Required Report - public distribution

Date: 10/31/2015

GAIN Report Number: BR0981

Brazil

Grain and Feed Update

Record Corn Crop While Rains Affect Wheat and Rice

Approved By:
Clay Hamilton,
Agricultural Counselor

Prepared By:
Laura J. Geller,
Agricultural Attaché

Report Highlights:
2015/2016 wheat production is forecast at 6 million metric tons (mmt), down from previous estimates due to heavy rains in the south. 2014/2015 corn production is forecast at a record 85 mmt, due to excellent conditions for the second “safrinha” crop. First “full season” corn is expected to decrease 6 percent this year, as producers make a switch to more profitable soybeans. 2015/2016 milled rice production is forecast at 8 mmt, down 6 percent from the previous year. Wet weather in the largest producing state of Rio Grande do Sul has delayed planting, which could reduce yields.

Post:
Brasilia

Commodities:
Corn
Wheat
Rice, Milled

Wheat

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2016	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2200	2200	2730	2730	2450	2450
Beginning Stocks	1001	1001	1887	1887	1087	487
Production	5300	5300	6000	6000	6000	6000
MY Imports	7066	7066	5600	5000	6700	6300
TY Imports	7061	7061	5869	5869	6700	6300
TY Imp. from U.S.	4073	4073	1296	1296	0	500
Total Supply	13367	13367	13487	12887	13787	12787
MY Exports	80	80	1700	1700	1000	1500
TY Exports	81	81	1688	1688	1000	1500
Feed and Residual	600	600	300	300	600	600
FSI Consumption	10800	10800	10400	10400	10600	10000
Total Consumption	11400	11400	10700	10700	11200	10600
Ending Stocks	1887	1887	1087	487	1587	687
Total Distribution	13367	13367	13487	12887	13787	12787
(1000 HA) ,(1000 MT)						

Wheat Supplies: 2015/2016 production is forecast at 6 million metric tons (mmt), down from previous estimates due to heavy rains in the south. The wet weather could damage the quality of the wheat in Rio Grande do Sul, the second largest wheat producing state in Brazil, where the harvest is underway. The largest producing state of Parana, where the harvest is almost complete, was not as affected by the rains and is expected to produce about 3.6 mmt. Irrigated wheat area is expanding into the Central West area with good results, but it is still a small percentage of production.

Wheat Trade: 2015/2016 imports are at forecast 6.3 mmt, down from previous estimates due to the strong U.S. dollar making imports more expensive. Brazil must import higher quality wheat to blend with their domestic wheat to meet the baking specifications for French bread rolls, which are widely consumed in Brazil. CONAB estimates that the higher cost of imports will cause the Northeast Region, which typically imports about 2 mmt per year because the transport is less expensive than shipping from the South, to reduce imports and use more domestic wheat.

The Brazilian Minister of Agriculture recently signed an agreement with Russia to import Russian wheat, but it is unlikely that it will result in substantial trade, as the Russian wheat is lower quality wheat than what is needed to blend with the domestic wheat to meet baking specifications.

2015/2016 exports are forecast at 1.5 mmt, a slight decrease from the previous year. While the strong dollar is incentivizing exports of other commodities, Brazil needs its domestic wheat for blending with the high quality imported wheat. The low quality wheat from Rio Grande do Sul will need to be exported, as it can’t be used for domestic consumption and there is a very small market for feed wheat in Brazil. Due to the lower supply and good price for wheat, it is not expected that the government will intervene in the market using the PEPRO program, which provides producers with a minimum price, if the price falls below that amount. Some producers have still not been paid from last year due to the large bureaucracy and amount of paperwork required.

Wheat Consumption: 2015/2016 consumption is forecast down at 10.6 mmt, a 1 percent decrease from the previous year. It’s expected that prices will increase due to the strong dollar raising the price of imports and the overall economic situation which has increased the costs of production. Higher costs for power, transport, and labor were initially absorbed by the mills, but will, at least in part, need to be passed on to the consumer as the exchange rate makes imports and inputs more expensive. Consumption is likely to continue to decrease slightly as consumers on tight budgets will reduce wheat-based products or switch to rice. Abitrigo, the Brazilian Wheat Industry Association, noted that per person consumption had fallen from 54kg in 2014 to 42kg in 2015.

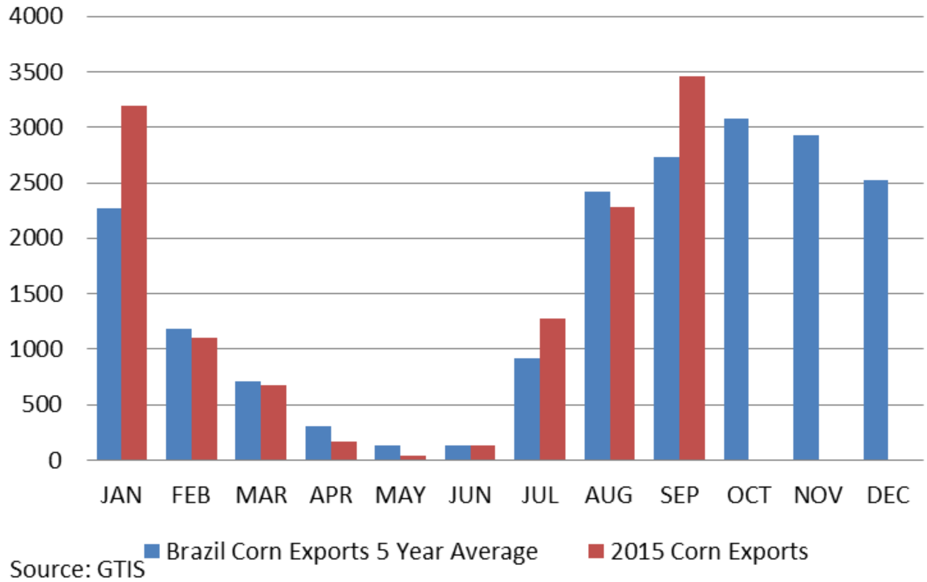
The industry is concerned that non-scientific based diets, such as the "gluten-free" movement will further decrease consumption over time. They are working on a communication strategy to educate consumers about health and nutrition as it relates to wheat-based products. The industry is also working in increase the standard and quality of bread making facilities, as bakeries can range from large scale and high end, to very small with just one oven.

Corn

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2014		Mar 2015		Mar 2015	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	15800	15800	15750	15750	15500	15500
Beginning Stocks	14150	14150	18972	18972	18572	19572
Production	80000	80000	85000	85000	80000	80000
MY Imports	789	789	600	600	600	600
TY Imports	846	846	600	600	600	600
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	94939	94939	104572	104572	99172	100172
MY Exports	20967	20967	29000	28000	25000	26000
TY Exports	22041	22041	22000	22000	31000	31000
Feed and Residual	46000	46000	48000	48000	50000	50000
FSI Consumption	9000	9000	9000	9000	9000	9000
Total Consumption	55000	55000	57000	57000	59000	59000
Ending Stocks	18972	18972	18572	19572	15172	15172
Total Distribution	94939	94939	104572	104572	99172	100172
(1000 HA) ,(1000 MT)						

Corn Production: 2014/2015 production is forecast at a record 85 mmt, due to excellent conditions for the second "safrinha" crop. First crop "full season" corn is expected to decrease 6 percent this year, as producers make a switch to more profitable soybeans. 2015/2016 production is estimated at 80 mmt based on the assumption of normal weather. Two-thirds of total corn production is now second "safrinha" corn planted directly after soybeans are harvested, which will begin in February. If the rainy season ends in April, as opposed to an extended rainy season into May or June, we may see a much smaller second crop for 2015/2016.

Corn Trade: 2014/2015 corn exports are estimated at a record 28 mmt, due to a record crop, a strong dollar, and continued demand from Vietnam and Iran. The window for exporting corn usually begins in July and tapers off in January/February. This year may see extended shipments into February/March due in part to an extended soybean shipments, delays caused by the grain inspectors' strike, and loading delays at the port of Paranagua due to rain. 2015/2016 exports are estimated at 26 mmt, a slight decrease from the previous year's record, due to a smaller forecast crop.



Corn Consumption: 2014/2015 consumption is expected increase 3.5 percent to 57 mmt, based on increased feed use in the expanding poultry and swine sectors. The expansion is expected to continue in 2015/2016 with total consumption forecast at 59 mmt for 2015/2016.

Rice

Rice, Milled	2013/2014		2014/2015		2015/2016	
Market Begin Year	Apr 2014		Apr 2015		Apr 2016	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2400	2400	2330	2330	2300	2300
Beginning Stocks	528	528	656	656	756	756
Milled Production	8300	8300	8500	8500	8000	8000
Rough Production	12206	12206	12500	12500	11765	11765
Milling Rate (.9999)	6800	6800	6800	6800	6800	6800
MY Imports	547	547	500	500	700	700
TY Imports	586	586	450	450	700	700
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9375	9375	9656	9656	9456	9456
MY Exports	819	819	1000	1000	900	900
TY Exports	850	850	800	800	800	800
Consumption and Residual	7900	7900	7900	7900	7950	7950
Ending Stocks	656	656	756	756	606	606
Total Distribution	9375	9375	9656	9656	9456	9456
(1000 HA) ,(1000 MT)						

Rice Production: 2015/2016 milled production is forecast at 8 mmt, down 6 percent from the previous year. Wet weather in the largest producing state of Rio Grande do Sul has delayed planting, which could reduce yields. The strong dollar is making producers more cautious about investing in inputs and technology, which could also have an impact on yields.

Rice Trade: 2014/2015 imports are estimated at 500,000 mt. Mercosul partners Paraguay, Uruguay and Argentina are the main suppliers of rice imports to Brazil. 2014/2015 exports are estimated at 1 mmt, up 18 percent from the previous year. The strong dollar is facilitating rice exports.

Rice Consumption: 2014/2015 consumption is forecast at 7.9 mmt, the same as the previous year. Consumption remains steady, but if the economic situation continues to worsen, there could be an increase as people switch from wheat-based products to rice.

Related Report References:

2015 Brazil Grain and Feed Update – BR0970

2015 Brazil Grain and Feed Annual – BR0964