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Brazil

Oilseeds and Products Update

Producers Increase Inputs to Reap More Profits and Combat La Nina

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Report Highlights:
Post increased Brazil's 2010/11 estimated soybean planted area to 24.05 million hectares as increased futures prices spurred additional plantings bringing estimated production to 67.5 million metric tons (mmt). La Nina weather phenomenon continues to result in lower than average historical precipitation levels across the vast majority of growing areas. Producers increased use of certified seed, genetically engineered seed, fertilizer, and other inputs anticipating higher profitability and to combat La Nina effects.

Post:
Brasilia

Oilseed, Soybean (Local) Brazil	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Feb 2009		Market Year Begin: Feb 2010		Market Year Begin: Feb 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	21,700	21,730	23,500	23,400	24,250	24,050
Area Harvested	21,700	21,730	23,500	23,400	24,250	24,050
Beginning Stocks	4,818	4,739	1,156	295	2,231	1,730
Production	57,800	57,500	69,000	68,700	67,500	67,500
MY Imports	124	123	175	185	175	175
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	62,742	62,362	70,331	69,180	69,906	69,405
MY Exports	28,041	28,500	29,650	30,500	31,400	31,200
MY Exp. to EU	8,250	8,250	9,500	9,500	10,000	10,000
Crush	30,778	30,800	35,500	34,000	33,280	33,720
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2,767	2,767	2,950	2,950	3,100	3,100
Total Dom. Cons.	33,545	33,567	38,450	36,950	36,380	36,820
Ending Stocks	1,156	295	2,231	1,730	2,126	1,385
Total Distribution	62,742	62,362	70,331	69,180	69,906	69,405
1000 HA, 1000 MT						

Post has revised upward 2010/11 estimated planted area this month to 24.05 million hectares based on increased acreage as a result of improved futures prices. As a result of increased planted area, estimated production is 67.5 mmt, based on a national yield estimate of 2.81 metric tons per hectare. Post's projected planted area estimates are consistent with CONAB's (Ministry of Agriculture Brazilian Food Supply Company) third 2010/11 crop survey 24.07 million hectares. Post's production and yield estimates are in line with those of private analysts and reflect lower national yields compared to last season as a result of the La Nina weather phenomenon.

Producers increase use and quality of inputs to reap more profits and combat La Nina

Brazilian producers anticipate a profitable crop and as a result have increased the use of certified seed, genetically engineered seed, fertilizer and other inputs to capitalize on high prices and dampen potential adverse affects of La Nina. The La Nina weather phenomenon thus far has been mild across the majority of growing areas; however it is still prevalent with precipitation more scattered and the vast majority of areas receiving below historic averages, in particular the state of Rio Grande do Sul. La Nina-delayed plantings in the center-west have consolidated maturation stages leaving the crop's yields more susceptible to potential adverse weather conditions. A stronger Brazilian Real vis-à-vis the U.S. dollar has increased fertilizer imports and usage for 2010/11 crops as well as increased purchases and

storage for use in the 2011/12 crop. Government certified seed use increased 6.5 percentage points from last year to 70 percent in 2010/11 the highest level in ten years as estimated by The Brazilian Association of Seeds and Seedlings (Abrasem). Moreover, genetically engineered seed use is estimated at 80 percent in 2010/11, up from 65 percent in 2009/10.

Transportation cost to increase and infrastructure to be challenged come 2010/11 harvest

Brazil's slow pace of infrastructure improvements continues to reduce producer's profitability, in particular in the center-west where freight costs to port are expected to increase by 20 percent. In addition, this year's consolidated harvest in the center-west between mid-February and early-March is expected to strain ports capacities and further increase logistics costs. To alleviate slightly transportation costs, the center-west region awaits the asphalting of 1000km remaining of BR-163 to the Port of Santarem scheduled for December 2011. In addition, construction of a railroad integrating the center-west to the North-South railroad is scheduled to begin in 2011 with a projected completion date in 2014. In sum, significant infrastructure improvements in rail that include multiple operators to dissuade monopolistic pricing remain 10-15 years out.

Other relevant reports:

BR0625 - Soybean Sector Concerned with La Nina Weather Phenomenon
BR0620 - Record Soybean Planted Area Forecast for 2010-11 Crop
BR0607 - 2010 Annual Oilseeds Report