

PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

Brazil seeks to become the world's largest agricultural exporter

In late 2000, we were in our first year of writing this column and one of the developments that we examined was the expansion of soybean production in Brazil. At that time, Brazil's production of soybeans was 53 percent of the US's 75.1 million metric tons (MMT), well above the 7 percent of US production it had in 1970. Where once the US dominated world soybean production, Brazil was mounting a serious challenge.

In the competition for world markets, the US exported 35.1 MMT of soybean complex (beans, meal, and oil) in 2000 compared to Brazilian exports of 28.2 MMT—80.5 percent of US exports. Thirty years earlier Brazil's export of soybean complex was a mere 7.3 percent of the US's exports. Clearly Brazilian agriculture was on the move.

Brazilian production of soybeans over the last three crop marketing years (2012-2014) was 93.3 percent of US production. But when it came to the export of soybean complex, Brazil was 10 percent ahead of the US. The US was no longer the largest player in the world soybean market.

We were reminded of this history when we read in the OECD-FAO Agricultural Outlook, 2015-2024 (<http://tinyurl.com/nqtzopg>) that not only is Brazil currently "the second largest global supplier of food and agricultural products," it "is poised to become the foremost supplier in meeting additional global demand" over the next ten years. It is projected that a large portion of this additional global demand will come from Asia.

According to the outlook report, the challenges Brazil faces in reaching this projection are reducing domestic poverty and inequality and "meeting the needs of an expanding and increasingly wealthy population" while at the same time, doing so in a sustainable manner."

With its "large available land base to produce soybeans," Brazil has more potential to increase soybean production and exports than either of its two major export competitors, the US and Argentina. Its yields are equal to those of the US and continued research is expected to provide a modest increase by 2024. More than half its production is directed to export markets with China being its largest customer.

The strength of Brazil's growth in soybean exports is likewise dependent upon the rate of economic growth in China as well as its import policies. "Should [China's soybean imports] falter, or should China's food security concerns push for increased diversification in import sources, Brazil may have to quickly adjust production given the [significantly smaller] size

of alternative import markets." Domestic demand for crush is expected to increase over the next ten years with most of the meal being directed "to feed the [domestic] pork and poultry sectors." The export of soybean oil is projected to double between 2017 and 2024. The major increase in domestic demand for soybean oil between now and 2017 will come from biodiesel demand rather than household use.

Most of Brazil's corn production is directed to the domestic feed market with exports in 2024 projected to be below 2013 crop-year levels. Domestic consumption of wheat accounts for 95 percent of Brazil's production. With a small annual increase in projected yield matching a small annual increase in the domestic use of wheat, Brazil's imports are expected to remain flat over the next ten years. It is projected that Brazil will shift from being an importer of rice to becoming an exporter by 2024.

"Brazil...will continue to be the world's largest sugar producer and exporter" even though it has below average yields. At the same time, most of Brazil's sugarcane will be used in the production of ethanol for blending into gasoline for domestic use with less than 10 percent being exported. Brazilian net exports of ethanol in 2024 are projected to be below 2012 levels.

With cotton yields more than double world yields and domestic demand relatively flat, Brazil is projected to capture 14 percent of the world market.

"Brazil is [currently] among the world's largest producers and exporters of poultry, beef and veal, and [pork]." Much of this production goes to meet domestic demand, but "an increasing share of production is projected to go to consumers overseas, enabling Brazil to capture international market share in beef and veal, and poultry." Opening up US markets to Brazilian beef was on the agenda during the recent visit of Brazil's President Dilma Rousseff with US President Barack Obama. Brazil's share of the world's export market of poultry is expected to exceed 31 percent by 2024.

Coffee and frozen concentrated orange juice exports are projected to remain strong over the coming decade while most fruit production will be used in domestic markets.

While Brazil has a strong agricultural research program it lags in the improvement of its transportation sector. "During the 2013 soybean harvest, [trucks] queued up for 25 kilometers to get to the port in Santos."

"Brazil provides a much lower rate of support to farmers than the OECD average, or than most of

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the emerging economies covered by the OECD annual Monitoring and Evaluation.... In 2012-2014, the share of farmers' gross receipts coming from support [Producer Support Estimate] averaged 4 percent in Brazil.... It is...lower than the 8 percent average in the US, its main competitor for several products.”

After a long period of dominance in world agricultural markets, US producers will face new challenges as Brazil seeks to become the world's largest agricultural exporter.

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