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Report Highlights:

Post increased its forecast for soybean planted area to 40.5 million hectares for 2021/22, up from 39 million hectares in 2020/21. Brazil continues to expand its area because of high domestic soybean prices. Post forecasts a record harvest at 145 million metric tons (MMT), with planting starting earlier this year. For 2020/21, Post maintained the production estimate of 137 MMT. Soybean exports in 2021/22 are forecast at 92 MMT, up from 2020/21 exports estimated at 85.3 MMT. With ample supplies, Post revised imports downward, now forecast at 400,000 metric tons (MT) for 2021/22. For 2021/22, Post revised the soybean processing forecast up to 47.5 MMT based on available supply. The crush estimate for 2020/21 is unchanged at 46.5 MMT, constrained by high domestic oil prices.

SOYBEAN PRODUCTION

2021/22 Soybean Season Planting Starts Earlier than Previous Year

As of September 12, following the sanitary period, Brazilian farmers were allowed to start planting. In Brazil, producers must abstain from planting soybeans during the *vazio sanitario*, or sanitary period of several months after the last beans are harvested. The clean break between two harvests of the same crop is necessary to reduce the incidence of crop diseases such as soybean rust. The *Vazio sanitario* is typically in place sometime between June and September and coincides with the dry season in Brazil. To hit the target planting dates for cotton, soybeans (which is the first crop) should be planted by the end of September.

Starting the week of September 20, 1.3 percent of soybeans had been planted, compared to 0.7 percent last year. However, most farmers are still waiting for improved soil moisture before they will risk planting their 2021/22 soybeans. The farmers who are most aggressively planting their soybeans are those who plan on planting a second crop of cotton, which should be planted before the end of January to reach the window for ideal weather growing conditions.

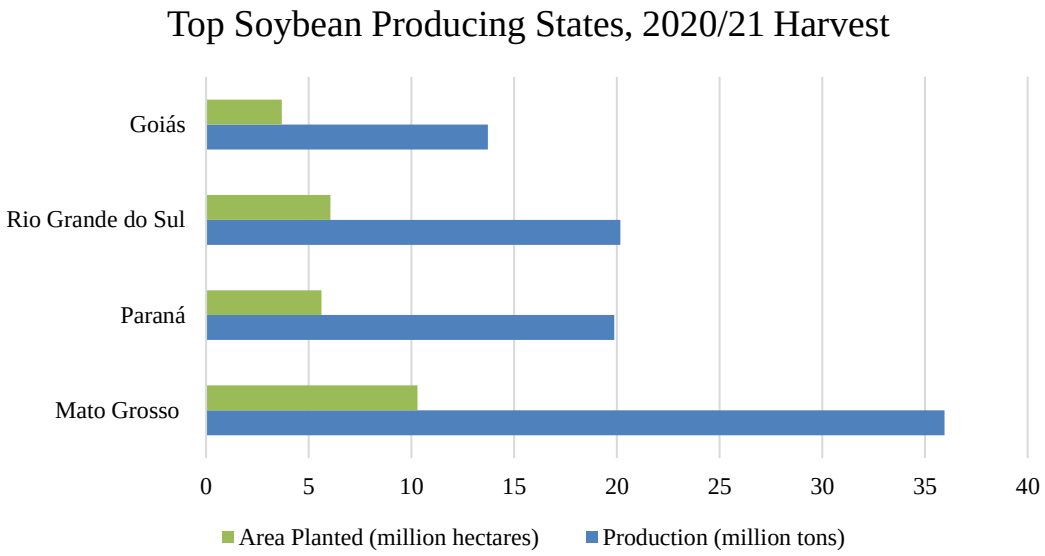


Figure 1
Source: Aprosoja data, OAA Brasilia chart

In Mato Grosso, farmers had planted 1.2 percent of their soybeans as of September 24, compared to 0.75 percent last year and 0.88 percent average, according to the Mato Grosso Institute of Agricultural Economics (Imea). The most rapid planting progress was in the western part of the state where 2.5 percent of the soybeans have been planted.

According to the Department of Rural Economics (Deral), in Parana farmers have planted three percent of their intended 2021/22 soybeans as of September 27, compared to one percent last year and five percent as the historic average. Most of the soybeans planted thus far have been in the southern part of the state where the rainfall has been better compared to other regions.

In Sao Paulo, farmers in a few areas of the state have started to plant their soybeans while most farmers are waiting for improved soil moisture. Aprosoja in Sao Paulo is expecting the soybean acreage in the state to increase five to eight percent and reach 1.3 million hectares.

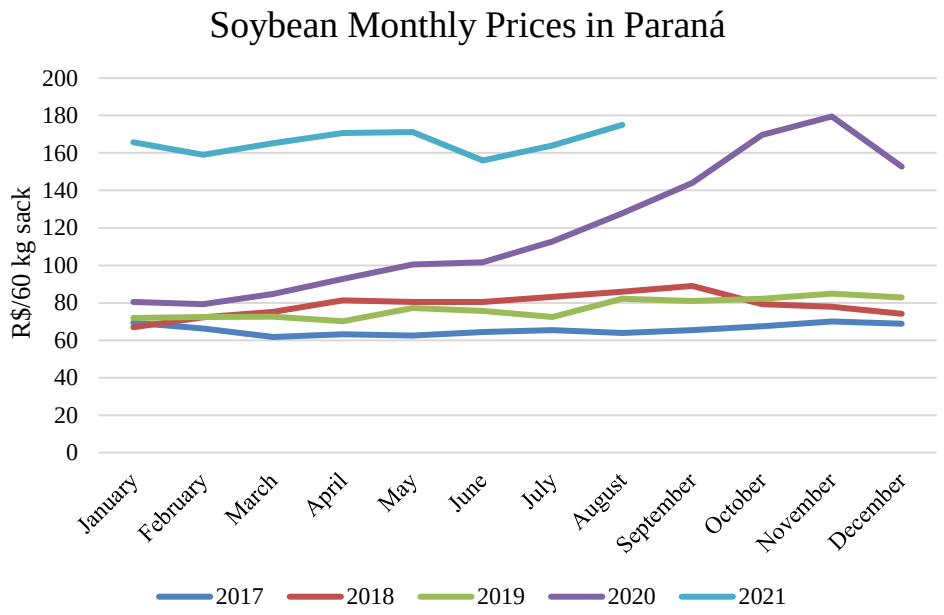
Farmers have concerns that the irregular and below average rainfall in September will continue into October. Thus, in some regions, farmers have slowed down the sowing pace for the new crop, especially in Mato Grosso and Paraná. In addition, the La Niña phenomena could return to Brazil, which would lower rainfall and raise temperatures in central-western, southeastern, and southern regions, and increase rains in the northern and northeastern regions of the country. If this occurs, soybean production for the 2021/22 season may be damaged, since there would be a water deficit between December and January, the beans-filling stage.

However, even with last year's delayed planting and less than ideal weather conditions, area planted increased above the historical trend. Considering that planting started earlier than the previous year, along with other favorable factors to be elaborated below, Post increased the forecast for soybean planted area to 40.5 million hectares for 2021/22, up from 39.5 million hectares this past season. Post forecasts planted area to increase 2.6 percent, in line with the average growth for the last five seasons.

Post forecasts 2021/22 Brazil soybean production at 145 MMT, based on a yield of 3.58 MT per hectare. This represents a six percent production increase compared to 137 MMT in 2020/21, as well as an on-trend increase in yield, up from 3.47 MT per hectare. Although there is concern for the planting of second-season crops if soybean planting slows down, at this point there is no impact for soybean yields, as long as weather patterns are normal during the rest of the growing season. The Post yield forecast assumes average weather and optimal inputs (seeds, fertilizers, chemicals). Post believes that key reasons for year-on-year yield gains in Brazil are growers' adoption and investment in technology, such as Genetically Engineered (GE) seeds and the use of cutting-edge chemicals and fertilizers. At the same time, the Post forecast accounts for lower yields on land that will be converted into production, such as degraded pasture, which typically takes several years to reach optimal productivity.

High Prices to Support 2021/22 Area and Production Expansion

Soybeans are the principal crop produced in Brazil. Throughout the last decade, Brazilian growers have demonstrated that there is space to plant more soybeans each season—whether from degraded pasture or at the expense of land from other crops. As a relatively easy to grow and profitable liquid commodity, they are considered a reliable choice for growers. Farmers typically forward contract around half of their forecast crop before planting. For many, proceeds from forward soybean sales finance not just the coming soybean crop, but the second-harvest crop as well. Given that the global demand for soybeans is expected to keep rising, Brazilian farmers will continue to expand their soybean production, with assurance that buyers will be ready when the harvest hits the market. For the 2021/22 marketing year, the Post forecast for area planted considers trend line growth and the continued high level of domestic soybean prices. Brazilian growers are well capitalized, and while prices of inputs are increasing, profitability remains favorable.



Source: SECEX data, OAA Brasilia Chart

The chart above highlights the continuation of elevated domestic soybean prices in 2021. Growers started the year with soybeans fetching around R$ 160, about USD$ 29 per 60-kilogram sack. The market assumption was that prices would be around R$ 150 (USD$ 27)– very profitable, and well above the past several seasons, prior to 2020. Throughout 2021, prices stayed high, hitting above R$170 (USD$ 30)/sack in April, but dipping back below R$ 160 (USD$ 29)/sack in June. However, according to the data from Imea, the going rate for soybeans in Rondonopolis rose again to about R$ 172 (USD$ 31) per sack in the last week of September.

The continuation of price inflation is driven by a combination of factors. The primary reason is the ongoing devaluation of the Brazilian currency, the real (BRL). While the pandemic-induced economic downturn of 2020 has calmed in some respects, with vaccine roll-outs and consequential resumption of economic activities, the BRL remains lowly valued against the USD, at 5.3 in September, 2021. A weak Real means that Brazil's agricultural commodities continue to be a great value, and desirable product for commercial partners.

Although prices are staying more than double the value of last January, sales are slower than they were the prior year. At the beginning of September, Brazilian farmers who were about to start planting their 2021/2022 soybeans had pre-sold about a quarter of their future crop, roughly half of sales commitments made at this time last year, as noted by agribusiness firm Safras & Mercado. For forward sales, Approximately 25.6 percent of the estimated production was forward contracted, as compared with 49.3 percent at the same time last year and a 24.9 percent historical average.

Safras & Mercado adds for the state-by-state breakdown that in Mato Grosso, forward sales were estimated at 39 percent, down from 55 percent last year. In Paraná, farmers pre-sold a third of what they had last year, or 16 percent of the future crop. In Rio Grande do Sul, which like Paraná is expected to

harvest 21.1 million tons of soybeans in the new season, a 10 percent was pre-sold in the beginning of September, down from 35 percent last year.

Final 2020/21 Soybean Harvest Area Revised Upward

Post revised upward the 2020/21 harvested area to 39 million hectares but maintained the production estimate of 137 MMT. Despite irregular weather patterns, Brazil's overall harvest volume provided ample supplies. In addition, yields continue to improve year-on-year, from 3.48 kilograms per hectare in 2019/2020 to 3.51 kilograms per hectare in 2021. Post expected the trend to continue, with a yield of 3.58 kilograms per hectare in 2021/2022. One consequence of increasing area and production, however, has been decreasing protein content. While protein per hectare is growing, Post interlocuters report that protein per ton is decreasing. While new seeds grow faster, they don't have time to mature sufficiently to form more protein. Therefore, processing must consider the need for other ingredients, like soy isolates, to boost feed protein content.

SOYBEAN TRADE

Yet Another Record Soybean Exports Forecast in 2021/22

Soybean exports in the 2021/22 (February 2022 to January 2023) are forecast at 92 MMT, exceeding the estimate for the previous season of 85.3 MMT. The forecast is based on expectations of ample available supplies and an extremely favorable exchange rate. According to industry contacts in Brazil, the market expectation is that the Brazilian real will continue to trade at around R$ 5 to the USD in 2022. The Post export forecast also assumes that global demand for soybeans will continue to hold steady if pandemic situation continues to improve in 2022, and that increased vaccination will mitigate the negative impacts of the Delta variant. Unlike many other heavily traded sectors, soybean consumption has limited elasticity. In the key soybean importing countries of China and Europe, despite the ripple effects of economic challenges wrought by the pandemic, meat consumption is not likely to suffer a dramatic downturn.

With global conditions improving from the start of the pandemic in 2021, trade conditions have shifted as well. After a slow start to the 2020/21 season, exports picked up substantially from March to May, where it reached a monthly record of over 16 MMT. However, exports started to slow after that initial boom, and July-August shipments were below last year. In Brazil, around 86 percent of this year's nearly 140 MMT record harvest had been traded by farmers by the beginning of September, according to data from agribusiness firm Safras & Mercado. That is compared with almost 98 percent by this time last season and 88.5 percent for the five-year average. Now once again, export commitments (shipments to date, vessels loading or waiting, and vessels to arrive) in September have been picking up pace and are 0.8 above last year. Assuming this trend continues, as other factors would indicate, Brazil will be on track to export another record quantity of soybeans in 2021/2022.

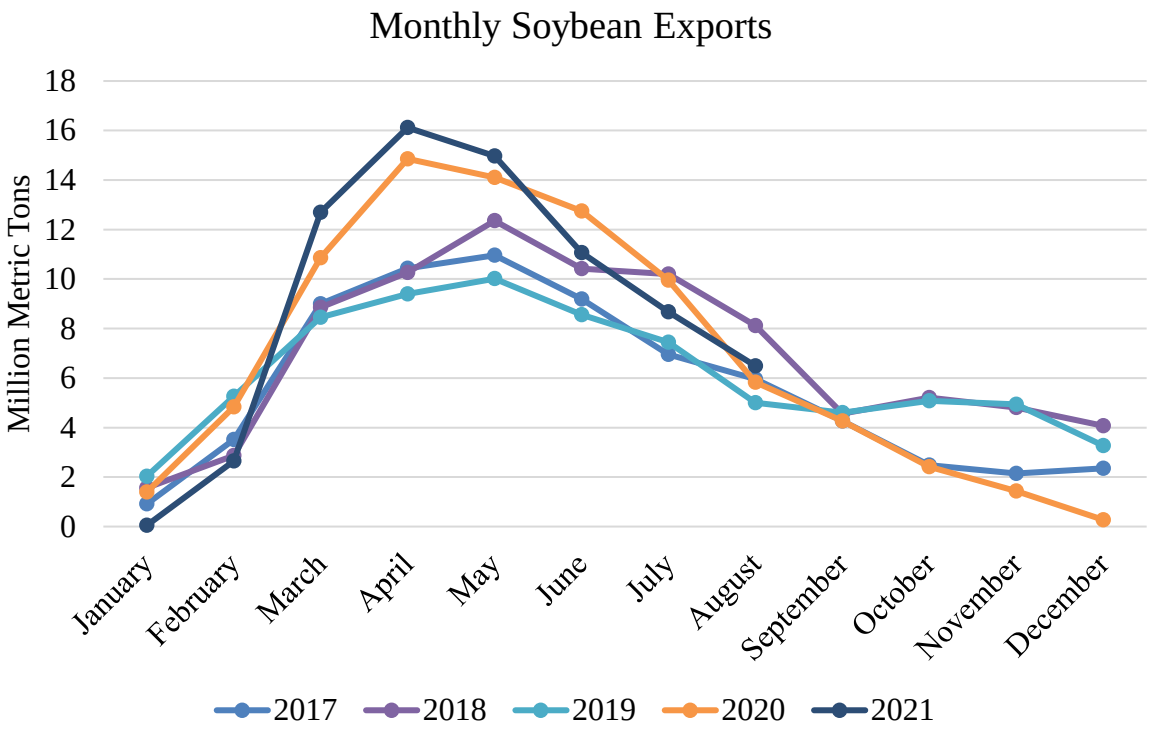


Figure 3
Source: OAA Brasilia

China Remains Top Buyer of Brazilian Soybeans

For the 2020/21 (February 2020 to January 2021) season, Post estimates soybean exports at 85.3 MMT. So far this season, about three-quarters of Brazil's soybean shipments were destined for China. China has long been the main buyer of Brazilian soybeans, further solidifying its status in the wake of U.S.-China trade tensions that broke out in 2018. Over the previous several seasons, Chinese crushers often sourced soybeans from Brazil because its massive supplies were the only viable alternative to the U.S. supply. In 2021/22, China is expected to remain the top importer of Brazilian soybeans. USDA projects that China's soybean demand will remain strong as it looks to rebuild its swine herd that was decimated in 2019 by the severe African Swine Fever (ASF) outbreak.

Imports to Lower in 2021/22, but Remain Above Trend

Post forecasts 2021/22 soybean imports at 400,000 MT, down 250,000 MT from the previous forecast released in July. The revision is based on ample supplies at the start of next season due to record production. Imports in 2020/21 are estimated at 700,000 MT, a decrease on the 2019/2020 season, when Brazil imported 884,000 MT of soybeans. Soybean imports are primarily driven by expansion of domestic crush capacity. Most of Brazil's soybean imports are sourced duty-free from the neighboring Paraguay – a Mercosul trading block member. Brazil also sources soybeans from Mercosul member Uruguay, for the crushing plants in the southern state of Rio Grande do Sul.

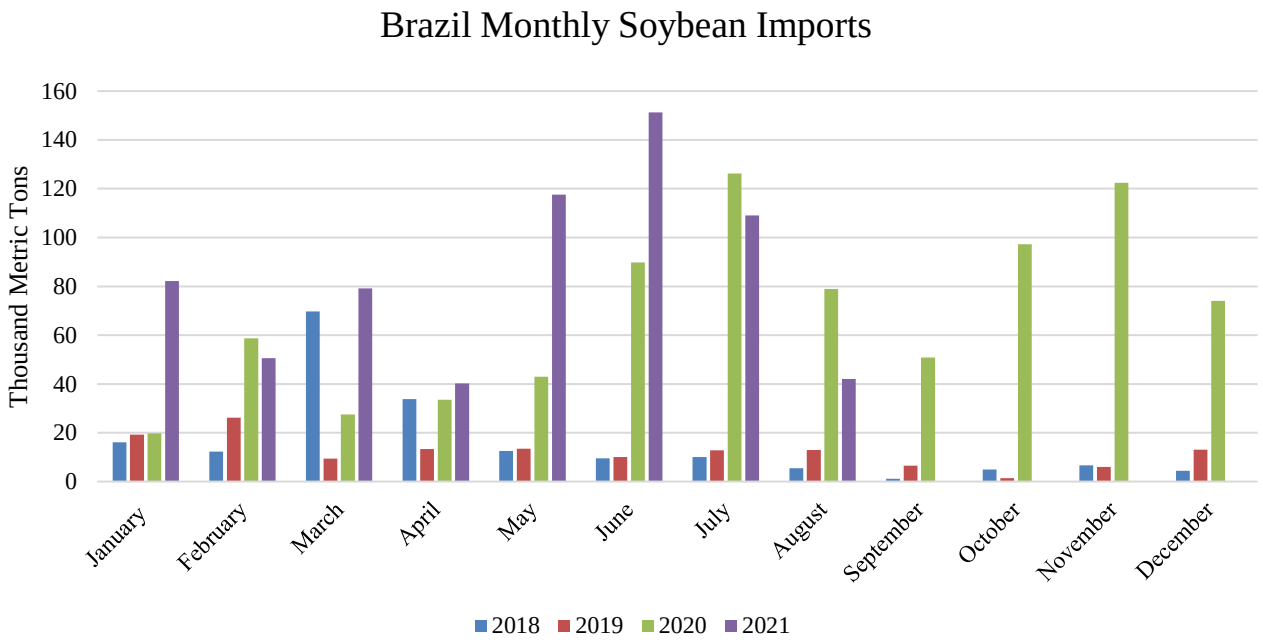


Figure 4
Source: OAA Brasilia

DOMESTIC CONSUMPTION & PROCESSED PRODUCTS

Soybean Crush Forecast to Increase for 2021/22

For 2021/22, Post forecasts for soybean crush at 47.5 MMT- slightly lower than the previous forecast, but still above the 2020/2021 estimate. The revision is based on an increase in available supplies, as well as an increase in demand for soybean products. The increased demand is based on the expectation of further economic recovery in 2022 in Brazil and around the globe, which will drive the increase in soy oil and soy meal consumption.

Post forecasts 2021/22 soybean meal production at 36.5 MMT. Domestic soymeal consumption is forecast to increase by over three percent next season, to 19.9 MMT. The domestic livestock industry has been struggling, with beef production falling since last year, and record prices reducing domestic consumption. However, cheaper-priced proteins chicken and pork, which are also more feed-intensive, have been picking up the domestic demand for meal. Local sources are projecting a drop in production for livestock 2021, but expect to see a supply recovery in 2022, with the advancement of Covid vaccinations and re-opening of economies. In addition, the expectation is for China demand to continue increasing every year.

For 2021/22, Post forecasts soy oil production at 9.5 MMT. Domestic oil consumption is expected to increase by about four percent to 8.3 MMT, up from 8.2 MMT in the current season. The forecast is almost entirely based on the expectation of rising demand for biodiesel driven by higher blending mandates. According to the regulator National Oil, Gas and Biofuels Agency (ANP), each percentage increase in the blend rate represents about 600 million liters of additional biodiesel production annually.

2020/21 Crush Estimate Driven by Soy Oil Demand

Post maintains the 2020/21 crush estimate at 46.5 MMT of soybeans, a decrease from the 2019/20 value. Post estimates oil output at 9.3 MMT, and meal production at 35.6 MMT. Despite record soybean production, the crush estimate is not projected to make strong gains this year. In Brazil, the crush estimate is driven mostly by domestic industrial demand for soy oil, which is the main ingredient used in the production of biodiesel. However, it is also very political and subject to constant change.

This season, Brazilian soybean oil output has been challenged amid setbacks in the local biodiesel mandate. At the beginning of 2021, the mandatory mixture into diesel was 12 percent. It was raised to 13 percent in March and was due to remain so until March 2022. However, fearing the impact of high biodiesel prices on inflation, the government cut the blend to 10 percent from May to August. It was then raised back to 12 percent in September-October, and will be reduced again to 10 percent in November-December. Lower biodiesel requirements have a direct effect on soybean oil production as crushers might be discouraged to run operations and, subsequently, produce soybean oil and soybean meal.

Post maintains the domestic meal consumption estimate at 19.3 MMT for 2020/21, an increase compared to 18.5 MMT consumed in 2019/20. The Post estimate is based on higher demand from the livestock industry. In Brazil, although most livestock is grass-fed either during the entire lifecycle or until a few months before slaughter, feed-intensive confinement production is increasing. The Post estimate also considers that while beef production is down this year compared to last, pork and chicken production will increase, creating more domestic demand for feed.

PRODUCT TRADE

Soybean Meal

For 2021/22, soybean meal exports are forecast to increase slightly, from 16.9 to 17 MMT. Exports of soy oil are forecast to increase slightly as well, to 1.35 MMT, from 1.25 MMT in 2020/21. Post anticipates that exports of both soybean meal and oil will be supported by the weak domestic currency. However, competition from domestic consumption, as well as competitively priced exports from Argentina, will continue to restrict potential export volumes.

Regarding meal, local sources indicate that a positive outlook for exports is based on a combination of factors. The demand rose in early September because of Hurricane Ida's impacts on the U.S. Gulf Coast, where multiple U.S. export facilities were affected, and some are still not fully operational. As a result, buyers shifted their purchases.

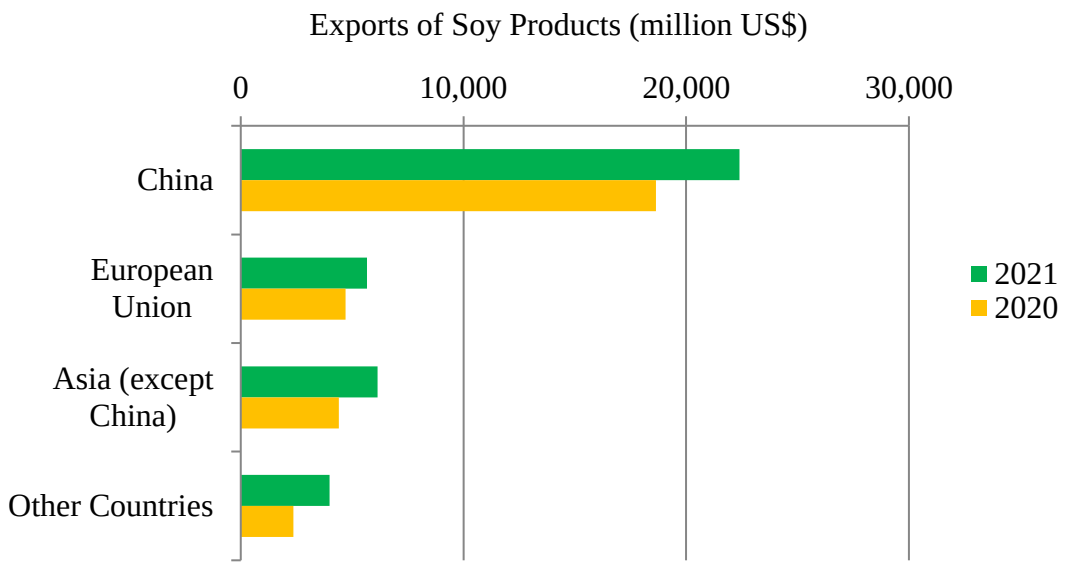


Figure 5
Source: CEPEA

Post estimates that soybean meal exports in 2020/21 will rise to 16.9 MMT, from 16.2 MMT in the previous season. The estimate is based on available supply and the expected continuation of the export pattern evident over the last five years. The monthly export chart below shows that so far in 2021, meal exports have not surged to the same degree as raw soybeans – despite benefiting from the same devaluation phenomena. This can be attributed to the fact that global soybean meal demand has not experienced the same uptick as raw soybean demand. China is a major importer of raw soybeans, but not of soybean products. In addition, the global soybean meal market is far more diversified with greater competition than the soybean market.

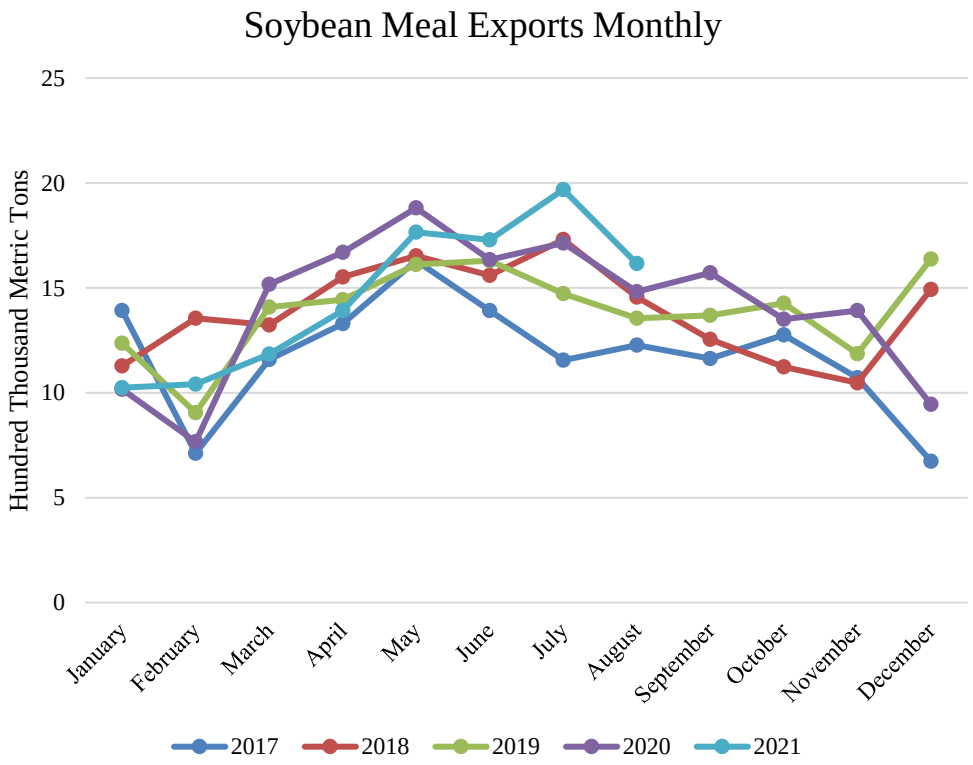


Figure 6
Source: SECEX trade data, OAA Brasilia chart

For soybean oil, Post revised the estimate for exports in 2020/21 year up to 1.25 MMT. Despite challenged with rising freight costs and competition from other exporters, sales have been strong, hitting 922,000 MT by the end of August, carried by the favorable exchange rate. In 2021/22, post forecasts more exports (1.35 MMT), but more flat domestic use for biodiesel blend.

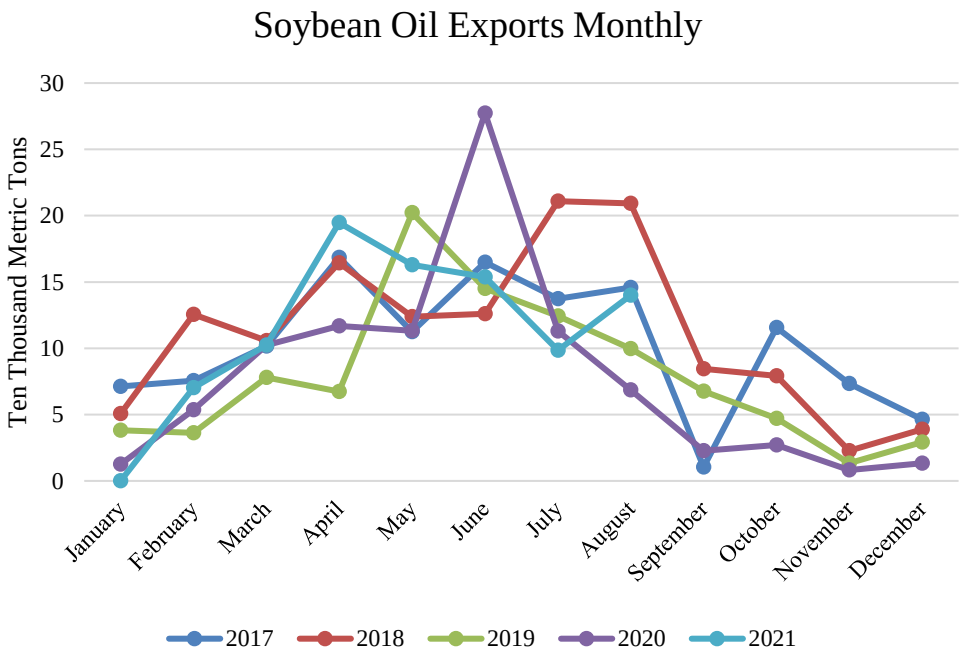


Figure 7
Source: SECEX trade data, OAA Brasilia chart

In 2020/21, Brazil's soybean oil imports from January to August remain high amid rising domestic prices, flattening production and a local regulation allowing imports for biodiesel. According to the Ministry of Agriculture, through August 2021, Brazil imported 86,130 MT, the highest volume for the period since 110,530 MT in 1999. So far in 2021, Argentina has been the top soybean oil supplier to Brazil, accounting for over half of all Brazilian purchases, followed by Paraguay, with a share of 42 percent. According to local sources, such imports follow rising domestic prices of soybean oil, which have been above export parity in some cases. When Argentinian soybean oil is cheaper than the domestic one, biodiesel producers may choose to import.

Oilseed, Soybean (Local)	**2019/2020**		**2020/2021**		**2021/2022**	
Market Begin Year	Feb 2020		Feb 2021		Feb-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	37000	36900	38600	39000	40400	40500
Area Harvested	36900	36900	38600	39000	40400	40500
Beginning Stocks	2896	2896	1994	1289	3529	4504
Production	128500	128500	137000	137000	144000	145000
MY Imports	884	884	850	700	656	400
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	132280	132280	139429	139004	148185	149904
MY Exports	81621	81626	86500	85300	94300	92000
MY Exp. to EU	3500	3500	3500	3500	3500	3500
Crush	46430	46850	46750	46500	47700	47500
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2650	2500	2650	2700	2650	3100
Total Dom. Cons.	49050	49350	49400	49200	50350	50600
Ending Stocks	1579	1304	3529	4504	3535	7304
Total Distribution	132280	132280	139429	139004	148185	149104
CY Imports	822	150	700	700	650	650
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	82969	74600	85050	82980	94300	92000
CY Exp. to U.S.	0	0	0	0	0	0
Yield	3.4824	3.4824	3.5492	3.5184	3.5644	3.5802
1000 HA, 1000 MT, MT/HA						

Meal, Soybean (Local)	**2019/2020**		**2020/2021**		**2021/2022**	
Market Begin Year	Feb-20		Feb-21		Feb-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	46430	46850	46750	46500	47700	47500
Extr. Rate, 999.9999	0.775	0.7279	0.7752	0.7656	0.7751	0.7684
Beginning Stocks	3482	3482	3832	2907	3587	2322
Production	35985	34100	36240	35600	36970	36500
MY Imports	12	25	15	15	15	15
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	39479	37607	40087	38522	40572	38837
MY Exports	16947	16200	17300	16900	17000	17000
MY Exp. to EU	8900	0	9000	9000	9000	9000
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	18700	18500	19200	19300	20100	19900
Total Dom. Cons.	18700	18500	19200	19300	20100	19900
Ending Stocks	3832	2907	3587	2322	3472	1937
Total Distribution	39479	37607	40087	38522	40572	38837
1000 MT, PERCENT, 1000 MT						

Oil, Soybean (Local)	**2019/2020**		**2020/2021**		**2021/2022**	
Market Begin Year	Feb-20		Feb-21		Feb-22	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	46430	46850	46750	46500	47700	47500
Extr. Rate, 999.9999	0.1925	0.1996	0.1925	0.1989	0.1925	0.2
Beginning Stocks	394	394	595	445	365	435
Production	8940	9350	9000	9300	9180	9500
MY Imports	238	238	100	160	60	50
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	9572	9982	9695	9905	9605	9985
MY Exports	1097	1097	1370	1250	1300	1350
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	4105	4640	4160	4350	4160	4400
Food Use Dom. Cons.	3775	3800	3800	3850	3825	3900
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	7880	8440	7960	8200	7985	8300
Ending Stocks	595	445	365	455	320	315
Total Distribution	9572	9982	9695	9885	9605	9965
1000 MT, PERCENT, 1000 MT						

Attachments:

No Attachments

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