



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

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Brazil

Oilseeds and Products

Tightening Credit Restricts Soybean Outlook

2008

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Report Highlights:

The current financial crisis is restricting an already tight rural credit environment, leading Post to reduce slightly its production and export forecast.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Trade Report
Brasilia [BR1]
[BR]

The current financial turmoil in the United States is making an already tight rural credit situation even tighter. It is estimated that only about a quarter of the Brazilian soybean crop is financed by federal rural credit, which is provided at a subsidized interest rate. Brazilian producers have an estimated debt of R\$75 billion (US\$39.5 billion), much of which is carried over from the bad crops of several years ago and is renegotiated and rolled over on a seemingly annual basis. This greatly restricts the willingness of banks to provide additional loans. A considerable amount of the soybean crop is planted on a barter system – inputs in exchange for a portion of the commodity. Last year, the cost of inputs increased more than land values, leading seed, chemical and fertilizer suppliers to seriously consider how much risk they were willing to accept this year. With the current financial situation, those suppliers are even more risk averse than they were two months ago. As a result, contacts indicate that the already small increase in planted area will likely be even smaller. In addition, producers may utilize less technology (e.g. fertilizer), resulting in lower yields. Post does not expect a significant decrease in the near term, as many producers have already procured the inputs necessary for the planting that is just beginning in the South. Mato Grosso is seen as the state with the most potential difficulty. Due to the higher level of rural debt and the fact that the high transportation costs greatly increase the cost of inputs and decrease the return to the producer, producers in Mato Grosso are more dependent on the barter system than producers in the south of Brazil.

Due to this slightly reduced planted area and yield forecast, Post has lowered its production forecast for 2008/09 by 2 million tons (mmt) to 62 mmt. This is expected to result in lower exports of 26.5 mmt, as domestic consumption should increase nearly 5 percent over 2007/08 in order to meet the government's new biofuels mandate.

Post has lowered its export estimate for 2007/08 by 1 mmt, to 25 mmt, as contacts and recent trade numbers indicate that the export pace will return to more normal levels for the remainder of this marketing year (February/January).

Other Relevant Reports

[BR8628 Oilseeds Update – August 2008](#)

[BR8623 Oilseeds Update – July 2008](#)

[BR8612 Annual Soybean Report](#)

PSD Table
Country: Brazil
Oilseed, Soybean (Local)
(1000 HA)(1000 MT)

	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Feb 2007			Market Year Begin: Feb 2008			Market Year Begin: Feb 2009			
	USDA Official	Post Estimate	New Post Data	USDA Official	Post Estimate	New Post Data	USDA Official	Post Estimate	New Post Data	
Area Planted	21100	21100	21100	21700	21700	21700	22800	22600	22400	'000ha
Area Harvested	20700	20700	20700	21300	21300	21300	22000	22300	22000	'000ha
Beginning Stocks	2252	2252	2252	3110	3171	3171	3235	1671	2871	'000mt
Production	59000	58850	58850	61000	60200	60200	62500	64000	62000	'000mt
MY Imports	108	108	108	150	150	150	160	100	150	'000mt
Total Supply	61360	61210	61210	64260	63521	63521	65895	65771	65021	'000mt
MY Exports	23805	23805	23805	25650	26000	25000	27500	28000	26500	'000mt
MY EX to EU	11000	9772	9772	10700	8500	8500	11500	9000	9000	'000mt
Crush	31511	31300	31300	32400	32500	32500	32500	34000	34000	'000mt
Food Use Dom. Cons.	0	100	100	0	150	150	0	200	200	'000mt
Feed Waste Dom Cons.	2934	2834	2834	2975	3200	3000	3025	3200	3100	'000mt
Total Dom. Cons.	34445	34234	34234	35375	35850	35650	35525	37400	37300	'000mt
Ending Stocks	3110	3171	3171	3235	1671	2871	2870	371	1221	'000mt
Total Distribution	61360	61210	61210	64260	63521	63521	65895	65771	65021	'000mt
CY Imports	98	98	98	155	150	150	160	160	150	'000mt
CY Exports	23734	23734	23734	25600	26400	25200	27400	28000	26500	'000mt