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Brazil

Grain and Feed Update

U.S. Wheat Exports to Brazil Highest in 35 Years

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Report Highlights:

For 2012/2013, Brazilian wheat production has been revised upward to 4.38 mmt but remains over 24 percent below the 2011/2012 production level. To meet 2012/2013 domestic consumption - estimated at 10.74 mmt - Brazil has had to import 7.12 mmt, due to a severe production shortfall in Mercosul supplier countries, especially Argentina. This enabled U.S. wheat exporters to ship 2.0 mmt from January to September, the largest export volume to Brazil since 1978. For 2013/14, production is forecast at 4.77 mmt, almost 9 percent above 2012/2013 due to stronger prices. 2013/2014 imports are forecast at 7.7 mmt.

Record 2012/2013 corn production, estimated at 81 mmt, was negatively affected by a wholly inadequate infrastructure, low international prices, and a record U.S. harvest. Given the foregoing conditions, exporters - responsible for shipping an estimated 20 mmt - have incurred significant losses. For 2013/2014, corn production is forecast at 72 mmt due to lower prices.

Milled rice production for 2012/2013 is estimated at 7.99 mmt, up marginally from the previous year. The estimate is buoyed by new cold resistant varieties which are increasing yields in the state of Rio Grande de Sul, where 70 percent of Brazilian rice is grown. Milled rice production for 2013/2014 is forecast at 8.3 mmt and exports are placed at 850,000 metric tons.

Wheat Brazil	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Apr 2012		Market Year Begin: Apr 2013		Market Year Begin: Apr 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,170	2,170	1,900	1,900	2,000	2,200
Beginning Stocks	1,846	1,846	1,748	1,748	948	948
Production	5,800	5,800	4,300	4,380	4,750	4,770
MY Imports	7,338	7,338	7,400	7,120	7,700	7,700
TY Imports	7,052	7,052	7,548	7,000	7,700	7,700
TY Imp. from U.S.	108	108	1,278	2,000	0	1,000
Total Supply	14,984	14,984	13,448	13,248	13,398	13,418
MY Exports	2,036	2,036	1,600	1,560	500	500
TY Exports	1,860	1,860	1,753	1,400	500	500
Feed and Residual	500	500	200	140	600	600
FSI Consumption	10,700	10,700	10,700	10,600	10,800	10,820
Total Consumption	11,200	11,200	10,900	10,740	11,400	11,420
Ending Stocks	1,748	1,748	948	948	1,498	1,498
Total Distribution	14,984	14,984	13,448	13,248	13,398	13,418
Yield	3.	2.6728	2.	2.3053	2.	2.1682
TS=TD		0		0		0
Comments						
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Wheat

Production: Post adjusted 2012/2013 and 2013/2014 production numbers up to 4.38 million metric tons (mmt) and 4.77 mmt, respectively. Prices have been favorable for producers due to high demand for milling quality wheat. For 2012/2013 production, frosts and bad weather were responsible for output significantly lower than that of 2011/2012.

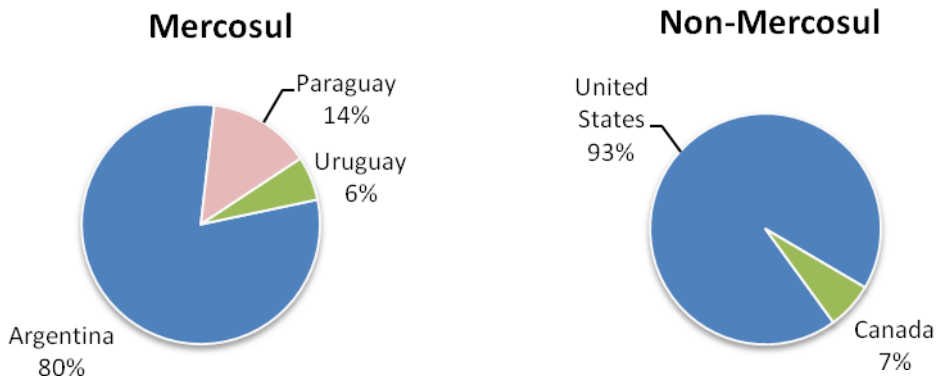
Trade: For 2012/2013 wheat imports are estimated at 7.12 mmt. Typically, Argentina supplies the vast majority of Brazil's wheat imports, but a poor crop caused by bad weather and a restrictive export policy has resulted in a drop in Argentine exports and a dramatic jump in U.S. shipments (see charts below). To fill the gap created by the shortfall in Argentine wheat imports, Brazil reduced the Common External Tariff (TEC) for non-Mercosul countries to zero percent until the end of December 2013, which has allowed North American wheat to compete in the Brazilian market. The Brazilian Wheat Millers Association (ABITRIGO) wants the government to keep the TEC at zero percent through 2014, which would benefit U.S. exporters. While Brazil and the Russian Federation have a wheat protocol in place, it is doubtful that Brazil will import any Russian wheat due to quality, though there have been news reports of Brazilian pasta and cookie companies meeting with Turkish firms about importing Turkish flour.

For MY 2012/2013, Brazil imported approximately 2.1 mmt of non-Mercosul wheat, 2.0 mmt of which was from the United States. Exports for 2012/2013 are placed at 1.56 mmt. These exports are constituted of low-quality feed wheat.

Wheat Imports to Brazil



2013 YTD Brazilian Wheat Imports



Corn Brazil	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	15,200	15,200	15,900	15,900	15,500	15,300
Beginning Stocks	10,276	10,276	9,210	9,210	13,510	18,060
Production	73,000	73,000	81,000	81,000	72,000	72,000
MY Imports	771	771	800	850	800	800
TY Imports	937	937	800	800	800	800
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	84,047	84,047	91,010	91,060	86,310	90,860
MY Exports	24,337	24,337	24,500	20,000	18,000	20,500
TY Exports	12,674	12,674	26,500	26,500	20,500	20,500
Feed and Residual	43,000	43,000	45,000	45,000	46,000	46,000
FSI Consumption	7,500	7,500	8,000	8,000	8,000	10,000
Total Consumption	50,500	50,500	53,000	53,000	54,000	56,000
Ending Stocks	9,210	9,210	13,510	18,060	14,310	14,360
Total Distribution	84,047	84,047	91,010	91,060	86,310	90,860
Yield	5.	4.8026	5.	5.0943	5.	4.7059
TS=TD		0		0		0
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Corn

Production: 2012/2013 record estimates for production remain unchanged at 81 mmt. Most analysts estimate the size of the crop between 81-82 mmt. Feed, seed, and industrial (FSI) consumption and feed use – mainly for poultry and swine – also remain unchanged.

In 2013/2014, corn will lose some acreage to more lucrative crops like cotton and soybeans and production is forecast to drop 11 percent to 22.0 mmt. First crop corn is forecast to lose area to soybeans, while second crop corn could lose area to cotton and wheat. In the state of Parana, winter wheat could be substituted for the second crop corn.

Trade: For 2012/2013, Post has reduced exports to 20 mmt, an 18 percent decrease. A record harvest in the United States has pushed global prices down. Prices are below cost for the Brazilian producers, and even with the minimum price guaranteed by the government of Brazil (GOB), growers are unable to make a profit due to high transport costs. It is not cost-effective for trucks to ship corn to the ports, competing logistically with soybeans. Instead, public and private stocks have increased while traders wait for the less expensive U.S. corn to be absorbed into the global market. Additionally, Sanitary and Phytosanitary (SPS) talks with China have yet to yield an agreement that would allow Brazil to export corn to the Chinese market. This and Brazil's strained infrastructure are expected keep Brazil from exporting corn to China in 2013/2014. Regulations which govern port licensing are discouraging private investment in ports. The recent fire at the Copersucar warehouse in the Port of Santos could cause more

delays for grains by increasing competition for export terminals, as the sugar that is usually exported out of the Copersucar terminal will need to find alternative outlets.

Consumption: In light of low prices and logistical bottlenecks, some growers have called for the production of corn ethanol to utilize the abundant corn. The state of Mato Grosso is considering “flex” plants that could use both sugar cane and corn to produce biofuels. The GOB indicated that it would be willing to discuss supporting corn ethanol production. These “flex” plants could potentially absorb the growing stocks in 2013/2014. Other sources state that Brazil may use the United States as a model for corn ethanol production, but that would be several years out, as the infrastructure is not currently in place.

Rice, Milled Brazil	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Apr 2012		Market Year Begin: Apr 2013		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,427	2,427	2,390	2,390	2,450	2,400
Beginning Stocks	803	803	540	540	705	760
Milled Production	7,888	7,888	8,065	7,990	8,300	8,300
Rough Production	11,600	11,600	11,860	11,750	12,206	12,206
Milling Rate (.9999)	6,800	6,800	6,800	6,800	6,800	6,800
MY Imports	730	730	700	750	750	750
TY Imports	732	732	750	800	700	700
TY Imp. From U.S.	1	1	0	0	0	0
Total Supply	9,421	9,421	9,305	9,280	9,755	9,810
MY Exports	953	953	700	670	1,000	1,000
TY Exports	1,105	1,105	750	730	850	850
Consumption and Residual	7,928	7,928	7,900	7,850	7,850	7,900
Ending Stocks	540	540	705	760	905	910
Total Distribution	9,421	9,421	9,305	9,280	9,755	9,810
Yield (Rough)	5.	4.7796	5.	4.9163	5.	5.0858
TS=TD		0		0		0
Comments						
AGR Number						

Rice

Production: 2012/2013 production is estimated at 7.99 mmt, up marginally from last year. Production for 2013/2014 is forecast at 8.3 mmt. New cold-resistant seed varieties are increasing yields in the state of Rio Grande de Sul, where 70 percent of Brazilian rice is grown.

Trade: In 2012/2013, Brazil shipped 93 thousand metric tons (tmt) of paddy rice to Venezuela, Nicaragua, and Costa Rica. The industry states that shipping paddy is not a priority and traders will fill market demands as necessary. Iraq recently announced that it will accept Brazil origin rice in its rice tenders and imported 29 tmt of Brazilian rice in 2012. For 2013/2014 rice exports are forecast at 1 mmt.

Consumption: For 2012/2013 and 2013/2014, rice consumption is placed at 7.85 mmt and 7.9 mmt, respectively. Emerging middle class Brazilians in the South and Southeast regions of the country are increasingly turning to pastas and other wheat-based products, as they consider rice to be an inferior good. However, rice is still a staple food in Brazil's North and Northeast regions, and demand from these regions is essentially maintaining overall consumption. Interestingly, the social welfare program "Bolsa Familia" is reducing rice consumption by altering eating habits. 7 percent of Brazilians receive benefits from "Bolsa Familia" through conditional cash transfers. With the additional money, recipients can afford more diversity in their diets, thus relying less on rice.

Related Report References:

[2013 Brazil Grain and Feed Annual – BR0907](#)

Post:
Brasilia

Commodities:
Wheat

Corn

Rice, Milled