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Brazil

Oilseeds and Products Update

2012/13 Record Soybean Production Estimated at 82 mmt

Approved By:

Bob Hoff, Agricultural Counselor

Prepared By:

Jeff Zimmerman, Agricultural Attaché

Report Highlights:

Post increased Brazil's 2012/13 estimated soybean planted area to a record 27.5 million hectares as historic futures prices spurred an increase in projected plantings that brings estimated production to a record 82 million metric tons (mmt). Forward sales of the 2012/13 crop are at a record and estimated at 50 percent of estimated production. Gross profit margins of over 100 percent for a soybean and corn rotation in this single 2012/13 crop year are expected. Exports are projected to reach a record 38.5 mmt in 2012/13. Record fertilizer imports of an estimated 29 mmt in 2012 coupled with increased use of certified seed, genetically engineered seed, and other inputs will result in close to record yields of 3 mt per hectare.

Production, Supply and Demand Statistics:

Oilseed, Soybean (Local) Brazil	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Feb 2011		Market Year Begin: Feb 2012		Market Year Begin: Feb 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	24,200	24,200	25,000	25,000	27,500	27,500
Area Harvested	24,200	24,200	25,000	24,885	27,500	27,500
Beginning Stocks	3,267	1,250	4,754	2,851	1,979	251
Production	75,500	75,300	66,500	66,500	81,000	82,000
MY Imports	40	41	300	200	50	40
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	78,807	76,591	71,554	69,551	83,029	82,291
MY Exports	33,789	33,790	31,300	31,100	39,900	38,500
MY Exp. to EU	5,581	5,581	5,300	5,300	5,300	5,700
Crush	37,264	36,850	35,275	35,200	37,700	38,500
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3,000	3,100	3,000	3,000	3,150	3,200
Total Dom. Cons.	40,264	39,950	38,275	38,200	40,850	41,700
Ending Stocks	4,754	2,851	1,979	251	2,279	2,091
Total Distribution	78,807	76,591	71,554	69,551	83,029	82,291
1000 HA, 1000 MT						

Brazil's 2012/13 Soybean Crop Estimated at a Record 82 Million Metric Tons

Post has revised upward 2012/13 estimated planted area to a record 27.5 million hectares, a 10 percent increase over 2011/12, spurred by record futures prices and record forward sales. As a result of increased planted area, estimated record production is 82 mmt, based on a national yield estimate of 2.98 metric tons per hectare. Post's 2012/13 yield estimate reflects a rebound in the national yield compared to last season's drought reduced yield based on increased use of fertilizer, certified seed, genetically engineered seed, and other inputs. The southern region of Brazil is seeing area substitution to soybean from corn, rice, edible bean and conversion from pasture. The Center-West region will convert over one million hectares of pasture to soybean production and substitute significant areas of first crop cotton area to soybeans. Soybean plantings rotated after cotton demand 30 percent less fertilizer and will further boost producers' profitability. Post's 2012/13 production forecast is within the range of those of private consulting groups Agroconsult, Safras e Mercado, and Céleres that estimate 83.7 mmt, 82.3mmt, and 79 mmt, respectively. The Brazilian Ministry of Agriculture's Food Supply Company (CONAB) will release its first 2011/12 crop survey on October 9th.

New Transportation Law limits Working Hours and Increases Costs of Logistics

On April 30, 2012, Brazil passed Law 12.619 that entered into force on June 17. This new law limits working hours for truck drivers to 10 hours per day with 30 minute breaks required ever 4 hours and 11 hours stops overnight. Ticketing of violators is scheduled to commence in March 2013 after a phase-in

period expires. As a result of the new law and increased demand for qualified drivers, freight costs have already increased 20 percent on average across the country. Analysts in the logistics sector estimate that costs could increase by another 20 percent once the soybean harvest begins in full in February 2013. In July, the Government of Brazil adjusted the price of diesel fuel at the wholesale distribution level. Sources confirm any future diesel fuel and gasoline price adjustments will be directly felt by consumers at the retail level, the government having exhausted all sub-retail price adjustment mechanisms.

Concentrated Harvest Expected in the Center-West Will Exacerbate Already Strained Logistics

Early rains did not arrive in Brazil's highest producing region of the Center-West with plantings only now beginning in earnest which will result in a concentrated harvest period between mid-February and early-March. Producers are keen on maximizing profits and will strive to plant second crop corn as soon as possible after the soybean harvest in the appropriate sowing window. Gross profit margins of over 100 percent for a soybean and corn rotation in this single 2012/13 crop year are expected. The record crop estimated for soybeans and near record crops estimated for corn and sugarcane in 2012/13 will strain already deficient port capacities and further increase logistics costs. Under ideal weather conditions, Brazil's ports have an estimated export capacity of 10 mmt per month for dry-bulk loaded commodities of soybean, corn, and sugar. Historically, port capacities are largely dedicated to soybean exports from late-February through July. From August through February, ports have been largely dedicated to sugar and now corn exports. This year soybean and sugar are expected to compete for port export capacity starting in May. For 2012/13, sources estimate a monthly export potential of 6.5 mmt for soybeans, weather permitting. Over the next 2 years, this monthly export capacity is expected to increase to 7 mmt as additional capacities slowly come on-line through northern export routes. Many sources confirm that the limiting factor to export this next crop year will be inland transportation deficiencies coupled with inadequate flow at port receiving terminals. Brazil's slow pace of infrastructure improvements continues to reduce producer's profitability and will jeopardize the marketing of production increases.

Other relevant reports:

[2012 Brazil - Oilseeds and Products Annual](#)