



Soybean & Corn Advisor

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Brazilian Farmers continue to be Slow Forward Sellers of Soybeans

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Farmers in Brazil are in the final stages of planting a potentially record large 2013/14 soybean crop, but they have been slow sellers of their anticipated production. Nationwide, less than 40% of the next crop has been sold, which is about 20% less than last year. In the state of Mato Grosso, which is the largest producing state, approximately 45% has been sold compared to 65% last year at this time. Falling soybean prices is the reason for the slow sales.

During the month of October, the average future price for a sack of soybeans delivered next February, March, or April was R\$ 45.00 (approximately US\$ 9.30 a bushel), which was down from the September average of R\$ 49.82 per sack (approximately US\$ 10.30 a bushel). These prices are now near at the cost of production given the increased costs this growing season for fertilizers and increased insecticide usage to control corn earworm.

For those farmers in Mato Grosso still holding onto last year's production, the prices are much better in the range of R\$ 60 per sack or approximately US\$12.40 per bushel. It is estimated that there is only 235,000 tons of last year's soybean crop yet to be sold in the state.

Farmers are waiting to see if weather problems or increased pest pressures in South America will result in lower production and higher prices next year when they are selling their crop. They are also watching the value of the Brazilian real vs. the U.S. dollar. On August 22, 2013 the exchange

rate between the two currencies was 2.48 Brazilian reals per U.S. dollar. After heavy intervention by the Brazilian Central Bank, the rate was 2.17 per dollar on October 17 and it has since readjusted back to a rate of 2.3 per dollar.

Since the price of soybeans is set in dollars, but paid in reals, the weaker the real is vs. the U.S. dollar, the more money a Brazilian farmer puts in his pocket for every sack of soybeans he sells. From the farmer's point of view, they would like to see the real weaken further because he would make more money and his soybeans would be more competitive on the world market.

Farmers in Mato Grosso continue to also be slow sellers of last season's corn crop as well. According to the Mato Grosso Institute of Agricultural Economics (Iamea), farmers in the state are still holding onto 28% of last year's record large corn crop. Domestic prices for corn in the state have improved somewhat over the past month. During the first half of November, the average price of corn in Mato Grosso was R\$ 11.78 per sack (approximately US\$ 2.45 per bushel), still below the minimum price set by the government at R\$ 13.00 per sack (approximately US\$ 2.90 a bushel), but an improvement over last month.

Of all the corn sold thus far this year in Mato Grosso, the government has purchased nearly 50% of the total through its various programs used to support corn prices in the state.