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Brazil

Oilseeds and Products Update

2011/12 Soybean Production Estimate Reduced to 70 MMT due to Drought Impact

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Report Highlights:

Post now forecasts soybean production in 2011/12 at 70 million metric tons (mmt), a significant decrease of 7 percent from the record 75.3 mmt produced in 2010/11. The 2011/12 crop has been adversely affected by drought conditions in southern Brazil, a result of the La Nina weather phenomenon. The 2011/12 harvest has advanced quickly in recent weeks reaching over 25 percent of planted area harvested. Exports in 2011/12 are now forecast to at 33 mmt, slightly less than the 33.8 mmt of exports in 2010/11.

Post:

Brasilia

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	24,885
Beginning Stocks	1,656	295	2,766	1,250	4,017	2,851
Production	69,000	68,700	75,500	75,300	72,000	70,000
MY Imports	150	94	41	41	40	125
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	69,089	78,307	76,591	76,057	72,976
MY Exports	29,188	29,189	33,790	33,790	33,050	33,000
MY Exp. to EU	8,270	8,270	5,581	5,581	5,300	5,500
Crush	35,700	35,700	37,150	36,850	36,500	36,200
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3,152	2,950	3,350	3,100	3,450	3,200
Total Dom. Cons.	38,852	38,650	40,500	39,950	39,950	39,400
Ending Stocks	2,766	1,250	4,017	2,851	3,057	576
Total Distribution	70,806	69,089	78,307	76,591	76,057	72,976

1000 HA, 1000 MT

Favorable Yields in Center-west and North Will Not Compensate Drought Losses in South

Post now forecasts soybean production in 2011/12 at 70 million metric tons (mmt), a significant decrease of 7 percent from the record 75.3 mmt produced in 2010/11. Post's 2011/12 production forecast is similar to those of private consulting groups Céleres and Safras e Mercado that estimate 72 mmt and 70.2 mmt, respectively. Céleres is revising downward its estimate towards 70 mmt in its next survey. The Brazilian Ministry of Agriculture Food Supply Company's (CONAB) fifth 2011/12 crop survey released on February 9th forecast potential soybean production at 69.2 mmt. Significant drought conditions throughout December reduced soybean production in the south region – Rio Grande do Sul, Santa Catarina, Parana – and southeast region of Mato Grosso do Sul by an estimated 25 percent, or approximately 6 mmt from initial projections. Area not to be harvested and consider a total loss is currently estimated at 115,000 ha, of which Rio Grande do Sul accounts for 100,000 ha. These production losses will not be compensated by favorable yields being achieved in some areas of the center-west and northeast regions of Brazil. Recent post travels to the western region of the state of Bahia found excellent crop conditions across all varietal maturing stages of soybean albeit with some increasing presence of caterpillars and white mold. Post travel to Mato Grosso observed mixed harvest yields of 15-20 percent above and below historical averages for super-early and early maturing varieties depending on the region and weather conditions upon harvest. In Mato Grosso and Goias, wet growing conditions have required vigilant preventative fungicide sprayings against Asian Rust pressures that

appear to be well managed overall. Post travels in Mato Grosso observed potential adverse yield impacts in some areas due to Asian Rust. To date, 247 occurrences of Asian Rust have been voluntarily reported this growing season, well below the national historical averages, the majority concentrated in Mato Grosso and Goias.

Brazil's 2011/12 Harvest Over 25 Percent Complete and Ahead of Last Year's Pace

Brazil's 2011/12 harvest is over 25 percent completed and advancing at a quicker pace than last year due to drought-induced maturation in the South and favorable weather in the center-west. The initial harvest pace was slower given unfavorable rains in Mato Grosso state. Post travels to Mato Grosso observed better managed harvest strategies and equipment utilization being employed this year with combining keeping pace with spray-defoliated fields.

Brazil's 2011/12 Committed Sales Surpass 50 Percent; Exports estimated at 33 mmt

On February 2, Céleres Consulting group reported Brazil's committed sales reaching 53 percent, equal to last year and 10 percentage points ahead of the five-year average of 43 percent. Even so, action at Brazil's soybean trading desks has been relatively slow since since September of 2011 when the Brazilian Real depreciated nearly 20 percent over one month and spurred sales. Under a strong market demand, producers are holding back in hopes of even higher prices or better exchange rate as they witness current prices near US\$13.00/bushel while profits erode under a strengthening Brazilian Real (R\$1.70 to US\$1.00). However, premiums have been creeping up as traders seek to fulfill standing orders for ships to arrive at port.

Brazil's 2011/12 soybean exports are now forecast at 33 mmt, slightly less than the record 33.8 mmt of exports in 2010/11. Export potential is greatly predicated on internal crushing demand currently estimated at 36.2 mmt and external import demand from China. Post estimates carry-over domestic stocks below 1 mmt to at the end of the marketing year 2011/12 amidst the estimated production shortfall and continued strong domestic and international demand, which will contribute to tightening world stocks.

Other relevant reports:

[2011 Oilseeds Planting Update - November](#)

[2011 Oilseeds Annual Report](#)

[2011 Biofuels Annual Report](#)