

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

Post:
Brasilia

Oilseeds and Products Update

New Season Starts with Speedy Planting Pace

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Report Highlights:

Post forecasts the 2016/17 soybean production at a record 101 million metric tons. The export forecast for Marketing Year 2016/17 is 57 MMT despite the slower pace of commercialization. The domestic soybean crush is forecast at 41 MMT to meet new biodiesel mandates set by the Government of Brazil.

Production, Supply, and Distribution Table

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	33800	33700
Area Harvested	32100	32100	33100	33300	33800	33700
Beginning Stocks	1656	1656	1240	1279	4450	1979
Production	97200	97200	96500	95500	102000	101000
MY Imports	325	325	410	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	99181	99181	98150	97229	106800	103279
MY Exports	54635	54635	51100	52000	58700	57000
MY Exp. to EU	6000	6000	6000	6000	6200	6500
Crush	40348	40309	39100	40300	41000	41000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2958	2958	3500	2950	3600	3050
Total Dom. Cons.	43306	43267	42600	43250	44600	44050
Ending Stocks	1240	1279	4450	1979	3500	2229
Total Distribution	99181	99181	98150	97229	106800	103279
(1000 HA) ,(1000 MT)						

Production

2016/17 Good Rains in October Accelerate Soybean Planting Pace

Post kept its production forecast at a record 101 million metric tons (MMT). Post also kept its planted area forecast at a record 33.7 million hectares (HA). Producers are expected to slightly increase planted area compared to last year, but many are still concerned about the high cost of production, higher interest rates, difficulty accessing credit lines, and financial difficulties at the farm as a result of last year's losses.

It is estimated that about 28 percent of the forecast area has been planted as of October 21, much faster compared to last year (about 20 percent). In Mato Grosso, the largest soybean producing state, about 42

percent was planted as of October 21, about double the area during the same time last year. The good rains in October mainly in the western and central part of the state are encouraging the fast planting pace. However, the northeastern part of the state is still experiencing dry conditions, so the pace is much slower. According to the Mato Grosso Institute of Agricultural Economics (IMEA), this is the fastest planting pace in Mato Grosso's history, which can potentially benefit producers when planting a second crop right after the soybean harvest.

In other key states in the Central-West region, such as Goiás, the weather forecast is favorable and regular rains are expected to start by the first week of November. In some areas of the southern region, excessive rains have slowed down the planting pace. In the northeastern region of Brazil, which produces about 10 percent of the soybean crop, there are concerns about dry weather.

Prices

Appreciation of the Brazilian Real in 2016 Brings Domestic Prices Down

Since the beginning of 2016, the Brazilian Real has appreciated by 25 percent against the U.S. dollar. This is rapidly changing the domestic price situation from just a year ago. After domestic soybean prices reached record levels in June, to an average R\$90.59 per 60 kilos or 44 percent higher compared to the same month last year, prices have come down significantly (see Table 1) due to lower global prices and the Brazilian Real appreciation (less Reals per U.S. dollars).

Prices have decreased 19 percent between June and September, the beginning of the planting season. This situation has slowed the commercialization of the crop compared to last year. Producers are being more cautious with their selling strategy, expecting a rebound in prices later in the year.

Table 1: Average Monthly Soybean Prices

(Prices* in R\$ per 60 kg)

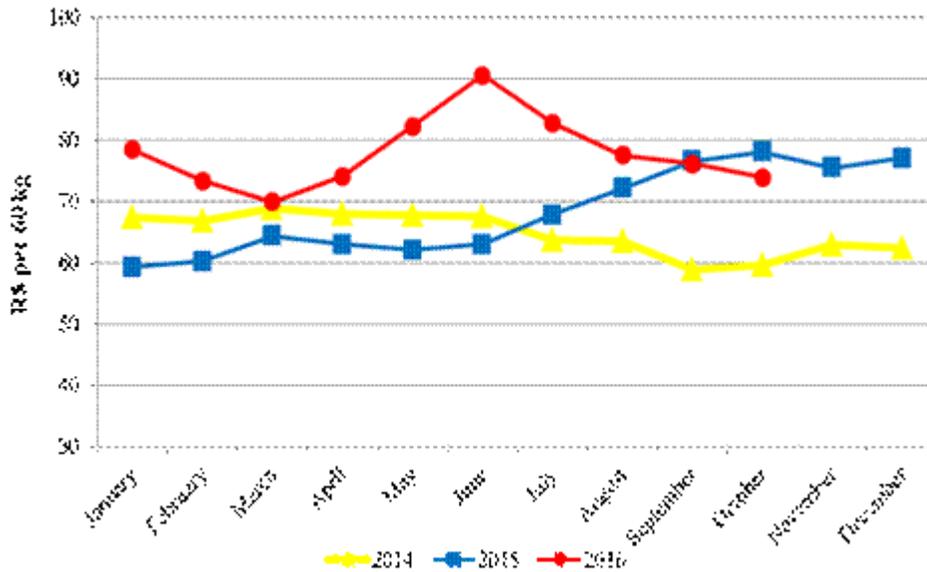
	2014	2015	2016	2015/16 % Change
January	67.43	59.29	78.46	32%
February	66.87	60.20	73.32	22%
March	68.78	64.35	69.95	9%
April	67.89	63.00	74.12	18%
May	67.81	62.09	82.28	33%
June	67.54	62.96	90.59	44%
July	63.72	67.83	82.83	22%
August	63.45	72.17	77.57	7%
September	58.94	76.62	76.13	-1%
October	59.58	78.13	73.96	-5%
November	63.01	75.48		
December	62.42	77.07		

Source: Center for Advanced Studies in Applied Economics (CEPEA)

*Average monthly price in the state of Paraná - wholesale level; export type, cash prices, no ICMS tax included.

*Average R\$/US\$ as of October 26 – R\$3.15/US\$

Graph 1: Evolution of Domestic Monthly Prices (2014-2016)



Source: CEPEA

*Average monthly price in the state of Paraná

Trade

2016/17 Forecast for Soybean Exports to 57 MMT

Post kept its export forecast at 57 MMT for the 2016/17 marketing year (MY). In contrast to last year, the pace of commercialization is much slower due to producer's expectations of a weaker exchange rate later in the year. Despite the lower commercialization pace, demand is still expected to remain strong in China, Brazil's main soybean market.

Consumption

Higher Biodiesel Demand Expected in 2017

Biodiesel production for 2017 is forecast at 4.4 billion liters based on a modest recovery of the Brazilian economy and the increase of the biodiesel mandate to 8 percent. In March 2016, the Brazilian Government (GOB) approved law #13,263/2016, which increased the biodiesel-use mandate from seven percent (B7) to ten percent (B10) in 2019, as follows: eight percent (B8) in March 2017; nine percent (B9) in March 2018 and ten percent (B10) in March 2019. The total domestic soybean crush for the 2016/17 MY is forecast at 41 MMT. The higher soybean crush forecast compared to last year's estimate reflects higher demands to meet new biodiesel mandates by the GOB.

Policy

New Discussions on the Soybean Moratorium

In July 2006, the members of the Brazilian Vegetable Oil Industry Association (ABIOVE) and the Brazilian Grain Exporters Association (ANEC), pledged not to trade and finance soybeans originated in deforested areas within the Amazon Biome for ten years. In May 2016, the Soybean Moratorium was extended another 10 years until 2026 and it has now become one of the main initiatives in the fight against illegal deforestation in the Amazon Biome.

In an event that took place this month in São Paulo to celebrate the success of this program, the Minister of Environment mentioned the need to extend this program to the Cerrados Biome, which includes the largest soybean producing state in Brazil. These statements, which came as a shock for many in the sector, started a new discussion about the future of the program in a region of Brazil responsible for about 50 percent of the soybean production.