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Brazil

Coffee Annual

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Report Highlights:
Brazilian coffee production is forecast at 49.5 million bags for the 2014/15 marketing year, an 8 percent drop compared to the previous crop due to the negative impact of the prolonged drought and warm weather, especially in southern and eastern Minas Gerais and the state of Sao Paulo. Coffee exports for the corresponding year are forecast at 32.38 million bags, down 1 million bags from previous crop. Carry-over stocks are projected at 6.32 million bags, down more than 30 percent from the previous year.

Post: ATO Sao Paulo

Production

The Agricultural Trade Office (ATO/Sao Paulo) forecasts the Brazilian coffee production for marketing year (MY) 2014/15 (July-June), at 49.5 million bags (60 kilograms per bag), green equivalent, an 8 percent decrease from revised figure for MY 2013/14 (53.7 million 60-kg bags). Information was collected from field trips, government sources, state departments of agriculture, growers' associations, cooperatives and traders.

In spite of the good Arabica coffee production potential for the upcoming crop given that the majority of the trees would be in the on-year of the biennial production cycle, the prolonged drought and high temperatures during January and February, especially in the states of Minas Gerais and Sao Paulo, significantly affected the filling and development of the beans. In addition, post contacts report significant tree eradication in the state of Parana as a consequence of last year's frost and low prices in 2013, thus reducing the production potential for that state.

At this moment, it is unclear to predict to what extent the aforementioned problems will affect the final size of the crop. A more precise number will be available only after the harvest when it will be possible to learn about the quality and weight of the beans. Post initial assessment projects Arabica trees production projected at 33.1 million bags, down 6.3 million 60-kg bags compared to revised figure for the previous year (39.4 million 60-kg bags). Arabica coffee harvest should begin in May/June.

Robusta production is projected at 16.4 million 60-kg bags, a 2.1 million bags increase compared to revised production for MY 2013/14 (14.3 million bags), primarily due to the good production potential in Espirito Santo, Rondonia and Bahia. The robusta harvest began in March/April

Post revised upward both the MY 2012/13 and MY 2013/14 coffee production estimates to 57.6 and 53.7 million bags, respectively, based on updated information from post contacts and revised supply and demand figures showing higher stock numbers than initially estimated for MY 2013/14. According to post contacts, roughly 90 percent of the Brazilian 2013/14 crop has already been marketed to date. Traders report that growers have taken advantage of the high prices in the last three months and have sold high volumes in the market.

The table below shows forecast production by state and variety for MY 2014/15, as well as production estimates from MY 2010/11 to MY 2013/14.

Brazilian Coffee Production (Million 60-kg bags)

State/Variety	MY 10/11	MY 11/12	MY 12/13	MY 13/14	MY 14/15
Minas Gerais	28.50	23.50	29.50	27.80	22.80
Southwest	16.00	11.50	15.70	14.00	11.50
Central-western	5.50	4.50	6.40	5.00	5.50
Southeast	7.00	7.50	7.40	8.80	5.80
Espirito Santo	11.50	13.50	15.20	14.80	15.30
Arabica	3.10	2.70	3.00	3.50	2.80
Robusta	8.40	10.80	12.20	11.30	12.50
Sao Paulo	5.00	4.10	5.40	4.30	4.20
Parana	2.40	1.90	1.80	1.70	0.90
Others	7.10	6.20	5.70	5.10	6.30
Arabica	2.80	2.50	2.40	2.10	2.40
Robusta	4.30	3.70	3.30	3.00	3.90
Total	54.50	49.20	57.60	53.70	49.50
Arabica	41.80	34.70	42.10	39.40	33.10
Robusta	12.70	14.50	15.50	14.30	16.40
Source: ATO/Sao Paulo.					

In January 2014, the Brazilian government (GoB), through the Ministry of Agriculture, Livestock and Supply's (MAPA) National Supply Company (CONAB), released its first survey projecting Brazilian coffee production for MY 2014/15. Total production is projected between 46.53 and 50.15 million 60-kg bags, a 2.62 reduction to a 1 million bag increase compared to the final estimate for MY 2013/14 (49.15 million bags – 38.29 million bags for Arabica and 10.86 million for Robusta coffee).

CONAB projects arabica production between 35.07 and 37.53 million bags, whereas the robusta crop is estimated between 11.46 and 12.62 million bags. Note that the estimates do not take into account the prolonged drought in several coffee areas in the beginning of the year. CONAB is expected to release the second coffee survey for the 2014 crop on May 15.

The Brazilian Institute of Geography and Statistics (IBGE) has also released its March 2014 coffee production forecast for MY 2014/15. The IBGE forecast for the 2014 coffee crop is 2,818,214 metric tons of coffee, or 46.97 million 60-kg coffee bags, a 3 percent drop compared to 2013 (2,918,652 metric tons or 48.65 million bags).

Coffee Area Tree Inventory

The table below shows the Brazilian coffee area and tree population from MY 2010/11 through MY 2014/15.

Brazilian Coffee Area andTree Population (billion trees, million hectares, thousand trees/hectare)					
	MY 10/11	**MY 11/12**	**MY 12/13**	**MY 13/14**	**MY 14/15**
Total Trees	6,635	6,595	6,860	6,865	6,955
Non-Bearing	815	835	1,000	1,055	1,185
Bearing	5,820	5,760	5,860	5,810	5,770
Total Area	2,409	2,410	2,387	2,442	2,437
Non-Bearing	234	260	282	307	347
Harvested	2,175	2,150	2,105	2,135	2,090
Trees/ha	2,754	2,737	2,874	2,811	2,854
Non-Bearing	3,483	3,212	3,546	3,436	3,415
Bearing	2,676	2,679	2,784	2,721	2,761
Source; ATO/Sao Paulo					

Yields

ATO/Sao Paulo projects the Brazilian coffee yield for MY 2014/15 at 23.68 bags/hectare, down 6 percent from MY 2013/14, due to adverse weather condition in the Arabica regions of Sao Paulo and Minas Gerais. The graph below shows the Brazilian average yield from MY 2004/05 through MY 2014/15

Coffee Prices in the Domestic Market

The Coffee Index price series released by the University of Sao Paulo's Luiz de Queiroz College of Agriculture (ESALQ) follows. The series tracks coffee prices in the domestic spot market since September 1996. High stock levels led to depressed domestic coffee prices in 2013 both in local currency, the Real, as well as in U.S. dollars (US$ 134.05/bag in 2013 as opposed to US$ 201.14/bag in 2012). The depreciation of the real also contributed to lower coffee prices in U.S. dollars.

Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag).					
Month	**2010**	**2011**	**2012**	**2013**	**2014**
January	280.75	433.34	485.04	341.16	289.44
February	278.68	495.98	441.31	317.72	366.32
March	279.70	524.27	387.53	303.42	437.24
April	282.18	524.41	379.53	300.51	449.45
May 1/	289.46	530.76	382.65	297.25	--
June	305.98	514.99	360.61	285.71	--
July	302.36	457.81	408.06	287.57	--
August	313.93	470.62	378.48	286.18	--
September	328.23	511.57	385.92	273.90	--
October	327.15	490.45	374.97	253.94	--
November 1/	355.51	493.83	355.23	247.73	--
December	387.01	491.35	341.40	272.10	--
Source: CEPEA/ESALQ/USP.					

To provide support to coffee growers, the Brazilian government set option contract auctions during September and October 2013. An equivalent to 3 million 60-kg bags at R$ 343.00 were negotiated through the auctions providing the growers the right to sell the auctioned coffee to the government at the aforementioned price in March 2014 if market prices were below the set price. No grower exercised the option given that market prices were well above the reference price.

Consumption

ATO/Sao Paulo forecasts the Brazilian coffee domestic consumption for MY 2014/15 stable at 20.1 million coffee bags (19 million bags of roast/ground and 1.1 million bags of soluble coffee, respectively). The likely increase of roasted/ground coffee prices at retail should prevent an increase in total Brazilian consumption.

ABIC reports that the coffee industry processed 20.33 million bags, green equivalent, from November 2012 to October 2013, down 1 percent relative to the same period the year before due to slight competition from other ready to consume beverages for breakfast like juices, chocolate and soy-based products. Per capita consumption for 2013 is estimated at 4.87 kg of roasted coffee per person.

ABIC estimates that sales for the roasting industry in 2013 were R$ 7.3 billion. The table below shows domestic ground and soluble coffee consumption as reported by ABIC.

Domestic Ground and Soluble Coffee Consumption (Million 60 kg bags, Kg/year).					
Year	**Consumption (Million 60 kg bags)**			**Consumption per capita (kg)**	
	Roast/Ground	**Soluble**	**Total**	**Roast**	**Green Beans**
2001	13.00	0.60	13.60	3.91	4.88
2002	13.30	0.74	14.04	3.86	4.83
2003	12.90	0.80	13.70	3.72	4.65
2004	14.10	0.80	14.90	4.01	5.01
2005	14.60	0.90	15.50	4.11	5.14
2006	15.40	0.93	16.33	4.27	5.34
2007	16.10	1.00	17.10	4.42	5.53
2008	16.68	0.98	17.66	4.51	5.64
2009	17.37	1.02	18.39	4.65	5.81
2010	18.06	1.07	19.13	4.81	6.02
2011	18.60	1.12	19.72	4.88	6.10
2012	19.21	1.12	20.33	4.98	6.23
2013	19.00	1.10	20.10	4.87	6.09
Source: Brazilian Coffee Industry Association (ABIC). 1/ Projection					
Note: Estimates refer to November-October period.					

Trade

Exports

ATO/Sao Paulo projects total Brazilian coffee exports for MY 2014/15 at 32.38 million bags, down 1 million bags from previous season, due to lower expected supply of the product. Green bean exports are likely to account for 29 million bags, while soluble coffee exports are forecast at 3.35 million bags.

Coffee exports for MY 2013/14 were revised upward to 33.38 million 60-kg bags, green beans, up 9 percent from previous estimate, based on year-to-date export volumes and anticipated May-June loadings. Post contacts report that coffee growers have taken advantage of the high market prices since January/February 2014 as a consequence of the prolonged drought in several coffee regions in Brazil and have steadily sold their products since then. Green bean (arabica and robusta) exports are estimated at 30 million bags, whereas soluble coffee exports are estimated at 3.35 million bags

According to the March 2014 Coffee Market Report International released by the International Coffee Organization (ICO), total world coffee consumption for 2013 is preliminarily estimated at 145.8 million bags, up 3.8 million bags compared to 2012.

The table below shows green coffee bean (NCM 0901.11.10), soluble coffee (NCM 2101.11.10) and roasted coffee exports (NCM 0901.21.00) by country of destination, according to SECEX, for CY 2013, MY 2012/13 and 2013/14 (July-March).

Brazilian Green Coffee Exports by Country of Destination (NCM 0901.11.10, MT,US$ 000 FOB)						
	CY 2013 1/		**MY 2012/13 2/**		**MY 2013/14 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
United States	334,590	884,439	246,451	825,400	263,643	627,671
Germany	327,758	859,404	231,018	783,717	270,353	634,622
Japan	145,450	454,702	128,108	483,818	99,514	282,583
Italy	161,466	454,601	119,303	416,113	123,677	313,397
Belgium	122,672	358,573	81,372	292,436	98,867	255,041
Spain	43,068	117,234	26,892	90,887	32,217	77,921
Sweden	39,974	106,086	26,809	89,455	29,928	72,985
France	39,709	102,505	26,826	88,664	32,902	74,820
United Kingdom	32,034	97,123	18,192	68,253	27,895	78,414
Slovenia	41,682	91,065	33,128	97,410	42,279	80,764
Others	410,741	1,056,493	286,721	908,884	337,025	770,253
Total	1,699,145	4,582,227	1,224,821	4,145,037	1,358,298	3,268,473
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add due to rounding 1/Jan - Dec, 2/July-March						

Brazilian Soluble Coffee Exports by Country of Destination (NCM 2101.11.10, MT,US$ 000 FOB)						
	CY 2013 1/		**MY 2012/13 2/**		**MY 2013/14 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
United States	13,924	105,597	10,466	78,551	9,974	70,154
Russia	10,085	87,745	7,712	70,361	7,770	64,038

Ukraine	5,297	41,614	4,410	36,523	3,641	27,466
Japan	4,757	38,525	3,566	30,278	3,791	28,899
Argentina	5,403	33,755	4,038	25,960	2,510	15,468
Indonesia	4,059	27,174	2,645	18,211	2,874	18,309
Germany	3,115	25,239	3,405	28,107	2,361	17,457
United Kingdom	2,919	23,518	2,682	21,871	1,660	14,073
Canada	2,394	22,029	1,922	18,663	1,784	15,378
South Korea	1,512	18,444	1,684	23,483	771	6,386
Others	26,317	226,128	21,608	192,330	21,004	170,907
Total	79,782	649,767	64,138	544,338	58,140	448,536
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/Jan - Dec, 2/July-March						

Brazilian Roasted Coffee Exports by Country of Destination						
(NCM 0901.21.00, MT,US$ 000 FOB)						
	CY 2013 1/		**MY 2012/13 2/**		**MY 2013/14 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
United States	911	9,301	866	8,874	645	5,969
Argentina	162	1,058	114	784	117	726
Japan	120	748	67	478	101	642
Germany	105	586	17	145	40	285
Chile	72	579	80	594	53	423
Uruguay	77	521	36	210	59	403
Paraguay	75	422	89	528	53	301
Italy	109	407	2	37	90	342
Russia	58	389	0	0	58	387
Montenegro	106	271	0	0	0	0
Others	203	1,468	131	944	169	1,375
Total	1,998	15,750	1,402	12,596	1,386	10,852
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/Jan - Dec, 2/July-March						

The tables below include data on monthly coffee exports for MY 2013/14 (July-March), as reported by Brazilian Green Coffee Association (CECAFE) and the Brazilian Soluble Coffee Association (ABICS). Total coffee exports during the July 2013 – March 2014 period were 24.83 million bags, a 1.81 million 60-kg bag increase compared to same period during MY 2012/13. Export sales from July 2013 through March 2014 total R$ 3.66 billion. Preliminary data show that coffee export registrations for April 2014 were 3.04 million bags while preliminary cumulative green coffee export shipments for April 2014 are 2.40 million bags.

Brazilian Monthly Coffee Exports for MY 2013/14						
(Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-13	192.76	1,734.21	2.20	1,929.17	293.48	2,222.64
Aug-13	134.18	2,244.03	1.78	2,379.99	272.36	2,652.34

Sep-13	149.23	2,245.96	1.12	2,396.32	325.86	2,722.18
Oct-13	99.01	2,787.66	3.96	2,890.63	320.51	3,211.13
Nov-13	79.23	2,351.74	3.68	2,434.65	245.37	2,680.02
Dec-13	88.37	2,566.92	3.96	2,659.24	326.77	2,986.01
Jan-14	115.40	2,359.89	1.52	2,476.81	294.60	2,771.41
Feb-14	148.65	2,493.09	1.68	2,643.42	252.39	2,895.82
Mar-14	136.35	2,319.89	1.16	2,457.40	225.04	2,682.44
Cumulative	1,143.17	21,103.38	21.06	22,267.61	2,556.38	24,823.99
Source: CECAFE and ABICS.						

Stocks

Total ending stocks for MY 2014/15 are projected at 6.32 million bags, down 2.98 million bags from revised figure for MY 2013/14 (9.29 million bags), due to lower expected production. CONAB coffee stocks on November 31, 2013 are reported at 1.61 million bags.

CONAB's 2014 privately-owned stocks survey has not been released yet. The survey includes coffee stocks held by growers, coffee cooperatives; exporters, roasters and the soluble industry on March 31st.

Policy

In April 2014, the National Monetary Council (CMN) approved a total of R$ 2.925 billion to fund the 2014 coffee crop as follow: R$ 1.3 billion for stock operations; R$ 845 million for crop management; R$ 750 million for the coffee acquisition program; R$ 20 million for the recovery program for damaged coffee fields and R$ 10 million to finance future market operations.

PS&D Tables

Coffee, Green Brazil	**2012/2013**	**2013/2014**	**2014/2015**
	Market Year Begin: Jul 2012	**Market Year Begin: Jul 2013**	**Market Year Begin: Jul 2014**

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2,387	2,387	2,442	2,442		2,437
Area Harvested	2,105	2,105	2,135	2,135		2,090
Bearing Trees	5,860	5,860	5,810	5,810		5,770
Non-Bearing Trees	1,000	1,000	1,055	1,055		1,185
Total Tree Population	6,860	6,860	6,865	6,865		6,955
Beginning Stocks	2,238	2,238	7,063	9,068		9,293
Arabica Production	41,100	42,100	39,200	39,400		33,100
Robusta Production	15,000	15,500	13,900	14,300		16,400
Other Production	0	0	0	0		0
Total Production	56,100	57,600	53,100	53,700		49,500
Bean Imports	0	0	0	0		0
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	58,338	59,838	60,163	62,768		58,793
Bean Exports	27,143	27,143	27,500	30,000		29,000
Rst-Grnd Exp.	31	31	40	25		25
Soluble Exports	3,486	3,486	3,500	3,350		3,350
Total Exports	30,660	30,660	31,040	33,375		32,375
Rst,Ground Dom. Consum	19,495	19,000	20,020	19,000		19,000
Soluble Dom. Cons.	1,120	1,110	1,130	1,100		1,100
Domestic Use	20,615	20,110	21,150	20,100		20,100
Ending Stocks	7,063	9,068	7,973	9,293		6,318
Total Distribution	58,338	59,838	60,163	62,768		58,793
1000 HA, MILLION TREES, 1000 60 KG BAGS						

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)

Month	2008	2009	2010	2011	2012	2013	2014
January	1.76	2.32	1.87	1.67	1.74	1.99	2.43
February	1.68	2.38	1.81	1.66	1.71	1.98	2.33
March	1.75	2.25	1.78	1.62	1.82	2.01	2.26
April	1.69	2.18	1.77	1.57	1.89	2.00	2.24
May	1.63	1.97	1.81	1.57	2.02	2.13	--
June	1.64	1.95	1.80	1.57	2.02	2.22	--
July	1.57	1.87	1.75	1.56	2.05	2.29	--
August	1.63	1.88	1.75	1.59	2.04	2.37	--
September	1.92	1.78	1.69	1.85	2.03	2.23	--
October	2.12	1.74	1.70	1.69	2.03	2.20	--
November	2.33	1.75	1.71	1.81	2.10	2.32	--
December	2.34	1.74	1.66	1.88	2.04	2.34	--
Source : Gazeta Mercantil and BACEN (as of October 2006)							