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Required Report - public distribution

Date: 3/28/2013

GAIN Report Number: BR0907

Brazil

Grain and Feed Annual

2013/2014 Forecast: Corn Area Steady with Better Yields, Exports Drop; Modest Rice and Wheat Area Recovery

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Report Highlights:

2013/14 area planted to wheat is forecast to grow by five percent, due to high prices and export prospects in the South. Brazil has announced a duty-free wheat quota of 1 million metric tons (mmt) available April through July, 2013, and perhaps will exempt a further 1-1.5 mmt in June. The United States is well positioned to fill a significant portion of this quota. 2013/14 corn production is forecast at a record 76 mmt, with area expected to hold steady. 2012/13 and 2013/14 corn exports are estimated and forecast at 18 mmt, the second highest levels reported but a 36 percent decrease compared to the record 2011/12 export year. Traders expect the government to provide support for 2-7 mmt of the 2012/13 corn exports. 2013/14 area planted to rice is forecast to grow by five percent due to an upswing in crop rotation patterns. Increased planted area should increase supplies available for export.

Commodities:

WHEAT

Wheat Brazil	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,170	2,170	1,900	1,900		2,000
Beginning Stocks	1,862	1,862	1,734	1,734		834
Production	5,800	5,800	4,300	4,300		5,000
MY Imports	7,308	7,308	7,700	7,400		7,300
TY Imports	7,052	7,052	7,500	7,300		7,100
TY Imp. from U.S.	108	51	0	1,500		1,000
Total Supply	14,970	14,970	13,734	13,434		13,134
MY Exports	2,036	2,036	1,700	1,500		1,500
TY Exports	1,860	1,860	1,700	1,600		1,500
Feed and Residual	500	500	200	400		400
FSI Consumption	10,700	10,700	10,800	10,700		10,700
Total Consumption	11,200	11,200	11,000	11,100		11,100
Ending Stocks	1,734	1,734	1,034	834		534
Total Distribution	14,970	14,970	13,734	13,434		13,134

1000 HA, 1000 MT, MT/HA

2013/2014 Wheat Supplies: The 2013/14 area planted to wheat is projected to expand by five percent, forecast at two million hectares, and wheat production is forecast at 5 million metric tons (mmt). The growth in area planted is forecast to occur exclusively in the southern state of Rio Grande do Sul, leading to increased production. The planted area in the traditional wheat-producing state of Paraná is forecast to hold at its 2012/13 levels. The more favorable economic returns from single season soybean production and corn rotational production, made possible by early maturing soybean varieties, are expected to keep producers in Paraná from returning to wheat production in the near future, despite high commodity prices that look to be temporary.

Some analysts are forecasting that area planted to wheat in Paraná may actually grow, with area increases ranging from six percent to as high as 15 percent. These forecasts are based on current high wheat prices (see Graph 1) and on the fact that the Brazilian Government (GOB) has signaled that it will raise the minimum price for wheat by five percent when it updates the government-supported minimum prices for winter crops in May, 2013. Despite these favorable influences in favor of wheat production, the momentum of corn production, the profit margins from double cropping soybeans and corn, and the higher liquidity for these commodities will likely cause producers to continue to farm soybeans and corn instead of wheat in Paraná.

2013/2014 Wheat Consumption: 2013/14 wheat consumption is forecast to hold at last year's levels of 11.1 mmt. The wheat consumption breakdown is forecast to continue approximately its same pattern: 55 percent for bread consumption; 15 percent for pastries and other niche products; and 15 percent for pasta consumption. The pasta industry, however, is expected to grow by 3.5 percent in 2013, which would slightly alter the consumption pattern. Bread consumption primarily consists of French bread loaves followed by sliced bread loaves. Wheat will also continue to play a minor role as an ingredient for animal feed. Wheat is used as feed depending on the wheat quality and the prices of corn, for which wheat serves as a feed substitute when the price is right.

Improving wheat quality will continue to be a challenge for Brazil in 2013/14. The seed genetics improved in 2012/13, which should have led to better wheat quality. The weather, however, negatively affects the quality. For 2013/14, frosts (characteristic to southern Brazil) and excessive rain which frequently coincide with the harvest are likely to occur.

2013/2014 Wheat Trade: 2013/14 wheat imports are forecast at 7.3 mmt, and exports are forecast at 1.5 mmt. With consumption levels remaining the same, wheat imports will be essential to complement the national production. While it is too early to know what wheat production will be in Brazil's Mercosul partners, particularly Argentina, it is almost certain that Brazil will remove its non-Mercosul import duty of ten percent for a significant quantity of wheat in 2013/14, should regional wheat production experience a shortage. Post is thus forecasting that Brazil will import 1 mmt of wheat from the United States. Due to its traditionally lower wheat quality and geographical proximity to the port of Rio Grande relative to flour mills farther north, the state of Rio Grande do Sul is forecast to export most of its wheat production. 2013/14 wheat exports are not forecast to receive support from the *GOB Premium for Product Outflow Program (PEP)*.

Brazilian flour imports from Argentina will remain contingent on Argentina's export quota issuance policy. Relatively-cheaper Argentine flour imports provoked criticism from the Brazilian milling industry, which maintains that it has been undercut in the market due to higher domestic production costs and the lack of support from the *GOB*.

2012/13 Wheat Supplies: When the 2011/12 production year ended, final area planted to wheat was 1.9 million hectares and wheat production was at 4.3 mmt. Frosts late in the growing season and rains during harvest caused significant (30 percent) wheat crop losses.

2012/13 Wheat Consumption: Wheat consumption is estimated at 11.1 mmt, a slight decrease from 2011/12. In order to move wheat (primarily feed wheat) to the drought-stricken Northeast, the industry is expecting the *GOB* to announce auctions of 500,000 mt of public wheat through the *Value for Marketing Product Program (VEP)*. These wheat auctions will not be eligible for export. The auctions of public wheat are also projected to clean out a large part of the public stocks to make way for the new harvest.

2012/13 Wheat Trade: 2012/13 wheat imports are estimated at 7.4 mmt and wheat exports are estimated at 1.5 mmt. Complementing the Mercosul-origin wheat imports, Brazil has allocated 1 mmt of duty-free wheat, expected to come from non-Mercosul countries, for the April 1 to July 31, 2013 time period. Brazil has already allocated the quota to importers, based on historical import quantities. Much of the industry anticipates that 1 mmt will not be enough, due to the short wheat crop in Argentina, and that Brazil will need to allow a further 1-1.5 mmt quota for non-Mercosul wheat to enter Brazil duty-free. Based on determined needs and regional supplies, the *GOB* would most likely announce further duty-free quota in June, with an import cut-off date in early September as the 2013/14 wheat crop is harvested and enters the market. The industry does not envision further use of the *PEP* program, which, if used, would significantly benefit wheat exports. Wheat is primarily expected to be exported from the port of Rio Grande, in Rio Grande do Sul, where it competes with soybeans and corn for export logistics.

Table 1.1: Brazil Wheat Imports

Brazil Wheat Imports HTS 100110 and 100190 Wheat, Group 60 (2007)			
Partner Country	Quantity (Unit: 1,000 mt)		
	2010	2011	2012
World	6,323.21	5,740.45	6,580.43
Argentina	3,620.68	4,546.38	5,059.95
Paraguay	635.00	363.82	836.26
Uruguay	1,163.60	686.49	628.69
United States	494.01	104.25	54.51
Canada	371.11	39.49	0.99

Source : Secretaria de Comércio Exterior

Table 1.2: Brazil Wheat Flour Imports

Brazil Wheat Flour Imports HTS 1101 Wheat Flour, Group 44 (2007)			
Wheat Equivalent (conversion 1.368)			
Partner Country	Quantity (Units: 1,000 mt)		
	2010	2011	2012
World	871.13	959.60	870.77
Argentina	808.36	897.79	806.32
Uruguay	49.04	45.70	42.19
Paraguay	9.65	13.07	18.72
Canada	2.71	2.04	2.17
Italy	0.19	0.49	0.89
United States	0.00	0.19	0.29
United Kingdom	1.12	0.15	0.10
France	0.04	0.11	0.06
Belgium	0.02	0.05	0.02

Source : Secretaria de Comércio Exterior

Table 1.3: U.S. Wheat Exports to Brazil

U.S. Wheat Exports to Brazil (tons)					
2007	2008	2009	2010	2011	2012
354,000	907,000	218,000	494,000	104,248	54.51

Source : Secretaria de Comércio Exterior

Table 1.4: Brazil Wheat Exports

Brazil Wheat Exports HTS 1001 Wheat, Group 60 (2007)			
Partner Country	Quantity (Unit: 1,000 mt)		
	2010	2011	2012
World	1,324.09	2,350.47	2,404.90
United Arab Emirates	0.00	61.49	349.82
South Africa	135.13	90.85	320.40
Egypt	57.30	185.95	193.19
Spain	0.00	0.00	188.01
Saudi Arabia	0.00	89.16	181.00
Iran	56.69	0.00	152.93
Libya	48.64	112.43	138.98
Algeria	0.00	705.55	134.55
Djibouti	0.00	0.00	119.84
Mauritania	0.00	0.00	100.88
Mozambique	14.00	41.78	98.30
Tunisia	27.25	178.70	87.75
Nigeria	0.00	35.02	80.38
Sudan	0.00	33.99	53.57
Tanzania	0.00	2.00	41.80
Morocco	0.00	85.80	41.36
Portugal	0.00	0.01	33.00
Colombia	38.78	0.00	26.24
Italy	0.00	0.00	25.46

Source : Secretaria de Comércio Exterior

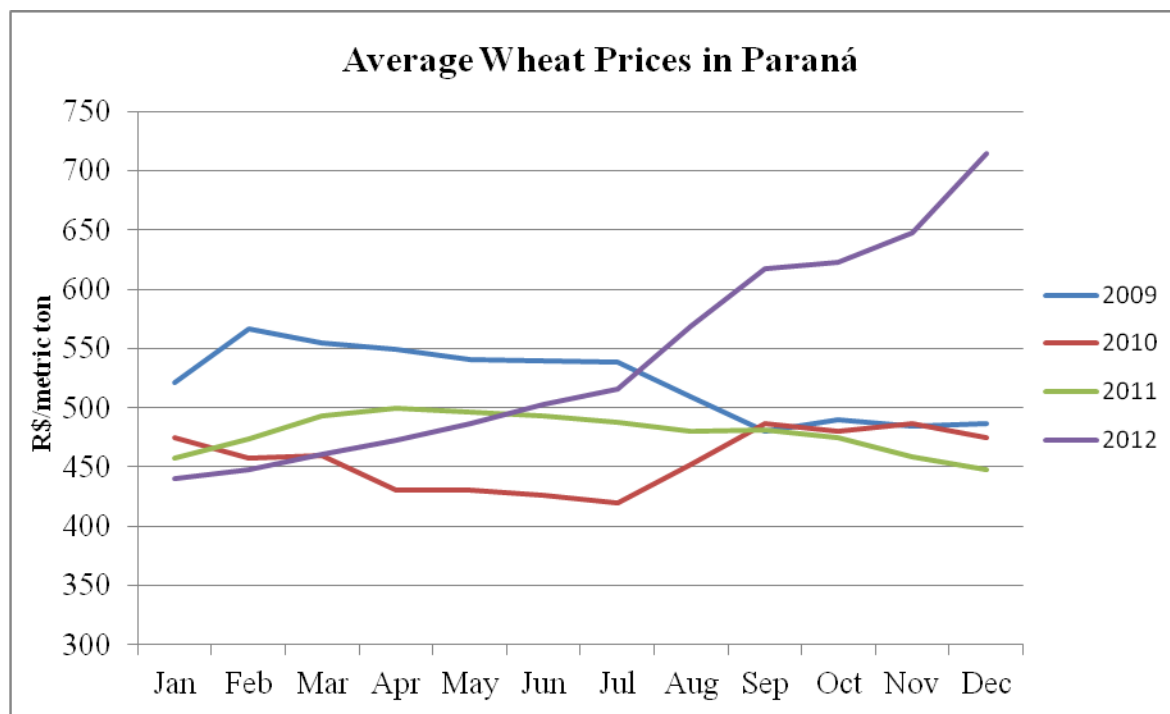
Wheat Prices:

Table 1.5: Brazil Wheat Prices

Monthly Average Wheat Prices in Paraná				
Prices in R\$ per Metric Ton (discounted by the NPR tax)				
Year	2009	2010	2011	2012
Jan	520.95	474.74	457.81	440.54
Feb	566.84	457.22	473.89	447.64
Mar	554.55	460.00	493.59	460.69
Apr	549.00	431.00	499.40	472.41
May	540.50	430.95	496.20	486.87
Jun	540.00	426.00	493.18	503.05
Jul	538.68	420.00	488.19	515.99
Aug	509.10	452.27	480.21	568.48
Sep	480.48	487.14	480.92	617.24
Oct	490.00	480.00	474.28	622.26
Nov	484.00	486.71	458.68	648.13
Dec	486.71	474.29	447.72	714.78

Source: CEPEA

Graph 1: Wheat Prices



Commodities:
CORN

Corn Brazil	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	15,200	15,178	15,500	14,900		15,100
Beginning Stocks	10,276	10,276	9,276	6,952		10,752
Production	73,000	72,731	72,500	74,000		76,000
MY Imports	800	771	800	800		800
TY Imports	937	942	800	800		800
TY Imp. from U.S.	0	0	0	0		0
Total Supply	84,076	83,778	82,576	81,752		87,552
MY Exports	24,300	24,326	19,000	18,000		18,000
TY Exports	12,674	12,685	24,500	20,000		19,000
Feed and Residual	43,000	45,000	45,000	45,000		46,000
FSI Consumption	7,500	7,500	8,000	8,000		8,000
Total Consumption	50,500	52,500	53,000	53,000		54,000
Ending Stocks	9,276	6,952	10,576	10,752		15,552
Total Distribution	84,076	83,778	82,576	81,752		87,552

1000 HA, 1000 MT, MT/HA

2013/2014 Corn Supplies: 2013/14 area planted to corn is forecast at 15.1 million hectares and 2013/14 production is forecast at 76 mmt, a slight increase from 2012/13. 2013/14 area planted to corn is forecast to be about the same with respect to the planted area over the past two years. There have been slight variations in 2011/12 and 2012/13 planted areas due to a drought in the South and delayed second crop corn planting, respectively. Estimated low 2012/13 corn prices are not expected to be a significant influence on 2013/14 planted area, as would be ordinarily expected. The low prices from domestic oversupply—due in large part to logistical challenges for exporting the grain—will stop the momentum of increasing area planted to corn. However, producers are still forecast to plant first season corn and second crop (*safrinha*) corn in the same areas as 2011/12 and 2012/13. Industry has indicated that the first crop corn area does not have much flexibility to decrease. As first crop corn production is directed almost exclusively to meet the domestic needs of swine and poultry producers, it is difficult to reduce the area planted to first crop corn without generating a supply shortage for the swine and poultry industries. With lower prices in 2012/13, in 2013/14 the level of capitalization which farmers will have for investing in quality seed and other agricultural inputs is expected to decrease. This may impact the productivity, especially of the second crop, where traditionally producer investment in the crop has been directly related to commodity prices of the prior season. Area planted to second crop corn could slightly diminish, but for now post forecasts the same area with diminished input investments. Based on the assumption of 15.1 million hectares and normal weather, post is forecasting 2013/14 production at 76 mmt, which will be in line with historic yield trends, and reflects the availability of seed varieties better adapted to the disparate regional climates of Brazil and the fact that Brazil has already approved 18 biotech corn events approved for commercial use.

2013/2014 Corn Consumption: Corn consumption is forecast at 54 mmt, an almost two percent increase from 2012/13, based on projected growth in the feed corn sector, as reported by the Brazilian Feed Industry Association (Sindirações). The forecast 1 mmt of expansion in feed for Brazil, for a total of 46 mmt, reflects the projected 2 percent increase in the poultry sector and a projected 2.5 percent

increase in the swine industry. The feed industry has also projected that aquaculture will grow by 15 percent in 2013/14, though in gross terms the feed demand for aquaculture is still relatively low. 2013/14 corn prices are forecast to be in line with those of 2012/13, i.e. significantly lower than 2011/12 prices. The decrease in price should provide some relief for poultry and swine producers. Both industries have seen a significant impact from the 2011/12 high commodity prices, and many plants have been put out of business in both the South and the Northeast. Other plants have been able to survive the season thanks to government subsidies through the VEP program.

2013/2014 Corn Trade: 2013/14 corn exports are forecast at 18 mmt, and imports are forecast at 800,000 mt. The 2013/14 corn export forecast holds steady with the 2012/13 corn export estimate and may represent an artificial export ceiling imposed by an atrophied and insufficient infrastructure coupled with high soybean exports. Brazil's 2011/12 record corn exports of 24.33 mmt were only possible due to a significantly reduced soybean crop, which eased the country's export logistics. The reduced U.S. corn supplies, due to the drought, also extended Brazil's 2011/12 corn export window, a phenomenon unlikely to recur. With this year's record soybean production and exports, current logistics for corn exports will hit a ceiling of 18 mmt. Imports are in line with historical levels.

2012/13 Corn Supplies: 2012/13 area planted to corn is estimated at 14.9 million hectares and the 2012/13 corn production estimate is raised to 74 mmt, a two percent increase from the official USDA estimate. The last of the second crop corn is being planted in late March and the 2012/13 corn planting will come to a close. As of the publication of this report, traders and the industry are optimistic about the corn harvest, with most estimates ranging between 71 mmt and 76 mmt. Estimated robust second crop corn yields in Mato Grosso and Paraná have outweighed the losses estimated in western Bahia (due to the shortage of rainfall in February), which is still a factor in leading to a 74 mmt estimate.

2012/13 Corn Consumption: 2012/13 corn consumption is estimated at 53 mmt, with feed use estimated at 45 mmt, which is the same as post's 2011/12 feed use estimate. Industry is reporting slightly diminished consumption due to the holdover high prices of commodities.

2012/13 Corn Trade: 2012/13 corn exports are estimated at 18 mmt, and corn imports are estimated at 800,000 mt. Traders anticipate the corn export window to extend from July 2013 through January 2014. Since current corn prices in Mato Grosso are already below the minimum price there (R\$13.02=US\$6.51 per 60 kg bag), the industry is expecting the GOB to use PEP to auction private corn to ensure producers receive the minimum price. Without PEP support, a significant quantity of corn in the Center-West will not be exported at current market prices, as at that price neither would producers sell nor traders buy for export, given the transportation costs. The PEP premium benefits both the producers and the traders, thereby making more corn competitive for the export market. PEP quantities are estimated at 2-7 mmt, and would likely be announced in June for export in July. It is currently estimated that 20 percent of the 2012/13 second crop corn is forward contracted. Given the recent drop in prices, most producers who had not forward contracted are holding off selling their crop as long as they can in hopes that prices will improve.

Export logistics for corn continue to pose a challenge. Almost all of Brazil's corn exports come from the second crop. Despite the fact that increasing amounts of second crop corn are produced in the Center-West of Brazil, an estimated 50 percent of corn is still exported through the port of Santos (in the state of Sao Paulo) and 30 percent of corn is exported through the port of Paranaguá (in the state of

Paraná). The remaining 20 percent is exported from the ports of Rio Grande (in the state of Rio Grande do Sul), Salvador/Ilheus (in the state of Bahia), and only marginally through northern ports, where future expansion is most likely to occur and make a difference. 2012/13 is projected to be the year that illustrates most glaringly the country's gross infrastructure bottlenecks and general inability to export all the grains that are available. Primary factors include truck shortages (exacerbated by the new trucker law limiting the number of hours on the road), the inability of ports to load grain during the rainy season (which has significant overlap with the grain export rush reason), and systemic grain loading inefficiencies at ports. The systemic grain loading inefficiencies are undoubtedly linked to the fact that 53 percent of grains are still arriving to ports on trucks, where the transaction times for unloading smaller quantities place incredible strains on the pace. One industry expert calculated that 2,000 trucks (the equivalent of 66 kilometers of traffic) are needed to fill each ship. This transportation modality is causing incredible truck congestion on roads leading to the ports and record queues of ships outside the ports of Santos and Paranaguá. The other 36 percent of grains are shipped by rail and the final 11 percent by water ways.

Table 2.1: Brazil Corn Imports

Brazil Corn Imports 1005, Corn (Maize)			
Partner Country	Quantity (Unit: 1,000 mt)		
	2010	2011	2012
World	462.54	656.34	830.44
Paraguay	443.06	619.01	824.31
Argentina	18.47	37.01	5.87
United States	0.18	0.32	0.19

Source : Secretaria de Comércio Exterior

Table 2.2: Brazil Corn Exports

Brazil Corn Exports 1005, Corn (Maize)			
Partner Country	Quantity (Unit: 1,000 mt)		
	2010	2011	2012
World	10,818.90	9,486.91	19,801.94
Japan	606.62	734.50	3,049.38
Iran	1,490.64	1,905.67	2,966.92
Korea South	190.60	131.02	2,581.26
Taiwan	1,090.86	1,174.40	1,937.99
Egypt	307.09	446.84	1,846.38
Morocco	958.59	578.74	1,003.98
Saudi Arabia	815.65	369.19	754.35
United States	3.06	2.53	729.39
Malaysia	924.30	567.29	641.17
Dominican Republic	149.73	167.77	610.56
Colombia	752.48	426.57	467.54
Spain	819.36	401.96	385.96
Peru	75.88	149.72	243.53
Cuba	121.27	155.60	230.57
Tunisia	81.89	82.50	215.00
Algeria	294.50	691.96	211.05
Guatemala	0.13	0.00	161.05
Israel	44.21	19.79	159.69
Mexico	1.05	0.34	156.45
Costa Rica	0.00	0.00	154.22
Venezuela	152.69	63.34	152.46
Portugal	405.40	124.29	132.56
Indonesia	445.20	201.20	129.04

Source : Secretaria de Comércio Exterior

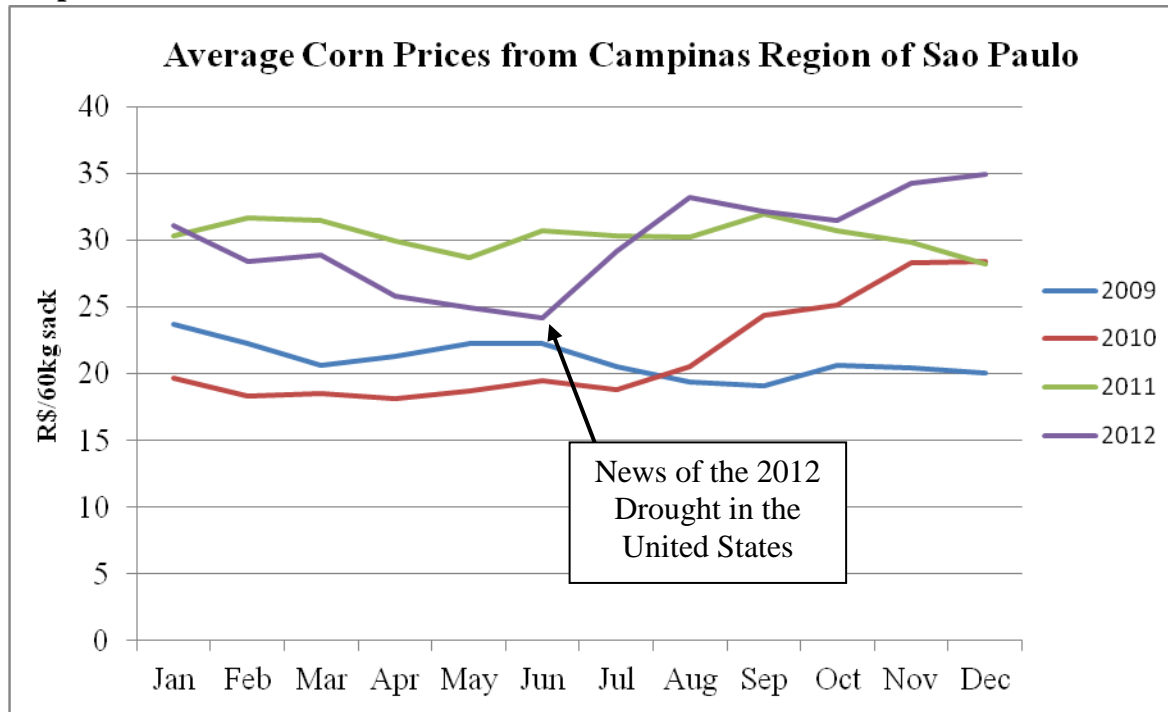
Corn Prices:

Table 2.3: Brazilian Corn Prices

Monthly Average Corn Prices from the Campinas Region of Sao Paulo				
Prices in R\$ per 60 kg bag (discounted by the CDI/CETIP and ICMS taxes)				
Year	2009	2010	2011	2012
Jan	23.67	19.66	30.35	31.08
Feb	22.26	18.35	31.68	28.40
Mar	20.62	18.47	31.44	28.89
Apr	21.29	18.16	29.94	25.83
May	22.25	18.67	28.69	24.91
Jun	22.24	19.43	30.75	24.13
Jul	20.55	18.84	30.31	29.21
Aug	19.42	20.56	30.20	33.23
Sep	19.12	24.36	31.92	32.12
Oct	20.60	25.15	30.75	31.44
Nov	20.41	28.29	29.81	34.23
Dec	20.02	28.36	28.18	34.91

Source: CEPEA

Graph 2: Corn Prices



**Commodities:
RICE, MILLED**

Rice, Milled Brazil	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Apr 2012		Market Year Begin: Apr 2013		Market Year Begin: Apr 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,427	2,450	2,420	2,400		2,520
Beginning Stocks	803	803	391	571		731
Milled Production	7,888	7,888	8,160	8,160		8,500
Rough Production	11,600	11,600	12,000	12,000		12,500
Milling Rate (.9999)	6,800	6,800	6,800	6,800		6,800
MY Imports	750	750	700	700		750
TY Imports	732	740	700	750		700
TY Imp. from U.S.	0	0	0	0		0
Total Supply	9,441	9,441	9,251	9,431		9,981
MY Exports	1,000	970	750	800		1,200
TY Exports	1,105	1,153	800	850		850
Consumption and Residual	8,050	7,900	8,000	7,900		7,800
Ending Stocks	391	571	501	731		981
Total Distribution	9,441	9,441	9,251	9,431		9,981
1000 HA, 1000 MT, MT/HA						

2013/2014 Rice Supplies: 2013/14 rice production area is forecast to grow five percent, reaching 2.52 million hectares, and rough rice production is forecast at 12.5 mmt. Area planted to rice is forecast to expand particularly in Rio Grande do Sul and in Mato Grosso. Two underlying factors will be at play: (i) high rice prices, and (ii) crop rotation. 2013 rice prices have enjoyed high levels in 2013 due to a limited supply and good quality. While rice prices are currently experiencing a decrease during the harvest, the rate of price decline has been much less than in previous years during harvest season. This suggests that high prices will prevail for the remainder of 2013. Producers will be influenced by these prices and will likely expand area planted to rice for 2013/14. In addition, crop rotation in Brazil causes a distinct cyclical pattern in rice planting. Rice producers in Rio Grande do Sul have seen the agronomic benefits to rotating to soybean production in their fields every third or every fourth year. The opposite crop rotation is seen in Mato Grosso, where soybean production is the primary crop and rice serves as a rotation crop every third or fourth year within particular regions of the state. As such, there are some years when a production drop may simply be a reflection of the rice/soybean rotation as opposed to a permanent or intentional shift in crop production. Over the years, rice producers have given such a priority to soybean rotation that the Rio Grande do Sul Rice Institute (IRGA) carries out research and develops soybean varieties targeted for rice producers. 2013/14 rice production is forecast at 12.5 mmt as a result of the increased area planted to rice and to better seed genetics. IRGA has developed three cold-resistant seed varieties which should increase yields in the southern section of Rio Grande do Sul. “Puitá,” an Argentine rice variety developed from IRGA genetics, is proving very popular with rice producers in the South due to its herbicide resistance. “Puitá,” however, doesn’t offer benefits to combat red rice as many of its Clearfield variety counterparts do.

2013/2014 Rice Consumption: 2013/14 rice consumption is forecast to reduce slightly to 7.8 mmt, a 1.5 percent decrease. Rice is forecast to continue as a traditional staple food item throughout Brazil. However, there has been a gradual consumer shift away from rice as more and more members of the population join the middle class and associate rice with the diet of the lower classes. On March 8, 2013,

the GOB handed down Executive Order (MP) 609 which removed the PIS/Cofins tax from the basic basket of food goods, including flour, soy oil and rice. While rice has been exempt from the PIS/Cofins on an ad hoc basis over the past two years, MP 609 makes this change permanent. On its face, this measure should provide certainty to the domestic rice industry. However, as an indirect result, industry analysts expect this measure to make pasta cheaper for consumers and they anticipate that consumers will opt for pasta over rice.

2013/2014 Rice Trade: 2013/14 rice exports are forecast at 1.2 mmt and rice imports are forecast at 750,000 mt. After a relatively slower trade year in 2012/13, the industry expects to have more competitive rice prices that will allow it to reoccupy its role in the global arena as a marginal rice exporter. The increased rice production in Mato Grosso will supply the domestic market and free up supplies in southern Brazil for the export market. The industry expects rice quality to continue to improve, which will enhance the image of Brazilian rice on the global stage. Rice imports are forecast to hover around their historic average of 750,000 mt. Recently, producer groups have applied political pressure through their lobbies to have the GOB enact an import ceiling of 800,000 mt for rice coming from Mercosul countries. With imports historically coming under that ceiling, the proposed measure at present is more political posturing than actual potential trade disruption. Rice production in Mercosul has seen an uptick: Paraguay reportedly had its production increase by 25 percent and reach as high as 700,000 mt.

2012/13 Rice Supplies: The 2012/13 area planted to rice is estimated at 2.4 million hectares. The harvest, which is to conclude in May, is estimated to yield 12 mmt of rough rice. With low stocks and a relatively small harvest, rice producers are enjoying better negotiating power in brokering rice sales. Rice prices have been high (see Graph 3), to the benefit of producers and chagrin of the milling industry.

2012/13 Rice Consumption: 2012/13 rice consumption is estimated at 7.9 mmt, the same amount of 2011/12. Between high commodity prices and the emerging middle class selecting other food sources over rice, rice consumption is estimated to hold constant in 2012/13.

2012/13 Rice Trade: 2012/13 rice exports are estimated at 800,000 mt and rice imports are estimated at 700,000 mt. 2012/13 rice exports are 18 percent lower than 2011/12 rice exports and almost 50 percent lower than 2010/11 exports. Rice prices are currently very high and have rendered Brazilian rice less economically viable in the international export market. Brazil continues to be a broken rice supplier for Western Africa, particularly Nigeria and Senegal. Imports from Vietnam, while small in quantity, have also seen a recent rise in Brazil. 2011/12 rice has not received any export assistance from the PEP program. With current prices well above the minimum price, it is unlikely that 2012/13 rice will have PEP support. From a logistics angle, all of Brazil's rice exports leave from the port of Rio Grande, in Rio Grande do Sul. While the port is not experiencing the same bottlenecks as the ports of Santos or Paranaguá, rice in Rio Grande nevertheless has to compete with soybeans, corn, and other commodities that traditionally receive priority over rice, and hence indirect logistical snafus plague rice exports.

Table 3.1: Brazil Rice Imports

Brazil Rice Imports			
Rice, Group 58 (2007)			
Partner Country	Quantity (Unit: 1,000 mt)		
	2010	2011	2012
World	783.54	621.84	740.37
Argentina	251.02	259.02	281.43
Uruguay	370.63	174.59	229.85
Paraguay	124.28	185.17	204.22
Vietnam	0.25	0.00	19.97
Italy	1.19	2.31	3.18

Source : Secretaria de Comércio Exterior

Table 3.2: Brazil Rice Exports

Brazil Rice Exports			
Rice, Group 58 (2007)			
Partner Country	Quantity (Unit: 1,000 mt)		
	2010	2011	2012
World	430.49	1,350.92	1,152.71
Nigeria	53.51	317.69	221.60
Senegal	140.89	119.21	116.39
Cuba	0.13	42.00	116.02
Venezuela	0.00	66.00	103.42
Sierra Leone	12.28	77.27	98.75
Benin	39.95	30.77	85.40
Switzerland	37.61	40.04	51.07
Gambia	72.95	95.78	50.39
Nicaragua	0.21	50.09	47.03
South Africa	3.71	85.61	43.72
Peru	0.00	13.84	29.94
Iraq	0.00	0.00	28.65
Cote d'Ivoire	0.03	12.95	23.71
Angola	8.24	17.56	19.65
Netherlands	0.46	30.53	19.62
Trinidad & Tobago	3.61	11.84	12.26

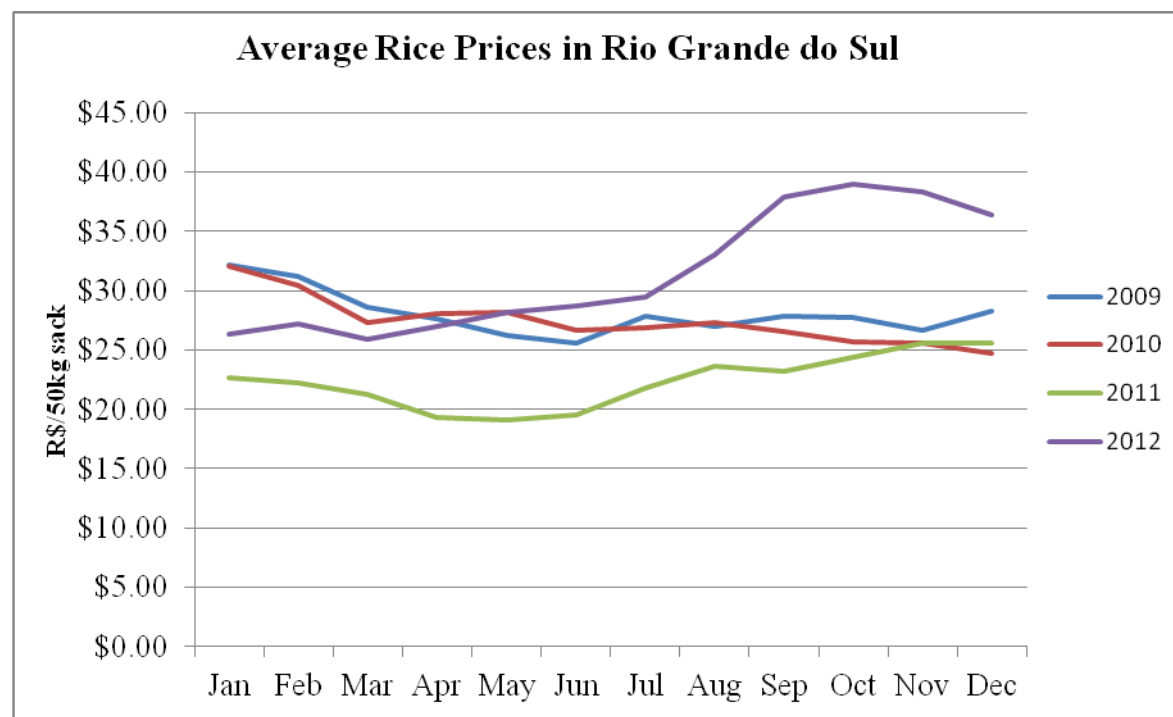
Source : Secretaria de Comércio Exterior

Table 3.3: Brazil Rice Prices

Monthly Rice Prices in Rio Grande do Sul				
Prices in R\$ per 50 kg bag (type 1, Rio Grande do Sul) discounted by the CDI/CETIP tax				
Year	2009	2010	2011	2012
Jan	32.22	32.03	22.63	26.31
Feb	31.23	30.39	22.27	27.17
Mar	28.60	27.35	21.29	25.91
Apr	27.59	28.06	19.33	27.02
May	26.27	28.14	19.08	28.15
Jun	25.61	26.71	19.53	28.70
Jul	27.88	26.90	21.80	29.44
Aug	27.02	27.36	23.58	33.05
Sep	27.89	26.52	23.21	37.93
Oct	27.71	25.65	24.36	38.95
Nov	26.62	25.60	25.57	38.32
Dec	28.25	24.76	25.60	36.35

Source: CEPEA

Graph 3: Rice Prices



Government Support for Commercialization and Export:

As a whole, 2012 was a year of relatively scant government support for the commercialization and exportation of agricultural commodities. Agricultural commodities at large enjoyed high prices throughout the year, rendering irrelevant the majority of government programs contingent on market price triggers. These government support programs become activated when domestic market prices drop below a government-dictated minimum price. The government has the opportunity to update the minimum price once a year, and the price varies by commodity and classification, and by region of the country. Exceptions to this trend of reduced government programs in 2012 were public-sector corn auctions under the VEP and the 2012/Q1 private-sector wheat auctions under the PEP program.

In 2012, corn production received minimal government support. There was no export support for corn.

Post forecasts that in 2013 the GOB will activate the PEP program, starting in June, to facilitate 2 to 7 mmt of corn exports beginning in July. 2012 could have been an indicator for this type of price support, were it not for the drought in the United States. Graph 2 indicates corn price trends as the market reacted to the record corn harvest. Fortunately for Brazilian corn producers, the drought in the United States acted as a countermeasure to reverse the negative price trends.

Table 4.1: Government Support for Corn (Quantity Unit: 1,000 mt)

Program	2007	2008	2009	2010	2011	2012
Acquisition (AGF)	273.3	149.5	587.9	103	1.2	0.0
PEP	1,183.3	599.2	4875.1	11,229	0.0	0
PROP	0.0	531.4	0.0	0.0	0.0	0
PEPRO	3,753.2	0.0	1,295.5	875	0.0	0
Total	5,209.8	1,280	6,758.5	12,208	1.2	0.0
Production	51,369.9	58,863.7	51,003.9	56,100	57,514	72,979.5
Participation %	10%	2%	13%	21.6%	0.0	0.0

Source: Brazilian Ministry of Agriculture/SPA/DEAGRO and CONAB

There were many VEP corn auctions in 2012. The corn came from Mato Grosso, Goiás, and Bahia (in order of quantity). See Table 4.2.

Table 4.2: Government VEP Support for Corn (Quantity Unit: 1,000 mt)

2012 VEP CORN AUCTIONS			
	Auctioned (1,000 mt)	Sold (1,000 mt)	Premium (US\$)
June	120.00	37.72	\$5,375,270
July	54.34	5.97	\$803,808
Aug	131.54	47.44	\$8,892,628
Sept	90.02	44.07	\$7,198,234
Oct	120.01	77.44	\$12,112,109
Total	515.91	212.64	\$34,382,048

There was no government support for rice in 2011/12, in contrast to 2010/11 when the GOB estimated that almost 22 percent of 2010/11 rice production participated in its support programs. Rice exports are likely to have received significant support through the PEP program in 2010/11 but not in 2011/12. See Table 4.3

Table 4.3: Government Support for Rice (Quantity Unit: 1,000 mt)

Program	GOB Year	2007/08	2008/09	2009/10	2010/11	2011/12
Acquisition (AGF)		0.0	0.3	0.0	396.3	0.0
PEP		0.0	0.0	143.0	1,538.2	0.0
PROP		0.0	0.0	0.0	0	0.0
PEPRO		0	0	0	64.4	0.0
Options		0	0	0		0.0
- Round 1					982.8	
- Round 2					385.1	
Total		0.0	0.3	143.0	2,981.7	0.0
Production		12,059.9	12,602.5	12,059.9	13,613	11,599.5
Participation %		0%	0%	1%	21.9%	0%

Source: Brazilian Ministry of Agriculture/SPA/DEAGRO and CONAB

In line with historic trends, the GOB actively supported wheat in 2011/12, subsidizing 37 percent of total production. The GOB also purchased 455,000 mt of wheat to augment public stocks. While it is not forecast that the government will utilize PEP in 2012/13, the industry anticipates that the government will auction approximately 500,000 mt of public stocks through VEP to supply northeastern Brazil. Subsequent government wheat purchases to increase public stocks are expected at some point in the year.

Table 4.4: Government Support for Wheat (Quantity Unit: 1,000 mt)

Program	2007/08	2008/09	2009/10	2010/11	2011/12
Acquisition (AGF)	236.1	21.3	373.8	0.2	445.70
PEP	425.5	1,113.2	3,261.3	1,786	1,594.03
PEPRO	0	0	0	0	86.72
Total	661.6	1,416.9	3,635	1,786.4	2,126.45
Production	2,233.7	4,081.9	5,026	5,881.6	5,788.6
Participation %	29.6%	34.7%	72.3%	30.4%	36.7%

Source: Brazilian Ministry of Agriculture/SPA/DEAGRO and CONAB

Related Report References:

[October 2012 Brazil Grains and Feed Update](#)

[January 2013 Brazil Grains and Feed Update](#)

[U.S. Wheat Opportunity as Brazil Lifts Wheat Import Tariff](#)