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Brazil

Grain and Feed Update

Grain Exports Spurred by Weak Brazilian Currency

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Report Highlights:

2015/2016 wheat production is estimated at 5.6 million metric tons (mmt), but consumption is down slightly due to higher prices. 2014/2015 record corn exports, due to a weak Brazilian currency, are pushing domestic corn prices up. 2014/2015 milled rice production is forecast at 8.4 mmt a slight decrease from the previous estimate due to heavy rains and flooding in the largest rice producing state of Rio Grande do Sul.

Post:

Brasilia

Wheat

Wheat Market Begin Year	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Harvested	2200	2200	2730	2730	2450	2450
Beginning Stocks	1001	1001	1887	1887	870	870
Production	5300	5300	6000	6000	5600	5600
MY Imports	7066	7066	5374	5374	6300	6500
TY Imports	7061	7061	5869	5869	6300	6500
TY Imp. from U.S.	4073	4073	1296	1296	0	500
Total Supply	13367	13367	13261	13261	12770	12970
MY Exports	80	80	1691	1691	1300	1500
TY Exports	81	81	1688	1688	1300	1500
Feed and Residual	600	600	300	300	400	600
FSI Consumption	10800	10800	10400	10400	10000	10000
Total Consumption	11400	11400	10700	10700	10400	10600
Ending Stocks	1887	1887	870	870	1070	870
Total Distribution	13367	13367	13261	13261	12770	12970
(1000 HA) ,(1000 MT)						

Wheat Supplies: 2015/2016 production is estimated at 5.6 million metric tons (mmt), down from the previous year due to heavy rains in the south at the beginning of the season. The quality of the wheat harvest was negatively impacted by heavy rains in the southern region, which will require Brazil to import more high quality wheat this year.

Wheat Trade: 2015/2016 imports are at forecast 6.5 mmt, up 17 percent from the previous year due to lower quality domestic wheat and the need to blend the domestic with higher quality imported wheat to meet baking specifications. Argentina has returned to the market as the largest supply of wheat to Brazil, following two years where they were unable to ship large quantities. It's expected that Argentine imports will continue, especially now that the new government there has eliminated export restrictions on wheat. However, U.S. wheat may still be a viable option for some Brazilian millers, depending on the quality of the Argentine wheat. U.S. imports are typically strongest in July and August. Despite signing an agreement with Russia to import more Russian wheat, none has been exported to Brazil in 2015.

2015/2016 exports are forecast at 1.5 mmt, a slight decrease from the previous year. In December 2015, Brazil exported 337,000 metric tons, mainly to Vietnam, Thailand, and the Philippines. Exports tend to peak between December and April.

Wheat Consumption: 2015/2016 consumption is forecast down at 10.4 mmt, a 1 percent decrease from the previous year. Prices of pastas and crackers are forecast to increase 6% in 2016 due to the strong dollar and inflation, which could further reduce consumption. There have been media reports that two of the largest millers in Brazil, Bunge and M. Dias Branco, colluded to control the price of wheat flour in the domestic markets in the North and Northeast regions of Brazil and are being investigated by the Administrative Council for Economic Defense (CADE).

Corn

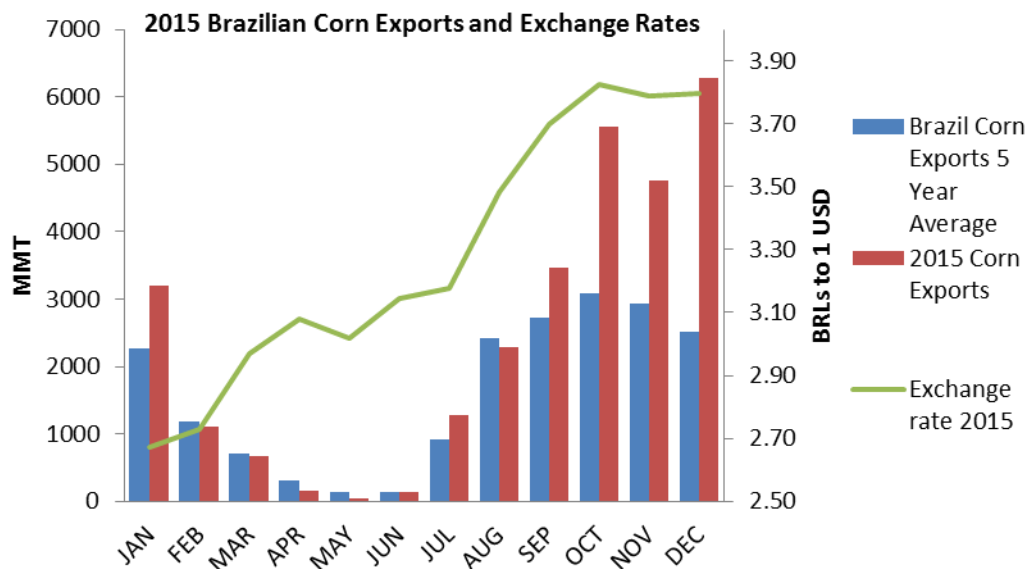
Corn Market Begin Year	2013/2014		2014/2015		2015/2016	
	Mar 2014		Mar 2015		Mar 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Harvested	15800	15800	15750	15750	15800	15800
Beginning Stocks	9150	9150	13972	13972	10072	10072
Production	80000	80000	85000	85000	81500	81500
MY Imports	789	789	600	600	600	600
TY Imports	846	846	534	534	600	600
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	89939	89939	99572	99572	92172	92172
MY Exports	20967	20967	32500	32500	25500	26500
TY Exports	22041	22041	21909	21909	35000	35000
Feed and Residual	46000	46000	48000	48000	50000	49000
FSI Consumption	9000	9000	9000	9000	9000	9000
Total Consumption	55000	55000	57000	57000	59000	58000
Ending Stocks	13972	13972	10072	10072	7672	7672
Total Distribution	89939	89939	99572	99572	92172	92172

(1000 HA) ,(1000 MT)

Corn Production: 2014/2015 production is forecast at a record 85 mmt, due to excellent conditions for the second “safrinha” crop. 2015/2016 production is estimated at 81.5 mmt based on normal weather. A study released by the Mato Grosso Institute of Agricultural Economics (IMEA) projects that corn production in the state of Mato Grosso will double by 2025 to over 70mmt . The study sites advances in technology and farm management, increases in area for the second “safrinha” crop, and improvements in infrastructure as the main drivers of the expansion.

Corn Trade: 2014/2015 corn exports are estimated at a record 32.5 mmt, based mainly on the strong dollar. The dollar appreciated over 30 percent in relation to the Brazilian Real (BRL) in 2015, making exports very lucrative for producers despite low global prices. The strong dollar will continue to incentivize exports into January and February.

2015/2016 exports are estimated at 26.5 mmt, an 18 percent decrease from the previous year’s record, based on a smaller forecast. Due to the economic situation in Brazil and the need for state governments to increase revenue, several corn producing states are considering leveeing an export tax on corn and soybeans.



Source: GTIS

Corn Consumption: 2014/2015 consumption is forecast at 57 mmt with continued, but slowed, growth expected into 2015/2016 at 58 mmt. Because of the weakening Brazilian currency, producers are choosing to sell their grain for export, as opposed to domestic consumption. According to the Brazilian feed industry, the price of corn for domestic use is increasing due to low stocks and is putting pressure on the pork and poultry sectors. If the Brazilian currency continues to weaken into 2015/2016, the expansion of the pork and poultry sector may begin to slow, slowing the pace of domestic corn consumption.

Rice

Rice, Milled Market Begin Year	2013/2014		2014/2015		2015/2016	
	Apr 2014		Apr 2015		Apr 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Brazil						
Area Harvested	2400	2400	2295	2295	2300	2200
Beginning Stocks	528	528	639	639	654	489
Milled Production	8300	8300	8465	8400	8000	8000
Rough Production	12206	12206	12449	12353	11765	11765
Milling Rate (.9999)	6800	6800	6800	6800	6800	6800
MY Imports	530	530	450	450	700	700
TY Imports	586	586	350	400	700	700
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9358	9358	9554	9489	9354	9189
MY Exports	819	819	1000	1000	900	900
TY Exports	852	852	850	900	800	800
Consumption and Residual	7900	7900	7900	8000	7900	7900
Ending Stocks	639	639	654	489	554	389
Total Distribution	9358	9358	9554	9489	9354	9189

(1000 HA) ,(1000 MT)

Rice Production: 2014/2015 milled production is forecast at 8.4 mmt a slight decrease from the previous estimate due to heavy rains and flooding in the largest rice producing state of Rio Grande do

Sul. Initial reports forecasts losses of up to 15 percent of the crop in the state, but favorable weather following the floods helped to reduce the anticipated losses to an estimated 4 percent. 2015/2016 milled production is forecast down to 8 mmt due to increased input costs, like irrigation and electricity, which have increased in 2015.

Rice Trade: 2014/2015 imports are estimated at 450,000 mt in line with yearly trends. 2014/2015 exports are estimated at 1 mmt, up 18 percent from the previous year on a strong dollar incentivizing exports.

Rice Consumption: 2014/2015 consumption is forecast at 8 mmt, up slightly from the previous year. Brazilians of all class traditionally consume rice daily, so the economic downturn will not likely cause a large increase in rice consumption, but it will reduce the amount of wheat-based products consumed.

Related Report References:

[2015 Brazil Grain and Feed Update – BR0981](#)

[2015 Brazil Grain and Feed Annual – BR0964](#)