

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Brazil

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Wheat Trip to Rio Grande do Sul and Parana

Report Categories:

CSSF Activity Report

Grain and Feed

Agricultural Situation

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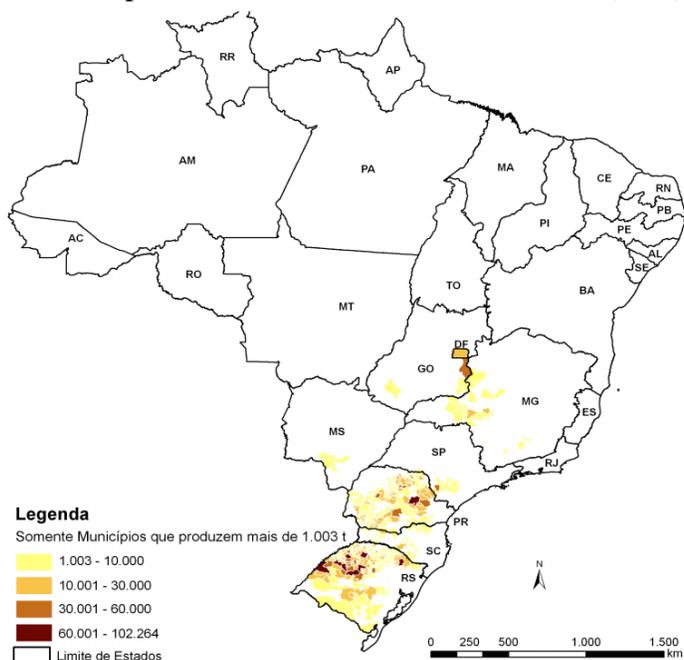
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Report Highlights:

Office of Agricultural Affairs (OAA) staff Brasilia visited the southern Brazilian states of Parana and Rio Grande do Sul July 14-17 to assess the impact of recent flooding on the wheat crop. In Parana, the flooding that occurred in the western part of the state did not have a major impact on the crop, which is primarily grown in the central northern and eastern portions of the state. In Rio Grande do Sul, wheat planting was delayed due to the floods. Both states are concerned about the potential of rains in September and October decreasing the quality of the harvest and low global prices.

Torrential rains in the southern states of Parana, Santa Catarina, and Rio Grande do Sul caused severe flooding in June 2014. Over 50,000 people were forced out of their homes and the damage is estimated at over US\$200 million. In July 2014, the Agricultural Counselor and Agricultural Attaché visited the southern Brazilian states of Parana and Rio Grande do Sul to assess the impact of recent flooding on the wheat crop. Parana and Rio Grande do Sul are the two largest wheat growing states in Brazil and constitute 95 percent of domestic production.

In Parana, the floods caused the most damage on the northwestern part of the state. However, very little wheat is planted in that region. The primary growing areas are in the central northern and eastern regions of the state. The Ministry of Agriculture, Livestock and Food Supply (MAPA) estimates the wheat crop in Parana at 3.8 million metric tons (mmt), which accounts for over half of the total



Wheat Production in Brazil Source: CONAB/IBGE

estimated domestic crop. Some contacts thought that the harvest could reach 4 mmt, assuming good weather. The main concern for this year's crop is that too much rain could affect the quality of the wheat during the harvest from September to December. There is also a potential for fungus to spread if the conditions remain wet. The planting window ended on July 20 for the state, similar to previous years.

In Rio Grande do Sul, the main problem caused by the flooding was delayed planting in the north-central and northwestern regions of the state. The government of Brazil (GOB) extended the planting window until July 31 so that producers could still be covered by crop insurance for losses due to the severe rains. It is estimated that 15 percent of the total planned area planted had problems with seeds and

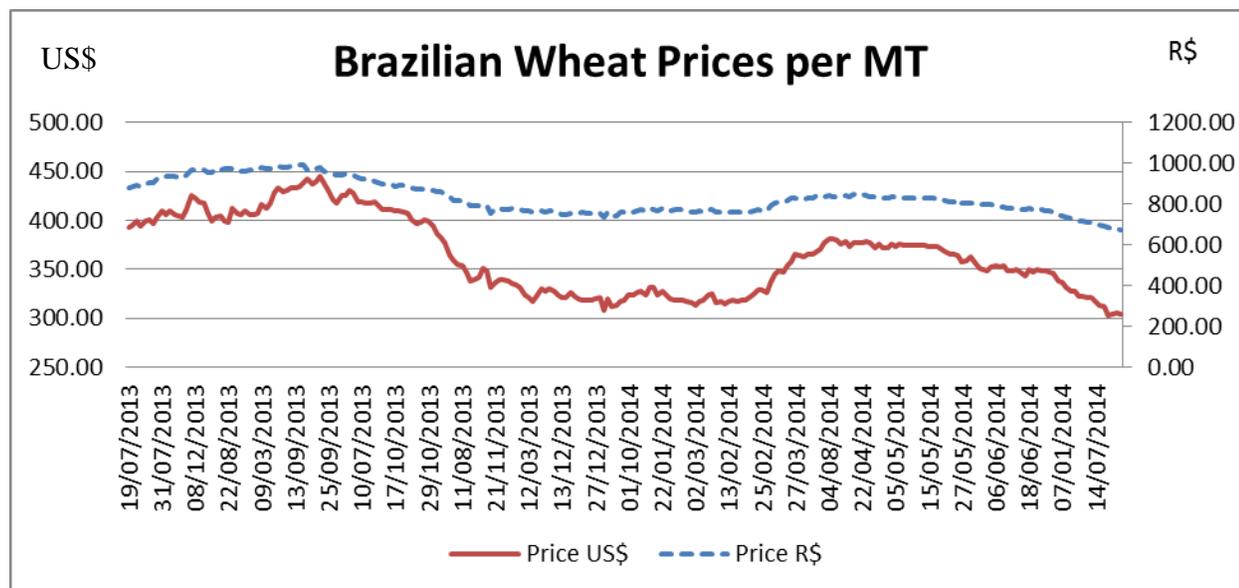
fertilizers washing away, which could impact the yield. In meetings with MAPA representatives, they noted that their current estimate (2.9 mmt) for Rio Grande do Sul does not take into account the impact of the delayed plantings.

Both states are worried about rains in the coming months affecting the quality of the crop. Low global wheat prices are also a concern, as Brazil needs to import over 60 percent of its wheat supply to meet demand and producers are worried about competition with international prices. Fearing a limited supply could result in higher bread and flour prices during an election year, the GOB reduced the Common External Tariff (TEC) on non-Mercosul wheat from ten to zero percent between June 23 and August 15 on 1 mmt. However, the low global prices are creating competition for domestic wheat and keeping prices down, yet the costs of inputs, transportation and taxes have remained the same. Prices have dropped by 19 percent since April. To remedy this, on July 16 the GOB increased the minimum price for government intervention 7 and 5 percent in Parana and Rio Grande do Sul, respectively (R\$695 and R\$545; US\$315 and US\$247). Furthermore, in an effort not to repeat the problems in 2013, when the

combination of a bad crop in Argentina and economic instability caused Argentina to cancel shipments and drop out of the market, millers have stocked up on North American wheat, mostly of U.S. origin, to ensure there is no lapse in supply. This is likely to affect the market in the coming months.

WHEAT 2014									
COMPARISON OF AREA, YIELDS, AND PRODUCTION									
CROPS 2013 e 2014									
REGION/STATE	AREA (1000 ha)			YEILD (kg/ha)			PRODUCTION (1000 t)		
	Crop 2013 (a)	Crop 2014 (b)	VAR. % (b/a)	Crop 2013 (c)	Crop 2014 (d)	VAR. % (d/c)	Crop 2013 (e)	Crop 2014 (f)	VAR. % (f/e)
CENTRAL WEST	17.6	20.8	18.2	3,386	3,649	7.8	59.6	75.9	27.3
Mato Grosso do Sul	8.5	11.0	29.4	900	2,200	144.4	7.7	24.2	214.3
Goias	7.3	8.0	9.4	5,390	5,116	(5.1)	39.3	40.9	4.1
District Federal	1.8	1.8	-	7,000	6,000	(14.3)	12.6	10.8	(14.3)
SOUTH EAST	88.1	97.2	10.3	2,390	2,860	19.7	210.6	278.0	32.0
Minas Gerais	36.2	50.5	39.5	3,309	3,280	(0.9)	119.8	165.6	38.2
São Paulo	51.9	46.7	(10.1)	1,749	2,407	37.6	90.8	112.4	23.8
SOUTH	2,104.1	2,509.6	19.3	2,499	2,807	12.3	5,257.7	7,044.6	34.0
Parana	992.8	1,332.0	34.2	1,856	2,890	55.7	1,842.6	3,849.5	108.9
Santa Catarina	72.6	74.3	2.3	3,260	2,910	(10.7)	236.7	216.2	(8.7)
Rio Grande do Sul	1,038.7	1,103.3	6.2	3,060	2,700	(11.8)	3,178.4	2,978.9	(6.3)
CENTRAL SOUTH	2,209.8	2,627.6	18.9	2,502	2,816	12.5	5,527.9	7,398.5	33.8
BRAZIL	2,209.8	2,627.6	18.9	2,502	2,816	12.5	5,527.9	7,398.5	33.8

Source: MAPA/CONAB
 NotE: Estimate for July 2014.



Source: cepea.esalq.usp.br