



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

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## Brazil

### Grain and Feed

### Corn Update

### 2007

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**Report Highlights:**

Post is increasing expected corn area and production for 2006/07 due to increased yields for the main corn crop (currently being harvested) and increased planted area for the second corn crop (currently being planted).

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Brasilia [BR1]  
[BR]

New data released by the Ministry of Agriculture's National Food Supply Company (CONAB) on February 8 estimates that Brazilian corn production will be 47.9 million tons (mmt) this year. Estimates are based on the good yield achieved in the main corn crop, which is currently being harvested, and the price-induced increase in area expected for the second corn crop, which is currently being planted. At this early date, Post is estimating 2006/07 production at 44.5 mmt. Feed consumption will continue to rise (between 2.5 and 3 percent annually) due to consistently increasing demand from the poultry and swine industries. Exports are also expected to rise, as traders take advantage of high international prices.

In 2006, the government of Brazil (GOB) supplied various subsidies (see "Programs" below) in order to increase the price of corn to the minimum guaranteed price and to assist in the flow of grain from production areas to consumption areas. Many of the auctions performed by the government specified that the corn must be destined for feed rations in the Northeast of Brazil, but some allowed for the possibility of exports. These programs led to a surge in corn exports in the month of July, when Brazilian exports of corn usually decline. In July and August, almost half of the corn sold to that point was exported. The GOB spent the last 3 months of the year selling stocks (using VEP, see below) in order to guarantee supply to the poultry and swine industries.

#### Sales of Government-held Corn ('000 mt)

| Program | 2004  | 2005  | 2006  |
|---------|-------|-------|-------|
| VEP     | 378.5 | 430.7 | 320.0 |

Source: Brazilian Ministry of Agriculture/SPA/DEAGRO

#### Government Support for the Commercialization of Corn ('000 mt)

| Program             | 2004     | 2005     | 2006     |
|---------------------|----------|----------|----------|
| Acquisition (AGF)   | 99.6     | 637.5    | 2,223.7  |
| PEP                 | 315.3    | 790.9    | 3,087.9  |
| PROP                | 0.0      | 94.4     | 2,258.0  |
| PEPRO               | 0.0      | 0.0      | 100.0    |
| Options (Exercised) | 745.1    | 0.0      |          |
| Total               | 1,182.1  | 1,522.8  | 7,669.6  |
| Production          | 42,128.4 | 35,006.7 | 41,682.2 |
| Participation %     | 2.8%     | 4.3%     | 18.4%    |

Source: Brazilian Ministry of Agriculture/SPA/DEAGRO

\* 2006 support was approximately R\$850 million (more than USD406 million).

#### Programs

Federal Government Acquisition (Aquisição do Governo Federal, AGF) allows the government to acquire agricultural products at the minimum price when the market price is below the minimum. It also allows the government to acquire products at market prices for use in the *agricultura familiar* program and to build strategic stocks.

Risk Premium for Acquisition of Agricultural Products Deriving from Private Contracts of Sales Options (Prêmio de Risco para Aquisição de Produto Agrícola Oriundo de Contrato Privado de Opção de Venda, PROP) is a subsidy program granted in the form of a public auction for the consumer to acquire, at a future date, a determined product directly from the producer and/or cooperative at a prefixed price, utilizing a private contract for the option to sell.

The Premium for Marketing of Products and Value for Marketing of Products (Prêmio e Valor de Escoamento de Produto, PEP & VEP) provide the minimum guaranteed price to producers and cooperatives by paying the difference between the minimum guaranteed price and the

market price. The objective is to supplement the supply of commodities in areas of the country considered to be deficient in agricultural production, such as the Northeast of Brazil. The difference between the programs is that in PEP the products are taken from private stocks, whereas in VEP the products are taken from public stocks.

### Minimum Price

Region: South, Southeast, Center-West (except Mato Grosso), and south of Bahia, MA and PI  
Current: 14R\$/60kg

Last changed in 2004/05 from 13.50R\$/60kg

Region: Mato Grosso, AC and RO

Current: 11R\$/60kg

Last changed in 2002/03 from 7.50R\$/60kg

Region: North (except AC and RO) and Northeast (except south of Bahia, MA and PI)

Current: 16R\$/60kg

Last changed in 2002/03 from 10.50R\$/60kg

| <b>Brazil</b>                 |                                 |                                    |                                    |                                    |                                    |                                    |            |
|-------------------------------|---------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------|
| <b>Corn</b>                   |                                 |                                    |                                    |                                    |                                    |                                    |            |
|                               | <b>2004</b>                     | <b>Estimate</b>                    | <b>2005</b>                        | <b>Estimate</b>                    | <b>2006</b>                        | <b>Forecast</b>                    | <b>UOM</b> |
|                               | <b>USDA<br/>Official<br/>[]</b> | <b>Post<br/>Estimate<br/>[New]</b> | <b>USDA<br/>Official<br/>[Old]</b> | <b>Post<br/>Estimate<br/>[New]</b> | <b>USDA<br/>Official<br/>[Old]</b> | <b>Post<br/>Estimate<br/>[New]</b> |            |
| <b>Market Year Begin</b>      |                                 | 03/2005                            |                                    | 03/2006                            |                                    | 03/2007                            | MM/YYYY    |
| <b>Area Harvested</b>         | 11561                           | 11549                              | 12900                              | 12964                              | 12700                              | 13000                              | (1000 HA)  |
| <b>Beginning Stocks</b>       | 7878                            | 7878                               | 4192                               | 4415                               | 3892                               | 4230                               | (1000 MT)  |
| <b>Production</b>             | 35000                           | 35116                              | 41700                              | 42515                              | 42000                              | 44500                              | (1000 MT)  |
| <b>TOTAL Mkt. Yr. Imports</b> | 496                             | 602                                | 1000                               | 1000                               | 750                                | 750                                | (1000 MT)  |
| <b>Oct-Sep Imports</b>        | 481                             | 542                                | 931                                | 602                                | 850                                | 850                                | (1000 MT)  |
| <b>Oct-Sep Import U.S.</b>    | 0                               | 0                                  | 0                                  | 0                                  | 0                                  | 0                                  | (1000 MT)  |
| <b>TOTAL SUPPLY</b>           | 43374                           | 43596                              | 46892                              | 47930                              | 46642                              | 49480                              | (1000 MT)  |
| <b>TOTAL Mkt. Yr. Exports</b> | 682                             | 681                                | 4000                               | 4200                               | 4000                               | 4500                               | (1000 MT)  |
| <b>Oct-Sep Exports</b>        | 1431                            | 1430                               | 2826                               | 2826                               | 4500                               | 4500                               | (1000 MT)  |
| <b>Feed Dom. Consumption</b>  | 32100                           | 32100                              | 32500                              | 33000                              | 33500                              | 34000                              | (1000 MT)  |
| <b>TOTAL Dom. Consumption</b> | 38500                           | 38500                              | 39000                              | 39500                              | 40000                              | 40500                              | (1000 MT)  |
| <b>Ending Stocks</b>          | 4192                            | 4415                               | 3892                               | 4230                               | 2642                               | 4480                               | (1000 MT)  |
| <b>TOTAL DISTRIBUTION</b>     | 43374                           | 43596                              | 46892                              | 47930                              | 46642                              | 49480                              | (1000 MT)  |