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Report Highlights:

In 2019/20, Brazil is forecast to reap a record soybean cop of 124.5 million metric tons (mmt). Post raised slightly the forecast for planted area by 100 thousand hectares to 36.9 million ha. The increase is based on marginal gains across several states. Post raised the production forecast by one mmt based on better than initially expected yields in Mato Grosso, and improved productivity expectations in Rio Grande do Sul and the Northeast. Soybean exports are forecast at 75 mmt for 2019/20, up from 2018/19 estimate of 74 mmt. Post maintains the crush forecast of 44 mmt for 2019/20, driven by the domestic demand for soy oil. Soy oil exports are forecast to level off dramatically as industry ramps up biodiesel blending rates to meet the government mandate.

SOYBEAN PRODUCTION

Production Forecast Revised Up for 2019/20

Post raised slightly the forecast for planted area by 100 thousand hectares (ha) to 36.9 million ha for the 2019/20 marketing year (MY). The increase is based on marginal gains across several states. Post raised the production forecast for the 2019/20 season by one million metric tons (mmt) to 124.5 mmt, which would set a new record for Brazil. Post traveled last week throughout the state of Mato Grosso, where producers are seeing better than expected yields for early harvested fields. In addition, improved productivity is expected in states subject to inclement weather earlier this season.

Region/ State	2019/20 Soybean Harvest Forecast		
	Area (mn ha)	Yield (mt/ha)	Production (mn t)
<i>Center West</i>	<i>16.53</i>	<i>3.47</i>	<i>57.41</i>
MT	9.85	3.56	35.05
MS	3.0	3.27	9.8
GO	3.6	3.42	12.3
Other (DF)	0.75	3.47	0.26
<i>South</i>	<i>12.11</i>	<i>3.34</i>	<i>40.45</i>
PR	5.49	3.64	20.0
RS	5.95	3.03	18.0
Other (SC)	0.67	3.66	2.45
<i>North East</i>	<i>3.41</i>	<i>3.21</i>	<i>10.95</i>
BA	1.6	3.31	5.3
MA	1.0	3.10	3.1
PI	0.81	3.15	2.55
Other (AL)	.002	2.15	4.3
<i>South East</i>	<i>2.7</i>	<i>3.39</i>	<i>9.15</i>
MG	1.6	3.41	5.45
SP	1.1	3.36	3.7
<i>North</i>	<i>2.15</i>	<i>3.05</i>	<i>6.55</i>
TO	1.1	3.00	3.3
Other (RR, RO, AC, AM, AP, PA)	1.05	3.10	3.25
BRAZIL	36.9	3.37	124.51

Source: FAS Brasilia estimates

In Mato Grosso, Brazil's main soybean producing state, the planting of the 2019/20 harvest ended in the first half of December. Sowing was initially delayed due to drier-than-average conditions. However, ample rains returned in the second half of October and November, and producers harvested about eight percent of soybeans across the state by January 20. According to Post conversations with producers and analysts in Mato Grosso, at this point in the season, yields in the state have been on the upside of the forecast range. Some producers have reported early

yields as high as 70 sacks per ha, an equivalent of 4.2 metric tons (mt) per ha. The majority of the harvest in the state will be completed between January and February. For 2019/20 Post forecasts the Mato Grosso yield at 3.56 mt/ha, and production at over 35 mmt. In Mato Grosso do Sul and Goias planting was delayed even more, and harvest has yet to begin. Similarly, producers in the southeast states of Sao Paulo and Minas Gerais had to delay their sowing and harvest has yet to begin. However, as long as weather holds to the current normal-to-favorable patterns, yields are expected to easily surpass last seasons.

In the South, the second biggest soybean producing region in Brazil, variable weather conditions have led to uneven development of the crop. Parana state, which was among the worst affected by poor weather in the 2018/19 season, is forecast to reap its largest harvest ever, upwards of 20 mmt if favorable weather continues. However, because of a dry September and October, planting was delayed two to three weeks, so harvest has barely begun – as such it is too early to determine yields with precision. Meanwhile, in the southernmost state of Rio Grande do Sul, where producers harvested the country's second largest soybean crop last season, local authorities have declared crisis conditions due to extremely poor weather through the beginning of December. Nevertheless, rains began with more regularity in the second half of January, allowing farmers to finish sowing this season's crop. Harvest should start in March and pick up in April. If rains occur during crop development stages in February, average yields across the state may yet recover to above 50 sacks per ha.

In the soybean frontier states of Bahia, Piauí, Tocantins and Maranhao, collectively known as Matopiba, hot and dry weather reduced planted area and delayed planting this season. The Bahia state government extended the planting season by three weeks – through January 20. In the other three states planting typically lasts through January. As such, with an increase of rain in January, farmers in the region are more optimistic that yields may yet turn out to be around 5-year average.

Nationwide, as of the third week of January, producers collected under two percent of the forecast harvest. Most of the harvesting underway has been in Mato Grosso, with Parana being in distant second. Overall, Post believes that forecast may be revised upward if the weather continues to cooperate.

TRADE

2019/20 Exports Forecast at 75 mmt

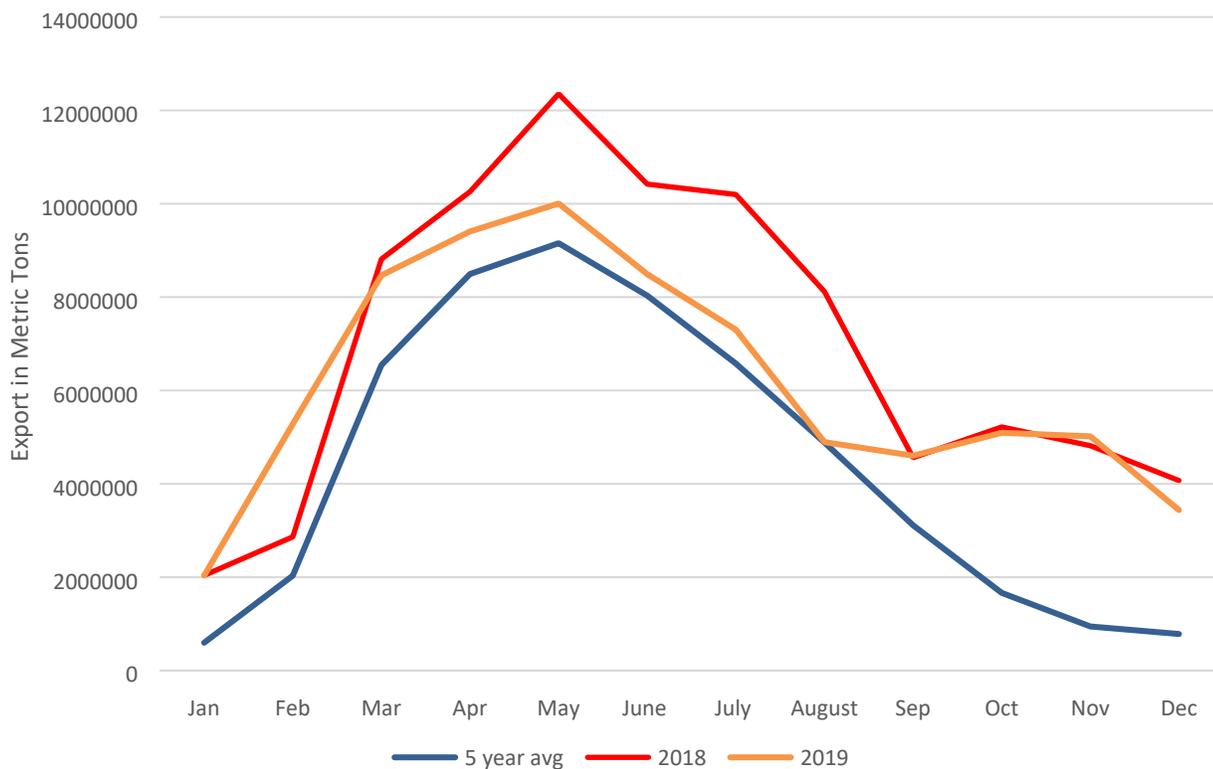
Post forecasts soybean exports for marketing year (MY) 2019/20 (February 2020 to January 2021) to reach 75 mmt. Post's export forecast is based on a recovery in available supplies, but also subdued demand from China for several reasons. First, China will continue to grapple with the adverse effects of the African Swine Fever (ASF) epidemic and the resulting sluggish demand for feed. Secondly, Post anticipates Brazil will lose some portion of its China export share to the United States in the wake of a Phase One trade deal between Washington and Beijing that was announced in December and signed on January 15.

As of January, reaction to the U.S.-China trade deal has been muted, mostly because of the number of uncertainties with regard to the volume of soybeans Beijing intends to source from the United States. Although China pledged to purchase from the United States at least \$36.5 billion worth of agricultural goods in 2020, and at least \$43.5 billion in 2021, the publicly released text of the agreement did not disclose specific purchase commitments for any one commodity. In addition, Vice Premier Liu He noted that China would buy U.S. agricultural goods based on "market conditions." And, as of right now, Beijing plans to maintain 30 percent tariffs on U.S. soybean exports. Given the uncertain market conditions, volumes, and retention of retaliatory tariffs, soybean futures skidded 16-18 cents lower per bushel on the Chicago Stock Exchange after the deal was announced. As a result of the futures fall, reports indicate that crushers have been aggressively bidding for soybeans, including from Brazil, with traders booking cargos not only for 2020, but 2021 as well.

Post estimates that Brazilian farmers have sold about half of their expected production, meaning that around 60-65 mmt are slated to be shipped overseas in 2019/20. Key to watch will be the last several months of 2020. Typically, soybean volumes from Brazil trail off in the last quarter of the calendar year, with the harvest having wrapped up months earlier and most of the crop intended for export already shipped. This timeframe also coincides with peak exports from the United States. As the chart below shows, this trend was much weaker in 2017/18 or in 2018/19, with China continuing to aggressively buy Brazilian soybeans.

It remains to be seen whether China will return to the previous five-year trend pattern of sourcing soybeans in the United States in the September– January timeframe, when the U.S. harvest typically comes online. At that point, Brazilian soybeans are typically priced higher, providing the right ‘market conditions’ for purchases.

Brazil's Soybean Monthly Exports



Source: SECEX

2018/19 Export Estimate Revised to 74 mmt

Post revised soybean exports for MY 2018/19 (February 2019 to January 2020) upward by one mmt to 74 mmt. As explained in the last oilseeds update, Brazil recorded very strong shipments at the tail end of this marketing season. Post believes that the October-December 2019 soybean sales surge from Brazil was driven to a large degree by extremely favorable local soybean price dynamics.

The farmgate prices in Brazil have been supported by a historically weak Real and robust FOB premiums that Brazilian soybeans commanded until the United States and China announced a trade truce in December 2019. Notably, even after the deal was announced, farmgate soybean prices in Brazil remained relatively high. For example, in Mato Grosso the average farmgate price was around R\$ 72 per sack of soybeans in January 2020, as compared to about R\$ 60 in January 2019.

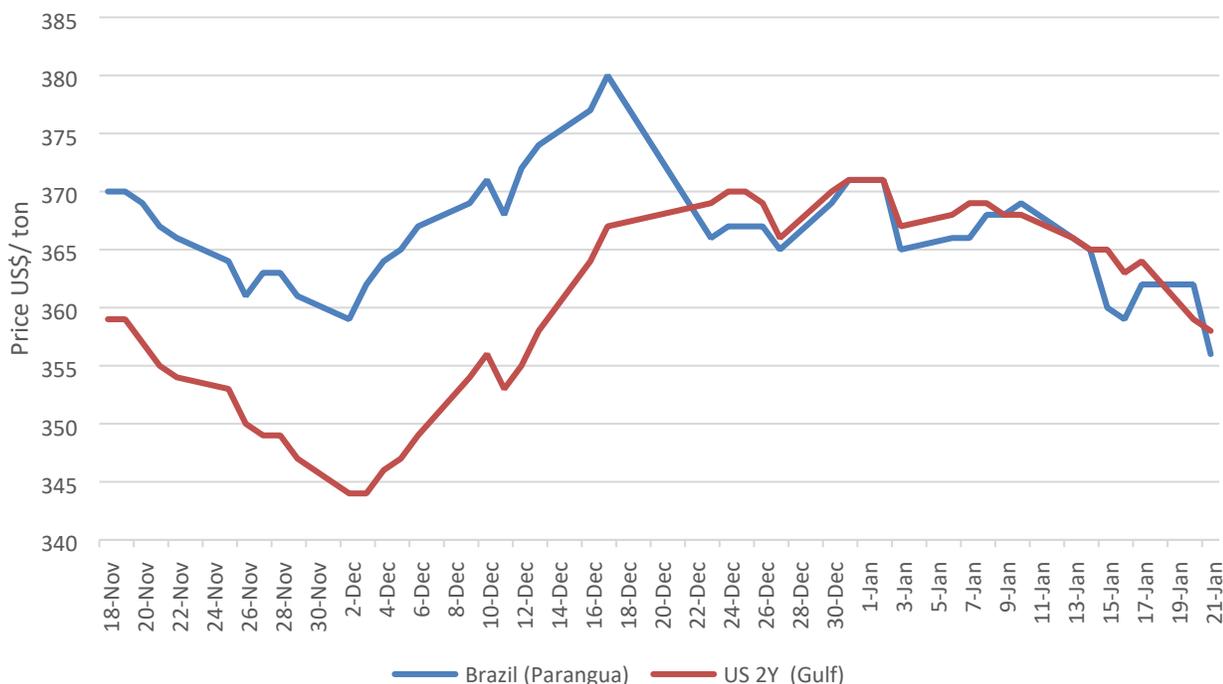
2019 Farmgate Soybean Prices in Brazil

	jan	feb	mar	apr	may	june	july	aug	sep	oct	nov	dec
Maringá, PR	72.81	73.56	74.35	72.69	74.30	77.44	74.06	80.75	81.31	84.06	86.19	85.38
Mogiana, SP	70.75	71.25	71.50	70.13	71.40	74.63	72.38	77.90	81.25	82.25	84.25	86.25
Passo Fundo, RS	77.88	76.38	75.05	73.75	75.85	80.00	77.81	81.75	82.63	85.13	86.50	85.75
Rondonopolis, MT	68.38	68.25	70.40	68.88	69.30	71.31	69.75	76.45	78.88	80.75	84.38	83.75
Prices in R\$/sack (w/o ICMS)												

Source: Abiove

Despite strong farmgate prices, current market uncertainty over the exact details of the U.S.-China deal the Brazilian FOB Paranagua price is trading in the range of \$1 to \$3 below U.S. FOB Gulf – whereas before Brazilian FOB prices commanded an \$11 to \$13 premium over U.S. FOB prices.

FOB Brazil and U.S. Soybean Prices



Source: International Grains Council

In the first 11 months of the year, Brazil exported just over 72 mmt. Post estimates that January 2020 exports will likely reach close to two million metric tons as producers had contracted whatever volumes they had left in the previous months. This expectation is supported by initial shipment line update for January.

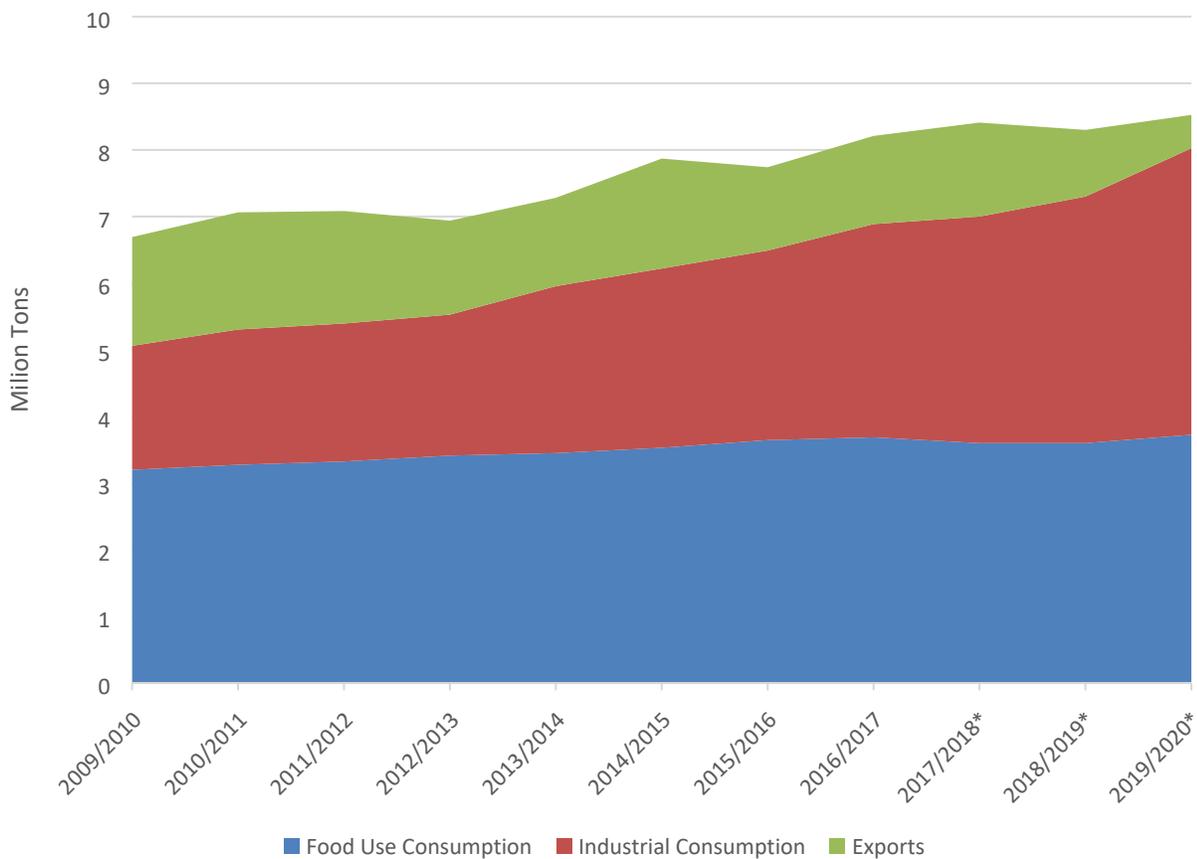
CONSUMPTION AND PROCESSING

2019/20 Forecast Unchanged

Post maintains the 2019/20 forecast of 44 mmt of soybeans destined for processing next season. The forecast is based on trend expansion of about 2 percent per year. Post also maintains 2019/20 forecasts for meal production at 34.1 mmt and for oil output to reach 8.6 mmt.

Post forecasts a surge in demand for soybean oil from the domestic biodiesel industry. The next increase in the biodiesel blend mandate is expected in just a couple of months, in March 2020, less than a year after the last increase went into effect in September 2019. The biodiesel blending rate is slated to rise by 1 percent every year, reaching 15 percent in 2023. As a result of increased domestic consumption, soy oil exports are forecast to level off in 2019/20 to half a million metric tons, down from one mmt in the current season.

Soy Oil Use



Source: USDA PSD, with exception 2017-2020 which represents Post Estimates and Forecast

Post forecasts domestic meal consumption to increase by about four percent in 2019/20 to 18.5 mmt, as livestock and poultry industries continue to expand production to meet rising global demand. Meanwhile, Post forecasts meal exports will decline season-on-season to 16.2 mmt, from 16.6 mmt this season. Notably, there is potential for upside to this forecast if the Brazilian Real remains weak vis-à-vis the dollar, making meal exports more competitive.

2018/19 Estimate Unchanged

Post maintains the 2018/19 soybean processing estimate at 42.6 mmt, contracting on last season's crush of 43.5 mmt. The estimated season-on-season decline is based on several factors, including a smaller overall supply due to the dip in soybean production this season, and a higher than initially expected export volume of raw soybeans.

Post estimates Brazil's soybean oil production at just under 8.2 mmt, with the majority of the product consumed domestically. Domestic demand for oil has surged as of August this year, when the government gave final approval to increase the biodiesel blend mandate from 10 to 11 percent on September 1, 2019. The biodiesel industry in Brazil relies primarily on soybean oil (about 70 percent) for blending. Food use for soy oil is estimated to remain unchanged on last season due to the very sluggish domestic economy.

Post estimates Brazil's soybean meal production will surpass 33 mmt for MY 2018/19. Domestic soybean meal consumption is estimated at 17.9 mmt, up from last season's 17.6 mmt. The increase in domestic meal consumption is based on higher projected demand from the domestic livestock and poultry industries, which have benefited from increased export demand out of China. Meal exports are projected to decline slightly to 16.6 mmt from 16.8 mmt last season, in connection with tighter supplies. Similar to soybean exports, soy meal exports were up at the end of 2019 on competitive pricing.

Oilseed, Soybean (Local)	2017/2018		2018/2019		2019/2020	
Market Begin Year	Feb 2018		Feb 2019		Feb 2020	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	35150	35150	36200	36200	37000	36900
Area Harvested	35150	35150	35900	35900	36900	36900
Beginning Stocks	9912	9912	2350	2776	750	181
Production	122000	122000	117000	116000	123000	124500
MY Imports	185	190	136	141	150	150
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	132097	132102	119486	118917	123900	124831
MY Exports	84155	83729	74100	74000	74600	75000
MY Exp. to EU	5100	5100	3400	3400	3500	3500
Crush	43460	43465	42500	42600	43850	44000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2132	2132	2136	2136	2500	2500
Total Dom. Cons.	45592	45597	44636	44736	46350	46500
Ending Stocks	2350	2776	750	181	2950	3331
Total Distribution	132097	132102	119486	118917	123900	124831
CY Imports	187	187	136	136	150	150
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	83609	83609	74595	74595	74600	74600
CY Exp. to U.S.	0	0	0	0	0	0
Yield	3.4708	3.4708	3.2591	3.2312	3.3333	3.374
1000 HA, 1000 MT, MT/HA						

Oil, Soybean (Local)	2017/2018		2018/2019		2019/2020	
Market Begin Year	Feb 2018		Feb 2019		Feb 2020	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	43460	43465	42500	42600	43850	44000
Extr. Rate, 999.9999	0.1919	0.192	0.1919	0.1919	0.1919	0.1955
Beginning Stocks	392	392	373	369	332	234
Production	8340	8345	8155	8175	8415	8600
MY Imports	41	41	50	50	50	50
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	8773	8778	8578	8594	8797	8884
MY Exports	1410	1409	1025	1060	1100	500
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	3290	3400	3495	3700	3585	4300
Food Use Dom. Cons.	3700	3600	3726	3600	3775	3725
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	6990	7000	7221	7300	7360	8025
Ending Stocks	373	369	332	234	337	359
Total Distribution	8773	8778	8578	8594	8797	8884
CY Imports	35	35	50	50	50	0
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	1415	1375	1040	1040	1100	950
CY Exp. to U.S.	0	0	0	0	0	0
1000 MT, Percent						

Meal, Soybean (Local)	2017/2018		2018/2019		2019/2020	
Market Begin Year	Feb 2018		Feb 2019		Feb 2020	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	43460	43465	42500	42600	43850	44000
Extr. Rate, 999.9999	0.775	0.7751	0.7751	0.7758	0.7754	0.775
Beginning Stocks	4791	4791	4015	4114	2450	2739
Production	33680	33690	32940	33050	34000	34100
MY Imports	20	13	25	25	26	25
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	38491	38494	36980	37189	36476	36864
MY Exports	16976	16780	16680	16600	15200	16200
MY Exp. to EU	8000	0	7500	7500	7500	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	17500	17600	17850	17850	18500	18500
Total Dom. Cons.	17500	17600	17850	17850	18500	18500
Ending Stocks	4015	4114	2450	2739	2776	2164
Total Distribution	38491	38494	36980	37189	36476	36864
CY Imports	20	20	25	25	25	25
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	16863	16863	16625	16625	15200	15200
CY Exp. to U.S.	0	0	0	0	0	0
SME	17500	17600	17850	17850	18500	18500
1000 MT, Percent						

Attachments:

No Attachments