

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Brazil**

### **Grain and Feed Update**

#### **Brazil Faces Tight Grains Stocks and Higher Prices**

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**Report Highlights:**

2015/2016 wheat production is estimated at 5.6 million metric tons (mmt), down 6 percent from the previous year as some producer switch to more profitable crops like corn and soybeans. 2015/2016 corn production is estimated at 75 mmt, due to an early start to the dry season having an adverse effect on the second “safrinha” crop. This is down 12 percent from the previous year’s record crop. Domestic corn prices have risen dramatically since March, putting pressure on pork and poultry producers. 2015/2016 milled rice production is estimated at 7.6 mmt a 10 percent decrease from the previous based on reduced area in the northeast region of Brazil.

## Wheat

Wheat Market Begin Year	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Harvested	2730	2730	2450	2450	2100	2100
Beginning Stocks	1887	1887	870	870	1010	870
Production	6000	6000	5540	5600	5300	6000
MY Imports	5374	5374	6000	5700	6000	5300
TY Imports	5869	5869	5800	5300	6000	5300
TY Imp. from U.S.	1296	1296	0	500	0	0
Total Supply	13261	13261	12410	12170	12310	12170
MY Exports	1691	1691	1200	1100	1000	900
TY Exports	1688	1688	1200	1100	1000	900
Feed and Residual	300	300	300	500	300	300
FSI Consumption	10400	10400	9900	9700	9800	9800
Total Consumption	10700	10700	10200	10200	10100	10100
Ending Stocks	870	870	1010	870	1210	1170
Total Distribution	13261	13261	12410	12170	12310	12170
(1000 HA) ,(1000 MT)						

**Wheat Supplies:** 2015/2016 production is estimated at 5.6 million metric tons (mmt), down 6 percent from the previous year as some producer switch to more profitable crops like corn and soybeans. Favorable weather conditions in the south of Brazil have helped with the planting. Farmers in the state of Rio Grande do Sul have planted 35 percent of their crop so far.

**Wheat Trade:** 2015/2016 imports are at forecast 5.7 mmt, up 6 percent from the previous year based on the pace on imports. 2015/2016 exports are estimated at 1.1 mmt, a slight decrease from the previous year when much of the lower quality wheat was exported. Brazil has already exported most of its wheat for the marketing year and it's expected on that only a few shipments will go out between June and October.

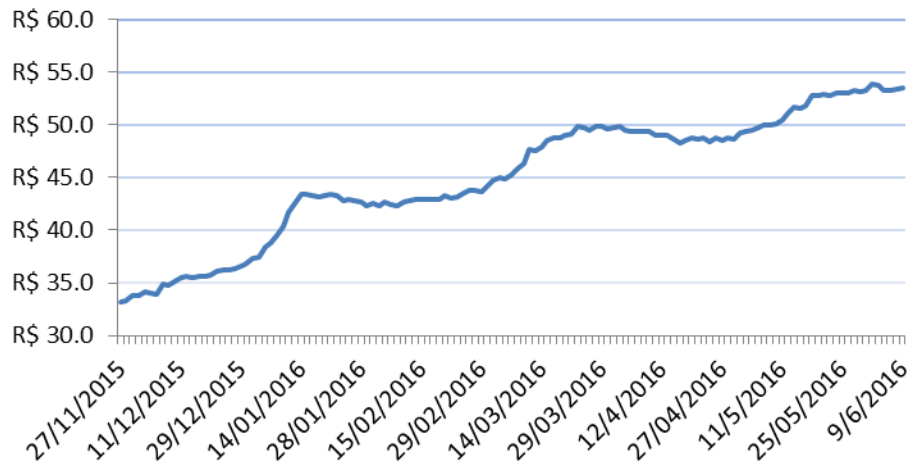
**Wheat Consumption:** 2015/2016 consumption is forecast down at 9.7 mmt, a 7 percent decrease from the previous year. The current economic situation, with inflation over 10 percent, is increasing prices which, in turn, are making some consumers reduce their consumption of crackers and pastas. Compounding the problem, high domestic corn prices are making pork and poultry producers have difficulty sourcing feed and there have been reports of producers using bread quality wheat to feed their animals. Three producers from the South of Brazil have reportedly resorted to feeding chickens and pigs higher-quality grains normally used for human consumption in breads or cookies. Sources estimate that the meat industry has purchased 220,000 tons of bread-quality wheat since May 2016 for feed. If this pattern of human grade wheat consumption for animal use expands, flour prices will also rise. Wheat stocks, like corn, are also very low at an estimated 870,000 mt with only 15,000 mt held in public stocks.

## Corn

Corn Market Begin Year	2014/2015		2015/2016		2016/2017	
	Mar 2015		Mar 2016		Mar 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Harvested	15750	15750	16000	16200	15800	16000
Beginning Stocks	13972	13972	7842	7842	5942	4342
Production	85000	85000	77500	75000	82000	82000
MY Imports	331	331	1100	1500	600	600
TY Imports	534	534	1000	1200	600	600
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	99303	99303	86442	84342	88542	86942
MY Exports	34461	34461	22500	23000	23000	23000
TY Exports	21909	21909	34500	35000	23000	23000
Feed and Residual	48000	48000	49000	48000	50000	50000
FSI Consumption	9000	9000	9000	9000	9000	9000
Total Consumption	57000	57000	58000	57000	59000	59000
Ending Stocks	7842	7842	5942	4342	6542	4942
Total Distribution	99303	99303	86442	84342	88542	86942
(1000 HA) ,(1000 MT)						

**Corn Supplies:** 2015/2016 production is estimated at 75 mmt, due to an early start to the dry season having an adverse effect on the second “safrinha” crop. This is down 12 percent from the previous year’s record crop. Increased corn exports - incentivized by the strong dollar - coupled with the dry weather, has severely restricted domestic corn supplies. Prices have risen dramatically since March, putting pressure on domestic pork and poultry producers. There have been media reports that some producers are feeding their pigs and chickens milling-quality wheat because they are unable to find any corn or feed wheat on the domestic market. The first crop corn, which will start planting in September, could face competition for area with soybean if soybean prices continue to rise. 2015/2016 corn stocks are estimate 4.3 mmt, the tightest they’ve been since 2011/2012, with only 891,000mt in public stocks. 2016/2017 production is forecast at 82 mmt, in line with yearly trends, on higher domestic prices. It is expected that area will increase to 16.5 mHA on a larger second “safrinha” crop.

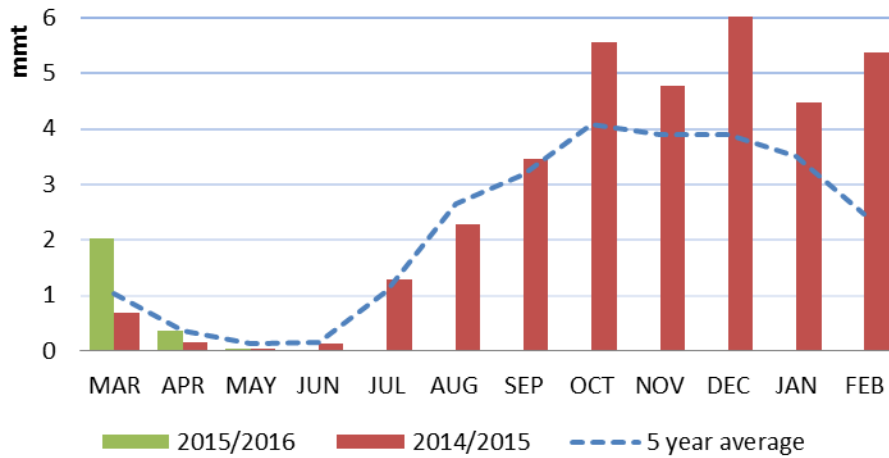
## Corn Prices per 60kg bag



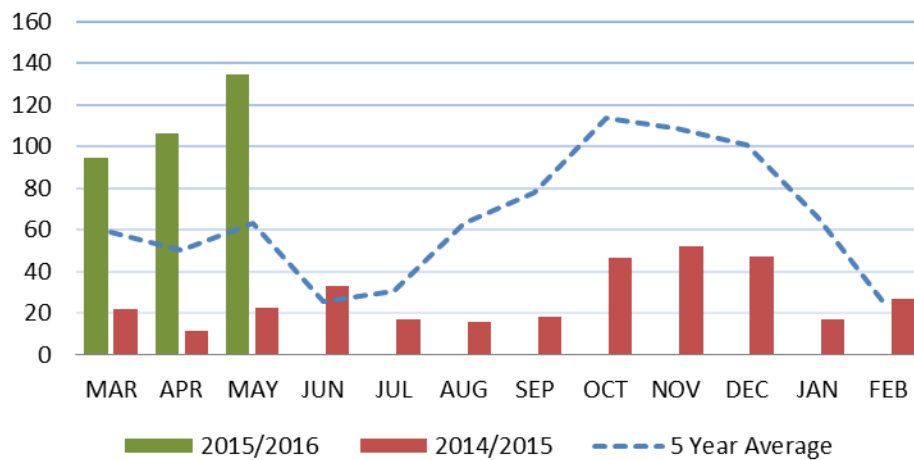
**Corn Trade:** 2015/2016 corn exports are estimated at 23 mmt, down 33 percent from last year's record exports. Tight supplies, combined with high domestic demand and a reduced second "safrinha" crop are all factors in the expected decrease in exports. Some states are proposing measures to restrict grain exports in their states. For example, the state of Goiás in the Central-West of Brazil reinstated a law to limit corn and soybean exports to only 70 percent of total production and eliminate the 3 percent intra-state (ICMS) tax exemption on agricultural exports. Goiás produces about 10 percent of the total corn in Brazil. In addition, the federal government is again considering a 2.8 percent export tax on all corn and soybeans as a means to encourage and prioritize domestic sales.

2015/2016 imports are estimated at 1.5mmt, up 77 percent from the previous year due to tight domestic supplies. So far this marketing year, Brazil has imported 335,000 mt, mainly from Argentina and Paraguay. However, neither country has sufficient corn to export large volumes to Brazil for an extended period of time. On April 22, 2016, the interagency trade body CAMEX, reduced the Common External Tariff on non-Mercosul corn imports from eight to zero percent. The measure is valid for up to 1 mmt of corn and 180 days. As of May 2016, no non-Mercosul corn has entered Brazil under this incentive. This is a potential opportunity for U.S. exports, given its current competitiveness, but Brazil's current biotechnology policies may limit what varieties can be imported. The United States has about 13 biotech events approved that are not currently approved in Brazil.

## Brazilian Corn Exports



## Brazilian Corn Imports



**Corn Consumption:** 2015/16 consumption is forecast at 57 mmt, the same as the previous year. Due to the high domestic price of corn and the uncertain economic situation, it's expected that future growth in the pork and poultry sectors will slow to about 2 percent per year. In the short term, some pork and poultry processing plants have responded by cutting work shifts, enforcing mandatory vacation for employees, shutting down operations, and even prematurely slaughtering animals they are unable to continue feeding.

## Rice

Rice, Milled Market Begin Year	2014/2015		2015/2016		2016/2017	
	Apr 2015		Apr 2016		Apr 2017	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2295	2295	2025	2100	2300	2300
Beginning Stocks	639	639	641	641	451	491
Milled Production	8465	8465	7600	7600	8500	8500
Rough Production	12449	12449	11176	11176	12500	12500
Milling Rate (.9999)	6800	6800	6800	6800	6800	6800
MY Imports	378	378	800	900	600	600
TY Imports	363	363	700	700	600	600
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9482	9482	9041	9141	9551	9591
MY Exports	931	931	750	700	800	800
TY Exports	895	895	800	700	800	800
Consumption and Residual	7910	7910	7840	7950	8000	8000
Ending Stocks	641	641	451	491	751	791
Total Distribution	9482	9482	9041	9141	9551	9591

(1000 HA) ,(1000 MT)

**Rice Production:** 2015/2016 milled production is forecast at 7.6 mmt a 10 percent decrease from the previous year based on reduced area in the northeast region of Brazil. Farmers in the largest producing state of Rio Grande do Sul are expected to use fewer inputs due to raising productions costs and a strong dollar, further reducing production. Stocks continue to be tight at only 491,000 mt, with only 85,000 mt being held by as public stocks by the government.

**Rice Trade:** 2015/2016 imports are estimated at 900,000 mt to meet consumption demands. Brazil's three largest rice suppliers are Paraguay, Argentina, and Uruguay. 2015/2016 exports are estimated at 700,000 mt, down 24 percent from the previous year on higher domestic prices.

**Rice Consumption:** 2015/2016 consumption is expected to increase slightly to 7.95 mmt. Brazilian consumers already eat rice daily, so even though the economic crisis is affecting the consumption on other commodities like corn, wheat, and meat, rice consumption continues to remain steady.

### Related Report References:

[2016 Brazil Grain and Feed Annual – BR1602](#)