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# GAIN Report

Global Agricultural Information Network

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## **Brazil**

**Post:**

Brasilia

## **Oilseeds and Products Update**

### **Soybean Production Forecast at a Record Despite Slower Planting Pace**

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#### **Report Highlights:**

Post forecasts the 2015/16 soybean production at a record of 98.5 million metric tons despite the slow planting start for the second year in a row in the center-west region. The export forecast was increased to 55 MMT due to the high pace of commercialization and the weaker Brazilian Real. Domestic soybean crush is forecast at 40 MMT to meet biodiesel mandates by the Government of Brazil and the slight growth by the animal feed sector.

Oilseed, Soybean (Local)	2013/2014		2014/2015		2015/2016	
	Market Begin Year		Market Begin Year		Market Begin Year	
	Feb 2014	Feb 2014	Feb 2015	Feb 2015	Feb 2016	Feb 2016
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	30100	30100	32100	32100	33300	33000
Area Harvested	30100	30100	32100	32100	33300	33000
Beginning Stocks	1269	1269	1527	1527	2492	2492
Production	86700	86700	96200	96200	100000	98500
MY Imports	579	579	265	265	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	88548	88548	97992	97992	102742	101192
MY Exports	45747	45747	52850	52850	56650	55000
MY Exp. to EU	6000	6000	6000	6000	6000	6500
Crush	38274	38274	39550	39550	39550	40000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3000	3000	3100	3100	3220	3150
Total Dom. Cons.	41274	41274	42650	42650	42770	43150
Ending Stocks	1527	1527	2492	2492	3322	3042
Total Distribution	88548	88548	97992	97992	102742	101192
(1000 HA) ,(1000 MT)						

### 2015/16 Soybean Production Forecast Increased Despite Slow Planting Pace

Post increased its production forecast to a record of 98.5 million metric tons (MMT) despite the slow planting start (for the second year in a row) in the center-west region. The slow start is due to hot and dry weather. Post also increased its area to a record 33 million hectares (HA). The change in Post's forecast is a result of area increases (compared to last year) in the states of Mato Grosso (3 percent), Parana (4 percent), Rio Grande do Sul (2 percent), Bahia (15 percent), and Goais (4 percent), which are opting to add degraded pasture areas for soybeans or choosing to plant soybeans over corn as a first crop.

Nationally, it is estimated that about 20 percent of the forecast area has been planted, much slower compared to the 30 percent average of the last five years. In Mato Grosso, the most important soybean producer state, about 20 percent was planted as of October 21, about the same during the same time last year but about 30 percent behind the five-year average. The state of Goais has also suffered from dry and hot weather in October, which has prevented farmers from increasing the pace of plantings. In Goais for example, only 6 percent has been planted compared to the five-year average of 38 percent. In contrast, the southern states, mainly Paraná, the second largest soybean producer in Brazil, have benefited from early rains. It is estimated that 57 percent of the soybeans have been planted as of October 21 compared to the 47 percent five-year average.

At this point, the late plantings should not have a major impact on crop yields as long as the weather improves for the rest of the growing season. To that end, rains are forecast in the Center-West for the last week of October. The window of opportunity to plant soybeans is still good, but if plantings are

delayed much more, the situation can impact farmers planning to plant a second crop (safrinha) with corn.

### Sharp Devaluation of the Brazilian Real Supports Domestic Soybean Prices

One of the biggest news in 2015 in Brazil has been the sharp devaluation of the Brazilian Real (Real). Since the beginning of the year, the Real has depreciated about 48 percent against the dollar. However, the Real depreciation has been compensating farmers by effectively increasing domestic soybean prices and making Brazilian soybeans more competitive in the export market. All this is happening despite the relative lower global soybean prices.

For example, the average monthly soybean price in the state of Paraná has increased by 31 percent since January 2015. In October 2015, the price averaged about R\$78.13 per 60 kilos (US\$20.03), the highest price since September 2012 (see Table 1).

The higher domestic prices are creating an interesting dynamic in Brazil. The higher soybean area in Brazil is a result of farmers opting to switch from full-season corn to soybeans in the southern states in Brazil. In addition, farmers in the Center-West are also converting degraded pastures to new soybean areas. In regions like MATOPIBA (the area where the states of Maranhão, Tocantins, Piauí, and Bahia meet), some farmers are switching cotton areas for soybeans, particularly in Bahia, and others are clearing new land (even though the rate has slowed down due to the higher costs of production).

**Table 1: Average Monthly Soybean Prices**

(Prices\* in R\$ per 60 kg)

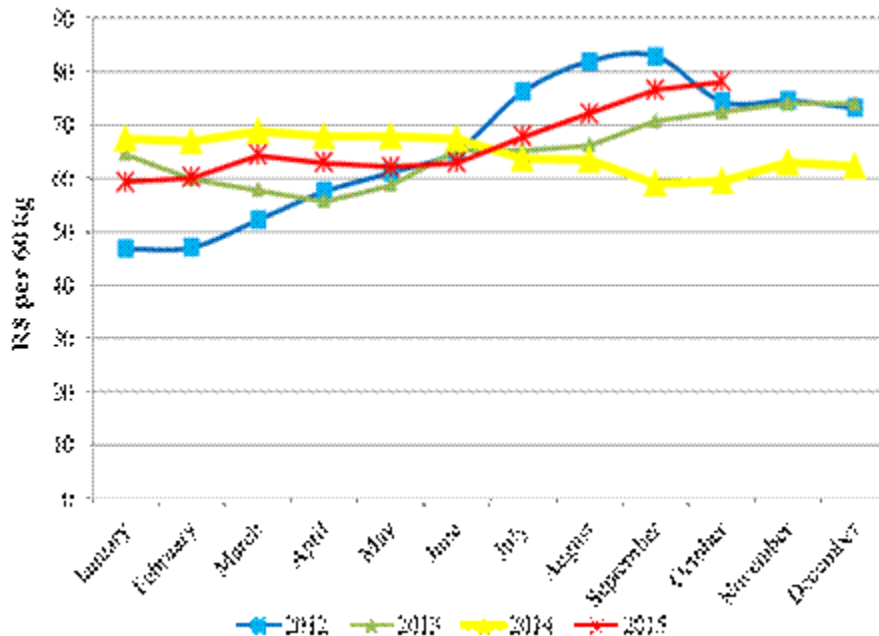
	2012	2013	2014	2015	2014/15 % Change
<b>January</b>	46.8	64.62	67.43	59.29	-12%
<b>February</b>	47.06	59.93	66.87	60.20	-10%
<b>March</b>	52.23	57.83	68.78	64.35	-6%
<b>April</b>	57.57	55.76	67.89	63.00	-7%
<b>May</b>	61.11	58.71	67.81	62.09	-8%
<b>June</b>	65.22	65.29	67.54	62.96	-7%
<b>July</b>	76.32	65.26	63.72	67.83	6%
<b>August</b>	82.01	66.22	63.45	72.17	14%
<b>September</b>	82.92	70.81	58.94	76.62	30%
<b>October</b>	74.41	72.43	59.58	78.13	31%
<b>November</b>	74.6	74.05	63.01		
<b>December</b>	73.25	74.05	62.42		

Source: Center for Advanced Studies in Applied Economics (CEPEA)

\*Average monthly price in the state of Paraná - wholesale level; export type, cash prices, no ICMS tax included.

\*\*Average R\$/US\$ as of October 27 – R\$3.9/US\$

**Graph 1: Evolution of Monthly Prices (2012-2015)**



Source: CEPEA  
 \*Average monthly price in the state of Paraná

### 2015/16 Forecast for Soybean Exports to 55 MMT

Post increased its export forecast to 55 MMT for 2015/16 marketing year (MY). The increase is due to the high pace of commercialization and the weaker Real expected for the rest of 2015 and through 2016. In Mato Grosso alone, commercialization of the new crop is at 48 percent as of October 2015, compared to 16 percent in the same month last year.

As previously reported, Brazilian farm inspectors ended their two-week strike in early October, which brought relief to the sector by lifting the threat to the free flow of soybean exports. All soybeans (and grains) exports require certificates issued by farm custom inspectors. The strike, however, did not significantly affect soybean and corn shipments. As a result, Brazil is expected to continue to export record amounts in the current and upcoming MY. However, post will continue to monitor the situation as a result to the difficult political and economic environment Brazil faces.

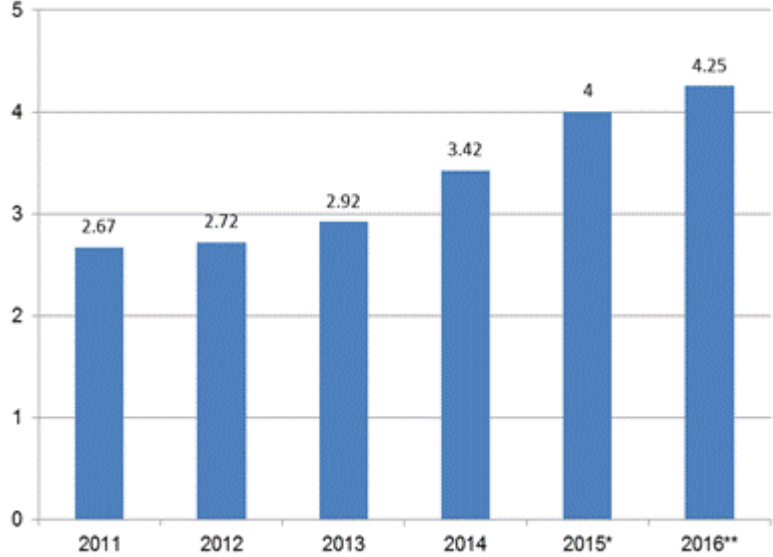
### Biodiesel Demand Expected to Support Higher Domestic Crush

Domestic soybean crush for the 2015/16 MY is forecast at 40 MMT. The slight growth forecasted compared to last year reflects demands to meet biodiesel mandates by the Government of Brazil (GOB) and meet marginal growth by the animal feed sector. For soybean oil alone, about 8 mmt of soybeans is forecasted to be used for production of soybean oil as a result of the new regulations to meet Brazilian biodiesel mandates.

Biodiesel consumption in Brazil is expected to grow to 4 and 4.25 billion liters in 2015 and 2016 as a result of new government policies. In October of 2015, the National Energy Policy Council (CNPE)

authorized the sale and the voluntary usage of blends with biodiesel which exceed the current blending mandate. Currently, the mandatory blending is 7 percent of biodiesel, but according to the new resolution, truck fleets can voluntarily use blends of up to 20 percent. In the case of rail transport or agricultural machinery, the voluntary limit is 30 percent. Fleets for experimental use may use 100 percent biodiesel.

**Graph 2: Biodiesel Consumption in Brazil in Billion Liters**



**Source:** \* Estimate from the Brazilian Vegetable Oil Association (ABIOVE)  
\*\* Forecast