, from the decrease in quality in the last batches harvested, productivity remains high, around 3,592 kg/ha. Late crops are among maturation stage and harvest point, so it is estimated that the harvest should finish in early April.

Mato Grosso do Sul: The return of rains at the end of January improved expectations that crop productivity, but lack of rain in February once again impacted these areas, with reduction in the production cycle of plants, increasing damage and productivity losses. About 30 percent of the crops had good productivity.

Federal District: There was an increase of 7.3 percent in the soybean area. The productivity is estimated at 3,720 kg/ha, and 55 percent of the area has already been harvested.

Goiás: The harvest picked up at the end of February, reaching 55 percent of the area with good quality beans. Average yields in southwest Goiás, at 4,150 kg/ha, exceed initial expectations.

São Paulo: The harvest has already reached 31 percent of the area, with yields above initial expectations.

Minas Gerais: In this state, 26 percent of area was already harvested. Longer growing cycles and rain were responsible for a lower-than-expected area harvested. In addition to the rains during the harvest, which made it impossible to carry out the necessary cultural treatments, low sunlight also contributed to the reduction of the productive potential of the crops. Yield of the product already harvested is around 3,600 kg/ha, a little below the initial expectation, which was 3,900 kg/ha.

Pará: In the southern region, the harvest advanced significantly during February, reaching around 70 percent of the cultivated area. It is important to point out that the numbers reveal an increase in area in the municipality of Santana do Araguaia, the largest producer in the region, with 12 percent. The

situation of the crops is great in all regions, however it is possible that rainfall could incur damage to the development (west) and harvest (other areas).

Amazonas: Rains have delayed the harvesting process. Areas that have been harvested have good productivity and grain quality.

Tocantins: In the south of the state, there were outbreaks of Asian rust. The humid weather and rainy season prevented farmers from spraying in a timely manner at the beginning of the reproductive phase. A reduction is expected in productivity in this region. In the rest of the state, development of the crops occurred as expected. To date, 60 percent of the culture was harvested.

Various Factors Impact Expansion

The Post forecast for below-trend expansion of planted soybean area is based on current market conditions and trends detailed below that are expected to persist well into the 2022/23 season.

Global Demand: The coronavirus pandemic 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, 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. 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.

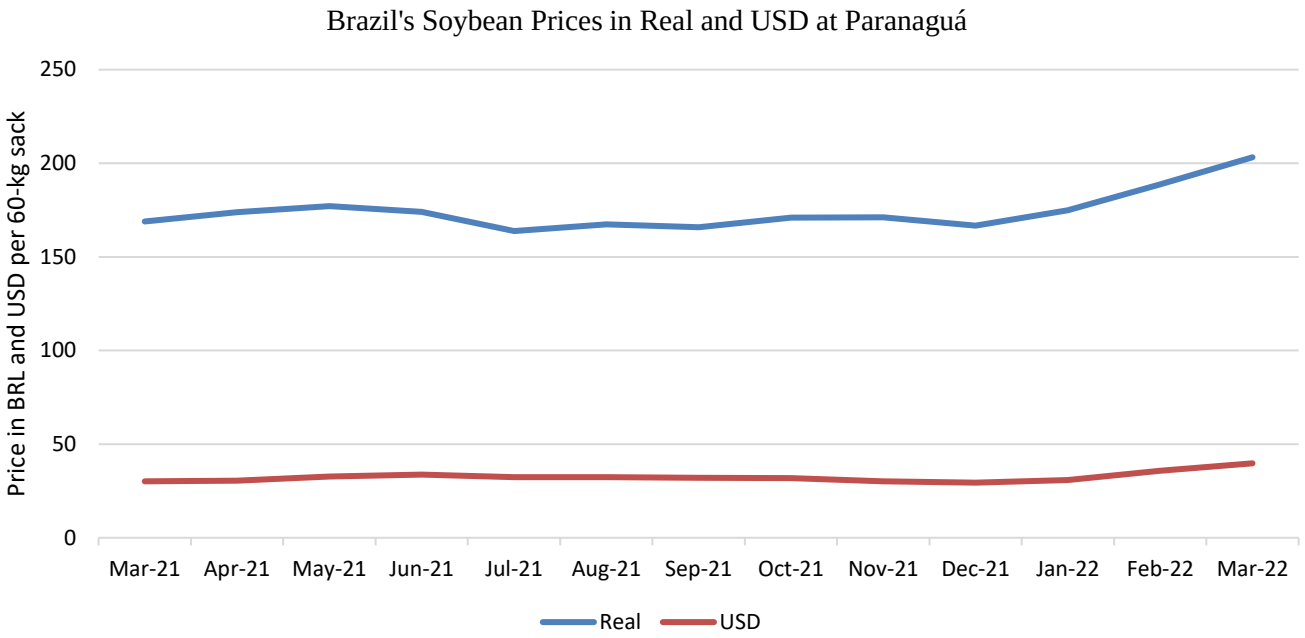
Favorable Exchange Rate: Due to continued economic stagnation with the pandemic, the Brazilian currency, the real (R$), lost over a third of its value in 2021. However, , the real has gained back some value in early 2022. Most analysts currently forecast that the Brazilian real will strengthen slightly, but continue to remain weak this year, as Brazil's economy continues to be bogged down by slow pandemic recovery, uncertainty around the election, and limited government resources. As of March 31, the Brazilian real stood at R$4.65 to the USD.

Figure 4: Brazilian Real to U.S. Dollar, 2012-2022

Source: Trading Economics

The devaluation of the real had a positive impact on Brazilian commodity prices over the past year. For example, from February 2021 to February 2022, the average price for a 60-kilogram (kg) sack of soybeans at the Port of Paranaguá rose 20 percent when valued in BRL – from R$168.96 to R$203.20 per 60-kg sack. In those same 12 months, prices in USD climbed about 32 percent – from $30.18 to $39.76 per 60-kg sack.

Figure 5

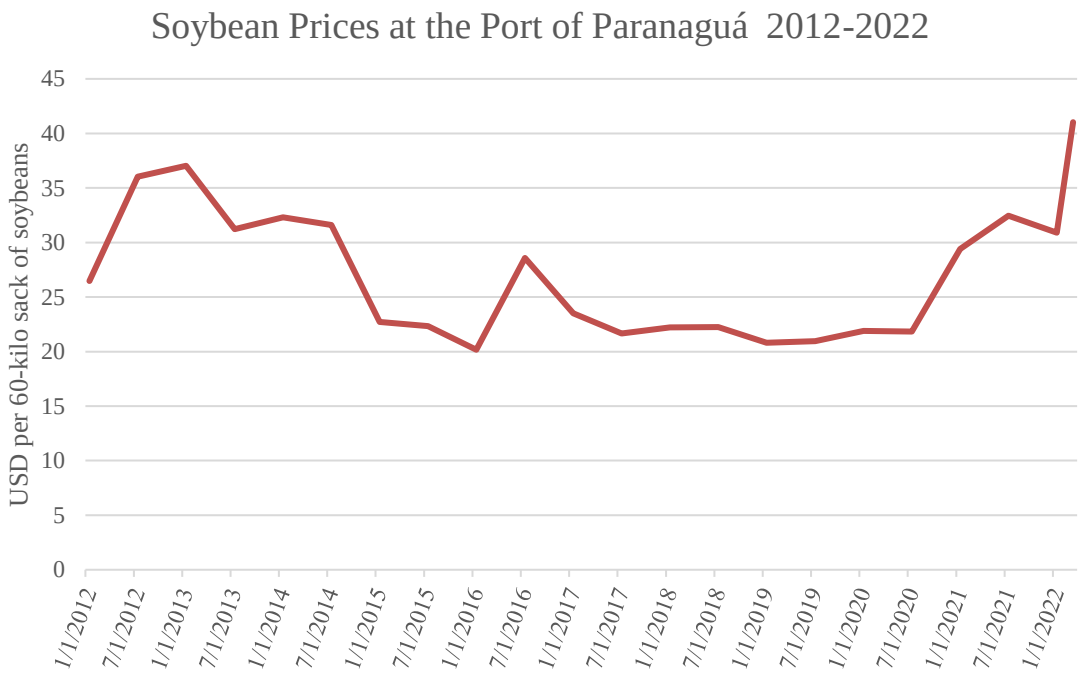


	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Real	169	174	177	174	164	167	166	171	171	167	175	189	203
USD	30	30	33	34	32	32	32	32	30	29	31	36	40

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 continued strong growth in prices in 2021/22 and going into the 2022/23 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 couple of 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 2012 and into 2022. Notably, the current high prices have just recently outpaced the records set in 2012.

Figure 6



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 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 solid exports in the first half of 2021, and weather-related impacts on production of the 2021/22 crop, the Brazilian market has had less supply than anticipated. This situation has put further upward pressure on Brazilian soybean prices.

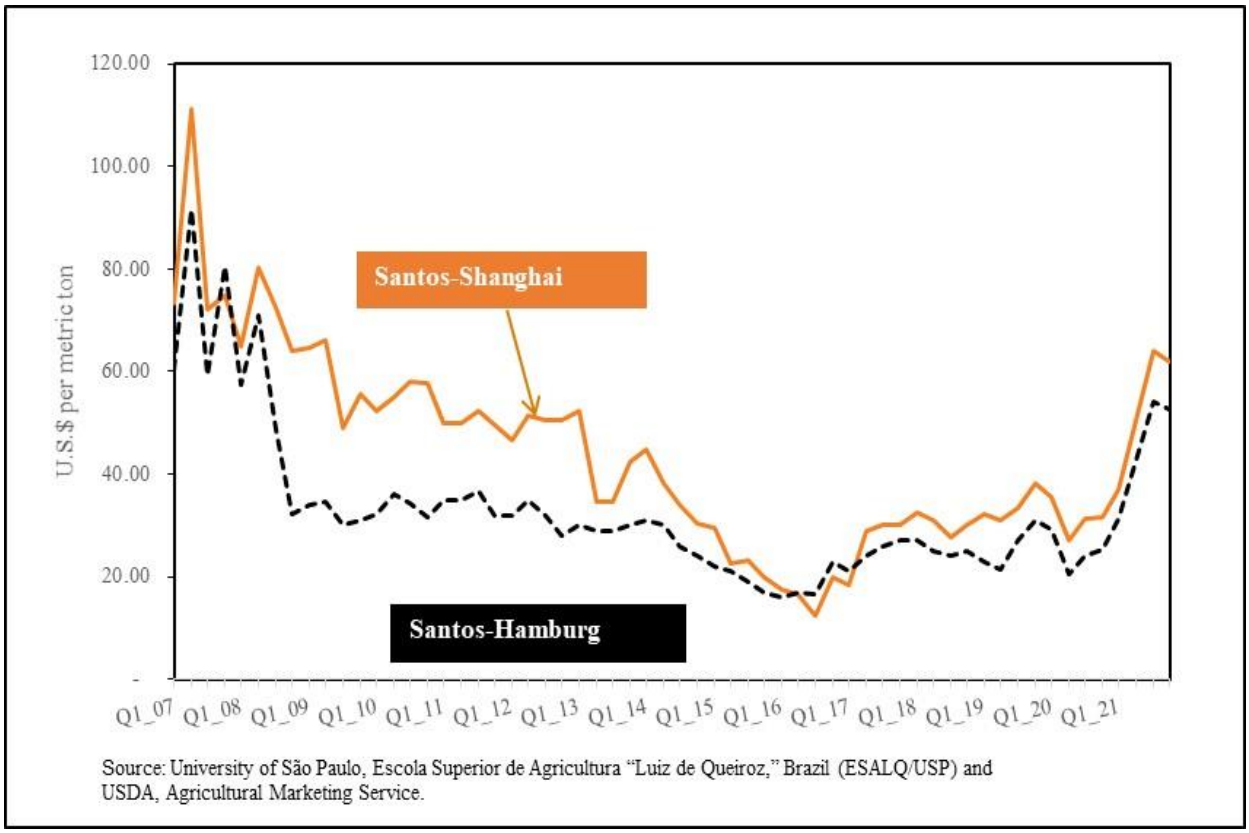
Overall Transportation Costs Rise in 2021:

According to the USDA's Agricultural Marketing Service (AMS), Brazil Transportation Report, although overall transportation costs rose, the soybean shipping rates within the country went down last year. The cost of shipping a metric ton (MT of soybeans 100 miles by truck decreased from $5.49 per MT in 2020 to $5.29 per MT in 2021. This nearly four percent drop was mostly due to the Brazilian real's depreciation against the U.S. dollar—five percent from 2020 to 2021, from R$5.15 per U.S. dollar to R$5.40 per U.S. dollar (Brazil Central Bank). In selected routes of shipping Brazilian soybeans to China, except from Paranaguá, total landed costs declined as rising farm prices more than offset the increase in total transportation costs.

Overall, the cost of soybean transportation in Brazil rose, reflecting a significant rise in ocean rates. Ocean rates to Shanghai, China, rose 64-76 percent (from all ports) and doubled from the northern ports to Hamburg, Germany. The 2021 ocean rates were the highest levels seen since the second quarters of

2007 and 2008. The 2020-21 increases were due to strong demand for shipping bulk items. The increases also resulted from tight vessel supply caused by congestion and other pandemic-related logistic inefficiencies (see Grain Transportation Report, January 20, 2021).

Figure 7. Brazilian soybean ocean freight from Santos to Shanghai, China, and Hamburg, Germany, 2017-21



Source: University of São Paulo, Escola Superior de Agricultura "Luiz de Queiroz," Brazil (ESALQ/USP) and USDA, Agricultural Marketing Service.

Average Brazilian soybean export prices increased 30 percent, from $344 per MT to $449 per MT. Brazilian farmers have benefited from the real's depreciation against the U.S. dollar, because exported soybeans are priced in U.S. dollars, but producers are paid in Brazilian reals. Measured in U.S. dollars, average soybean farm gate prices increased 40 percent, from $346.55/MT to $485.13/MT. The depreciation of the real also led to higher domestic prices. On average, in Brazilian reals, farm gate prices increased 46 percent, from R$1,796.88 /MT to R$2,617.15 (Companhia Nacional de Abastecimento). Typically, Brazilian soybean exports peak in May and decline through the end of the year. Santos was the largest Brazilian soybean export port, followed by Rio Grande, Paranaguá, São Luís, Barcarena, and São Francisco do Sul. These six ports accounted for 83 percent of Brazil's total exports.

The southern ports of Santos, Rio Grande, Paranaguá, and São Francisco do Sul still dominate the soybean trade to China, collectively accounting for 74 percent of Brazil's soybean exports to China. Also, in 2021, The northeastern ports of São Luís, Vitória, Salvador, and Barcarena accounted for nearly

25 percent of soybean exports to China. The Amazon River ports of Manaus and Santarém exported a small amount to China (mainly from Manaus), but exported mostly to the European Union, North America, and Africa. In 2021, the ocean freight spread between the Shanghai routes from the northeastern port of São Luís ($57.90/MT) and the port of Santos ($53.40/MT) was $4.50/MT.

Infrastructure Improvements

According to the Brazil Transportation Report by USDA AMS, Brazil continues to depend heavily on trucks to transport grain to major destinations. This dependence is ensured for some time, because of the long distances that separate major production regions from terminals for barge and rail. This dependency is further ensured by limited rail and inland waterway infrastructure capacity (ESALQ/USP). To overcome this limitation, the Brazilian government enacted a new legal framework for railways and changed its cabotage law to enable private-sector investment and increase the Brazilian transportation sector's competitiveness internationally.

On December 3, 2021, National Land Transport Agency (ANTT) established a rule governing the execution of projects by railroad concessionaires, ANTT Resolution nº 5956. The purpose of the law is to expedite the technical analysis required for the ANTT to approve infrastructure improvements of the Concessionaire's Interest Projects (PICs) and Third-Party Interest Projects (PITs). In the case of PICs—for all projects classified as small-scale railways, special artwork designs, auxiliary installations and diverse—there will typically be an automatic authorization. In these cases, authorization is not granted automatically only where the projects negatively impact the economic balance of the contract (as determined by ANTT's review of the PIC standard application).

In the case of PITs, authorization occurs after project approval by the concessionaire and submission of a standard application to ANTT. Most PITs encompass essential public services and structures, such as railway crossings; sanitation networks (water supply network, sewage collection network, urban drainage network); and transmission lines of electricity, required by third parties (city halls and sanitation and energy companies, among others).

On January 10, 2022, the Brazilian Congress approved a cabotage project called "BR do Mar" (Road of the Sea), changing the rules to allow foreign ships to compete with Brazilian ones and increasing fleet availability to cabotage in the national territory. With "BR do Mar" the Government's intention is to make the cabotage sector more attractive, stimulating competition and lowering costs. According to the Planning and Logistics Company (EPL), a public company linked to the Federal Government, cabotage accounts for only 11 percent of cargo transport in Brazil. Most freight is carried by truck (65 percent). EPL estimates that the BR do Mar program can reduce cabotage costs by more than 15 percent; increase containers transported per year from 1.2 million containers in 2019 to 2 million in 2022; and expand the fleet dedicated to cabotage by 40 percent over the next three years.

Figure 8

Table 1. Costs of transporting Brazilian soybeans from the southern ports to Shanghai, China						
	2020	2021	% Change 2020-21	2020	2021	% Change 2020-21
	North MT[1] - Santos[2] by truck --US$/mt--			Northwest RS[1] - Rio Grande[2] --US$/mt--		
Truck	60.65	59.30	-2.2	19.24	18.85	-2.0
Ocean	31.40	53.40	70.1	32.90	53.94	64.0
Total transportation	92.04	112.70	22.4	52.13	72.78	39.6
Farm gate price[3]	357.23	482.47	35.1	354.57	489.39	38.0
Landed cost	449.27	595.16	32.5	406.70	562.17	38.2
Transport % of landed cost	21.2	18.9	-10.9	13.1	12.9	-1.8
	North MT[1] - Santos[2] by rail --US$/mt--			North MT[1] - Paranaguá[2] --US$/mt--		
Truck	21.47	20.64	-3.9	28.48	58.62	105.8
Rail[4]	32.13	29.69	-7.6	-	-	-
Ocean	31.40	53.40	70.1	31.40	55.29	76.1
Total transportation	85.00	103.73	22.0	59.88	113.91	90.2
Farm gate price[3]	357.23	482.47	35.1	331.01	482.47	45.8
Landed cost	442.22	586.19	32.6	390.88	596.37	52.6
Transport % of landed cost	19.9	17.7	-11.4	15.8	19.1	20.6

[1]Producing regions: MT= Mato Grosso and RS = Rio Grande Do Sul.

[2]Export port.

[3]The source of the farm gate price is the Brazilian Government, Companhia Nacional de Abastecimento (CONAB).

[4]In Brazil, there are no public/official rail tariff rates. Rail rates can be up to 30 percent lower than truck rates, depending on the volumes hauled and the terms of contracts signed between the railroad company and shippers.

Note: mt = metric ton.

Source: University of São Paulo, Escola Superior de Agricultura "Luiz de Queiroz," Brazil (ESALQ/USP) and USDA, Agricultural Marketing Service.

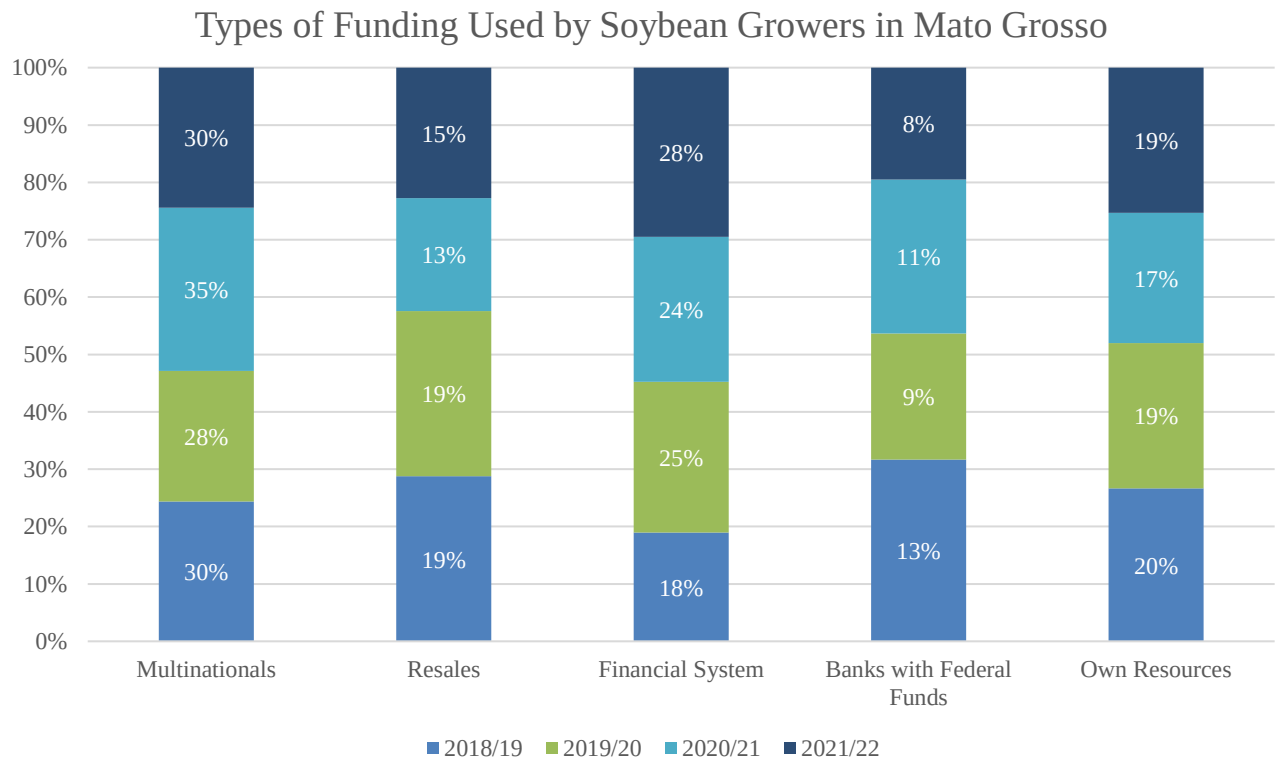
Red Flags for the Industry Remain

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, until there is an alternative way to transport soybeans and grains to the Northern Arc ports, any group – be it truck drivers or others, such as protestors - 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: Thanks to past profitable seasons on the books, a good portion of Brazilian farmers are well capitalized going into the 2022/23 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 about 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 another 40 percent of all the required investment.

Figure 9



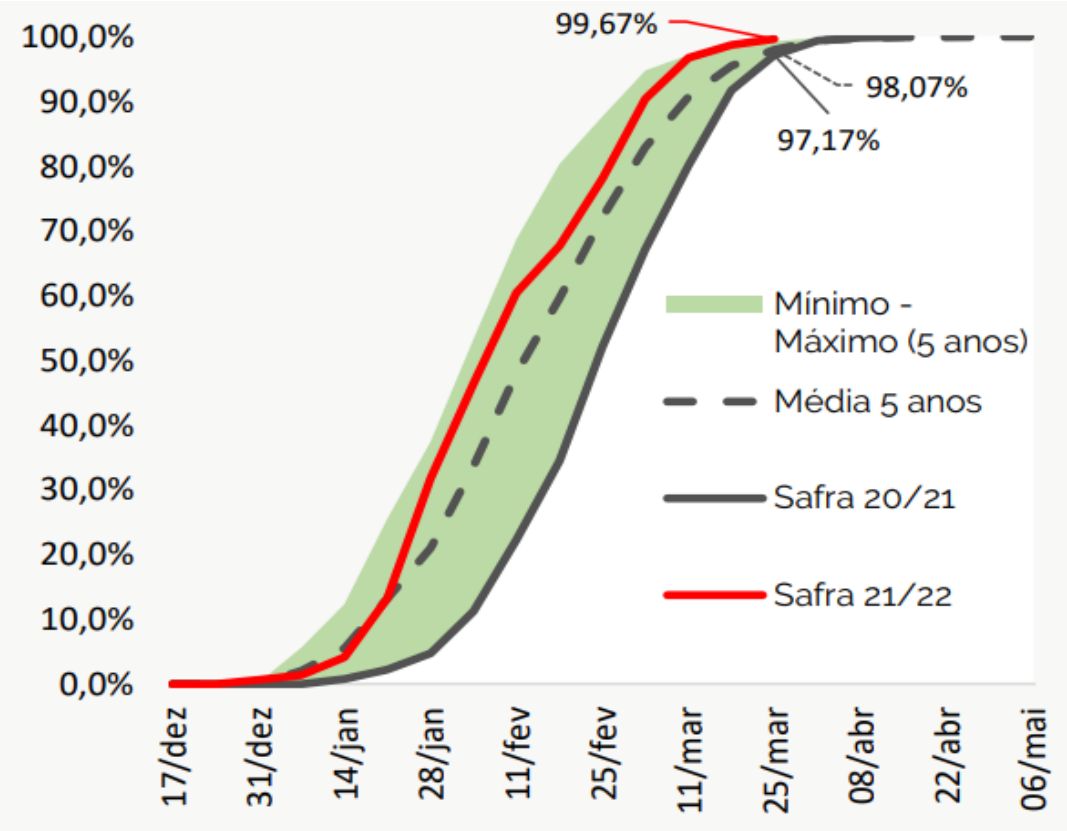
Source: OAA Brasilia chart, IMEA data

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*) is not looking promising. The *Plano Safra* operates on a July 1 – June 31 fiscal year. Each rural credit line is available

to farmers for certain types of activities. However, given the fiscal crunch exerted by the pandemic and overall inflation, new resources are unlikely to come in.

The upcoming election will likely further complicate financing for farmers. As of April 2, Brazil enters the so-called 'election mode', which is the period in which nothing can be done that characterizes intentional support for a specific sector. This political situation tends to reduce the pace of decisions made by the Legislative and Executive powers. Resources for the 2022/23 will likely be focused on measures trying to contain inflation. According to post interlockers, this has already interfered with public policies aimed at agribusiness, such as the Safra Plan. It is believed that the 2022/23 Safra Plan will be also complicated for the producer due to cost increases, where some items have gone up more than 100 percent. At the same time, the resources offered by the government will not increase. Given this situation, many producers are now more concerned with the election than with other issues impacting the economy.

Figure 10: Evolution of the Percentage of Commercialization of Soy in Mato Grosso



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 2022/23 are expected to rise by 71 percent for growers in the state. In direct outlays, the largest increase in costs is forecast for fertilizers, a 142 percent increase, followed by seeds (116%) and crop protection (herbicides, fungicides, and insecticides). Fertilizer cost and impacts are described further in the report. Other cost increases are linked to the exchange rate, since many farm inputs are imported. 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.

Figure 11:

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

	2021/2022	2022/23	% Δ
Variable Cost of Production	**3,643.65**	**6,225.96**	**71%**
Variable Costs of Production (on Farm)			
seeds	387.62	837.22	116%
fertilizers	999.38	2,416.17	142%
crop protection (herbicides, fungicides, insecticides)	1030.38	1,355.96	32%
machinery operation	106.11	160.71	51%
labor	99.94	106.88	7%
Variable Costs of Production (ex Farm)			
maintenance of equipment and installations	113.65	114.71	1%
taxes and tariffs	155.35	184.82	19%
insurance and financing costs	235.92	422.89	79%
classification, processing	63.88	66.50	4%
transport	80.91	82.26	2%
storage	26.21	26.52	1%
other costs	105.55	138.40	31%
lease	238.75	312.92	31%
Fixed Costs of Production	**285.81**	**290.59**	**2%**
depreciation	209.47	213.15	2%
other fixed costs	76.34	77.44	1%
Total Operating Costs	**3,929.46**	**6,516.55**	**66%**
Opportunity Cost	**730.07**	**1,094.35**	**50%**
Total Cost (Operating Cost and Income Factors)	**4,659.53**	**7,901.49**	**70%**

*All costs cited in Brazilian Real for March 2021 and projected March 2022.

Source: IMEA

Despite increasing production costs and the above-mentioned risk factors, the benefits of growing soybeans in Brazil are still attractive. 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.

2022/23 Soybean Production to Recover from Previous Harvest, but Face New Challenges with Fertilizers

Post forecasts 2022/23 soybean production at 139 MMT, based on a yield of 3.27 MT per ha. The yield forecast represents an increase of six percent year-on-year, assuming normal weather conditions and lower fertilizer use. Prior to the 2021/22 season, yields hovered just under 3.5 MT 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. However, the upcoming season is likely to go against recent trends, due to global economic turmoil wrought by the Russia/Ukraine war, and consequent impacts on agricultural supplies.

Seed Technology: Brazil is one of the global leaders in the planting of GE crops. Soybeans have an adoption rate of 96 percent. According to sources in Mato Grosso and Bahia, 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: To support its massive oilseed production sector, Brazil relies on imported inputs, including fertilizers. Soybeans are the top consumer of fertilizers in Brazil, using 40 percent of the total supply. According to the national fertilizer association, ANDA, Brazil imports around 85 percent of its total fertilizer needs, at a total value of around $8 billion. The main exporters are Russia, Canada, China, and Morocco.

Over the last several months there has been increasing concern not only about the rising fertilizer prices but also, the potential disruption to the global fertilizer trade. The disruption in global fertilizer supply is associated with a host of reasons: production bottlenecks owing to the COVID 19 pandemic, protectionist trade measures by important producers, as well as geopolitical tensions. The potential risk of fertilizer disruption to Brazil rose substantially with the Russian invasion of Ukraine in February 2022. Russia is a leading global supplier of fertilizers, and Brazil sources about a quarter of its fertilizers from Russia.

As a result, impacts will likely be felt in the agricultural sector in Brazil, including limiting the expansion of the soybean planted area in the 2022/23 season. With reduced critical nutrients such as potash, yields may also be impacted. While concerned about the overall situation and long-term impacts, post contacts were less pessimistic about the influence that the global crisis would have on the upcoming soy crop. Soy is an essential commodity for Brazil. With the lower-than-expected crop for the 2021/22

season, producers in the south are ready to recoup their losses. Fortunately, with the crop damage that occurred, there is already fertile land, with residual nutrients in the soil of fields that didn't perform well, so less application will be needed. In the Center-West, it is estimated that top farmers could reduce fertilizers 15 percent, with just 5 percent reduction in yield. However, in a scenario with less fertilizer, but optimal weather, yields could be normal.

In general, soy- thanks to inherent characteristics and seed improvements- is better at taking up fertilizers and tolerating reduced application than other crops. Embrapa estimates that fertilizer use could be reduced up to 20 percent with limited impact on the crop, although industry believes that number is closer to 10 percent. With that said, some producers may expand soybean planting, as it's a hardier crop compared to corn or especially cotton. However, expansion into degraded pasture- one of the largest potential areas for Brazilian soy- will likely be limited, since it would require greater fertilizer inputs than may be available.

In March 2022, the Government of Brazil (GoB) unveiled the National Fertilizer Strategy, designed to decrease the country's dependency on NPK imports. The Geological Survey of Brazil (SGB-CPRM) prepared several scenarios to reduce the national dependency on imports to 60 percent by 2050. The main thrust of the strategy is to attract private investment into the sector, attracting international and national investors to Brazil's domestic fertilizer market.

Recognizing that import needs will remain substantial even in the long term, the GoB has cultivated partnerships with key suppliers of fertilizers: Canada, China, Morocco, Russia, and Belarus among others. In early 2022, high-placed Brazilian officials visited Russia, Canada, and Iran, to strike deals to maintain fertilizer flows. However, risk remains about if, and when, the adequate volume of essential supplies will be delivered. For more information on the fertilizer situation in Brazil, see GAIN Report: Brazil Agriculture Seeks Remedies for Potential Fertilizer Disruptions.

Soybean Production Estimate Revised Down for 2021/22

Post raised its estimate for soybean planted area to 40.7 million ha for 2022/23, up from 39 million ha in 2020/21, according to recent data. Post revised down its 2021/22 soybean production to 124.8 MMT, based on a lower than initially expected yield of 3.07 MT per ha. Across the country, the 2021/22 planting got off to a positive start due to good weather conditions. Initial forecasts had anticipated a record crop of 140 MMT. However, due to problematic weather conditions, primarily the severe drought in the southern region on Brazil, Post lowered the forecast for 2021/22 soybean production further by almost 10 million metric tons, from 134.5 MMT to 124.8 MMT.

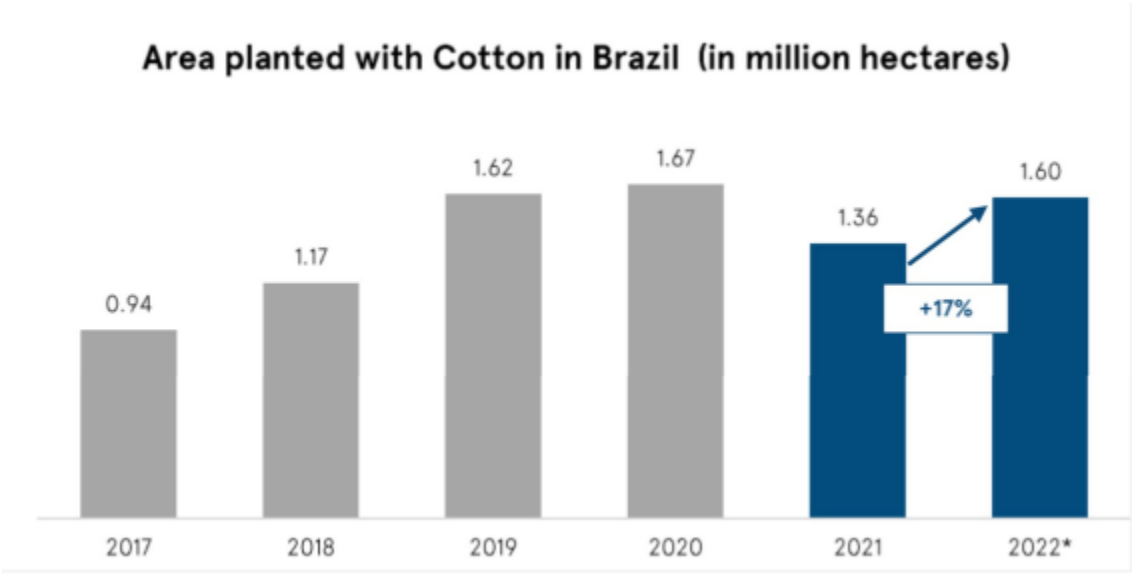
In Brazil, some regions experienced yield gains due to growers' adoption and investment in technology, such as bioengineered seeds specifically formulated to be drought resistant. However, the Post forecast went down further to account for lower yields and widespread crop damage on land that experienced detrimental weather issues. 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 2021/22 harvest estimate may be revised further downward pending those market reports.

COTTONSEED PRODUCTION

Cottonseed 2021/22 and 2022/23 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.

Figure 12:



Source: Abrapa and CONAB data

Post forecasts Brazil's 2022/23 cotton planted area to shrink slightly to 1.55 million hectares. The forecast represents about a five percent reduction on the current season but is still well above the planted area just four years ago. Post anticipates that next season, growers in Brazil will reduce planted area based on the Russia/Ukraine war, and consequent fertilizer supply crisis (for more information, see fertilizer section, above). Despite these challenges, the planted area will likely not be severely reduced. 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 2.8 MMT of cotton, as evidenced by the 2021/22 season. However, due to the rising cost of production, especially inputs such as fertilizers, and the high profit margins and relative ease of planting for alternative crops such as soybeans and corn, Post anticipates that the cotton planted will remain below the record planted in the 2019/20 season. (For an expanded discussion on cotton outlook please see Cotton 2021 Annual Report).

Post forecasts 2022/23 cottonseed production at 4.4 MMT, based on a yield of 2.83 MT/ha. The yield represents an increase of just over two percent on the current season. Post yield and production forecasts

for 2022/23 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 raised the estimate for 2021/22 cotton area planted to 1.6 million ha, from 1.52 million ha anticipated in the December 2021 Cotton Update. The new planted area estimate represents an increase of about five percent from last season. Higher area planted year-on-year reflects global cotton market conditions improving with the gradual easing of the Covid-19 pandemic in 2020 and 2021. Post interlocutors report that due to the pandemic, the market in Brazil saw stalled sales, re-negotiated, and/or canceled contracts. However, with the amplification of vaccination campaigns and subsequent reductions in Covid-related restrictions, the sector has been slowly recovering.

Post estimates 2021/22 cottonseed production at 4.45 MMT, on a yield of 2.78 MT/ha. In the current season, growers saw nearly ideal planting, growing, and harvest conditions leading to record-setting productivity. The Post yield estimate may be revised further pending weather during crop development in the April-June timeframe.

PEANUT PRODUCTION

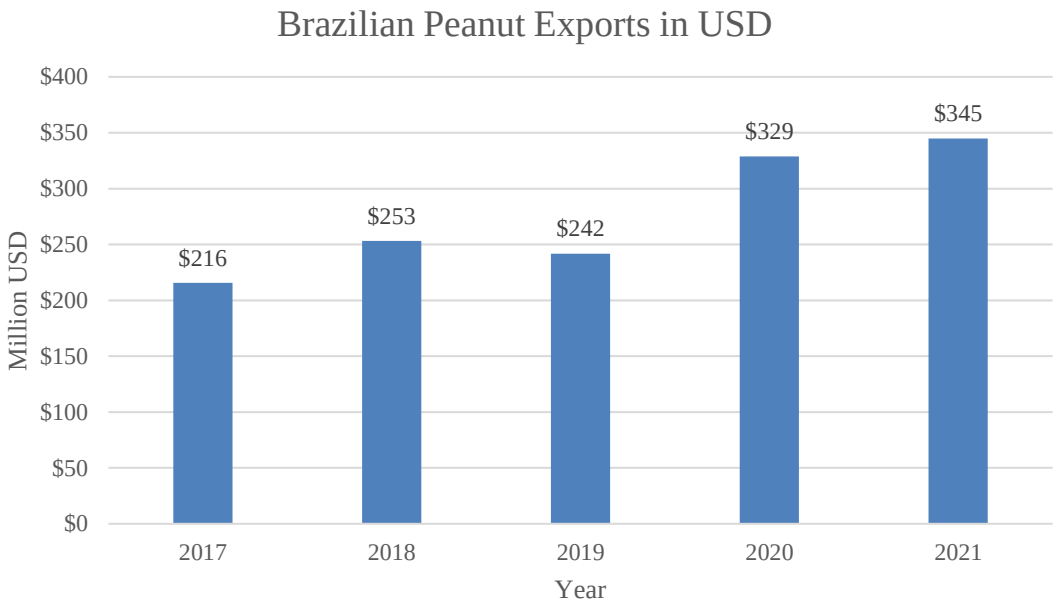
Peanut Production to Continue Expansion in 2022/23

Post forecasts peanut planted area at 190,000 ha in 2022/23, up 10,000 ha on the current season. Post forecasts total peanut production at 720,000 MT in 2022/23, assuming normal weather patterns. The forecast for continued growth of peanut production in Brazil is based on the expectation of good returns from the 2021/22, as well as the 2020/21 seasons.

Peanut is a grain that grows underground, inside pods that are at the roots of these plants. It is an important ingredient for the food industry, is useful plant in crop rotation, and has considerable commercial value. The state of São Paulo is the main peanut producer in Brazil, responsible for 90 percent of the national production. In the last harvest, the harvest reached 674,000 MT of peanuts in shell in the 173,000 hectares of planted area. Most of crops in São Paulo are of varieties developed by the agronomic institute of Campinas (SP), linked to the State Department of Agriculture.

Peanuts are a relatively high-value product, are non-perishable, giving them strong export potential. In addition, there is great demand for Brazilian peanuts, given the Brazilian real devaluation. However, expansion may be somewhat constrained by trade impacts of the Russia/Ukraine, as those companies are two of the primary purchases of Brazilian peanuts. In addition, peanuts require extra investments in processing; peanuts must be cleaned, dried, and processed shortly after harvest to maintain quality.

Figure 13:



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.

2021/22 Peanut Harvest to Expand on Trend

Post estimates peanut planted area at 180,000 ha, up from 168,000 ha planted in the previous marketing year. Post estimates that the 2021/22 yield will increase to 4 MT/ha, similar to the high productivity in 2019/20, when yields benefitted from excellent weather and reached 3.97 MT/ha. Post estimates total peanut production at 710,000 MT in 2021/22, up from 674,000 MT in 2020/21.

In this year's harvest, the total production of peanuts in Brazil is estimated be 700,000 MT. Of that total, 640,000 MT is produced in São Paulo. Unfortunately, the lack of rain interfered with the development of the peanut crop, but it did not prevent rural producers from starting the first stage of the harvest (plucking), when the machine passes, raising dust and uprooting the peanuts, then going into the sun for three days. to dry, finishing with the separation of the same.

According to news reports, producers are expecting to harvest 170 bags per hectare in 2022 but are looking at lower prices. Two years ago, it was more than R$ 100 a bag, and today it is on average R$ 65, even with increasing costs, inputs and the price of fuel. The foreign market dictates the price. As Brazil cannot consume everything it produces, exports have a direct effect on price.

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.

Peanuts are also produced Parana, where they are mostly grown by subsistence farmers, as well as Rio Grande do Sul, Mato Grosso do Sul, and Mato Grosso 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 2022/23 and 2021/22

Post forecasts 48.5 MMT of soybeans destined for processing in the 2022/23 MY, an increase of a little over two percent on the 2021/22 estimate of 46.9 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 lower blending, and constrained supplies owing to strong soybean exports.

Post forecasts 2022/23 soybean meal production at 37.5 MMT, up from the estimated 36.85 MMT in 2021/22. Domestic soymeal consumption is forecast to increase around one 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.

For next MY, Post forecasts soy oil production at 9.8 MMT. Domestic oil consumption is expected to increase to 8.1 MMT, up from 8 MMT in the current season. For 2021/22, Post estimates soy oil production at 9.6 MMT.

Post expectations for higher oil production and consumption are based mostly on biodiesel blending mandates. Brazil's current rate is set at 10 percent, or B10, but sources say the rate may rise this year. While soy oil is expensive, diesel prices also high, and in the current situation it is difficult to find diesel in world markets. For fuel composition, domestic diesel comprises about 78 percent, biodiesel, 10

percent, and the remaining 12 percent is imported diesel. Compared with biodiesel, imported diesel is 12-16 percent more expensive. Therefore, a higher blending with biodiesel as a substitute for imports, which are becoming scarcer and costlier, may not have a major impact on prices.

In addition to 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. 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. 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 best-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.

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 2022/23 MY, Post forecasts 3.95 MMT of cottonseed will be processed into oil and meal. Post forecasts cottonseed oil production at 645,000 MT, with 430,000 MT for industrial use, and 220,000 MT destined for food use. In the 2022/23 MY, Post forecasts cottonseed oil cake production at 1.8 MMT, nearly all of which is destined for animal feed, save for negligible carryover.

For the 2021/22 MY, Post estimates Brazil's crush industry will process 4 MMT of cottonseed into oil and meal, a substantial increase on the previous season's 3.6 MMT destined for processing. The increase is associated with more supplies due to a larger cotton harvest. Post estimates cottonseed oil production at 680,000 MT, with 435,000 MT destined for industrial use for biodiesel, 230,000 MT utilized for food use, with negligible exports. Cottonseed meal is a byproduct of oil production. For 2022/23, Post forecasts cottonseed meal production at 1.95 MMT, with nearly the entire volume used for animal feed, with negligible carryover stocks.

Domestic Peanut Consumption Rising on Crush Demand

Brazil consumes domestically about half of its total peanut supply each year. For 2022/23 (January-December 2022), Post forecasts domestic consumption at 391,000 MT, which represents about a 15 percent increase on the estimate for the current marketing year. The increase in domestic consumption will be driven mostly by crush, and a reduction of export markets to take up the supply. Processing is forecast to increase by 10 percent to 280,000 MMT, while peanut food use is forecast to increase to 110,000 MT in 2022/23, up from 80,000 MT in the current season. Peanut consumption in Brazil increased throughout to the pandemic, with consumers cutting back significantly on eating out while increasing food purchases at supermarkets.

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, as well as an excess of supply due to potential trade disruptions. Domestic peanut oil consumption is forecast at 6,000 MT in 2022/23, up 1,000 MT due to Brazilians increasingly looking to supplement their diets with plant-derived proteins. For 2022/23, Post forecasts peanut meal production at 112,000 MT, with a small amount left over for stocks. The livestock industry has been squeezed by the rising feed prices associated with inflation. Post anticipates that as a result, there will be increasing demand for non-soybean meal, including peanut meal and cottonseed mentioned above.

Post estimates that total domestic peanut consumption in 2021/22 (January-December 2021) will reach 391,000 MT, above the estimate to have been consumed last season. While peanut processing is expected to increase by almost five percent to 255,000 MT, up from 239,000 MT in 2020/21, food use – mostly driven by the confectionary industry – will grow only incrementally to 80,000 MT, up from 78,000 MT in the previous season. The domestic confectionary industry is expected to grow in 2022 with the continued recovery from the coronavirus pandemic; the economic recovery will be reflected in consumer purchases.

Peanut oil production is estimated at 98,000 MT for the 2021/22, of which 92,000 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 2021/22, Post estimates peanut meal production to reach 112,000 MT, almost all of it destined for animal feed.

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.

TRADE

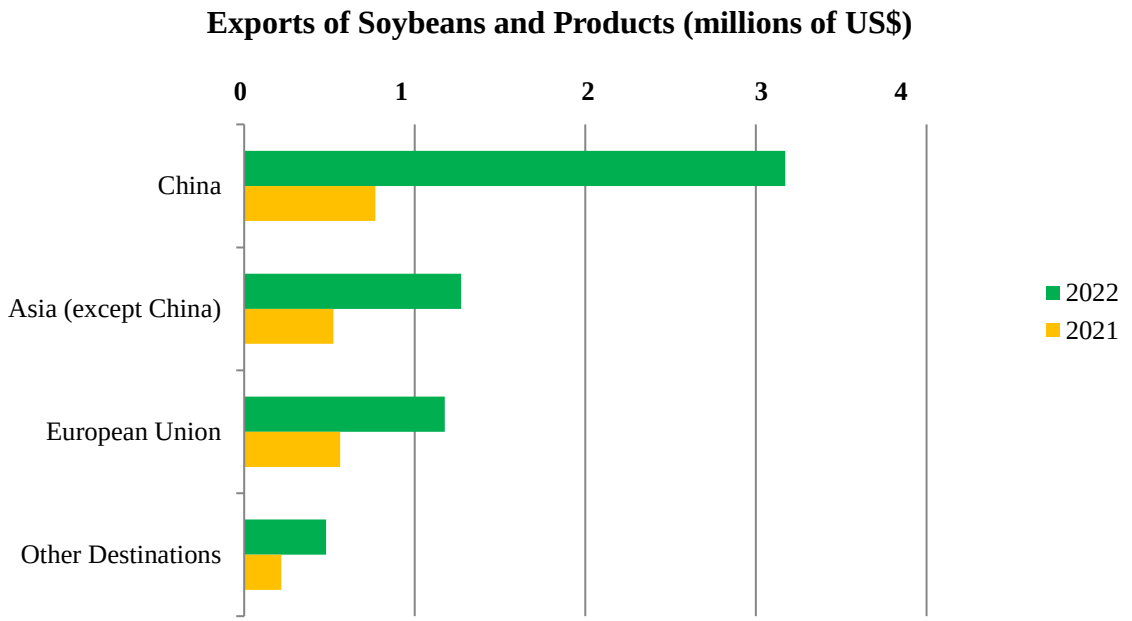
Soybean and Soybean Meal Exports in 2022/23 Forecast Up

Soybean exports in the 2022/23 (February 2023 to January 2024) marketing year (MY) are forecast at 87 MMT, 10 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 upcoming election uncertainty. Brazil's government reduced its forecast for the growth in country's gross domestic product (GDP) in 2022 from 2.1 to 1.5 percent. For 2023, the predicted 2.5 percent growth was maintained.

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 Russia/Ukraine war. Unlike a multitude of other sectors, soybean consumption has limited elasticity. In China and Europe – key soybean importers

– despite economic uncertainty, meat consumption is not expected to suffer a dramatic downturn. China is expected to remain the top importer of Brazilian soybeans.

Figure 14:



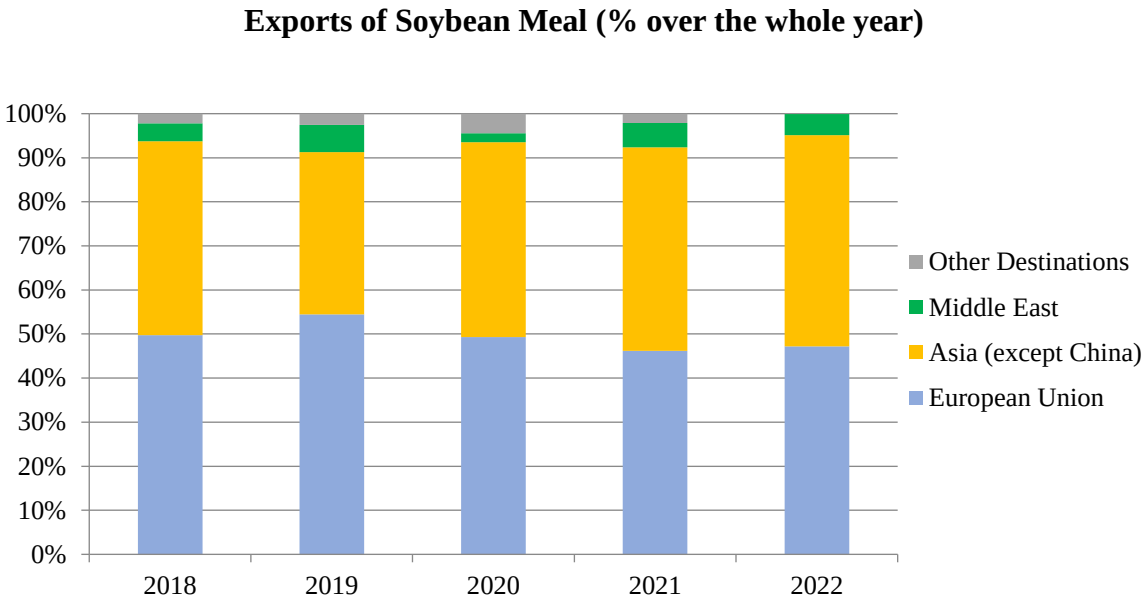
Source: Abiove

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 past few years, 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.

Figure 15:



Source: Abiove

Post forecasts soybean meal exports to increase about 2 percent to 18.4 MMT in 2022/23, based on available supply and export demand supported by continued weakness of the Brazilian real. In 2021/22, 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.

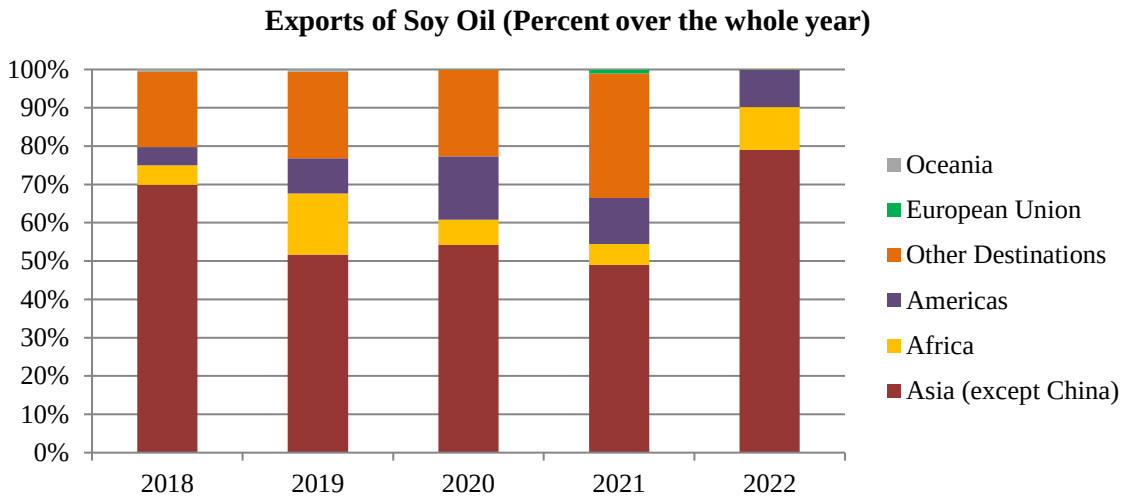
Current Soybean Export Season off to a Strong Start

Brazil exported 23.56 million tons of soybeans in the first quarter of this year, according to estimates by the National Association of Cereal Exporters (Anec), which calculates its projections based on official information on shipments and on the schedule of Brazilian ports. The volume is 15 percent higher than that recorded in the same period in 2021, when the country shipped 20.48 million tons of the oilseed. Shipments grew in the first quarter, despite the 18 percent drop in March, when foreign sales were 12.17 million tons. In March last year, exports reached 14.9 million tons. For April, Anec projects soybean shipments of 11.1 million tons, a volume 30 percent lower (or the equivalent of 4.56 million tons) less than the 15.6 million tons in April 2021.

Post forecasts soybean exports for the 2022/23 (February 2022 to January 2023) marketing year to rebound from the current season, to 87 MMT. The forecast is based expectations of greater supplies, and a favorable exchange rate. The Post export estimate also assumes that global demand for soybeans will not see a severe downturn, even in the outset of the war. 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 18.4 MMT for 2020/21, a moderate increase on last season. As economies rebound from the Covid-19 pandemic, it is anticipated that global protein demand will increase, further motivating meal imports.

Figure 16:



Soybean oil exports totaled 1.37 million tons in March 2022, and 4.5 million tons in the first quarter of the year, volumes 8 percent and 43.3 percent higher year-on-year, according to Anec. The forecast for April is for growth of 20 percent, to 1.9 million tons. Post anticipates that exports of both soybean meal and oil will continue to be supported by the relatively weak domestic currency. Soy oil is expected to be in especially high demand. According to Post contacts, the crusher is most competitive, because crush margins are very good. Due to the poor soy crop in Argentina, and lower global palm oil production as well, importers are desperately seeking sources for oil. As a result, Post forecasts higher exports for Brazilian soybean oil, up to 1.9 million tons in 2022/23, from 1.7 million tons in the current season. Post anticipates that exports of both soybean meal and oil will continue to be supported by the relatively weak domestic currency.

Soybean Imports to Subside in 2022/23

Post forecasts soybean imports to drop to 600,000 MT in 2022/23. The forecast considers an increase in forecast production for 2022/23. Although the forecast represents a 50 percent decline on the current season estimate of 900,000 MT in imports, it is still nearly twice the average volume. Previously, Brazil was importing on average about 260,000 MT of soybeans per season. Post anticipates that in 2022/23, 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 2021/22 imports at 900,000 MT, a slight increase 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 lower-than-anticipated production for the season. Soybean imports will continue to come in mostly from Paraguay. Despite tight supply, Post does not anticipate that the Brazilian government will extend or create additional policy measures to facilitate imports.

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 15,000 MT in 2022/23, slightly below the estimate for 2021/22. 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 to Face Challenge in Key Markets: Russia and Ukraine

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 365,000 MT in 2021/22, up more than four times from 77,000 MT in 2010/11. However, this trend may not continue into 2022/23 as peanuts may be yet another unanticipated agricultural casualty of the Russia/Ukraine War. 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. About 50 percent of all national production is destined for just two countries: Russia and Ukraine.

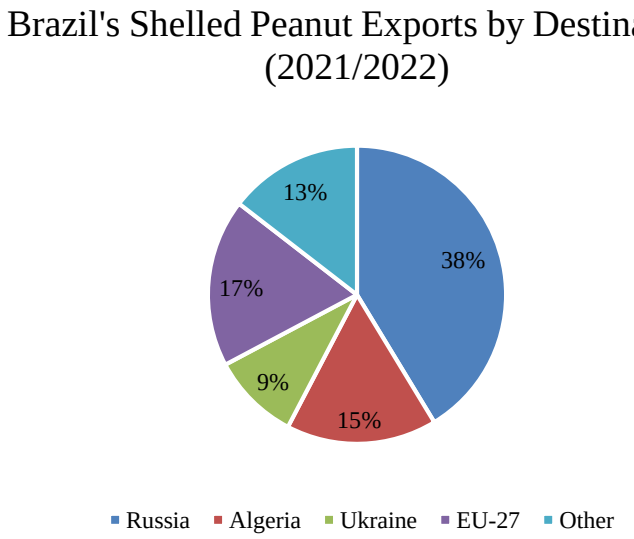
Farmers are in the middle of the harvest of the Brazilian peanut crop, and producers and exporters are getting more concerned as the war between Russia and Ukraine advances. Under normal circumstances, peanut sales depend on the immediate transport of the harvest to shipment. Now, due to war sanctions, European ships are unable to dock, and the cargo is beginning to overflow from storage areas in Brazil. Since the beginning of the armed conflict and the imposition of sanctions on Russia by the West, shipments to Russia and Ukraine have been suspended.

According to the ComexStat system, from the Ministry of Economy, the sector exported US$ 331 million in 2021, an increase of 3.6 percent compared to 2020, with 256,586.3 tons. Russia bought US$130 million worth of peanuts from Brazil, up 10.5 percent year-on-year, with a 39.2 percent share of the total volume. In January 2022, US$ 12.6 million were shipped to Russia, with a 40.5 percent share of exports. In the last ten years, shipments of Brazilian grain to the Russian market grew by 50 percent, where peanut consumption is closely linked to the candy and confectionery industry. Ukraine represented 8.83 percent of Brazilian foreign sales of peanuts, buying US$ 29.2 million last year, an increase of 52.7 percent. In January this year, it imported US$ 1.64 million in peanuts from Brazil, representing a 5.3 percent share of the product's exports.

The Ministry of Agriculture is trying to solve the crisis by opening new markets for peanuts in natura, in jellies and as oils. However, it seems at least in the short term, Brazilian peanut exports will be negatively impacted.

Consequently, Post forecasts peanut exports to reduce to 300,000 MT in 2022/23, down from 365,000 MT estimated for 2021/22. 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.

Figure 17:



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, after South Africa and India. In 2020/21, Brazil exported a record-setting 75,000 MT of the oil, fueled by the favorable exchange rate. The main destinations for peanut oil were China, accounting for 70 percent of all peanut oil exports, and Italy with 27 percent. Post expects peanut oil exports to continue expanding, reaching a forecasted 94,000 MT in 2022/23, up from an estimated 92,000 MT in 2021/22.

Oilseed, Soybean (Local)	2020/2021		2021/2022		2022/2023	
Market Year Begins	Feb 2021		Feb 2022		Feb 2022	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	39200	39000	40800	40700	0	42500
Area Harvested (1000 HA)	39200	39000	40800	40700	0	42500
Beginning Stocks (1000 MT)	1961	1961	2250	2721	0	1421
Production (1000 MT)	139500	138000	125000	124800	0	139000
MY Imports (1000 MT)	791	860	450	900	0	600
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	142252	140821	127700	128421	0	141021
MY Exports (1000 MT)	88512	88900	75500	77000	0	87000
MY Exp. to EU (1000 MT)	3500	3500	3500	3500	0	0
Crush (1000 MT)	48285	46500	47000	46900	0	48500
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	3205	2700	3245	3100	0	3000
Total Dom. Cons. (1000 MT)	51490	49200	50245	50000	0	51500
Ending Stocks (1000 MT)	2250	2721	1955	1421	0	2521
Total Distribution (1000 MT)	142252	140821	127700	128421	0	141021
CY Imports (1000 MT)	859	700	450	1000	0	900
CY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
CY Exports (1000 MT)	86100	82980	77270	77000	0	86500
CY Exp. to U.S. (1000 MT)	0	0	0	0	0	0
Yield (MT/HA)	3.5587	3.5385	3.0637	3.0663	0	3.2706
(1000 HA) ,(1000 MT) ,(MT/HA)						

Meal, Soybean (Local)	**2020/2021**		**2021/2022**		**2022/2023**	
Market Year Begins	**Feb 2020**		**Feb 2021**		**Feb 2022**	
Brazil	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Crush (1000 MT)	47200	46500	46300	46900	0	48500
Extr. Rate, 999.9999 (PERCENT)	0.775	0.7742	0.7751	0.7857	0	0.7732
Beginning Stocks (1000 MT)	3832	3832	3496	3747	0	3012
Production (1000 MT)	36580	36000	35887	36850	0	37500
MY Imports (1000 MT)	19	15	15	15	0	15
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	40431	39847	39398	40612	0	40527
MY Exports (1000 MT)	17685	16800	16300	18100	0	18400
MY Exp. to EU (1000 MT)	7500	9000	7800	9000	0	9200
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	19250	19300	19650	19500	0	19700
Total Dom. Cons. (1000 MT)	19250	19300	19650	19500	0	19700
Ending Stocks (1000 MT)	3496	3747	3448	3012	0	2427
Total Distribution (1000 MT)	40431	39847	39398	40612	0	40527
(1000 MT) ,(PERCENT)						

Oil, Soybean (Local)	**2020/2021**		**2021/2022**		**2022/2023**	
Market Year Begins	**Feb 2020**		**Feb 2021**		**Feb 2022**	
Brazil	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Crush (1000 MT)	47200	46500	46300	46900	0	48500
Extr. Rate, 999.9999 (PERCENT)	0.1926	0.2	0.1925	0.2047	0	0.2021
Beginning Stocks (1000 MT)	598	598	304	328	0	258
Production (1000 MT)	9091	9300	8913	9600	0	9800
MY Imports (1000 MT)	110	160	125	50	0	100
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	9799	10058	9342	9978	0	10158
MY Exports (1000 MT)	1800	1770	1650	1700	0	1900
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	3920	4100	3625	4120	0	4150
Food Use Dom. Cons. (1000 MT)	3775	3860	3800	3900	0	3920
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	7695	7960	7425	8020	0	8070
Ending Stocks (1000 MT)	304	328	267	258	0	188
Total Distribution (1000 MT)	9799	10058	9342	9978	0	10158
(1000 MT) ,(PERCENT)						

Oilseed, Cottonseed	2020/2021		2021/2022		2022/2023	
Market Year Begins	Jan 2021		Jan 2022		Jan 2022	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (Cotton) (1000 HA)	1444	1444	1600	1600	0	1550
Area Harvested (Cotton) (1000 HA)	1370	1370	1600	1600	0	1550
Seed to Lint Ratio (RATIO)	0	0	0	0	0	0
Beginning Stocks (1000 MT)	176	176	87	0	0	130
Production (1000 MT)	3592	3592	4382	4450	0	4400
MY Imports (1000 MT)	0	0	0	0	0	0
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	3768	3768	4469	4450	0	4530
MY Exports (1000 MT)	17	0	30	20	0	15
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Crush (1000 MT)	3600	3600	4100	4000	0	3950
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	64	168	200	300	0	450
Total Dom. Cons. (1000 MT)	3664	3768	4300	4300	0	4400
Ending Stocks (1000 MT)	87	0	139	130	0	115
Total Distribution (1000 MT)	3768	3768	4469	4450	0	4530
CY Imports (1000 MT)	0	0	0	0	0	0
CY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
CY Exports (1000 MT)	20	0	30	0	0	0
CY Exp. to U.S. (1000 MT)	0	0	0	0	0	0
Yield (MT/HA)	2.6219	2.6219	2.7388	2.7813	0	2.8387
(1000 HA) ,(RATIO) ,(1000 MT) ,(MT/HA)						

Meal, Cottonseed	2020/2021		2021/2022		2022/2023	
Market Year Begins	Jan 2021		Jan 2022		Jan 2022	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	3600	3600	4100	4000	0	3950
Extr. Rate, 999.9999 (PERCENT)	0.4756	0.4875	0.4756	0.5125	0	0.4937
Beginning Stocks (1000 MT)	5	5	7	0	0	0
Production (1000 MT)	1712	1755	1950	2050	0	1950
MY Imports (1000 MT)	0	0	0	0	0	0
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1717	1760	1957	2050	0	1950
MY Exports (1000 MT)	0	0	0	0	0	0
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	1710	1755	1950	2050	0	1950
Total Dom. Cons. (1000 MT)	1710	1755	1950	2050	0	1950
Ending Stocks (1000 MT)	7	0	7	0	0	0
Total Distribution (1000 MT)	1717	1755	1957	2050	0	1950
(1000 MT) ,(PERCENT)						

Oil, Cottonseed	2020/2021		2021/2022		2022/2023	
Market Year Begins	Jan 2021		Jan 2022		Jan 2022	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	3600	3600	4100	4000	0	3950
Extr. Rate, 999.9999 (PERCENT)	0.16	0.1644	0.16	0.17	0	0.1633
Beginning Stocks (1000 MT)	51	51	18	12	0	29
Production (1000 MT)	576	592	656	680	0	645
MY Imports (1000 MT)	4	2	4	2	0	2
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	631	645	678	694	0	676
MY Exports (1000 MT)	7	3	7	0	0	0
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	390	410	430	435	0	430
Food Use Dom. Cons. (1000 MT)	216	220	215	230	0	220
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	606	630	645	665	0	650
Ending Stocks (1000 MT)	18	12	26	29	0	26
Total Distribution (1000 MT)	631	645	678	694	0	676
(1000 MT) ,(PERCENT)						

Oilseed, Peanut	2020/2021		2021/2022		2022/2023	
Market Year Begins	Jan 2020		Jan 2022		Jan 2022	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	166	168	180	180	0	190
Area Harvested (1000 HA)	165	168	180	180	0	190
Beginning Stocks (1000 MT)	28	28	6	8	0	9
Production (1000 MT)	640	674	700	700	0	720
MY Imports (1000 MT)	6	1	5	2	0	2
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	674	703	711	710	0	731
MY Exports (1000 MT)	352	365	360	365	0	300
MY Exp. to EU (1000 MT)	38	60	40	40	0	50
Crush (1000 MT)	240	239	260	255	0	280
Food Use Dom. Cons. (1000 MT)	75	90	78	80	0	110
Feed Waste Dom. Cons. (1000 MT)	1	1	1	1	0	1
Total Dom. Cons. (1000 MT)	316	330	339	336	0	391
Ending Stocks (1000 MT)	6	8	12	9	0	40
Total Distribution (1000 MT)	674	703	711	710	0	731
CY Imports (1000 MT)	5	0	5	1	0	1
CY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
CY Exports (1000 MT)	352	0	360	370	0	400
CY Exp. to U.S. (1000 MT)	0	0	0	0	0	0
Yield (MT/HA)	3.8788	4.0119	3.8889	3.8889	0	3.7895
(1000 HA) ,(1000 MT) ,(MT/HA)						

Meal, Peanut	2020/2021		2021/2022		2022/2023	
Market Year Begins	Jan 2021		Jan 2022		Jan 2022	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	240	239	260	255	0	280
Extr. Rate, 999.9999 (PERCENT)	0.3625	0.41	0.3731	0.4314	0	0.4
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	87	98	97	110	0	112
MY Imports (1000 MT)	0	0	0	0	0	0
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	87	98	97	110	0	112
MY Exports (1000 MT)	1	0	1	1	0	1
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	86	98	96	109	0	111
Total Dom. Cons. (1000 MT)	86	98	96	109	0	111
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	87	98	97	110	0	112
(1000 MT) ,(PERCENT)						

Oil, Peanut	**2020/2021**		**2021/2022**		**2022/2023**	
Market Year Begins	**Jan 2021**		**Jan 2022**		**Jan 2022**	
Brazil	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Crush (1000 MT)	240	239	260	255	0	280
Extr. Rate, 999.9999 (PERCENT)	0.3625	0.3556	0.3692	0.3843	0	0.3571
Beginning Stocks (1000 MT)	2	2	0	4	0	5
Production (1000 MT)	87	85	96	98	0	100
MY Imports (1000 MT)	0	0	0	0	0	0
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	89	87	96	102	0	105
MY Exports (1000 MT)	85	75	90	92	0	94
MY Exp. to EU (1000 MT)	23	12	25	25	0	27
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	4	8	5	5	0	6
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	4	8	5	5	0	6
Ending Stocks (1000 MT)	0	4	1	5	0	5
Total Distribution (1000 MT)	89	87	96	102	0	105
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments