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Report Highlights:

Post revised down its 2021/22 forecast corn harvest to 113 million metric tons (MMT) on the account of disappointing first-crop corn volumes. Consequently, the corn export forecast is also lowered to 42 MMT. Meanwhile, imports will remain above average levels, though they will continue to be sourced mostly from the Mercosur trade bloc. Post forecasts wheat production at 7.7 MMT for the 2021/22 season, an increase of over 1.45 MMT from the current season thanks to forecast expansion in the planted area. Wheat imports are projected to rebound after the low volumes registered over the last two seasons. Wheat exports will remain high, thanks to a diverse buyers' base. Post forecasts rice production at 7.9 MMT in 2021/22, a decrease of 100,000 metric tons from the record production in the current season. Unlike corn and wheat, rice exports have been stymied by surging maritime freight costs associated with shipment in containers versus in open vessels.

Corn PSD

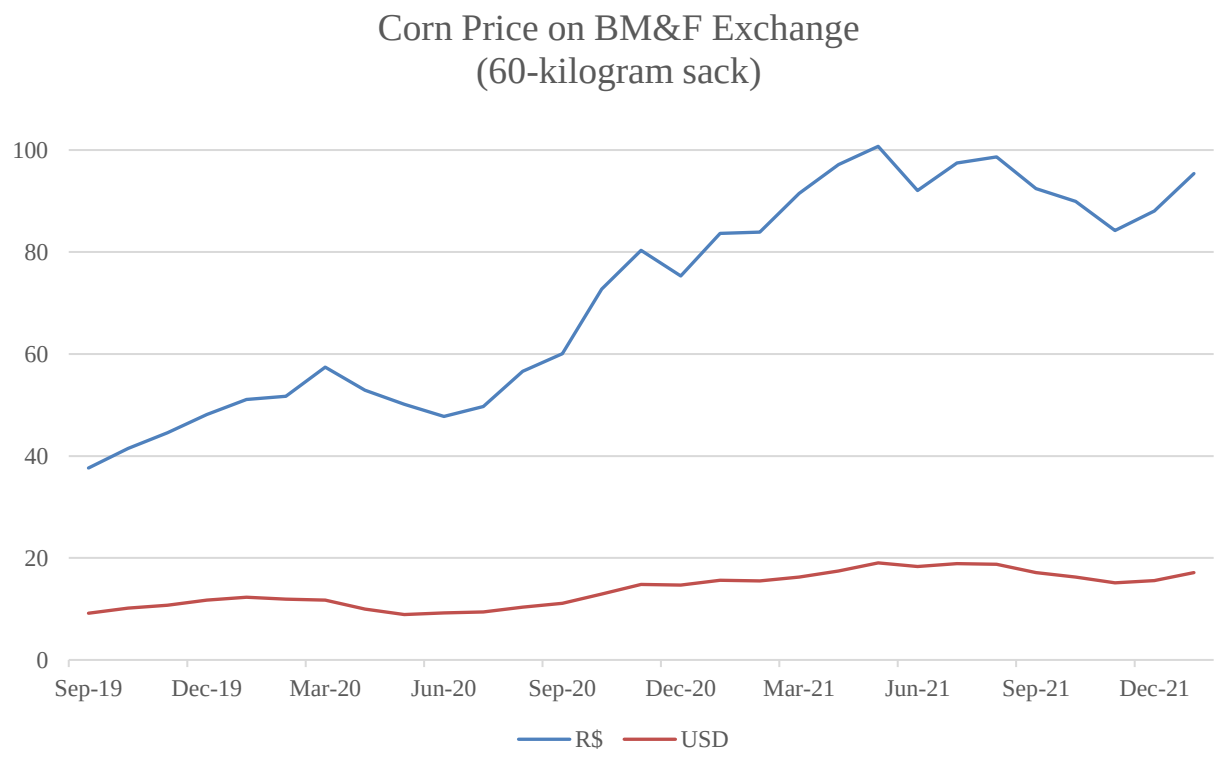
Corn	2019/2020		2020/2021		2021/2022	
Market Begin Year	Mar 2020		Mar 2021		Mar-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	18500	18500	19900	19900	20800	21000
Beginning Stocks	5311	5311	5230	5807	5230	4507
Production	102000	102000	87000	86000	115000	113000
MY Imports	1648	1648	3500	3500	2000	2500
TY Imports	1338	1338	2281	2281	3000	3000
TY Imp. from U.S.	0	0	1	1	0	0
Total Supply	108959	108959	95730	95307	122230	120007
MY Exports	35229	35152	19500	20500	43000	42000
TY Exports	34137	34432	27492	27492	31000	30000
Feed and Residual	58500	58500	60000	60300	62000	62500
FSI Consumption	10000	9500	11000	10000	11000	10500
Total Consumption	68500	68000	71000	70300	73000	73000
Ending Stocks	5230	5807	5230	4507	6230	5007
Total Distribution	108959	108959	95730	95307	122230	120007
Yield	5.5135	5.5135	4.3719	4.3216	5.5288	5.381
1000 HA, 1000 MT, MT/HA						

Corn Production

2021/22 Corn Production Revised Down on Disappointing First Season Crop

Post slightly revised up its forecast for corn planted area for marketing year (MY) 2021/22 (March 2022 – February 2023) to 21 million hectares (ha), which represents an expansion of 5.5 percent on the current season. The revision accounts for the disappointing first-crop corn harvest, which will amplify the already high corn prices and incentivize producers to sow a larger area during second-crop, or safrinha harvest.

Press reports indicate that as of third week of January, farmers in the southern states of Santa Catarina and Rio Grande do Sul - two states that saw production significantly affected by the lack of rain - saw farmgate corn prices pass the Brazilian real (BRL) 100 per 60-kilogram sack mark. Corn index from the Center for Advanced Studies in Applied Economics (CEPEA) registered the upward trend beginning in December as reports of substantial production losses began to pile up. The market expects that high corn prices will persist in Brazil through at least mid-2022, when the second corn harvest is expected to hit the market.



Data Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA), Chart by Post Brasilia

Post decreased by 4 million metric tons (MMT) its corn production forecast for the 2021/22 season to 113 MMT despite the slight increase in planted area. The production forecast is based on reduced yields for the first-crop corn. Corn in Brazil is grown nearly year-round and given the large size of the country and its geographic diversity, corn is also planted and harvested during three different periods. Thus, for any MY, yields vary by location and season. Post overall forecast yield for the 2021/22 season is 5.38 metric tons per hectare (MT/ha), which considers the disappointing first season harvest, as well as adequate investment in technology and average weather patterns for the second and third season crop. The forecast, if realized, would represent more than 30 percent increase in production over Post's estimate for the MY 2020/21 season, as well as a new corn harvest record for Brazil.

First Season Corn

Traditionally, corn was a staple crop in southern Brazil, cultivated to support the livestock and poultry sectors concentrated in that region. Today, first season corn is planted in the south, as well as the southeast and northeast regions of Brazil between August and January, with harvest taking place from January to May. This crop is now considered the first of three annual corn crops, as it is the first to be harvested during the market year. It is also known as "full season" or summer corn, since it is normally the only crop planted during the year and is also largely cultivated during the Southern Hemisphere's summer season. Today, first-crop corn accounts for only a quarter of Brazil's total production.

Initial expectations for a sizeable first season corn crop on the order of over 30 MMT were dashed by the La Nina weather phenomenon. Due to the prolonged periods of drought in November and December 2021, which occurred right as corn crops in the south of the country were pollinating and filling grain, Post now forecasts first season corn to total around 23.5 MMT in 2021/22.

Brazil's southernmost state of Rio Grande do Sul is typically the largest producer of first-crop corn, responsible for more than one-fifth of the country's total corn output. However, this season, according to the Rio Grande do Sul Extension Service (EMATER/RS), growers in the North, Center, and West parts of the state are seeing very poor yields with as much as 100 percent of the forecast production lost. The president of the Rural Union in the state's northern municipality of Ijui, estimates that the region is suffering the second worst drought in history, surpassed only by the drought of 1945. Some of the producers are choosing not to harvest their corn due to low quality of the crop, as their profits would not compensate for the investment in the harvest operation. Overall, farmers in Rio Grande do Sul planted around 830,000 ha of first season corn, with the forecast final production totaling just over 3 MMT, down by about half from initial expectations.

Growers in the southern states of Parana are facing the same drought conditions. The state's Department of Rural Economics (Deral) forecasts the first-season corn planted area around 435,000 ha, with production forecast at just 2.4 MMT of corn, down from the initially expected 4 MMT. Across much of the state, growers are expecting crop losses of 40 to 70 percent, though in some municipalities the entire crop may be lost. Harvest has yet to begin in Parana in earnest and yields may be further revised on the downside. For the small southern state of Santa Catarina – situated between Rio Grande do Sul and Parana – the Agricultural Research and Rural Extension Company of Santa Catarina (EPAGRI) forecasts losses of more than 40 percent of corn production, initially anticipated at 2.79 MMT on a planted area of around 330,000 ha.

Despite the steep losses, Post forecasts the southern region of Brazil to retain its spot as the leading grower of first season corn with production topping 7.5 MMT in the 2021/22 season. The impact of La Nina weather has been much more limited for corn growers in southeast and northeast regions. Brazil's agricultural statistics agency, the National Supply Company (CONAB), forecast that the southeast state of Minas Gerais will emerge as the top producer of first crop corn in 2021/22, with 820 thousand ha of planted area and over 5.2 MMT in production. Post concurs with CONAB forecast of 7.1 MMT of first season corn in southeast region. In the northeast states of Maranhão, Piaui, and Bahia farmers are in the midst of the busy planting season and so far, weather predictions augur better-than-average yields, with the region harvesting 5.5 MMT of first season corn.

Second Season Corn

Agricultural production expanded into the Center-West region of Brazil starting in the 1970s, where growers can plant two crops per year on the same land, thanks to warm weather and ample rainfall year-round. Farmers typically cultivate soybeans during the summer season, followed by second-season corn on the same area. This corn crop is also referred to as the "safrinha," meaning "little harvest," in Portuguese. As soy cultivation expanded in response to strong demand from China, safrinha corn has become the most popular second crop to plant in the same fields after the soy harvest. Today, safrinha corn makes up almost three-fourths of total corn production in Brazil. Safrinha corn is typically sown between late December and March and harvested between June and September.

The Center-West state of Mato Grosso is Brazil's largest corn producer overall, responsible for roughly one-third of total production. Growers in this part of the country typically plant safrinha corn after the soybean harvest. While some farmers have opted in recent years to switch to cotton as a second crop, many do not have the specialized equipment or capital for pricy inputs needed to produce cotton. The high profitability of corn, relative ease of commercialization, lower input investment compared to cotton, and the fact that farmers can largely use the same equipment as soy for corn planting and harvesting, mean that corn will remain the dominant second crop in Mato Grosso for the foreseeable future. For the 2021/22 season, about 60 percent of the state's soybean area, or 6.2 million ha, will be planted with safrinha corn, while the rest of the area will be split between cotton and cover crop. Post's corn production forecast for the state aligns with the Mato Grosso Institute of Agricultural Economics (IMEA) expectation of 39.7 MMT for the 2021/22 harvest.

Parana is Brazil's second-largest corn producing state, typically accounting for about 15-20 percent of the national harvest. Roughly 75-80 percent of the southern state's corn comes from the safrinha crop since a majority of producers prefer to plant soybeans first. According to the DERAL, the state's safrinha corn crop was only about two percent planted as of January 20. Despite concerns about dryness affecting second-crop corn development in the state, producers are expected to expand area by about five percent in response to high prices. DERAL forecasts safrinha corn harvest at 15 MMT.

There is some risk that yields for the safrinha corn will be lower if growers are either unable to source enough fertilizer, or if they elect to use less fertilizer given its skyrocketing costs. Brazil is the world's fourth largest consumer of fertilizers (behind China, India, and the United States) and usually imports about 80 percent of its fertilizer requirements. Brazil imports 94 percent of its potassium, 76 percent of its nitrogen – used heavily on corn fields – and 55 percent of its phosphorus. In recent months, global fertilizer prices rose significantly. As the chart below shows, given high input costs, the safrinha corn profits could be about half last season's levels. Nevertheless, Post anticipates that the climbing domestic corn prices will mitigate this risk and incentivize Brazilian producers to procure and use fertilizer for the 2021/22 crop.

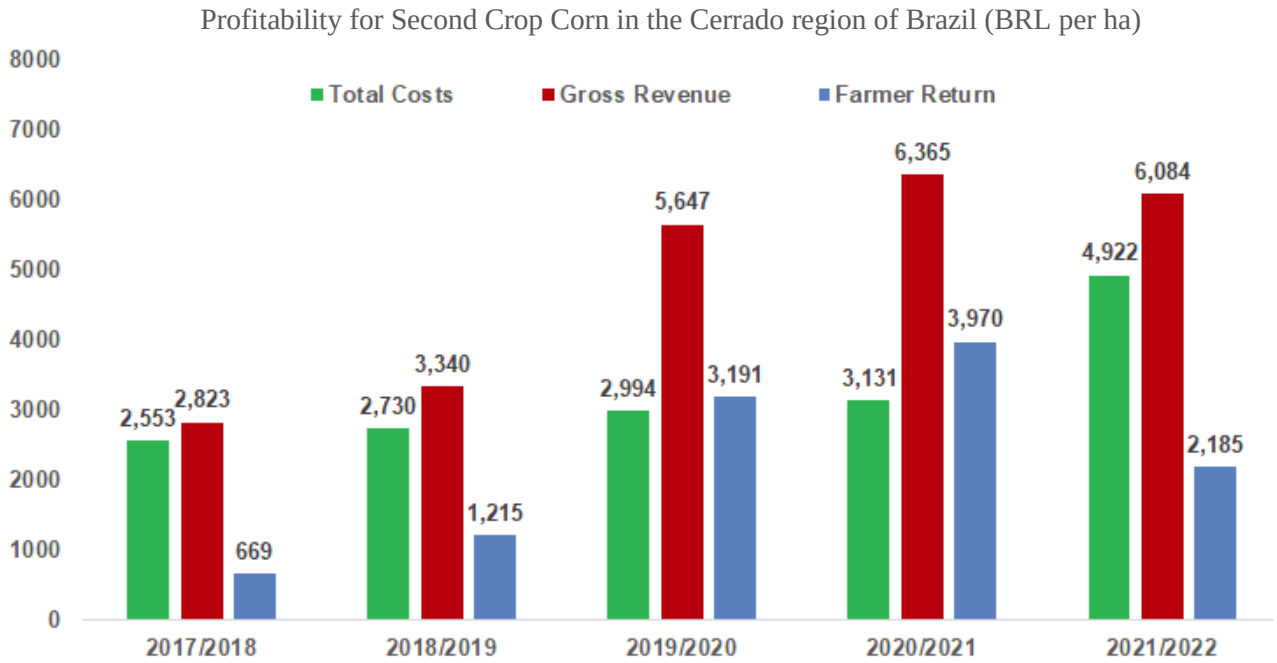


Chart Source: FarmDoc Daily, University of Illinois.
Data Source: Data for this chart is for the states in the cerrado regions Brazil: Mato Grosso, Mato Grosso do Sul, Goias, and Bahia. It is sourced from the Ministry of Agriculture (MAPA), IMEA, Deral, CONAB, the Chicago Board of Trade (CBOT), and Cogo Intelligence in Agribusiness.

However, there remains an outstanding risk that growers will simply not be able to source enough fertilizer to ensure optimal yields for the second season corn crop. There are a myriad of factors currently affecting not only fertilizer prices, but also their availability. Overall, many industries, including agribusiness have been impacted by the general supply disruptions and labor issues associated with COVID-19. In addition, there were several production issues from short term disruption of fertilizer manufacturing in the United States on the account of Hurricane Ida, to rising prices of natural gas, a major input for the production nitrogen fertilizers. Potash not only tripled in price over the course of 2021 - starting the year priced at USD 245 per ton in Brazil and closing out December at USD 800 per ton – but was increasingly hard to procure. Post contacts indicate that many farmers are facing canceled and rolled-over contracts, in addition to astronomical prices.

Third Season Corn

In 2019, Brazil's statistic's agency, CONAB defined a third corn crop in the country. This corn is grown in northeastern states of Sergipe, Alagoas, and the northern part of Bahia, collectively known by the acronym "Sealba." Third-crop corn is sown between May-June and harvested in October-November, a harvest cycle that more closely resembles that of the United States. This production is still relatively small and was previously folded in with the safrinha corn. CONAB forecasts third-crop corn to account for less than 2 percent of Brazil's total MY 2021/22 production or about 1.86 MMT.

Dismal Production for 2020/21 Pushes Stocks to a Decade Low

Post maintains its estimate for the MY 2021/20 harvested corn area at 19.9 million ha, an all-time high and an increase of over one million ha compared to MY 2019/20. Strong domestic demand from the poultry and livestock sectors, as well as the growing corn ethanol industry, have greatly expanded corn consumption in recent years, boosting domestic prices. Paired with strong global demand and prices and Brazil's devalued domestic currency, the Brazilian real, the internal corn prices have seen a meteoric rise in the last two years.

Record-setting corn prices motivated producers to expand corn area this season, taking the risk of diminished yields by pushing the growing cycle deeper into the dry season. Subject to less-than-ideal climate conditions, producers saw yields fall for all three corn-growing seasons in the MY 2020/21. The cumulative effect of these climatic events pushed the yield estimate to 4.32 MT/ha for this season, almost one metric ton below the five-year average of 5.2 MT/ ha. As a result, Post estimates MY 2020/21 corn production at 86 MMT, a decrease of more than 15 percent from the last season.

The disappointing 2020/21 season comes on the heels of a banner previous season, when Brazil not only set a production record of 102 MMT, but also saw its exports nearly double from 24 MMT to 39.7 MMT. Corn stocks were already depleted, hovering around an estimated 5.8 MMT at the end of 2019/20. For 2020/21, Post estimates ending stocks at just 4.5 MMT; the last time Brazil's corn stocks fell below 5 MMT was in 2011/12, when the sector carried just 4.2 MMT of corn into the next season.

Corn Trade

Exports to Rebound in the Second Half of 2021/22

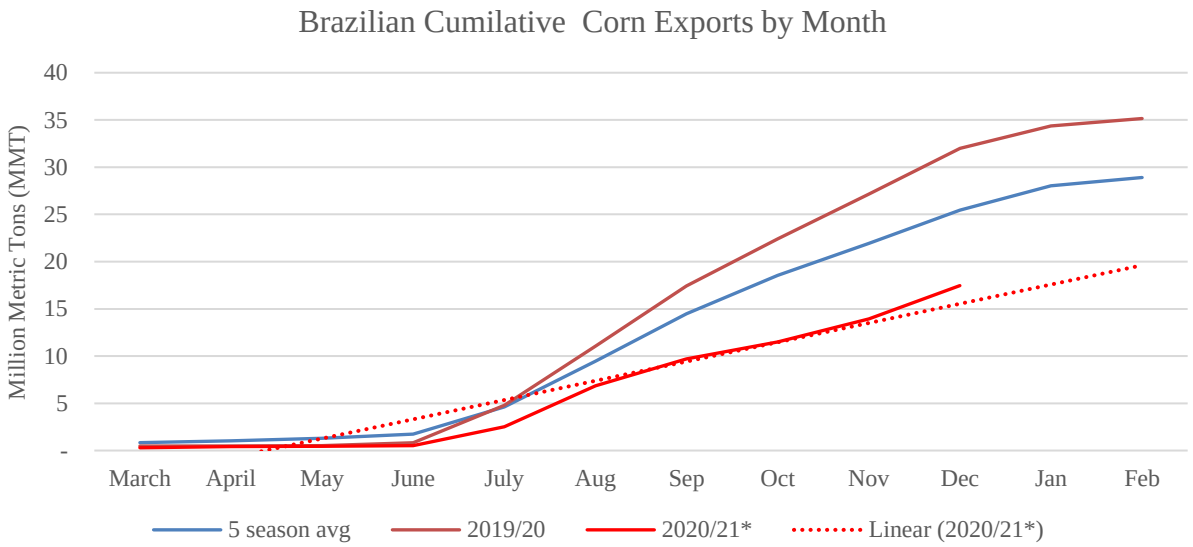
For MY 2021/22, Post lowered slightly its corn export forecast by 1 MMT to 42 MMT. The reduction takes into account lower first season corn harvest, which normally supplies around 1.5 MMT in volumes shipped in the first 4 months of the MY. However, this MY, due to the depleted domestic stocks and high demand from the poultry, livestock, and ethanol industries, very little of the Brazilian corn will be available for export in the first half of the season.

The 2021/22 corn exports from Brazil will begin in earnest in July 2022, when the second season harvest comes online. Post anticipates that as long as the second season crop production volume meets expectations, Brazil will be able to hit the forecast target in the remaining months of the marketing year. The export forecast is based on an expectation that the BRL will remain relatively weak as Brazil's GDP growth continues to lag in the wake of the COVID-19 pandemic. According to Brazil's Central Bank Focus survey, market participants anticipate the exchange rate to average BRL 5.6 to the U.S. dollar (USD) in 2022, slightly above the average rate in 2021.

Current Season's Exports Lag Below Average, Despite a Surprise on the Upside

Post revised up its export estimate for MY 2020/21 to 20.5 MMT. The revision was made on the account of strong uptick in exports over the closing months of the season. Post contacts indicate a very strong export number for January, around 3 MMT, which would put cumulative exports at over 20 MMT in the

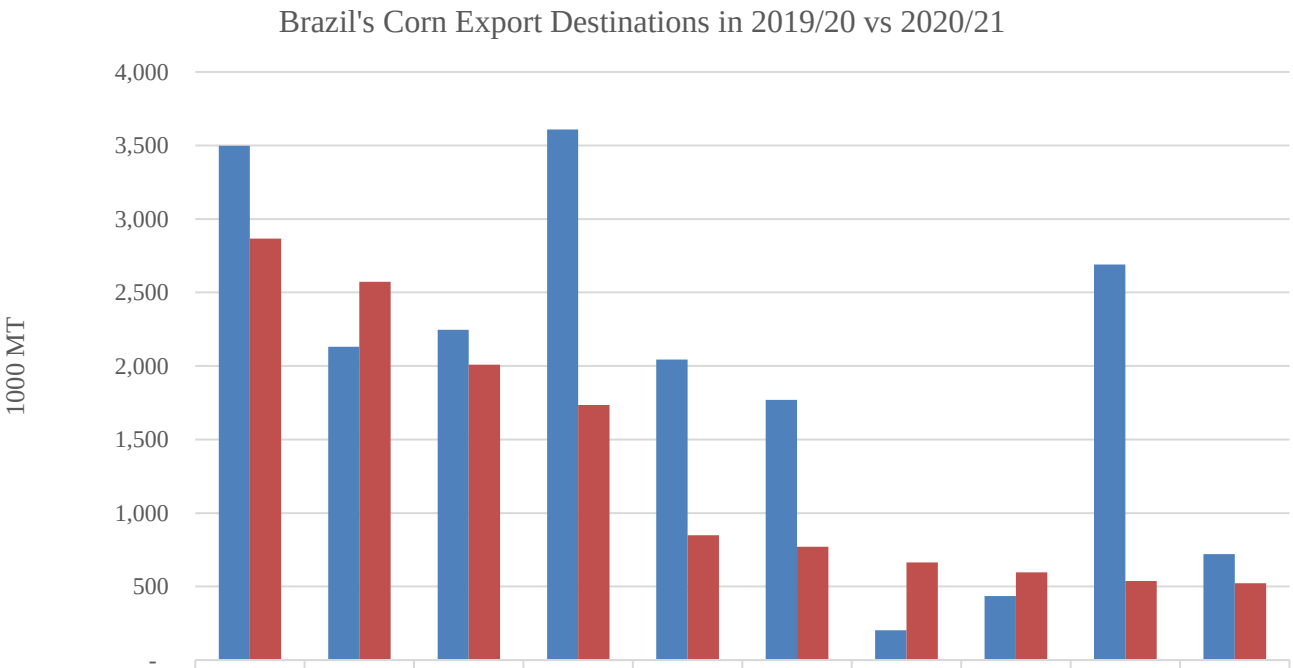
first 11 months of the year. However, exports in February are expected to be extremely low due to domestic prices climbing past export prices at the beginning of 2022. In sum, Brazilian corn exports are still on track to end the 2020/21 season close to the lowest level over the last decade.



Data Source: Brazilian Foreign Trade Secretariat (SECEX), Chart by Post Brasilia

The weak BRL had been expected to fuel large export volumes, but the sharp decline in projected safrinha yields greatly curtailed the volume of corn available for export. The rise in maritime freights and constrained availability of vessels further dampened exports. In an average year, Brazil ships the bulk of its corn during a 6-month window of July-December, with volumes averaging between 4 to 6 MMT monthly; this season, Brazil's exports during this timeframe only managed 2 to 4 MMT monthly.

There was a sizeable shift in corn export destinations when comparing first 11 months of 2020/21 to the previous season. Typically, customers in Asia (Japan, South Korea, Taiwan, and Vietnam) dominate the buyers list for Brazilian corn. However, on the account of rising prices and higher shipping costs, exports to destinations in Asia were down by 100 percent or more. Japan dropped from its top importer spot to number four. Meanwhile, exports to buyers in Western Hemisphere were up, increasing by 70 percent to Colombia and by 27 percent to the Dominican Republic.



	Iran	Egypt	Spain	Japan	S. Korea	Taiwan	Colombia	Dom. Rep.	Vietnam	Portugal
10 month 19/20	3,497	2,131	2,246	3,610	2,044	1,770	202	435	2,691	720.207
10 month 20/21	2,867	2,572	2,009	1,736	848	771	665	597	538	522.492

Data Source: Brazilian Foreign Trade Secretariat (SECEX), Chart by Post Brasilia

Imports to Subside in 2021/22, but Remain Elevated Above Norm

For the MY 2021/22, Post revised up its corn import forecast to 2.5 MMT, up from 1.75 MMT envisioned earlier. The upward revision is based on the depleted domestic corn stocks and poor first crop harvest in the South of Brazil. The domestic livestock and poultry industry, which are concentrated in the southern states, require corn for their feed rations and given the lack of domestic supply they will have no choice but to continue importing additional supplies from neighboring Argentina in the coming months. Notably, while Post's import forecast represents a 28 percent decline on the imports estimated for the current season, the figure is much higher than the 1-1.5 MMT Brazil has been sourcing outside the country over the last several seasons.

For MY 2020/21, Post maintains its import expectation of 3.5 MMT. In effect, corn imports will be more than double the average annual shipments due to the disappointing safrinha corn harvest this season coupled with strong internal demand from Brazil's poultry and livestock sectors. In the first 10 months of this season, Brazil had already imported 2.6 MMT of corn, compared to just 1 MMT in the same period last season.

Argentina and Paraguay dominate import shipments to Brazil, each accounting for roughly half of the volume supplied so far this season. Notably, Brazil typically sources most of its imports from Paraguay. However, this season with exceptionally strong production in Argentina, coupled with depreciating

Argentine peso, Brazil was able to source 10 times as much corn from Argentina in the first 10 months of the season as it did last season.

Top Suppliers of Corn to Brazil in 2019/20 and 2020/21 (in MT)

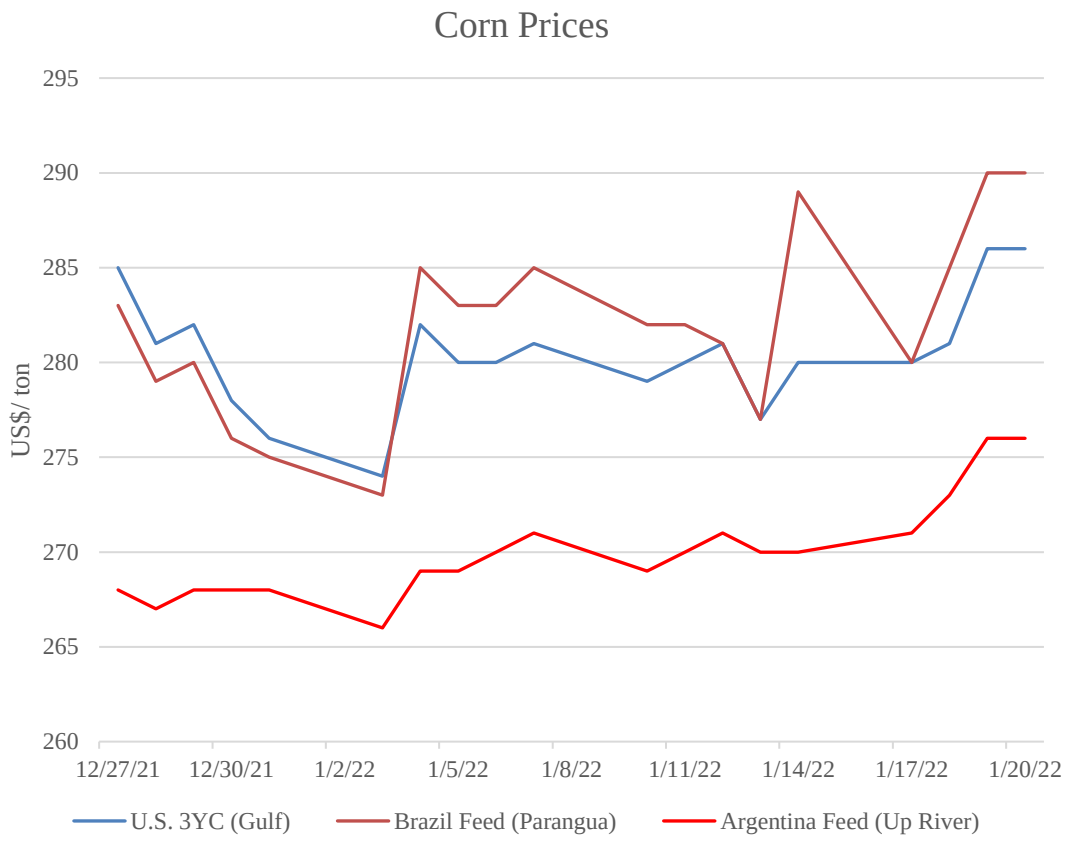
	10 months 2019/20	10 months 2020/21
Argentina	102,903	1,397,399
Paraguay	984,711	1,239,814
United States	517	751
Bolivia	103	51
Chile	-	13
Total	**1,088,287**	**2,638,028**

Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Due to crop failure during the safrinha harvest, the Brazilian government had sought to facilitate an increase corn imports. In April 2021, the Executive Management Committee of the Foreign Trade Chamber (GECEX/CAMEX) zeroed out import tariffs for soybeans and corn for countries outside of Mercosur through the end of the year. Then, in mid-June, the National Technical Commission on Biosecurity (CTNBio) announced the approval of the last individual GE event for corn produced in the United States, eliminating the asynchronous approvals issue and guaranteeing that any imported corn from the United States would be cleared at the port.

In late September, the government approved a temporary suspension of the PIS/Cofins taxes on corn imports through December 31, 2021. This suspension applies to all corn imports, including shipments from Mercosur countries that normally pay this tax. According to the government, the suspension of the 9.25 percent PIS/Cofins tax reduced the price of corn by around BRL 9 per bag, when considering corn price of around BRL 100 per bag. The suspension was subsequently extended through December 31, 2022, however, this year the suspension is only applicable to Mercosur members.

Despite the targeted government's measures to increase corn imports from outside of Mercosur, 99.9 percent of Brazilian corn imports in MY 2020/21 (as of December 2021) have come from either Paraguay or Argentina. The United States was the source of only 751 MT of Brazil's MY 2020/21 corn imports from March to December 2021. At this point, U.S. corn is priced closely to that of Brazilian corn, while Argentine supplies remain priced at USD 10-15 below those rates. Thus, Post does not anticipate the volume of U.S. corn imports to go up substantially in the last two months of the season.



Data Source: International Grains Council (IGC)

Corn Consumption

Domestic Demand Forges Ahead this Season and Next

Post revised up its corn consumption by 1.5 MMT for the 2021/22 forecast, as well as by 2.3 MMT for the 2020/21 estimate. As such, the 2021/22 forecast calls for 73 MMT in corn consumption, up by almost 4 percent on the 2020/21 estimate of 70.3 MMT. The revision was made on anticipation of higher feed and residual consumption, thanks to strong performance of the livestock and poultry sectors. The food, seed, and industrial (FSI) consumption is also expected to grow thanks to robust demand from the country's burgeoning corn ethanol sector.

Corn consumption in Brazil has nearly doubled over the last two decades as the country became the world's largest chicken meat exporter and fourth-largest pork exporter. Brazil's large poultry and pork sectors consume the vast majority of the corn crop each year, as the grain makes up about 60 percent of feed rations. Calendar year 2021 showed strong growth of Brazil's poultry and pork production. Post estimates chicken meat production grew by over 4 percent in 2021, while the 2021 forecast calls for 1.7 percent growth, with production topping 14.7 MMT. Post estimates that pork meat production increased by nearly 5 percent in 2021 to 4.3 MMT, with a forecast of 3 percent expansion to 4.45 MMT in 2022,

driven by record pork exports as well as growth in domestic demand. The Brazilian pork industry consumes about half as much feed rations as the poultry sector, but the rapid growth is still significant.

According to Brazil's National Union for the Animal Nutrition Industry (Sindiracoes), total feed production - including from corn and other ingredients, but excluding mineral salt - in calendar year 2021 grew to 81.2 MMT, an increase of just over 4 percent on 2020. According to Sindiracoes data, the production of feed rations for broiler chickens grew by 4.1 percent in 2021, while feed production for laying hens grew by 1.5 percent, and swine feed production grew by 5.9 percent. Sindiracoes projects feed production to grow between 4 and 4.5 percent in 2022 if current trade dynamics and domestic economic performance projections hold.

Post forecasts Brazil's MY 2021/22 food, seed, and industrial (FSI) consumption at 10.5 MMT, up from the estimated 10 MMT in FSI consumption in MY 2020/21. The country's small-but-expanding corn ethanol industry has grown rapidly in recent years. In 2020, even though strict social distancing measures at the start of the pandemic dampened fuel consumption in Brazil, forcing ethanol prices downward, the sector started to recover in the third quarter of last year as Brazilians began to slowly return to some version of their normal lives. Last year, Brazil's corn ethanol industry received a boost at the expense of the sugar ethanol industry which struggled with production due to poor sugar cane harvest.

Year	Corn Harvest	Corn Ethanol (bn liters)
2018	2018/19	0.7914
2019	2019/20	1.61
2020	2020/21	2.59
2021	2021/22	3.34
2022	2022/23	3.9

Source: UNEM

The Brazilian Corn Ethanol Union (UNEM) estimates that the sector produced about 3.34 billion liters of corn-based ethanol in 2021, consuming over 8 MMT of corn in the process. Overall, the Brazilian corn ethanol production has been growing by about 800 million to one billion liters per year. For 2022, UNEM expects production to reach 3.9 billion liters. However, growth potential for corn ethanol production in Brazil is still limited by regional fuel demand and the logistical challenges and profitability of transporting excess fuel to other parts of the country. Although concentrated in the Center-West region, the sector already sells corn-based ethanol to at least 10 states in Brazil's northern and northeastern regions and continues to eye expansion of distribution capabilities to the population centers along Brazil's northeastern coast.

Wheat PSD

Wheat	2019/2020		2020/2021		2021/2022	
Market Begin Year	Oct 2019		Oct 2020		Oct 2021	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2040	2040	2340	2340	2720	2700
Beginning Stocks	1057	1057	761	861	431	431
Production	5200	5200	6250	6250	7800	7700
MY Imports	7029	7029	6395	6395	6500	7000
TY Imports	7063	7063	6359	6359	6500	7000
TY Imp. from U.S.	610	610	508	508	0	100
Total Supply	13286	13286	13406	13506	14731	15131
MY Exports	425	425	925	925	1300	1600
TY Exports	408	408	911	911	1300	1400
Feed and Residual	500	500	400	500	800	700
FSI Consumption	11600	11500	11650	11650	11800	11700
Total Consumption	12100	12000	12050	12150	12600	12400
Ending Stocks	761	861	431	431	831	1131
Total Distribution	13286	13286	13406	13506	14731	15131
Yield	2.549	2.549	2.6709	2.6709	2.8676	2.8519
1000 HA, 1000 MT, MT/HA						

Wheat Production

As of January 2022, Brazil mostly finished up its marketing year (MY) 2021/22 (October 2021 – September 2022) wheat harvest. Note that the Brazilian farmers plant wheat between April and September, so the sowing timeline falls outside of a typical MY, which runs from October of the current year to September of the following year. However, the harvest and export of the wheat crop take place within the MY parameters. For MY 2021/22, Post maintained its forecast wheat area at 2.7 million hectares, while wheat production estimate was lowered slightly to 7.7 million metric tons (MMT), from 7.8 MMT forecast in the previous update.

High internal prices incentivized expanded planting in the major production regions, supporting Post's forecast for a year-over-year increase of 15 percent for area. Production is forecast to grow by 23 percent but was not quite as large as previously expected at the start of the season. The slight leveling off in yields was due to prolonged periods of drought and incidence of frosts in the South of the country. Nevertheless, the MY 2021/22 crop is expected to be a record wheat harvest for Brazil and is significantly larger year-over-year.

Brazilian farmers grow wheat as a first-season crop in nine states, though most of the production is concentrated in the south of the country. In particular, the states of Parana and Rio Grande do Sul

account for roughly 85 percent of total Brazilian wheat plated area and production. Both states expanded area this season. According to data from the National Supply Company (CONAB), Brazil's agricultural statistics agency, wheat area in Rio Grande do Sul grew by more than 25 percent year-over-year, while Parana's wheat area expanded by almost 9 percent.

Historically, Parana has been the largest wheat producer in Brazil; however, Rio Grande do Sul took over as the lead producer in the 2021/22 season. The Rio Grande do Sul Extension Service (EMATER/RS) reported that wheat sowing in the state wrapped up in late July, with an increase of about 23.5 percent in planted area, to approximately 1.18 million ha. The wheat farmers in Rio Grande do Sul saw an incredible boost to their yields this season, which improved by more than 30 percent on last season, jumping to 2.89 kilograms per hectare (kg/ha), up from 2.21 kg/ha recorded last season. Between excellent yields and larger planted area, the farmers in the state hauled in an impressive 3.41 MMT of wheat. The 2021/22 wheat harvest in the state represents a whopping 62 percent increase on the previous season.

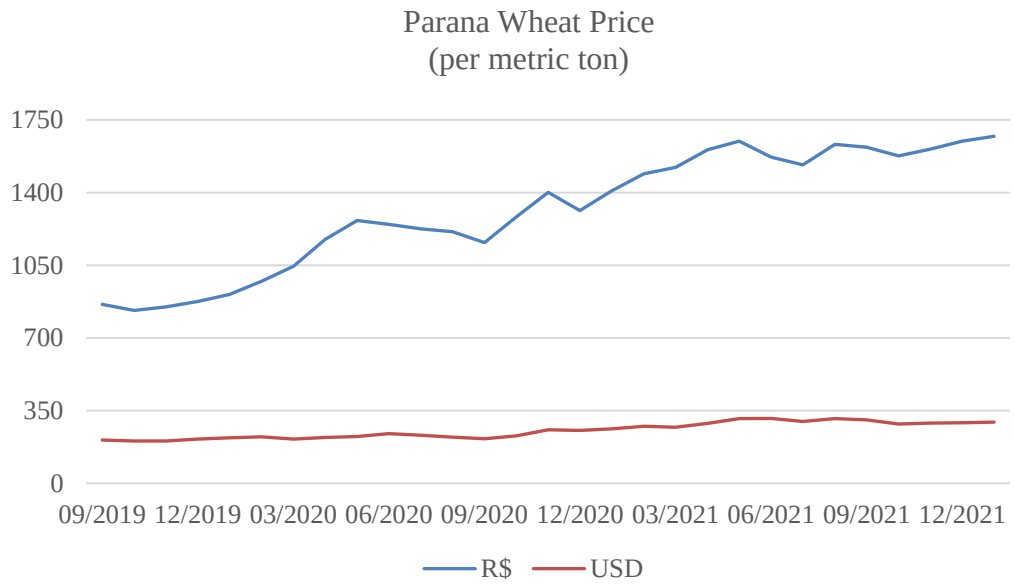
The Parana Department of Rural Economy (DERAL) reported that the state's 1.2 million ha were fully planted as of July, and the harvest wrapped up in November. However, as reported in the previous update, due to the July frosts and intense heat in August, crop productivity ended up being slightly below average. In total, the eight percent expansion of area, coupled with the 4.5 percent year-over-year decreased in yields, helped Parana's farmers collect 3.2 MMT of wheat in MY 2021/22. DERAL had initially forecast 4 MMT for wheat production this season. As of mid-January, about four-fifths of Parana's wheat crop had already been sold.

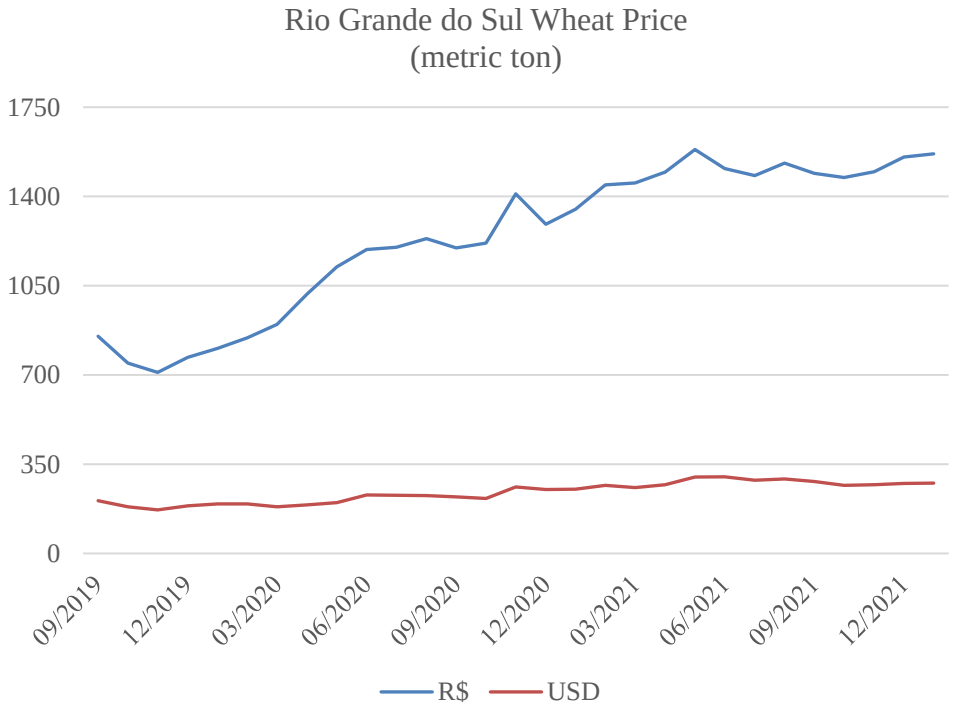
CONAB estimates that the Southern state of Santa Catarina, located between Rio Grande do Sul and Parana, harvested almost 340,000 metric tons (MT) of wheat this season – almost double from 182,000 MT collected last season. Santa Catarina saw an increase of 66 percent in planted area, as well as much improved yields, rising 12 percent on the last season. Santa Catarina's impressive performance this season edged out the southeast states of Minas Gerais and Sao Paulo, where farmers typically jockey for the number three position in wheat production. Southeast Brazil saw similar adverse events to Parana, with drought leading to yield reductions. CONAB reports that growers in Minas Gerais produced 171,000 MT of wheat, 25 percent less than the volume reaped last season; in Sao Paulo growers produced 255,000 MT of wheat, a decrease of 7 percent on last season.

Several factors incentivized producers to greatly expand MY 2021/22 wheat area in southern Brazil. Domestic prices continued to set nearly monthly records for much of 2021, bolstered by firm internal demand, depleted stocks, and limited supplies on the global market. Moreover, the weak Brazilian real (BRL) made Brazilian commodities very affordable in the international market, especially since trade is typically dollar-denominated. At the same time, domestic commodity prices, including for wheat, soared to record levels in BRL terms. This may be attributed to the strong appreciation of the dollar, expectations of lower international supply, firm demand and, especially, the high import parity. All these factors contributed to increases in profitability for growers.

According to a data series maintained by the University of Sao Paulo's Center for Advanced Studies in Applied Economics (CEPEA), wheat prices in Brazil hit an all-time high in December, and there is no sign that prices will decrease in 2022. To close out 2021, the monthly average price of wheat in Parana hit BRL 1,671 (USD 297) per MT, up more than 27 percent on the same month last year, and almost

double from December 2019 when prices averaged BRL 875 per MT. Wheat prices in Rio Grande do Sul are following the same pattern, with prices averaging BRL 1,554 (USD 275) per MT in December 2021, 20 percent higher than at this time last year, and more than double the price level two years ago when a metric ton of wheat fetched BRL 770. Prices have reached nominal records, despite a record harvest this year.





Data Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA), Charts by Post Brasilia

Current Season Production Estimate Maintained

Post estimates MY 2020/21 (October 2020 – September 2021) wheat planted area at 2.34 million ha, and production at 6.25 MMT. This represents a 15 percent expansion in planted area, and a 20 percent increase in production from the previous year. Similar to the trends seen in the current season, rising demand and prices have incentivized expanded planting in the major production regions. In addition to the expanded planted area, the current season's crop benefitted from a rebound in yields as the 2019/20 wheat crop was adversely affected by inclement weather.

Wheat Trade

Imports to Rebound to Average Levels in 2021/22

For the MY 2021/22, Post revises up its forecast to 7 MMT imports on a wheat grain equivalent basis (WGE) based on pace of trade. 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 MY 2020/21, Post's estimate for 6.4 MMT of wheat imports remains unchanged.

Imported wheat typically accounts for more than half of Brazil's domestic consumption, placing Brazil among the top five largest global wheat importers. Last season, Brazil saw a decrease in import demand on the account of uptick in production in the last two years, coupled with steep devaluation of the domestic currency, the BRL, which made imports more expensive. This caused imports to dip below the 7 MMT level seen in recent seasons. However, due to brisk pace of exports at the end of last season and in the current MY 2021/22, Post anticipates that mills will need to bump up their purchases to supplement domestic supplies. In the first 3 months of the MY 2021/22, Brazil's wheat imports totaled 1.46 MMT, which is close to the five-year import average of 1.69 MMT for this time frame.

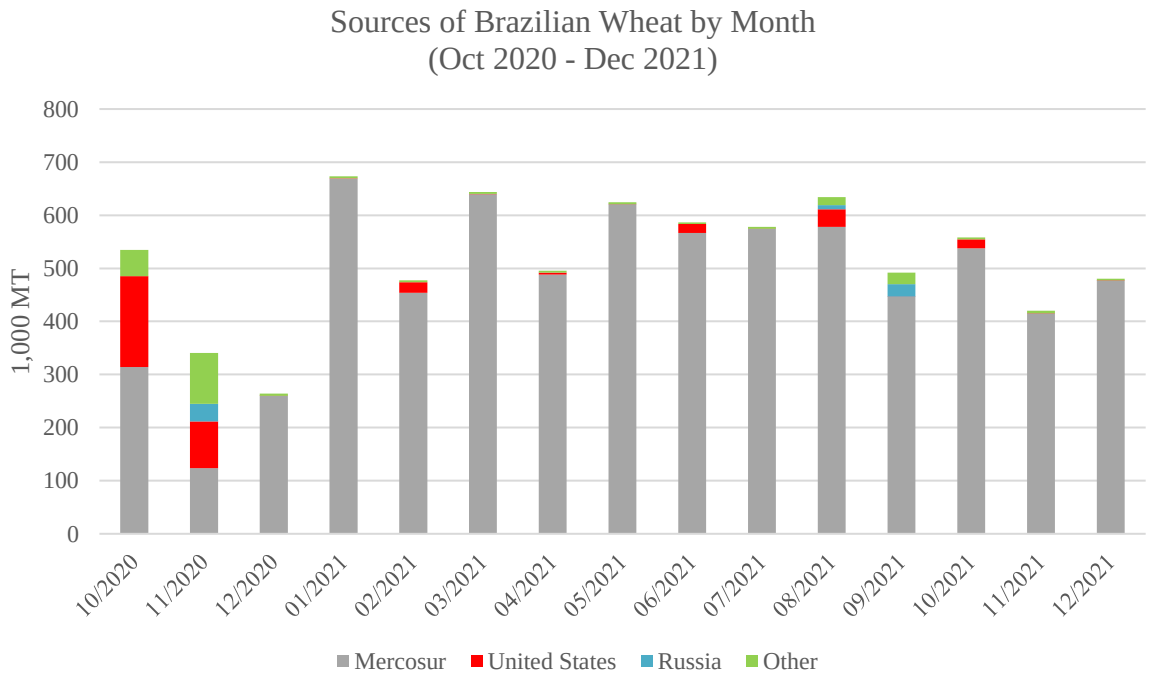
Most of Brazil's imports are duty-free purchases from Mercosur-neighbor Argentina, which supplied over 70 percent of Brazil's wheat imports in 2020/21. Uruguay and Paraguay were responsible for about 6 percent each of Brazil's imports, while the United States accounted for 5 percent of Brazil's imports. The United States saw a substantial bump in wheat shipments to Brazil in the MY 2019/20 at least in part due to Brazil's implementation in November 2019 of an annual duty-free tariff-rate quota (TRQ) for 750,000 MT of non-Mercosur wheat imports. On December 1, 2020, the Brazilian President issued decree No. 10,577 to make the TRQ permanent, meaning that it will no longer have to be renewed on an annual basis by Brazil's Foreign Trade Chamber (CAMEX).

Brazil's Wheat Imports by Partner

	2018/19		2019/20		2020/21	
Partner	MT	% of total	MT	% of total	MT	% of total
Argentina	5,900,847	84.1%	5,540,577	78.8%	4,562,243	71.3%
Uruguay	135,336	1.9%	181,110	2.6%	404,320	6.3%
Paraguay	499,657	7.1%	262,871	3.7%	365,664	5.7%
United States	297,012	4.2%	707,045	10.1%	333,505	5.2%
Russia	19,235	0.3%	171,374	2.4%	150,747	2.4%
Canada	121,346	1.7%	116,552	1.7%	40,672	0.6%
World Total	**7,020,038**		**7,028,619**		**6,395,196**	

Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Typically, the TRQ accounts for just over 10 percent of Brazil's total wheat imports. All other non-Mercosur wheat imports outside of the TRQ face a 10 percent common external tariff (TEC). Thus Mercosur, and in particular agricultural powerhouse Argentina, are the dominant suppliers of wheat to Brazil. Monthly shipments from Argentina are the highest during the first half of the calendar year, given the timing of the harvest there. Meanwhile, U.S. wheat exports to Brazil gain competitiveness later in the year, with the largest volumes arriving normally between July and November. For example, in October and November 2020, the United States supplied 259,000 MT of wheat to Brazil, a substantial volume, albeit lower than Mercosur's 438,000 MT shipped in the same timeframe. However, for the current MY 2021/22, Post does not expect this trend to hold, as exports from the United States only totaled 16,800 MT in October and November 2021.



Data Source: Brazilian Foreign Trade Secretariat (SECEX), Chart by Post Brasilia

Post contacts report that Brazilian millers have been increasingly interested in U.S. wheat purchases since the establishment of the TRQ. However, between the relatively lower pricing for the Argentine wheat, and the strength of the BRL against the U.S. dollar (USD), the U.S wheat is currently not competitive in the Brazilian market. Given the Brazilian Central Bank forecast for continued weakness in the exchange rate, averaging at BRL 5.6 to the USD, Post anticipates that the U.S. wheat exports to Brazil will remain well below the levels registered in the previous two seasons.

Data Source: International Grains Council (IGC)

Wheat Exports to Rise with a Diverse Buyer Base

For MY 2021/22, Post increased its wheat export forecast by 300,000 MT to 1.6 MMT, on the brisk pace of trade. The high pace of exports is driven by a record harvest, favorable exchange rate, as well as high global wheat prices. Post also expects the BRL to remain relatively weak against the USD (compared to historic levels), which would continue to fuel foreign sales, even with elevated domestic prices. Typically, Brazil exports about 10 percent of its wheat production, though that proportion rose to 15 percent in response to the current market dynamics. Export volumes were up sharply in December to 555,000 MMT, more than double the 261,000 MT shipped at this time last year, and up six-fold on the 80,500 MT average shipped in December over the last five years. Post contacts indicate large lineups for January and February.

Exports are entirely dependent on economic conditions, and Brazil's typical markets look for bargain wheat purchases. Brazilian wheat is one of the cheapest in the world, though most shipments are of

lower grade wheat not suitable for bread, but rather destined either for biscuits or animal feed production. Post anticipates that in the MY 2021/22, Brazil will continue to diversify and expand its reach to wheat markets that it had not supplied in previous years. For example, in the 2020/21 season, 7 of the top 10 markets for Brazilian wheat were either completely new or had imported only insignificant volumes in prior years.

Post maintains its MY 2020/21 export forecast at 925,000 MT in response to the rebound in harvest volume year-over-year, as well as the weakened BRL making Brazilian exports particularly popular on the international market. The top export markets for the Brazilian wheat in 2020/21 were Vietnam, Saudi Arabia, Indonesia, Venezuela, and Pakistan. So far, Vietnam has been the largest importer of Brazilian wheat, while Venezuela has been the largest buyer of Brazilian wheat flour.

Top 10 Markets for Brazilian Wheat (in MT)

	2019/20	**2020/21**
World Total	425,130	925,084
Vietnam	247,949	232,830
Saudi Arabia	62,460	141,068
Indonesia	-	123,000
Venezuela	51,125	71,991
Pakistan	-	65,684
Thailand	3	64,051
South Korea	3	63,000
Gaza Strip and West Bank	-	55,115
Israel	-	54,000
Morocco	-	45,342

Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Wheat Consumption

Wheat Consumption to be Tempered by Lower Incomes and Higher Prices

Post maintains its forecast for MY 2021/22 consumption at 12.4 MMT, up from the estimated 12.15 MMT for the MY 2020/21. The two percent consumption increase is driven by the increased demand from the livestock sector but is tempered by the expectation of tepid consumer demand on the account of struggling economic recovery and relatively high wheat prices.

Post forecasts feed and residual use to increase by 200,000 MT in the next MY to 700,000 MT. According to the Brazilian Animal Protein Association, the spike in domestic corn prices caused meatpackers to look for other feed sources, including winter crops like wheat. Brazil's national agricultural research organization, Embrapa, the Brazilian Association of Animal Protein (ABPA), and the Federation of Agriculture of Rio Grande do Sul (Farsul) are creating a specific program to increase the planting of cereal varieties intended primarily for the animal feed industry. Post anticipates that while the use of wheat as a feed component is likely to increase incrementally, the grain will not be a major part of the feed rations given its high prices on the domestic market.

Post anticipates that next season, the food, seed, and industrial (FSI) consumption will be nearly static on this season at 11.7 MMT. The forecast is based on the middling economic performance, with the Central Bank predicting GDP growth of less than one percent for 2022. As a result, consumers are expected to reign in their purchases. Moreover, Brazil saw great inflation of food prices in 2020 and in 2021. For example, bread prices rose by 12 percent in 2021, above the average rate of inflation of 9.7 percent. At the same time, the price of rice fell in 2021 by nearly 17 percent. As such, some consumers are likely to substitute rice (the most popular carbohydrate in Brazil) for at least a portion of the wheat products like pasta.

Rice PSD

Rice, Milled	2019/2020		2020/2021		2021/2022	
Market Begin Year	Apr 2020		Apr 2021		Apr-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1665	1665	1682	1680	1700	1700
Beginning Stocks	236	236	214	214	715	670
Milled Production	7602	7602	8001	8006	8024	7900
Rough Production	11179	11179	11766	11774	11800	11618
Milling Rate (.9999)	6800	6800	6800	6800	6800	6800
MY Imports	895	895	700	700	600	600
TY Imports	876	876	690	690	600	600
TY Imp. from U.S.	82	82	0	0	0	0
Total Supply	8733	8733	8915	8920	9339	9170
MY Exports	1219	1219	750	800	900	1000
TY Exports	1240	1240	710	710	900	900
Consumption and Residual	7300	7300	7450	7450	7550	7550
Ending Stocks	214	214	715	670	889	620
Total Distribution	8733	8733	8915	8920	9339	9170
Yield (Rough)	6.7141	6.7141	6.9952	7.0083	6.9412	6.8341

Rice Production

2021/22 Rice Production to Contract

For the marketing year (MY) 2021/22 (April 2022 – March 2023), Post maintains its forecast rice planted area at 1.7 million hectares (ha), which represents a one percent expansion on the previous MY. Despite record-high domestic rice prices, competition from other crops like corn and soybeans, which have also seen soaring prices, will continues to limit area expansion for rice. Post forecast assumes that rice planted area has stabilized around 1.7 million ha in the last three seasons.

Planting for the MY 2021/22 rice crop in southern Brazil largely wrapped up by the end of 2021. According to the National Supply Company (CONAB), as of the first week of January, planting reached 95 percent of the estimated total area in the 6 main rice producing states: Rio Grande do Sul, Santa Catarina, Tocantins, Maranhao, Goias, and Mato Grosso. The pace of sowing is 1.2 percent above that of one year ago. Some early planted fields—sown in August—are already being harvested, but most producers will start harvesting in earnest around mid-February. As of late January, Post yield forecast assumes average weather and therefore a return to trend yields of 6.83 MT per ha. As a result, Post forecasts milled rice production at 7.9 million metric tons (MMT) next season, a decrease of 100,000

metric tons (MT) from the record production in the 2020/21 season that benefited from optimal weather conditions.

Two-thirds of the Brazilian rice production is concentrated in two southern states of Rio Grande do Sul and Santa Catarina. Rio Grande do Sul alone accounts for about 70 percent of the total volume produced. According to the Rio Grande do Sul Extension Service (EMATER/RS), as of January 20, sowing was completed across the state. EMATER/RS forecasts rice planted area in the state at 948,573 ha, which represents a contraction of 0.5 percent on the last season. Over the years, growers in the state have slowly converted more and more rice areas to soybean fields.

Due to the on-going La Nina weather phenomenon, much of southern and central Brazil has been plagued by drought. EMATER/RS warned that as of mid-January, extreme heat conditions with temperatures in excess of 40 degrees Celsius in the main producing regions of the state would likely have adverse impact on rice yields. At this point, the agency continues to forecast a decrease of 8 percent in yields to 7.99 kilograms (kg) per ha, which would produce 5.1 MMT of milled rice equivalent. Growers are also concerned about the dwindling reservoir levels may impose further damage on the crop if the situation does not improve by early February. As such, the state's rice yields may be revised on the downside.

The southern state of Santa Catarina is seeing a similar trend, with rice crops in the reproductive stage rated to be average condition. CONAB anticipates planted rice area in Santa Catarina to remain roughly the same as last season, with a projection of a 3.5 percent decrease in yields, leading to a 2.3 percent reduction in crop, volume totaling an estimated 813,000 MT of milled rice equivalent.

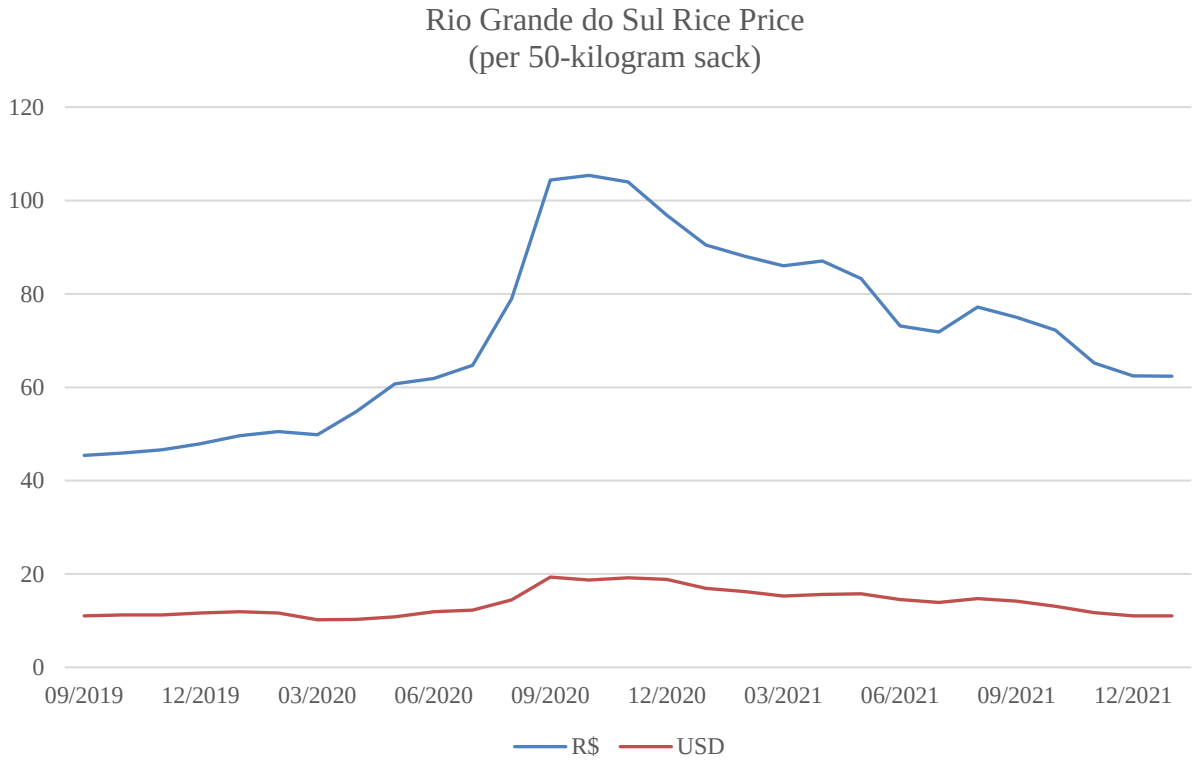
As of the first week of January, sowing was about 90 percent complete in Tocantins, located in Brazil's North Region. According to CONAB, the state is Brazil's third-largest rice producer with the vast majority of its production irrigated. Tocantins accounted for close to 6 percent of national production with 473,000 MT of milled rice equivalent harvested in MY 2020/21. Tocantins may see some area contraction this season due to heavy rains which has plagued the final stretch of sowing. However, for the majority of the areas planted prior to January, crops are showing good development and producers are optimistic about the forecasted yields.

The Midwest region ranks third in rice production. The state of Mato Grosso is the main rice producer in this region. However, in 2021/22 growers are expected to divert sizeable portion of rice area toward soybean production, which is seeing record profits. CONAB forecasts Mato Grosso farmers to sow rice on just over 93,000 ha, a contraction of almost 24 percent on the planted area registered last season. Mato Grosso rice production is expected at 220,000 MT of milled rice equivalent.

Despite a Record 2020/21 Season, Rice Producers Face Falling Profits

For the MY 2020/21 (April 2021 – March 2022), Post estimates that Brazil harvested just over 8 MMT of milled rice equivalent on 1.680 million ha of planted area. Thanks to the ideal weather and technology, this rice crop saw a record yield of 7 MT/ ha. But, despite the optimal weather and record productivity, many farmers face an uphill battle when it comes to revenues. According to data from the University of Sao Paulo's Center for Advanced Studies in Applied Economics (CEPEA), this year producers may see negative profitability thanks to falling rice prices in conjunction with higher

operating costs. Brazilian rice producers have long complained of high electricity costs to run irrigation systems, high debt levels and interest rates, high taxation rates, Mercosur competition, and cabotage regulations.



Data Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA), Chart by Post Brasilia

CEPEA data shows that domestic rice prices fell to around Brazilian real (BRL) 62.5 per 50-kilogram sack by December 2021, down from their peak at over BRL 100/ sack at the end of 2020. In U.S. dollar (USD) terms prices are back to about USD 11 per sack, which is the level registered prior to the emergence of the COVID-19 pandemic. Prices remain higher in BRL given the devaluation of the national currency amid the broader economic woes associated with the pandemic.

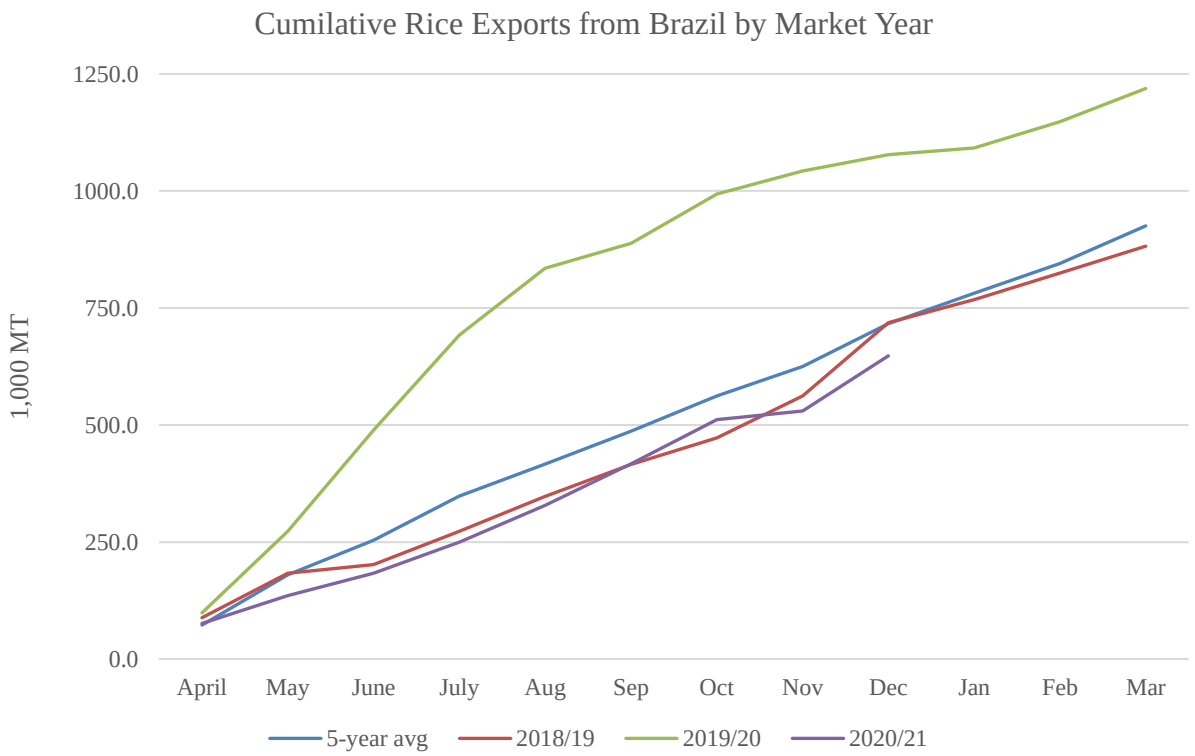
Rice Trade

Exports in 2021/22 to Recover after Shipping Logistics and Costs Stymied the 2020/21 Volumes

Post forecasts MY 2021/22 exports at 1 MMT of milled rice equivalent. The forecast is based on available supplies, favorable exchange rate, and the expectation that maritime freight costs will come down from the current peak pricing that has stymied shipments in 2021.

For MY 2020/21, Post estimates rice exports at 800,000 MT of milled rice equivalent based on lower than anticipated pace of trade. Brazilian rice exports in the current season have lagged far behind the record levels seen in MY 2019/20, and even well below the five-year average. At this point, Post

anticipates that final exports will be significantly below the level of the 2018/19 MY, when the country exported 882,000 MT of milled rice equivalent.



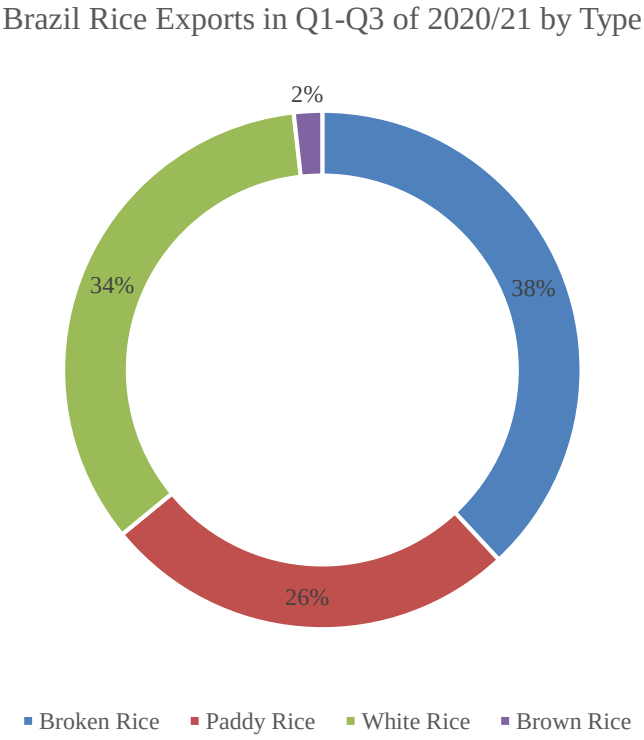
Data Source: Brazilian Foreign Trade Secretariat (SECEX), Chart by Post Brasilia

According to the Brazilian Association of Rice Industry (Abiarroz), rice export volumes in 2021 were 20 percent and 36 percent lower than in 2019 and 2020, respectively. Abiarroz points to a strong reduction in the supply of containers and a significant increase in shipping freights as the lead cause for lower export volumes. Data from CONAB shows that the cost of rice freight from Brazil to Peru rose to USD 7,500 this year, up from USD 1,000 before the onset of the pandemic.

Much of the container shortage is associated with rapidly changing expectations and dynamics of trade in the wake of the pandemic and are not linked to any one specific commodity. That said, goods that must been require container storage, such as rice, have been much more affected than the commodities that can be shipped in open vessels, such as soybeans and corn. This season some Brazilian exporters started to use plastic packaging capable with a load of up to 2,000 kg of rice, shipping their product as general cargo. Although this lowers the transportation costs, and reduces the waiting period at ports, there is higher labor costs for loading and unloading the products, as well as higher risk of damages to the products during transportation.

Although Brazil's rice prices are very competitive globally on the account of the steep devaluation of the BRL, the high maritime freight rates and competition for vessels has meant that exports are down across all four categories of rice that Brazil exports. In an average year, white rice makes up the largest share of Brazil's rice exports, accounting for 35-40 percent of the total volume. Meanwhile, broken rice exports are typically in second place, at around 33-35 percent of the total volume. Paddy rice accounts

for a quarter of exports, with brown rice making up the rest of the volume at 1-3 percent. This year, broken rice exports exceed the share of white rice exports due to the shifting shipping dynamics.



Data Source: Brazilian Foreign Trade Secretariat (SECEX), Chart by Post Brasilia

Broken Rice Exports

Broken rice exports were down to 247,000 MT, or by almost 100,000 MT, in the first three quarters of the MY as compared to the same time last season. The steep drop off in exports of broken rice is attributed to lower sales to Brazil's primary customers in Africa – Gambia, Senegal, Sierra Leone – which make up the largest buying block. Collectively exports to those three markets were down more than 130,000 MT in the first 9 months of the 2020/21 MY, as compared to the same period last season.

Those losses were somewhat mitigated by purchases from the Netherlands, which emerged as the single largest buyer of Brazilian broken rice. Netherlands is an important entry point for rice that is then shipped onwards to other European markets. European buyers of broken rice typically use the product for further processing into breakfast cereals, pet food, beers, starch, and flour. The United States imported 27,000 MT of broken rice from Brazil in this time frame.

Brazil's Exports of Broken Rice MRE to Main Destinations

	Q1-Q3 2019/20 (in MT)	Q1-Q3 2020/21 (in MT)	Δ% 2020/21 from 2019/20	Δ in MT 2020/21 from 2019/20
Netherlands	29,362	70,968	142%	41,606
Gambia	79,902	61,131	-23%	(18,771)
Senegal	118,135	46,640	-61%	(71,495)
Sierra Leone	75,200	35,000	-53%	(40,200)
United States	26,250	27,060	3%	810
Spain	-	2,117	----	2,117
South Africa	584	1,747	199%	1,163
Chile	1,566	1,304	-17%	(262)
Germany	-	543	----	543
Total Exports	**341,889**	**246,651**	**-28%**	**(95,238)**

Data Source: Brazilian Foreign Trade Secretariat (SECEX)

White Rice Exports

Volume wise, Brazil's exports of white rice were down the most of all categories of exported rice, decreasing by almost 200,000 MT in the first nine months of 2020/21 MY, compared to the same time last season when Brazil's exports topped 410,000 MT. The largest decreases in volumes shipped were registered in Western Hemisphere, though decrease in shipments to the United States and South Africa are also notable.

Brazil's Exports of White Rice MRE to Main Destinations

	Q1-Q3 2019/20 in MT	Q1-Q3 2020/21 in MT	Δ% 2020/21 from 2019/20	Δ in MT 2020/21 from 2019/20
Peru	90,810	55,333	-39%	(35,477)
South Africa	36,775	2,267	-94%	(34,508)
Venezuela	78,043	49,555	-37%	(28,488)
United States	30,430	8,550	-72%	(21,880)
Puerto Rico	18,362	526	-97%	(17,836)
Mexico	10,304	-	-100%	(10,304)
Chile	5,655	394	-93%	(5,261)
Total Exports	**410,163**	**221,401**	**-46%**	**(188,762)**

Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Paddy Rice Exports

Exports of paddy rice saw almost a 50 percent decrease in the first nine months of the 2020/21 season, with 168,000 MT shipped this MY, versus 317,000 MT shipped last MY. Venezuela relinquished its position as the top importer of Brazilian paddy rice; so far this MY, exports to Venezuela are down by almost half, to 57,000 MT from 111,000 MT exported at this time last MY. Shipments to Mexico plummeted almost three-fold, to 22,000 MT down from 62,000 MT in this timeframe. Costa Rica has emerged as the main buyer on Brazilian paddy rice, importing 58,000 MT in Q1-Q3 of 2020/21.

The Netherlands and China bought Brazilian paddy rice this season for the first time. Meanwhile, other buyers, notably Turkey, Guatemala, and Honduras, that bought significant volumes of paddy rice in the 2019/20 season, did not import from Brazil this season.

Brazil's Exports of Paddy Rice MRE to Main Destinations

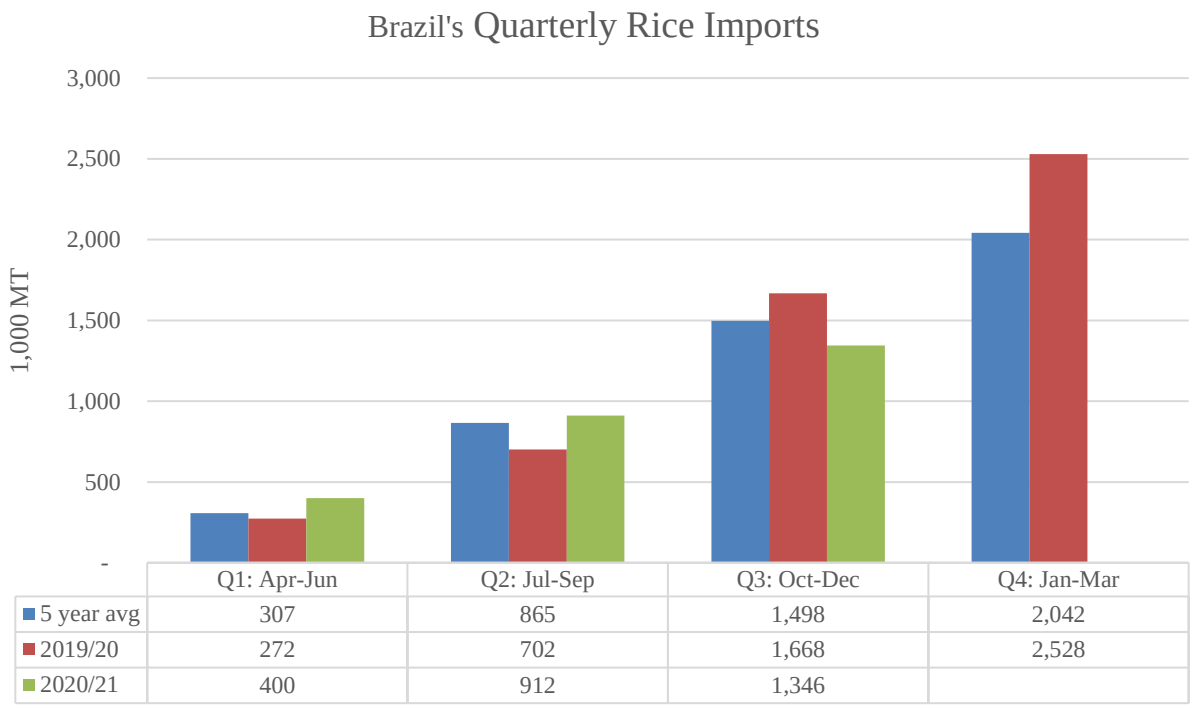
	Q1-Q3 2019/20 in MT	Q1-Q3 2020/21 in MT	Δ% 2020/21 from 2019/20	Δ in MT 2020/21 from 2019/20
Costa Rica	63,361	58,044	-8%	(5,317)
Venezuela	111,025	57,210	-48%	(53,815)
Mexico	62,155	22,400	-64%	(39,755)
Nicaragua	15,925	19,790	24%	3,865
Netherlands	-	8,293	-	8,293
China	-	2,294	-	2,294
Paraguay	110	175	59%	65
Congo (DROC)	-	45	-	45
Uruguay	7	35	400%	28
Angola	-	19	-	19
Total Exports	**316,864**	**168,339**	**-47%**	**(148,525)**

Data Source: Brazilian Foreign Trade Secretariat (SECEX)

Imports Trend Lower on Weak Currency and Expiration of the TRQ

Post forecasts Brazil's 2021/22 rice imports at 600,00 MT of milled rice equivalent. The forecast is based on higher carry over rice stocks from last season and trendline production for the 2021/22 season. Overall, Post anticipates that Brazil will begin the MY 2021/22 with the highest level of rice stocks in a decade; the last time Brazil's rice stocks surpassed 700,000 MT was during the 2010/11 season. Rice imports will also be held back by the weakness of the BRL. The Central Bank focus market survey projects the Brazilian real trading at BRL 5.6 to the USD all of 2022.

Post estimates MY 2020/21 imports at 700,000 MT of milled rice equivalent. Brazil's rice imports started out the season strong, even trending above last season, as well as the five-year average in the first two quarters. However, by Q3 the import trend reversed completely, with pace of imports falling behind the indicators posted for the last season and the five-year average. A combination of lower exports and slackened domestic demand has resulted in higher stocks being available on the domestic market. In addition, import demand is down on the account of perpetual weakness of the domestic currency.



Data Source: Brazilian Foreign Trade Secretariat (SECEX) Chart by Post Brasilia

Notably, in response to the domestic inflation at the end of 2020, the Government of Brazil implemented a duty-free tariff-rate quota (TRQ) for up to 400,000 MT of rice imports from outside of the Mercosur trade bloc for September-December 2020. The move benefitted less traditional suppliers to the Brazilian market - including the United States, India, and Guyana- and a flurry of imports in December 2020 resulted in the third-largest monthly import volume on record (150,000 MT). In 2021, domestic supermarket rice prices were down, on average 15 percent, eliminating the need for government action. As such, Post estimates that imports will be certainly below those in the 2019/20 season, and likely below the five-year average as well.

More than 95 percent of Brazil's rice imports have typically come duty-free from its Mercosur trade bloc neighbors: Paraguay, Uruguay, and Argentina. In the first 9 months of the current MY, Paraguay alone accounted for 74 percent of imports, with Uruguay supplying another 14 percent of imports, and Argentina responsible for approximately 10 percent. Unlike last season, Post does not anticipate significant volumes of imports from suppliers outside of Mercosur at the end of this season.

Rice Consumption

Rice Consumption to Rebound on Lower Prices

Post forecasts rice consumption for MY 2021/22 at 7.55 MMT of milled rice equivalent, just slightly higher than the current season estimate of 7.45 MMT of milled rice equivalent. Soaring export levels and high retail prices have prompted consumers to scale back their purchases of rice during the early stages of the pandemic, leading to an all-time low domestic consumption of 7.3 MMT in 2019/20. Demand bounced back in the second half of 2020, as consumers received a boost to their incomes via

pandemic-related government support payments, which Brazil's government repeatedly extended to keep millions from falling back into extreme poverty.

As rice supplies rebounded on the domestic market, rice prices fell by almost 17 percent. At the same time, prices for other carbohydrates, such as wheat rose somewhat. As a result, consumer demand for rice is expected to increase slightly in 2022. Rice is a staple food in Brazil, with many Brazilians consuming it with beans one or two times every day. According to CONAB data, nearly 95 percent of Brazilians consume rice on a regular basis, with more than half doing so at least once every day. Post anticipates that rice purchases will also get a boost as prices for other staple goods such as meat, dairy, and eggs have continued to grow on account of higher costs of production.

Attachments:

No Attachments