

Perspectives for the BRAZILIAN

GRAIN HARVEST 2020/21

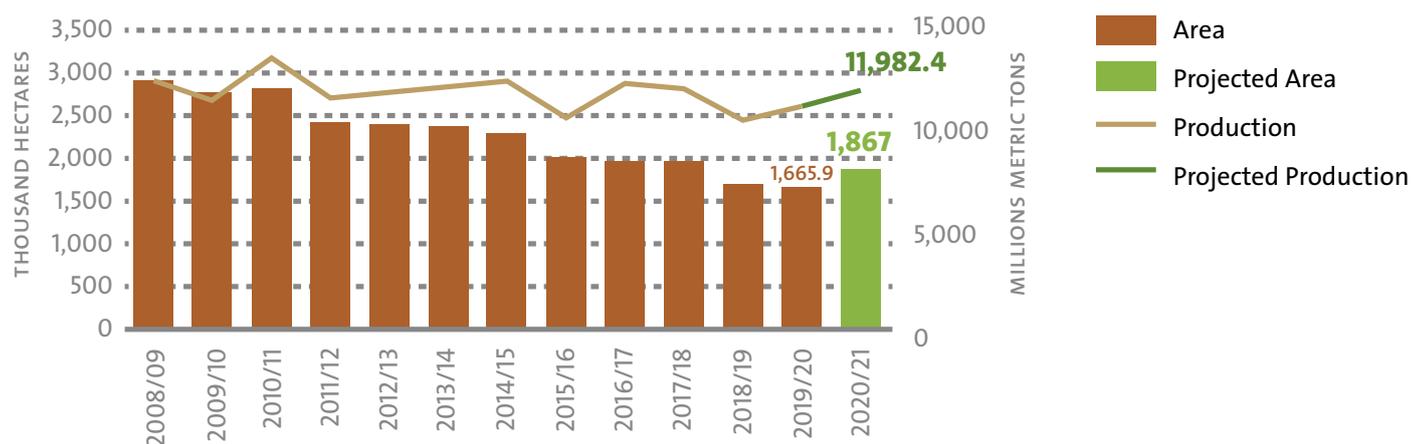
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RICE

The Brazilian rice harvest in the 2020-21 crop-year should be 7 percent higher than the previous one, reaching 11.98 million metric tons (paddy rice). It is estimated that productivity fell 4 percent over that of the previous harvest, which was greatly favored by the climate. The area is expected to increase 12 percent due to the good profitability this year. In Brazil, ending stocks have been reduced and are at the lowest levels of the last four harvests. The consumption of Brazilians increased 5.1 percent in the 2019-2020 crop, but still remained below the average of the last ten years. After the great 2010-2011 harvest, Brazilian rice consolidated in the international market and has been accumulating consecutive surpluses – Brazil imports mainly from Paraguay and Uruguay. In global terms, there is projected growth in the area and production, with emphasis on the increase in India and the USA. The stocks to use ratio and consumption remains stable, just over 37 percent.

Rice - Area (thousand hectare) and production (million metric tons), 2009 to 2021*(projected)



SOURCE: CONAB

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BEANS

Brazil has three bean crops per year. The result of one as well as the others competing acreage influences the investment decision in the next. Due to this dynamic, the estimated annual bean harvest tends to have significant updates throughout the year.

At first, Conab forecasts that Brazilian producers will harvest 3,040 thousand metric tons in 2020-21 crop marketing year. The total forecast acreage is 2,920.7 thousand hectares and the average productivity would be 1.041 kg/ha, a decrease of 4.4 percent over the average of the previous year. It will be the third consecutive crop in which Brazilian production is well adjusted to demand.

For the first harvest of the 2020-2021 season of the colored beans, Conab estimates stability in the planted area and in productivity. The production would be around 609 thousand tons, equal to that of the 1st. previous year's crop. This production would be obtained in an area of 365.9 thousand hectares and with a productivity of 1,498 kg/ha.

In 2019-20 crop, Brazilian exports were record-breaking, reaching 164 thousand metric tons - almost all of the "caupi" variety. Imports were 149.6 thousand metric tons mainly black beans, amount 84 percent higher than that imported in 2019. For the new season, Conab projects a decrease in both exports and imports.

In 2019/2020, the consumption of Brazilians was 3.050 thousand metric tons and the stock for 2020/2021 is 371.5 thousand metric tons.

Beans - Area (thousand hectare) and production (million metric tons), 2009 to 2021*(projected)



SOURCE: CONAB

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COTTON

The COVID-19 pandemic impact on the cotton market has been strong. Cotton is the agcommodity that has been most devalued in the international market since the beginning of restrictive measures.

Conab estimates that Brazil will reduce its production by 12 percent in the 2020/2021 harvest, and is expected to harvest 2.566 MMT. The planted area may be 11 percent smaller, at the mark of 1,494.7 thousand hectares. For productivity, a slight drop of 2 percent is expected, with the average going to 1,717 kg / ha.

In Brazil, the consumption of cotton may fall 18 percent in 2020, limited to 570 TMT, according to the projection of the Brazilian Association of Textile Industry (Abit). This volume means returning to the levels of the 80s. Global demand is also expected to fall sharply. As a result, world stocks the MY 2019/2020 harvest, according to the USDA, increased about 25 percent. In Brazil, Conab estimates that inventories may be increase almost 30 percent, and may be close to 2 MMT at the end of 2020.

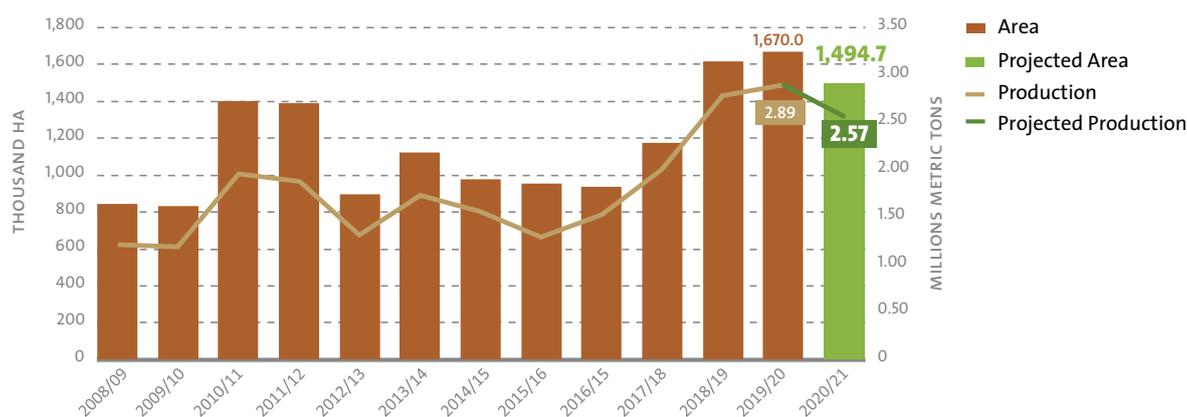
The Brazilian producer also sees as a disincentive to the production of plume the increase in profitability of corn and, mainly, of soybeans, which are competing crops by area.

The three largest producers, India, China and the USA, are also expected to reduce the planted area in the MY 2020/2021 harvest. According to the USDA, in the USA, the area will be 11.3 percent smaller; worldwide, the decrease in area is predicted to be 5.8 percent.

In 2019, the Brazilian export volume of cotton was a record: 1.61 MMT. For MY 2020/2021, another big increase of 19 percent is expected, with the volume reaching 1.92 MMT, according to an estimate by the country's Cotton Exporters Association (Anea).

In Brazil, the anticipated sales of the cotton MY 2020/2021 are at a faster pace than last year. In July, 42.7 percent of the expected production had already been sold, against 31.4 percent in July of 2019. In addition, the appreciated dollar has also helped to raise prices in the Brazilian market.

Cotton - Area (thousand hectare) and production (million metric tons), 2009 to 2021*(projected)



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SOYBEAN

In 2020/2021 year-crop, Brazil should harvest the largest production of its historical series, reaching 133.5 million metric tons (MMT), according to Conab – Brazilian Government. This volume represents an increase of 7 percent over the last production - adjusted data. The cultivated area should increase 3 percent, to 37.859 million hectares and the average productivity should reach 3,526 kg/ha, also an increase of 3 percent.

Conab revised the production data for the last harvests according to the more sophisticated methodology. With that, the production of the 2019/20 season increased to 124.457 million tons, about 3.5 million tons more than previously forecast.

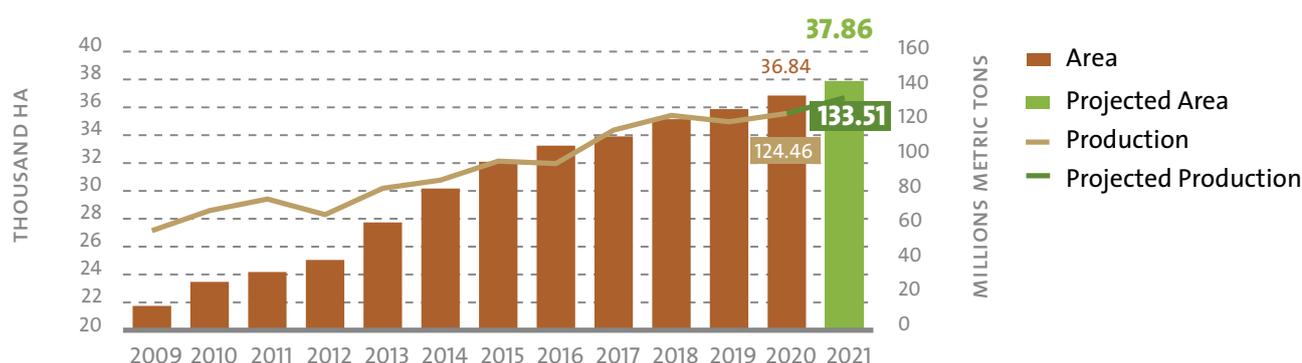
Globally, soybean production could increase by almost 10 percent, according to the USDA. Brazil should continue to be the world's largest soybean producer, with 35.4 percent of the total in the MY 2020/2021, followed by the USA, with 32.51 percent.

According to Conab's statistical models, Brazilian exports may increase from 82 MMT to 86.79 MMT in MY 2020/2021, driven by strong Chinese imports and the exchange rate. About 80 percent of the soybeans exported by Brazil in 2021 should go to China.

Demand in the Brazilian market is also heated. There is a possibility that the percentage of biodiesel mixed with diesel oil will increase from 12 percent to 13 percent in the diesel oil. With this, the crushing of soybeans in Brazil, in 2021, is now expected to be 47.3 MMT, against 44.6 MMT estimated previously.

Early sales for the new crop are accelerating. At the beginning of August, about 40 percent had already been sold, against 20 percent a year ago.

Soybean - Area (thousand hectare) and production (million metric tons), 2009 to 2021*(projected)



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CORN

Brazil is starting to have a third corn crop, but it is still very small. The summer crop in MY 2019/2020 produced 23 percent of the total, the winter crop contributed 74 percent and the incipient third crop with 3 percent. Considering these three harvests, Conab estimates that Brazil will produce 112.900 MMT of corn in MY 2020/21, an increase of 11 percent, if the climate is not adverse and there are no problems with pests.

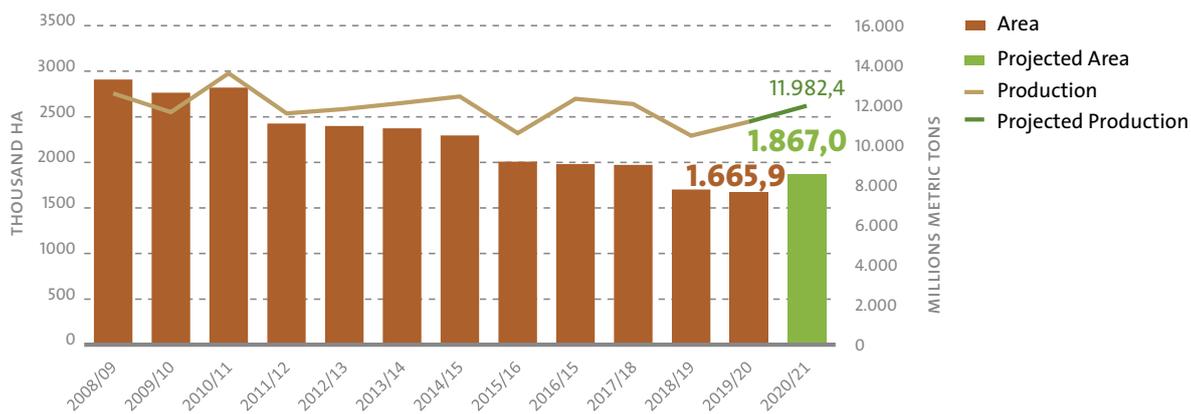
However, if La Niña occur, it can delay the rains in large producing regions and reduce the productivity of corn and soybeans. For now, a 3 percent reduction in productivity is expected, with an average of 5,709 kg/ha. The cultivated area is estimated at 19.776 million hectares, an expansion of 7 percent.

The increase in production meets expectations of growth in domestic consumption and also in exports. According to statistical calculations by Conab, the demand for corn in Brazil should continue to increase, advancing another 5 percent, the same growth average observed in the last three years. As a result, domestic consumption is expected to be 72 MMT in MY 2020/2021.

For exports, the optimistic scenario calculated by Conab points to a total of 39 MMT, an increase of 13 percent compared to the MY 2019/2020. These sales are stimulated by exchange rate and external demand. In Argentina, structural problems may lead to a reduction in investments for crops in 2021.

If these numbers are confirmed, Brazil's stocks at the end of the MY 2020/2021 harvest will be around 11.75 MMT (16.35 percent - stock to Use ratio)

Corn - Area (thousand hectare) and production (million metric tons), 2009 to 2021*(projected)



SOURCE: CONAB