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Brazil

Coffee Semi-annual

2011

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Report Highlights:
This report updates BR10010. The ATO/Sao Paulo estimate for Brazilian coffee production during marketing year (MY) 2011/12 (July-June) remains unchanged at 49.2 million 60-kg bags, down 5.3 million bags compared to the previous year, due to the off-year of the biennial production cycle of the Arabica trees. Coffee exports are estimated at 29 million bags, down 6 million bags compared to MY 2010/11, due to lower availability of the product. Carry-over stocks are forecast at 3.38 million bags.

Production

In marketing year (MY) 2011/12 (July-June), the Agricultural Trade Office Sao Paulo (ATO) estimate for Brazilian coffee production remains unchanged at 49.2 million 60-kg bags, green equivalent. Arabica production accounts for 34.7 million bags, whereas Robusta production is estimated to contribute 14.5 million bags.

The harvest ended in September and the dry weather that prevailed throughout the season improved the quality of the beans, which is reported as notably superior compared to 2010. According to industry sources, approximately 55 percent of the Brazilian 2011/12 crop has already been marketed. Area harvested and tree inventory estimates remain unchanged.

In September 2011, 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 2011/12. As reported by CONAB, coffee production is estimated at 43.22 million bags, similar to the May 2010 crop survey (43.54 million bags), but down 4.94 million bags from MY 2010/11 (48.1 million bags).

The Brazilian Institute of Geography and Statistics (IBGE) has released its September 2011 coffee production forecast for MY 2011/12. IBGE projects production of 2.668 million metric tons of coffee, or 44.5 million 60-kg coffee bags, a 7 percent decrease compared to MY 2010/11 (47.9 million bags).

No official forecast has yet been announced for MY 2012/13. Industry sources report a first blossoming in some regions during late August and early September; and a significant blossoming in October after the beginning of the rainfall period in major coffee areas. If good weather conditions prevail, coffee trees will benefit from overall good crop management encouraged by strong prices during the year in spite of minor damages caused by a frost in late June and early July. In addition, arabica trees will be in the on-year of the biennial production cycle, therefore contributing to an expected increase in the coffee supply for the upcoming crop.

Production Costs

The table below shows updated production costs in Guaxupe – Minas Gerais, one of the main coffee growing regions. Total costs in 2010 increased to US$ 179.87/bag, up US$ 56.53/bag or 46 percent compared to 2009 (US$ 123.34/bag), mainly due to the steady appreciation of the local currency, the real.

Estimated Cost of Production - Arabica Coffee - Guaxupe - MG Growing Region, US$/60 kg-bag)			
ITEM	**18-Apr-08**	**9-Feb-09**	**30-Nov-10**
PLANTING COSTS			
1 - Airplane operations	0.00	0.00	0.00
2 - Mechanized operations	3.17	4.24	9.36
3 - Land analysis, sacks and others	4.44	1.47	2.33
4 - Temporary labor (including benefits)	41.40	41.40	92.17
5 - Fixed labor (including benefits)	27.30	25.63	4.39
7 – Seedling	0.00	0.00	0.00
8 - Fertilizer	27.75	19.90	24.31
9 – Pesticide	9.86	9.99	14.77
TOTAL PLANTING COSTS (A)	113.94	102.64	147.33
II - COSTS AFTER HARVEST			
1 - Transport (off-farm)	0.69	0.00	0.00
2 - Receiving, cleaning, drying, storage	0.00	1.89	2.62
3 – PROAGRO	0.00	2.56	3.55
4 - Technical assistance	0.00	0.00	0.00
TOTAL COSTS AFTER HARVEST (B)	0.69	4.45	6.18
III - FINANCIAL COSTS			
1 – Interest	2.34	3.82	5.50
TOTAL FINANCIAL COSTS (C)	2.34	3.82	5.50
VARIABLE COSTS (A+B+C = D)	***116.97***	***110.92***	**159.01**
IV - DEPRECIATION			
1 - Depreciation farm and improvements	1.56	0.37	0.41
2 - Implement depreciation	0.19	0.00	0.00
3 - Machinery depreciation	0.58	0.00	0.00
4 - Coffee plantation depreciation	17.82	6.83	12.85
TOTAL DEPRECIATION (E)	20.14	7.19	13.26
V - OTHER FIXED COSTS (F)	0.00	0.00	0.00
1 - Regular machinery maintenance	0.28	0.02	0.02
2 - Insurance for fixed capital	0.22	0.04	0.05
	0.00	0.00	0.36
TOTAL OTHER FIXED COSTS	0.50	0.06	0.43
FIXED COSTS (E+F = G)	20.63	7.26	13.69
OPERATIONAL COSTS (D+G = H)	***137.61***	***118.17***	**172.69**
VI - FACTOR INCOME			
1 - Estimated income over fixed capital	3.52	0.34	0.38
2- Estimated income over coffee plantation	0.55	0.21	0.38
3 – Land	5.75	4.62	6.41
TOTAL FACTOR INCOME	9.82	5.17	7.18
TOTAL COSTS (H+I = J)	**147.43**	**123.34**	**179.87**
Source: CONAB/DIGEM/SUINF/GECUP			
ROE: Apr/08 = R$ 1.67/US$ 1; Feb/09 = R$ 2.38/US$ 1; Nov/10 = 1.72/1			
Yield = 25 bags/ha, except for Feb/09 and Nov/10 = 30 bags/ha			

Coffee Prices in the Domestic Market

The table below shows the Coffee Index price series 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 starting in September 1996. Note that coffee prices remained strong in 2011 even during the peak of harvest season both in the local currency, the real, as well as in U.S. dollars (US$ 290.46/bag in October 2011 compared to US$ 192.44/bag in October 2010), due to lower availability of the product. In addition, coffee farmers have been retaining the product and selling only the necessary volumes to balance their cash-flows.

Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag).					
Month	**2007**	**2008**	**2009**	**2010**	**2011**
January	281.63	267.84	268.41	280.75	433.34
February	267.66	285.19	269.34	278.68	495.98
March	252.72	263.28	262.48	279.70	524.27
April	238.88	256.35	260.10	282.18	524.41
May	232.20	254.84	268.02	289.46	530.76
June	240.80	255.76	256.64	305.98	514.99
July	238.63	250.51	247.50	302.36	457.81
August	254.54	248.86	255.34	313.93	470.62
September	259.15	261.58	254.29	328.23	511.57
October	255.84	256.84	262.20	327.15	490.45
November 1/	245.82	261.28	272.55	355.51	467.70
December	261.28	262.04	281.57	387.01	---
Source: CEPEA/ESALQ/USP. 1/ November 2011 refers to November 3.					

Consumption

Brazilian domestic consumption during MY 2011/12 is estimated at 19.76 million coffee bags (18.68 million bags of roast/ground and 1.08 million bags of soluble coffee, respectively). This is an increase of 380,000 bags relative to MY 2010/11 (19.38 million bags), reflecting updated information from the Brazilian Coffee Industry Association (ABIC).

ABIC reports that the coffee industry processed 19.38 million bags, green equivalent, from May 2010 to April 2011, up 2 percent compared to the same period the year before. Per capita consumption for 2011 is estimated at 4.98 kg of roasted coffee per person, up 3.5 percent from the previous year. ABIC estimates total domestic consumption for 2011 at 19.76 million bags, up 630,000 bags from 2010.

As a consequence of recent mergers and acquisitions, ABIC is reviewing its methodology used to estimate coffee consumption in Brazil, to reflect the assimilation of smaller roasters into its memberships.

Note that due to tight supply, the average retail coffee price in October 2011 was R$ 11.90 per kilogram, a 7 percent increase relative to the beginning of the year (R$ 11.12 per kilogram in January 2011). Total market sales are estimated at R$ 8 billion in 2011.

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 1/			19.76		
Source: Brazilian Coffee Industry Association (ABIC). 1/ Estimate					
Note: Estimates refer to November-October period.					

Trade

Exports

ATO/Sao Paulo estimates Brazilian coffee exports for MY 2011/12 at 29 million bags, down 6 million bags from the previous season, due to lower availability of the product. Green bean exports are likely to account for 25.93 million bags, while soluble coffee exports are forecast at 3 million bags.

Coffee exports for MY 2010/11 were revised upward to 35 million 60-kg bags, green beans, an 18 percent increase relative to MY 2009/10, based on updated information from the industry. Green bean (arabica and robusta) exports are estimated at 31.81 million bags, whereas soluble coffee exports are estimated at 3.14 million bags.

According to the September 2011 Coffee Market Report released by the International Coffee Organization (ICO), total world coffee consumption for 2010 is estimated at 135 million bags, up 3million bags or a 2.3 percent growth relative to 2009 (132 million bags).

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 MY 2010/11 and 2011/12 (July-September).

Brazilian Green Coffee Exports by Country of Destination

(NCM 0901.11.10, MT,US$ 000 FOB)						
	MY 2010 / 11 1/		MY 2010 / 11 2/		MY 2011 / 12 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
U.S.A.	393,842	1,429,463	106,594	315,659	94,594	437,792
Germany	400,845	1,482,408	100,243	298,478	89,037	435,388
Italy	175,376	681,435	43,137	125,230	39,401	200,408
Japan	131,065	510,307	32,236	102,269	33,827	170,978
Belgium	139,936	537,075	27,504	87,060	27,560	137,113
Spain	55,512	202,657	11,957	34,605	13,808	66,279
France	41,828	149,228	11,508	32,536	10,493	45,243
Sweden	36,605	130,037	9,981	28,000	8,633	41,899
Argentina	28,137	76,890	6,416	14,561	8,068	28,091
Slovenia	42,976	110,353	14,961	34,772	7,463	26,228
Others	443,709	1,518,345	113,437	309,789	91,281	397,204
Total	1,889,830	6,828,198	477,975	1,382,959	424,165	1,986,622
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may note add rounding 1/July-June, 2/July-September						

Brazilian Roasted Coffee Exports by Country of Destination						
(NCM 0901.21.00, MT,US$ 000 FOB)						
	MY 2010 / 11 1/		MY 2010 / 11 2/		MY 2011 / 12 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
U.S.A.	1,597	10,610	412	1,965	444	4,239
Italy	985	4,591	260	1,027	170	941
Bolivia	166	736	53	221	59	281
Japan	227	1,290	48	253	44	271
Chile	158	1,084	66	376	33	274
Argentina	198	1,560	59	421	28	274
Paraguay	98	457	33	139	28	159
Uruguay	91	370	25	92	19	97
Bahamas	16	116	3	21	9	75
Georgia	12	55	5	22	9	42
Others	244	1,743	72	435	35	324
Total	3,792	22,612	1,037	4,971	877	6,978
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may note add rounding 1/July-June, 2/July-September						

Brazilian Soluble Coffee Exports by Country of Destination						
(NCM 2101.11.10, MT,US$ 000 FOB)						
	MY 2010 / 11 1/		MY 2010 / 11 2/		MY 2011 / 12 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
U.S.A	13,635	77,034	3,855	19,801	3,709	28,159
Ucraine	5,062	40,631	1,475	11,049	1,970	17,843
Russia	8,727	72,339	1,805	13,577	1,938	19,954
Argentina	5,858	31,433	1,226	6,057	1,817	11,378
Japan	4,000	29,532	959	6,642	1,282	10,625

Indonesia	2,414	16,001	462	3,083	1,050	7,955
Burma	1,853	10,131	756	3,936	749	5,253
Germany	2,877	22,102	862	6,344	705	6,018
Canada	2,669	24,102	609	4,854	625	6,863
Belgium	1,128	9,598	249	2,009	538	4,501
Others	29,082	241,286	6,985	53,305	6,807	67,282
Total	77,307	574,189	19,245	130,659	21,192	185,830
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may note add rounding 1/July-June, 2/July-September						

The tables below include data on monthly coffee exports (quantity and value) for MY 2010/11 and MY 2011/12 (July-September), as reported by Brazilian Green Coffee Association (CECAFE) and the Brazilian Soluble Coffee Association (ABICS). Total coffee exports during MY 2010/11 period were 35.01 million bags, up 5.23 million bags relative to MY 2009/10 (29.78 million bags). Preliminary data show that coffee export registrations for October 2011 were 3.23 million bags while cumulative green coffee export shipments for October 2011 are 3 million bags.

Brazilian Monthly Coffee Exports for MY 2010/11 (Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-10	161.20	2,027.18	4.05	2,192.43	270.65	2,463.09
Aug-10	133.85	2,465.95	4.68	2,604.48	209.00	2,813.48
Sep-10	157.03	2,828.39	4.81	2,990.23	289.93	3,280.16
Oct-10	114.96	3,076.67	5.78	3,197.41	293.14	3,490.55
Nov-10	96.50	2,830.74	5.01	2,932.25	243.62	3,175.87
Dec-10	74.49	3,056.63	5.26	3,136.38	288.41	3,424.79
Jan-11	65.60	2,527.11	4.71	2,597.42	197.34	2,794.76
Feb-11	53.11	2,417.98	4.64	2,475.73	242.52	2,718.25
Mar-11	190.85	2,213.85	4.88	2,409.58	322.08	2,731.65
Apr-11	322.29	2,145.67	4.39	2,472.35	272.28	2,744.63
May-11	351.31	2,052.39	6.79	2,410.49	231.83	2,642.32
Jun-11	414.28	2,033.61	5.81	2,453.70	276.10	2,729.80
Cumulative	2,135.45	29,676.16	60.84	31,872.45	3,136.89	35,009.34
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2011/12 (Thousand 60-kg bag, green equivalent).						
Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
Jul-11	265.74	1,531.88	4.49	1,802.12	260.22	2,062.34
Aug-11	321.39	2,311.92	4.31	2,637.62	274.51	2,912.13
Sep-11	219.66	2,334.21	3.97	2,557.84	304.37	2,862.21
Cumulative	806.79	6,178.01	12.78	6,997.58	839.10	7,836.68
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2010/11 (US$ 1,000,000).						
Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
Jul-10	16.05	335.27	0.96	352.27	42.07	394.34
Aug-10	14.02	431.58	1.30	446.90	34.21	481.10
Sep-10	16.34	516.90	1.15	534.39	45.70	580.08
Oct-10	12.45	592.18	1.88	606.51	49.17	655.68
Nov-10	10.42	566.76	1.58	578.76	41.70	620.45
Dec-10	8.17	642.60	1.72	652.48	48.19	700.67
Jan-11	7.54	553.60	1.44	562.59	33.02	595.61
Feb-11	6.58	567.34	1.49	575.41	43.14	618.55
Mar-11	26.10	571.65	1.54	599.30	57.44	656.74
Apr-11	45.98	592.99	1.53	640.50	50.56	691.05
May-11	50.18	611.16	2.17	663.51	45.72	709.23
Jun-11	58.91	604.63	2.10	665.64	54.11	719.76
Cumulative	272.74	6,586.65	18.85	6,878.24	545.02	7,423.26
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2011/12 (US$ 1,000,000).						
Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
Jul-11	38.43	444.84	1.85	485.12	53.79	538.91
Aug-11	45.30	685.77	2.05	733.12	56.96	790.07
Sep-11	31.22	709.40	1.62	742.24	63.09	805.32
Cumulative	114.95	1,840.00	5.52	1,960.48	173.84	2,134.31
Source: CECAFE and ABICS.						

Stocks

ATO/Sao Paulo estimates ending stocks in MY 2011/12 at 3.39 million bags, slightly up from the previous season (2.95 million bags). Coffee stocks held by MAPA/DECAF (Funcafe stocks) are estimated at approximately 490,000 bags, whereas CONAB coffee stocks on March are reported at 1.62 million bags.

The results from CONAB's 2011 private stocks survey, including stocks held by growers, coffee cooperatives, exporters, roasters and the soluble industry on March 31st were 9.24 million bags, up 300,000 bags from the previous year. The table below shows the results of the last three private stock surveys released by CONAB.

Brazilian Private Coffee Carry-Over Stocks (60-kg Bags)						
	Mar 31, 2009 2008 crop		Mar 31, 2010 2009 crop		Mar 31, 2011 2010 crop	
	Arabica	Conillon	Arabica	Conillon	Arabica	Conillon
Industry	796,509	276,387	739,812	172,121	667,851	319,927
Roasters			721,712	138,250	560,752	140,645
Soluble			18,100	33,871	107,099	179,282
Exporters	3,271,167	134,435	1,931,899	194,619	2,162,713	387,393
Coops	5,671,240	72,884	3,042,082	154,843	2,438,153	17,630
Others	4,265,863	167,913	2,531,543	177,069	2,964,091	280,377
Total	14,004,779	651,619	8,245,336	698,652	8,232,808	1,005,327
GrandTotal	14,656,398		8,943,988		9,238,135	
Source: CONAB, Annual Carry Over Stock Surveys - Reference Month = March 31st.						

Production, Supply and Demand Data Statistics

Coffee, Green Brazil	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2,395	2,395	2,409	2,409	2,410	2,410
Area Harvested	2,151	2,151	2,175	2,175	2,150	2,150
Bearing Trees	5,725	5,725	5,820	5,820	5,760	5,760
Non-Bearing Trees	873	873	815	815	835	835
Total Tree Population	6,598	6,598	6,635	6,635	6,595	6,595
Beginning Stocks	6,576	6,576	2,836	2,836	3,836	2,946
Arabica Production	33,000	33,000	41,800	41,800	34,700	34,700
Robusta Production	11,800	11,800	12,700	12,700	14,500	14,500
Other Production	0	0	0	0	0	0
Total Production	44,800	44,800	54,500	54,500	49,200	49,200
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	51,376	51,376	57,336	57,336	53,036	52,146
Bean Exports	26,580	26,580	30,630	31,810	24,930	25,930
Rst-Grnd Exp.	80	80	70	60	70	70
Soluble Exports	3,120	3,120	3,300	3,140	3,000	3,000
Total Exports	29,780	29,780	34,000	35,010	28,000	29,000
Rst,Ground Dom. Consum	17,720	17,720	18,470	18,300	19,020	18,680
Soluble Dom. Cons.	1,040	1,040	1,030	1,080	1,080	1,080
Domestic Use	18,760	18,760	19,500	19,380	20,100	19,760
Ending Stocks	2,836	2,836	3,836	2,946	4,936	3,386
Total Distribution	51,376	51,376	57,336	57,336	53,036	52,146
1000 HA, MILLION TREES, 1000 60 KG BAGS						

Exchange Rate

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

Month	2005	2006	2007	2008	2009	2010	2011
January	2.62	2.22	2.12	1.76	2.32	1.87	1.67
February	2.60	2.14	2.12	1.68	2.38	1.81	1.66
March	2.67	2.17	2.05	1.75	2.25	1.78	1.62
April	2.53	2.09	2.03	1.69	2.18	1.77	1.57
May	2.40	2.30	1.93	1.63	1.97	1.81	1.57
June	2.35	2.16	1.93	1.64	1.95	1.80	1.56
July	2.39	2.18	1.88	1.57	1.87	1.75	1.56
August	2.36	2.14	1.96	1.63	1.88	1.75	1.59
September	2.22	2.17	1.84	1.92	1.78	1.69	1.85
October	2.25	2.14	1.74	2.12	1.74	1.70	1.69
November 1/	2.21	2.17	1.78	2.33	1.75	1.71	1.73
December	2.26	2.14	1.77	2.34	1.74	1.66	--
Source : Gazeta Mercantil and BACEN (as of October 2006) 1/ November 2011 refers to November 3.							