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Brazil

Grain and Feed Update

2014/2015 Wheat Crop is Forecast at a Record 7.5 mmt

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Report Highlights:

2014/2015 wheat production is forecast at a record 7.5 mmt, up 30 percent from the previous year. Low global corn prices are expected to reduce 2013/2014 corn exports to 17.5 mmt, a 30 percent drop from last year's record. 2013/2014 rice production is estimated to increase 3 percent to 8.3 mmt.

Post:

Brasilia

Wheat

Wheat Brazil	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: 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	1,801	1,801
Production	4,380	4,380	5,300	5,300	6,300	7,500
MY Imports	7,357	7,357	7,000	7,000	6,500	5,500
TY Imports	7,547	7,547	7,061	7,061	6,500	5,500
TY Imp. from U.S.	1,278	1,278	4,134	4,134	0	1,000
Total Supply	13,485	13,485	13,301	13,301	14,601	14,801
MY Exports	1,584	1,584	100	100	1,000	1,000
TY Exports	1,753	1,753	81	81	1,000	1,000
Feed and Residual	200	200	600	600	600	600
FSI Consumption	10,700	10,700	10,800	10,800	11,300	11,300
Total Consumption	10,900	10,900	11,400	11,400	11,900	11,900
Ending Stocks	1,001	1,001	1,801	1,801	1,701	1,901
Total Distribution	13,485	13,485	13,301	13,301	14,601	14,801

1000 HA, 1000 MT, MT/HA

Wheat Supplies: 2014/2015 production is forecast at a record 7.5 million metric tons (mmt), up 30 percent from the previous year. Producers expected high prices at the time of planting, but prices have dropped 35 percent since June 2014, due to increased global supply. 2013/2014 production is in line with official USDA estimates at 5.3mmt.

The Brazilian Council of Foreign Trade (CAMEX) reduced the Common External Tariff (TEC) on 1 mmt of non-Mercosul wheat from 10 to zero percent between June 23 and August 15, 2014. The move was made based on uncertainty of Argentina's ability to fill Brazil's import demand and the need to control inflation domestically, but it also created a comfortable supply of wheat for millers, pushing prices down even further. Millers estimate a 15 percent decrease in costs compared to last year. The increase in supply from the reduction of the TEC led to lower prices and the need for government intervention.

In response to the estimated record crop and low prices, the government of Brazil (GOB) announced that R\$150 million (US\$67 million) has been allocated through the Premium Equalizer Paid to the Producer (PEPRO) program and R\$200 million (US\$89 million) for the Federal Government Acquisition (AGF) program for wheat. Under PEPRO, the GOB pays producers the difference between the minimum price and the price the wheat is sold. In theory, the producer should receive the payment in about 6 months, but the reality is that it takes much longer. Producers feel that the minimum price is too low and are expected to send a formal letter requesting an increase to the Minister of Agriculture, Livestock and Food Supply. The minimum price in the state of Rio Grande do Sul is R\$557.50 (US\$242.39) per metric ton.

2014/2015 ending stocks are estimated to increase 5 percent to 1.9 mmt due to this year's record production and low global prices.

Wheat Trade: Post estimates 2014/2015 total imports down 21 percent from the previous year to 5.5 mmt, based on higher stocks and a record crop. With the TEC reduced to zero, Brazil imported nearly 1 mmt of U.S. wheat in June, July, and August. However, 2014/2015 imports from outside Mercosul will

be dependent on Argentina's crop and economic policies. The extent of the damage from recent flooding there is still being assessed, but if Argentina is unable to supply the necessary imports, Brazil will likely look again to the United States as its main supplier.

2014/2015 exports are forecast at 1 mmt. Sources state that Algeria could be a main destination for Brazilian wheat, as the Algerian crop was reportedly affected by drought.

Wheat Consumption: 2014/2015 consumption is forecast to increase by 5 percent from the previous year to 11.9 mmt, due to higher demand for wheat-based products from the emerging middle class.

Corn

Corn Brazil	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	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	21,950
Production	81,500	81,500	79,300	79,500	75,000	75,000
MY Imports	886	886	800	800	800	800
TY Imports	871	871	800	800	800	800
TY Imp. from U.S.	0		0		0	
Total Supply	91,598	91,598	94,250	94,450	93,550	97,750
MY Exports	24,948	24,948	21,500	17,500	20,000	22,000
TY Exports	26,044	26,044	22,000	21,000	22,500	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	21,950	17,050	20,250
Total Distribution	91,598	91,598	94,250	94,450	93,550	97,750

1000 HA, 1000 MT, MT/HA

Corn Production: 2014/2015 production is estimated at 75 mmt, down 6 percent from 2013/2014. Farmers are expected to reduce the area of first crop corn in favor of soybeans, due to better margins. This means that the second ("safrinha") corn crop, grown immediately after soybeans, will be higher.

2013/2014 production is estimated at 79.5 mmt tons, a 3 percent decrease from the previous year's record crop. Producers reduced inputs and used lower technology seeds on the second crop, but favorable weather conditions created good yields in the state of Mato Grosso and this year's crop is the second largest in history. The pace of commercialization is much slower this year than in recent years as a result of low global corn prices. Farmers in the state of Mato Grosso are using silo bags to store corn on the farms with the hope of future higher prices. Post estimates that this will increase 2013/2014 ending stocks 35 percent from the previous year to 21.9 mmt.



Silo bags in the state of Mato Grosso, 2014.

Corn Trade: 2013/2014 exports are estimated at 17.5 mmt, a 30 percent decrease from 2012/2013 due to low global prices. Back to back record crops in the United States have pushed prices so low that producers can't make a profit without government intervention. The GOB is expected to use the PEPRO program to subsidize 10 mmt of corn and the AGF program to purchase 1.5 mmt of corn at the minimum price set by the government, although it recently reduced the total amount available for the PEPRO program from R\$500 million (US\$217 million) to R\$300 million (US\$143 million). Some producers are complaining that the minimum price is set too low. In the state of Mato Grosso, the current minimum price for a 60kg sack of corn is R\$13.56 (US\$5.90).

Post estimates 2014/2015 exports at 22 mmt, a 20 percent increase from 2013/2014, due to a large anticipated domestic supply.

Corn Consumption: 2013/2014 feed use is expected to increase by 3 percent on the growing poultry and swine sectors. Despite the low global prices, demand for feed will not increase substantially. I.e. farmers will not feed their animals more just because feed is less expensive. Conversely, if the price were high, the demand for feed would drop.

Rice

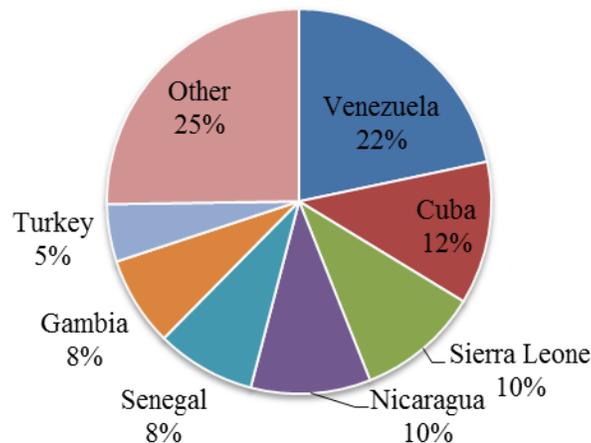
Rice, Milled Brazil	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2013		Market Year Begin: Apr 2014		Market Year Begin: Apr 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,390	2,390	2,400	2,420	2,450	2,450
Beginning Stocks	540	540	528	528	678	728
Milled Production	8,037	8,037	8,300	8,300	8,350	8,500
Rough Production	11,819	11,819	12,206	12,206	12,279	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	
Total Supply	9,218	9,218	9,528	9,528	9,728	9,928
MY Exports	840	840	950	900	900	900
TY Exports	830	830	950	800	800	800
Consumption and Residual	7,850	7,850	7,900	7,900	7,900	7,950
Ending Stocks	528	528	678	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. In the state of Mato Grosso the increased area is attributed to the need to cultivate rice first when converting degraded pastureland for other crops.

Rice Trade: 2013/2014 imports are estimated at 700,000 mt and exports at 900,000 mt, in line with yearly trends. In August, Brazil shipped 31,500 mt of paddy rice to Turkey, despite onerous taxes and transport costs. The rice industry sees this as success in expanding their global market share. The top two destinations for Brazilian rice in 2014 are Venezuela and Cuba with 141,523 and 78,424 mt respectively thus far. These two countries have constituted one third of rice exports between January and August 2014.

Brazilian Rice Exports Jan-Aug 2104 (MT)



Rice Consumption: Consumption remains steady with a slight upward trend due to population growth. Average per person consumption is 41-43 kg per year and has held steady in recent years. Population growth is expected to slightly outpace decreases in per capita consumption.

Related Report References:

[2014 Brazil Grain and Feed Update – BR0937](#)

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