

BRAZIL (RIO DE JANEIRO)

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GRAIN AND FEED

RECIFE, BRAZIL

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FO			
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ICL/R			
ECON	✓		MC
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USAID		✓	
USIS			
PC			
FILE			

Action taken:

Initials:

SUMMARY

Brazil's 1967/68 wheat harvest is estimated at 380,000 metric tons, up 9 percent from the 350,000 produced last year.

Wheat consumption is estimated at 2,727,000 m.t. This is an 11 percent increase above last year's consumption.

Wheat imports for 1967 were 2,434,000 m.t., up 10 percent from 1966 imports. These 1967 imports included 1,069,000 m.t. from the U.S., of which 288,000 were P.L. 480 wheat.

1967/1968 corn production is estimated by this post at 13.5 million metric tons. This compares with our 1966/67 estimate of 12.0 million metric tons.

1967 corn exports were a disappointing 432,000 metric tons, down considerably from the 621,000 m.t. exported in 1966. Exports for 1968 are expected to be 800,000 to 1,000,000 m.t. This is pretty close to Brazil's physical limitation for exporting corn.

Brazil's 1967/68 wet bean crop is estimated at 621,000 m.t., compared with 743,000 for 1966/67.

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W H E A TProduction

According to CACEX (Bank of Brazil), the 1967 wheat harvest is expected to total around 380,000 m.t. Production in Rio Grande do Sul will be about 320,000 tons, of which the Bank of Brazil already has purchased 250,000 m.t. Production in Santa Catarina is 20,000-25,000 m.t. and Paraná's 1967 harvest is estimated at 35,000-40,000 m.t. Approximately 10 percent of the national wheat production is expected to be used for seed in 1968.

Although some Brazilian trade and government officials are forecasting increased wheat production in 1968 - totaling from 400,000 to 420,000 m.t. - we estimate production at only 350,000 m.t. due to continued reports of

disease and climatic problems involved in the production of wheat in Brazil.

Supply and Distribution

Our latest estimates of wheat supply and distribution for 1967 and forecast for 1968 are shown below:

<u>Supply</u>	<u>1967 (est.)</u> ----- 1,000 m. t. -----	<u>1968 (prelim.)</u> -----
Beg. stocks, Jan. 1	470	557
Production	380	330
Imports	<u>2,434</u>	<u>2,367</u>
Total	3,284	3,274
 <u>Distribution</u>		
Consumption ^{1/}	2,727	2,850
Exports	0	0
Ending Stocks, Dec. 31	<u>557</u>	<u>424</u>
Total	3,284	3,274

^{1/} Bank of Brazil sales of wheat to millers, including domestic production and small quantities kept by farmers for home consumption, seeding and feed.

Consumption

Wheat consumption for 1967 is estimated at 2,727,000. This is 11 percent above 1966 consumption of 2,482,000. This estimated consumption includes 2,377,000 m. t. of imported wheat sold to the mills during January-December 1967 plus the 1966/67 harvest of 350,000 m. t. This may be compared with estimated consumption of 2,482,000 for January-December, 1966. Consumption for 1966 includes imported wheat sales of 2,252,000 m. t. plus 1965/66 production of 230,000 m. t.

CACEX (Bank of Brazil) December 1967 sales of imported wheat to mills totaled 203,000 m. t. as compared with 220,000 for December 1966. This brings to 2,377,000 m. t. the total sales of imported wheat for January-December 1967, about 5 percent above the 2,252,000 for January-December 1966.

Bread Price Increase

The price of bread is to be increased by 20 percent effective February 20, 1968. This will be the first increase in bread prices since January 10, 1967.

(The December 9, 1967, order that all bread must contain at least 2 percent non-wheat flour could be taken as an effective price increase since this served to reduce the quality of bread, AGE-71, Nov. 21, 1967.) Reason given for the increase in price was the 18.5 percent cruzeiro devaluation effective January 4, 1968.

Imports

Wheat unloadings for the month of December were 312,700 m. t., bringing to 2,434,000 m. t. the total unloadings for January-December 1967. This compares with 2,379,000 m. t. for January-December 1966.

The 2,434,000 m. t. imported during January-December 1967 consisted of 807,000 m. t. from Argentina; 1,069,000 m. t. from the United States, including 288,000 m. t. under P.L. 480; 286,000 m. t. from Bulgaria, Romania, the Soviet Union, and Hungary; 204,000 m. t. from Australia; 57,000 m. t. from Mexico; and 10,000 m. t. from Uruguay.

1968 Acquisitions

Brazil has purchased 300,000 m. t. of wheat thus far in 1968. This includes 215,000 m. t. from the U.S., of which 195,000 was financed under the GSM-4 credit program; 40,000 m. t. from France; 35,000 m. t. from Bulgaria; and 10,000 m. t. from Argentina.

Brazil has asked for an extension of the Seventh P.L. 480 agreement. The proposed extension would cover an additional 500,000 m. t. of wheat to be delivered during 1968.

COAL

Production

Our 1967/68 corn production estimate is 13.5 million metric tons. This compares with our latest 1966/67 crop estimate of 12.0 million m. t. Corn production is centered in the traditional areas of São Paulo, Paraná, Minas Gerais, Rio Grande do Sul, Goiás, and Mato Grosso. Forecasts for increased corn production in 1967/68 are based primarily upon increased plantings as a result of higher support prices, and upon generally good weather conditions.

About twenty percent of the farmers in São Paulo are using hybrid seed purchased from private firms, the State Secretariat of Agriculture, and cooperatives. A 40 kilo sack is sold by the São Paulo State Secretariat of Agriculture at a price of RCr\$16.00-20.00, and private firms sell 40 kilo sacks for RCr\$25.00-30.00. In other States, the price ranges from RCr\$30.00 to 35.00 per 40 kilo sack.

Supply and Distribution

Following are our latest estimates of corn supply and distribution for 1967 and forecast for 1968:

<u>Supply</u>	<u>1967</u> (Estimate)	<u>1968</u> (Forecast)
	-----1,000 m. t. -----	
Beginning Stocks	2,610	4,010
Production	12,000	13,500
Imports	<u>3</u>	<u>0</u>
Total	14,613	17,510
 <u>Distribution</u>		
Domestic disappearance	10,171	11,050
Exports	432	1,000
Ending Stocks	<u>4,010</u>	<u>5,460</u>
Total	14,613	17,510

Exports

Brazil's corn exports for calendar year 1967 reached only 432,000 m. t. with an f. o. b. value of \$22.1 million. This was a considerable disappointment to all concerned, but especially to exporters who claim they lost money. Exporters had expected lower prices because of the large 1966/67 crop. They had entered into contracts which they had to fulfill by buying corn at prices higher than anticipated.

In addition to these higher-than-anticipated prices, exports were said to be inhibited by the high cost of getting corn to the port and aboard ship. High transportation costs and the circulation tax -- Imposto de Circulação de Mercadorias (ICM) -- were blamed primarily for this high cost (AEB-83, December 21, 1967). The ICM which presently is 15 percent, is to be increased to 18 percent by June 1968. This will be achieved in steps of 1 percent each month for April, May, and June.

Exports for 1968 are expected to be 800,000 to 1,000,000 m. t., which is pretty close to Brazil's physical limitations for exporting corn.

Prices

Internal corn prices stayed at a relatively high and stable level as compared with 1966. This was because of the availability of minimum prices for

corn and the State Governments' encouragement to producers to hold on to their corn stocks. A recent 45-day extension of crop loans under the minimum price program has extended to the end of February the availability of loans for the crop harvested during March-June 1967.

Producers are presently receiving about RCr\$4.00 per 60 kilo bag of corn at the farm gate. This is approximately the net to the producer for shelled corn after expenses of transportation to the assembly point, soaking, and taxes. This market price is just about in line with the minimum price announced for the 1967/68 crop (AGR-32, Aug. 29, 1967).

Stocks

Total stocks of corn at the end of the year were estimated at 4.0 million metric tons (AGR-61, November 3, 1967). Stocks of exportable corn are estimated at 200 to 300 thousand metric tons in the State of São Paulo, and up to 50 thousand metric tons in the State of Paraná. Exportable corn stocks probably do not exist in the other States.

These stocks are causing some concern to the Federal Government which will have to provide financing for the minimum price program for 1967/68. According to the newspapers, Delfim Neto, Minister of Finance, has asked the State Governments to remove the circulation tax for corn exports. This post has been told by São Paulo officials that this is not necessary because corn can be exported at present prices, which include the ICM.

Storage costs for these stocks are considerable. Much of this corn has been financed by loan provisions of the minimum price program. If producers and intermediaries who own the stocks turn them over to the minimum price agency (Comissão de Financiamento da Produção), this agency will pay the storage cost.

The Coffee Growers Cooperative of the Cornelio Procopio Zone in the State of Paraná has sent a circular telegram to the President of the Republic, ministers, governors, and members of Congress requesting that urgent steps be taken to export surplus corn from the present crop, for which, they said, "prices are falling frighteningly". After stating that a bag is being sold at the insignificant price of RCr\$5.00, the Cooperative points out that the situation will become even worse with the next crop which promises to be large. It emphasized that with the recent exchange devaluation of 18 percent, corn prices continue to fall with a great loss to agriculture.

Utilisation

A very interesting question is what happens to all the corn produced in Brazil. In an attempt to find out, we asked various trade contacts for estimates. The following is a compilation of these estimates, which were obtained over a considerable period of time. They should be taken only as very rough estimates

subject to considerable refinement.

Human consumption -- accounts for approximately 15 to 20 percent.

Hogs -- one estimate is that hogs account for 20 percent of consumption in Paraná and 30 percent in Rio Grande do Sul and Minas Gerais. Since this source did not give an estimate for the other states, we are using an estimate of 10 pounds of corn per pound of dressed weight. Using this figure, corn consumption by hogs would be about 6.7 million metric tons per year based on 1966 slaughter of 665,000 metric tons of carcass weight (AER-35, November 14, 1967). This figure compares quite well with another estimate that 6 million tons of corn is fed to hogs in Brazil.

The mixed feed industry -- estimated to use approximately 1.5 million metric tons of corn per year. Most of this is fed to poultry and some to dairy cattle. None is fed to beef cattle.

Corn refining industries -- Brazil's three largest are estimated to use approximately 330,000 metric tons per year.

Loss -- estimated at about 30 percent by two independent sources. We are using approximately 10 percent for our calculations in the following tables:

Exports -- estimated at 1 million metric tons for ease of calculation. Exports were 621,000 metric tons during 1966 and 432,000 during 1967.

Seed -- we have no reliable estimate, so are arbitrarily using 8 percent.

Total -- utilizing these estimates, we arrive at the following:

<u>U s e</u>	<u>Million metric tons</u> <u>PER YEAR</u>
Human consumption	2.5
Hogs	6.7
Mixed feed industry (mostly poultry)	1.5
Refining industries (three largest)	.3
Loss	1.4
Exports	1.0
Seed	1.0
	<hr/>
	14.4

BEANSProduction

Brazil's 1967/68 wet bean crop is estimated by the Ministry of Agriculture and the State Secretaries of Agriculture at 621,000 m. t. compared with 743,000 for 1966/67.

Prices

The wholesale price for beans in São Paulo declined to about RCr\$19.00-21.00 in October, 1967.

The retail price for black beans in Rio currently is about RCr\$0.86 per kilo bag compared with RCr\$0.76 in November and RCr\$0.65 in September.

MANIOC

Brazil exported US\$1,283,000 worth of manioc and its products during January/September 1967. This compared with US\$2,733,000 during the same period of 1966. Exports of manioc and its products during CY 1968 are expected to be greater than last year because of an expected increased harvest for industrialization.

The mills are required to add 2 percent of manioc scraping flour to all their production of wheat flour in accordance with a SUPAB Resolution issued in October 1967 (See AGR-71, Nov. 21, 1967).

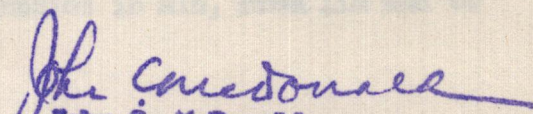
The wholesale price of manioc flour in the city of Rio de Janeiro is about RCr\$14.00 per 50 kilogram sack. Manioc flour retails for RCr\$0.50 per kilogram.

BARLEY, OATS AND RYE

We have no basis as yet for forecasting the 1968 crop but we are hopeful that our February field trip will provide the information required to make such estimates.

Our latest available data on barley, oats, and rye were submitted in January on floating file for grains.

RCr\$3.20 = US\$ 1.00


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Rio de Janeiro

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Detailed statistical tables are available upon request from the Grain and Feed Division, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C., 20250, Phone HU-8-6460.

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