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Brazil

Coffee Annual

2017

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Report Highlights:
ATO/Sao Paulo forecasts Brazil's coffee production for Marketing Year (MY) 2017/18 (July-June) at 52.1 million 60-kg bags, a decrease of four million bags compared to MY 2016/17, due to the off-year of the biennial production cycle of trees in the majority of Arabica growing regions. Robusta/conilon trees are likely to partially recover from the previous year's smaller crop. Coffee exports for MY 2017/18 are projected stable at 33.03 million bags, compared to the revised estimate for MY 2016/17, due to supply constraints.

Production

The Agricultural Trade Office in Sao Paulo (ATO) forecasts Brazil's marketing year (MY) 2017/2018 (July-June) coffee production at 52.10 million bags (60 kilograms per bag), green equivalent, a decrease of four million bags relative to the unchanged estimate for MY 2016/17. Harvest in the Robusta/conilon producing regions started in March/April, whereas the Arabica coffee harvest started in May.

Arabica production for MY 2017/18 is forecast at 40.5 million bags, a decrease of 11 percent relative to the previous crop, given that the majority of producing areas are in the off-year of the biennial production cycle. However, adequate blossoming and good weather conditions in the majority of the producing regions are likely to contribute to expected good agricultural yields. Indeed, production numbers could even improve throughout the harvest, due to expected above average dehusking yields and quality of the beans. ATO contacts report a larger screen size of beans this year.

Robusta/Conilon production for MY 2017/18 is projected at 11.6 million bags, up 1.1 million bags from MY 2016/17 (10.5 million bags). Higher production is expected in Espirito Santo, Rondonia, and Bahia. Note that due to continued water deficits, coffee trees in Espirito Santo have not fully recovered the production potential from previous years yet.

Post conducted field trips to the major coffee producing areas (Minas Gerais, Espirito Santo, Sao Paulo, Rondonia and Parana) to observe vegetative development, cherry set, and fruit formation to assess the 2017 crop. Information was also collected from government sources, state secretariats of agriculture, grower associations, cooperatives, and traders.

Coffee trees in southern Minas Gerais and Sao Paulo (Alta and Baixa Mogiana) show excellent vegetative development and vigor. Growers have taken advantage of the excellent production in last year's crop and have intensified crop management, particularly pruning. Adequate rainfall has fully supported fruit development and filling. However, production potential is expected to drop compared to the previous season given that the majority of trees are in the off-year of the biennial production cycle.

Overall, conilon/Robusta coffee trees show regular to fair vegetative development and that production potential will be somehow affected by the water deficit experienced the past three years. Rainfall volumes have improved in Espirito Santo recently, but not in levels sufficient to fully recover plant vigor and production potential. The water deficit is still an important issue for the state and several restrictions, such as limits on irrigation, have been enforced.

Arabica coffee trees in Espirito Santo are expected to result in lower production for the 2017 crop, given that they are in the off-year of the biennial production cycle. On the contrary, eastern Minas Gerais shows overall good to excellent crop development and production potential should exceed last year's production. Rainfall patterns in the region are reportedly good.

Weather has contributed to above average coffee bean development and filling in, both in the State of Parana and the Marilia/Presidente Prudente growing areas in the state of Sao Paulo. Production in Parana is expected to increase due to the on-year of the biennial production cycle of the coffee trees, whereas the opposite is likely to occur in the state of Sao Paulo (due to the off-year of the biennial production cycle).

Coffee trees in the "cerrado mineiro" (western Minas Gerais) show good vegetative development, however production potential will be limited by the off-year of the biennial production cycle of the trees. As reported in southern Minas Gerais, growers have taken advantage of the excellent production in last year's crop and have intensified crop management, particularly pruning. Weather patterns have supported the filling and development of the beans.

Coffee production in Rondonia is expected to improve from last year's crop as a result of increased use of clonal coffee seedlings and the revitalization of old coffee areas. In addition, a growing number of farmers have adopted technologies and cultural practices such as the use of improved cultivars, phytosanitary control, fertilization, irrigation, good harvesting and post harvesting practices, which have enabled higher yields and resulted in a better quality product.

The table below shows coffee forecast production by state and variety for MY 2017/18 as well as production estimates from MY 2013/14 to MY 2016/17.

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	29.10
Southwest	15.00	14.00	12.20	17.80	15.00
Central-western	5.50	6.20	5.50	7.20	5.60
Southeast	8.90	5.80	7.60	7.50	8.50
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
Sao Paulo	4.60	4.60	4.30	5.90	4.40
Parana	1.70	1.00	1.20	1.10	1.30
Others	5.70	6.30	5.60	6.10	6.90
Arabica	2.60	2.40	2.20	2.30	2.50
Robusta	3.10	3.90	3.40	3.80	4.40
Total	57.20	54.30	49.40	56.10	52.10
Arabica	41.80	37.30	36.10	45.60	40.50
Robusta	15.40	17.00	13.30	10.50	11.60
Source: ATO/Sao Paulo					

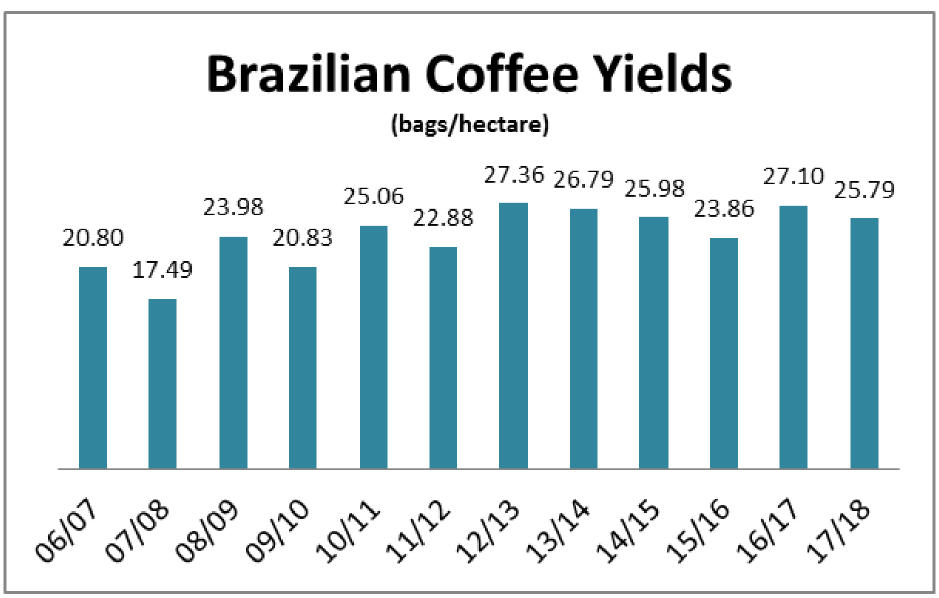
In January 2017, the Brazilian Government (GOB), through the Ministry of Agriculture, Livestock and Food Supply's (MAPA) National Supply Company (CONAB), released its first survey projecting Brazilian coffee production in MY 2017/18. It forecasts between 43.65 and 47.5 million 60-kg bags, a 3.87 to 7.72 million bag decrease compared to the final estimate for MY 2016/17 (51.37 million bags – 43.38 and 7.99 million bags of Arabica and Robusta/conilon coffee, respectively). CONAB projects Arabica production between 35.01 and 37.88 million bags, whereas the Robusta/conilon crop is estimated between 8.63 and 9.62 million bags. CONAB is expected to release the second coffee survey for the 2016 crop on May 18.

Coffee Area, Tree Inventory, and Yields

The table below shows the Brazilian coffee area and tree population from MY 2013/14 through MY 2017/18. Total area planted to coffee is projected stable for MY 2017/18, whereas coffee tree inventory increased by one percent relative to MY 2016/17.

Brazilian Coffee Area and Tree Population (million trees, thousand hectares, trees/hectare)					
	MY 13/14	**MY 14/15**	**MY 15/16**	**MY 16/17**	**MY 16/17**
Total Trees	6,865	6,955	6,860	6,860	6,940
Non-Bearing	1,055	1,185	1,125	1,125	1,300
Bearing	5,810	5,770	5,735	5,735	5,640
Total Area	2,442	2,437	2,410	2,410	2,400
Non-Bearing	307	347	340	340	380
Harvested	2,135	2,090	2,070	2,070	2,020
Trees/ha	2,811	2,854	2,846	2,846	2,892
Non-Bearing	3,436	3,415	3,309	3,309	3,421
Bearing	2,721	2,761	2,771	2,771	2,792
Source: ATO/Sao Paulo					

The Brazilian coffee yield for MY 2017/18 is projected at 25.79 bags/hectare, a five percent decrease vis-à-vis the previous crop (27.10 bags/hectare). The graph bellows illustrates the evolution of Brazilian coffee yields since 2006.



Source: ATO/Sao Paulo

Coffee Prices in the Domestic Market

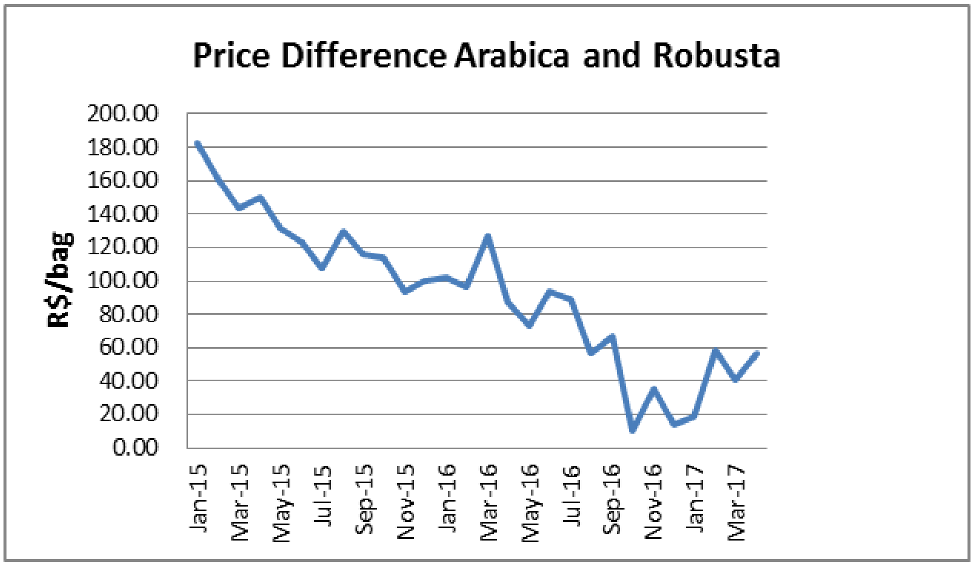
The tables below show the Coffee Index price series for both Arabica and Robusta coffee released by the University of Sao Paulo's Luiz de Queiroz College of Agriculture (ESALQ). The series tracks coffee prices in the domestic spot market since September 1996.

Arabica Coffee Prices in the Domestic Market (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 1/	297.25	429.28	421.95	460.36	458.39
June	285.71	396.74	424.02	484.87	--
July	287.57	387.87	414.50	498.52	--
August	286.18	437.19	454.98	479.03	--
September	273.90	433.52	456.95	502.94	--
October	253.94	480.12	478.11	511.07	--
November	247.73	460.95	468.39	556.74	--
December	272.10	455.20	479.32	501.80	--
Source: CEPEA/ESALQ/USP. 1/ May 2017 refers to May 10.					

Robusta Coffee Prices in the Domestic Market (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 1/	250.88	245.82	290.33	386.71	403.21
June	245.09	235.14	301.03	391.40	
July	248.91	242.44	307.28	409.99	
August	253.22	248.42	325.68	422.87	
September	236.24	250.55	340.81	435.74	
October	205.23	264.25	363.94	501.07	
November	198.83	277.02	375.25	521.31	
December	223.11	277.14	378.98	487.60	
Source: CEPEA/ESALQ/USP. 1/ May 2017 Refers to May 10					

Robusta coffee prices in the domestic market have steadily increased as a consequence of a persistent drought in the state of Espirito Santo since 2014. Espirito Santo is the major Brazilian growing area for this coffee variety coffee. ATO/Sao Paulo estimates production in the state dropped nearly 50 percent from 2014 (13.1 million 60-kg bags) to 2016 (6.7 million 60-kg bags).

As a consequence, the price differential between both varieties has steadily decreased in the past years, reaching a record low in October 2016 as shown in the graph below.



Source: CEPEA/ESALQ/USP

Consumption

ATO/Sao Paulo projects Brazil's domestic coffee consumption for MY 2017/18 virtually stable at 20.66 million coffee bags (19.55 million bags of roast/ground and 1.11 million bags of soluble coffee, respectively), vis-à-vis MY 2015/16, reflecting the slowdown of the Brazilian economy and changing of consumer patterns, in spite the high penetration of coffee in Brazilian households.

The Brazilian Coffee Industry Association (ABIC) reports that the coffee industry processed 21.2 million bags, green equivalent, from November 2015 to October 2016, up three percent compared to the same period the year before (20.5 million bags). Per capita consumption for 2016 is estimated slightly up from 2015, at 5.03 kg of roasted coffee per person. 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 /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	19.25	1.08	20.33	4.98	6.23
2013	19.00	1.08	20.08	4.87	6.09
2014	19.25	1.08	20.33	4.89	6.12
2015	19.40	1.10	20.50	4.90	6.12
2016	20.10	1.11	21.21	5.03	6.29
Source: Brazilian Coffee Industry Association (ABIC).					
Note: Estimates refer to November-October period.					

Trade

Exports

Total Brazilian coffee exports for MY 2017/18 are projected stable at 33.03 60-kg million bags. Green bean exports are forecast to account for 29.4 million bags, while soluble coffee exports are projected at 3.6 million bags.

ATO/Sao Paulo estimates coffee exports for MY 2016/17 at 33.03 million 60-kg bags, green beans, a decrease of seven percent from MY 2015/16 (35.54 million bags), based on year-to-date export volumes and anticipated May-June loadings. Green bean (Arabica and Robusta/conilon) exports are estimated at 29.4 million bags, whereas soluble coffee exports are estimated at 3.6 million bags.

According to the April 2017 coffee trade statistics released by the International Coffee Organization (ICO), total world coffee consumption for 2015/16 is estimated at 155.71 million bags, up 3.89 million bags relative to 2014/15. Brazil represents over one third of total world exports.

The table below shows green coffee bean (NCM 0901.11.10), roasted coffee (NCM 0901.21.00) and soluble coffee (NCM 2101.11.10) exports by country of destination, according to SECEX, for MY 2015/16 (July-June) and MY 2015/16 and 2016/17 (July-April).

Brazilian Green Coffee Exports by Country of Destination						
(NCM 0901.11.10, MT,US$ 000 FOB)						
	MY 2015/16 1/		**MY 2015/16 2/**		**MY 2016/17 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Germany	373,065	895,525	313,986	755,628	305,947	861,647
United States	402,454	999,224	351,480	875,916	300,425	846,920
Italy	179,024	491,896	163,414	450,988	153,912	454,475
Japan	134,043	402,863	119,033	360,993	107,398	345,887
Belgium	126,942	334,680	107,355	283,178	98,981	297,229
Turkey	46,695	105,833	41,884	95,286	45,408	124,374

Canada	44,698	125,506	38,015	108,423	39,009	110,837
France	40,017	93,365	33,405	78,063	39,787	108,562
Spain	40,075	100,754	35,934	90,225	34,469	99,349
U.K.	30,402	92,281	27,616	84,145	28,277	90,602
Others	495,414	1,167,547	426,773	1,008,694	358,036	997,038
Total	1,912,828	4,809,475	1,658,897	4,191,538	1,511,649	4,336,919
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July - June, 2/July - April						

Brazilian Roasted Coffee Exports by Country of Destination						
(NCM 0901.21.00, MT,US$ 000 FOB)						
	MY 2015/16 1/		**MY 2015/16 2/**		**MY 2016/17 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
United States	660	4,760	558	4,095	495	3,636
Venezuela	0	0	0	0	359	3,078
Argentina	180	751	167	684	190	1,368
Italy	370	1,319	280	1,026	291	1,119
Japan	121	536	80	353	147	871
Paraguay	70	541	57	457	76	511
Uruguay	71	491	58	419	72	503
Chile	53	269	47	229	73	398
China	28	215	15	109	38	282
Germany	26	116	26	116	34	203
Others	156	876	139	770	86	501
Total	1,735	9,875	1,426	8,257	1,861	12,469
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July - June, 2/July - April						

Brazilian Soluble Coffee Exports by Country of Destination						
(NCM 2101.11.10, MT,US$ 000 FOB)						
	MY 2015/16 1/		**MY 2015/16 2/**		**MY 2016/17 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Russia	10,547	71,449	9,036	60,992	11,412	83,330
United States	13,843	79,131	11,937	68,326	11,257	75,440
Japan	5,539	38,570	4,662	32,195	4,106	32,383
Indonesia	3,612	21,139	2,728	16,492	3,536	24,318
Ukraine	4,324	24,570	3,535	20,340	3,008	20,394
United Kingdom	3,403	29,026	2,957	24,509	2,128	18,973
Canada	2,138	15,072	1,642	11,752	1,885	16,127
Germany	3,087	21,529	2,594	18,106	1,937	15,325

Malaysia	1,503	9,693	1,303	8,438	2,555	14,329
Saudi Arabia	1,763	13,251	1,564	11,828	1,489	13,048
Others	30,233	209,454	24,742	173,884	25,753	196,058
Total	79,992	532,886	66,700	446,863	69,066	509,726
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July - June, 2/July - April						

The tables below include data on monthly coffee exports (quantity and value) for MY 2016/17 (July-April, as reported by Brazilian Green Coffee Association (CECAFE) and the Brazilian Soluble Coffee Association (ABICS). Total coffee exports during the July 2016 - April 2017 period were 28.13 million bags, down 2.43 million bags to export volumes during the same period for MY 2015/16 (30.56 million bags). Preliminary data until May 11 show that coffee export registrations for May 2017 were 838,899 bags, while cumulative green coffee export shipments for May 2017 are 463,431 bags.

Brazilian Monthly Coffee Exports for MY 2016/17 (Thousand 60-kg bag, green equivalent).						
Month	**Conilon**	**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	3.02	190.58	2,644.86
Feb-17	9.86	2,303.09	2,312.95	2.33	264.43	2,579.71
Mar-17	20.63	2,424.03	2,444.65	1.18	353.74	2,799.57
Apr-17	26.60	1,841.51	1,868.11	1.99	255.96	2,126.05
Cumulative	238.71	24,761.51	25,000.22	24.74	3,104.16	28,129.11
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2016/17 (US$ 1,000,000).						
Month	**Conilon**	**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	1.78	33.95	465.17
Feb-17	1.74	405.25	406.99	1.25	48.01	456.25

Mar-17	3.57	422.84	426.41	0.59	63.30	490.30
Apr-17	4.49	314.85	319.34	1.05	48.75	369.14
May-17	0.00	0.00	0.00	0.00	0.00	0.00
Jun-17	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative	35.51	4,258.91	4,294.42	11.90	527.15	4,833.47
Source: CECAFE and ABICS.						

Imports

The table below shows roasted coffee (NCM 0901.21.00) by country of origin, according to SECEX, for MY 2015/16 (July-June) and MY 2015/16 and 2016/17 (July-April).

Brazilian Roasted Coffee Imports by Country of Destination (NCM 0901.21.00, MT,US$ 000 FOB)						
	MY 2015/16 1/		**MY 2015/16 2/**		**MY 2016/17 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Switzerland	1,234	27,664	1,009	22,576	1,116	36,012
Italy	745	7,694	661	6,716	865	8,562
France	83	1,534	79	1,460	168	2,924
United States	171	1,641	149	1,442	186	1,692
United Kingdom	275	5,222	250	4,768	91	1,499
Portugal	105	1,021	90	855	122	1,148
Spain	327	4,438	297	4,010	74	1,004
Colombia	4	34	4	34	11	133
Uruguay	0	0	0	0	5	10
Brazil	4	118	4	115	2	5
Others	394	1,609	394	1,609	0	2
Total	3,342	50,975	2,938	43,586	2,639	52,991
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July - June, 2/July - April						

Stocks

ATO/Sao Paulo forecasts total ending stocks in MY 2017/18 at 3.88 million bags, a 1.53 million bag decrease relative to the previous season (5.41 million bags), due to expected lower production. CONAB has promoted auctions to sell 720,000 bags of coffee in the domestic market and government stocks are virtually zero. CONAB's 2017 CONAB's 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 as of March 31, 2017.

Policy

On February 21st, President Michel Temer suspended the Minister of Agriculture, Livestock and Supply's request to the Foreign Trade Chamber (CAMEX) to allow temporary imports of one million 60-kg bags of Robusta coffee. See following link for additional information:

https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Brazil%20to%20Import%20Coffee_Sao%20Paulo%20ATO_Brazil_2-14-2017.pdf

PS&D Tables

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	0	2410	0	2400
Area Harvested	2070	2070	0	2070	0	2020
Bearing Trees	5735	5735	0	5735	0	5640
Non-Bearing Trees	1125	1125	0	1125	0	1300
Total Tree Population	6860	6860	0	6860	0	6940
Beginning Stocks	9305	9305	2717	2777	0	5411
Arabica Production	36100	36100	45600	45600	0	40500
Robusta Production	13300	13300	10500	10500	0	11600
Other Production	0	0	0	0	0	0
Total Production	49400	49400	56100	56100	0	52100
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	65	65	65	64	0	65
Soluble Imports	0	0	0	0	0	0
Total Imports	65	65	65	64	0	65
Total Supply	58770	58770	58882	58941	0	57576
Bean Exports	31870	31870	31000	29400	0	29400
Rst-Grnd Exp.	28	28	30	30	0	30
Soluble Exports	3645	3645	3200	3600	0	3600
Total Exports	35543	35543	34230	33030	0	33030
Rst,Ground Dom. Consum	19400	19400	19400	19450	0	19550
Soluble Dom. Cons.	1110	1050	1110	1050	0	1110
Domestic Consumption	20510	20450	20510	20500	0	20660
Ending Stocks	2717	2777	4142	5411	0	3886
Total Distribution	58770	58770	58882	58941	0	57576
(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	3.19
May	1.57	2.02	2.13	2.24	3.18	3.60	3.16
June	1.57	2.02	2.22	2.20	3.10	3.21	--
July	1.56	2.05	2.29	2.27	3.39	3.24	--
August	1.59	2.04	2.37	2.24	3.65	3.24	--
September	1.85	2.03	2.23	2.45	3.98	3.25	--
October	1.69	2.03	2.20	2.44	3.86	3.18	--
November	1.81	2.10	2.32	2.56	3.85	3.40	--
December 1/	1.88	2.04	2.34	2.66	3.90	3.47	--
Source : Brazilian Central Bank (BACEN) 1/ May 2017 refers to May 10							
Last day of the month							