

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Post: Brasilia

Oilseeds and Products Update

Record Soybean Production and Exports Forecast for 2014/15 Marketing Year

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Report Highlights:

A record Brazilian soybean crop of 94 million metric tons (mmt) is forecast for the 2014/15 marketing year (MY) as a result of increased planted area. Crush for the 2014/15 MY is forecast at 37.5 mmt to meet increased biodiesel mandate (B7). Post forecasts exports at a record 49 mmt for 2014/15 MY, up one percent from the previous year, despite relatively slow pace of sales to date.

Oilseed, Soybean Brazil	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	27,700	27,700	30,100	30,200	31,500	31,500
Area Harvested	27,700	27,700	30,100	30,200	31,500	31,500
Beginning Stocks	13,024	13,024	15,330	15,330	17,230	13,735
Production	82,000	82,000	86,700	86,100	94,000	94,000
MY Imports	395	395	600	605	600	400
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	95,419	95,419	102,630	102,035	111,830	108,135
MY Exports	41,904	41,904	46,400	48,500	46,700	49,000
MY Exp. to EU	5,400	5,400	6,000	6,000	6,000	6,000
Crush	35,235	35,235	36,000	36,800	37,600	37,500
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.	38,185	38,185	39,000	39,800	40,750	40,650
Ending Stocks	15,330	15,330	17,230	13,735	24,380	18,485
Total Distribution	95,419	95,419	102,630	102,035	111,830	108,135
1000 HA, 1000 MT						

2014/15 Soybean Production at Record 94 Million Metric Tons (mmt)

Area planted to soybeans for the 2014/15 marketing year (MY) is forecast at 31.5 million hectares, an expansion of four percent compared to 2013/14. Post forecasts production for 2014/15 at 94 mmt, a nine percent jump over the last MY. This growth is based on increased planted area, better seed genetics, and normal weather patterns. In addition, due to relatively low corn prices, more farmers are expected to plant soybeans instead of full-season corn and opt to plant corn in the second crop (“safrinha”).

Post forecasts a trend yield of 2.98 metric tons (mt) per hectare for the 2014/15 MY. Producers are planting new soybean varieties that could result in higher yields. The use of three new soybean varieties: A2704-12 (Bayer), MON89788 (Monsanto), and 305423 (Pioneer), are expected to be utilized as they were recently approved by China. Also, in the state of Mato Grosso, about 60 percent of the plantings for 2014/15 are expected to be short cycle soybeans (90 to 95 days) varieties. Farmers have been pleased with the performance of these seeds and it gives farmers a bigger window to plant corn or cotton in the second crop (“safrinha”).

The seasonal planting moratorium (*vazio sanitario*) stipulated by the Government of Brazil (GOB) for phytosanitary reasons ended on September 15. It is estimated that two percent of total forecast area was planted by September 26. Farmers are still cautiously waiting for more rains the last week of September to increase the planting progress. It is important to note that despite concerns of lower soybean prices due to the expected record crop in the United States, Brazilian farmers are committed to planting an

estimated record crop this upcoming season.

For the 2013/14 MY, post revised its planted area estimate to 30.2 million hectares based on new estimates by the Brazilian National Food Supply Company (CONAB). Post also revised the 2013/14 MY production estimates to 86.1 mmt as a result of the latest estimates by CONAB, which reflects weather related problems during the harvest season.

Consumption: Crush Forecast at 37.5 mmt to Meet Increased Biodiesel Mandate

Soybean consumption for 2014/15 MY is forecast at 40.65 mmt, with the crush forecast at 37.5 mmt, a two percent increase over 2013/14 MY crush levels. The growth reflects the anticipated demand to meet the increased biodiesel mandate (B7) by the GOB, which will begin on November 1. As a result of the recently approved legislation for B7, the industry expects that in the upcoming auction of biofuel to be held in October by the National Petroleum Agency (ANP), biofuels will be at least 16 percent higher in volume compared to the last auction. The new blending requirement was approved by the Brazilian National Congress and signed by the President on September 25, 2014.

Relatively low soybean prices are expected to lower the cost of soybean meal; however, sources indicate that that use of soybean meal for feed production will remain stable. Soybean meal is the most important feedstuff after corn for the Brazilian feed industry, representing about 21 percent of all ingredients. The marginal growth on the use of soybean meal for feed production is partly due to the poor economic scenario Brazil faces in 2015, which could lead to weak domestic demand for animal protein. Analysts forecast Brazil's Growth Domestic Product (GDP) to remain sluggish in 2015, only growing one percent. Consumer prices are expected to be near the upper limit of the central bank's inflation target band and consumer indebtedness will remain high.

2014/15 Exports Forecast at Record 49 mmt

Post forecasts exports at 49 mmt for 2014/15, up one percent from the previous year, in spite of the relatively slow progress of commercialization. Due to the expectations of record crops in the United States and Brazil, soybean prices are still experiencing downward pressure, which is impacting the pace of future contracts. However, record exports are forecast on continued import demand by China and expectations of a weaker Brazilian currency in 2015. For 2013/14 exports, post estimates 48.5 mmt as a result of higher exports to China, up by about 15 percent compared to the previous year.

For this upcoming season, post expects improvements in the export infrastructure capacity. The port of Paranaguá, the second biggest agricultural port in the country, made recent investments that will improve its efficiency. A major change is its new online system called "CargaOnline". This system was set up to inform producers or traders when a vessel is ready to be loaded. The purpose of this system is to prevent loaded trucks from getting to the port before vessels have even arrived. Other major ports, such as Santos, are also looking to implement a similar system.

Ports in the north continue to receive investments that will give a new gateway to the export markets for states in Center-West and in the North. For instance, the state of Amapá (AP) is poised to undergo major changes when private sector infrastructural improvement projects in the port of Santana are

completed. By the end of 2014, when the port infrastructure has been expanded with the installation of three grain silos and additional berths, the port of Santana could become a major export platform. The expectation is that soybeans will be trucked up BR-163 to Miritituba and from there, barged along the Tapajos and Amazon Rivers to Santana, where the soybeans will be loaded onto Panamax vessels and shipped to markets in the European Union, China, and other destinations. Sources estimate that transportation costs, via utilization of this new export route, could drop by 30 percent, thus enhancing Brazilian agricultural competitiveness.