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Brazil

Post:
Brasilia

Oilseeds and Products Update

Soybean Production and Exports Forecast to Reach Record

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Report Highlights:
Post increased its 2016/17 production forecast to 102 million metric tons (mmt), a record. Favorable weather in most parts of the country is helping the progress of the crop. Post also increased its export forecast to 58 mmt, a record, for the 2016/17 marketing year as a result of higher exportable supplies and strong demand by China.

Production, Supply, and Demand Statistics

Oilseed, Soybean (Local)	2014/2015		2015/2016		2016/2017	
Market Begin Year	Feb 2015		Feb 2016		Feb 2017	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	32100	32100	33300	33300	33800	33800
Area Harvested	32100	32100	33100	33300	33800	33800
Beginning Stocks	1656	1656	1240	1240	4520	2720
Production	97200	97200	96500	95500	102000	102000
MY Imports	325	325	380	380	350	350
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	99181	99181	98120	97120	106870	105070
MY Exports	54635	54635	51000	51200	58700	58000
MY Exp. to EU	6000	6000	6000	6000	6200	6500
Crush	40348	40348	39100	40000	41000	41000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2958	2958	3500	3200	3600	3500
Total Dom. Cons.	43306	43306	42600	43200	44600	44500
Ending Stocks	1240	1240	4520	2720	3570	2570
Total Distribution	99181	99181	98120	97120	106870	105070
(1000 HA) ,(1000 MT)						

Soybean Production Forecast for 2016/17 to Reach 102 Million Metric Tons (MMT)

Post increased its 2016/17 production forecast to a record 102 mmt, due to an increase in its planted area and yields. Post increased its estimate for planted area to a record 33.8 million ha, as a result of higher than expected planted area in the north and northeast. The planting season, which started on September 15 in most states, has continued to move forward without delays and weather continues to be favorable in most parts of the country.

In Mato Grosso, the largest soybean state in Brazil, the crop is progressing very well and the weather forecast looks favorable. As a result, the 2016/17 harvest in this state is forecast to be a record. On the other hand, a region of concern is the northeastern part of Brazil. After a good start to the planting season, the region entered into a dryer pattern in the last few weeks and there is little rainfall expected in the near term forecast. In western Bahia for example, rains are not expected until the early weeks of January. The soil moisture in this part of the country is estimated to be at the 10 percent mark, which has raised concerns among soybean producers.

Post kept its production estimate for 2015/16 at 95.5 mmt based on data from Brazil's National Food Supply Company (CONAB). Planted area was kept at 33.3 million ha based on CONAB estimates. Due to weather problems throughout the 2015/16 production, yields were heavily impacted, estimated at 2.87 mt/ha.

2016/17 Soybean Crop Continues to Experience Slower Forward Contracting

The 2016/17 soybean crop continues to be contracted at a slower pace due to current domestic prices and currency volatility (Brazilian Real vs U.S. Dollar). Between September and December of this year, domestic soybeans prices were lower compared to the same time last year. At the same time, the currency volatility as a result of the domestic and international political environment has impacted commercialization of the 2016/17 crop, which is still below last year's pace.

According to the Mato Grosso Institute of Agricultural Economics (Imea), farmers in Mato Grosso have forward contracted 47.5 percent of their anticipated 2016/17 soybean production compared to 55 percent sold last year at this time. In Paraná, second largest producing state, the Secretary of Agricultural for the State of Parana (Deral) reported that farmers have sold 13 percent of their anticipated 2016/17 soybean production compared to 33 percent last year.

The retraction in forward contracts is based on expectations that the U.S. dollar will appreciate further in 2017, which may attract foreign purchasers to Brazil and push domestic prices up in Brazilian Reals due to the exchange rate.

Table 1: Average Monthly Soybean Prices
(Prices* in R$ per 60 kg)

	2014	**2015**	**2016**	**2015/16 % Change**
January	67.43	59.29	78.46	32%
February	66.87	60.20	73.32	22%
March	68.78	64.35	69.95	9%
April	67.89	63.00	74.12	18%
May	67.81	62.09	82.28	33%
June	67.54	62.96	90.59	44%
July	63.72	67.83	82.83	22%
August	63.45	72.17	77.57	7%
September	58.94	76.62	76.13	-1%
October	59.58	78.13	73.96	-5%

November	63.01	75.48	74.72	-1%
December	62.42	77.07	75.06	-3%

Source: Center for Advanced Studies in Applied Economics (CEPEA)
*Average monthly price in the state of Paraná - wholesale level; export type, cash prices, no ICMS tax included.
*Average R$/US$ as of December 26 – R$3.30/US$

TRADE

Export Forecast Increased to 58 mmt for 2016/17 Marketing Year (MY)

Post increased its export forecast to 58 mmt for the 2016/17 MY. The increase is due to the higher exportable supplies and the strong demand expected from China. The Asian country, Brazil's most important soybean market, is forecast to import over 3 percent higher compared to the previous MY. In addition, with current international prices and the U.S. dollar expected to appreciate further in 2017, Brazilian soybeans will be competitive for international buyers.

For the 2015/16 MY, Brazil exported 50.5 mmt between February-November of 2016. As a result, post reduced its export forecast for the 2015/16 MY to 51.2 mmt. China continues to be Brazil's main market, absorbing 75 percent of all Brazilian soybean exports so far.

CONSUMPTION

Export Markets for Soybean Meal and Oil to Support Higher Domestic Crush

Total domestic soybean crush for the 2016/17 MY is forecast at 41 mmt, one mmt higher than the previous MY. The higher crushing forecast compared to the 2015/16 MY is a result of higher demand for biodiesel domestically and higher foreign demand for soybean oil and meal. The sector is optimistic that demand overseas for soybean oil and meal will remain strong, especially in the Asian markets.