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Grain and Feed

Grain & Feed Update for June Lockup - Brazil

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Report Highlights:

Post estimates increase MY00/01 wheat area to 1.33 million ha and 2.5 million mt, though dry weather in the north of Paraná is delaying planting. Post estimates a decrease for MY99/00 corn production to 32.38 million mt. The dry weather in Paraná is also cause for concern for the planting of the second corn crop. Post's estimate for rice area is 3.65 million ha and for production is 10.85 million mt. Due to large MY98/99 and MY99/00 rice crops in MERCOSUL, low prices are causing Brazilian rice producers to try to impede imports in order to raise domestic prices.

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				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		08/1998		08/1999		08/2000
Area Harvested	1425	1425	1185	1205	1300	1330
Beginning Stocks	550	774	550	935	550	1268
Production	2190	2190	2500	2435	2200	2500
TOTAL Mkt. Yr. Imports	7115	7280	7000	7400	7200	7000
Jul-Jun Imports	7290	7240	6700	7425	7200	7000
Jul-Jun Import U.S.	16	11	0	150	0	250
TOTAL SUPPLY	9855	10244	10050	10770	9950	10768
TOTAL Mkt. Yr. Exports	1	5	0	2	0	0
Jul-Jun Exports	1	5	0	2	0	0
Feed Dom. Consumption	200	400	200	250	200	75
TOTAL Dom. Consumption	9304	9304	9500	9500	9500	9550
Ending Stocks	550	935	550	1268	450	1218
TOTAL DISTRIBUTION	9855	10244	10050	10770	9950	10768

Production

The Brazilian wheat crop is in the process of being planted. On May 25, 2000, the estimated area in the state of Paraná (PR) was 70 percent planted; less than normal due to dry weather in the north of PR, a major wheat growing region. In 1999, at that time 80 percent of the estimated area in PR was planted. Post is increasing MY 00/01 estimated area to 1.33 million hectares (ha) and estimated MY 00/01 production to 2.5 million metric tons (mt). As expected, MY 00/01 forecasted wheat area is higher than MY 99/00 area as producers were stimulated to increase planted area due to the good crop in MY 99/00 both in terms of production and quality (as there were no rains during the harvest period in late 1999) and good prices and a good market for domestic wheat. The two major constraints to the MY 00/01 forecasted area for wheat are 1) competition for area by the second corn crop, primarily in the state of PR, and 2) dryness in northern PR which may result in a lower area estimate if the dryness continues for much longer.

Consumption

Post is increasing MY 00/01 consumption figure to reflect increased purchasing power of consumers due to the expected recovery of the Brazilian economy in 2000 and 2001.

Trade

Post is increasing estimated MY 99/00 wheat and wheat flour imports from 7.0 million mt to 7.4 million mt based on Brazilian import figures through March 2000. So far in the first eight months of MY99/00 (August 1999-July 2000), according to Brazilian import data, 4.95 million mt of wheat and 119,000 mt of flour (wheat grain equivalent = 159,000) have been imported for a total of 5.11 million mt (wheat equivalent basis). In the first three months of CY2000 wheat imports were 2.04 million mt and 50,000 mt of flour (wheat grain equivalent = 67,000 mt) have been imported for a total of 2.11 million mt.

Post is reducing estimated MY00/01 wheat and wheat flour imports from 7.2 million mt to 7.0 million mt to reflect the increase in estimated MY00/01 domestic production.

Post is increasing MY 98/99 and MY 99/00 Brazilian wheat export figures to reflect small exports of mostly wheat flour to Paraguay, Bolivia, and Angola.

Policy

The government set the "minimum price" for wheat at R\$205/mt for MY00/01, as previously reported in BR0610 which noted that the minimum price would be above R\$200/mt but below the R\$230-240/mt that the producers wanted to cover estimated production costs.

CORN**Corn PS&D Table**

PSD Table						
Country	Brazil					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		03/1999		03/2000		03/2001
Area Harvested	12250	12100	12500	12490	12700	12725
Beginning Stocks	1109	3089	1134	737	1634	50
Production	32350	31225	33000	32380	33500	33720
TOTAL Mkt. Yr. Imports	1000	906	1400	2375	1400	2500
Oct-Sep Imports	968	1500	1600	2000	1400	0
Oct-Sep Import U.S.	121	16	0	0	0	0
TOTAL SUPPLY	34459	35220	35534	35492	36534	36270
TOTAL Mkt. Yr. Exports	75	3	50	0	0	0
Oct-Sep Exports	75	2	50	0	0	0
Feed Dom. Consumption	27400	29121	28500	29771	30400	30400
TOTAL Dom. Consumption	33250	34480	33850	35442	34700	36125
Ending Stocks	1134	737	1634	50	1834	145
TOTAL DISTRIBUTION	34459	35220	35534	35492	36534	36270

Note: Area is in 1,000 hectares and all other figures are in 1,000 metric tons.

Production

Post is decreasing the MY 99/00 production estimate from 32.0 million mt to 32.38 million mt. While the drought in late 1999 did have a negative impact on the Brazilian first corn crop in the major corn producing Southern states, yields in Paraná (PR) and Rio Grande do Sul (RS) were not as low as were initially feared. Areas where localized rains occurred had good yields and compensated for some of the much higher losses in other localized areas. Post's current estimate for the MY 99/00 corn crop is 26.28 million mt for the first crop and 6.11 million mt for the "safrinha" or second corn crop. There is much concern about the current dry weather in the north of PR and the possible negative impact on the safrinha. If there is a large reduction in the safrinha Brazil will need to import more corn than is currently estimated.

As of April 24, 2000, PR's first corn crop was 74 percent harvested, somewhat delayed from the historical average of 78-80 percent at that time. As of the same date, 39 percent was sold which is typical. On May 5, 2000, RS's first corn crop was 64 percent harvested, 33 percent mature and ready for harvest, and three percent in the filling stage. Producers are holding back product in order to wait for higher expected prices in the second half of the year and as a result, prices during the current harvest season are remaining firm.

Consumption

For some time, Post has been concerned that the consumption figures used in the PS&D tables for corn did not accurately reflect the changes in corn consumption patterns in Brazil in the last several years. As a result, based on industry estimates which are based on survey data for the main corn consuming sectors within Brazil (poultry, pork, beef, industrial milling, human consumption, and seeds and losses), Post proposes the changes contained in the PS&D table above for the more recent years and the table below for the back years. Post believes that these consumption figures, together with the changes in the production data in the back years, give a much better picture of the Brazilian corn situation. For example, with these numbers the beginning and ending stocks figures are much more consistent with Brazilian government and industry estimates than the previous numbers.

Proposed Changes in Corn PS&D Back years

	1995		1996		1997	
	Old	New	Old	New	Old	New
Area Harvested	13,767	13,390	13,877	13,730	11,365	11,255
Beginning Stocks	7,217	7,217	3,222	2,665	2,633	5,998
Production	32,480	32,145	35,700	36,125	30,520	29,575
TOTAL Mkt. Year Imports	400	370	611	730	1,761	1,857
Oct-Sep Imports	286	286	513	513	1,324	1,400
Oct-Sep Imports U.S.	11	11	12	1	1	127
TOTAL SUPPLY	40,097	39,732	39,533	39,520	34,914	37,430
TOTAL Mkt. Yr. Exports	218	218	238	238	6	2
Oct-Sep Exports	217	217	460	2	8	3
Feed Dom. Consumption	31,457	31,457	31,252	27,199	28,360	28,136
TOTAL Dom. Consumption	36,657	36,657	36,662	33,422	33,799	34,341
Ending Stocks	3,222	2,665	2,633	5,998	1,109	3,089
TOTAL DISTRIBUTION	40,097	39,732	39,533	39,520	34,914	37,430

Note: Area is in 1,000 ha and all other figures are in 1,000 metric tons.

Trade

Post's current estimate of Brazilian corn imports for MY 98/99 is 906,000 mt, based on Brazilian import data for the period. Post's current estimate of Brazilian corn imports for MY 99/00, is 2.375 million mt. If the safrinha is less than currently estimated corn imports could be higher.

Policy

The corn supply situation in Brazil is becoming critical with the success of the MY 99/00 crop depending on the performance of the safrinha. On May 5, 2000, at a meeting with the Brazilian Pork Producers Association, Minister Pratini de Moraes, the Brazilian Minister of Agriculture, announced that the government is committed to supplying corn from stocks to producers. The pork producers (and also the poultry producers and others) are very concerned about the short supply of corn in Brazil this year, particularly in the South of the country.

Further complicating the corn supply situation in Brazil is the issue of biotechnology and genetically modified organisms (GMOs). (See BR0610, the Grain & Feed Annual Report for Brazil, dated March 23, 2000, for a discussion of the biotechnology situation as it relates to corn. Also, see BR0613, the Planting Seed Annual Report, dated April 6, 2000, and BR9625, the "FAIRS" Report, dated June 30, 1999 which both contain extensive descriptions of the Brazilian legal requirements with regard to biotechnology.) Many potential Brazilian importers of U.S. corn are reluctant to make contracts due to concerns that shipments of U.S. corn would likely contain corn varieties developed through biotechnology. The reasons for such reluctance is either because first, all products developed through biotechnology must have prior approval before entering Brazil and no importer has reportedly asked for such approval, and second, the portion of the Brazilian poultry industry that exports poultry meat is concerned that using U.S. corn would be of concern to their European clients.

RICE, MILLED**Rice, Milled PS&D Table**

PSD Table						
Country	Brazil					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		03/1999		03/2000		03/2001
Area Harvested	3680	3700	3665	3650	0	3550
Beginning Stocks	430	270	920	716	685	484
Milled Production	7735	7759	7400	7378	0	7010
Rough Production	11375	11410	10882	10850	ERR	10309
MILLING RATE (.9999)	6800	6800	6800	6800	0	6800
TOTAL Imports	975	919	650	700	0	1100
Jan-Dec Imports	778	978	700	700	0	1100
Jan-Dec Import U.S.	0	151	0	0	0	0
TOTAL SUPPLY	9140	8948	8970	8794	685	8594
TOTAL Exports	40	52	25	50	0	0
Jan-Dec Exports	40	50	25	50	0	0
TOTAL Dom. Consumption	8180	8180	8260	8260	0	8260
Ending Stocks	920	716	685	484	0	334
TOTAL DISTRIBUTION	9140	8948	8970	8794	0	8594

Note: Area is in 1,000 hectares, rough production is 1,000 metric tons on a paddy basis, and all other figures are 1,000 metric tons on a milled basis.

Production

Post is reducing MY 00/01 area and production estimates based on in-country reporting travel in the first week of May. According to the Rio Grande do Sul Rice Institute (IRGA), as of May 2, 2000, 86 percent of the Rio Grande do Sul (RS) rice crop had been harvested and the remainder was mature and ready to be harvested. The harvest in RS has been delayed by rains during the harvest; usually over 90 percent of the state rice crop has been harvested by the first week of May. The areas that remained to be harvested are areas where the drought was more severe late in 1999 and which had less stored water, so yields in these areas are expected to be a little less than the portion of the crop that has already been harvested. Post's estimate takes this into account but will be updated when final estimates from key contacts are available.

Policy

Due to the record MY 99/00 Brazilian rice crop (and the large MY 99/00 crops in Argentina and Uruguay) which is causing Brazilian rice prices to be at the lowest levels since the initiation of the Real Plan in mid-1994, Brazilian rice producers have been taking an activist approach to their financial problems. For the last several months, Brazilian producer associations have been meeting with their counterparts from Argentina and Uruguay to discuss a "voluntary restraint agreement" under which Argentine and Uruguayan producers would agree to not export more than a certain amount of rice to Brazil in 2000. Brazilian producers wanted no more than 500,000 mt (mixed basis) to enter, while

reports indicated that Argentine and Uruguayan wanted 650,000 mt (mixed basis). At this time there have not been any firm commitments.

On April 25, 2000, an injunction against the entry of any rice from Argentina and Uruguay was granted as a result of a request from Brazilian producer associations. The Brazilian Federal Government is petitioning that the injunction be removed as it considers the move contrary to Brazilian regulations and by extension MERCOSUL commitments. The injunction argues that it is unfair for Argentine and Uruguayan rice to enter Brazil at less than the Brazilian minimum price. While the injunction may not stand in the long term, it could be effective in slowing imports of rice from Argentina and Uruguay in the short term. Rice producers are also withholding rice from the market in the hopes of creating a shortage in the market which would force prices upward.

Brazilian rice producers have also asked that the tariff on non-MERCOSUL rice be increased from the current 13-15 percent (depending on the type) to 35 percent. However, for this to occur an inter-Ministerial Committee would have to approve such a measure. Such a move would have very little practical impact as, according to Brazilian import statistics adjusted to a milled basis, about 98.9 percent of Brazilian imports from July 1999 through February 2000 have come from Argentina and Uruguay. (A substantial amount of U.S. rice entered Brazil in 1998 and the first few months of 1999 due to crop shortfalls in all the MERCOSUL countries. But given current excess supply of rice within MERCOSUL, imports from outside of MERCOSUL are unlikely except for speciality products for niche markets.)

On May 22, 2000, the Brazilian National Food Supply Company (CONAB) began purchasing rice through its AGF program (See BR0610, Brazil Grain & Feed Annual Report, March 23, 2000 for descriptions of the most important Brazilian Domestic Support Programs). The government is to release R\$100 million to purchase up to 400,000 mt of rice in order to remove rice from the markets and increase prices. Press reports indicate that half the rice will be from the state of Rio Grande do Sul and the other half from the Center-West Region. Reports indicate that CONAB will purchase the rice at R\$12.38/50 kg sack. Under the program, each producer can sell up to 15,000 - 50 kg sacks, or R\$185,700 worth of rice into AGF stocks. According to the press reports, the government intends to take in 800,000 mt of rice over the entire year 2000. Some of this rice would then be released later in the season.