USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 6/5/2017

GAIN Report Number: BR1710

Brazil

Grain and Feed Update

Record Corn Crop Yields Record Exports for Brazil

Approved By:
Clay Hamilton,
Agricultural Counselor

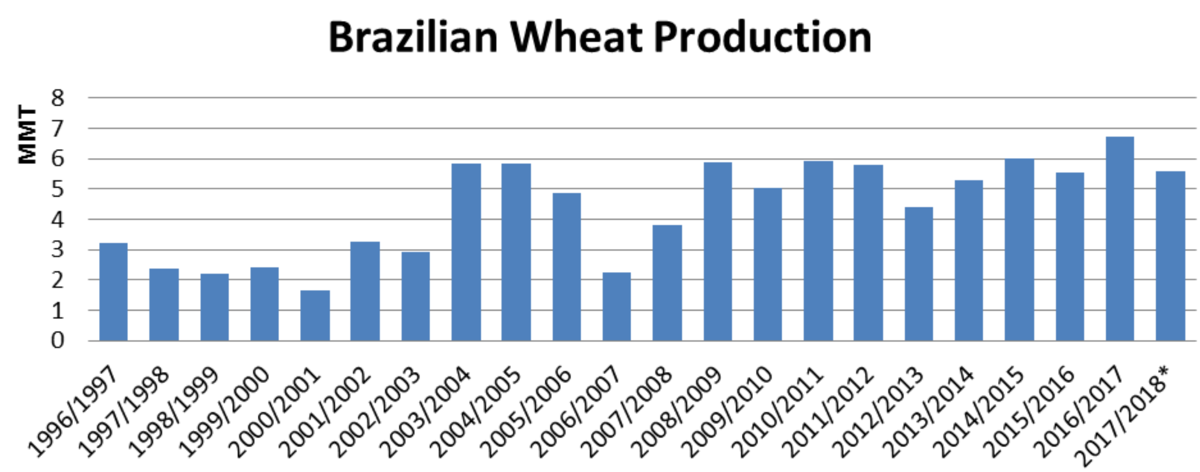
Prepared By:
Laura J. Geller,
Agricultural Attaché

Report Highlights:
2017/2018 wheat production is estimated at 5.6 million metric tons (mmt), down 17 percent from the previous record year on a return to normal yields. 2016/2017 corn production is estimated at a record 95 mmt, a 30 percent increase from the previous year, due to excellent weather for both the first and second "safrinha" crops. 2016/2017 milled rice production is estimated at 8.16 mmt, up 12 percent from the previous year on better yields.

Wheat

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2450	2450	2120	2120	2100	2000
Beginning Stocks	870	870	996	996	2026	2026
Production	5540	5540	6730	6730	5600	5600
MY Imports	6745	6745	6800	6800	6900	6900
TY Imports	5922	5922	7500	7500	6900	6900
TY Imp. from U.S.	422	422	0	500	0	500
Total Supply	13155	13155	14526	14526	14526	14526
MY Exports	1059	1059	800	800	1000	1000
TY Exports	1063	1063	800	800	1000	1000
Feed and Residual	500	500	800	800	500	500
FSI Consumption	10600	10600	10900	10900	11100	11000
Total Consumption	11100	11100	11700	11700	11600	11500
Ending Stocks	996	996	2026	2026	1926	2026
Total Distribution	13155	13155	14526	14526	14526	14526
Yield	2.2612	2.2612	3.1745	3.1745	2.6667	2.8
(1000 HA) ,(1000 MT) ,(MT/HA)						

Wheat Supplies: 2017/2018 wheat production is estimated at 5.6 million metric tons (mmt), down 17 percent from the previous record year on a return to normal yields. Planting in the south of Brazil began in May and the wheat will be harvested in late 2017. 2016/2017 production is estimated at a record 6.73 million metric tons (mmt).



Wheat Trade: 2016/2017 imports are forecast at 6.8 mmt, up slightly based on higher sales at the end of 2016. 2017/2018 imports are expected to rise to 6.9 mmt due to an increased demand for high quality wheat. Recently, the president of the Brazilian Wheat Millers Association (ABITRIGO) told reporters that he is concerned that the quality of Argentine wheat has fallen, and that Brazilian millers are looking to receive higher quality wheat from Argentina this year.

2016/2017 exports are forecast at 800,000 mt based on the pace of sales. 2017/2018 exports are expected to increase to 1 mmt on higher production and less wheat used for feed due to a record corn crop.

Wheat Consumption: 2016/2017 consumption is estimated at 11.7 mmt, based on recent statistics from CONAB, Brazil's agriculture statistics agency. 2017/2018 wheat consumption should continue to keep pace with population growth at 11.5 mmt, but the use of feed wheat will decline.

Corn

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Mar 2016		Mar 2017		Mar 2017	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	16000	16000	17500	17200	17700	17700
Beginning Stocks	7842	7842	6769	6769	9269	11269
Production	67000	67000	96000	95000	95000	90000
MY Imports	3423	3423	500	500	300	300
TY Imports	1566	1566	2200	2200	300	300
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	78265	78265	103269	102269	104569	101569
MY Exports	13996	13996	34000	32000	34000	30000
TY Exports	35382	35382	23000	22000	33000	29000
Feed and Residual	49000	49000	51000	50000	52000	50500
FSI Consumption	8500	8500	9000	9000	9000	9000
Total Consumption	57500	57500	60000	59000	61000	59500
Ending Stocks	6769	6769	9269	11269	9569	12069
Total Distribution	78265	78265	103269	102269	104569	101569
Yield	4.1875	4.1875	5.4857	5.5233	5.3672	5.0847
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn Supplies: 2016/2017 corn production is estimated at a record 95 mmt, a 30 percent increase from the previous year, due to excellent weather for both the first and second "safrinha" crops. The second crop, which is currently being harvested, may have some issues with quality in a few specific areas, but overall is in good condition. This year, the second crop will make up about 67 percent of the total corn crop in Brazil. Storage options may be limited, however, due to record corn and soybean crops competing for the same space.

In contrast to last year, when prices spiked from poor yields, prices in the largest producing state of Mato Grosso have fallen below the minimum price set by the government. Prices in Mato Grosso are currently ranging between R$13.25 and R$18.20/60kg sack (USD 1.75/bu and 2.41/bu), depending on the region of the state. This triggered government intervention in the form of domestic support programs, two of which (PEP and PEPRO) were used for wheat earlier in the year:

- <u>Premium for Product Outflow Program (PEP):</u> Through this program, the government pays the difference between the prevailing market price and the minimum price of the product to the buyers. The objective of PEP is to move commodities from areas of high product concentration to areas of need, typically in the demographically-sparse parts of the North and Northeast regions of the country. However, in addition to the ability to ship the product domestically, PEP participants can also export the product and still receive the premium. The a minimum price is R$16.50/60kg sack (about USD 2.18/bu)

- The Equalization Premium Paid to the Producer (PEPRO): PEPRO functions similar to PEP but the premium is granted to the farmer or cooperative which sells the product. The government pays the difference between the market price and the minimum price directly to the producer once the sale has been completed and a proof of sale, either domestically or for export, has been received. The a minimum price is R$16.50/60kg sack (about USD 2.18/bu)

- Contracts Option (COV): This is a futures option offered through the government to producers/cooperatives to protect the producer from the risks of falling prices. The government authorized up to R$300 million (USD 94 million) for up to 1mmt of corn in Mato Grosso state. The minimum price for the future sale is R$17.87/60kg sack (roughly USD 2.36/bushel)

2017/2018 corn production is forecast at 90 mmt. Planting for the first crop will begin in September, which is about one third of the total corn crop. The second "safrinha" crop will be planted directly after the soybean harvest in February or March. The quality and yields of that crop will depend on rains in before the dry season starts in May.

Corn Trade: 2016/2017 corn exports are estimated at 32 mmt, up substantially from last year, due to better than expected rains at the end of the rainy season for the second "safrinha" crop, as much of the second crop is exported. The low prices are making Brazilian corn more competitive and Brazil is actively seeking new markets. In May, a delegation from Mexico negotiated the sale of 300,000 mt of Brazilian corn, a record for sales to Mexico. The exports are benefiting from the domestic support programs, as producers will not feel pressure to store their grains to wait for better prices, and traders are able to buy cheap Brazilian corn. In addition to domestic support, a weakening currency, due to deepening political uncertainty, will also incentive exports. 2017/2018 exports are expected to remain steady at 30 mmt, assuming the rains end in May or later.

2016/2017 imports are forecast to at 500,000 mt, due to a record domestic crop. 2017/2018 imports estimated at 300,000mt based on large carryon stocks.

Corn Consumption: 2016/2017 consumption is forecast at 59 mmt due to low prices and an abundant crop. In July, the first corn-only ethanol plant is scheduled to open in Mato Grosso. The Minister of Agriculture recently praised the opening of the new plant and is encouraging more domestic consumption of corn in Mato Grosso via corn ethanol. The plant will have the capacity to produce 200 million liters of ethanol per year. Corn ethanol is currently less than one percent of total ethanol production. 2016/2017 consumption is expected to increase slightly to 59.5 mmt, on continued growth in the pork and poultry sectors.

Rice

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Apr 2016		Apr 2017		Apr 2017	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2010	2010	2000	2000	2100	2100
Beginning Stocks	641	641	261	261	321	321
Milled Production	7210	7210	8160	8160	8000	8000
Rough Production	10603	10603	12000	12000	11765	11765
Milling Rate (.9999)	6800	6800	6800	6800	6800	6800
MY Imports	857	857	600	600	600	600
TY Imports	771	771	600	600	600	600
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8708	8708	9021	9021	8921	8921
MY Exports	547	547	800	800	700	700
TY Exports	641	641	800	800	700	700
Consumption and Residual	7900	7900	7900	7900	7900	7900
Ending Stocks	261	261	321	321	321	321
Total Distribution	8708	8708	9021	9021	8921	8921
Yield (Rough)	5.2751	5.2751	6	6	5.6024	5.6024
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice Supplies: 2016/2017 milled rice production is estimated at 8.16 mmt, up 12 percent from the previous year on better yields. The harvest in most states finished in April and planting for the next crop will begin again in September or October. 2017/2018 milled production is forecast at 8 mmt. 2016/2017 stocks are forecast to increase slightly to 321,000 mt, of which 22,371 mt are currently held publicly.

Rice Trade: 2016/2017 imports are estimated at 600,000 mt, a 29 percent decrease, based on higher anticipated production. Brazil mainly imports from its Mercosul neighbors: Paraguay, Uruguay, and Argentina. 2016/2017 exports are estimated at 800,000 mt, up 31 percent from the previous year on a larger crop.

Rice Consumption: 2016/2017 consumption is expected remain steady at 7.9 mmt. Most Brazilians eat rice daily, but with more options for starches some are eating less rice, offsetting any consumption increases due to population growth.

Related Report References:

2017 Brazil Grain and Feed Annual – BR1701