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Brazil

Oilseeds and Products

Soybean Update

2007

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Report Highlights:
Post increased the Brazilian soybean crop to 58 MMT, bringing up expected yields to nearly 2.8 tons per hectare. Continued good weather and management of rust have both positively impacted the harvest, putting a new production record within reach. The Brazilian harvest is now halfway complete.

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

Post Forecast Soybean Area, Yield, and Production (1000 ha; Tons/ha, Thousand tons)			
Region	Area	Yield	Production
Center West	**8953**	**2.887**	**25850**
MS	1700	**2.824**	4800
MT	5050	**2.911**	14700
GO	2150	**2.884**	6200
DF	53	**2.830**	150
South	**8375**	**2.724**	**22810**
PR	4000	**3.000**	12000
SC	375	**2.827**	1060
RS	4000	**2.438**	9750
Southeast	**1460**	**2.877**	**4200**
MG	930	**2.849**	2650
SP	530	**2.925**	1550
Northeast	**1443**	**2.661**	**3840**
MA	378	**2.672**	1010
PI	225	**2.800**	630
BA	840	**2.619**	2200
North	**521**	**2.599**	**1354**
RO	100	**2.700**	270
AM	3	**3.000**	9
RR	18	**3.333**	60
PA	90	**2.833**	255
TO	310	**2.452**	760
Totals	**20752**	**2.798**	**58054**

Production

Brazilian production is forecast at 58 million metric tons (MMT). Post increased its production number nearly 1 million tons since last month's report due to excellent weather that has continued to benefit the crop. Rust damage, in spite of the more humid conditions, so far has not been registered in great quantities. However, Rust continues to be a bit of a "wildcard" in the harvest, since the harvest is only 50% complete. Forecasts of some Brazilian sources are: 56.7 (Conab and IBGE), 57.8 (Safras), and 58 MMT (Céleres). These entities' area numbers range from 20.5 (Conab) to 20.9 million hectares (Safras).

The ag sector continues to debate the amount of fertilizer used for soybeans this year. What is known: fertilizer sales hit new highs at planting during the months of October and November. What is still a mystery is exactly how many farmers were unable to get the fertilizer they needed. After international soy prices began to pick up in September, a race for inputs occurred in order to plant more soy acreage. Apparently, a percentage of farmers could not source what they needed.

Post confirms a loss in the major production area of Northern Mato Grosso, reported in last month's update. It is estimated now estimated that 30% of the crop in Northern Mato Grosso, including the major growing areas of Sinope and Sorriso, suffered losses due to incessant rain and excess water in the field, which kept farmers from harvesting. As the product sat in the field, the quality of the beans decreased. These beans were not harvested at maturity, and after 10 days began to rot, causing a number of farmers in the area to lose their entire crop. Of the 30% total production area in the region suffering losses, much of the product was discounted, and in some cases, rejected, due to the deterioration in quality of the beans. Post did not make an adjustment to the overall number for Mato Grosso since the rest of the state performed better than expected and made up for the difference.

Brazil's Third-largest Producing State Bounces Back

The production number increase is largely due to the major improvement in yields in Rio Grande do Sul (RGDS), Brazil's southernmost state. Post increased its production estimate for the state by 750,000 tons. With the exception of the 2002/03 crop year, RGDS has historically brought down the nation's average soy yields. Due to the last several years of drought in the state, it was producing one-fourth to one-half of its potential. This year soybean production in the state is back on track, and typical low yielding areas of Missoes, Santo Angelo, and São Lourenço (Northwest RGDS) are showing a surprising step up from last year, with initial yields already surpassing last year's state level.

Biodiesel

The Brazilian government is proposing that 5% of its diesel composition be biodiesel by 2008. The current mandate is 2% and the 5% target was being considered for 2013. The accelerated mandate is being considered because of the rapid expansion in Brazil's biodiesel production capacity and the sector is anticipating a boost in soybean prices as a result.

Farmers Using More Early Varieties

To help manage soybean rust and make way for corn planting, producers are now planting more early varieties. This year, early varieties represent nearly half of the total crop, versus 10% in previous years. Early varieties are especially attractive to farmers this year since they are extremely compatible with corn in soy/corn rotations. Early varieties (with less than 120-day cycles) allow farmers to plant corn earlier, giving them a better chance to harvest their corn before the dangers of frost intensify.

Harvest Progress

Harvest progress during the last week of March slowed down a bit due to persistent rains across much of Brazil. Although these rains encumbered the harvest temporarily, they were favorable to the large percentage of beans still in development phase. Overall, the Brazilian harvest is advancing at a rapid pace, with 55 percent harvested as of March 30 versus 39 percent last year at this date (the average over the past five years for this date is 34 percent). Early varieties have also shifted Brazil's traditional harvest period forward. Soybean marketing is also considerably ahead of previous years, and nearly 50% of this year's crop is already sold, compared to 41% sold at this time last year.