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Prepared By: Katherine Woody

Approved By: Oliver Flake

Report Highlights:

Post decreases its corn production forecast for MY 2020/21 (March 2021–February 2022) to 105 MMT, in response to reduced yields for first-crop corn, as well as the likelihood of delayed planting for large portions of second-crop “safrinha” corn. Post expects Brazil’s corn area to expand by 1 MHa, reaching an all-time high of 19.5 MHa. Despite concerns about late planting of the safrinha crop, producers will be motivated by near record corn prices to expand corn acreage even as they are taking a risk on yields by pushing the growing cycle deeper into the dry season. Post maintains its forecast for MY 2020/21 (April 2021–March 2022) milled rice production at 7.4 MMT, consistent with the expansion of area over MY 2019/2020 paired with a return to trend yield. Post estimates wheat production at 6.25 MMT and sees an opportunity for expanding U.S. wheat exports to Brazil given near record domestic prices and an expectation of large Brazilian exports in MY 2020/21 (October 2020–September 2021).

Corn

Corn	2018/2019		2019/2020		2020/2021	
Market Year Begins	Mar 2019		Mar 2020		Mar 2021	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	17500	17500	18500	18500	19500	19500
Beginning Stocks (1000 MT)	9315	9315	5292	5208	4992	4408
Production (1000 MT)	101000	101000	102000	102500	109000	105000
MY Imports (1000 MT)	1659	1659	1200	1200	1500	2000
TY Imports (1000 MT)	1189	1189	1346	1346	2000	1500
TY Imp. from U.S. (1000 MT)	0	1	0	1	0	0
Total Supply (1000 MT)	111974	111974	108492	108908	115492	111408
MY Exports (1000 MT)	39682	39766	35000	35500	39000	37000
TY Exports (1000 MT)	38773	39078	34197	34187	40000	36000
Feed and Residual (1000 MT)	57000	57000	58500	58500	60000	60000
FSI Consumption (1000 MT)	10000	10000	10000	10500	10000	11000
Total Consumption (1000 MT)	67000	67000	68500	69000	70000	71000
Ending Stocks (1000 MT)	5292	5208	4992	4408	6492	3408
Total Distribution (1000 MT)	111974	111974	108492	108908	115492	111408
Yield (MT/HA)	5.7714	5.7714	5.5135	5.5405	5.5897	5.3846

(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 for all countries. TY 2020/2021 = October 2020 - September 2021

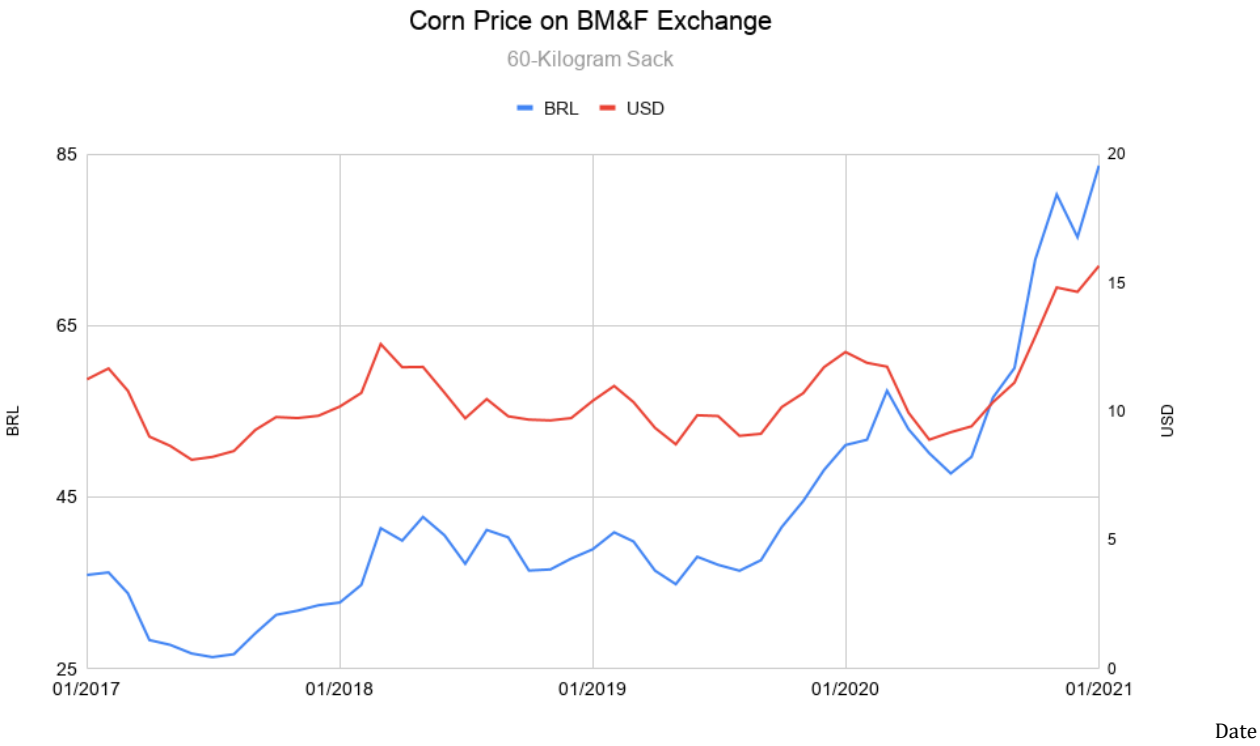
Corn Production

Post decreases by 2 million metric tons (2 MMT) its corn production forecast for market year (MY) 2020/21 (March 2021 – February 2022) to 105 MMT, in response to reduced yields for first-crop corn, as well as the likelihood of delayed planting for large portions of second-crop "safrinha" corn. The forecast, if realized, would still represent a 2.4 percent increase over Post's estimate for the MY 2019/20 season, as well as a new corn production record for Brazil. Post expects Brazil's corn area in MY 2020/21 to expand by 1 million hectares (MHa), reaching 19.5 MHa, an all-time high. Despite concerns about late planting of the safrinha crop, producers will be motivated by near record corn prices to expand corn acreage even as they are taking a risk on productivity by pushing the growing cycle deeper into the dry season. Strong domestic demand from the poultry and livestock sectors, as well as the growing corn ethanol industry are greatly expanding corn consumption in Brazil and boosting domestic prices. Paired with an abundance of exports, the internal corn price in Brazil hit record highs in recent months and is expected to remain firm throughout 2021.

Corn is grown in every state of Brazil, and given the large size of the country and its geographic diversity, corn is also planted and harvested during several different periods. Traditionally, corn was a staple crop in southern Brazil, cultivated to support the livestock and poultry sector concentrated in that region. The corn crop in southern Brazil was typically planted between September and December and then harvested between January and 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, given that it is normally the only crop planted in a particular field during the year and also is largely cultivated during the Southern Hemisphere's summer season. Today, first-crop corn accounts for only a quarter of Brazil's total production.

As agricultural production expanded into the Center-West region starting in the 1970s and 1980s, Brazilian

farmers began planting two crops per year on the same land, as the warm growing climate and length of the rainy season would usually support cultivation of soybeans during the summer, followed by corn on the same area in the Southern Hemisphere autumn and winter. This corn crop is known as second-crop or winter corn, but is also referred to as the "safrinha," the Portuguese term meaning "little harvest," because it was originally the smaller of Brazil's two corn crops. However, as soy cultivation expanded in response to strong demand from China and the crop's high profitability, 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. This share has continued to grow as producers in southern Brazil, many of whom can only plant one crop per year, have opted to sow soybeans in place of summer corn. Safrinha corn is typically sown between January and March, and harvested between June and September.



Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA)

For the MY 2020/21 summer corn crop cycle, extreme dryness caused by a La Nina weather phenomenon left much of southern Brazil with drought conditions from August to November 2020. Farmers in southern Brazil who planted their first-crop corn on the early side were met with very low soil moisture levels paired with a delayed start to the rainy season. The dry conditions inhibited germination and development of the corn crop for many producers.

Though the effects were not universal, farmers in some regions of the southern states of Rio Grande do Sul and Santa Catarina have seen huge losses in yields for first-crop corn. Some producers chose to reseed corn fields that were severely harmed by the drought, while others opted to replace the crop altogether, planting soybeans instead. Producers who planted later in the season have not seen much effect from the drought, as southern Brazil saw average to above-average precipitation levels in December and the first half of January. Still, in some regions, those farmers that planted earlier and opted to not replant are facing productivity losses of up to 70 percent. A portion of those affected fields will be harvested solely for silage. The harvest of first-crop corn in southern Brazil is in the very early stages, with around 20 percent

harvested in Rio Grande do Sul and only about 5 percent of first-crop corn harvested nationwide.

Brazil's safrinha corn crop is also expected to be affected by the above-mentioned dry conditions, as the delay in sowing much of Brazil's soybean crop in the South and Center-West regions will lead to a two-to-three-week delay of the soybean harvest. The knock-on effect will be a delay in planting the safrinha corn crop, which could have grave repercussions for yields.

The success of Brazil's safrinha corn crop is vulnerable to the pace of the soy harvest each year. Farmers rush to get the safrinha crop in the ground within the ideal planting windows for their respective regions. The earliest window closes around the third week of February in southern Mato Grosso do Sul and southern Parana, due to the potential for freezing temperatures in June and July. For Mato Grosso and Goias, the ideal window closes in late February, to ensure that the crop has sufficient moisture to develop before rains trail off in early May at the start of the dry season. Corn planted after these dates faces considerably higher risks and may not be eligible for crop loss payments under government programs.

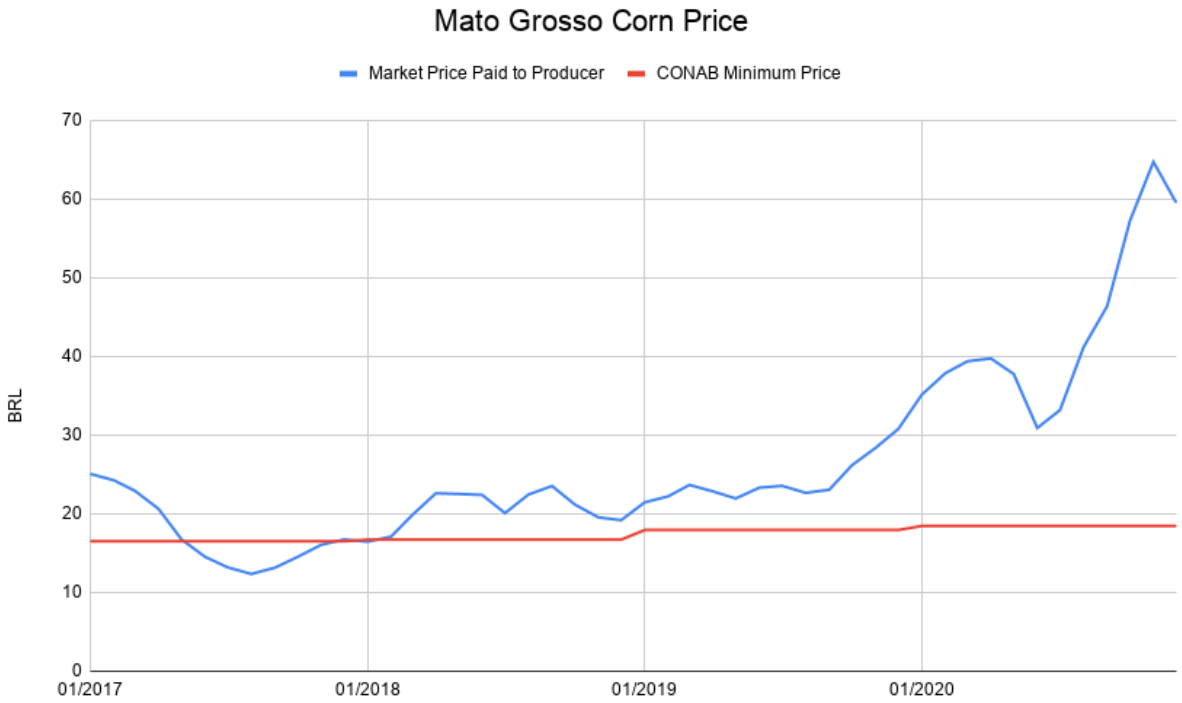
According to industry sources, around 15-25 percent of the MY 2020/21 safrinha crop could be planted after the close of the ideal planting window. Still, most farmers are not expected to curb planned safrinha area, as Brazil's internal corn price continues to hover near record highs. Corn is currently trading at an all-time high on the Brazilian Mercantile & Futures Exchange (BM&F), the country's primary commodity exchange market. The average price in January 2021 has been R$83.69 (US$15.65) per 60-kilogram bag of corn. That is 64 percent higher than the average price in January 2020, and 115 percent higher than the average in January 2019. Many producers will make the calculation that the risk of lower yields from a late-planted safrinha crop will be worth it if they can capitalize on record high corn prices. Corn prices are expected to remain firm throughout 2021, supported by strong domestic demand for animal feed, as well as bountiful exports driven by the devalued Brazilian real (BRL).

The Center-West state of Mato Grosso is Brazil's largest corn producer overall, responsible for roughly one-third of total production, virtually all of which is safrinha corn planted after the soybean harvest. About half of the state's soybean area this season will be planted with safrinha corn after the soy 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.

Mato Grosso's soybean sowing was severely delayed in MY 2020/21 as the La Nina weather effect left much of the state parched at a time when the summer rains would have normally arrived to replenish soil moisture levels. As a result, soy planting did not ramp up until the second half of October, well behind the five-year average, according to data from the Mato Grosso Institute for Agricultural Economics (IMEA). As a result, the soybean harvest is now lagging behind, with a little over 2 percent of area harvested as of mid-January, well behind the five-year average of nearly 12 percent for this time of year. Sowing of the state's safrinha corn crop was only about 1 percent complete as of mid-January, falling well behind the five-year average of 9.6 percent at the same point in the season, according to IMEA.

Even if farmers rush to plant safrinha corn immediately after they harvest their soybean fields, it is likely that around a fifth of the state's corn crop will be sown after the close of the ideal planting window around the third week of February. Yields suffered tremendously when a substantial portion of the safrinha corn crop was planted outside the ideal window in previous seasons. Heavy precipitation in recent weeks has helped recharge soil moisture levels in the Center-West but have also further delayed the soybean harvest

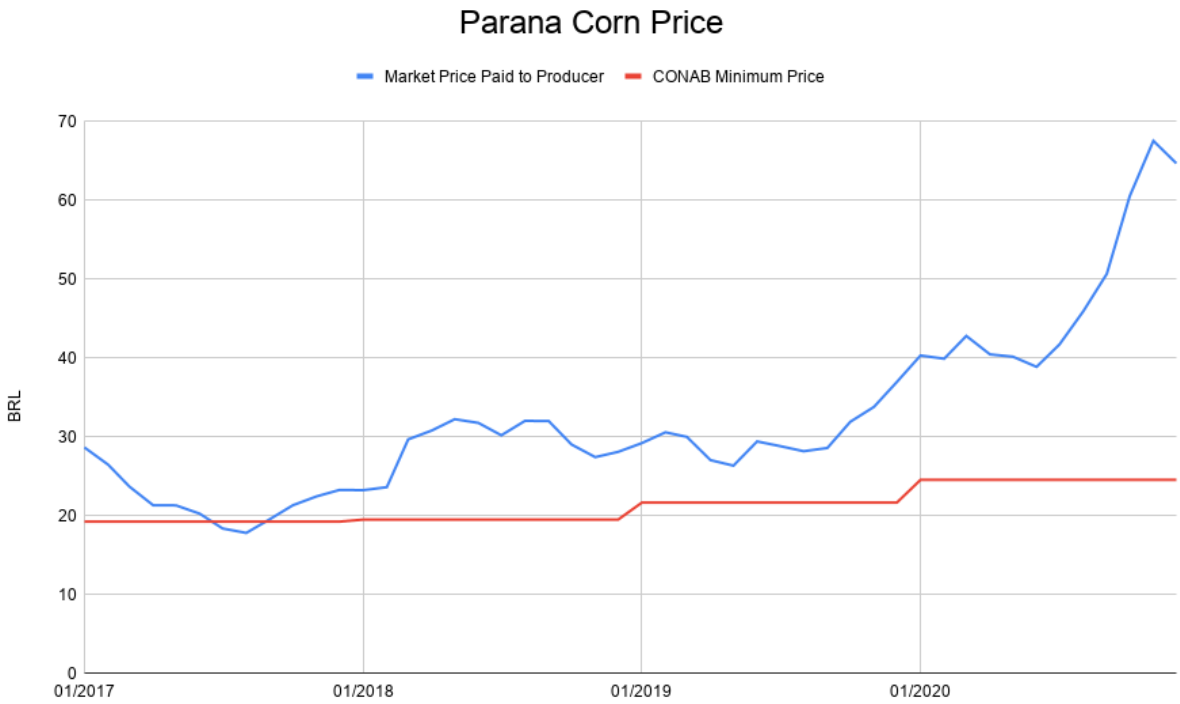
in some cases. Producers are hoping the summer rains will last longer than usual into May and possibly even June, but that would be unusual in Brazil's Center-West region. Moreover, long-term weather forecasts are not promising, with some analysts predicting the effects of the La Nina will linger well into mid-2021. Nevertheless, Post expects Mato Grosso producers will be driven by high prices to expand the state's safrinha corn area by about 5 percent over last season, sowing a record 5.5 MHa in MY 2020/21. According to a commodity price database maintained by CONAB, the average corn price in Mato Grosso reached an all-time high of R$64.49 (US$11.95) in November 2020. The price subsided slightly in December but remains nearly double what it was a year ago.



Data Source: CONAB

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 Parana Department of Rural Economy (DERAL), the state's safrinha corn crop was only about 1 percent planted as of mid-January. Despite concerns about dryness affecting second-crop corn development in the state, producers are expected to expand area by about 2 percent in response to high prices. According to CONAB's price database, the average price for a 60-kilgram bag of corn in Parana set a record in November 2020, reaching R$67.50 (US$12.47). As was the case in Mato Grosso, the price in Parana fell slightly in December, but it remained 75 percent higher than it was a year prior.

The price scenarios in both Mato Grosso and Parana, as well as surging internal and international demand (discussed below), make Post confident to forecast that Brazil's corn area will set a new record in MY 2020/21. Most producers will try to take advantage of exceptional profitability, even as weather conditions could deal a blow to yields and overall production volumes. Post still expects Brazil's MY 2020/21 corn crop will be record-setting, but all eyes will be on the Brazilian skies in the coming weeks. Ultimately, the volume of precipitation and the length of Brazil's 2021 rainy season will determine the fate of the MY 2020/21 corn harvest.



Data

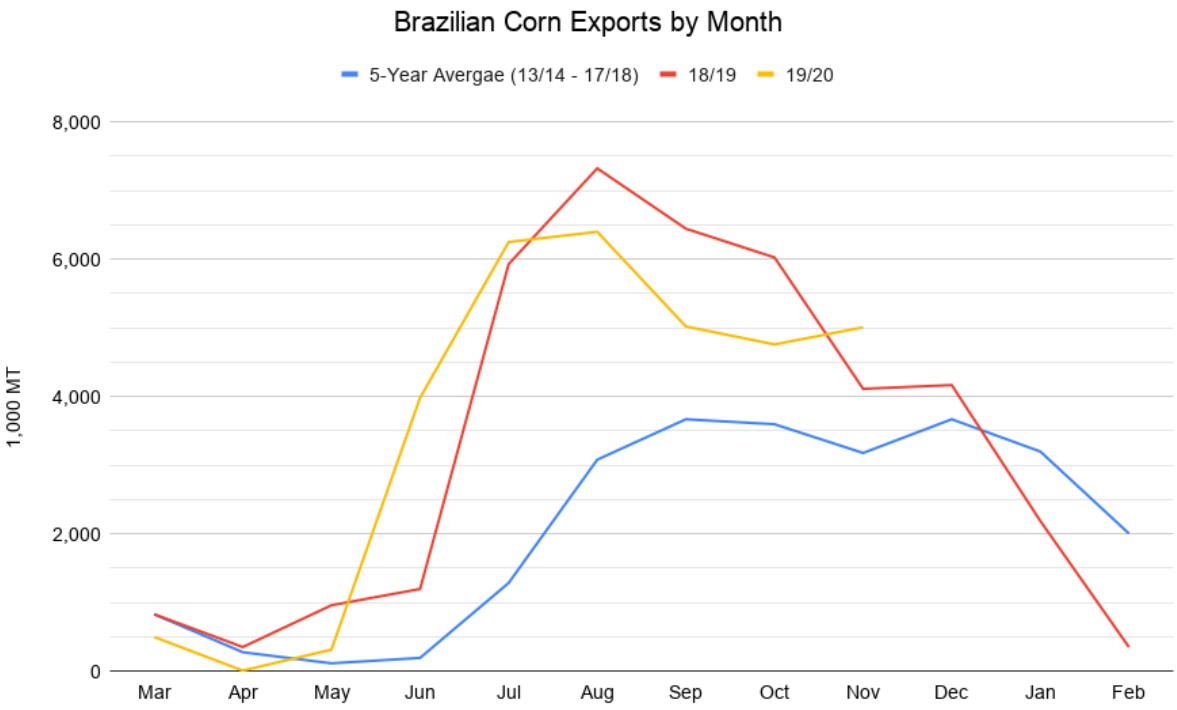
Source: CONAB

Corn Trade

Exports

Post raises its forecast for MY 2019/20 corn exports by 1.5 MMT, to 35.5 MMT, which would still be a year-over-year decrease of approximately 11 percent. Record exports of nearly 40 MMT in 2018/19 severely depleted stocks, while strong internal demand by the poultry and livestock sectors ensured that Brazil would consume a greater portion of its MY 2019/20 crop. However, the rapid pace of MY 2019/20 exports through December is still well ahead of the five-year average, even as it lags behind the volumes seen in MY 2018/19. For MY 2020/21, Post maintains its corn export forecast at 37 MMT, based on an expectation of expanded production, as well as the likelihood that the BRL will remain weak as Brazil's GDP growth sputters in the wake of the coronavirus pandemic.

The value of the BRL against the U.S. dollar (USD) fell precipitously in 2020, in large part because of the economic crisis brought on as the pandemic spread throughout Brazil and the country's unemployment rate rose rapidly. As of late-January 2021, the BRL was trading at R$5.43 to the USD, which is still about 20 percent weaker than the same point last year. The devalued currency has made Brazilian agricultural exports extremely attractive in foreign markets, boosting internal prices to record levels for several commodities, including corn, wheat, and rice. As a result, producers rushed to contract their MY 2020/21 corn crop. According to data from IMEA, about two-thirds of the MY 2020/21 crop was already commercialized as of mid-January, well ahead of the five-year average of 45.5 percent at the same point in the season. Typically, the great majority of Mato Grosso's corn crop is destined for export markets.



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

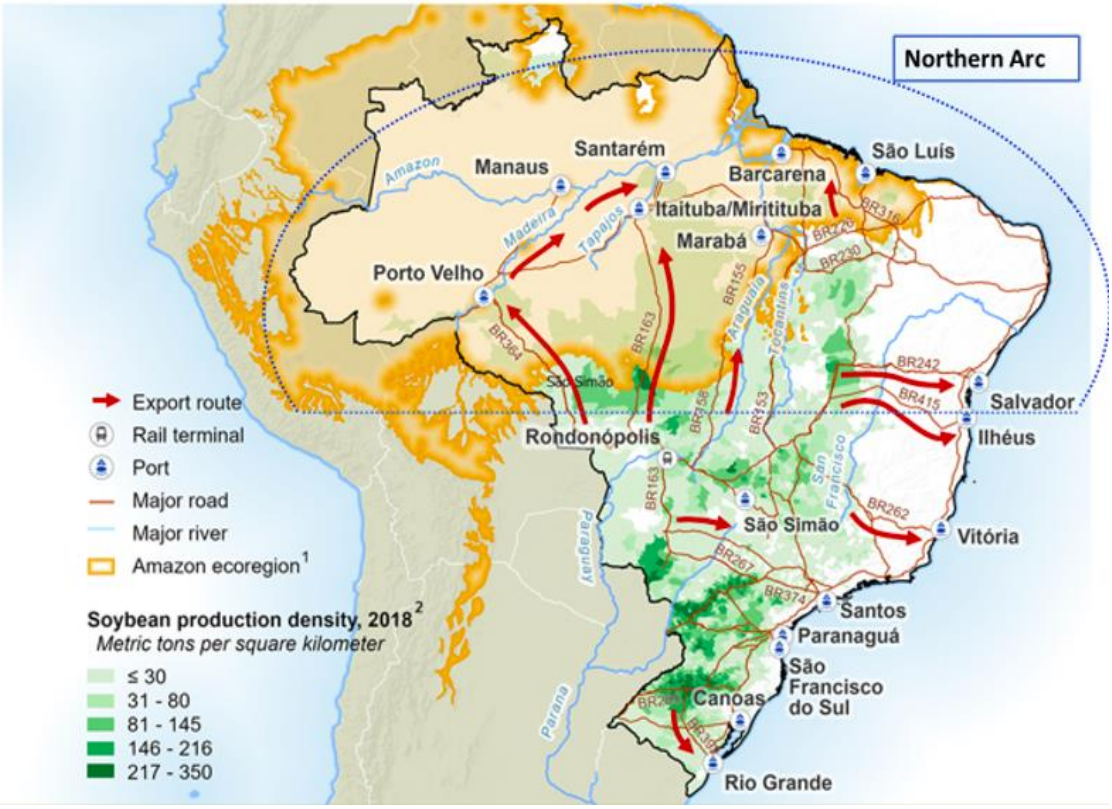
After record-shattering exports of 39.8 MMT in MY 2018/19, corn exports got off to a very slow start in the first quarter of MY 2019/20, with only 527,419 MT leaving Brazilian ports from March to May 2020. That was the slowest three-month trade total in at least seven years, as Brazilian ports were feverishly loading the country's soybean crop. However, trade picked up as soy supplies began to dwindle, and Brazil exported more than 31 MMT of corn in the second half of calendar year 2020. The country exported 4.8 MMT of corn in November and more than 5 MMT in December, surprising some market watchers and severely depleting stocks, which has only bolstered internal prices.

One major factor affecting corn export prospects in Mato Grosso has been the completion of the paving of BR-163, the so-called "soybean highway." The road runs north through Mato Grosso into the state of Para for more than 1,000 kilometers, ending at the river terminals of Miritituba, where most major grain trading companies have barging facilities located on the banks of the Tapajos River. In late November 2019, the Brazilian government announced that a military engineering and construction battalion had asphalted the last few unpaved kilometers of the road, a feat that took more than 40 years from the time the road was first created. Prior to being fully paved, truck drivers faced the peril of becoming stuck in a muddy mess throughout the rainy season. At times, the Brazilian military would have to air drop supplies to hundreds of stranded truckers who would have no choice but to wait days for the unpaved portion of the road to dry. Even in good weather, the trip could take several days to a week. During crop travel last year, Post made the journey from Sinop, Mato Grosso, to Miritituba, Para, in only 14 hours.

From July 2019 to July 2020, truck freight rates from Sorriso, Mato Grosso to Miritituba, Para fell by about 13 percent to an average of R$205.18 (US$38.69) per ton in July 2020, compared to an average of R$236.35 in July 2019, according to research by the University of Sao Paulo's Luiz de Queiroz College of Agriculture. The price decrease occurred because truck drivers can now make more trips every month, use significantly less diesel, and vehicles require less maintenance due to the paving of BR-163. As a result, Brazil's National

Department of Transportation Infrastructure (DNIT) estimates that truck volumes on the route grew by almost a third in 2020. As such, corn exports from Mato Grosso through Brazil's Northern Arc have increased significantly.

The paving of BR-163 has made Mato Grosso's corn more competitive in foreign markets and increased profits for producers in the region. Those effects are expected to expand in the future, especially if the Ferrograo ("grain railroad") is finally constructed adjacent to BR-163. The Brazilian government is slated to auction off the US$3-billion project this year, but it will likely take the concessioner at least five years to bring the railroad into operation. Once functional, the Ferrograo would have the potential to transport 35 MMT of grain and oilseeds each year, further reducing transportation costs and increasing the competitiveness of agriculture in Mato Grosso.



Source: USDA/Agricultural Marketing Service (AMS)

Imports

Post raises its MY 2019/20 import forecast by 100,000 MT, to a total of 1.2 MMT. The change is based on strong internal demand from Brazil's poultry and livestock sectors, along with mounting worries about dwindling stocks due to the rapid pace of exports. Post also raises its forecast for MY 2020/21 corn imports to 2 MMT, based on the expectation of severely depleted stocks at the end of the current MY and the expectation of continued strong exports for the next crop.

Brazilian imports of corn surged in the last quarter of 2020, totaling close to 650,000 MT between October and December, as poultry and livestock producers struggled to procure feed rations for their animals. In response, the Brazilian government announced on October 16, 2020, the suspension of import tariffs for corn and soybeans from countries outside the Mercosur trade bloc. The 8 percent tariff on corn was

eliminated for all imports through March 31, 2021, with no quota limiting the duty-free volume. Several weeks later, on November 3, 2020, Brazil's Ministry of Agriculture (MAPA) issued new regulations intended to facilitate the import of genetically engineered (GE) corn and soybeans by changing the information that must be included on import licenses for corn and soybeans to be used as animal feed. However, the bureaucratic maneuver did not change the approval process for biotechnology events, which is handled by an independent agency known as the National Technical Biosafety Commission (CTNBio).

Contrary to news reports at the time, the MAPA regulation did not establish equivalence for GE events approved in other countries (including the United States), nor did it alter the CTNBio approval process for unapproved events. As such, the importation of corn from outside of the Mercosur trade bloc, including from the United States, has been stymied by an asynchrony of approvals for GE corn varieties in Brazil. There are at least nine commercially available biotech varieties approved for cultivation in the United States that contain events that are not currently approved for import to Brazil, according to the database maintained by the International Service for the Acquisition of Agri-Biotech Applications (ISAAA). If Brazil-approved varieties are not reliably segregated in the United States, any potential Brazilian importer would need to submit a special approval request to CTNBio prior to obtaining an import license. These requests are considered on a case-by-case basis, and the approval process can be lengthy, which has complicated and discouraged U.S. corn exports to Brazil.

Despite the Brazilian government's efforts to promote imports from outside of the Mercosur trade bloc, 99.9 percent of Brazilian corn imports in MY 2019/20 (as of December 2020) have come from either Paraguay or Argentina. The United States was the source of a mere 517 MT of Brazil's MY 2019/20 corn imports from March to December 2020.

Corn Consumption

Post maintains its estimate for Brazil's MY 2019/20 domestic consumption at 69 MMT, based on increased poultry and pork production, as well as continued expansion of the corn ethanol sector, despite an initial slowdown in production related to the coronavirus pandemic. That represents a 3 percent increase over MY 2018/19.

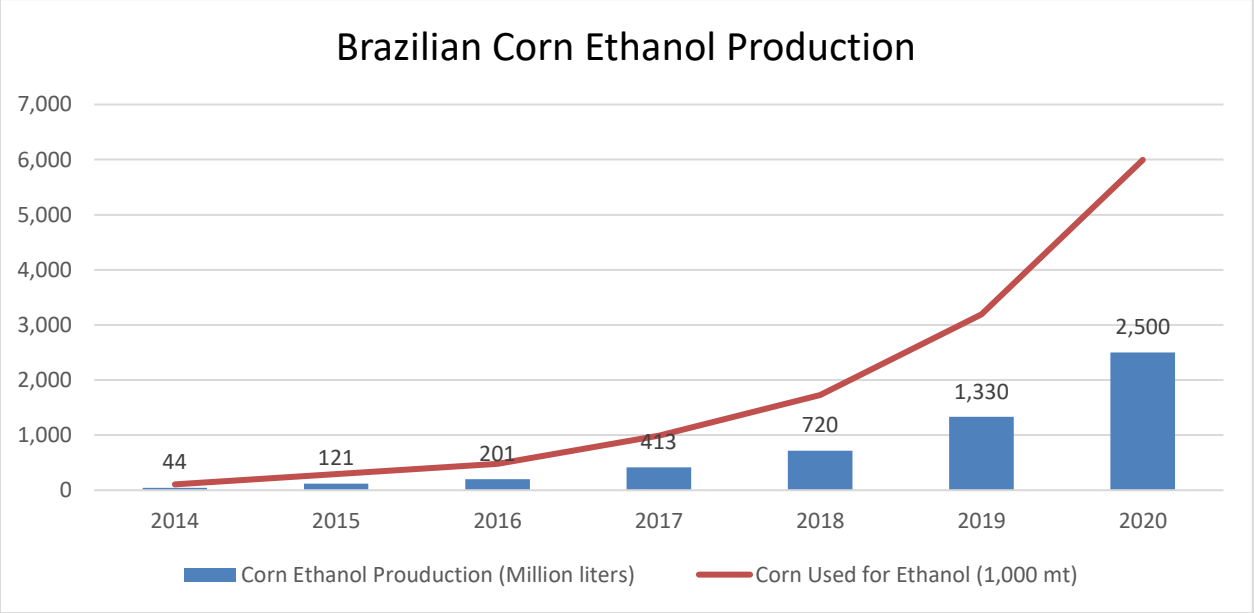
For MY 2020/21, Post also maintains its forecast for corn consumption at 71 MMT, which is 3 percent higher than MY 2019/20. The increase is based on the expectation of continued expansion of the Brazilian livestock and poultry industries in reaction to strong demand from China and other exports markets, as well as increased production of corn ethanol in Brazil's Center-West region.

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 2020 showed steady growth of Brazil's poultry and pork production. Post estimates chicken meat production grew by about 1.4 percent in 2020, while the 2021 forecast is for even greater growth of 4 percent, with production topping 14.4 MMT. Post estimates that pork meat production increased by nearly 3 percent in 2020, with a forecast of 4 percent expansion in 2021, 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 (known in Portuguese as Sindiracoes), total production by the sector (including corn and other ingredients) in calendar year 2020 grew to 81.1 MMT, an increase of 4.7 percent. According to Sindiracoes data, the production of feed rations

for broiler chickens grew by 3.5 percent in 2020, while feed production for laying hens grew by 5.5 percent, and swine feed production grew by 5 percent.

Post forecasts Brazil's MY 2019/20 food, seed, and industrial (FSI) consumption at 10.5 MMT, while Post expects FSI consumption to grow to 11 MMT in MY 2020/21. The country's small-but-expanding corn ethanol industry has grown rapidly in recent years. 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. Throughout 2020, Brazil's corn ethanol industry continued to add capacity and attract new investments to construct corn ethanol plants that will come online in the coming years.



Data Sources: UNEM and UNICA

The Brazilian Corn Ethanol Union (UNEM) estimates that the sector produced about 2.5 billion liters of corn-based ethanol in 2020, consuming close to 6 MMT of corn in the process. That figure is roughly 90 percent larger than the 2019 volumes. There are currently at least 16 corn ethanol plants in Brazil, located in the Center-West states of Mato Grosso, Goias, and Mato Grosso do Sul. At least four of those units are corn-only plants, while the rest are flex plants that produce ethanol from both sugarcane and corn. Industry sources report at least seven other corn-based ethanol plants in the planning, development, or construction stages that could come into production in the next two years. If all the ongoing projects are built as planned, Brazil's corn ethanol production could top 5.5 billion liters per year, consuming more than 13 million metric tons of corn annually. According to UNEM projections, the sector could grow to produce 8 billion liters by 2028, accounting for as much as one-fifth of total ethanol production in Brazil and consuming 20 MMT of corn in the process.

The growth potential for of 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. The industry also completed the first foreign sale of corn-based ethanol earlier this year, with the export of fuel ethanol to the EU and shipments of industrial ethanol to Peru and Chile.

Rice

Rice, Milled	2018/2019		2019/2020		2020/2021	
Market Year Begins	Apr 2019		Apr 2020		Apr 2021	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1700	1700	1665	1665	1720	1705
Beginning Stocks (1000 MT)	589	589	248	232	350	284
Milled Production (1000 MT)	7140	7140	7602	7602	7480	7412
Rough Production (1000 MT)	10500	10500	11179	11179	11000	10900
Milling Rate (.9999) (1000 MT)	6800	6800	6800	6800	6800	6800
MY Imports (1000 MT)	747	735	850	950	800	850
TY Imports (1000 MT)	691	691	850	876	800	850
TY Imp. from U.S. (1000 MT)	0	0	0	82	0	0
Total Supply (1000 MT)	8476	8464	8700	8784	8630	8546
MY Exports (1000 MT)	878	882	1200	1200	1000	700
TY Exports (1000 MT)	954	982	1300	1244	1000	700
Consumption and Residual (1000 MT)	7350	7350	7150	7300	7200	7400
Ending Stocks (1000 MT)	248	232	350	284	430	446
Total Distribution (1000 MT)	8476	8464	8700	8784	8630	8546
Yield (Rough) (MT/HA)	6.1765	6.1765	6.7141	6.7141	6.3953	6.393

(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 Rice, Milled begins in January for all countries. TY 2020/2021 = January 2021 - December 2021

Rice Production

Post lowers its forecast for market year (MY) 2020/21 (April 2021 – March 2022) rice area by 15,000 hectares, to 1.705 million hectares (MHa), which is 2.4 percent larger than the previous MY. Although record-high domestic prices were expected to push area expansion even further, competition from other crops like corn and soybeans, which have also seen soaring prices, limited area expansion for rice. Post maintains its forecast for MY 2020/21 milled rice production at 7.4 million metric tons (MMT), consistent with the expansion of area over MY 2019/2020 paired with a return to trend yields.

Planting for the MY 2020/21 crop in southern Brazil largely wrapped up in November. Some early planted fields—sown in August—are already being harvested, but most producers will start harvesting in earnest around mid-February.

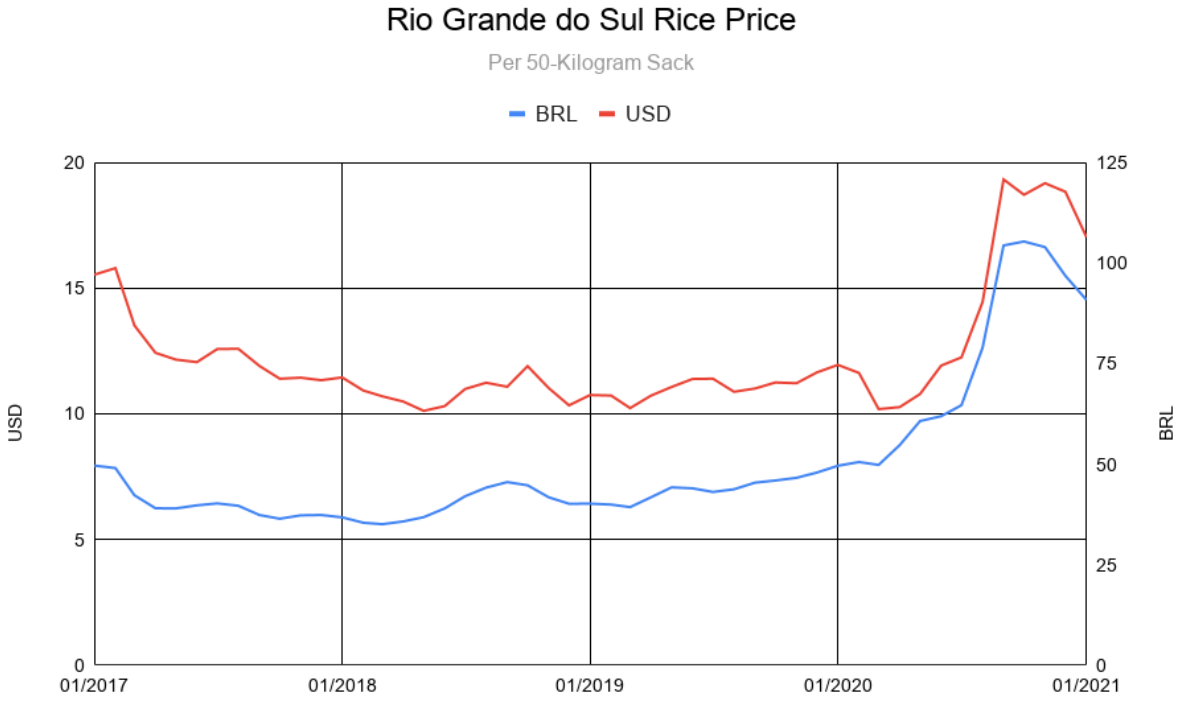
Brazilian rice production is concentrated in two southern states (Rio Grande do Sul and Santa Catarina), which account for about two-thirds of the country's rice area. Virtually all of the rice area in these two states is irrigated. Santa Catarina and Rio Grande do Sul accounted for about 80 percent of national rice production in MY 2019/20, according to the National Food Supply Company (CONAB), Brazil's agricultural statistics agency. The country's southernmost state, Rio Grande do Sul, alone accounted for more than half of Brazil's total rice area in MY 2019/2020. The state saw production expand by 6.5 percent year-over-year in MY 2019/20, due in large part to the highest yields seen in the state since at least 1921, when the Rio Grande do Sul Rice Institute (IRGA) began keeping data on the state's harvest.

In MY 2020/21, Rio Grande do Sul expanded rice area by roughly 2.4 percent, to an estimated 970,000 hectares (Ha). However, a 5 percent dip in yields is expected to cause production to shrink by about 3 percent overall, to 7.6 MMT. Santa Catarina is seeing a similar trend, with stagnant area paired with a

projection of a 4 percent decrease in yields, leading to a 4 percent smaller crop, totaling an estimated 1.2 MMT.

Due to a La Nina weather phenomenon that began in 2020, much of southern and central Brazil has seen below-normal rainfall totals. This has had a limited effect on rice production in the region, since virtually all farmers have irrigation systems that draw water from a variety of reservoirs. However, according to industry contacts, some water sources are severely depleted, with reservoirs reduced by as much as 70 percent. That has meant that a small number of farmers have had to resort to intermittent irrigation, a practice which can cause increased incidence of weeds and certain pests, both of which could hamper yields and crop quality. Depleted water levels in reservoirs could also spell trouble for future rice crops if the region does not receive sufficient precipitation to replenish the reservoir levels. Heavy rains in December and early January have left producers feeling hopeful that they will be able to avoid that scenario, though additional rainfall will be needed in the coming months before the onset of the dry season.

Other Brazilian states, especially in central and northeastern Brazil have seen a modest expansion of planted area in MY 2020/21. However, rice production in these regions is mostly rainfed, with yields that are roughly only a third of those for an irrigated crop. One state to watch is Tocantins, located in Brazil's North Region. According to CONAB, the state was Brazil's third-largest rice producer last season, with a harvest of approximately 660,000 MT from an area of 122,700 hectares, 90 percent of which was irrigated. Tocantins accounted for 6 percent of national production in MY 2019/20. The current season has seen a small 3 percent increase in area, which could lead to modest growth in production.



Data

Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA)

Brazilian rice producers have long complained that they face steep hurdles in cultivating the crop, including, rising electricity costs to run irrigation systems, high debt levels and interest rates, high taxation rates, Mercosur competition, and cabotage regulations. However, record yields in MY 2019/20 provided

relief for some farmers. According to the Federation of Rice Producers of Rio Grande do Sul (Federarroz), the MY 2019/20 crop provided improved profitability for many growers, and profits were estimated to have exceeded costs for the first time in four years. Nevertheless, most rice producers sold their crop before prices rose dramatically. Federarroz reports that the average farmgate price received by rice producers in southern Brazil was approximately R$45 per 50-kg sack. That is less than half of the record paddy rice price of R$105.38 reported in October in the price database maintained by the University of Sao Paulo's Center for the Advanced Study of Applied Economics (CEPEA). Federarroz also argues that irrigated rice production is still very expensive in Brazil, and the recent rise in prices was really a market correction. According to Federarroz, if you factor in inflation, the current rice price for consumers is similar to the level seen in Brazil 25 years ago.

Throughout MY 2019/20, the weakened Brazilian real (BRL) has fueled an export boom that has driven up rice prices, but it also made inputs for the MY 2020/21 crop much more expensive, especially for smaller and less capitalized rice producers. This segment of rice producers has long-struggled with the profitability of the crop, and one year of good returns is not likely to be enough to offset years of losses. Moreover, as mentioned above, many producers sold their MY 2019/20 immediately after harvest in March and April 2020, thus missing the steep rise in prices that came later in the year as the COVID-19 pandemic fueled increased consumption due to government payments to the poor and a rush to shock home shelves. Prices began to level off in October and November, after hitting record highs in both BRL and U.S. dollar (USD) terms. However, current prices, especially in BRL terms, remain high compared to historical averages.

Rice Trade

Imports

Post raises its MY 2019/20 import forecast to 950,000 MT, up 150,000 MT from the previous projection. The severely weakened BRL caused imports to lag behind the five-year average in the first few months of the market year, as Brazilian rice millers limited their foreign purchases and relied instead on domestic stocks. However, as stocks dwindled, the domestic price for paddy rice in BRL terms skyrocketed, forcing Brazilian buyers to look overseas to procure supplies of this staple food. In response to high prices, the Government of Brazil in early September 2020 implemented a duty-free tariff-rate quota (TRQ) for up to 400,000 MT of imports from outside of the Mercosur trade bloc through December 2020. This move boosted imports from less traditional suppliers to Brazil, including the United States, India, and Guyana.

Post maintains its MY 2020/21 import forecast at 850,000 MT. Depleted stocks at the close of the current market year are likely to lead to larger-than-average rice purchases from abroad in MY 2020/21. It should be noted, however, that Brazil has never imported more than 900,000 MT (milled equivalent) of rice in a market year, and market conditions in the current MY have shown that millers are willing to let stocks dip extremely low, only purchasing supplies from abroad when absolutely necessary to meet demand.

Roughly 95 percent of Brazil's rice imports have typically come duty-free from its Mercosur trade bloc neighbors: Paraguay, Uruguay, and Argentina. Paraguay alone accounted for 56 percent of imports in MY 2018/19, with Uruguay supplying another 27 percent of imports, and Argentina responsible for approximately 11 percent.

However, skyrocketing domestic prices on the back of huge export volumes and strong domestic consumption at the start of the pandemic worried the Brazilian government. Industry groups like the Brazilian Supermarket Association reported surging consumer rice prices. In response, Brazil's Foreign Trade Chamber (CAMEX) voted on September 9 to open a quota for duty-free access for up to 400,000 MT

of paddy and milled rice through December 31, 2020. The TRQ temporarily eliminated the 10 percent tariff on paddy rice (tariff code 100601092) and the 12 percent duty on white rice (tariff code 10063021). The move benefitted less traditional suppliers to the Brazilian market, and a flurry of imports in December resulted in the third-largest monthly import volume on record (150,000 MT).

Over the last decade, U.S. exports to Brazil had averaged less than 1,000 MT annually, largely due to Brazil's import tariffs, as well as a slew of internal value-added and transportation-related taxes. However, within days of the quota's implementation, U.S. producers had already sold 30,000 MT to Brazil, the largest single sale since 2010. So far in MY 2019/20, Brazil has imported more than 117,000 MT of U.S. paddy rice, as well as 25,000 MT of paddy rice from Guyana, on top of close to 17,000 MT of white rice from that country. India also supplied more than 20,000 MT of white rice to Brazil in the last two months of 2020, although Mercosur neighbors Paraguay and Uruguay have remained the largest suppliers overall. In total, 220,000 MT of the 400,000 MT TRQ was utilized prior to the quota's expiration on December 31, 2020. While domestic prices remain high, Post is not aware of any plan to renew the rice TRQ, given that the Brazilian harvest will be well underway in the next few weeks.

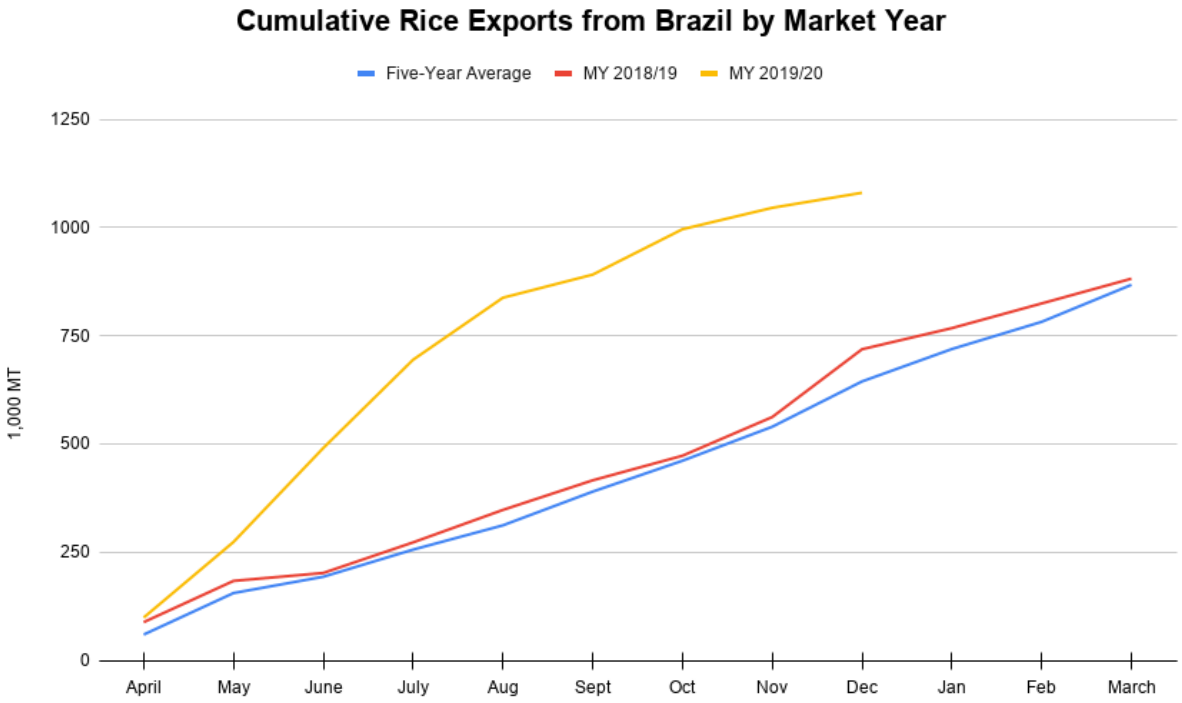
Exports

Post raises its MY 2019/20 export forecast to 1.2 MT, up 200,000 MT from Post's projection in September, based the rapid pace of trade. The weak BRL has continued to make Brazilian rice more attractive on the international market. Post maintains its MY 2020/21 export forecast at 700,000 MT, based on the expanded planting for the current crop, paired with a return to trend yields.

As noted above, the weak BRL has improved profitability for rice producers, as well as making exports more attractive, given that international sales are generally dollar-denominated. Brazil has exported above-average volumes of rice from April 2020, when the bulk of the MY 2019/20 crop hit the market, through to August 2020, when stocks began to dwindle. Brazil has exported more than 1 MMT of rice (milled equivalent) in the first nine months of MY 2019/20 (April–December 2020). That is 168 percent larger than the five-year average for the same period. In fact, Brazil has already exported significantly more rice in MY 2019/20 than all of MY 2018/19, even though trade data is available for only three-fourths of the current MY.

Venezuela has been one of the largest markets for Brazilian rice exports in recent years, and that trend has continued into MY 2019/20, with large purchases of both paddy rice and white rice. As Venezuela fell deep into political and economic turmoil several years ago, Brazil's abundant production and relative geographic proximity made it a convenient rice supplier. Because the BRL remains weak against the dollar, Brazilian commodities continue to be relatively cheap, and Venezuela has repeatedly turned to its South American neighbor to purchase staple foods like rice. From April to December 2020, Brazil exported to Venezuela

nearly 189,000 MT (milled rice equivalent) of paddy and white rice, accounting for nearly one-fifth of total exports during that period.



Data Source: Brazilian Foreign Trade Secretariat (SECEX)

So far in MY 2019/20, Brazil has also sold more than 90,000 MT of paddy rice to Costa Rica, along with another 89,000 MT to Mexico (between May and July). Brazil sold one-off paddy rice shipments in excess of 25,000 MT to Honduras and Turkey. Many of these sales were likely a direct consequence of the devalued BRL making Brazilian exports very attractive to non-traditional foreign buyers.

Brazil also exported more than 410,000 MT of white rice between April and December 2020, including 90,000 MT to Peru, 37,000 MT to South Africa, and 30,000 MT to the United States. Broken rice typically makes up one of the largest shares of Brazilian exports, and MY 2019/20 is no different, with broken rice accounting for almost a third of all exports so far this market year. The largest share of these exports was destined for countries in Africa. Between April and December 2020, Brazil exported 118,000 MT of broken rice to Senegal, 80,000 MT to Gambia, and 75,000 MT to Sierra Leon.

Rice Consumption

Post reduces its rice consumption forecast for MY 2019/20 to 7.3 MMT, which is 150,000 MT lower than the previous forecast, based on soaring export levels and high retail prices discouraging domestic consumption. The MY 2020/21 consumption forecast is maintained at 7.4 MMT.

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. However, the annual consumption volume (gross and per capita) has trended downward over the last two decades, as Brazilians have been replacing some of their rice consumption with other starchy staples, such as bread, potatoes, and manioc.

Consumption was spurred early in the COVID-19 pandemic, with grocery store sales of rice rising as consumers started cooking more meals at home amid widespread social distancing and work-from-home measures. Strong demand and diminished stocks caused food price inflation in Brazil throughout 2020, even as other sectors did not see the same trend. As noted above, the Brazilian Supermarket Association warned government officials that strong consumer demand and limited supplies had caused a surge in prices for staple foods, including rice.

Another factor supporting higher levels of rice consumption early on in MY 2019/20 was pandemic-related government support payments, which Brazil's government repeatedly extended to keep millions from falling back into extreme poverty as the pandemic wore on. Brazil had struggled in recent years to emerge from the deep recession the country experienced in 2015-2016, and the onset of the COVID-19 pandemic harmed the Brazilian economy further, pushing up the jobless rate and forcing the country back into a recession that many economists expect to last years. As the pandemic wore on, many consumers once again tightened the grip on their wallets, cutting back on a variety of expenses. Even with staples foods like rice, consumers have already begun to return to recessionary practices by cutting back on food waste. Many families save leftover cooked rice to be consumed at the next meal rather than throwing it out and cooking a fresh pot, which has limited the potential upside of rising consumption.

Additionally, the high retail price of rice has spurred some consumers to consider replacing the staple food with another starchy alternative such as pasta, the price of which has not increased nearly as much as rice. After a meeting with the Brazilian president, the head of the Brazilian Supermarket Association noted that grocery stores might promote replacement of rice with pasta to consumers who are not happy with rising rice prices. There have also been anecdotal reports of recipes circulating on social media to teach consumers how to replace rice dishes with potato-based ones. Thus, post lowers its consumption forecast for MY 2019/20 as it seems Brazilian consumers have been less and less willing to pay record prices to maintain their rice-eating habits.

Wheat

Wheat	2018/2019		2019/2020		2020/2021	
Market Year Begins	Oct 2018		Oct 2019		Oct 2020	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	2042	2042	2040	2040	2320	2340
Beginning Stocks (1000 MT)	1311	1311	1057	1058	937	807
Production (1000 MT)	5428	5428	5200	5150	6300	6250
MY Imports (1000 MT)	7020	7021	7200	7174	6700	6500
TY Imports (1000 MT)	7442	7443	7179	7180	6700	6300
TY Imp. from U.S. (1000 MT)	245	316	625	528	0	750
Total Supply (1000 MT)	13759	13760	13457	13382	13937	13557
MY Exports (1000 MT)	602	602	420	425	600	750
TY Exports (1000 MT)	594	594	408	408	600	750
Feed and Residual (1000 MT)	500	500	500	500	500	500
FSI Consumption (1000 MT)	11600	11600	11600	11650	11700	11700
Total Consumption (1000 MT)	12100	12100	12100	12150	12200	12200
Ending Stocks (1000 MT)	1057	1058	937	807	1137	607
Total Distribution (1000 MT)	13759	13760	13457	13382	13937	13557
Yield (MT/HA)	2.6582	2.6582	2.549	2.5245	2.7155	2.6709

(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 Wheat begins in July for all countries. TY 2020/2021 = July 2020 - June 2021

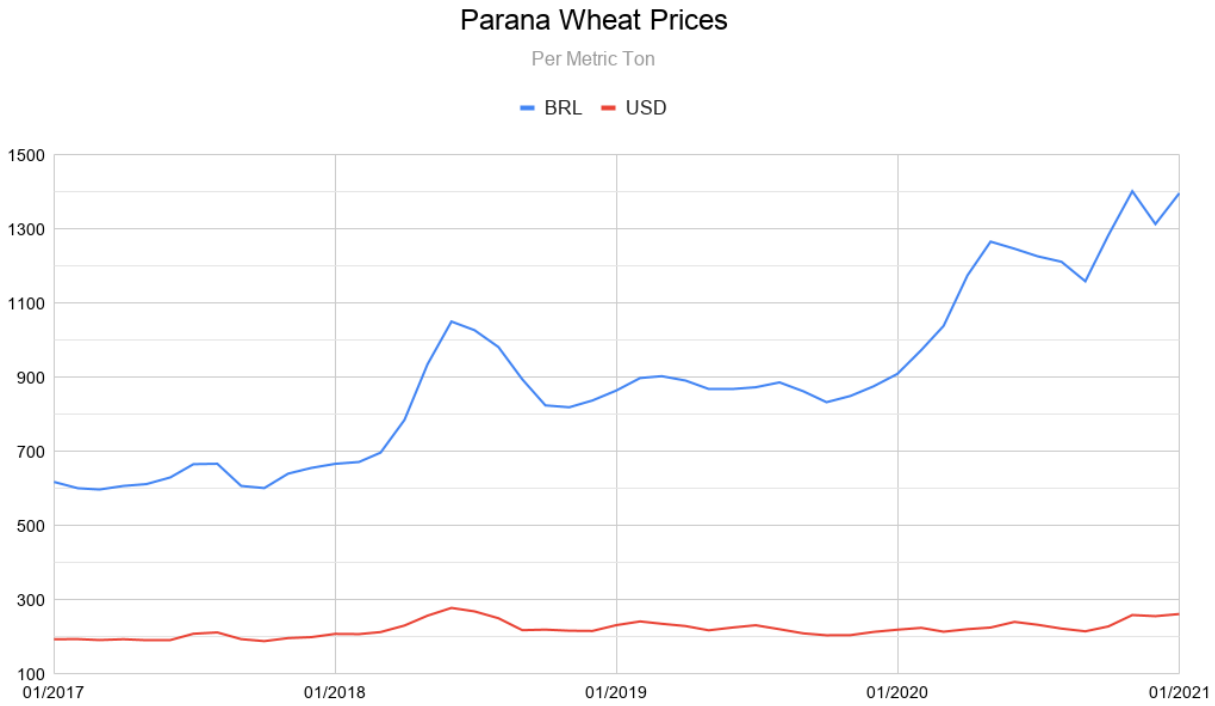
Wheat Production

Post raises its estimate for MY 2020/21 (October 2020 – September 2021) wheat area by 10,000 hectares (Ha) to 2.34 million hectares (MHa). However, Post lowers its production estimate to 6.25 million metric tons (MMT), a decrease of 350,000 metric tons (MT) from the previous estimate but still more than 20 percent larger than the MY 2019/20 crop. High internal prices incentivized expanded planting in the major production regions, supporting Post's estimate for a year-over-year increase of 15 percent for area. Production grew by one-fifth but was not quite as large as previously expected at the start of the season. Nevertheless, the MY 2020/21 crop is significantly larger year-over-year, as yields rebounded from the damage caused by adverse weather last season.

Brazilian wheat production is concentrated in the south of the country, especially in the states of Parana and Rio Grande do Sul. Together, those two states account for roughly 85 percent of total Brazilian production. Both states expanded area this season. According to data from the National Supply Company (CONAB), Brazil's agricultural statistics agency, wheat area in Parana grew by 9 percent year-over-year, while Rio Grande do Sul's wheat area expanded by a whopping 26 percent. The Parana Department of Rural Economy (DERAL) reported that the state's 1.1 MHa were fully planted as of July. The harvest in that state wrapped up in November, slightly ahead of the five-year average. In total, the 9 percent expansion of area, coupled with the 33 percent year-over-year rebound in yields, helped Parana's crop grow by an astounding 45 percent year-over-year, topping 3 MMT in MY 2020/21. As of mid-January, about four-fifths of Parana's wheat crop had already been sold.

With the elevated yields leading to expanded production in Parana, Rio Grande do Sul returned to its position as Brazil's second-largest wheat producer. 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 25

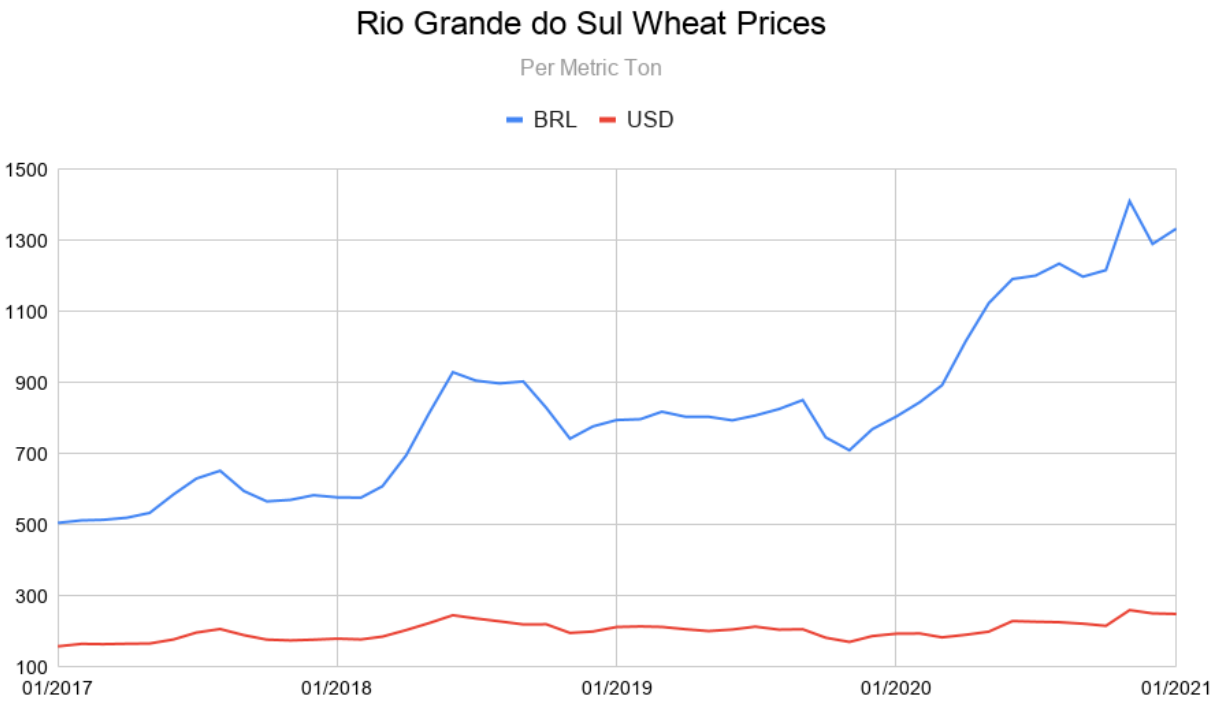
percent in planted area, to approximately 930,000 Ha. Most of Rio Grande do Sul's wheat area saw low temperatures and even frosts in August, during the vegetative development stage of growth, causing yields to dip by 19 percent compared to the MY 2019/20 crop. Nevertheless, the large expansion in area offset the large drop in yields, making for an overall increase in Rio Grande do Sul's wheat production. The state's MY 2020/21wheat crop is estimated at 2.26 MMT, about 2.4 percent greater than MY 2019/20.



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

Several factors incentivized producers to greatly expand MY 2020/21 wheat area in southern Brazil. Domestic prices remained near record levels for much of 2020, bolstered by firm internal demand, depleted stocks, and limited supplies from Argentina. Due to the COVID-19 pandemic, the Brazilian economy worsened significantly in 2020, and the Brazilian real (BRL) remains about 20 percent weaker than before the onset of the pandemic. The weak 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.

According to a data series maintained by the University of Sao Paulo's Center for Advanced Studies in Applied Economics (CEPEA), wheat prices in Parana reached their highest ever peak in nominal terms in October 2020, averaging R$1,402 (US$259) per metric ton. Meanwhile, prices in Rio Grande do Sul hit record levels in November, averaging R$1,411 (US$260) per metric ton. Unlike soybeans and corn, very little wheat is forward contracted, leaving producers to hope high price levels are maintained at the time of harvest, which was the case in MY 2020/21. Even with the harvest complete, prices remain near all-time highs as of mid-January 2021.



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

In the long term, Brazil is working to expand wheat area and decrease the country's heavy dependence on imports to meet domestic demand. One region drawing attention has been Matopiba, an area in northeastern Brazil where the borders converge for the states of Maranhao, Tocantins, Piaui, and Bahia. According to Brazilian agricultural research agency EMBRAPA, the region's biome is considered to be "cerrado," the same type of savannah found throughout Brazil's center-west, which has become the powerhouse agricultural production region for soybeans and corn. Matopiba has seen rapid expansion in recent years for soybeans, cotton, and corn but has generally been considered too hot and humid to cultivate a traditionally cold-weather crop like wheat. According to CONAB data, Matopiba only planted about 3,000 Ha of wheat this season, all in the state of Bahia. That is insignificant compared to the more than 2 MHa of wheat area in southern Brazil. Nevertheless, EMBRAPA has long sought to expand wheat cultivation outside of Brazil's traditional production region, as it is the only staple crop for which the country is not self-sufficient.

To that end, EMBRAPA worked to develop new irrigated wheat varieties to tolerate the hotter climate of the cerrado, as well as resist fungal diseases during periods of high humidity. However, the region is also prone to long periods of dryness, meaning that most of the wheat grown in the cerrado must be irrigated, which raises production costs. While some farmers have invested in pivot irrigation systems, the technology is still relatively rare in the center-west and Matopiba. In total, post estimates that the center-west and Matopiba regions account for just 2.6 percent of Brazil's total wheat area and 3.3 percent of total production this season. However, it should be noted that the yields for irrigated wheat are far greater than for rainfed wheat in the south. According to CONAB, the average wheat yield in the cerrado state of Goias was 4 MT/Ha in MY 2020/21, while the state of Bahia's average wheat productivity reached 5.7 MT/Ha, more than double that of the traditional growing region in southern Brazil.

Last year EMBRAPA announced plans to help farmers cultivate 1 MHa of wheat in the cerrado by 2025.

Post believes this is an ambitious goal, considering the small area cultivated this season, as well as the competition from other, potentially more profitable crops such as soybeans. If EMBRAPA achieves its goal, the research agency estimates that the region could produce as much as 3 MMT of wheat every year.

Another area being explored by EMBRAPA for wheat production is Sealba, a region comprising the northeastern states of Sergipe and Alaogas, and the northern part of the state of Bahia. Specifically, EMBRAPA has been conducting wheat trials in the state of Alagoas since 2019. EMBRAPA is evaluating the productivity and quality of the research agency's tropical wheat varieties that are already in commercial production in the center-west state of Goias, as well as the Federal District (home to the capital city of Brasilia), as well as the southeastern state of Minas Gerais. The initiative is part of an EMBRAPA project dubbed "Genetic Improvement for Wheat in Brazil, 2017-2021." Researchers found that the tropical cultivars, which are irrigated, required a growing cycle of 76-93 days and showed yields as high as 4.7 MT/Ha. Further data is needed to determine the optimal planting window in the region, as well as techniques to maintain proper soil management and control for pests and diseases. EMBRAPA is optimistic about the prospects because these varieties have shorter growing cycles and the ability to adapt to tropical climate conditions with low rainfall.

Wheat Trade

Imports

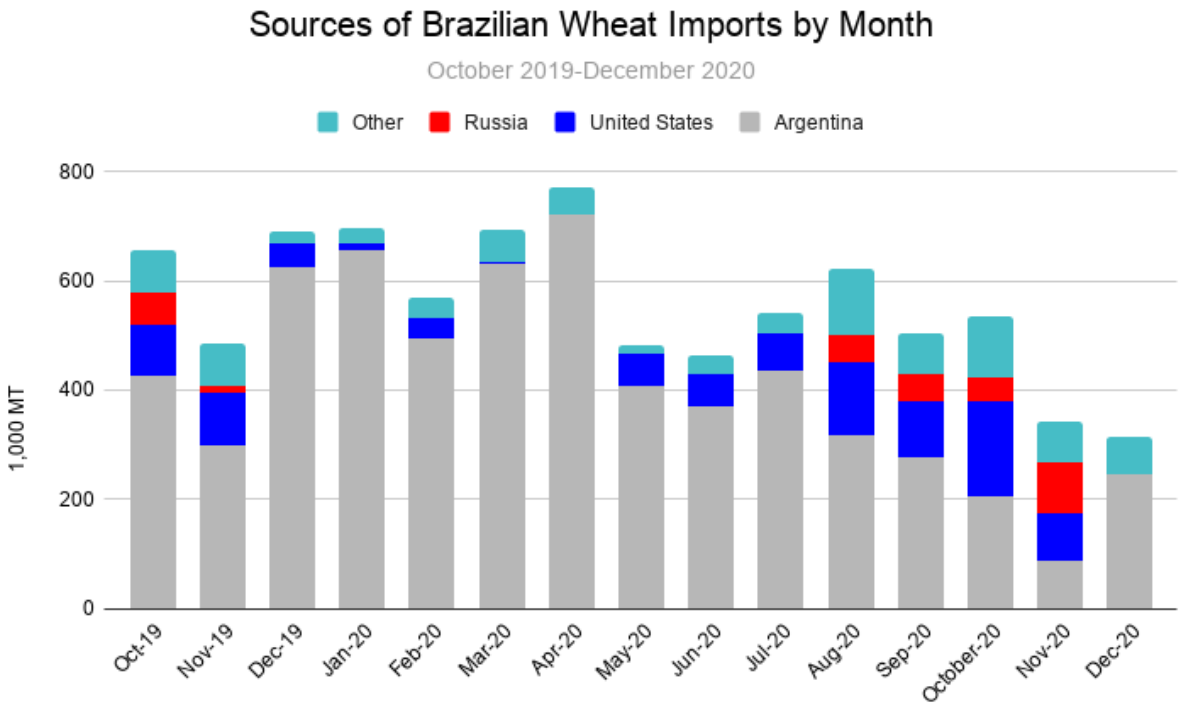
Post maintains its import forecast for MY 2020/21 at 6.5 MMT, based on the year-over-year increased production estimate leading to less demand for imported supplies during this market year. Moreover, the devalued BRL has made dollar-dominated imports more expensive and reduced mills' willingness to make large purchase unless absolutely necessary to meet demand.

Imported wheat typically accounts for more than half of Brazil's domestic consumption, making Brazil the third-largest global wheat importer. Post estimates that imports accounted for 60 percent of Brazil's consumption in MY 2019/20, although that ratio is expected to shrink in the current MY due to the larger Brazilian wheat harvest. Most of Brazil's imports are duty-free purchases from Mercosur trade bloc neighbor Argentina, which supplied roughly 79 percent of Brazil's wheat imports in MY 2019/20. In the same period, Paraguay was responsible for about 4 percent of Brazil's imports, while Uruguay contributed another 2.5 percent. Russia accounted for 2.4 percent of market share in MY 2019/20, while the United States was the second-largest overall supplier with 10 percent of market share (707,837 MT), more than double the U.S. market share seen in MY 2018/19.

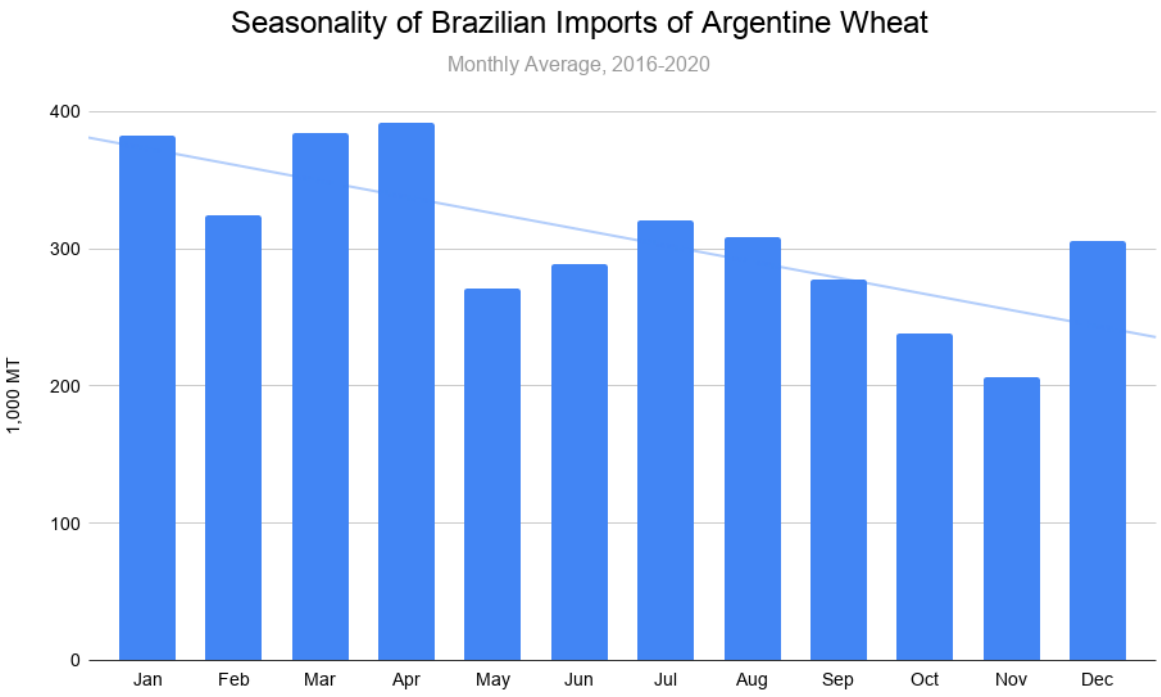
Argentine wheat is the dominant import source for roughly the first half of the calendar year, given the timing of the harvest there. Meanwhile, American wheat exports to Brazil gain competitiveness later in the year, with the largest volumes arriving normally between July and November, according to customs data. In MY 2020/21, Post expects this trend to hold, with Argentina supplying the vast majority of Brazilian wheat imports. However, several factors have affected Brazil's typical buying pattern. First, unusually dry and cold conditions resulted in the Argentine crop being smaller than expected, shrinking by nearly 10 percent year-over-year, according to FAS Buenos Aires. Secondly, a strike by Argentine port workers in December 2020 greatly slowed the pace of Brazil's wheat imports at the end of the year. According to media reports, more than 140 ships were delayed at Argentine ports as a result of the strike. The knock-on effect for Brazilian imports was that the December volume of purchases was just 315,000 MT, less than half of the total recorded in December 2019 and the smallest December wheat import volume for Brazil in a decade. The situation affected wheat supplies to some Brazilian mills in the south and center-south regions. Post projects the pace of trade in January will be much higher than normal to compensate for the

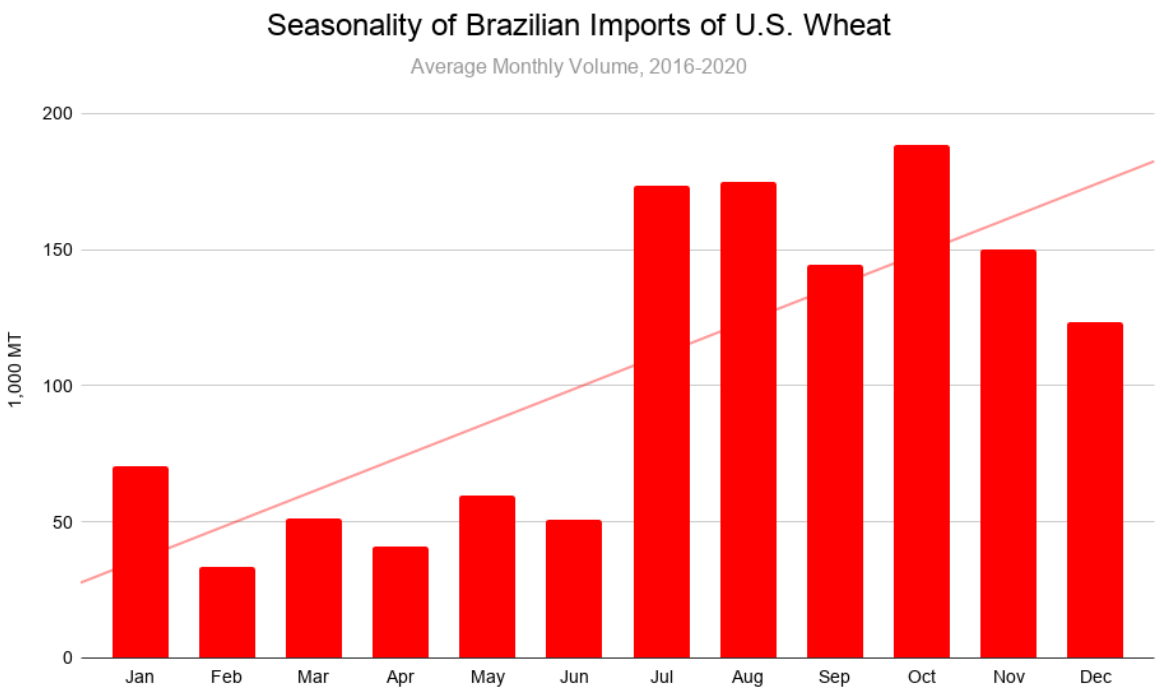
disruption. The scarce supplies from Argentina in December also helped prop up Brazil's domestic wheat prices, which remain at near-record highs. Industry contacts indicate that most of the Brazilian wheat harvest has already been sold, and there is little liquidity in the domestic market at the moment.

Other factors affecting Brazilian wheat imports and domestic price include the still weak BRL against the dollar, as well as a new export tax imposed by the Russian government on wheat exports. In an effort to control domestic food price inflation, Russia, the world's largest wheat exporter and a minor supplier to Brazil, recently announced that it would impose an export tax of 25 euros per ton of exported wheat from February 15-28, 2021, and an even larger export tax of 50 euros per ton of exported wheat from March 1-June 1, 2021. According to the president of the Brazilian Wheat Millers' Association (Abitrigo), the move could make purchases from Russia unfeasible, as the transportation costs alone have already made Russian wheat less competitive compared to other supplies in the Americas. Post contacts report that Brazilian millers have been increasingly interested in U.S. wheat purchases in MY 2020/21, given the lower supplies from Argentina and the export tax on Russian shipments. As a result, the United States may be well positioned to increase wheat exports to Brazil this year, but the strength of the BRL against the USD may be the deciding factor for many traders. The United States has already exported 563,058 MT of wheat to Brazil in trade year 2020/21 (July 2020 – June 2021). U.S. wheat also accounted for nearly 22 percent of Brazil's imports in the first three months of MY 2020/21 (October – December 2020).



Data Source: Brazilian Foreign Trade Secretariat (SECEX)





Data Source: Brazilian Foreign Trade Secretariat (SECEX)

The increase in U.S. market opportunities in Brazil has come 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. Amid pressure from the Brazilian Wheat Millers' Association (Abitrigo) to increase the duty-free quota due to the effects of the COVID-19 pandemic (including the weakening of the BRL), Brazil announced on June 17, 2020, that it would allow an additional 450,000 MT of duty-free wheat imports from non-Mercosur countries, bringing the TRQ total to 1.2 MMT through November 17, 2020. Brazilian government data show that at the end of the quota period, Brazil had issued licenses for close to 1.1 MMT of the quota, but only about 866,000 MT of wheat actually entered Brazil duty-free before the TRQ expired. Outside of the TRQ, Brazil applied the 10 percent Mercosur common external tariff (TEC, in Portuguese) for all wheat imports coming from countries not in the trade bloc. Mercosur countries (Argentina, Paraguay, and Uruguay) continued to enjoy unlimited duty-free access for wheat exports to Brazil.

The Brazilian government renewed the TRQ for an additional 750,000 MT of non-Mercosur wheat imports from November 18, 2020, through November 17, 2021. The quota seems to have the same regulations governing distribution, with the greatest share of the duty-free volume allocated to large historical importers. See Post's GAIN report from December 2019 for more information on the quota regulations: New Opportunities for American Wheat Exports as Brazil Implements Duty-Free Quota.

Exports

Post maintains its MY 2020/21 export forecast at 750,000 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.

Brazil generally exports only a small share of its wheat production, usually around 10 percent. Exports are entirely dependent on economic conditions, and Brazil's typical markets look for bargain wheat purchases. The devalued BRL against the dollar has already shifted export dynamics in MY 2020/21. Post expects exports to increase by approximately 75 percent year-over-year. The top export markets for Brazilian wheat in MY 2019/20 were Vietnam (72 percent of Brazilian exports), Saudi Arabia (18 percent), and Philippines (9 percent). At the same time, Venezuela was the largest foreign buyer of Brazilian wheat flour in MY 2019/20, accounting for 95 percent of flour exports. In the first three months of MY 2020/21, Brazil has seen large purchases of wheat from Vietnam, Indonesia, Pakistan, and Israel, as well as several large sales of wheat flour to Venezuela. Several of these non-traditional markets undoubtedly made these purchases as the devalued BRL made Brazilian wheat a bargain on the global market.

Wheat Consumption

Post maintains its forecast for Brazil's wheat consumption in MY 2020/21 at 12.2 MMT. Per-capita consumption of wheat in Brazil has slumped in recent years but has been offset by population growth, leaving the overall wheat consumption level relatively static. As with other staple products early on in the COVID-19 pandemic, Brazilians stocked up on wheat flour and other wheat-based products like pasta and industrially produced bread, as social distancing orders went into effect in March and April 2020. The Brazilian Manufacturers Association of Biscuits, Pasta, and Industrialized Bread & Cakes (ABIMAPI) reported the industry's sales grew by 15 percent year-over-year in the first few months of 2020. That was largely a result of consumers stocking up on staple ingredients as restaurants and other businesses shut down across Brazil to stem the spread of the COVID-19 pandemic. Consumers chose easy-to-prepare ingredients to make more meals at home.

As the effects of the pandemic have lingered longer than most consumers expected, many Brazilians are still working from home, while others are staying at home while they look for work to replace jobs lost due to the pandemic. In both cases, these consumers continue to eat more meals at home than prior to the onset of the pandemic. Brazil saw great inflation of food prices in 2020, even as other sectors did not see the same trend. Some staple foods, such as rice and beans have seen consumer prices rise by more than 20 percent. While consumer prices for wheat-based products have also increased, the rise has not been quite as steep. As such, some consumers have looked for ways to substitute wheat products like pasta in place of rice, at least on some occasions. Food manufacturers have refocused production lines to produce more pasta and other wheat-based products. For these reasons, Post is forecasting a small year-over-year increase in wheat consumption for MY 2020/21.

Related GAIN Reports

Brazil Grain and Feed Update – September 2020

Corn Ethanol Production Booms in Brazil – October 2020

Brazil Eliminates Soybean and Corn Import Duties – October 2020

Ministry of Agriculture Changes Import License Requirement to Facilitate Corn and Soybean Imports – November 2020

Brazil Livestock and Products Annual – August 2020

Brazil Poultry and Products Annual – August 2020

Brazil Oilseeds and Products Update – December 2020

Argentina Grain and Feed Update – January 2021

New Opportunities for American Wheat Exports as Brazil Implements Duty-Free Quota – December 2019

Attachments:

No Attachments