

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Brazil**

### **Oilseeds and Products Annual**

#### **Record Crop and Area Despite Economic Challenges**

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**Report Highlights:**

Post forecasts 2016/17 soybean production at 103 million metric tons (mmt), an increase of three percent compared to the current season. The 2016/17 planted area is forecast to increase to 33.7 million hectares. The slower pace of area growth compared to the last five years is attributed to higher production costs and economic/political challenges in Brazil. Soybean exports for the 2016/17 marketing year are forecast at 57 mmt based on strong demand by China. Due to export demand and new biodiesel mandates, soybean meal and oil production is forecast to increase.

**Commodities:**  
**Oilseed, Soybean**

**PRODUCTION: 2016/2017 Outlook:**

**Record Crop and Planted Area Forecast**

Post forecasts 2016/17 soybean production at 103 million metric tons (mmt), an increase of three percent compared to the current 2015/16 production forecast. The 2016/17 planted area is forecast to increase to 33.7 million hectares (ha), an increase of 1.5 percent compared to the 2015/16 season. The slower area growth for 2016/17 compared to growth in the last five years is attributed to the higher expected cost of production, economic challenges in Brazil, and higher domestic interest rates.

Soybeans are forecast to represent over 50 percent of the cultivated area in Brazil in the upcoming growing season. The crop is expected to be more profitable compared to other commodities, but returns at the farm level are forecast to be lower as a result of the higher production costs. For example, in Mato Grosso, the most important soybean producing state in Brazil, farmers are expected to face higher production costs in 2016/17 as a result of the weaker Brazilian Real (Real) and double digit inflation. Cost of production for biotech varieties, the majority of the production in the state, is expected to reach an average of 2,997 Reals per hectares, a 16 percent increase compared to 2015/16. (1 USD = R3.67 on 3/28/2016)

**Table 1. Estimated Production Costs for Biotech Soybeans Varieties in Mato Grosso (Reals per ha)**

	2015/16	2016/17*	% Change
Costs of production			
Seeds	219	248	+13
Fertilizers	702	800	+14
Herbicides	835	957	+15
Machinery Operation	109	123	+13
Labor	93	95	+2
Other Expenses			
Technical assistance, transportation, storage, and taxes	434	474	+9
Financing Expenses and Depreciation Costs			
Interest payments, depreciation of machineries and installations	238	280	+18
<b>Total Operational Costs</b>	<b>R2,584</b>	<b>R2,997</b>	<b>+16</b>

Source: Mato Grosso's Institute of Ag Economics (IMEA)

\*Estimate

**Political/Economic Scenario in Brazil**

It is important to highlight the volatile economic environment Brazilian farmers have been experiencing in the last two years as a result of the political crisis. Currently, the Brazilian President is fighting calls for impeachment due to perceived elections irregularities. Due to this difficult political environment,

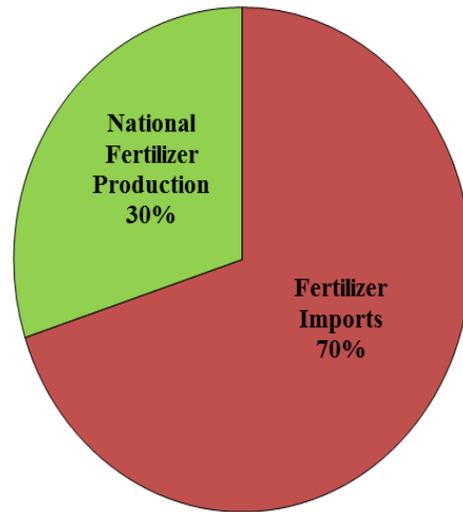
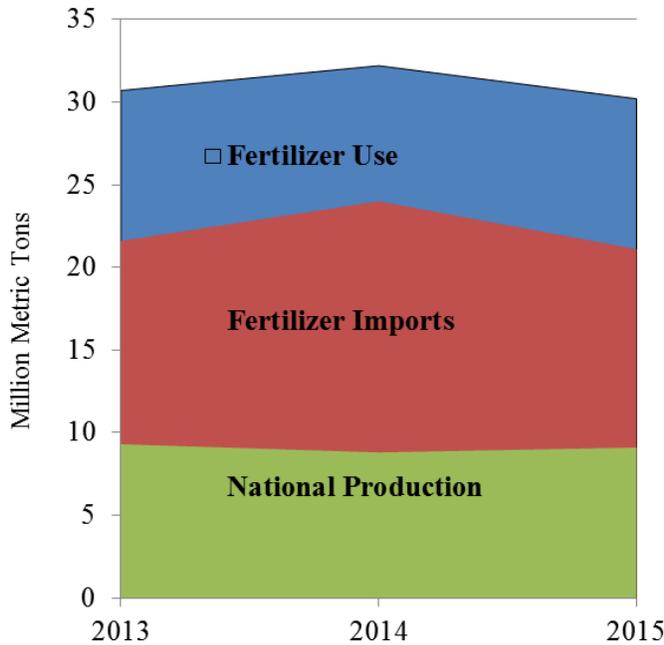
the Brazilian Real (Real) depreciated over 40 percent in 2015. The Real depreciation resulted in significant gains for Brazilians farmers, as they were able to buy inputs using a stronger Real in the first half of 2015 but domestic prices were protected by a weaker Real at harvest in the second half of the year. Since soybeans are priced in U.S. dollars in the international market, the weaker exchange rate increased domestic soybean prices (more Reals per U.S. dollars). This exchange rate situation cushioned the overall decrease in global prices.

The weaker Real also allowed Brazilian soybean exports to be more competitive in the world market. Soybean export receipts were up 12 percent in 2015 as a result of higher domestic prices. However, this economic volatility, as a result of the political crisis, will be a factor again in 2016. If the Real continues to weaken due to the political uncertainty, domestic prices could increase, potentially translating into additional incentives to increase area. However, if the Real gets stronger (and global soybean prices stay at current levels), Brazilian farmers could face lower domestic prices for the 2016/17 growing season. For example, the Real appreciated by 10 percent overnight against the U.S. Dollar back on March 11, 2016 based on expectations of political changes. However, this situation could expand or revert depending on the political scenario this year.

Farmers are also expecting less support from the Brazilian Government (GOB). Every year, the Ministry of Agriculture, Livestock, and Food Supply (MAPA), announces its “Plano Safra”, a program that offers credit to cover production costs. However, availability of subsidize loans under this program are expected to be lower compared to last year due to the difficult economic situation the country is expected to face in 2016 and possibly into 2017. A portion of the program offers low interest (subsidized) production loans. The lower amount of loans is expected to contribute to the higher cost of production forecasted for next growing season.

**Fertilizer Usage:** Post forecasts that Brazil’s fertilizer market for the 2016/17 will stay at about the same levels as the 2015/16 season. As farmers begin to make planting decisions for the 2016/17 crop, the expected weak value of the Real will impact the purchases of fertilizers, which most of them are imported. Brazil’s fertilizer imports reach 70 percent of total domestic use. According to the National Fertilizer Association (ANDA), fertilizer deliveries totaled 30.2 mmt in 2015, down six percent from 2014. Total annual imports of fertilizer in 2015 equaled 21.1 mmt, down nearly 12 percent from 2014. National fertilizer production in 2015 equaled 9.1 mmt, up three percent from the 2014 national production. See graph 1.

**Graph 1: Brazil’s 2013-2015 Fertilizer Use, Domestic Production and Imports;  
Pie-Chart for 2015 (in million metric tons)**



Source: The National Fertilizer Association (ANDA)

## **PRODUCTION: 2015/2016 Progress:**

### **Soybean Crop Estimated at 100 Million Metric Tons**

Post kept its estimate for Brazil's 2015/16 soybean production to 100 mmt. The planted area, 33.2 million ha, is based on the latest estimates by the Brazilian Food Supply Company (CONAB). The growth in area for the 2015/16 season took place in all states in Brazil. The South region of Brazil increased area by 455,000 ha compared to last year, as many farmers shifted corn areas to soybeans due to the attractive domestic soybean prices. The Center-West region had an area increase of 440,000 ha, with the biggest area expansion in Mato Grosso and Mato Grosso do Sul. The Southeast and MATOPIBA regions (Maranhao, Tocantins, Piaui, and Bahia) also increased soybean areas.

Post forecast the national yield to better than last year and reach 3.01 metric tons per ha. Despite concerns on yields in the Center-West due to dry and hot weather in November and December, better than expected rains in January 2016 helped alleviate the impact. In the South, the wet weather has helped yields in some areas, but some reports also questioned the potential of records yields due to the long periods of cloudy weather and soybean rust.

The MATOPIBA region, responsible for about 10 percent of the total Brazilian production, is expected to suffer a much bigger impact on yields. The lack of rains, especially in the month of February, had a greater impact on yields, which is expected to be lower in all four states compared to 2014/15.

## **CONSUMPTION:**

Soybeans will remain the primary oilseed produced in Brazil. Post forecasts 41 mmt of soybeans destined for processing in 2016/17 MY. The slight increase compared to 2015/16 MY is a result of higher biodiesel blending mandates, strong demand from the domestic animal sector, and export markets.

Even though Argentina, a competitor for Brazil on soybean oil and soybean meal, is experiencing favorable agricultural policies as a result of the new government, Argentina is expected to have lower soybean supplies in 2016/17 as a result of higher area for corn, sunflower, and wheat at soybeans expense.

Post forecasts 40.5 mmt of soybeans destined for procession on 2015/16 MY. The forecast is higher compared to 2014/15 MY as a result of higher exports of soybean meal and new biodiesel

## **TRADE - EXPORTS:**

### **2016/2017 Export Outlook: Brazilian Exports to Stay Strong**

Soybean exports in marketing year (MY) 2016/17 are forecast at 57 mmt, about three percent higher compared to the previous MY. This forecast is based on strong demand, mainly by China. The Chinese market is forecast to continue to import record amounts of soybeans, despite of its economic slowdown. Brazil's exports over 70 percent of its soybeans to China.

In addition, export competition from Argentina could potentially go down, despite its more favorable agricultural policies. Argentina's exportable supplies are expected to decrease as a result of a lower soybean production.

### **2015/16 Export Forecast: Weak Real Makes Brazilian Exports More Attractive**

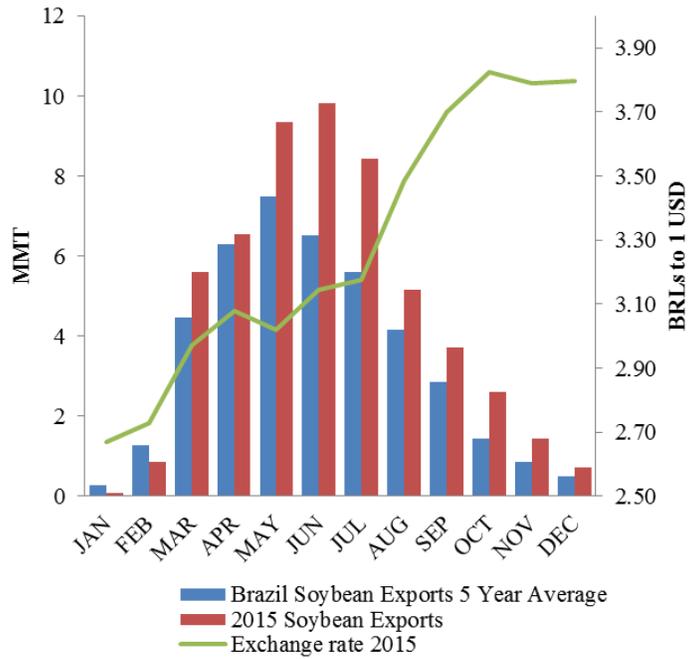
The 2015/16 MY soybean exports are forecast to reach 55.5 mmt, a record. The strong demand in China and the relatively weaker Real incentivized exports. The Real depreciated over 40 percent in relation to the U.S. dollar in 2015 as a result of the economic and political crisis in Brazil. This situation increased the pace of forward contracts in Brazil, as farmers took advantage of the higher domestic prices as a result of the exchange rate.

According to the Brazilian Central Bank, the average exchange rate in 2015 was R3.34 per U.S. Dollar. For 2016 and 2017, the Central Bank's outlook for the value of the Real is 3.99 per U.S. Dollar and 4.17 per U.S. Dollar, respectively.

## **Graph 2: Brazilian Real's Exchange Rate Against the U.S. Dollar (1996-2016)**



**Graph 3: 2015 Brazilian Soybean Exports and Exchange Rates**



Source: GTIS

**Table 2. Brazil Soybean Marketing Year Exports (in MT)**

<b>Brazil Export Statistics</b>					
<b>Commodity: Soybeans</b>					
<b>Marketing Year (February-January)*</b>					
<b>Partner Country</b>	<b>Unit</b>	<b>Quantity</b>			<b>Market Share</b>
		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2014/15</b>
World	T	42,826,426	45,746,729	54,633,334	100.00
China	T	32,266,386	32,649,571	41,239,344	75.48
Spain	T	1,962,643	2,120,346	2,376,257	4.35
Thailand	T	1,065,441	1,303,556	1,733,596	3.17
Netherlands	T	1,585,904	2,000,436	1,496,072	2.74
Taiwan	T	979,771	724,678	1,008,382	1.85
Korea South	T	350,475	425,785	727,113	1.33
Vietnam	T	571,112	431,045	686,970	1.26
Iran	T	131,325	66,611	551,592	1.01
Egypt	T	-	275,649	535,880	0.98
Russia	T	12,702	557,703	527,033	0.96
Saudi Arabia	T	398,409	297,921	496,672	0.91

Source: Global Trade Atlas

\*Marketing Year: For 2014/15, it runs from February 2015 to January 2016

### **Infrastructure Continues to Impact Soybean Sector**

The large amount of soybean exports forecast for 2015/16 and wet weather in the south in the first quarter of 2016 has increased the amount of vessels' waiting to be loaded. It has been reported that the lineup is more than double compared to the 2014/15 MY and the wait time in the ports in the south region is about 50-60 days compared to 20 days last year. Despite much investments and added capacity in the two main ports in Brazil (Santos and Paranagua), the wet weather in the southern region has slowed down operations due to increased congestion and difficulty in unloading the trucks.

In addition, the ports in the "Northern Arc" are continuing to help Brazilian exports and provide a much needed option. In 2015, Brazil exported over 20 percent of its soybeans (and corn) from the northern

ports, compared to only five percent five years ago. Many multinationals trading companies have invested in terminals in the north and exports out of this region are only expected to keep going up.

**TRADE – IMPORTS:**

**Soybean Imports to Continue to Slowdown**

In the last five years, soybean imports from Paraguay became a good option for Brazilian processing plants in states bordering the country. Even though insignificant compared to Brazil’s total exports, the growth indicated an interesting dynamic. Since imports from Mercosur members, like Paraguay, enter Brazil duty free, some crushers are avoiding the Circulation of Goods and Services Tax (ICMS) incurred by cross-state trade.

For 2016/17 MY, post forecasts imports to decrease to 150,000 metric tons (mt), mainly from Paraguay. Despite the tax advantages, the Brazilian record crop forecasted and the weak Real will make imports less attractive. For 2015/16 MY, post forecasts imports at 200,000 mt as a result of the depreciation of the Real.

**Table 3. Brazil Soybean Imports (in MT)**

<b>Brazil Import Statistics</b>				
<b>Commodity: Soybeans</b>				
<b>Marketing Year (February-January)*</b>				
<b>Partner Country</b>	<b>Unit</b>	<b>Quantity</b>		
		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
World	T	268,757	579,216	329,204
Paraguay	T	226,039	579,140	328,154
Argentina	T	4	75	1,050
Bolivia	T	42,714	-	-

Source: Global Trade Atlas

\*Marketing Year: For 2014/15 (February 2015 to January 2016)

**DOMESTIC SOYBEAN PRICES:**

**Sharp Devaluation Supports Domestic Soybean Prices**

The biggest story in Brazil in 2015 has been the sharp devaluation of the Real. However, the depreciation has been compensating farmers despite declining international prices for soybeans over the last two years. The weaker Real has effectively increased domestic soybean prices (more Reals per U.S. dollar). For example, the average monthly domestic soybean price in the state of Paraná increased by 30 percent 2015.

In 2016, the volatility of the value of the Real is expected to play a factor in planting decision. At this point, it is hard to forecast what the market value of the Real will be the rest of the year, but analysts expect it to stay relatively weak against the U.S. dollars.

**Table 4: Average Monthly Soybean Prices**

(Prices\* in R\$ per 60 kg)

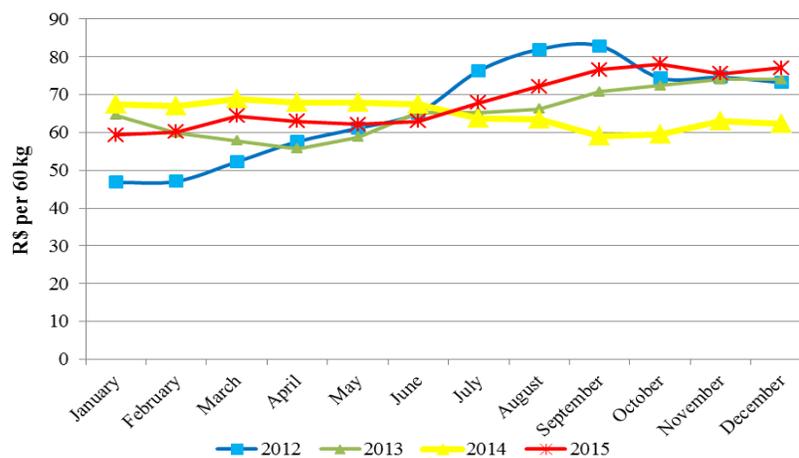
	2013	2014	2015	2014/15 % Change
<b>January</b>	64.62	67.43	59.29	-12%
<b>February</b>	59.93	66.87	60.20	-10%
<b>March</b>	57.83	68.78	64.35	-6%
<b>April</b>	55.76	67.89	63.00	-7%
<b>May</b>	58.71	67.81	62.09	-8%
<b>June</b>	65.29	67.54	62.96	-7%
<b>July</b>	65.26	63.72	67.83	6%
<b>August</b>	66.22	63.45	72.17	14%
<b>September</b>	70.81	58.94	76.62	30%
<b>October</b>	72.43	59.58	78.13	31%
<b>November</b>	74.05	63.01	75.55	20%
<b>December</b>	74.05	62.42	77.07	23%

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

\*Average monthly price in the state of Paraná - no ICMS tax included.

\*Average R\$/US\$ as of December 31, 2015 – R\$3.9/US\$

**Graph 4: Monthly Soybean Prices (2012-2015) in Brazilian Reals**



Source: CEPEA

\*Average monthly price in the state of Paraná

## POLICY:

### Economic Situation Threatens Farmers with Potential New Taxes

The economic crisis has made the Federal and State Government look for new revenues sources. As a result, soybean exports (and other commodities) have been targeted. Most recently, the state government of Goiás proposed an increase of the state's export tax, but it was quickly removed after

heavy pressures from producers and various “farm groups”. This issue will continue to be a concern for the agricultural sector across the board.

At the Federal level, members of the government have discussed the need to reactivate an export tax for agricultural products. The export tax of 2.3%, which agricultural exports have been exempt for some time, would in theory help increase revenues to support Brazil’s social security program. Many people in the government have expressed opposition to this idea, especially the Minister of Agriculture, Katia Abreu. The measure is currently being debated and has not been implemented.

**Commodities:**

**Meal, Soybean**

Post forecasts soybean meal production for 2016/17 MY at 31.8 mmt. For the current 2015/16 MY, post forecasts soybean meal production at 31.4 mmt. These increases are a result of higher demand from the Brazilian livestock and poultry sectors and increasing export demand.

Soybean meal exports have increased as a result of attractive export prices out of Brazil due to the devaluation of the Real. Asian markets, mainly Indonesia, Thailand, and South Korea, have increased its imports of Brazilian soybean meal in the last three marketing years.

**Table 5: Brazil Exports Statistics for Soybean Meal (in MT)**

<b>Brazil Exports Statistics</b>				
<b>Commodity: Soybean Meal</b>				
<b>Marketing Year (February-January)*</b>				
<b>Partner Country</b>	<b>Unit</b>	<b>Quantity</b>		
		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
World	T	13,618,676	13,720,780	15,105,457
Netherlands	T	4,431,524	3,294,853	3,203,479
Indonesia	T	602,291	1,479,231	1,991,428
France	T	1,572,378	1,748,190	1,839,099
Germany	T	1,314,835	1,403,228	1,484,005
Thailand	T	949,645	1,199,598	1,301,614
Korea South	T	1,131,725	895,758	1,070,605
Slovenia	T	550,617	607,278	758,689
Vietnam	T	427,178	294,243	594,974
Spain	T	244,006	509,992	472,428
Iran	T	534,084	231,523	434,170

Source: Global Trade Atlas

\*Marketing Year: For 2014/15 (February 2015 to January 2016)

## **Commodities:**

### **Oil, Soybean**

#### **Higher Biodiesel Mandate Increases Domestic Demand**

Post forecasts 2016/17 MY soybean oil production at a record 8.2 mmt as a result of the new biodiesel mandate, which will be implemented beginning March 2017. The Brazilian President signed on March 23, 2016, a law that increases the biodiesel blending in diesel sold in the country. The law increases the mandate from the current 7 percent (B7) to 8 percent (B8) by 2017, then by 9 (B9) percent by 2018, and finally by 10 percent (B10) by 2019. The law also stipulates that biodiesel blending can reach 15 percent after 2019, provided that tests are conducted on engines and there is approval by the Brazilian National Energy Policy Council.

For 2015/16 MY, post forecasts production at 8 mmt as a result of the B7 mandate, which was implemented early 2015. The production is slightly lower than 2014/15 as a result of the economic recession in Brazil.

In 2015, biodiesel production in Brazil grew by 15 percent as a result of the legislation that authorized the B7, according to data from the National Agency of Petroleum, Natural Gas and Biofuels (ANP). This makes Brazil the second largest biodiesel producer, behind only the United States. The Center-West accounted for 44 percent of all manufactured biofuel, followed by the South (39 percent) and the Southeast (7 percent).

Although biodiesel production in 2015 was 3.94 billion liters, ANP data shows that the domestic industry has the capacity to produce 7.3 billion liters per year. This means that Brazil could easily absorb the expected mandate increase through 2019. The most important raw material for biodiesel in 2015 was soybeans, accounting for 77 percent (or 2.7 million mt of soybean oil) of all biodiesel produced in the country, followed by animal fats (19 percent) and cotton seed oil (2 percent).

### Soybean Oil Exports

Soybean oil exports are forecast 1.6 mmt in 2016/17 MY and 1.5 mmt in 2015/16. Argentina's price competitiveness will continue to reduce Brazil's export market share in soybean oil; however, a lower soybean crop in Argentina next year can potentially allow Brazil to gain some additional market share.

### STATISTICS

<b>Oilseed, Soybean</b>	<b>2014/2015</b>		<b>2015/2016</b>		<b>2016/2017</b>	
<b>Market Begin Year</b>	<b>Feb 2015</b>		<b>Feb 2016</b>		<b>Feb 2017</b>	
<b>Brazil</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Planted</b>	32100	32100	33300	33200	0	33700
<b>Area Harvested</b>	32100	32100	33300	33200	0	33700
<b>Beginning Stocks</b>	1577	1577	200	300	0	1450
<b>Production</b>	96200	96200	100000	100000	0	103000
<b>MY Imports</b>	325	325	300	200	0	150
<b>MY Imp. from U.S.</b>	0	0	0	0	0	0
<b>MY Imp. from EU</b>	0	0	0	0	0	0
<b>Total Supply</b>	98102	98102	100500	100500	0	104600
<b>MY Exports</b>	54635	54635	56650	55500	0	57000
<b>MY Exp. to EU</b>	6000	6000	6000	6500	0	6500
<b>Crush</b>	40300	40200	40000	40500	0	41000
<b>Food Use Dom. Cons.</b>	0	0	0	0	0	0
<b>Feed Waste Dom. Cons.</b>	2967	2967	3000	3050	0	3050
<b>Total Dom. Cons.</b>	43267	43167	43000	43550	0	44050
<b>Ending Stocks</b>	200	300	850	1450	0	3550
<b>Total Distribution</b>	98102	98102	100500	100500	0	104600
(1000 HA) ,(1000 MT)						
<b>Meal, Soybean</b>	<b>2014/2015</b>		<b>2015/2016</b>		<b>2016/2017</b>	
<b>Market Begin Year</b>	<b>Feb 2015</b>		<b>Feb 2016</b>		<b>Feb 2017</b>	
<b>Brazil</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Crush</b>	40300	40300	40000	40500	0	41000
<b>Extr. Rate, 999.9999</b>	0.7742	0.7742	0.774	0.7753	0	0.7756
<b>Beginning Stocks</b>	3826	3826	4400	4400	0	4510
<b>Production</b>	31200	31200	30960	31400	0	31800
<b>MY Imports</b>	20	20	20	10	0	10
<b>MY Imp. from U.S.</b>	0	0	0	0	0	0
<b>MY Imp. from EU</b>	0	0	0	0	0	0
<b>Total Supply</b>	35046	35046	35380	35810	0	36320

<b>MY Exports</b>	15100	15100	15600	15600	0	15800
<b>MY Exp. to EU</b>	10500	10500	10500	10500	0	10500
<b>Industrial Dom. Cons.</b>	0	0	0	0	0	0
<b>Food Use Dom. Cons.</b>	0	0	0	0	0	0
<b>Feed Waste Dom. Cons.</b>	15546	15546	15650	15700	0	15850
<b>Total Dom. Cons.</b>	15546	15546	15650	15700	0	15850
<b>Ending Stocks</b>	4400	4400	4130	4510	0	4670
<b>Total Distribution</b>	35046	35046	35380	35810	0	36320
(1000 MT) ,(PERCENT)						

<b>Oil, Soybean</b>	<b>2014/2015</b>		<b>2015/2016</b>		<b>2016/2017</b>	
<b>Market Begin Year</b>	<b>Feb 2015</b>		<b>Feb 2016</b>		<b>Feb 2017</b>	
<b>Brazil</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Crush</b>	40300	40300	40000	40500	0	41000
<b>Extr. Rate, 999.9999</b>	0.1921	0.1921	0.192	0.1975	0	0.2
<b>Beginning Stocks</b>	565	565	280	280	0	280
<b>Production</b>	7740	7740	7680	8000	0	8200
<b>MY Imports</b>	11	11	10	0	0	0
<b>MY Imp. from U.S.</b>	0	0	0	0	0	0
<b>MY Imp. from EU</b>	0	0	0	0	0	0
<b>Total Supply</b>	8316	8316	7970	8280	0	8480
<b>MY Exports</b>	1650	1650	1340	1500	0	1600
<b>MY Exp. to EU</b>	50	50	50	50	0	50
<b>Industrial Dom. Cons.</b>	2896	2896	2915	3000	0	3100
<b>Food Use Dom. Cons.</b>	3490	3490	3500	3500	0	3500
<b>Feed Waste Dom. Cons.</b>	0	0	0	0	0	0
<b>Total Dom. Cons.</b>	6386	6386	6415	6500	0	6600
<b>Ending Stocks</b>	280	280	215	280	0	280
<b>Total Distribution</b>	8316	8316	7970	8280	0	8480
(1000 MT) ,(PERCENT)						