

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**Date:** 2/19/2014

**GAIN Report Number:** BR0929

## **Brazil**

**Post:** Brasilia

### **U.S. Wheat Exports to Brazil Highest in 30 Years**

**Report Categories:**

Grain and Feed

Agricultural Situation

Market Development Reports

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**Report Highlights:**

The United States exported 3.48 million metric tons (mmt) to Brazil in 2013 - the highest in 30 years - due to Brazil's demand for imported wheat after its traditional supplier, Argentina, was unable to meet this demand. Brazil was the second largest export market for U.S. wheat in 2013, after China.

In 2013, U.S. wheat was able to enter the Brazilian market en masse, taking advantage of market conditions. With Argentina out of market, and a temporary tariff reduction in place, U.S. wheat was able to effectively meet the needs of Brazilian millers. In 2013, Brazil became the second largest market for U.S. wheat, just 500,000 mt behind China.

Despite record global production, Argentina, which traditionally supplies most of Brazil's wheat import demand, experienced the worst crop in a century. Argentina was forced to restrict exports to satisfy its domestic demand. With Argentina out as a supplier, Brazil temporarily reduced its Common External Tariff (TEC) for non-Mercosul countries from ten to zero percent from April to December of 2013 to encourage imports.

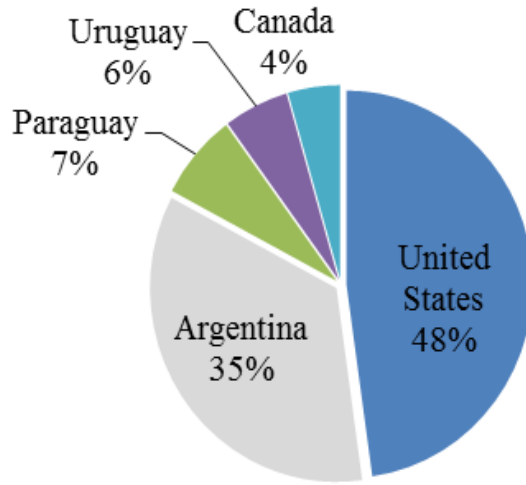
With record production in 2013, the United States filled the gap in demand and took advantage of the temporary reduction of the tariff by exporting 3.48 mmt of wheat to Brazil. U.S. wheat constituted 48 percent of Brazil's 2013 wheat imports. U.S. imports have not slowed in 2014, with shipments to Brazil amounting to 316,544 mt since the tariff returned in January. During recent FAS Brasilia crop travel, millers stated that they would continue to buy U.S. wheat, since Argentina is a problematic supplier due to its current economic problems and government intervention in the wheat sector. It is speculated that Brazil may reduce the TEC again in April to fill demand for wheat and keep prices stable during 2014, which is an election year.

Brazil's 2013/2014 production is estimated at 5.3 mmt, a 17 percent increase from the previous year based on anticipated high prices at planting. However, those prices were not realized at harvest due to record global wheat production. Brazil's demand for wheat cannot be filled domestically because the domestic wheat must be blended with higher quality imported wheat in order to achieve desired baking qualities. When Brazilian millers use U.S. wheat, it's blended at a ratio of 70 percent imported/30 percent domestic, strongly supporting demand for U.S. wheat.

In addition to the gap in supply created by Argentine economic challenges, consumption of wheat-based products is increasing 4-5 percent per year, despite higher prices paid by consumers. The cracker/cookie sector is expanding based on the expected continued growth of value added products. Consumers have more buying power and are interested in a diverse range of products appealing more toward health and well-being. Investment in the wheat sector is also growing, with new milling facilities planned in the Northeast region to meet the growing consumer demand.

Increased demand and economic issues in the Argentine market, combined with U.S. wheat's reputation for quality and reliability create a favorable climate for U.S. wheat in 2014.

### 2013 Brazil Wheat Imports



### U.S. Wheat Exports by Year and Destination

