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Report Highlights:

Despite initially optimistic projections for the 2023/24 harvest, the El Niño has negatively impacted the corn and wheat crops. As a result, Post estimates corn production in MY 2023/24 will decrease to 122 MMT. However, corn production is forecast to increase to 129 MMT in MY 2024/25, in line with an expected rise in consumption, especially by the feed and ethanol industries. Wheat crops have also suffered severe losses during the 2023/24 harvest, resulting in low-quality grains. This has led to an increase in wheat imports for MY 2023/24 to 5.5 MMT, which should drop to 4.5 MMT in 2024/25 as wheat production improves in the country. Meanwhile, rice producers have seen an increase in planted area and production this season, following two consecutive years of low prices and profitability.

CORN

Production, Supply, and Distribution

Table 1
Production, Supply, and Distribution of Corn

Corn	2022/2023		2023/2024		2024/2025	
Market Year Begins	Mar 2023		Mar 2024		Mar 2025	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	22400	22400	21900	21500	0	22000
Beginning Stocks (1000 MT)	3971	3971	11471	11471	0	9871
Production (1000 MT)	137000	135500	124000	122000	0	129000
MY Imports (1000 MT)	1300	1300	1200	1400	0	1500
TY Imports (1000 MT)	1684	1684	1800	1800	0	1500
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	142271	140771	136671	134871	0	140371
MY Exports (1000 MT)	54300	54300	52000	45000	0	51000
TY Exports (1000 MT)	53285	53285	52000	45000	0	51000
Feed and Residual (1000 MT)	63500	62000	64500	65000	0	65500
FSI Consumption (1000 MT)	13000	13000	14000	15000	0	16000
Total Consumption (1000 MT)	76500	75000	78500	80000	0	81500
Ending Stocks (1000 MT)	11471	11471	6171	9871	0	7871
Total Distribution (1000 MT)	142271	140771	136671	134871	0	140371
Yield (MT/HA)	6.1161	6.0491	5.6621	5.6744	0	5.8636
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Corn begins in October. TY 2023/2024 = October 2023 - September 2024						
Source: Post Brasilia						

Corn Production

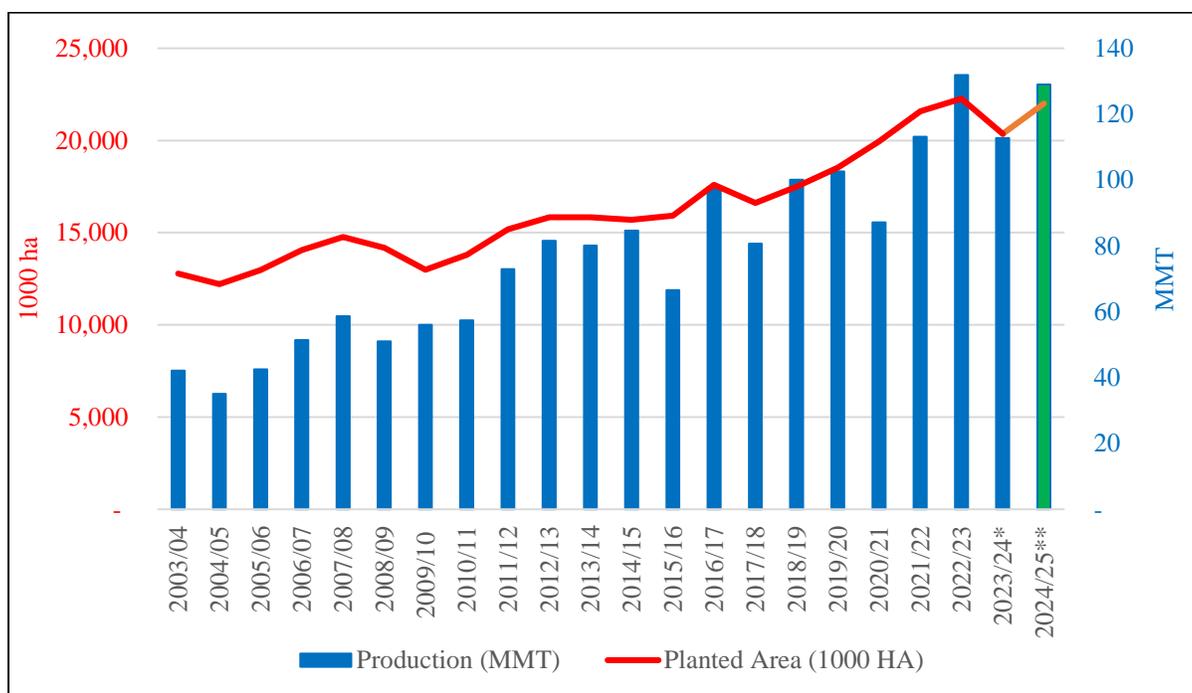
After a record-breaking harvest in 2022/23, farmers were hopeful for the 2023/24 cycle. However, the negative impacts of the El Niño weather phenomenon caused significant damage to corn crops across the country, resulting in substantial losses. Corn is expected to attract the attention of producers in 2024/25 due to the importance to the national feed industry despite the anticipated decline in production.

MY 2024/25 Planted Area and Production to Increase Following Trendline

Post forecasts corn planted area for MY 2024/25 (March 2025 – February 2026) at 22 million hectares (ha), based on the upward historical trend. While profit margins in the past season have been low for producers, corn is still widely consumed in Brazil and one of the top exporting commodities in the country, which can be planted multiple times per year. As such, Post estimates corn production for 2024/25 at 129 MMT, a 5.7 percent increase from Post’s estimate for this season. This increment is under a scenario of favorable weather conditions, following the alert of the possible end of the El Niño, which severely impacted yields this 2023/24 harvest.

Figure 1

Evolution of Corn Planted Area and Production in Brazil



Data source: National Supply Agency (CONAB), with *2023/24 as CONAB estimate and **2024/25 as Post estimate; Graph Post Brasilia

The decision of corn producers to plant crops in the 2024/25 season may be significantly impacted by various external factors that could affect the current forecast. The prices of corn in Brazil may fluctuate due to factors such as the appreciation of the U.S. dollar against the Brazilian real or a sudden increase in imports from China, which could lead to an increase in production and export. Additionally, the upcoming crops from the U.S., Argentina, and Ukraine will also have a substantial impact on international prices of corn. This will affect the profitability of Brazilian producers and their decision to opt for corn.

Post contacts have reported that many producers are reducing their technological investments in the current harvest because of high production costs, and this trend is expected to continue into 2024/25. This includes the use of fertilizers, with producers in regions such as Paraná buying fewer nitrogen

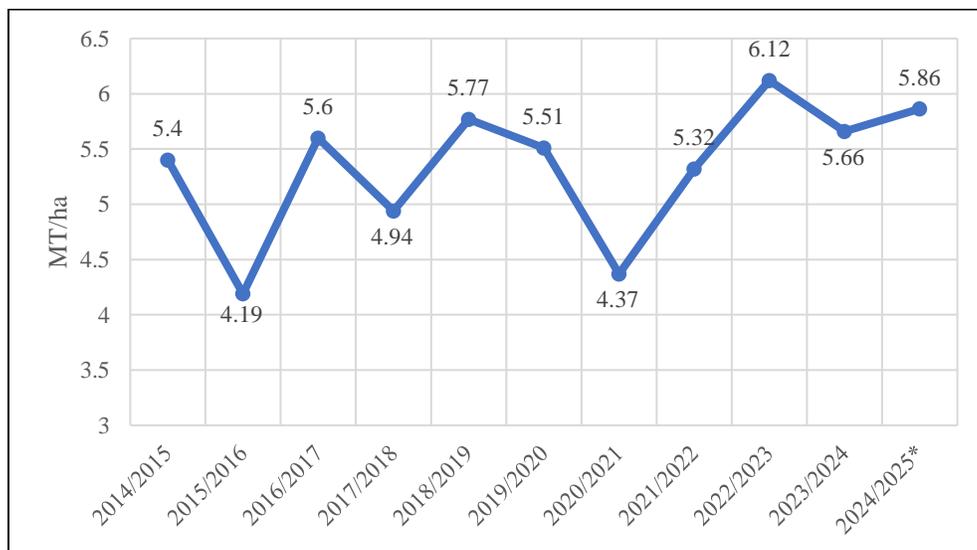
products. As a result, prices of this fertilizer have stagnated. Meanwhile, the prices of urea have increased in the domestic market as sellers have increased their sales offers to cover the final needs of the 2023/24 winter corn harvest. Production costs have discouraged farmers from increasing urea use earlier in the season. Farmers are also postponing the purchase of nitrogen for the beginning of this year, following the same movement they did in the middle of 2023 with the soybean harvest when they postponed phosphate and potassium deals. They managed to acquire large volumes at more attractive prices in the season. However, with the current high prices of urea, only small volumes are expected to be traded in the coming weeks to supply the 2023/24 second corn harvest, as planting has already begun in the leading producing states of Mato Grosso, Paraná, and Goiás.

El Niño Takes a Hit at Corn Production and Yield in MY 2023/24

Post reduced its planted area estimate for MY 2023/24 (March 2024 – February 2025) to 21.5 million hectares, down from the previous 22 million hectares. This reduction is due to unfavorable weather conditions caused by the El Niño phenomenon. The delay in the soybean harvest, which precedes the sowing of corn, has led producers to decrease the planted area of corn for 2023/24. Moreover, excess rains during the development phase of corn have severely compromised the yield, forcing producers to abandon fields or switch to other crops like sunflower or sesame.

As such, Post decreases its estimated corn production for MY 2023/24 by 6.6 percent, to 122 MMT. Despite initial optimistic projections for this harvest, the El Niño hindered planting and the development phase of the summer crop in the south region of Brazil. Weather patterns are also affecting second corn crops in other regions, with fields enduring high temperatures and irregular rainfall.

Figure 2
Evolution of Corn Yield in Brazil



Data source: World Agricultural Supply and Demand Estimates (WASDE), with 2024/25 as Post estimates;
Graph Post Brasilia

A lower supply of corn in 2023/24 is also expected because corn producers' margins have been negative this first quarter of the year. This is after a record harvest in 2022/23, which increased supply and decreased prices. Given this scenario, many producers are directing part of their crops to more profitable or safer options, such as cotton and sorghum. Despite these challenges, the harvest is still impressive and has the potential to become the second largest in history in terms of volume and value exported.

Harvest Outlook

The end of the first quarter of the year is marked by the attention of the Brazilian market toward the conclusion of the harvest of first-season corn and the sowing and development of the second season harvest. The period is also of higher movement in the country's ports for the exports of soybean, which traditionally leads to lower exports of corn.

Table 2

Reaping Progress of First-season corn in Brazil (2023/24 Harvest)

State	Week up to		
	2023	2024	
	18 Mar	11 Mar	17 Mar
Maranhão	0%	0%	0%
Piauí	0%	0%	0%
Bahia	35%	0%	0%
Goiás	1%	0%	0%
Minas Gerais	19%	15%	22%
São Paulo	65%	40%	45%
Paraná	45%	73%	82%
Santa Catarina	65%	61%	62%
Rio Grande do Sul	64%	68%	75%
	35%	33%	37%

Data source: National Supply Agency (CONAB); Table Post Brasilia

Table 3

Planting Progress of Second-season corn in Brazil (2023/24 Harvest)

State	Week up to		
	2023	2024	
	18 Mar	11 Mar	17 Mar
Goiás	100%	95%	100%
Piauí	80%	20%	45%
Tocantins	100%	80%	100%
São Paulo	50%	30%	35%
Minas Gerais	80%	51%	61%
Maranhão	90%	70%	80%
Mato Grosso do Sul	63%	71%	86%
Mato Grosso	99%	99%	100%
Paraná	66%	82%	91%
	85%	86%	92%

Data source: National Supply Agency (CONAB); Table Post Brasilia

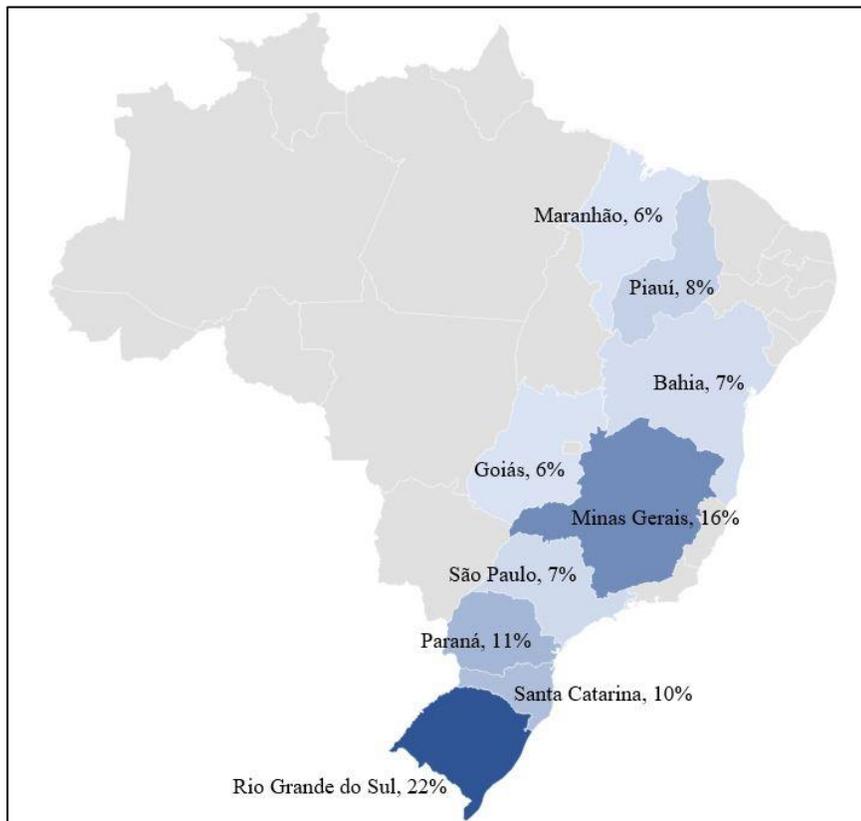
According to Brazil's National Institute of Meteorology (INMET), for the next three months, much of the Northeast (which includes the bordering state areas referred to as MATOPIBA and SEALBA) and the Central-West of the country will have below-average rainfall while the North, South, and Southeast Regions are forecast to have above-average rainfall. The central part of Brazil begins to receive less rain from April and May, with temperatures above the climatological average in practically the entire country, especially in areas of Central and Northern Brazil.

First-Season Corn

Corn is planted in Brazil year-round. First-season corn, also known as “summer corn,” was typically cultivated in southern Brazil but has now expanded to northeastern states. It is usually planted between August and December and harvested between January and June. It currently accounts for roughly 21 percent of all corn production in the country, according to data from the National Supply Agency (CONAB).

Figure 3

First-season Corn: Main Producing States, 2023/24



Data source: National Supply Agency (CONAB); Graph Post Brasilia

- **Rio Grande do Sul**: Sowing of first-season corn ended in February in the state, with the Association of Technical and Rural Extension Enterprises of Rio Grande do Sul (EMATER/RS) estimating 812.8 thousand hectares of planted area. With different weather conditions throughout the productive phases of the harvest, CONAB estimates yield for the 2023/24 cycle at 6.29 kg/ha, against 6.46 kg/ha estimated by EMATER/RS. The state is set to harvest 6.0 MMT in 2023/24 by calculations made by EMATER/RS, up 53 percent from last year's harvest. Nevertheless, low prices continue to discourage farmers since production costs remain high. For this reason, first season crop will likely see a decrease in harvested area, with producers favoring soybeans. In this scenario, the 2024/25 season may also see a reduction of area as farmers may continue to opt for more profitable crops. In addition, EMATER/RS estimates that Rio Grande do Sul is expected to produce a large

amount of corn for silage, with an estimated cultivated area of 348,549 hectares and an estimated production of approximately 12 million tons of corn mainly destined for the dairy herd. This is seen as an extreme emergency measure taken by farmers to avoid more significant losses in some regions hit by prolonged periods of drought.

- **Minas Gerais**: The effects of the El Niño in the state led many producers to abandon corn crops that could not be recovered due to climatic conditions. However, farmers who planted first-season corn later than the regular window (projected for October) benefited from steadier weather patterns, allowing them to start harvesting better crops.
- **Paraná**: The state has also withstood negative weather patterns that affected the development of the 2023/24 harvest. Excess rain, low temperatures, and substantial incidences of diseases have been some of the reasons that have led to an estimated reduction in yield, projected at 8.87 kg/ha, according to CONAB. The Department of Rural Economy (DERAL/PR) estimates that the state will plant 309.4 thousand hectares of corn, with first-season corn production estimated at 2.6 MMT, down 31 percent from the 2022/23 harvest.
- **Santa Catarina**: The first harvested crops have displayed lower yields than the last harvest due to climatic adversities at inopportune moments in the harvest's development, at times with periods of excess rain and times with no rain and temperatures reaching high levels, which reduced grain moisture. Santa Catarina imports almost 6 million tons of corn from other locations out of the 8 million it consumes annually.
- **Piauí and Maranhão**: While weather conditions have favored the development of corn crops in these states this season, CONAB estimates a 14 percent reduction in planted area in Piauí and 8 percent in Maranhão in 2023/24 in relation to the previous harvest. This is a direct result of corn sales in the 2022/23 harvest, which were not beneficial to producers. As such, farmers have opted to plant soybeans and cotton this season, which are more profitable commodities. This pattern could be repeated in the 2024/25 cycle, with the states once again displaying a smaller production of corn.
- **São Paulo and Goiás**: First-season corn crops in these states have suffered from a lack of rain and attacks by leafhoppers (*Dalbulus maidis*), which will impact the 2023/24 yield and production.
- **Bahia**: Rains have favored crop development in most of the state, which should contribute to good yields. However, many regions have suffered from leafhopper attacks (*Dalbulus maidis*).

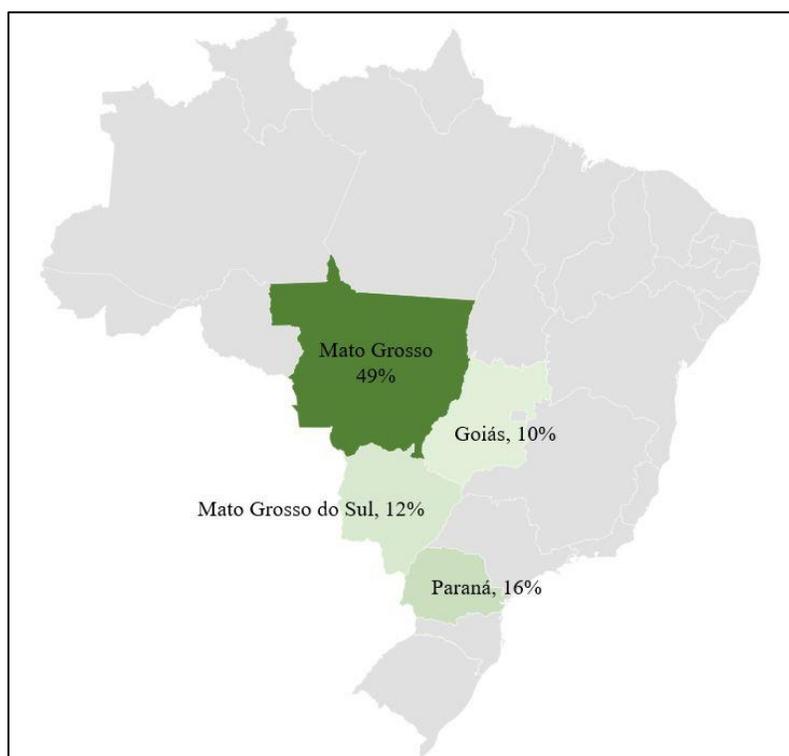
Second-Season Corn

Second-season corn, commonly referred to as 'safrinha' corn or "little harvest," is planted from December to March, usually following the soybean harvest, and comprises the most extensive area. It started as the smallest of Brazil's two corn crops but increased significantly and now accounts for most of the production (roughly 78 percent in the 2023/24 harvest estimate).

The sowing of the second corn crop is already well advanced compared to the last harvest. This progression in cultivation was mainly due to the accelerating of the soybean cycle caused by the climatic extremes that occurred due to the influence of the El Niño.

Figure 4

Second-season Corn: Main Producing States, 2023/24



Data source: National Supply Agency (CONAB); Graph Post Brasília

- **Mato Grosso:** optimal weather conditions have favored the development of second-season corn in the biggest-producing state of Brazil. Responsible for almost 50 percent of safrinha corn, the state is estimated to have planted 7.02 million hectares of corn in the 2023/24 cycle, which represents a drop of 6.27 percent compared to last season, according to data from the Mato Grosso Institute of Agricultural Economics (IMEA). Furthermore, production was calculated at 43.7 MMT, a loss of 16.6 MMT compared to the previous harvest. For the 2024/25 harvest, contacts consulted by Post have indicated that the planted area should continue steadily in relation to this season, resulting in a similar production, should weather conditions remain optimal.
- **Paraná:** The Department of Rural Economy (DERAL/PR) estimates that the 2023/24 second-season corn, which is currently being planted in the region, is at 14.5 MMT, 2 percent higher than last season. By mid-March, the planting of the second corn crop for the 2023/24 period exceeded 91 percent of the estimated area, reaching an expressive mark of around 2.4 million hectares. According to DERAL/PR, the 2023/24 corn harvest planting took place early in the majority of the state, which tends to reduce the risks associated with lower temperatures or the occurrence of frosts

at the end of the cycle, especially in the western region of the state, where this risk is more pronounced with the arrival of winter in the southern hemisphere. Similar to Mato Grosso, for the 2024/25 harvest, production and area should follow a trendline, given suitable weather conditions.

- **Mato Grosso do Sul**: The lack of rainfall has been a limiting factor for the pace of sowing in some regions of the state, especially in the center-south. 2024/25 may see a reduction in planted area, given the high production costs in the state and low profitability. Many of the farmers have been opting to grow other crops, such as soybeans. In contrast, others may continue to produce corn but reduce investments, mainly in cover crop fertilization and protective fungicides, which could result in lower yields. The 2023/24 crops have suffered from the occurrence of leafhoppers and stink bugs, which migrated from soybean areas, but producers are managing them appropriately.
- **Goiás**: While the state has been experiencing good weather for the development of the crop, many farmers have opted to swap the planting of corn for more profitable commodities, such as sorghum and sunflowers. CONAB estimates that the state will have a 15 percent reduction in planted area of corn in 2023/24 in relation to the previous season, dropping production to 8.4 MMT. For 2024/25, Post contacts have indicated that producers could continue opting to plant more profitable crops if prices of corn do not improve. Goiás has become the biggest producer of sunflowers in the country, and this is quickly becoming an option for many farmers.

Third-Season Corn

In 2019, Brazil also established a third-season corn crop, planted only in some states of the country's North and Northeast. Due to the region's climate, this crop cycle resembles that of the United States, with planting occurring around May and harvesting in October. This corn cycle accounts for approximately 2 percent of corn production and presents lower yield rates, averaging 3.6 MT/ha, while first-season corn is estimated to average 6.0 MT/ha. Many analysts credit the lower productivity of third-season corn to the lesser use of technology in the region as farmers traditionally destine their harvest for livestock feed.

Sowing of third-season corn should start by April in the northern region of Brazil. The National Supply Company (CONAB) estimates that third-season corn will account for roughly 2 percent of production this 2023/24 season.

Figure 5

Third-season Corn: Producing States, 2023/24



Data source: National Supply Agency (CONAB); Graph Post Brasilia

Corn Prices Take a Tumble, While Production Costs Continue Challenging Producers

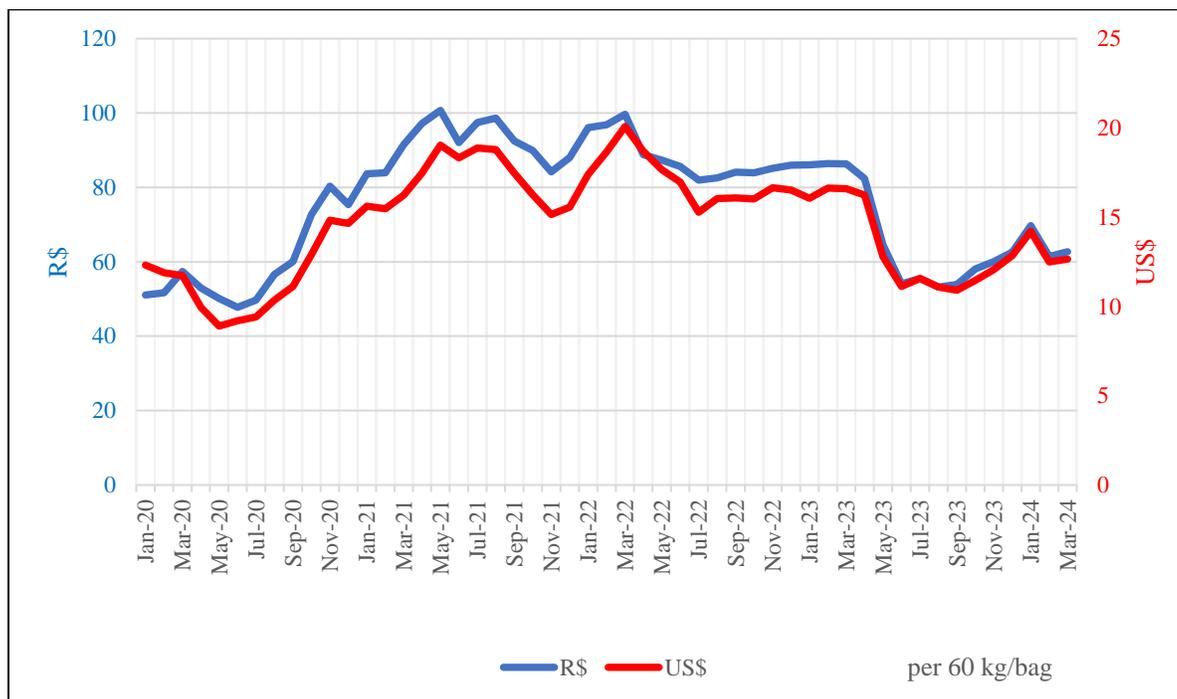
After a record harvest in 2022/23, the beginning of the 2023/24 cycle has been marked by uncertainty. Adverse weather conditions have impacted crop yields, leading to around a 50 percent drop in corn prices throughout 2023. Additionally, difficulties in planting the 2023/24 soybean harvest have caused delays in corn planting in some regions, which could impact the yield potential of plants sown outside the ideal window.

Negotiators are proceeding with caution when it comes to new transactions, with buyers prioritizing the corn they already have in stock, while sellers remain attentive to the progress of the second harvest and the harvest of the summer crop. On the international market, the ample supply from the U.S. crop during the 2023/24 season, along with projections of substantial production in 2024/25, have contributed to a scenario of caution and strategic adjustments.

According to the University of Sao Paulo's Center for Advanced Studies in Applied Economics (CEPEA), corn prices have shown minimal variations throughout February and March. The average price for a 60-kilo bag of corn in the first half of March 2024 was R\$ 62.94 (US\$ 12.68), while the average for February was R\$ 62.58 (US\$ 12.61). This March average represents a 4.4 percent drop in comparison to the January 2024 average, according to data from CEPEA. In January 2023, corn was being negotiated at R\$ 86.10 (US\$ 16.58), which marks a 30 percent drop from 2024 to 2023.

Figure 6

Corn Prices in Brazil's ESALQ/BM&FBOVESPA



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

In Mato Grosso, the price of corn has decreased by 12.5 percent between the start of February 2024 and the beginning of March. This is due to a greater availability of corn in the domestic market as a result of increased supply from the 2022/23 harvest, combined with slower sales compared to the same period in the previous harvest, 2021/22. The price of corn in Mato Grosso has already decreased by 40 percent compared to the same period in 2023.

The Mato Grosso Institute of Agricultural Economics (IMEA) estimates a 1.6 percent increase in the production cost of corn for the 2024/25 harvest compared to the previous year. According to IMEA, the projected cost of corn cultivation (see Table 4, a-f) is R\$ 3,437.75/ha, with the price of corn seeds increasing significantly by 30.8 percent between March 2023 and February 2024. The Effective Operating Cost (EOC) was estimated at R\$ 4,820.50/ha, reflecting an increase of 1.4 percent compared to the previous cycle. This means that the break-even point to cover the EOC for the 2024/25 harvest has increased compared to 2023/24. In order to cover the EOC for the 2024/25 harvest, the producer needs to harvest at least 103.86 bags per hectare (23/24 harvest reference) and sell the corn for at least R\$ 33.10 or R\$ 46.41 per bag in the state. However, the average price of corn in Mato Grosso is around R\$ 35 per bag, making it a challenging scenario for producers. This may lead to a reduction in the planted area of corn for the 2024/25 season, which could have significant implications for producers.

Table 4
Production Cost of Corn in Mato Grosso (R\$/ha)

Harvest	2020/21	2021/22	2022/23	2023/24	2023/24	2024/25
Year	2020	2021	2022	2023	2023	2024
Month	Consolidated	Consolidated	Consolidated	Consolidated	March	February
a) Seeds	445.42	554.43	670.53	750.78	675.20	882.88
b) Fertilizers	735.63	1,168.51	1,816.57	1,518.66	1,749.93	1,324.27
c) DEFENSIVES (Fungicide, Herbicide, Insecticide, etc.)	398.17	469.15	585.83	733.24	774.43	832.52
d) MECHANIZED OPERATIONS (Planting, Fertilizing, Applications with Machines, Harvesting...)	84.05	109.63	161.99	150.33	164.76	173.69
e) Third Party Services	2.09	1.73	3.00	2.78	2.94	22.01
f) Labor	72.99	76.91	83.05	128.65	126.02	202.39
g) Maintenance	106.13	106.47	109.97	167.27	166.08	234.33
h) Taxes and Fees	90.59	108.19	118.33	120.88	118.73	140.27
i) Financing and Insurances	160.18	214.02	276.71	292.23	315.95	305.38
j) POST- PRODUCTION (Classification and Processing, Storage, Production Transport)	286.26	278.6	288.55	285.47	298.00	384.18
k) Other Costs (Technical Assistance, Utilities Fuel, General Expenses)	69.46	84.29	97.43	113.21	120.01	110.56
l) Lease	132.3	210.01	208.66	216.50	242.26	208.02
<i>Effective Operating Cost - EOC (a + ... + l)</i>	<i>2,583.27</i>	<i>3,381.94</i>	<i>4,420.62</i>	<i>4,480.01</i>	<i>4,754.30</i>	<i>4,820.50</i>
DEPRECIATION (of Equipment, Utilities, and Improvements)	196.96	198.41	202.72	324.44	330.52	426.56
Family Labor	59.83	60.97	61.64	69.95	70.06	110.45
OPPORTUNITY COST (Working Capital, Improvements, etc.)	538	754.53	925.79	994.73	1,090.41	987.49
TOTAL	3,378.06	4,395.84	5,610.78	5,869.12	6,245.29	6,344.99

Data Source: Mato Grosso Institute of Agricultural Economics (IMEA), costs in R\$/ha, with August 2023/2024 as estimates; Chart Post Brasilia

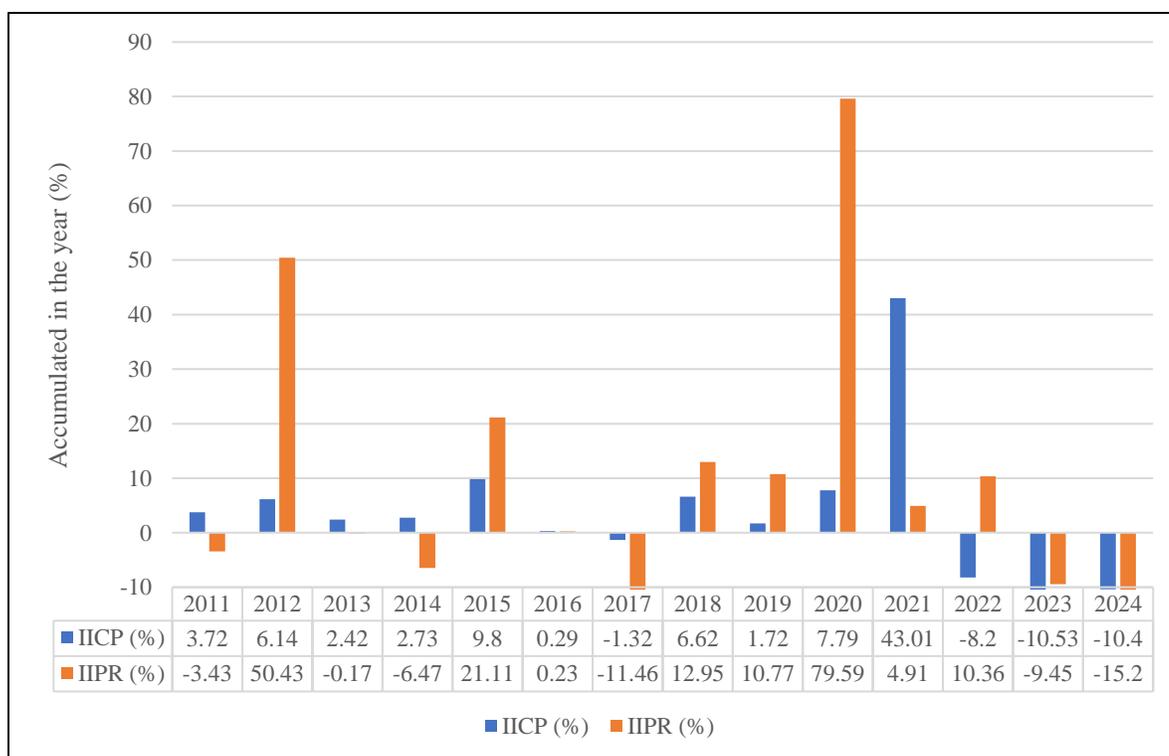
The Federation of Agriculture of the State of Rio Grande do Sul (FARSUL) has released new data on production costs and prices received by rural producers in the state. These figures are measured using the Production Costs Inflation Index (IICP) and the Index on Inflation of Prices Received by Rural Producers (IIPR) for significant commodities. The IICP measures the variations in the cost of production, while the IIPR defines the fluctuations in prices received by producers.

In January 2024, the IICP decreased by -0.42 percent compared to December 2023, indicating a slowdown in the accumulated result for the past 12 months. In 2023, the largest deflation in costs registered in the historical series was recorded, reaching -10.47 percent.

The IIPR ended January 2024 with an even more significant drop of -6.18 percent compared to December. This was influenced by the decrease in the price of soybeans. Over the last 12 months, the IIPR has fallen by -15.20 percent due to the massive grain supplies from the record harvest in the 2022/23 cycle. This mainly put pressure on the prices of soybeans, corn, and wheat.

Figure 7

Rio Grande do Sul: Inflation Indexes on Production Costs (IICP) and Prices Received by Rural Producers (IIPR)



Data Source: Federation of Agriculture of the State of Rio Grande do Sul (FARSUL); Graph Post Brasilia

To address the logistical and infrastructure challenges faced by Brazil in transporting agricultural products to its ports, the Brazilian government has announced the National Plan for the Distribution of the 2023/24 Grain Harvest. The plan aims to improve the transportation network connecting the north and south regions of the country. The theme of the plan is "opening paths for Brazil to move forward,"

and it involves investing R\$ 4.7 billion in public resources towards the improvement of railways and highways. As a result of infrastructure works on approximately two thousand kilometers of roads, the index of roads considered "good" for traffic increased by 28 percent in the north region of Brazil in 2023, according to Brazil's National Department of Transport Infrastructure (DNIT).

The Group of Research and Extension in Agroindustrial Logistics at the Luiz de Queiroz College of Agriculture (ESALQ/USP) estimates that the cost of land freight for the 2023/24 harvest will be 5-10 percent higher than the previous year's cycle. The peak of the soybean harvest is expected to occur in March, during which the largest volumes are transported. However, the freight market has already started to compete for space with other grains since the second half of February. The cost of freight from Sorriso (in Mato Grosso) to the Port of Miritituba (in Pará) is already higher than the same period last year, quoted at R\$ 280.43 per ton of soybeans. In January 2023, the value was R\$ 261.78 per ton, an increase of 7.12 percent.

The transportation of grains is likely to decrease in the second half of the year due to the forecast of a smaller 2023/24 safrinha harvest. In recent years, the peak in freight prices for the second-season corn, between August and September, was higher than that for the first-season corn harvest in March. This year, however, the opposite is likely to happen.

ESALQ/USP also shows that 61 percent of Brazilian farms lack proper structures to store the country's grain production. Of the remaining farms (38.9%), 19.8 percent have a conventional or granary silo, 9.2 percent use silo bags as a complement, and 9.9 percent rely solely on silo bags. For more details on this study, see [Grain and Feed Update Brasilia Brazil BR2023-0028](#).

Analysts consulted by Post believe that 2024 will be a better year for domestic corn prices. With a lower harvest than last season, the 2023/24 output will likely bring stronger demand for corn and end with fewer stocks in Brazil. This will lead to higher prices in the domestic market, regardless of the prices being practiced in international markets, paving the way for more optimistic trade in 2024/25.

Corn Trade

Brazil's trade balance ended 2023 with a record surplus of US\$ 98.839 billion, according to the Brazilian Trade Secretariat (SECEX). The result represents an increase of 60.6 percent over 2022 and is the highest in the country's series since it started being recorded in 1989. Last year, exports hit a record, while imports dropped. Brazil's total exports reached US\$ 340 billion in 2023, an increase of 1.7 percent compared to 2022, with the agricultural sector responsible for US\$ 167 billion. Overall imports decreased from around US\$ 273 billion in 2022 to US\$ 240.835 billion in 2023. The agricultural sector reduced its imports from US\$ 17 to US\$ 15 billion.

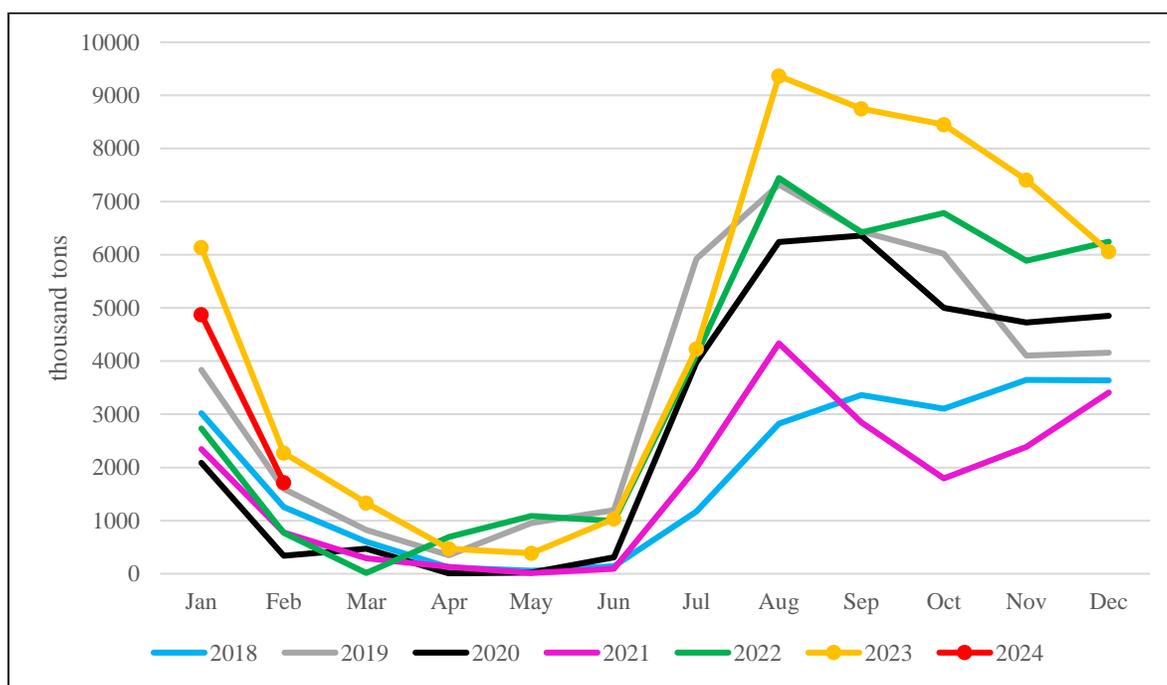
For 2024, SECEX projects a surplus of US\$94.4 billion, a 4.5 percent drop compared to 2023. This is due to a forecast of a 2.5 percent increase in exports and a 5.4 percent increase in imports this year. Purchases from abroad are expected to increase due to the economy's recovery, which in turn increases consumption in a scenario of less volatile international prices than at the beginning of the conflict between Russia and Ukraine.

2024/25 Export Forecast to Pick Up Pace Again, While High Demand from China Sustained Trade in 2023/24, Albeit Lower Than Expected

Post sets its forecast for corn exports in MY 2024/25 (March 2025 – February 2026) at 51 MMT, considering an expected increase in production in the coming season. Despite a slower pace, there is still a strong interest from countries like China to maintain high trade flows with Brazil. Post lowers its estimate for corn export for MY 2023/24 (March 2024 – February 2025) to 45 MMT, a 20 percent cut from the previous forecast. This sharp decline is based on the unforeseen decrease in production, which resulted in lower availability of corn in the domestic market, despite an increase in internal consumption, especially for animal feed. Additionally, Brazilian corn is less competitive in international markets due to its higher prices, meaning it will likely lose market share to more viable markets such as the U.S. and Argentina, which are set to have high availability.

Brazil is the largest corn exporter globally. However, due to the anticipated decrease in crop area and production, particularly during the second-season corn harvest, which is usually exported, the country's trade balance will suffer severe setbacks. This reduction in crop area has not been observed since the 2017/18 harvest.

Figure 8
Monthly Exports of Corn



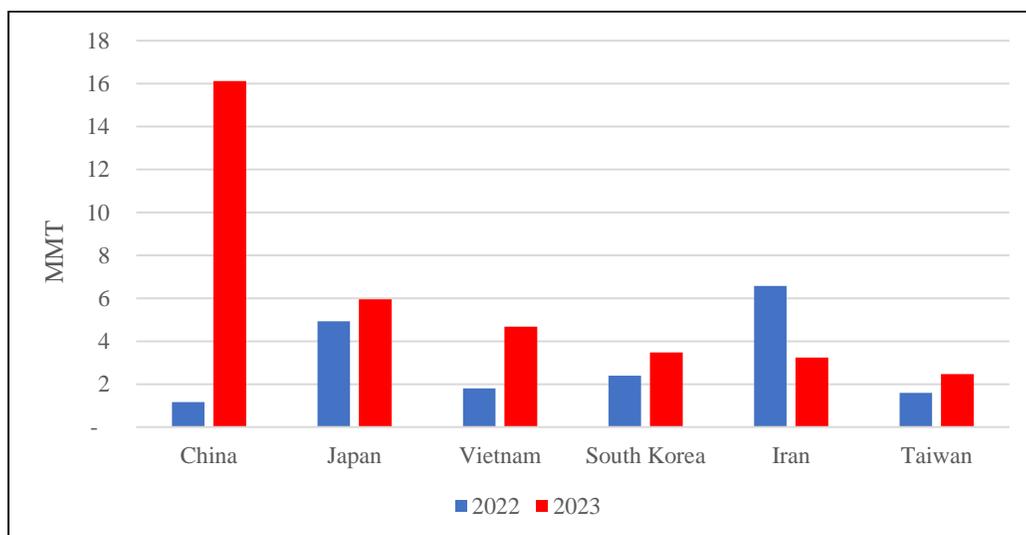
Data Source: Ministry of Development, Industry, Foreign Trade and Services (MDIC); Graph Post Brasilia

It should be noted that China has played a huge role in maintaining high corn export values from Brazil. In 2023, Brazilian corn exports totaled 55.89 MMT, according to the Brazilian Secretariat of Foreign Trade (SECEX). This represented a growth of 29.42 percent compared to the previous year, driven mainly by the increase in production in the 2022/23 harvest and by significant exports to China, which

bought 29 percent of all corn exported by Brazil. This value is eight times greater than all the corn imported by China in the 2016/17 harvest. China has become the leading destination for Brazilian grain, surpassing traditional partners such as Japan, which bought 11 percent of all Brazilian corn, Vietnam (8%), South Korea (6.2%), and Iran (5.8%).

Brazil's market share in China's corn imports has grown exponentially after the country approved Brazilian corn imports in the third quarter of 2022 as part of measures to diversify its suppliers. China imported 16.1 MMT of Brazilian corn in 2023, taking a significant share of U.S. corn imports. While Post envisions exports of Brazilian corn to continue at a steady flow, Brazil's lower availability of corn for export and China's growing interest in other markets, such as Argentina and Ukraine, should result in lower exports in 2024/25.

Figure 9
Top Destinations of Brazilian Corn Exports



Data Source: Ministry of Development, Industry, Foreign Trade and Services (MDIC); Graph Post Brasilia

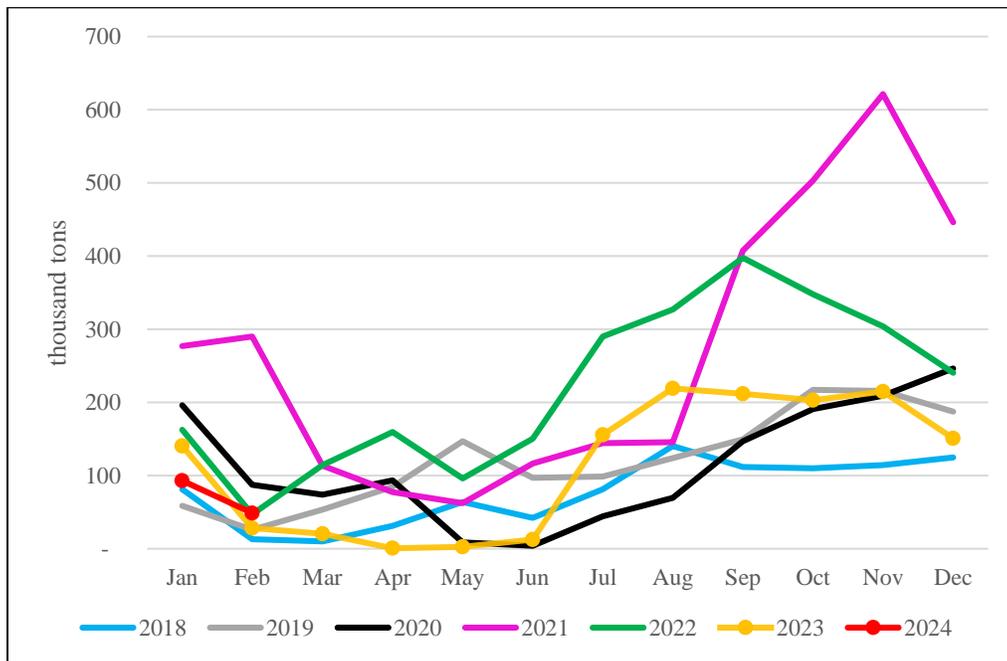
Brazil exported 4.8 MMT of corn in January 2024, a 20.6 percent decrease from the amount registered during the same period last year, according to SECEX. China remained the main destination of Brazilian corn, representing 23 percent of the total volume. In February, Brazil exported 1.7 MMT, down from the 2.2 MMT registered in the same month last year.

2024/25 Imports Continue on Trend, as 2023/24 Imports Increase to Help Meet Internal Demands

Post sets its initial forecast of corn imports for MY 2024/25 (March 2025 – February 2026) at 1.5 MMT. Brazilian imports of corn are significantly small in comparison to production, consumption, and exports and are usually made to close the gap in market demands. Given the prospect of more extensive production next season, imports are not likely to increase exponentially.

Post increases its estimate for corn imports for MY 2023/2024 (March 2024 – February 2025) to 1.4 MMT from its previous estimate of 1.2 MMT. This increase is based on the need to supply the internal market, given the lower availability of corn in Brazil due to the foreseen break in production this season and the growing consumption.

Figure 10
Monthly Imports of Corn



Data Source: Ministry of Development, Industry, Foreign Trade and Services (MDIC); Graph Post Brasilia

Paraguay remains the biggest exporter of corn to Brazil, accounting for 99 percent of all the corn sent to Brazil in 2023. The neighboring country exported 791.5 thousand tons of corn to Brazil during that period. In a very distant second, Argentina was the runner-up provider of corn exports to Brazil in 2023.

Table 5
Main Origin of Brazilian Corn Imports

Jan - Dez 2023 (in Tons)				
	January	February	March	April
Paraguay	140,439,960.00	28,158,390.00	20,500,000.00	475,000.00
Argentina	6,000.00	134,000.00		169,000.00
Chile				
United States	38,555.00		454.00	
South Africa				
	May	June	July	August
Paraguay	2,457,630.00	12,500,000.00	155,660,880.00	219,092,870.00
Argentina	40,180.00		68,018.00	
Chile				280.00
United States		1,040.00		11,338.00
South Africa	78,000.00			25,000.00
	September	October	November	December
Paraguay	211,879,320.00	202,571,900.00	214,000,000.00	150,547,240.00
Argentina			277,480.00	154,315.00
Chile		232,159.00	184,240.00	
United States		51,030.00	129,094.00	38,102.00
South Africa			50,000.00	
Jan - Fev 2024 (in Tons)				
	January	February		
Paraguay	92,596,120.00	48,867,700.00		
Argentina	202,336.00			
Chile	58.00			
United States	266,262.00			
South Africa				

Data Source: Ministry of Development, Industry, Foreign Trade and Services (MDIC); Graph Post Brasilia

Corn Consumption

Post sets its initial forecast of total corn consumption for MY 2024/25 (March 2025 – February 2026) at 81.5 MMT, based on Brazil's ongoing increased demand for corn for consumption in the feed industry and for ethanol usage. For this reason, Post also revises its estimate for MY 2023/2024 (March 2024 – February 2025) and sets total corn consumption at 80 MMT, up 3.2 percent from its previous forecast.

According to the National Union of the Animal Feed Industry (SINDIRAÇÕES), the sector consumed 52 million tons of corn in 2023 and is expected to consume 55 million in 2024, an increase of 5.54 percent. The Brazilian Animal Protein Association (ABPA) also estimates that corn consumption by the poultry and swine sectors is expected to grow between 2023 and 2024. For ABPA, the industry will increase by 1 million tons, reaching 44 million tons in 2024.

Corn ethanol consumption has also been increasing and should continue to gradually increase in the coming years. Two new plants opened in Brazil recently, and at least one other is expected to open in Paraná next year. These plants have the capacity to produce 258 million liters of corn ethanol per year and 180 thousand tons per year of Dried Distillers Grains (DDG) processing co-product. According to the plant owner, 20 percent of all corn received by the company will be used for biofuel production.

The National Corn Ethanol Union (UNEM) estimates that in the cycle that ends in March 2024, 14 million tons of corn were consumed, and projects an increase of 2 million tons for the next season, reaching 16 million tons of corn consumed in the country.

Despite the increase in consumption, industry and traders consulted by Post have not indicated any concerns about a corn shortage. Excluding last year's harvest, which was considered 'off the chart,' this year should follow the trendlines, with enough corn to fulfill internal demands.

Post continues to monitor Brazil's response to the cases of highly pathogenic avian influenza virus (HPAI)—H5N1—infection in wild birds, which has not, as of early March, affected commercial poultry farms and production.

RICE

Production, Supply, and Distribution

Table 6
Production, Supply, and Distribution of Rice

Rice, Milled	2022/2023		2023/2024		2024/2025	
	Apr 2023		Apr 2024		Apr 2025	
Market Year Begins	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Harvested (1000 HA)	1480	1480	1570	1570	0	1600
Beginning Stocks (1000 MT)	899	899	521	521	0	621
Milled Production (1000 MT)	6822	6822	7480	7400	0	7500
Rough Production (1000 MT)	10032	10032	11000	10882	0	11029
Milling Rate (.9999) (1000 MT)	6800	6800	6800	6800	0	6800
MY Imports (1000 MT)	1000	1000	900	1000	0	900
TY Imports (1000 MT)	983	983	900	1000	0	900
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8721	8721	8901	8921	0	9021
MY Exports (1000 MT)	1200	1200	1300	1300	0	1200
TY Exports (1000 MT)	1208	1208	1300	1300	0	1200
Consumption and Residual (1000 MT)	7000	7000	7000	7000	0	7000
Ending Stocks (1000 MT)	521	521	601	621	0	821
Total Distribution (1000 MT)	8721	8721	8901	8921	0	9021
Yield (Rough) (MT/HA)	6.7784	6.7784	7.0064	6.9312	0	6.8931

MY = Marketing Year, begins with the month listed at the top of each column
 TY = Trade Year, which for Rice begins in January. TY 2024/25 = January 2025 - December 2025
 Source: Post Brasilia

Rice Production

After two consecutive years of rice crop instability and low prices, the 2023/24 rice harvest comes with expectations of high production rates, good compensation for producers and an increase in planted area. This has caused many farmers in Rio Grande do Sul, the lead producer of rice, to opt for replacing soybeans for rice. Rice planting for this season has been completed in most regions of Brazil, and the favorable climate and crop development indicate a positive outlook for the upcoming 2024/25 rice harvest.

Rice Production and Area with Promising Projections

Post sets its initial forecast for rice planted area for MY 2024/25 (April 2025 – March 2026) at 1.6 million hectares (ha), based on the expected recovery in profitability projected for the rice sector in

Brazil. In line with the increase in planted area, Post forecasts an initial milled rice production of 7.5 million metric tons (MMT) of milled rice equivalent (MRE), equivalent to 11 MMT of paddy rice.

Post estimates rice planted area for MY 2023/24 (April 2024 – March 2025) at 1.57 million hectares (ha), a 4.7 percent increase over the previous forecast. The expansion is mainly credited to the rise in rice fields as replacements for soybean crops in Rio Grande do Sul, which suffered from excess rains. Post increases its MY 2023/24 estimate for milled rice production to 7.4 million metric tons (MMT) of milled rice equivalent (MRE), an equivalent of 10.8 MMT of paddy rice. This represents a 5.6 percent increase over the previous estimate and is credited to the increase in area, yield, and the expectation of greater profitability by producers, who have invested more in rice this season.

Rice harvesting is a long-standing family tradition in the south of Brazil. It is a practice that has been carried on through multiple generations, making it unlikely to disappear. In addition, rice sowing is also part of the critical soybean-rice rotation cycle of the crop pattern, which benefits the soil in the region. The Federation of Rice Producers of Rio Grande do Sul (FEDERARROZ) states that such a rotation cycle can reduce production costs by as much as 15 percent and increase rice yields by 10 to 20 percent, depending on the soil condition. According to the Rio Grande do Sul Rice Institute (IRGA), this so-called "ping-pong" rotation system, which involves planting rice one year and soybeans the next, can significantly enhance the soil quality and rice yield of an irrigated rice farm. Moreover, due to the presence of inadequate drainage in certain parts of the state, planting irrigated rice is the most viable crop option for farmers in these areas.

Harvest Outlook

The 2023/24 rice crop harvest is advancing rapidly throughout Brazil. Despite the climatic challenges faced in some regions, the grains are of good quality, and reaping reached close to 25 percent by the third week of March.

Table 7
Reaping Progress of Rice in Brazil (2023/24 Harvest)

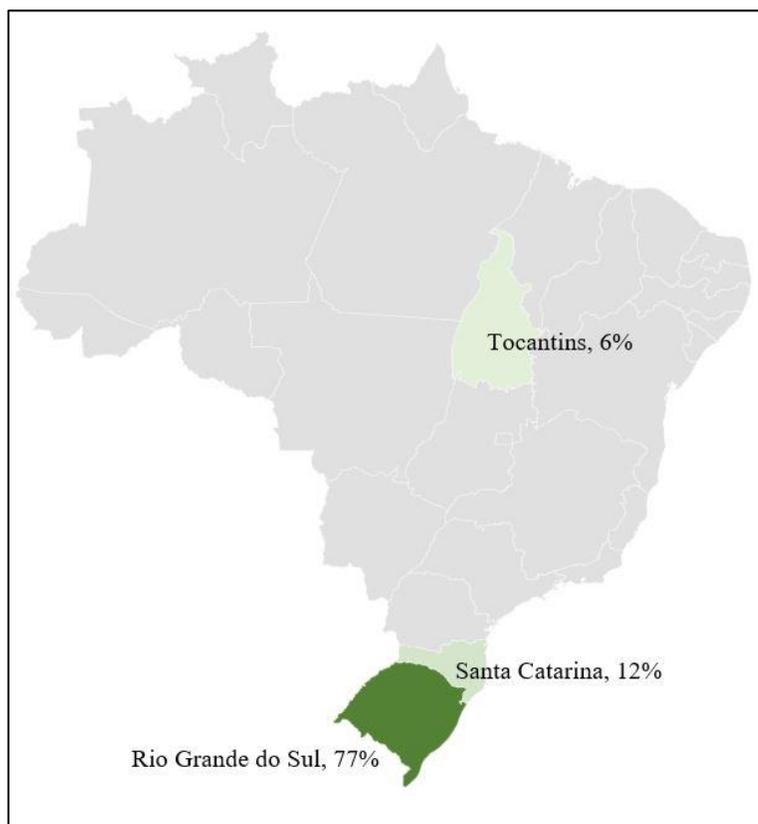
State	Week up to		
	2023	2024	
	18-Mar	11-Mar	17-Mar
Tocantins	50%	25%	35%
Maranhão	3%	4%	4%
Mato Grosso	6.4%	6.7%	10.5%
Goiás	20%	25%	28%
Santa Catarina	21%	56%	62%
Rio Grande do Sul	20%	4%	10%
	19.9%	11.4%	17.1%

Data Source: National Supply Company (CONAB); Table Post Brasilia

According to Brazil's National Institute of Meteorology (INMET), for the next three months, much of the Northeast (which includes the bordering state areas referred to as MATOPIBA and SEALBA) and the Central-West of the country will have below-average rainfall while the North, South, and Southeast Regions are forecast to have above-average rainfall. The central part of Brazil begins to receive less rain from April and May, with temperatures above the climatological average in practically the entire country, especially in areas of Central and Northern Brazil.

The El Niño phenomenon is starting to weaken, and climate models indicate that temperatures should enter neutral conditions in May and remain that way until the end of August. Therefore, the advancement of recently planted crops, such as rice, during the Brazilian winter in the southern region should occur under these neutral conditions. If the projections of the National Oceanic and Atmospheric Administration (NOAA) are confirmed, the development of the 2024/25 wheat harvest in Brazil could already occur under the influence of La Niña conditions.

Figure 11
Main Irrigated Rice Producing States (2023/24)



Data Source: National Supply Company (CONAB); Graph Post Brasilia

- **Rio Grande do Sul:** According to the Rio Grande do Sul Rice Institute (IRGA), the rice area is estimated at 900,203 hectares, with yields averaging 8.32 MT/ha. According to the Association of Technical and Rural Extension Enterprises of Rio Grande do Sul (EMATER/RS), production is expected to reach 7.49 million tons. The dry weather and sunshine during the development phase

have been favorable to the rice crops, contributing to the improvement in the development of the harvest, with farmers optimistic for high yields. The high occurrences of rains during the spring resulted in full water reservoirs, exceeding the levels of the last three agricultural harvests in some regions of the state. This has led producers to remain optimistic about the 2024/25 harvest. By mid-March, it was estimated that 10 percent of the cultivated area in the state had been reaped. However, the harvest was slowed down as several producing regions were facing obstacles due to heavy rains, with some fields suffering damage, such as the lodging of plants and losses in production due to strong winds.

- **Santa Catarina**: Crops suffered from excessive rainfall at the beginning of planting in the southern region of the state, during the crop's implementation and initial development phase. This result in recued crop yields. However, the plants have recovered well, ultimately generating reasonable harvest expectations in the state.
- **Tocantins**: Harvest has been progressing in different areas of the state. Yields are expected to be high in most regions where irrigated rice is planted since crops had optimal weather during the development phase. In areas where rainfed rice is grown, regular rainfall in the state also favored crop growth.

Figure 12

Main Upland Rice Producing States (2023/24)



Data Source: National Supply Company (CONAB); Graph Post Brasilia

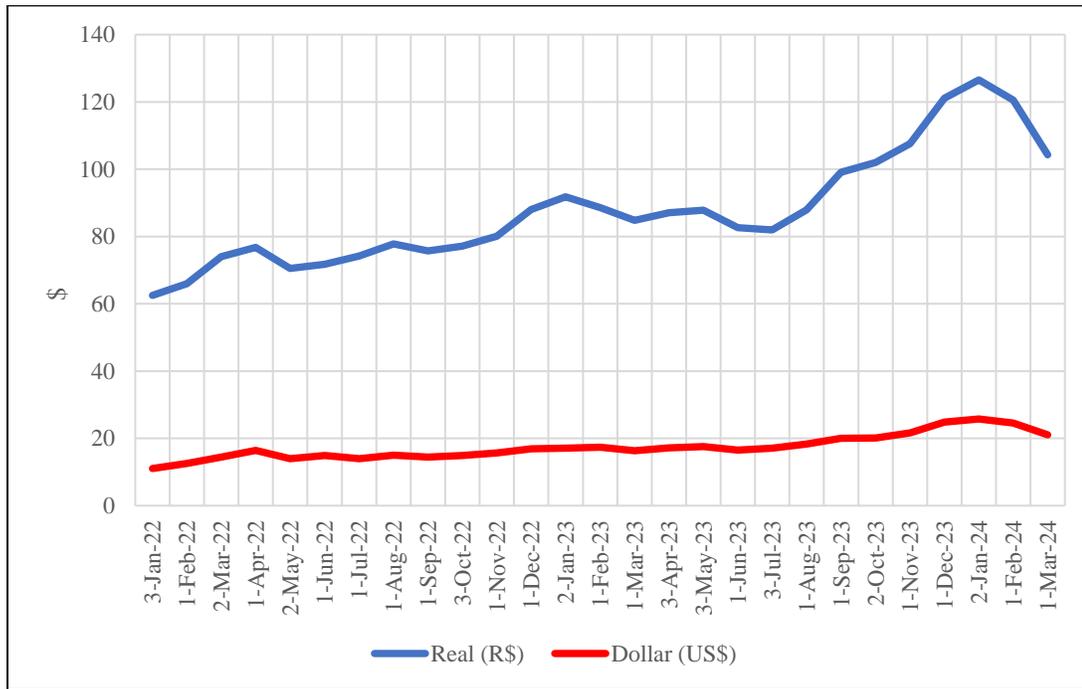
- **Mato Grosso**: The state has shown good quality of harvested grains, with the reaping progress at around 15 percent by the third week of March, according to data from the Brazilian National Supply Company (CONAB).
- **Maranhão**: The 2023/24 irrigated rice harvest was practically completed, showing an increase in area compared to the previous season. Rainfed rice crops are at different stages of development and are expected to see a reduction in area due to the delay in the start of rains in the region. In some areas of the north and center of the state, rice is cultivated in a “favored rainfed” system, which consists of rainfed cultivation using irrigated rice cultivars in flat areas where natural flooding of the fields occurs by rainwater, without irrigation control.
- **Rondônia**: Rice cultivation in the state began with drought and high temperatures, but the harvest recovered with the rains that occurred during the development of the crops. This raised productivity expectations for the 2023/24 harvest. The state should also see an increase in area, as many producers have replaced soybeans with rice.

Rice Prices Are Down but Within Expectations for the Period

Rice prices in Rio Grande do Sul, which serves as the national reference for 50-kilo bags, reached R\$ 112,79 (US\$ 22.73) per 50 kg/bag on the average of February 2024, according to data from the University of Sao Paulo’s Center for Advanced Studies in Applied Economics (CEPEA). This represents a 14 percent drop in relation to the previous month but is 29.3 percent higher than the price paid for rice in February 2023, when the average for a 50 kg/bag was R\$ 87.23 (US\$ 16.85). The decrease in prices in the first quarter of the year is expected, as buyers are focused on the harvest of the main neighboring producing regions. For now, prices are expected to continue a downward trend, with hand-to-mouth purchases only by large industries. Higher prices are currently only being traded by smaller buyers, who have small storage capacity and require high-quality grains for their businesses.

Figure 13

Prices of Rice in Rio Grande do Sul



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

Domestic paddy rice prices are expected to increase as the harvest progresses in 2024, supported mainly by the need to refill low stocks. There is an expectation of greater price variation by April when there is a greater supply of rice on the national market due to the peak of the national crop harvest. It is important to highlight that rice cultivation has been suffering for years with low financial returns. Therefore, this season's better operating margin should only be a relief to rice farmers.

Traditionally, rice exports increase in the window between May and August, and producers are eyeing these sales to regulate market prices. Brazilian domestic consumption alone does not support higher prices without a more robust international trade. Securing strong future exports may also be essential for Brazilian exporters, considering that in the middle of this year India will have general elections. This could allow the world's largest exporter of rice back into the market after a period of government-restricted offers, when Indian producers were only allowed to export aromatic rice. While Brazil did not necessarily take any direct share of exports to offset the Indian ban, Brazilian producers took advantage of the global rise in rice.

Post contacts have reported that many producers are reducing their technological investments in the current harvest because of high production costs, and this trend is expected to continue into 2024/25. This includes the use of fertilizers, with producers in regions such as Paraná buying fewer nitrogen products. As a result, prices of this fertilizer have stagnated. Meanwhile, the prices of urea have increased in the domestic market as sellers have increased their sales offers to cover the final needs of the 2023/24 winter corn harvest. Production costs have discouraged farmers from increasing urea use earlier in the season. Farmers are also postponing the purchase of nitrogen for the beginning of this year,

following the same movement they did in the middle of 2023 with the soybean harvest when they postponed phosphate and potassium deals. They managed to acquire large volumes at more attractive prices later in the season. However, with the current high prices of urea, only small volumes are expected to be traded in the coming weeks to supply the 2023/24 second corn harvest, as planting has already begun in the leading producing states of Mato Grosso, Paraná, and Goiás. These decisions have strong implications to most of the grains, such as soybeans, wheat, and rice since corn is planted all year long in Brazil.

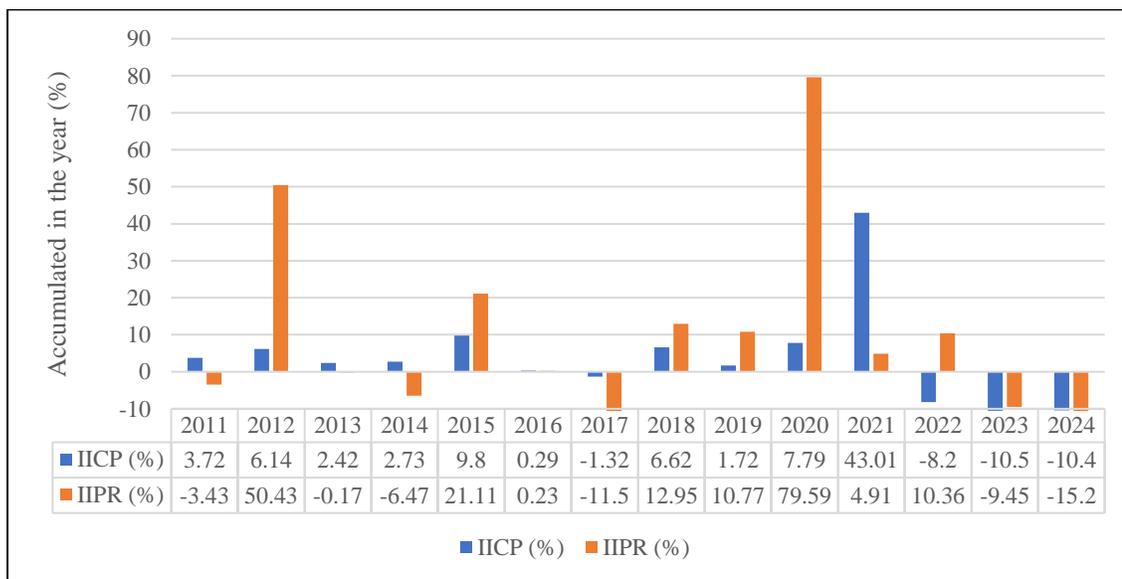
The Federation of Agriculture of the State of Rio Grande do Sul (FARSUL) has released new data on production costs and prices received by rural producers in the state. These figures are measured using the Production Costs Inflation Index (IICP) and the Index on Inflation of Prices Received by Rural Producers (IIPR) for significant commodities. The IICP measures the variations in the cost of production, while the IIPR defines the fluctuations in prices received by producers.

In January 2024, the IICP decreased by -0.42 percent compared to December 2023, indicating a slowdown in the accumulated result for the past 12 months. In 2023, the largest deflation in costs registered in the historical series was recorded, reaching -10.47 percent.

The IIPR ended January 2024 with an even more significant drop of -6.18 percent compared to December. This was influenced by the decrease in the price of soybeans. Over the last 12 months, the IIPR has fallen by -15.20 percent due to the massive grain supplies from the record harvest in the 2022/23 cycle. This mainly put pressure on the prices of soybeans, corn, and wheat.

Figure 14

Rio Grande do Sul: Inflation Indexes on Production Costs (IICP) and Prices Received by Rural Producers (IIPR)



Data Source: Federation of Agriculture of the State of Rio Grande do Sul (FARSUL); Graph Post Brasilia

To address the logistical and infrastructure challenges faced by Brazil in transporting agricultural products to its ports, the Brazilian government has announced the National Plan for the Distribution of the 2023/24 Grain Harvest. The plan aims to improve the transportation network connecting the north and south regions of the country. The theme of the plan is "opening paths for Brazil to move forward," and it involves investing R\$ 4.7 billion in public resources towards the improvement of railways and highways. As a result of infrastructure works on approximately two thousand kilometers of roads, the index of roads considered "good" for traffic increased by 28 percent in the north region of Brazil in 2023, according to Brazil's National Department of Transport Infrastructure (DNIT).

The Group of Research and Extension in Agroindustrial Logistics at the Luiz de Queiroz College of Agriculture (ESALQ/USP) estimates that the cost of land freight for the 2023/24 harvest will be 5-10 percent higher than the previous year's cycle. The peak of the soybean harvest is expected to occur in March, during which the largest volumes are transported. However, the freight market has already started to compete for space with other grains since the second half of February. The cost of freight from Sorriso (in Mato Grosso) to the Port of Miritituba (in Pará) is already higher than the same period last year, quoted at R\$ 280.43 per ton of soybeans. In January 2023, the value was R\$ 261.78 per ton, an increase of 7.12 percent.

The transportation of grains is likely to decrease in the second half of the year due to the forecast of a smaller 2023/24 safrinha harvest. In recent years, the peak in freight prices for the second-season corn, between August and September, was higher than that for the first-season corn harvest in March. This year, however, the opposite is likely to happen.

ESALQ/USP also shows that 61 percent of Brazilian farms lack proper structures to store the country's grain production. Of the remaining farms (38.9%), 19.8 percent have a conventional or granary silo, 9.2 percent use silo bags as a complement, and 9.9 percent rely solely on silo bags. For more details on this study, see [Grain and Feed Update Brasilia Brazil BR2023-0028](#).

Rice Trade

Brazil's trade balance ended 2023 with a record surplus of US\$ 98.839 billion, according to the Brazilian Trade Secretariat (SECEX). The result represents an increase of 60.6 percent over 2022 and is the highest in the country's series since it started being recorded in 1989. Last year, exports hit a record, while imports dropped. Brazil's total exports reached US\$ 340 billion in 2023, an increase of 1.7 percent compared to 2022, with the agricultural sector responsible for US\$ 167 billion. Overall imports decreased from around US\$ 273 billion in 2022 to US\$ 240.835 billion in 2023. The agricultural sector reduced its imports from US\$ 17 to US\$ 15 billion.

For 2024, SECEX projects a surplus of US\$94.4 billion, a 4.5 percent drop compared to 2023. This is due to a forecast of a 2.5 percent increase in exports and a 5.4 percent increase in imports this year. Purchases from abroad are expected to increase due to the economy's recovery, which in turn increases consumption in a scenario of less volatile international prices than at the beginning of the conflict between Russia and Ukraine.

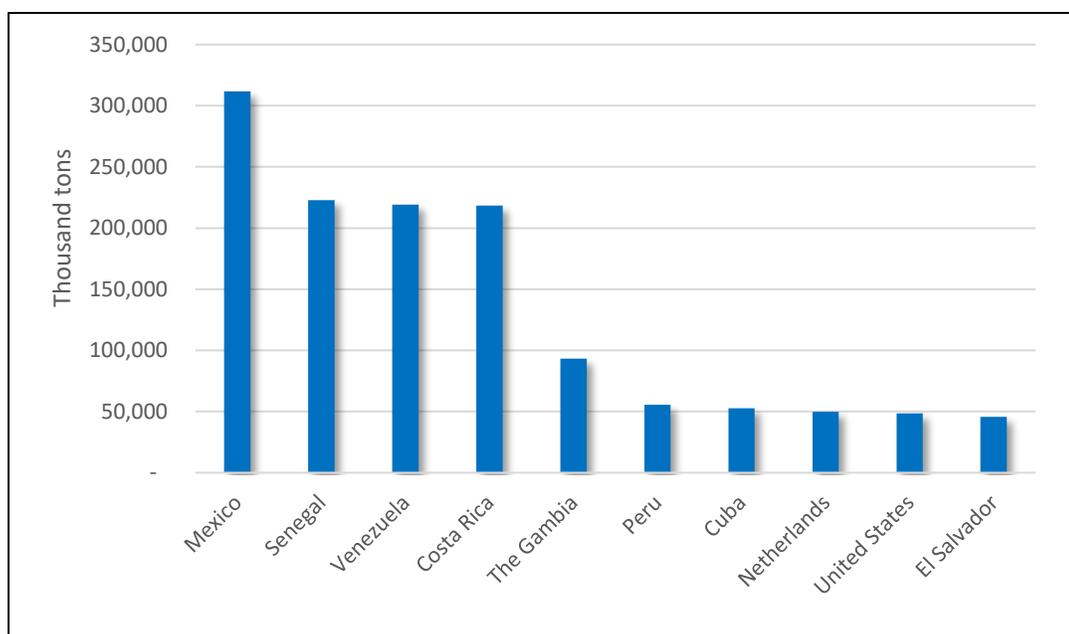
Post sets its initial forecast for rice exports for MY 2024/25 (April 2025 – March 2026) at 1.2 MMT based on the continued interest in Brazilian rice in the foreign market. This figure is 8 percent lower than the MY 2023/24 (April 2024 – March 2025) export estimate, set at 1.3 MMT.

Despite good national production for the 2024/25 harvest, domestic prices above export parities could likely reduce export volumes. Brazilian grain will have to compete with the U.S. harvest, which traditionally has more competitive prices and should have good production numbers from this season.

Mexico was the biggest destination of Brazilian rice in 2023, accounting for 21 percent of all rice exports. Senegal came second, with 15 percent, followed by Venezuela (15%), Costa Rica (6%), and The Gambia (6.4%).

Figure 15

Main Destinations of Brazilian Rice (2023)



Data Source: Ministry of Development, Industry, Commerce and Services (MDIC); Graph Post Brasilia

Brazilian rice producers have expressed optimism after Mexico decided to renew the package of exemptions for Brazilian rice for 2024. During 2022 and 2023, Mexico imported around 800 thousand tons of paddy rice from Rio Grande do Sul.

The tax exemption adopted by Mexico has allowed Brazilian rice exporters to profit significantly by opening the market for tons of Brazilian rice, which has traditionally been exported from the United States to Mexico. Brazilian rice is usually more expensive due to factors such as exchange rate, high production costs, and domestic infrastructure. However, the high quality of the Brazilian grain and Mexico's need to reduce inflation by importing basic food products like rice give Brazilian producers a reason to be optimistic that Mexican importers will increase their purchases this year.

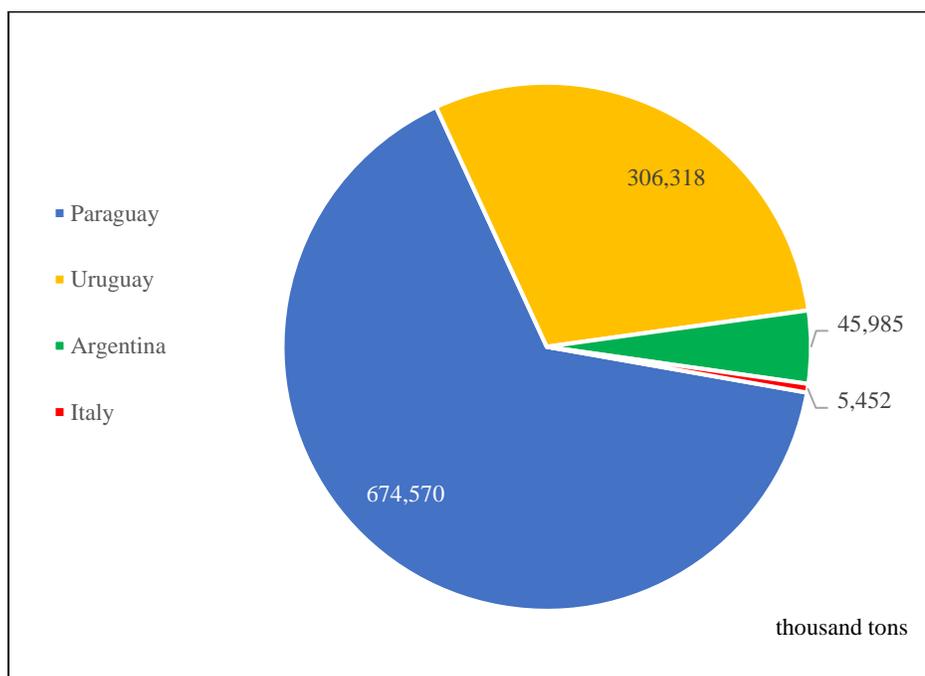
Mexico has now become the second-biggest importer of Brazilian agricultural goods in Latin America and Brazil's fifth major commercial partner in 2023, behind China, the United States, Argentina, and the European Union.

Initial rice imports for MY 2024/25 are forecast at 900,000 MT, considering the expected increase in domestic production, which would require fewer imports of rice to supply internal consumption. For MY 2023/24 (April 2024 – March 2025), Post increases its estimate for rice imports to 1 MMT from its previous estimate of 950,000 MT, based on the continued financial attraction of foreign grains, which are often sold cheaper in Mercosur countries than inside Brazil.

Mercosur countries continue to dominate rice imports to Brazil. With a tax-free regime and easy access to the country, Paraguay, Uruguay, and Argentina alone accounted for 70 percent of all the rice sent to Brazil in 2023, according to data from SECEX.

Figure 16

Main Origin of Rice Imports (2023)



Data Source: Ministry of Development, Industry, Commerce and Services (MDIC); Graph Post Brasilia

Rice Consumption

Post sets its initial forecast for rice consumption for MY 2024/25 (April 2025 – March 2026) at 7.0 MMT and increases its estimate for rice consumption for MY 2023/24 (April 2024 – March 2025) to the same amount, at 7.0 MMT. The 2023/24 is up 1.4 percent from the previous estimate and shows a relatively stagnant consumption pattern in Brazil. This is a staple food product for Brazilians. Still, while

it is present in almost 95 percent of households, it also has a negative income elasticity of demand, making it easy for consumers to swap it for other 'prime' goods when the economy recovers.

Brazil's gross domestic product (GDP) closed in 2023 with a growth of 2.9 percent, according to data from the Brazilian Institute of Geography and Statistics (IBGE). This positive result was highly influenced by Brazil's agricultural sector, which registered a growth of 15 percent. The Central Bank of Brazil estimates the growth of the Brazilian economy in 2024 to be 1.80 percent, with inflation reaching 3.79 percent. For 2025, the forecast for GDP growth is 2 percent, and inflation at 3.52 percent. The projection for the exchange rate for the end of 2024 is R\$4.95 per US\$ 1, and for the end of 2025, the estimate is R\$5 per US\$ 1.

The Producer Price Index for Agricultural Product Groups (IPPA/CEPEA) released by CEPEA recorded a 4 percent drop in January 2024 compared to December 2023, in nominal terms. The IPPA measures producer prices divided into four categories: Grains, Livestock, Horticulture, and Sugarcane and Coffee. IPPA-Grains showed a decrease of 8.2 percent, while IPPA-Livestock recorded a drop of 1.2 percent. However, there was an increase of almost 6 percent in IPPA-Horticulture, while IPPA-Sugarcane-Coffee showed stability, with a minimum variation of 0.1 percent. Compared to January 2023, the IPPA/CEPEA presented a significant drop of 14.7 percent.

WHEAT

Production, Supply, and Distribution

Table 8
Production, Supply, and Distribution of Wheat

Wheat	2022/2023		2023/2024		2024/2025	
Market Year Begins	Oct 2023		Oct 2024		Oct 2025	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	3090	3090	3470	3350	0	3600
Beginning Stocks (1000 MT)	1183	1183	1824	1824	0	1024
Production (1000 MT)	10600	10600	8100	8200	0	9800
MY Imports (1000 MT)	4678	4678	5600	5500	0	4500
TY Imports (1000 MT)	4985	4985	5300	5300	0	4500
TY Imp. From U.S. (1000 MT)	334	334	0	0	0	0
Total Supply (1000 MT)	16461	16461	15524	15524	0	15324
MY Exports (1000 MT)	2687	2687	2200	2200	0	2100
TY Exports (1000 MT)	2689	2689	2200	2200	0	2100
Feed and Residual (1000 MT)	550	550	800	800	0	750
FSI Consumption (1000 MT)	11400	11400	11400	11500	0	11600
Total Consumption (1000 MT)	11950	11950	12200	12300	0	12350
Ending Stocks (1000 MT)	1824	1824	1124	1024	0	874
Total Distribution (1000 MT)	16461	16461	15524	15524	0	15324
Yield (MT/HA)	3.4304	3.4304	2.3343	2.4478	0	2.7222
MY = Marketing Year, begins with the month listed at the top of each column TY = Trade Year, which for Wheat begins in July. TY 2024/2025 = July 2024 – June 2025 Source: Post Brasilia						

Wheat Production

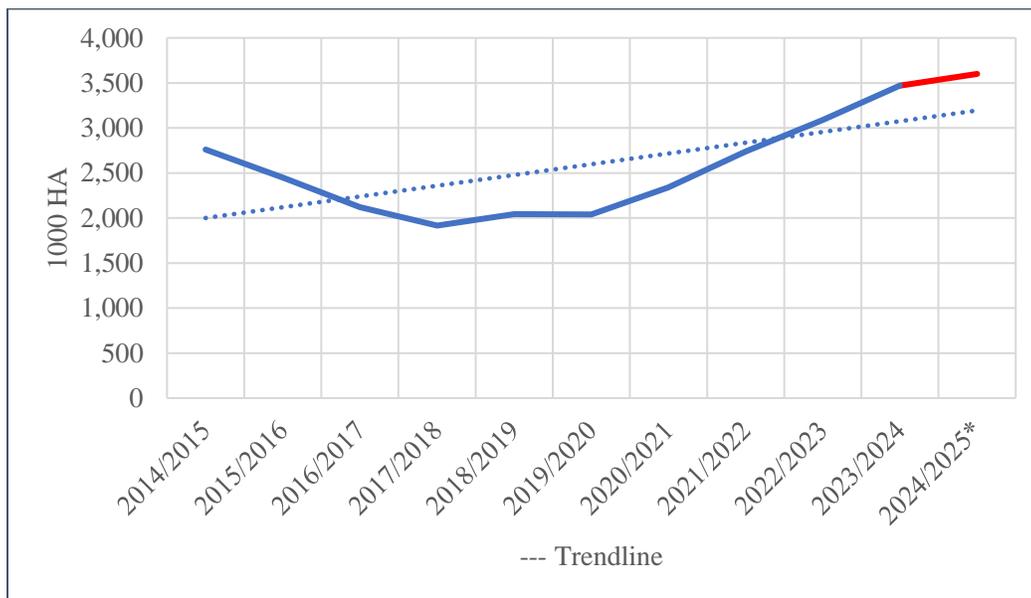
The El Niño weather phenomenon has posed a significant challenge for wheat growers in Brazil during the 2023/24 harvest. Heavy rainfall has severely impacted crops in the southern region, which is responsible for over 85% of the country's wheat production. As a result, the availability of high-quality wheat in Brazil has reduced, leading to an increase in imports, although mill agents say they are fully stocked. Brazilian farmers are now focusing on planning for the next season's harvest, but recent productivity losses and falling domestic prices may discourage wheat sowing in the country.

2024/25 Planted Area, Production, and Yield in Need of a Boost After a Disappointing Season

Post sets its initial forecasts for wheat planted area for MY 2024/25 (October 2024 – September 2025) at 3.6 million hectares, 7.5 percent higher than the estimate for the current season. Production is forecast at 9.8 MMT, with yields expected to increase, given that in the previous harvest, fields were hit by severe weather conditions. Wheat remains the preferred winter crop in Brazil (June to September). However, growing production costs can affect producers' decisions to plant, switching to other winter harvests such as oats and barley.

Figure 17

Evolution of Wheat Planted Area in Brazil



Data Source: World Agricultural Supply and Demand Estimates (WASDE), with 2024/25 as Post estimate; Graph Post Brasilia

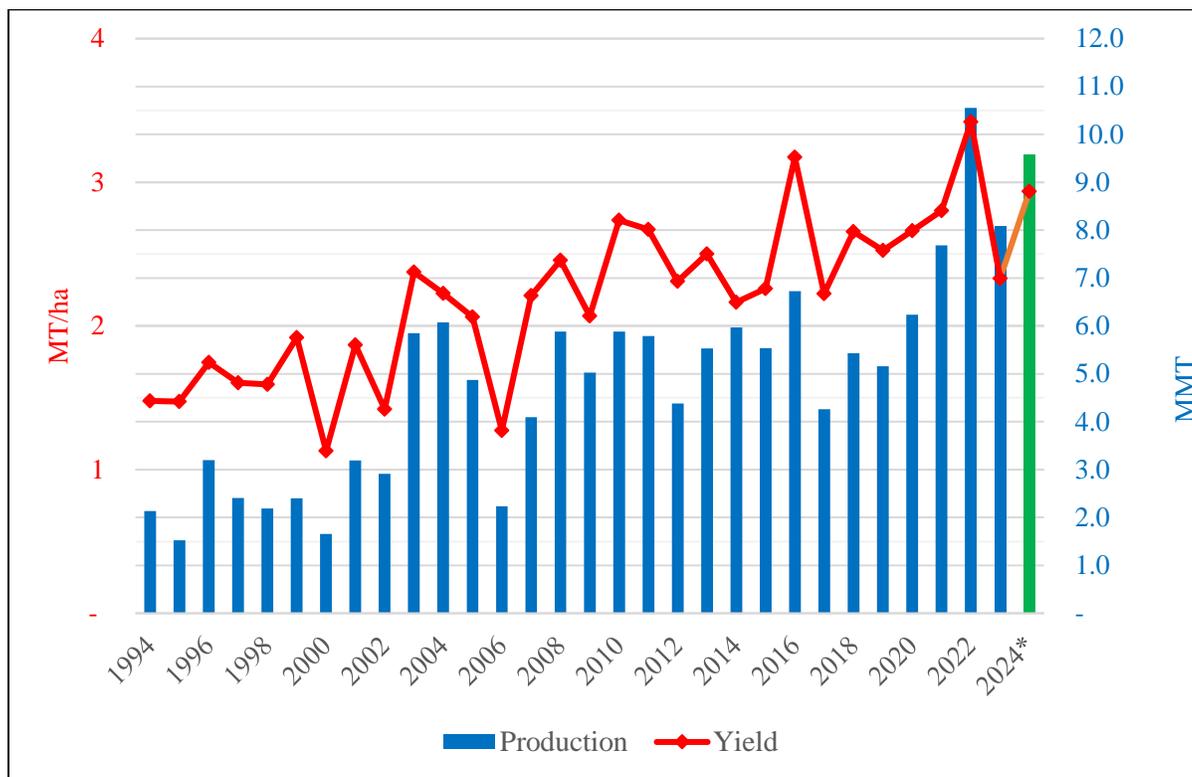
2023/24 Production Slashed by Adverse Weather Conditions

Post slightly decreases its forecast for wheat planted area for MY 2023/24 (October 2023 – September 2024) to 3.3 million hectares from its previous 3.4 million hectares due to higher input costs and lower prices. The expected increase in grain prices has not occurred, leading to greater competition for areas with corn and a decrease in the expectation of planting the cereal.

Post has decreased its wheat production for MY 2023/24 to 8.2 MMT, which is a 19.6 percent reduction from its previous estimate of 10.2 MMT. This harsh cut is due to the effects of the El Niño, which brought excess rains during the development phase of the crops in the primary producing states, severely reducing yields and the quality of the wheat grains.

Figure 18

Evolution of Wheat Production and Yield in Brazil



Data Source: National Supply Company (CONAB), with 2023 and 2024 as estimate; Graph Post Brasilia

In the 2022/23 cycle, from August to July in Brazil, Rio Grande do Sul had a grain surplus. As a result, in addition to shipping large volumes abroad and to the Brazilian northeast, the state became the primary alternative for Paraná, the biggest national milling hub, which also suffered severe losses in local production. Harvesting of the 2023/24 crop in both states occurs around October, but uncertainties with the production and quality of the grains continue to limit future trade.

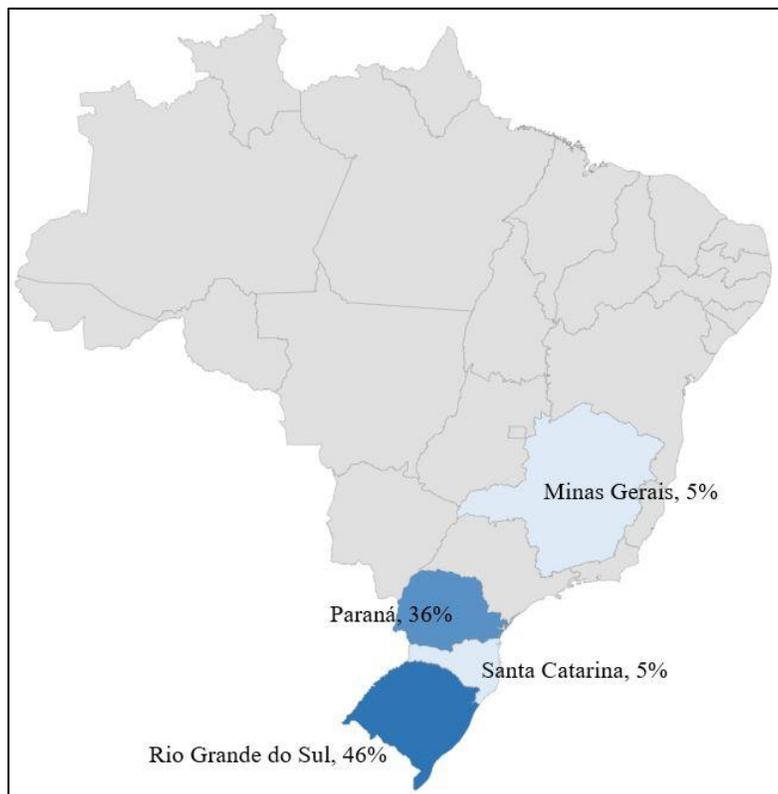
Harvest Outlook

Wheat sowing has started in the Center-West region of Brazil but should pick up pace by mid-April and May in the South, where it is mostly grown. The El Niño phenomenon is starting to weaken, and climate models indicate that temperatures should enter neutral conditions in May and remain that way until the end of August. Therefore, pre-planting of wheat during the Brazilian winter in the southern region should occur under these neutral conditions. The same goes for the advancement of other recently planted crops, such as rice and corn. If the projections of the National Oceanic and Atmospheric Administration (NOAA) are confirmed, the development of the 2024/25 wheat harvest in Brazil could already occur under the influence of La Niña conditions.

More than 85 percent of the Brazilian wheat crops are planted in three southern states: Rio Grande do Sul, Paraná, and Santa Catarina and depending on the region, Brazil sows most of its wheat between April and August, depending on the region. Still, the planting timeline falls outside USDA’s marketing year, which runs from October to September of the following year. However, Brazil considers its entire wheat season to run from August to July, so the wheat crop harvest and export occur within the market year parameters.

Figure 19

Main Wheat Producing States, 2024



Data Source: National Supply Company (CONAB); Graph Post Brasilia

Wheat Prices Are Down, Production Costs Are Up

Brazil’s gross domestic product (GDP) closed in 2023 with a growth of 2.9 percent, according to data from the Brazilian Institute of Geography and Statistics (IBGE). This positive result was highly influenced by Brazil’s agricultural sector, which registered a growth of 15 percent. The Central Bank of Brazil estimates the growth of the Brazilian economy in 2024 to be 1.80 percent, with inflation reaching 3.79 percent. For 2025, the forecast for GDP growth is 2 percent, and inflation at 3.52 percent. The projection for the exchange rate for the end of 2024 is R\$4.95 per US\$ 1, and for the end of 2025, the estimate is R\$5 per US\$ 1.

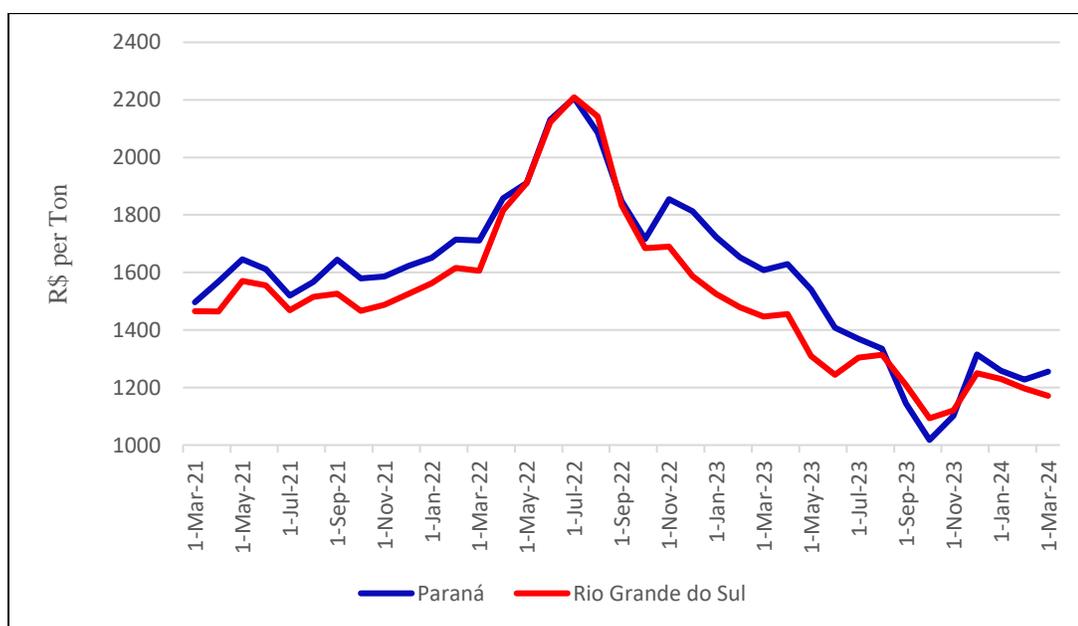
The Producer Price Index for Agricultural Product Groups (IPPA/CEPEA) released by CEPEA recorded a 4 percent drop in January 2024 compared to December 2023, in nominal terms. The IPPA measures

producer prices divided into four categories: Grains, Livestock, Horticulture, and Sugarcane and Coffee. IPPA-Grains showed a decrease of 8.2 percent, while IPPA-Livestock recorded a drop of 1.2 percent. However, there was an increase of almost 6 percent in IPPA-Horticulture, while IPPA-Sugarcane-Coffee showed stability, with a minimum variation of 0.1 percent. Compared to January 2023, the IPPA/CEPEA presented a significant drop of 14.7 percent.

In Paraná, the monthly average price of wheat in February 2024 was R\$ 1250.55 (US\$ 252.05) per ton, a slight increase over the price registered in the average of January of R\$ 1248.89 (US\$ 254.08) per ton. The 2024 price is almost 25 percent lower than the offer of rice in Paraná in 2023, when the grain was quoted at R\$ 1657.16 (US\$ 320.00) per ton in the monthly average. In Rio Grande do Sul, the monthly average for wheat saw a slight drop in prices from January 2024 to February, with the grain starting the year quoted at an average of R\$ 1228.17 (US\$ 249.88) per ton and averaging February at R\$ 1189.13 (US\$ 239.67) per ton. In 2023, rice in the state was quoted at R\$ 1464.73 (US\$ 282.85) per ton. The decrease in prices has been influenced by low liquidity in Brazil and by international trade movements, such as China’s cancellation of wheat sales from the U.S., which has put pressure on international prices.

Brazil had a record wheat harvest last year, which flattened prices. There was an expectation that this year’s crop would equal last, but the 2023/24 harvest has been facing severe losses. Post contacts noted that Rio Grande do Sul had an expectation of producing 5.2 MMT of wheat but has managed to produce around 3.3 MMT, of which around 60 percent is low-quality wheat. The National Supply Company (CONAB) estimates that Rio Grande do Sul will produce around 4.3 MMT. In various wheat-producing regions of the country, excess rain was so severe that some fields had to be abandoned because wheat could not be used even for feed.

Figure 20
Average Wheat Prices in Paraná and Rio Grande do Sul



Data Source: Center for Advanced Studies in Applied Economics (CEPEA); Graph Post Brasilia

The federal government stipulated the purchase price of wheat under the Minimum Price Guarantee Policy (PGPM), which allows producers to sell their wheat to CONAB when market prices are below the minimum value stipulated by the government. After the acquisition, the grain can be stored in CONAB's own warehouses or storage units accredited by the company. This strategy aims to ensure product availability and market stability while helping to ensure producers' income in these states.

With low profitability, many producers are reducing their technological investments in the current harvest in an attempt to reduce the high production costs, and this trend is expected to continue into 2024/25. This includes the use of fertilizers, with producers in regions such as Paraná buying fewer nitrogen products. As a result, prices of this fertilizer have stagnated. Meanwhile, the prices of urea have increased in the domestic market as sellers have increased their sales offers to cover the final needs of the 2023/24 winter corn harvest. Production costs have discouraged farmers from increasing urea business earlier in the season. Farmers are also postponing the purchase of nitrogen for the beginning of this year, following the same movement they did in the middle of 2023 with the soybean harvest when they postponed phosphate and potassium deals. They managed to acquire large volumes at more attractive prices later on. However, with the current high prices of urea, only small volumes are expected to be traded in the coming weeks to supply the 2023/24 second-season corn harvest, as planting has already begun in the leading producing states of Mato Grosso, Paraná, and Goiás.

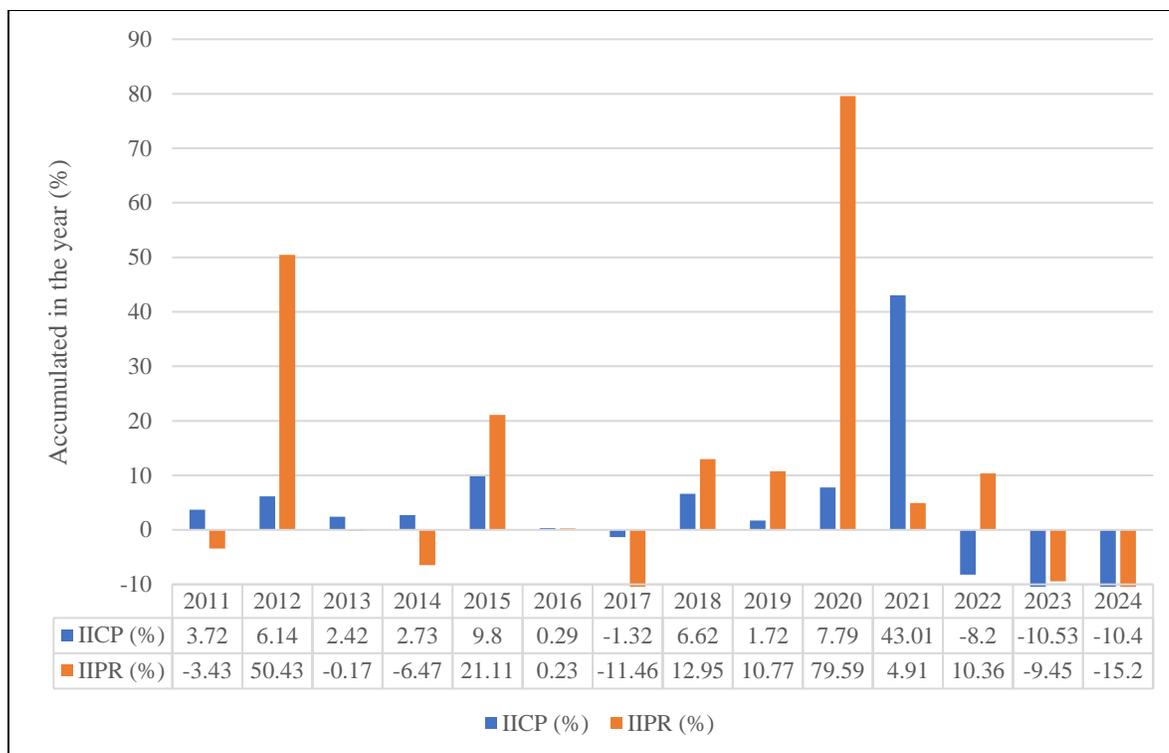
The Federation of Agriculture of the State of Rio Grande do Sul (FARSUL) has released new data on production costs and prices received by rural producers in the state. These figures are measured using the Production Costs Inflation Index (IICP) and the Index on Inflation of Prices Received by Rural Producers (IIPR) for significant commodities. The IICP measures the variations in the cost of production, while the IIPR defines the fluctuations in prices received by producers.

In January 2024, the IICP decreased by -0.42 percent compared to December 2023, indicating a slowdown in the accumulated result for the past 12 months. In 2023, the largest deflation in costs registered in the historical series was recorded, reaching -10.47 percent.

The IIPR ended January 2024 with an even more significant drop of -6.18 percent compared to December. This was influenced by the decrease in the price of soybeans. Over the last 12 months, the IIPR has fallen by -15.20 percent due to the massive grain supplies from the record harvest in the 2022/23 cycle. This mainly put pressure on the prices of soybeans, corn, and wheat.

Figure 21

Rio Grande do Sul: Inflation Indexes on Production Costs (IICP) and Prices Received by Rural Producers (IIPR)



Data Source: Federation of Agriculture of the State of Rio Grande do Sul (FARSUL); Graph Post Brasilia

To address the logistical and infrastructure challenges faced by Brazil in transporting agricultural products to its ports, the Brazilian government has announced the National Plan for the Distribution of the 2023/24 Grain Harvest. The plan aims to improve the transportation network connecting the north and south regions of the country. The theme of the plan is "opening paths for Brazil to move forward," and it involves investing R\$ 4.7 billion in public resources towards the improvement of railways and highways. As a result of infrastructure works on approximately two thousand kilometers of roads, the index of roads considered "good" for traffic increased by 28 percent in the north region of Brazil in 2023, according to Brazil's National Department of Transport Infrastructure (DNIT).

The Group of Research and Extension in Agroindustrial Logistics at the Luiz de Queiroz College of Agriculture (ESALQ/USP) estimates that the cost of land freight for the 2023/24 harvest will be 5-10 percent higher than the previous year's cycle. The peak of the soybean harvest is expected to occur in March, during which the largest volumes are transported. However, the freight market has already started to compete for space with other grains since the second half of February. The cost of freight from Sorriso (in Mato Grosso) to the Port of Miritituba (in Pará) is already higher than the same period last year, quoted at R\$ 280.43 per ton of soybeans. In January 2023, the value was R\$ 261.78 per ton, an increase of 7.12 percent.

The transportation of grains is likely to decrease in the second half of the year due to the forecast of a smaller 2023/24 corn harvest.

ESALQ/USP also shows that 61 percent of Brazilian farms lack proper structures to store the country's grain production. Of the remaining farms (38.9%), 19.8 percent have a conventional or granary silo, 9.2 percent use silo bags as a complement, and 9.9 percent rely solely on silo bags. For more details on this study, see [Grain and Feed Update Brasilia Brazil BR2023-0028](#).

Wheat Trade

Brazil's trade balance ended 2023 with a record surplus of US\$ 98.839 billion, according to the Brazilian Trade Secretariat (SECEX). The result represents an increase of 60.6 percent over 2022 and is the highest in the country's series since it started being recorded in 1989. Last year, exports hit a record, while imports dropped. Brazil's total exports reached US\$ 340 billion in 2023, an increase of 1.7 percent compared to 2022, with the agricultural sector responsible for US\$ 167 billion. Overall imports decreased from around US\$ 273 billion in 2022 to US\$ 240.835 billion in 2023. The agricultural sector reduced its imports from US\$ 17 to US\$ 15 billion.

For 2024, SECEX projects a surplus of US\$94.4 billion, a 4.5 percent drop compared to 2023. This is due to a forecast of a 2.5 percent increase in exports and a 5.4 percent increase in imports this year. Purchases from abroad are expected to increase due to the economy's recovery, which in turn increases consumption in a scenario of less volatile international prices than at the beginning of the conflict between Russia and Ukraine.

Exports To Drop 4.5 Percent Between MY 2023/24 and MY 2024/25

For MY 2024/25 (October 2024 – September 2025), Post sets its initial forecast for wheat export to 2.1 MMT on a wheat grain equivalent basis (WGE), based on the expectation of increased production in Brazil and improvement in the quality of the Brazilian wheat. Note that USDA uses WGE for trade numbers, which, in addition to wheat grain, include flour and wheat product volumes adjusted on a wheat grain equivalent basis. For the past two years, Brazil has seen an increase in wheat exports, mainly due to a decline in wheat offered by Argentina. The neighboring country is Brazil's leading provider of grain but suffered the past crops with lack of rain, which allowed Brazil to fill in. However, the current season has witnessed a reversal of this trend.

Post lowers its estimate for wheat export for MY 2023/24 (October 2023 – September 2024) to 2.2 MMT, from its previous 2.8 MMT calculation, on a wheat grain equivalent basis (WGE), given the expectation of lower production in Brazil and significant wheat quality loss.

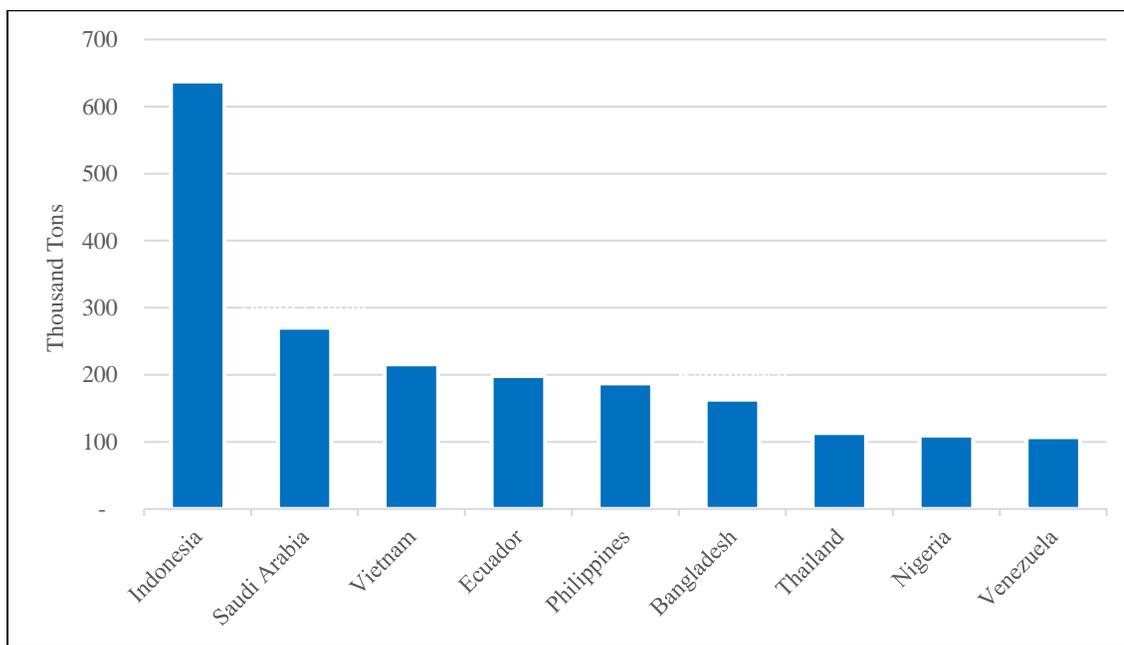
There was a sharp decline in Brazilian wheat exports in February 2024, with Brazil sending 276.18 thousand tons abroad, 48 percent less than the 533.42 thousand tons registered in the same month of 2023. Indonesia was the leading importer of Brazilian wheat in 2023, buying 27 percent of all exports, followed by Saudi Arabia (11%), Vietnam (9%), Ecuador (8.4%), and the Philippines (8%).

Still, traders remain optimistic that Brazil will be able to close good export numbers this coming season. While previous seasons have seen exports of high-quality wheat, Post contacts have indicated that much of the exports this season are focused on the feed-quality wheat, which has been abundant following the weather impacts suffered by the crops.

According to the National Association of Cereal Exporters (ANEC), Brazil plans to export 695 thousand tons of wheat in March, compared to 607 thousand tons in the same period last year. If this forecast holds, Brazil will have exported 1.9 million tons of wheat in the first three months of 2024, compared to 2.4 million tons in the entire year of 2023.

Figure 22

Main Destinations of Brazilian Wheat (2023)



Data Source: Ministry of Industry, Foreign Trade and Services (MDIC); Graph Post Brasilia

2023/24 Imports Remain High as Production Drops; Imports Expected to decrease in MY 2024/25

Post sets its wheat imports forecast for MY 2024/25 at 4.5 MMT on a wheat grain equivalent basis (WGE). This forecast is significantly lower than the import estimate for MY 2023/24 (October 2023 – September 2024), set at 5.5 MMT. Brazil must import wheat to meet its internal demands, as its production is not enough.

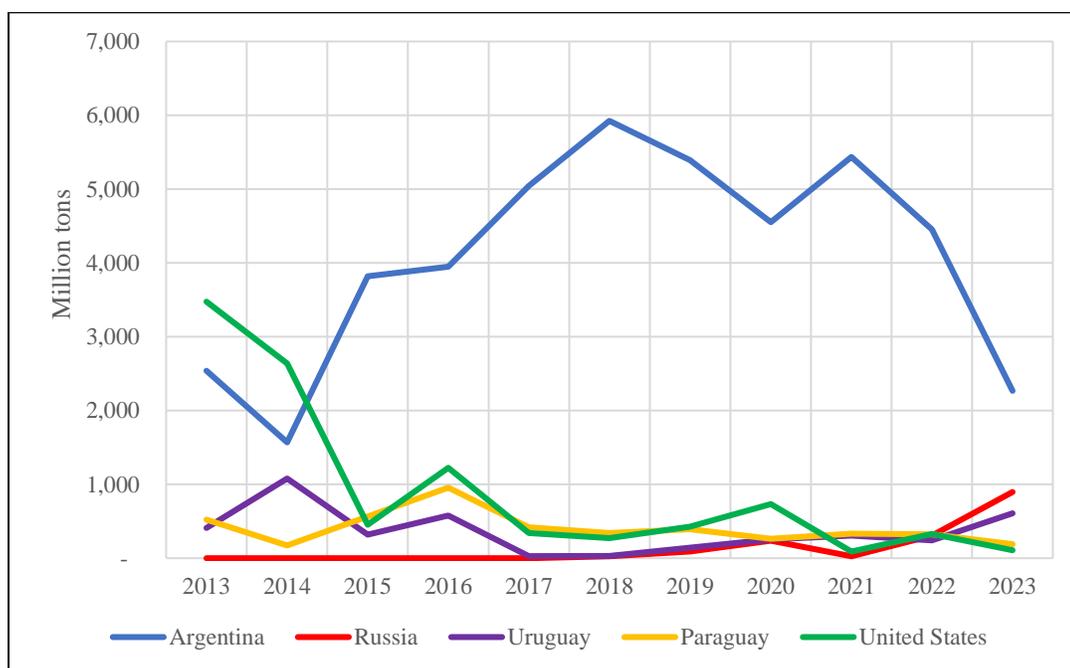
There have been adverse weather conditions during the harvest which have caused damage to the quality of the wheat produced this season. As a result, there has been an increase in the import of better-quality wheat from Brazil, as buyers look for alternatives. Although many mills have stockpiles of less-than-optimal-quality wheat, imports - especially from Mercosur countries - have increased to meet this specific demand.

Argentina is typically the leading exporter, sending wheat during the first half of the year, in line with the availability of the neighboring harvest. The United States is also a top exporter to Brazil, sending most of its wheat between the months of August and November.

Lower wheat prices from Argentina are putting pressure on the Brazilian market. To compete with Argentine wheat, producers in Paraná would need to sell wheat for around R\$ 1,240.00 per ton (R\$ 74.40 per bag), while producers in Rio Grande do Sul would need to negotiate for around R\$ 1,230.00 per ton (R\$ 73.80 per bag). However, due to the high supply of lower-quality wheat, prices are being negotiated at R\$ 63.00 and R\$ 66.00 per bag in Paraná and, on average, R\$ 61.53 in Rio Grande do Sul.

Figure 23

Main Origin of Wheat Imports to Brazil (2013 - 2023)



Data Source: Ministry of Industry, Foreign Trade and Services (MDIC); Graph Post Brasilia

January and February 2024 saw strong increases in Brazilian wheat imports as buyers sought higher-quality wheat despite many mills being fully stocked. According to SECEX, wheat imports in the month of February totaled 531.55 thousand tons, 82 percent above the same period last year. However, the price registered for the wheat was 33 percent less this year than last, now quoted at US\$240.93/t FOB.

In the first two months of 2023, Brazil imported around 732 thousand tons of wheat, mainly from Argentina, jumping to 1.1 MMT in the same period this year.

Wheat Consumption

Post sets its initial forecast for total wheat consumption for MY 2024/25 (October 2024 – September 2025) at 12.35 MMT, predicting a 0.4 percent increase over the estimate for MY 2023/24. Although there has been a notable reduction in the supply of high-quality wheat planted in the country, wheat is one of the primary commodities that typically require imports to meet internal consumer demands. Therefore, a decrease in production, whether in quantity or quality, is unlikely to significantly impact customer trends.

In the meantime, the lower quality of the grains available in the 2023/24 season is expected to lead to an increase in offers from the feed industry. However, given the recent surge in food prices and inflation rates, this increase is likely to be offset by lower population consumption.

Attachments:

No Attachments