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Brazil

Grain and Feed

Grain Annual

2007

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Report Highlights:

Post forecasts corn production in 2006/07 at 48 million mt (mmt) and trade year exports at 6 mmt, due to good yield and increased area resulting from strong international prices. Corn production for 2007/08 is expected to continue to be strong, at 47 mmt, as farmers continue to take advantage of strong export opportunities, and exports are expected to reach 6.5 mmt. Brazil is expected to import 750,000 mt of rice in 2006/07 and export 125,000 mt. Tightening domestic supply is expected to result in slightly higher area in 2007/08, resulting in 8 million mt of domestic production. However, Brazil is expected to also require imports of 900,000 mt (TY). Post forecasts wheat imports in 2006/07 will be 7.5 mmt, with the possibility of some imports of U.S. wheat. 2007/08 production is expected to rebound to 4 mmt as a result of improved weather conditions and slightly increased area (due to higher domestic prices). Therefore, 2007/08 imports are anticipated to return to a more normal level of 7 mmt.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Brasilia [BR1]
[BR]

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Executive Summary

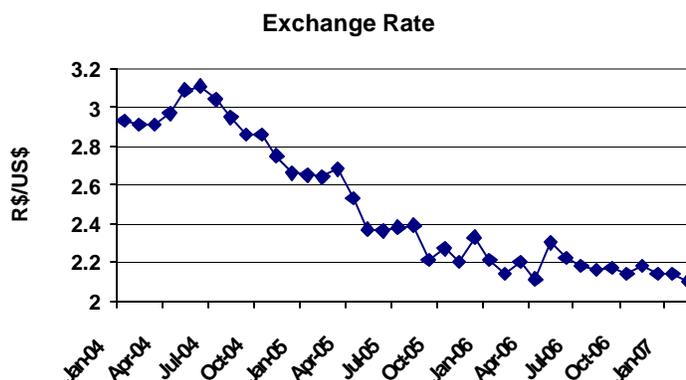
Post forecasts corn production in 2006/07 at 48 million metric tons (mmt) and October/September trade year (TY) exports at 6 mmt, due to good yields and increased area resulting from strong international prices. Corn production for 2007/08 is expected to continue to be strong, at 47 mmt, as farmers continue to take advantage of strong export opportunities, and exports are expected to reach 6.5 mmt.

Post forecasts 2006/07 rice imports of 750,000 metric tons (mt) and exports of 125,000 mt. Tightening domestic supply is expected to result in slightly higher area and production in 2007/08, at 3.1 million ha and 8 million mt respectively, as well as higher imports of 900,000 mt (TY).

Post forecasts wheat imports in 2006/07 at 7.5 mmt, with the possibility of some imports of U.S. wheat. Production is expected to rebound to 4 mmt in 2007/08 as a result of improved weather conditions and slightly increased area (due to higher domestic prices). Therefore, 2007/08 imports are anticipated to return to a more normal level of 7 mmt.

Economic Situation

In 2006, GDP growth was 2.9 percent (the second lowest growth rate in the region), up from 2.3 percent in 2005, and inflation was under control at 5 percent. 2006 per capita GDP was \$5,177, and unemployment remains high. The export sector was the main driver of economic growth in 2006, as total exports expanded 16 percent. The outlook for 2007 is for economic growth between 3.5 and 4.0 percent and lower inflation and interest rates. The Real, however, will likely remain strong.



Corn

| Brazil | | | | | | | |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
| Corn | | | | | | | |
| | 2005 | Revised | 2006 | Estimate | 2007 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 03/2006 | | 03/2007 | | 03/2008 | MM/YYYY |
| Area Harvested | 12900 | 12964 | 13300 | 13350 | | 13300 | (1000 HA) |
| Beginning Stocks | 4192 | 4415 | 3192 | 3899 | | 5349 | (1000 MT) |
| Production | 41700 | 42515 | 48000 | 48000 | | 47000 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 1000 | 993 | 350 | 450 | | 450 | (1000 MT) |
| Oct-Sep Imports | 931 | 602 | 450 | 750 | | 450 | (1000 MT) |
| Oct-Sep Import U.S. | 0 | 0 | 0 | 0 | | 0 | (1000 MT) |
| TOTAL SUPPLY | 46892 | 47923 | 51542 | 52349 | | 52799 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 4200 | 4524 | 6500 | 6500 | | 6500 | (1000 MT) |
| Oct-Sep Exports | 2826 | 2826 | 5500 | 6000 | | 6500 | (1000 MT) |
| Feed Dom. Consumption | 33000 | 33000 | 34000 | 34000 | | 35000 | (1000 MT) |
| TOTAL Dom. Consumption | 39500 | 39500 | 40500 | 40500 | | 41500 | (1000 MT) |
| Ending Stocks | 3192 | 3899 | 4542 | 5349 | | 4799 | (1000 MT) |
| TOTAL DISTRIBUTION | 46892 | 47923 | 51542 | 52349 | | 52799 | (1000 MT) |

Production

Paraná is the largest corn producing state, with nearly a quarter of Brazilian corn production. Approximately 90 percent of its production is accomplished in the main (1st) crop, which is harvested mainly between February and April. The Center-West region, which accounts for another 20-25 percent of Brazilian production, produces mostly safrinha corn (a smaller, second crop). This corn is planted in February and March, immediately behind the harvested soy.

The first crop of the 2006/07 season had a 1.8 percent reduction in area from the year before, due to low prices, but an expected 14.6 percent increase in production as a result of very good weather conditions. Nearly half of this crop has already been harvested. The second crop, now being planted, is experiencing a significant (17 percent) increase in area despite being delayed slightly by rain. This increase is largely motivated by high world prices and the expectation of good export opportunities as more U.S. corn is diverted to ethanol production. Some reports indicate that demand for corn seed is so high that the best seed varieties have already been purchased and only less productive varieties are still available.

Post expects world prices to remain strong in the coming two years as a result of rising demand for ethanol. As a result, Brazilian farmers are expected to continue planting large amounts of corn, with the majority of area expansion found in the Center-West's safrinha crop. Production for 2007/08 is anticipated to reach 47 million mt, a slight reduction from the current year's forecast, as a result of yield more in line with the historical trend.

Corn Prices

Prices in R\$ per 60 kg (discounted by the CDI/CETIP tax)

| Year | 2005 | 2006 | % Change |
|------|-------|-------|----------|
| Jan | 17.82 | 17.55 | -2% |
| Feb | 17.47 | 16.52 | -5% |
| Mar | 20.06 | 14.62 | -27% |
| Apr | 19.35 | 14.44 | -25% |
| May | 19.03 | 15.25 | -20% |
| Jun | 19.55 | 16.47 | -16% |
| Jul | 19.26 | 16.69 | -13% |
| Aug | 18.64 | 16.86 | -10% |
| Sep | 18.36 | 17.94 | -2% |
| Oct | 17.78 | 21.09 | 19% |
| Nov | 16.5 | 22.93 | 39% |
| Dec | 16.74 | 24.96 | 49% |

Source: CEPEA

2006/07 Basic Minimum Prices for Corn

| Region | Unit | Price (R\$/unit) | Price (US\$/mt) |
|--|-------|------------------|-----------------|
| South, Southeast, Center-West (except Mato Grosso), and south of Bahia, Maranhao and Piaui | 60 kg | 14.00 | 111.27 |
| Mato Grosso, Acre, Rondonia | 60 kg | 11.00 | 87.43 |
| North and Northeast (except areas previously mentioned) | 60 kg | 16.00 | 127.17 |

Source: MAPA/SPA/DEAGRO

Exchange rate: US\$ 1 = R\$ 2.09692 (3/13/07)

Trade

Brazil has been importing some corn from Paraguay, mainly for the meat industry in the South. While this is expected to continue, Post anticipates the quantity to diminish, as declining barge rates are making shipping down river to other export positions a more viable option for Paraguay.

While some analysts are forecasting exports up to 8 million mt, Post anticipates Brazil will export 6.5 million tons for both the 2006/07 marketing year, which has just begun in Brazil, and the 2007/08 marketing year. Traditional markets are the Middle East (specifically Iran), the European Union, Southern Africa, and non-GMO demand in S. Korea and Japan. Beyond that, Brazil will need to find new markets for its corn. Argentina recently closed export registrations for corn in an attempt to keep domestic food prices low leading up to the elections later this year. While the exports already registered can continue, the longer Argentina keeps export registrations closed, the easier it will be for Brazil to expand into other markets. Corn will be competing with soy for storage capacity and available trucks to transport to the ports. Its ability to overcome these infrastructure hurdles and develop new markets will largely determine whether Brazil will export (and will continue to export) large quantities of corn, or if stocks will quickly soar, leading to either a reduction in domestic prices and reduced acreage or significant government intervention in the market.

For information regarding 2006 Brazilian government commercialization subsidies and their impact on the export market, please see Post report BR7605.

Consumption

Poultry and swine production, which account for approximately 40 percent and 20 percent of domestic corn consumption respectively, are expected to continue growing at an annual rate of between 4 and 5 percent. As a result of high global corn prices diverting corn to export and the reportedly poor quality of the wheat harvested last October (leading to slightly higher wheat feed consumption in the current year), total domestic corn consumption is

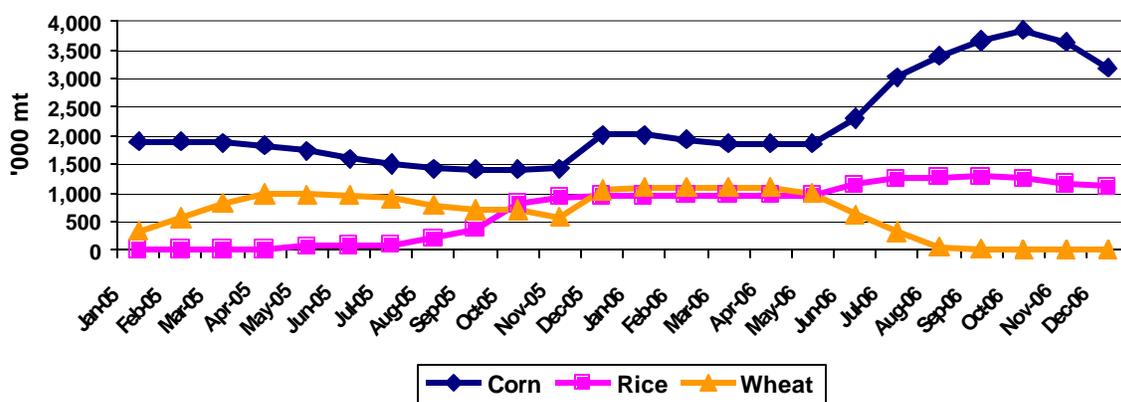
expected to rise approximately 3 percent annually over the coming years, reaching 41.5 million mt in 2007/08.

Stocks

Grain storage in the primary growing areas (e.g. Mato Grosso) is expected to be insufficient for safrinha corn this year. Room is available in storage mainly as soybeans are sent to port. As a result, much of the safrinha corn may have to go directly to the port from the farm, leading to possible issues with truck availability or port congestion.

At the end of 2006, the Brazilian Government had approximately 3 mmt of corn in storage. For information regarding 2006 Brazilian government stock build-up and subsequent auctions, please see Post report BR7605.

Government-Held Stocks



Rice

| Brazil | | | | | | | |
|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
| Rice, Milled | | | | | | | |
| | 2005 | Revised | 2006 | Estimate | 2007 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 04/2006 | | 04/2007 | | 04/2008 | MM/YYYY |
| Area Harvested | 2988 | 2996 | 3000 | 2997 | | 3100 | (1000 HA) |
| Beginning Stocks | 1746 | 1686 | 1146 | 1010 | | 379 | (1000 MT) |
| Milled Production | 7874 | 7874 | 7700 | 7694 | | 8000 | (1000 MT) |
| Rough Production | 11579 | 11579 | 11324 | 11315 | | 11765 | (1000 MT) |
| MILLING RATE (.9999) | 6800 | 6800 | 6800 | 6800 | | 6800 | (1000 MT) |
| TOTAL Imports | 750 | 600 | 850 | 750 | | 950 | (1000 MT) |
| Jan-Dec Imports | 691 | 566 | 800 | 750 | | 900 | (1000 MT) |
| Jan-Dec Import U.S. | 0 | 0 | 0 | 0 | | 0 | (1000 MT) |
| TOTAL SUPPLY | 10370 | 10160 | 9696 | 9454 | | 9329 | (1000 MT) |
| TOTAL Exports | 250 | 250 | 125 | 125 | | 100 | (1000 MT) |
| Jan-Dec Exports | 300 | 290 | 100 | 125 | | 100 | (1000 MT) |
| TOTAL Dom. Consumption | 8974 | 8900 | 8950 | 8950 | | 8900 | (1000 MT) |
| Ending Stocks | 1146 | 1010 | 621 | 379 | | 329 | (1000 MT) |
| TOTAL DISTRIBUTION | 10370 | 10160 | 9696 | 9454 | | 9329 | (1000 MT) |

Production

Brazil's 2007 rice harvest began recently, with approximately one-third of the crop already harvested. Yields in Rio Grande do Sul (more than half of Brazilian rice production) appear to be good. Rice is currently one of the least profitable crops in Brazil (more negative than any of the other grains). The last two years have been extremely difficult for rice producers, and it is estimated that 80 percent of the current crop is already committed to input suppliers and financial institutions for the repayment of debt. Because rice area in the south is relatively fixed, most expansion or contraction occurs in the Center-West, in part because producers will plant rice as a way to prepare the soil when switching area from pasture to field crops. Tight stocks towards the end of this year are expected to result in higher prices, motivating producers to plant slightly more rice (3.1 million ha). However, this expansion will be limited as producers in the Center-West will prefer to plant more profitable crops. As such, Post anticipates 2007/08 production will be 8 million mt. While this was considered to be a relatively good year for rice production, water availability will continue to be a significant concern.

Selected 2006/07 Minimum Prices for Rice

| Type | Region | Unit | Price (R\$/unit) | Price (US\$/mt) |
|-------------------------|---|-------|------------------|-----------------|
| long fine paddy, type 1 | South, Southeast, Northeast, and Center-West (except Mato Grosso) | 50 kg | 22.00 | 209.83 |
| long fine paddy, type 2 | North and Mato Grosso | 60 kg | 20.70 | 164.53 |
| long paddy, type 3 | South, Southeast, Northeast, and Center-West (except Mato Grosso) | 60 kg | 11.13 | 88.46 |
| long paddy, type 3 | Mato Grosso and Tocantins | 60 kg | 10.75 | 85.44 |
| long paddy, type 3 | North (except Tocantins) | 60 kg | 10.12 | 80.44 |

Source: MAPA/SPA/DEAGRO

Exchange rate: US\$ 1 = R\$ 2.09692 (3/13/07)

Milled Rice Prices

Prices in R\$ per 50 kg (type 1, Rio Grande do Sul; discounted by the CDI/CETIP tax)

| Year | 2005 | 2006 | % Change |
|------|-------|-------|----------|
| Jan | | 20.75 | |
| Feb | | 18.58 | |
| Mar | | 17.46 | |
| Apr | | 16.71 | |
| May | | 16.44 | |
| Jun | | 19.75 | |
| Jul | | 20.5 | |
| Aug | | 20.16 | |
| Sep | 16.93 | 20.31 | 20% |
| Oct | 17.14 | 23.29 | 36% |
| Nov | 19.51 | 25.04 | 28% |
| Dec | 20.99 | 23.18 | 10% |

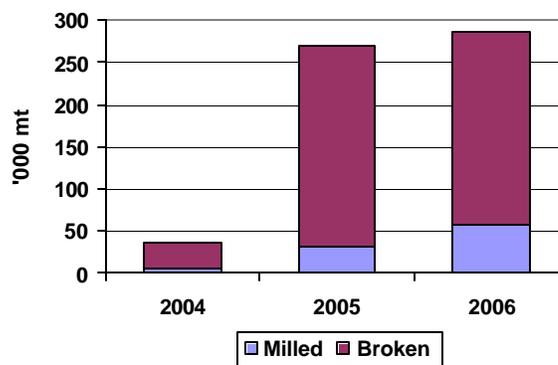
Source: CEPEA

Trade

Milled rice was 12 percent of rice exports in 2004 and 2005, but rose to 20 percent of exports in 2006. Approximately half of the broken rice is exported to Senegal. The milled rice that is now being exported is primarily going to Benin and Cuba. Despite tightening domestic supplies, Post expects 2006/07 exports of 125,000 mt (MY and TY) and 2007/08 exports of 100,000 mt as part of an effort to maintain a presence in these markets.

Post anticipates Brazil will import 750,000 mt in 2006/07 (MY and TY) and 900,000 mt in the 2007/08 trade year as domestic supplies and stocks become tighter. Much of these imports are expected to be supplied by Uruguay and Argentina, with any residual coming from SE Asia.

Brazilian Rice Exports



Consumption

Per capita rice consumption in Brazil is considered to be stable. The consumption of traditional milled rice is slowly declining as income levels rise, particularly in the Northeast. However, this decline is balanced by the increase in parboiled rice consumption, particularly in areas like São Paulo.

Stocks

For information regarding government purchases and sales of rice stocks, see Post report BR6628.

Wheat

| Brazil | | | | | | | |
|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
| Wheat | | | | | | | |
| | 2005 | Revised | 2006 | Estimate | 2007 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 10/2005 | | 10/2006 | | 10/2007 | MM/YYYY |
| Area Harvested | 2360 | 2360 | 1700 | 1758 | | 1950 | (1000 HA) |
| Beginning Stocks | 1349 | 1376 | 1333 | 1116 | | 345 | (1000 MT) |
| Production | 4873 | 4873 | 2250 | 2234 | | 4000 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 6718 | 6574 | 7500 | 7500 | | 7000 | (1000 MT) |
| Jul-Jun Imports | 6194 | 6015 | 7500 | 7500 | | 7000 | (1000 MT) |
| Jul-Jun Import U.S. | 30 | 39 | 0 | 100 | | 200 | (1000 MT) |
| TOTAL SUPPLY | 12940 | 12823 | 11083 | 10850 | | 11345 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 807 | 807 | 50 | 5 | | 5 | (1000 MT) |
| Jul-Jun Exports | 771 | 771 | 50 | 40 | | 5 | (1000 MT) |
| Feed Dom. Consumption | 600 | 600 | 100 | 300 | | 200 | (1000 MT) |
| TOTAL Dom. Consumption | 10800 | 10900 | 10400 | 10500 | | 10600 | (1000 MT) |
| Ending Stocks | 1333 | 1116 | 633 | 345 | | 740 | (1000 MT) |
| TOTAL DISTRIBUTION | 12940 | 12823 | 11083 | 10850 | | 11345 | (1000 MT) |

Production

In 2006/07, low prices and drought during planting season and hard frosts at the end of August and beginning of September led to a 25 percent reduction in area and a 46 percent reduction over the previous year's production levels. Much of the domestic wheat produced was considered to be low quality. While wheat area is expected to increase slightly from last year's levels, in large part due to current high domestic prices, it is expected that increases in corn area will limit the increase in wheat area, particularly in Paraná (the largest corn and wheat producing state). As a result, Post forecasts 2007/08 area will only increase 11 percent to 1.95 million hectares and production will rebound to 4 million mt.

Wheat Prices

Prices in R\$ per mt (Curitiba c.i.f.)

| Year | 2005 | 2006 | % Change |
|------|--------|--------|----------|
| Jan | 353.00 | 380.00 | 8% |
| Feb | 348.33 | 357.50 | 3% |
| Mar | 412.86 | 350.00 | -15% |
| Apr | 451.58 | 350.00 | -22% |
| May | 416.67 | 354.09 | -15% |
| Jun | 383.07 | 366.90 | -4% |
| Jul | 380.95 | 386.67 | 2% |
| Aug | 375.22 | 390.00 | 4% |
| Sep | 353.33 | 416.25 | 18% |
| Oct | 350.00 | 505.71 | 44% |
| Nov | 386.00 | 505.00 | 31% |
| Dec | 386.36 | 500.00 | 29% |

Source: Safras e Mercado

Selected 2006/07 Minimum Prices for Wheat

| Type | Region | Unit | Price (R\$/unit) | Price (US\$/mt) |
|--------------|----------------------------------|------|------------------|-----------------|
| soft, type 2 | South | mt | 330.88 | 157.79 |
| soft, type 2 | Center-West, Southeast and Bahia | mt | 372.05 | 177.43 |
| hard, type 1 | South | mt | 400.00 | 190.76 |
| hard, type 2 | South | mt | 379.54 | 181.00 |
| hard, type 2 | Center-West, Southeast and Bahia | mt | 426.75 | 203.51 |

Source: MAPA/SPA/DEAGRO

Exchange rate: US\$ 1 = R\$ 2.09692 (3/13/07)

Trade

Post estimates 2006/07 imports of wheat and wheat flour will total 7.5 mmt. Of primary concern to domestic millers are the recent actions by the Government of Argentina regarding export registrations. On March 8, Argentina closed export registrations for wheat and wheat flour. Those exports already registered will continue to flow, so the principal impact was to dramatically decrease Brazilian millers' hope that Argentine farmers will find more wheat in storage than previously thought existed, but it also provided some hope of relief from the dramatic increase in flour imports that has occurred over the last few months. However, on March 14, Argentina reached an agreement with the Argentine milling industry and reopened the export registry for wheat flour. Due to Argentine government policies (including differential export taxes) imported Argentine flour costs approximately 30 percent less than Brazilian flour, so it can be more economical for Brazilian millers to import Argentine flour than to mill their own.

The big importers, anticipating a tight year, started buying early and have stocks for a few months, but most buyers will soon need to purchase more wheat. This is made even more likely by the reports that the small domestic harvest was low quality, requiring it to be blended with high quality wheat in order to be suitable for milling. It is widely believed that Argentina does not have sufficient quantities of wheat to supply Brazil, made even more evident by the closed export registry, which will require Brazilian wheat millers to look outside of Mercosul.

By some estimates, Brazil could import up to 1 mmt of non-Mercosul wheat between June and September. This could be a combination of cheap Russian/Black Sea wheat and higher quality Canadian or U.S. wheat (for blending). However, the Common External Tariff (TEC) and Merchant Marine tax add approximately \$28/mt to the cost of non-Mercosul wheat. The Merchant Marine tax is a 25 percent tax on freight. For the last 10 years, ports in the Northeast of Brazil had a waiver from this tax, allowing the United States to compete in this region, as the distance was about the same from the U.S. Gulf and Argentina. However, the Government of Brazil chose not to extend this waiver, and it expired in January 2007. The Brazilian government could choose to lower the TEC temporarily from 10 percent to 3 percent, but the government has not responded to industry requests made over the last 5

months. Now Brazilian millers are faced with higher input costs and significant competition from Argentine wheat flour. If the Argentine government does not equalize its export registration policy and differential export taxes, Post expects wheat flour imports to continue to rise as a percentage of total wheat imports, likely leading to some consolidation in the Brazilian milling industry.

For more information on the impact Argentine Differential Export Taxes have had on Brazilian imports of flour/pre-mix, as well as the tariff and tax barriers currently faced by non-Mercosul exporters, see Post report BR7609.

Post forecasts 2007/08 wheat imports will return to a more normal level of 7 mmt (marketing year and trade year) due to improved domestic production.

Consumption

Brazilian wheat consumption continues to be relatively stable and inelastic. A possible increase in bread prices resulting from high commodity prices is not expected to have a significant impact on consumption levels.

Policy

According to the Ministry of Agriculture, Brazil provided R\$850 million (US\$405 million) in support to the corn industry and R\$219.2 million (US\$104 million) to the rice industry in 2006. In addition, from January 2006 through January 2007, the government provided R\$57 million (US\$27.2 million) in support to the wheat industry. These amounts, while significant, are considered to be *de minimis* spending, as each is less than 10 percent of the value of that crop's production, and is therefore never counted against Brazil's Aggregate Measurements of Support (AMS) commitment in the WTO. (Developed countries have a *de minimis* ceiling of 5 percent.)

The amount of corn, rice and wheat supported by the government is provided in the tables below, as well as descriptions of the major government programs. These programs are utilized to support commodity prices and to assist in the flow of grain from the production areas to the consumption areas. While some of this grain is exported, these programs are not considered to be export subsidies since the recipient is not required to export the product. In addition, a waiver for developing countries in the WTO Agriculture Agreement allows them to subsidize transportation.

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 (Sold) | 767.2 | 0.0 | 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

Government Support for the Commercialization of Rice ('000 mt)

| Program | 2003/04 | 2004/05 | 2005/06 |
|-------------------|----------|----------|----------|
| Acquisition (AGF) | 0 | 571.4 | 307.7 |
| PEP | 0 | 0 | 459.8 |
| PROP | 0 | 327.6 | 238.9 |
| Options (Sold) | 0 | 350.0 | 0 |
| Total | 0 | 1,249.0 | 1,006.4 |
| Production | 12,829.4 | 13,227.5 | 11,579.2 |
| Participation % | 0% | 9.4% | 8.7% |

Source: Brazilian Ministry of Agriculture/SPA/DEAGRO

Note: March/February crop year

Government Support for the Commercialization of Wheat ('000 mt)

| Program | 2004 | 2005 | 2006 |
|-------------------|---------|---------|---------|
| Acquisition (AGF) | 0 | 269.7 | 31.9 |
| PEP | 0 | 433.8 | 1,184.2 |
| PROP | 0 | 0 | 153.4 |
| Options (Sold) | 517.7 | 650.0 | 0 |
| Total | 517.7 | 1,353.5 | 1,369.4 |
| Production | 6,073.5 | 5,845.9 | 4,873.1 |
| Participation % | 8.5% | 23.2% | 28.1% |

Source: Brazilian Ministry of Agriculture/SPA/DEAGRO

Note: August/July crop year

Government 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.

The Equalization Premium Paid to the Producer (Prêmio Equalizador Pago ao Produtor, PEPRO) is a premium granted to the farmer or cooperative which sells its products at public auction, where the government pays the difference between the Reference Value

established by the government and the value of the premium (the maximum value paid by the government as a guarantee of the Reference Value).

Option to Sell Contract (Contrato de Opção de Venda) is a futures option offered by the federal government through public auctions to producers and cooperatives. By purchasing a futures option, the holder has the right to deliver to the government by a specified date a certain quantity of the commodity, named in the contract, at a specific price. This program signals to market agents the government expectations for futures prices and represents a price hedge to producers and cooperatives.