



THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 10/5/2011

GAIN Report Number: BR0717

Brazil

Oilseeds and Products Update

2011/12 Soybean Planted Area Estimated to reach a Record 25 Million Hectares

Approved By:

Bob Hoff, Agricultural Counselor

Prepared By:

Jeff Zimmerman, Agricultural Attaché

Report Highlights:

Post now forecasts soybean production in 2011/12 at 75 million metric tons (mmt), a slight decrease from the record 75.3 mmt produced in 2010/11. Post forecasts a record 25 million hectares will be planted to soybeans in 2011/12, a 3 percent increase over 2010/11 planted area of 24.2 million hectares. The 2011/12 soybean crop has just commenced planting with over 5 percent planting concluded in the highest and second highest producing states of Mato Grosso and Parana. Producers are heavily investing windfall 2010/11 profits in increased use of certified seed, genetically engineered seed, fertilizer, new machinery, soil management and other inputs. Post anticipates these investments to result in very good national yields of 3 metric tons per hectare (mt/ha), despite expanded first-year planted acreage that is expected to yield less than the average. Soybeans maintain a lower relative production cost and greater liquidity compared to alternative crops. Exports in 2011/12 are expected to remain strong and are estimated at 34 mmt, up 4.6 percent from an estimated 32.5 mmt of exports in 2010/11. Brazil's current 5 percent biodiesel blend mandate is anticipated to increase to 7 percent late 2012 or early 2013.

Table 1. Production, Supply, and Demand Statistics

Oilseed, Soybean (Local) Brazil	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Feb 2010		Market Year Begin: Feb 2011		Market Year Begin: Feb 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	23,500	23,400	24,200	24,200	25,000	25,000
Area Harvested	23,500	23,400	24,200	24,200	25,000	25,000
Beginning Stocks	1,656	295	2,766	1,779	6,511	5,004
Production	69,000	68,700	75,500	75,300	73,500	75,000
MY Imports	150	124	25	25	50	25
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	70,806	69,119	78,291	77,104	80,061	80,029
MY Exports	29,190	29,190	31,930	32,500	35,100	34,000
MY Exp. to EU	9,500	6,000	10,000	10,000	10,000	10,000
Crush	35,700	35,200	36,500	36,500	36,525	36,700
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3,150	2,950	3,350	3,100	3,450	3,200
Total Dom. Cons.	38,850	38,150	39,850	39,600	39,975	39,900
Ending Stocks	2,766	1,779	6,511	5,004	4,986	6,129
Total Distribution	70,806	69,119	78,291	77,104	80,061	80,029
1000 HA, 1000 MT						

Brazil's 2011/12 Soybean Planted Area Estimated to reach a Record 25 Million Hectares

Post raised 2011/12 estimated soybean production to 75 mmt, down slightly from the record 75.3 mmt in 2010/11. Post's 2011/12 production forecast is similar to those of private consulting groups Agroconsult, Céleres, and Safras e Mercado that estimate 74 mmt, 75.18 mmt, and 75.24 mmt, respectively. Post raised 2011/12 forecast planted area to 25 million hectares, a 3 percent increase over 2010/11 planted area of 24.2 million hectares. Post's 2011/12 estimated planted area is in line with those of Agroconsult and Céleres, both with 25 million hectares estimated. Post forecasts a 2011/12 national average yield of 3 mt/ha slightly lower than the 2010/11 record national average yield of 3.1 mt/ha. The Brazilian Ministry of Agriculture's Food Supply Company (CONAB) will release its first 2011/12 crop survey on October 6th.

Planting of the 2011/12 soybean crop has just commenced following the "vazio sanitario" with over 5 percent planting concluded in the highest and second highest producing states of Mato Grosso and Parana. Since 2006, the majority of soybean producing states in Brazil have utilized a "vazio sanitario" – a 60- to 90-day period in which planting is prohibited to control soybean rust, with the exception of seed research and development (Table 2). Producers are heavily investing windfall 2010/11 profits in increased use of certified seed, genetically engineered seed, fertilizer, new machinery, soil management and other inputs. Post anticipates these investments to result in very good national yields of 3 mt/ha, despite expanded first-year planted acreage that is expected to yield less than the average. As with last year, the La Nina weather phenomenon is expected this year and yields will be predicated on the proper

distribution of rainfall. Despite receiving lower than average rainfall in the South region of Brazil last year as a result of La Nina, this region had record yields due to ideal distribution of the rainfall. The biotechnology adoption rate for soybeans planted in 2011/12 is expected to reach 85 percent. Soybeans maintain a lower relative production cost and greater liquidity compared to alternative crops.

Post travels to the highest producing state of Mato Grosso in September revealed significant investment in more comprehensive pre-planting soil management to bring the Ph level and nutrient load to ideal levels in older cropland areas. Land value appreciation over the past year has made land purchase and leasing less attractive with a significant number of producers opting to invest windfall profits back into their current land holdings.

Production forecasts continue to outpace transportation and infrastructure improvements. The recent resignation of the Minister of Transportation has delayed by up to one year the estimated dates of completion of major transportation projects across the country. The Interstate Highway BR-163 is now scheduled to be completed by early 2013. The BR-163 will link the center north of Mato Grosso, including Brazil’s highest concentrated soybean producing region of Sorriso, to the Port of Santarem in the State of Para and result in an estimated transportation cost savings of \$30 per ton.

Table 2. “Vazio Sanitario” Prohibited Soybean Planting Period by Brazilian State

State (<i>Production Rank</i>)	Start Date	End Date
Mato Grosso	June 15 th	September 15 th
Paraná	June 15 th	September 15 th
Rio Grande do Sul	N/A	N/A
Goiás	July 1 st	September 30 th
Mato Grosso do Sul	July 1 st	September 30 th
Bahia	August 15 th	October 15 th
Minas Gerais	July 1 st	September 30 th
São Paulo	July 1 st	September 30 th
Maranhão	August 15 th	October 15 th
Santa Catarina	N/A	N/A
Tocantins	July 1 st	September 30 th
Piauí	N/A	N/A
Roraima	June 15 th	September 15 th
Pará 1 (East Region)	July 15 th	September 15 th
Pará 2 (West Region)	October 1 st	November 30 th
Federal District	July 1 st	September 30 th

Brazil's Committed Export Sales Extend into early 2012 on Price Competitiveness

The Brazilian real depreciated nearly 20 percent vis-à-vis the U.S. dollar over the last month boosting exports sales of soybeans for delivery in December through March 2012, an export window historically favoring U.S. soybeans based on price competitiveness. Safras e Mercado Consultancy estimates 22 percent of the 2011/12 soybean crop are already sold, trending well above the 18 percent of the crop sold at this time last year and the 15 percent committed at this time on average in the last five years. The state of Mato Grosso leads with committed sales around 40 percent for the 2011/12 crop. Post estimates 2011/12 exports to reach 34,000 mmt, a 4.6 percent increase over 2010/11 exports estimated at 32,500 mmt.

Domestic Soybean Derivatives Market Experiencing Weak Crush Margins

High domestic soybean prices have resulted in weak crush margins for the processing sector and are expected to continue into the first or second quarter of next year. Those vertically integrated into biodiesel production have been able to offset the weak crush margins. The biodiesel industry is anticipating a revision to the Brazilian blending mandate from 5 percent biodiesel blend to increase to 7 percent sometime in late 2012 or early 2013. This will boost domestic demand and profitability in a sector that operates well under capacity.

Other relevant reports:

[2011 Brazil Oilseeds and Products Annual Report](#)

[2011 Brazil Annual Biofuels Report](#)