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Brazil

Grain and Feed Update

Record Corn Harvest Forecast on Record Yields

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Report Highlights:
MY 2018/2019 corn production is forecast at a record 101 million metric tons (MMT), 25 percent higher than MY 2017/2018 production and 2.5 MMT larger than the previous record harvest in MY 2016/2017. MY milled rice production is estimated at 7.15 MMT, a decrease of 13 percent from MY 2017/2018 due to decreased area and lower yields in some regions. Wheat production for MY 2019/20 is forecast relatively stagnant at 5.5 MMT, while total area is forecast at 2 million hectares, about 2 percent less than the previous harvest.

Corn

Corn	2017/2018		2018/2019		2019/2020	
Market Begin Year	Mar 2018		Mar 2019		Mar 2020	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	16600	16616	17500	17500	18100	18000
Beginning Stocks	14019	14019	7313	6182	8813	6682
Production	82000	80710	101000	101000	101000	101000
MY Imports	915	915	1000	1000	1000	1000
TY Imports	943	1100	1000	1000	1000	1000
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	96934	95644	109313	108182	110813	108682
MY Exports	25121	24962	34000	34000	34000	33000
TY Exports	25142	33500	33000	34000	35000	33000
Feed and Residual	55000	55000	56000	56000	58000	57000
FSI Consumption	9500	9500	10500	11500	11500	12500
Total Consumption	64500	64500	66500	67500	69500	69500
Ending Stocks	7313	6182	8813	6682	7313	6182
Total Distribution	96934	95644	109313	108182	110813	108682
Yield	4.9398	4.8574	5.7714	5.7714	5.5801	5.6111
(1000 HA), (1000 MT), (MT/HA)						

Corn Supplies

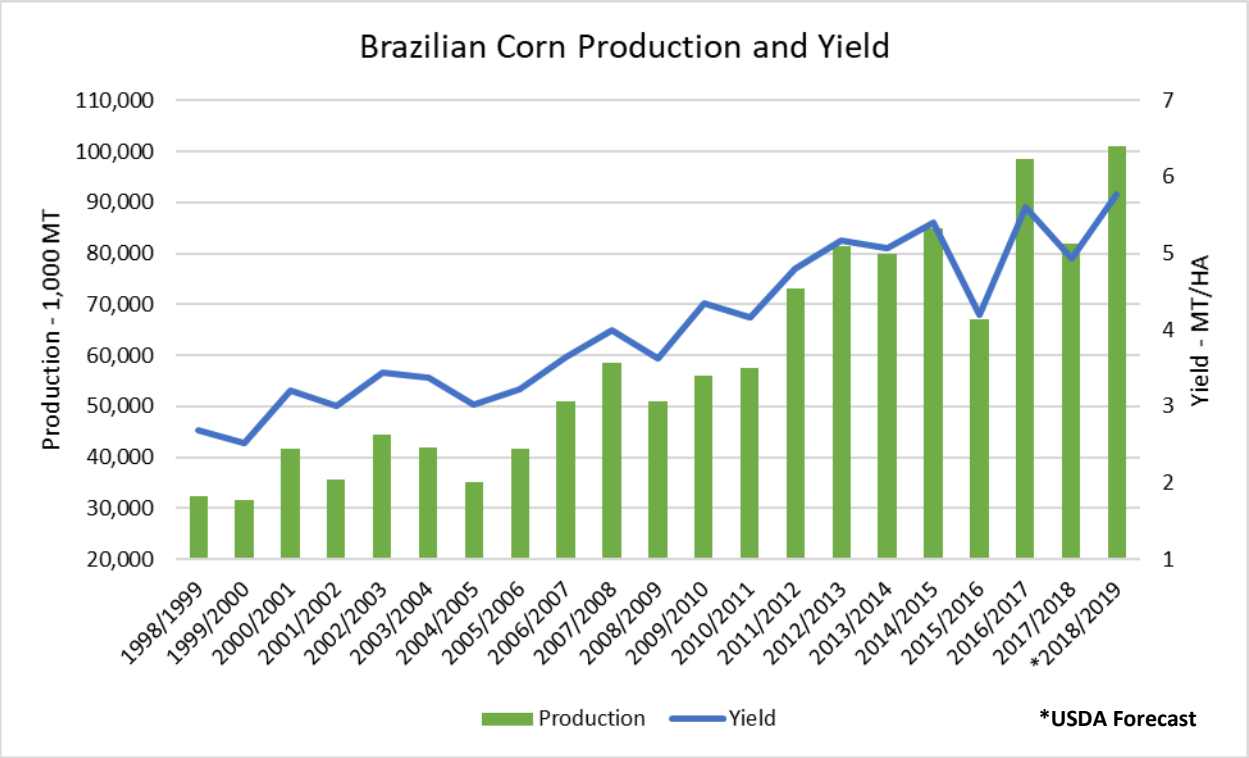
Post increases the market year (MY) 2018/2019 (March 2019 – February 2020) corn production forecast to a record 101 million metric tons (MMT), 25 percent higher than MY 2017/2018 production, which was hindered by severe dryness during the second-crop "safrinha" growing season. The MY 2018/2019 crop is forecast to surpass by 2.5 MMT the previous Brazilian corn crop record, set during MY 2016/2017. The MY 2018/2019 increase is due to expanded area for safrinha corn and ideal growing weather that led to record yields in some places. Yields for Brazil's MY 2018/2019 corn crop are estimated at an average of 5.77 metric tons (MT) per hectare, which is also a record high for Brazil.

Corn production has expanded exponentially in Brazil over the past two decades. Incredibly, the forecast record MY 2018/2019 production is three times larger than Brazil's corn crop 20 years ago, while the forecast record average yield is more than double the yield of the MY 1998/1999 crop.

Total MY 2018/2019 corn area is estimated at 17.5 million hectares, 5 percent greater than MY 2017/2018. High corn prices and an early soybean harvest motivated farmers to plant safrinha corn at a record pace, several weeks earlier than normal and well within the ideal planting window (before February 20 in Mato Grosso and March 10 in Parana). This helped optimize crop development before the dry season set in, which itself came later than normal. While the safrinha harvest is less than 20 percent complete to date, currently high corn prices are incentivizing farmers to make sales as quickly as possible to attempt to claw back some losses from a disappointing soy season.

Post also raises the MY 2019/2020 production forecast to 101 MMT on expanded area paired with a return to normal trend yields. While first-crop corn area is expected to decline yet again in MY 2019/2020, safrinha area is expected to grow, offsetting any first-crop area losses. As soybean area in Brazil has climbed, first-crop corn plantings, concentrated mainly in southern Brazil, have been sacrificed to area for high-priced soybeans. At the same time, expanded soy area in the states of Mato

Grosso and Parana, with climatic conditions to support production of two crops in the same year, has led to the rapid growth in safrinha corn area.



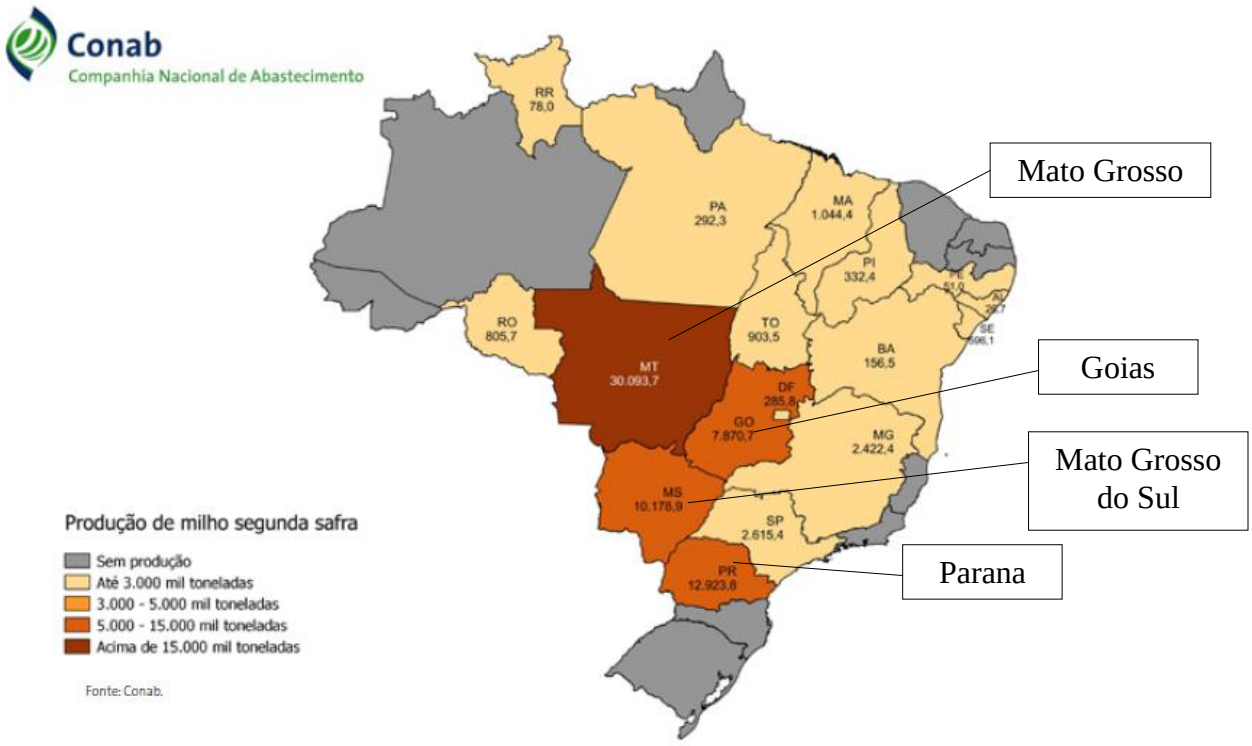
Data Source: FAS PSD Online

Safrinha corn (so-called because in the past it was the "little harvest") has grown to account for the great majority of Brazilian corn production, accounting for roughly three-fourths of the MY 2018/2019 crop. The largest producers of first-crop corn in MY 2018/2019 were Rio Grande do Sul, Minas Gerais, and Parana. Meanwhile, the largest producers of safrinha corn are the states of Mato Grosso, Parana, Mato Grosso do Sul, and Goias. Mato Grosso alone accounts for about 30 percent of all Brazilian corn production.

The profitability of corn is more pronounced in southern Brazil, since producers in that region are significantly closer to large swaths of the poultry and livestock sectors, as well as port facilities for exports. They pay far less for the transport of imported inputs to the farm and can get a higher price for outbound commodities. For this reason, corn in Parana has a higher profitability ratio than in Mato Grosso, where it must be significantly discounted due to the high cost of transportation in that region.

Despite this disadvantage, corn area has continued to expand in Mato Grosso due to the availability of land being brought into production for soy. Corn remains the most popular second crop to plant after the soy harvest, especially given the nitrogen-fixing properties of soy. The annual soy-corn cycle lowers the amount of nitrogen farmers need to apply to the soil. While some farmers have turned to cotton due to its much higher profitability, the high level of inputs required for cotton mean that corn remains the cheaper, lower-maintenance choice for farmers with less access to capital.

Second-Crop "Safrinha" Corn Production Areas



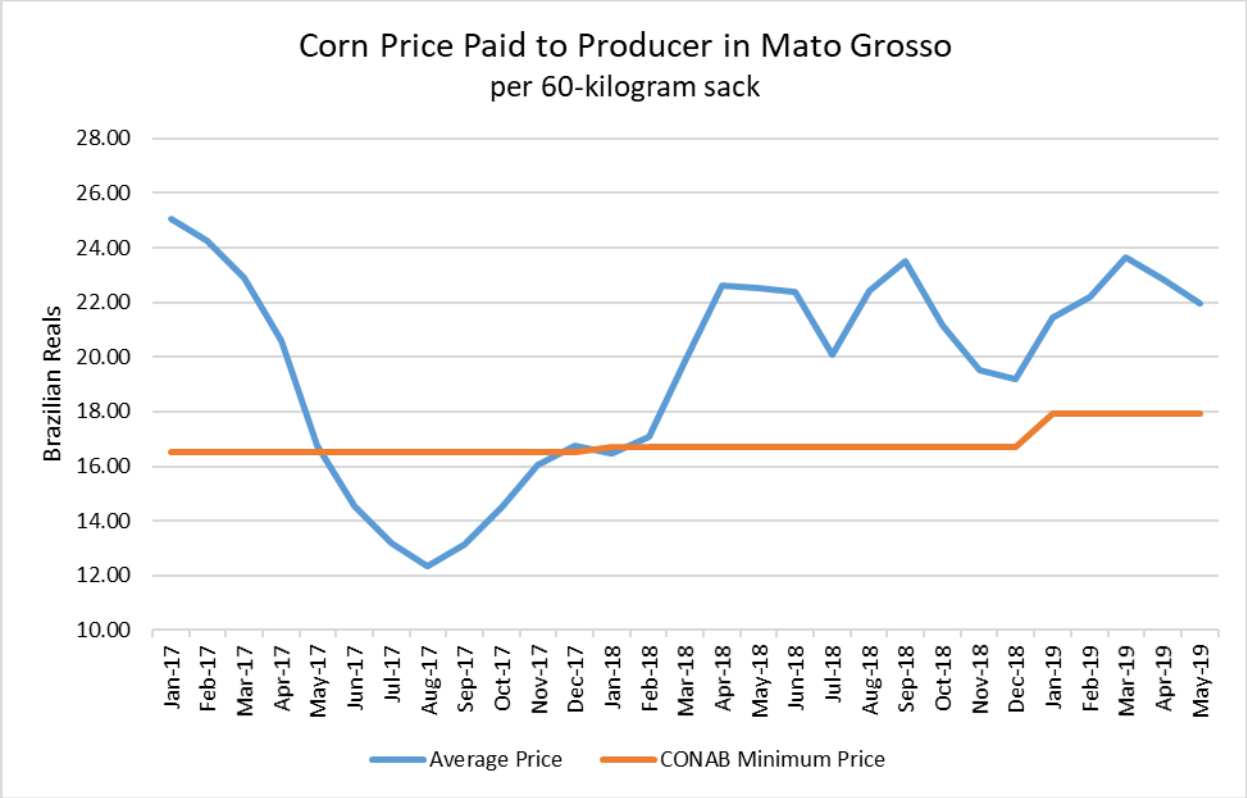
Source: CONAB, Boletim da Safra de Graos, June 2019

Corn Trade

Post raises the MY 2018/2019 export forecast to 34 MMT, 36 percent higher than MY 2017/2018, due to the expectation of abundant supplies of safrinha corn. Problems with the U.S. corn crop, as well as U.S. trade tensions have boosted export options for Brazilian producers. Moreover, prices have remained relatively strong, given the weak Brazilian real and continued deterioration of expectations for U.S. corn output. However, infrastructure challenges and tax burdens may constrain corn export potential this season. Post also increases the MY 2019/2020 export forecast to 33 MMT, based on higher expected production levels but also competition from domestic demand for corn ethanol production in the center-west region.

Safrinha corn, largely produced in Brazil's center-west region, has traditionally made up the bulk of Brazil's corn exports. However, these corn supplies face steep logistical challenges and freight costs significantly higher than corn produced in coastal states like Parana. Moreover, Brazilian grain traders continue to contend with the government's minimum freight rate tables, established after the 11-day truckers strike in May 2018. Earlier this year, truckers threatened to strike yet again when the price of diesel rose by more than 10 percent between January and April. In response, the Brazilian National Land Transportation Agency (ANTT) increased the mandatory minimum freight rates by 4.1 percent and agreed to pursue more rigorous enforcement of the minimum rates. The ANTT has the legal authority to issue new freight tables twice a year and may readjust rates more frequently if fuel prices fluctuate by more than 10 percent. Attempts by the agricultural sector to lobby the Brazilian government to eliminate the minimum freight tables have failed, and recently the Ministry of Economy announced it

has no plans to propose changes to the policy. This has left Brazilian agricultural producers to foot the bill, as they must further discount the price of their commodities to remain competitive in the global marketplace.



Data Source: CONAB

Market year 2018/2019 imports are forecast at 1.0 MMT, roughly equal the 1.1 MMT imported in MY 2017/2018. Most Brazilian corn imports come duty-free from nearby MERCOSUL members, Paraguay and Argentina. The shrinking of Brazil's first-crop corn production results in unmet domestic demand by the livestock and poultry sector in southern Brazil. While Brazil, overall, produces much more corn than the country consumes domestically, the main producing areas have shifted in recent decades, with more corn grown in central Brazil and less in the south where many poultry and pork producers still operate.

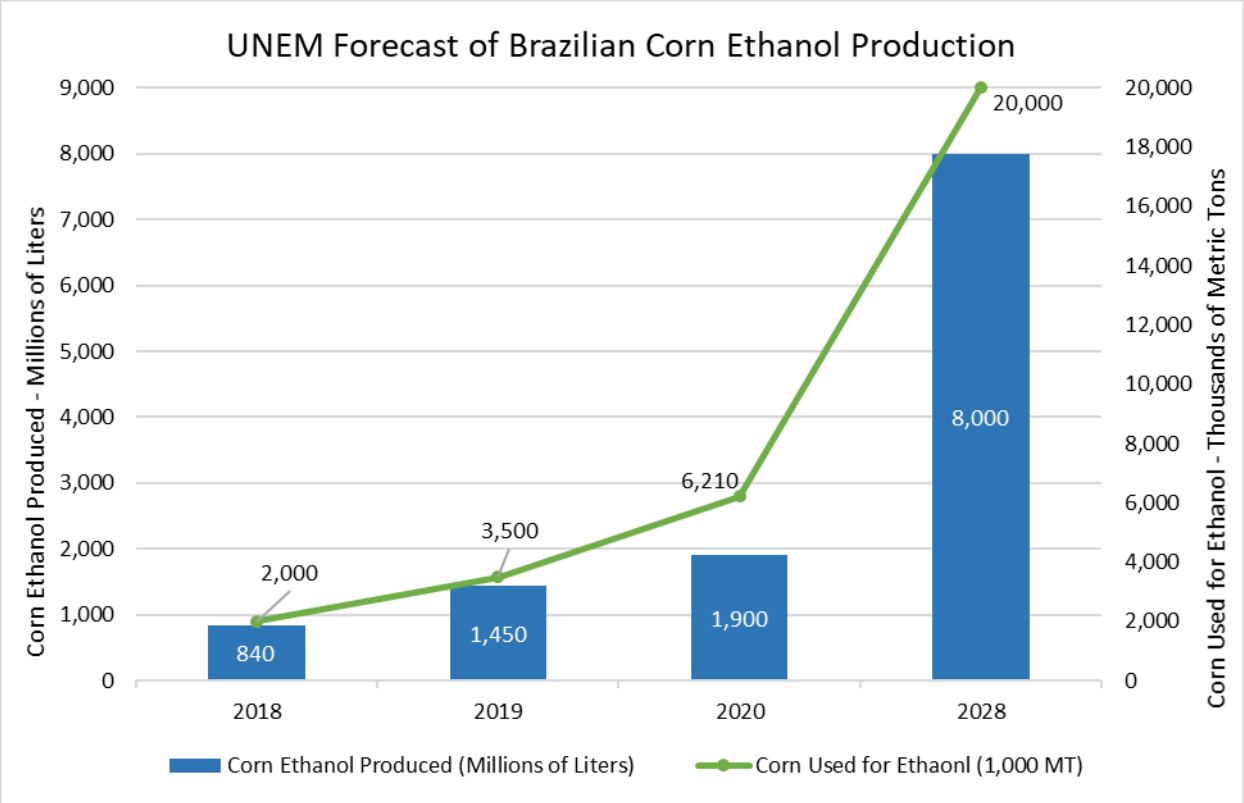
Corn Consumption

Total domestic consumption for MY 2018/2019 is forecast at 67.5 MMT, up 5 percent from MY 2017/2018. Likewise, MY 2019/2020 consumption is forecast to grow by another 3 percent, to 69.5 MMT.

Brazil's large poultry and pork sectors generally consume a great portion of the corn crop each year. However, shifting cultivation periods and areas have become a problem for poultry and swine producers, who traditionally have relied on first-crop corn grown in southern Brazil as a large part of feed rations. Poor infrastructure connections and the high price of transporting safrinha corn from the center-west have meant that livestock and poultry operators in southern Brazil are increasingly turning to corn

imports for feed rations. This year, despite the record crop forecast, prices continue to be relatively high in Brazil, given the expected trouble with the U.S. crop. This is becoming a problem for Brazilian pork and poultry producers who have are seeing profits margins squeezed at a time when exports have been strong with China buying larger volumes of Brazilian animal protein amid an outbreak of African swine fever in Asia.

At the same time, the corn ethanol industry continues to grow in central Brazil, where corn supplies remain plentiful and inexpensive. Post forecasts MY 2018/2019 food, seed, and industrial (FSI) consumption will be 11.5 MMT, and will grow to 12.5 MMT in MY 2019/2020. According to Brazil's Corn Ethanol Union (UNEM), each ton of corn can produce 420 liters of ethanol, 300 kilograms of dried distillers grains, and 18 liters of corn oil, as well as the co-generation of electric power. Brazilian corn ethanol plants are powered by burning eucalyptus, which is also grown in the center-west region.



Data Source: UNEM

Brazil's ethanol consumption is expected to greatly expand as Brazil prepares to increase the blend mandate for gasoline in an effort to reduce CO2 to meet the country's Paris Agreement goals. Given the abundant availability of corn in Brazil, and the fact that it can be stored for long periods (unlike sugarcane) and processed year-round, many investors are rushing to build corn-only ethanol plants or retrofit sugarcane plants into "flex" plants that can process both crops. Much of that investment has come from outside of Brazil, including the United States and Paraguay. However, one of Brazil's largest sugarcane ethanol producers recently revealed plans to invest in a corn-only plant in the state of Goias, demonstrating that Brazilian corn ethanol production is unlikely to be a short-lived trend.

Rice

Rice, Milled	2017/2018		2018/2019		2019/2020	
Market Begin Year	Apr 2018		Apr 2019		Apr 2020	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1973	1972	1720	1697	1730	1670
Beginning Stocks	525	525	389	558	283	455
Milled Production	8204	8204	7344	7147	7344	7072
Rough Production	12065	12065	10800	10510	10800	10400
Milling Rate (.9999)	6800	6800	6800	6800	6800	6800
MY Imports	562	581	800	850	900	900
TY Imports	537	575	700	800	850	800
TY Imp. from U.S.	0	2	0	0	0	0
Total Supply	9291	9310	8533	8555	8527	8427
MY Exports	1152	1152	650	500	550	500
TY Exports	1245	1245	800	500	700	500
Consumption and Residual	7750	7600	7600	7600	7650	7600
Ending Stocks	389	558	283	455	327	327
Total Distribution	9291	9310	8533	8555	8527	8427
Yield (Rough)	6.1151	6.1182	6.2791	6.1933	6.2428	6.2275
(1000 HA), (1000 MT), (MT/HA)						

Rice Supplies

Market year 2018/2019 (April 2019 – March 2020) milled rice production is estimated at 7.15 MMT, a decrease of 13 percent from MY 2017/2018 due to decreased area and lower yields in some regions. Milled rice production for MY 2019/2020 is forecast at 7.07 MMT, based on a forecast for a further reduction in area.

Market year 2018/2019 rice area is estimated at 1.7 million hectares, 14 percent lower than MY 2017/2018. This is also a record low for Brazilian rice area since CONAB began keeping data in MY 1976/1977. The MY 2018/2019 area for rice in Brazil is forecast to further decrease to 1.67 million hectares.

The vast majority of Brazil's rice area is concentrated in the far south of the country, and close to 80 percent is irrigated. Brazil's southernmost state, Rio Grande do Sul, is responsible for 70 percent of total production for MY 2018/2019, all of which was irrigated. The state of Santa Catarina, just north of Rio Grande do Sul, accounts for another 10 percent of MY 2018/2019 Brazilian rice production, also entirely irrigated.

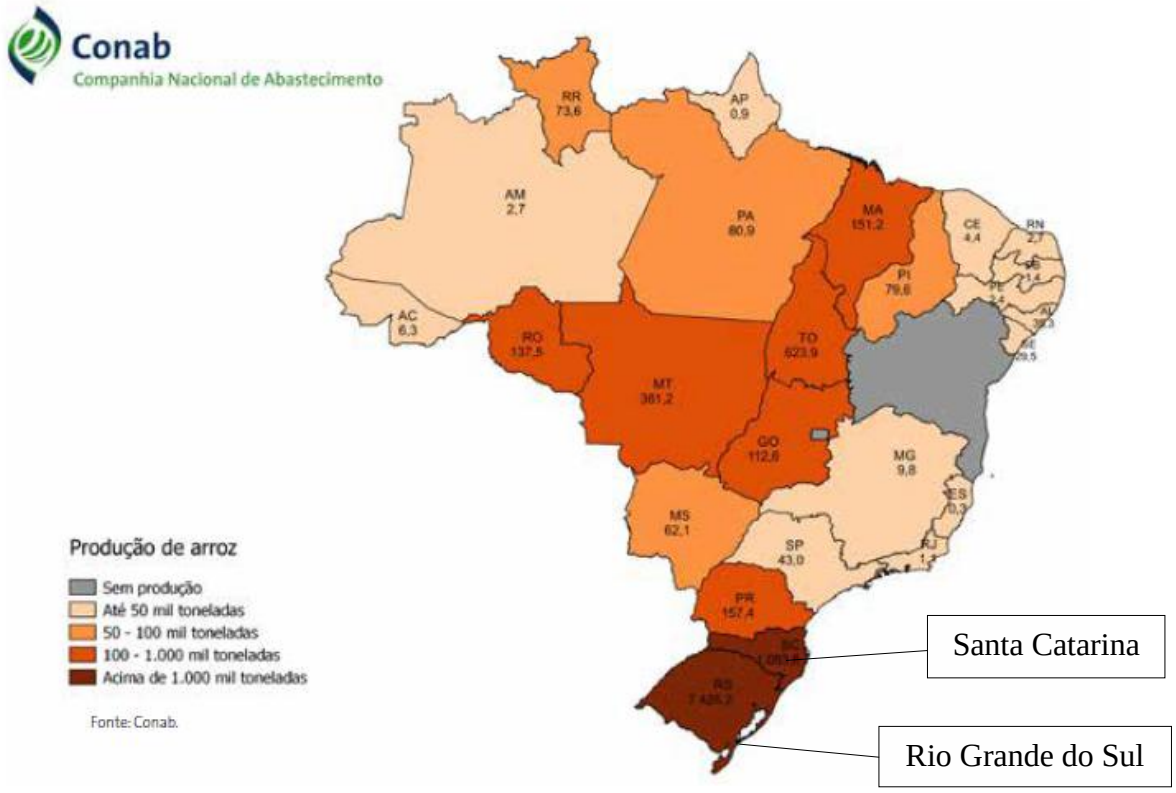
This year, Rio Grande do Sul had 7 percent less area year-over-year, while Santa Catarina's area was relatively static. Both Rio Grande do Sul and Santa Catarina have experienced incremental growth in soy area in recent years, which some farmers rotate with rice every two years to maintain soil quality. Unlike the Center-West region, most farmers in southern Brazil only plant one crop per year, so the expansion of soy has diminished rice area.

In addition to the continued decline in planted rice area, another factor affecting the MY 2018/2019 rice crop were intermittement periods of inclement weather. Some parts of Santa Catarina experience periods of excessive heat during the flowering stage of crop development, as well as excessive rains that

created problems with pests in some regions. Additionally, CONAB reports that some parts of the state experienced heavy rains during the harvest that caused delays, and some producers may abandon some fields entirely due to the high water levels. However, overall, CONAB reports that the Santa Catarina's average yields are on par historically for the state.

For Rio Grande do Sul, although the harvest is now complete, a period of excessive rain in December 2018 and January 2019 in the western part of the state caused flooding in more than 50,000 hectares of planted rice area, though most areas were able to recover, according Emater Rio Grande do Sul (Emater/RS). Weeks of overcast skies and low levels of solar radiation also affected rice development, causing yeilds to fall by as much as 10 percent in some parts of the state. Overall, Rio Grande do Sul's average yield was 5.5 percent lower this season than MY 2017/2018, according to CONAB.

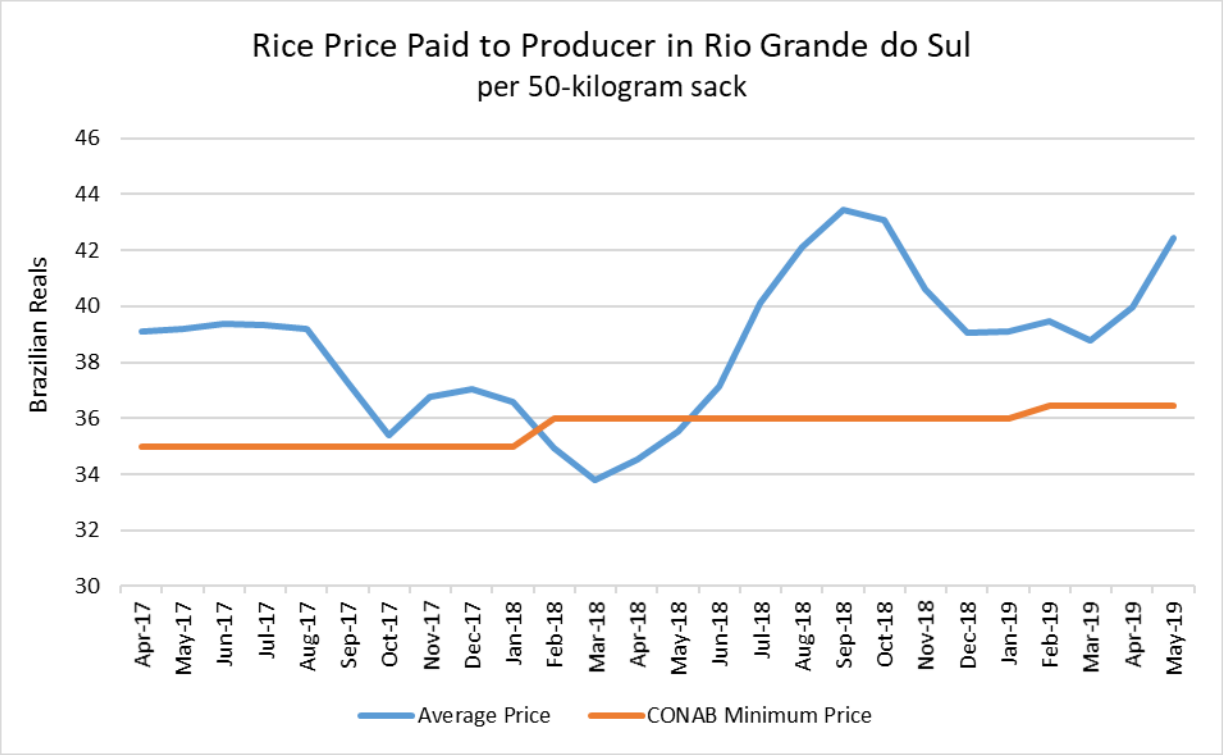
Brazilian Rice Production Areas



Source: CONAB, Boletim da Safra de Graos, June 2019

The Federation of Rice Producers of Rio Grande do Sul (Fedearroz) continues to lobby the government for assistance with what it sees as the main challenges of the industry, including indebtedness of producers, taxation, Mercosul competition, port tariffs, and cabotage regulations. In April, Fedearroz met with Brazilian Vice President Hamilton Mourao to demand government assistance in addressing the industry's concerns, specifically "unfair competition" from Paraguayan rice and differing tax rates between Brazilian states. The group returned in June to the capital city for meetings with the Ministry of Economy, the Brazilian Development Bank (BNDES), and the Ministry of Agriculture. The Fedearroz representatives reportedly asked for relief in the form of lower interest rates for borrowing

and assistance in commercializing rice harvests, both domestically and abroad. The industry group has been very vocal lately, warning that the sustainability of rice farming in Brazil is "jeopardized by the lack of income for producers." The group says southern Brazil rice producers face rising production costs and must aim for yields of more than 8,000 kilograms per hectare to avoid losses. Fedearroz recommended that the producers in Rio Grande do Sul should collectively plant no more than 900,000 hectares next season as a way to reduce supplies and combat what the group sees as a trend of low prices.



Date Source: CONAB

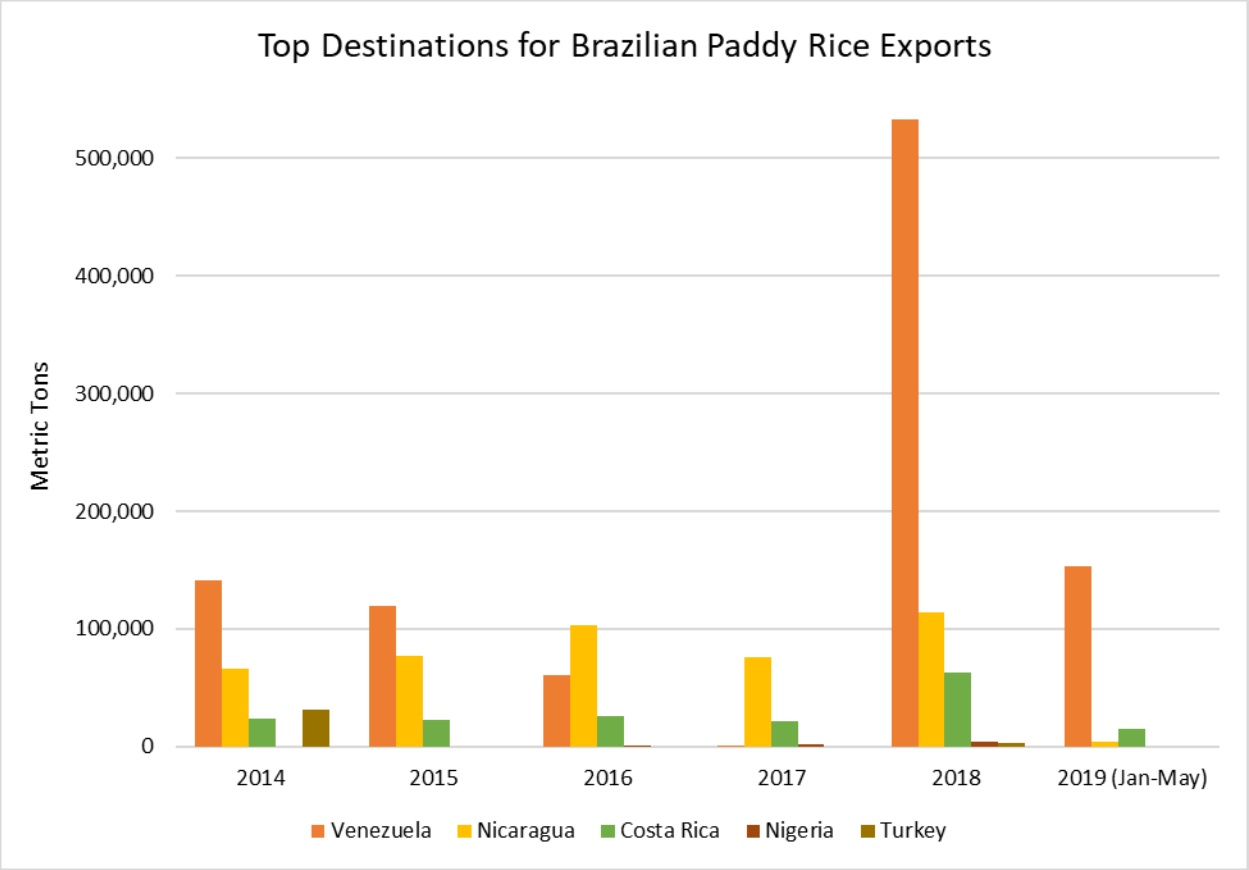
Rice Trade

Market year 2018/2019 milled rice exports are forecast at 500,000 MT, less than half of last season's volume. This decrease reflects the substantial drop in production year-over-year, as well as the need to meet domestic demand. Market year 2019/2020 exports are also forecast at 500,000 MT, as production is expected to remain relatively stagnant.

Brazil announced in May that it had concluded a sanitary agreement with Mexico that will open rice exports to that country, in exchange for allowing Mexico to export beans to Brazil. The Brazilian Minister of Agriculture hailed the agreement as a major win for Brazilian rice producers, who will now have the ability to sell to a market of 120 million people whose cuisine includes copious amounts of rice, 80 percent of which must be imported.

Paddy rice destined for Venezuela remains the largest of share of Brazil's exports, with 152,908 metric tons exported to that country from January to May this year. Political and economic turmoil in Venezuela, including hyperinflation, have led to food shortages, and Venezuelan consumers have been

forced to reduce consumption of animal proteins, turning instead to starchy staples like rice. Brazil's abundant supplies and relative proximity on the same continent make it a convenient rice supplier for Venezuela.



Date Source: Brazilian Foreign Trade Secretariat (SECEX)

Market year 2018/2019 imports are forecast at 850,000 MT, up 47 percent over MY 2017/2018. This comes in response to the smaller domestic crop and domestic demand for rice as a staple food. The vast majority of Brazil's rice imports come in duty-free from its MERCOSUL neighbors: Paraguay, Uruguay, and Argentina, with nearly 70 percent of MY 2017/2018 imports coming from Paraguay alone. This has spurred complaints by Brazilian rice producers, who argue that they cannot compete with duty-free imports from the region. Recently, a survey by the University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA) found that rice millers are downsizing their purchases in response to high market prices. The millers argued they are unable to pass on the currently higher purchase costs to the wholesale and retail sectors, preferring instead to work through their warehouse stocks while they wait for prices to drop. They also reported looking to imported rice to fill the gap while domestic prices remain relatively high.

Market Year 2019/2020 imports are forecast slightly higher, at 900,000 MT. This increase is anticipated in order to account for lower expected production levels.

Rice Consumption

Rice is a staple food in Brazil, with most Brazilians consuming it with edible beans one to two times daily. However, industry analysts have observed lower per-capita consumption rates in recent years. While the exact cause is difficult to pinpoint, rice competes with many other starchy staples in Brazilian cuisine, including manioc, potatoes, and wheat.

Based on CONAB reports of changes in private and public stock volumes, as well trade data, post forecasts MY 2018/2019 milled rice consumption at 7.6 MMT. Market Year 2019/2020 consumption also forecast at 7.6 MMT, based on stagnant consumption trends by the Brazilian population.

Wheat

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1916	1916	2042	2042	2100	2000
Beginning Stocks	2256	2256	1311	1311	1489	1239
Production	4264	4264	5428	5428	5300	5500
MY Imports	7021	7021	7500	7250	7500	7200
TY Imports	6702	6702	7700	7500	7500	7200
TY Imp. from U.S.	186	162	0	320	0	400
Total Supply	13541	13541	14239	13989	14289	13939
MY Exports	230	230	650	650	600	650
TY Exports	245	245	650	650	600	650
Feed and Residual	500	500	500	500	500	500
FSI Consumption	11500	11500	11600	11600	11700	11700
Total Consumption	12000	12000	12100	12100	12200	12200
Ending Stocks	1311	1311	1489	1239	1489	1089
Total Distribution	13541	13541	14239	13989	14289	13939
Yield	2.2255	2.2255	2.6582	2.6582	2.5238	2.75
(1000 HA) ,(1000 MT) ,(MT/HA)						

Wheat Supplies

Market year (October – September) 2018/19 wheat production is estimated at 5.4 MMT, up more than 1 MMT over MY 2017/2018. While dry periods and sporadic frosts in major production areas constrained yields in MY 2018/2019, conditions overall were far superior to those of the previous season. Production for MY 2019/2020 is forecast relatively stagnant at 5.5 MMT, based on post's lowering for the forecast for MY 2019/2020 wheat area. With planting well underway in the major wheat-producing states of Parana and Rio Grande do Sul, farmers are planting less wheat area than previously anticipated given relatively high prices. Competition from Mercosul-neighbor Argentina, which many expect to harvest a record crop this year, may have dampened enthusiasm for expanding Brazilian wheat area this year. Total area for MY 2019/2020 is forecast at 2 million hectares, about 2 percent less than the last harvest.

Wheat production in Brazil is concentrated in the south of the country, where it usually competes for area with higher-profit soybeans. The states of Parana and Rio Grande do Sul together account for roughly 85 percent of total Brazilian production. According to the Parana state Department of Rural Economy (Deral), wheat planting is about 90 percent complete in Brazil's largest wheat-producing state.

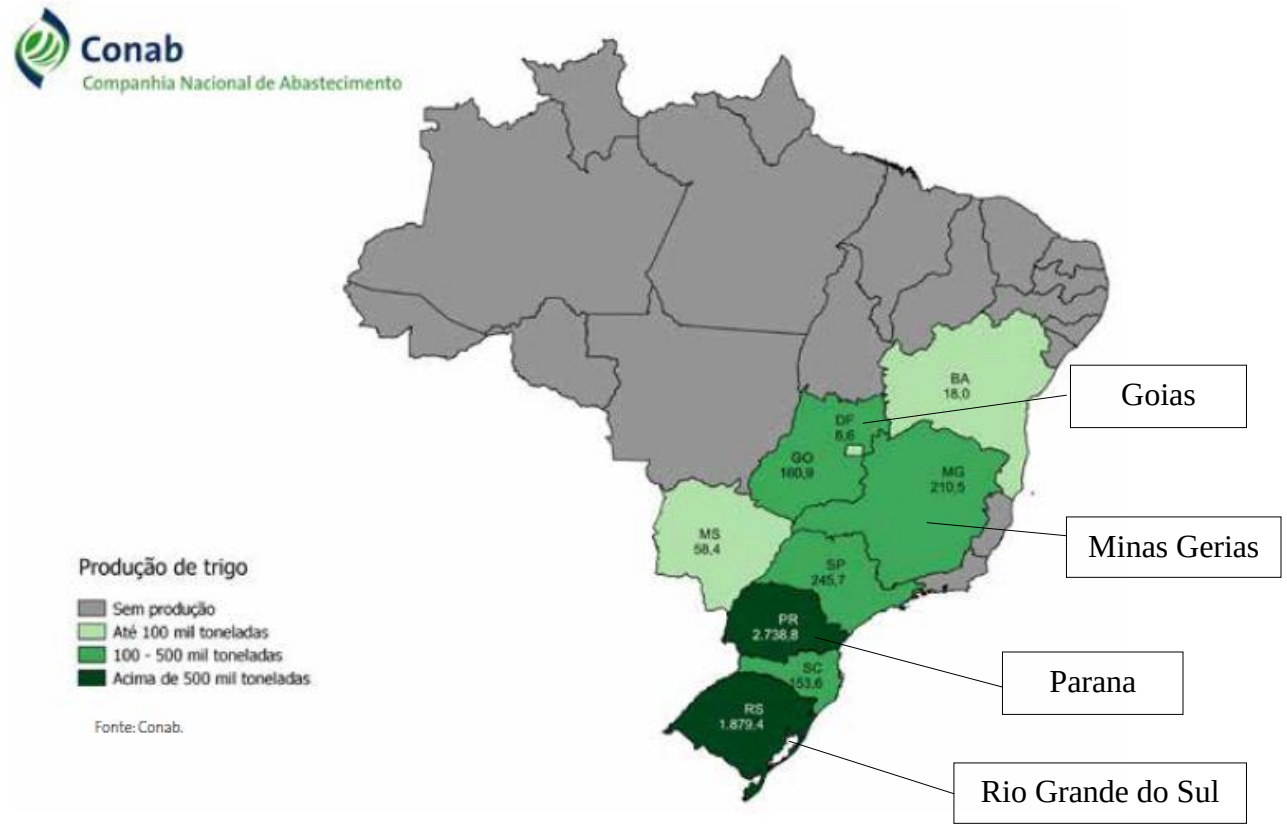
Meanwhile, Emater of Rio Grande do Sul (Emater/RS) reports wheat planting is about 55 percent completed in that state.

Brazil has seen wheat area expand this year in non-traditional production areas, including the central Brazil savannah biome, known as the Cerrado. Considered almost impossible a decade ago, Brazil's agricultural research agency, Embrapa, has developed new wheat varieties that can tolerate the hotter climate of Brazil's center-west, as well as resist fungi that can spread rapidly thanks to the region's more humid climate.

Some Cerrado farmers see the benefits of choosing to plant wheat (instead of corn) as a "safrinha" crop after the soybean harvest. Wheat can be better for the soil and increase soybean yields in the next harvest, because wheat can help control nematodes and weeds. The window for planting wheat is also longer than that for safrinha corn, meaning that farmers may be able to mitigate risk in years when the soybean harvest occurs later. Moreover, Cerrado wheat is typically the first to be harvested in Brazil, practically guaranteeing a domestic market with higher prices and less competition than later in the year when the bulk of the Brazilian harvest is commercialized. However, Cerrado wheat production is not without its challenges. CONAB reported that April rains and cloudy days have led to the spread of wheat blast fungal disease among producers in some regions of Goias and Minas Gerais.

While Cerrado wheat production is still very small compared to southern Brazil, it is likely to continuing expanding due to domestic demand and constraints to area in the traditional wheat-producing region in the south. CONAB estimates that the state of Goias planted roughly 30,000 hectares of wheat this year, more than double that planted in the state last season but still just 3 percent of the wheat area in Rio Grande do Sul.

Brazilian Wheat Production Areas



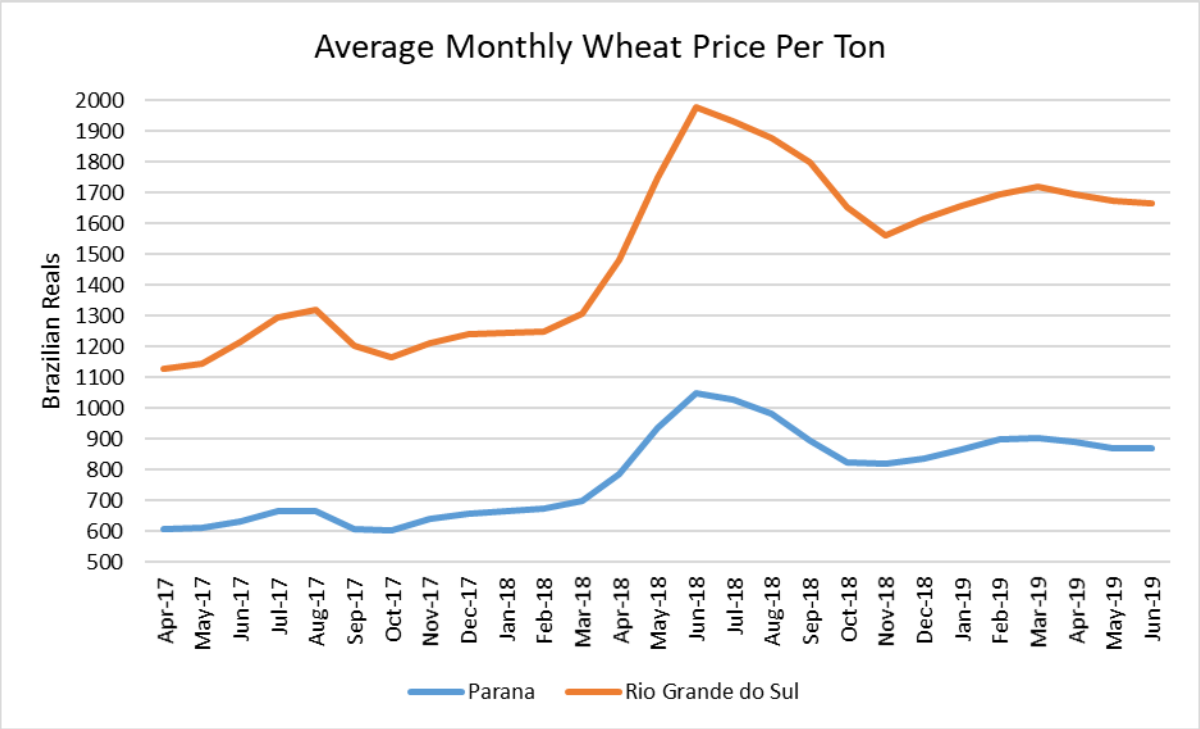
Source: CONAB, Boletim da Safra de Graos, June 2019

In the long term, Brazil is working to expand wheat area and decrease the country's heavy dependence on imports to meet domestic demand. Earlier this year, Brazil's Association of Wheat Millers (Abitrigo) proposed a new government policy to increase domestic production of wheat. The proposed strategy, reportedly well-received by Agriculture Minister Tereza Cristina, includes changes in the legal and regulatory environment, investment incentives, facilitation of international trade and logistics, and expanded infrastructure. Abitrigo would also like to see expanded infrastructure to enable movement of the domestic crop from the south of Brazil to wheat mills that supply population centers in the Northeast, as well as uniform state taxes on wheat, expanded availability of credit lines for the construction of silos, privatization of government warehouses, and the standardization of labels of wheat products.

Infrastructure and freight rates remain among the greatest challenges for Brazil's wheat milling sector, and most large mills are located adjacent to port terminals to minimize transportation costs. Additionally, it is expensive and logistically difficult to move Brazilian wheat from the largest production region in the south to population centers in the northeast of the country. This is due to interstate taxes and a cabotage law that requires use of Brazilian-flagged ships to move commodities between ports within the country. At the same time, Argentine wheat may be transported on ships flagged from any country.

Wheat Trade

Market year 2018/19 imports are forecast at 7.5 MMT, while MY 2019/2020 imports are forecast slightly lower at 7.2 MMT. Market year 2018/19 exports are forecast at 650,000 MT based on the pace of trade, which fell precipitously in April and May. Exports for MY 2019/2020 are forecast stagnant at 650,000 MT. Brazil generally has extremely limited exports in years when production is below 5 MMT, but a return to more normal yields in MY 2018/2019 and robust trading opportunities in early 2019 led to higher-than-expected export totals early in the marketing year, followed by almost no exports in the last two months.



Date Source: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA)

Imported wheat makes up more than half of Brazil's domestic consumption. Typically, most imports are duty-free purchases from Mercosul-neighbor Argentina, which usually supplies about 90 percent of Brazilian wheat imports. By comparison, the second-largest supplier in MY 2017/2018 was Paraguay with just 3.2 percent of market share, while the United States was the third-largest supplier, accounting for just 2.9 percent of Brazil's imports.

Despite high volumes of imports early in the year, Brazilian traders greatly slowed their buying in May, to its lowest level in a year. According to a survey by the University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA), many mills are reporting that they are opting to use up existing stocks and only importing what is needed to remain operational. Moreover, CEPEA found that many mills report having comfortable stocks to tide them over until the next harvest season begins in August.

Mills are likely waiting for the relatively high wheat price to fall so they can stock up on cheaper supplies. Moreover, the 750,000 MT duty-free tariff-rate quota (TRQ) announced by Brazil's president in March during a visit to Washington has still not been implemented. Brazil has cited several political

and bureaucratic reasons for the delay. The decision will likely have to be dealt with by Brazil's foreign trade chamber, known as CAMEX. However, the rules to reform that body are still be debating, and CAMEX has not met to discuss any trade decisions since 2018.

In May, Argentine government officials met with Abitrigo members in Sao Paulo. After the meeting, the Argentine officials issued a statement saying that Brazilian millers estimated they will need to buy 2.25 MMT of Argentine wheat between June and November of this year, and another 5.5 MMT of Argentine wheat in 2020. Many analysts expect Argentina will harvest a record crop this year, and they will be looking to sell a substantial portion of that harvest to Brazil.

Wheat Consumption

Consumption for MY 2018/2019 is forecast at 12.1 MMT, marginally higher than MY 2017/2018. Market year 2019/20 consumption is forecast about 1 percent higher, at 12.2 MMT, in line with expected population growth and economic recovery.

Brazil generally imports higher-quality wheat so that millers can blend it with domestic supplies to achieve the desired flour quality and protein levels demanded by bakeries. One of Brazil's most popular bread varieties, pao frances, is a minimally dense, crusty French-style roll. The consistency of this type of bread requires a specific flour blend to optimize the height of the roll without compromising the crusty texture of the exterior. Brazilians eat pao frances rolls at any time of day, but they are most popular as a breakfast staple consumed with butter and coffee.

The Brazilian baking sector has reported that consumption of industrially produced bread in Brazil grew by double-digits in the years prior to Brazil's recent economic recession, but has stagnated in recent years. Since 2015, sales of industrially produced bread have slumped, according to the Brazilian Association of Cookie, Pasta, Bread, and Cake Producers (ABIMAPI). The industry is optimistic that the growth of bread consumption will accelerate in the coming year, as Brazil continues its climb out of recession. Meanwhile, industry contacts report that the milling sector is increasing output of more specialized products, including organic, whole-grain, and stone-ground flour varieties for consumer use. While the popularity of in-home baking (usually from pre-made mixes) and artisanal bakeries and pastry shops has grown marginally in recent years, the overwhelming majority of wheat consumption comes from breads, crackers, pasta, and cookies produced by industrial bakeries.

Related Report References:

Brazil Grain and Feed Annual – April 2019 – BR 1907
2019 Brazil Poultry and Products Semi-Annual Report – February 2019 – BR 1901
2019 Brazil Livestock and Products Semi-Annual Report – February 2019 – BR 1904
2019 Argentina Grain and Feed Annual – April 2019
2018 Venezuela Grain and Feed Update – December 2018 – VE 1811