

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Brazil**

### **Grain and Feed Update**

#### **Second-Crop Corn Production Soars; Export Support and Lower Production Stabilize Rice Prices; Robust Wheat Exports Continue**

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**Report Highlights:**

Post raises its 2011/12 corn production estimate to 64.5 million metric tons (mmt), due to favorable weather and last-minute decisions to increase planted area to second-crop corn. New allocations of government support are bolstering 2011/12 rice exports. The anticipated short supply and high level of exports should stabilize rice prices. Wheat exports have continued strong, also thanks to government support programs.

**Post:**  
Brasilia

**Commodities:**  
**WHEAT**

| Wheat Brazil       | 2010/2011                   |          | 2011/2012                   |          | 2012/2013                   |          |
|--------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
|                    | Market Year Begin: Oct 2010 |          | Market Year Begin: May 2011 |          | Market Year Begin: Oct 2012 |          |
|                    | USDA Official               | New Post | USDA Official               | New Post | USDA Official               | New Post |
| Area Harvested     | 2,150                       | 2,150    | 2,170                       | 2,100    |                             | 2,200    |
| Beginning Stocks   | 1,517                       | 1,517    | 782                         | 782      |                             | 482      |
| Production         | 5,900                       | 5,900    | 5,800                       | 5,700    |                             | 6,100    |
| MY Imports         | 6,665                       | 6,665    | 7,300                       | 7,100    |                             | 7,000    |
| TY Imports         | 6,710                       | 6,710    | 7,000                       | 7,300    |                             | 7,100    |
| TY Imp. from U.S.  | 405                         | 405      | 0                           | 700      |                             | 400      |
| Total Supply       | 14,082                      | 14,082   | 13,882                      | 13,582   |                             | 13,582   |
| MY Exports         | 2,500                       | 2,500    | 2,000                       | 1,800    |                             | 1,500    |
| TY Exports         | 2,539                       | 2,539    | 2,000                       | 1,820    |                             | 1,500    |
| Feed and Residual  | 200                         | 200      | 500                         | 600      |                             | 600      |
| FSI Consumption    | 10,600                      | 10,600   | 10,700                      | 10,700   |                             | 10,800   |
| Total Consumption  | 10,800                      | 10,800   | 11,200                      | 11,300   |                             | 11,400   |
| Ending Stocks      | 782                         | 782      | 682                         | 482      |                             | 682      |
| Total Distribution | 14,082                      | 14,082   | 13,882                      | 13,582   |                             | 13,582   |
|                    |                             |          |                             |          |                             |          |

1000 HA, 1000 MT, MT/HA

The 2012/13 forecasted area planted to wheat remains 2.2 million hectares and wheat production remains at 6.1 mmt, the largest production forecast on record.

Since the publication of the [Annual Grain and Feed Report](#) in March 2012, there have been few developments in the wheat market.

**2011/2012 Wheat Supplies:** Wheat production harvested area is estimated at 2.1 million hectares, and production is estimated at 5.7 million metric tons (mmt). Post echoes its earlier reporting that production is anticipated to shift further south in Paraná and gain area in Santa Catarina. The 2011/12 wheat crop planting will commence in May, concentrated primarily in the three southern-most states of Paraná, Santa Catarina and Rio Grande do Sul. At the end of March, the Brazilian Agricultural Research Corporation, EMBRAPA, released a study which indicated that irrigated wheat production in the Center-West should ideally be planted in the April 11-May 31 timeframe.

In anticipation of the planting, agronomists are strongly encouraging wheat producers to conduct soil samples in the aftermath of the drought that struck southern Brazil. As a result of the drought, the soil may contain higher-than-usual nutrient levels, particularly of phosphorous and potassium. The diminished usage of these inputs could reduce production costs and increase wheat producers' profits this season.

Many wheat producers are hedging on a new seed variety: TBIO Tibagi. Adjusted for the growing climate of southern Brazil, TBIO Tibagi offers benefits to both producers and millers: On the one hand, it has a shorter growing cycle and high productivity, and on the other hand it has greater resistance to grain breakage during threshing and provides greater stability. In a growing climate historically characterized as producing inferior domestic wheat quality, TBIO Tibagi is poised to offer gains to both producers and millers. The irrigated wheat of the Center-West, though smaller in harvested area compared with the South, will be primarily used as fortifying wheat (*melhador*). The main fortifying varieties are BRS 254, EMBRAPA 22, and EMBRAPA 42.

**2011/2012 Wheat Consumption:** Wheat food, seed, and industrial (FSI) consumption is estimated at 10.7 mmt, a slight increase from 2010/11. Rising bread consumption is a factor leading to increased domestic wheat consumption. In 2011, the Brazilian Industry Association of Bread Making (ABIP) recorded a 12 percent growth in 2011 and estimates an 11 percent growth in 2012. In contrast to its neighbors Argentina and Chile where bread per capita consumption is 76 kg and 90 kg, respectively, Brazil's bread consumption per capita stands at only 33 kg. Brazil has ample space for bread consumption to expand. As Post anticipates that domestic production will continue to only meet half of the domestic consumption needs, robust wheat imports will continue.

**2011/2012 Wheat Trade:** 2011/12 wheat imports are estimated at 7.1 mmt, three percent below official USDA estimates. Since Brazil has been a net wheat importer for some time, and since domestic wheat production as a function of domestic wheat consumption has remained relatively stable over the years, exports will dictate marginal import gains or losses. 2012 first quarter wheat imports are 28 percent lower than the ten-year average for this period. 2011/12 wheat exports are estimated at 1.8 mmt. 2012 first quarter wheat exports are the second-highest on record, trailing only the 2011 record wheat exports. The Premium for Product Flow (PEP) support program is anticipated to continue to bolster wheat exports.

The Brazilian Government has indirectly taken steps to encourage imports through measures aiming to keep lower consumer prices. On April 17, Congress adopted *Provisionary Measure 552* (2011)—akin to an Executive Order in the United States—extending PIS-Cofins (federal taxes charged on gross receipts) import tariff exemptions for wheat, flour, and bread till the end of the 2012. The exemption for pasta was extended until June 2013. The stated objective is to preserve low retail prices for wheat-derived products. Government studies indicate that this measure will cost R\$813 million (US\$432 million) in 2012 in tariffs foregone and R\$43 million (US\$23 million) in 2013.

**Commodities:**  
**CORN**

| Corn Brazil             | 2010/2011                   |          | 2011/2012                   |          | 2012/2013                   |          |
|-------------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
|                         | Market Year Begin: Mar 2011 |          | Market Year Begin: Mar 2012 |          | Market Year Begin: Mar 2013 |          |
|                         | USDA Official               | New Post | USDA Official               | New Post | USDA Official               | New Post |
| Area Harvested          | 13,800                      | 13,800   | 15,300                      | 14,600   |                             | 16,000   |
| Beginning Stocks        | 9,989                       | 9,989    | 10,285                      | 10,289   |                             | 11,589   |
| Production              | 57,400                      | 57,500   | 62,000                      | 64,500   |                             | 68,000   |
| MY Imports              | 800                         | 800      | 500                         | 800      |                             | 800      |
| TY Imports              | 474                         | 474      | 800                         | 900      |                             | 800      |
| TY Imp. from U.S.       | 0                           | 0        | 0                           | 0        |                             | 0        |
| Total Supply            | 68,189                      | 68,289   | 72,785                      | 75,589   |                             | 80,389   |
| MY Exports              | 8,404                       | 8,500    | 10,500                      | 10,500   |                             | 12,500   |
| TY Exports              | 11,583                      | 11,583   | 9,500                       | 9,000    |                             | 12,500   |
| Feed and Residual       | 42,500                      | 42,500   | 44,500                      | 45,500   |                             | 47,500   |
| FSI Consumption         | 7,000                       | 7,000    | 7,500                       | 8,000    |                             | 8,500    |
| Total Consumption       | 49,500                      | 49,500   | 52,000                      | 53,500   |                             | 56,000   |
| Ending Stocks           | 10,285                      | 10,289   | 10,285                      | 11,589   |                             | 11,889   |
| Total Distribution      | 68,189                      | 68,289   | 72,785                      | 75,589   |                             | 80,389   |
|                         |                             |          |                             |          |                             |          |
| 1000 HA, 1000 MT, MT/HA |                             |          |                             |          |                             |          |

**2011/2012 Corn Supplies:** Corn production area is estimated at 14.6 million hectares, five percent lower than the USDA official estimate. The corn area lost to the December-January drought in the South (particularly the estimated 20 percent corn loss in Paraná's first-crop corn) initially led to lower estimates. Driven by high prices, producers have augmented further the already record area for second-crop corn. Overall in comparison with the 2010/11 second-crop corn, analysts have estimated a 122 percent growth in area planted to second-crop corn in Mato Grosso and a 38 percent growth in area planted to second-crop corn in Paraná. Due to this last minute increase in second-corn planting, and also due to favorable rainfall patterns, Post has significantly raised corn production to 64.5 mmt, 4 percent higher than the USDA official estimate. Second-crop corn yields will continue to be contingent on two factors: (1) the continuation of rain to the grain filling phase, (2) the absence of frost events in Paraná.

**2011/2012 Corn Consumption:** Post raised its feed and residual consumption to 45.5 mmt, two percent higher than the official USDA estimate, due to an anticipated increase in feed consumption. FSI consumption is estimated at 8 mmt. As reported in the 2012 Annual Report on the growing trend of industrial corn processing, a large multinational has recently reported it is investing US\$200 million in a plant in Paraná that will produce corn syrup and corn starch, in addition to producing corn-based pet food and animal feed. The Brazilian middle class is growing rapidly, and its appetite for processed products and soft drinks is driving the market for increased production of corn syrup and corn starch.

**2011/2012 Corn Trade:** Import estimates at 8 mmt have slightly risen. Post is holding export estimates steady at 10.5 mmt. According to reports from the state of Mato Grosso, its corn exports have been low since December, despite the strong global corn prices. Post anticipates that there will be large holdover stocks from the first-crop corn in Mato Grosso moving into the second-crop corn harvest. Mato Grosso continues to consume 2.5 mmt per year.

**Commodities:  
RICE, MILLED**

| Rice, Milled Brazil      | 2010/2011                   |          | 2011/2012                   |          | 2012/2013                   |          |
|--------------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
|                          | Market Year Begin: Apr 2011 |          | Market Year Begin: Apr 2012 |          | Market Year Begin: Apr 2013 |          |
|                          | USDA Official               | New Post | USDA Official               | New Post | USDA Official               | New Post |
| Area Harvested           | 2,833                       | 2,833    | 2,500                       | 2,550    |                             | 2,800    |
| Beginning Stocks         | 550                         | 550      | 800                         | 550      |                             | 250      |
| Milled Production        | 9,300                       | 9,300    | 7,684                       | 8,000    |                             | 9,200    |
| Rough Production         | 13,676                      | 13,676   | 11,300                      | 11,765   |                             | 13,529   |
| Milling Rate (.9999)     | 6,800                       | 6,800    | 6,800                       | 6,800    |                             | 6,800    |
| MY Imports               | 600                         | 650      | 640                         | 700      |                             | 650      |
| TY Imports               | 591                         | 620      | 640                         | 660      |                             | 620      |
| TY Imp. from U.S.        | 0                           | 0        | 0                           | 0        |                             | 0        |
| Total Supply             | 10,450                      | 10,500   | 9,124                       | 9,250    |                             | 10,100   |
| MY Exports               | 1,450                       | 1,550    | 600                         | 1,100    |                             | 1,300    |
| TY Exports               | 1,296                       | 1,350    | 625                         | 1,450    |                             | 1,200    |
| Consumption and Residual | 8,200                       | 8,400    | 8,100                       | 7,900    |                             | 8,100    |
| Ending Stocks            | 800                         | 550      | 424                         | 250      |                             | 700      |
| Total Distribution       | 10,450                      | 10,500   | 9,124                       | 9,250    |                             | 10,100   |
|                          |                             |          |                             |          |                             |          |
| 1000 HA, 1000 MT, MT/HA  |                             |          |                             |          |                             |          |

**2011/2012 Rice Supplies:** As Brazil is in the midst of its rice harvest, and there have been no anomalous weather occurrences recently, rice production area is estimated to hold steady at 2.55 million hectares. Rice production is estimated at 11.8 mmt, four percent higher than USDA's estimate. The 2011/12 rice harvest is 85 percent complete and should finish by mid-May.

**2011/2012 Rice Consumption and Price:** Rice consumption is estimated at 7.9 mmt, 2.5 percent lower than the USDA official estimate. Rice consumption has typically remained stable. However, post anticipates that 2011/12 rice consumption may slightly contract, due to high prices. First, 2011/12 domestic production has plummeted 16 percent from 2010/11. Second, significantly aided by the PEP support program, rice exports have been increasing: Post anticipates this export trend to continue for the remainder of the trade year. These factors will reduce the domestic rice supply available and subsequently strengthen rice prices. Comparing 2011 and 2012 Mar/Apr price data, 2012 rice prices have been 16 percent higher on average.

**2011/2012 Rice Trade:** Rice imports are estimated at 700 thousand metric tons (tmt), nine percent higher than the USDA estimate. In March, Brazil imported 88 tmt, the highest month of rice imports since 2003, and the highest level on record for rice imports in the month of March. All the imports came from Argentina, Paraguay, and Uruguay. Rice exports are estimated at 1.1 mmt, a 41 percent decrease from 2010/11, but a 45 percent increase over previous expectations. Post had not foreseen the implementation of the PEP program for 2011/12, as it appeared evident that the market would be sufficiently robust without PEP. However, on March 20, the Ministry of Agriculture, Livestock, and Food Supply announced the allocation of US\$392 million for rice support programs April through July of 2012. Please see the Annex for more information. Already, rice exports by month for February (70 tmt) and March (139 tmt) have been the highest on record. Post anticipates a record trade year for Brazil's rice exports.

**Annex: MAPA Notice to Allocate Funds to Support Rice in 2011/12**  
**[Link to Original Official Notice in Portuguese](#)**

*Unofficial English Translation:*

**20/03/2012 12:25 Agricultural Policy: THE GOVERNMENT SENDS R\$737 MILLION (US\$392 MILLION) TO GUARANTEE RICE PRICES**

The measure assists the producer states in the country and gives support to the marketing and sale of the product for the 2011/12 harvest

The Minister of Agriculture, Livestock and Food Supply (MAPA), Mendes Ribeiro Filho, announced on Tuesday, March 20, measures of support for the marketing and sale of rice. R\$737 (US\$392) million will be budgeted for the implementation of the Policy to Guarantee the Minimum Price (PGPM) for the product. For this, the ministry will utilize as instruments the AGF, the contract with the option to sell, PEP, and PEPRO.

The PEP/PEPRO auctions will be destined for the marketing and sale of a total of 1 million metric tons (mmt) of rice, distributed in the months of April, May, June and July. For the contract options, 700 thousand metric tons, and for AGF, 320 thousand tons, also distributed among the months of April, May, June and July. All the operations will total 2.02 mmt. By means of these mechanisms, the government hopes to correct the distortions of the prices paid to producers and guarantee a better competitiveness in the market.

The minister emphasized that MAPA is attentive to the sector's liability claims and is resuming its role of being close to the producer, to whatever degree it may be. "These measures are part of government support for this country's rice producers, guaranteeing to support income and minimum remuneration for the harvest," highlighted Minister Mendes Ribeiro Filho. According to him, the measures are a clear example of the regionalization of the ministry, a proof of the new model of agricultural policy that is being created, which aims to be proactive and correct the market. MAPA is also working with a focus on streamlining the marketing and sale of rice, a way of speeding up processes.

Implementation will be done through the National Food Supply Company (CONAB).