

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Post:

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Oilseeds and Products Update

Volatile Weather Continues to Raise Concerns

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Report Highlights:

Post kept its forecast for Brazil's 2015/16 soybean production to a record 98 million metric tons (mmt). Despite concerns due to the hot and dry weather in November and December, favorable rains in January have lessened the anxiety on potential yield impacts in some regions. Exports for the 2015/16 Marketing Year (MY) are forecast to reach a record due to demand in China and the strong dollar expected through 2016. Post increased its domestic crush forecast for 2015/16 MY to 40.2 mmt and its 2014/15 MY estimate to 40 mmt, as a result of higher domestic and export demand.

Production, Supply, and Demand Statistics:

Oilseed, Soybean (Local) Market Begin Year	2013/2014		2014/2015		2015/2016	
	Feb 2014		Feb 2015		Feb 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Planted	30100	30100	32100	32100	33300	33000
Area Harvested	30100	30100	32100	32100	33300	33000
Beginning Stocks	1269	1269	1577	1527	472	782
Production	86700	86700	96200	96200	100000	98000
MY Imports	579	579	295	305	300	200
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	88548	88548	98072	98032	100772	98982
MY Exports	45747	45747	54325	54250	56650	55000
MY Exp. to EU	6000	6000	6000	6000	6000	6500
Crush	38274	38274	40300	40000	40000	40200
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2950	3000	2975	3000	3000	3050
Total Dom. Cons.	41224	41274	43275	43000	43000	43250
Ending Stocks	1577	1527	472	782	1122	732
Total Distribution	88548	88548	98072	98032	100772	98982
(1000 HA) ,(1000 MT)						

2015/16 Soybean Crop Forecast Kept at 98 Million Metric Tons

Post kept its forecast for Brazil's 2015/16 soybean production to a record 98 million metric tons (mmt). Area planted for soybeans is estimated at 33 million hectares (ha). The dry and hot conditions late last year in Mato Grosso and other states in the center-west and northeast of Brazil raised concerns about yields of the early planted soybeans. However, favorable rains in January have lessened the anxiety in some areas and should help with the progress of re-planted soybeans or late planted soybeans in areas in the northeast.

The volatile weather in Brazil continues (and will continue) to be the story for the 2015/16 soybean season. The Seasonal Climate Prediction Working Group of the Ministry of Science, Technology and Innovation released in early January the weather forecast for the months of February through April. The forecast confirmed the strong influence of El Niño in Brazil. According to the report, rains will slow down in the semiarid areas of Brazil's northeast, but an increase in precipitation is expected for the south and southeast regions.

In Mato Grosso, the rains arrived too late in the north and northeast regions of the state and early planted

soybeans were affected. In the other regions of the state, crops are developing satisfactorily and without major problems. The return of the rains in early January, especially in the center part of the state, should help the areas that were replanted or planted in late October and into November of last year.

In the south, mainly Rio Grande do Sul and Parana, despite heavy rainfall recorded throughout November and December, the crop conditions are reported to be favorable. The main concern so far has been the lack of sunshine due to the persistent wet weather, but it is hard to know the impact on yields at this point.

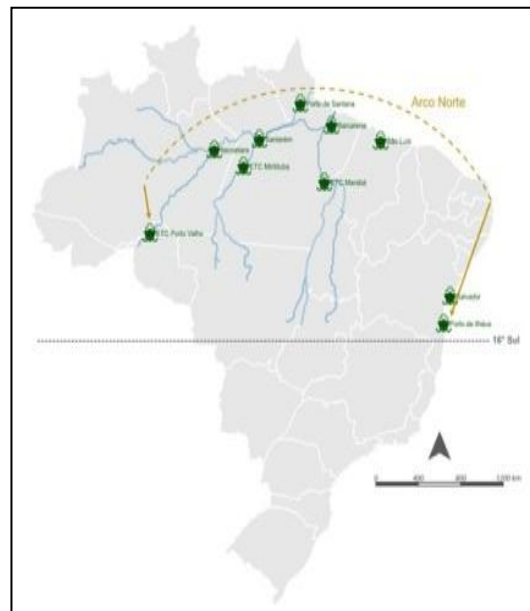
After the reported dry weather conditions during November and December, the harvest season has started in some areas of the country; however, rains have slowed down the pace. As of the week of January 25, it is estimated that less than 2 percent of the forecasted area nationwide has been harvested, compared to 3.5% last year and 2% for the 5-year average.

Trade - Soybean Exports to Reach Record for 2015/16 Marketing Year (MY)

The 2015/16 MY soybean exports are forecast to reach 55 mmt, a record. The expected demand in China and the strong dollar will continue to incentivize exports. The dollar appreciated close to 40 percent in relation to the Brazilian Real (BRL) in 2015 and it is not expected to recover in the first half of 2016, making exports lucrative for producers despite low global prices. In addition, the strong forward contracting of the last six months in Brazil is another indication of the desire for producers to take advantage of the export market.

For the 2014/15 MY, post increased its estimate to 54.25 mmt based on trade data and the strong dollar in relation to the BRL. China was the main destination of the Brazilian soybean exports, with close to 75 percent of the total exports.

It is important to note that out of the total soybean exports in 2014/15 MY, about 12.6 mmt (or 23 percent) were exported out of the ports of the so-called *Arco Norte* (Northern Arc). That is a 21 percent jump compared to last year. The ports of the Northern Arc (above the Parallel 16 south) are Ilhéus (state of Bahia), São Luis (Maranhão), Itacoatiara (Amazonas), Barcarena and Santarém (Pará). According to the Brazilian Food Supply Company (CONAB), linked to Ministry of Agriculture, the expansion of the flow of grains and oilseeds through these ports in 2016 will continue to increase and will likely reduce freight costs by US\$ 50 per metric ton.



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Consumption

Post increased its domestic crush forecast for 2015/16 MY to 40.2 mmt and its 2014/15 MY estimate to 40 mmt, as a result of higher domestic and export demand.

Soybean meal production increased in 2014/15 and is expected to slightly increase in 2015/16 as a result of the higher demand by the poultry and pork sectors. Soybean meal is the second largest animal feed ingredient in Brazil. Soybean meal exports also increased in 2014/15 MY as a result of higher demand by Indonesia, Vietnam, and Thailand. Soybean oil is also contributing to the higher soybean crushing demand as a result of the higher domestic production of biodiesel.

Policy Update

As previously reported, there were conflicting media reports if the Brazilian soybean industry presented a study to the Ministry of Foreign Affairs to evaluate the possibility to file a World Trade Organization (WTO) case against the United States over agricultural subsidies. Post continues to follow this issue closely.