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Report Highlights:

Post increased its forecast for soybean planted area to 42.8 million hectares for 2021/22, up previously from 42.5 million hectares. Brazil continues to expand its area due to record high domestic soybean prices. Post forecasts a record harvest at 148.5 million metric tons (MMT), increased from 144 MMT previously with planting starting earlier this year as well. Post increased the export forecast in 2022/223 to 95.7 MMT, an increase from 92 MMT. Post revised imports downwards due to ample supplies, now forecast at 300,000 metric tons (MT) for 2022/23. For 2022/23, Post revised the forecast for soybeans destined for processing upward to a record of 50 MMT based on strong demand for Brazilian soybean products, especially oil.

SOYBEAN PRODUCTION

2022/23 Soybean Season Planting Starts Earlier than Previous Year

As of September 10th, following the sanitary period, Brazilian farmers were allowed to start planting. In Brazil, producers must abstain from planting soybeans during the *vazio sanitario*, or sanitary period of several months after the last beans are harvested. The clean break between two harvests of the same crop is necessary to reduce the incidence of crop diseases such as soybean rust. The *vazio sanitario* is typically in place sometime between June and September and coincides with the dry season in Brazil. To hit the target planting dates for cotton, soybeans (which are the first crop) should be planted by the end of September.

As of September 22nd, 1.5 percent of soybeans had been planted, compared to 1.3 percent last year. This increase was driven by planting in the State of Parana as the region received higher than average rainfall. The farmers who are most aggressively planting their soybeans are those who plan on planting a second crop of cotton, which should be planted before the end of January to reach the window for ideal weather growing conditions.

In Mato Grosso, farmers were allowed to start planting following the sanitary period on September 16th. As of September 26th, farmers had planted 1.79 percent of their soybeans, compared to 1.2 percent last year and 0.25 percent average of the last five years, according to the Mato Grosso Institute of Agricultural Economics (Imea). The most rapid planting progress was in the western part of the state where 3.1 percent of the soybeans have been planted compared to 2.5 percent during the same time last year. The north and northeast regions of Mato Grosso have been more cautious, with planting rates of 0.99 percent and 0.17 percent respectively, which are more in line with previous years

According to the Department of Rural Economics (Deral), farmers in Parana have planted six percent of their intended 2022/23 soybeans as of September 19th, compared to 3 percent last year and 5 percent as the historic average. Most of the soybeans planted thus far have been in the southern part of Parana where the rainfall has been better compared to other regions. In Sao Paulo, farmers in a few areas of the state have started to plant their soybeans while most farmers are waiting for improved soil moisture.

The higher-than-average planting pace is motivated by more ideal weather patterns than previous years for the month of September. Last year, crops experienced irregular and below average rainfall in September and the beginning of October. However, this year's more ideal soil moisture and the forecasted weather for the next 30 days, including up to 150 millimeters of rain in much of Mato Grosso, have contributed to the increased rates. In addition, The National Oceanic and Atmospheric Administration (NOAA) predicts a La Niña phenomena will occur from October to December in Brazil, which would lower rainfall and raise temperatures in central-western, southeastern, and southern regions, and increase rains in the northern and northeastern regions of the country.

However, even with last year's delayed planting and less than ideal weather conditions, area planted increased above the historical trend of 3.5% Considering that planting started earlier than the previous year, along with other favorable factors to be elaborated below, Post increased the forecast for soybean planted area to 42.8 million hectares for 2022/23, up from 40.9 million hectares the past season. Post forecasts planted area to increase 4.6%, slightly below the average growth for the last five seasons of 5.8%.

Record Year Forecasted for Production in 2022/2023

Post revised upwards the forecast for 2022/23 Brazil soybean production to 148.5 MMT, based on a yield of 3.50 MT per hectare. This represents a 17 percent production increase compared to 126.6 MMT in 2021/22, as well as an on-trend increase in yield. Post also revised upwards the planted area for 2022/2023, totaling 42.8 million hectares. In terms of the expansion pace, Post forecasts fast growth to continue in the Northeast region of MATOPIBA – comprised of the states, Maranhão, Tocantins, Piauí, and Bahia. Producers in Bahia grow just one crop per year – typically either cotton or soybeans and with the unprecedented high soybean prices, Post expects conversion of fields to soybeans. The Mato Grosso Institute of Applied Economy (IMEA) forecasts planted area at 11.81 million ha next season, up just over three percent from 2021/22. The largest expansion in percentage terms will be in the North and Northeast regions 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.

Although there is concern for the planting of second-season crops if soybean planting slows down, at this point there is no impact for soybean yields, as long as weather patterns are normal during the rest of the growing season. The Post yield forecast assumes average weather and optimal inputs (seeds, fertilizers, chemicals). Even though fertilizer prices have reached a record high, Post forecasts producers will still use average fertilizer rates in the 2022/23 season.

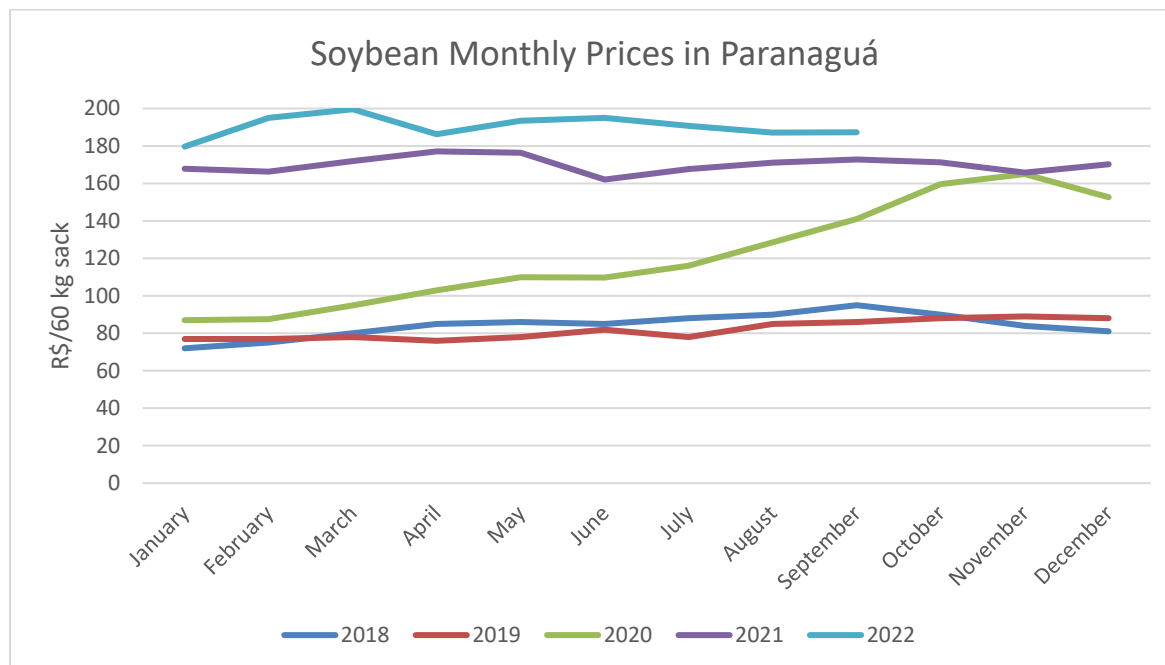
Post believes that key reasons for year-on-year yield gains in Brazil are growers' adoption and investment in technology, such as Genetically Engineered (GE) seeds and the use of cutting-edge chemicals and fertilizers. At the same time, the Post forecast accounts for lower yields on land that will be converted into production, such as degraded pasture, which typically takes several years to reach optimal productivity.

High Prices to Support 2022/23 Area and Production Expansion

Soybeans are the principal crop produced in Brazil. Throughout the last decade, Brazilian growers have demonstrated that there is space to plant more soybeans each season—whether from degraded pasture or at the expense of land from other crops. As a relatively easy to grow and profitable liquid commodity, they are considered a reliable choice for growers. Farmers typically forward contract around half of their forecast crop before planting. For many, proceeds from forward soybean sales finance not just the coming soybean crop, but the second-harvest crop as well. Given that the global demand for soybeans is expected to keep rising, Brazilian farmers will continue to expand their soybean production, with assurance that buyers will be ready when the harvest hits the market. For the 2022/23 marketing year, the Post forecast for area planted considers higher than average trend line growth and the continued high level of domestic soybean prices. Brazilian growers are well capitalized and, while prices of inputs are increasing, profitability remains favorable.

Figure 1

Monthly Soybean Prices in Paranaguá



Source: CEPEA data, ESALQ/BM&FBOVESPA, Paranaguá, OAA Brasilia Chart

The chart above highlights the continuation of elevated domestic soybean prices in 2022. Growers started the year with soybeans fetching around R\$ 180, about \$32.5 per 60-kilogram sack. The market assumption was that prices would be around R\$ 160 (\$27)– very profitable, and well above the past several seasons, prior to 2020. Throughout 2022, prices stayed high, hitting above R\$195 (\$38)/sack in February.

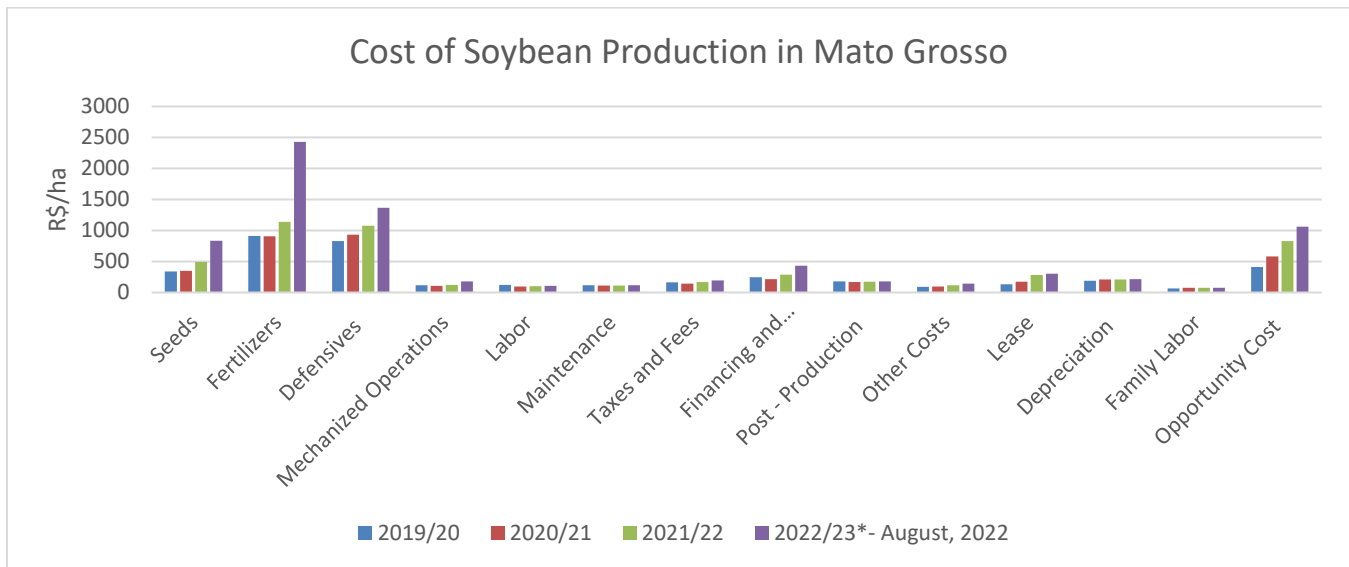
The continuation of price inflation is driven by a combination of factors. The primary reason is the ongoing devaluation of the Brazilian currency, the real (BRL). While the pandemic-induced economic downturn of 2020 has calmed in some respects with the consequential resumption of economic activities, the BRL remains lowly valued against the USD, at 5.3 BRL per 1 USD as of September, 2022. A weak Real means that Brazil’s agricultural commodities continue to be a great value, and desirable product for commercial partners.

Record Cost of Production in the 2022/23 Season

As mentioned earlier, Post forecasts the planted area and production of soybeans in the 2022/2023 season to increase despite record costs of production. The figure below outlines the cost of production increases in Mato Grosso. In the 2021/2022 season in Mato Grosso, the estimated cost of production was \$R5,187.93/ha compared to R\$7,618.15/ha in the 2022/23 season, a 47 percent increase in cost of production.

Figure 2

Cost of Soybean Production in Mato Grosso



Source: IMEA, cost in R\$/ha, with 2022/23 representing estimate; Chart Post Brasilia

Chart 1*Cost of Soybean Production in Mato Grosso Per Expense*

Cost of Soybean Production in Mato Grosso (R\$/ha)				
Harvest	2019/20	2020/21	2021/22	2022/23*
Year	2019	2020	2021	2022
Month				August
Seeds	336.23	348.65	494.95	833.42
Fertilizers	909.74	906.70	1141.09	2426.26
DEFENSIVES (Fungicide, Herbicide, Insecticide, etc.)	829.25	933.94	1077.84	1364.87
MECHANIZED OPERATIONS (Planting, Fertilizing, Applications with Machines, Harvesting...)	114.51	104.37	121.97	178.41
Labor	122.95	97.60	100.71	107.29
Maintenance	114.68	113.36	113.73	114.89
Taxes and Fees	165.09	143.69	166.74	192.44
Financing and Insurances	244.97	217.37	287.40	429.38
POST-PRODUCTION (Classification and Processing, Storage, Production Transport)	179.37	170.71	171.44	177.38
Other Costs (Technical Assistance, Utilities Fuel, General Expenses)	92.28	96.42	114.70	141.38
Lease	134.14	172.52	281.79	302.60
DEPRECIATION (of Equipment, Utilities, and Improvements)	189.42	208.87	208.57	213.27
Family Labor	65.07	76.31	76.22	77.15
OPPORTUNITY COST (Working Capital, Improvements, etc.)	410.35	579.60	830.77	1059.41
TOTAL	3,908.04	4,170.11	5,187.93	7,618.15

Source: IMEA, cost in R\$/ha, with 2022/23 representing estimate; Chart Post Brasilia

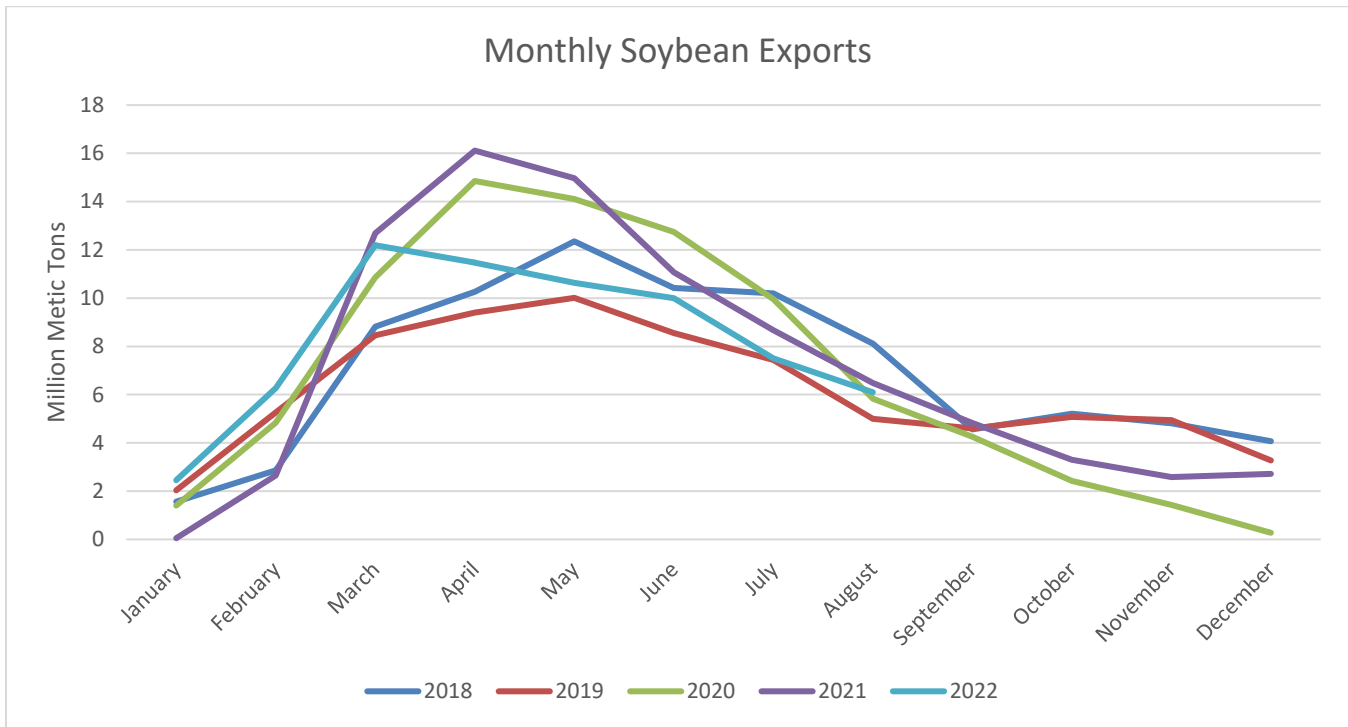
SOYBEAN TRADE

Yet Another Record Soybean Export Forecast in 2022/23

Post revised the forecast upwards for soybean exports in the 2022/23 season (February 2023 to January 2024) to at 95.7 MMT, exceeding the estimate for the previous season of 77 MMT. The forecast is based on increased expectations of ample available supplies and an extremely favorable exchange rate. According to industry contacts in Brazil, the market expectation is that the Brazilian real will continue to trade at around R\$ 5 to the USD in 2023. The Post export forecast also assumes that global demand for soybeans will continue to hold steady if the post-pandemic global economy improves in 2023. Unlike many other heavily traded sectors, soybean consumption has limited elasticity. In the key soybean importing countries of China and Europe, despite the ripple effects of economic challenges wrought by the pandemic, meat consumption is not likely to suffer a dramatic downturn.

With global conditions improving from the start of the pandemic in 2022, trade conditions have shifted as well. The 2020/21 season experienced record soybean exports totaling 88.5 MMT, including an individual month record in April 2021 of over 16 MMT. However, soybean exports have been lower in the 2021/22 season. In February-August of the 2020/21 season, Brazil exported 72.6 MMT of soybeans but during the same period of February-August in the 2021/22 season Brazil only exported 64.2 MMT of soybeans. This can be attributed to the lower-than-expected production due to poor weather conditions, strong domestic consumption on high crush margins that competed with exports and the slow buying/crushing in China due to strict Covid-19 lockdowns.

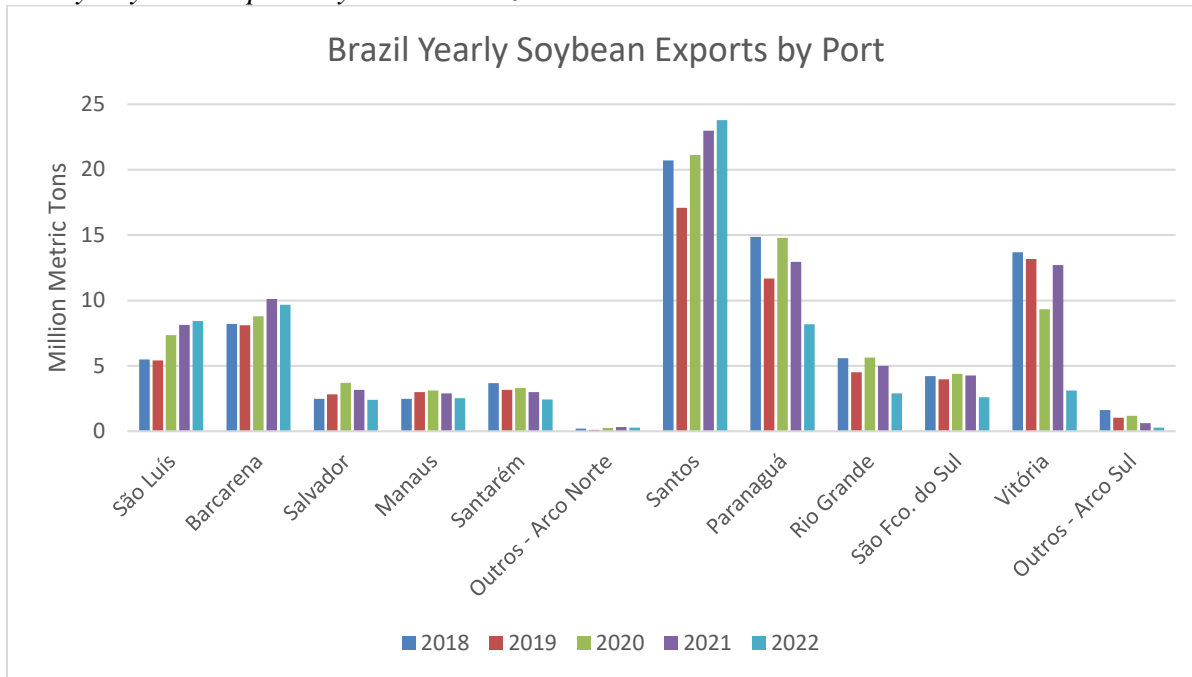
Figure 3
Monthly Soybean Exports



Source: COMEX STAT, OAA Brasilia Chart

Figure 4

Yearly Soybean Exports by Port in Brazil



Note* 2022 Data includes data from January-August

Source: Abiove

China Remains Top Buyer of Brazilian Soybeans

For the 2021/22 season, Post estimates soybean exports at 77 MMT. So far this season, about three-quarters of Brazil's soybean shipments were destined for China. China has long been the main buyer of Brazilian soybeans, further solidifying its status in the wake of U.S.-China trade tensions that broke out in 2018. Over the previous several seasons, Chinese crushers often sourced soybeans from Brazil because its massive supplies were the only viable alternative to the U.S. supply. In 2022/23, China is expected to remain the top importer of Brazilian soybeans.

Imports to Lower in 2022/23

Post forecasts 2022/23 soybean imports at 400,000 MT, down 300,000 MT from the previous forecast released in August. The revision is based on ample supplies at the start of next season due to record production. Imports in 2021/22 are estimated at 850,000 MT, an increase from the 2020/2021 season. Soybean imports are primarily driven by expansion of domestic crush capacity. Most of Brazil's soybean imports are sourced duty-free from the neighboring Paraguay, a Mercosul trading block member. Brazil also sources soybeans from Mercosul member Uruguay, for the crushing plants in the southern state of Rio Grande do Sul.

DOMESTIC CONSUMPTION & PROCESSED PRODUCTS

Soybean Crush Forecast to Increase for 2022/23

For 2022/23, Post revised the forecast for soybean crush at 50 MMT, a 1.7 percent increase compared with the 2021/2022 estimate. The revision is based on an increase in available supplies, as well as an increase in demand for soybean products. The forecast expansion is above 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 and meal export demand which will be supported by the continued relative weakness of the Brazilian real. One major determining factor is the war between Russia and Ukraine, which has dramatically reduced the availability of sunflowerseed oil on the international market, therefore favoring the prices of other vegetable oils, including soybean. There have also been lower exports of rival palm oil, due to protectionism measures. The expansion of U.S. biodiesel increasing premiums for U.S. soy oil has effectively eliminated the U.S. as an oil supplier for the world.

Post forecasts 2022/23 soybean meal production at 38.75 MMT, an increase from previous estimates. Domestic soymeal consumption is forecast to increase to 20.1 MMT in the next season, up from 19.6 MMT in 2021/22. 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.

For 2022/23, Post revises the forecast of soy oil production to 10 MMT. Domestic oil consumption is expected to increase to 8.09 MMT. The increase will be driven by industrial oil consumption, which is projected to rise to 4.19 MMT. Post anticipates that expansion in industrial consumption will be supported by a slowly but steadily recovering economy, which will fuel an increase in commercial truck activity. In Brazil, commercial vehicles run on biodiesel, which is manufactured using soy oil. When the Brazilian government mandates a higher biodiesel blend mandate, there is a steady increase in industrial oil consumption.

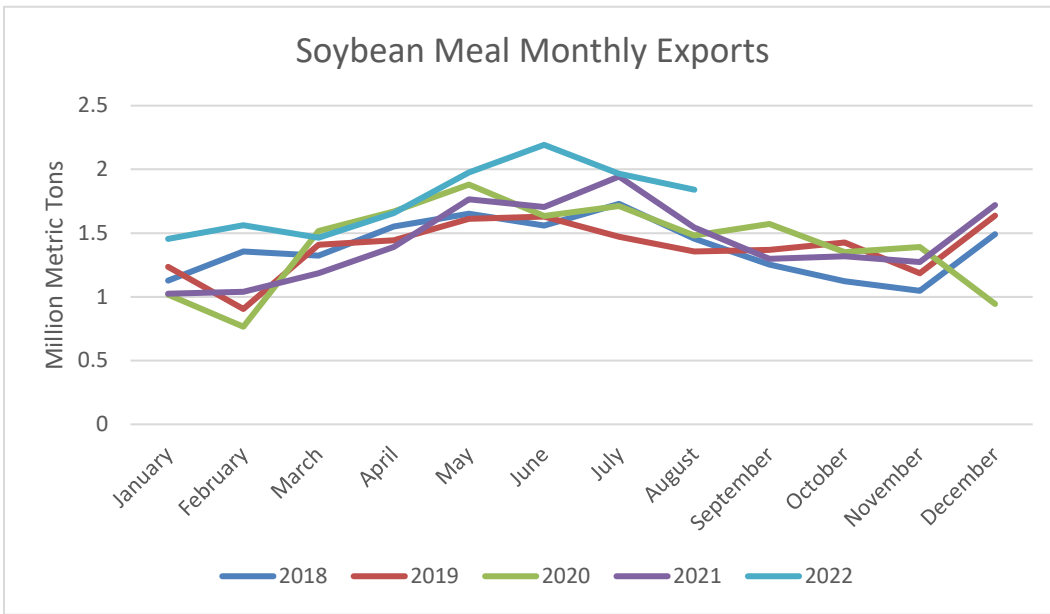
Brazil's biodiesel producers are also anticipating increased soy oil supply, as they hope to increase output in the face of a potential diesel supply shortage. In September 2021, the Brazilian government decided to reduce the mandatory mix of biodiesel in diesel because of the high price of soy oil. However, Brazil imports around 30 percent of the diesel it consumes, and high oil prices combined with the depreciation of the real against the U.S. dollar has contributed to double-digit inflation. There are now reports that Brazil is looking to boost blending again to offset high fossil fuel prices. Blending in Brazil is currently at 10 percent but could go to 15 percent. According to Abiove, the sector could currently supply a 12 percent blend, but would need to crush another 3 million metric tons of soybeans to achieve a blend rate of 15 percent.

PRODUCT TRADE

Soybean Meal

For 2022/23, Post revised the soybean meal exports forecast to increase slightly, from 18.2 MMT to 18.95 MMT. Post anticipates that exports of both soybean meal and oil will be supported by the weak domestic currency. Record soybean meal exports have been recorded in the same period of January-August in the 2021/2022 season compared with other seasons during this time.

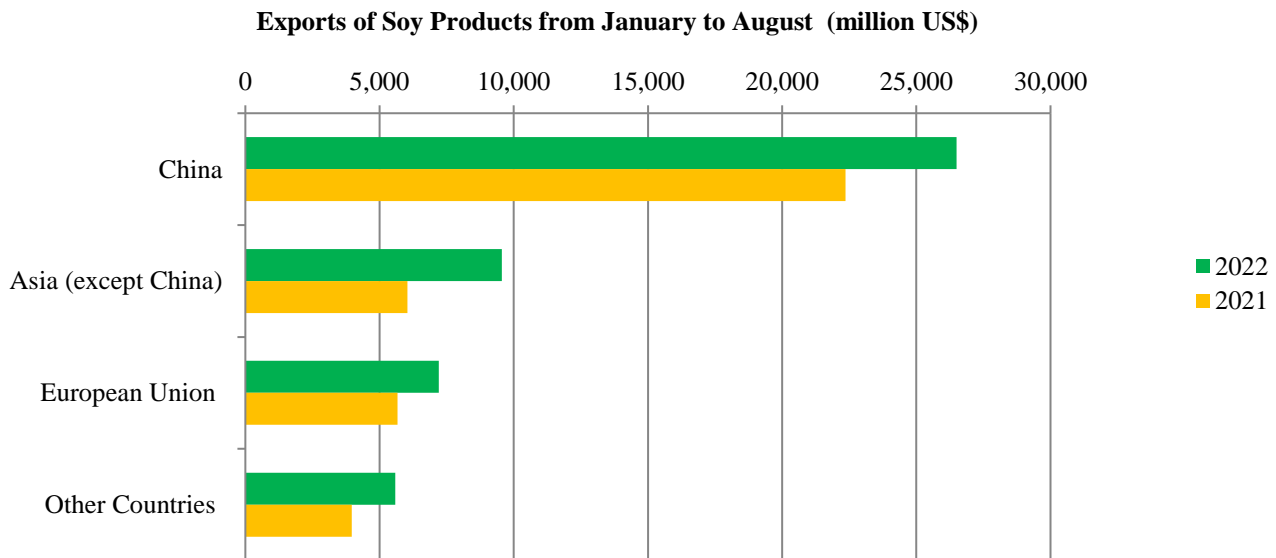
Figure 5
Soybean Meal Monthly Exports



Source: Trade Data Monitor, OAA Brasilia Chat

Figure 6

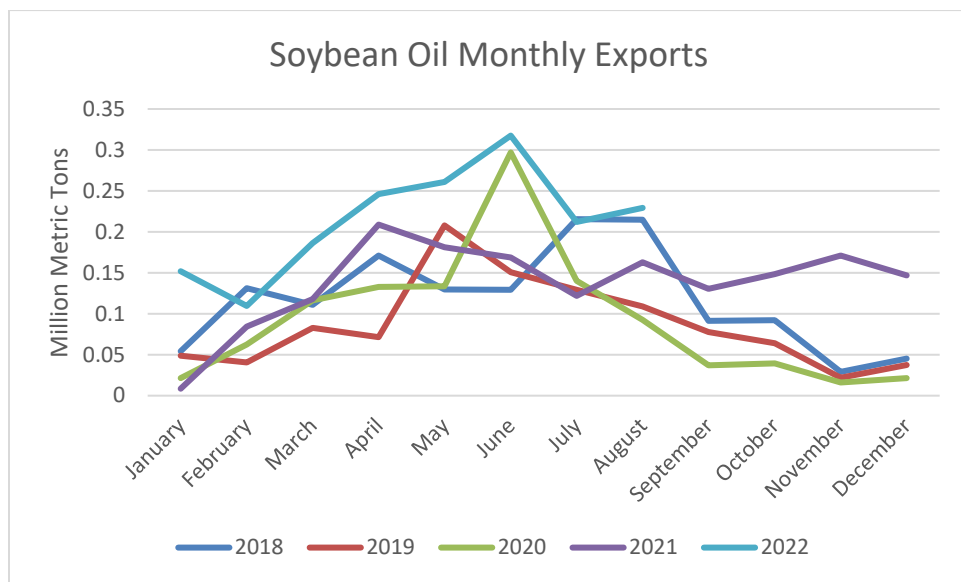
Exports of Soy Products in 2021-2022



Source: Abiove

Figure 7

Soybean Oil Monthly Exports



Source: SECEX trade data, OAA Brasilia chart

For soybean oil, Post revised the estimate for exports in 2022/23 year up to 2.05 MMT due to an above average increase this marketing year. This year, from January to August 2022, Brazil has exported 1.71 MMT of soybean oil, a 63 percent increase compared to the same period in 2021. China and India are the primary markets for soy oil, followed by Europe and Southeast Asia. Brazil has experienced higher-than-average sales of soybean oil due to several factors. Brazil has been able to capitalize on reduced competition due to reduced supplies from Argentina and a high U.S. premium. This coupled with limited access and high prices for competing oils, including palm and sunflowerseed, resulted in increased demand for soybean oil. Finally, the reduced biodiesel blend rate meant Brazil had greater supplies available for export.

Chart 2

Soybean Production, Supply, Distribution

Oilseed, Soybean (Local)	2020/2021		2021/2022		2022/2023	
Market Begin Year	Feb 2021		Feb 2022		Feb 2022	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	39200	39000	41500	40900	42900	42800
Area Harvested	39200	39000	41000	40900	42900	42800
Beginning Stocks	1961	1961	2250	2721	3055	1921
Production	139500	138000	127000	126600	152000	148500
MY Imports	791	860	550	850	750	400
Total Supply	142252	140821	129800	130171	155805	150821
MY Exports	88512	88900	73500	77000	96500	95700
Crush	48285	46500	50000	48250	52000	50000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3205	2700	3245	3000	3600	3221
Total Dom. Cons.	51490	49200	53245	51250	55600	53221
Ending Stocks	2250	2721	3055	1921	3705	1900
Total Distribution	142252	140821	129800	130171	155805	150821
Yield	3.5587	3.5385	3.0602	3.0954	3.5476	3.4696

1000 HA, 1000 MT, MT/HA

Chart 3

Soybean Meal Production, Supply, Distribution

Meal, Soybean (Local)	2020/2021		2021/2022		2022/2023	
Market Begin Year	Feb 2020		Feb 2021		Feb 2022	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	48285	46500	50000	48250	52000	50000
Extr. Rate, 999.9999	0.775	0.7742	0.7751	0.7782	0.775	0.775
Beginning Stocks	3864	3864	4275	3779	3745	3744
Production	37421	36000	38755	37550	40300	38750
MY Imports	19	15	15	15	17	15
Total Supply	41304	39879	43045	41344	44062	42509
MY Exports	17608	16800	19400	18000	19300	18950
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	19250	19300	19900	19600	20450	20100
Total Dom. Cons.	19250	19300	19900	19600	20450	20100
Ending Stocks	4446	3779	3745	3744	4312	3459
Total Distribution	41304	39879	43045	41344	44062	42509

1000 MT, Percent

Chart 4

Soybean Oil Production, Supply, Distribution

Oil, Soybean (Local)	2020/2021		2021/2022		2022/2023	
Market Begin Year	Feb 2020		Feb 2021		Feb 2022	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	48285	46500	50000	48250	52000	50000
Extr. Rate, 999.9999	0.1926	0.2	0.1925	0.2025	0.1923	0.2
Beginning Stocks	604	604	432	334	312	314
Production	9300	9300	9625	9770	10000	10000
MY Imports	67	160	30	100	100	100
Total Supply	9971	10064	10087	10204	10412	10414
MY Exports	1794	1770	2200	1970	2125	2050
Industrial Dom. Cons.	3920	4100	3675	4120	3875	4190
Food Use Dom. Cons.	3800	3860	3900	3800	4000	3900
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	7720	7960	7575	7920	7875	8090
Ending Stocks	457	334	312	314	412	274
Total Distribution	9971	10064	10087	10204	10412	10414

1000 MT, Percent, 1000 MT

Attachments:

No Attachments