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## **Report Name:** Oilseeds and Products Update

**Country:** Brazil

**Post:** Brasilia

**Report Category:** Oilseeds and Products

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### **Report Highlights:**

For 2021/22, Post forecasts soybean planted area at 40.3 million hectares (ha), and production at 143.5 million metric tons (MMT), based on a yield of 3.56 mt per ha. Post revised up 2020/21 planted area estimate by 300,000 ha to 38.8 million ha, and the production estimate by 3 MMT, to a record-setting 137 MMT. Despite much handwringing over the delayed planting due to drought and then delayed harvest due to too much rain, Brazilian farmers collected their largest soybean harvest yet. Soybean exports in the 2021/22 are forecast at 94 MMT, shattering this season's expected record shipments of 87 MMT. Post forecasts 47.7 MMT of soybeans destined for processing in the 2021/22 MY, an increase of just over two percent on the 2020/21 estimate of 46.5 MMT. Soybean crush was lowered for the current season, owing to the slack in domestic demand for soybean oil.

## SOYBEAN PRODUCTION

### *2021/22 Planted Area Forecast*

Post revised up its 2021/22 forecast for soybean planted area by 300,000 hectares (ha) to 40.3 million ha. Next season's forecast planted area represents an annual increase of 1.5 million ha, which is less than the 1.9 million ha expansion recorded in the current season, but still above the five-year seasonal growth rate of 1.1 million ha. Forecast planted area expansion is based on several factors, including the expectation of robust global demand for soybeans, a favorable exchange rate, continued high commodity prices, and ongoing improvements in infrastructure and logistics. (For expanded discussion see 2021 Annual Oilseeds and Products GAIN).

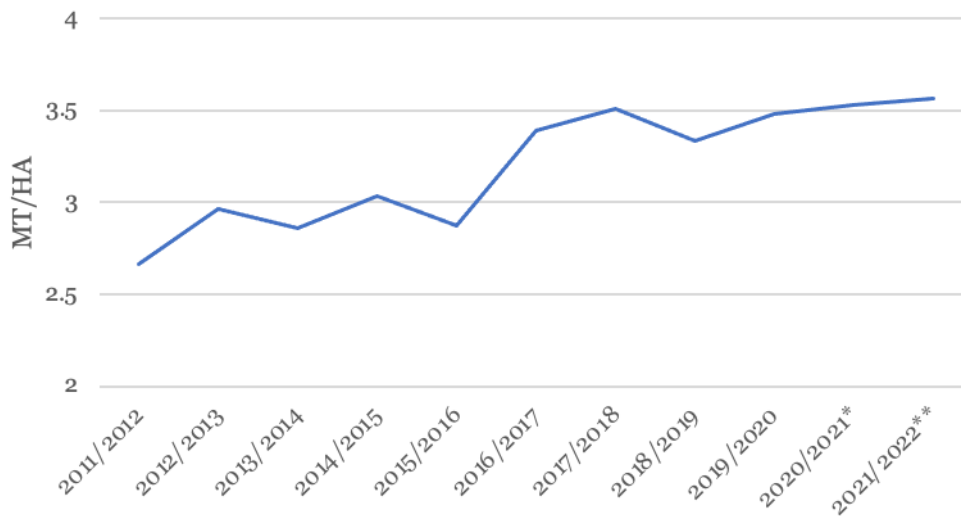
Despite the forecast area growth, several factors will constrain next season's soybean planted area. Farmers in Brazil have several competitive crops to choose from every planting season, and invariably some growers will prefer corn, or cotton instead of soybeans, especially given the current competitive prices of these crops. In addition, there are limitations to the amount of land that can be brought into production following several years of planted area increases. Finally, cattle prices are at historic levels, so the traditional motivation to convert pastureland to crop fields is less dramatic this year.

Soybeans are grown in 19 of Brazil's 26 states, as well as in the capital Federal District. Expansion above trend is likely in the frontier regions in the North and Northeast, while the well-developed Center West should expand in line with average growth. In the southern producing states of Parana and Rio Grande do Sul, most of the productive area is already utilized in crop production, and therefore, the expansion will be minimal in this region.

The massive Center West state of Mato Grosso is by far the biggest producer accounting for just under a third of the country's soybean planted area and production volume. The Mato Grosso Institute of Applied Economy (IMEA) forecasts planted area at 10.79 million ha next season, up just over three percent on the current marketing year (MY) estimated area of 10.47 million ha. Post anticipates a slightly larger expansion in Mato Grosso of almost four percent, or around 400 thousand ha. The largest expansion in percentage terms will be in the North and Northeast part of Brazil. Post anticipates that crop growth in this part of Brazil will continue to accelerate on the back of newly built and expanded roads and ports.

Post revised up the forecast for 2021/22 soybean production to 143.5 million metric tons (MMT), based on a yield of 3.56 mt per ha. The yield is forecast to increase less than one percent year-on-year, in line with negligible increases seen in the last several seasons. Importantly, yields have increased significantly in the last 10 years by more than one third from productivity recorded in the 2011/12 season, as over the last decade, Brazilian farmers invested heavily in the adoption of cutting-edge technology and inputs, such as Genetically Engineered (GE) seeds and the use of chemicals and fertilizers. This investment in technology has alleviated some of the variability brought by climatic conditions around the country. At the same time, gains in yields in just the past couple of years have increased less than the 10-year average as technology gains have slowed.

## Soybean Yields in Brazil



Source: USDA PSD, 2020/21 and 2021/22 Post estimate and forecast. Chart: OAA Brasilia

### ***Production Estimate Revised Up for 2020/21***

Nationwide, the 2020/21 harvest was completed by early June, with the last beans picked in the Northeast and the South of the country. Post revised up 2020/21 planted area by 300,000 ha to 38.8 million ha. Post substantially revised up the production estimate by 3 MMT, to a record-setting 137 MMT. The beginning of the 2020/21 season was mired in weather-related delays. Yet despite much handwringing over the delayed planting due to drought and then delayed harvest due to too much rain, Brazilian farmers collected their largest soybean harvest yet.

About half of the estimated increase in production, or 1.5 MMT, came from the powerhouse Center West region of Brazil. In Mato Grosso, Post revised the production estimate from 35.7 MMT to 36 MMT. The two other states in the region, Mato Grosso do Sul and Goias, recorded excellent yields of over 3.6 mt per ha, resulting in an estimated production increase of around 600,000 MT for each state. In the South and Northeast regions, estimates were revised up by around 600,000 MT respectively. The southern state of Rio Grande do Sul posted excellent yields, harvesting 20.9 MMT of soybeans, and overtaking Parana as the second-largest producer this season. During the 2019/20 growing season, Rio Grande do Sul suffered a severe drought, with soybean yields at just half of what farmers reaped in 2020/21.

Region/ State	2020/21 Soybean Harvest		
	Area (mn ha)	Yield (mt/ha)	Production (mn t)
<b>Center West</b>	<b>17,580</b>	<b>3.53</b>	<b>62,090</b>
MT	10,450	3.44	36,000

GO	3,750	3.68	13,800
MS	3,300	3.64	12,000
Other (DF)	80	3.63	290
<b>South</b>	<b>12,400</b>	<b>3.52</b>	<b>43,600</b>
PR	5,600	3.57	20,000
RS	6,050	3.45	20,900
Other (SC)	750	3.60	2,700
<b>North East</b>	<b>3,543</b>	<b>3.66</b>	<b>12,959</b>
BA	1,700	4.03	6,850
MA	1,000	3.30	3,300
PI	840	3.33	2,800
Other (AL)	3	3.40	8.5
<b>South East</b>	<b>3,000</b>	<b>3.63</b>	<b>10,900</b>
MG	1,850	3.62	6,700
SP	1,150	3.65	4,200
<b>North</b>	<b>2,300</b>	<b>3.24</b>	<b>7,450</b>
TO	1,100	3.27	3,600
PA	700	3.14	2,200
Other (RR, RO, AC, AM, AP, PA)	500	3.30	1,650
<b>BRAZIL</b>	<b>38,823</b>	<b>3.529</b>	<b>136,999</b>

Source: Post Brasilia estimates

## SOYBEAN TRADE

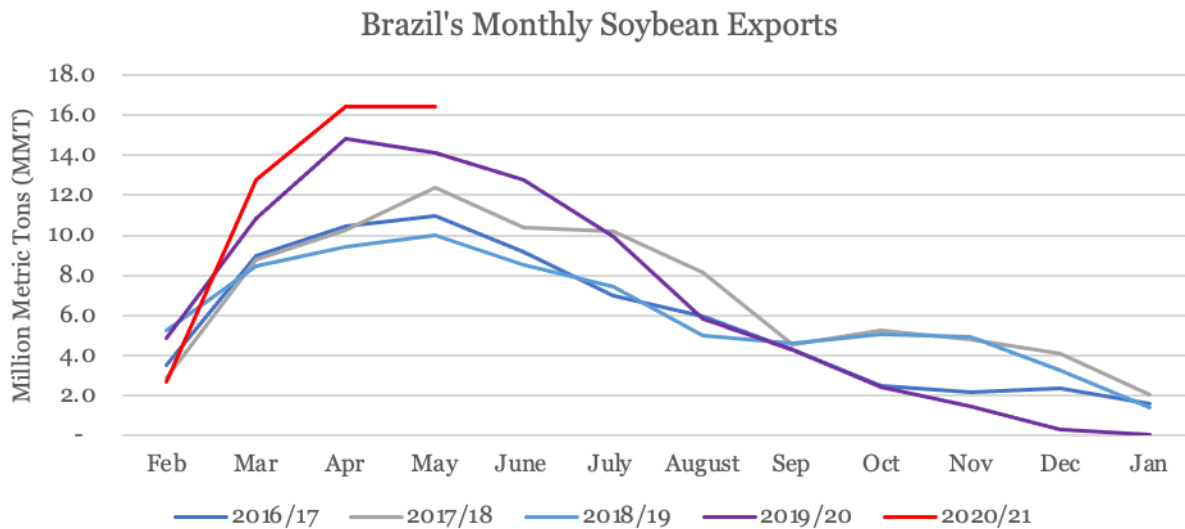
### *2021/22 Soybean Exports Within Striking Distance of 100 MT*

Soybean exports in the 2021/22 (February 2022 to January 2023) marketing year (MY) are forecast at 94 MMT, shattering this season's expected record shipments. The forecast is based on available supplies, a favorable exchange rate, and continued robust global demand. Although the Brazilian real has gained strength over the last month on the back of stronger than expected economic performance, Brazil's Central Bank survey in mid-June projected the domestic currency to trade at above R\$5 to the U.S. dollar into 2024. In addition, Post, along with many Brazilian market analysts, believes that global demand for soybeans will not see a severe downturn connected with possible new waves of the coronavirus pandemic.

## 2020/21 Soybean Exports Boom on Strong China Demand

Post revised the 2020/21 (February 2021 to January 2022) MY exports to 87 MMT, well above the previous record set in the 2017/18 MY when Brazil exported 83.7 MMT of soybeans. As is the case with the forecast for the next season, the trade estimate for the current MY is based on expectations of available supplies and an extremely favorable exchange rate. The soybean supply expanded on account of positive revisions to the volume harvested, as well as a somewhat lower crush estimate (see below for an expanded discussion on processed products).

After a slow and problem-ridden start to the export season owing to late planting and delay in the initial harvest, the export pace has picked up substantially since March. Each of the last three months saw a record soybean export volume for their respective timeframe. Industry sources indicate that Brazil is almost certain to set another monthly export record in June. Post anticipates that in the second half of the season exports will level off, following along the monthly export trajectory set in the 2019/20 season.

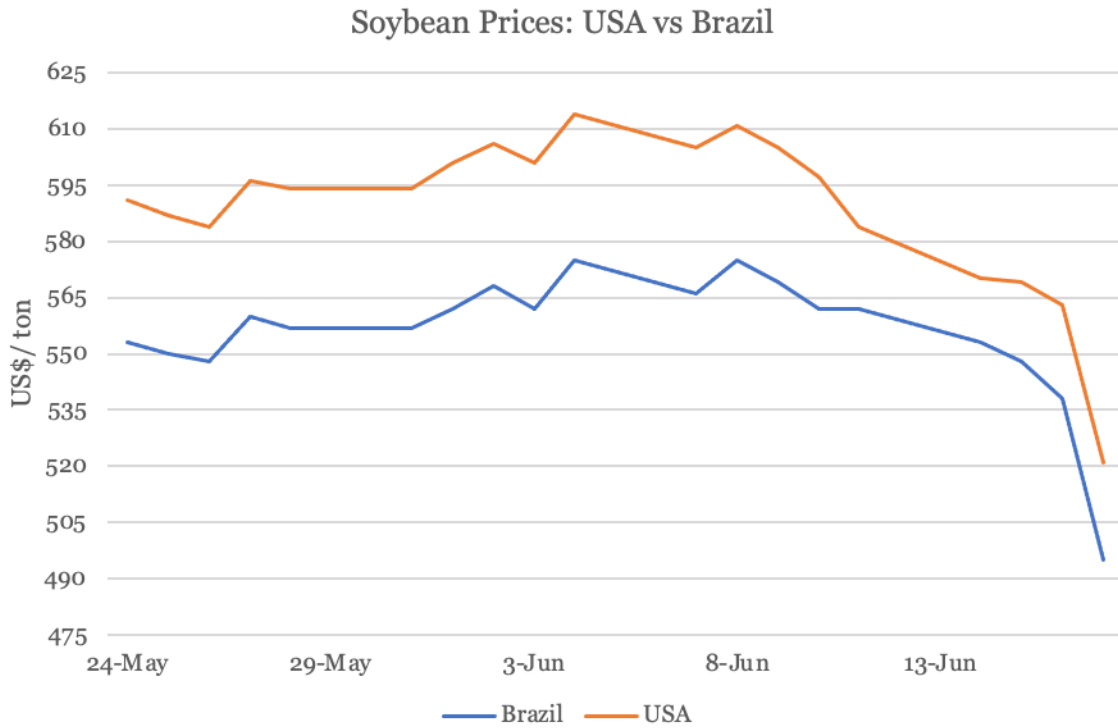


Data: SECEX, Chart Source: OAA Brasilia

China has long been the main buyer of Brazilian soybeans, and this trend continues to manifest in 2020/21 with over 70 percent of the total volume of soybean exports destined for China in the first four months of the MY. In 2019/2020, 73 percent of Brazilian soybeans were shipped to China. Notably, that volume would have been substantially higher if not for the drop in exports in the last two months of the MY. In December 2020 and January 2021, Brazil simply ran out of available beans, which contributed to the rising global soybean prices. However, USDA projects that China's soybean demand will remain strong as it looks to rebuild its swine herd that was decimated in 2019 by a severe outbreak of African Swine Fever (ASF).

For the next several months, Post contacts in Brazil anticipate very strong exports, with over 70 percent of that volume destined for China. It is worth noting that China's appetite is driven by the comparatively low prices of Brazilian beans, which in the last four weeks, were on average \$33 per MT

cheaper than US-origin beans. As harvest estimates soared, Brazilian domestic soybean prices have trended down from the early season peak.

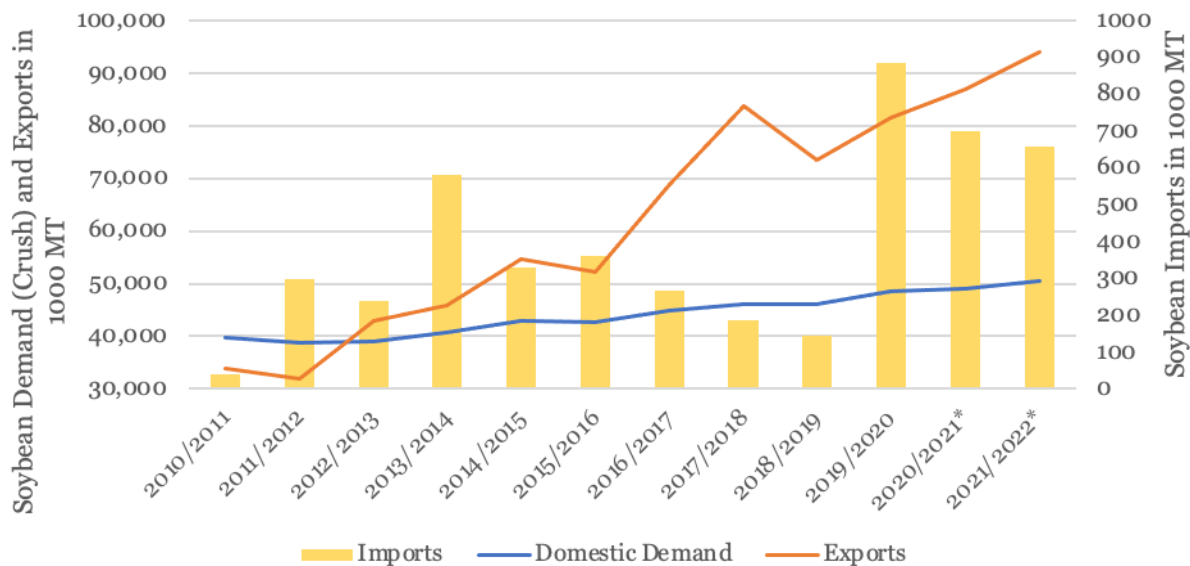


Data Source: International Grains Council

***Imports Remain Above Historical Trend Levels***

In 2020/21, Post projects that Brazil’s soybean imports will comprise about half a percent of its total supply of beans: 700,000 MT of 140 MMT respectively. Although extremely small in comparative terms, Brazil’s current soybean imports are well above the historical norm of around 150,000-350,000 MT per season. The current rise in imports is driven by the steady expansion of the domestic crush volumes, as well as accelerating exports, resulting in scarcity of beans on the domestic market.

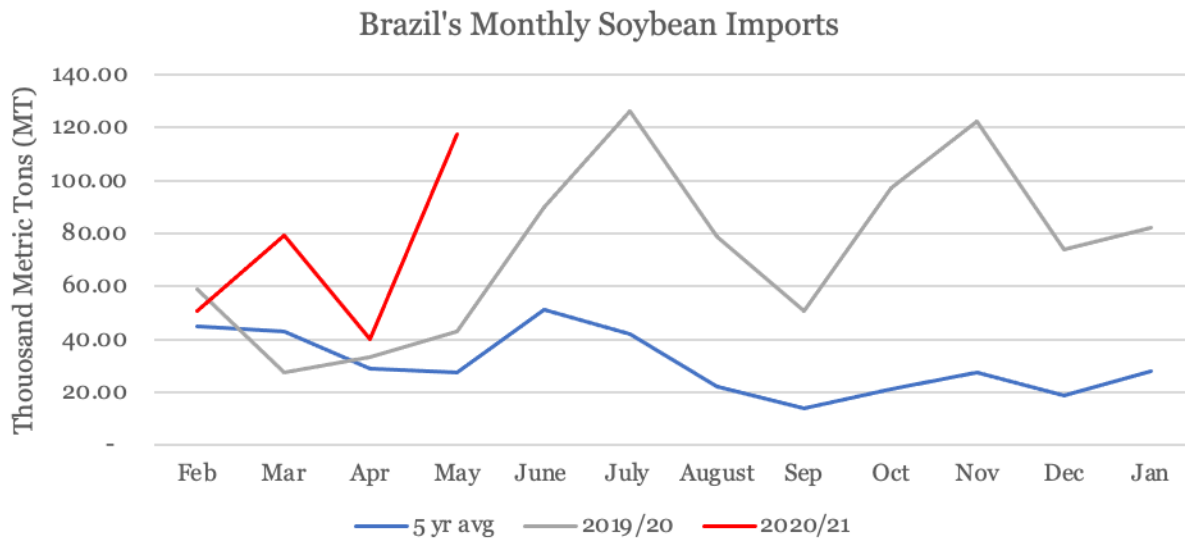
## Soybean Demand Rises on Rising Crush and Exports



Data: USDA PSD, 2020/21 and 2021/22 Post estimate and forecast. Chart Source: OAA Brasilia

In the 2019/20 season, soybean imports jumped more than 500 percent to nearly 900,000 MT, when compared to the previous season, and by almost 250 percent, when compared to the average volume imported in the last five seasons. As Post anticipates a continued increase in both soybean crush and exports, Brazil's imports are also expected to remain at levels above the historical average.

For the 2021/22 season, Post forecasts soybean imports at 650,000 MT. The forecast considers record forecast production for the following season, which should alleviate some of the built-up scarcity on the domestic market. Although the forecast represents a seven percent decline on the current season estimate of 700,000 MT in imports, it is still nearly twice the average volume. The current season estimate is based on the tightness of supplies. First, supply was low at the beginning of the season due to the delay in planting and subsequently in harvesting. Then, as harvest volume grew and domestic prices fell, producers began to hoard their stocks in expectation of higher prices later in the season. Meanwhile, the Brazilian crush industry has been operating on very tight stocks, and as a result of this scarcity, imports have remained high in historical terms.



Data: SECEX, Chart Source: OAA Brasilia

Soybean imports will continue to come in mostly from Paraguay, notwithstanding a host of policy measures adopted by the Brazilian government to facilitate imports from outside of the Mercosur trade bloc in 2020 and 2021. The latest round of government action came in late April 2021, when Brazil announced that it would suspend import duties on soybeans, soybean products, as well as corn for the remainder of the year. The Chamber of Foreign Commerce (Camex) had previously suspended import taxes on corn until March 31 of this year, and soybeans until January 15. (For more discussion on last year's government import policies see December 2020 [Brazil Oilseeds and Product Update](#) GAIN). Due to logistical and regulatory challenges, the Brazilian industry will continue to source soybean products mostly from their neighboring countries.

## DOMESTIC CONSUMPTION & PROCESSED PRODUCTS

### *Soybean Crush Forecast for 2021/22*

Post forecasts 47.7 MMT of soybeans destined for processing in the 2021/22 MY, an increase of just over two percent on the 2020/21 estimate of 46.5 MMT. The forecast expansion is in line with the five-year average growth rate. The expansion is forecast based on the available soybean supply and rising demand for both soy oil and soy meal domestically, as well as soy oil export demand which will be supported by the continued relative weakness of the Brazilian real.

Post forecasts 2021/22 soybean meal production at 36.47 MMT, up from the estimated 35.55 MM in 2020/21. Domestic soy meal consumption is forecast to increase around 3 percent to 19.9 MMT in the next season, up from 19.3 MMT in 2020/21. Post anticipates domestic meal demand will grow in line with a recent increase in beef and pork annual production of between two and three percent. Post forecasts soybean meal exports to increase around one percent to 16.7 MMT in 2021/22, based on available supply and demand for Brazilian product supported by the favorable exchange rate.

For 2021/22, Post forecasts soy oil production at 9.66 MMT, up from 9.41 MMT in the current season. In the same timeframe, domestic oil consumption is expected to rise to 8.68 MMT, up from 8.32 MMT.



Much of that increase will be driven by industrial oil consumption, which should jump almost eight points, from 4.5 MMT to 4.8 MMT.

Post anticipates that expansion in industrial consumption will be supported by a recovering economy, which will fuel an increase in commercial truck activity. In Brazil, commercial vehicles run on biodiesel, which is manufactured using soy oil. Every year, the Brazilian government mandates a higher biodiesel blend mandate, which translates into a steady increase in industrial oil consumption. Despite the recent temporary rollback of the soybean blend mandate, Brazil is likely to remain on track to continue annual increases as previously announced through 2024. Post anticipates that in March 2022, Brazil will increase the blend rate to 14 percent, or B14. Meanwhile, due to the expected increase in domestic soy oil consumption, soy oil exports will remain flat in 2021/22 at 1.2 MMT.

### ***Soybean Crush Forecast for 2020/21***

Post revised down by 500,000 MT the estimate for the 2020/21 soybean crush to 46.5 MMT. The revision is based on lower domestic demand for soy oil, which in turn reflects the decrease in the mandated biodiesel blend rate. As already noted above, in recent years, Brazil's crush industry expansion has been fueled by government-mandated increases in biodiesel blend rates under the RenovaBio program. The latest increase in the blend rate to 13 percent or B13 was implemented in March 2021. Then, in April 2021, the government temporarily lowered the blend rate to 10 percent (B10). The decision applied to the May and June Petroleum, Natural Gas and Biofuels Agency (ANP) auctions—the official and only channel of biodiesel distribution in Brazil. Subsequently, the B10 blend rate was extended to the June and July auctions as well.

Notably, the government implemented these temporary cuts several times over the last two years due to consumer price inflation. Biodiesel prices, as well as consumer vegetable oil prices, have been increasing for months in Brazil. Rumbblings of lower blend rate began to gather strength at the beginning of the year, and the April temporary cut was not a surprise to the market. In Brazil, about 80 percent of biodiesel is derived from soybean oil, with the remainder made from beef tallow, sunflower oil, and several other sources. (For expanded coverage on blend rate cuts and other measures to contain soy oil prices, see November 20, 2020 GAIN: [Brazil Allows Imported Soy in Biodiesel Production](#)).

Post does not believe that blend rate cuts will become permanent, as the government would need to change the legislation and there is no political appetite for such a fight. The crush industry has invested heavily in expansion. A permanent blend rate reduction would create legal uncertainty for these leveraged investments and would be subject to intense pushback. The processors can also count on the support of producers, for whom higher demand and consumption translate into bigger profits. Tangentially, if soybean crush were to decrease substantially, that would adversely impact not only soy oil but also soy meal supply, pushing up feed prices for the poultry and pork industries.

The industry also has a powerful ally in the Ministry of Agriculture (MAPA); in early June, MAPA Minister Teresa Cristina committed to raising the blend rate back to B13 starting with the August tender. Teresa Cristina also pledged that the government would implement the B14 and B15 increases in 2023 and 2024 as previously announced. Finally, key decision-makers are keenly aware that a lower blend mandate would complicate the country's path to meet its climate commitments under the Paris Agreement – a high-profile issue in Brazil that resonates with a wide swathe of stakeholders.

Post revised down domestic soy oil consumption to 8.32 MT, from a previous estimate of 8.4 MMT for 2020/21 MY. The decrease is reflected in lower commercial sector utilization on account of the lingering pandemic, while the consumer use estimate was raised slightly to reflect better-than-expected economic performance in Q2 2021. At the same time, Post revised up soy oil exports by 200,000 MT to 1.2 MMT. This estimate is supported by the export pace established so far this season. In the first four months of the MY, Brazilian soybean oil exports grew 35 percent compared to the same period last season.

<b>Oilseed, Soybean (Local)</b>	<b>2019/2020</b>		<b>2020/2021</b>		<b>2021/2022</b>	
Market Begin Year	Feb 2020		Feb 2021		Feb-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	37000	36900	38600	38800	40400	40300
Area Harvested	36900	36900	38600	38800	40400	40300
Beginning Stocks	2881	2881	1994	1289	2794	2989
Production	128500	128500	137000	137000	144000	143500
MY Imports	884	884	700	700	656	650
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	132265	132265	139694	138989	147450	147139
MY Exports	81621	81626	87500	87000	94300	94000
MY Exp. to EU	3500	3500	3500	3500	3500	3500
Crush	46000	46850	46750	46500	47700	47700
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2650	2500	2650	2500	2650	2500
Total Dom. Cons.	48650	49350	49400	49000	50350	50200
Ending Stocks	1994	1289	2794	2989	2800	2939
Total Distribution	132265	132265	139694	138989	147450	147139
CY Imports	822	150	700	700	650	650
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	82969	82969	86450	86450	94300	94000
CY Exp. to U.S.	0	0	0	0	0	0
Yield	3.4824	3.4824	3.5492	3.5309	3.5644	3.5608
1000 HA, 1000 MT, MT/HA						

<b>Meal, Soybean (Local)</b>	<b>2019/2020</b>		<b>2020/2021</b>		<b>2021/2022</b>	
Market Begin Year	Feb-20		Feb-21		Feb-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	46000	46850	46750	46500	47700	47700
Extr. Rate, 999.9999	0.775	0.771	0.7752	0.7645	0.7751	0.7645
Beginning Stocks	3482	3482	3497	3967	3452	3732
Production	35650	36120	36240	35550	36970	36465
MY Imports	12	12	15	15	15	15
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	39144	39614	39752	39532	40437	40212
MY Exports	16947	16947	16500	16500	16700	16700
MY Exp. to EU	8900	8900	9000	9000	9000	9000
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	18700	18700	19800	19300	20300	19900
Total Dom. Cons.	18700	18700	19800	19300	20300	19900
Ending Stocks	3497	3967	3452	3732	3437	3612
Total Distribution	39144	39614	39752	39532	40437	40212
CY Imports	12	12	15	15	15	15
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	16938	15200	16500	16500	16700	16700
CY Exp. to U.S.	0	0	0	0	0	0
SME	18700	18700	19800	19300	20300	19900
1000 MT, PERCENT, 1000 MT						

<b>Oil, Soybean (Local)</b>	<b>2019/2020</b>		<b>2020/2021</b>		<b>2021/2022</b>	
Market Begin Year	Feb-20		Feb-21		Feb-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	46000	46850	46750	46500	47700	47700
Extr. Rate, 999.9999	0.1924	0.1996	0.1925	0.2024	0.1925	0.2024
Beginning Stocks	394	394	505	445	325	385
Production	8850	9350	9000	9410	9180	9655
MY Imports	238	238	50	50	50	50
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	9482	9982	9555	9905	9555	10090
MY Exports	1097	1097	1320	1200	1300	1200
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	4105	4640	4110	4500	4110	4850
Food Use Dom. Cons.	3775	3800	3800	3820	3825	3830
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	7880	8440	7910	8320	7935	8680
Ending Stocks	505	445	325	385	320	210
Total Distribution	9482	9982	9555	9905	9555	10090
CY Imports	197	197	50	50	50	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	1110	1110	1305	1250	1300	0
CY Exp. to U.S.	0	0	0	0	0	0
1000 MT, PERCENT, 1000 MT						

**Attachments:**

No Attachments