USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 9/30/2013
GAIN Report Number: BR0916

Brazil

Oilseeds and Products Update

Record Production and Exports: Soybeans Forecast at 88 million metric tons (mmt); Exports Surge to 45 mmt Because of Greater Supply

Approved By:
Robert K Hoff, Agricultural Counselor
Prepared By:
Caleb O'Kray, Agricultural Attaché

Report Highlights:
Increased land planted to soybeans and better genetics are forecast to produce a record 2013/14 crop at 88 million metric tons (mmt). Forecast at 38 mmt, 2013/14 crush is forecast to expand five percent to backfill short 2012/13 crush amounts. Brazil is poised to continue as the world's top soybean exporter, as exports are forecast at 45 mmt and should enjoy a slightly better export scenario, as export infrastructure experiences less pressure from corn exports.

Post:
Brasilia

Commodities:
Oilseed, Soybean (Local)

Oilseed, Soybean (Local) Brazil	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Feb 2012		Market Year Begin: Feb 2013		Market Year Begin: Feb 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	25,000	25,000	27,700	27,700	28,900	29,100
Area Harvested	25,000	25,000	27,700	27,700	28,900	29,100
Beginning Stocks	5,470	5,470	1,183	1,183	3,788	1,609
Production	66,500	66,500	82,000	81,456	88,000	88,000
MY Imports	298	298	195	270	100	300
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	72,268	72,268	83,378	82,909	91,888	89,909
MY Exports	31,905	31,905	41,000	42,500	43,000	45,000
MY Exp. to EU	5,600	5,600	5,800	5,600	6,000	5,600
Crush	36,230	36,230	35,590	35,900	37,625	38,000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2,950	2,950	3,000	2,900	3,175	3,200
Total Dom. Cons.	39,180	39,180	38,590	38,800	40,800	41,200
Ending Stocks	1,183	1,183	3,788	1,609	8,088	3,709
Total Distribution	72,268	72,268	83,378	82,909	91,888	89,909
1000 HA, 1000 MT						

2013/14 Soybean Production at Record 88 Million Metric Tons (mmt)

Post forecasts production for 2013/14 at 88 mmt, an eight percent jump over the last harvest. This forecast growth is predicated on increased planted area, better seed genetics, and normal weather patterns. With poor weather, traders are forecasting production at 86 mmt, but they hedge that production could reach as high as 90 mmt if weather cooperates.

Area planted to soybeans is forecast at 29.1 million hectares, an expansion of five percent at the national level, with land increases, to a greater or lesser degree, in every state of Brazil. The seasonal planting moratorium stipulated by the Government of Brazil (GOB) for phytosanitary reasons (*vazio sanitario*) ended on September 15 and since then farmers have begun planting soybeans in earnest, with approximately one to two percent planted by September 30, 2013, in the states of Mato Grosso, Mato Grosso do Sul, Paraná, and São Paulo. The Center-West's soil moisture levels are currently in better shape this year than this same time in the 2012/13 crop. This moisture is encouraging a rapid planting rate. Planting has yet to begin in Minas Gerais, Goiás, and Rio Grande do Sul.

Producers are planting new soybean varieties that should significantly increase yields. As Brazil has traditionally exported 70 percent of its soybeans to China, new and promising soybean varieties that had been approved in Brazil two years ago were withheld from commercial production until they were approved by China, Brazil's largest export market. In June 2013, China finally approved numerous biotech events, including the referenced soybean varieties. Farmers are introducing these new varieties vigorously into the fields, but many are planting several different soy varieties to hedge against uncertain weather threats and other unknown variables. Brazil's biotech adoption rate for its 2013/14

soybean crop is forecast at 92-93 percent, an increase of five percentage points over last year. It is being reported that some producers may try the path of planting longer-maturity soybean varieties, skipping a second-crop corn harvest (due to lower prices and returns), in hopes of increasing soybean yields and profits. Such planting trends, however, would impact yields and not soybean planted area.

Some farmers continue to plant non-GMO soybean varieties to supply non-GMO soybeans and soybean meal to the EU and marginally to Japan. Premiums for non-GMO soybeans range from $30 to $50/mt. A gradual diminution of non-GMO production is the general trend. Larger producers (mostly in the Center-West) are able to produce non-GMO soybeans without a forward contract but smaller producers (mostly in the South) require forward contracts to have market certainty for their product at harvest.

Several analysts have noted that Rio Grande do Sul may be a wild card for Brazil's 2013/14 soybean production. As meteorologists are predicting an *El Niño Modoki* event—a nontraditional weather event occurring in the Central Pacific—Rio Grande do Sul may experience a dry spell, or Indian summer (*veranico*), in Jan/Feb, similar to the weather event which occurred in 2003.

The devaluation of the Brazilian real is forecast to drive up the cost of production at the farm and the cost of transportation. Many production inputs—from agricultural machinery to fertilizers—are imported and will experience the brunt of the currency depreciation. Over the past two years, the Brazilian real has fallen 43 percent compared to the U.S. dollar, including about 19 percent in the last six months. Brazilian farmers, however, traditionally focus on commodity prices (and the export market potential) instead of focusing on production costs. In short, with or without currency depreciation, farmers will be planting soybeans on every available hectare. Farmers realize that the weak real will also make Brazilian soybeans more competitive in the export market.

Consumption: Crush Forecast at 38 mmt Backfilling after 2012/13 Record Exports

Soybean consumption is forecast at 41.2 mmt, with the crush forecast at 38 mmt, a five percent increase over 2012/13 crush levels. The 2012/13 crush is estimated at 35.9 mmt, a one percent decrease in absolute terms but a 20 percent drop relative to the respective supply levels for each year. Record exports reduced the supply available for crush. Exports were also characterized by increased whole bean shipments on account of the respective export tax incentives implemented in April, 2013. 2013/14 crush is forecast at 38 mmt to backfill the relative shortage left in the wake of the 2012/13 record exports. The additional crush will boost stocks and increased soybean derivative exports.

At the global level, Brazil's soy meal continues to have some of world's highest prices but also highest protein levels. Because of cheap corn prices, many livestock producers are using more corn to supply their feed needs. Soybean meal for feed is being used only as necessary for protein supplementation.

The soybean oil industry is hopeful that the GOB will increase the biodiesel blend mandate from B5 to B7 within the next six months. With diesel consumption growing four percent per year over the past ten years, any boost to the blend mandate would greatly benefit the crushing industry. Overnight, the biodiesel supply would need to increase from its current level of 2 mmt to a projected level of 2.6 mmt.

2013/14 Exports Forecast at Record 45 mmt Despite Slower Future Contracts

2013/14 exports are forecast at 45 mmt, up five percent from 2012/13 exports. Increased exports are predicated on a forecast eight percent growth in production and less-pressured export infrastructure capacity thanks to a smaller corn supply destined for international export. Even with a forecast increase in crush, Brazil's record 88 mmt production will have more than enough soybeans to export in 2013/14.

The greatest challenge for 2013/14 soybean exports will be the export infrastructure system, not grain quality, global demand, or Brazilian domestic supply. The overall corn supply is forecast to decrease and leave less corn for export because farmers are reducing first crop corn area in favor of expanded soybean planting and second crop corn area in favor of expanded second-crop cotton planting. With export infrastructure pressure lessened by a reduced overall corn crop, ports and trucks will be able to lengthen the soybean export season and move more soybeans and derivatives into the international market. Traders have noted that the greatest challenge to infrastructure development has been the lag in obtaining appropriate licenses at both the state and federal level; there has been no shortage of private sector willingness or investment. Traders have also recognized that Brazil's neighbors—Paraguay, Uruguay, and Bolivia—have been able to capitalize on the domestic infrastructure lags to fill international market needs where Brazil has had difficulty. There are no major changes forecast for 2013/2014 export logistics. The ports of Santos and Paranaguá in 2013/14 are expected to relive the 2012/13 export cycle. The North and Northeast ports are forecast to boost export capacity. Several marginal export-growth projects are two years out, and more significant export-growth projects are still eight years out. Interstate highway BR-163 will not to be fully paved and functional until the 2014/2015 harvest. Santarem Port will continue to export 240,000 tons per month (yearly total at 2.8 mmt). Itaqui Port in São Luis (Maranhão) will continue to export a yearly total of 2.5 mmt. New to export this year is Vila do Conde Port in Belém, which is forecast to export 3 mmt. The new trucker laws have had less impact than anticipated for this export cycle, and Post expects such a trend of minimal impact to continue.

Future contracting has been relatively slow this year. At this time last year, the 2012/13 crop was 79 percent future contracted (64 mmt). This year the 2013/14 crop is only 63 percent future contracted (56 mmt). The market has noted an increase in future contracting for Maranhão, Tocantins, and Piauí. Mato Grosso contracts are behind schedule due to exchange rate fluctuations, as both producers and buyers have been wary to close contracts given the currency market's volatility. In general terms, the Brazilian real/U.S. dollar exchange rate under R$2.20 benefits livestock producers, whereas an exchange rate above R$ 2.20 is ideal for grain producers.

See Related Report: 2013 Brazil Oilseeds and Products Annual Report