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Brazil

Grain and Feed

Grain Update

2009

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Report Highlights:

Post lowered expected corn production for 2008/09 to 49.5 million tons mainly due to dry weather in key first corn crop-producing states. Post raised expected rice production for 2008/09 to 8.2 million tons based on reports of excellent yields in Rio Grande do Sul, the largest rice growing state.

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

Corn

Production

Post lowered its 2008/2009 overall corn production forecast to 49.5 million tons due to lower first crop production. Dry conditions severely impacted yields of first crop corn in key growing regions. As a result Post reduced its first crop corn production forecast to 32.5 million tons and kept its second crop production forecast unchanged at 17 million tons.

The states of Parana and Rio Grande do Sul account for about half of Brazil's first crop corn production. Although high input costs, lack of credit and a low price of corn at the time of planting the main crop played a role in the 3% decrease in area planted, the primary reasons for an estimated 20% drop in main crop corn production from last year's were the lack of rain and elevated temperatures between the middle of November and December, key periods for corn development in the South.

Parana, the state which produced almost 25% of first crop corn in Brazil last year, suffered a one-third drop in yield to 4.7 kg/ha relative to last year due to dry weather. Corn was the second-most affected (after edible beans) crop by the drought in the state. Corn suffered more than other crops such as soy because it was planted earlier and its physiology of shorter roots makes recovery more difficult. It is possible that corn's negative performance relative to other crops in dry conditions may affect producers' future planting decisions, encouraging a switch from corn to soy.

Rio Grande do Sul produced about 22% of the first crop corn in Brazil last year. The drought in the north and northeast of Rio Grande do Sul caused a loss of at least 1.6 million tons of corn, reducing yields about 20%. The losses were distributed in a uniform manner between the farms located in the North, Northeast and also the Western strip—the principal corn-producing regions of the state.

These first crop difficulties may set the stage for a recovery in the safrinha which is just now being planted. Safrinha production, about one-third of the total corn crop, is expected to improve over previous bleak forecasts that had declines of up to 30% to a more modest 7% drop because the drought damage to the first crop has increased domestic corn prices and input prices have fallen since the first crop. According to a Parana state government study from August to January, the price of fertilizer which represents 20-30% of the cost of production has dropped almost 50%. So, yields may not suffer as much as had been feared. Post contacts report that demand for inputs such as corn seed is high. Key safrinha growing regions such as Parana and Mato Grosso may maintain or see only a slight drop in area planted this year. A factor that could potentially lower safrinha area planted is the narrow safrinha planting window this year in Mato Grosso, the principal safrinha-growing state, due to late-planting of the first crop soy. Thus, safrinha planting could suffer if there is any delay in soy harvesting. Soy is harvested in Mato Grosso mid-February through April. March 1 is considered the final cut-off date for planting as crops planted after that date are vulnerable if the rainy season ends early.

Exports

Post raised its 2008/2009 forecast of exports to 9.5 million tons after exports rose even more sharply than anticipated in December 2008 and January 2009 (see GAIN BR8635) due a variety of factors including a favorable exchange rate, the need to draw down high stocks make room for the new soy and corn crops, and increased use of Premium for Marketing of Products (PEP) program. Under PEP, the government holds auctions to assist with the flow of grain from production areas to consumption areas. High government stocks of almost 13

million tons led to an intensification of auctions which contributed to an increase. The average price for Brazil's corn exports in December was US\$181/ton down from US\$202/ton in November. In December, Brazil shipped 1.36 million tons - a volume 76% greater than November's and well above December 2008's 902 million tons and December 2007's 305 million tons. Falling prices attracted buyers from Malaysia and Iran, Brazil's largest corn export market.

Corn exports in January were up a record 167% from the previous year. Corn exports were 1.046 million tons in January 2009 versus 392 million tons in 2008 and 462 million tons in January 2007. In January, a large part of the exports originated in Mato Grosso which had negotiated more than 500,000 tons via PEP, a commodity support program that provides the minimum guaranteed price to producers and cooperatives by paying the difference between the minimum guaranteed price and the market price to supplement the supply of commodities in areas of the country considered to be deficient in agricultural production, such as the Northeast of Brazil or overseas.

Corn Brazil	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Mar 2007			Market Year Begin: Mar 2008			Market Year Begin: Mar 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		New Post
			Data			Data			Data
Area Harvested	14,000	14,055	14,055	14,700	14,700	14,700	14,200	14,800	14,200
Beginning Stocks	3,015	3,015	3,015	3,592	3,771	3,592	12,792	13,907	13,228
Production	51,000	51,370	51,370	58,600	58,586	58,586	49,500	56,500	49,500
MY Imports	1,413	1,221	1,221	600	550	550	500	500	500
TY Imports	1,204	1,087	1,087	950	1,000	950	500	500	500
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	55,428	55,606	55,605	62,792	62,907	62,728	62,792	70,907	63,228
MY Exports	10,836	10,835	10,835	7,500	6,500	7,000	9,500	9,000	9,500
TY Exports	8,071	8,070	8	7,883	8,000	7,883	10,000	9,000	10,000
Feed Consumption	34,500	34,500	34,500	36,000	36,000	36,000	37,000	38,000	37,000
FSI Consumption	6,500	6,500	6,500	6,500	6,500	6,500	7,500	7,000	7,500
Total Consumption	41,000	41,000	41,000	42,500	42,500	42,500	44,500	45,000	44,500
Ending Stocks	3,592	3,771	3,771	12,792	13,907	13,228	8,792	16,907	9,228
Total Distribution	55,428	55,606	55,605	62,792	62,907	62,728	62,792	70,907	63,228

Rice

Post increased 2008/2009 rice crop production forecast to 8.2 million tons based on reports of excellent yields in Rio Grande do Sul, the largest rice growing state. In spite of the high cost of inputs, dry weather in Rio Grande do Sul, and floods in Santa Catarina, production is

expected to remain at the same level as last year's. Yields are estimated at 4.2 kg per hectare, a level above the five-year average.

Rice, Milled Brazil	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Apr 2007			Market Year Begin: Apr 2008			Market Year Begin: Apr 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Harvested	2,967	2,967	2,967	2,874	2,874	2,874	2,900	2,900	2,900	(1000 HA)
Beginning Stocks	896	896	896	1,156	1,159	1,159	901	905	905	(1000 MT)
Milled Production	7,695	7,695	7,695	8,199	8,200	8,200	8,296	8,000	8,200	(1000 MT)
Rough Production	11,316	11,316	11,316	12,057	12,059	12,059	12,200	11,765	12,059	(1000 MT)
Milling Rate (.9999)	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	(1000 MT)
MY Imports	732	732	732	400	400	400	500	500	500	(1000 MT)
TY Imports	684	684	684	410	500	500	500	500	500	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	9,323	9,323	9,323	9,755	9,759	9,759	9,697	9,405	9,605	(1000 MT)
MY Exports	242	236	236	450	425	425	300	300	300	(1000 MT)
TY Exports	201	201	201	500	450	513	300	300	300	(1000 MT)
Total Consumption	7,925	7,928	7,928	8,404	8,429	8,429	8,710	8,710	8,710	(1000 MT)
Ending Stocks	1,156	1,159	1,159	901	905	905	687	395	595	(1000 MT)
Total Distribution	9,323	9,323	9,323	9,755	9,759	9,759	9,697	9,405	9,605	(1000 MT)
Yield (Rough)	4.	4.	3.814	4.	4.	4.1959	4.	4.	4.1583	

Wheat

For the latest post report on wheat, refer to GAIN Report BR9601 - Opportunities for U.S. Wheat in Brazil.

Other Relevant Reports

BR9601 "Opportunities for U.S. Wheat" – February 2009
[BR8630 Grain Update – September 2008](#)
[BR8627 Grain Update – August 2008](#)
 BR8622 Grain Update – July 2008
[BR8615 "Brazil Bans Rice Exports": Much Ado About Nothing](#)
[BR8610 Grain Annual](#)