



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

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Brazil

Grain and Feed

Grain Update - September 2008 2008

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Report Highlights:

Post has lowered 2008/2009 corn harvested area to 14.8 million hectares and production to 56.5 million metric tons (mmt) due to tightened credit. Marketing year corn exports for 2007/2008 (March/Feb) are reduced to 6.5 mmt. Concurrently, stocks are increased to 13.9 mmt as weak export demand and an increase in the government's minimum price for corn in January 2009 have encouraged farmers to store corn. No changes were made to the wheat or rice psds.

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

Corn

Production

Post lowered its 2008/2009 production forecast slightly based on reductions in area planted. Post projects area planted for the safinha to increase 2% and the first crop to be flat. Although safinha yield may be reduced if farmers react to high-priced inputs and tight credit by utilizing less fertilizer, post expects the planting of biotech corn to mitigate much of the yield drag.

Corn Exports Down, Stocks Surge as Farmers Choose to Wait for a Better Price

After record exports of 10.8 million tons in 2006/2007, exports have stalled this year. Contrary to the usual pattern of strong second-crop exports, exports in June, July and August have been very weak. In August, Brazil exported only 293,000 tons, almost 80 percent below last August's exports. Reduced import demand from Europe and strong domestic demand by the swine and poultry industries are factors in the drop in exports. However, contacts indicate that the primary reason exports will continue at a much reduced level is that international prices are not high enough to motivate farmers to sell and at the very least they will be able to receive the increased government minimum price in January.

As a consequence, post projects stocks to increase to 13.9 million metric tons. Post expects stocks to remain high until early next year. Sales at the increased government minimum price in January and pressure to take corn out of storage to make way for the soy crop should lead to stock reductions by the end of the first quarter.

The government has begun to build up public stocks of corn in accordance with its stated goal to increase public stocks to 4 mmt. In addition, Post expects that the government will need to step in with commercialization programs to help move corn out of production areas in early 2009.