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Brazil

Grain and Feed Annual

Annual Report

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Report Highlights:
Corn production is expected to reach 53.5 million metric tons (mmt) in 2010/11 and remain strong in 2011/12 at 55 mmt as producers take advantage of strong international prices. Wheat production in 2010/11 rebounded to 5.9 mmt as a result of very favorable weather. Wheat production in 2011/12 is expected to decrease to 5.2 mmt as producers in the top-producing state plant more second crop corn instead of wheat. Rice production in 2010/11 is estimated at 13 mmt, the largest national production since 2005/06 and 10 percent greater than last year's 2009/10 crop of 11.66 mmt. In 2011/12, rice production is forecast to drop to 7.9 mmt milled or 11.6 mmt rough basis as growers disappointed by rice prices switch to planting more lucrative crops, principally soybeans.

Commodities:
Corn

Economic Outlook:

The outlook for the Brazilian economy in 2011 calls for slower rate in economic growth of 4.5 percent, with an inflation rate above 6 percent and a continued increase in consumer purchasing power. In March 2011, the Real is trading at about U.S.$1.00=R$1.70.

Economic Indicators:

Brazil	**2008**	**2009**	**2010**
GDP Growth (%)	5.2	-0.6	7.5
Inflation (%) (IPCA/IBGE))	5.6	5.1	4.9
Average Exchange Rate (R$/US$)	1.84	1.99	1.76
Total Exports (US$ billion)	$198	$153	$202
Total Imports (US$ billion)	$173	$128	$182

Source: Brazilian Ministry of Development, Industry and Commerce (MDIC)/Secretariat Foreign Trade databases
Brazilian Institute of Geography and Statistics (IBGE)
Brazilian Central Bank Data

Production:

Brazil's corn production for 2010/11 could approach last year's near record production level of 56.1 million metric tons (mmt) predicated on favorable weather for the second crop. Brazil's larger first crop is planted in September through November and its second crop "safrinha" ("little harvest") is planted in Mato Grosso and Parana states from late January through March following the soybean harvest. In Parana, the second crop competes for area with winter crops such as wheat. The local corn marketing year in Brazil runs from March to February.

Post raised its 2010/11 corn production estimate to 53.5 mmt based on the excellent first crop yields and the price-induced increase in area expected for the second crop. There are currently a wide range of estimates in forecasts for 2010/11 corn production ranging from 50-60 mmt. The Brazilian government's CONAB (Companhia Nacional de Abastecimento - National Food Supply Company) recently raised its estimate to 55 mmt for 2010/11 based on good weather conditions and high seed demand for the second crop. Agroconsult, a private agricultural consultancy, is estimating a combined summer and winter crop of 55.9 mmt, roughly the same as last year, which was the second highest ever.

The La Nina weather phenomenon had negligible effects on first crop yields. Although first crop planted area in the largest producing state of Parana declined 18 percent, most other regions maintained equal area and first crop yields are expected to be only slightly below those of last year. Also, despite drought conditions in the state of Rio Grande do Sul, which is Brazil's third largest summer crop producer, early yields have been better than expected. Overall, Brazilian producers have harvested 25 percent of their summer corn crop compared to 30 percent at the same point last year.

Genetically engineered corn accounted for 44 percent of the first crop, or an increase of 40 percent compared to 5 percent in its first year of approved use in 2008, according to a survey conducted by the Celeres agricultural consulting firm.

Delay in Planting Second Crop Corn Increases Weather Risks

In the past few years, Brazil's second "safrinha" corn crop has increased its percentage of total production dramatically and now accounts for approximately 40 percent of annual production.

This year's surge in international prices and the promise of excellent returns has provided incentive for producers not only to plant more second crop, but also to use more inputs. Delayed 2010 soybean planting and wet harvest conditions have raised concerns that portions of the second crop corn area will planted beyond the recommended date of March 15. The potential of less favorable growing conditions could significantly reduce corn yields in these areas. Contacts suggest that if the winter corn crop is planted before March 15, independent of the technology level applied, the chances of high yields are greater than if the crop is planted later. Many producers have been so intent on planting a second crop of cotton or corn that they were willing to sacrifice some soybean yield by applying desiccant at an earlier stage of maturation and ensure sufficient time to plant.

In Brazil's largest second crop producing state of Mato Grosso the slow pace of the soybean harvest has resulted in delayed planting of the second corn crop in the state. In Mato Grosso only 28 percent of the soybeans had been harvested as of the end of February compared with more than half a year before. Since the official planting window for the second corn crop in Mato Grosso is now closed, there is a high likelihood that not all the intended second crop corn (1.81 million hectares) was planted. The second crop corn that is planted will have a greater risk of yield reductions due to how late it will be planted. If the rains stop in May, which is the normal weather pattern in the State, much of the crop will suffer because it will still be in a critical phase of development that requires moisture.

Second crop corn planting in Parana is also behind schedule due to the delayed soybean harvest, but the State has a longer planting window. It is estimated that producers in the state will plant 1.5 million hectares of second crop corn, which is approximately twice as much area planted as the first crop corn in the state. Since heavy rains have delayed the soybean harvest and second crop corn planting, the Ministry of Agriculture has authorized the extension of the planting window for 10 additional days beyond the traditional March 20 date, so producers will not violate planting regulations.

Estimated 2010/11 Second Crop "Safrinha" Production			
	Area	Yield	Production

	(1000 Hectares)	(Tons/Hectare)	(1000 Tons)
Mato Grosso	1,790	4.1	7,340
Parana	1,570	4.365	6,860
Mato Grosso do Sul	934	3.75	3,500
Goias	460	4.95	2,275
Others	656	3.91	1,675
Total	**5,410**	**4.00**	**21,650**

Source: CONAB

A new cultivar, Pioneer P316H, has been launched that has a short production cycle so that producers are less likely to experience losses due to frost is being marketed to producers in western Parana, a traditional producer of second crop corn.

Outlook for 2011/12

Post forecasts 2011/12 corn production at 55 mmt with area planted remaining steady at 13 million hectares. While first crop corn area planted may fall 1-2 percent, if international corn prices remain high, the second crop area planted will offset any reductions. Second crop 2011/12 corn yields are forecast to increase slightly with a return to planting during the recommended timeframe and assuming normalized weather patterns. Elevated soybean futures prices and continued Chinese demand may persuade producers to plant more soybeans in lieu of summer crop corn due to greater liquidity.

Consumption:

High Grain Prices Squeezing Margin of Pork and Poultry Producers

Corn's use as livestock feed has been a key growth driver in corn consumption increases over the past few years. However, rising grain prices are directly affecting the domestic price of feed for livestock; corn and soybeans being the primary components. The price index prepared by the National Association of Animal Feed Industry (Sindirações) shows that between January 2010 and February 2011, the price of feed used in poultry production has risen 13 percent. In the same period, the price of the product used in feed for pigs has risen 15 percent. The price increase has already begun to influence the demand for feed.

Consumption in 2011/12 is forecast at 49 mmt, slightly above the previous year's 48.3 mmt.. Corn comprises roughly 63 percent of industrialized rations for all uses, and poultry and swine rations contain the highest concentrations of corn at 66 percent and 65 percent respectively. Meanwhile, feed formulations for the beef and dairy industries rely more on soybeans, cotton, and wheat meal with corn only accounting for 20 percent of these rations.

Prices:

Domestic corn prices have increased significantly with producers in Parana, the largest producing state, reporting profits of US$900 per hectare on first crop corn. In the past year, domestic prices reacted very positively to international price increases even under Brazilian Real appreciation against the U.S. dollar.

Monthly Corn Prices in Parana

Prices in R$ per 60 kg (discounted by the CDI/CETIP tax)

Year	2009	2010
Jan	21.30	15.87
Feb	20.18	15.26
Mar	18.13	15.01
Apr	19.66	15.54
May	20.86	16.40
Jun	20.43	16.75
Jul	18.13	15.35
Aug	16.91	17.39
Sep	16.57	20.24
Oct	17.12	21.58
Nov	17.21	24.70
Dec	16.75	23.07

Source: CEPEA

(Current exchange rate: 1US$=$1.667)

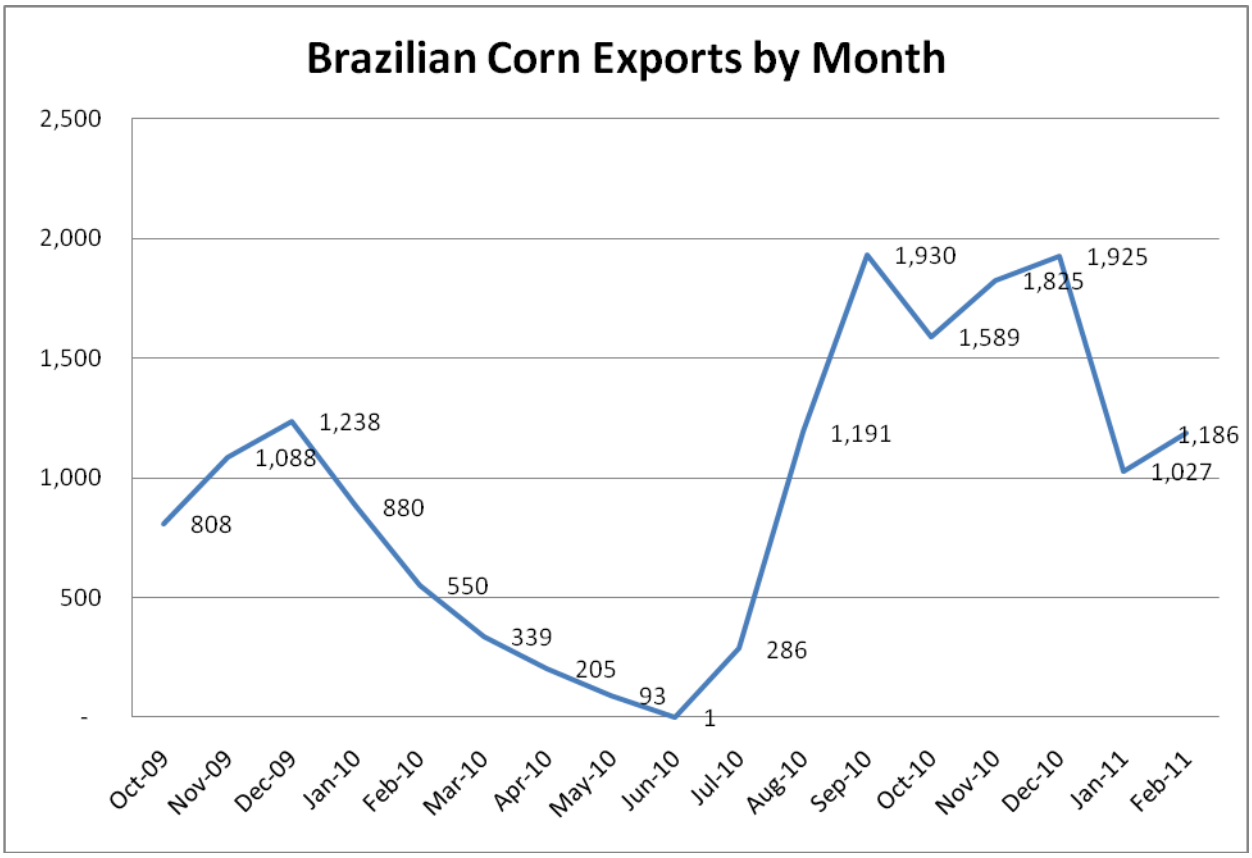
Inputs
Brazil Could Overtake United States as World's Main Crop Chemical Market

According to the Brazilian Association of Crop Chemical Producers, (Sindag), Brazil could overtake the U.S. as the world's main market over the next two years. Sales are expected to grow 5-6 percent in 2011 as Brazilian producers buy more crop chemicals driven by higher commodity prices and an expansion in planted area. Crop chemical sales rose 9 percent last year to $7.24 billion with the biggest jump seen in fungicides at 21 percent. Sales would have been even higher last year if it weren't for the dry summer that has reduced the need for fungicides and herbicides.

There are logical challenges in importing chemicals. Over 70 percent of the total demand for crop chemicals in the country is supplied by imports and the port of Paranagua in Parana is the main gateway, with a share of almost 40 percent of the total in 2010. In November and December 2010 there were long delays of up to 29 days to unload inputs. Given the lack of investment in infrastructure, this situation is not likely to change in the near future.

Trade:
Government Auctions Boost Corn Exports to Record 11.6 MMT

Post raised its March 2010-February 2011 export estimate to 11.6 mmt due to unprecedented shipments in the last six months primarily due to government-supported auctions.



Corn Exports HTS 1005 (000mts)

Country	March 2009-February 2010	March 2010-February 2011
Iran	1,905	1,584
Malaysia	705	1,050
Spain	155	1,020
Taiwan	665	995
Colombia	648	786
Total	**7,136**	**11,600**

Source : Secretaria de Comércio Exterior

Post raised 2011/12 exports 1.0 mmt to 8.0 mmt for Brazil based on the strong pace of shipments in recent months. Brazilian corn exports are expected to subside from last season due to demand from the

country's large poultry and pork industries. Brazilian corn shipments tend to increase in the second half of the year as soy exports wane and ports have more room to ship corn.

Production, Supply and Demand Data Statistics:

Corn	Brazil	2009/2010		2010/2011		2011/2012		
		Market Year Begin: Mar 2010		Market Year Begin: Mar 2011		Market Year Begin: Mar 2012		
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested		12,925	12,960	12,900	13,000		13,000	(1000 HA)
Beginning Stocks		12,084	12,084	10,134	10,134		8,334	(1000 MT)
Production		56,100	56,100	53,000	53,500		55,000	(1000 MT)
MY Imports		550	550	1,000	1,000		800	(1000 MT)
TY Imports		697	700	800	800		800	(1000 MT)
TY Imp. from U.S.		0	0	0	0		0	(1000 MT)
Total Supply		68,734	68,734	64,134	64,634		64,134	(1000 MT)
MY Exports		11,600	11,600	7,000	8,000		10,000	(1000 MT)
TY Exports		8,623	8,625	10,000	10,000		10,000	(1000 MT)
Feed and Residual		40,000	40,000	41,300	41,300		42,000	(1000 MT)
FSI Consumption		7,000	7,000	7,000	7,000		7,000	(1000 MT)
Total Consumption		47,000	47,000	48,300	48,300		49,000	(1000 MT)
Ending Stocks		10,134	10,134	8,834	8,334		5,134	(1000 MT)
Total Distribution		68,734	68,734	64,134	64,634		64,134	(1000 MT)

Commodities:
Wheat

Production:

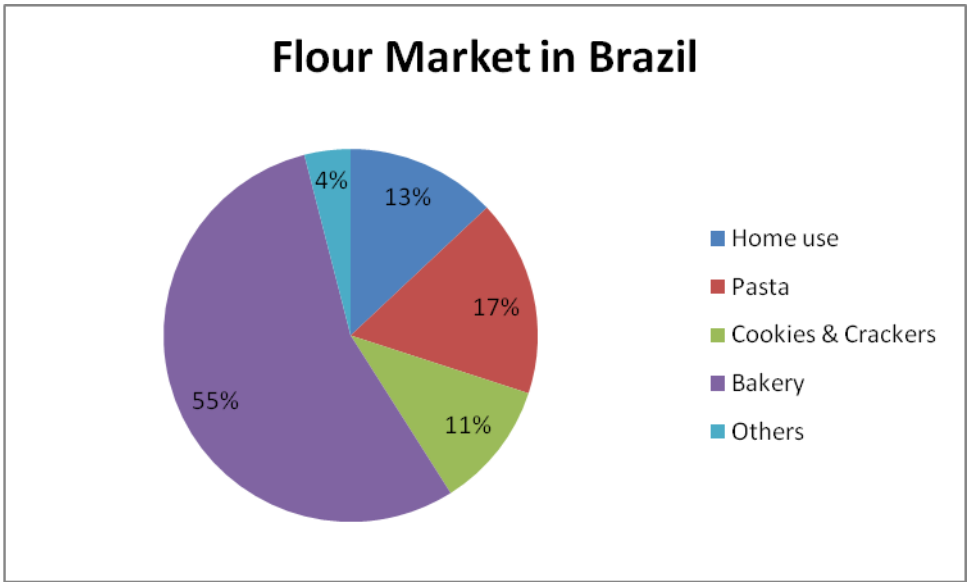
Post raised its 2010/11 wheat production estimate to 5.9 million metric tons (mmt) due to very favorable weather resulting in an average yield of 2,736 kilos/hectare over 30 percent above that of 2009/10. The planting season for wheat is still several weeks away and there are few estimates of planting intentions at this time. CONAB's (National Food Supply Company) first estimate of the 2011/12 wheat planting intentions will be published in April 2011.

Brazil continues to be deficit in wheat production with the majority produced in the southern states of Parana, Rio Grande do Sul and Santa Catarina. Parana is the largest wheat producing state, followed by Rio Grande do Sul. Together these two states account for 90 percent of annual Brazilian wheat production. In Brazil, wheat is a winter crop grown during the dry season. Wheat competes with second crop "safrinha" corn for planted area in the state of Parana.

Post forecasts 2011/12 wheat production at 5.2 mmt on 2 million hectares, a slight decrease compared to 2010/11 with 5.9 mmt produced on 2.15 million hectares. In a recent trip to Parana, Post encountered numerous farmers who indicated that they had little interest in planting wheat this year due to comparatively better prices for other crops and concerns over government support levels; these farmers frequently said they were likely to plant safrinha corn or canola instead. The Agricultural Research Service of Parana (DERAL) now estimates that area planted with wheat will fall 11 percent to 1.05 million hectares in 2011 with production dropping 26 percent to 2.5 mmt. Cooperatives in the State of Rio Grande do Sul State, responsible for 35 percent of production, report that although producers are discouraged with returns for wheat, most have little option but to plant the crop again this year in accordance with the no-till planting system.

Consumption:

Brazilian wheat consumption continues to be relatively stable and inelastic with domestic demand estimated at 10.5-11 mmt per year. A possible increase in bread prices resulting from high commodity prices is not expected to have a significant impact on consumption levels.



Wheat Prices:

Wheat prices in February 2011 are 15-20 percent higher than those in February 2010.

Monthly Wheat Prices in Parana

Prices in R$ per mt (Curitiba c.i.f.)

Year	2009	2010
Jan	520.95	474.74
Feb	566.84	457.22
Mar	554.55	460.00
Apr	549.00	431.00
May	540.50	430.95
Jun	540.00	426.00
Jul	538.68	420.00
Aug	509.10	452.27
Sep	480.48	487.14
Oct	490.00	480.00
Nov	484.00	486.71
Dec	486.71	474.29

Source: CEPEA

(Current exchange rate: 1US$=$1.667)

Trade:

Brazil maintains a negative trade balance in wheat with imports reaching over 7 mmt and exports over 1 mmt. Brazil imports approximately half of its domestic wheat consumption needs relying mostly on Argentina to make up for the shortfall. In 2010, Brazil imported 7.2 mmt of wheat and wheat flour from trading partners, a 14 percent increase over 2009.

Imported wheat from Canada, Argentina, and other countries has been cheaper that domestic wheat due to a strong Brazilian currency, low transportation costs and better credit terms that favor imports. Argentina (60 percent) and Uruguay (16 percent) supply most of Brazil's wheat imports with non-Mercosul countries accounting for 14 percent of total imports.

Wheat Imports HTS 1001 (000mts)

Country	**January-December 2009**	**January-December 2010**
Argentina	3,215	3,620
Uruguay	863	1,163
Paraguay	820	634
United States	218	494
Canada	302	371
Total	**5,446**	**6,323**

Source : Secretaria de Comércio Exterior

Wheat Flour Imports HTS 1101 (000mts)-Wheat Equivalent (conversion 1.368)

Country	**January-December 2009**	**January-December 2010**
Argentina	815	807
Uruguay	48	49
Paraguay	7	9
Total	**870**	**870**

Source : Secretaria de Comércio Exterior

Post forecasts 2011/12 Brazilian wheat imports (and wheat flour in grain equivalent terms) at 6.7 mmt. U.S. wheat exports to Brazil roughly doubled from a modest base for wheat from 2009 to 2010. Export potential for U.S. wheat for 2011 could be as high as 2010, but much will depend on Argentine supplies, which reportedly will be better than last year. Argentina enjoys a significant comparative advantage in terms of freight in the southern region and further benefits from preferential tariff treatment under the Mercosul Free Trade Agreement. Nevertheless the
U.S. remains competitive in the Northeast due to a more favorable freight comparison and the high quality reputation of U.S. Hard Red Winter. U.S. shipments occur in June-August before the Brazilian crop is harvested and when the US wheat is typically better priced.

U.S. Wheat Exports to Brazil (tons)

2007	2008	2009	2010
354,000	907,000	218,000	494,000

Source : Secretaria de Comércio Exterior

Exports

Post raises its 2010/11 export estimate to 1.3 mmt as Brazilian exports of wheat soared in February. With the support of government auctions, the equivalent of US$130 million of wheat grain was shipped in February 2011, 320 percent higher than in February 2010. The main destinations were Algeria, Egypt and Libya.

Since Brazilian wheat is not competitive in global markets, a government export subsidy - the Premium for Marketing of Products Program (PEP) - is used to export low-quality supplies and support domestic producers. The PEP Program provides the minimum guaranteed price to producers and cooperatives by paying the difference between the minimum guaranteed price and the market price. Its objective is to assist in the flow of grain from production areas to consumption areas (both inside of Brazil and overseas). It is expected that all exports this year will be executed under the PEP.

Wheat Exports HTS 1001 (mts)

Country	January-February 2010
Algeria	95,100
Egypt	62,700
Libya	54,300
Total	453,100

Source : Secretaria de Comércio Exterior

Wheat Exports HTS 1001 (mts)

Country	January-December 2009	January-December 2010
United States	126,000	268,000
Vietnam	0	241,000
Philippines	0	229,000
Total	**384,000**	**1,324,000**

Source : Secretaria de Comércio Exterior

Policy:
Government Policy

Producers in Parana are requesting extension on the implementation of Normative Instruction 07/2001 that deals with wheat identity, quality standards, and labeling. They seek to delay the new wheat standard in order for seed producers to have time to produce a sufficient volume in accordance with the new quality standards.

The Ministry of Agriculture has recently reported that the government is working on formulating a more consistent medium and long term public policy regarding wheat. Brazilian wheat farmers have been lobbying the Government of Brazil for higher minimum prices and tariff protection against imported wheat. Farmers say that they cannot continue to produce wheat profitably in Brazil. They have requested a minimum price of R$527.42 (US$320) per ton.

In the near future, the Minister of Agriculture is expected to present the National Wheat Plan which will recommend a minimum price and Common External Tariff rate as well as the amount of insurance and credit that will be made available to producers. This plan will then be sent to the International Trade Council (CAMEX) for approval.

Production, Supply and Demand Data Statistics:

Wheat Brazil	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	2,428	2,428	2,150	2,150		2,000	(1000 HA)
Beginning Stocks	1,527	1,527	1,517	1,517		2,017	(1000 MT)
Production	5,026	5,026	5,900	5,900		5,400	(1000 MT)
MY Imports	7,126	7,126	6,500	6,700		6,700	(1000 MT)
TY Imports	6,667	6,667	6,700	6,700		6,700	(1000 MT)
TY Imp. from U.S.	294	294	0	494		0	(1000 MT)
Total Supply	13,679	13,679	13,917	14,117		14,117	(1000 MT)
MY Exports	1,162	1,162	1,100	1,300		1,100	(1000 MT)
TY Exports	1,195	1,195	1,100	1,200		1,100	(1000 MT)
Feed and Residual	400	400	200	200		200	(1000 MT)
FSI Consumption	10,600	10,600	10,600	10,600		10,600	(1000 MT)
Total Consumption	11,000	11,000	10,800	10,800		10,800	(1000 MT)
Ending Stocks	1,517	1,517	2,017	2,017		2,217	(1000 MT)
Total Distribution	13,679	13,679	13,917	14,117		14,117	(1000 MT)

Commodities:
Rice, Milled

Production:

Post estimates 2010/11 rice production at 13 million metric tons (mmt) based on an area 2.8 million hectares and with average yield of 4.64 tons per hectare. This represents the largest national production since 2005/06 and is 10 percent greater than last year's 2009/10 crop of 11.66 mmt. The 2010/11 crop has benefited from very good planting weather and the use of high technology in irrigated fields.

The La Nina weather phenomenon has been favorable to rice in both irrigated and dry rice regions. The dry hot weather has boosted yields in the state of Rio Grande do Sul which accounts for about 60 percent of Brazilian rice production. Current reports have yields in the State averaging a record 7.15 to 8 tons a hectare as the drought reached only 3 percent of the rice area. If this trend continues, production will exceed 13.5 mmt.

In the past five years there has been a decline in planting dry rice with the Center-West's planting area as a percentage of total area declined from 15 percent to 11 percent. In line with this trend, the state of Mato Grosso will have one of the smallest crops in recent history with an area planted estimated at 170,000 hectares, the least in 44 years and a volume of 500,000 tons, a 30 percent reduction from last year.

Cooperatives in southern Brazil reported to Post during visits last month that growers are very discouraged with the expected returns this year. Most producers expect a net loss, as current prices do not cover input costs. They consider rice to be currently one of the least profitable crops in Brazil.

If the current situation continues, a reduction in planted area is expected as producers are likely to switch to planting more lucrative crops, principally soybeans. Since, there are constraints to switching irrigated rice area planted given the very high cost invested in irrigation systems, the substitution is expected primarily in dry rice areas. Post expects that restrictions on alternative crops and high investment costs associated with rice production will prevent a more marked reduction in area planted.

Therefore, Post forecasts 2011/12 production at 7.9 mmt milled or 11.6 mmt rough basis with an area planted of 2.7 million hectares.

In 2011/12, the release of a new rice cultivar developed in partnership with EMBRAPA and BASF promises improved technology to combat invasive red rice and greater yields. The BRS Sinuelo CL variety is part of the ClearField system , widely used in Rio Grande do Sul, and will be commercially available for the 2011/12 season and purports yields averaging 8.3 kilos per hectare.

Prices

With record global rice production and high carry-in stocks, rice prices have fallen in the past year. According to CEPEA, the average price for a 50 pound bag of rice in Rio Grande do Sul dropped from R$32.03 in January 2010 to R$22.62 in January 2011. With the current valuation of the domestic currency and the gradual drop in international prices, Brazilian rice is not competitive without government intervention. Current domestic market rice prices are 15 percent below the minimum price (commercial price of R$ 22-23; minimum price of R$25.80.)

Brazilian rice analysts forecast that prices in 2011 will be higher than in 2010 because of government mechanisms. With the current exchange rate and behavior of the world market, the Government will have to be aggressive if it wants to guarantee minimum prices sufficiently high to prevent a decline in area under rice production.

Monthly Rice Prices in Rio Grande do Sul

Prices in R$ per 50 kg (type 1, Rio Grande do Sul; discounted by the CDI/CETIP tax)

Year	2010	2011
Jan	32.03	22.62
Feb	30.39	22.31
Mar	27.35	
Apr	28.06	
May	28.14	
Jun	26.71	
Jul	26.90	
Aug	27.36	
Sep	26.52	
Oct	25.65	
Nov	25.60	
Dec	24.76	

Source: CEPEA

(Current exchange rate: 1US$=$1.667)

2010/11 Basic Government Minimum Prices for Rice

Type	Region	Unit	Price (R$/unit)
long fine paddy, type 1	South, Southeast, Northeast, and Center-West (except Mato Grosso)	50 kg	25.80
long fine paddy, type 2	North and Mato Grosso	60 kg	28.23
long paddy, type 3	South, Southeast, Northeast, and Center-West (except Mato Grosso)	60 kg	30.96
long paddy, type 1	Mato Grosso and Tocantins	60 kg	28.23
long paddy, type 2	North (except Tocantins)	60 kg	28.23

Source: MAPA/SPA/DEAGRO

Consumption:

Rice consumption remains stable in Brazil. While per capita rice consumption in Brazil is slowly declining as income levels rise, particularly in the Northeast, this is offset by population growth.

Rice Consumption by Region

Region	Consumption per capita (kg/inhabitant)	% of total consumption
Southeast	25.55	40.9%
Northeast	27.06	28.6%
South	22.25	12.2%
Center-West	35.98	9.8%
North	28.33	8.5%
Total	**26.50**	**100%**

Source: IBGE

Rice Growers Seek Alternative Uses

Given that rice production has been increasing and domestic consumption is stable, rice growers are seeking alternative uses. The Association of Rio Grande do Sul Rice Growers is studying using rice as animal feed or as a biofuel source. While IRGA suggests using surplus rice stocks to eradicate hunger in Brazil and/or provide humanitarian assistance. It recommends increasing Brazilian rice donations from today's 100,000 mt to 500,000 mt.

Trade:
Imports

Brazil remains an attractive and increasingly competitive export market for Mercosul rice producing countries. Half of Uruguayan and Argentine production and almost 70 percent of the Paraguayan production are destined for Brazil. Imported rice from Uruguay arrives in Northeast Brazil US$100 per ton less than domestically produced. Brazilian producers face one of the highest production costs for rice in Latin America and higher logistical costs. According to IRGA, the production cost in the south of Brazil is US$2,200 per hectare; significantly highly than that of Uruguay and Argentina, US$1,600 and US$1,300 respectively.

Rice Imports (mts)

Country	January-December 2009	January-December 2010
Uruguay	312,000	370,000
Argentina	250,000	245,000
Paraguay	115,000	125,000
United States	200	35,000
Total	**675,000**	**750,000**

Source : Secretaria de Comércio Exterior

The 2011 tariffs on non-Mercosul rice are 10 percent for HS1006.10 (excluding for seed), 10 percent for HS1006.20, 12 percent for HS1006.30.11 and HS1006.30.21, and 10 percent for HS1006.30.19 and HS1006.30.29, and 10 percent for HS1006.40.

Post forecasts Brazilian imports in 2011/12 at 600,000 mt.

Exports

In spite of an unfavorable exchange rate and lower domestic production, Brazil exported 450,000 tons, rough basis from Jan-Dec 2010. Shipments were significant for the first three quarters of the year despite a very strong domestic currency and intense competition from other Mercosul suppliers. The exchange rate has settled at around R$1.66 to US$1.00, while IRGA estimates that Brazilian rice is competitive in the international rice market at an exchange rate of R$1.80 to US$1.00.

Rice Exports (mts)

Country	**January-December 2009**	**January-December 2010**
Senegal	96,000	141,000
Gambia	30,700	73,000
Nigeria	81,500	53,500
Benin	110,000	40,000
Total	**600,000**	**450,000**

Source : Secretaria de Comércio Exterior

State of Rio Grande do Sul rice producers have an export target of 10 percent of the state's production (or around 800,000 tons in 2010/11). A state association has expressed interest in developing a strategy to establish a partnership with Uruguay that would find third markets in which to commercialize the Mercosul surplus. Contacts mentioned Central America as a potential target market. Another potential market would be the Middle East; however, entering this market would be challenging as Brazil currently has limited market access to the region.

Policy:
Government Support Program Stimulate Rice Exports

The Brazilian government is considering intervening in the rice market to support rice sales due to high carryover stock from last season, a bumper crop this season and increased rice production in other Mercosul countries with more competitive prices. To alleviate downward pressure on internal prices, the GOB may consider additional measures to increase exports through government mechanisms.

In January, the GOB announced a support package that guarantees a minimum price of R$25.80 per 50 kilo sack of rice in the South. The funding includes R$303 million (about US$180 million) for The Premium for Marketing of Products (Prêmio e Valor de Escoamento de Produto, PEP) auctions for 1.02 mmt of rice and direct purchases via Federal Government Acquisition (Aquisição do Governo Federal, AGF) of 360,000 tons.

The PEP Program provides the minimum guaranteed price to producers and cooperatives by paying the difference between the minimum guaranteed price and the market price. The objective is to assist in the flow of grain from the production areas to consumption areas. The supply is sent to areas of the country considered to be deficient in agricultural production, such as the Northeast of Brazil and exported. While the AGF Program allows the government to acquire agricultural products at the minimum price when the market price is below the minimum.

Production, Supply and Demand Data Statistics:

Rice, Milled Brazil	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Apr 2010		Market Year Begin: Apr 2011		Market Year Begin: Apr 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	2,765	2,765	2,800	2,833		2,700	(1000 HA)
Beginning Stocks	912	1,119	494	701		1,001	(1000 MT)
Milled Production	7,657	7,657	8,700	8,800		7,900	(1000 MT)
Rough Production	11,260	11,260	12,794	12,941		11,618	(1000 MT)
Milling Rate (.9999)	6,800	6,800	6,800	6,800		6,800	(1000 MT)
MY Imports	725	725	500	500		600	(1000 MT)
TY Imports	750	750	600	600		600	(1000 MT)
TY Imp. from U.S.	0	0	0	0		0	(1000 MT)
Total Supply	9,294	9,501	9,694	10,001		9,501	(1000 MT)
MY Exports	400	400	600	600		600	(1000 MT)
TY Exports	430	430	600	600		600	(1000 MT)
Consumption and Residual	8,400	8,400	8,450	8,400		8,400	(1000 MT)
Ending Stocks	494	701	644	1,001		501	(1000 MT)
Total Distribution	9,294	9,501	9,694	10,001		9,501	(1000 MT)

Government Support:

The amount of corn, rice and wheat supported by the government is provided in the tables below, as well as descriptions of major government programs. These programs are utilized to support commodity prices and to assist in the flow of grain from the production areas to consumption areas. While some of this grain is exported, these programs are not considered export subsidies since the recipient is not required to export the product. Of particular note in 2010 was the increase in corn support via The Premium for Marketing of Products (PEP) auctions valued at R$760 million (US$455 million).

Government Support for the Commercialization of Corn ('000 mt)

Program	2006	2007	2008	2009	2010
Acquisition (AGF)	2,223.7	273.3	149.5	587.9	103
PEP	3,087.9	1,183.3	599.2	4875.1	11,229
PROP	2,258.0	0.0	531.4	0	0
PEPRO	100.0	3,753.2	0.0	1,295.5	875
Total	7,669.7	5,209.8	1,280	6,758.5	12,208
Production	42,514.9	51,369.9	58,863.7	51,003.9	56,100
Participation %	18%	10%	2%	13%	21.6%

Source: Brazilian Ministry of Agriculture/SPA/DEAGRO and CONAB

Government Support for the Commercialization of Rice ('000 mt)

Program	2006/07	2007/08	2008/09	2009/10
Acquisition (AGF)	62.0	0.0	0.3	0.0
PEP	157.5	0.0	0.0	143.0
PROP	0	0.0	0.0	0.0
Total	219.5	0.0	0.3	143.0
Production	11,315.9	12,059.9	12,602.5	12,059.9
Participation %	8%	0%	0%	1%

Source: Brazilian Ministry of Agriculture/SPA/DEAGRO and CONAB

Government Support for the Commercialization of Wheat ('000 mt)

Program	2006/07	2007/08	2008/09	2009/10
Acquisition (AGF)	0	236.1	21.3	49.3
PEP	0	425.5	1,395.2	567
PROP	0	0	0	0
Total	0	661.6	1,416.9	616.3
Production	0	2,233.7	4,081.9	5,026
Participation %	0	29.6%	34.7%	12%

Source: Brazilian Ministry of Agriculture/SPA/DEAGRO and CONAB

Government Programs That Support Grains

Federal Government Acquisition (Aquisição do Governo Federal, AGF) allows the government to acquire agricultural products at the minimum price when the market price is below the minimum. It also allows the government to acquire products at market prices for use in the *agricultura familiar* program and to build strategic stocks.

Risk Premium for Acquisition of Agricultural Products Deriving from Private Contracts of Sales Options (Prêmio de Risco para Aquisição de Produto Agrícola Oriundo de Contrato Privado de Opção de Venda, PROP) is a subsidy program granted in the form of a public auction for the consumer to acquire, at a future date, a determined product directly from the producer and/or cooperative at a prefixed price, utilizing a private contract for the option to sell.

The Premium for Marketing of Products and Value for Marketing of Products (Prêmio e Valor de Escoamento de Produto, PEP & VEP) provide the minimum guaranteed price to producers and cooperatives by paying the difference between the minimum guaranteed price and the market price. The objective is to supplement the supply of commodities in areas of the country considered to be deficient in agricultural production, such as the Northeast of Brazil. The difference between the programs is that in PEP the products are taken from private stocks, whereas in VEP the products are taken from public stocks.

The Equalization Premium Paid to the Producer (Prêmio Equalizador Pago ao Produtor, PEPRO) is a premium granted to the farmer or cooperative which sells its products at public auction, where the government pays the difference between the Reference Value established by the government and the value of the premium (the maximum value paid by the government as a guarantee of the Reference Value).