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GAIN Report

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Brazil

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Oilseeds and Products Update

Heavy Rains and Truck Drivers Strikes Create Concerns

Approved By:

Clay Hamilton,
Agricultural Counselor

Prepared By:

Nicolas Rubio,
Agricultural Attaché

Report Highlights:

Post kept its forecast for Brazil's 2014/15 soybean production at a record of 93 million metric tons (MT). Post also kept its forecast for exports at 47 million MT, but a week-long truck drivers' strike is generating new concerns.

Oilseed, Soybean (Local)	2012/2013		2013/2014		2014/2015	
Market Begin Year	Feb 2013		Feb 2014		Feb 2015	
Brazil	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	27,700	27,700	30,100	30,100	31,500	31,600
Area Harvested	27,700	27,700	30,100	30,100	31,500	31,600
Beginning Stocks	1,233	1,183	1,309	1,288	3,269	2,388
Production	82,000	82,000	86,700	86,700	94,500	93,000
MY Imports	240	269	575	600	550	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	83,452	88,584	88,588	98,319	95,538
MY Exports	42,826	42,826	45,745	46,500	47,170	47,000
MY Exp. to EU	5,800	5,800	6,000	6,000	6,000	6,500
Crush	36,388	36,338	36,570	36,600	37,800	38,000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2,950	3,000	3,000	3,100	3,150	3,150
Total Dom. Cons.	39,338	39,338	39,570	39,700	40,950	41,150
Ending Stocks	1,309	1,288	3,269	2,388	10,199	7,388
Total Distribution	83,473	83,452	88,584	88,588	98,319	95,538

1000 HA, 1000 MT

2014/15 Soybean Production Forecast Kept at 93 Million Metric Tons

Post kept its soybean production forecast for the 2014/15 Marketing Year (MY) at 93 million metric tons (MT). Post also kept its planted total area at a record of 31.6 million hectares (including second crop soybeans), a 5 percent increase compared to the last growing season. This increase is a result area expansion and expectations of higher soybean prices.

Despite the dry spells in December and early January in areas of Western Bahia, Goiás, and Minas Gerais, good rains in late January and early February have eased concerns of yield losses, especially in Western Bahia. However, the heavy rains in Mato Grosso have created delays in the soybean harvest progress, which could reduce the planting window for producers expecting to plant corn as a second crop (“safrinha”).

At a national level, it is estimated that the soybean area for 2014/15 is harvested at 18.5 percent as of February 21, compared to the average of 23 percent. In Mato Grosso specifically, the harvest reached

34 percent, compared to 45 percent last year. In Parana, the second largest soybean producer in Brazil, reached 23 percent compared to 25 percent last year.

Truck Drivers Strikes Create New Headaches

In protest against recent fuel and toll prices hikes as well as new taxes on transportation, Brazilian truck drivers have blocked road access in main soybeans producing areas, such as Mato Grosso and Paraná. The strikes, which lasted over a week and spread to a total of eleven states, created interruptions of diesel supplies and have threatened to hold up exports at ports. In addition, producers rely on trucks to deliver soybeans right after harvest as on-farm storage is still not common. Brazilian farmers can typically store an estimated 15 percent of oilseeds and grain production on-farm. If trucks are not available to move producers' production, it can further delay this year's harvest progress.

In areas like Mato Grosso, the main north-south road (BR163), the strikes effectively halted the flow of soybeans to ports in the north, which is becoming a good alternative option for soybean exports. It is estimated that about 13 percent of total soybeans exports in 2015 will leave from the ports in the north. In the south, the port of Paranaguá has reported a major slowdown of trucks delivering soybeans for exports.

As of February 26, 2015, the Brazilian government announced measures that could benefit truck drivers and transport companies, such as extending a year of free financing for vehicles, not increasing diesel prices for six months, and approving a law that would benefit the sector. Even though these announced measures have ended much of the blockage, not all leaders of the truck drivers associations are satisfied and it is not clear if this offer will resolve the situation.

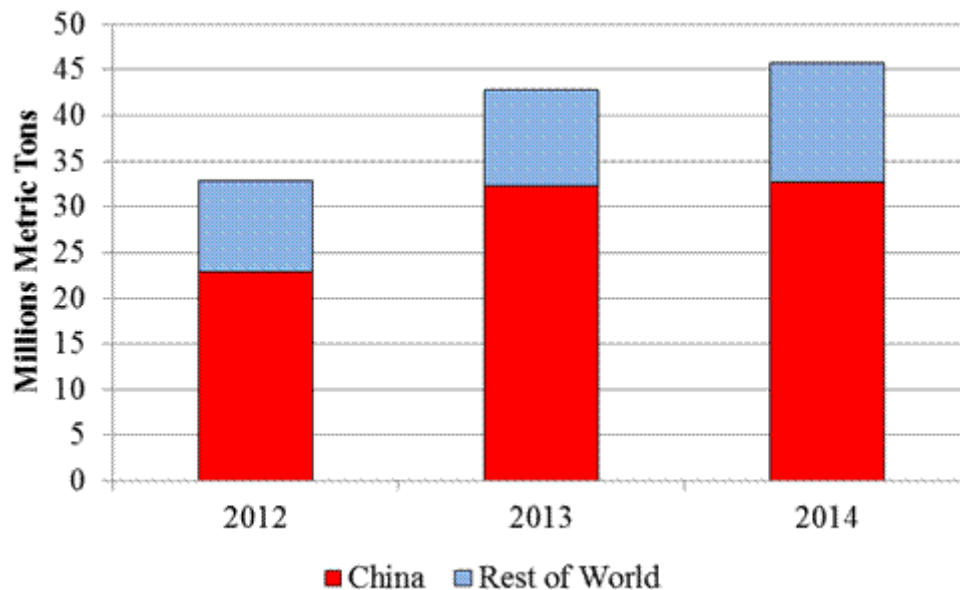
Exports Forecast at a Record, but Still Heavily Dependent on China

Post kept its export soybean forecasts for the 2014/15 MY at a record 47 million MT. The devaluation of the Brazilian Real, about 28 percent since August 2014, is expected to support exports in 2015. At the same time, the slow commercialization of the new crop continues to be the main story for the 2014/15 year.

The slow pace of sales has been a result of the low global prices and the farmers' strategy has been to hold the crop a little longer in expectations of a weaker Brazilian Real. At this point, however, the pace should pick up in March as the capacity to hold the crop at the farm for long can be difficult due to the lack of storage capacity. Post does not expect a major impact on the total exports this MY. Instead, if soybean exports are much delayed, it will cause problems for corn exports of the "safrinha" crop. Typically, the "safrinha" crop begins the 2nd half of the year.

China will continue to be the main driver of Brazil's soybean exports this year. Despite the expected slowdown of its economy, the country is still forecast to import a new record in 2015. China is by far Brazil's most important market for soybeans. Since 2012, the Chinese market absorbs over 70 percent of Brazil's total soybean exports.

Brazil's Total Soybean Exports to the World Calendar Year (2012-2014)



New Biodiesel Mandate Increases Domestic Demand for Soybeans

As previously reported, on December 1st, 2014, the Brazilian Government began implementing the increase in the biodiesel mandate (B7). This new law is a positive change for the industry as it has immediately increased the demand for domestic soybeans for crushing. In December alone, it is estimated that an additional 300,000 MT of soybeans were crushed to meet this new mandate.

Post maintained its 2014/15 MY forecast for crushing since it already took into account this new mandate. However, post revised its 2013/14 MY estimate by an additional 300,000 MT to a total crushing demand of 36.6 million MT. The change is based on new industry data and higher demand in December as a result of the B7 mandate.

Other Relevant Reports:

[Oilseeds and Products Update – January 28, 2015](#)

[Advances in Agricultural Infrastructure in the North of Brazil](#)