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# **Report Name:** Coffee Semi-annual

**Country:** Brazil

**Post:** Brasilia

**Report Category:** Coffee

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**Report Highlights:**

Post decreases the Brazilian coffee production for Marketing Year 2023/24 (July-June) to 66.3 million 60-kg bags, based on a projected decline in robusta/conilon production. Post forecasts arabica production at 44.9 million bags, a 12.8 percent increase over the previous season, due to an increase in planted area and higher yield. Robusta/conilon production is projected at 21.4 million bags, 1.4 percent lower than the previous estimate of 21.7 million bags and 6.1 percent lower in relation to the last season. Total coffee exports for 2023/24 (July-June) are estimated at 43.9 million 60-kg bags, green beans, down from the previous estimate of 45.4 million 60-kg bags, due to a slower than expected trade flow of arabica coffee at the beginning of this marketing year, motivated by less than attractive prices in stock markets. However, the 2023/24 exports are projected to be 22.3 percent higher than the MY 2022/23 exports.

# COFFEE
## Production, Supply, and Distribution

**Table 1**
*Production, Supply, and Distribution of Coffee*

| Coffee, Green | 2021/2022 | | 2022/2023 | | 2023/2024 | |
|---|---|---|---|---|---|---|
| Market Year Begins | Jul 2021 | | Jul 2022 | | Jul 2023 | |
| Brazil | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** (1000 Ha) | 2480 | 2480 | 2495 | 2495 | 0 | 2510 |
| **Area Harvested** (1000 Ha) | 2010 | 2010 | 2020 | 2020 | 0 | 2030 |
| **Bearing Trees** (Million Trees) | 6010 | 6010 | 6100 | 6100 | 0 | 6150 |
| **Non-Bearing Trees** (Million Trees) | 1500 | 1500 | 1510 | 1510 | 0 | 1100 |
| **Total Tree Population** (Million Trees) | 7510 | 7510 | 7610 | 7610 | 0 | 7250 |
| **Beginning Stocks** (1000 60 Kg Bags) | 4390 | 4390 | 540 | 540 | 4120 | 4620 |
| **Arabica Production** (1000 60 Kg Bags) | 36400 | 36400 | 39800 | 39800 | 44700 | 44900 |
| **Robusta Production** (1000 60 Kg Bags) | 21700 | 21700 | 22800 | 22800 | 21700 | 21400 |
| **Other Production** (1000 60 Kg Bags) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Production** (1000 60 Kg Bags) | 58100 | 58100 | 62600 | 62600 | 66400 | 66300 |
| **Bean Imports** (1000 60 Kg Bags) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Roast & Ground Imports** (1000 60 Kg Bags) | 75 | 75 | 75 | 75 | 75 | 75 |
| **Soluble Imports** (1000 60 Kg Bags) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Imports** (1000 60 Kg Bags) | 75 | 75 | 75 | 75 | 75 | 75 |
| **Total Supply** (1000 60 Kg Bags) | 62565 | 62565 | 63215 | 63215 | 70595 | 70995 |
| **Bean Exports** (1000 60 Kg Bags) | 35576 | 35576 | 33000 | 32200 | 41000 | 39500 |
| **Rst-Grnd Exp.** (1000 60 Kg Bags) | 54 | 54 | 45 | 45 | 50 | 50 |
| **Soluble Exports** (1000 60 Kg Bags) | 4055 | 4055 | 3600 | 3900 | 4300 | 4300 |
| **Total Exports** (1000 60 Kg Bags) | 39685 | 39685 | 36645 | 36145 | 45350 | 43850 |
| **Rst,Ground Dom. Consum** (1000 60 Kg Bags) | 21400 | 21400 | 21500 | 21500 | 21600 | 21600 |
| **Soluble Dom. Cons.** (1000 60 Kg Bags) | 940 | 940 | 950 | 950 | 960 | 960 |
| **Domestic Consumption** (1000 60 Kg Bags) | 22340 | 22340 | 22450 | 22450 | 22560 | 22560 |
| **Ending Stocks** (1000 60 Kg Bags) | 540 | 540 | 4120 | 4620 | 2685 | 4585 |
| **Total Distribution** (1000 60 Kg Bags) | 62565 | 62565 | 63215 | 63215 | 70595 | 70995 |
| | | | | | | |
| (1000 HA), (MILLION TREES), (1000 60 KG BAGS) | | | | | | |

## Coffee Production

Post decreases its estimate for total Brazilian coffee production for marketing year (MY) 2023/24 (July-June) to 66.3 million bags (60 kilograms per bag), green bean equivalent, from the original 66.4 million bags, based on a projected decline in robusta/conilon production.

Arabica production is expected to reach 44.9 million bags, a 12.8 percent increase over the previous season, due to an increase in planted area and higher yield, benefiting from favorable weather conditions in comparison to past harvests. According to Post contacts in the leading coffee producing state of Minas Gerais, producers have indicated greater confidence in the 2023/24 yields.

Robusta/conilon production is projected at 21.4 million bags, 1.4 percent lower than the previous estimate of 21.7 million bags and 6.1 percent lower in relation to the last season. This decrease is due to an expected reduction in yield as a result of adverse weather conditions during the initial phases of the production cycle of the plants, such as high temperatures brought about by the El Niño phenomenon, especially in the state of Espirito Santo, main robusta grower.

Brazil's National Supply Company (CONAB) predicts that the total area allocated for coffee cultivation in the nation in 2023 will be 2.24 million hectares, with 1.88 million hectares dedicated to crops in production and 362.5 thousand hectares in the development phase. CONAB estimates that 38.16 million bags of Arabica coffee will be harvested, representing 70 percent of the current harvest. CONAB calculates that there will be a 17 percent increase compared to the 2022 harvest, despite the current season being a negative year of the biennial cycle. Robusta/conilon is expected to yield 16.2 million bags, which is an 11 percent decrease compared to the previous season. CONAB uses a different methodology to forecast coffee production than Post and has consistently shown lower estimates.

According to the Brazilian Institute for Geography and Statistics (IBGE), in 2023, Brazilian coffee production should reach a total gross value of R$ 48 billion, with arabica accounting for 77 percent of this sum, generating R$ 37 billion in revenue. This represents an 8 percent decrease compared to the previous year. Meanwhile, robusta coffee, which brought in R$ 12.7 billion in revenue in 2022, is expected to decrease by 12 percent, generating R$ 11 billion in revenue. The Southeast Region of Brazil leads in total coffee revenue, with 86.5 percent of total revenue (R$ 41.7 billion), followed by the Northeast Region with an estimated value of R$ 3 billion (6.2 percent), and the North Region with gross revenue of R$ 2.4 billion (5 percent) of the total.

### Harvest Outlook

Brazil’s 2022/23 coffee sowing began in March, reaching most of its harvest in June and July, with small areas around the country set to finalize in November. Minas Gerais is the country’s leading coffee producer, followed by Espírito Santo and São Paulo.

**Table 2**
*Brazilian Coffee Production by State (Million 60-kg bags)*

| State/Variety | MY 2019/20 | MY 2020/21 | MY 2021/22 | MY 2022/23 | MY 2023/24 |
|---|---|---|---|---|---|
| **Minas Gerais** | **29.1** | **34.8** | **24.5** | **27.3** | **33.1** |
| Southwest | 16.2 | 19.7 | 13.0 | 14.4 | 18.0 |
| Central-western | 5.8 | 6.3 | 5.0 | 5.0 | 7.4 |
| Southeast | 7.1 | 8.8 | 6.5 | 7.9 | 7.7 |
| **Espirito Santo** | **16.8** | **19.1** | **19.4** | **21.0** | **18.0** |
| Arabica | 3.9 | 4.8 | 3.7 | 4.4 | 3.0 |
| Robusta | 12.9 | 14.3 | 15.7 | 16.6 | 15.0 |
| **Sao Paulo** | **5.4** | **6.4** | **4.6** | **4.8** | **5.6** |
| **Parana** | **1.1** | **1.1** | **1.0** | **0.7** | **0.9** |
| **Others** | **8.1** | **8.5** | **8.6** | **8.8** | **8.7** |
| Arabica | 2.5 | 2.6 | 2.6 | 2.6 | 2.3 |
| Robusta | 5.6 | 5.9 | 6.0 | 6.2 | 6.4 |
| **Total** | **60.5** | **69.9** | **58.1** | **62.6** | **66.3** |
| Arabica | 42.0 | 49.7 | 36.4 | 39.8 | 44.9 |
| Robusta | 18.5 | 20.2 | 21.7 | 22.8 | 21.4 |

***Data Source:*** *USDA/Brasilia Office of Agricultural Affairs (OAA); Graph Post Brasilia*

## ARABICA

**Figure 1**
*Main Producing States of Arabica Coffee in Brazil*


***Data Source****: USDA/Brasilia Office of Agricultural Affairs (OAA); Graph Post Brasilia*

- **Minas Gerais**: For 2022/23, the state experienced months of dry weather that were favorable to the advancement of the coffee harvest, with good volumes of rain during the development phase, resulting in coffee grains with good weight and quality in most of the regions within the state. As a result, the state recovered in the average yield in the area under production. This recovery was due to the inclusion of areas that were renewed in recent cycles, especially in the south and center-west of the state. For 2023/24, Post contacts have indicated that crops are flowering well, leading producers to remain optimistic about high production numbers.

- **São Paulo**: The state finalized its 2022/23 harvest in October, with higher productive potential than those registered in the last two years, given the favorable weather conditions reported throughout the harvest cycle. However, the season saw a reduction in production area in relation to 2022, given the eradication of old trees. As such, results of negative biennial are expected in the state, maintaining a plan to expand the renewal of crops to enhance the potential of the 2023/24 season.

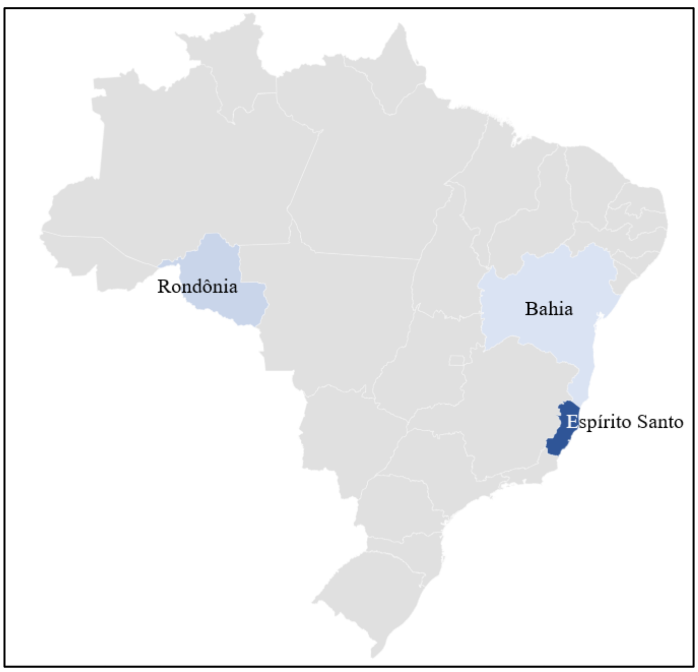
- **Espírito Santo**: Suffering from a lack of workforce and labor competition with other states, Espírito Santo is expected to finalize the harvest of arabica coffee in November, though most of the work is over in the majority of the state. The 2022/23 harvest experienced a variation in weather patterns, with irregular and insufficient rains during the beginning of the flowering process and excess winds that defoliated trees in some regions, reducing the productive potential of the trees. Rain was sufficient during the fruit formation and filling phase, favoring the development of the grains and guaranteeing good quality, though with smaller yields than in the previous season. Many producers in the state are investing in the mechanization of their harvest or sharing of equipment between them, either through individual loans or through associations to guarantee faster harvesting, which may have positive reflections for 2023/24.

- **Bahia**: Overall, grains developed well during the 2022/23 harvest, but the expected impacts of the negative year of the coffee trees have led to smaller production in the state. The state saw a decrease in area under production in most regions, as a way of renewing the vegetative and reproductive potential of the crops, which should have a positive effect for production in the 2023/24 season.

- **Paraná**: The state is in the final stage of harvesting, with 2022/23 production and yield showing an increase in comparison to the previous season. This is credited to favorable weather conditions and higher investments of producers. For 2023/24, the trees have been showing good signs of flowering, which has been bringing optimism to producers.

## ROBUSTA/CONILON

**Figure 2**
*Main Producing States of Robusta/Conilon Coffee in Brazil*




***Data Source**: USDA/Brasilia Office of Agricultural Affairs (OAA); Graph Post Brasilia*

- **Espírito Santo**: The main producer of robusta/conilon coffee has seen a decrease in production during the 2022/23 cycle, with the productive potential being impacted by unfavorable weather conditions during the flowering stage. For 2023/24, the state hopes to have a more mechanized robusta harvest, utilizing machinery that is traditionally used during the arabica harvest. These machines are currently being tested for this purpose, with good results.

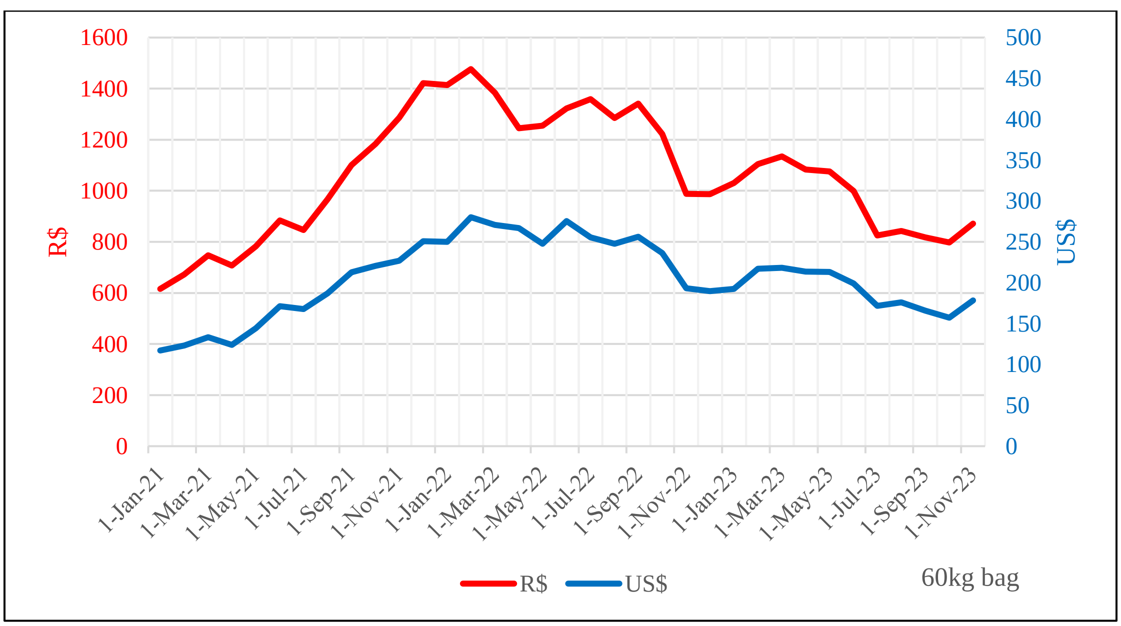
- **Rondônia**: The state has also mechanized its harvest in 2022/23 in some regions, though manual reaping is still prevalent, given the predominance of small-scale (family) farms that plant coffee. There was an increase in area in production and yield, given optimal weather conditions throughout the year.

- **Bahia**: For 2022/23, the state registered an increase in the area under production resulting from the insertion of crops that underwent renovation in the last two years and that have now started to produce. According to the Bahia State Department of Agriculture, Livestock, Irrigation, Fisheries and Aquaculture (SEAGRI), the state has 24 thousand small coffee growers' farms, which account for 88 percent of the state's production.

## Coffee Prices

According to data from the University of São Paulo's Center for Advanced Studies in Applied Economics (CEPEA), arabica coffee prices averaged R$ 829.44 (US$ 163.82) in October 2023, considered low for growers in Brazil, given that in the same period last year, the average was R$ 1135.50 (US$ 216.44). In February 2022, Arabica coffee reached the historically high price of R$ 1555.19 (US$ 297.93) per 60 kg bag. On November 06, 2023, coffee was quoted at R$ 871.52 (US$ 178.19), providing a slight relief, driven by movements in the global market and the lower supply of coffee in competing countries.

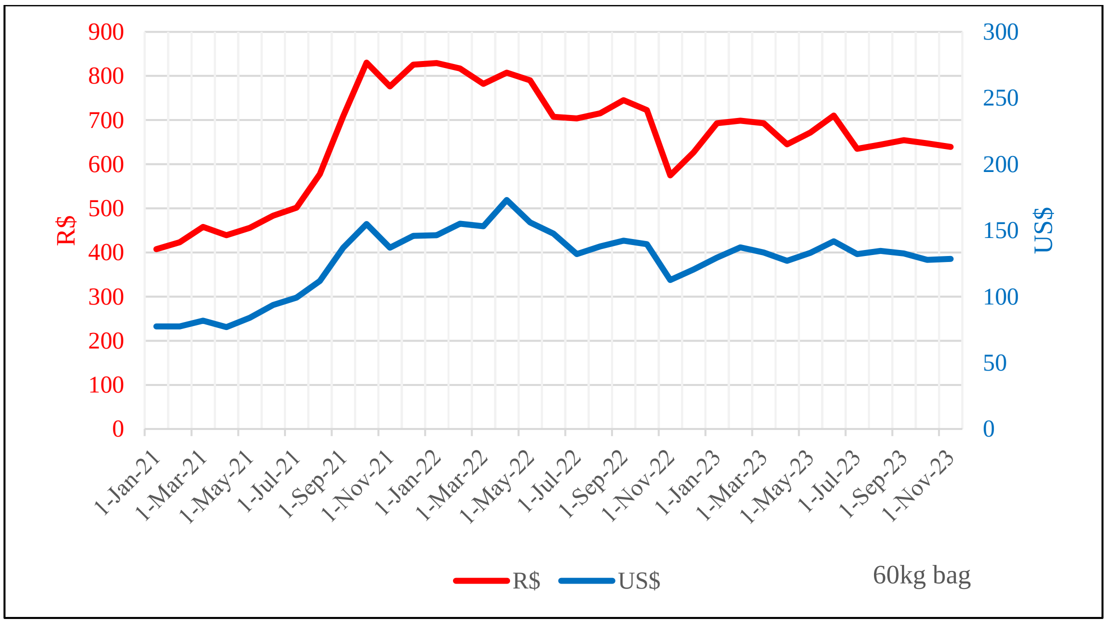
**Figure 3**
*Arabica Coffee Prices in Brazil (60 kg bag)*




***Data Source**: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA), Arabica coffee delivered to São Paulo; Graph Post Brasilia*

Robusta/conilon coffee prices have shown greater consistency than arabica throughout the year. Robusta coffee averaged R$ 644.41 (US$ 127.24) in October 2023, according to CEPEA, a 0.3 percent decrease in comparison to the same period in 2022. On November 06, 2023, the coffee was quoted at R$ 646.57 (US$ 132.20).

**Figure 4**
*Robusta/Conilon Coffee Prices in Brazil (60 kg bag)*




***Data Source**: University of Sao Paulo Center for Advanced Studies in Applied Economics (CEPEA), Robusta coffee from Espírito Santo; Graph Post Brasilia*

According to analysts consulted by Post, Coffee negotiations have been slow in the past weeks, given the low need for sales and cash flow during this time of year. In addition, the beans currently available in the trade market at lower prices were treated under high production costs, leading traders to hesitate to close deals at the moment.

## Coffee Consumption

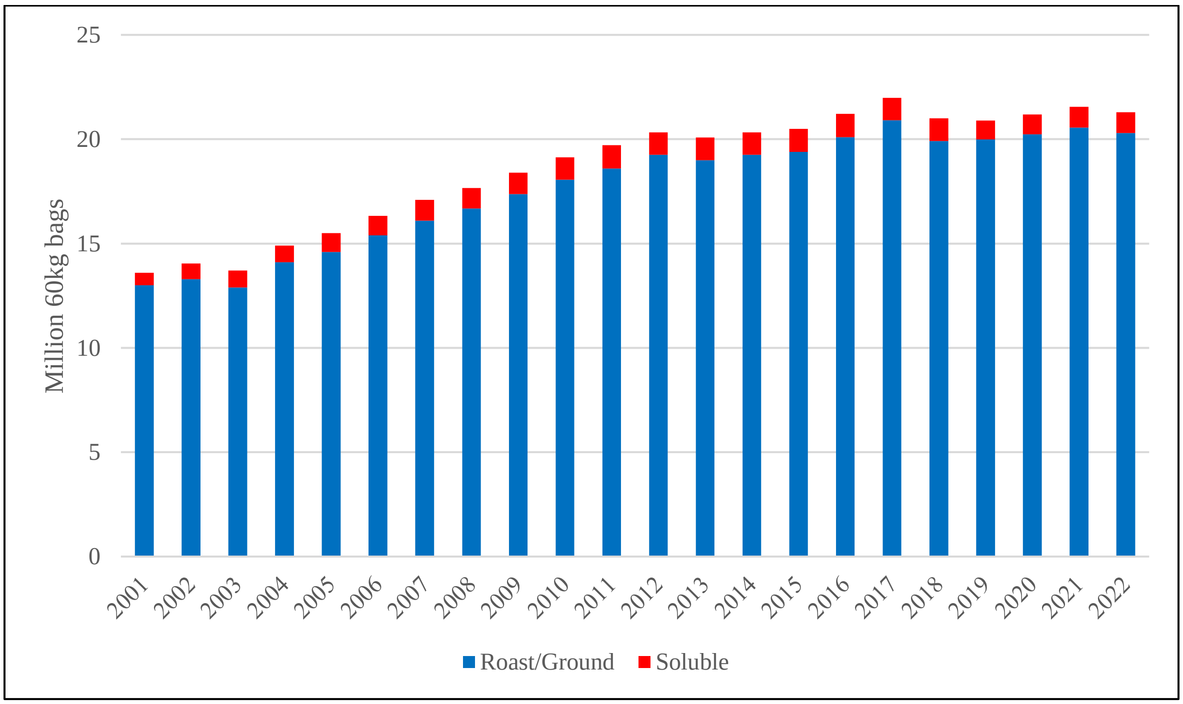
Post maintains its forecast for Brazil's total domestic coffee consumption for MY 2023/24 (July-June) at 22.56 million coffee bags (21.6 million bags of roast/ground and 960,000 bags of soluble coffee). While coffee is the second most consumed drink in Brazil, only behind water, high retail prices have kept consumption from growing exponentially.

A monthly survey carried out by the Federal Technological University of Paraná shows that in September, the price of coffee increased by 3.5 percent in the state. However, the value of the basic food basket fell by 2 percent in the same month. This fact is due to the production and logistics costs of the coffee chain, which remain high. According to the Brazilian Coffee Industry Association (ABIC), the national average price readjustment for coffee was 35.4 percent in 2022 at point of sale, a consequence of the carryover of the increase in raw materials that has been occurring since 2021.

According to ABIC, 21.3 million bags of coffee were consumed between November 2021 and October 2022, a drop of 1.1 percent compared to the same previous period. When analyzing per capita consumption, in 2022, 5.96 kg per year of green coffee and 4.77 kg per year of roasted coffee were consumed, slightly below the previous year (6.06 and 4.84 kg/year/inhabitant, respectively). This decrease is credited to population growth.

**Figure 5**

*Domestic Consumption of Roast/Ground and Soluble Coffee in Brazil (Million 60 kg bags)*




***Data Source**: Brazilian Coffee Industry Association (ABIC); Note: Estimates refer to November-October period. As of 2018, roast/ground consumption figures exclude consumption from on-farm consumption, coffee shops and other informal sources; Graph Post Brasilia*

Recent research from ABIC shows that 49 percent of Brazilian respondents claimed to have "increased their consumption" of coffee in 2021, with 81 percent of respondents "maintaining that consumption" pattern in 2023. In 2021, coffee consumers were more interested in price and promotional sales, motivated by the economic effects of the pandemic. In 2023, consumers have been favoring brands, paying closer attention to quality and food safety. This fact highlights the increase in the consumption of specialty coffee. The survey shows that there is a growing preference for certified coffees: 86 percent of those interviewed in 2023 believe that this type of product is better. In 2021, the percentage was 81 percent.

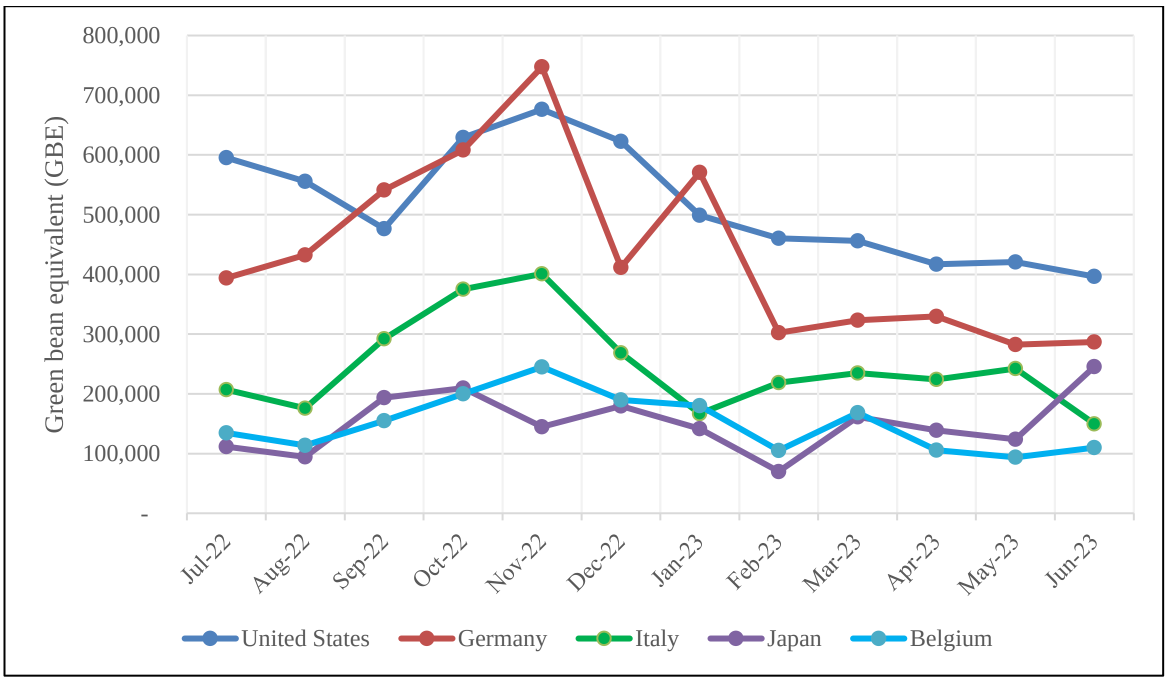
## Coffee Trade

<u>EXPORTS</u>

Post forecasts total coffee exports for MY 2023/24 (July-June) at 43.85 million 60-kg bags, green beans, down from the previous estimate of 45.35 million 60-kg bags, due to a slower than expected trade flow of arabica coffee at the beginning of this marketing year, motivated by less than attractive prices in stock markets. However, the 2023/24 exports are projected to be 22.3 percent higher than the MY 2022/23 exports. The increase in exports is due to the more significant production and the devaluation of the real in relation to the dollar, which benefitted exports. Brazil exported coffee to 143 countries, and the forecast is for numbers to remain high until the end of the year. United States and Germany were the main destinations of Brazil's green beans in MY 2022/23, followed by Italy, Japan, and Belgium.

**Figure 6**

*Main Destination of Brazilian Coffee (Green Bean), MY 2022/23 (July-June)*




***Data Source**: Trade Data Monitor LLC (Green Bean HS Code 090111 and 090112); Graph Post Brasilia*

The United States was the primary importer of Brazilian roasted coffee for MY 2022/23 (July-June), accounting for 29.6 percent of this type of coffee export, followed by Argentina, Chile, Paraguay, and Mexico.

**Table 3**

*Top Destinations of Brazilian Roasted Coffee, MY 2016/17 - 2022/23 (July-June)*

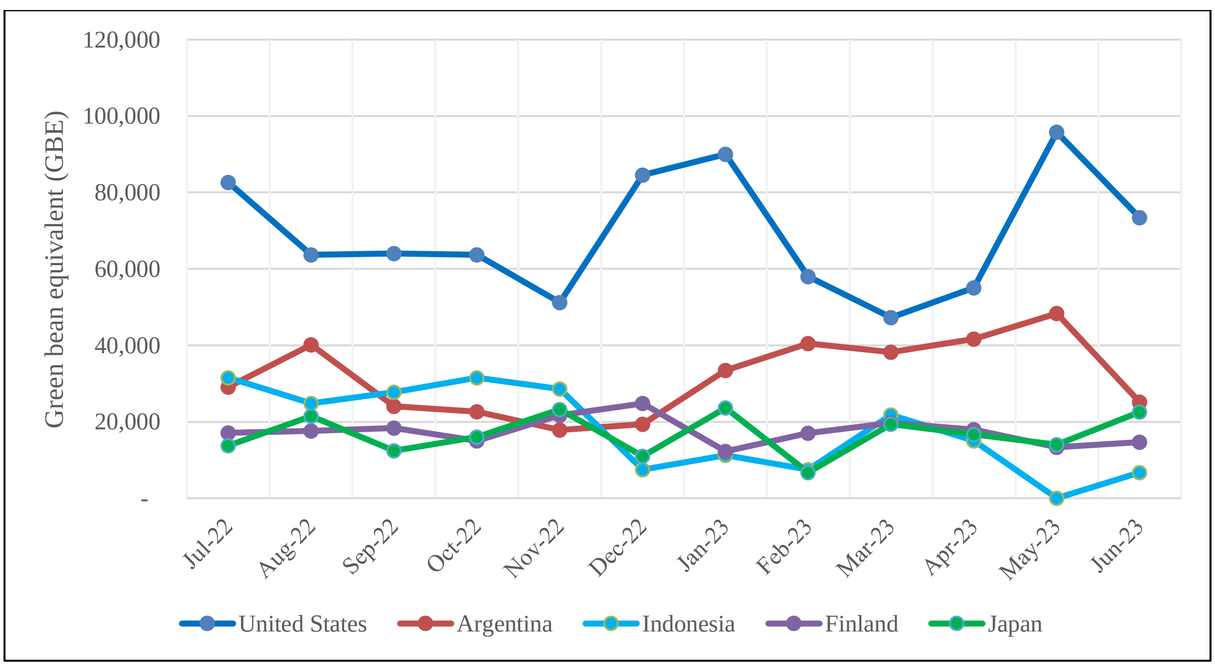
| | MY 2016/17 | MY 2017/18 | MY 2018/19 | MY 2019/20 | MY 2020/21 | MY 2021/22 | MY 2022/23 |
|---|---|---|---|---|---|---|---|
| **United States** | 12,304 | 11,204 | 13,209 | 12,446 | 16,216 | 15,501 | 20,692 |
| **Argentina** | 5,056 | 5,179 | 4,456 | 6,423 | 9,941 | 15,934 | 14,330 |
| **Chile** | 2,028 | 1,627 | 1,707 | 2,702 | 8,337 | 13,227 | 8,636 |

***Data Source****: Trade Data Monitor LLC (Roasted coffee HS Code 090121 and 090122); Graph Post Brasilia*

Post maintains its estimate for soluble coffee exports at 4.3 million bags in MY 2023/24, 10.3 percent higher than in the previous season. Coffee exporters are reporting shipping delays due to the limited availability of trucks and containers, with waiting times for ship loading having increased, resulting in additional costs for traders and delays for commodities to reach destinations. Brazilian coffee leaves the country mainly through two ports, accounting for 91 percent of all coffee shipments: Santos, located in the state of São Paulo and responsible for 74 percent of the exports, and the Rio de Janeiro port, which moved 17 percent of the coffee that left Brazil in 2023. These logistical hurdles make it difficult for exporters to significantly increase their trade, as coffee competes with other commodities such as soy, corn, and sugar.

**Figure 7**

*Main Destination of Brazilian Soluble Coffee, MY 2022/23 (July-June)*




***Data Source****: Trade Data Monitor LLC (Soluble Coffee HS Code 210111 and 210112); Graph Post Brasilia*

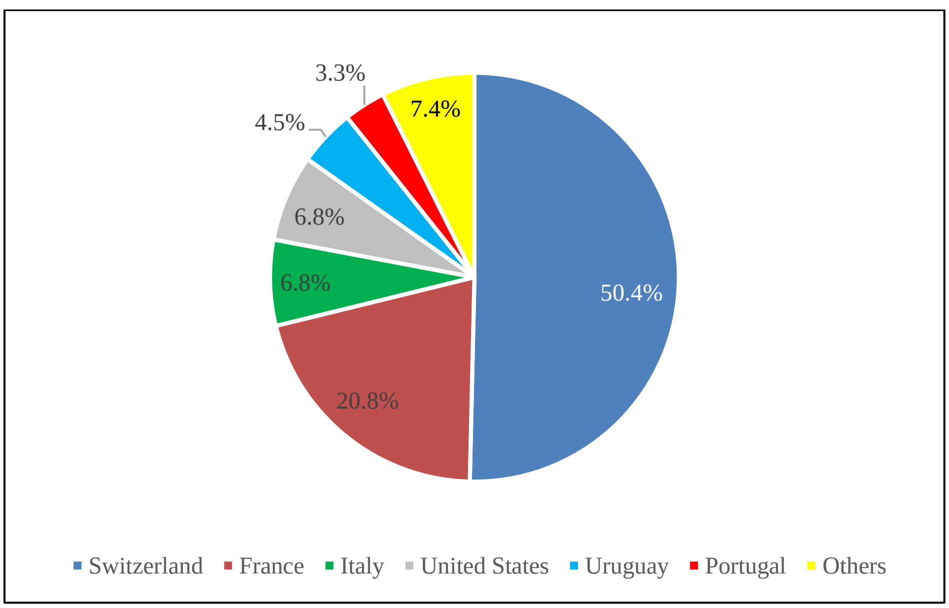
According to the Council of Brazilian Coffee Exporters (CECAFE), robusta coffee exports have grown by 111 percent from January to August 2023 in relation to the same period last year, given its highly competitive nature in the global market and increased demand, following lower than expected production in important providers, such as Indonesia and Vietnam.

CECAFE also estimates coffees that have superior quality or certified sustainable practices accounted for 16.5 percent of total Brazilian coffee exports from January to August 2023, corresponding to 3.77 million bags sent abroad. This volume is almost 30 percent lower than that recorded in the same period of 2022. The main destinations for specialty coffees in the first eight months of 2023 were the United States, with the acquisition of 902,087 bags (24%); Germany, with 489,382 bags (13%); Belgium, with 421,505 bags (11.2%); The Netherlands, with 227,227 bags (6%), and the United Kingdom, with 175,081 bags (4.6%).

IMPORTS

Switzerland was responsible for half of the exports of roasted/ground coffee to Brazil during MY 2022/23 (July-June), according to Trade Data Monitor (TDM LLC), followed by France (20.8%) and Italy (6.8%). The top two positions have been occupied by Switzerland and France, respectively, since MY 2018/19, with Italy and the United States alternating the third spot as the primary origin of roasted/ground coffee to Brazil since then.

**Figure 8**
*Brazilian Roasted Coffee Imports by Country of Origin in My 2022/23 (July-June)*




***Data Source***: *Trade Data Monitor LLC (Roasted Coffee HS Code 090121 and 090122); Graph Post Brasilia*

## Coffee Stocks

Post estimates total ending stocks in MY 2023/24 at 4.585 million bags, a 0.8 percent decrease compared to MY 2022/23 (4.62 million bags) due to expected larger coffee exports during the upcoming season.

## Coffee Policy

In October, the Brazilian government released the resources related to the Coffee Economy Defense Fund (FUNCAFE) for the 2023/24 harvest, which had been previously defined by the Coffee Policy Deliberative Council (CDPC). For the second year in a row, FUNCAFE will offer a record amount of resources to coffee growers, totaling R$ 6.38 billion in the 2023/2024 financial year, of which R$ 2.35 billion are destined for marketing financing and R$ 1.62 billion for crop management. The council also foresees the allocation of R$ 1.48 billion to the Financing for the Acquisition of Coffee (FAC), R$ 883 million to working capital, and R$ 30 million to the recovery of damaged coffee plantations.

**Table 4**
*Coffee Economy Defense Fund (FUNCAFE) 2023/24*

| | 2020/21 | 2022/23 | 2023/24 |
|---|---|---|---|
| **Crop Management** | R$ 1.6 billion | R$ 1.57 billion | R$ 1.62 billion |
| **Marketing Financing** | R$ 2.21 billion | R$ 2.17 billion | R$ 2.35 billion |
| **Financing for the Acquisition of Coffee (FAC)** | R$ 1.11 billion | R$ 1.38 billion | R$ 1.48 billion |
| **Recovery of Damaged Coffee Plantations** | R$ 1.61 million | R$ 160 million | R$ 30.0 million |
| **Working Capital (industry and cooperatives)** | R$ 6.31 million | R$ 775 million | R$ 883.75 million |
| **TOTAL** | **R$ 5.71 billion** | **R$ 6.06 billion** | **R$ 6.37 billion** |

***Data Source****: Coffee Policy Deliberative Council (CDPC); Graph Post Brasilia*

The Brazilian government, through the National Supply Company (CONAB), sets policies/programs to guarantee that producers are paid the minimum prices for coffee in case market prices are below the minimum guaranteed price. Measures include purchasing coffee directly from producers (Federal Government Acquisitions) or paying a premium to buyers to move the product from growers to the destination (Product Flow Premium Program), among others. For the 2023/24 marketing year, CONAB set the minimum price for arabica coffee at R$ 684.16 and robusta at R$ 460.02.

**Table 5**

*Coffee Minimum Guaranteed Prices (R$/60kg bag)*

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|---|---|
| **Arabica type 6** | 333.03 | 341.21 | 362.53 | 364.09 | 369.40 | 606.66 | 684.16 |
| **Robusta/Conilon type 7** | 223.59 | 202.19 | 210.13 | 242.31 (Brazil) 210.13 (Rondônia) | 263.93 | 434.82 | 460.02 |

***Data Source**: National Supply Company (CONAB); Graph Post Brasilia*

**Attachments:**

No Attachments