

Due to the combination of strong internal demand and firm exports, the Brazilian Supply/Demand scenario for 2009/10 crop became tighter than previous crop, according to ABIOVE (Brazilian Crushers Association). Brazilian exports for 2009/10 crop are estimate at 27.400 tons, almost 12% higher than 2008/09 crop. Aligned to this, Brazilian Ending Stocks are projected at 1 million tons, a very low level compared with Brazilian last 4 crops. The same ending stock is projected for 2010/11 crop.

Soybeans Brazil			
	1.000 tons		
	2008/09	2009/10(p)	2010/11(p)
BEGINNING STOCKS	2.027	1.991	1.000
IMPORTS	83	50	50
EXPORTS	24.514	27.400	25.800
CRUSH	31.895	29.800	32.200
ENDING STOCKS	1.991	1.000	1.000
	3,11%	3,36%	6,24%

Source: ABIOVE

With this Supply/Demand Table in Brazil, the carryout to use ratio would be 3.36% for 2009/10 crop and 3.11% for 2010/11, near half of previous years. The consequence of this fundamental analysis is reflecting in the rise of the internal and port basis. Since February 2009, the internal Brazilian basis is trading at a much higher levels than historical numbers and obviously especially due to Argentina smaller crop.

The table below shows this strengthening in basis for Mato Grosso state (main producer state), and in Paranaguá and Rio Grande Ports, where basis have reached its peak in the last month.

Basis Average per Month (cents/bu)						
	Mato Grosso - Primavera		Paranagua Port - FOB		Rio Grande Port - FOB	
	3 Year Ave	2009	3 Year Ave	2009	3 Year Ave	2009
January	(163,83)	(172,06)	36,97	48,00	50,42	49,00
February	(221,09)	(169,50)	7,92	48,75	27,50	48,75
March	(222,35)	(159,04)	(15,20)	63,75	3,32	52,50
April	(216,91)	(196,08)	(10,42)	46,80	(8,83)	58,00
May	(201,64)	(196,42)	(24,08)	44,50	(11,87)	55,00
June	(207,59)	(201,42)	(12,17)	37,00	(10,68)	36,25
July	(178,39)	(92,23)	(1,33)	96,00	0	88,00
August	(144,35)	(82,00)	41,50	195,00	35,88	190,00
September	(119,63)	88,00	52,58	203,75	47,67	210,00
Outubro	(84,32)		70,33		63,83	
Novembro	(79,58)		63,00		61,67	

Following this scenario, Brazilian grains producers are planting more soybeans and less corn at the beginning of the crop 2009/10. According to CELERES, a private grains Brazilian consulting,

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Brazilian soybeans production is estimated at 64,670 million tons, 11.2% higher compared to last crop. The main reasons, according with Brazilian grains producers, in general are: more liquidity for soybeans in the market plus less capital need to plant soybean and capital was a scarce resource this year.

Next table show all the math involving financial decisions that grain producers have to make in this period:

Crop 2009/10						
	Mato Grosso		Rio Grande do Sul		Paraná	
	Corn	Soybeans	Corn	Soybeans	Corn	Soybeans
Cost of Production (R\$/ha)	1.900,00	1.480,00	1.685,00	1.153,00	1.785,00	1.400,00
Flat Price for March 2010 (R\$/sc)	16,00	27,11	19,50	34,49	18,00	32,93
Yield (sacas/ha)	105,00	55,00	90,00	40,00	105,00	48,00
Profitability (R\$/ha)	(220,00)	11,02	70,00	226,44	105,00	180,79

As we can see above, grains producers are choosing to plant soybeans instead of corn due to a better crop economics and better price perspectives as well. We may also observe that in Mato Grosso corn crop economics are terrible and that's why many are dumping corn out in the ground and storing it at open air.

With better profitability in soybeans culture for 2009/10 crop, it is currently expected a large soybeans planting area in relation to the last year. CONAB (a government commodity entity) has released its grains crop research for this month with all main producers states presenting bigger planting areas. Rio Grande do Sul is projected to plant 4.0% more acres than 2008/09 crop.

Soybeans		
States	Area	
	2009/10	2008/09
Mato Grosso	6.000,00	5.828,20
Mato Grosso do Sul	1.750,00	1.715,80
Paraná	4.300,00	4.069,20
Rio Grande do Sul	3.950,00	3.822,50
Goiás	2.500,00	2.307,20
Brazil	22.283,10	21.728,40

Source: CONAB

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