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Brazil

Grain and Feed

The Brazilian Wheat Market: An Update

2000

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Report Highlights:

On November 15, 2000, Brazil is expected to publish the official lifting of long-standing restrictions on the importation of U.S. Soft Red Winter wheat and Hard Red Spring wheat.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Brasilia[BR1], BR

THE BRAZILIAN WHEAT MARKET

An Update: October 31, 2000

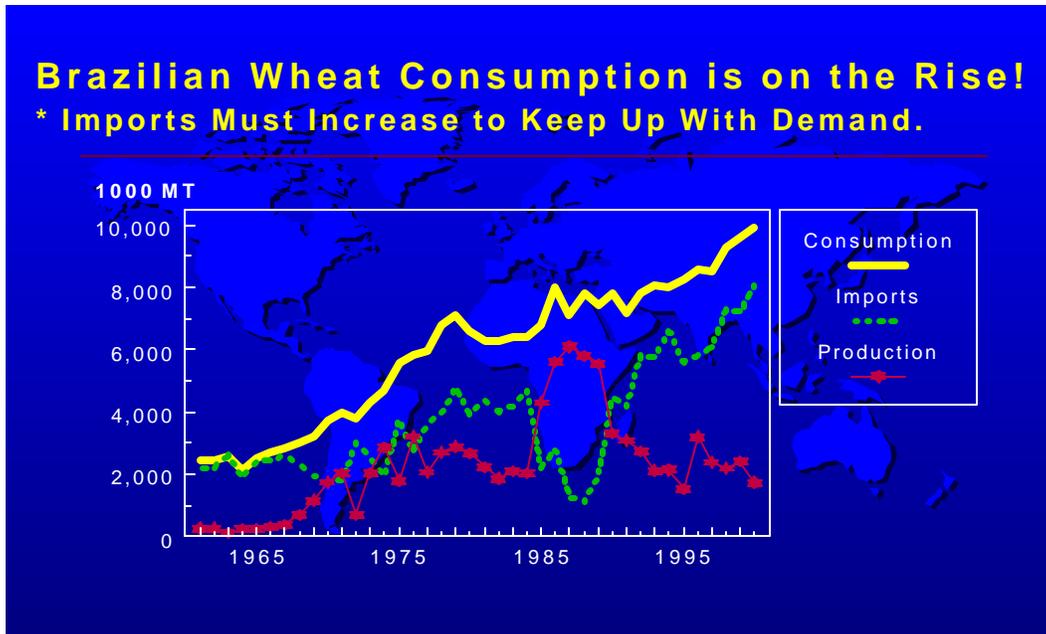
For the past several years, Brazil blocked U.S. wheat imports due to several phytosanitary issues related to wheat, including TCK smut, cereal stripe and flag smut. In November, 1998, the United States signed a protocol with Brazil clearing the way for imports of U.S. Hard Red Winter wheat. During the October 17, 2000 meeting with Secretary Glickman, the Brazilian Minister of Agriculture, Pratini de Moraes, announced that Brazil will lift long-standing restrictions on the importation of U.S. Soft Red Winter wheat and Hard Red Spring wheat. The official notification of this decision is expected to be published by November 15, 2000 in the *Diario Oficial*, just days before the ABITRIGO (Brazilian Wheat Millers Association) conference in Foz do Iguacu. Alan Tracy, the president of the U.S. Wheat Associates, and other key players in the U.S. wheat industry will attend the conference.

Brazil is expected to be the world's largest importer of wheat this year, purchasing roughly 8 million tons. Brazil relies on imports for the majority of its consumption, with Argentina as its primary supplier. Argentina enjoys many advantages in the Brazilian market, such as proximity, lower transportation costs, shorter delivery times, and protection from the 13 percent MERCOSUL duty and 25 percent merchant marine tax. Despite Argentina's advantages, there are significant opportunities for U.S. wheat, particularly from May through September preceding the Brazilian harvest. Furthermore, importers and millers have stated a willingness to pay a premium for U.S. wheat, given its superior quality.

Access to U.S. wheat classes will benefit Brazilian millers and consumers. The lifting of import restrictions could result in U.S. wheat exports of as much as 500,000 tons to 1 million tons this marketing year, worth \$70 million to \$120 million. In 1996, before Brazil imposed import restrictions on U.S. wheat, it purchased roughly 760,000 tons of U.S. wheat worth \$174 million.

Given Brazil's climate, wheat production is limited to the southernmost states, and there is little opportunity for significant expansion in domestic production. Brazilian wheat consumption has been rising steadily for 40 years, and the upward trend is expected to continue. As the economy strengthens and incomes rise, Brazilian consumers are shifting from rice and other starches to wheat-based products. Brazilian wheat imports will need to rise to meet demand, and U.S. exporters are able to supply the growing demand for high quality wheat.

For the time being, the import ban remains on shipments of U.S. wheat out of the west coast because of phytosanitary concerns. Though potential wheat exports to Brazil from the U.S. west coast are limited, Brazilian millers have expressed interest in U.S. Soft White wheat, which is primarily grown in and exported from the Pacific Northwest. USDA will continue to work with the Brazilian government to resolve the import restrictions.



Under the Cruzado Plan of 1984-5, the Brazilian government changed the agricultural policy and aimed to increase wheat production. The government offered credit and subsidies, and increased investment to improve productivity and yields. During the mid to late 1980s, Brazilian wheat area, production, and yields rose. However, government intervention ended in 1991 as the industry was privatized. As a result, wheat area dropped and production fell to more traditional levels.

