

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 10/27/2014

GAIN Report Number: BR0948

Brazil

Post:

Brasilia

Oilseeds and Products Update

Soybean Production Forecast at 94 Million Metric Tons Despite Slow Pace of Plantings

Approved By:

Robert Hoff, Agricultural Counselor

Prepared By:

Nicolas Rubio, Agricultural Attaché

Report Highlights:

The 2014/15 soybean production forecast is maintained at 94 million metric tons (MT) despite slow pace of plantings in Mato Grosso. The soybean exports forecast for the 2014/15 marketing year is lowered at 47 million MT due to late plantings and slow pace of commercialization.

Oilseed, Soybean (Local) Brazil	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Feb 2013		Market Year Begin: Feb 2014		Market Year Begin: Feb 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	27,700	27,700	30,100	30,100	31,500	31,500
Area Harvested	27,700	27,700	30,100	30,100	31,500	31,500
Beginning Stocks	1,233	1,233	1,309	1,338	2,279	2,838
Production	82,000	82,000	86,700	86,700	94,000	94,000
MY Imports	240	269	600	600	600	150
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	83,473	83,502	88,609	88,638	96,879	96,988
MY Exports	42,826	42,826	47,030	46,500	47,000	47,000
MY Exp. to EU	5,800	5,800	6,000	6,000	6,000	6,500
Crush	36,388	36,388	36,300	36,300	37,800	38,000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2,950	2,950	3,000	3,000	3,150	3,150
Total Dom. Cons.	39,338	39,338	39,300	39,300	40,950	41,150
Ending Stocks	1,309	1,338	2,279	2,838	8,929	8,838
Total Distribution	83,473	83,502	88,609	88,638	96,879	96,988

1000 HA, 1000 MT

2014/15 Soybean Production Forecast Maintained Despite Slowest Planting Start in Five Years

Post maintains its production forecast at a record of 94 million metric tons (MT) despite the slowest planting start in five years. It is estimated that just over 10 percent of the crop has been planted nationwide as a result of dry weather. In Mato Grosso, the most important soybean producer state, only 9 percent was planted as of October 16, compared to 27.4 percent during the same time last year. After October 16, many areas of Mato Grosso had to suspend planting due to the lack of rains. Some producers are worry about the possibility of replanting because of the lack of soil moisture.

Despite early rains at the end of September, many farmers have waited for additional rains to ensure adequate soil moisture. However, the first two weeks of October were dry in many areas of the country. According to various reports, the central and southern areas of Mato Grosso received between 0 to 0.2 inches in the first two weeks of October. The average precipitation for the whole month of October is 5.3 inches.

At this point, the late plantings should not have a major impact on the crop size as long as the weather improves. To that end, rains are forecast for the last week of October. The window of opportunity to plant soybeans is still good, but the situation can impact those farmers planning to plant a second crop (“safrinha”) with corn. The corn area for the “safrinha” could be lowered since the late soybean plantings would result in a shorter growing season for corn.

The Sharp Drop in Soybean Prices Concerns Farmers

Lower soybean prices continue to be a concern for Brazilian farmers. Since March 2014, prices have continuously dropped due to expectations of record crops in the United States and South America. The lower prices are also affecting commercialization of the 2014/15 crop, as farmers are holding their sales in hope of higher prices later in the year and expectations of a weaker Brazilian currency, which would help exports. The weaker Brazilian currency is expected as a result of slow forecast economic growth forecast for Brazil in 2015.

The average monthly soybean price in the state of Paraná in September was R\$58.94 per 60 kilos (US\$24.55), a 17 percent drop compared to the same month in 2013. However, farmers in Paraná, the second biggest producing state in the country, benefit from their proximity to ports. In Mato Grosso, the situation is more unfavorable. Prices in October have averaged R\$55.00 per 60 kilos (US\$22.91), but transportation costs to the ports offset the lower costs of production that farmers enjoy in this part of Brazil.

Table 1: Average Monthly Soybean Prices

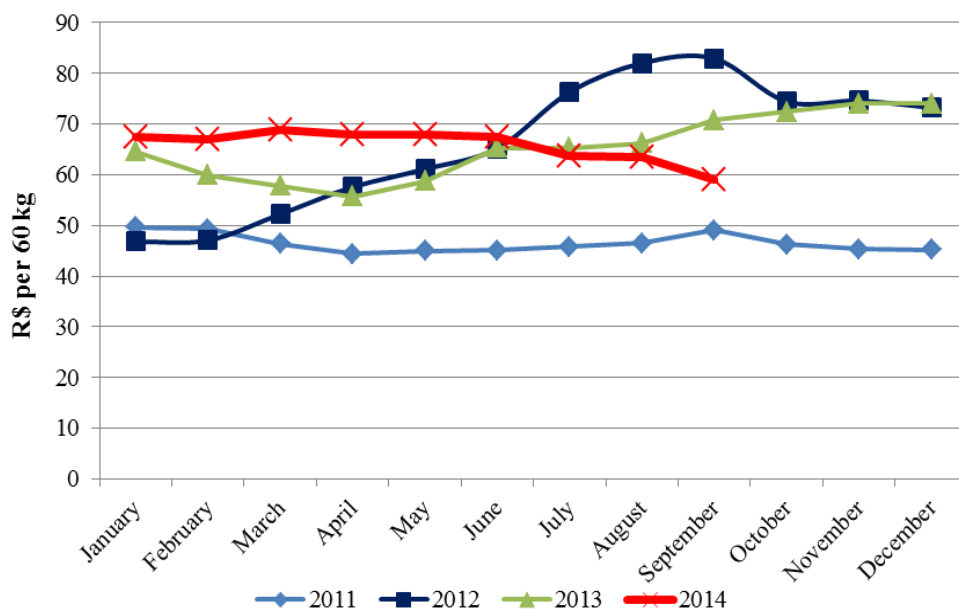
(Prices* in R\$ per 60 kg)

	2011	2012	2013	2014	2013/14 % Change
January	49.63	46.80	64.62	67.43	4%
February	49.28	47.06	59.93	66.87	12%
March	46.32	52.23	57.83	68.78	19%
April	44.37	57.57	55.76	67.89	22%
May	44.94	61.11	58.71	67.81	15%
June	45.13	65.22	65.29	67.54	3%
July	45.77	76.32	65.26	63.72	-2%
August	46.50	82.01	66.22	63.45	-4%
September	49.05	82.92	70.81	58.94	-17%
October	46.21	74.41	72.43		
November	45.35	74.60	74.05		
December	45.25	73.25	74.05		

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

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

Graph 1: Evolution of Monthly Prices Between 2011-2014.



Source: CEPEA (Average monthly price in the state of Paraná)

2014/15 Soybean Exports Lowered to 47 million MT

Post has lowered by 1 million MT its export forecast to 47 million MT for 2014/15 marketing year (MY). The forecast has been lowered due to the delays in planting and the slow pace of commercialization. In Mato Grosso, commercialization of the new crop is only at 16 percent, compared to 41 percent in the same month last year. Despite the slow commercialization and the lower growth rate expected in China, import demand is still expected to be substantial. As a result, sales of the new crop are expected to pick up the pace later this year.

Even though post forecasts record soybean exports for the 2014/15 MY, the relatively low soybean prices will impact the total value of Brazil's soybean and soybean derivative exports. The Brazilian Vegetable Oil Association (ABIOVE) released its forecast for 2014/15 MY and noted that soybean and soybean derivatives export values will drop for the second year in a row. Exports of soybeans, soybean meal, and soybean oil are expected to drop by 20 percent in 2014/15 MY compared to the previous MY.

Table 2: Value of Brazil's Soybean and Soybean Derivative Exports in US\$ Million

	2010	2011	2012	2013	2014*	2015*
Soybeans	11,043	16,327	17,455	22,813	22,500	17,760
Soybean Meal	4,719	5,698	6,595	6,787	6,030	4,785
Soybean Oil	1,352	2,129	2,071	1,366	1,131	1,131
Total	17,114	24,154	26,121	30,966**	29,661	23,676

Source: *Estimate and Forecast from ABIOVE. ** Record sales