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Brazil

Grain and Feed

G&F Update for March 2000 Lockup

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Report Highlights:

Post is reducing the 99/00 corn area and production estimates as the impact of the drought is becoming more clear. As a result, Post is increasing its 99/00 import corn estimate. Post is increasing the 99/00 rice production estimate as yield estimates are higher than previously forecasted. The 99/00 wheat estimate was also increased slightly reflecting revised data on the Parana crop.

Policy: unresolved issues stemming from the fact no GMO's have been approved for sowing and processing in Brazil may complicate corn supply and imports.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
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WHEAT**Wheat PS&D Table**

PSD Table						
Country:	Brazil					
Commodity:	Wheat					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		08/1997		08/1998		08/1999
Area Harvested	1510	1510	1425	1425	1185	1185
Beginning Stocks	979	979	774	774	1044	1044
Production	2380	2380	2190	2190	2275	2435
TOTAL Mkt. Yr. Imports	6165	6165	7280	7280	6000	6300
Jul-Jun Imports	6165	6165	7240	7240	6000	6300
Jul-Jun Import U.S.	0	0	26	11	150	150
TOTAL SUPPLY	9524	9524	10244	10244	9319	9779
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	150	150	400	400	250	250
TOTAL Dom. Consumption	8750	8750	9200	9200	8900	9000
Ending Stocks	774	774	1044	1044	419	779
TOTAL DISTRIBUTION	9524	9524	10244	10244	9319	9779

Note: Units are in 1,000 hectares for area and 1,000 metric tons for the remainder of the table.

Production

Based on final data for the wheat crop in the state of Paraná, the most important wheat producing state in Brazil, Post is increasing the 99/00 production estimate from 2.28 million metric tons (mt) to 2.44 million mt. As stated in previous reports, the severe drought in late 1999 was favorable for the harvesting of the 99/00 wheat crop.

Trade

Post is increasing the 99/00 wheat import estimate from 6.0 million mt to 6.3 million mt based on Brazilian import data through December 1999 and forecasted imports for the portion of the marketing year in 2000. These figures include imports of flour on a wheat equivalent basis. See the table below for import estimates of wheat grain and flour.

Brazilian Imports of Wheat Grain and Wheat Flour as Wheat Equivalent (metric tons)

Local Marketing Year	Aug 97/Jul 98	Aug 98/Jul 99	Aug 99/Jul 00 (data for Aug-Dec 1999)
Wheat Grain	5,633,581	6,832,001	2,904,673
Flour as Wheat Equiv.	531,509	450,881	92,186

TOTAL	6,165,090	7,282,882	2,996,859
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CORN

Corn PS&D Table

PSD Table						
Country:	Brazil					
Commodity:	Corn					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		03/1998		03/1999		03/2000
Area Harvested	11365	11365	12250	12250	12410	12365
Beginning Stocks	3990	3990	1895	1988	285	525
Production	30520	30100	32350	32350	32425	32000
TOTAL Mkt. Yr. Imports	1725	1725	1000	775	2500	2900
Oct-Sep Imports	1050	1050	0	1500	0	0
Oct-Sep Import U.S.	125	125	0	16	0	0
TOTAL SUPPLY	36235	35815	35245	35113	35210	35425
TOTAL Mkt. Yr. Exports	0	7	0	10	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	28135	27730	29130	29003	29500	29655
TOTAL Dom. Consumption	34340	33820	34960	34578	35000	35305
Ending Stocks	1895	1988	285	525	210	120
TOTAL DISTRIBUTION	36235	35815	35245	35113	35210	35425

Note: Units are in 1,000 hectares for area and 1,000 metric tons for the remainder of the table.

Production

Based on the CONAB (Brazilian Food Supply Company) February 2000 field survey and recent state-level production estimates, Post is decreasing its 99/00 area estimate from 12.41 million hectares (ha) to 12.37 million ha reflecting the impact of the drought which has been very serious in the Southern third of Brazil. See BR0604 of 1/27/2000 for more specifics on the drought.

Post is increasing the 97/98 production estimate from 30.05 million mt to 30.10 million mt based on recently received revised data. Based on the above cited field survey and state-level estimates, Post is decreasing estimated Brazilian corn production from 32.43 million mt to 32.00 million mt. This decrease reflects the lower area estimate and decreased yield for the first crop in the Center-South Regions of Brazil (everything except the North/Northeast Regions (N/NE)) due to the drought in the South of Brazil. However, the decrease in the production estimate for the Center-South was partially offset by increases in 99/00 planting intentions for the N/NE (planting beginning in February 2000) and the second corn crop in the Center-South (planting beginning in March through May 2000).

The 99/00 overall corn supply is now very dependent on the performance of the second corn crop. It is expected that with domestic corn prices high, strong demand due to the poultry and pork export demand, and weak prices for wheat (the main crop competing for area) will drive the increase in area devoted to the second corn crop. The concern is that the planting of the 99/00 soybean and first corn crops, delayed due to the drought, and expected late late harvests for these crops will delay sowing of the second corn crop. Missing the most favorable planting period would place second corn crop at critical stages during more of the dry season (usually May through September). The second corn crop is considered a more risky crop under normal circumstances and a delayed planting further increases the risk.

For the Rio Grande do Sul first corn crop, EMATER/RS estimates that on February 25, 2000 the following proportions of the crop were in the following stages:

germination	vegetative growth	"flowering"	filling	mature	harvested
0 %	6 %	14 %	35 %	25 %	20 %

Trade

Post is decreasing the 98/99 import estimate from 1.0 million mt to 750,000 mt based on Brazilian import data through December 1999 and forecast for the portion of the marketing year in 2000. Post is increasing the 99/00 import estimate from 2.5 million mt to 2.9 million mt to reflect the decrease in estimated domestic production.

Consumption

Post is updating consumption estimates for all three years in the PS&D table based on industry estimates which are based on surveys of the major corn consuming sections, i.e., poultry and pork producers.

Policy: Corn Imports and GMO issues:

In view of larger forecast corn import needs, the awareness here that the two major sources for imported corn, the U.S. and Argentina, each have significant portions of total area sown to GMO corn varieties in recent and current crops, will complicate corn import decisions, purchases, and exporter-supplier transactions.

No GMO corn varieties have been approved for sowing in Brazil. Brazilian government GMO approval laws and regulations are thus being interpreted as requiring an application and favorable recommendation for import and usage of GMO containing commodities to be approved on a case-by-case basis.

Such application should be made by importers to Brazil's CTN-Bio (National Technical Commission on Bio-Safety), but the application and review process may prove too lengthy for near-term corn import needs.

An alternative to CTN-Bio approval might be an exporter's certificate of non-GMO content, but there is no clear Brazilian definition of an acceptable certificate and standard to be applied to imports, and the resources may be lacking to perform sampling of imports for compliance with eventual non-GMO certification.

Further there may be a shortage of resources to sample domestic crops, some of which (primarily soy) are being grown with GMO seed imported without authorization.

If as seems possible, GMO corn is also being grown without authorization here, there could arise an issue of more stringent treatment of imported corn vis-a-vis that of domestic grain.

A recent import buyer of corn reportedly had requested a "GMO-Free" certificate, but when prior to a vessel's arrival the shipper reportedly failed to provide the certificate, the importer rejected the vessel of U.S. corn. As a result the shipper reportedly re-sold the vessel to another destination.

It remains to be seen how Brazilian corn end-users, particularly the major feeder/processors and exporters of poultry and swine meat, and the government, will manage these issues vis-a-vis import needs. The challenge is to do so in ways that minimize further controversy with opponents of GMO imports and usage; and to minimize potential damage from short corn supplies to poultry and swine feeders. Similarly an unresolved corn shortage could impact the export competitiveness of poultry and pork products, key items in Brazil's exports. Failure to resolve these issues could also compromise the domestic industry's ability to honor export and domestic customers' apparent preferences for meat products from animals raised without use of GMO-containing grains and oilseeds.

RICE, MILLED

Rice, Milled PS&D Table

PSD Table						
Country:	Brazil					
Commodity:	Rice, Milled					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		03/1998		03/1999		03/2000
Area Harvested	3285	3285	3690	3680	3620	3620
Beginning Stocks	1195	1195	535	367	1307	850
Milled Production	5815	5815	7752	7735	6970	7242
Rough Production	8550	8550	11400	11375	10250	10650
Milling Rate(.9999)	6800	6800	6800	6800	6800	6800
TOTAL Imports	1600	1438	1200	975	650	650
Jan-Dec Imports	1600	1438	1200	975	650	650
Jan-Dec Import U.S.	345	345	150	150	0	0
TOTAL SUPPLY	8610	8448	9487	9077	8927	8742
TOTAL Exports	0	6	0	47	0	25
Jan-Dec Exports	0	6	0	47	0	25
TOTAL Dom. Consumption	8075	8075	8180	8180	8260	8260
Ending Stocks	535	367	1307	850	667	457

Note: Units are in 1,000 hectares for area and 1,000 metric tons for the remainder of the table. Rough Production is on a paddy basis; all other numbers are on a milled basis.

Production

Post is making a small decrease in 98/99 estimated rice area and production based on revised data from Brazilian federal and state sources.

Based on the CONAB February 2000 field survey and current state-level production estimates, Post is increasing its estimated 99/00 rice production figure from 10.24 million mt to 10.65 million mt due to higher than previously forecasted yields. Post's previous estimate was based on average yields over the last four years until current actual yield estimates were available. BR9636 of December 30, 1999, discusses the fact that input use for the 99/00 crop had not decreased as much as had been originally feared following the January 1999 devaluation of the Brazilian currency. Since that time, industry contacts have also noted that while there has been about a seven percent decrease in input usage, the decrease has been sharper for perennial crops such as oranges and sugar cane rather than for the corn and rice crops. This has also partially contributed to the higher yields in Post's new estimate.

For the 99/00 Rio Grande do Sul rice crop, IRGA (the Rio Grande do Sul Rice Institute) estimates that on February 21, 2000 the following proportions of the crop were in the following stages:

germination	vegetative growth	reproductive stage	mature	harvested
0 %	12.6 %	50.7 %	36.2 %	0.6 %

Trade

Post is decreasing the 97/98 and 98/99 rice import estimates based on newly received monthly Brazilian import data through December 1999 and forecast for the portion of the marketing year in 2000.

Given the large supply of rice within MERCOSUL (Argentina, Brazil, Uruguay, Paraguay) it is expected the majority of the 99/00 imports will come from within the trading block.

Policy

Due to the large 98/99 rice crops in Brazil, Argentina, and Uruguay, rice prices are very low. As a result the Government of Brazil has announced that it is allocating funds to buy and remove some rice from the market using various existing programs in order to support domestic rice prices. (Note: it is normal practice for the Brazilian government to remove or take in domestic production when prices are lowest (at and following harvest) and then auction or otherwise release these stocks later in the year.)

Press reports from February 22, 2000, state that the Brazilian rice sector has met with leaders of the Argentine and Uruguayan rice sectors to negotiate a voluntary import quota of 550,000 mt of rice for 2000. One press account notes that Brazil and its MERCOSUL partners are close to an agreement; only 100,000 mt apart, and states that this voluntary restraint agreement would avoid the need for the Brazilian government to apply an import quota on rice. There is another meeting on the topic scheduled for March 2, 2000. Post will report further when more information is available.

The same articles state that the rice sectors of the three countries agreed that the Brazilian government should be asked to increase the tariff on non-MERCOSUL rice imports from the current 13-15 percent to 35 percent.