

Brazilian Wheat Buyers Visit Kansas

Wheat buyers from a grain company in Brazil were in Kansas April 8-9, just as a temporary tariff change in Brazil signals an opportunity for U.S. wheat farmers to regain competitiveness in South America's largest wheat importing market.

The Government of Brazil recently announced it would waive the 10% common external tariff (CET) for up to 1.0 million metric tons (MMT) of wheat from April 1 through July 31, 2013. Brazil introduced the new duty free wheat quota due to a shortage of wheat from countries included in the Mercosur Agreement.

Brazil is one of the top three wheat-importing countries in the world, but trades the commodity mostly with Mercosur members (Argentina, Paraguay and Uruguay) thanks to the free trade provisions in the agreement. Argentina has about 80% of the Brazilian market, according to USDA - but the Brazilian government has lifted the CET before when Mercosur member nations have a shortage of wheat. In 2008, Brazil imported about 907,000 metric tons of wheat from the U.S. when the CET was last waived. (In 2006-07, sales to Brazil from the U.S. only reached 25,000 metric tons.)

Knowing that Argentina would fail to produce enough wheat to fill the country's needs, wheat end-users Edson Csipai, Rudolf Reiter and Valdemer Ferreira from Bunge Brazil visited several stops in Kansas during a tour intended to educate about the status of the Kansas wheat crop. U.S. Hard Red Winter wheat provides a good fit for the Brazilian end-use market.

The tour was sponsored by Bunge, a global grain company. Bunge's Brazil operations mill 1.4 million metric tons of wheat each year.

"The three participants wanted to see Kansas wheat," said Aaron Harries, director of marketing for Kansas Wheat in Manhattan. "They were really interested in the 2012 crop quality, but also the prospects for 2013."

One tour stop was at Ohlde Seed Farms near Palmer, where Shane Ohlde showcased the farm's demonstration

plots and commercial fields, where lush, green plants will produce high-quality Kansas wheat. Ohlde also showed the visitors seed conditioning equipment at the seed farm, illustrating the importance of providing quality seed to ensure that farmers get the wheat crop off to a good start.

"It is important to stay engaged with Brazil's buyers, keeping them informed about our crops and supporting them with technical information," USW President Alan Tracy said. "Experience shows that with that knowledge, they quickly turn to the dependable U.S. wheat store when the need



is there."

Aside from the fiscal advantage of the duty free wheat quota, many of Brazil's buyers are also in a good location to import U.S. wheat. Several important flour mills are located in northeast Brazil and its northeastern port is the same distance away from southern U.S. ports as it is from Argentina's ports. This leaves U.S. wheat at no disadvantage when it comes to shipping costs and Brazil's buyers are responding again. Commercial sales of hard red winter and soft red winter to Brazil as of March 28 for 2012/13 are more than 400,000 MT compared to commercial sales at the same time in 2011/12 of only about 112,000 MT.

Though Brazil's duty free wheat quota is only temporary, it provides an opportunity for the U.S. wheat industry to gain new market access - important for U.S. wheat farmers who rely on export markets to consume nearly half of their total annual production. In addition, expanding markets has a positive effect on the overall U.S. economy with each additional billion dollars in agricultural export creating 8,000 to 9,000 jobs, according to USDA.

Shane Ohlde, farmer from Palmer, shows Edson Csipai, grain origination manager from Bunge Brazil, wheat plants from fields in Washington County. Csipai and two of his colleagues from Brazil were in Kansas April 8-9 to learn more about the 2013 wheat crop and 2012 wheat stocks.