

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

**Date:** 2/28/2013

**GAIN Report Number:** BR0904

## **Brazil**

### **Oilseeds and Products Update**

#### **Logistical Deficiencies Slow Export Rate of Record Soybean Crop Estimated at 82.5 mmt**

**Approved By:**

Robert Hoff, Agricultural Counselor

**Prepared By:**

Jeff Zimmerman, Agricultural Attaché

**Report Highlights:**

Post slightly lowered Brazil's 2012/13 soybean production estimate to 82.5 million metric tons (mmt), which is still a new record. Certain producing regions in the states of Bahia and Mato Grosso do Sul suffered inadequate rainfall during the critical stage of soybean pod-filling and contributed to the reduction in national estimated production. Brazil's 2012/13 harvest is considered 40 percent completed and at a rate fifteen percentage points ahead of the five-year historic average. Deficient inland and port logistics have resulted in ship-loading wait times reaching 50 days at the second largest grain port located in the state of Parana and could reach 60- day wait times over the next few months mirroring the longest wait times of past years. Truck transportation costs have increased between 25 to 50 percent compared to last year due, in part, to a new truckers law which limits driving time. Labor strikes by port workers, currently suspended until March 15, are adversely affecting the rate of exports of the record soybean crop. Post estimates Brazil's 2012/13 forecast soybean exports at a record estimated 39 mmt.



**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	2,984	4,554	4,270	1,245	880
Production	75,300	75,300	66,500	66,500	83,500	82,500
MY Imports	40	41	280	300	50	50
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	78,607	78,325	71,334	71,070	84,795	83,430
MY Exports	33,789	33,790	32,189	32,190	39,875	39,000
MY Exp. to EU	5,581	5,581	5,600	5,600	6,000	6,000
Crush	37,264	37,265	34,800	35,000	37,875	38,000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3,000	3,000	3,100	3,000	3,204	3,150
Total Dom. Cons.	40,264	40,265	37,900	38,000	41,079	41,150
Ending Stocks	4,554	4,270	1,245	880	3,841	3,280
Total Distribution	78,607	78,325	71,334	71,070	84,795	83,430
1000 HA, 1000 MT						

**Brazil's 2012/13 Soybean Crop Estimated at a Record 82.5 Million Metric Tons**

Post slightly lowered Brazil's 2012/13 soybean production estimate to 82.5 million metric tons (mmt), which is still a record crop. Post's 2012/13 production estimate is within the range of those of private consulting groups Agroconsult and Céleres that estimate 83.95 mmt and 80 mmt, respectively. It is anticipated that the private consulting firm Safras e Mercado will lower its production estimate of 84.7mmt in their next report scheduled for March 1. The Brazilian Ministry of Agriculture's Food Supply Company (CONAB) has estimated soybean bean production at 83.4 mmt in its February 2012/13 crop survey.

The top three producing states of Mato Grosso, Parana, and Rio Grande do Sul all have good crop growing conditions, with some isolated areas of Rio Grande do Sul experiencing less rainfall. However, this state increased soybean area ten percent this year and production remains poised to possibly surpass the previous record of 11.6 mmt in 2011. Certain producing regions in the states of Bahia and Mato Grosso do Sul suffered inadequate rainfall during the critical stage of soybean pod-filling, with some regions in Bahia going 28 days without precipitation. Reduced yields from these regions have contributed to post's reduction in national estimated production.

## **Harvest Rate ahead of Five-year Average, Early-Season Harvested Beans Damaged by Rain**

Brazil's 2012/13 harvest is considered 40 percent completed and at a rate fifteen percentage points ahead of the five-year historic average. In the states of Mato Grosso and Parana, some of the earlier harvested beans experienced some fermentation and damage due to rains and high humidity at harvest time. Producers chemically terminate the soybean plant cycle in order to ensure a timely harvest to sow second crop cotton or corn during the proper planting window. However, incessant rains damaged beans in fields ready for harvest and some producers were penalized upon delivery to elevators as the loads surpassed the eight percent tolerance limit for fermented beans. Producers with on-farm silos and blending capability were able to minimize penalties by blending loads prior to final delivery. Furthermore, a lack of bean drying capacity across the state of Mato Grosso has become evident during the harvest of an estimated record crop of 24 mmt. Producers needing to harvest before second crop planting have been doing so at high humidity rates in the mid-20s to above 30 percent, compared to harvesting at the ideal 14 percent humidity.

## **Deficient Logistics Significantly Impact Pace of Soybean Exports and Producers' Profits**

Brazil's increased crop production continues to outpace infrastructure and logistics improvements. This year's record estimated soybean crop is faced with multiple infrastructure deficiencies, the implementation of a new trucker's law limiting driving time, and port worker strikes. These challenges have slowed the rate of export and diverted some export sales to other supplying nations, such as the United States, during mid-harvest when Brazil should be at a competitive advantage. This situation, which many analysts predicted, once again and emphatically demonstrates the gravity of logistical inadequacies.

Deficient port logistics have resulted in ship-loading wait times to reach 50 days at the second largest grain port located in the state of Parana and could reach 60-day wait times over the next few months mirroring the longest wait times of past years. Wait times for ship loading are not uncommon during the peak of harvest in Brazil. However, they have never been seen to this degree so early in the season, they normally begin to lengthen in March or April. At the largest port, Santos, Sao Paulo, a couple of berths are not operating at full capacity with grain loaders under repair/replacement. Last week, the rail line leading into the port of Santos experienced a landslide rendering it impassable for an estimated week of repair time. Many traders have halted scheduling the line-up of future ship loading since they are unable to accurately determine when ships will be able to dock.

On the inland logistics side, truck transportation costs have increased between 25 to 50 percent compared to last year due in part to a new trucker law limiting driving time (see Table 1.). In the top producing state of Mato Grosso, the Institute of Agricultural Economics (IMEA) reported a 20 percent increase in truck freight rates during the week of February 17. Highways are inadequately supplied with sufficient trucker resting areas for the required 30 minute breaks after every four hours of driving as well as for the required overnight stops. Artery roads in the state of Mato Grosso are not being maintained adequately given congestion of trucks that the new trucker law has, in part, caused by limiting hours and truckers opting for the same driving schedule.

On February 26, 2013, Brazil’s Minister of the Economy, Guido Mantega, announced plans, while in New York City, to privatize infrastructure projects across Brazil, including ports, through concessions totaling US\$235 billion. Labor unions of port workers already aware of such plans staged strikes on February 22, 2013, across a reported total of 36 ports in 12 states. They are concerned that privatization would affect hiring, wages, and working conditions. Further strikes are currently suspended until March 15, under an agreement in which the Government of Brazil has declined to assess fines against the illegal strikers while both sides discuss further the Executive Order (MP) 595/2012 on privatization.

**Brazil’s 2012/13 Soybean Exports Estimated at Record 39 mmt**

Post has maintained Brazil’s 2012/13 forecast soybean exports at a record 39 mmt. Although, exports in February will be near 2 mmt, at least 500 tmt less than anticipated, traders hope to offset the slow early export season with stronger exports in September and October if they are price competitive with the upcoming U.S. crop. The continued exchange rate of the Brazilian Real vis-à-vis the U.S. Dollar at around R\$2.00 to US\$1.00, coupled with less competitive crush margins, has continued to favor exports. Post revised downward Brazil’s 2012/13 crush by 500 tmt to 38 mmt, which is still a record.

**Table 1.**

<b>FREIGHT RATES – BRAZIL</b> <i>Trucking Rates - unless otherwise noted</i>
---

- US\$/ton -

Routes/Products	27-Feb	20-Feb	13-Feb	4 Weeks Ago	1 Year Ago
<b>Soybean</b>					
Cascavel/Paranaguá	51	48	36	34	25
Londrina/Paranaguá	48	40	33	27	24
P.Grossa/ Paranaguá	24	21	17	14	14
Rondonópolis/Paranaguá	104	119	111	99	86
Primavera/Paranaguá	114	126	119	105	91
Sorriso/Paranaguá	154	169	159	137	116
Dourados/Paranaguá	66	81	69	60	53
Passo Fundo/Rio Grande	30	28	30	24	24
Ijuí/Rio Grande	33	30	27	24	25
Porto Alegre/Rio Grande *	17	16	14	11	8
Rio Verde/Santos	71	70	65	59	56
Orlândia/Santos**	46	48	44	25	29
Uberlândia/Vitória	80	81	73	70	66
<b>Soybean Meal</b>					
P.Grossa/Paranaguá	24	21	17	14	14
Porto Alegre/Rio Grande *	17	16	14	11	8
<b>Soybean Oil</b>					
P.Grossa/Paranaguá	24	24	20	21	19
Porto Alegre/Rio Grande *	16	15	13	10	10
Notes: (*) Waterway/Barge (**) Cost with 12% Interstate Commerce Tax (ICMS)					
ROE: R\$1.98 = US\$1.00					
Source: SAFRAS & Mercado					

**Other relevant reports:**

[2012 December – Soybean Update Report](#)

[2012 November – Soybean Update Report](#)

[2012 October - Soybean Update Report](#)

[2012 Soybean Annual Report](#)