

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Post:

Brasilia

Oilseeds and Products Update

Soybean Production to Reach 100 Million Metric Tons

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Report Highlights:

Post increased its forecast for Brazil's 2015/16 soybean production to a record 100 million metric tons (mmt). Favorable rains in January and February lessened the anxiety on potential yield impacts in the Center-West. Exports for the 2015/16 Marketing Year (MY) are forecast to reach 55.5 mmt due to strong demand in China and the weak Brazilian Real expected through 2016. Post increased its domestic crush forecast for 2015/16 MY to 40.5 mmt and its 2014/15 MY estimate to 40.2 mmt, as a result of higher domestic and export demand.

Production, Supply, and Demand Statistics:

Oilseed, Soybean (Local)	2013/2014		2014/2015		2015/2016	
Market Begin Year	Feb 2014		Feb 2015		Feb 2016	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	30100	30100	32100	32100	33300	33200
Area Harvested	30100	30100	32100	32100	33300	33200
Beginning Stocks	1269	1269	1577	1577	200	300
Production	86700	86700	96200	96200	100000	100000
MY Imports	579	579	325	325	300	200
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	88548	88548	98102	98102	100500	100500
MY Exports	45747	45747	54635	54635	56650	55500
MY Exp. to EU	6000	6000	6000	6000	6000	6500
Crush	38274	38274	40300	40200	40000	40500
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2950	2950	2967	2967	3000	3050
Total Dom. Cons.	41224	41224	43267	43167	43000	43550
Ending Stocks	1577	1577	200	300	850	1450
Total Distribution	88548	88548	98102	98102	100500	100500
(1000 HA) ,(1000 MT)						

2015/16 Soybean Crop Forecast Increased to 100 Million Metric Tons

Post increased its forecast for Brazil's 2015/16 soybean production to a record 100 million metric tons (mmt). The higher production is a result of an increase (by 200,000 hectares) in Post's estimate for planted area, to a total of 33.2 million hectares (ha). The higher planted area is based on the latest estimate by the Brazilian Food Supply Company (CONAB). The higher production forecast is also supported by the good rains through February in the Center-West, which is expected to help yields.

In general, yields for 2015/16 are expected to be better than what was anticipated back in December 2015. The states of Parana, Rio Grande do Sul, Bahia, Goais, and Mato Grosso do Sul are all expected to have better yields compared to the 2014/15 season. In contrast, Mato Grosso and states in the northeast (Piaui, Maranhao, and Tocantins) are expected to have lower yields compared to last year due to the dry and hot conditions early in the season. However, the national yield is forecast to be better than last year and reach 3.01 metric tons per ha.

Soybean Exports Forecast to Hit a Record for 2015/16 Marketing Year (MY)

The 2015/16 MY soybean exports are forecast to reach 55.5 mmt, a record. The strong demand in China and the strong dollar will continue to incentivize exports. The dollar appreciated over 30 percent in relation to the Brazilian Real (BRL) in 2015 as a result of the economic and political crisis in Brazil.

The BRL is not expected to recover much in 2016, making exports lucrative for producers despite low global prices.

The economic crisis and the weaker BRL, which has increased domestic prices for soybeans (and other commodities), have also made the Federal and State Government look for new revenues sources. As a result, soybean (and other commodities) exports have been targeted. In the state of Goias, the state government proposed an increase of the state's export tax. However, due to heavy pressures from producers and the "farm group" of Brazil's House of Representative, the Governor of Goias backed down and suspended Decree # 8,548. This is likely to discourage other state government from enacting similar policies.

At the Federal level, some members of the government have discussed the need to reactivate an export tax for agricultural products. The export tax of 2.3%, which agricultural exports have been exempt for some time, would in theory help increase revenues to support Brazil's social security program. Many people in the government have expressed opposition to this idea, especially the Minister of Agriculture, Katia Abreu. The measure is currently being debated and has not been implemented.

Brazilian Government Considers Increasing Biodiesel Blending Mandate to 10%

Post increased its domestic crush forecast for 2015/16 MY to 40.5 mmt and its 2014/15 MY estimate to 40.2 mmt, as a result of higher domestic and export demand. Soybean meal production increased in 2014/15 and is expected to slightly increase in 2015/16 due to the higher demand by the poultry and pork sectors. Soybean meal exports also increased in 2014/15 MY as a result of higher demand by Indonesia, Vietnam, and Thailand. Soybean oil is also contributing to the higher soybean crushing demand as a result of the higher domestic production of biodiesel.

In regards to biodiesel production, the Brazilian House of Representatives approved on March 4, 2016 an increase of 10% of biodiesel mandatory blending with diesel by 2019. It was reported that Brazil's House of Representatives unanimously approved the law to increase the biodiesel blending requirement with diesel from 7% to 10% by 2019. The blending requirement would increase to 8% the first year once the law is implemented, then to 9% and 10%, respectively, by 2019. The bill has the support from the government, especially from the Ministry of Mines and Energy, and now goes to for President Rousseff's signature.