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## **Brazil**

### **Grain and Feed Update**

#### **U.S. wheat maintains strong presence in 2014, representing nearly half of all Brazilian wheat imports**

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**Report Highlights:**

For the second year in a row, U.S. wheat constituted nearly half of all Brazilian wheat imports. 2014/2015 corn production is forecast at 76 million metric tons (mmt), but producers are concerned about the second “safrinha” crop getting in the ground before the planting window closes. 2014/2015 rice production is forecast up two percent on increased area, but Brazil is concerned that the United States’ potential closer ties with Cuba will cut into its export market share.

**Post:**

Brasilia

**Commodities:**

Corn, Wheat, Rice

## Wheat

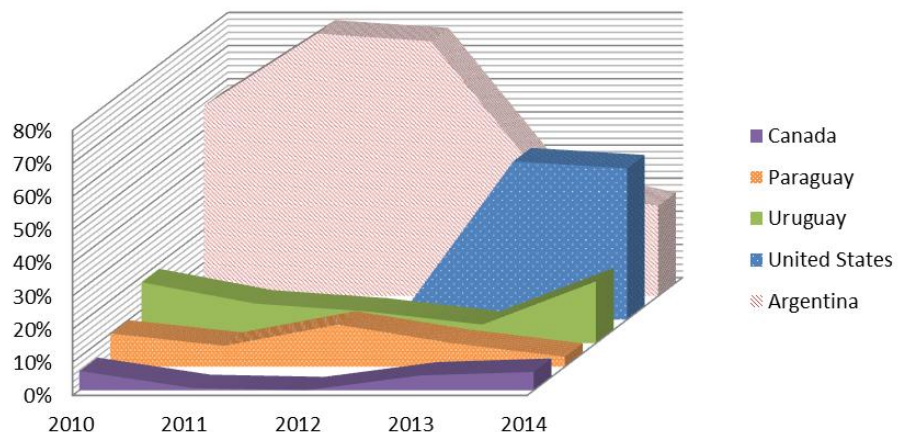
Wheat Market Begin Year Brazil	2012/2013		2013/2014		2014/2015	
	Oct 2012		Oct 2013		Oct 2014	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	1,900	1,900	2,200	2,200	2,600	2,600
Beginning Stocks	1,748	1,748	1,001	1,001	1,867	1,917
Production	4,380	4,380	5,300	5,300	6,300	6,300
MY Imports	7,357	7,357	7,066	7,066	7,000	7,000
TY Imports	7,547	7,547	7,061	7,061	7,000	7,000
TY Imp. from U.S.	1,278	1,278	4,134	4,134	0	2,000
Total Supply	13,485	13,485	13,367	13,367	15,167	15,217
MY Exports	1,584	1,584	100	50	1,000	1,000
TY Exports	1,753	1,753	81	81	1,000	1,000
Feed and Residual	200	200	600	600	1,000	1,000
FSI Consumption	10,700	10,700	10,800	10,800	11,300	11,300
Total Consumption	10,900	10,900	11,400	11,400	12,300	12,300
Ending Stocks	1,001	1,001	1,867	1,917	1,867	1,917
Total Distribution	13,485	13,485	13,367	13,367	15,167	15,217

1000 HA, 1000 MT, MT/HA

**Wheat Supplies:** 2014/2015 production is forecast at a 6.3 million metric tons (mmt), up 15 percent from the previous year, but down substantially from initial estimates of over 7 mmt. This is due to a series of weather events affecting the primary producing state - too much rain, freezing temperature, excessive heat, hail, etc. Normally, Rio Grande do Sul is the largest wheat producing state with over half of domestic production, but due to the weather issues and subsequent disease problems, the state experienced a 56 percent decrease in yields leading to a 52 percent reduction in production. There were issues with the fungus deoxynivalenol (DON). Brazilian millers accept no more than two parts per million (ppm) of DON, and some reports estimate that DON levels could be over that threshold for 67 percent of the wheat crop in the state of Rio Grande do Sul. While there were genetic improvements in terms of meeting domestic baking specifications this year, those benefits were offset by the weather-related poor quality.

**Wheat Trade:** Post estimates MY 2014/2015 imports at 7 mmt as a result of the poor crop. Much of the wheat that has been harvested is not of milling quality and because of this Brazil will need to import more high quality wheat for milling. Argentina may re-enter the market as a main supplier, if the economic uncertainty there is improved and the government continues to

**Brazilian Wheat Import Market Share by Country**



allow exports. So far in 2014/2015 the Argentine government has authorized 2.6 mmt of exports out of a potential 8 mmt of exportable supplies and has sent signals that they may authorize more. The quality of the Argentine wheat is considered average. In CY 2014, Brazil imported 2.64 mmt of U.S. wheat, which was 46 percent of the total market share, down two percent from the previous year.

Post estimates MY2014/2015 exports at 1 mmt, a huge increase from the previous year's exports at only 50,000 metric tons, almost all of which went to Paraguay. The reason for the increase is that in 2013/2014 Brazil didn't have enough wheat for export. This year, as a result of the poor crop, Brazil has a surplus of low quality feed wheat for export that can't be used domestically due to higher than acceptable levels of the DON fungus. While Brazilian millers accept no more the 2 ppm, other countries will accept 3 to 5 ppm. Despite the higher DON concentration, the wheat still has a good gluten content and could be exported.

**Wheat Consumption:** 2014/2015 consumption is forecast to increase 8 percent from the previous year to 12.4 mmt, due to increased feed wheat use from the poor crop. While consumption is up overall, the Brazilian wheat industry is concerned that fad diets, such as the "gluten-free" diet could decrease domestic consumption up to 3 to 4 percent in the future. The industry is working to provide information to the public about the health benefits of wheat in a balanced diet.

## Corn

Corn Market Begin Year Brazil	2012/2013		2013/2014		2014/2015	
	Mar 2012		Mar 2013		Mar 2014	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	15,800	15,800	15,700	15,800	15,000	15,000
Beginning Stocks	9,212	9,212	14,150	14,150	17,750	17,950
Production	81,500	81,500	79,300	79,500	75,000	76,000
MY Imports	886	886	800	800	800	800
TY Imports	871	871	846	846	800	800
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	91,598	91,598	94,250	94,450	93,550	94,750
MY Exports	24,948	24,948	21,500	21,500	19,500	21,000
TY Exports	26,044	26,044	22,041	22,041	22,000	22,000
Feed and Residual	44,500	44,500	46,000	46,000	47,500	46,500
FSI Consumption	8,000	8,000	9,000	9,000	9,000	9,000
Total Consumption	52,500	52,500	55,000	55,000	56,500	55,500
Ending Stocks	14,150	14,150	17,750	17,950	17,550	18,250
Total Distribution	91,598	91,598	94,250	94,450	93,550	94,750

1000 HA, 1000 MT, MT/HA

**Corn Production:** 2014/2015 is estimated at 76 mmt, a four percent decrease from the previous year. The second "safrinha" crop, which constitutes approximately 60 percent of the total crop, needs to be planted by February 20th to ensure that it gets enough moisture by the start of the dry season in May. This year, soybean planting was delayed due to dry conditions in October, and the harvest will be later than normal during the first two weeks of February. The "safrinha" corn crop is planted directly behind the soybean harvest, so if the harvest is further delayed by rains, it could compromise the "safrinha" crop, making planting riskier. Additionally, January has been unusually dry in the Central West region, which could signal an earlier end to the rainy season if the dryness continues into February. Despite the potential for weather concerns, global corn prices have improved somewhat and the strong dollar is incentivizing exports, so a dramatic reduction in production is not expected.

2013/2014 corn production is forecast at 79.5 mmt, a 2 percent decrease from the previous year's record crop.

**Corn Trade:** MY 2013/2014 corn exports are estimated at 21.5 mmt, a 14 percent decrease from the last year's record crop, which was due to near perfect weather for the "safrinha" corn crop. Typically, the first crop corn is used for domestic consumption, while the "safrinha" crop goes to export. While a decrease from the previous year, it's still a good environment for exports. Over half of the sales have been to Iran, Vietnam, South Korea, and Taiwan. Despite China's recently approval of the Syngenta biotech event MIR 162 in December, and the signing of a corn trade agreement between Brazil and China in 2013, there were only 24 thousand metric tons shipped to China in 2014, constituting less than half a percent of all exports. The weaker Brazilian currency is good for exports, but will make purchasing inputs more expensive, which are primarily imported.

MY 2014/2015 exports are estimated at 21 mmt, a slight decrease from the previous year but in line with yearly trends.

**Corn Consumption:** 2013/2014 feed use is expected to increase slightly to 46.5 mmt on the growing poultry and swine sectors. There have been media reports of the corn ethanol gaining momentum due to low global prices over the last two years. In fact, DuPont, Dedini Industries Brazil, and the Argentine firm Porta recently set up a partnership to become a reference point for the supply of technology and equipment for corn ethanol production, signaling that corn ethanol production in Brazil will continue to grow.

## Rice

Rice, Milled Market Begin Year Brazil	2012/2013		2013/2014		2014/2015	
	Apr 2012		Apr 2013		Apr 2014	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	2,390	2,390	2,400	2,420	2,400	2,450
Beginning Stocks	540	540	528	528	728	728
Milled Production	8,037	8,037	8,300	8,300	8,300	8,500
Rough Production	11,819	11,819	12,206	12,206	12,206	12,500
Milling Rate (.9999)	6,800	6,800	6,800	6,800	6,800	6,800
MY Imports	641	641	700	700	700	700
TY Imports	712	712	700	700	700	700
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	9,218	9,218	9,528	9,528	9,728	9,928
MY Exports	840	840	900	900	900	900
TY Exports	830	830	840	800	800	800
Consumption and Residual	7,850	7,850	7,900	7,900	7,900	7,950
Ending Stocks	528	528	728	728	928	1,078
Total Distribution	9,218	9,218	9,528	9,528	9,728	9,928
1000 HA, 1000 MT, MT/HA						

**Rice Production:** 2013/2014 rice production is estimated at 8.3 mmt, a 3 percent increase from the previous year. 2014/2015 production is forecast up 2 percent to 8.5 mmt on increased area. While the rice price is up slightly, growers are concerned that the increasing costs of production will shrink any profit margin seen from increased prices. Another concern for the industry is that the minimum price set by the government is unrealistically low.

**Rice Trade:** MY 2013/2014 imports are estimated at 700,000 mt and exports at 900,000 mt, in line with yearly trends. Brazil is concerned with the United States' recent policy changes to ease trade restrictions with Cuba. The industry is worried that the United States will be more competitive than Brazil due its proximity and lower shipping costs. Cuba constituted 11 percent of Brazil's rice exports in 2014 and was its third largest export market behind Venezuela and Senegal. Brazil recently won a highly contested Iraqi tender of 40,000 metric tons, even though the price was higher than U.S. rice.

**Rice Consumption:** 2014/2015 consumption is forecast at 7.95 mmt, a less than one percent increase from the previous year. With a growing middle class, Brazilians are consuming more meals outside the home, which allows for more options outside of rice. However, population growth is keeping consumption steady with a slight upward trend and offsetting any reductions cause by the growing middle class.

Related Report References:

[2014 Brazil Grain and Feed Update – BR0946](#)

[2014 Brazil Grain and Feed Annual – BR0933](#)