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Brazil

Grain and Feed Update

Second Corn Crop Sees Ideal Conditions and Sets Record for Production

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Report Highlights:
2014/2015 wheat production is estimated at 6.5 million metric tons (mmt), up 18 percent from the previous year due to an 18 percent increase in area based on higher prices at planting. 2014/2015 corn production is estimated at a record 82 mmt, due to an extended rainy season and near perfect weather conditions for the second “safrinha” crop for the fourth year in a row. 2014/2015 rice production is estimated at 8.5 mmt, a 2 percent increase from the previous year due to better than expected weather during the final growing cycle.

Post:
Brasilia

Wheat

Wheat Market Begin Year Brazil	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	2,200	2,200	2,730	2,730	2,600	2,600
Beginning Stocks	1,001	1,001	1,887	1,887	1,187	1,287
Production	5,300	5,300	6,000	6,500	6,500	6,500
MY Imports	7,066	7,066	6,300	6,300	6,500	6,500
TY Imports	7,061	7,061	6,000	6,000	6,500	6,500
TY Imp. from U.S.	4,134	4,134	0	2,700	0	1,000
Total Supply	13,367	13,367	14,187	14,687	14,187	14,287
MY Exports	80	80	1,800	1,800	1,000	1,000
TY Exports	81	81	1,800	1,700	1,000	1,000
Feed and Residual	600	600	300	600	600	600
FSI Consumption	10,800	10,800	10,900	11,000	11,000	11,100
Total Consumption	11,400	11,400	11,200	11,600	11,600	11,700
Ending Stocks	1,887	1,887	1,187	1,287	1,587	1,587
Total Distribution	13,367	13,367	14,187	14,687	14,187	14,287
1000 HA, 1000 MT, MT/HA						

Wheat Supplies: 2014/2015 production is estimated at 6.5 million metric tons (mmt), up 18 percent from the previous year due to an 18 percent increase in area based on higher prices at planting. 2015/2016 production is forecast at 6.5 mmt, in line with yearly trends.

Wheat Trade: 2014/2015 MY imports are forecast at 6.3 mmt, an 11 percent decrease from the previous year which was a poor production year. Argentina has re-entered the market as the main supplier, but the United Stated has maintained a portion of the market shared due to its quality and reliability of shipments. While Mercosul enjoys duty free access to the Brazil market and made up 75 percent of the market between October and May, North American wheat constituted 25 percent of total imports, 21 percent of which was U.S. wheat which included a 10 percent Common External Tax (TEC).

Last year, the TEC was decrease to zero percent between June and August to control inflation in the run-up to the October Presidential election, which greatly benefited North American imports. The Brazilian Council on Foreign Trade (CAMEX) has not made any announcements to lower the tariff again this year, and their next meeting has not been scheduled yet. It seems unlikely that CAMEX will reduce the TEC again this year with adequate supplies and without the political pressure of an election. However, continued political uncertainty in Argentina, combined with labor disputes at the ports could provide continued openings for U.S. wheat.

Wheat Consumption: 2014/2015 consumption is forecast at 11.6 mmt, up slight from the previous year. 2015/2016 consumption is expected to grow slightly to 11.7 mmt.

Corn

Corn Market Begin Year Brazil	2013/2014 Mar 2014 USDA Official	 New post	2014/2015 Mar 2015 USDA Official	 New post	2015/2016 Mar 2016 USDA Official	 New post
Area Harvested	15,800	15,800	15,300	15,300	14,800	14,800
Beginning Stocks	14,150	14,150	18,972	18,972	20,272	19,272
Production	80,000	80,000	81,000	82,000	75,000	79,000
MY Imports	789	789	800	800	800	800
TY Imports	846	846	800	800	800	800
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	94,939	94,939	100,772	101,772	96,072	99,072
MY Exports	20,967	20,967	23,500	26,000	22,000	22,000
TY Exports	22,041	22,041	21,500	22,000	24,000	21,000
Feed and Residual	46,000	46,000	48,000	47,500	50,000	50,000
FSI Consumption	9,000	9,000	9,000	9,000	9,000	9,000
Total Consumption	55,000	55,000	57,000	56,500	59,000	59,000
Ending Stocks	18,972	18,972	20,272	19,272	15,072	18,072
Total Distribution	94,939	94,939	100,772	101,772	96,072	99,072
1000 HA, 1000 MT, MT/HA						

Corn Production: 2014/2015 production is estimated at a record 82 mmt, due to an extended rainy season and near perfect weather conditions for the second “safrinha” crop for the fourth year in a row. The “safrinha,” which roughly translates into “little crop” now constitutes nearly 65 percent of the total crop. While most of the first crop goes to domestic consumption, a majority of the “safrinha” crop is exported. 2015/2016 production is forecast at 79 mmt, on the continued growth of the “safrinha” crop, but producers will likely reduce inputs based on the strengthening dollar and continued low global commodity prices.

While the weakening real provides more income for farmers, the higher cost of imported inputs will offset and gains from the exchange rate. Low global corn prices would normally be a disincentive to cultivate additional crops, but the government’s PEPRO program allows producers to be reimbursed for the difference between market price and the government-set minimum price through auctions. As of June, the market price for corn in Mato Grosso has already fallen below the minimum price set by the government. However, the government has not announced any auctions yet, and while the government announced a 20 percent increase in the budget for agriculture, it’s uncertain to what extent the government will support PEPRO this year. On farm storage is limited, but in the face of low prices, farmers do have the option to use silo bags, which have been increasing in their use.

Corn Trade: MY 2014/2015 corn exports are estimated at 26 mmt, due to a larger than expected “safrinha”crop. According to trade data, 1.3 mmt of Brazilian corn has been shipped to Vietnam so far in 2015, by far Brazil’s largest market. However, it’s possible that at least some of those shipments are getting into China, as there have been no documented shipments to China in 2015, despite having signed a corn trade agreement in 2013. Additionally, in an official visit in May, the Brazilian and Chinese governments announced multiple initiatives to increase trade between the two countries, including investments in infrastructure to facilitate the export of grains to China. Exports will begin to pick up in late July and early August and continue through December at an estimated pace of about 2.5 to 3 mmt per month.

Corn Consumption: 2014/2015 feed use is expected to increase slightly to 47.5 mmt on the growing poultry and swine sectors. The sectors are expected to grow about 3 percent in 2014/2015. 2015/2016 growth should continue with feed consumption forecast up to 50 mmt.

Rice

Rice, Milled	2013/2014		2014/2015		2015/2016	
Market Begin Year	Apr 2014		Apr 2015		Apr 2015	
Brazil	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	2,400	2,400	2,330	2,330	2,300	2,450
Beginning Stocks	528	528	656	632	736	932
Milled Production	8,300	8,300	8,430	8,500	8,000	8,300
Rough Production	12,206	12,206	12,397	12,500	11,765	12,206
Milling Rate (.9999)	6,800	6,800	6,800	6,800	6,800	6,800
MY Imports	547	586	550	700	700	700
TY Imports	586	624	600	700	700	700
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9,375	9,414	9,636	9,832	9,436	9,932
MY Exports	819	882	1,000	900	900	900
TY Exports	850	930	800	800	800	800
Consumption and Residual	7,900	7,900	7,900	8,000	7,950	7,950
Ending Stocks	656	632	736	932	586	1,082
Total Distribution	9,375	9,414	9,636	9,832	9,436	9,932
1000 HA, 1000 MT, MT/HA						

Rice Production: 2014/2015 rice production is estimated at 8.5 mmt, a 2 percent increase from the previous year due to better than expected weather during the final growing cycle. While it's still early to tell, since the 2014/2015 crop has just been harvested, 2015/2016 production is forecast down 2 percent to 8.3 mmt assuming normal weather. Production in Brazil is following global trends and remaining stable.

Rice Trade: 2014/2015 imports are estimated at 700,000 mt and exports at 900,000 mt, in line with yearly trends. Trade is also following global trends with a quiet market and Brazil will need to find export markets. With exception of May, when Brazil shipped 58,000 mt to Cuba, the pace of exports this year has been consistently below the 5 year average. Post estimates that similar market conditions will persist in 2015/2016 and forecast imports and exports as the same as the previous year.

Rice Consumption: 2014/2015 consumption is forecast at 8 mmt, a less than one percent increase from the previous year. Some media outlets have reported that the current economic downturn will force consumers to increase rice consumption while making price based decisions. 2015/2016 consumption is forecast slightly higher based on population increases and the slowing of growth of the middle class.

Related Report References:

2015 Brazil Grain and Feed Annual – BR0964