



ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS

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BRAZILIAN SOYBEANS

SOYBEAN PRODUCTION IN BRAZIL has increased quite rapidly during the past ten years. In 1968, Brazil produced 654,000 metric tons (24 million bushels) of soybeans. About 10 percent was exported as beans and an additional 45 percent as soybean meal. In 1976, soybean production totaled 11.23 million metric tons (412.5 million bushels), of which a third was exported as beans and another 47 percent as soybean meal.

During the planting season last fall, Brazil's 1977 soybean crop was projected to be 13.25 million metric tons (487 million bushels). By the first of the year, the USDA had revised the production estimate to 12.6 million metric tons. With the soybean harvest nearing completion, Brazil's crop is now estimated by several sources at only 11.8 million metric tons (433 million bushels).

This pattern of downward revisions in the estimates for the size of Brazil's soybean crop has contributed to rising soybean prices in the United States. The availability of soybeans and products from Brazil in the late spring and summer normally relieves some of the export pressure on U.S. supplies. This has been a year of extremely tight U.S. supplies and larger-than-expected export demands for soybeans and soybean products. As the expected size of Brazil's crop has diminished, the need for rationing U.S. supplies has been expressed through a rising price of soybeans and soybean products.

The impact of a smaller-than-expected soybean crop in Brazil has been amplified by Brazil's reluctance to make export commitments. Emphasis has been placed on domestic crushing of soybeans in Brazil and exporting soybean products, rather than on exporting soybeans. Simultaneously, domestic consumption of soybeans and products has been encouraged at the expense of exports. This policy took the form of a new export tax on soybeans, meal, and oil which became effective March 23. The tax was set at 7 percent of the value at the point of sale by the exporter, with the proceeds earmarked for subsidizing Brazil's domestic price of soybean meal and oil. On May 3, Brazil announced that the export tax would be raised to 12 percent. In addition, the Brazilian government recently announced that all bread baked in commercial bakeries must contain 5 percent soy flour. This move may have some limiting effects on the long-run expansion of exports.

IMPLICATIONS. Even though Brazil's crop is apparently smaller than initially expected, it will be larger than the one a year ago. So export supplies of soybeans will be abundant. However, a larger percentage of these supplies than previously will be exported as meal rather than as beans. The real questions revolve around Brazil's export timing. To date, Brazil has been a reluctant seller of soybeans and soybean products. However, the current prices of soybeans and soybean products are substantially higher than the futures prices, reflecting an expectation of larger U.S. supplies in the fall. If this price difference holds into the near future, Brazil may become a very ready seller of soybeans and soybean products. This would relieve some of the export pressure of U.S. supplies. There is some evidence that the use rate of soybeans in the U.S. market has already been cut. Price may be accomplishing its rationing function.

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