USDA Foreign Agricultural Service

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Brazil

Oilseeds and Products

Oilseeds Update - July 2008

2008

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Report Highlights:
For the first time, the Brazilian government was a signatory to the extension of the moratorium on purchasing soybeans from deforested land. There are no significant ps&d changes to report.

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

Area / Production

Despite high international prices, area is expected to increase minimally in the coming year. In the last year, Brazil appears to have found its current equilibrium for area planted to particular crops, and no strong shifts between crops are expected. Even though international prices have increased significantly, so has the cost of production. The average cost of transportation has increased 50 percent in the last year, and according to some accounts, the cost of production has doubled, with the majority of this increase due to the rising price of fertilizers. As the value of land has not increased at the same rate as the value of inputs, lenders must evaluate if they are willing to take on more risk when providing inputs in exchange for commodity. In addition, strong environmental restrictions and the need for consistent environmental regulations and strong property rights further restrict such expansion.

In 2006, in reaction to pressure from the European food industry, major soybean traders including Cargill, Bunge, ADM, Dreyfus and the Maggi group declared a two-year moratorium on purchasing soybeans from any newly deforested areas in the Amazon. The Brazilian Vegetable Oil Industry Association (ABIOVE) and the National Grain Exporters Association (ANEC) both signed the moratorium. In mid-June 2008, the moratorium was extended for another year. For the first time, the Brazilian Ministry of Environment was a signatory to the agreement. This is considered to be a positive development, as only the government can bring regulatory stability and enforcement in such areas as land rights and zoning.

Soy Oil

Exports of soy oil are expected to decrease slightly, to approximately 2.2 million tons, primarily as a result of increased biodiesel production. During the first 6 months of 2008, Brazil had a 2 percent biodiesel blend requirement. This increased to 3 percent on July 1. In 2008, Brazil is expected to produce 800,000 mt of oil to meet this requirement (equivalent to more than 4 million mt of soybeans). The price of soy oil has increased more than the price of meal in the past year, so that 40 percent of crushing revenue now comes from oil.

Food Consumption

Soybeans for food consumption (primarily soy-based drinks and cereal bars) is a very small portion of soybean consumption in Brazil, utilizing an estimated 150,000 mt of soybeans this year. However, there are reports that it is seen as a growth market, and several well-known companies are investing in expanded production in this area.

PSD Table Country: Brazil Oilseed, Soybean (Local) (1000 HA)(1000 MT)							
	2006	Revised	2007	Estimate	2008	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		02/2007		02/2008		02/2009	MM/YYYY
Area Planted	21100	21100	21700	21700	22800	22600	(1000 HA)
Area Harvested	20700	20700	21300	21300	22500	22300	(1000 HA)
Beginning Stocks	2252	2252	3321	3171	3136	1671	(1000 MT)
Production	59000	58850	61000	60200	64000	64000	(1000 MT)
MY Imports	108	108	150	150	160	100	(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	61360	61210	64471	63521	67296	65771	(1000 MT)
MY Exports	23805	23805	25860	26000	28650	28000	(1000 MT)
MY Exp. to the EC	11000	9772	10700	8500	11500	9000	(1000 MT)
Crush Dom. Cons.	31300	31300	32500	32500	32500	34000	(1000 MT)
Food Use Dom. Cons.	0	100	0	150	0	200	(1000 MT)
Feed,Seed,Waste	2934	2834	2975	3200	3025	3200	(1000 MT)
TOTAL Dom. Cons.	34234	34234	35475	35850	35525	37400	(1000 MT)
Ending Stocks	3321	3171	3136	1671	3121	371	(1000 MT)
TOTAL DISTRIBUTION	61360	61210	64471	63521	67296	65771	(1000 MT)
Calendar Year Imports	98	98	155	150	160	160	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	23734	23734	25850	26400	28700	28000	(1000 MT)
CYr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)