

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Post:

Brasilia

Oilseeds and Products Update

Soybean Plantings in Brazil Making Good Progress

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Report Highlights:

Post maintained its 2016/17 production forecast at 101 million metric tons (mmt) due to a larger planted area and higher yields compared to last year. Area planted for soybeans in Brazil is estimated to be 33.7 million hectares, a record. Post kept its 2016/17 marketing year export forecast at 57 mmt due to strong demand by China and kept its crush forecast at 41 mmt due to higher domestic demand.

Oilseed, Soybean (Local)	2014/2015		2015/2016		2016/2017	
Market Begin Year	Feb 2015		Feb 2016		Feb 2017	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	32100	32100	33300	33300	33800	33700
Area Harvested	32100	32100	33100	33300	33800	33700
Beginning Stocks	1656	1656	1240	1240	4450	2240
Production	97200	97200	96500	95500	102000	101000
MY Imports	325	325	410	450	350	300
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	99181	99181	98150	97190	106800	103540
MY Exports	54635	54635	51100	52000	58700	57000
MY Exp. to EU	6000	6000	6000	6000	6200	6500
Crush	40348	40348	39100	40000	41000	41000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2958	2958	3500	2950	3600	3050
Total Dom. Cons.	43306	43306	42600	42950	44600	44050
Ending Stocks	1240	1240	4450	2240	3500	2490
Total Distribution	99181	99181	98150	97190	106800	103540
(1000 HA) ,(1000 MT)						

PRODUCTION

Soybean Production Forecast Kept at 101 Million Metric Tons (MMT)

Post kept its 2016/17 production forecast at 101 mmt, a record, due to a larger planted area compared to last year and higher yields based on trend. Post forecasts planted area at a record 33.7 million hectares (HA). The planting season, which started on September 15 in most states, has moved forward without major delays.

In the state of Mato Grosso, the crop was planted at a record pace. In the northeastern part of the country, planting continues to make good progress and the weather forecast looks favorable for those producers. In the southern part of Brazil, dryer conditions are becoming a concern for producers. In Paraná, soybean planting is almost done, but the dry area that developed in the later part of November could potentially impact yields. Rio Grande do Sul, which has planted about 60 percent of the forecasted area, is facing similar dry weather. At a national level, the soybean planting is about 75 percent complete.

PRICES

U.S. Dollar Appreciation Quickly Changing Domestic Prices Dynamics

Since the beginning of November, the U.S. dollar appreciated against the Brazilian Real (R\$) by 5.3 percent as a result of the domestic political scenario, as well as international developments such as the U.S. elections. With this situation, the expectation is that domestic soybean prices in Reals may increase further due to the stronger dollar, which would translate into more Brazilian Reals when converted.

Due to the current currency volatility (Brazilian Real vs U.S. Dollar), commercialization of the 2016/17 crop is still below last year's pace. Producers continue to be more strategic with their selling strategy as they expect a rebound in domestic soybean prices in the next few months.

According to various state sources, less than 40 percent of the forecasted 2016/17 soybean production has been contracted, which is about 16 percent lower compared to last year.

Table 1: Average Monthly Soybean Prices

(Prices* in R\$ per 60 kg)

	2014	2015	2016	2015/16 % Change
January	67.43	59.29	78.46	32%
February	66.87	60.20	73.32	22%
March	68.78	64.35	69.95	9%
April	67.89	63.00	74.12	18%
May	67.81	62.09	82.28	33%
June	67.54	62.96	90.59	44%
July	63.72	67.83	82.83	22%
August	63.45	72.17	77.57	7%
September	58.94	76.62	76.13	-1%
October	59.58	78.13	73.96	-5%
November	63.01	75.48	74.72	-1%
December	62.42	77.07		

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 November 29 – R\$3.40/US\$

TRADE

Export Forecast at 57 mmt for 2016/17 Marketing Year (MY)

Post kept its export forecast at 57 mmt for 2016/17 MY. China will remain the main destination for Brazilian soybeans. It is expected that demand for soybeans in China will remain strong. Chinese

soybeans imports are supported by a growing domestic demand and a large domestic crushing capacity.

CONSUMPTION

Higher Biodiesel Demand Creates Opportunities and Challenges for the Sector

Total domestic soybean crush for the 2016/17 MY is forecast at 41 mmt. For the 2016/17 MY, post forecasts production of soybean oil at 8.2 mmt and production of soybean meal at 31.2 mmt. The higher soybean crush forecast compared to last year's estimate reflects growing demands to meet new biodiesel mandates by the Government of Brazil (GOB). As of March 2017, the blending requirement for biodiesel will increase from 7 percent to 8 percent.

The higher production of soybean oil to meet GOB biodiesel blending requirements is expected to increase the production of soybean meal over the next four years. The Brazilian market will be able to absorb some of the higher soybean meal production as the local economy improves, but export markets will be vital for the sector. As a result, the GOB and the private sector are already pursuing new market opportunities, specifically in Asia.