Required Report - public distribution

Date: 11/14/2017

GAIN Report Number: BR17009

Brazil

Coffee Semi-annual

2017

Approved By:
Chanda Berk, Agricultural Consul

Prepared By:
Sergio Barros, Agricultural Specialist

Report Highlights:
Brazil’s coffee production for MY 2017/18 is revised down to 51.2 million 60-kg bags. This includes a 1.7 million-bag reduction in Arabica production as a result of worse-than-average dehusking yields, which is partially offset by higher Robusta production. Coffee exports for the current MY have dropped to 30.43 million bags, a decrease of 2.6 million bags from the previous estimate, reflecting dredging issues at the port of Santos and the lower number of containers available to ship the product.

Production

The Agricultural Trade Office (ATO) in São Paulo revised Brazil's coffee production estimate for marketing year (MY) 2017/18 (July-June) down to 51.2 million 60-kg bags, green equivalent, a decrease of 900,000 60-kg bags compared to the previous estimate in May (52,10 million bags). Arabica production is estimated at 38.80 million bags, down four percent compared to the previous estimate, due to worse-than-expected dehusking yields in major growing areas like Minas Gerais and São Paulo. Coffee bean sizes (screens) 17 and 18 represent 25 - 30 percent of the total volume of the crop, whereas the average percentage in a normal year is 30 to 35 percent of the total volume. However, Robusta production is revised up to 12.4 million bags, an increase of seven percent relative to the previous estimate, due to better than initially anticipated yields, especially in the state of Bahia.

The harvest ended in late September and early October in the majority of the coffee growing areas. Area harvested and tree inventory estimates remain unchanged. The table below shows production estimates by state from MY 2013/14 to MY 2017/18.

Brazilian Coffee Production (Million 60-kg bags)					
State/Variety	**MY 13/14**	**MY 14/15**	**MY 15/16**	**MY 16/17**	**MY 17/18**
Minas Gerais	29.40	26.00	25.30	32.50	27.80
Southwest	15.00	14.00	12.20	17.80	14.50
Central-western	5.50	6.20	5.50	7.20	5.20
Southeast	8.90	5.80	7.60	7.50	8.10
Espirito Santo	15.80	16.40	13.00	10.50	10.40
Arabica	3.50	3.30	3.10	3.80	3.20
Robusta	12.30	13.10	9.90	6.70	7.20
São Paulo	4.60	4.60	4.30	5.90	4.20
Parana	1.70	1.00	1.20	1.10	1.30
Others	5.70	6.30	5.60	6.10	7.40
Arabica	2.60	2.40	2.20	2.30	2.30
Robusta	3.10	3.90	3.40	3.80	5.20
Total	57.20	54.30	49.40	56.10	51.20
Arabica	41.80	37.30	36.10	45.60	38.80
Robusta	15.40	17.00	13.30	10.50	12.40
Source: ATO/São Paulo.					

In September 2017, the Brazilian government (GOB), through the National Supply Company (CONAB) of the Ministry of Agriculture, Livestock and Supply (MAPA), released the third official coffee production estimate for MY 2017/18. As reported by CONAB, coffee production is estimated at 44.78 million bags (34.07 million bags for Arabica and 10.71 million for Robusta coffee), down 6.59 million bags compared to MY 2016/17 (51,37 million bags). CONAB estimates are 12-percent lower than Post's revised estimate.

The October 2016 coffee production estimate for MY 2017/18 released by the Brazilian Institute of Geography and Statistics (IBGE) shows the production of 2.78 million metric tons of coffee, or 46.3

million 60-kg bags (34.9 million bags for Arabica and 11.4 million for Robusta coffee), a decrease of eight percent compared to MY 2016/17 (50.3 million bags). No official forecast has been announced for MY 2017/18. IBGE estimates are 4.9 million 60-kg bags lower than Post's revised estimate.

Coffee Prices in the Domestic Market

The tables below show the Arabica and Robusta Coffee Index price series released by the University of São Paulo's Luiz de Queiroz College of Agriculture (ESALQ). In spite of the lower harvest volume, Arabica coffee prices in local currency have decreased in 2017 compared to 2016, driven by expectations of the on-year of the biennial cycle of the trees in MY 2018/19. Coffee prices in U.S. dollars for July-October 2017 decreased eight percent (US$ 142.37/bag) compared to US$ 154.33/bag during the same period in 2016, whereas the exchange rate appreciated roughly two percent during the same comparison period.

Arabica Coffee Prices in the Domestic Market (Arabica 6, Real, 60kg/bag).

Month	2013	2014	2015	2016	2017
January	341.16	289.44	465.92	491.31	514.23
February	317.72	366.32	459.99	489.82	508.65
March	303.42	437.24	447.10	491.06	485.92
April	300.51	449.45	445.69	466.71	467.63
May	297.25	429.28	421.95	460.36	455.69
June	285.71	396.74	424.02	484.87	445.85
July	287.57	387.87	414.50	498.52	451.90
August	286.18	437.19	454.98	479.03	458.76
September	273.90	433.52	456.95	502.94	453.46
October	253.94	480.12	478.11	511.07	445.95
November 1/	247.73	460.95	468.39	556.74	454.08
December	272.10	455.20	479.32	501.80	---
Source: CEPEA/ESALQ/USP. November 2017 refers to November 10.					

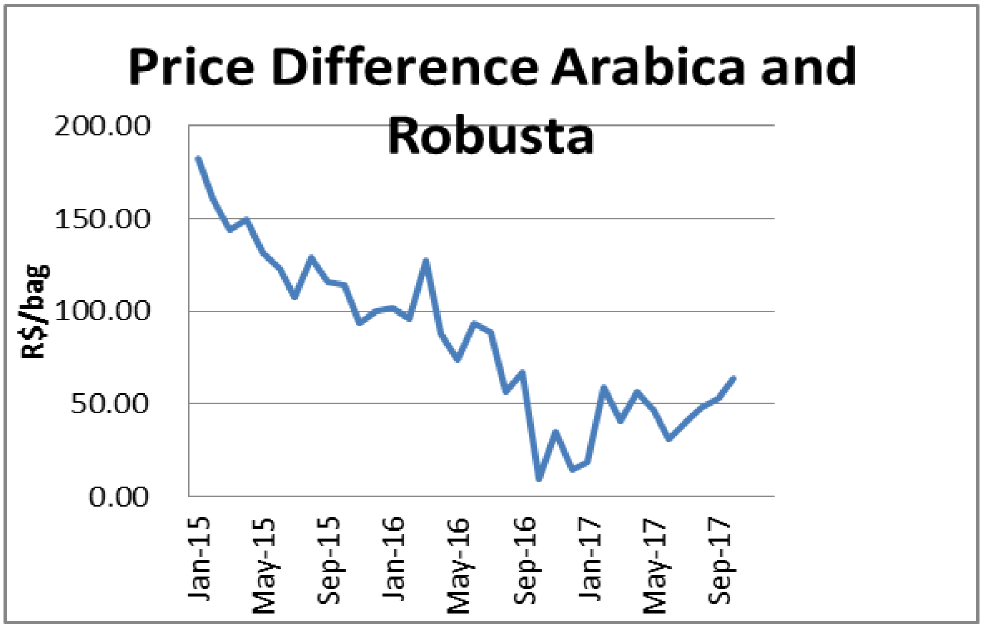
On the other hand, Robusta prices increased by five percent during the peak of the harvest period (April-July) in 2017 compared to the same period in 2016, encouraged by estimates of low carry-over stocks from the previous crop and grower decisions to hold stocks for the current crop, thus limiting sales of newly harvested coffee.

Robusta Coffee Prices in the Domestic Market (Robusta 6, Real, 60kg/bag).

Month	2013	2014	2015	2016	2017
January	267.21	226.82	283.28	389.27	495.19
February	264.98	243.48	299.58	393.61	449.93
March	253.20	263.25	303.44	363.88	444.97
April	250.32	256.77	295.88	379.33	411.31
May	250.88	245.82	290.33	386.71	408.81
June	245.09	235.14	301.03	391.40	414.96
July	248.91	242.44	307.28	409.99	411.84

August	253.22	248.42	325.68	422.87	410.77
September	236.24	250.55	340.81	435.74	400.50
October	205.23	264.25	363.94	501.07	382.43
November 1/	198.83	277.02	375.25	521.31	355.53
December	223.11	277.14	378.98	487.60	---
Source: CEPEA/ESALQ/USP. November 2017 refers to November 10.					

The price differential between both varieties has improved somewhat from the record low of October 2016, however, still far from historical figures as shown in the graph below.



Consumption

Domestic coffee consumption for MY 2017/18 is estimated at 22.195 million 60-kg coffee bags (21.05 million bags of roast/ground coffee and 1.145 million bags of soluble coffee, respectively), an increase of three percent from Post's revised estimate for MY 2016/17 (21.525 million 60-kg bags). Post has also revised the estimate for domestic coffee consumption for MY 2015/16 to 20.855 million coffee bags. This change reflects updated information from Brazilian Coffee Industry Association (ABIC) that was also validated by Euromonitor and Nielsen. ABIC has not yet released the November 2016-October 2017 coffee consumption survey.

According to ABIC, the coffee industry has consistently grown around 3 – 3.5 percent the past few years, in spite of the economic turmoil in the Brazilian economy. ABIC reports that drinking "cafezinho" (a small cup of coffee) is part of the Brazilian tradition and consumers have not abandoned the habit even during the recession. The main reasons include: low income consumers have changed to lower priced coffee, the upward trend for consumption of high quality coffee such as coffee capsules (an increase from 7 to 10 thousand metric tons from 2015 to 2016), and food service has slowly increased as a channel for coffee sales/consumption as opposed to only the retail channel.

Trade

ATO/São Paulo's estimate for Brazil's coffee exports for MY 2017/18 is revised down to 30.43 million bags, a decrease of 2.6 million bags from the previous estimate, reflecting the slower export pace during the initial months of the current marketing year. Green bean exports are expected to contribute 27.2 million bags, while soluble coffee exports remain unchanged at 3.2 million bags. Industry contacts report that the main reason for the slow in exports is that the Port of Santos, the main Brazilian port for coffee exports, has faced dredging issues and difficulties obtaining environmental permits. In addition, the number of ship owners with access to the port was recently consolidated, resulting in an insufficient number of containers available, and thus reducing the number of shipping lines arriving at the port.

Coffee exports for MY 2016/17 were slightly revised upward to 33.081 million 60-kg bags, green beans, to reflect updated information from the Brazilian Green Coffee Association (CECAFE). Green bean (Arabica and Robusta) exports are estimated at 29.325 million bags, whereas soluble coffee exports are estimated at 3.725 million bags.

The table below shows green coffee bean (NCM 0901.11.10), roasted coffee (NCM 0901.21.00) and soluble coffee exports (NCM 21.01.11.10) by country of destination, according to SECEX, for MY 2016/17 (July-June), 2016/17 (July-October) and 2017/18 (July-October).

Brazilian Green Coffee Exports by Country of Destination						
(NCM 0901.11.10, MT,US$ 000 FOB)						
	MY 2016/17 1/		**MY 2016/17 2/**		**MY 2017/18 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
United States	353,630	989,912	128,075	345,229	107,513	292,993
Germany	349,287	974,431	114,259	308,391	100,791	261,330
Italy	178,747	525,755	68,700	197,367	56,814	166,949
Japan	124,150	394,982	40,030	128,625	33,353	96,852
Belgium	115,684	347,370	33,990	97,897	28,676	84,009
Canada	45,899	130,482	15,483	42,186	13,385	36,842
Sweden	36,910	100,750	12,866	34,041	13,531	35,969
France	46,834	127,087	16,673	43,443	13,464	35,966
Turkey	56,647	154,643	13,054	32,499	13,510	34,439
Spain	41,161	118,404	14,919	42,034	11,455	31,904
Others	414,768	1,168,646	147,487	393,202	135,320	362,424
Total	1,763,717	5,032,461	605,536	1,664,915	527,810	1,439,678
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July-June, 2/July-October						

Brazilian Roasted Coffee Exports by Country of Destination			
(NCM 0901.21.00, MT,US$ 000 FOB)			
	MY 2016/17 1/	**MY 2016/17 2/**	**MY 2017/18 2/**

Country	Quantity	Value	Quantity	Country	Quantity	Value
United States	619	4,522	208	1,576	191	1,307
Argentina	255	2,173	67	275	76	774
Japan	157	925	58	341	47	278
Chile	102	563	42	212	42	274
Uruguay	86	617	25	144	31	268
Paraguay	113	795	38	215	28	199
Bolivia	32	159	4	22	19	174
Germany	34	203	13	73	13	87
Ukraine	0	0	0	0	10	69
Dominican Republic	0	0	0	0	18	67
Others	797	5,107	191	796	26	187
Total	2,193	15,066	647	3,654	501	3,684
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July-June, 2/July-October						

Brazilian Soluble Coffee Exports by Country of Destination (NCM 2101.11.10, MT,US$ 000 FOB)						
	MY 2016/17 1/		MY 2016/17 2/		MY 2017/18 2/	
Country	**Quantity**	**Value**	**Quantity**	**Country**	**Quantity**	**Value**
United States	12,913	86,709	4,214	27,267	5,902	41,805
Russia	13,397	99,190	4,782	32,043	3,655	28,630
United Kingdom	2,632	23,510	855	6,734	1,443	14,125
Japan	4,840	38,554	1,862	14,456	1,263	11,002
Indonesia	4,587	32,309	1,737	11,194	1,463	10,575
Canada	2,343	20,484	894	7,003	963	7,935
Saudi Arabia	1,806	16,321	741	5,989	710	6,130
Peru	1,468	12,090	744	6,250	575	4,731
Ukraine	3,321	22,948	1,649	10,246	535	4,398
Poland	1,744	12,742	707	4,775	697	4,152
Others	31,900	242,010	11,548	79,778	8,393	65,696
Total	80,951	606,867	29,732	205,736	25,599	199,179
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July-June, 2/July-October						

The tables below include data on monthly coffee exports (quantity and value) for MY 2016/17 and MY 2017/18 (July- September), as reported by the Brazilian Green Coffee Association (CECAFE) and the Brazilian Soluble Coffee Association (ABICS). Preliminary data show that coffee export shipments for October 2017 are 2.747 million bags. As of November 13, cumulative coffee export shipments for November 2017 are reported at 450,080 bags.

Brazilian Monthly Coffee Exports for MY 2016/17 (Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Total Green**	**Roasted**	**Soluble**	**Total**

Jul-16	38.24	1,610.51	1,648.75	2.84	315.75	1,967.33
Aug-16	39.65	2,655.66	2,695.31	3.19	345.11	3,043.61
Sep-16	30.49	2,665.92	2,696.41	2.69	368.39	3,067.50
Oct-16	11.48	3,006.62	3,018.11	3.20	341.76	3,363.06
Nov-16	28.39	2,924.41	2,952.80	2.93	321.37	3,277.11
Dec-16	11.04	2,900.83	2,911.86	1.37	347.08	3,260.31
Jan-17	22.34	2,428.93	2,451.27	3.14	190.04	2,644.44
Feb-17	9.86	2,304.54	2,314.40	2.63	273.92	2,590.95
Mar-17	20.63	2,436.15	2,456.78	1.65	374.59	2,833.01
Apr-17	26.61	1,932.45	1,959.06	2.28	280.64	2,241.97
May-17	19.80	2,305.02	2,324.82	2.25	274.96	2,602.03
Jun-17	19.91	1,874.63	1,894.54	2.55	293.95	2,191.03
Cumulative	278.43	29,045.67	29,324.09	30.72	3,727.54	33,082.35
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2016/17 (US$ 1,000,000).						
Month	**Conillon**	**Arabica**	**Total Green**	**Roasted**	**Soluble**	**Total**
Jul-16	4.58	252.34	256.92	0.86	48.06	305.84
Aug-16	5.21	427.08	432.29	1.82	54.56	488.66
Sep-16	4.06	443.00	447.06	0.70	57.61	505.37
Oct-16	1.54	514.83	516.36	1.54	56.81	574.71
Nov-16	4.80	523.79	528.59	1.16	54.42	584.17
Dec-16	1.83	529.19	531.02	1.15	61.70	593.87
Jan-17	3.69	425.74	429.43	1.83	34.38	465.64
Feb-17	1.74	405.33	407.07	1.33	49.64	458.03
Mar-17	3.57	425.45	429.02	0.91	67.61	497.53
Apr-17	4.50	330.54	335.04	1.22	53.48	389.73
May-17	3.32	387.56	390.88	1.43	52.45	444.76
Jun-17	3.10	304.84	307.94	1.63	57.31	366.88
Cumulative	41.94	4,969.68	5,011.62	15.57	648.01	5,675.20
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2017/18 (Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Total Green**	**Roasted**	**Soluble**	**Total**
Jul-17	19.83	1,575.80	1,595.62	1.27	272.28	1,869.18
Aug-17	29.51	2,267.98	2,297.49	1.42	297.70	2,596.62
Sep-17	22.30	2,021.19	2,043.49	1.37	254.21	2,299.07
Cumulative	71.64	5,864.96	5,936.60	4.07	824.19	6,764.86
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2017/18 (US$ 1,000,000).						
Month	**Conillon**	**Arabica**	**Total Green**	**Roasted**	**Soluble**	**Total**

Jul-17	3.09	249.91	253.00	0.49	50.03	303.52
Aug-17	4.29	366.23	370.52	0.72	53.59	424.84
Sep-17	3.26	331.91	335.17	0.53	45.70	381.40
Cumulative	10.64	948.05	958.69	1.74	149.32	1,109.75
Source: CECAFE and ABICS.						

Stocks

Ending stocks for MY 2017/18 are estimated at 2.568 million bags, down 1.36 million bags compared to MY 2016/17, the result of updated figures for exports and production. On March 31, CONAB released the 2017 private stocks survey, including stocks held by growers, coffee cooperatives, exporters, roasters, and the soluble industry. Private stocks are estimated at 9.87 million bags, down 27 percent relative to the previous crop (13.59 million bags). CONAB has changed the methodology on how it reports the different industry agents from last year. The table below shows the results of the last private stock survey. Government owned stocks held by CONAB on March 31, 2017 are reported at 255,344 60-kg bags.

Brazilian Private Coffee Carry-Over Stocks (60-kg Bags)		
Warehouse	**Mar 31, 2017 - 2016 crop**	
	Arabica	**Conillon**
Private	4,289,613	635,455
Cooperatives	4,462,394	320,197
Coffee Grower	2,450	6,196
Official Government Warehouse	116,790	32,967
Total	8,871,247	994,815
	9,866,062	
Source: CONAB, Annual Carry Over Stock Surveys - Reference Month = March 31st.		

Production, Supply and Demand Data Statistics

Coffee, Green	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**Jul 2015**		**Jul 2016**		**Jul 2017**	
Brazil	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	2410	2410	2410	2410	2400	2400
Area Harvested	2070	2070	2070	2070	2020	2020
Bearing Trees	5735	5735	5735	5735	5640	5640
Non-Bearing Trees	1125	1125	1125	1125	1300	1300
Total Tree Population	6860	6860	6860	6860	6940	6940
Beginning Stocks	9305	9305	2777	2372	5411	3928
Arabica Production	36100	36100	45600	45600	40500	38800

Robusta Production	13300	13300	10500	10500	11600	12400
Other Production	0	0	0	0	0	0
Total Production	49400	49400	56100	56100	52100	51200
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	65	65	64	62	65	65
Soluble Imports	0	0	0	0	0	0
Total Imports	65	65	64	62	65	65
Total Supply	58770	58770	58941	58534	57576	55193
Bean Exports	31870	31870	29400	29325	29400	27200
Rst-Grnd Exp.	28	28	30	31	30	30
Soluble Exports	3645	3645	3600	3725	3600	3200
Total Exports	35543	35543	33030	33081	33030	30430
Rst,Ground Dom. Consum	19400	19750	19450	20400	19550	21050
Soluble Dom. Cons.	1050	1105	1050	1125	1110	1145
Domestic Consumption	20450	20855	20500	21525	20660	22195
Ending Stocks	2777	2372	5411	3928	3886	2568
Total Distribution	58770	58770	58941	58534	57576	55193
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
January	1.67	1.74	1.99	2.43	2.66	4.04	3.13
February	1.66	1.71	1.98	2.33	2.88	3.98	3.10
March	1.62	1.82	2.01	2.26	3.21	3.56	3.17
April	1.57	1.89	2.00	2.24	2.98	3.45	3.20
May	1.57	2.02	2.13	2.24	3.18	3.60	3.26
June	1.57	2.02	2.22	2.20	3.10	3.21	3.30
July	1.56	2.05	2.29	2.27	3.39	3.24	3.13
August	1.59	2.04	2.37	2.24	3.65	3.24	3.15
September	1.85	2.03	2.23	2.45	3.98	3.25	3.17
October	1.69	2.03	2.20	2.44	3.86	3.18	3.27
November 1/	1.81	2.10	2.32	2.56	3.85	3.40	3.29
December	1.88	2.04	2.34	2.66	3.90	3.47	
Source : Brazilian Central Bank (BACEN) 1/ November 2017 refers to November 13							