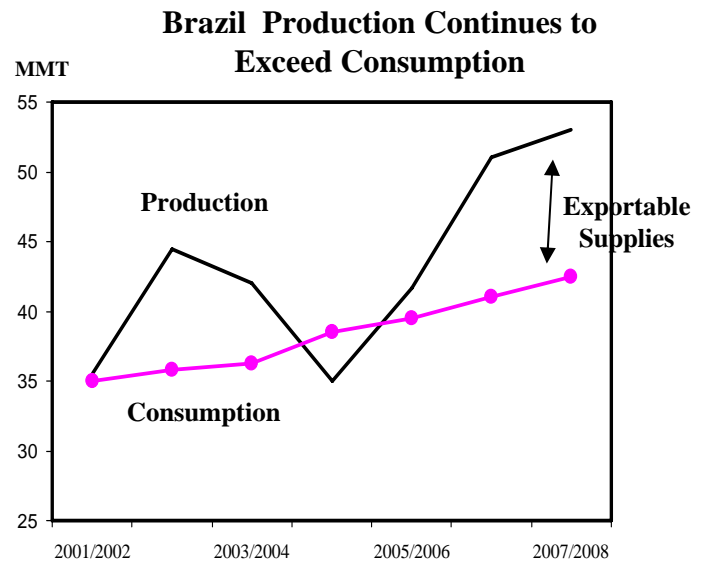
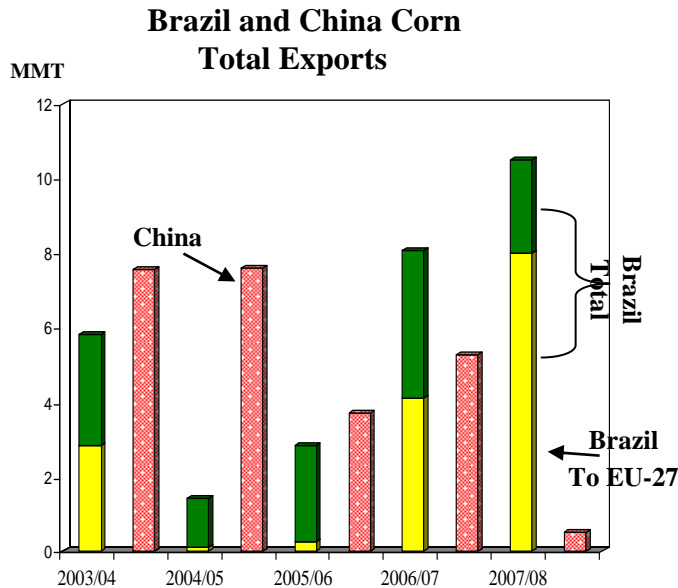


Grain: World Markets and Trade

Brazilian Corn Exports Soar as Chinese Exports Vanish



Brazil has replaced China as a major corn exporter. Rising Brazilian corn exports have been fueled largely by unusually strong demand from the EU-27, caused by two consecutive small wheat and coarse grain crops. The EU-27 has already licensed 6.8 million tons of corn imports, which are expected to come mostly from Brazil. Production in Brazil is growing faster than consumption. High world prices and expanding domestic demand have encouraged more area (25 percent in 3 years) and greater yield efficiencies.

At the same time, Chinese exports have steadily dropped from 15.2 million tons in 2002/03 to 500,000 tons in the current year. Explosive economic growth and rising disposable incomes have led to increased meat consumption and corn use for feeding. Recent government actions to curb food price inflation--cancellation of VAT rebates for exports and initiation of an export tax together with the lack of export quotas for 2008--have severely limited corn exports.

Continued limitations on Chinese exports tighten available world supplies, indirectly opening market opportunities for Brazil. However, infrastructure and high freight costs may constrain exports in the short term.

