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Oilseeds and Products

Annual

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Report Highlights:

Disappointment continues for many Brazilian soybean farmers in 2004/05 as a drought that affected nearly half the soybean-producing states caused mediocre yields. High production costs and a strong Real relative to the dollar also resulted in unfulfilled potential for Brazil's soybean sector for the second year in a row. Brazilian 2004/05 soybean production is forecast at 54.5 MMT and area is estimated 22.8 million hectares. Stocks are high as farmers continue to a significant percentage of the crop on-farm and in Brazil's maxed-out storage facilities. Production and area are expected to expand mildly in 2005/06 to 59 MMT on 23.8 million hectares, as expansion in the North and Center-West continues and area growth in the South comes to a close.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Brasilia [BR1]
[BR]

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Executive Summary

This year's drought conditions took a crop positioned to set record yields and turned it in into a simply a good one overall. Most injury to the crop was limited to isolated areas, with the exception of Rio Grande do Sul, where irreversible damage appears to be widespread throughout the state. Paraná, Mato Grosso do Sul, Sao Paulo, and Santa Catarina were other states affected by the drought to varying degrees. Due to the drought's impact, post lowered its production estimate for 2004/05 to 54.5 MMT with an expected average yield of 2.5 tons/ha.

Due to the losses, Post is also reporting a slight drop in 2004/05 harvested area to 22.8 million hectares. Although Brazilian farmers are experiencing increasing costs of production and lower market prices, expansion of crop land into soybeans continues in the frontier areas of Northeastern Mato Grosso, Tocantins, and Pará. A recent post trip to expansion areas revealed that the land-clearing process has not slowed in the North despite lower soybean and cattle prices. While many farmers are still clearing cerrado or forested lands for pasture, it would appear that the majority of farmers are now planting with an initial crop of rice or simply going directly to soybeans. As the remaining available land in Northern Mato Grosso continues to be purchased at a rapid pace, increasing land values have pushed soybean production into the new frontier areas of Pará, Piauí, Tocantins, and Rondônia, areas with more affordable land prices and lower transportation costs due to port options such as Santarém and Itacotiara.

Soybean area is forecast to increase 4 percent next crop year to 23.8 million hectares. Growth in area is expected to continue in the Center-West, Bahia, and in other expansion areas to the North. The South, however, is expected to maintain the same area due to less available land for expansion and the discouraging soybean situation in the region over the last two years. Local media have reported a minor amount of shifting into rice and horticultural crops in this area.

The current overall trend of high input costs and low prices is expected to discourage farmers in general from expanding at the rates that took place in the past three years. The strength of the Brazilian currency, the Real, has also decreased Agricultural exports' competitiveness, in addition to decreasing margins. The potential impact of soybean rust in the U.S. is one of the few variables that could cause a market upswing in Brazil's favor and trigger greater growth in area planted.

Soybean stocks at harvest time this year were higher than normal, largely due to farmers' refusal to sell their product at current market prices, which are lower than last year. However, stocks may be drawn down dramatically during the year due to a smaller than expected crop, growing domestic use (including shortages at Brazilian crushing plants), and strong exports. Soybean exports are forecast to increase significantly this year from 19.2 to 23.4 MMT, due to increased production, greater exportable supply, and continued strong global demand for soybeans and meal.

Brazil is home to 243,000 soybean producers in 17 states widely dispersed throughout the country. Twenty percent of the country's total agricultural income comes from soybeans. Of Brazil's \$10 billion in total exports last year, soybeans made up 12%, and 25% of agricultural exports. The evolution of agricultural production and the "tropicalization" of soybeans have allowed the extensive and rudimentary occupation of the Cerrado to be replaced by activity based on technology, with potential economic, social, and environmental sustainability. The evolution of the soybean crop has brought about improvement in the standard of living and the development of infrastructure in the areas of transport, education, and health. It is

expected that Brazil is 3-5 years away from being the number one global producer of soybeans.

Economic Overview

Brazil is living one of its best economic moments in recent memory. GDP growth of 5% in 2004 has been coupled with booming exports, healthy external accounts, inflation under control, decreasing unemployment and reductions in the debt-to-GDP ratio. President Lula and his economic team have implemented prudent fiscal and monetary policies and pursued necessary microeconomic reforms. All of this has contributed to reducing Brazil risk to less than 400 basis points over U.S. Treasuries and an upgraded credit rating.

Brazil has made great strides, but significant vulnerabilities remain. Despite registering its first year-on-year decline in 2004, Brazil's largely domestic government debt remains high, at 52% of GDP. Total foreign debt, while falling, is still large in relation to Brazil's modest export base. Healthy export growth, which has anchored the positive trade and current accounts, mitigates this concern. Personal incomes, while up in 2004, registered a significant decline over the previous decade. Income distribution remains markedly skewed.

Economic Indicators

	1999	2000	2001	2002	2003	2004	2005*
GDP Growth (%)	0.9	4.0	1.5	1.9	.5	5.3	4.0
Inflation (%) (IPCA/IBGE)	8.9	6.0	7.7	12.5	9.3	7.6	5.6
Average Exchange Rate (R\$/US\$)	1.81	1.83	2.35	2.93	3.07	2.93	3.0
Total Exports (US\$ billion)	48.1	55.0	58.2	60.4	73.1	96.5	101
Total Imports (US\$ billion)	49.2	55.7	55.5	47.2	48.3	62.8	75

Source: Central Bank and Ministry of Planning

* Predicted

Statistical Tables

A. Production, Supply & Demand Tables

PSD Table Country: Brazil Oilseed, Soybean (Local) (1000 HA)(1000 MT)						
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		02/2004		02/2005		02/2006
Area Planted	21475	21436	22800	23000	0	23800
Area Harvested	21475	21400	22800	22850	0	23800
Beginning Stocks	3129	3090	4186	4420	3903	4900
Production	52600	52580	54000	54500	0	59000
MY Imports	350	350	213	360	0	200
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	56079	56020	58399	59280	3903	64100
MY Exports	19571	20000	20976	19260	0	23450
MY Exp. to the EC	10200	10720	12000	12000	0	13000
Crush Dom. Consumption	29172	29000	30320	30900	0	32500
Food Use Dom. Consump.	0	0	0	700	0	750
Feed,Seed,Waste Dm.Cn.	3150	2600	3200	3520	0	3650
TOTAL Dom. Consumption	32322	31600	33520	35120	0	36900
Ending Stocks	4186	4420	3903	4900	0	3750
TOTAL DISTRIBUTION	56079	56020	58399	59280	0	64100
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	2	0	0	0	0

PSD Table Country: Brazil Meal, Soybean (Local) (1000 MT)						
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		02/2004		02/2005		02/2006
Crush	29172	29000	30320	30900	0	0
Extr. Rate, 999.9999	0.785685	0.853448	0.785026	0.776699	0	0
Beginning Stocks	763	688	469	388	425	788
Production	22920	24750	23802	24000	0	26200
MY Imports	200	250	200	200	0	100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	23883	25688	24471	24588	425	27088
MY Exports	14630	16300	14646	14500	0	16000
MY Exp. to the EC	8600	9000	9000	9100	0	9800
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	8784	9000	9400	9300	0	10138
TOTAL Dom. Consumption	8784	9000	9400	9300	0	10138
Ending Stocks	469	388	425	788	0	950
TOTAL DISTRIBUTION	23883	25688	24471	24588	0	27088
Calendar Year Imports	0	288	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	13500	0	0	0	0
Calndr Yr Exp. to U.S.	0	34	0	300	0	0

PSD Table Country: Brazil Oil, Soybean (Local) (1000 MT)						
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		02/2004		02/2005		02/2006
Crush	29172	29000	30320	30900	0	0
Extr. Rate, 999.9999	0.180241	0.209655	0.180013	0.182848	0	0
Beginning Stocks	150	122	93	82	100	215
Production	5258	6080	5458	5650	0	5720
MY Imports	50	50	40	30	0	30
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	5458	6252	5591	5762	100	5965
MY Exports	2655	2940	2706	2500	0	2650
MY Exp. to the EC	0	35	0	30	0	35
Industrial Dom. Consum	160	165	160	160	0	165
Food Use Dom. Consump.	2550	3065	2625	2887	0	3100
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	2710	3230	2785	3047	0	3265
Ending Stocks	93	82	100	215	0	50
TOTAL DISTRIBUTION	5458	6252	5591	5762	0	5965
Calendar Year Imports	0	50	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	2405	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table Country: Brazil Oilseed, Cottonseed (1000 HA)(1000 MT)						
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Area Planted (COTTON)	0	1000	0	1150	0	1250
Area Harvested(COTTON)	1100	1000	1150	1150	0	1250
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	2240	1976	2350	2375	0	2600
MY Imports	5	1	3	3	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2245	1977	2353	2378	0	2600
MY Exports	106	10	110	110	0	120
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	1788	1683	1818	1850	0	2000
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cm.	351	284	425	418	0	480
TOTAL Dom. Consumption	2139	1967	2243	2268	0	2480
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2245	1977	2353	2378	0	2600
Calendar Year Imports	0	1	0	1	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	10	0	15	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table Country: Brazil Meal, Cottonseed (1000 MT)						
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Crush	1788	1683	1818	1850	0	2000
Extr. Rate, 999.9999	0.470358	0.533571	0.470847	0.486486	0	0.475
Beginning Stocks	5	5	5	5	5	5
Production	841	898	856	900	0	950
MY Imports	10	5	3	3	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	856	908	864	908	5	955
MY Exports	20	30	25	25	0	35
MY Exp. to the EC	0	17	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	831	873	834	878	0	913
TOTAL Dom. Consumption	831	873	834	878	0	913
Ending Stocks	5	5	5	5	0	7
TOTAL DISTRIBUTION	856	908	864	908	0	955
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table Country: Brazil Oil, Cottonseed (1000 MT)						
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Crush	1788	1683	1818	1850	0	2000
Extr. Rate, 999.9999	0.166667	0.157457	0.165567	0.167568	0	0.165
Beginning Stocks	0	0	0	0	0	0
Production	298	265	301	310	0	330
MY Imports	0	1	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	298	266	301	310	0	330
MY Exports	44	55	40	40	0	45
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	75	60	80	82	0	85
Food Use Dom. Consump.	179	151	181	188	0	195
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	254	211	261	270	0	285
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	298	266	301	310	0	330
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	55	0	65	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

B. Trade Matrices

Soybeans

Brazil Soybean Exports							
In 1000 Metric Tons							
Feb-Jan							
Country	Quantity			% Share			% Change
	2003	2004	2005	2003	2004	2005	2005/2004
World	16,074	19,987	19,256	100	100	100	-3.66
United States	3	2	241	0.02	0.01	1.25	8
China	4,142	6,200	5,580	25.77	31.02	28.98	-10.01
Netherlands	3,053	3,586	3,559	19	17.94	18.48	-0.76
Germany	1,622	2,235	1,630	10.1	11.18	8.46	-27.09
Spain	1,210	1,570	1,596	7.53	7.85	8.29	1.67
Italy	521	804	906	3.24	4.02	4.71	12.71
Taiwan	192	556	841	1.19	2.78	4.37	51.33
Iran	355	354	640	2.21	1.8	3.32	77.96
Others	4979	4682	4504				

Brazil Soybean Imports							
In 1000 Metric Tons							
Feb-Jan							
Country	Quantity			% Share			% Change
	2003	2004	2005	2003	2004	2005	2005/2004
World	1100	1124	364	100	100	100	-67.62
Paraguay	1100	1124	364	100	100	100	-67.62
United States	0	0	0	0	0	0	0

Soybean Meal

Brazil Soybean Meal Exports							
In 1000 Metric Tons							
Feb-Jan							
Country	Quantity			% Share			% Change
	2003	2004	2005	2003	2004	2005	2005/2004
World	12,783	13,542	14,567	100	100	100	7.57
Netherlands	3,755	3,797	4,086	29.38	28.04	28.05	7.61
France	2,873	2,628	2,993	22.48	19.41	20.55	13.88
Germany	585	924	1054	4.58	6.83	7.23	14.01
Iran	87	387	644	0.68	2.86	4.42	66.34
Spain	445	350	621	3.48	2.59	4.26	77.27
Thailand	490	603	616	3.84	4.46	4.23	2.12
United Kingdom	483	476	482	3.78	3.52	3.31	1.12
Indonesia	471	703	476	3.69	5.2	3.27	-32.32
Italy	623	660	448	4.88	4.87	3.07	-32.19
Korea South	579	703	434	4.53	5.19	2.98	-38.22
Saudi Arabia	335	541	387	2.62	4	2.66	-28.41
Romania	191	435	361	1.49	3.22	2.48	-17.03
Belgium	627	335	317	4.91	2.48	2.18	-5.44
United States	96	34	270	0.75	0.25	1.85	683.61
Ireland	126	78	191	0.99	0.58	1.31	145.21
Others	11,766	12,654	13,380				

Brazil Soybean Meal Imports							
In 1000 Metric Tons							
Feb-Jan							
Country	Quantity			% Share			% Change
	2003	2004	2005	2003	2004	2005	2005/2004
World	372099	288403	178009	100	100	100	-38.28
Paraguay	372099	288403	177905	100	100	99.94	-38.31
United States	0	0	104	0	0	0.06	8

Soybean Oil

Brazil Soybean Oil Exports							
In 1000 Metric Tons							
Feb-Jan							
Country	Quantity			% Share			% Change
	2003	2004	2005	2003	2004	2005	2005/2004
World	2100	2405	2531	100	100	100	5.23
China	300	607	839	14.3	25.24	33.15	38.21
Iran	728	816	676	34.66	33.92	26.7	-17.19
India	415	245	297	19.74	10.19	11.75	21.27
South Africa	34	88	85	1.62	3.7	3.39	-3.68
United States	0	0	80	0	0	3.16	8
Bangladesh	75	107	78	3.58	4.44	3.07	-27.12
Netherlands	7	27	61	0.32	1.12	2.41	126.6
Morocco	99	12	57	4.73	0.5	2.23	371.28
Hong Kong	79	105	47	3.76	4.36	1.85	-55.38
Senegal	46	68	46	2.19	2.82	1.82	-32.18
United Arab Emirates	20	20	32	0.93	0.82	1.26	62.35
Cuba	7	0	27	0.31	0	1.08	0
Venezuela	0	18	22	0.01	0.75	0.88	24.37
Others	1810	2113	2347				

Brazil Soybean Oil Imports							
In 1000 Metric Tons							
Feb-Jan							
Country	Quantity			% Share			% Change
	2003	2004	2005	2003	2004	2005	2005/2004
World	11	47	14	100	100	100	-70.05
Argentina	100	31	13	91.09	65.98	90.06	-59.12
Paraguay	10	3	1	8.81	7.01	9.04	-61.37
Uruguay	0	12	0	0	26.97	0	0
United States	0	0	0	0	0	0	0

Cottonseed Meal

Brazil Cottonseed Meal Exports				
In Metric Tons				
Country	Quantity			% Change
	2002	2003	2004	2004/2003
World	24831	16041	13164	-17.94
United Kingdom	500	6200	13164	112.31
Belgium	0	6341	0	-100
Germany	871	3500	0	-100
Netherlands	23460	0	0	0

Brazil Cottonseed Meal Imports				
In Metric Tons				
Country	Quantity			% Change
	2002	2003	2004	2004/2003
World	7015	591	9044	1431.6
Paraguay	675	569	8974	1477.14
United States	40	22	71	227.94
Uruguay	263	0	0	0
Argentina	6038	0	0	0

Cottonseed Oil

Brazil Cottonseed Oil Exports				
In Metric Tons				
Country	Quantity			% Change
	2002	2003	2004	2004/2003
World	57807	36199	44410	22.68
Iran	0	5512	19550	254.67
Egypt	5000	0	9750	0
Korea South	1000	7200	5500	-23.61
Korea North	0	0	3000	0
South Africa	38900	12075	2500	-79.3
Malaysia	3000	3000	2000	-33.33
Australia	0	3040	2000	-34.22
Bolivia	259	0	58	0
Japan	0	865	42	-95.15
Trinidad & Tobago	7	6	10	55.56
United States	1000	2000	0	-100
India	6000	0	0	0
Cape Verde	0	0	0	-100
Chile	142	0	0	0
China	2500	2500	0	-100

Brazil Cottonseed Oil Imports				
In Metric Tons				
Country	Quantity			% Change
	2002	2003	2004	2004/2003
World	2996	400	200	-49.99
Paraguay	2194	400	200	-50
Japan	0	0	0	0
Germany	0	0	0	6.67
United States	0	0	0	0
Argentina	802	0	0	0

C. Price Tables

Soybean Price Table					
Country	Brazil				
Commodity	Oilseed, Soybean				
Prices in	US\$/TON				
Year	2003	2004	2005	% Change 03/04	% Change 04/05
Jan	214.81	290.16	206.28	35.08	-28.91
Feb	213.61	290.87	208.02	36.17	-28.48
Mar	208.3	317.85		52.59	
Apr	217.81	322.48		48.06	
May	225.19	290.45		28.98	
Jun	232.46	263.97		13.56	
Jul	222.6	246.55		10.76	
Aug	221.39	236.82		6.97	
Sep	239.69	232.12		-3.16	
Oct	277.52	216.59		-21.96	
Nov	287.42	224.42		-21.92	
Dec	281.31	219.09		-22.12	
Export Price FOB Paranagua					

Domestic Soybean Prices (R\$/60 kg. bag)												
Month/ Location	2003				2004				2005			
	PR 1/	SP 2/	RS 3/	MT 4/	PR 1/	SP 2/	RS 3/	MT 4/	PR 1/	SP 2/	RS 3/	MT 4/
Jan	43.14	41.25	43.28	37.44	45.81	45.85	46.10	41.21	33.04	33.75	33.25	28.90
Feb	42.65	39.34	43.30	35.27	44.48	44.35	45.56	37.79	28.30	29.25	29.25	24.43
Mar	38.56	38.21	39.00	32.9	50.18	49.76	50.71	43.53				
Apr	36.17	36.05	35.24	31.36	51.00	49.75	52.13	47.75				
May	36.38	35.9	36.11	32.28	45.50	44.32	44.01	43.75				
Jun	35.96	36.18	35.82	32.12	43.88	43.63	43.13	41.50				
Jul	34.96	35.13	34.79	31.30	40.10	40.50	39.50	36.06				
Aug	35.51	35.28	35.15	32.28	38.13	38.28	38.51	34.50				
Sep	38.86	38.19	38.09	34.88	37.30	38.75	36.63	32.83				
Oct	45.14	44.12	44.74	41.38	34.30	35.50	34.60	31.64				
Nov	47.76	46.96	47.76	43.97	33.88	33.25	33.13	30.05				
Dec	46.30	45.49	47.12	41.72	32.50	33.75	32.50	29.93				

Soymeal Prices				
Month	2003		2004	
	Exchange Rate	Reals/Ton	Exchange Rate	Reals/Ton
JAN	3.4376	704.77	2.8492	718.57
FEB	3.5895	693.75	2.9305	688.78
MAR	3.4461	636.32	2.9047	766.30
APR	3.1069	527.75	2.9053	803.33
MAY	2.9549	528.81	3.0944	780.95
JUN	2.8827	533.57	3.1247	706.36
JUL	2.8790	527.39	3.0375	597.27
AUG	3.0017	558.81	3.0055	548.18
SEP	2.9229	602.95	2.8921	565.95
OCT	2.8608	701.52	2.8515	515.48
NOV	2.9106	754.00	2.7889	476.50
DEC	2.9245	707.27	2.7233	487.62
Average	3.0764	623.08	2.9256	637.94

Source: Safras & Mercado

Soyoil Prices				
Month	2003		2004	
	Exchange Rate	Reals/Ton	Exchange Rate	Reals/Ton
JAN	3.4376	1870.23	2.8492	1864.76
FEB	3.5895	1920.25	2.9305	2109.50
MAR	3.4461	1846.32	2.9047	2128.70
APR	3.1069	1711.00	2.9053	1970.24
MAY	2.9549	1595.00	3.0944	1887.14
JUN	2.8827	1585.24	3.1247	1713.05
JUL	2.8790	1548.91	3.0375	1676.36
AUG	3.0017	1467.62	3.0055	1702.27
SEP	2.9229	1568.18	2.8921	1727.14
OCT	2.8608	1817.39	2.8515	1516.90
NOV	2.9106	1814.50	2.7889	1480.00
DEC	2.9245	1869.55	2.7233	1450.95
Average	3.0764	1717.85	2.9256	1768.92

Source: Safras & Mercado

Domestic Soybean Oil Prices: Crude and Refined				
In Brazilian Reals				
Month	2003		2004	
	Crude 1/	Refined 2/	Crude 1/	Refined 2/
Jan	2,004.00	47.96	1,974.00	44.25
Feb	2,037.50	47.20	2,300.00	45.10
Mar	1,942.50	46.40	2,235.00	47.70
Apr	1,800.00	45.65	2,130.00	47.88
May	1,674.00	42.40	2,010.00	46.70
Jun	1,660.00	40.90	1,812.50	46.15
Jul	1,642.00	39.85	1,826.40	43.45
Aug	1,576.25	39.00	1,823.50	41.90
Sep	1,655.00	37.95	1,802.80	41.64
Oct	1,936.00	39.56	1,627.25	41.05
Nov	1,962.50	42.85	1,570.00	39.65
Dec	1,997.50	44.10	1,530.00	38.28

Note: 1/ São Paulo - R\$/MT - w/ICMS 12%. 2/ Retail - São Paulo - R\$/20 unit case of 900 ml cans.
Source: ABIOVE

Monthly Exchange Rates: R\$/US\$					
Month/Year	2003	2004	2005	% Change 03/04	% Change 04/05
Jan	3.438	2.851	2.692	-17.07	-5.58
Feb	3.590	2.930	2.597	-18.38	-11.37
Mar	3.446	2.905	2.704	-15.70	-6.92
Apr	3.118	2.905	2.585	-6.83	-11.02
May	2.955	3.100		4.91	
Jun	2.882	3.128		8.54	
Jul	2.879	3.036		5.45	
Aug	3.002	3.002		0.00	
Sep	2.922	2.890		-1.10	
Oct	2.861	2.852		-0.31	
Nov	2.913	2.785		-4.39	
Dec	2.924	2.717		-7.08	
Average	3.078	2.925		-4.95	

Source: Banco Central do Brasil (www.bcb.gov.br)

D. Policy Table

Official Minimum Prices				
Product (Unit) / Crop Year	2003/04		2002/03	
Area	R\$	US\$	R\$	US\$
Cotton (15 kg)				
S, SE, CW & BA south	44.60	14.53	33.90	11.61
NE (except BA)	44.60	14.53	33.90	11.61
Cottonseed (15 kg)				
S, SE, CW & BA south	13.40	4.36	10.08	3.45
NE (except BA)	13.40	4.36	10.08	3.45
Soybeans (60 kg)				
S, SE, CW & RO	14.00	4.56	11.00	3.77
N (except RO) & NE	13.00	4.56	10.40	3.56
Source: Ministry of Agriculture, CONAB				
Note: S=South; SE=Southeast; CW=Center-West; NE=Northeast; CS=Center-South; BA=Bahia; MT=Mato Grosso; TO=Tocantins; PA=Para; PI=Piaui; GO=Goiias; AC=Acre; RO=Rondonia; MA=Maranhao; DF= Distrito Federal.				
Exchange Rate: 1997/98-R\$1.065/US\$; 1998/99-R\$1,15/US\$; 1999/00-1.83R\$/US\$; 2000/01-R\$1.85/US\$; 2001/02-R\$2.35/US\$; 2002/03-R\$2.92/US\$; 2003/04-R\$3.07/US\$				

NARRATIVE ON SUPPLY, DEMAND, POLICY & MARKETING**Production****2004/05 Crop Situation**

This year's drought conditions took a crop positioned to set record yields and turned it into a simply a good one overall. Similar setbacks suffered last crop year were repeated, including drought in the south and overabundant moisture in the center-west that caused harvesting difficulties and shriveled beans. However, this year's rust management was much improved from that of the previous year, and did not affect yields to the same degree. Most injury to the crop is limited to isolated areas; with the exception of Rio Grande do Sul, where irreversible damage appears to be widespread throughout the state. Post's current production estimate is 54.5 MT with expected average overall yields of 2.5 tons/ha. The area projection is 22.8 million hectares, a 6.5% increase over last year's area.

2004/05 Crop Estimates by State Mato Grosso

State-Level Soybean Estimates:	
FAS Brasilia	
Region	Production Estimate (MMT)
Center West	30.05
MS	4
MT	17.9
GO	8
DF	0.15
South	14.0
PR	10.2
SC	0.8
RS	3
Southeast	5.2
MG	3.1
SP	2.1
Northeast	4.1
MA	1
PI	0.5
BA	2.6
North	1.19
RO	0.2
AM	0.04
RR	0.05
PA	0.1
TO	0.8
Totals	54.54

Rainfall during the month of March, at the end of the harvest, created some logistical and agronomic problems in certain areas of Mato Grosso. With rainfall at a 30-year high of 400 millimeters, some producers faced problems with excess humidity in the beans and higher transportation costs. The major soybean-producing regions of Sinop (500 kilometers north of Cuiabá) and Sorriso (420 kilometers North of Cuiabá) were reporting some diminished yields due to the beans' prolonged exposure to humidity. Trucking costs were reported 25% higher due to the bad road conditions, and wet weather during some of the harvest caused mud, holes, treacherous conditions, and long waits. In a particularly bad state were large portions of BR 163 (Cuiabá-Santarem) and BR 364 (Diamantino-Itamaraty).

In most areas, however, the rain delayed the harvest without compromising quality of the beans. Overall, yields in the largest soybean state of Mato Grosso are still exceptional due to better rust and crop management and will likely reach a record-breaking 17.9 MMT. Yields in Mato Grosso continue to lead the country and are anticipated to be 3.0 tons/ha, making it the first state to reach this level of average yields.

Other Center-West

Despite reports of lower productivity in the Southeast of the state, which includes the Rio Verde area, production in Goias is expected to

increase 10% over last year. Yields in the west of the state, particularly in the Catalao region have been excellent. Mato Grosso do Sul was affected by drought conditions and expected production for the state fell from 5.3 to 4 MMT, which will still be an increase over last year's production. Producers in this state with losses greater than 40% will qualify for debt renegotiation with the Bank of Brazil.

South

The worst drought in over 40 years in Southern Brazil has caused a major impact on soybean production in the southern state of Rio Grande do Sul, and a considerable one on production in Paraná. These states each contain approximately one-sixth of Brazilian soybean area. Post's pre-drought forecast for Rio Grande do Sul was 9.3 MMT, and post's new estimate for Rio Grande do Sul is 3.0 MMT. Most sources report the state's soy losses at 65%, a 6 MMT commodity loss. The loss in Paraná's production is estimated at 15%, and its estimate is being lowered from a pre-drought 12.4 MMT to 10.2 MMT due to losses concentrated in the western and northwestern regions of the state. Soybeans planted on sandier soils in Northeast Paraná were also affected.

The drought's most damaging effects took place in February, with its combination of dryness and higher than average temperatures right at the time of flowering. Most injury to the crop is limited to isolated areas; with the exception of Rio Grande do Sul, where irreversible damage appears to be widespread throughout the state. Although details are not known, it is reported that producers in the state will receive federal assistance to compensate their losses.

With respect to average yields, Rio Grande do Sul is the most damaged and reports from the fields indicate a yield for 04/05 of 0.85 tons per hectare. Parana so far has averaged 2.65 tons/ha (which may mean an increase from last year's yields of 2.55 kg/ha), and yields in Santa Catarina should be only moderately affected at 2.5 tons/ha, down slightly from their 5-year average of 2.6. The harvest in this region will be completed by the 15th of May.

Southeast

Minas Gerais and Sao Paulo will together produce 5.3 MMT this year. The soybean harvest is complete in the state of Sao Paulo, where production numbers was affected as much as 5% due to the drought conditions in February. Minas Gerais has reported excellent yields in the Minas Triangle and, in particular, in Unaí. The two states will produce 5.1 MMT this year, which, despite losses, is still an increase over last year's production.

Northeast

Production is expected to reach at least 4 MMT in Bahia, Maranhao, and Piaui combined. Harvest progress in this area is advancing rapidly but not without complications. Unlike other years, this year nearly all producers in Bahia planted at the same time due to late rains, and now machinery and transport is at a premium. Maranhao and Piaui have harvested surprisingly high yields so far, although rains delayed the harvest to some degree in Maranhao. Even fields producing for the first year in these two states show high yields.

North

With the harvest now complete in the North, all five states in the region increased production in 04/05. Although some areas were complicated by rain during harvest, which especially affected those who planted late in the season, productivity is still up considerably over last year. Producers in the region benefited from careful fertilizer and leaf mulch applications, as well as by good control of soy rust. The entire area will produce 1.2 MMT of soybeans, lead by Tocantins, which is expected to produce at least 800,000 MT and has reported likely average yields of 2.8 MT per hectare for the state.

2005/06 Crop Outlook

Soybean area is forecast to increase 4 percent next crop year to 23.8 million hectares. Growth in area is expected to continue in the Center-West, Bahia, and in other expansion areas to the North. In the South, however, the same area should be maintained due to less available land for expansion and the discouraging soybean situation in the region over the last two years. Local media have reported a minor amount of shifting into rice and horticultural crops in this area.

The current overall trend of high input costs and low prices is expected to discourage farmers in general from expanding at the rates that took place in the past three years. The strength of the Brazilian currency, the Real, has also decreased Agricultural exports competitiveness in general, in addition to decreasing margins. The potential impact of soybean rust in the U.S. is one of the few variables that could cause a market upswing in Brazil's favor and trigger a greater growth in area planted.

Post forecasts 05/06 production at 59 MMT, with average yields of 2.5 tons per hectare, assuming that weather problems will be less of an issue next crop year. Decreasing losses to rust and overall good crop management will continue as high costs and low soybean prices force soybean production out of small producers' hands and into those of large farming conglomerations.

Production should benefit from the changes to Brazilian Biotechnology policy in 05/06. The state of Paraná is the one exception, where the state's governor maintains his zero-tolerance position on biotech production and for all shipments out of the state's port, Paranaguá. However, It is unclear at this time how he will be able to override federal law. Since this major port is also used to transport soybeans out of neighboring states, the policy has had a big impact on RR soybean production in the south.

Official Brazilian Government Soybean Area, Production, & Yield Estimates									
State/Crop Year	AREA (1000 ha)			Production (1000 t)			Yield (kg/ha)		
	02/03	03/04	% Var.	02/03	03/04	% Var.	02/03	03/04	% Var.
North	209.7	336.1	60.3	557.5	910.6	63.3	2,659.0	2,709.0	1.9
Roraima	3.0	5.6	86.7	7.2	13.4	86.1	2,400.0	2,400.0	
Rondonia	41.0	59.5	45.0	123.0	178.5	45.1	3,000.0	3,000.0	
Amazonas	2.1	2.1		5.4	5.4		2,571.0	2,571.0	
Pará	15.5	26.8	73.0	44.2	76.6	73.3	2,850.0	2,860.0	0.4
Tocantins	148.1	242.1	63.5	377.7	636.7	68.6	2,550.0	2,630.0	3.1
Northeast	1,240.7	1,326.8	6.9	2,519.3	3,726.0	47.9	2,031.0	2,808.0	38.3
Maranhão	274.0	342.5	25.0	654.9	1,061.8	62.1	2,390.0	3,100.0	29.7
Piauí	116.3	162.8	40.0	308.2	446.1	44.7	2,650.0	2,740.0	3.4
Bahia	850.4	821.5	-3.4	1,556.2	2,218.1	42.5	1,830.0	2,700.0	47.5
Center-West	8,048.4	9,526.4	18.4	23,532.5	24,841.5	5.6	2,924.0	2,608.0	-10.8
Mato Grosso	4,419.6	5,148.8	16.5	12,949.4	14,519.6	12.1	2,930.0	2,820.0	-3.8
Mato Grosso do Sul	1,415.1	1,768.9	25.0	4,103.8	3,357.4	-18.2	2,900.0	1,898.0	-34.6
Goiás	2,170.5	2,561.2	18.0	6,359.6	6,841.0	7.6	2,930.0	2,671.0	-8.8
Distrito Federal	43.2	47.5	10.0	119.7	123.5	3.2	2,770.0	2,600.0	-6.1
Southeast	1,488.9	1,698.0	14.0	4,067.6	4,333.7	6.5	2,732.0	2,552.0	-6.6
Minas Gerais	873.6	1,039.6	19.0	2,332.5	2,700.9	15.8	2,670.0	2,598.0	-2.7
São Paulo	615.3	658.4	7.0	1,735.1	1,632.8	-5.9	2,820.0	2,480.0	-12.1
South	7,487.1	8,232.6	10.0	21,340.6	16,376.4	-23.3	2,850.0	1,989.0	-30.2
Paraná	3,637.6	3,990.4	9.7	10,971.0	10,215.4	-6.9	3,016.0	2,560.0	-15.1
Santa Catarina	255.8	289.1	13.0	738.5	634.6	-14.1	2,887.0	2,195.0	-24.0
Rio Grande do Sul	3,593.7	3,953.1	10.0	9,631.1	5,526.4	-42.6	2,680.0	1,398.0	-47.8
North/Northeast	1,450.4	1,662.9	14.7	3,076.8	4,636.6	50.7	2,121.0	2,788.0	31.4
Center-South	17,024.4	19,457.0	14.3	48,940.7	45,551.6	-6.9	2,857.0	2,341.0	-18.6
Brasil	18,474.8	21,119.9	14.3	52,017.5	50,188.2	-3.5	2,816.0	2,376.0	-15.6

Source: Conab (www.conab.gov.br)

Area

Post estimates harvested area at 22.8 million hectares, a 7 percent increase over last year. Although Brazilian farmers are experiencing increasing costs of production and lower market prices, expansion of crop land into soybeans continues in the frontier areas of Northeastern Mato Grosso, Tocantins, and Pará. A recent post trip to expansion areas revealed that the land-clearing process goes on despite lower soybean and cattle prices. While many farmers are still clearing cerrado or forested lands for pasture, it would appear that the majority of farmers are now planting only a crop of rice first or simply going directly to soybeans. As the remaining available land in Northern Mato Grosso continues to be purchased at a rapid pace, increasing land values have pushed soybean production into the new frontier areas of Pará, Piauí, Tocantins, and Rondonia, areas with more affordable land prices and lower transportation costs due to port options such as Santarém and Itacotiara.

In the south, there are a few farmers who are moving out of soybeans and into horticultural crops such as bananas, peach, tangerine, pineapple, and grapes. On the flip side, there is a state program in southern Rio Grande do Sul to incorporate soybeans into their rice and corn rotations, and Paraná's production should be helped by the Biosafety law that liberated the planting of Roundup Ready seed for next year's harvest. At this point, no reduction in soybean production in the South is foreseen, despite decreasing returns.

Yields

2004/05 crop yields are expected to average approximately 2.5 metric tons per hectare, a slight improvement from last year's average of 2.45, but shy of the record of 2.82 set in 2002/03. Yields in the center-west area of Mato Grosso and Goiás are expected excellent. Yields in Mato Grosso continue to lead the country and are anticipated to reach 3.0 tons/ha, making it the first state to reach this average yield. Post's trip to this area confirmed the excellent crop management in these areas, a reflection of lessons learned from last year's rust losses. In the face of rising production costs, farmers are also looking for innovative ways to improve yields. These methods include the use of cheaper natural forms of phosphate, potassium sulfate, lime, and bone meal. However, farmers in the region appear to have invested in fertilizer and pesticide applications and the crops are in excellent condition.

Rio Grande do Sul was the most damaged this year and is projected at 0.85 tons per hectare. Parana will decrease to 2.5 tons/ha (only a slight decrease from last year's yields of 2.55 kg/ha), and yields in Santa Catarina were only moderately affected at 2.5 tons/ha, down slightly from their 5-year average of 2.6. Overall, post estimates soybean yields in Brazil to average 2.5 tons/ha.

Overall yields in Brazil continue to improve due to the intensive region-specific research programs. The high-quality seed and technical services in Brazil continue to receive international recognition. The Mato Grosso Foundation has created a successful program that sponsors over 30 field days and 40 technical meetings in agricultural centers across the state. The latest technology and procedures for managing rust and other diseases are extended to farmers at crucial periods during the crop season.

Soybean Rust

Now in its fourth year of struggling with rust, Brazilian farmers seem to be managing the disease better and are more assiduous in their preventative spraying. This crop year, rust was present in every major soy-producing area, encompassing 12 states plus the federal district and 401 municipalities. The state of Paraná, number two in Brazilian soy area, suffered the greatest number of rust outbreaks.

Soybean Rust, which can destroy up to 80 percent of a crop if left untreated, has significantly raised production costs for farmers at a time when profit margins are already narrowing because of the drop in international prices and increases in the costs of other inputs. To keep the disease in check, farmers must apply fungicides to the crop at least two to three times, raising production costs by as much as 15 percent. Last season, when heavy rainfall in parts of Brazil exacerbated the rust epidemic, the country's soybean output fell for the first time in five years. Over all, the fungus lowered production by 4.5 million tons last season, costing farmers \$2 billion.

Brazil's Losses due to Asian Rust (1,000 tons and 1 million U.S. dollars)			
	2001/02	2002/03	2003/04
Production Loss	570	3,350	4,590
Financial Loss	125	734	1,225
Agrochemical Costs	-	442	860
Total Financial Loss	\$125	\$1,176.4	\$2,085

In an effort to lower agrochemical costs, the soybean industry has been pressuring the government for the speedy registration of more fungicides to combat soybean rust. To register any fungicide for use in Brazil, the industry must go through three government entities. The request is filed with the Ministry of Agriculture, but also goes to the Ministry of Science for toxicological studies and the Ministry of the Environment for environmental impact studies. Since February, the number of fungicides approved by the Brazilian government for use has risen from 14 to 20, and approximately 15 to 20 more products are waiting for government approval.

Since soybean rust arrived in the United States last December, university and government crop specialists and rust teams have been visiting Brazil in increasing numbers from the U.S. to observe soybean rust in the field and learn to better identify it. These groups have visited many types of farms and had the chance to view the disease in several stages, in order to more easily identify the disease in the U.S. Americans are also learning about Rust management from the Brazilians, trying to learn from their mistakes in previous years.

The Mato Grosso Foundation is currently researching conventional rust-resistant seed, but progress is slow and its launch is not expected for 4-5 years.

Consumption

Installed Soybean Crush and Refining Capacity by State: 2001-2003								
State	Crush Capacity				Refining Capacity			
	2001	2002	2003	Var. %	2001	2002	2003	Var. %
Paraná	31,500	28,650	28,950	1	2,730	2,490	2,650	6
Rio Grande do Sul	19,000	20,150	20,100	0	1,860	1,890	1,720	-9
Mato Grosso	10,820	14,500	14,500	0	600	650	650	0
São Paulo	14,700	12,950	14,450	12	6,256	5,840	5,880	1
Goiás	8,660	9,060	10,320	14	1,420	1,570	1,610	3
Mato Grosso do Sul	7,330	6,630	6,980	5	490	540	540	0
Minas Gerais	5,750	6,450	6,350	-2	1,050	1,270	1,270	0
Bahia	5,200	5,460	5,460	0	570	970	880	-9
Santa Catarina	4,130	4,050	4,000	-1	530	530	530	0
Amazonas	-	2,000	2,000	0	-	-	-	0
Pernambuco	400	400	400	0	500	500	450	-10
Piauí	260	260	1,760	577	120	120	120	0
Ceará	200	-	-	0	42	-	-	0
Distrito Federal	-	-	-	0	-	-	-	0
Total	107,950	110,560	115,270	4	16,168	16,370	16,300	0

Source: Brazilian Oilseed Crushers Association – ABIOVE (www.abiove.com.br)

Loss

According to IBGE (Brazilian institute of statistics), in 2003 3.5 million MT - nearly 7%- of their estimated 51.5 million MT harvest was lost in post-harvest. Their study concluded that between 1996 and 2003, 81.5 million tons of grain have been lost in the pre and post harvest processes, with 53.3 million MT of this total being post-harvest product loss. According to IBGE, this loss primarily takes place during transport, in which 67% is carried out by truck. The remaining post-harvest loss occurs in the storage process. Outdated grain silos, sometimes without fans, cause loss due to humidity and insect infestation. And the insufficient storage area means that approximately 5% of stocks are in open-air piles on farm. Along with other losses that occur with storing beans outside includes the crusting of the outer layer of the pile due to weather exposure.

Trade

Decreasing internal and external prices, lower crushing margins, and weak international demand caused Brazilian exports to fall in 2004/05 to 19,300 tons. Total Brazilian exports of the soy complex totaled \$570 million, down 36% from October of 2003. Export growth began to slow in April, when numerous shipments of soybeans were rejected by China due to fungicide contamination, which Brazilian producers argued was an attempt to get out of contracts negotiated at higher prices. At that point, farmers began to lose confidence that they would be paid for their commodity sent to China, and soon after, prices that were at \$10 a bushel dropped to \$5. Exports to China, Brazil's largest market, have dropped 21% to \$5.9 billion in the past year. The fall in exports to China is an about-face from previous years, where over the period from 1999-2003 the value of Brazil's exports to China jumped from 620 thousand tons to 6.1 million tons.

Problems with shipping continue in Brazil. According to industry sources, there are fewer and fewer ships available, trucking is more expensive, and there are new regulations at the port of Paranaguá. Charges for demurrage have increased from \$10,000 to \$40,000 a day. Overtime has been temporarily suspended for port workers and port premiums continue to be in jeopardy.

Appreciation of the Brazilian currency (currently at R\$2.5 to the dollar) is another concern for 2004/05 exports. Some industry sources question if Brazilian soy producers can maintain profit margins with the combination of current international soy prices and the current exchange rate. Producers claim they need at least R\$ 3.0 to the US dollar to remain competitive at current prices. After several years of enjoying the benefits of a weak currency, Brazilian farmers now are getting hit by a combination of low commodity prices and a strengthened Real.

The Brazilian real's value has strengthened by 20 pct against the U.S. dollar since July 2004 as a result of good performance in Brazil's manufacturing and export sectors. This has coincided with a sharp decline in the value of soybeans in the export market. The result has been a double shock to Brazilian producers in terms of the reals they receive for their commodities. A year ago Brazilian farmers were getting about 800 reals for each ton of soybeans delivered to the ports. Today they will only receive about 560 reals, a decline of 30 pct. About one-third of the decline in farmers' receipts is attributable to the rise in the value of the real.

Many Brazilian farmers and ranchers are likely to lose money for the first time in a long time because of the current situation. The high cost of capital is another factor hurting farmers. The base interest rate in Brazil currently is 19.25 percent, which makes it difficult to borrow

money at that rate and make money under good circumstances, and even more difficult under the current conditions for soybean farming, and causes a question regarding the increase in next year's soybean area. If interest rates remain at current levels, a major inflow of capital into Brazil is expected, which will keep the real strong, and will cause the difficult financial situation for farmers to continue.

Soybeans: Rising Production Costs (Cost of Production in western Paraná* state per hectare in USD)			
	2003/04	2004/05	Increase
Agrochemicals	142.97	155.28	9%
Fertilizer	61.49	73.65	20%
Machinery Operations	38.24	39.01	2%
Seed	19.59	30.94	58%
Interest	14.38	16.31	13%
Transportation	10.98	12.57	14%
Insurance	8.53	9.10	7%
Receiving/Drying/Cleaning/Storage	8.02	8.02	0%
Technical Assistance	5.39	6.15	14%
General Expenses	5.29	6.03	14%
Maintenance	1.59	1.73	9%
Temporary Labor	.71	.87	2%

Relative Swap Value of Soybeans for Inputs (60kg bags per unit 1/)			
Year	Fertilizer	Harvester	Tractor
1994	20.1	6487	2328
1995	23.3	7698	2727
1996	20.9	5091	1901
1997	18.5	5044	1745
1998	22.7	6427	2078
1999	26.9	7355	2163
2000	25.4	7059	1960
2001	23.4	6543	1783
2002	17.6	4972	1310
2003	19.8	6177	1636
2004*	22	7481	1806

1/ Amount of soybeans needed to acquire one metric ton of fertilizer, one harvester (120 Hp), or one tractor (75 Hp/2X4)
* Estimates based on Jan-Nov. 2004

Source: Conab (www.conab.gov.br)

Fertilizer Supply and Sales (Metric Tons)				
Item	2002	2003	2004	Change %
Production	8,071,156	9,353,177	9,783,952	4.61
Imports	9,772,638	10,491,293	14,679,124	39.92
Sales	19,114,268	22,796,232	22,767,489	-0.13

Source: National Fertilizer Association (ANDA) (www.anda.org.br)

Total Fertilizer Sales & Relative Cost				
Year	Quatity 1/	Soybeans 2/	Corn 2/	Sugar Cane 3/
2001	17,069,214	18.8	42.1	17.2
2002	19,114,268	15.6	30.8	18.2
2003	22,796,232	15.5	32.7	20.4
2004	22,767,489	17.4	42.2	26.9
1/ All Comodities (metric tons)				
2/ 60 kg bags of commodity needed to buy 1 metric ton of fertilizer.				
3/ Metric tons of cane needed to buy 1 metric ton of fertilizer.				

Source: National Fertilizer Association (ANDA) (www.anda.org.br)

Financing

Federal funding for the 2004/05 crop year increased by 46 percent from 2003/04 to R\$39.5 billion (US\$ 13 billion). This amount includes R\$28.8 billion (US\$ 9.5 billion for all programs managed by the Ministry of Agriculture's Food Supply Agency (CONAB), such as those under the minimum price policy; and R\$10.7 billion (US\$ 3.4 billion) for investment programs jointly managed with the National Bank of Economic and Social Development (BNDES), at subsidized interest rates. The subsidized credit is offered at an interest rate of 8.75 percent, which is considerably lower than the market rate of around 20 percent.

Two-year term government credit for soybean producers is available up to an amount of R\$200,000 (roughly US\$ 70,000) for farmers in the Center-West and North regions as well as soy producers in Maranhão, Piauí and Bahia. For all other soy producing states, the limit is R\$150,000 (roughly US\$ 52,000). The subsidized interest employed for these programs is 8.75% per year. Government financing covers a greater percent of production in the South, as farm sizes tends to be much smaller. Medium and large-scale soybean farmers, which dominate the frontier, depend little on government programs. Multinationals and seed suppliers provide much of the credit and inputs for larger producers. Local information indicates that 90 percent of agricultural chemicals are sold in crop terms (swap), while traders cover about 50 percent of soybean crop financing. Commercial banks, using the GOB required cash deposit focused to agriculture with GOB backing, can cover up to 60 percent of soybean producers' needs, while input dealers cover up to about 25 percent.

In the frontier, land opening costs are much higher and there is a greater dependence on multinationals. The companies take on the risks normally associated with banks, however, the value of soybeans has been literally as strong as gold, thereby encouraging the role as a lender. Multinationals began financing the soybean crop 8 years ago, largely through "swaps." This guarantees supply to the industry and allows for plant operation planning. Furthermore, plants can forward contract sales of oil and meal, since they have guaranteed supply for roughly 20 percent of production.

Domestic Support

The Brazilian government maintains a rural credit system and several BNDES long-term loan programs that support agricultural production and farm income, all at subsidized interest rates. These programs are summarized below:

1. Government Commodity Loan Program (EGF):

This program is frequently used by farmers to finance the holding of their products in accredited warehouses as collateral for the bank lender. The loan amount is based on the value of product offered as guarantee, based on a minimum price set annually by the government for various products. Banks normally provide loans on the basis of 70 percent of the minimum price. Subsidized interest is available at annual rates of 8.75 percent. The volume of such subsidized credit available is limited.

2. EGF - Industry Commodity Loan Program:

This program is similar to EGF, but applicable only to processors of agricultural commodities under the Minimum Support Price Program, except for rice and soybeans. Access to this program is gained directly between the processor and the farmer or cooperative. Financing is limited to 50 percent of the production capacity of the processors, and payment to the farmer cannot be lower than the government-established minimum commodity price in effect. Subsidized interest is available at annual rates of 8.75 percent.

3. Government Commodity Acquisition Program (AGF):

This program is similar to EGF and applicable to farmers who sell farm products to the federal government. Products must be in accredited warehouses, cleaned, dried and graded. The government, through the National Food Company (CONAB), an entity of the Ministry of Agriculture and Food Supply (similar to USDA/CCC) purchases the product at the minimum price.

4. Rural Promissory Note (CDR):

Processors of agricultural commodities can contract a CDR with accredited banks. Financing is limited to 50 percent of the processor's production capacity. Processors must prove they have paid at least the minimum price to the producer. Products eligible for CDR are: cotton, rice, corn, and wheat. Subsidized interest rates are 8.75 percent plus banking expenses.

5. Subsidy Auction Program (PEP):

This program is similar to the U.S. loan deficiency payment program. Through this program, the government pays the difference between the prevailing market price and the minimum price of the product. Only wheat, corn, and rubber have been eligible for this program so far. The federal government through CONAB conducts public auctions to set a premium for buyers of a given product. These buyers then contact producers interested in selling their production at the minimum support price in force. Buyers (normally processors or millers) must transport the product to the destination previously established by the program.

6. Option Contract:

The federal government through CONAB offers a futures price, normally between harvest periods, for purchase of eligible (wheat, corn, rice, and cotton) product. The futures price is established by CONAB at the moment the contract is offered, and the price is always above the minimum price. The producer may acquire a put option to sell contracts of 27 metric tons. The producer of the option contract acquires the right to sell the contracted product to CONAB at a later date and price specified in the contract.

7. Product Equivalency:

Small producers, under the Program to Strengthen Family Farms (PRONAF), are entitled to production cost financing based on the equivalency concept: farmers pay their back loans by delivering an equivalent amount of the crops. The government established minimum price is used as reference. This scheme is only available for cotton, rice, corn, and wheat. Interest rates for small family farms are highly subsidized, at the annual interest rate of 5.75 percent. The volume of credit available at this rate is limited.

8. Other:

Long-term support for production and processing of agricultural products is centralized in the BNDES - Brazilian Bank for Economic and Social Development, along with the Special Agency for Industrial Financing (FINAME). Both form the BNDES system. The BNDES system's mission is to foster economic and social development in Brazil, acting as an agent for long-term investments. The BNDES system provides financial support to the following sectors of the Brazilian economy: agriculture, industry, infrastructure, commerce and services. Please see page 16 for the total amount of funds provided to long-term financing of agricultural programs. The BNDES system offers a broad range of services to support various agribusiness project types. Among those are:

- FINAME Rural. A credit line destined for acquisition, maintenance and/or rebuilding of agricultural machinery. The annual interest rate is 14.5 percent for a period of 5 years, with a grace period of two years.
- BNDES Automatic. A credit line aimed at creating pasture, other animal production projects, and for production of forest products. Annual interest rates are similar to the credit line above and terms of financing are flexible according to each project.
- Other BNDES credit lines (mostly with subsidized interest rates) are specific for commodities, such as: PRODAMEL (Program for the Development of Apiculture); PROSOLO (Soil Conservation Program); PRODECAP (Program for the Development of Sheep and Goat); PROCAMOL (Program to Support the Development of Shrimp Farming); PRODEVINHO (Program for the Development of the Wine Industry); PROPASTO (Program for Pasture Improvement); PROLEITE (Program for Developing Milk Production); PROFRUTA (Program for the Development of the Fruit Industry);

Brazilian Contracts on CBOT

On May 20, the Chicago Board of Trade (CBOT) will begin offering a Brazilian soybean futures contract, which is expected to be identical to the CBOT's current soybean futures contract. The Brazilian contract will be traded in bushels, not metric tons; will have one-quarter cent price fluctuations in dollars, not reals; will be settled through physical delivery,

not cash; and will be offered in the same months as the US-based soy contracts - January, March, May, July, August, September and November. The contracts' two delivery points for settlement will be the major soybean ports of Santos and Paranagua.

The fast-moving soybean market has often led to wide differences between futures prices and cash prices, which fluctuate wildly in Brazil, causing basis swings of more than \$2 per bushel. With a Chicago-traded Brazilian contract, however, processors and merchandisers are expected to be better able to manage price risks in local and global markets. Hedgers and market speculators will also be able to arbitrage to better determine a fairer global soybean price. CBOT soybean traders will now have two harvest contracts: November, viewed as the new crop contract for US production, and March, which will likely be the new crop contract for South American producers. The multinationals will likely continue to participate in both contracts to even out risks and exploit price differences that might arise between the calendar-opposite North and South American crops. CBOT is also planning to add Brazilian soybean meal and soybean oil futures contracts, with similar specifications as Chicago.

Stocks

As prices began to drop in 2003/04, farmers increasingly began to hold more quantities of soybeans, which caused stocks to rise. Storage capacity is slowly increasing due to the investment being made by multinationals. However, much product is still stored in the open on-farm, which leads to some unnecessary loss and also creates difficulty in tracking actual stock levels. Post forecasts high stock levels at 4900 MT for 04/05, but is expecting a decrease in 05/06 due to growing export and crush demand.

The Brazilian government does not hold oilseed stocks. The majority of stocks are held by cooperatives, processors, or at the port. Domestic processors and cooperatives carry soybeans as "stocks" until the commodity is priced. The physical soybeans, however, may have already gone to processing or export. Brazil's on-farm capacity is extremely small, and can currently accommodate only about 5 percent of the local crop. Although storage space is expanding at all levels, it is not keeping up with production growth. Over the past several years grain storage capacity has increased only 10 percent that of grain production. The grain storage deficit is about 35 percent. Although storage is increasing in the frontier, many farmers spend their profits buying more new farmland instead of building on-farm storage. However, soybean producers are now less inclined to quickly sell production that has not already been contracted for and are increasingly electing to pay to store new crop production to await better market prices.

Policy

Import Tariffs

The Brazilian Government's import tariffs on oilseeds and products were lowered 1.5 percent from last year and are contained in the MERCOSUL Common External Tariff schedule (TEC). Brazil, Argentina, Paraguay and Uruguay are members of the MERCOSUL trade pact. Bolivia and Chile are associate members. The tariff rates are noted on the next page.

MERCOSUL Common External Tariffs			
Tariff Code		Description	%
1201		Soybeans	
	.00.10	Seed for planting	0
	.00.90	Other	8
1207		Cotton	
	.20.10	Seed for planting	0
	.20.90	Cottonseed	8
1507		Soybean oil, not chemically modified	
	.10.00	Crude	10
	.90	Other	
	.90.10	Refined	12
	.90.90	Other	10
1512		Cottonseed oil	
	.21.00	Crude	10
	.29	Other	
	.29.10	Refined	10
	.29.90	Other	10
1208		Oilseed flour	
	.10.00	Soybean	10
	.90.00	Other	10
2304		Meals resulted from extraction of soybean oil	
	.00.10	Meals & pellets	6
	.00.90	Other	6
2306		Meals resulted from extraction of vegetable oil	
	.10.00	Cotoonseed meal	6

Source: Brazilian Government - Aduaneiras Tarifa Externa Comum (TEC)

Interstate Movement Tax (ICMS) Exemption (Lei Kandir)

In September 1996, through "Lei Complementar 95-A", better known as the "Lei Kandir," the GOB exempted exports of raw materials and semi-manufactured products from the interstate movement tax (ICMS - Imposto Sobre Circulação de Mercadorias e Serviços). In other words, it canceled this export tax on soybeans and derivative products. Prior to the change, interstate movement of soybeans going to export were taxed at 13 percent, while soybean meal and soybean oil were assessed lower rates: 11 and 8.5 percent respectively. While state governments are in desperate need of tax revenue sources and the domestic crushing sector continues to chafe under the exemption, elimination of the Lei Kandir does not appear likely in the foreseeable future. However tempting it may be for the Brazilian Government to consider an export tax because of the need for revenues in a taxation system that is in dire need of an overhaul, the prevailing sense is that such a tax will not be re-adopted.

Biodiesel

As the world's leader in alcohol/ethanol (made from sugar in Brazil) production and consumption, Brazil is now eyeing biodiesel. On October 30, 2002, Brazil launched the Probiodiesel program, with Portaria MCT Number 702, Directive #702 of the Ministry of Science and Technology (MCT). The program aims to develop technology for the production, industrialization, and use of biodiesel, and its use in mixtures with diesel using pure and residual vegetable oils. Brazil wants to reduce its dependence on diesel imports, as it has successfully done with petroleum. Although Brazilian consumption of petroleum has been increasing, imports have declined due to growing domestic production and the use of ethanol. While most vehicles in Brazil no longer operate on 100 percent alcohol fuel, all Brazilian gasoline requires 25 percent alcohol content, which considerably reduces petroleum requirements. However, the situation with biodiesel is quite different. Consumption and imports have been rising rapidly with demand, and the Brazilian government is concerned with the growing dependence on diesel imports.

Brazil's soil and climate diversity presents various crop possibilities for biodiesel, such as soybean, palm, coconut, castor seed, cottonseed, sunflower, etc. As soybeans account for the vast majority of Brazilian oilseed production, it presents the most viable option for large scale production. Furthermore, the processing sector is well developed and Brazilian soybean research is advanced and more easily mobilized. However, other commodities are better options for Brazil's remote North and Northeast interior. Small-scale self-sufficiency is the aspiration for these regions, which are remote and difficult to reach with imported fuels. The semi-arid Northeast is focusing on castor seed, while the Amazon region would likely adopt palm oil. However, the remoteness and isolation of these areas makes it highly unlikely that they could become significant producers or exporters.

Variability of agricultural commodity prices has been more dramatic than that of oil, thereby reducing its attractiveness as an economic alternative. However, many believe that it is only a matter of time before biodiesel becomes permanently profitable, as natural diesel sources dry up. Northeastern Brazil is encouraging the production of castor seed by small-scale producers for biodiesel production. Other commodities are being explored in different regions, such as soy, sunflower, biodiesel, and used cooking oils.

Biotechnology

Brazil's House of Representatives and the President approved a new Biosafety Bill in March, which replaced one adopted in 1995. The new Biosafety Bill passed the House by a 366-59 vote and combines two different controversial issues in Brazil: embryonic stem cell research for treatment purposes and production and marketing of biotech crops. This Congressional approval also included changes approved previously by the Senate that were considered "biotech friendly."

The Biosafety Bill grants full power to the National Technical Commission on Biosafety (CTNBio) to authorize the planting of biotech soybeans and other crops and the authority to waive environmental studies to approve such products. The lack of full authority to CTNBio was used as the grounds for a successful lawsuit filed by the Brazilian Consumer Group (IDEC) 6 years ago, in which the final ruling prohibited the planting of biotech soybeans. It is not clear yet if the new Draft Bill once signed and published by the President's office will end the current court cases against RR soybeans.

Due to the passing of this legislation, Post expects that the majority of Brazilian soybean farmers would go biotech as early as next crop year. However, impediments exist that may keep biotech soybeans from expanding very rapidly. Growth in the next couple of years is expected to be somewhat gradual based on the following:

1) Lack of biotech seed on hand. ABRASEM, the Brazilian Association of Seed Producers, estimates that there are 4.5 million bags of biotech seed for next year, enough to cover 30% of the current planted area in Brazil. The 2004/05-planted area is estimated at 15-20% biotech. Monsanto also reported that they do not have seed ready to supply next year's crop. The main producers of RR soybean seed in Brazil are Embrapa, with 20%, followed by Pioneer, Fundacep (Central Experiment and Research Foundation), and the Mato Grosso Foundation.

2) Seed not yet developed for conditions outside the South. Seed brought in from Argentina across the southern border areas has worked well in the southern region. There are 38 varieties approved for use, including 19 developed by Monsanto, 10 by Embrapa, and 9 by other companies. But, according to ABRASEM and contacts at Embrapa, appropriate varieties for the warmer and more humid regions have begun to be researched more recently, and will not be ready for next year's crop. There are two projects currently targeting biotech seeds that are appropriate for the center-west and Amazon climates. One is a joint Monsanto/Embrapa project that takes conventional varieties already adapted for the region and adds the Glyphosate resistant gene. The expected launch of these biotech seeds is at least one year away. The other project, creating new transgenic seeds for the warmer climates outside of Southern Brazil, has just begun to be researched by Embrapa and BASF.

3) For the first year of legal GMO seed production for commercial use, dry weather is also creating a seed supply that leaves much to be desired. After negotiating with the government for seven years for the freedom to produce GMO seed, the sector now confronts dry weather that has cut its seed production 30%. According to the Brazilian seed association, an initial forecast of 5 million bags for next year's harvest has been cut to 3.5 million. This supply will plant 5 million hectares, which is approximately the same amount of area occupied with illegal GM soy this year.

On the other hand, there are several points that support biotech soybean expansion in Brazil. The main motivator for growing biotech soybeans is lower production costs. DERAL has reported that biotech soybeans cut 20% of the costs of producing conventional varieties (see chart below), and this savings has been verified by other sources. Farmers in the south have been growing roundup ready seed for several years, both with and without paying royalties. They obviously continue to do it because it is cost-effective. In the case of Argentina, planting soybeans with RR seed began in 97/98, and within 5 years they were almost entirely biotech. A study performed by Nidera showed that Argentine farmers economized \$1 billion per year with biotech seed.

Cost Comparison: Conventional Vs. Biotech Soybeans				
Item	Conventional \$/ha	Biotech \$/ha	Cost Variance	Variation
Machine Operation	42.00	40.50	2.00	5%
Maintenance	2.00	2.00	-	
Seasonal Labor	1.00	1.00	-	
Seed	35.00	50.00	(15.00)	-42%
Fertilizer	77.50	77.50	-	
Herbicide	94.00	17.00	77.00	82%
Insecticide	15.00	15.00		
Fungicide	53.00	53.00		
General Expenses	6.00	5.00	1.00	20%
Transport	14.00	14.00	-	
Drying and Storage	8.50	8.50	-	
Technical Assistance	6.50	5.00	1.50	20%
Crop Insurance	9.60	8.00	1.60	20%
Interest	17.00	14.00	3.00	19%
Total Variable Costs (A)	383.00	310.00	73.00	19%
Machinery Depreciation	18.50	18.00	.50	4%
Facility Depreciation	5.00	5.00	-	
Soil Correction	8.50	8.50	-	
Insurance	3.00	2.75	.25	3%
Fixed Labor	34.50	34.50	-	
Sub-Total (B)	69.50	68.50	1.00	1%
Return on Capital	25.00	24.50	.50	2.5%
Return on Land	66.50	66.50	-	
Sub-Total (C)	91.50	91.00	.50	1%
Total Fixed Costs (B+C)	161.00	160.00	1.00	1%
Operational Costs (A+B)	452.00	379.00	73.00	16%
Total Costs (A+B+C)	544.00	470.00	74.00	14%

Source: Deral

Biotech soybeans this year will make up 20 percent of the total soybean harvest, according to CONAB. They are expecting 12 million metric tons of biotech soybeans, which is a 9.8 percent increase over last year's GMO crop. The largest growth of GM soybeans will take place in the center-west and Bahia, where a local consultant expects area to grow to 60% of total production in two years.

After 5 months of intense negotiations, Monsanto reached a 2-year agreement with entities that represent farmers on the point of delivery system the company had developed. Under this system, Monsanto collects post-harvest fees for those soybeans that have been planted from seed for which royalties have not been paid.

For this season, the price will be 1% for declared and 3% for non-declared RR soy. For the 2005/2006 crop season the price will be 2% declared and 3% non-declared. At current soy prices (near historical average) it means \$2.10 per ton this season and \$4.20 per ton next season declared and \$6.30 per ton non-declared. The compensation fee for the non-authorized use of Roundup Ready technology is a legal right supported by the Brazilian Federal Constitution, Brazilian Patent Law and the international Agreement TRIPS.

Especially now, with the new Biosafety Law, which provides a clear regulatory framework for the research and commercialization of new biotechnology crops in the country, Brazil has shown willingness to embrace and protect new technologies for the benefit of agriculture.

Marketing

Increase in Multinational Participation

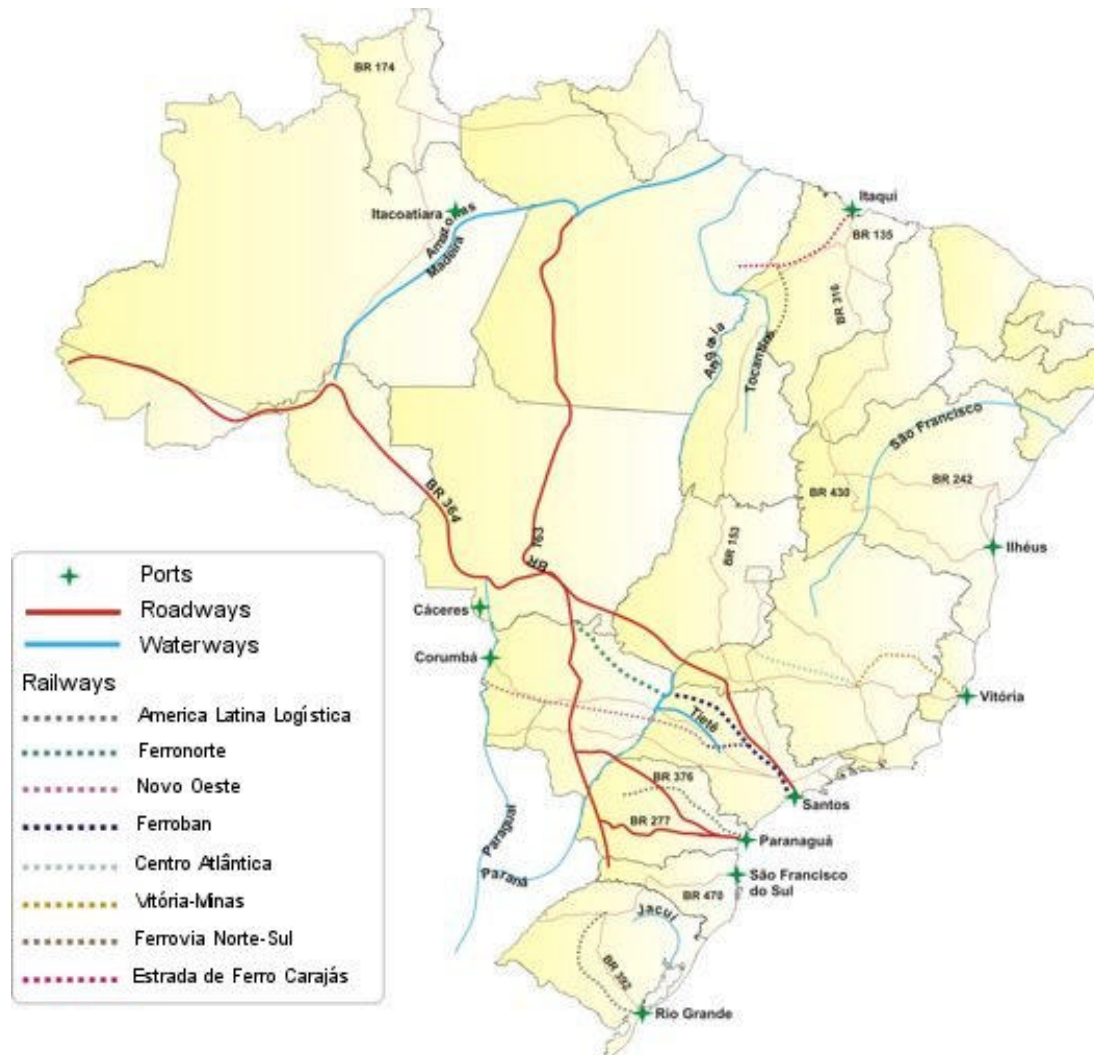
Multinationals are expected to move at least 55% of this year's harvest. The four largest companies operating in Brazil- Bunge, Cargill, ADM, and Coinbra, now account for \$5.7 billion or 6% of total exports, up from 3.9% in 1999. Multinationals have also increased their share in agricultural input sales. However, Brazilian companies have grown more percentage-wise in the soybean business than the multinationals. Bianchini, Amaggi, Selecta, Caramuru, and Coamo have grown between 300 and 500% since 1999, and together move nearly \$2 billion a year in soybeans alone.

Co-ops' share of the pie is also increasing, albeit on a much smaller scale. The Organization of Brazilian Cooperatives reports that they export 8.5% of soybeans in Brazil. Some have been able to achieve direct marketing circuits with European and Asian buyers, but this is still fairly rare for a Brazilian co-op, and credit is the biggest obstacle. Producers in the expansion areas are particularly dependent on multinational grain companies, while the tradition of co-ops in the South is stronger and more established. In the state of Paraná, 65% of the soybean crop goes to co-ops.

Infrastructure

ADM is planning a new port in Nueva Pamira, Uruguay, scheduled for launch in 2007. The port will have a annual shipping capacity of 1-2 MMT of soybeans, and investment is estimated at US\$25 million. The port is convenient for shipping soybean production from Bolivia, Paraguay and some Brazilian production that has been moving through the ports of Santos and Paranagua.

Brazilian Soybean Transportation System Map



Source: FNP Online (www.fnp.com.br)

Part of the reasoning behind the new port is the cheaper shipping costs in Argentina and Uruguay, which are \$3.00-3.50 per metric ton while Brazilian ports cost \$7.00-8.50 per metric ton. Manual labor, bureaucracy and port tariffs contribute to the large difference in cost. There are also logistical problems in Brazil since many channels are not well dredged, forcing vessels to come out partially loaded. In addition, the Santos port improvements were ceased in 2002 due to environmental objections and the ban of GMO soybeans in the port of Paranaguá has caused several problems as that production area shifts to Roundup Ready soybeans.

Blairo Maggi, the governor of the state of Mato Grosso and Brazil's largest soybean farmer, recently announced the long-awaited paving of the road BR 163 from Cuiabá to Santarém may be completed in 2008. The road is approximately 1000 kilometers long and goes from the major soybean growing areas in Mato Grosso to the Amazonian port city of Santarém in the state of Pará. Farmers have pushed for paving this road for years since it would reduce the distance they would have to transport their soybeans by about 900 kilometers and save

them about \$15 per metric ton in transport costs. Cargill already has a loading facility in Santarem, but the road there is treacherous in the rainy season because it is not paved.

The state government in Mato Grosso hopes to have the \$350-\$400 million cost of paving the road financed by government funds with repayments guaranteed by tolls collected by a consortium consisting of Grupo Maggi and other multinational grain trading firms. It is expected that an average of 2000 trucks loaded with soybeans, fertilizers and other materials will be using the road each day when completed. The proposed plan is to involve farmers in the region, who will use their tractors and trucks to help out in building the road in the hopes that the road can be operated toll-free.

Examples of Freight Rates for Bulk Soybeans				
Truck (production area to port)				
Origin	Destination	Distance (km)	US\$/ton	US\$/ton per km
Alto Garças, MT	Paranaguá, PR*	1498.89	49.82	0.0332
Amambaí, MS	Paranaguá, PR*	964.02	38.63	0.0401
Campo Novo do Parecis, MT	Porto Velho, RO*	1880.41	33.72	0.0179
Canarana, MT	Paranaguá, PR*	1923.96	58.18	0.0302
Jataí, GO	Santos, SP*	1045.94	39.56	0.0378
Medianeira, PR	Paranaguá, PR*	632.18	20.33	0.0322
Mineiros, GO	Paranaguá, PR*	1353.01	40.67	0.0301
Mineiros, GO	Santos, SP*	1148.33	44.36	0.0386
Rio Verde, GO	Santos, SP*	958.61	16.27	0.0170
Rail (rail head to port)				
Origin	Destination	Distance (km)	US\$/ton	US\$/t.km
Alto Taquari, MT	Santos, SP*	1295.77	34.01	0.0262
Pederneiras, SP	Santos, SP*	489.80	13.31	0.0272
Porto Franco, MA	São Luis, MA*	712.85	13.94	0.0196
Water (river port to river port)				
Origin	Destination	Distance (km)	US\$/ton	US\$/t.km
Ibotirama, BA	Petrolina, PE	612.69	10.35	0.0169
Porto Velho, RO	Itacoatiara, AM*	1116.36	15.89	0.0142
São Simão, GO	Anhembi, SP	749.35	10.72	0.0143
São Simão, GO	Pederneiras, SP	634.72	9.06	0.0143
Source: Freight Information System - Sifreca (http://sifreca.esalq.usp.br/sifreca)				
** = export point; Average exchange rate for March/05: 2.705				

This road has been fiercely opposed by environmental groups who oppose paving the road because they fear it will lead to the wide spread development and deforestation of the Amazon Basin.

Producers in the south experienced higher than usual trucking costs as producers, cooperatives, traders, and industry compete for available truck transportation at harvest. Increases of 50% over the normal rate with payment due in 15 days have been reported. Prices for transportation in Paraná from Cascavel to the Paranaguá port went from \$17 to

\$30 dollars, which makes transporting soybeans from the interior of the country to the port with current prices no longer viable. Although not the only factor, transportation difficulties seem to play a role in the holdup in farmers' selling this year. Even as prices have picked up during the season, a response to higher market prices from the farmers hasn't occurred.

Total Meals

Production

Brazilian meal production consists mainly of soybean meal, which makes up 98% of Brazil's total meal. Roughly two percent consists of cottonseed meal. Soy meal production for 2004/05 is projected at 24 MMT, up from last year's production of 22.9 MMT. Production for 2005/06 is expected to reach 26.2 MMT, due to the increasing domestic and global demand that is related to increasing meat production. Cottonseed meal is expected to reach 900,000 tons in 2004/05 and 950,000 tons in 2005/06 as cotton production expands.

Consumption

As the domestic poultry and hog sectors expand at a fast pace, the demand for meal has rapidly increased as well. Sixty-five percent of domestic soy meal goes to the poultry sector, while 25 percent goes to pork production. The cottonseed meal is consumed by the cattle industry. Soy meal demand is estimated at 9.1 MMT for 2004/05, and animal sector expansion should cause meal consumption to increase to 10 MMT in 2005/06.

Trade

Nearly all Brazilian meal exports are soybean meal, which are expected to increase 1.5 MMT to 16 MMT in 2006. Strong demand for vegetable meals with high protein levels continues in the world market and this growth is expected to continue in the upcoming year. Token imports from Paraguay and Argentina occur from time to time, and may happen this year if shortages occur during periods when farmers, due to low international prices, do not sell their beans. Brazilian meal exports have been affected by the relatively high value of the Real relative to the U.S. dollar

Stocks

The government of Brazil does not hold meal stocks and the only stocks in Brazil are in the hands of feed millers and crushers.

Marketing

Brazilian soybean meal is known for its high levels of protein. However, the non-biotech label that was used by Brazilian exporters in the past to differentiate their product from that of other international suppliers will no longer be relevant. Since Brazil can no longer claim to be a non-GMO supplier, this may affect its competitiveness in the EU.

Total Oils

Production

Soybean oil dominates Brazilian oil production. Meal demand is the most important crush driver, and oil prices have served to maximize output to the extent possible. Brazilian soy oil production is forecast at 5.65 million tons in 2004/05 and 5.72 million tons in 2005/06. Cottonseed oil production is expected to reach 310,000 tons in 2004/05 and 330,000 tons in 2005/06. Brazil also produces small quantities of coconut, rice, corn, peanut, palm, canola, castor, and sunflower seed oils.

Consumption

Consumption of soybean oil is forecast at 3 million tons in MY 2004, while cottonseed oil consumption is forecast for 270,000 tons. The forecast for MY 2005 is for increased consumption of both oils. Soybean oil remains the principal home cooking oil in Brazil. Cottonseed oil goes largely to industrial uses, such as margarine. Other edible oils, such as corn, sunflower seed, canola and olive are readily available and also widely used across Brazil.

Trade

Soy oil exports for 2004/05 are projected at 2.5 MMT, down from 2.6 MMT last year. Out year exports are forecast to increase slightly due to an expectation of increased production and crush.

As is the case for meal and oilseeds, imports of vegetable oil are expected to stay small and will continue to originate predominantly from neighboring countries.