

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Post:

Brasilia

Oilseeds and Products Update

Soybean Area to Increase at Slowest Pace in Five Years

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Report Highlights:

A record Brazilian soybean crop of 101 million metric tons (mmt) is forecast for the 2016/17 Marketing Year (MY) as a result of a slight increase in planted area. Brazil is forecast to have the slowest area growth in the last five years, attributed to an higher expected cost of production, tight credit policies, higher interest rates, the economic downturn, and soybean areas shifting back to full-season corn. Crush for the 2016/17 MY is forecast at 41 mmt to meet the increased biodiesel mandate and demands from the animal feed sector. Post forecasts exports at a record of 57 mmt for 2016/17 MY due to the weaker Brazilian Real and higher Chinese demand.

Oilseed, Soybean (Local)	2014/2015		2015/2016		2016/2017	
Market Begin Year	Feb 2015		Feb 2016		Feb 2017	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	32100	32100	33300	33300	33700	33700
Area Harvested	32100	32100	33100	33300	33700	33700
Beginning Stocks	1577	1577	1200	1200	2300	1900
Production	97200	97200	96500	95500	101000	101000
MY Imports	325	325	450	450	350	300
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	99102	99102	98150	97150	103650	103200
MY Exports	54635	54635	52200	52000	57700	57000
MY Exp. to EU	6000	6000	6000	6000	6200	6500
Crush	40309	40309	40700	40300	40500	41000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2958	2958	2950	2950	3100	3050
Total Dom. Cons.	43267	43267	43650	43250	43600	44050
Ending Stocks	1200	1200	2300	1900	2350	2150
Total Distribution	99102	99102	98150	97150	103650	103200

(1000 HA) ,(1000 MT)

MY 2016/17 = February 2017 to January 2018

PRODUCTION:

2016/17 Soybean Plantings Begin and Crop is Forecast at a Record

Post forecasts 2016/17 marketing year (MY) soybean production at 101 million metric tons (mmt), an increase of five percent compared USDA's 2015/16 production estimate. The 2016/17 planted area is forecast to increase to 33.7 million hectares (ha), an increase of 1.8 percent compared to last year's season.

This is the slowest area growth in the last five years, which is attributed to a higher than expected cost of production, higher interest rates, concerns about the domestic economy, and soybean areas shifting back to full-season corn as it becomes more profitable.

The seasonal planting moratorium (vazio sanitario) stipulated by the Government of Brazil (GOB)

ended on September 15; which marked the official start of the 2016/17 season. Even though the planting pace was faster compared to last year, farmers are still cautiously waiting for more normal rains, which are forecast for October. As of September 29, both the state of Mato Grosso and Parana, the two largest soybean producing states in Brazil, had a faster planting pace compared to last year, but still lower than average.

The low global soybean prices continue to be a concern for Brazilian producers. However, the volatility of the Brazilian Real can either help producers or put them in a difficult situation. Last year, the Brazilian Real devaluation of over 40 percent pushed domestic soybean prices up to record levels. The Brazilian Real has stabilized since August at about 3.20 Brazilian Reals per dollar. However, analysts expect the Brazilian Real to devalue to about 3.50 Brazilian Reals per dollar by the beginning of 2017, right at the start of the harvest. If this materializes, it could push domestic prices up again in Brazil. Since soybeans are priced in U.S. dollars in the international market, the weaker exchange rate can increase domestic soybean prices (more Reals per U.S. dollars) and cushion the overall decrease in global prices.

2015/16 Soybean Crop Heavily Impacted by Dry and Hot Weather

Post reduced its estimate for Brazil's 2015/16 soybean production to 95.5 mmt and increased planted area to 33.3 million ha. Post estimates national yields at 2.86 metric tons per ha. The difficulties posed by the challenging El Niño season in 2015/16 in many parts of Brazil, negatively impacted national yields. Dry and hot weather, mainly in the Center-West and Northeast of Brazil, resulted in serious damages to crop yields.

CONSUMPTION:

2016/17 Crush to Increase due to Higher Domestic Demand

Post forecasts 41 mmt of soybeans destined for processing in the 2016/17 MY. The higher forecast compared to the previous MY is a result of a slight recovery expected for the Brazilian economy in 2017, the higher biodiesel blending mandates which will be implemented beginning in March 2017, and stronger demand by the domestic animal sector and the export markets.

For 2015/16 MY, post reduced its estimate to 40.3 mmt of soybeans destined for processing, about 400,000 mt lower than USDA's current 2015/16 estimate. The estimate was lowered as a result of the lower soybean supply available in the market and the contraction of the Brazilian economy.

TRADE:

2016/17 Exports Forecast at a Record

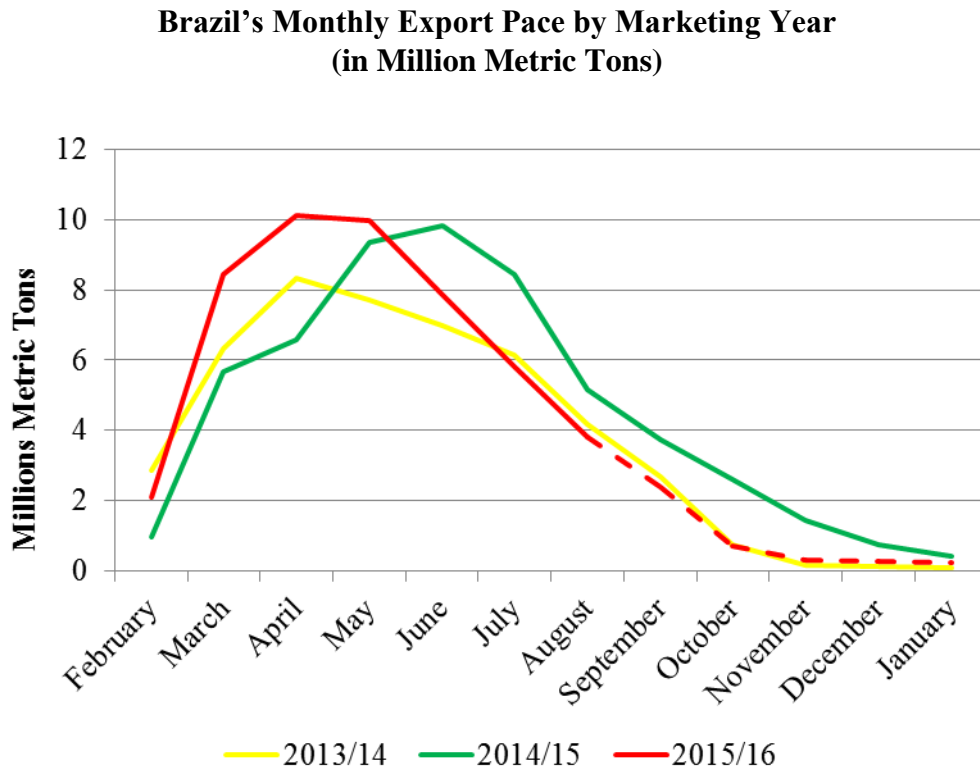
Post forecasts exports at 57 mmt for the 2016/17 MY due to higher demand by China and the weaker Brazilian Real, which continues to make Brazil more competitive in the global market. Compared to last year, the pace of forward contracts for the 2016/17 crop is much slower. In Mato Grosso for example, it is estimated that just 27.4 percent has been contracted, about 12.7 percent lower compared to

last year. This is a result of producers expecting a weaker Brazilian Real by early 2017. A weaker Brazilian Real would push domestic prices up, which would accelerate the forward contracts.

2015/16 Exports Forecast Impacted by Lower Available Supplies

As a result of lower available supplies, post reduced its 2015/16 MY export forecast to 52 mmt. In the first four months of the 2015/16 MY, Brazil was on its way to hit record exports due to high demand from China. In addition, the relatively weaker Brazilian Real pushed domestic prices to record levels, which accelerated the pace of exports to the highest in three years. However, since August 2016, lower available supplies due to weather problems affecting the crop, slowed down the export pace to the lowest since MY 2013/14 (see graph 1).

Graph 1:



Source: Global Trade Atlas
Soybeans MY 2015/16 = February 2016 to January 2017