

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Post: Brasilia

Oilseeds and Products Update

Soybean Exports on Pace to Reach Record Despite Slower Pace of Forward Sales

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Report Highlights:

Post forecasts 2017/18 and 2016/17 soybean production to 105 and 114 million metric tons (mmt), respectively. The reduction in the production outlook for 2017/18 is due to a return to trend yields, after an almost perfect season in 2016/17. For the first four months of Marketing Year 2016/17, which started in February, soybean exports are already 11.5 percent higher compared to last year. Post forecasts MY 2016/17 exports at 64 mmt, a record.

Production, Supply, and Demand Statistics

Oilseed, Soybean (Local)	2015/2016		2016/2017		2017/2018	
Market Begin Year	Feb 2016		Feb 2017		Feb 2018	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	33300	33300	34000	34000	34700	34400
Area Harvested	33300	33300	34000	34000	34700	34400
Beginning Stocks	650	650	1805	1805	6350	5955
Production	96500	96500	114000	114000	107000	105000
MY Imports	362	362	275	250	250	200
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	97512	97512	116080	116055	113600	111155
MY Exports	52100	52100	64100	64000	63500	62000
MY Exp. to EU	6000	6000	6200	6200	6200	6200
Crush	40125	40125	42000	42500	42000	42500
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3482	3482	3630	3600	3710	3650
Total Dom. Cons.	43607	43607	45630	46100	45710	46150
Ending Stocks	1805	1805	6350	5955	4390	3005
Total Distribution	97512	97512	116080	116055	113600	111155
CY Imports	382	382	250	250	250	200
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	51582	51582	64075	63900	63500	61600
CY Exp. to U.S.	0	0	0	0	0	0
Yield	2.8979	2.8979	3.3529	3.3529	3.0836	3.0523
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production: Excellent Yields and Record Planted Area Boosting Supplies

Post forecasts 2017/18 soybean production at 105 million metric tons (mmt), a reduction of 8 percent compared to the current 2016/17 production estimate. The 2017/18 planted area is forecast to increase to a record 34.4 million hectares (ha), an increase of 1.2 percent compared to the 2016/17

season. The slower pace for area growth for 2017/18 compared to the one in the last five years is attributed to lower soybean prices and ongoing economic uncertainty. This situation, in addition to ample supplies will reduce the incentive to open new production areas. The lower production, despite the record area, is due to a lower yield (based on trend) compared to 2016/17.

Post estimates 2016/17 production forecast to a record 114 mmt, due to an increase in its planted area, which is estimated at 34 million ha. The 2016/17 soybean season in Brazil was almost perfect in terms of production. The low incidence of pests along the crop cycle, good rainfall distribution in most of the country, and increased investment in technology, contributed to record yields by a large margin. National yields are estimated at 3.35 mt/ha.

Lower Prices Continue to Impact Sales

It is estimated that about 60 percent of the total production for 2016/17 has been contracted, which is about 15 percent lower compared to the previous season. This situation has not changed since the beginning of the season as farmers are waiting for external factors that can impact the domestic price situation.

With the current market price levels in Brazil, many farmers can lose money or barely breakeven. Many farmers are betting for weather issues during the U.S. soybean season, which can impact international prices, but most importantly, many are watching closely the political situation in Brazil. As the political volatility continues, the impact on the Brazilian Real can be significant. Since the beginning of the year, the Brazilian Real has depreciated six percent, in turn increasing domestic prices of soybeans, which are priced in U.S. Dollars in the international market. Since April, domestic prices increased by 3.3 percent due to the weakening of the Brazilian Real, which was impacted by domestic political scandals. As the political drama in Brazil continues, many are storing their crop. As a result, most storage facilities around the country are occupied with soybeans, which are starting to concern farmers as the second crop corn is being harvested.

Table 1: Average Monthly Soybean Prices

(Prices* in R\$ per 60 kg)

	2014	2015	2016	2017	% Change
January	67.43	59.29	78.46	71.57	-9%
February	66.87	60.20	73.32	68.77	-6%
March	68.78	64.35	69.95	65.06	-7%
April	67.89	63.00	74.12	61.55	-17%
May	67.81	62.09	82.28	64.06	-22%
June	67.54	62.96	90.59	63.59	-30%
July	63.72	67.83	82.83		
August	63.45	72.17	77.57		
September	58.94	76.62	76.13		
October	59.58	78.13	73.96		
November	63.01	75.48	74.72		

December	62.42	77.07	75.06		
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Source: Center for Advanced Studies in Applied Economics (CEPEA)

*Average monthly price in the state of Paraná

*R\$/US\$ as of July 5 – R\$3.29/US\$

TRADE

2017/2018 Outlook:

Soybean exports for Marketing Year (MY) 2017/18 are forecast at 62 mmt, about three percent lower compared to the previous MY. The reduction is based on lower exportable supplies due to lower production and higher domestic consumption. The forecast is also based on strong expected demand by China.

2016/2017 Forecast:

Post forecasts soybean exports for MY 2016/17 at 64 mmt, a record. The increase is due to the higher exportable supplies, the strong demand by China, and the weakening of the Brazilian Real.

Brazilian soybean producers have been selling its crop at a much slower rate compared to the last couple of years. With the domestic prices in the last few months, farmers have been waiting for market signals triggered by the progress of the U.S. crop or political developments in Brazil.

As the Brazilian Real has depreciated in the last couple of months, sales picked up and strong exports are expected in the next few months. Between February-May (February 2017 is the beginning of MY 2016/17), Brazil already exported 33.9 mmt, about 11.5 percent higher compared to the same period last year.

CONSUMPTION

2017/2018 Outlook:

Soybeans will remain the primary oilseed produced in Brazil. Post forecasts 42.5 mmt of soybeans destined for processing in 2017/18 MY based on higher biodiesel blending mandates, lower commodity prices, a slight recovery in the Brazilian economy, and export markets.

2016/2017 Forecast:

Post forecasts 42.5 mmt of soybeans destined for processing in the 2016/17 MY. The forecast is higher compared to 2015/16 MY as a result of higher exports of soybean meal and new biodiesel mandates in Brazil. The higher blending mandate for biodiesel (B8) for the next year went into effect on July 1st. It is expected to go up to B9 in 2018 and to B10 by 2019. The sector is currently asking for support to accelerate the increase of biodiesel mandate all the way to B15, but tests are currently being conducted before supporting any approval.

