

Required Report: Required - Public Distribution

Date: February 09, 2022

Report Number: BR2022-0014

Report Name: Oilseeds and Products Update

Country: Brazil

Post: Brasilia

Report Category: Oilseeds and Products

Prepared By: Nicole Podesta

Approved By: Michael Conlon

Report Highlights:

Post lowered its 2021/22 forecast for soybean planted area further, to 39.8 million hectares (ha) and soybean production to 134.5 million metric tons (MMT). From the last estimates, weather conditions have continued to worsen in key producing regions. Principally, the drought in the south of the country has dampened prospects for a record crop. Post consequently also lowered the 2021/22 soybean export forecast to 86.8 MMT. Based on strong yields in the current 2020/21 season, Post revised up its soybean export to 88.9 MMT, a new record. For the 2021/22 MY, Post adjusted up the soybean processing forecast to 46.6 MMT. Post maintained the 2020/21 crush estimate at 46.5 MMT of soybeans. The crush forecast and estimate is driven by domestic soy oil demand, which will likely decline when the biofuel mandate is reduced to 10 percent in 2022. With high prices motivating exports, Brazilian soy stocks will hover at less than five percent of the domestic supply.

SOYBEAN PRODUCTION

2021/22 Soybean Season Reduced Further due to Problematic Weather

Brazil is the world's largest producer and exporter of soybeans. Post estimates that in 2020/21, country had a record harvest and exports of 138.6 million tons and 88.9 million tons, respectively. Post lowered its forecast for soybean planted area from 40.4 to 39.8 million hectares (ha) for 2021/22, still slightly increased from 39 million ha for 2020/21. Given the better-than-expected 2020/21 soybean season and expectations for robust global demand for soybeans, Brazilian farmers were eager to reinvest profits from their last harvest; therefore, the planted area is forecast to expand. For a more detailed discussion on the reasons driving planted area expansion, please see the previous report: [GAIN Oilseeds Update from October 1, 2021](#).

Due to problematic weather conditions, primarily the drought in the southern region on Brazil, Post lowered the forecast for 2021/22 soybean production further by 1 million metric tons, from 136 million metric tons (MMT) to 134.5 MMT. The corresponding based on a yield of 3.38 metric tons (mt) per ha. The Post yield forecast assumes average weather for the remainder of the growing season and optimal input use (seeds, fertilizers, chemicals). In Brazil, some regions experienced yield gains due to growers' adoption and investment in technology, such as bioengineered seeds specifically formulated to be drought resistant. However, the Post forecast went down further to account for lower yields and widespread crop damage on land that experienced detrimental weather issues. If the troublesome weather conditions brought about by the La Niña phenomenon continue to worsen, it is possible that there could be more damage to crops, and soybean production could be lower than the current projection.

The yield forecast, 3.379 for this season's crop, is lower than the previous year due to yield declines across most of Brazil's major soybean growing regions. According to crop analysis firm Plantalytics, the yield in Mato Grosso lowered from 3.59 to 3.56, Parana- 3.19 to 3.12, and Rio Grande do Sul- 3.06 to 2.86. Goiás is the only state indicating a slight increase, of 3.68 to 3.70. As of Friday, January 28th, 11.3 percent of the 2021/22 soybean crop in Brazil was harvested, according to a Safras & Mercado survey. The previous week, harvest was at five percent. Soybean harvesting is further along compared to this time last year, which had only reached 1.4 percent due to untimely rains, which resulted in delayed planting and consequently a late harvest. It is also further along than the historical average, of 5.5 percent harvested by the end of January.

So far, only seven states have started harvesting. Mato Grosso, with 31 percent of area harvested, is the most advanced state. Paraná is second, with 13 percent, followed by Mato Grosso do Sul, which has harvested seven percent of soybean area. Meanwhile in other states, such as Rio Grande do Sul, planting has not yet been fully completed. Drought severely affected the region, hindering the timely completion of planting crops. Since severe drought and extremely high temperatures prevented farmers from continuing sowing, it is possible that not all planting will be finished this season.

Figure 1

Evolution of Soy Harvest in Brazil in Percent Area Collected				
States	28-Jan-22	21-Jan-22	2021	5-Year Average
Rio Grande do Sul	0	0	0	0
Paraná	13	8	0.5	4.8
Mato Grosso	31	13	5	15.6
Mato Grosso do Sul	7	2	0	3.4
Goiana	3.5	1.5	0	2.2
Sao Paulo	3	1	0	0.8
Minas Gerais	3	1	0.2	1.9
Bahia	0.5	0.1	0	0
Santa Catarina	0	0	0	0
Maranhão	0	0	0	0
Piauí	0	0	0	0
Tocantins	0	0	0	0
Others	0	0	0	0
Brazil Average	11.3	5	1.4	5.5

Source: USDA chart with Safras & Mercado data

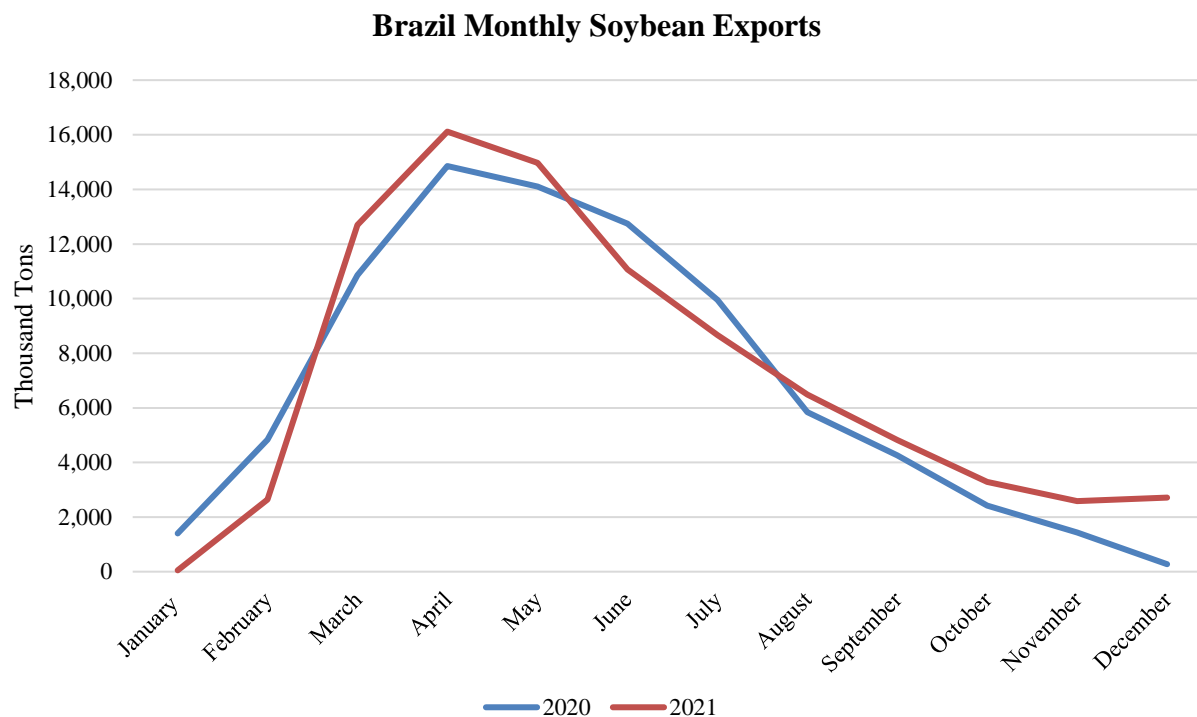
SOYBEAN EXPORTS

2020/21 Exports Finishing Strong, 2021/22 Forecast Lower

In the last week of January 2022, Brazil shipped 1.37 MMT of soybeans, an increase of 963,000 MT from the previous week. Strong export performance indicates that Brazil's January exports could be a record 3.25 MMT. Exports are projected to continue ramping up in February as well, with 9.66 MMT of new-crop soybeans already scheduled to depart. Cumulative “old-crop” export commitments were estimated to be a record 90.17 MMT. In January of the previous year, shipments were only 5,360 tons due to tighter transit stocks and late harvesting. In December, Brazil exported 2.530 million tons of soybeans.

Post anticipates that the decline in soybean production may negatively affect the forecast for export prospects, however. Due to the lower-than-expected harvest, Post decreased the 2021/22 export forecast from 91.1 million tons to 86.8 million, and no longer anticipates record exports.

Figure 2



Source: FAS graph with ABIOVE data

Figure 3

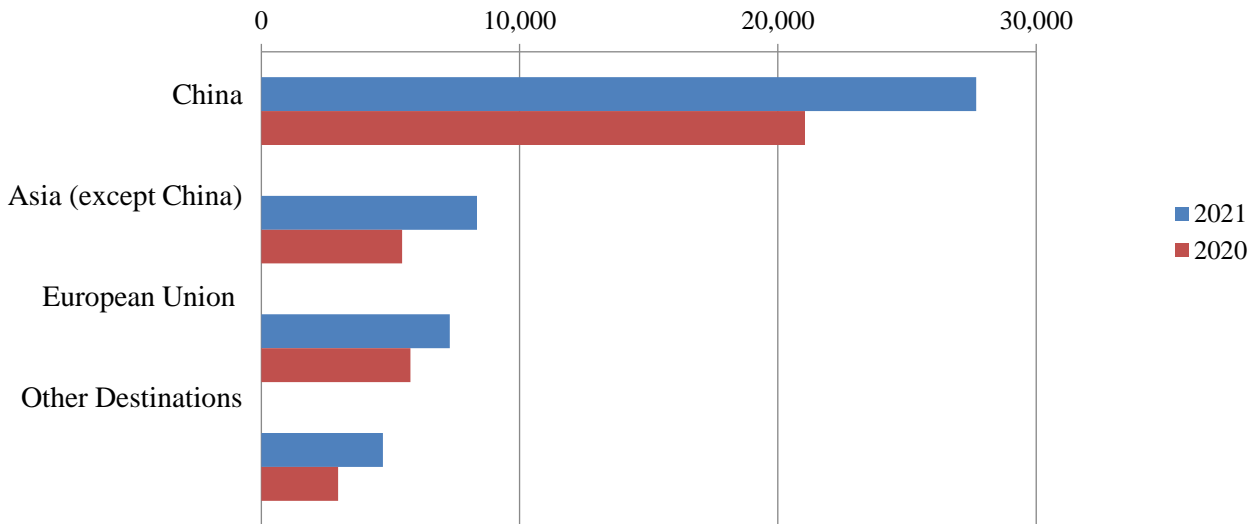
Top Destinations for Brazilian Soybean Exports

Destination	2020		2021		Annual % Difference
	US\$ 1.000	Percent of total	US\$ 1.000	Percent of total	
China	21,043,237	60%	27,680,424	58%	32%
Asia (except China)	5,443,307	15%	8,344,619	17%	53%
European Union	5,776,401	16%	7,291,810	15%	26%
Other Destinations	2,971,841	8%	4,705,425	10%	58%
Middle East	562,237	2%	1,326,183	3%	136%
Rest of Europe	1,025,238	3%	1,225,870	3%	20%
NAFTA	291,085	1%	674,024	1%	132%
Africa	273,817	1%	600,082	1%	119%
Americas	415,802	1%	505,662	1%	22%

Source: FAS chart with ABIOVE data

Figure 4

Exports of Soybeans and Soy Products (in million US\$)



Source: FAS graph with ABIOVE data

CRUSH

Crush Forecast to Increase on High Crush Margins, Strong Meal Exports

While Post anticipates that the decline in soybean production may negatively affect export prospects, crush is expected to stay around the same level as the previous season. As a result, despite the revision of the harvest, Post raised its crushing forecast to 46.6 thousand tons. The main reason for continued motivation for processing is the high crush margin in Brazil, which is above export parity. Recent crush margins were indicated by analysts at \$45 per ton- a new record for the best profit margins.

For soybean meal, 20 million tons is forecast to go to the domestic market. Exports are also projected to increase, up to 17.5 MMT. For the month of January 2022, the forecast is for shipments of 1.960 million tons of soybean meal, while in January of last year, the total exported was 986,857 thousand tons. The outlook is positive, with a perspective of economic recovery in the world and in Southeast Asia, and significant demand from countries such as South Korea, Japan, Taiwan, Thailand, and Vietnam. Soybean meal is used as an input in the meat industry, mainly for poultry and pork.

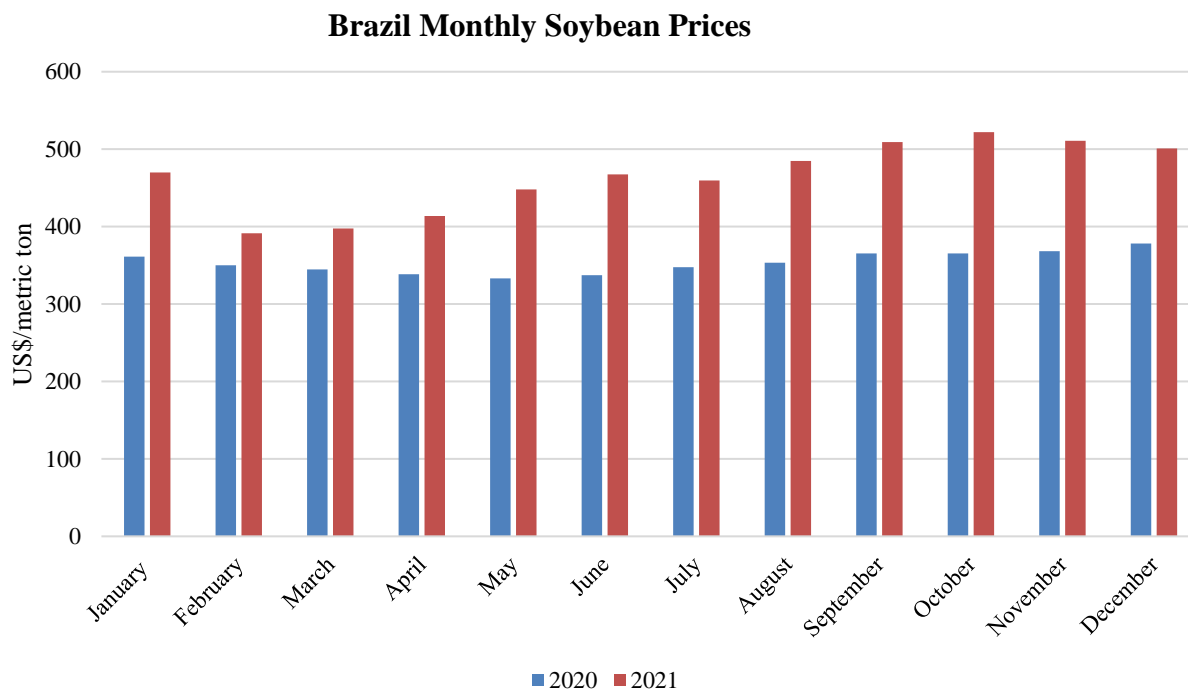
PRICES

Soybean Prices Continue to Stay Elevated

Soybean prices continue to hit new records. According to the Center for Advanced Studies in Applied Economics (Cepea), prices in Paranaguá port (PR) and Paraná closed on Monday, 31st, at R\$ 184.26 and R\$ 180.99 per bag, respectively. These are the highest values in Cepea's history. The price increases

have been due to the crop damage in Brazil, mainly in the South. As result, production was lower, and Cepea indicates that demand has exceeded supply, as domestic industries and international buyers are more active.

Figure 5



Source: FAS graph with ABIOVE data

STOCKS

With a strong appetite for Brazilian soybean exports, Brazilian stocks will remain at very low levels, hovering around 0.5 percent of domestic supply for MY 2020/21. The projection for ending soybean stocks in Brazil in 2021/22 is even lower, at 1.064 thousand tons. Post forecasts that stocks will continue to tighten, due to lower production. While exports are reduced, high prices will continue to motivate sales of soybeans where available. Historically, these are the lowest levels that stocks have ever hit in Brazil. Although the government is concerned with the scarcity of beans on the domestic market and the consequent impact on inflation, Post does not anticipate any export restrictions. Instead, traders and producers alike are focused on sales to take advantage of the upside in prices.

Production, Supply, and Distribution (PSD) Tables

Oilseed, Soybean (Local) Market Year Begins	2019/2020		2020/2021		2021/2022	
	Feb 2019		Feb 2021		Feb 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Planted (1000 HA)	37000	36900	38900	39000	40400	39800
Area Harvested (1000 HA)	36900	36900	38900	39000	40400	39800
Beginning Stocks (1000 MT)	2901	2901	1579	1304	1829	2064
Production (1000 MT)	128500	128500	138000	138000	139000	134500
MY Imports (1000 MT)	884	884	800	860	456	900
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	132285	132285	140379	140164	141285	137464
MY Exports (1000 MT)	81626	81626	88900	88900	90000	86700
MY Exp. to EU (1000 MT)	3500	3500	3500	3500	3500	3500
Crush (1000 MT)	46430	46850	47000	46500	47150	46600
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	2650	2500	2650	2700	2635	3100
Total Dom. Cons. (1000 MT)	49080	49350	49650	49200	49785	49700
Ending Stocks (1000 MT)	1579	1304	1829	2064	1500	1064
Total Distribution (1000 MT)	132285	132280	140379	140164	141285	137464
CY Imports (1000 MT)	822	150	859	700	650	650
CY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
CY Exports (1000 MT)	82969	74600	86100	82980	91650	92000
CY Exp. to U.S. (1000 MT)	0	0	0	0	0	0
Yield (MT/HA)	3.4824	3.4824	3.5476	3.5385	3.4406	3.3794
(1000 HA) ,(1000 MT) ,(MT/HA)						

Meal, Soybean (Local) Market Year Begins	2019/2020		2020/2021		2021/2022	
	Feb 2019		Feb 2020		Feb 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Crush (1000 MT)	46430	46850	47000	46500	47150	46600
Extr. Rate, 999.9999 (PERCENT)	0.775	0.7279	0.775	0.7742	0.7751	0.7897
Beginning Stocks (1000 MT)	3482	3482	3832	2907	3670	2822
Production (1000 MT)	35985	34100	36425	36000	36546	36800
MY Imports (1000 MT)	12	25	19	15	15	15
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	39479	37607	40276	38922	40231	39637
MY Exports (1000 MT)	16947	16200	17300	16800	16900	17500
MY Exp. to EU (1000 MT)	8900	0	7500	9000	7800	9000
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	18700	18500	19306	19300	19900	20000
Total Dom. Cons. (1000 MT)	18700	18500	19306	19300	19900	20000
Ending Stocks (1000 MT)	3832	2907	3670	2822	3431	2137
Total Distribution (1000 MT)	39479	37607	40276	38922	40231	39637
(1000 MT) ,(PERCENT)						

Oil, Soybean (Local) Market Year Begins	2019/2020		2020/2021		2021/2022	
	Feb 2019		Feb 2020		Feb 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Crush (1000 MT)	46430	46850	47000	46500	47150	46600
Extr. Rate, 999.9999 (PERCENT)	0.1925	0.1996	0.1926	0.2	0.1925	0.2017
Beginning Stocks (1000 MT)	394	394	598	445	288	305
Production (1000 MT)	8940	9350	9050	9300	9076	9400
MY Imports (1000 MT)	241	238	110	160	125	100
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	9575	9982	9758	9905	9489	9805
MY Exports (1000 MT)	1097	1097	1775	1770	1550	1650
MY Exp. to EU (1000 MT)	0	0	0	0	0	0
Industrial Dom. Cons. (1000 MT)	4105	4640	3920	4030	3850	3950
Food Use Dom. Cons. (1000 MT)	3775	3800	3775	3800	3800	3750
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	7880	8440	7695	7830	7650	7700
Ending Stocks (1000 MT)	598	445	288	305	289	455
Total Distribution (1000 MT)	9575	9982	9758	9905	9489	9805
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments