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GAIN Report

Global Agricultural Information Network

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Brazil

Post:

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Oilseeds and Products Update

Dry and Hot Weather in Central and Northeast Brazil Impacts Soybean Crop

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Report Highlights:

Post reduced its 2015/16 production forecast to 98 million metric tons (mmt). Dry and hot weather in central and northeast Brazil is having an impact in the progress of the crop. Post kept its export forecast at 55 mmt for the 2015/16 marketing year. In policy news, Brazil's soybean industry formally presented a study to the Ministry of Foreign Affairs to evaluate the possibility to file a World Trade Organization case against the United States over agricultural subsidies.

Production, Supply, and Demand Statistics:

Oilseed, Soybean	2013/2014		2014/2015		2015/2016	
Market Begin Year	Feb 2014		Feb 2015		Feb 2016	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	30100	30100	32100	32100	33300	33000
Area Harvested	30100	30100	32100	32100	33300	33000
Beginning Stocks	1269	1269	1527	1527	972	2492
Production	86700	86700	96200	96200	100000	98000
MY Imports	579	579	295	265	300	200
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	88548	88548	98022	97992	101272	100692
MY Exports	45747	45747	54000	52850	56650	55000
MY Exp. to EU	6000	6000	6000	6000	6000	65000
Crush	38274	38274	40000	39550	40000	40000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3000	3000	3050	3100	3100	3150
Total Dom. Cons.	41274	41274	43050	42650	43100	43150
Ending Stocks	1527	1527	972	2492	1522	2542
Total Distribution	88548	88548	98022	97992	101272	100692
(1000 HA) ,(1000 MT)						

2015/16 Soybean Crop Lowered to 98 Million Metric Tons

Post lowered its forecast for Brazil's 2015/16 soybean production to a record 98 million metric tons (mmt). Area planted for soybeans is estimated at 33 million hectares (ha). The dry and hot conditions in Mato Grosso and other states in central and northeast Brazil are expected to impact yields.

As of December 22, according to the Institute of Agricultural Economics of Mato Grosso (IMEA), that the soybean crop in the state was rated 32% good or excellent, 25% average, 23% poor, and 20% very poor. The northeast area of Mato Grosso has been hit the hardest, especially the early planted soybeans. IMEA still estimates area in Mato Grosso at 9.2 million ha.

Other states in the Center-West are also suffering of hot and dry weather. The northern part of the state of Goias is being greatly affected by the adverse weather. Officials in the state, due to the planting delays as a result of the lack of rains, reduced their area estimates to 3.35 million ha for the upcoming crop.

In the MATOPIBA region (Maranhao, Tocantins, Piaui, and Bahia), similar weather patterns have delayed planting and forced farmers to plant (and replant) with less than optimal soil moisture levels. This region will heavily depend on good rains in January to avoid serious losses. Tocantins expects an

area similar to last year, at about 850,000 ha. In Maranhao, area is expected to be closer to 765,000 ha, but so far about 60 percent has been planted. In Piaui, officials forecast production at about 2 mmt, but if dry weather continues through January, the forecast is expected to be lowered. Officials in the state of Bahia are still optimistic that rains forecasted for January will help maintain good yields. With 90 percent of the crop already planted, officials expect a production in the state closer to 5 mmt.

The southern states of Brazil, mainly Paraná and Rio Grande do Sul, have experience too much rain due to the weather phenomenon El Niño. The result has been some planting delays and has created concerns about potential yield losses. However, officials in both states have reported that most of the crop is in good conditions and it is too early to assess potential yield problems.

2015/16 Soybean Crop Experiences Strong Forward Contracting

The 2015/16 growing season has experienced aggressive forward contracting due to the relative weak Brazilian Real (Real), which is supporting domestic prices. Farmers in Brazil have sold approximately 50 percent of their anticipated soybean production compared to 26 percent last year and 40 percent average.

Mato Grosso, as the largest soybean producing state, has forward contracted 55 percent of the crop, compared to 34 percent last year, according to IMEA. In Paraná, the second largest soybean producing state, has also contracted about 35 percent of their anticipated 2015/16 soybean crop compared to just 8 percent last year.

Traders report that there was less activity during November due to a brief appreciation of the Real, but sales have picked up again as the Real reached (again) R\$3.98 Reals per U.S. Dollar in early December. Post kept its export forecast at 55 mmt for 2015/16 MY. China will remain the main destination for Brazilian soybeans. It is expected that demand for soybeans in China will remain strong despite the economic slowdown.

Policy News – Brazilian Soybean Industry Presents Case Against U.S. Agricultural Subsidies

For the first time, Brazil's soybean industry formally presented a study to the Ministry of Foreign Affairs (Itamaraty) to evaluate the possibility to file a World Trade Organization (WTO) case against the United States over agricultural subsidies. Itamaraty plans to review the petition and present it at the next meeting with Brazil's Foreign Trade Chamber (CAMEX) and the interagency expected in February.

It seems that the relatively low international prices, the high cost of production in Brazil, and Brazil's economic crisis, have spurred Brazilian farm groups to formally request the government to consider challenging the United States over U.S. weather insurance and price guarantee programs.