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Brazil

Grain and Feed Update

Wheat and Rice Production Forecast to Increase on Expanded Area

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Report Highlights:

2014/2015 Wheat production is increased to 6.3 million metric tons (mmt) due to increased area in the tropical savannah (“cerrado”) biome. The 2013/2014 corn production is up from the previous estimate to 76 mmt on extended rains and better than expected yields. 2014/2015 rice production is expected to increase to 8.5 mmt from the previous year based on expanded area in the Cetner-West region.

Post:

Brasilia

Wheat

Wheat Brazil	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,900	1,900	2,200	2,200	2,500	2,600
Beginning Stocks	1,748	1,748	1,001	1,001	2,001	2,051
Production	4,380	4,380	5,300	5,500	6,000	6,300
MY Imports	7,357	7,357	7,200	7,300	6,500	7,000
TY Imports	7,547	7,547	7,300	7,400	6,500	7,000
TY Imp. from U.S.	1,278	1,278	0	0	0	0
Total Supply	13,485	13,485	13,501	13,801	14,501	15,351
MY Exports	1,584	1,584	100	350	500	1,000
TY Exports	1,753	1,753	100	350	500	1,000
Feed and Residual	200	200	600	600	600	600
FSI Consumption	10,700	10,700	10,800	10,800	11,000	11,300
Total Consumption	10,900	10,900	11,400	11,400	11,600	11,900
Ending Stocks	1,001	1,001	2,001	2,051	2,401	2,451
Total Distribution	13,485	13,485	13,501	13,801	14,501	15,351

1000 HA, 1000 MT, MT/HA

Wheat Supplies: 2014/2015 production is forecast to increase 13 percent to 6.3 million metric tons (mmt) based on increased area. The Brazilian government (GOB) is encouraging expansion into the tropical savannah (“cerrado”) biome of Brazil. The states in the “cerrado” biome of the Center-West are expected to see a 17 percent increase in area from the previous year, though the area is still small in comparison to the main growing regions of the South and Southeast. Recent flooding and wet weather in the states of Rio Grande do Sul and Santa Catarina has slowed the planting process, which will delay the harvest into October/November.

In an attempt to remain competitive amid low global prices, the producers in the state of Rio Grande do Sul have asked the GOB to reduce the state value-added tax (ICMS) from 8 to 2 percent. The ICMS tax is a tax on most goods that cross state lines. Last year, the GOB lowered the ICMS tax on wheat to 8 percent. Producers argue that the reduction is needed to remain competitive with lower priced international wheat and wheat from the states of Parana and São Paulo.

Wheat Trade: 2014/2015 imports are forecast down 4 percent from the previous year due to an anticipated increase in domestic production. However, Brazil’s demand for wheat cannot be filled entirely domestically because the domestic wheat needs to be blended with higher quality imported wheat to achieve desired baking qualities.

The Brazilian Council of Foreign Trade (CAMEX) reduced the Common External Tariff (TEC) on 1 mmt of non-Mercosul wheat from 10 to zero percent between June 23 and August 15, 2014. The move was made based on the uncertainty of Argentina’s ability to fill Brazil’s import demand, combined with the need to control domestic inflation during an election year. In 2013, the TEC was reduced to zero between April to December. During that time, Brazil imported 3.48 mmt of U.S. wheat, making it the second largest market for U.S. in 2013, just behind China. Between January and May 2014, when the TEC was at 10 percent, the U.S. exported nearly 1 mmt of wheat to Brazil, constituting a third of the total market so far in 2014.

Wheat Consumption: Wheat consumption continues to grow at two to three percent annually, as consumers in an emerging middle class are eating more pasta and other wheat-based products. 2014/2015 consumption is forecast at 11.9 mmt, with the annual growth trend.

Corn

Corn Brazil	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	15,800	15,800	15,000	15,000	14,800	15,000
Beginning Stocks	9,212	9,212	14,150	14,150	15,450	14,950
Production	81,500	81,500	76,000	76,000	74,000	74,000
MY Imports	886	886	800	800	800	800
TY Imports	871	871	800	800	800	800
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	91,598	91,598	90,950	90,950	90,250	89,750
MY Exports	24,948	24,948	20,500	21,000	20,000	21,000
TY Exports	26,044	26,044	20,500	21,000	22,000	21,000
Feed and Residual	44,500	44,500	46,000	46,000	47,500	46,500
FSI Consumption	8,000	8,000	9,000	9,000	9,000	9,000
Total Consumption	52,500	52,500	55,000	55,000	56,500	55,500
Ending Stocks	14,150	14,150	15,450	14,950	13,750	13,250
Total Distribution	91,598	91,598	90,950	90,950	90,250	89,750
1000 HA, 1000 MT, MT/HA						

Corn Supplies: 2013/2014 production has been increased 4 mmt from the previous estimate to 76 mmt based on extended rains in May and better than expected yields for the second (“safrinha”) crop. Despite the increase, production is down seven percent from the previous year on decreased area. Excessive rains in late February and early March in the state of Mato Grosso delayed the planting of the “safrinha” crop, which has caused some decreased yields as the harvest begins. Early harvests in the state are showing 15 to 20 percent lower than expected yields, though later harvested corn could have better yields due to the extended rains in May. 2014/2015 production forecast to be in line with official estimates at 74 mmt.

Corn Trade: 2013/2014 and 2014/2015 imports and exports are anticipated to remain level at 800,000 mt and 21 mmt, respectively. With a 2013/2014 production estimate of 76 mmt, Brazil will have ample supplies for export. However, in Mato Grosso, only 22 percent of the “safrinha” corn – mostly used for export – has been marketed, compared to over 50 percent during the same time last year. Low prices and a large domestic supply have encouraged some buyers and sellers to wait for more favorable prices.

Despite signing a Sanitary and Phytosanitary (SPS) agreement with China in November 2013 – which went into effect in March 2014 – very little corn has been exported to China. Low global prices, high transport costs and competition with soybeans for logistics are the drivers behind the lack of substantial exports to China at this time.

Corn Consumption: 2013/2014 corn consumption continues to trend upward based on expansion in the feed corn sector brought on by low global prices. There have been press reports about the need to increase domestic demand for corn by producing corn ethanol. A feasibility study conducted by a consultancy group noted that at current prices, corn-based ethanol plants are potentially profitable. There are currently two “flex plants” in the state of Mato Grosso that can process both corn and

sugarcane, and one exclusive corn ethanol plant is expected to become operational in 2015. Corn ethanol accounts for 0.04 percent of domestic ethanol production.

Rice

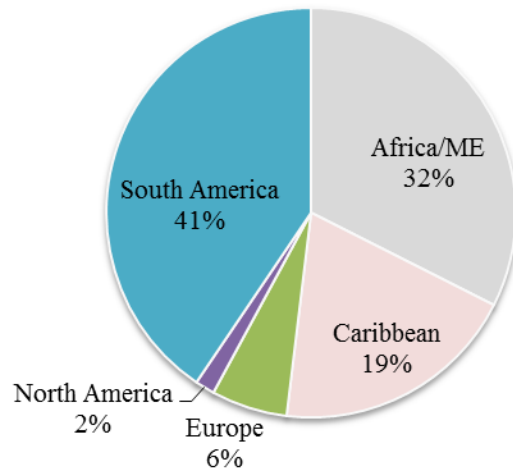
Rice, Milled Brazil	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2013		Market Year Begin: Apr 2014		Market Year Begin: Apr 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,390	2,390	2,475	2,420	2,450	2,450
Beginning Stocks	540	540	481	528	781	828
Milled Production	7,990	8,037	8,600	8,500	8,500	8,500
Rough Production	11,750	11,819	12,647	12,500	12,500	12,500
Milling Rate (.9999)	6,800	6,800	6,800	6,800	6,800	6,800
MY Imports	641	641	700	700	700	700
TY Imports	712	712	700	700	700	700
TY Imp. from U.S.	1	0	0	0	0	0
Total Supply	9,171	9,218	9,781	9,728	9,981	10,028
MY Exports	840	840	950	950	900	900
TY Exports	830	830	850	950	800	800
Consumption and Residual	7,850	7,850	8,050	7,950	8,150	7,950
Ending Stocks	481	528	781	828	931	1,178
Total Distribution	9,171	9,218	9,781	9,728	9,981	10,028
1000 HA, 1000 MT, MT/HA						

Rice Supplies: 2013/2014 rough production is expected to increase seven percent from the previous year to 12.5 mmt based on rising prices, increased area, and higher productivity in the state of Santa Catarina. The Center-West region showed the largest increase in area due to the conversion of degraded pasturelands to grains production. Rice is the first crop used to make this change. Better yields in the Northeast region are attributed to more irrigated fields. 2014/2015 area and production forecast are in line with official estimates.

Rice Trade: 2013/2014 imports are estimated at 700,000 mt, an eight percent increase from the previous year. Imports are mainly from Mercosul countries, as they are exempt from the 12 percent Common External Tariff (TEC). 2013/2014 exports are estimated at 950,000, an 11 percent increase from last year based on higher exports to Latin America. From the period of January to May 2014, shipments to South America constituted 41 percent of total exports. Nearly three-fourths of those shipments were rough rice sales to Venezuela and Nicaragua.

Rice Consumption: 2013/2014 consumption is up one percent from the previous year based on population growth. The general consumption trend is flat, as an emerging middle class moves away from rice toward wheat-based products.

Brazilian Rice Exports Jan-May 2014



Related Report References:

[2014 Brazil Grain and Feed Annual – BR0933](#)