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Report Highlights: Brazil's remarkable success in soybean production, processing and export continues to gain momentum in 2003. The 2003 crop, planted in the last quarter of 2002 and harvested, in large part, in the first four months of 2003, has exceeded all expectations and most estimates of the total crop size range between 51 and 53 million metric tons. Brazil continues to wrestle with finalizing a policy on agricultural biotechnology. As matters stand, a Provisional Measure has been signed allowing for the planting of biotech seed varieties for 2003/04 crop but this measure is also being contested though the planting of biotech seed continues. Note: This report focuses exclusively on Brazil's soybean production and doesn't include an update on cottonseed output.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary	1
II. STATISTICAL TABLES	2
A. PRODUCTION, SUPPLY & DEMAND TABLES	2
B. TRADE MATRICES	5
C. PRICE TABLES	8
Production	9
Area	9
Yields	10
Leaf Rust	10
Production Costs	10
Trade	11
Policy	11
Biotechnology	11

Executive Summary

Much has been made about the dramatic expansion in Brazilian soybean production and the possibility of it overtaking the United States as the leading producer in the next few years. The attention that Brazil has garnered is warranted. ATO Sao Paulo has revised output to 52.5 MMT for Brazil's 2003 soybean crop, at least twenty percent larger than 2002's output level though area increased no more than thirteen percent. Yields improved as there were no major weather concerns and experienced southern producers migrating to the states of the Center-West and northeasterly to Maranhao and northward to parts of Para, for example, explain much of the production boom. In tandem with the farmers opening up new land, the whole agricultural input/output system comprised of multinationals and Brazilian companies is widening its presence across the state of Mato Grosso but also in outposts like Tocantins and Piaui, often in previously underdeveloped regions, making seed, fertilizer, herbicides available on the one hand and credit, purchasing, transport and export to complete the cycle.

Especially in view of very favorable international market prices for soybeans and derivatives due to the markedly reduced 2003 U.S. crop, there is every reason to expect yet another strong leap in production in 2004. And in view of the growth in output achieved with the 2003 harvest, another jump on the order of twelve percent could push Brazilian production to the 59 million metric ton level.

There is no indication that even with a much larger crop that Brazilian processors and exporters will have difficulty in marketing the soybeans, meal and oil produced. In this regard, additional crushing capacity and export terminals are being planned by the leading soybean merchandisers/processors/exporters and over time, as more production comes out of the center-west and more northerly states, so to will more exports and products.

II. STATISTICAL TABLES

A. PRODUCTION, SUPPLY & DEMAND TABLES

PSD Table						
Country	Brazil					
Commodity	Oilseed, Soybean (Local)				(1000 HA)(1000 MT)	
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	Estimate		02/2003		02/2004	
Area Planted	15900	16400	18400	18400	20000	20400
Area Harvested	16350	16350	18400	18350	20000	20350
Beginning Stocks	402	400	576	553	848	703
Production	43500	43000	52500	52400	56000	59000
MY Imports	1100	1000	1100	1100	1100	1000
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	45002	44400	54176	54053	57948	60703
MY Exports	16175	16100	20773	21500	22502	24700
MY Exp. to the EC	9311	10000	10500	10200	11000	11000
Crush Dom. Consumption	25792	25922	29766	29800	31540	33400
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	2459	1825	2789	2050	2951	2200
TOTAL Dom. Consumption	28251	27747	32555	31850	34491	35600
Ending Stocks	576	553	848	703	955	403
TOTAL DISTRIBUTION	45002	44400	54176	54053	57948	60703
Calendar Year Imports	0	1045	0	1100	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	16000	0	20000	0	23000
Calndr Yr Exp. to U.S.	0	0	0	0	0	350

PSD Table						
Country	Brazil					
Commodity	Meal, Soybean (Local)			(1000 MT)(PERCENT)		
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	02/2002		02/2003		02/2004	
Crush	25792	25922	29766	29800	31540	33400
Extr. Rate, 999.9999	0.790167	0.786976	0.789794	0.788591	0.789791	0.784431
Beginning Stocks	360	360	490	300	699	460
Production	20380	20400	23509	23500	24910	26200
MY Imports	375	370	400	400	450	250
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	21115	21130	24399	24200	26059	26910
MY Exports	12825	12850	15000	15140	16300	16960
MY Exp. to the EC	8000	10000	8250	10000	8600	10500
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	7800	7980	8700	8600	9000	9300
TOTAL Dom. Consumption	7800	7980	8700	8600	9000	9300
Ending Stocks	490	300	699	460	759	650
TOTAL DISTRIBUTION	21115	21130	24399	24200	26059	26910
Calendar Year Imports	0	368	0	400	0	200
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	12550	0	13000	0	14500
Calndr Yr Exp. to U.S.	0	0	0	0	0	50

PSD Table						
Country	Brazil					
Commodity	Oil, Soybean (Local)			(1000 MT)(PERCENT)		
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		02/2002		02/2003		02/2004
Crush	25792	25922	29766	29800	31540	33400
Extr. Rate, 999.9999	0.189788	0.191922	0.190889	0.189597	0.1909	0.184132
Beginning Stocks	150	120	150	150	200	150
Production	4895	4975	5682	5650	6021	6150
MY Imports	140	105	125	50	125	100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	5185	5200	5957	5850	6346	6400
MY Exports	2100	2125	2650	2600	2700	2990
MY Exp. to the EC	0	25	0	25	0	50
Industrial Dom. Consum	194	175	200	225	200	250
Food Use Dom. Consump.	2741	2750	2907	2875	3271	3050
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	2935	2925	3107	3100	3471	3300
Ending Stocks	150	150	200	150	175	110
TOTAL DISTRIBUTION	5185	5200	5957	5850	6346	6400
Calendar Year Imports	0	134	0	150	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	1950	0	2200	0	2600
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

B. TRADE MATRICES

Import Trade Matrix	
Country	Brazil

Commodity	Oilseed, Soybean (Local)		
Time period	Jan-Dec*	Units:	1,000 MT
Imports for:	2002		2003
U.S.	0	U.S.	
Others		Others	
Paraguay	1045	Paraguay	1073
Total for Others	1045		1073
Others not Listed			
Grand Total	1045		1073

Export Trade Matrix			
Country	Brazil		
Commodity	Oilseed, Soybean (Local)		
Time period	Jan-Dec*	Units:	1,000 MT
Exports for:	2002		2003
U.S.	3	U.S.	
Others		Others	
China	4142	China	5700
Netherlands	2946	Netherlands	3188
Germany	1588	Germany	1717
Spain	1209	Spain	1335
Portugal	920	Italy	600
Japan	712	Belgium	567
Belgium	692	Japan	535
United Kingdom	668	United Kingdom	424
Italy	521	Taiwan	419
France	502	France	382
Total for Others	13900		14867
Others not Listed	2097		2133
Grand Total	16000		17000
Source for both tables above: SECEX - Please note 2003 data, Jan-Sept.			

Import Trade Matrix			
Country	Brazil		
Commodity	Meal, Soybean (Local)		
Time period	Jan-Dec*	Units:	1,000 MT

Imports for:	2002		2003
U.S.	0	U.S.	
Others		Others	
Paraguay	368	Paraguay	400
Total for Others	368		400
Others not Listed			
Grand Total	368		400

Export Trade Matrix			
Country	Brazil		
Commodity	Meal, Soybean (Local)		
Time period	Jan-Dec*	Units:	1,000 MT
Exports for:	2002		2003
U.S.	0	U.S.	
Others		Others	
Netherlands	3633	Netherlands	2807
France	2758	France	2052
Belgium	646	South Korea	682
Italy	594	Germany	624
Germany	593	Indonesia	501
South Korea	579	Italy	467
United Kingdom	503	Saudi Arabia	385
Thailand	490	United Kingdom	384
Spain	454	Thailand	377
Indonesia	448	Romania	359
Total for Others	10698		8638
Others not Listed	1852		1396
Grand Total	12550		10034
Source for both tables above: SECEX - Please note 2003 data, Jan-Sept.			

Import Trade Matrix			
Country	Brazil		
Commodity	Oil, Soybean (Local)		
Time period	Jan-Dec*	Units:	1,000 MT
Imports for:	2002		2003
U.S.	0	U.S.	

Others		Others	
Argentina	117	Argentina	16
Paraguay	17	Paraguay	13
Total for Others	134		29
Others not Listed			2
Grand Total	134		31

Export Trade Matrix			
Country	Brazil		
Commodity	Oil, Soybean (Local)		
Time period	Jan-Dec*	Units:	1,000 MT
Exports for:	2002		2003
U.S.	4	U.S.	
Others		Others	
Iran	573	Iran	733
India	409	China	288
China	299	India	240
Egypt	116	Senegal	66
Morocco	92	Bangladesh	46
Hong Kong	82	Egypt	33
Bangladesh	77	Malaysia	30
Senegal	44	South Africa	21
South Africa	36	Netherlands	16
Russia	31	Morocco	14
Total for Others	1759		1487
Others not Listed	187		46
Grand Total	1950		1533
Source for both tables above: SECEX - Please note 2003 data, Jan-Sept.			

C. PRICE TABLES

Prices Table			
Country	Brazil		
Commodity	Oilseed, Soybean (Local)		
Prices in	U.S. \$	per uom	Metric Ton
Year	2002	2003	% Change
Jan	167.92	214.81	27.92%

Feb	162.44	213.61	31.50%
Mar	161.68	208.3	28.83%
Apr	174.86	217.81	24.56%
May	183.8	225.19	22.52%
Jun	194.15	232.46	19.73%
Jul	210.23	222.6	5.88%
Aug	216.06	221.39	2.47%
Sep	228.21	NA	-100.00%
Oct	221.91	NA	-100.00%
Nov	210.46	NA	-100.00%
Dec	208.28	NA	-100.00%

Prices Table

Country	Brazil		
Commodity	Meal, Soybean (Local)		
Prices in	U.S. \$	per uom	Metric Ton
Year	2002	2003	% Change
Jan	178.08	175.51	-1.44%
Feb	163.17	185.85	13.90%
Mar	158.95	169.6	6.70%
Apr	165.84	172.83	4.21%
May	166	183.33	10.44%
Jun	168.29	191.4	13.73%
Jul	174	184.22	5.87%
Aug	174.85	190.68	9.05%
Sep	184.69		-100.00%
Oct	178.79		-100.00%
Nov	186.22		-100.00%
Dec	185.26		-100.00%

Prices Table

Country	Brazil		
Commodity	Oil, Soybean (Local)		
Prices in	U.S. \$	per uom	Metric Ton
Year	2002	2003	% Change
Jan	363.25	486.04	33.80%

Feb	328.65	491.07	49.42%
Mar	317.08	490.19	54.60%
Apr	338.57	497.3	46.88%
May	376.02	504.06	34.05%
Jun	419.45	511.19	21.87%
Jul	421.41	495.81	17.66%
Aug	474.83	462.47	-2.60%
Sep	468.42	NA	-100.00%
Oct	472.62	NA	-100.00%
Nov	540.57	NA	-100.00%
Dec	549	NA	-100.00%
Export Price FOB Paranagua for three preceding tables, Source: ABIOVE			
Exchange Rate	2.8 Reais (Local currency)/US \$1		

Production

Area

ATO Sao Paulo has marginally reduced 2002 crop size in recognition of a small change in yields but has slightly revised soybean acreage upward for the 2003 crop due to modified national estimates and has increased projected area for 2004's output in consideration of producers' objectives of growing as much as soy as possible because of favorable pricing. As stated in various USDA and other reports, though Brazil is currently using about 45 million hectares for all agricultural production purposes, it could bring into production at least twice the current area. Obviously, this will take years and extensive investment to become reality, but the point is that former pasture lands and newly prepared acreage has been brought into production and this expansion will continue to occur and occur rapidly.

The strongest relative rates of expansion in soybean area will continue to be in the states of the north and northeast which are still new to the planting of this commodity. On the other hand, the largest absolute increase in land used for soybeans will continue to be in the center-west states and those of the south and southeast. Again, given extremely attractive Chicago soybean prices and despite attractive cotton prices as well, in view of the production cost of competing crops like cotton, farmers will prefer to plant soybeans as a first crop and follow with second-crop corn or, in some cases, cotton, in cases where there has been no change in overall farm size. Given the soy rust and weather challenges farmers in western Bahia have encountered the last few soybean crops, this is one state where there is likely to be a relative shift in preference for cotton. But nationally speaking, because area is not a constraint to production, much of the two million hectare increase foreseen for the 2004 soybean crop will be attributable to new land beginning to be cultivated as opposed to one-for-one reduction, say, in corn acreage.

Yields

2003 crop yields of better than 2.8 MT/hectare were a noticeable increase over 2002 as weather was less of a

deciding factor and resulted in a marked increase in 2003 production which has been revised upward by close to three percent. Production practices including more no-till planting, suitable seed variety usage including upwards of seventy percent of Rio Grande do Sul's (RGdS) producers use of biotech seed varieties and improved crop management explain the growth in productivity. Recent reports on the part of the 2004 soybean crop being planted in October 2003, suggest that the use of Roundup Ready seed varieties is spreading more openly across Brazil. In view of the September 2003 signing of a Presidential Provisional Measure sanctioning the use of biotech seed varieties in the 2004 crop, a range of producers nationwide are sourcing this seed from producers in the southern states of RGdS and Parana and from Argentina and Paraguay. So, estimates are that the biotech content of the 2004 crop may be as high as 25%, and this will have a positive effect on yields.

Leaf Rust

In 2003, for the third consecutive year, the issue of leaf rust left its mark. Though this fungus was reported to be most noticeable in parts of Mato Grosso and Bahia where some estimates place the reduction in output at 30%, its presence was noted across Brazil's soybean producing states. Given Brazil's overall yields and production level of the 2003 crop, one could argue that the effect of leaf rust overall was limited. By virtue of the extension efforts of EMBRAPA and private seed developers and vendors, Brazilian farmers appear to have been informed of the rust issue and fungicides in adequate supply said to be available to treat the fungus when and where detected. Nevertheless, certain observers express concern that some farmers are unwilling to make the investment in treating fields affected by rust as the approximate cost of two applications of fungicide comes to about \$50/hectare. With rust-resistant seed varieties not commercially available, farmers need to be able to react quickly in the 10-14 day window at the earliest spotting of the rust-colored spores on the leaves of soybean plants before significant leaf loss occurs with a subsequent reduction in pods and in the production of the soybeans themselves. Now, in the very early stages of the 2004 crop, scattered reports suggest that soybean rust has been detected anew in Mato Grosso, but with the spreading of information on how and when to treat the fungus and in consideration of Brazil's track record with the fungus thus far, overall, yields are not likely to be noticeably influenced.

Production Costs

It should be noted that rising costs for fertilizers, most of which is imported, for herbicides, seeds and even labor have led various market watchers to estimate that overall production costs for the 2004 crop will be about 50% higher than in 2003. At the same time, because the Brazilian Real has strengthened versus the US\$ in the course of 2003 and because, of course, soybeans are US\$-denominated, the payoff for Brazilian producers is lower than was the case, say, in October 2002. These factors would normally be expected to dampen what will already be considerable expansion in area planted. But again, countering the higher cost of inputs and weaker US\$ is the fact Chicago soybean prices in October 2003 are 30-35% stronger than was true twelve months back.

Brazil's land and labor costs will continue to make it a relatively lower cost producer, but the more costly dependence on roads for most transport of its soy mountain from the interior to processing and port facilities and will prevail. The much-discussed completion of highway BR-163 from Mato Grosso's capital, Cuiaba, to the Amazon port of Santerem where Cargill opened a terminal in April 2003 remains a project in process with some observers now projecting completion in 2006. Given the distance still to be paved, just over the 1,000 kilometers in the state of Para, and the number of wooden bridges to be replaced, approaching 100, the completion date just mentioned appears too optimistic. Not surprisingly a public-private consortium including

the states of Mato Grosso and Para, national government agencies and private companies has been formed. For its part, the federal government has started to construct concrete bridges and small stretches of the road have been paved, but funding to complete BR-163 remains the challenge. In the meantime, the 700 kilometers of the highway in Mato Grosso most of which had been paved is now, in certain segments, in clear need of maintenance.

For now, soybean exporters moving the crop and meal and oil processed in state will continue to ship most southward to Santos and Paranagua ports via road and rail. Also, the use by two of the largest players in the soy industry, Maggi and Cargill, of highways 364 and 174 in Mato Grosso to move product to Porto Velho in Rondonopolis from which barges carry the soybeans to their respective Amazon port facilities can be expected to grow further.

Trade

USDA's projection that Brazil's exports of soybeans and derivatives in the course of 2003/04 production cycle will, for the first time ever, exceed those of the United States, has gained considerable press. Overall Brazil's agricultural trade surplus surpassed \$20 billion in 2002 and looks like it will approach the \$25 billion mark for the 2003 calendar year. It is no surprise that the soy complex is the leading export sales generator for the agricultural sector, and the export value derived from soybeans and products top \$8 billion in 2003.

In terms of markets for its soybeans and derivatives, China and the EU continue to be the most important Brazilian customers. Overall, China is the largest buyer of soybeans, the Netherlands the biggest buyer of meal and Iran purchases the most vegetable oil.

Policy

Biotechnology

When it comes to biotechnology policy, a cloud of confusion continues to hover over the Brazilian soybean landscape. Though the 2003 crop was close to 15-20% biotech content and prevailing law did not allow for it to be planted last year, Brazilian President Lula signed a Provisional Measure in March 2003 allowing for the transport, processing and marketing of the commodity. Many held out hope that the Lula Administration would finalize a definitive biotech law working with the Brazilian Congress prior to the beginning of planting of the 2004 soybean crop. (Note: Though Brazilian cotton producers (and the environment) would benefit substantially from the use of Bt cotton, none is being produced, and there are no other commercially-produced biotech commodities, fruits or vegetables.) It bears mentioning that the strongest Lula cabinet opponent of biotechnology, Environment Minister Marina Silva, has recently endorsed field testing for biotech varieties of papaya which can survive the ringspot virus.

In the interim, the Brazilian press reports daily on the ongoing dispute between Agriculture Minister Rodrigues and Minister Silva over how government should regulate biotechnology. With the goal of putting in place a finalized policy on agricultural biotechnology, the Lula Administration has apparently decided to fashion decision making along the lines of the process adopted by Australia whereby a subset of the cabinet would render judgment on the approval of new biotech seed varieties and biotech policy in general. Of course, this draft legislation will be debated in congress and a final version, once passed, would move to the President for

signature and implementation. But in view of the years and energies that have gone into the public debate on this subject, it would be a considerable achievement if the executive and legislative branches are ultimately able to craft a permanent policy very soon.

Two interesting developments to report concerning the 2004 crop that is now being planted are:

(1) A new Provisional Measure (PM) signed in September 2003 allowing planting and harvesting of biotech seed varieties. Among other conditions, this PM requires farmers to sign documentation acknowledging using biotech seed and that they accept responsibility for any environmental damages or public health effects were they to be discovered at an ulterior point in time. Moreover, the MP disallows the commercial sale of biotech seed varieties across state lines. Based on late October 2003 news reports however, interstate seed sales are indeed taking place pushing estimates that as much as 25% of the upcoming crop will be biotech.

(2) The Government of the State of Parana has declared itself to be a biotech-free zone starting October 2003. The Governor of the state in conjunction with a majority of state legislators have decided to implement this legislation in the Brazilian state which produces the second-largest output of soybeans. And at 25 percent, it is also the state with the largest share of Brazil's oilseed crushing capacity. In addition, it is also a state where possibly as much as 10% of the 2003 harvest was produced from biotech seed varieties. Within the first week of the adoption of this measure, hundreds of trucks transiting Parana from Mato Grosso do Sul and Sao Paulo states with soybean or product cargoes headed for the port of Paranagua or for processing in Parana itself have been stopped to be tested for biotech content. Given the difficulties of enforcement, the disruption in the transport and the flow of soybeans into Parana for processing and the subsequent loss in revenue to that state, it would seem likely that some compromise is reached or that the state law is abrogated or superceded by a federal law or injunction that would restore the marketing, handling, processing and exporting of soybeans and products in that state to the prevailing norm.