

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Brazil**

### **Grain and Feed Update**

#### **North American Wheat Fills Up Brazilian Warehouses**

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**Report Highlights:**

2013/2014 wheat production is up eight percent to 4.75 million metric tons (mmt) based on increased profitability at the time of planting. Producers have not realized those profits due to U.S. and Canadian imports that entered the market at a temporary zero percent tariff in the last months of 2013. Planting for the 2013/2014 second crop corn has started, but the area has been reduced by seven percent to 14.7 million hectares due to low global corn prices and high input and transport costs. 2012/2013 rice production is up slightly from the previous year to 7.99 mmt.

**Post:**

Brasilia

## Wheat

Wheat Brazil	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,170	2,170	1,900	1,900	2,200	2,200
Beginning Stocks	1,846	1,846	1,748	1,748	1,002	1,002
Production	5,800	5,800	4,380	4,380	4,750	4,750
MY Imports	7,338	7,338	7,358	7,358	7,700	7,700
TY Imports	7,052	7,052	7,548	7,548	7,700	7,700
TY Imp. from U.S.	108	108	1,278	1,278	0	0
Total Supply	14,984	14,984	13,486	13,486	13,452	13,452
MY Exports	2,036	2,036	1,584	1,584	500	500
TY Exports	1,860	1,860	1,753	1,753	500	500
Feed and Residual	500	500	200	200	600	600
FSI Consumption	10,700	10,700	10,700	10,700	10,800	10,800
Total Consumption	11,200	11,200	10,900	10,900	11,400	11,400
Ending Stocks	1,748	1,748	1,002	1,002	1,552	1,552
Total Distribution	14,984	14,984	13,486	13,486	13,452	13,452

1000 HA, 1000 MT, MT/HA

**Wheat Supplies:** Post estimates are in line with USDA official estimates for 2013/2014. Production is up eight percent to 4.75 million metric tons (mmt). Area is up approximately 14 percent to 2.2 million hectares (HA) from the previous year based on increased profitability at the time of planting. However, Brazilian farmers are not seeing the expected favorable prices due to imports of North American wheat, which is now filling storage facilities. Although wheat prices are down, much of the Brazilian wheat is not yet being absorbed into the Brazilian market. The price of domestic wheat, including all taxes and shipping, is only slightly less than U.S. wheat. One report stated that by the time one ton of wheat from the state of Rio Grande de Sul reaches a miller in Sao Paulo it cost R\$820 (US \$356). The same ton of U.S. wheat would cost R\$880 (US \$382) once it reaches the same miller in Sao Paulo.

A large portion of the domestic wheat is stranded in producers' warehouses and will soon compete for space with corn and soy, which will begin to come online at the end of January. Usually, the imported – typically Argentine – wheat is blended with the domestic wheat at a ratio of approximately 60/40 to achieve desired baking qualities. The ratio depends on to the quality levels of the domestic and imported wheat. This year, with the U.S. wheat, it's being blended at about 70/30 to meet millers' baking specifications, while further reducing the demand for the domestic supply. The industry has asked the Ministry of Agriculture, Livestock and Food Supply (MAPA) for help in the form of temporarily suspended taxes, but the government stated that it will only help if prices fall below the minimum.

2013/2014 ending stocks are forecast to increase 35 percent to 1.55 mmt, which will help to rebuild supplies after 2012/2013 saw the lowest stocks since 2003.

**Wheat Trade:** MY 2013/2014 imports are forecast to rise five percent to 7.7 mmt based on increased demand for wheat-based products. In January, Argentina announced that it would authorize 1.5 mmt of wheat for export; 500,000 mt now, and 1 mmt released throughout the year to ensure adequate domestic supply in Argentina. The first Argentine shipments are expected to arrive in Brazil in early February. Prior to 2013, Argentina filled most of Brazil's import demand for wheat, but a poor crop due to bad

weather, combined with restrictive export policies in 2013, forced Brazil to fill the gap in demand with wheat from the United States and, to a lesser extent, Canada. To encourage North American exports, Brazil temporarily reduced the Common External Tariff (TEC) for non-Mercosul countries from ten percent to zero percent through the end of 2013. Buyers took advantage of the reduced TEC and filled storage facilities, leaving the Brazilian wheat little space on the market. Some Brazilian buyers are waiting to see if prices drop further before purchasing the recently released Argentine wheat, knowing that an additional 1 mmt will be released later.

MY 2013/2014 exports are down sharply, nearly 1 mmt, to 500 tmt from 2012/2013. The excess supply of wheat has prices down, but not below the minimum price at which the government could intervene to provide incentives to export. Exports are primarily low quality feed wheat that is shipped to Africa. Global wheat production is expected to be a record in 2013/2014, which will likely keep downward pressure on prices for the rest of the year. Between October and December 2013, Brazil exported only 9,000 mt, compared to 383,000 mt during the same period last year.

**Wheat Consumption:** Consumption is forecast to increase by four percent from the previous year to 11.4 mmt, despite higher prices paid by the consumer. Flour increased in price by 47 percent in 2013. However, wheat prices are dropping in 2014 due to ample supplies in the both the domestic and global markets. Brazilian families spend about 2.2 percent of their household income on wheat based products.

The cracker/cookie sector saw profits grow by 8-10 percent in 2012 and it 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. Bunge, which recently bought a milling facility in Minas Gerais that has the capacity to mill between 150,000 to 200,000 mt per year, announced that it would invest US \$350 million over the next five years on additional mills in Rio de Janeiro and the Northeast. Bunge currently processes about 15 percent of the wheat in Brazil.

## Corn

Corn Brazil	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

<b>Area Harvested</b>	15,200	15,200	15,800	15,800	14,700	14,700
<b>Beginning Stocks</b>	10,276	10,276	9,210	9,210	14,010	13,090
<b>Production</b>	73,000	73,000	81,000	81,000	70,000	70,000
<b>MY Imports</b>	771	771	800	880	800	800
<b>TY Imports</b>	937	937	871	871	800	800
<b>TY Imp. from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	84,047	84,047	91,010	91,090	84,810	83,990
<b>MY Exports</b>	24,337	24,337	25,000	26,000	20,000	21,000
<b>TY Exports</b>	12,674	12,674	26,044	26,044	21,000	21,000
<b>Feed and Residual</b>	43,000	43,000	44,000	44,000	46,000	46,000
<b>FSI Consumption</b>	7,500	7,500	8,000	8,000	9,000	9,000
<b>Total Consumption</b>	50,500	50,500	52,000	52,000	55,000	55,000
<b>Ending Stocks</b>	9,210	9,210	14,010	13,090	9,810	7,890
<b>Total Distribution</b>	84,047	84,047	91,010	91,090	84,810	83,890
1000 HA, 1000 MT, MT/HA						

**Corn Production:** In 2013/2014, farmers are expected to reduce the amount of “safrinha” corn (second crop corn) grown due to low profitability this year, switching instead to cotton or wheat. Planting of the safrinha corn has already begun in Mato Grosso. Analysts are suggesting that production will decrease by about eight percent based on low global corn prices and high input and transport costs, but that percentage could go down if corn prices increase during the soybean harvest.

**Corn Trade:** Post increased MY 2012/2013 exports 1 mmt to 26 mmt based on higher demand from Vietnam at the end of calendar year 2013. 2013/2014 exports are forecast at 21 mmt, down 19 percent from the previous year, based on a smaller crop. Post increased MY 2012/2013 imports 80,000 mt, based on the pace of shipments.

**Corn Exports to China:** In November 2013, Brazil signed an SPS agreement with China to export corn. Despite the Ministry of Agriculture, Livestock and Food Supply (MAPA) asserting that exports could begin immediately, MAPA must first identify eligible exporters who can meet the specific sanitary and phytosanitary (SPS) requirements before corn shipments to China can commence. MAPA hopes to publish this list as soon as possible.

**Corn Logistics and Transport:** The infrastructure problems are expected to continue through 2014. There are several large projects underway, but funds and labor are being focused on infrastructure for the World Cup and 2016 Olympics. Post expects that reduced corn exports in 2013/2014 will put slightly less pressure on infrastructure than last year. This will somewhat reduce competition for trucks between soybeans and corn and marginally lessen congestion on the highways, but major port delays are still anticipated.

There have been some procedural improvements at the port of Paranagua aimed at reducing the logistical bottlenecks that were seen last year. These improvements should make soybean exportation less onerous and include a restriction on corn shipments after January 15 in order to allow the soybean harvest to get transported, loaded, and shipped. This restriction will be lifted later in the year, and corn exports at the port of Paranagua will resume.

There have not been any significant structural improvements (i.e. expanded ports, wider roads, more rails, etc...) in 2012/2013, though many are in the works for 2015 and beyond. There have been a lot of

media reports on infrastructure projects that could help alleviate the pressure on the export infrastructure. For example, the “Dream Highway” that runs from the state of Mato Grosso through Bolivia to a port in Chile, was recently opened to much fanfare. However, the road cannot handle large truck traffic at this point. Another example is the North/South railroad project, which is moving forward slowly. Another project, the BR-163 highway, begins in Mato Grosso and goes north to Santarem, Para. Along the way, the road intersects with the Tapajos River (which connects to the Amazon River), where the grains can be barged and shipped. Per news accounts, the road is expected to be finished sometime in 2015 and is currently about 70 percent complete.

**Corn Consumption:** 2013/2014 feed use is expected to increase by four percent due to the growing poultry and swine sectors.

## Rice

Rice, Milled 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	2,427	2,427	2,390	2,390	2,420	2,420
Beginning Stocks	803	803	540	540	680	630
Milled Production	7,888	7,888	7,990	7,990	8,300	8,300
Rough Production	11,600	11,600	11,750	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	700
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	9,230	9,280	9,730	9,630
MY Exports	953	953	700	850	950	925
TY Exports	1,105	1,105	750	850	850	850
Consumption and Residual	7,928	7,928	7,850	7,800	7,950	7,800
Ending Stocks	540	540	680	630	830	905
Total Distribution	9,421	9,421	9,230	9,280	9,730	9,630

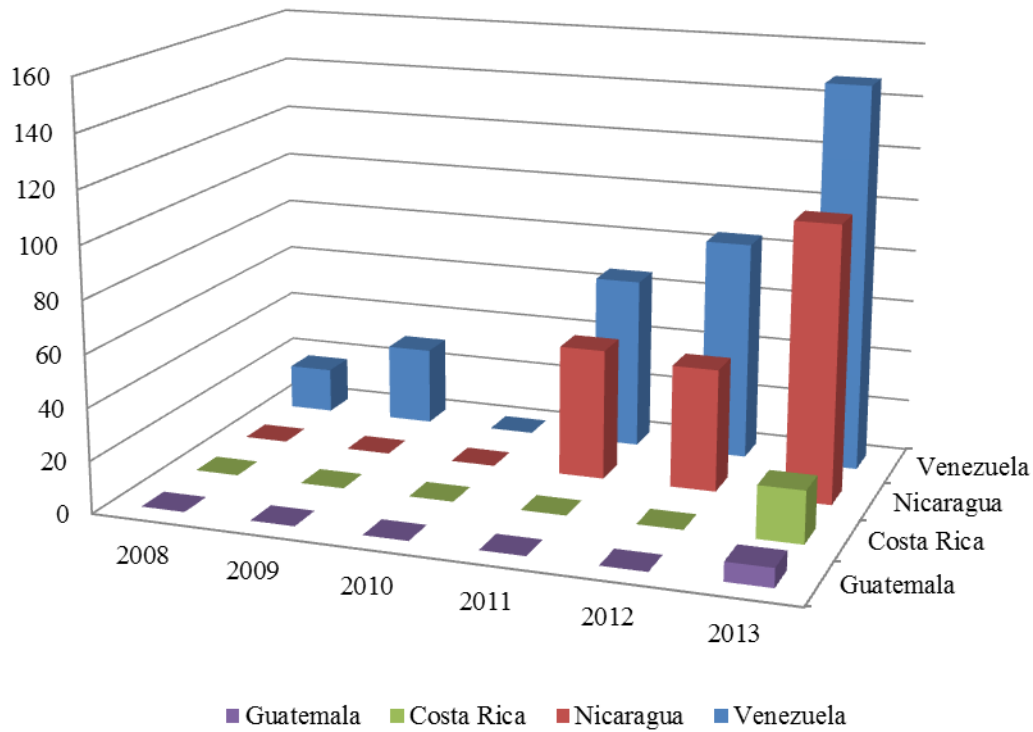
1000 HA, 1000 MT, MT/HA

**Rice Production:** 2012/2013 production is estimated at 7.99 mmt, up marginally from last year. Planting is complete and the weather has been favorable for germination. Production for 2013/2014 is forecast at 8.3 mmt, up slightly from the current year on increased area.

**Rice Trade:** Post estimates 2012/2013 rice exports at 850,000 mt, a ten percent decrease from the record exports in 2011/2012. Brazil exported 280,000 mt of rough (paddy) rice in 2013, most of it shipped to Central America and Venezuela. Industry has stated that it will continue to meet market demands where necessary. For 2013/2014 rice exports are forecast at 925,000 mt, up 75,000 mt on increased production and steady consumption.

**Rice Consumption:** For 2012/2013 and 2013/2014, rice consumption is placed at 7.8 mmt. The decline in rice consumption in the middle class is being partially offset by population growth year to year, but the overall consumption trend continues to fall.

## Brazil Rough Rice Exports by Trade Year (tmt)



### Related Report References:

[October 2013 Brazil Grain and Feed Update – BR0919](#)

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