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Brazil

Oilseeds and Products

Annual Soybean Report

2006

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Report Highlights:

Rust, drought, and damp conditions at harvest curbed Brazilian soybean production yet another year. This year's production will surpass that of last year's drought-ridden crop, but for the first time in seven years, area is estimated lower. The combination of low international prices, rising costs of inputs and transportation, and the strong Real continues to cut away at farmers' profit margins. Soybean production for 2005/06 is forecast at 56.2 MMT on 21.9 million hectares. Area in 2006/07 is expected to shrink again slightly to 21.4 million hectares due to farmers' indebtedness and the generally adverse agricultural situation. However, production is forecast to increase to 57.5 MMT as yields should bounce back to more normal levels.

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

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Executive Summary

Another year of unfulfilled potential describes this year's soybean harvest in Brazil. Similar setbacks suffered last crop year were repeated; drought conditions in December, January and February affected the crop while the majority of it was in pod development. Then, overabundant moisture in much of the country caused harvesting difficulties and shriveled beans, while contributing to the spread of rust. Post's current production estimate is 56.2 MMT with expected average overall yields of nearly 2.6 tons/ha. The area projection is 21.9 million hectares, a 4% decrease over last year's area. Local soybean production estimates are the following: Conab: 55.7 MMT, IBGE: 55.8 MMT, Safras: 54.0 MMT.

Soybean area in Brazil is expected to decline for the second consecutive year. Area is forecast to decrease 2 percent for the 2006/07 crop year to 21.4 million hectares. Until factors shift in the domestic economy or in international markets improve in favor of soybeans, significant growth in area is not expected to occur this year, even in expansion areas. Some soy acreage is expected to go to rice, not only in the South but also in Mato Grosso. Because rice is not typically exported and is quoted in the strong domestic currency, it is an attractive alternative. In regions such as the Center-West and the North, soybeans are the main option for farmers and production must continue. However, some portion of the area in the Center-West will go out of production and will be planted with groundcover or will be used for pasture. In the case of the South, Post expects a continued shift to other commodities.

The current overall scenario of high input costs and low prices is expected to discourage farmers in general from expanding the amount of acreage they have under production. In addition to decreasing margins, the strength of the Brazilian currency also has decreased the competitiveness of Brazilian agricultural exports. On April 27, the Dollar slumped to 2.1, its lowest exchange rate against the Brazilian Real in five years, bad news for Brazilian soybean farmers.

Post forecasts 2006/07 production at 57.5 MMT, with average yields of nearly 2.7 tons per hectare, assuming that weather problems do not interfere with the crop. This more conservative projection for next crop year is due to the unfavorable economic conditions currently in play in the Ag sector, which are discouraging farmers from pursuing more aggressive production strategies. Due to large stocks and continuing big production in the U.S., the international market is bearish on soybeans. The combination of low international prices, rising costs of inputs and transportation, and the strong Real that cheapens exports, continues to cut away at farmers' profit margins. It would appear that farmers in Brazil have still not reached the end of the tunnel, and are for the most part, have seriously depleted their resources. After three years of adverse conditions, the vast majority of farmers are not in a positive financial position and the mood of the sector is quite austere. A 10 million-dollar emergency government bail-out program will put off producer debt a while longer and keep the majority of farmers planting. The sector will need an excellent crop year, however, to pull out of the financial mess it currently is in.

Crop yields for 2005/06 are expected to average just below 2.6 metric tons per hectare, in line with the five-year average and an improvement over the past two problematic harvests. Yields in the center-west area of Mato Grosso and Goias, known as the highest-yielding soybean states in Brazil, due to rust, drought, and excess humidity are expected to take a hit this year. Brazilian research entity Embrapa estimates that half of this year's losses can be attributed to rust.

Economic Overview

Brazil's economy, aided by favorable international economic circumstances, has dramatically improved its external accounts. Although GDP growth dropped to 2.3% in 2005, down from a strong performance (4.9%) in 2004, Brazil has experienced booming exports, healthy external accounts, low inflation, decreasing unemployment and reductions in the debt-to-GDP ratio. Economic activity should pick up in 2006; the markets expect GDP growth of about 3.5%. Buoyed by exports and investment inflows, the *Real* has remained at strong levels, allowing the government and businesses to pay down external debt. The government pre-paid its IMF obligations, its last remaining rescheduled Paris Club obligations and in April 2006, it announced it had retired the last of its Brady bonds. This removes from the books all restructured debt associated with Brazil's late-1980's default. Based upon the improving external debt dynamics, Fitch IBCA upgraded its credit rating on Brazil's sovereign debt in February 2006, to BB (two notches below investment grade). The economy also has shown resilience, remaining for the most part unaffected by a major political scandal and the replacement of the finance minister.

Despite this considerable progress, key challenges remain. The public sector-debt-to-GDP ratio is on a downward trend but remains high, at about 52%. Real interest rates are among the highest in the world; reducing them will require both reductions in the government's borrowing requirement and reform of the financial sector and the judiciary. Income and land distribution remain skewed. Investment and domestic savings are low, although growing. The informal sector constitutes between 35 to 40 percent of the economy, in part because the tax burden (nearly 38 percent of GDP) is high. Achieving and sustaining high growth rates requires the implementation of more of the government's structural reform agenda and increased efforts to build a more welcoming climate for investment, both domestic and foreign. There has been only marginal progress on the reform agenda after passage of multiple measures in 2003 and 2004.

Economic Indicators

	1999	2000	2001	2002	2003	2004	2005	2006*
GDP Growth (%)	0.9	4.0	1.5	1.9	0.5	4.9	2.3	3.5
Inflation (%) (IPCA/IBGE))	8.9	6.0	7.7	12.5	9.3	7.6	5.7	4.2
Average Exchange Rate (R$/US$)	1.81	1.83	2.35	2.93	3.07	2.93	2.44	2.32
Total Exports (US$ billion)	48.1	55.0	58.2	60.4	73.1	96.5	118.3	124
Total Imports (US$ billion)	49.2	55.7	55.5	47.2	48.3	62.8	73.5	85

Source: Central Bank and Ministry of Planning
* Forecast

Statistical Tables

A. Production, Supply & Demand Tables

PSD Table Country: Brazil Oilseed, Soybean (Local) (1000 HA)(1000 MT)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		02/2005		02/2006		02/2007	MM/YYYY
Area Planted	22800	23100	21500	21900	0	21400	(1000 HA)
Area Harvested	22800	22800	21500	21900	0	21400	(1000 HA)
Beginning Stocks	2953	2650	1434	1600	1954	1150	(1000 MT)
Production	53000	53000	58500	56200	0	57500	(1000 MT)
MY Imports	408	400	425	300	0	350	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	56361	56050	60359	58100	1954	59000	(1000 MT)
MY Exports	22874	22500	26076	24600	0	26000	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	29270	29000	29329	29400	0	29500	(1000 MT)
Food Use Dom. Consumption.	0	250	0	250	0	250	(1000 MT)
Feed,Seed,Waste Dm.Cn.	2783	2700	3000	2700	0	2700	(1000 MT)
TOTAL Dom. Consumption	32053	31950	32329	32350	0	32450	(1000 MT)
Ending Stocks	1434	1600	1954	1150	0	550	(1000 MT)
TOTAL DISTRIBUTION	56361	56050	60359	58100	0	59000	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

PSD Table Country: Brazil Meal, Soybean (Local) (1000 MT))							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		02/2005		02/2006		02/2007	MM/YYYY
Crush	29270	29500	29329	29400	0	29500	(1000 MT)
Extr. Rate, 999.9999	0.775572258	0.769491525	0.784990965	0.772108844	0	0.776271186	(PERCENT)
Beginning Stocks	753	750	552	800	509	500	(1000 MT)
Production	22701	22700	23023	22700	0	22900	(1000 MT)
MY Imports	228	200	250	150	0	175	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	23682	23650	23825	23650	509	23575	(1000 MT)
MY Exports	14363	14000	14066	14000	0	14000	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	2100	0	2100	0	2125	(1000 MT)
Food Use Dom. Consump.	0	500	0	550	0	550	(1000 MT)
Feed Waste Dom. Consum	8767	6250	9250	6500	0	6550	(1000 MT)
TOTAL Dom. Consumption	8767	8850	9250	9150	0	9225	(1000 MT)
Ending Stocks	552	800	509	500	0	350	(1000 MT)
TOTAL DISTRIBUTION	23682	23650	23825	23650	0	23575	(1000 MT)
Calendar Year Imports	0	250	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	16300	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	300	0	0	0	0	(1000 MT)

PSD Table Country: Brazil Oil, Soybean (Local) (1000 MT))							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]		Post Estimate [New]	
Market Year Begin		02/2005		02/2006		02/2007	MM/YYYY
Crush	29270	29500	29329	29400	0	29500	(1000 MT)
Extr. Rate, 999.9999	0.190912197	0.189830508	0.191653312	0.191326531	0	0.189830508	(PERCENT)
Beginning Stocks	293	250	277	300	0	250	(1000 MT)
Production	5588	5600	5621	5625	0	5600	(1000 MT)
MY Imports	10	20	14	15	0	12	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	5891	5870	5912	5940	0	5862	(1000 MT)
MY Exports	2557	2450	2447	2525	0	2500	(1000 MT)
MY Exp. to the EC	0	40	0	0	0	0	(1000 MT)
Industrial Dom. Consum	160	120	200	145	0	140	(1000 MT)
Food Use Dom. Consump.	2897	3000	3006	3020	0	3000	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	3057	3120	3206	3165	0	3140	(1000 MT)
Ending Stocks	277	300	259	250	0	222	(1000 MT)
TOTAL DISTRIBUTION	5891	5870	5912	5940	0	5862	(1000 MT)
Calendar Year Imports	0	15	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	2400	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	80	0	0	0	0	(1000 MT)

PSD Table Country: Brazil Oilseed, Cottonseed (1000 HA)(1000 MT)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Area Planted (COTTON)	0	1152	0	825	0	1100	**(1000 MT)**
Area Harvested(COTTON)	1172	1172	850	825	0	1100	(1000 MT)
Seed to Lint Ratio	0	0	0	0	0	0	(1000 MT)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	2300	2300	1680	1750	0	2300	(1000 MT)
MY Imports	3	3	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2303	2303	1680	1750	0	2300	(1000 MT)
MY Exports	115	115	55	55	0	105	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	1803	1803	1445	1445	0	1900	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed,Seed,Waste Dm.Cm.	385	385	180	250	0	295	(1000 MT)
TOTAL Dom. Consumption	2188	2188	1625	1695	0	2195	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	2303	2303	1680	1750	0	2300	(1000 MT)
Calendar Year Imports	0	1	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	15	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

PSD Table Country: Brazil Meal, Cottonseed (1000 MT)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Crush	1803	1938	1445	1445	0	1900	(1000 MT)
Extr. Rate, 999.9999	0.474764	0.441692	0.474048	0.474048	0	0.460526	(PERCENT)
Beginning Stocks	5	5	5	5	5	5	(1000 MT)
Production	856	856	685	685	0	875	(1000 MT)
MY Imports	3	3	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	864	864	690	690	5	880	(1000 MT)
MY Exports	25	0	20	20	0	25	(1000 MT)
MY Exp. to the EC	0	20	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consum	834	859	665	665	0	850	(1000 MT)
TOTAL Dom. Consumption	834	859	665	665	0	850	(1000 MT)
Ending Stocks	5	5	5	5	0	5	(1000 MT)
TOTAL DISTRIBUTION	864	864	690	690	0	880	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

PSD Table Country: Brazil Oil, Cottonseed (1000 MT)							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Crush	1803	1803	1445	1445	0	1800	(1000 MT)
Extr. Rate, 999.9999	0.166944	0.166944	0.166782	0.166782	0	0.172222	(PERCENT)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	301	301	241	241	0	310	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	301	301	241	241	0	310	(1000 MT)
MY Exports	40	40	40	40	0	45	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	80	80	80	80	0	85	(1000 MT)
Food Use Dom. Consump.	181	181	121	121	0	180	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	261	261	201	201	0	265	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	301	301	241	241	0	310	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	65	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

B. Trade Matrices

Soybeans

Brazil Soybean Exports							
In 1000 Metric Tons							
Feb/05-Jan/06							
Country	Quantity			% Share			% Change
	2004	2005	2006	2004	2005	2006	2006/2005
World	19,987	19,256	22,793	100	100	100	18.37
United States	2	241	0	0.01	1.25	0	-100.00
China	6,200	5,580	7,302	31.02	28.98	32.04	30.86
Netherlands	3,586	3,559	5,223	17.94	18.48	22.91	46.75
Germany	2,235	1,630	895	11.18	8.46	3.93	-45.09
Spain	1,570	1,596	2,118	7.85	8.29	29.01	32.71
Italy	804	906	1322	4.02	4.71	5.80	45.92
Taiwan	556	841	510	2.78	4.37	2.24	-39.36
Iran	354	640	914	1.80	3.32	4.01	42.81
United Kingdom	655	514	636	3.28	2.67	2.79	23.74
Thailand	92	327	632	0.46	1.70	2.77	93.27
Others	4,682	4,504	3,241	23.43	23.39	14.22	-28.04

Brazil Soybean Imports							
In 1000 Metric Tons							
Feb/05-Jan/06							
Country	Quantity			% Share			% Change
	2004	2005	2006	2004	2005	2006	2006/2005
World	1,124	364	353	100	100	100	-3.02
Paraguay	1,124	364	352	100	100	99.7	-3.30
United States	0	0	0	0	0	0.0	0.00
Others	0	0	1	0	0	0.3	

Soybean Meal

Brazil Soybean Meal Exports							
In 1000 Metric Tons							
Feb-Jan							
Country	Quantity			% Share			% Change
	2004	2005	2006	2004	2005	2006	2006/2005
World	13,542	14,567	14,225	100	100	100	-2.35
Netherlands	3,797	4,086	3,477	28.04	28.05	28.04	-14.90
France	2,628	2,993	2,943	19.41	20.55	19.41	-1.67
Germany	924	1054	1,093	6.83	7.23	6.82	3.70
Iran	387	644	197	2.86	4.42	2.86	-69.41
Spain	350	621	315	2.59	4.26	2.58	-49.28
Thailand	603	616	1,041	4.46	4.23	4.45	68.99
United Kingdom	476	482	440	3.52	3.31	3.51	-8.71
Indonesia	703	476	460	5.2	3.27	5.19	-3.36
Italy	660	448	502	4.87	3.07	4.87	12.05
Korea South	703	434	947	5.19	2.98	5.19	118.20
Saudi Arabia	541	387	290	4	2.66	3.99	-25.06
Romania	435	361	363	3.22	2.48	3.21	0.55
Belgium	335	317	311	2.48	2.18	2.47	-1.89
United States	34	270	41	0.25	1.85	0.25	-84.81
Ireland	78	191	260	0.58	1.31	0.58	36.13
Autralia	0	145	300	0	1.00	2.11	106.90
Others	888	1,042	1,245	6.56	7.15	6.56	19.48

Brazil Soybean Meal Imports							
In Metric Tons							
Feb-Jan							
Country	Quantity			% Share			% Change
	2004	2005	2006	2004	2005	2006	2005/2004
World	288,403	178,009	186,178	100	100	100	4.59
Paraguay	288,403	177,905	186,167	100	99.94	99.99	4.64
United States	0	104	11	0	0.06	0.01	-89.42

Soybean Oil

Brazil Soybean Oil Exports							
In 1000 Metric Tons							
Feb/05-Jan/06							
Country	Quantity			% Share			% Change
	2004	2005	2006	2004	2005	2006	2006/2005
World	2405	2531	2697	100	100	100	6.56
China	607	839	386	25.24	33.15	14.31	-53.99
Iran	816	676	699	33.92	26.7	25.92	3.40
India	245	297	431	10.19	11.75	15.98	45.12
South Africa	88	85	144	3.7	3.39	5.34	69.41
United States	0	80	0	0	3.16	0.00	-100.00
Bangladesh	107	78	31	4.44	3.07	1.15	-60.26
Netherlands	27	61	174	1.12	2.41	6.45	185.25
Morocco	12	57	136	0.5	2.23	5.04	138.60
Hong Kong	105	47	12	4.36	1.85	0.44	-74.47
Senegal	68	46	77	2.82	1.82	2.86	67.39
United Arab Emirates	20	32	24	0.82	1.26	0.89	-25.00
Cuba	0	27	32	0	1.08	1.19	18.52
Venezuela	18	22	9	0.75	0.88	0.33	-59.09
Egypt	47	9	78	1.95	0.36	2.89	766.67
Algeria	6	8	90	0.25	0.32	3.34	1,025.00
Others	239	167	374	9.94	6.60	13.87	123.95

Brazil Soybean Oil Imports							
In 1000 Metric Tons							
Feb/05-Jan/06							
Country	Quantity			% Share			% Change
	2004	2005	2006	2004	2005	2006	2006/2005
World	47	14	3	100	100	100	-78.57
Argentina	31	13	0	65.98	90.06	0	-100
Paraguay	3	1	0	7.01	9.04	0	-100
Uruguay	12	0	0	26.97	0	0	0
Bolivia	0	0	1	0	0	33.33	100
United States	0	0	2	0	0	66.67	200

Cottonseed Meal

Brazil Cottonseed Meal Exports				
In Metric Tons				
Country	Quantity			% Change
	2003	2004	2005	2005/2004
World	16,041	13,164	0	-100
United Kingdom	6,200	13,164	0	-100
Belgium	6,341	0	0	0
Germany	3,500	0	0	0
Angola	0	0	0	0

Brazil Cottonseed Meal Imports				
In Metric Tons				
Country	Quantity			% Change
	2003	2004	2005	2005/2004
World	591	9,045	5,869	-35.11
Paraguay	569	8,974	5,798	-35.39
United States	22	71	71	0
Uruguay	0	0	0	0
Argentina	0	0	0	0

Cottonseed Oil

Brazil Cottonseed Oil Exports In Metric Tons				
Country	Quantity			% Change
	2003	2004	2005	2005/2004
World	36,199	44,410	63,644	43.31
Iran	5,512	19,550	35,013	79.09
Egypt	0	9,750	0	-100
Korea South	7,200	5,500	3,000	-45.45
Korea North	0	3,000	1,700	-43.33
South Africa	12,075	2,500	6,750	170
Malaysia	3,000	2,000	1,700	-15
Australia	3,040	2,000	500	-75
Bolivia	0	58	143	146.55
Japan	865	42	433	930.95
Trinidad & Tobago	6	10	51	410
United States	2,000	0	0	0
India	0	0	0	0
Turkey	0	0	5,346	
Uruguay	0	0	8	
Algeria	0	0	8,000	
China	2,500	0	0	0

Brazil Cottonseed Oil Imports In Metric Tons				
Country	Quantity			% Change
	2003	2004	2005	2005/2004
World	400	200	0	-100
Paraguay	400	200	0	-100
Japan	0	0	0	0
Germany	0	0	0	0
United States	0	0	0	0
Argentina	0	0	0	0

C. Price Tables

Soybean Price Table					
Country	Brazil				
Commodity	Soybeans				
Prices in	US$/ton				
Year	2004	2005	2006	% Change 03/04	% Change 04/05
Jan	290.16	206.28	229.25	-28.91	11.14
Feb	290.87	208.02	236.87	-28.48	13.87
Mar	317.85	239.05		-24.79	
Apr	322.48	229.72		-28.76	
May	290.45	239.6		-17.51	
Jun	263.97	250.82		-4.98	
Jul	246.55	254.48		3.22	
Aug	236.82	245.53		3.68	
Sep	232.12	238.92		2.93	
Oct	216.59	237.1		9.47	
Nov	224.42	234.55		4.51	
Dec	219.09	226.04		3.17	
Export Price FOB Paranagua					

Domestic Soybean Prices (R$/60 kg. bag) For Paraná (PR), Sao Paulo (SP), Rio Grande do Sul (RS), and Mato Grosso (MT)												
Month/Location	2004				2005				2006			
	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	45.81	45.85	46.10	41.21	33.04	33.75	33.25	28.90	29.00	27.63	27.38	24.95
Feb	44.48	44.35	45.56	37.79	28.30	29.25	29.25	24.43	27.50	27.60	26.30	22.10
Mar	50.18	49.76	50.71	43.53	33.43	35.50	34.25	30.13				
Apr	51.00	49.75	52.13	47.75	32.35	31.95	32.73	27.88				
May	45.50	44.32	44.01	43.75	30.90	30.45	31.08	26.48				
Jun	43.88	43.63	43.13	41.50	33.03	32.15	31.78	28.25				
Jul	40.10	40.50	39.50	36.06	32.80	31.15	29.78	27.13				
Aug	38.13	38.28	38.51	34.50	31.42	32.32	30.30	26.76				
Sep	37.30	38.75	36.63	32.83	29.33	29.28	27.95	25.23				
Oct	34.30	35.50	34.60	31.64	29.60	27.70	27.30	24.90				
Nov	33.88	33.25	33.13	30.05	29.30	26.00	26.70	25.10				
Dec	32.50	33.75	32.50	29.93	28.20	25.50	27.60	24.80				

Soymeal Prices				
	2004		2005	
Month	Exchange Rate	Reals/Ton	Exchange Rate	Reals/Ton
JAN	2.8492	718.57	2.693	495.81
FEB	2.9305	688.78	2.598	451.68
MAR	2.9047	766.3	2.705	512.34
APR	2.9053	803.33	2.579	465.76
MAY	3.0944	780.95	2.455	432.6
JUN	3.1247	706.36	2.420	474.42
JUL	3.0375	597.27	2.373	471.71
AUG	3.0055	548.18	2.358	476.66
SEP	2.8921	565.95	2.298	456.71
OCT	2.8515	515.48	2.257	439.85
NOV	2.7889	476.5	2.211	428.93
DEC	2.7233	487.62	2.280	470.41
Average	2.9256	637.94	2.436	464.74

Source: Safras & Mercado

Soyoil Prices				
	2004		2005	
Month	Exchange Rate	Reals/Ton	Exchange Rate	Reals/Ton
JAN	3.4376	1864.76	2.693	1478.10
FEB	3.5895	2109.50	2.598	1240.00
MAR	3.4461	2128.70	2.705	1480.00
APR	3.1069	1970.24	2.579	1355.24
MAY	2.9549	1887.14	2.455	1221.43
JUN	2.8827	1713.05	2.420	1225.45
JUL	2.879	1676.36	2.373	1212.62
AUG	3.0017	1702.27	2.358	1178.91
SEP	2.9229	1727.14	2.298	1170.24
OCT	2.8608	1516.90	2.257	1155.33
NOV	2.9106	1480.00	2.211	1129.32
DEC	2.9245	1450.95	2.280	1124.77
Average	3.0764	1768.92	2.436	1247.62

Source: Safras & Mercado

Domestic Soybean Oil Prices: Crude and Refined				
(Brazilian Reais/Unit)				
	2004		2005	
Month	Crude 1/	Refined 2/	Crude 1/	Refined 2/
Jan	1,974.00	44.25	1523.75	38.53
Feb	2,300.00	45.10	1335	37.45
Mar	2,235.00	47.70	1561	36.92
Apr	2,130.00	47.88	1455	38.25
May	2,010.00	46.70	1300	37.65
Jun	1,812.50	46.15	1273	37.4
Jul	1,826.40	43.45	1263.75	35
Aug	1,823.50	41.90	1222.5	35
Sep	1,802.80	41.64	1214	-
Oct	1,627.25	41.05	1207.5	-
Nov	1,570.00	39.65	1178	-
Dec	1,530.00	38.28	1172	-

Note: 1/ São Paulo - R$/MT - w/ICMS 12%. 2/ Retail - São Paulo - R$/20 unit case of 900 ml cans.
Source: ABIOVE (www.abiove.com.br)

Monthly Exchange Rates: R$/US$					
Month/Year	**2004**	**2005**	**2006**	**% Change 04/05**	**% Change 04/05**
Jan	2.852	2.693	2.270	-5.57	-15.71
Feb	2.930	2.598	2.155	-11.35	-17.05
Mar	2.906	2.705	2.155	-6.91	-20.32
Apr	2.906	2.579		-11.25	
May	3.100	2.455		-20.82	
Jun	3.129	2.420		-22.66	
Jul	3.037	2.373		-21.86	
Aug	3.003	2.358		-21.48	
Sep	2.891	2.298		-20.51	
Oct	2.853	2.257		-20.89	
Nov	2.786	2.211		-20.64	
Dec	2.718	2.280		-16.12	
Average	**2.926**	**2.436**	**2.193**	-16.76	

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

D. Policy Table

Official Minimum Prices				
Product (Unit) / Crop Year	2005/06		2004/05	
Area	R$	US$	R$	US$
Cotton (15 kg)				
S, SE, CW & BA south	44.60	20.70	44.60	17.17
NE (except BA)	44.60	20.70	44.60	17.17
Cottonseed (15 kg)				
S, SE, CW & BA south	13.40	6.22	13.40	5.16
NE (except BA)	13.40	6.22	13.40	5.16
Soybeans (60 kg)				
S, SE, CW & RO	14.00	6.50	14.00	5.39
N (except RO) & NE	13.00	6.03	13.00	5.00

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=Goias; AC=Acre; RO=Rondonia; MA=Maranhao; DF= Distrito Federal
Exchange Rate: 2004/05-R$2.598; 2005/06-R$2.155

Narrative on Supply, Demand, Policy & Marketing

2004/05 Crop Situation

Another year of unfulfilled potential describes this year's soybean harvest in Brazil. Similar setbacks suffered last crop year were repeated; drought conditions in December, January and February affected the crop while the majority of it was in pod development. Then, overabundant moisture in much of the country caused harvesting difficulties and shriveled beans, while contributing to the spread of rust. Post's current production estimate is 56.2 MMT with expected average overall yields of nearly 2.6 tons/ha. The area projection is 21.9 million hectares, a 4% decrease over last year's area.

Soybean harvest progress suffered a setback during the month of April due to excess rain and humidity in the fields, especially in Mato Grosso and Goias, but also in the Southeast. The harvest has concluded in Sao Paulo and Mato Grosso do Sul, and is nearly over in Goias and Mato Grosso. Bahia and Minas Gerais are way behind the yearly average for harvest completion, with the remaining states being moderately behind schedule. Local soybean production estimates are the following: Conab: 55.7 MMT, IBGE: 55.8 MMT, Safras: 54.0 MMT.

2004/05 Crop Estimates by State

Mato Grosso

Mato Grosso, the largest soybean producing state in Brazil, is in a similar situation as last year, although the struggle with rust was compounded, making losses nearly 2 MMT greater than last year's. Excessive rainfall during the harvest impacted yields due to the beans' prolonged exposure to humidity, and aided the spread of rust. Constant rain also made spraying difficult. Those areas where soy is planted in the winter were particularly hard hit since this allows the disease to stay all year under irrigation. The early appearance of rust this year made the battle longer and more expensive. In the Northeast of the state, planting was delayed due to lack of rain, which thus complicated fungicide application, and the number of applications there ranged from 3-5. The only areas that did not have their yields significantly reduced by rust were Nova Mutum, Lucas do Rio Verde, and Sorriso. Primavera do Leste, 100 miles east of Cuiabá, reported cases of entire fields lost to rust.

It is still somewhat unclear how much the rain-delayed harvest compromised the quality of the beans. However, it is clear that farmers spent less on inputs this year than last year, lowering productivity. Overall, yields in Mato Grosso are forecast at 2.77 tons per hectare, the state's lowest average yield in 10 years. Although low for the state, yields in Mato Grosso continue to be among the country's highest, and are well above Brazil's average.

Other Center-West

In Goiás, Post is forcasting a considerable decline in productivity mainly due to excess humidity in the region. Daily rain impeded harvest advancement, and may have compromised the quality of the beans. Production for Goiás is expected to reach only 6.5 MMT, a retreat in production, and the lowest yields in 9 years at 2.4 MT per hectare. Mato Grosso do Sul achieved a better production outcome than the other states in the region, and was able to complete its harvest with less difficulty. Minor losses occurred due to drought in the state during December and January, and were greater in the north of the state where humidity was an issue. Yields are projected to be 2.45, right at the 5-year average. Area and yields are also down in the Federal District.

Post Forecast Soybean Area, Yield, and Production			
(1000 ha; Tons/ha, Thousand tons)			
Region	**Area**	**Yield**	**Production**
Center West	**10,560**	**2.5**	**26,675**
Mato Grosso do Sul (MS)	2,000	**2.4**	4,700
Mato Grosso (MT)	5,800	**2.7**	15,500
Goiás (GO)	2,700	**2.3**	6,300
Federal District (DF)	60	**2.9**	175
South	**7,580**	**2.6**	**19,875**
Paraná (PR)	3,800	**2.7**	10,300
Santa Catarina (SC)	330	**2.7**	875
Rio Grande do Sul (RS)	3,450	**2.5**	8,700
Southeast	**1,750**	**2.5**	**4,440**
Minas Gerais (MG)	1,100	**2.5**	2,700
São Paulo (SP)	650	**2.7**	1,740
Northeast	**1,490**	**2.6**	**3,880**
Maranhão (MA)	385	**2.8**	1,075
Piauí (PI)	230	**2.7**	630
Bahia (BA)	875	**2.5**	2,175
North	**512**	**2.7**	**1,365**
Rondonia (RO)	82	**2.9**	240
Amazonas (AM)	15	**2.7**	40
Roraima (RR)	20	**2.8**	55
Pará (PA)	90	**2.8**	250
Tocantins (TO)	305	**2.6**	780
Totals	**21,892**	**2.6**	**56,235**

South

The three states in the south of Brazil have bounced back from two years of drought which had a major impact last year on soybean production in the state of Rio Grande do Sul, and a considerable one on production in Paraná. This year, Paraná, the second-largest soybean producing state in Brazil, should average 2.7 tons per hectare, right in line with its 5-year average. The two principal spoilers here were rust and drought in late December and early January, which caused some losses. Those fields that were in podfill stage in February suffered greater rust losses because climatic conditions were favorable to rust at that time. Those that planted early varieties had fewer problems with rust, but were affected by the January drought.

The harvest in Rio Grande do Sul has advanced nicely and is expected to wrap up by mid-May. Favorable climatic conditions have contributed to a projected yield of 2.3 MT per hectare, which is a major improvement over the state's 5-year average of 1.6. Farmers in this state had a good deal of rust to deal with but breakouts were less severe.

Area in the three states combined has declined about 400,000 hectares due to difficulties of the past two years. Paraná and Rio Grande do Sul each account for approximately one-sixth of Brazilian soybean area.

Southeast

Minas Gerais and Sao Paulo will together produce 4.4 MMT this year, an estimated 800,000 less than last year's crop. The soybean harvest is complete in the state of Sao Paulo, where yields are lower than expected. Minas Gerais is severely behind in harvest progress this year and has also reported poor productivity. It is unsure at this point if the average yield will reach the 2.4 MT per hectare projected. These states also suffered from rust and overly wet conditions.

Northeast

Production is expected to reach 3.9 MMT in Bahia, Maranhão, and Piaui combined. At the submission of this report, harvest progress in Bahia had suffered due to over 20 straight days of rain, endangering beans ready to be harvested that were already deteriorating in the field. Harvest results in Maranhão and Piaui are significantly better. The northeastern state of Maranhão, which is expected to produce a million tons of soybeans for the first time this season, along with other new frontier states in the North, are projected as the highest-yielding states in Brazil this year.

North

Planting is complete in the North, and all five states in the region increased their area in 2005/06 except Tocantins, which is closer geographically to and more in line with the center-west in terms of production. Yields are expected to be high in the region, in large part due to the absence of rust. Northern region yields are expected to break records.

2006/07 Crop Outlook

Soybean area in Brazil for 2006/07 is expected to decline for the second consecutive year. Area is forecast to decrease 2 percent for the 2006/07 crop year to 21.4 million hectares. Until factors shift in the domestic economy or in international markets in favor of soybeans, significant growth in area is not expected to occur this year, even in expansion areas. Some soy acreage is expected to go to rice, not only in the South but also in Mato Grosso. Because rice is not generally exported and is quoted in the strong domestic currency, it is an attractive alternative. In regions such as the Center-West and the North, soybeans are the main option for farmers and production must continue. However, some portion of the area in the Center-West will go out of production and will be planted with groundcover or will be used for pasture. In the case of the South, Post expects a continued shift to other commodities.

The current overall scenario of high input costs and low prices is expected to discourage farmers in general from expanding the amount of acreage they have under production. In addition to decreasing margins, the strength of the Brazilian currency has also decreased the competitiveness of Brazilian agricultural exports. On April 27, the Dollar slumped to 2.1, its lowest exchange rate against the Brazilian Real in five years, bad news for Brazilian soybean farmers.

Post forecasts 2006/07 production at 57.5 MMT, with average yields of nearly 2.7 tons per hectare, assuming that weather problems do not interfere with the crop. This more conservative projection for next crop year is due to the unfavorable economic conditions currently in play in the Ag sector, which are discouraging farmers from pursuing more aggressive production strategies. Due to large stocks and continuing big production in the U.S., the international market is bearish on soybeans. The combination of low international prices, rising costs of inputs and transportation, and the strong Real that cheapens exports, continues to cut away at farmers' profit margins. It would appear that farmers in Brazil have still not reached the end of the tunnel, and are for the most part, have seriously depleted their resources. After three years of adverse conditions, the vast majority of farmers are not in a positive financial position and the mood of the sector is quite austere. A 10 million-dollar emergency government bail-out program will put off producer debt a while longer and keep the majority of farmers planting. The sector will need an excellent crop year, however, to pull out of the financial mess it currently is in.

Production continues to benefit from the changes to Brazilian biotechnology policy that took place in the past year. Even the state of Paraná recently has been obligated to allow biotech beans to be shipped through the state's port, Paranaguá. This change in policy should have a impact on biotech soybean production in the south.

Official Brazilian Soybean Area, Production, & Yield Estimates									
	AREA (1000 ha)			Production (1000 t)			Yield (kg/ha)		
State/CropYear	04/05	05/06	% Var.	04/05	05/06	% Var.	04/05	05/06	% Var.
North	**521.9**	**499.5**	**-4.3**	**1,404.8**	**1,338.3**	**-4.7**	**2,692.0**	**2,679.0**	**-0.5**
Roraima	20.0	20.0	**0.0**	56.0	56.0	**0.0**	2,800.0	2,800.0	**0.0**
Rondônia	74.4	87.0	**16.9**	222.8	260.1	**16.7**	2,995.0	2,990.0	**-0.2**
Amazonas	2.8	2.8	**0.0**	8.4	8.4	**0.0**	3,000.0	2,990.0	**-0.3**
Pará	69.0	80.2	**16.2**	207.0	228.6	**10.4**	3,000.0	2,850.0	**-5.0**
Tocantins	355.7	309.5	**-13.0**	910.6	785.2	**-13.8**	2,560.0	2,537.0	**-0.9**
Northeast	**1,442.1**	**1,481.1**	**2.7**	**3,953.1**	**3,574.3**	**-9.6**	**2,741.0**	**2,413.0**	**-12.0**
Maranhão	375.0	376.9	**0.5**	997.5	972.4	**-2.5**	2,660.0	2,580.0	**-3.0**
Piauí	197.1	234.2	**18.8**	554.4	618.3	**11.5**	2,813.0	2,640.0	**-6.2**
Bahia	870.0	870.0	**0.0**	2,401.2	1,983.6	**-17.4**	2,760.0	2,280.0	**-17.4**
Center-West	**10,857.0**	**10,314.9**	**-5.0**	**28,595.3**	**27,787.4**	**-2.8**	**2,634.0**	**2,694.0**	**2.3**
Mato Grosso	6,105.2	5,842.7	**-4.3**	17,705.1	16,768.5	**-5.3**	2,900.0	2,870.0	**-1.0**
Mato Grosso do Sul	2,030.8	1,929.3	**-5.0**	3,716.4	4,460.5	**20.0**	1,830.0	2,312.0	**26.3**
Goiás	2,662.0	2,489.0	**-6.5**	6,985.1	6,396.7	**-8.4**	2,624.0	2,570.0	**-2.1**
Distrito Federal	59.0	53.9	**-8.6**	188.7	161.7	**-14.3**	3,198.0	3,000.0	**-6.2**
Southeast	**1,891.6**	**1,708.6**	**-9.7**	**4,705.7**	**4,488.5**	**-4.6**	**2,488.0**	**2,627.0**	**5.6**
Minas Gerais	1,119.1	1,052.0	**-6.0**	3,021.6	2,840.4	**-6.0**	2,700.0	2,700.0	**0.0**
São Paulo	772.5	656.6	**-15.0**	1,684.1	1,648.1	**-2.1**	2,180.0	2,510.0	**15.1**
South	**8,588.5**	**8,186.2**	**-4.7**	**12,793.1**	**18,524.8**	**44.8**	**1,490.0**	**2,263.0**	**51.9**
Paraná	4,148.4	3,920.2	**-5.5**	9,541.3	9,682.9	**1.5**	2,300.0	2,470.0	**7.4**
Santa Catarina	350.0	339.5	**-3.0**	630.0	831.8	**32.0**	1,800.0	2,450.0	**36.1**
Rio Grande do Sul	4,090.1	3,926.5	**-4.0**	2,621.8	8,010.1	**205.5**	641.0	2,040.0	**218.3**
North/Northeast	**1,964.0**	**1,980.6**	**0.8**	**5,357.9**	**4,912.6**	**-8.3**	**2,728.0**	**2,480.0**	**-9.1**
Center-South	**21,337.1**	**20,209.7**	**-5.3**	**46,094.1**	**50,800.7**	**10.2**	**2,160.0**	**2,514.0**	**16.4**
Brasil	**23,301.1**	**22,190.3**	**-4.8**	**51,452.0**	**55,713.3**	**8.3**	**2,208.0**	**2,511.0**	**13.7**

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

Area

For the first time in seven years, Brazilian soybean area is projected to decline. Post estimates this year's (2005/06) harvested area at 21.9 million hectares, a 4% reduction of over last year's estimated 22.8 million planted hectares. The largest area reduction took place in the Southeast, followed by the South, while a 3% increase in soybean area occurred in the Northeast. It is thought that some area that went out of soybeans went into pasture and cover crops. Some area in the south went to corn, while some area in Mato Grosso do Sul, São Paulo, and Paraná went to sugarcane.

Positive factors supporting soybean area included: the lack of other viable crop alternatives for farmers, especially in the Center-West; high liquidity for soybeans; more availability of GMO varieties; and better credit options for soybeans versus other crops. However, negative factors that contributed to the decline in area were the strong possibility of negative margins, high production costs, a tight overall credit supply, and the strong Real vis-à-vis the Dollar.

Brazilian farmers' planting intentions for 2006/07 will depend much on two factors: 1) the government emergency credit package, including the amount and accessibility of credit that will be made available to farmers, and 2) the U.S. soybean crop. Most forecasters see the fundamental outlook for soybeans as bearish. However, due to the fact that corn prices have not risen as expected, U.S. farmers may continue to choose soybeans over corn, which will put even more soybeans on the market next year. Farmers will make planting decisions in Brazil in the next few months when farmers they need to place orders for inputs for next season's crop. They are paying close attention to what the American farmers are doing and will react to their decisions.

Although many Brazilian farmers have moved parts of their operations to expansion areas such as northern Mato Grosso, Rondonia, Pará, Maranhão, and Piaui, these areas are not experiencing further growth at the moment due to the unfavorable agricultural situation. Although expansion areas often have shorter distances to ports, thus increasing their competitiveness, farmers in these areas have come up against infrastructural and environmental barriers that are discouraging and have helped to put the brakes on expansion this year. Greenpeace heated up its pressure on soybean growers in Pará near the port of Santarém several months ago. Activists of the landless movement (MST) invaded a large greenhouse of eucalyptus seedlings in Southern Brazil and set it on fire as part of their broader plan to disrupt agricultural enterprise through forceful and violent means. These events have caused farmers in expansion areas to be concerned that they could be the next target for environmental and landless groups, and they have become more cautious in certain areas about how they clear land. Land in all three southern states decreased, due to alternative options that these farmers have for planting.

Yields

Crop yields in 2005/06 are expected to average just below 2.6 metric tons per hectare, in line with the five-year average and an improvement over the past two problematic harvests. Yields in the center-west area of Mato Grosso and Goias, known as the highest-yielding soybean states in Brazil, due to rust, drought, and excess humidity are expected to take a hit this year. Brazilian research entity Embrapa estimates that half of this year's losses can be attributed to rust.

This year the highest yields will come out of the northern states, where, although small, an increasing amount of Brazil's production takes place. Post's trip to this area detected good crop management and less problems with rust. 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.

Overall yields in Brazil continue to improve due to continuing 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

This year, the climate in Brazil was highly favorable to the spread of rust, and specialists from Embrapa believe that the disease had a big impact on yields and elevated the cost of production markedly. Embrapa estimates that half of this year's production losses can be attributed to rust, which are estimated at 1.7 billion dollars. Although Embrapa indicated that rust was under control earlier this year, it caught them by surprise and came back with more force at the end of the season. They also claim that 80% of the crop area was affected by rust this year. In contrast with other years, lack of chemical availability to combat rust was not the problem. According to Embrapa agronomists, fungicide application this year was flawed (fungicide was applied in incorrect amounts and at wrong times) and due to less use of fertilizer, the attack of the fungus took place more quickly.

In mid-January, the Government of Brazil made available $200 million Reals for emergency loans for rust prevention and control. This was an indication of the growing seriousness of soybean rust this year. Rust appeared a month earlier than last year and spread at a faster rate due to wetter conditions, which encouraged its spread. Strong west winds earlier in the season also helped to distribute rust spores. Last year's dryer, drought-like conditions prevented the spread of rust.

Brazil's Losses due to Asian Rust

(1,000 tons and 1 million U.S. dollars)

	2002/03	2003/04	2004/2005	2005/2006
Production Loss (1000 t)	3,350	4,590	n/a	1,500
Financial Loss	$734	$1,225	n/a	$330
Agrochemical Costs	$442	$860	n/a	$1420
Total Financial Loss	**$1,176.40**	**$2,085**	**n/a**	**$1,750**

After five years of dealing with rust, Brazilian farmers seem to be managing the disease better and are more assiduous in preventative spraying. This has prevented greater losses than were possible under this year's difficult rust-friendly conditions. This crop year, rust was present in every major soy-producing area, encompassing 12 states plus the Federal District and 401 municipalities. Over 1300 outbreaks are registered so far this year, with the largest number occurring in the southern states of Rio Grande do Sul, followed by Mato Grosso do Sul and Paraná.

The Center-west was also badly affected. Soybean rust achieved "epidemic" status this year in areas such as Primavera do Leste, Campo Novo dos Parecis, in Mato Grosso, and the Minas Triangle of the southeastern state of Minas Gerais.

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 costs of other inputs. In contrast with last year, farmers sprayed up to five times, and in "epidemic-level" areas, farmers were forced to spray up to seven times.

Average costs reported for spraying this year amounts to $50 per hectare, or 90 cents for each 60-kilo bag of soybeans. Three applications, the average in Mato Grosso, brings the cost up to $75 per hectare or $1.30 for each bag of soybeans, for which farmers are selling at $9.20 a bag. The number of sprays has gone up, but local soybean prices have decreased in the past three months. In addition, the more chemical applications applied, the more negatively yields are affected since the leaves are burned by the spray.

The Mato Grosso Foundation is currently researching conventional rust-resistant seed, but progress is slow and product development has been slower than expected.

Consumption

Installed Soybean Crush and Refining Capacity by State: 2003-2005								
State								
	2003	2004	2005	Var. %	2003	2004	2005	Var. %
Paraná	28,950	31,765	32,115	1	2,650	2,910	3,160	9
Rio Grande do Sul	20,100	19,700	21,200	8	1,720	1,650	1,650	0
Mato Grosso	14,500	20,600	21,000	2	650	1,250	1,250	0
São Paulo	14,450	14,950	15,600	4	5,880	6,230	6,010	-4
Goiás	10,320	16,920	18,150	7	1,610	2,090	2,230	7
Mato Grosso do Sul	6,980	7,295	8,295	14	540	540	540	0
Minas Gerais	6,350	6,400	6,600	3	1,270	1,270	1,270	0
Bahia	5,460	5,344	5,344	0	880	880	880	0
Santa Catarina	4,000	4,034	4,034	0	530	530	530	0
Amazonas	2,000	2,000	2,000	0	-	-	-	-
Pernambuco	400	400	400	0	450	450	450	0
Piaui	1,760	2,360	2,360	0	120	120	120	0
Ceara	-		-	-	0	80	80	0
Distrito Federal	-		-	-	-	-	-	-
Total	**115,270**	**131,768**	**137,098**	4	**16,300**	**18,000**	**18,170**	1

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

Trade

Relative Swap Value of Soybeans for Inputs (60kg bags per unit 1/)			
Year	Fertilizer	Harvester	Tractor
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	22.7	7692	1862
2005*	27.5	10257	2595
Source: Conab (www.conab.gov.br)			

Fertilizer Supply and Sales (TMT)					
Item	2002	2003	2004	2005	Change %
Production	8,071,156	9,353,177	9,733,609	8,903,640	-8.53
Imports	10,491,293	14,683,123	15,424,325	11,724,687	-23.99
Sales	19,114,268	22,796,232	22,767,489	20,194,731	-11.30
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	41.7	26.7
2005	20,194,731	19.8	37.4	21.5

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

In late April, Brazilian soybean farmers were blockading roads in Mato Grosso, Paraná, and Rio Grande do Sul, demanding minimum price guarantees for their crop. Farmers claim that the government minimum price does not cover their current production costs. The government's minimum price for soybeans is about $115 per metric ton. Farmers claim this year's cost of production to be in the range of $230 per metric ton.

The Brazilian government has discarded farmers' proposal for a higher minimum price, but so far, the farmers are not giving up and have begun to block access to storage facilities and announce plans to prevent exports from leaving the country. The government does not have a history of giving in to producer protests, but the income from soybeans, the most valuable Brazilian export crop, is vital to the Brazilian trade balance. The general complaint of producers is that they are major contributors to the Brazilian economy, generating wealth but receiving no backing or cooperation from the government in return. Soybeans make up a staggering 8% of total Brazilian exports, a drop from 12% last year.

Credit

The high cost and shortage of credit this year, even more dramatic than last year, has impacted the quality of the harvest and affected both area and input use.

The Federal Government announced on April 6, 2006 an emergency credit package of R$ 16.9 billion (nearly US$ 8 billion) to alleviate Brazilian farmers debt burden caused by drought the last two growing seasons, a strong domestic currency relative to the dollar and higher production costs (see BR6611 for more information). This is the second year of emergency credit assistance to Brazilian farmers. Private analysts estimate that the total subsidy from the National Treasury will cost Brazilian taxpayers R$ 1.5 billion (nearly US$ 705 million).

The measures announced fall into three basic areas: a) additional credit to support the marketing of the current year crop; b) relaxation of payment terms for last year's investment and production loans; and, c) crop insurance. The National Monetary Council (CMN) recently approved some of these measures, while other policy measures will depend on further negotiations in the Congress. Minister of Agriculture Rodrigues considered the rolling-over of R$7.7 billion (nearly US$ 3.6 billion) in farm loans due in 2006 as the most positive aspect of the credit emergency package. Farmer's leaders consider the emergency package insufficient to resolve the current problems of the agricultural sector. They estimate the total loss of Brazilian farmers, mostly grain producers, in the past two growing season to be at R$ 30 billion (US$ 14 billion). This emergency credit package will play a key role in farmers' planting decisions for the 2006/07 crop year.

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: This is 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).

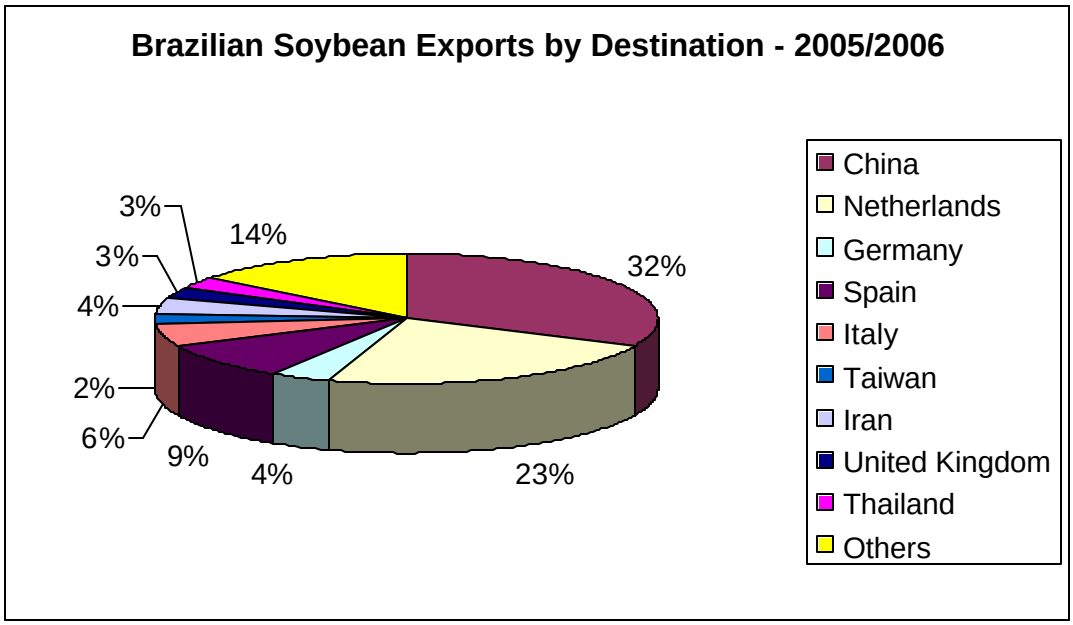
Stocks

In light of the slight production increase over last year, ending stocks of soybeans this year should not surpass 5 million tons, a 10% increase from the close of last year. This assumes strong export movement and a continuation of current domestic consumption levels. Stocks for 2006/07 are expected to rise provided that production returns to a more normal level. Stocks of meal and oil for 2005/06 are projected to increase in anticipation of a larger crush.

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 expansion areas, many farmers spend their profits buying more 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.

Exports

Soybean exports in 2005/06 are forecast to increase nearly 10 percent this year, despite the disappointing crop. Soybeans account for essentially all Brazilian oilseed trade as most cottonseed is processed for domestic consumption. The value of the Real, vis-à-vis the U.S. dollar, and the exemption of soybeans and products from export taxation favor exportation. Negative factors influencing exports include current production losses, conservative selling on behalf of Brazilian farmers, and strong competition from the U.S. and Argentina.



The breakdown of Brazilian soybean complex exports has shifted in the past year. Although soybean exports continue to rise, soy meal exports are stagnant and soy oil exports have begun to decline. The overall value of the exports has also decreased approximately 10% last year. There is a tendency in the global market to favor soybeans over their sub-

products, mainly due to China's increasing imports and their preference for whole beans for processing. Brazilian soymeal also tends to get tough competition from Argentine soymeal, and its demand has also been affected by avian influenza.

Exports in 2006/07 are expected to increase by another 6 percent as production should bounce back, creating greater exportable supply. China and the EU are likely to increase imports and the US, Argentina, and Brazil will compete for these markets.

Transportation

High global energy prices had a particular impact on soybean farmers in the Center-West area of Brazil, where the bulk of soybeans in Brazil are grown. From this area, soybeans are transported to ports over long distances by truck. Brazil's relative low production costs vis-à-vis the U.S. and Argentina would equal a tremendous advantage if not for the high cost of transporting their product to port. This year most soybean farmers in Mato Grosso will receive just over half the price of their soybeans at port because the other half is spent transporting their soybeans by truck on poor roads to ports 1500 miles away at Paranaguá and Santos. New, although limited infrastructure created in the last few years has provided options for transport out of the soybean heart of Brazil. The Madeira/Amazon river outlet where barges move soybeans out on the Madeira River to the Amazon is now being used as an alternative for Mato Grosso farmers. Both Cargill and the Maggi Group have installed port facilities along this route. A Northeast Transportation corridor growing in importance consists of a rail line from the western border of the state of Maranhão all the way to the port of Itaquí. This rail line also connects with the Carajás terminal, just north of Redenção, a major soy-producing area in the neighboring state of Pará.

Examples of Freight Rates for Bulk Soybeans				
Truck (production area to port)				
Origin	**Destination**	**Distance (km)**	**US$/ton**	**US$/t.km**
Boa Esperança, MT	Cuiabá, MT	394.91	28.13	0.0712
Campina da Lagoa, PR	Paranaguá, PR*	533.88	24.17	0.0453
Campo Verde, MT	Atibaia, SP	1551.36	68.81	0.0444
Cândido Mota, SP	Santos, SP*	479.80	26.50	0.0552
Jataí, GO	Osvaldo Cruz, SP	609.76	23.25	0.0381
Mamborê, PR	São Francisco do Sul, SC*	586.12	31.80	0.0543
Paranaguá, PR	Ponta Porã, MS	982.14	51.14	0.0521
Sinop, MT	Paranaguá, PR*	2261.75	82.75	0.0366
Vilhena, RO	Porto Velho, RO	705.95	28.13	0.0398
Rail (rail head to port)				
Origin	**Destination**	**Distance (km)**	**US$/ton**	**US$/t.km**
Porto Franco, MA	São Luis, MA*	712.85	17.53	0.0246
Water (river port to river port)				
Origin	**Destination**	**Distance (km)**	**US$/ton**	**US$/t.km**
Itacoatiara, AM	Porto Velho, RO	1110.59	19.98	0.0180
Porto Velho, RO	Itacoatiara, AM*	1116.36	19.98	0.0179

Source: Freight Information System - Sifreca (http://sifreca.esalq.usp.br/sifreca)
"*" export point

Ports

Going north to south, the line up of major Brazilian soybean export points are: Itacoatiara (Amazonas), Santarem (Para), Itaquí (Maranhao), Ilheus (Bahia), Vitoria (Espírito Santo), Santos (Sao Paulo), Paranagua (Parana), Sao Francisco (Santa Catarina) and Rio Grande (Rio Grande do Sul). The ports of Caceres (Mato Grosso) and Corumba (Mato Grosso do Sul) are located on the Paraguay River, which then ship south to Atlantic export points in Argentina. More and more Brazilian soybeans are grown and processed away from the traditional production areas of the south.

Map of Brazilian Ports

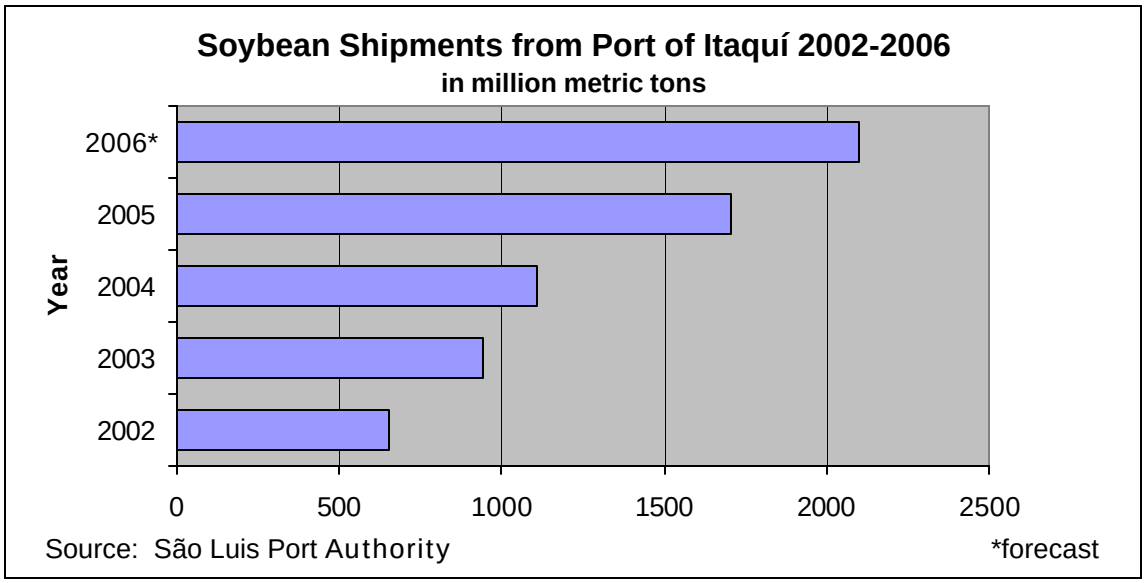
Source: Brazilian Ministry of Transportation (www.transporte.gov.br)

Itacoatiara

New-crop soybean export shipments have taken place via the Amazon port of Itacoatiara. The soybeans are transported to the port primarily by barges on the Madeira River from Porto Velho. Shipments via Itacoatiara are popular with countries seeking non-biotech soybeans because a smaller number of biotech soybeans are grown in the growing areas that ship to the port.

Itaquí

The port of Itaquí, located just outside the city of São Luis in the state of Maranhão, is another increasingly viable option for soybeans, and unlike Paranaguá and Santos, has room to grow. This port connects eastern Pará and southwestern Maranhão by rail in what is called the Center-North transportation corridor. The states of Mato Grosso, Pará, Tocantins, Maranhão, and Piaui are strongly influenced by this corridor.



A new grain terminal, called Tegran, has been installed at Itaquí to provide the necessary infrastructure for grain shipments. A strong rate of growth in the past year indicates that this port will be a more widely used option for exporters in the future.

Paranaguá

Paranaguá, located in the state of Paraná, is the second-largest soybean port after Santos, with $1.2 billion in soybeans exported in 2005. Since the election of Roberto Requião as Governor, GMOs have been banned from the port (and the state), and at times confrontations have taken place as shipments have been seized or trucks carrying biotech beans from other states have simply been ordered back to where they came from.

On April 10, the President of Brazil's Supreme Court (STF) confirmed the April 4th Regional Court of Appeals (TRF) decision regarding a court case filed by the Brazilian Association of Port Entities (ABTP), against the State of Paraná in order to allow exports of biotech soybeans through the Port of Paranagua. TRF had decided on April 4th that the Port of Paranaguá officials were not obeying the Federal Biosafety Law by not allowing exports of biotech soybeans though the Port. The President of the Port of Paranaguá is the Governor of Paraná's brother and a strong opponent of biotech soybeans in Brazil. This decision by the Brazilian Supreme Court represents a major breakthrough in Brazil with regard to biotech development.

According to its Ag department, Paraná itself has 3 million tons of GMO soybeans to be harvested this year, or 28.5% of its harvest. These beans would have had to be shipped to another port if the decision had not been overturned, which would have added $12 million in transport costs. This year, the port of Paranaguá lost soybean business to other Brazilian ports, specifically Santos and Sao Francisco. Santos had an increase of nearly 2 million tons of soybeans in 2005/06, a 30% jump from the previous year. The port of Sao Francisco,

located in the neighboring state of Santa Catarina, also experienced an increase in soybean shipments due to the problems with Paranaguá. This port is not a traditional soybean exporting port, but recorded 2.5 million tons of soybeans shipped this year, an 120% increase. The Brazilian Association of Grain Exporters (ANEC) said that the deviation from Paranaguá produced the positive result of revealing Sao Francisco as a viable option for soybean exports.

Public-Private Partnerships

One of the principal factors limiting further expansion of agricultural production in Brazil is the lack of adequate transport infrastructure. Due to the poor state of that infrastructure, transport costs for Brazilian soybeans are estimated to be double those of US soybeans, and represent up to 40 percent of the FOB price for exported soy. Nonetheless, government spending on the sector has fallen from 3.7 percent of GDP in the 1970's to less than 2 percent in the current decade. The Government of Brazil (GOB) has identified the Public-Private Partnership (PPP) system as a means to increase infrastructure investment at a lesser federal expense. It is hoped that this program could lead to yearly investments in infrastructure of $6.5 billion, 60 percent greater than current public investment.

The Public-Private Partnership (PPP) model was developed to attract private capital augmented by public financing to mitigate risk. Implementation of the PPP system, however, remains stalled due to the establishment of regulations and guarantees. While the GOB slowly works to set these up, proposed projects such as the Cuiabá-Santarem Highway (BR-163), stay on the drawing board. Soybean production would benefit significantly from PPP investments, and any new investment that reduces costs of transport will directly impact commodities costs.

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.

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 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 sugarcane in Brazil) production and consumption, Brazil is now eyeing biodiesel. 0n 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 20-25 percent alcohol content, which considerably reduces petroleum requirements. However, the situation with biodiesel is 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.

Brazilian producer associations Ampa and Aprosoja announced a plan in April for 100 million liters of biodiesel to be produced from soy and cottonseed oil. The group is now working on a feasibility study for the construction of a biofuel plant, to be built in Cuiabá, Mato Grosso. According to their estimate, the plant would need to process between 300-400 tons of oilseeds a day, the equivalent of 300 thousand liters a day or 108 million liters a year in order for the plan to be economically viable. This volume represents 5% of annual consumption of fuel used by the ag sector in Mato Grosso, which is 2 billion liters. According to the group, their objective is to reduce producer costs. Currently, fuel costs represent 8% of total production costs, and biodiesel is estimated to reduce this percentage to 4%. Their objective is also to created internal demand for soybeans and to boost low commodity prices. So far, their plans are not to market the product, but to create a biodiesel cooperative for the exclusive participation of oilseed farmers. Bunge, the Maggi Group, and Sperafinco are expected to be cooperators in the project.

Brazil's Biosafety Law

Brazil's House of Representatives and the President passed a new Biosafety law #11,105 in March of last year, which replaced one adopted in 1995. The new Biosafety law 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."

Brazil's biosafety law lifts a longstanding ban on the sale and planting of transgenic seeds and restores the authority of the National Technical Commission on Biosafety (CTNBio) regarding approvals of biotechnology research and the commercial release of biotechnology products. The law also establishes the requirement to label foods and ingredients with one percent or more biotech content that are intended for human or animal consumption. After 8 months since law #11,105 was passed, President Lula signed on November 22, 2005 decree #5,691 that implemented the provisions of the Biosafety law, which allowed CTNbio to resume operations and begin to analyze nearly 500 requests for research and commercial approval of biotech products that have been pending since the law was passed in 2005. However, only in March 2006 did CTNBio actually begin to analyze and approve new biotech events.

Due to the passing of this legislation, more and more Brazilian soybean farmers have gone biotech this crop year. Some impediments, such as lack of sufficient seed and farmers' hesitancy to plant relatively untested varieties new to their climates, have kept biotech soybeans from expanding more rapidly. Growth in the next couple of years is expected to continue.