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Brazil's 2021 Popcorn Crop. Interviewed Jarbas Vavassori of Somar Agronegocios.



On this occasion, with the assistance of Douglas Siementkowski, we interviewed Jarbas Vavassori of Somar Agronegocios. Jarbas has 12 years of experience in Brazil's popcorn market. Somar Agronegocios supplies seed to the majority of Brazil's popcorn growers. Its seed is used to plant popcorn crops on 10,000 hectares.

Juan Carreras: How is the 2021 popcorn crop coming along? How much do you expect will be harvested and how does this volume compare with the previous year's crop?

Jarbas Vavassori: This year's harvest is being delayed. Popcorn was planted between January 1 and February 20. For that reason, we are expecting a late harvest this year, starting in late

June or early July. Additionally, fewer hectares were seeded this year. An estimated 55,000 hectares were seeded to popcorn compared to 70,000 - 75,000 hectares last year. The major growing areas are in Mato Grosso and Goias.

JC: What are your expectations in terms of yields for the 2021 crop and how does it compare to the 2020 crop?

JV: The average popcorn yield in Brazil is approximately 4,000 - 4,500 kg per hectare. So, if we have normal yields, we will have a popcorn crop of approximately 200,000 - 220,000 tons in 2021.

In 2020, approximately 300,000 - 330,000 MT were harvested. There-



Jarbas Vavassori de Somar Agro Negocios.

fore, the 2021 crop would be about 100,000 - 130,000 MT less. That's an important difference.

JC: What export volumes are you anticipating for the 2021 season and how does it compare with 2020?

JV: Brazil typically has an exportable supply of 70,000 - 80,000 MT of popcorn. However, the delayed planting this season and rising commodity prices led many growers to plant yellow corn instead of speciality crops like popcorn. Therefore, we expect to have a significantly reduced exportable supply of around 30,000 - 50,000 MT. Additionally, we need rains over the next 30 days because if there is a lack of rain, we could have some issues, especially with kernel size and expansion.



Brazil mainly produces size 55-60 per K-10, and if there is a lack of moisture, we can end up with an expansion of K-10 closer to 60-65 or even lower. We usually produce popcorn with expansion over 40-42, but we need the grain to fill properly.

JC: What is the carryover from the 2020 campaign?

JV: The actual carry-in is practically nil. There are practically no stocks of 2020 crop remaining and we expect inventories to empty out completely by June. The minimal stocks that remain now will probably be sold into the domestic market in the next 30 to 45 days before new crop becomes available.

JC: How much popcorn is consumed in Brazil's domestic market?

JV: Brazil's domestic consumption is estimated at 200,000 to 220,000

MT. Excess production is exported. So, if in an average year we get a crop of 300,000 - 330,000, with domestic consumption of 200,000 - 220,000 MT, we can expect an exportable supply of approximately 80,000 - 100,000 MT. But at present, with the purchasing power of the Brazilian consumer debilitated due to the international crisis caused by COVID-19 and the resulting loss of jobs, we project that local demand will decrease by, according to our estimates, 10% to 20%.

Popcorn is a recreational snack, and the main consumption occurs in cinemas and at home. If the Brazilian consumer's pocket is impacted, we can expect decreased demand from the domestic market.

Therefore, if instead of taking 200,000 - 220,000 MT, the domestic market falls to 180,000 - 200,000 MT, we could have export availability of around 30,000 - 50,000 MT in 2021.

JC: What are the major markets for Brazilian popcorn and how do you see demand there in 2021-22?

JV: Like I mentioned earlier, Brazil's domestic consumption is very important. It's not like in Argentina, where practically all of the production is exported.

In Brazil, the main market is the domestic market. Our main export destinations are India, Pakistan, Egypt, Turkey and the United Arab Emirates. Two years ago, Brazil began to export more significant volumes of popcorn, especially to India and Pakistan. But then domestic popcorn prices started to rise and the percentage of the production that was exported was reduced considerably.



JC: What are the key factors to keep an eye on this marketing year?

JV: The currency exchange rate is very important. If the Real-Dollar exchange rate is high, this will of course incentivize exports to the detriment of the domestic market. We have to keep an eye on the evolution of the exchange rate and see how it progresses in the coming weeks. This will determine what percentage of the production will be exported and what will go to the domestic market.

JC: Could you provide FOB prices for new crop?

JV: If I had to give a forward price indication for shipment in July-August, I'd say it's USD 620-650 per MT FOB Santos or Paranaguá. But it is still too early to talk about prices. We have to see how the crop progresses in the coming weeks, as well as the market situation and the currency exchange rate.



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JC: Has the COVID-19 pandemic had an impact on production, consumption or trade (logistics)?

JV: With respect to the domestic market, cinema demand has decreased, but as in other parts of the world, this was offset by a significant increase in home consumption. The current price of popcorn in the domestic market is approximately USD 30 per 60 kg bag. Freight prices, both locally and internationally, have also increased due to

logistical issues and the changes in international trade caused by the pandemic. International freight prices increased. In Brazil, international freight prices are currently above USD 70 per ton for the most part. There has also been an increase in internal freight. From the price side, commodities and specialties generally, with few exceptions, affirmed their prices, so we have had positive and negative impacts.

JC: If you were face to face with a buyer and had to, in a few words, describe Brazil's 2021 popcorn crop, what would you say?

JV: Well, I would tell him much of what we covered in this interview, that in 2021

we expect a popcorn crop of around 200,000 – 220,000 MT compared to 2020 production of about 300,000 – 330,000 MT. So, we expect our production will be significantly lower this year.

However, we predict that the decrease in the purchasing power of the Brazilian consumer will lead to decreased domestic consumption, and therefore we expect an exportable supply of 30,000 – 50,000 tons. And, given the firmness of commodity and especially yellow corn prices, we believe popcorn prices will remain firm and tend to rise. With respect to crop quality, much will depend on the rainfall in the next 30 to 40 days. In terms of shipments, we will begin shipping new crop a little later than normal. Our first shipments will be in July-August.

JC: Jarbas, I deeply appreciate the time and the information you provided to us.

