

New Infrastructure to Boost Brazil Ag

Brazil's Northern Export Routes Stimulate Grain Expansion

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CHICAGO (DTN) -- Ongoing investments in grain terminals at ports across northern Brazil will stimulate continued expansion of soybean and corn acres in coming years, Brazilian speakers told DTN/The Progressive Farmer Ag Summit attendees Tuesday.

Farms across Brazil's grain frontier in Mato Grosso and the rest of the Cerrado will see costs reduced by the timely expansion of new soybean and corn export routes through the Amazon and north, partially compensating for the current low-price scenario.

"We will see big growth in the north as farmers benefit from better logistics," Guilherme Scheffer, CFO of Grupo Scheffer -- one of Brazil's biggest farms -- told summit attendees.

Brazil's grain industry has grown massively over the past 30 years across the Cerrado, deep in the heart of the South American continent. Farmers have conquered the tropical conditions, but they have had to shoulder heavy transport costs as the soybean fields of Mato Grosso are up to 1,000 miles from traditional ports in southern Brazil along often poor roads.

However, the new export routes through the nearby Amazon utilize barges while another in the eastern Cerrado uses rail tracks, cutting the number of expensive truck miles traveled by the grain.

Many of these routes are already open and Brazil will export around 10 million metric tons of soybeans and corn through these routes in 2015. The new facilities, such as the massive Vila do Conde port at the mouth of the Amazon, will start operating at full capacity in the coming three to five years, raising shipments through the north to 28 mmt, Renato Rasmussen, economic analyst at Rabobank in Brazil, told the audience.

Multinational trading companies are making the overwhelming majority of these investments, so they will not be greatly affected by the economic and corruption scandals that have enveloped the government, Rasmussen said.

The new routes will cut grain logistics costs by \$30 per metric ton, or \$0.82 per bushel for soy, which will make investing in converting pasture land in Mato Grosso and Matopiba, the region in the eastern Cerrado, more attractive, said Scheffer, whose group farms 400,000 acres.

A return of soybean prices to \$10 per bushel would stimulate significant expansion, said Scheffer, who helps run one of Brazil's largest corporate farms.

And that growth will be significant in Mato Grosso, where Grupo Scheffer mostly farms. He estimates Mato Grosso soybean acres will jump from 22 million acres to 49 million acres over the next decade, while corn acres would jump proportionally more from around 7 million to 30 million acres with the transport savings more significant for this low-price commodity.

It's very much a case of build the infrastructure and the farmers will expand production to fill it, said Rasmussen.

Indeed, output growth means pressure will remain on Brazilian infrastructure in the future, he added.

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