

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:** 2/1/2018

**GAIN Report Number:** BR 1802

## **Brazil**

**Post:**

Brasilia

## **Oilseeds and Products Update**

### **Another Soybean Bumper Crop Underway**

**Approved By:**

Clay Hamilton

**Prepared By:**

Nicolas Rubio

#### **Report Highlights:**

Post forecasts 2017/18 production at 112.5 million metric tons (mmt), Brazil's second largest crop after the record set on the previous season. Soybean exports for the 2017/18 Marketing Year (MY) are forecast at 65 mmt, as a result of strong demand by China. Post forecasts 43.5 mmt of soybeans destined for processing (crushing) in 2017/18 MY, based on higher biodiesel blending mandates, higher exports of soybean meal, and higher domestic consumption. A newly approved carbon credit scheme, RenovaBio, is expected to help reduce idle crushing capacity from 20 percent to nearly zero by 2020.

## Production, Supply, and Demand Statistics

| Oilseed, Soybean<br>(Local)<br>Market Begin<br>Year* | 2015/2016        |             | 2016/2017        |             | 2017/2018        |             |
|--|------------------|-------------|------------------|-------------|------------------|-------------|
|  | Feb 2016         |             | Feb 2017         |             | Feb 2018         |             |
|  | USDA<br>Official | New<br>Post | USDA<br>Official | New<br>Post | USDA<br>Official | New<br>Post |
| <b>Brazil</b>  |                  |             |                  |             |                  |             |
| <b>Area Planted</b>                                  | 33300            | 33300       | 34000            | 34000       | 35000            | 35000       |
| <b>Area Harvested</b>                                | 33300            | 33300       | 33900            | 33900       | 35000            | 35000       |
| <b>Beginning Stocks</b>                              | 650              | 650         | 1910             | 1910        | 2100             | 1865        |
| <b>Production</b>                                    | 96500            | 96500       | 114100           | 114100      | 110000           | 112500      |
| <b>MY Imports</b>                                    | 362              | 362         | 255              | 255         | 200              | 250         |
| <b>MY Imp. from<br/>U.S.</b>                         | 0                | 0           | 0                | 0           | 0                | 0           |
| <b>MY Imp. from<br/>EU</b>                           | 0                | 0           | 0                | 0           | 0                | 0           |
| <b>Total Supply</b>                                  | 97512            | 97512       | 116265           | 116265      | 112300           | 114615      |
| <b>MY Exports</b>                                    | 52100            | 52100       | 68300            | 68300       | 64700            | 65000       |
| <b>MY Exp. to EU</b>                                 | 6000             | 6000        | 6200             | 6200        | 6200             | 6200        |
| <b>Crush</b>   | 40020            | 40020       | 42275            | 42500       | 42000            | 43500       |
| <b>Food Use Dom.<br/>Cons.</b>                       | 0                | 0           | 0                | 0           | 0                | 0           |
| <b>Feed Waste Dom.<br/>Cons.</b>                     | 3482             | 3482        | 3590             | 3600        | 3700             | 3650        |
| <b>Total Dom. Cons.</b>                              | 43502            | 43502       | 45865            | 46100       | 45700            | 47150       |
| <b>Ending Stocks</b>                                 | 1910             | 1910        | 2100             | 1865        | 1900             | 2465        |
| <b>Total Distribution</b>                            | 97512            | 97512       | 116265           | 116265      | 112300           | 114615      |
| <b>CY Imports</b>                                    | 382              | 382         | 250              | 250         | 200              | 200         |
| <b>CY Imp. from<br/>U.S.</b>                         | 0                | 0           | 0                | 0           | 0                | 0           |
| <b>CY Exports</b>                                    | 51582            | 51582       | 68155            | 68155       | 64950            | 64000       |
| <b>CY Exp. to U.S.</b>                               | 0                | 0           | 0                | 0           | 0                | 0           |
| <b>Yield</b>   | 2.8979           | 2.8979      | 3.3658           | 3.3658      | 3.1429           | 3.2143      |
| (1000 HA) ,(1000 MT) ,(MT/HA)                        |                  |             |                  |             |                  |             |

\*Marketing Year (February 2018 – January 2019)

## PRODUCTION

### 2017/18 Soybean Harvest Underway

Post estimates planted area in the 2017/18 season at 35 million hectares (ha), a 3 percent increase compared to the previous growing season. Soybeans continue to be the best option for a first crop for farmers in Brazil due to the profitability. Lower cost of production for the 2017/18 season and market demand, both domestically and internationally, have producers optimistic about expanding area.

The increase is a result of shifts from full season corn (1<sup>st</sup> crop) to soybeans and new areas in the center-west, north, and northeast. Overall, all five growing regions in Brazil increased planted area. The northern and northeastern areas of Brazil had the highest percentage increases compared to the last season, incentivized by the export demand and favorable weather forecasts.

By the middle of January, producers in Mato Grosso started the 2017/18 soybeans harvest. Despite the planting delay of about 15 days at the beginning of the season in Mato Grosso, the crops in the region are reported to be in excellent condition. In the south, despite some weather issues, a good crop is expected as producers start the harvest by mid-February. As of January 29, 3.8 percent of the estimated area nationwide has been harvested compared to 4.3 percent last season.

Post forecasts 2017/18 production to drop by 1.3 percent, to 112.5 million metric tons (mmt), compared to the previous season. Brazil is forecast to produce its second largest crop on record. Despite the higher planted area, the lower production is a result of lower national yields compared to the last season as a result of weather issues in the south. National yields are forecast to reach 3.21 mt per hectare.

## **TRADE**

### **2017/2018 Outlook:**

Brazil is the largest soybean exporter in the world and will sustain its leadership position in 2018. Soybean exports for 2017/18 Marketing Year (MY) (February 2018 – January 2019) are forecast at 65 mmt, about 5 percent lower compared to the previous MY. The reduction is based on lower exportable supplies and higher domestic consumption. However, due to the large ending stocks and big expected crop, Brazil will continue to ship large quantities and heavily compete with U.S. soybeans, particularly in China.

The Northern Arc ports expansion will continue to support the export growth. Since 2014, infrastructure developments by the private sector have dramatically increased the capacity to export out of the north. About 20 percent of all exports is forecast to leave out of the northern ports in Santarém, Barcarena, Manaus, and São Luís. In addition, future projects are already announced as companies look for alternative routes. Cargill just submitted environmental studies with the Department of Environment and Sustainability (SEMAS) of the northern Brazilian state of Pará, for construction of a new grain port terminal in the city of Abaetetuba. It is expected to be ready by 2022, with a capacity to export up to 6 mmt of grains annually. This project would support Cargill's other facility in Santarém, which also has capacity of up to 6 mmt.

### **2016/17 Exports Hit New Record:**

Brazilian exports in 2016/17 MY saw a dramatic jump, especially when compared to the 2015/16 season. The estimate for the 2016/17 season is 68.3 mmt, of which 75 percent was destined to China.

The record crop during the 2016/17 season, higher protein level relative to U.S. soybeans, and high stock levels led to record exports. To put it in perspective, the 5-year average exports for December is 604,500 MT. In December 2017 alone, Brazil exported 2 mmt. For the month of January 2018, Brazil is forecast to ship above the 5-year average of 268,000 mt, with exports estimated at more than 1 million metric tons.

China was Brazil's major soybean buyer, followed by Spain, Thailand, Netherlands, Iran, and Russia. According to the Secretariat of Foreign Trade (SECEX), exports in calendar year 2017 to China increased 40 percent to 53.8 mmt (valued at US\$20.3 billion), from 38.6 mmt in calendar year 2016. Mato Grosso, the largest Brazilian exporting state, accounted for 26 percent of total Brazilian soybean exports, followed by Rio Grande Do Sul, Paraná, Goiás, Mato Grosso Do Sul, and São Paulo.

## **CONSUMPTION**

### **2017/2018 Outlook:**

Post forecasts 43.5 mmt of soybeans destined for processing (crushing) in 2017/18 MY, based on higher biodiesel blending mandates, higher exports of soybean meal, and higher domestic consumption. The additional soybeans demand that will come from biodiesel in 2018 will be met with 2 mmt of soybeans destined for crushing and lower soybean oil exports.

In addition, a new policy recently approved by the Brazilian government could drive domestic soybean oil demand in the coming years. RenovaBio, a carbon credit scheme, will be fully implemented by 2020. The industry expects it will be implemented in a way to reduce idle crushing capacity in Brazil from 20 percent currently to nearly zero.

Consumption of soybean oil is forecast at 7.9 mmt supported by the expected biodiesel blending mandate of 10 percent (B10) to be implemented on March 1. Consumption of soybean meal is also expected to increase compared to last year to 17 mmt as a result of higher exports, in particular to Southeast Asian countries, and higher domestic consumption due to the expected economic recovery.

### **2016/2017 Estimate:**

Post estimates 42.5 mmt of soybeans destined for processing in the 2016/17 MY. The increase, compared to the previous year, was due to higher soybean meal exports (15 mmt) and higher domestic consumption (16.5 mmt). Soybean meal exports reached record levels in Asian market as a result of its competitive price and efforts by the Brazilian government and private sector to gain new market share.

Soybean oil also contributed to the higher crushing estimate for 2016/17 MY. Both domestic consumption (7.2 mmt) and exports increased (1.3 mmt) compared to last year as a result of improved market demand.