From this publication on, Ipea, in partnership with Conab, has begun the conjunctural analysis of the Brazilian agricultural sector designed for those institutions who are abroad: the Brazilian Agricultural Outlook. Besides being a sector of great relevance to the country’s economy, Brazil is one of the main players in the world agricultural market. Thus, the information produced by both institutions becomes essential to understand and forecast trends in the agricultural sector.

In this edition we present the forecast and estimate of the Agricultural GDP, as well as the area and production estimates of the main grains – soybean, corn and wheat – for 2018/2019 and, in part, for 2019/2020.

This partnership’s aim is to help disseminate information in order to improve the understanding of public and private actors, as well as the academic public as a whole.

Agricultural GDP
Forecast for 2019: Growth of 0.5%.
Projection for 2020: Growth of 2.0%.

Forecast for 2019: Ipea’s Economic Analysis Group estimates that, for the year 2019, the agricultural GDP will grow by 0.5%. Econometric models of time series were applied taking into account the estimates of the Systematic Survey of Agricultural Production (LSPA), the Quarterly Surveys of Animal Slaughter, of Milk, of Leather and of Eggs Production, both published by the Brazilian Institute of Geography and Statistics (IBGE), and forecasts of the United States Department of Agriculture (USDA). LSPA indicates that the largest contribution for 2019 will be from farming, especially corn production. This grain has an estimated increase of 21.4%, driven by the significant growth of 31% in the second harvest. Another segment that should show strong growth is cotton production, with an estimated growth of 32.5% in the production. On the other hand, soybean, sugarcane and coffee have had an estimated drop for 2019. The
effect of lower soybean, and coffee harvests on crop GDP is more than enough to offset the 2.0% p.p. contribution of corn production to the same indicator. Regarding livestock, forecasts show growth for all items in 2019, especially beef, milk, and pork production. This result reflects the sector’s expectation, mainly in the increase in exports.

Projection for 2020: For the year 2020, the first information indicates that both agricultural and livestock production should present better results than expected for 2019. Preliminary estimates indicate that soybean and rice should grow 6.0% and 6.1%, respectively. Corn production should be kept at the same level as in 2019. However, cotton production should decrease 6.0%. Estimates from the Food and Agriculture Organization/Organization for Economic Cooperation and Development (FAO/OECD) and time series models were used for the other products that make up the agricultural GDP. The component that should contribute the most to the 2.0% increase of GDP is farming, with a growth of 2.8%. Livestock is expected to grow by 2.2%, driven by the 2.0% increase in cattle production.

Soybean

*August: Mid-season in almost all regions. Harvest in the extreme north (Roraima and Amapá).*

Domestic Market: With the end of the 2018/2019 harvest, Brazilian soybean production should reach the second position in the historical series of Conab, with 115.1 million tons. Despite the decrease of 3.5% in production compared to the last season, soybean presented a 2.1% growth in planted area which corresponds to 35.87 million hectares.

International Market: The trade war between the United States and China has led to another turnaround in the world soybean market. International prices fell sharply in early August 2019, prompted by the announcement by Americans of a 10% new tax on top of $300 billion in Chinese products, frustrating any hope of resolution at the last meeting between the two countries. As a result, international prices have arrived in August at the lowest level since May 2019. The trade war has also brought an increase in the value of the dollar against currencies of emerging countries. As a result, the value of the dollar in Brazil reached R$ 3.81, with a strong upward trend for August 2019. With the recent rise of the dollar, farmers should be more aware about the best time to sell the grain.
**GRAPH 2**
Production, planted area and soybean productivity, 2009-2010 to 2018-2019

Source: Conab.

**Corn**

*August (1st crop): Beginning of planting in the South region.*

*August (2nd crop): Harvest in all regions.*

Domestic Market: With the increase in the estimated corn crop to 100 million tons, the total supply for the 2018/2019 will reach a record of 115.4 million tons. Thus, there is a very significant supply of corn. As to the demand, the domestic consumption of this cereal should reach 63.9 million tons, with an adjustment over 1 million tons in relation to the previous estimate due to the consumption of corn for the crushing of ethanol plants in the state of Mato Grosso. These plants will begin their production later this year, but have already entered the market acquiring raw material. Final stocks for the 2018/2019 tend to stand at 17 million tons, the second highest ever recorded in the country.

International Market: The projected corn export was adjusted to 34.5 million tons due to the pace of shipments in the first six months. The expectation is that in the coming months – from August to December – the exported volume will remain high, generating a record in the amount of exported corn. What has favored this dynamic in demand is the drop in the US corn crop and the consequent increase in corn prices on the Chicago Stock Exchange. Uncertainties about the size of the North American crop may enable record exports of Brazilian corn, even though 67% of the corn sales – which correspond to 48 million tons – are well advanced.
Wheat

August: Harvest in progress.

Domestic Market: The domestic market remains with low liquidity. Industries are supplied and waiting for the start of new harvest. Special attention should be given to the weather, mainly to the damage that the recent frost might have caused. A preview of the quality of farming was released by the Department of Rural Economy of Paraná (Deral). According to the institution, 64% of crops are in good condition, 28% in average conditions and 8% in bad conditions. The production quantity for the 2019-2020 harvest was revised and should be approximately 5.4 million tons – almost the same volume as the previous harvest. There has been a decrease of 2.6% in planted area offset by a 2.5% increase in productivity.
International Market: In order to meet domestic demand, Brazil imported 558,400 tons of wheat in July, with Argentina as the main supplier of the grain, representing 82.13% of total imports. Such a behavior has already been expected as Brazil does not produce enough wheat to supply the domestic market. After adjustments made to the supply and demand of the current harvest, the volume of imports closed at 6.7 million tons. The volume exported in the same period closed at 582.9 thousand tons.
Crop calendar of Brazil

Soy
- North
- Northeast
- Midwest
- Southeast
- South

Corn 1st crop
- North
- Northeast
- Midwest
- Southeast
- South

Corn 2nd crop
- North
- Northeast
- Midwest
- Southeast
- South

Wheat
- Northeast
- Midwest
- Southeast
- South

Legend:
- Green: Sowing
- Blue: Crop
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