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Report Name: Oilseeds and Products Update

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Report Highlights:

Post increased its forecast for soybean planted area to 45.4 million hectares for 2022/23, up previously from 45.2 million hectares. In the 2022/23 season Brazil is expected to expand its planted area for soybeans as producers are switching from corn. Post forecasts a record harvest at 162 million metric tons (MMT), increased from 159 MMT previously with planting at the fastest rate on record. Post increased the export forecast in 2023/24 to 100.2 MMT, an increase from 99.1 MMT. Post revised imports downwards due to ample supplies, now forecast at 200,000 metric tons (MT) for 2023/24. For 2023/24, Post revised the forecast for soybeans destined for processing upward to a record of 55.8 MMT based on strong demand for Brazilian soybean products, especially oil.

SOYBEAN PRODUCTION

2023/24 Soybean Season Planting Rate Fastest on Record

Following the sanitary period of September 16th, Brazilian farmers were allowed to start planting the 2023/24 soybean crop. In Brazil, producers must abstain from planting soybeans during the *vazio sanitario*, or sanitary period of several months after the last beans are harvested. The clean break between two harvests of the same crop is necessary to reduce the incidence of crop diseases such as soybean rust. The *vazio sanitario* is typically in place sometime between June and September and coincides with the dry season in Brazil. To hit the target planting dates for cotton, soybeans (which are the first crop) should be planted by the end of September. However, some producers in Mato Grosso received authorization from the Ministry of Agriculture (MAPA) to begin planting earlier, an estimated 55 thousand hectares.

As of October 2nd, 5.2 percent of soybeans had been planted, which makes the 2023/2024 season the fastest planting season in the historical series. The next fastest season was 2016/17 when 4.8 percent was planted during this same time. This increase was driven by planting in the State of Parana but some producers are concerned about the lack of rain in some regions of the state. Some regions of Parana experienced a high heat wave which caused a lack of moisture for grain germination. Post contacts have shared they are concerned about the availability of seeds if replanting is necessary. The farmers who are most aggressively planting their soybeans are those who plan on planting a second crop of cotton, which should be planted before the end of January to reach the window for ideal weather growing conditions.

In Mato Grosso as of October 2nd farmers had planted 4.2 percent of their soybeans, compared to 1.8 percent last year according to the Mato Grosso Institute of Agricultural Economics (Imea). The most rapid planting progress was in the western part of the state where 11.1 percent of the soybeans have been planted. The north and northeast regions of Mato Grosso have been more cautious as lower volumes of rain have been observed compared to the same period last year.

According to the Department of Rural Economics (Deral), farmers in Parana have planted 20 percent of their intended 2023/24 soybeans as of October 3rd, making it one of the fastest in planting rates in history. Most of the soybeans planted thus far have been in the southern part of Parana where the rainfall has been better compared to other regions.

The higher-than-average planting pace is motivated by more ideal weather patterns than previous years for the month of September. Last year, crops experienced irregular and below average rainfall in September and the beginning of October. However, this year's more ideal soil moisture and the forecasted weather for the next 30 days, have contributed to the increased rates. In addition, The National Oceanic and Atmospheric Administration (NOAA) predicts a La Niña phenomena will occur in Brazil, which would increase rainfall and raise temperatures in central-western, southeastern, and southern regions, and decrease rains in the northern and northeastern regions of the country.

Post increased the forecast for soybean planted area to 45.4 million hectares for 2023/24, up from 43.8 million hectares the past season. Post forecasts planted area to increase 3.6 percent, slightly below the average growth for the last five seasons of 5 percent.

Record Year Forecasted for Production in 2023/2024

Post revised upwards the forecast for the 2023/24 Brazil soybean production to 162 MMT, based on a yield of 3.56 MT per hectare. This represents a 4.5 percent production increase compared to 155 MMT in 2022/23, as well as an on-trend in yield. Post also revised upwards the planted area for 2023/2024, totaling 45.4 million hectares. In terms of the expansion pace, Post forecasts fast growth to continue in the Northeast region of MATOPIBA – comprised of the states, Maranhão, Tocantins, Piauí, and Bahia. Producers in Bahia grow just one crop per year – typically either cotton or soybeans, and with the soybean prices better than substitutable commodities, Post expects conversion of fields to soybeans. The Mato Grosso Institute of Applied Economy (IMEA) forecasts planted area at 12.22 million ha next season, up just over three percent from 2022/23. The largest expansion in percentage terms will be in the North and Northeast regions of Brazil. Post anticipates that crop growth in this part of Brazil will continue to accelerate on the back of newly built and expanded roads and ports.

Although there is concern for the planting of second-season crops if soybean planting slows down, at this point there is no impact for soybean yields, as long as weather patterns are normal during the rest of the growing season. The Post yield forecast assumes average weather and optimal inputs (seeds, fertilizers, chemicals).

Post believes that key reasons for year-on-year yield gains in Brazil are growers' adoption and investment in technology, such as Genetically Engineered (GE) seeds and the use of cutting-edge chemicals and fertilizers. At the same time, the Post forecast accounts for lower yields on land that will be converted into production, such as degraded pasture, which typically takes several years to reach optimal productivity.

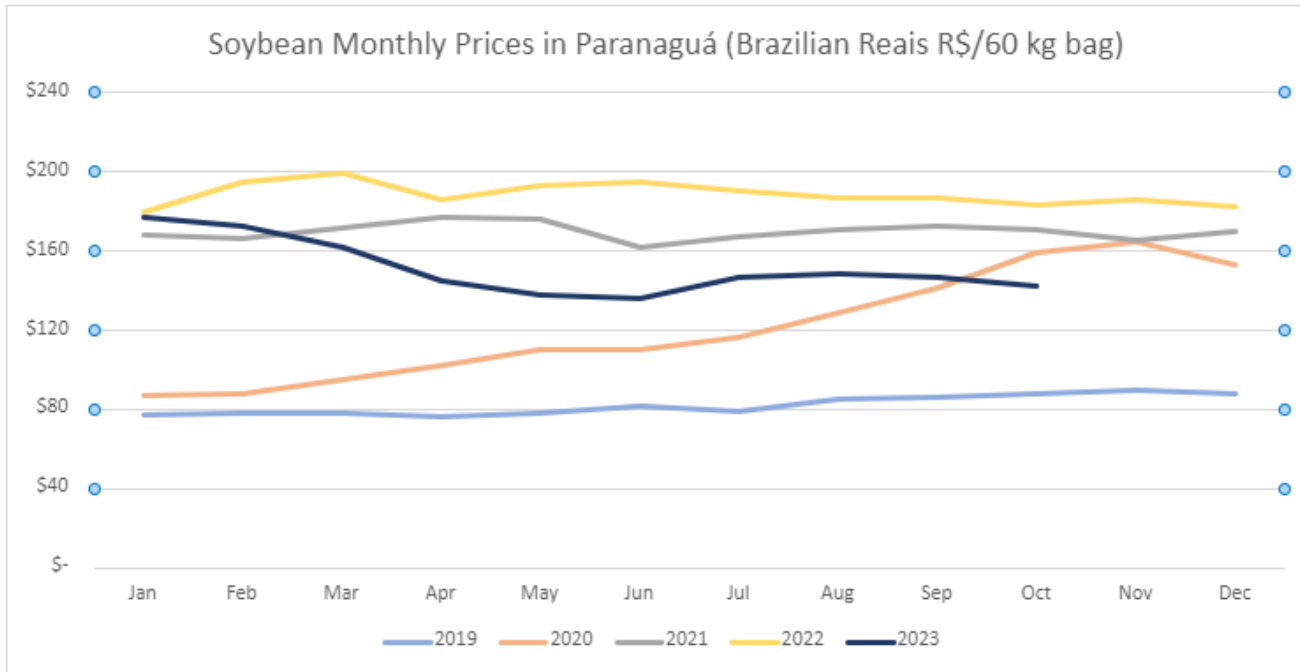
Area and Production Continues to Expand Despite Low Prices

Soybean prices in Brazil are the lowest they have been since pre-pandemic levels but farmers are still increasing planting area on trend. This is a result of farmers switching from planting first season corn to soybeans. Corn prices are also currently low but worse relatively to soybeans, and Post contacts have shared it will be challenging to even break even on planting corn this season.

Soybeans are the principal crop produced in Brazil. Throughout the last decade, Brazilian growers have demonstrated that there is space to plant more soybeans each season—whether from degraded pasture or at the expense of land from other crops. As a relatively easy to grow and profitable liquid commodity, they are considered a reliable choice for growers. Farmers typically forward contract around half of their forecast crop before planting. For many, proceeds from forward soybean sales finance not just the coming soybean crop, but the second-harvest crop as well. Given that the global demand for soybeans is expected to keep rising, Brazilian farmers will continue to expand their soybean production, with assurance that buyers will be ready when the harvest hits the market.

Figure 1

Monthly Soybean Prices in Paranaguá



Source: CEPEA data, ESALQ/BM&FBOVESPA, Paranaguá, OAA Brasilia Chart

The chart above highlights the decrease in prices of domestic soybean prices in 2023. Prices started the year strong with soybeans fetching around R\$ 180, about \$32.5 per 60-kilogram sack. However, prices decreased due to the record 2022/23 harvest to around R\$ 130. This is the lowest domestic soybean prices have been since the start of the pandemic in 2020.

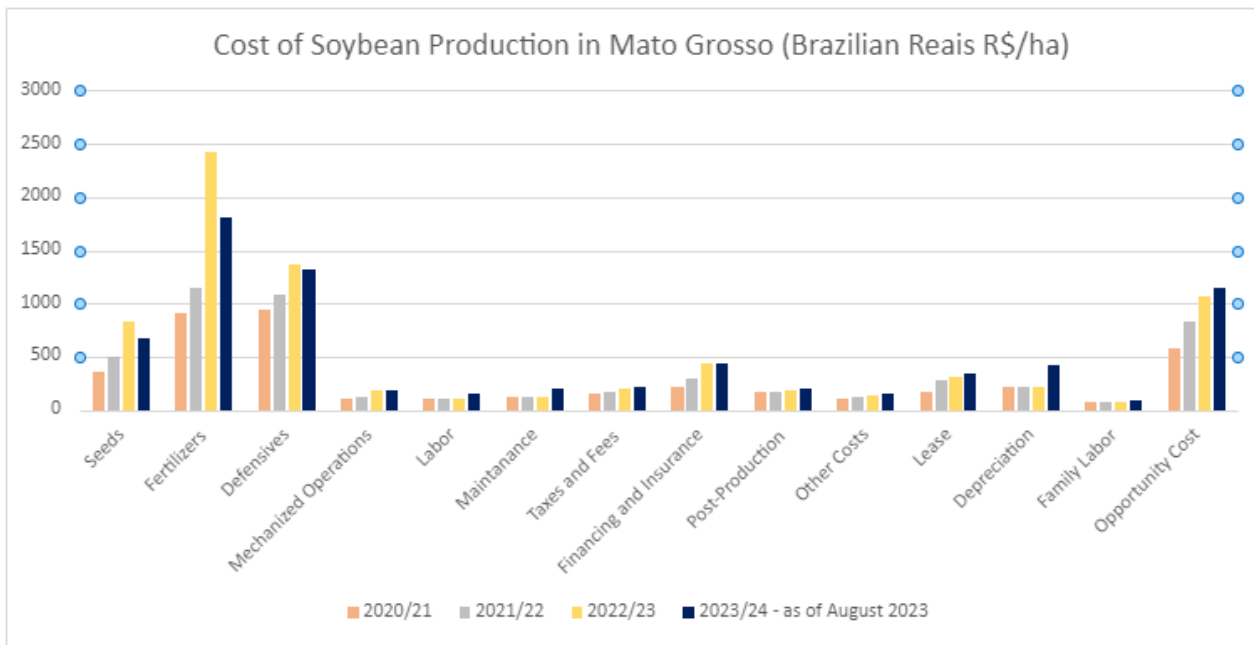
The BRL remains lowly valued against the USD, at 5.16 BRL per 1 USD as of September, 2023. A weak Real means that Brazil's agricultural commodities continue to be a great value, and desirable product for commercial partners.

Cost of Production decreases in 2023/24 Season

This is the first season in several years that the cost of soybean production in Brazil is expected to decrease. The figure below outlines the cost of production decreases in Mato Grosso. In the 2022/2023 season in Mato Grosso, the estimated cost of production was R\$ 7,621.80/ha compared to R\$ 7,317.30/ha in the 2023/24 season, a 4 percent decrease in cost of production. The driving factor of this is the decrease in the cost of fertilizers which changed from R\$ 2,417.30 in 2022/23 to R\$ 1,812.40 in 2023/24.

Figure 2

Cost of Soybean Production in Mato Grosso



Source: IMEA, cost in R\$/ha, with 2023/24 as of August 2023; Chart Post Brasilia

Chart 1

Cost of Soybean Production in Mato Grosso Per Expense

Cost of Soybean Production in Mato Grosso (R\$/ha)				
Harvest	2020/21	2021/22	2022/23	2023/24
Year	2020	2021	2022	2023
Month	Aggregate	Aggregate	Aggregate	August
Seeds	348.7	495.0	832.7	670.3
Fertilizers	906.7	1141.1	2417.3	1812.4
Defensives (Fungicide, Herbicide, Insecticide, etc.)	933.9	1077.8	1373.0	1316.7
Mechanized Operations (Planting, Fertilizing, Applications with Machines, Harvesting...)	104.4	122.0	179.9	180.1
Labor	97.6	100.7	107.4	150.5
Maintenance	113.4	113.7	114.9	197.3
Taxes and Fees	143.7	166.7	193.3	207.5
Financing and Insurances	217.4	287.4	428.2	436.1
Post-Production(Classification and Processing, Storage, Production Transport)	170.7	171.4	177.4	190.9
Other Costs (Technical Assistance, Utilities Fuel, General Expenses)	96.4	114.7	141.4	144.3
Lease	172.5	281.8	301.4	341.5
Depreciation (of Equipment, Utilities, and Improvements)	208.9	208.6	213.3	417.2
Family Labor	76.3	76.2	77.2	87.5
Opportunity Cost (Working Capital, Improvements, etc.)	579.6	830.8	1064.5	1149.3
Total	4170.1	5187.9	7621.8	7317.3

Source: IMEA, cost in R\$/ha, with 2022/23 representing estimate; Chart Post Brasilia

SOYBEAN TRADE

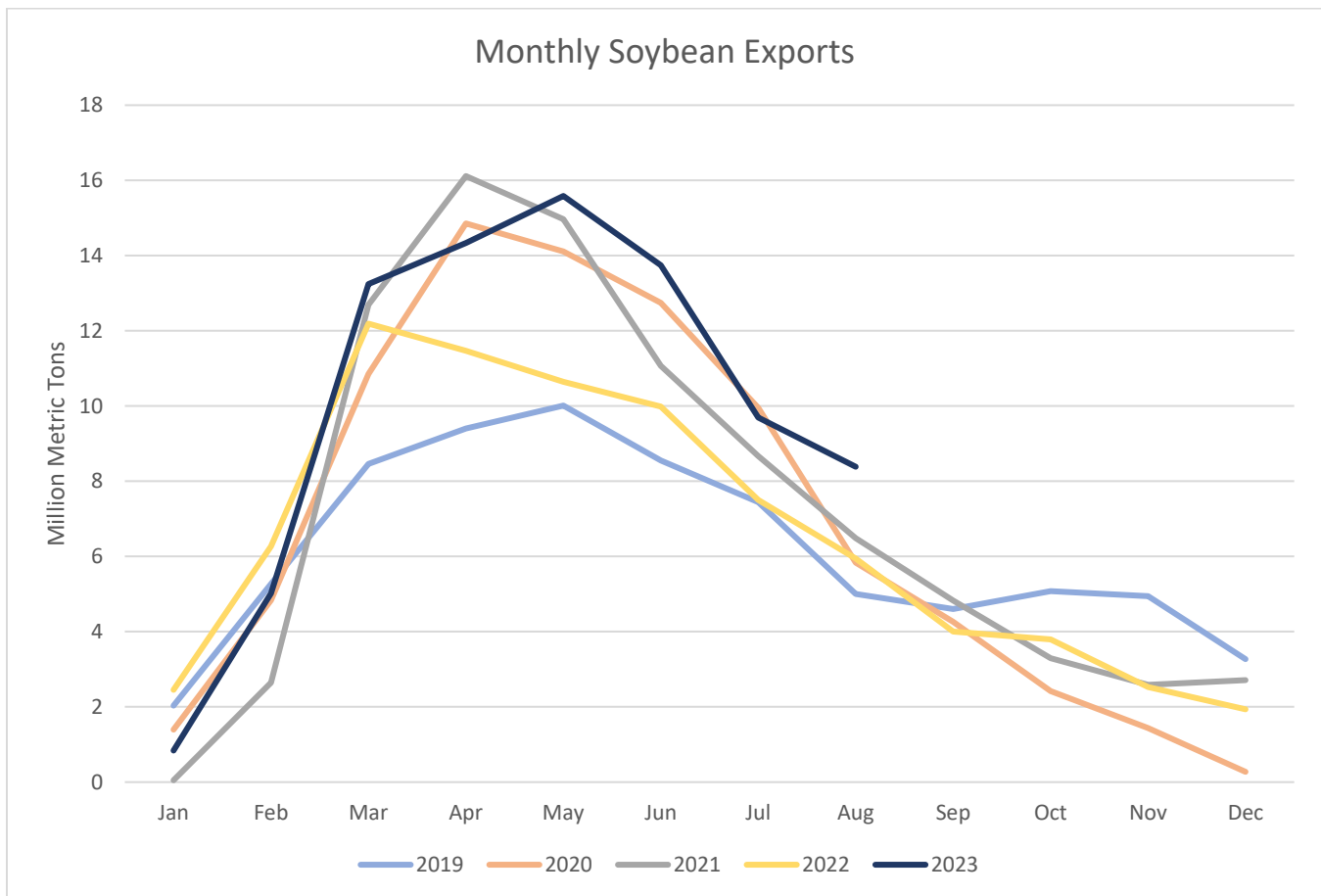
Yet Another Record Soybean Export Forecast in 2023/24

Post revised the forecast upwards for soybean exports in the 2023/24 season to 100.2 MMT, exceeding the estimate for the previous season of 96 MMT. The forecast is based on increased expectations of ample available supplies and an extremely favorable exchange rate. According to industry contacts in Brazil, the market expectation is that the Brazilian real will continue to trade at around R\$ 5 to the USD in 2024. Unlike many other heavily traded sectors, soybean consumption has limited elasticity.

The 2022/23 season has experience record soybean exports with several months hitting monthly respective record highs. From February 2023-August 2023, Brazil exported 80 MMT of soybeans compared to 64 MMT during the same period the year prior. This can be attributed to record production, significantly decreased production in Argentina and continued demand in China.

Figure 3

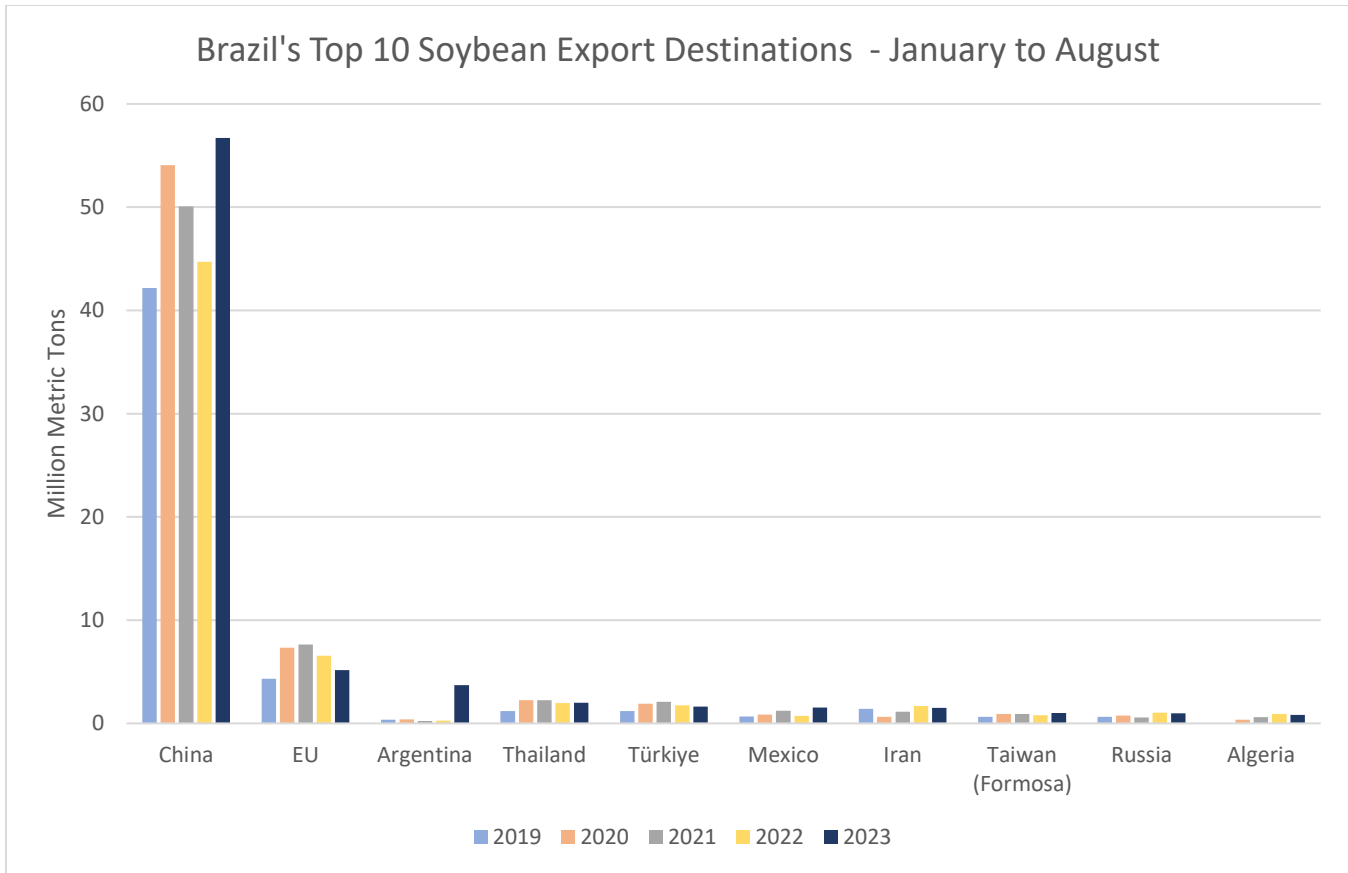
Brazil's Monthly Soybean Exports



Source: COMEX STAT, OAA Brasilia Chart

Figure 4

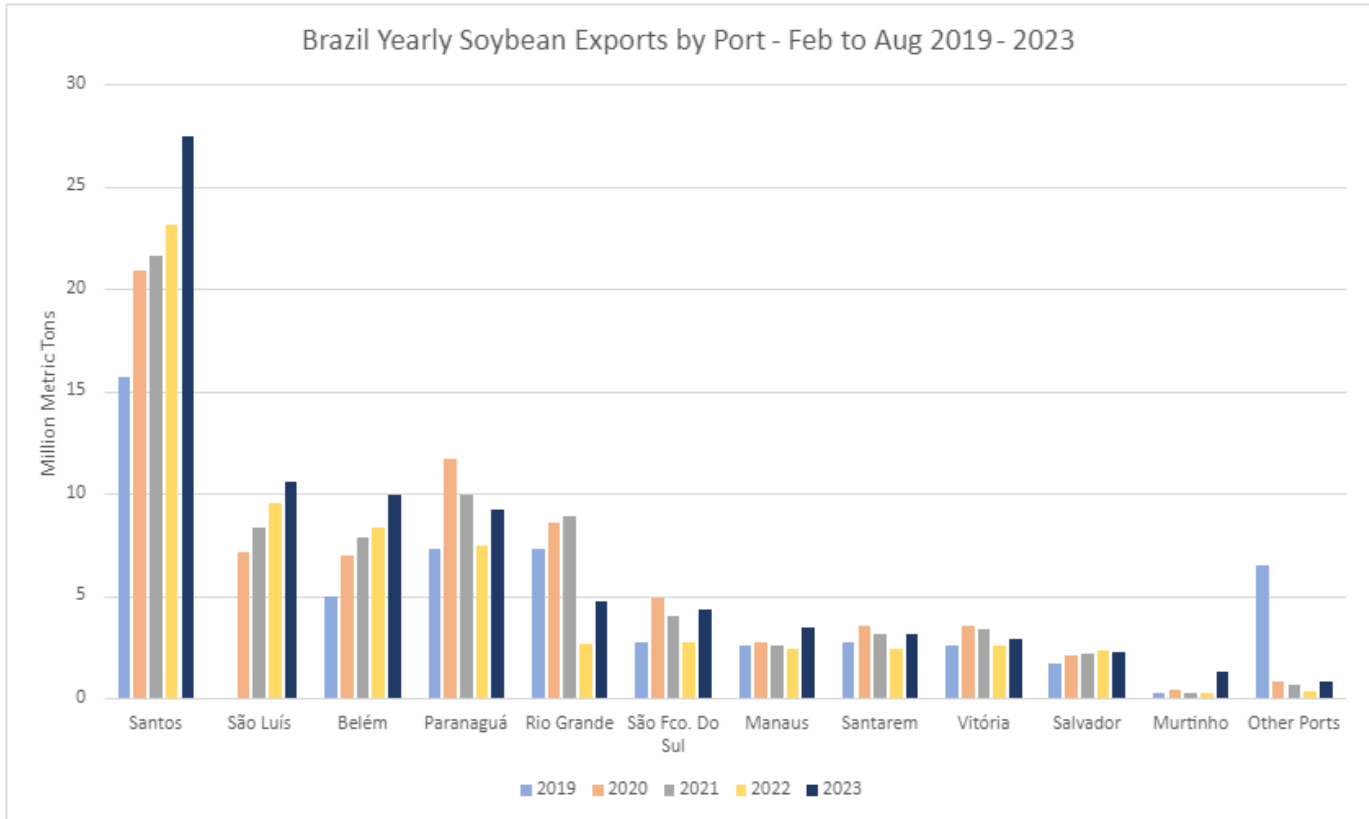
Brazil's Top 10 Soybean Export Destinations



Source: COMEX STAT, OAA Brasilia Chart

Figure 5

Yearly Soybean Exports by Port in Brazil



Note 2023 Data includes data from January-August*

Source: SECEX trade data, OAA Brasilia chart

China Remains Top Buyer of Brazilian Soybeans

For the 2022/23 season, Post estimates soybean exports at 96 MMT. So far this season, about three-quarters of Brazil's soybean shipments were destined for China. China has long been the main buyer of Brazilian soybeans, further solidifying its status in the wake of U.S.-China trade tensions that broke out in 2018. Over the previous several seasons, Chinese crushers often sourced soybeans from Brazil because its massive supplies were the only viable alternative to the U.S. supply. In 2023/24, China is expected to remain the top importer of Brazilian soybeans.

Imports to Lower in 2023/24

Post forecasts 2023/24 soybean imports at 200,000 MT, down 200,000 MT from the previous forecast released in July. The revision is based on ample supplies at the start of next season due to record production. Imports in 2022/23 are estimated at 200,000 MT, a decrease from the 2021/2022 season. Soybean imports are primarily driven by expansion of domestic crush capacity. Most of Brazil's soybean imports are sourced duty-free from the neighboring Paraguay, a Mercosul trading block member. Brazil also sources soybeans from Mercosul member Uruguay, for the crushing plants in the southern state of Rio Grande do Sul.

DOMESTIC CONSUMPTION & PROCESSED PRODUCTS

Soybean Crush Forecast to Increase for 2023/24

For 2023/24, Post revised the forecast for soybean crush up to 56.2 MMT, a 1.2 percent increase compared with the 2022/2023 estimate. The revision is based on an increase in available supplies, as well as an increase in demand for soybean products. The biodiesel blend rate was increased in April 2023 from B10 to B12. The forecast expansion is aligned with the five-year average growth rate. The expansion is based on the available soybean supply and rising demand for both soy oil and soy meal domestically, as well as soy oil and meal export demand which will be supported by the continued relative weakness of the Brazilian real. One major determining factor is the war between Russia and Ukraine, which has dramatically reduced the availability of sunflowerseed oil on the international market, therefore favoring the prices of other vegetable oils, including soybean. There have also been lower exports of rival palm oil, due to protectionism measures. The expansion of U.S. biodiesel increasing premiums for U.S. soy oil has effectively eliminated the U.S. as an oil supplier for the world.

Post forecasts 2023/24 soybean meal production at 43.4 MMT, an increase from previous estimates. Domestic soymeal consumption is forecast to increase to 20.7 MMT in the next season, up from 20.3 MMT in 2022/23. Post anticipates domestic meal demand will grow in line with a recent increase in beef and pork annual production.

For 2023/24, Post revises the forecast of soy oil production to 11.2 MMT. Domestic oil consumption is expected to increase to 8.85 MMT. The increase will be driven by industrial oil consumption, which is projected to rise to 4.95 MMT. Post anticipates that expansion in industrial consumption will be supported by a slowly but steadily recovering economy, which will fuel an increase in commercial truck activity. In Brazil, commercial vehicles run on biodiesel, which is manufactured using soy oil. When the Brazilian government mandates a higher biodiesel blend mandate, there is a steady increase in industrial oil consumption. According to Abiove, the sector could currently supply a 12 percent blend, but would need to crush another 3 million metric tons of soybeans to achieve a blend rate of 15 percent.

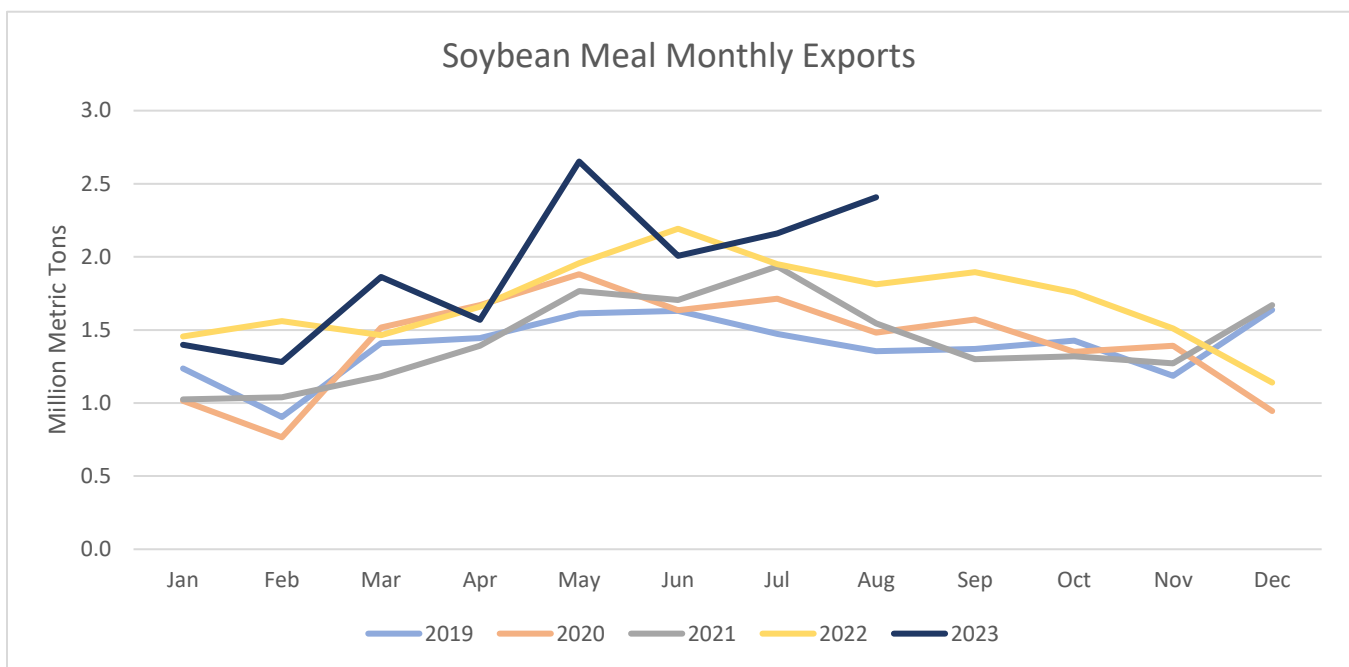
PRODUCT TRADE

Soybean Meal

For 2023/24, Post revised the soybean meal exports forecast to increase slightly, from 20.3 MMT to 21.5 MMT. Post anticipates that exports of both soybean meal and oil will be supported by the weak domestic currency. Record soybean meal exports have been recorded in the same period of January-August in the 2022/2023 season compared with other seasons during this time.

Figure 6

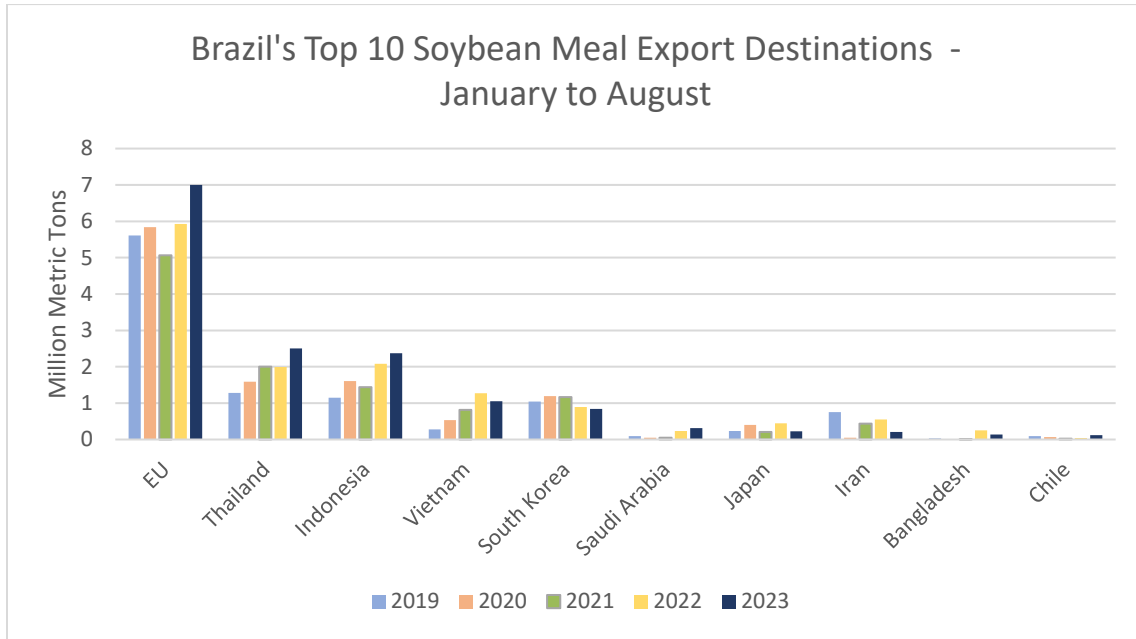
Soybean Meal Monthly Exports



Source: Trade Data Monitor, OAA Brasilia Chat

Figure 7

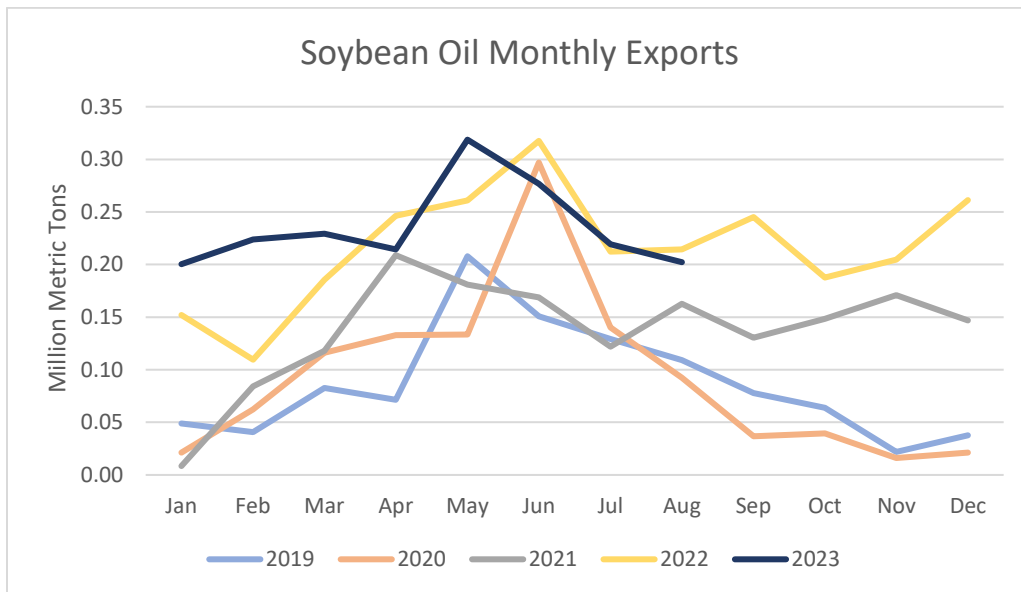
Brazil's Top 10 Soybean Meal Export Destinations



Source: SECEX trade data, OAA Brasilia chart

Figure 8

Soybean Oil Monthly Exports

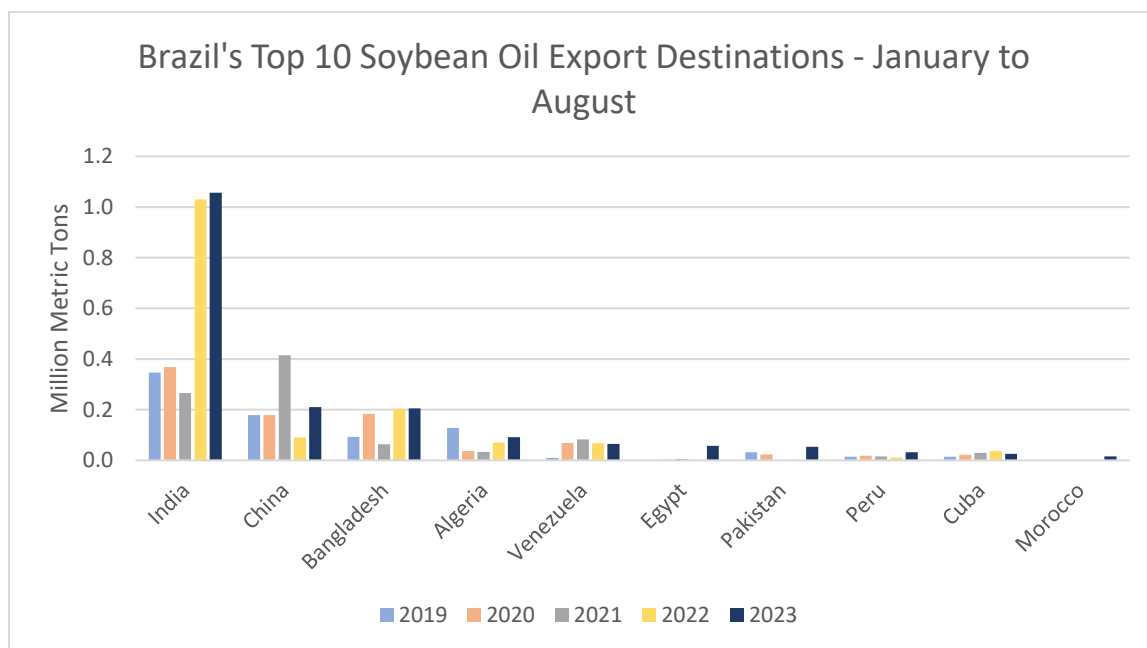


Source: SECEX trade data, OAA Brasilia chart

For soybean oil, Post revised the estimate for exports in the 2023/24 year up to 2.35 MMT due to an above average increase this marketing year. This year, from January to August 2023, Brazil has exported 1.68 MMT of soybean oil, an 8 percent increase compared to the same period in 2022. India and China are the primary markets for soy oil, followed by Southeast Asia. Brazil has experienced higher-than-average sales of soybean oil due to several factors. Brazil has been able to capitalize on reduced competition due to reduced supplies from Argentina and a high U.S. premium. This coupled with limited access and high prices for competing oils, including palm and sunflowerseed, resulted in increased demand for soybean oil. Finally, the reduced biodiesel blend rate meant Brazil had greater supplies available for export.

Figure 9

Brazil's Top 10 Soybean Oil Export Destinations



Source: SECEX trade data, OAA Brasilia chart

Chart 2

Soybean Production, Supply, Distribution

Oilseed, Soybean (Local) Market Year Begins	2021/2022		2022/2023		2023/2024	
	Feb 2022		Feb 2023		Feb 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Planted (1000 HA)	41500	40900	43900	43800	45600	45400
Area Harvested (1000 HA)	41500	40900	43900	43800	45600	45400
Beginning Stocks (1000 MT)	2426	2426	1829	1300	2529	3600
Production (1000 MT)	130500	127040	156000	155000	163000	162000
MY Imports (1000 MT)	416	419	200	200	450	200
MY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
MY Imp. from EU (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	133342	129885	158029	156500	165979	165800
MY Exports (1000 MT)	77118	77000	98000	96000	101000	100200
Crush (1000 MT)	51150	48585	53700	53300	55500	56200
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	3245	3000	3800	3600	3950	3800
Total Dom. Cons. (1000 MT)	54395	51585	57500	56900	59450	60000
Ending Stocks (1000 MT)	1829	1300	2529	3600	5529	5600
Total Distribution (1000 MT)	133342	129885	158029	156500	165979	165800
Yield (MT/HA)	3.1446	3.1061	3.5535	3.5388	3.5746	3.5683
(1000 HA) ,(1000 MT) ,(MT/HA)						

Chart 3

Soybean Oil Production, Supply, Distribution

Oil, Soybean (Local) Market Year Begins	2021/2022		2022/2023		2023/2024	
	Feb 2022		Feb 2023		Feb 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Crush (1000 MT)	51150	48585	53700	53300	55500	56200
Extr. Rate, 999.9999 (PERCENT)	0.1925	0.1997	0.1923	0.1951	0.1925	0.1993
Beginning Stocks (1000 MT)	468	468	352	90	279	100
Production (1000 MT)	9846	9700	10327	10400	10684	11200
MY Imports (1000 MT)	33	33	75	100	25	100
Total Supply (1000 MT)	10347	10201	10754	10590	10988	11400
MY Exports (1000 MT)	2645	2645	2700	2300	2100	2350
Industrial Dom. Cons. (1000 MT)	3450	3666	3800	4340	4500	4950
Food Use Dom. Cons. (1000 MT)	3900	3800	3975	3850	4050	3900
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	7350	7466	7775	8190	8550	8850
Ending Stocks (1000 MT)	352	90	279	100	338	200
Total Distribution (1000 MT)	10347	10201	10754	10590	10988	11400
(1000 MT) ,(PERCENT)						

Chart 4

Soybean Meal Production, Supply, Distribution

Meal, Soybean (Local) Market Year Begins Brazil	2021/2022		2022/2023		2023/2024	
	Feb 2022		Feb 2023		Feb 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	51150	48585	53700	53300	55500	56200
Extr. Rate, 999.9999 (PERCENT)	0.7751	0.7729	0.775	0.7692	0.775	0.7722
Beginning Stocks (1000 MT)	4186	4186	3740	1854	3375	2200
Production (1000 MT)	39646	37550	41618	41000	43013	43400
MY Imports (1000 MT)	5	15	17	15	10	15
Total Supply (1000 MT)	43837	41751	45375	42869	46398	45615
MY Exports (1000 MT)	20297	20297	21800	20300	21500	21500
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	19800	19600	20200	20369	20900	20715
Total Dom. Cons. (1000 MT)	19800	19600	20200	20369	20900	20715
Ending Stocks (1000 MT)	3740	1854	3375	2200	3998	3400
Total Distribution (1000 MT)	43837	41751	45375	42869	46398	45615
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments