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Report Highlights:

Post increased the 2022/23 forecast for soybean planted area expansion to 43.3 million hectares (ha) and soybean production to 153 million metric tons (MMT). This season sowing began optimistically, with most soybeans planted on time compared to last year. However, in the southern part of the country including Rio Grande do Sul and Parana, rains will be needed in January because if continues to be dry, the crop will be negatively impacted. Post revised up its soybean export estimate for 2022/23 to 97 MMT, a new record. Post maintains the 2021/22 harvested area estimate at 40.9 million ha and the production estimate at 126.6 MMT. Post revised up the 2022/23 crush forecast to 51.5 MMT based on available supplies and increased demand for soybean products. Crush demand will ultimately be impacted by the new administration's biofuel mandate policy, which is expected to be decided by March 2023.

SOYBEAN PRODUCTION

2022/23 Soybean Season Record Production Expected

Post increased its forecast for soybean planted area expansion to 43.3 million hectares (ha) for 2022/23, up from 42.8 million ha. The Post forecast is based on the 2021/22 soybean season, which brought in record profits for the sector. Given that global demand is expected to remain robust, Brazilian farmers are eager to reinvest profits from their last harvest; therefore, the planted area expansion is forecast above trend.
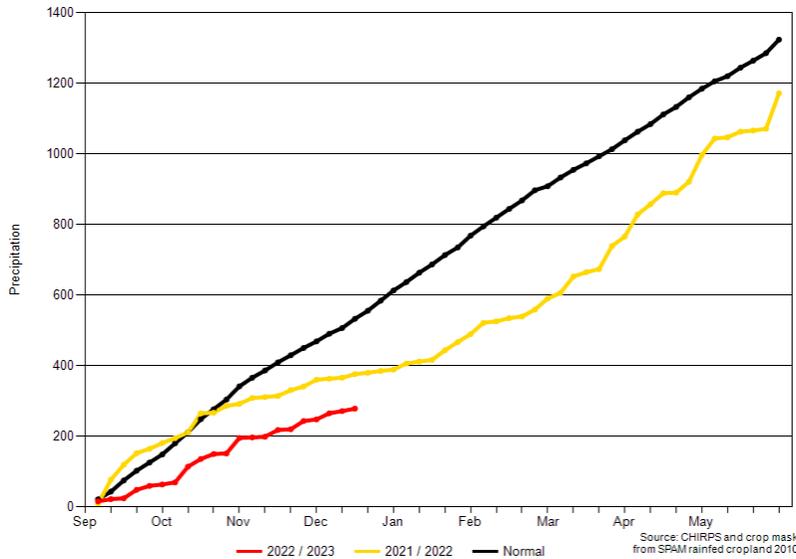
Post also increased the forecast for the 2022/23 soybean production to 153 million metric tons (MMT), based on a yield of 3.533 mt per ha. This is an increase from 148.5 MMT due to a higher-than-expected planted area and better than average early rainfall. The Post yield forecast assumes average weather for the remainder of the growing season and optimal input use (seeds, fertilizers, chemicals). Post believes that key reasons for yield gains in Brazil are growers' adoption and investment in technology, such as Genetically Engineered (GE) seeds specifically formulated to be drought-resistant, for example. At the same time, the Post forecast accounts for lower yields on land that will be converted into production for the first time as it takes several years to reach optimal productivity.

According to a survey conducted by industry, as of December 16th, farmers had planted 96.6 percent of the 2022/23 soybean crop. The remaining areas to be planted are in the far south of Brazil – Santa Catarina and Rio Grande do Sul. During this same period last year, the total reached 97.5 percent and the five-year average of 97.2 percent. The weather patterns in Brazil for this season are developing into two separate patterns. Across the central and central west part of the country, planting began at a normal pace due to a consistent September rain. This region is continuing to have rains while in contrast, the weather in the southern part of Brazil is turning dryer with below average rainfall in the forecast.

Brazilian farmers typically begin planting mid-to late-September. However, in Santa Catarina and Rio Grande do Sul planting has slowed over the last two weeks with only 90 percent and 86 percent planted, respectively. This is due to lower-than-normal rainfall and if rains do not arrive by early January there will potentially be crop failure in this region. Figure 1 shows the cumulative precipitation in Rio Grande do Sul. The 2022/23 season is already experiencing dryer conditions compared to the 2021/22 season which had very low yields due to the drought. The Ministry of Agriculture National Supply Company (Conab) is forecasting Rio Grande do Sul will produce 23.4 million tons of soybeans. In Parana, according to The Department of Rural Economics (Deral), 90 percent of the crop is rated good, 9 percent average and 1 percent poor. In Mato Grosso Do Sul, Aprosoja rates the soybeans at 3 percent average and 97 percent good. This could potentially be the third year that the south experiences La Nina weather conditions.

Figure 1

Cumulative Precipitation (CHIRPS) for Rio Grande do Sul

Source: CHIRPS and crop mask from SPAM rainfed cropland 2010

Legend: 2022 / 2023, 2021 / 2022, Normal

Source: USDA International Production Assessment Division Crop Explorer

Mato Grosso is the single largest producer of soybeans in Brazil, accounting for about 30 percent of the country's production. Post forecasts that growers will harvest 41.5 MMT of soybeans in the state during the 2022/23 season, with an estimated three percent increase in planted area from the previous year. Rainfall was irregular during October, but conditions improved in late November and are expected to remain stable. Yields might be slightly lower in regions of Mato Grosso that experienced dry periods at the beginning of planting. The 2022/23 soybean harvest began on the week of December 19th in Mato Grosso and is earlier than normal. As of December 27, one percent of Mato Grosso's soybeans were harvested compared to 0.63 percent on December 31, 2021.

Final 2021/22 Soybean Estimate Remains Unchanged

Post maintains the 2021/22 harvested area estimate at 40.9 million ha and the production estimate at 126.6 MMT. Extremely poor weather in the south of the country cut yields significantly in Rio Grande do Sul and Parana. This resulted in a record low yield for recent years, of 3.095 mt/ha.

SOYBEAN TRADE

Record Soybean Exports Forecast in 2022/23

As outlined in the production section of the report, 2022/23 soybean planting started at an average pace. Due to these favorable weather conditions, Post increased the production estimate and increased the Soybean export forecast for 2022/23 at 97 MMT, easily topping the previous record set in the 2020/21

MY when Brazil exported 86.1 MMT. The forecast is based on expectations of available supplies and an extremely favorable exchange rate. The market expectation is that the Brazilian real will continue to trade at just above R$ 5 to the USD in 2023.

The Post export forecast assumes that global demand for soybeans will continue to increase, especially as China eliminates its zero Covid Policy. Unlike a multitude of other sectors, soybean consumption has limited elasticity. In the key soybean importing countries of China and Europe, despite the economic slowdown, meat consumption is not likely to suffer a dramatic downturn.

2021/22 Export Season to Finish with a Whimper

For the current 2021/22 (February 2022 to January 2023) season, soybean exports are at a several-year low due to the unprecedented drought in the southern part of the country. Due to the lower-than-expected soybean crop, Brazil is nearing the end of available supplies for export. China was the destination of more than 68 percent of exports so far in 2021/22 at 31 MMT. Other top ten countries include Spain, Thailand, Netherlands, Turkey, Pakistan, Iran, Vietnam, Mexico and Taiwan.
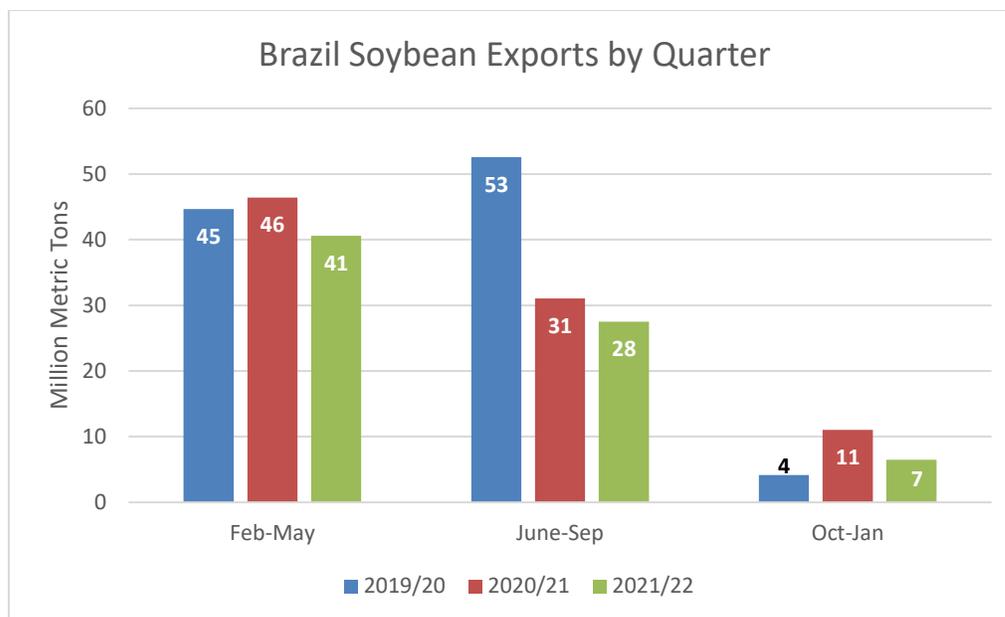
Figure 2

Monthly Soybean Exports from Brazil
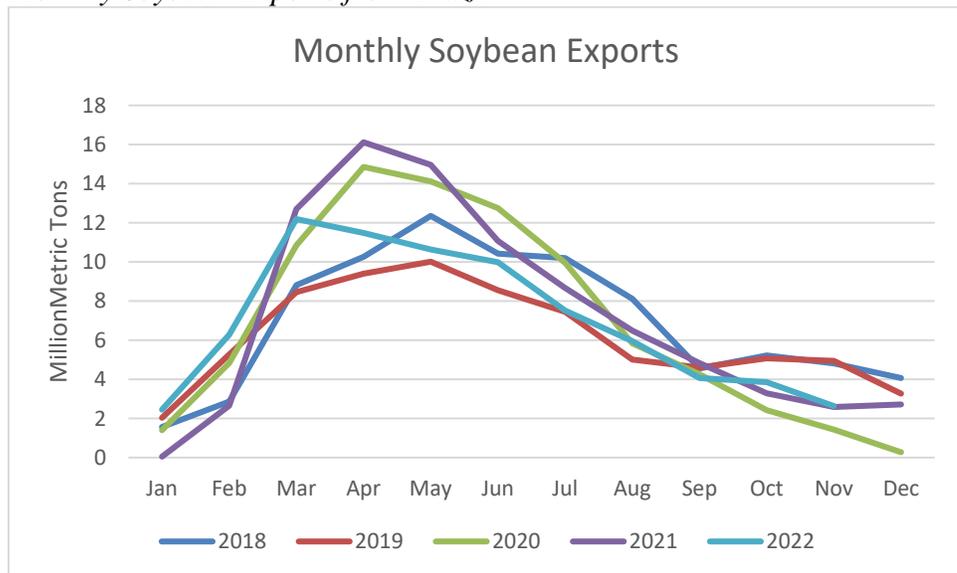
Source: Abiove trade data, OAA Brasilia chart

Figure 3
Brazil Soybean Exports by Quarter

Source: Abiove trade data, OAA Brasilia chart. The 2021/22 season does not include export data from December 2022 and January 2023.

So far this season, almost three-quarters of Brazil's soybean shipments were destined for China. China has long been the main buyer of Brazilian soybeans. Post believes that this season Brazil solidified its status as the main soybean supplier to China, with outstanding export performance in the first eight months of the MY. As the data shows, Brazil's ports delivered in a big way, shipping unprecedented volumes on a monthly basis, which helped to cement its trade relationship with Chinese buyers.

Imports to Remain Consistent

Post maintains its imports forecast for the 2022/23 season at 400,000 MT. The forecast is based on the tightness of supplies from neighboring Argentina due to lower fields from poor weather and record production expected in Brazil. Estimated imports are significantly lower than the last two years. In 2021/22 Brazil imported 864,000 MT and in 2020/21 imported 822,000 MT. However, imports are forecasted to be more aligned with the ten-year average of 411,000 MT of soybeans imported per year.

The Brazilian government has gone to considerable lengths to stem the tide of inflation by facilitating imports of soybeans, soy products, and corn. Typically, Brazil sources most agricultural commodity imports from neighboring countries. This trade pattern is mostly driven by geographic proximity and tariff-free trade inside the Mercosur trade bloc.

However, imports from other major exporters of soybeans and corn – such as the United States – are scant because of several logistical and regulatory hurdles, including an asynchrony in biotechnology event approvals for corn and soybeans.

Customs data shows that over the last several months Brazil's imports of agricultural commodities have been steady. The vast majority of imports continue to come in from neighboring countries. Post estimates that most of Brazil's soybeans will continue to come in duty-free from neighboring Paraguay, a Mercosur trading block member. In the first ten months of the current MY (February–November), Brazil imported just under 400,000 MT of soybeans. Almost 92 percent came from Paraguay, and the remaining 10 percent were split between 30,000 MT of soybeans sourced from Uruguay and just under 5,000 MT shipped from Argentina.

DOMESTIC CONSUMPTION & PROCESSED PRODUCTS

Soybean Crush Forecast Increased for 2022/23

For 2022/23 MY, Post increased its soybean processing forecast to 51.5 MMT, higher than the original forecast of 50 MMT. The forecast is based on available supplies, as well as an increase in demand for soybean products. The increased demand is based on the expectation of economic recovery in 2023 in Brazil and around the globe, which will drive the increase in soy oil and soy meal consumption.

Post adjusted the forecast for 2022/23 soybean meal production slightly to 40 MMT. A majority of Brazil's soy meal is consumed domestically, and domestic soymeal consumption is forecast to increase to 20.35 MMT. The livestock and poultry industry are set for a strong performance in 2023. Post forecasts poultry, beef, and pork production in 2023 to increase by over two percent reflecting continued strong exports to China and improved domestic demand.

For 2022/23, Post forecasts soy oil production at 10.5 MMT. Domestic oil consumption is expected to rise to 8.59 MMT. The forecast is based on the biodiesel mandate. According to Brazil's National Agency of Petroleum, Natural Gas and Biofuels (ANP), each percentage increase in the blend rate represents about 600 million liters of additional biodiesel production annually. In September 2021, the Brazilian government decided to reduce the mandatory mix of biodiesel in diesel because of the high price of soy oil. However, Brazil imports around 30 percent of the diesel it consumes, and high oil prices combined with the depreciation of the real against the U.S. dollar has contributed to double-digit inflation. There are now reports that Brazil is looking to boost blending again to offset high fossil fuel prices. Blending in Brazil is currently at 10 percent but could go to 15 percent. According to Abiove, the sector could currently supply a 12 percent blend, but would need to crush another three million metric tons of soybeans to achieve a blend rate of 15 percent.

2021/22 Oil and Meal Production Determined by Domestic Oil Demand

Post estimates oil output at 9.77 MMT and meal production at 37.55 MMT. The crush estimate is driven mostly by domestic industrial demand for soy oil. In Brazil, soy oil is the main ingredient used in the production of biodiesel. In recent years, biodiesel output surged to meet government-mandated annual biodiesel blend rate hikes. As a result, Post slightly adjusted up the extraction rate for oil and slightly downgraded the rate for soybean meal. Post estimates that slightly more than half of domestic soy oil consumption, or 4.3 MMT, will be utilized in the biodiesel industry in 2022/23.

Data from the industry Vegetable Oil Processing Association (ABIOVE) indicates that in the first ten months of the year, Brazilian crushers processed, on average, ten percent less soybeans than they did in the same period last year. Thus, from January through October, Post estimates that the Brazilian industry crushed nearly 40 MMT.

Figure 4
Brazil Soybean Processing
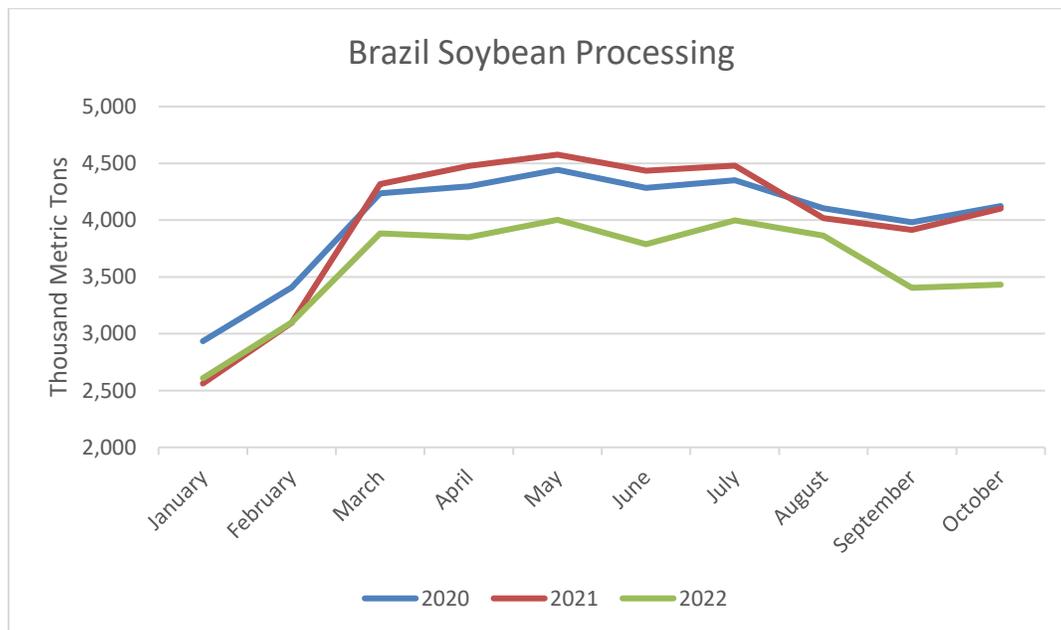
Source: OAA Brasilia Chart, ABIOVE data

Post maintains the domestic meal consumption estimate at 19.6 MMT for the 2021/22 season, a slight increase as compared to 19.3 MMT consumed in 2020/21 due to available supplies.

PRODUCT TRADE

For the 2022/23 MY, Post forecasts soybean meal exports to increase to 19.95 MMT. Post maintains the exports of soy oil at 2.05 MMT, an increase from 1.97 MMT in 2021/22. Post anticipates that exports of both soybean meal and oil will be supported by the relatively weak domestic currency. However, competition from the domestic crush industry will restrict potential export volumes.

Post maintains its soybean meal export estimate at 18 MMT for 2021/22 MY. Overall, meal exports have not surged in line with raw soybean exports—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.

Post also maintains its estimate for soybean oil exports in 2021/22 at 1.97 MMT. From February 2022 through October 2022, Brazil had already exported over 1.7 MMT of soybean oil. As the chart below shows, soy oil export sales started the season much stronger than anticipated, hitting record volumes in May on the back of the favorable exchange rate.

Figure 5
*Brazil Soybean Oil Exports*
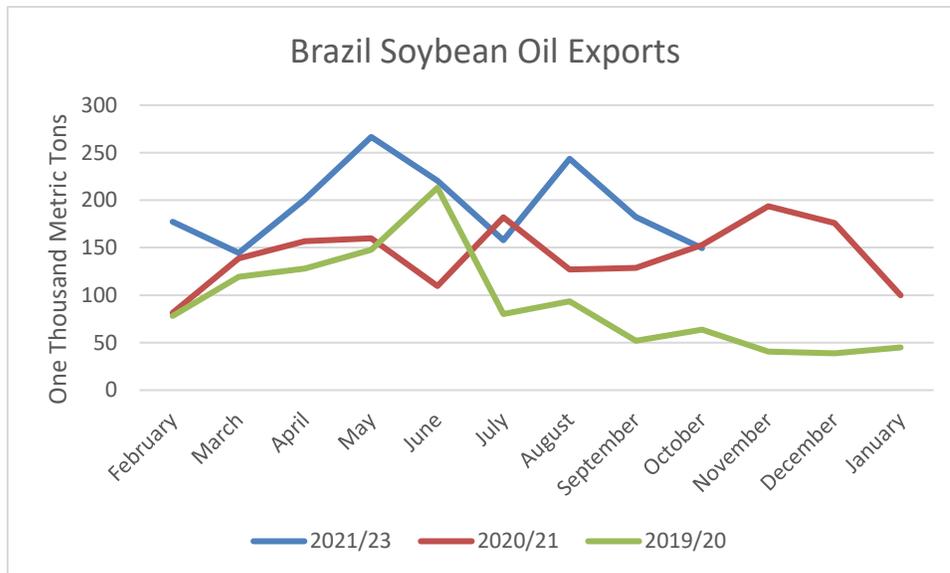
Source: Abiove data, OAA Brasilia chart

As already noted in the soybean trade section, in 2021/22, Brazilian crushers slowed imports after the high in 2020 and beginning of 2021. As evidenced by the chart below, soybean oil imports rose sharply

in 2020, up through early 2021 but then began to stabilize back to typical levels. Post anticipates that import volumes will remain low in December and January due to sufficient product supply in Brazil.

Figure 6
Brazil Soybean Oil Imports
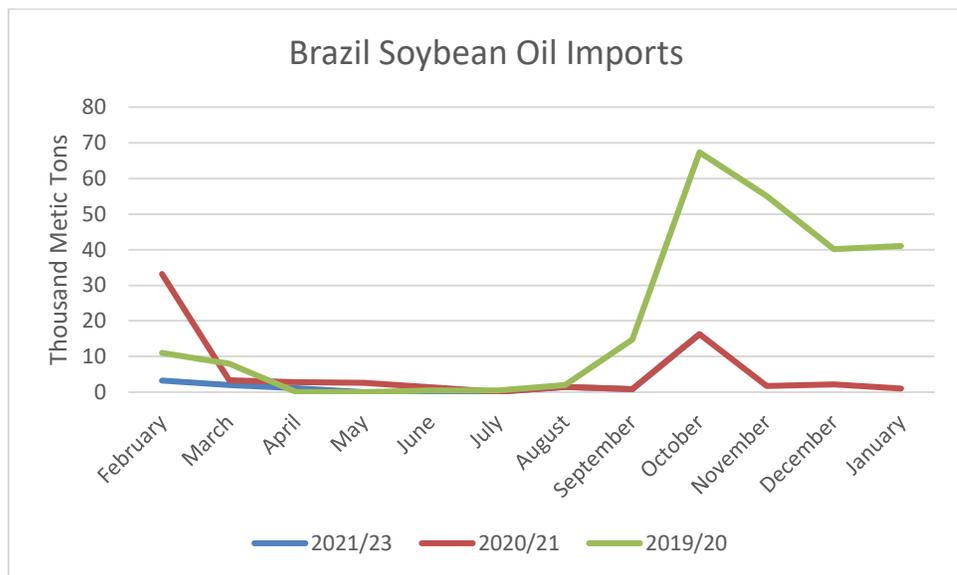
Source: SECEX trade data, OAA Brasilia chart

Meanwhile, in 2022/23 soybean meal imports are expected to come in at around 15,000 MT, held constant from the 2021/22 season.

PRICES

### *Producers Ramp up Sales Amidst Unprecedented Prices*

For a second year in a row, Brazil set a record for the highest sustained prices of soybeans. According to IMEA, farmgate prices in the state of Mato Grosso ended the year with an increase of over 6 percent compared to 2021 quoted at R $164.90 per sack for the annual average. Among the main reasons for the jump include appreciation of the dollar, high valuations on the Chicago Board of Trade (CBOT), and strong domestic and external demand.

According to Consultancy Safras & Mercado the pace for soybean sales for the 2021/22 and the 2022/23 season crops are below the five-year average. Only 92.6 percent of Brazil's 2021/22 crop were sold while during the same period of the previous year, the percentage was 93.6 percent. The five-year average for the period is 96 percent. For the new Brazilian soybean crop 2022/23, only 23.6 percent of production is estimated to be sold compared to 32.5 percent during the same period last year and 96 percent of the five-year average.

The chart below highlights the continued rise in domestic soybean prices in 2022. The 2022 price inflation is driven by a combination of factors. The primary reason is the sharp devaluation of the Brazilian currency, the real (BRL). The BRL remained devalued against the USD this year, with the exchange rate currently at 5.3 Brazilian Reals to one U.S. Dollar. As a result, Brazilian farmers have sharply accelerated sales, which further stoked Brazilian soybean prices when traders and the domestic crush industry rushed to secure their supply.

Figure 7
Soybean Average Monthly Prices in Rondonopolis, Mato Grosso
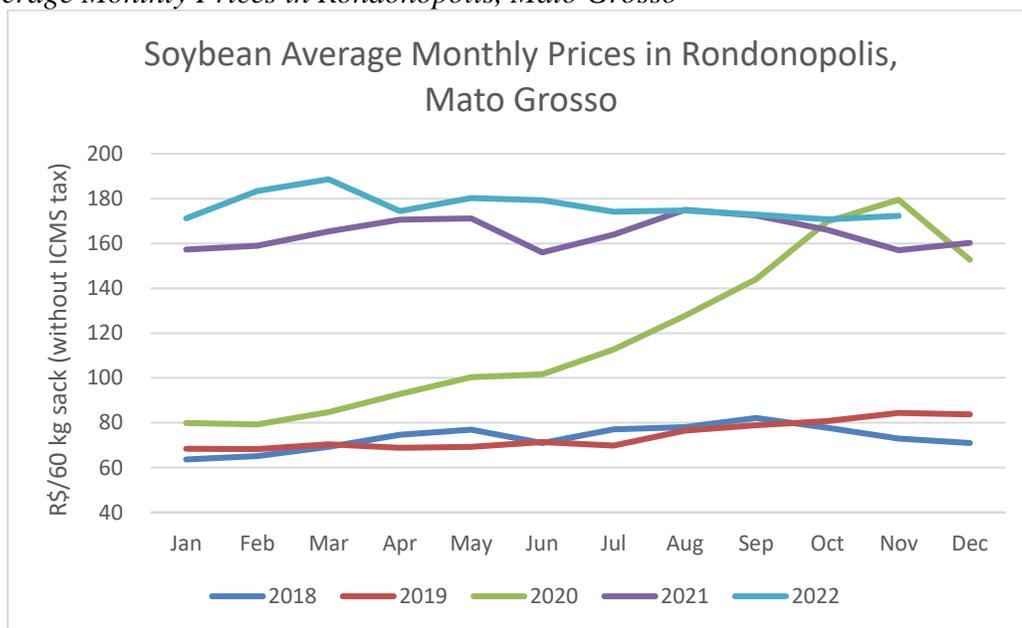
Source: ABIOVE data, OAA Brasilia Chart

It remains uncertain what the situation will be for soybean prices in 2023. Some experts project that soybean futures prices will begin to fall because of a record harvest expected for Brazil; a 20 percent increase forecasted from last year, and stagnant global demand. As mentioned earlier in the report, the new administration's policy of the biofuel mandate will have a large impact on prices. Post expects prices will remain elevated until March when the new administration is expected to address the biofuel policy mandates.

STOCKS

With a voracious appetite for Brazilian soybeans out of China, Brazilian stocks will remain at very low levels, hovering around 0.5 percent of domestic supply for MY 2021/22, and even lower in 2022/23. Historically, this is the lowest level that stocks have ever hit in Brazil. Although the government is concerned with the scarcity of beans on the domestic market and the consequent impact on inflation, Post does not anticipate any export restrictions. Instead, traders and producers alike are focused on sales to take advantage of the upside in prices.

Chart 1

Soybean Production, Supply, Distribution

Oilseed, Soybean (Local) Market Begin Year	2020/2021		2021/2022		2022/2023	
	Feb 2021		Feb 2022		Feb 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	39500	39000	41500	40900	42900	43300
Area Harvested	39500	39000	41500	40900	42900	43300
Beginning Stocks	1961	1961	2250	2721	2005	1921
Production	139500	138000	127000	126600	152000	153000
MY Imports	791	860	500	850	750	400
Total Supply	142252	140821	129750	130171	154755	155321
MY Exports	88512	88900	75250	77000	96500	97000
Crush	48285	46500	49250	48250	52000	51500
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3205	2700	3245	3000	3600	3600
Total Dom. Cons.	51490	49200	52495	51250	55600	55100
Ending Stocks	2250	2721	2005	1921	2655	3221
Total Distribution	142252	140821	129750	130171	154755	155321
Yield	3.5316	3.5385	3.0602	3.0954	3.5431	3.5335
1000 HA, 1000 MT, MT/HA						

Chart 2

Soybean Oil Production, Supply, Distribution

Oil, Soybean (Local) Market Begin Year	2020/2021 Feb 2020		2021/2022 Feb 2021		2022/2023 Feb 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	48285	46500	49250	48250	52000	51500
Extr. Rate, 999.9999	0.1926	0.2	0.1925	0.2025	0.1923	0.2039
Beginning Stocks	604	604	477	334	303	314
Production	9300	9300	9481	9770	10000	10500
MY Imports	67	160	20	100	100	100
Total Supply	9971	10064	9978	10204	10403	10914
MY Exports	1794	1770	2300	1970	2125	2050
Industrial Dom. Cons.	3875	4100	3500	4120	3875	4690
Food Use Dom. Cons.	3825	3860	3875	3800	3975	3900
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	7700	7960	7375	7920	7850	8590
Ending Stocks	477	334	303	314	428	274
Total Distribution	9971	10064	9978	10204	10403	10914
1000 MT, Percent, 1000 MT						

Chart 3

Soybean Meal Production, Supply, Distribution

Meal, Soybean (Local) Market Begin Year	2020/2021 Feb 2020		2021/2022 Feb 2021		2022/2023 Feb 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	48285	46500	49250	48250	52000	51500
Extr. Rate, 999.9999	0.775	0.7742	0.7751	0.7782	0.775	0.7767
Beginning Stocks	3864	3864	4275	3779	3114	3744
Production	37421	36000	38174	37550	40300	40000
MY Imports	19	15	15	15	17	15
Total Supply	41304	39879	42464	41344	43431	43759
MY Exports	17579	16800	19700	18000	19600	19950
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	19450	19300	19650	19600	20200	20350
Total Dom. Cons.	19450	19300	19650	19600	20200	20350
Ending Stocks	4275	3779	3114	3744	3631	3459
Total Distribution	41304	39879	42464	41344	43431	43759
1000 MT, Percent						

Attachments:

No Attachments