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Brazil

Grain and Feed Update

Second crop corn to rebound

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Report Highlights:

2016/2017 wheat production is estimated at 6.7 million metric tons (mmt), up 17 percent from the previous year based on good weather driving better quality. The larger production forced the government to intervene with price supports. 2016/2017 corn production is estimated at 84 mmt, a 20 percent increase from the previous year, due to a return to normal weather. Area is expected to be nearly the same as 2015/2016 at 16.1 mHA, but yields are expected to be much better. 2015/2016 milled rice production is forecast at 7.2 mmt, down 15 percent from the previous year on reduced area. Higher production costs are incentivizing some farmers to switch to other crops.

Post:

Brasilia

Wheat

Wheat Market Begin Year	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2730	2730	2450	2450	2120	2120
Beginning Stocks	1887	1887	870	870	1596	1596
Production	6000	6000	5540	5540	6700	6700
MY Imports	5374	5374	6745	6745	6700	6500
TY Imports	5869	5869	5922	5922	7300	7000
TY Imp. from U.S.	1296	1296	422	422	0	1300
Total Supply	13261	13261	13155	13155	14996	14796
MY Exports	1691	1691	1059	1059	1600	1400
TY Exports	1688	1688	1063	1063	1600	1400
Feed and Residual	300	300	500	500	700	700
FSI Consumption	10400	10400	10000	10000	10800	10400
Total Consumption	10700	10700	10500	10500	11500	11100
Ending Stocks	870	870	1596	1596	1896	2296
Total Distribution	13261	13261	13155	13155	14996	14796
(1000 HA) ,(1000 MT)						

Wheat Supplies: 2016/2017 wheat production is estimated at 6.7 million metric tons (mmt), up 17 percent from the previous year based on good weather driving better quality. The wheat harvest will finish in January with already good yields and quality, but the larger crop also pushed prices down below the minimum and forced the government to intervene with two specific programs:

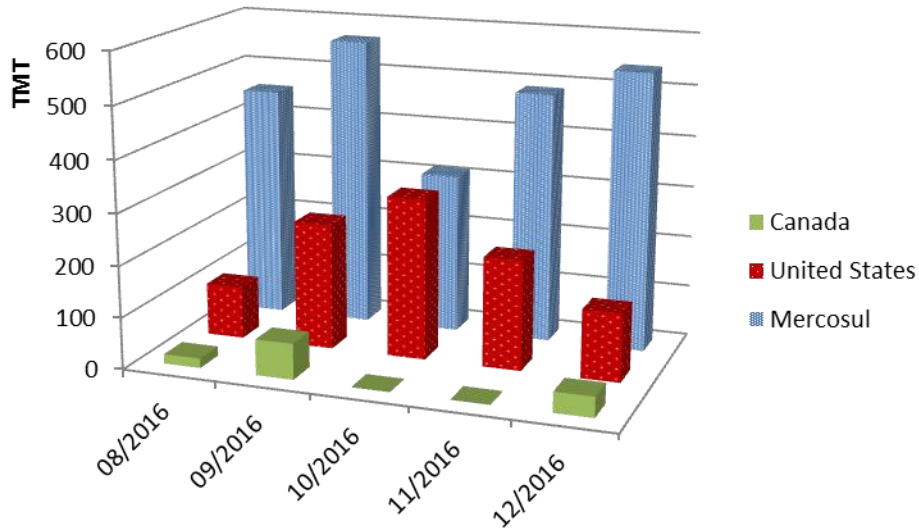
- **Premium for Product Outflow Program (PEP):** Through this program, the government pays the difference between the prevailing market price and the minimum price of the product to the buyers. The objective of PEP is to move commodities from areas of high product concentration to areas of need, typically in the demographically-sparse parts of the North and Northeast regions of the country. However, in addition to the ability to ship the product domestically, PEP participants can also export the product and still receive the premium.
- **The Equalization Premium Paid to the Producer (PEPRO):** PEPRO functions similar to PEP but the premium is granted to the farmer or cooperative which sells the product. The government pays the difference between the market price and the minimum price directly to the producer once the sale has been completed and a proof of sale, either domestically or for export, has been received.

The government announced the use of both PEP and PEPRO to support wheat in November 2016 with an establish limit of R\$150 million (US \$45 million) in support.

Wheat Trade: 2016/2017 imports are forecast at 6.5 mmt, down slightly from the previous year due to higher stocks. There was a strong pace of imports at the end of 2016 due to a demand for higher quality imports, which lead to a large increase in North American imports. Between October and December this year, Brazil imported 658,586 mt of U.S. wheat. Post expects that Brazil will continue to import high quality U.S. wheat. 2016/2017 wheat exports are expected to increase 32 percent to 1.4 mmt tons due to a large supply and government intervention to supplement low prices.

Brazilian Wheat Imports

Aug-Dec 2016



Wheat Consumption: 2016/2017 consumption is up 6 percent to 11.1 mmt. Late in 2016, some pork and poultry producers used wheat to feed their animals due to high corn prices. But as the harvest finished for the first crop corn, prices came down and those farmers will resume using corn for feed.

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	16000	16700	16100
Beginning Stocks	13972	13972	7842	7842	5842	5342
Production	85000	85000	67000	67000	86500	84000
MY Imports	331	331	3000	3000	600	600
TY Imports	534	534	1566	1566	1800	1800
TY Imp. from U.S.	0	0	1	0	0	0
Total Supply	99303	99303	77842	77842	92942	89942
MY Exports	34461	34461	15000	16000	28000	26000
TY Exports	21909	21909	35382	35382	22000	20000
Feed and Residual	48000	48000	48500	48000	49500	49500
FSI Consumption	9000	9000	8500	8500	9000	9000
Total Consumption	57000	57000	57000	56500	58500	58500
Ending Stocks	7842	7842	5842	5342	6442	5442
Total Distribution	99303	99303	77842	77842	92942	89942

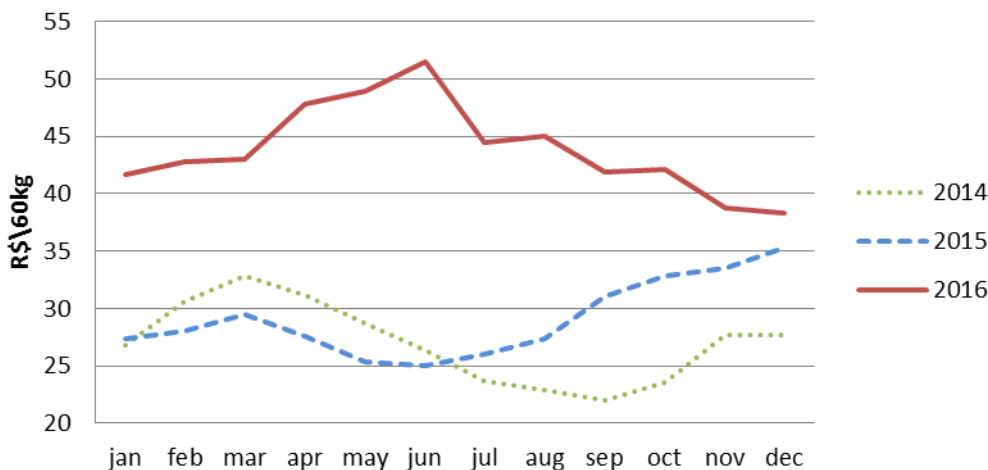
(1000 HA) ,(1000 MT)

Corn Supplies: 2016/2017 production is estimated at 84 mmt, a 25 percent increase from the previous year, due to a return to normal weather. Area is expected to be nearly the same as 2015/2016 at 16.1

mHA, but yields are expected to be much better. In 2015/2016 the rains ended early, severely impacting the second “safrinha” crop corn. It is expected that this year’s second crop will be fully planted by middle of March, so as to maximize the benefits of the seasonal rains and boost yields before the season ends, normally in May.

Corn prices spiked in June due to the poor yields of the second “safrinha” crop, but came back down toward the end of 2016 as the first corn crop was harvested. Prices are now close to where they were last year at this time.

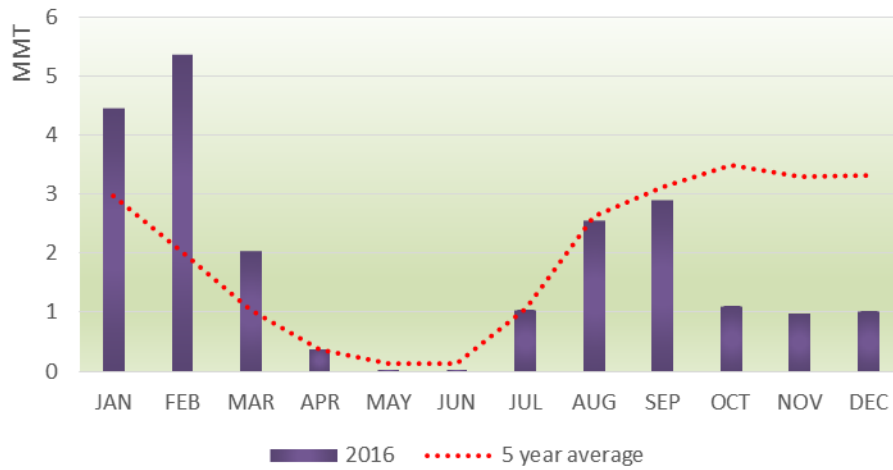
Average Corn Price in Mato Grosso



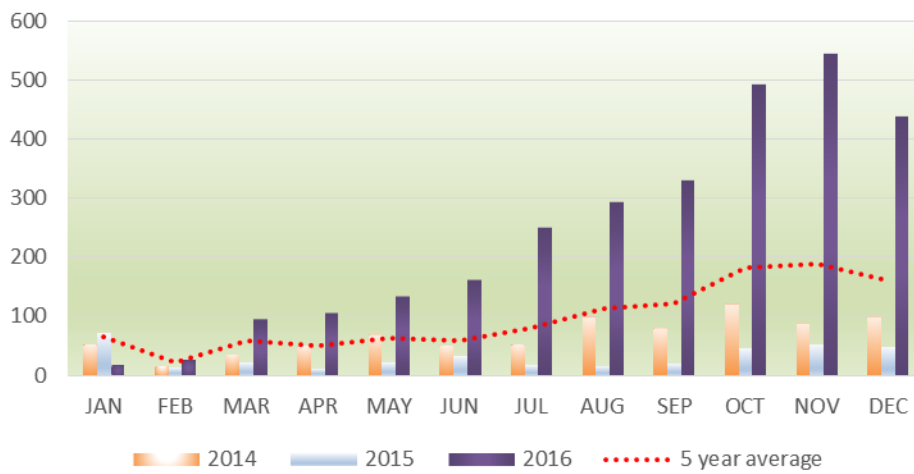
Corn Trade: 2015/2016 corn exports are estimated at 16 mmt, down 62 percent from last year’s record exports due to dry weather affecting yields, with the largest markets being Iran, Vietnam, and Japan. 2015/2016 imports are estimated at a record 3 mmt due to the poor second “safrinha” crop, mainly from Argentina and Paraguay. The last record for imports was 2 mmt in 1985. To increase imports, Brazil reduced the tariff on corn to zero percent through 2016 for non-Mercosul countries. There was an expectation that U.S. corn would enter Brazil en masse, but between January and December 2016, only 532,000 mt were shipped, up only six percent from 2015 when the ten percent tariff was in place. There was an initial delay in approval of U.S. biotech events that coincided with the beginning of the first crop harvest. The tariff returned to ten percent in 2017.

2016/2017 imports are forecast to at 600,000 mt, on a larger crop and better yields than the previous year. 2016/2017 exports are expected to rebound to 26 mmt, on good weather and planting within the ideal window.

Brazilian Corn Exports (mmt)



Brazilian Corn Imports (tmt)



Corn Consumption: 2015/16 consumption is forecast at 56.5 mmt due to higher prices forcing some pork and poultry producers to find alternative feed sources. 2016/2017 consumption is expected to increase three percent to 58.5 mmt on normal weather and a return to corn use as feed.

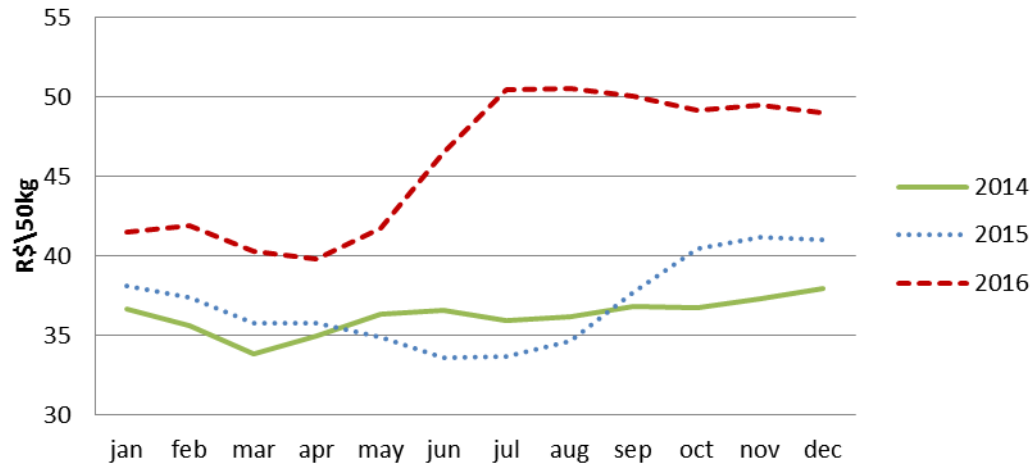
Rice

Rice, Milled Market Begin Year Brazil	2014/2015		2015/2016		2016/2017	
	Apr 2015		Apr 2016		Apr 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2295	2295	2010	2000	1950	2000
Beginning Stocks	639	639	641	641	251	241
Milled Production	8465	8465	7210	7200	7820	7900
Rough Production	12449	12449	10603	10588	11500	11618
Milling Rate (.9999)	6800	6800	6800	6800	6800	6800
MY Imports	393	393	800	900	650	650
TY Imports	363	363	731	731	650	650
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9497	9497	8651	8741	8721	8791
MY Exports	931	931	600	700	600	700
TY Exports	895	895	641	641	650	700
Consumption and Residual	7925	7925	7800	7800	7850	7900
Ending Stocks	641	641	251	241	271	191
Total Distribution	9497	9497	8651	8741	8721	8791

(1000 HA) ,(1000 MT)

Rice Production: 2015/2016 milled rice production is forecast at 7.2 mmt, down 10 percent from the previous year on reduced area. Higher production and input costs incentivized some farmers to switch to other crops. 2016/2017 milled production is forecast at 7.9 mmt on higher anticipated prices. Average annual prices were nearly 30 percent higher in 2016 than in 2015.

Average Rice Price in Parana



2015/2016 stocks are estimated lower at 241,000 mt, of which 30,112 mt are held publicly. This is keeping upward pressure on prices. 2016/2017 stocks are forecast even lower at 191,000mt. The government has a mechanism in place to intervene and purchase public stocks, but only if the price falls below the minimum set price.

Rice Trade: 2015/2016 imports are estimated at 900,000 mt, to meet demand in the face of extremely low stocks. Most imports are of similar quality and type of rice from Brazil's neighbors - Paraguay, Uruguay and Argentina. 2015/2016 exports are estimated at 700,000 mt, a 25 percent reduction from the previous year. Brazil is losing market share in Venezuela and Cuba. This is particularly true in Venezuela, where U.S. rice displaced some of the Brazilian market share in 2016. 2016/2017 exports are forecast to remain the same at 700,000 mt, as Brazil will likely keep its major export markets in West Africa.

Rice Consumption: 2015/2016 consumption is expected to increase slightly to 7.80 mmt due to population growth.

Related Report References:

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

