Company Name: Sao Martinho
Company Ticker: SMTO3 BZ
Date: 2021-02-09
Event Description: Q3 2021 Earnings Call

Market Cap: 11576.1707284
Current PX: 32.7000007629
YTD Change($): 5.45000076294
YTD Change(%): 20.0

Bloomberg Estimates - EPS
Current Quarter: 0.48
Current Year: 2.555
Bloomberg Estimates - Sales
Current Quarter: 1266
Current Year: 4374.889

# Q3 2021 Earnings Call

## Company Participants

- Felipe Vicchiato, CFO, Investor Relation Director & Member of Board of Executive Officers
- Fabio Venturelli, CEO & Member of Board of Executive Officers

## Other Participants

- Luiz Carvalho, Director and Analyst
- Lucas Ferreira, Analyst
- Alexandre Falcao, SVP
- Christian Audi, Head of Latin America Equity Research, Agribusiness & Oil, Gas and Petrochemicals
- Unidentified Participant, Analyst

## Presentation

### Operator

Good afternoon, ladies and gentlemen. We thank you for waiting. Welcome to São Martinho Third Quarter Earnings Conference Call for the 2021.

Today with us, we have Mr. Felipe Vicchiato, CFO and Investor Relations Officer; and Mrs. Aline Reigada, Investor Relations Manager of São Martinho.

The audio and the slide presentation of this conference are being broadcast simultaneously on the internet, and you may access it at www.saomartinho.com.br/ir. (Operator Instructions)

We would like to clarify that some information conveyed during this call may be projections or forward-looking statements. As such, they are subject to known and unknown risks and uncertainties. That could lead to the company's actual results to differ materially from those expressed in such forward-looking statements.

Now we would like to turn the floor over to Mr. Felipe Vicchiato, who will start the presentation.

Thank you.

### Felipe Vicchiato, CFO, Investor Relation Director & Member of Board of Executive Officers

Good afternoon, everybody. Thank you for participating in our call about the Third Quarter.

We will talk to the presentation on Page 3, where you can see 8 items that will be discussed during this call. Starting with the operational highlights.

And now let's go to Page four directly. We have the cross sugarcane volume in the current harvest year, practically stable, closing at 22.5 million tons of sugarcane in which it was because of the lower productivity of Phase 8 in the period going to 8.7%, 2.6% lower of the previous year. Because of the dry season or the dry weather that we had during the crop year and a very warm winter and the lower yield was totally offset by a higher TRS and in sacro in the sugarcane 145.7 or 4.6% higher than the previous year.

So we have a volume produced of 4% higher in the combination of higher TRS and lower sugarcane processing. The volume of sugar produced, we closed at 1.4 million tons, 34% higher year-on-year. And ethanol 13% lower year-on-year. Because the mix was more towards sugar once the prices were about 15% to 20% better than the ethanol price. The cogeneration volume so far 5% lower, but we expect to have a catch-up of this volume by January. Once we are co-generating in complement with the surplus the gas.

On the next slide, in the financial highlights, we can see the net revenue going up by 17.8% quarter-on-quarter, given the higher price of sugar 21% higher year-on-year, higher volume of sugar, almost 10% higher in shipments and the ethanol price, 7% higher. Besides in this quarter, we also had an important volume of sales of buyers that totaled net of taxes over BRL 70 million in our revenue. And then the increase in the number of yeast, given the investment that we made in in order to increase production of the yeast.

With that, we have an increase of 20% in the EBITDA and EBIT going up 43.9%, 349 million, with the adjusted EBITDA of 28.8%. Net income dropped 20% quarter-on-quarter. Once in the previous quarter, we had the posting of IAA, amounting to about BRL 250 million, net of taxes. So the comparison was hindered because of that, because of this nonrecurring revenue in the quarter. But when we compare the year-to-date figures, nine months to nine months, we can see that the net income grew by 45% and this is where we have in the two periods, the impact of the IAA on this crop year, in the previous quarter, the Second Quarter and in the quarter of last year. And year-to-date, the profitability of the company went up by 45% year-on-year.

Now going to the next page, we have a summary of our cash cost of the company. A cash COGS, and you can see maintenance cost here as well, the maintenance CapEx. And this was another important point that improved the results of the company in this year. When we look at the left, the cash COGS, we can see that it goes up comparing the nine months of '20 to the nine months of '21, 21% and it is the price of Consecana due to the best prices of sugar and ethanol and BRL 50 million because of the higher volume, so year-on-year, 17.8% higher.

If we exclude the effect of Consecana and have the -- we would have the cash COGS going down by 6% year-on-year. And if we look at the year-to-date, including the maintenance CapEx proportional to sales, we were able to absorb practically the whole impact of Consecana in such a way that our cash COGS of sugar closed at BRL 1,012 at the end of the nine months, a drop of 0.8%, and our cash COGS -- the ethanol closed at BRL 1,508, dropping by 0.5%.

So the operating improvement that a company was able to get with a lower cost, we can see that we were able to absorb Consecana and the cost of the input mainly fertilizers and crop protection products that had the impact of the dollar. So given all that, we can see that the margin for sugar year-on-year grew 12.9 percentage points and the ethanol margin almost 1percentage point up. In the year-to-date, the price of ethanol.

You can see here on the next page, we have the indebtedness of the company, BRL 2.8 billion in debt, net debt EBITDA 1.27, 17.8% lower of March '20. And the main details were here, the cash flow before expansion investments is BRL 134 million to pursue net of tax is 180 working capital up to December. It was a very important volume, BRL 500 million.

Interest on equity dividends and buyback EUR 120 million plus EUR 76 million and CapEx and operating improvement, BRL 95 million. The expectation is that the net debt should go down steeply in this quarter, given the strong volume of inventories that we have now at the end of December, without very high cost once the harvester has come to an end. Then from the investors' viewpoint, 39% in dollar, 61% in real, close to 65% to 70% real and the difference in dollars in March because of the payments in dollars of some debt at BRL 1.4 billion now cash in December, which covers more than two years of debt that will be maturing.

On the next slide, on Page 8, we have a summary of the inventories in the Fourth Quarter to make it easier for you to model the 4Q. We closed 416, million tons of sugar, practically the same as the previous year and 334,000 cubic meters of ethanol. Once the mix was more towards sugar than ethanol. This is a maximum volume that I will be reporting in the Fourth Quarter once that we will always be some difference in sugar and ethanol to be shipped in April.

Buyers, we sold quite a lot in the Third Quarter of '21, which was the limit for us to start the account of the CE buyers for the year, 825,000 tons of CBIO at BRL 32.9 per CBIO already discounted the 15% income tax and the PIS and 9.25. And we have 90,000 tons in the Fourth Quarter to be sold. And most probably, this will be sold in the next crop year and not now in the last quarter.

Going to Page 9, we talk about this scenario for sugar initially. So for the whole last crop year, we saw the sugar prices higher than the ethanol prices. And you can see here the equivalents and the equivalent has been opening in the last few months. And today, sugar remunerates 28% more than ethanol, which means that probably so Martin will be starting the crop year in April with a production more sugar oriented in all the mills. We have made some investments into units.

And we will be able to place an additional 50,000 tons of sugar ready in the next four years. And in order to -- the idea to produce more sugar, given the difference in price. Our hedge volume for the volume of sugar that we had in our inventory is practically 100% at about 1.50 per ton for sugar and for dollar in the '21, '22 crop year.

We had 61% of our own sugarcane of 1,537 and a small part given the obligations that we have to be paid in foreign currency. And if we look at the price in BRL per ton comparing to the nine months of the current crop year. We are talking about the price of sugar, almost BRL 200 higher per ton than in the previous year, which should be further improving the margin of sugar for São Martinho.

In this quarter, we have already started our sales for the '22, '23 crop year in December, 100,000 tons so that 1,750 per ton, that is to say to BRL 200 more than '21, '22. And we expect to further accelerate this hedge by the end of March, getting close to 300,000 tons at least. Should the prices continue at this level, BRL 1.7, BRL 1.8 per ton.

On the next page, we have the summary of the demand for ethanol in the last few months, and we see a price recovery that is quite significant after July and August. With the lower resin regarding the circulation of. And the prices of ethanol have already recovered and they are already at 2.2 per cubic meter, which is very healthy in terms of return and incentive, so that the mills may increase investments in ethanol.

Recently, we published a material effect to the market saying that we are investing more in ethanol now because of the strong demand that we foresee for the next few months. And the idea is that the volume of ethanol that we have at the end of December to January, we will continue to have a sales base similar to the one that we had in the Third Quarter.

On Page 11, we have a summary of our CapEx of the 2021 and '21, '22 harvest. The 2021, we should be closing at BRL 1.2 billion maintenance CapEx, of which BRL 1.2 billion is maintenance and treatment and planting and maintenance in the intercrop period. And during this period and the intercrop period was longer, we will see that the intercrop CapEx will be higher vis-à-vis the previous year, and this is the reason why it is slightly higher than what we estimated. And for projects, we have already talked about that during the last call. For the '21, '22 harvest, we estimate a CapEx of about BRL 1.3 billion maintenance CapEx and here and the total BRL 1.8 billion.

And we have already made an import of 5% to 8% inflation rate, which would be inflation of fertilizers and labor, it's at (technical difficulty) BRL 535 million in projects divided between core ethanol, BRL 450 million that will be described (technical difficulty) this new BRL 85 million. Both projects or investments that we are making with about 80% it will be only 20% of the expenditures covered by shareholders money. So these were my initial remarks for the presentation.

And now I would like to open for questions.

# Questions And Answers

## Operator

(Operator Instructions) Our first question comes from Luiz Carvalho from UBS.

## Luiz Carvalho, Director and Analyst

Congratulations for the results. You talked about the operating improvement. And what can we consider as recurrent improvement? Do you believe there will be further improvements for the next crop year? And the second question has to do with your hedging strategy. And maybe your strategy restarting crushing as well. Of course, we see the prices of sugar, as I said, yourself for '22 to '23 of over thousand real per ton.

And at the same time with an improvement in the consumption of fuel in Brazil, we see very high prices of ethanol as well. So is there something that you could share with us regarding your strategy for hedging and for production mix? And one last question. In relation to capital allocation and making a projection with the hedges that you are doing and the prices that you have and talking about CBIO and other things for the next two years, and with regards to contracts (technical difficulty) capital allocation, more aggressive dividend or maybe some limitations regarding the share buyback. So could you talk about your capital allocation, exception made to your investment in corn, for instance?

## Fabio Venturelli, CEO & Member of Board of Executive Officers

Thank you, very much for your questions. Let me start by your second question that has to do with the operating efficiency. This year was the second year of the cohort, the automation project for the São Martinho plant that is -- that accounts for almost half of the crushing and higher efficiency, mainly in the harvesting of the Sur the can and less machine maintenance, for instance. And with all these improvements and looking at the per ton for ethanol and sugar as expenses as we were able to offset practically the whole inflation that came from Consecana and from crop protection products, for instance.

And the mix is automation in the other units, and we believe that they will get close to so matching from the viewpoint of consumption of diesel. And therefore, the improvements in the product (technical difficulty) fee per harvester figure to give you to grow and for ethanol. Right now, we are building our budget with all the areas of the company, and we are talking about where we will be . And as soon as we have some core tier in relation to the mix between sugar and ethanol, given the price of sugar where it is right now. And although the price of ethanol has been recovering consistently in the last few months, we still expect to produce more sugar than ethanol.

First of all, because sugar, although it has a higher margin, we have a very high liquidity in terms of hedging and to protect ourselves against price variations. With ethanol, I don't have a lot of liquidity with the ethanol contracts. And so the sugar has a very big advantage in this regard. The price is better. So the idea is to have as much as possible sugar for the next year. Our logistics for the shipment of sugar is very efficient. We are able to ship in the window where there is higher demand for the sugar on the part of the trading companies, and there is not a very high competition regarding the freight.

When you start to have the soybean production the competition for freight is very high. So we have advantage in terms of freight and in terms of profitability of sugar. This is the reason why we will be producing more sugar vis-à-vis the ethanol, although ethanol is good as well. I believe that next year, there will be a smaller volatility of ethanol during the harvest. There will always be that restriction regarding the price of gasoline at the pump. We saw the difference in the hydros ethanol because of this limiting factor of gasoline at the pump. But I believe that the price will be a little bit more stable because the harvest will be lower. We expect about 5% to 6% lower for the next year.

Once there will be less TRS and less yield. So the offer the supply will be smaller. So ethanol should remain more stable during the whole harvest. And regarding your question about capital allocation, exception made to the two projects that you mentioned yourself, I have no other project to allocate capital. M&A is always an option. And we've always look for opportunities that might make sense from the synergies viewpoint. But they are usually very small M&A, nothing very relevant so the difference in capital allocation should go to dividend should be channeled to dividend. We have already carried out a lot of share buyback. And we think this is enough.

## Luiz Carvalho, Director and Analyst

I would like to add another question what about organic sugar we see that the price of organic sugar is threefold the price of regular sugar. And I don't believe the same happens regarding the cost, so we believe that the margin of organic sugar is much higher.

## Fabio Venturelli, CEO & Member of Board of Executive Officers

Well, our specialty is to operate and plan with a very high scale. And be very efficient in the agricultural part of the operation or to make organic sugar, you have to have a low scale in the plant. And you have to have a very strict control because you cannot have any broad protection products involved, for instance. So we have never looked at this market. Okay. I do agree with you that the margins are higher, but the problem. The problem is -- well, you cannot have a very big scale. In fact, I would be losing scale from my traditional sugar, which is the export sugar. So this is the main reason why we do not go towards organic.

## Operator

Lucas Ferreira from JPMorgan.

## Lucas Ferreira, Analyst

I know that you usually talk about that in the next quarter. But what is your expectation for this harvest in terms of TRS, TCH and what about your returns? And my other question I know that people have different opinions, but I have a question about sugar. You said that the mix would be more towards sugar so are you going to accelerate your hedging for the next few harvest?

## Fabio Venturelli, CEO & Member of Board of Executive Officers

Lucas, the first question was about the harvest. For the next year, well, we are still waiting for the rainfall and the rain that occurs at the beginning of the half. But with what we have today, we expect to grow our crush team, but dropping RTR year, it was very high, and it's very difficult to have the same situation, and we do not expect such a dry weather for the next year. And the production of TRS equivalent sugar ethanol is stable.

So we don't believe there will be a growth because the weather condition last year was very bad. But the center south and the estimates that we see the expectation is an expectation of a drop of 5% to 6% of the product itself. And this is partially an answer to your other question that has to do with the price of sugar. We see that Brazil should be dropping about 2 billion tons of sugar, the center south, that is to say, the mid-south and with a lower TRS. And because of that, the market will be even more squeezed, so to say, in terms of sugar supply.

And with that, we do not see a lot of room for sugar to go to lower levels than comparing to where they are today. And we can only make a decision based on what we see and not on what we don't see. So we believe that price level of sugar and 1,700,000. And this gives an incentive to continue to hedge gradually to lock in our margin mainly for the next harvest.

## Lucas Ferreira, Analyst

What about the 24,000? What do you need in order to get there?

## Fabio Venturelli, CEO & Member of Board of Executive Officers

Well, for -- as far as the CapEx is concerned, we don't need anything, Lucas, what we need, in fact what we have to see is that (technical difficulty) depends on a better well better condition during the harvest, and what is the problem this year as this year was very warm and very dry during winter. And it is in winter that we plant the PSS, so when the similar came in the PSS was planted in the winter, I was going to cut them.

And the yield was very low because the rainfall was very low. And because of that, I had to use more sugarcane. So I lost sugar for the following year. You plan, for instance, sugarcane like PSS in June, and you expect this in January to have a TCA of 70, for instance. This year, it was 50 and not 70. So this gap has to be filled with sugarcane from my own fields. So the strategy of BSS with Meiosis depends on as heavy normal. No for weather.

And this year, it was totally abnormal. It was too warm and too dry and this really hindered the sprouting of the sugarcane. two years ago, we estimated that this year or the next crop year, it would be close to 24. But we will have to roll this over an additional couple of years because there was a delay for the reasons that I have just mentioned. But this more than offset the fact that we have the delay in this crushing the price offset that so much, as you know, has 70% of owned sugarcane.

So the prices of sugar and ethanol when they are better, so our margin goes up. Sugar next year with going up only 5% in the next year, a similar situation. So it more than offset with (technical difficulty) an idea that so I have just explained the for the results.

## Lucas Ferreira, Analyst

Talk about the CBIO dynamic. Is it as expected (technical difficulty) way. And the second question, you talked about M&A. And could you give us some additional color because we see fees that are going on. And you said that you are more focused on smaller opportunities where you can see synergies? And is there any possibility for you to expand the array of your products and look for another kind of M&A?

## Operator

The line of the participant has dropped. And now we have Alex Falcao, HSBC.

## Alexandre Falcao, SVP

I have two questions. The first ONE has to do with the outlook for sugar of the scenario of sugar. I would like to understand how you are seeing the weather conditions for next year? And do you share the opinion of that believes production will be dropping in Brazil. And now talking about cash generation for the next couple of years.

And going back to what was asking, when you say that you're considering the possibilities of M&As, recently, there was an IPO of a group that is much smaller and a relevant deal between . And with this kind of prices. Does this change your outlook for M&A? I know that you have a lot of capital discipline and that you're very conservative. But let's see prices remain high for two or three years. And for the agricultural sector, this is like eternity.

## Fabio Venturelli, CEO & Member of Board of Executive Officers

I will start by the last one, okay? When we carry out our M&A analysis, we use a very conservative assumption. And if you have a tailwind with high prices, the return is faster, but it is very difficult to imagine that we will have sugar at 1.6, 1.7 for the next three to four years and put this as an assumption for an M&A deal. So no, we are not going to be more aggressive in terms of M&A, given the prices of sugar, where they are today, we would rather be aggressive in terms of looking for synergies, that is a sale, pay more for something smaller. Depending on the synergies.

The M&A of Santa Cruz was carried out at the moment when we had made an investment before and additionally, there were some weather conditions that had an impact on yield and productivity took long to increase because of the weather condition in Santa Cruz. But as I had put more conservative prices and our assumptions, mainly ethanol. Because of that, so the return is not going to come in the first year. You know that once you have an M&A deal, you will have surprises, and they will not be positive surprises in terms of operations. You will have to have a higher CapEx and also you will have to comply with environmental rules.

For instance, you take a -- you take a fee sugarcane to that had no investments for many years. The first thing that we have to do is to comply with the regulations. So making a long story short, the prices do not encourage us to be more aggressive in M&A. To answer your question, there are some players that maybe it does make sense for them strategically in order to increase crushing in their units, but nothing very big that will make a difference in terms of size. Let's talk about 10% to 15% increase in crushing. I would rather allocate my capital to the corn mill.

And we had (technical difficulty) double the project in the future, then buying another mill (technical difficulty). Now going to your first question. Regarding the expectation of our sugar prices for next year. In fact, we do agree with this estimate of a drop in the production of TRS equivalent, sugar and ethanol because of the very bad weather conditions in the center south in Brazil and only small hand rainfall in November and December. So what we have in terms of green mass and the sugarcane and to estimate that we will have a lower production of sugarcane next year and less TRS as well.

But let's see the weather further deteriorates, then the production will drop even lower. This is one of the reasons why we did not accelerate the subsequent '22, '23 harvest because there will be a high price impact on this harvest. And the lower production of sugar, if the lower reduction of sugar really materializes in the next harvest. Have I answered your question? Have I forgotten something?

## Operator

Christian Audi has been reconnected from Santander. He had already asked your question.

## Christian Audi, Head of Latin America Equity Research, Agribusiness & Oil, Gas and Petrochemicals

Felipe, I apologize, I was disconnected. You have already talked about the M&A, which was one of my questions. And the others had to do with the CBIO. So could you give us an overview of how you see the CBIO's process? Is it as expected, better-than-expected or worse? And you have already talked about the sugar prices and your view about the production in Brazil. So what do you see for Thailand, for instance, other countries, not Brazil? You have already said that you don't have any new projects for CapEx or M&A, you have already talked about dividends. Do you believe you will be paying extraordinary dividends? Or will you continue with your current policy dividend policy?

## Felipe Vicchiato, CFO, Investor Relation Director & Member of Board of Executive Officers

Well, let me start by -- no, no. We do not expect any extraordinary dividend payment. It will be according to our policy, minimum 40% of the cash income, and this will be decided as soon as we close a balance in March, and this usually happens in June, and it is paid in August. So this is the dividend policy that we have in place. That will continue. Regarding your question about CBIOs. In the last quarter, from October to December.

This was a very strong quarter with the trading of CBIOs at B3 because of the need for the distributors to comply with the rule to be on a very special situation to sell our CBIOs. For the next year, we expect this to be less concentrated, that distributors will be buying during the whole harvest year, not concentrated in the last quarter. But I would say that for the first year. Well, first year, I think it was a very good experience, and I would even say that it was better-than-expected initially when the program was approved.

Analysts didn't put revenue from CBIOs in their analysis, but now you're talking about almost BRL 30 million per year. So as far as the first year is concerned and at a very tough year with pandemic and low consumption of (technical difficulty) and I think it was the beginning of a program and a long-term idea for us is to further develop it. About sugar abroad. Because there is this potential drop in production of sugar in Brazil, 5% to 6%. Brazil is the main player in order -- well, it was a surprise for us. We do not expect prices to get to this level. And India in the last few months showed that there will be huge exporters of the project.

And the recovery will not be as strong as we expected going back six months until today. India, on the other hand, is operating their ethanol progress as well, and they will be using part of the sugarcane to produce ethanol that helps to sustain sugar prices at better levels, and it is very good for India because the Indian government in order to subsidize the prices they spend a very good part of their budget. So everybody is happy. And Thailand, on the other hand, is recovering their sugar production. There was a very big impact in the last couple of years, and we expect Thailand to recover partially their sugar production. But I do not see Thailand as a major player in order to really move this sugar price down from where it is today.

## Christian Audi, Head of Latin America Equity Research, Agribusiness & Oil, Gas and Petrochemicals

So you believe there will still be a global deficit of sugar?

## Felipe Vicchiato, CFO, Investor Relation Director & Member of Board of Executive Officers

Yes. Yes, of about 3 million tons.

## Operator

(inaudible).

## Unidentified Participant, Analyst

Congratulations for the result. And I have a couple of questions. Regarding the Meiosis project, the ero planted in the unit. What is the size? And when do you expect to reap the full benefit that is to say, when you further expect your cost so you reach the optimal point. The second question, the second question has to do with innovation. You carry out any studies about biomethane, by means of partnerships or maybe by means of your own in-house teams for trucks and that could generate more CBIO for the company and also about the East. This year, the revenue I mean from East was quite high. What is your margin? Vis-à-vis the other products? And what can we expect in term of East?

## Fabio Venturelli, CEO & Member of Board of Executive Officers

Starting with the PSS with Meiosis. Today, 80% it is PSS with Meiosis. 80% but last year, at the end of the last harvest year, only 20% of our harvest was harvested that is to say the super came 18 months with a better PRS. However, in four years' time, we expect to reach about 70% to 80% of our sugarcane fields being harvested by PSS with Meiosis, which is a healthier sugarcane and with a higher yield. And the second question about biomethane. We have a project that we are evaluating the economic feasibility of this project.

And so far, we have not reached the feasibility with the technology that we were studying. We are setting another technology that looks promising. However, no decision has been made regarding investing in that because we still do not have the economic feasibility of this project. The third question about east, we grew a lot in east (technical difficulty) started to operate in May with east (technical difficulty) are a revenue in U.S. dollars. And for the next year, we expect at least BRL 50 million in east, and the margin is about 80%.

## Operator

(Operator Instructions) Alex Falcao, HSBC.

## Alexandre Falcao, SVP

I was also disconnected, I apologize. I only have a follow-up. In relation to the corn ethanol, I would like to know the impact that this will have. I know that you have already talked about this in the past. And as you have the cheap prices of corn now, does it change your model since the moment you decided to make this investment and to which extent the price of corn no longer makes sense because of the spread with ethanol.

## Fabio Venturelli, CEO & Member of Board of Executive Officers

We approved the investment in December. The assumption for the approved was 60 per a part in over equivalent to the corn that you buy in (technical difficulty) force back, and this is where more or less corn is now. I can even hedge this corn at this level now. And the return of the project is higher than 20% per year. And you may ask how can you get that with higher corn prices because of the technology that is integrated with the boiler and make investments in the bond in order to integrate the energy.

So this means that the investment is lower than in the other units together with the price of ethanol, oil close to $50 or $45 to $50. Considering all that, the project has an interesting return, an attractive one. If in two years' time, when we start-up the project, the first harvest, let's say, the corn goes to BRL 80 instead of BRL 60. And let's say, ethanol and oil remain at BRL 55. And let's say, corn remains at BRL 80 for many years, then it will be negative. But I would like to remind you that one year ago, corn was BRL 30 bag. Now it's already BRL 60 for many reasons that you are familiar with. And when we look at the incentive for the producer and selling it for BRL 60 new bids or 17.

We have a lot of incentive to increase the planting area. So I think it is very difficult to have this change to BRL 80. Well, but if it does go to BRL 80, and it remains at BRL 80 for loan it disappear or the result is BRL 82. You have to go in Rio Verde, corn in Rio Verde because the plant is in the south of Goiás, and I'm going to buy this in Rio Verde. If it were in Mato Grosso, the call would even be cheaper and the freight would be higher to go to the center support. So it depends on units (technical difficulty). So it does not change the situation.

## Operator

Lucas from JPMorgan. He was disconnected. Lucas the line was disconnected. Please stand by.

Thank you, very much. The Q&A session has come to an end.

We would like to give the floor back to Mr. Felipe Vicchiato for his closing remarks.

## Felipe Vicchiato, CFO, Investor Relation Director & Member of Board of Executive Officers

Thank you, very much for participating. Another record quarter in terms of results due to our performance both in our operations and sales. We are building an even better harvest.

We stay at your disposal should you have any further doubts.

Thank you, very much.

## Operator

São Martinho conference call has come to an end. Thank you, very much for your participation.

We wish you a good afternoon.