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Brazil

Grain and Feed Update

Brazilian Corn Exports More than Double Based on Competitive Prices

Approved By:

Clay Hamilton,
Agricultural Counselor

Prepared By:

Katherine Woody,
Agricultural Attaché

Report Highlights:

2016/2017 corn production is estimated at a record 97.7 million metric tons (mmt), a 46-percent increase from the previous year, based on expanded area and improved yields. Brazil's record corn production is expected to lead to record exports, estimated at 35 mmt in 2016/2017, more than double last year's export volume. 2016/2017 milled rice production is estimated at 8.4 mmt, up 16.5 percent from the previous year on higher yields. 2017/2018 wheat production is estimated at 5.15 mmt, down 23 percent from the previous record year due to dry conditions and a mid-season frost.

Corn

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Mar 2016		Mar 2017		Mar 2018	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	16000	16000	17550	17590	17700	17700
Beginning Stocks	7842	7842	6769	6769	9269	10869
Production	67000	67000	98500	97700	95000	95000
MY Imports	3423	3423	500	400	300	300
TY Imports	1566	1566	2350	2350	300	300
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	78265	78265	105769	104869	104569	106169
MY Exports	13996	13996	36000	35000	34000	35000
TY Exports	35382	35382	20500	18900	36000	37000
Feed and Residual	49000	49000	51000	50000	52000	51000
FSI Consumption	8500	8500	9500	9000	9500	9000
Total Consumption	57500	57500	60500	59000	61500	60000
Ending Stocks	6769	6769	9269	10869	9069	11169
Total Distribution	78265	78265	105769	104869	104569	106169
Yield	4.1875	4.1875	5.6125	5.5543	5.3672	5.3672

(1000 HA) ,(1000 MT) ,(MT/HA)

Corn Supplies: 2016/2017 corn production is raised to an estimated record of 97.7 million metric tons (mmt), a 46-percent increase over the previous year, based on expanded area and improved yields due to ideal weather for both the first and second “safrinha” crops. Second crop corn accounted for about two-thirds of total production in Brazil in 2016/2017, and high domestic prices in the last half of 2016 incentivized producers to expand the planted area for “safrinha.” Additional hectares for corn came from shifting area from double-cropped cotton (planted after the soybean harvest in January/February), shifting land use from dairy operations in the south of the country, and a rebound of hectares planted as “safrinha” corn after the timely soybean harvest in January/February 2017.

For 2017/2018, production is forecast to be high at 95 mmt, though slightly lower than this year’s record, with a return to more normal yields. Additionally, 2017/2018 first crop corn area, planted beginning in September 2017, is expected to decline slightly in response to very low current prices for corn and continued expansion of soybean area. However, second crop corn area is forecast to continue to expand with additional area planted after the soybean harvest. This is forecast to result in a small net increase in overall corn area for both first and second crop corn.

Corn Trade: Brazil’s record corn production is expected to lead to record exports in 2016/2017, estimated slightly higher at 35 mmt on the pace of trade, more than double the export volume in 2015/2016. The large supply of corn (and resulting low prices) has made Brazilian corn very competitive in the international market. With a record soybean harvest, farmers have faced a dilemma over the use of limited storage in country. Many farmers use silo bags for short-term on-farm storage and have opted to store soybeans in anticipation of improved prices, while selling corn at break-even prices or even losses. Nevertheless, the record crop is expected to result in higher ending stocks, as farmers and traders will be unable to entirely move the larger volume of supplies into consumption or exports. 2016/2017 imports are estimated down slightly to 400,000 mt due to the record domestic supplies.

2017/2018 exports are expected to remain steady at 35 mmt, with continued growth of second crop corn production, as much of Brazil’s second “safrinha” crop is exported. 2017/2018 imports are expected to remain low, forecasted at 300,000 mt based on large beginning stocks.

Corn Consumption: 2016/2017 consumption is forecast at 59 mmt due to low prices and an abundant crop. Aside from the growing pork and poultry sectors, Brazil is exploring additional uses for its record-setting corn crop, including the inauguration in August of the country’s first corn-only ethanol plant, located in Lucas do Rio Verde, Mato Grosso. The plant is a joint venture between Summit Agricultural Group of the United States and Fiagril Participações of Brazil, and reportedly has the capacity to produce 240 million liters of ethanol each year (from about 585,000 mt of corn, at current processing rates). Brazil has long-focused on production of ethanol from sugarcane, with approximately 360 sugar ethanol plants at present. Meanwhile, corn ethanol currently accounts for less than 1 percent of total production, but it could become an important option for corn producers in Brazil’s Center-West region, where corn production has grown rapidly in recent years. Mato Grosso, the state where the corn ethanol plant is located, accounts for about one-third of Brazil’s total corn production.

Brazil’s Agricultural Minister Blairo Maggi is eyeing expanded corn ethanol production, noting to reporters, “If we had 10 plants like this one, we would be able to absorb about 6 million tons of corn from the market.” However, the [2017 Brazil Biofuels Annual GAIN Report](#) from ATO Sao Paulo explains that corn ethanol potential in Brazil is currently only feasible in Brazil’s corn-producing areas, especially when close to livestock operations, as distiller’s dried grains with solubles (DDGS), a co-product of ethanol production used for animal feed, can increase the profitability of a corn ethanol operation. The major limitation for corn ethanol’s potential in the Center-West region is a low population density and a correspondingly low demand for fuel in general. Nevertheless, a recently formed organization, the Brazilian National Corn Ethanol Association (Unem), aims to promote the increased production of corn ethanol in the country. Unem is headquartered in western Mato Grosso and is being led by the former president of Brazil’s corn and soybean producers association, as well as the vice president of the Brazilian Association of Corn Producers.

Rice

Rice, Milled	2015/2016	2016/2017	2017/2018
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Market Begin Year	Apr 2016		Apr 2017		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Harvested	2010	2010	1983	1980	2100	2000
Beginning Stocks	641	641	308	413	565	713
Milled Production	7210	7210	8382	8400	8000	8000
Rough Production	10603	10603	12326	12353	11765	11765
Milling Rate (.9999)	6800	6800	6800	6800	6800	6800
MY Imports	904	894	550	600	600	600
TY Imports	771	713	600	700	600	600
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8755	8745	9240	9463	9165	9313
MY Exports	547	560	750	750	700	700
TY Exports	641	640	650	750	700	700
Consumption and Residual	7900	7772	7925	8000	7900	8100
Ending Stocks	308	413	565	713	565	513
Total Distribution	8755	8745	9240	9462	9165	9313
Yield (Rough)	5.2751	5.2751	6.2158	6.2389	5.6024	5.8825
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice Supplies: 2016/2017 milled rice production is estimated at 8.4 mmt, up 16.5 percent from the previous year on higher yields. 2017/2018 milled production is forecast at 8 mmt. 2016/2017 ending stocks are forecast to increase 713,000 mt due to higher supplies. For 2017/2018, rice area is expected to be little changed, with low prices and encroachment from livestock grazing discouraging potential expansion. Milled rice production is forecast slightly lower at 8 mmt, on similar area and a return to more normal yields.

Rice Trade: 2016/2017 imports are estimated at 700,000 mt, a similar volume as 2015/2016. Brazil mainly imports from its Mercosul neighbors: Paraguay, Uruguay, and Argentina. 2016/2017 exports are estimated at 750,000 mt, up 34 percent on the pace of trade. 2017/2018 imports are forecast to hold steady at 700,000 mt while 2017/2018 exports are forecast down slightly at 700,000 mt to ensure domestic demand is met.

Rice Consumption: 2016/2017 consumption is expected to remain steady at 8 mmt. Most Brazilians eat rice daily, but with more options for starches, some are eating less rice, offsetting expected consumption increases due to population growth. 2017/2018 consumption is forecast up slightly as the level of domestic stocks is forecasted to fall slightly.

Wheat

Wheat	2015/2016	2016/2017	2017/2018
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Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2450	2450	2120	2000	1950	1900
Beginning Stocks	870	870	996	985	2226	1629
Production	5540	5535	6730	6730	5200	5150
MY Imports	6745	6738	7100	6830	7200	7300
TY Imports	5922	5904	7788	7789	7200	7300
TY Imp. from U.S.	422	470	1321	1269	0	500
Total Supply	13155	13143	14826	14545	14626	14079
MY Exports	1059	1058	700	616	1000	700
TY Exports	1063	1068	608	608	1000	700
Feed and Residual	500	500	800	800	500	500
FSI Consumption	10600	10600	11100	11500	11200	11750
Total Consumption	11100	11100	11900	12300	11700	12250
Ending Stocks	996	985	2226	1629	1926	1129
Total Distribution	13155	13143	14826	14545	14626	14079
Yield	2.2612	2.2592	3.1745	3.365	2.6667	2.7105
(1000 HA) ,(1000 MT) ,(MT/HA)						

Wheat Supplies: 2017/2018 wheat production is estimated at 5.15 mmt, down from the previous estimate due to decreased yields as a result of dry conditions during the season in some producing regions and a mid-season frost in the state of Parana, which produces about 40 percent of Brazil's harvest. This also represents a 23-percent decline from last year's record harvest of an estimated 6.73 mmt.

Wheat Trade: 2016/2017 imports are estimated at 6.8 mmt, unchanged from the last forecast. However, 2017/2018 imports are expected to rise even higher to 7.3 mmt due to decreased domestic production after dry conditions and a mid-season frost harmed domestic yields. Brazil imports higher-quality wheat so that millers can blend it with domestic wheat to achieve the desired quality of flour for use by bakeries.

2016/2017 exports are forecast at 616,000 mt, down slightly from the previous forecast based on the slower pace of sales. 2017/2018 exports are forecast at 700,000 mt, down from the previous forecast on lower domestic production.

Wheat Consumption: 2016/2017 consumption is estimated at 12.3 mmt, based on conversations with FAS contacts and updated statistics from CONAB, Brazil's agricultural statistics agency. 2017/2018 wheat consumption is forecast at 12.25 mmt, down slightly due to the smaller domestic harvest.

Related Report References:

[2017 Brazil Grain and Feed Annual – BR1707](#)

[June 2017 Brazil Grain and Feed Update – BR1710](#)

[2017 Brazil Biofuels Annual – BR17006](#)