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Report Highlights:
The Brazilian coffee production estimate for Marketing Year (MY) 2009/10 (July-June) remains unchanged at 43.5 million 60-kg bags. Coffee exports for MY 2009/10 are estimated at 27 million bags, down 14 percent from record MY 2008/09 exports (31.48 million bags) due to expected lower availability. Carry-over stocks are forecast at 2.49 million bags, down 2.15 million bags from the previous season.

Commodities:
Select

Production:
General

The Agricultural Trade Office Sao Paulo (ATO) estimates for the Marketing Year (MY) 2009/10 (July-June) Brazilian coffee production remains unchanged at 43.5 million 60-kg bags, green equivalent, down 15 percent compared to the previous season. Arabica trees should account for 31.9 million bags, whereas Robusta trees should contribute 11.6 million bags. The harvest season has ended and the quality of the product was significantly damaged by excessive rainfall during harvest. Trade sources report that 40 to 50 percent of the harvested coffee beans from southern and center-western Minas Gerais (over a third of total Brazilian production) are "strict soft" or better, whereas this percentage has been historically over 80 percent.

Area harvested and tree inventory estimates have remained unchanged. Coffee yield for MY 2009/10 is estimated at 20.22 bags/hectare, a 13 percent decrease relative to MY 2008/09 (23.15 bags/ha.), mainly due to the off-year of the biennial Arabica cycle.

In September 2009, the Brazilian Government (GOB), through the National Supply Company (CONAB) of the Ministry of Agriculture, Livestock and Supply (MAPA), released the third official Brazilian coffee production forecast for MY 2009/10. As reported by CONAB, coffee production is estimated at 39 million bags, similar to the May 2009 survey (second crop survey), but down 6.99 million bags from the previous year. No official forecast has yet been announced for MY 2010/11 since coffee plantations are still blossoming. Nonetheless, next year's crop should notably increase since Arabica trees will be in the on-year of the biennial production cycle.

The Brazilian Institute of Geography and Statistics (IBGE) has recently released its September 2009 coffee production forecast for MY 2009/10. IBGE projects production of 2.405 million metric tons of coffee, or 40.09 million 60-kg coffee bags, down 6.4 million bags relative to MY 2008/09 (46.5 million bags).

Production Costs

The table below shows the evolution of coffee production costs in Guaxupe – Minas Gerais, one of the main Brazilian coffee growing regions since 2006. Total costs in 2009 increased to R$293.55/bag, a 19 percent compared to 2008 (R$ 246.21/bag). Labor costs and pesticides increased by 39 and 44 percent, respectively.

Estimated Cost of Production - Arabica Coffee (Guaxupe - MG Growing Region, US$/60 kg-bag)				
ITEM	**May-06**	**Sep-07**	**Apr-08**	**Feb-09**
PLANTING COSTS				
1 - Airplane operations	0.00	0.00	0.00	0.00
2 - Mechanized operations	2.26	2.78	3.17	4.24
3 - Land analysis, sacks and others	3.11	3.68	4.44	1.47
4 - Temporary labor (including benefits)	24.04	37.12	41.40	41.40
5 - Fixed labor (including benefits)	15.69	24.48	27.30	25.63
7 - Seedling	0.00	0.00	0.00	0.00

8 - Fertilizer	12.58	16.92	27.75	19.90
9 - Pesticide	5.85	7.48	9.86	9.99
TOTAL PLANTING COSTS (A)	63.53	92.46	113.94	102.64
II - COSTS AFTER HARVEST				
1 - Transport (off-farm)	0.40	0.62	0.69	0.00
2 - Receiving, cleaning, drying, storage	0.00	0.00	0.00	1.89
3 - PROAGRO	0.00	0.00	0.00	2.56
4 - Technical assistance	0.00	0.00	0.00	0.00
TOTAL COSTS AFTER HARVEST (B)	0.40	0.62	0.69	4.45
III - FINANCIAL COSTS				
1 - Interest	1.78	1.87	2.34	3.82
TOTAL FINANCIAL COSTS (C)	1.78	1.87	2.34	3.82
VARIABLE COSTS (A+B+C = D)	***65.70***	***94.94***	***116.97***	***110.92***
IV - DEPRECIATION				
1 - Depreciation farm and improvements	1.03	1.38	1.56	0.37
2 - Implement depreciation	0.13	0.16	0.19	0.00
3 - Machinery depreciation	0.40	0.52	0.58	0.00
4 - Coffee plantation depreciation	9.62	14.24	17.82	6.83
TOTAL DEPRECIATION (E)	11.17	16.29	20.14	7.19
V - OTHER FIXED COSTS (F)				
1 - Regular machinery maintenance	0.19	0.25	0.28	0.02
2 - Insurance for fixed capital	0.14	0.19	0.22	0.04
TOTAL OTHER FIXED COSTS	0.33	0.44	0.50	0.06
FIXED COSTS (E+F = G)	11.51	16.73	20.63	7.26
OPERATIONAL COSTS (D+G = H)	***77.21***	***111.68***	***137.61***	***118.17***
VI - FACTOR INCOME				
1 - Estimated income over fixed capital	2.33	3.10	3.52	0.34
2- Estimated income over coffee plantation	0.30	0.44	0.55	0.21
3 - Land	4.17	5.16	5.75	4.62
TOTAL FACTOR INCOME	6.80	8.70	9.82	5.17
TOTAL COSTS (H+I = J)	***84.01***	**120.38**	**147.43**	**123.34**
Source: CONAB/DIGEM/SUINF/GECUP				
ROE: Mar/06 = R$ 2.30/US$1; Sep/07 = R& 1.86/US$ 1; Apr/08 = R$ 1.67/US$ 1; Feb/09 = R$ 2.38/US$ 1.				
Yield = 25 bags/ha, except for Feb/09 = 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 since September 1996. Note that coffee prices have been increasing during the current season in U.S. dollars (US$ 135.84/bag in May 2009 vis-à-vis US$ 150.34/bag in October 2009), due to the expected lower availability of the product.

Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag).					
Month	**2005**	**2006**	**2007**	**2008**	**2009**
January	284.40	291.50	281.63	267.84	268.41

February	305.07	269.75	267.66	285.19	269.34
March	337.03	254.44	252.72	263.28	262.48
April	336.40	248.82	238.88	256.35	260.10
May	324.55	234.86	232.20	254.84	268.02
June	300.90	224.58	240.80	255.76	256.64
July	255.61	218.16	238.63	250.51	247.50
August	253.87	232.82	254.54	248.86	255.34
September	230.41	233.47	259.15	261.58	254.29
October	244.36	235.12	255.84	256.84	262.20
November 1/	252.90	269.13	245.82	261.28	270.44
December	248.13	291.35	261.28	262.04	--

Source: CEPEA/ESALQ/USP. 1/ November 2009 refers to November 03.

Consumption:

Total Brazilian domestic consumption for MY 2009/10 has been adjusted to 18.65 million coffee bags (17.65 million bags of roast/ground and 1 million bags of soluble coffee, respectively), up 3 percent from 2008/09, to reflect updated information from the ground and roast coffee industry. As reported by the Brazilian Coffee Industry Association (ABIC), total domestic coffee consumption during the May 2008/April 2009 period was 18.09 million bags, a 3.67 percent increase compared to the same period in the previous year. The survey also shows that roast and ground coffee consumption per capita increased from 4.51 to 4.62 kg/person/year. The table below shows domestic ground and soluble consumption, according to 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**
2000	12.60	0.60	13.20	3.81	4.76
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	16.67	1.00	17.67	4.51	5.64
2009 1/	17.20	1.00	18.20		
May08-Apr09	17.11	0.98	18.09	4.62	5.78

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

Trade:

Brazilian coffee exports for MY 2009/10 are estimated at 27 million bags, a 4 percent drop compared to the previous estimate, due to lower shipments during July-September 2009 and expected lower availability. Green bean exports should contribute 24.1 million bags, while soluble coffee exports are forecast at 2.8 million bags. In spite of the appreciation of the Real and increased production costs, Brazil remains highly competitive in the international market.

According to the September 2009 Coffee Market Report International released by the International Coffee Organization (ICO), total world coffee consumption for 2008 is projected at approximately 130 million bags, a 2.3 percent increase compared to 2007 (127.1 million bags). Brazil represents 32 percent of total world exports.

Coffee exports for MY 2008/09 were revised upward to 31.475 million 60-kg bags, green beans, up 4 percent from previous figure, based on updated information from the Brazilian Coffee Exporters Council (CECAFE). Green bean (arabica and robusta) exports are estimated at 28.4 million bags, whereas soluble coffee exports are estimated at 3 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 2008/09 and 2009/10 (July-September).

Brazilian Coffee Exports by Country of Destination (NCM 0901.11.10, MT, US$ 000FOB)						
	MY 2008/09 1/		MY 2008/09 2/		MY 2009/10 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Germany	347,249	842,573	65,699	182,510	89,838	211,490
U.S.A.	335,160	778,327	81,645	215,314	75,992	173,040
Italy	174,306	439,268	37,514	105,504	33,175	84,348
Belgium	131,778	327,728	29,204	80,278	28,918	68,681
Japan	120,405	315,129	25,349	73,722	23,152	58,328
Spain	60,417	144,520	16,613	43,466	12,340	27,890
Venezuela	0	0	0	0	10,955	36,516
Syria	27,378	56,304	4,385	11,189	10,534	20,912
Sweden	41,223	100,330	8,812	24,458	9,915	23,087
Slovenia	56,305	123,905	16,610	42,610	8,115	16,081
Others	405,544	957,881	98,867	263,548	103,090	225,248
Total	1,699,763	4,085,964	384,699	1,042,599	406,025	945,621

Source : Brazilian Foreign Trade Secretariat (SECEX)
Note : Numbers may not add rounding 1/July - June - 2/July - Sep

Brazilian Soluble Coffee Exports by Country of Destination (NCM 2101.11.10 MT, US$ 000 FOB)						
	MY 2008/09 1/		MY 2008/09 2/		MY 2009/10 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
U.S.A.	12,346	75,974	3,859	24,427	3,324	17,964
Russia	7,324	60,516	2,663	20,996	2,102	17,280
United Kingdom	4,110	31,227	872	7,305	1,311	9,654
Argentina	3,752	19,339	572	3,095	1,119	5,787
Ukraine	4,324	37,985	1,443	13,272	1,060	9,429
Japan	4,506	36,915	1,207	10,282	885	6,881
Germany	2,899	20,851	1,150	8,647	747	3,798

Canada	1,944	16,741	599	5,555	680	5,432
Singapore	2,160	12,707	923	4,776	560	3,146
Indonesia	1,989	13,885	542	3,121	382	2,415
Others	20,504	168,334	5,945	49,986	4,773	37,605
Total	65,858	494,473	19,775	151,463	16,941	119,391

Source : Brazilian Foreign Trade Secretariat (SECEX)
Note : Numbers may note add to rounding 1/July - June - 2/July - Sep

Brazilian Roasted Coffee Exports by Country of Destination (NCM 09.01.21.00, MT, US$ 000 FOB)						
	MY 2008/09 1/		**MY 2008/ 09 2/**		**MY 2009/10 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
U.S.A.	3,260	19,938	1,388	8,282	741	5,169
Colombia	416	1,296	0	0	398	1,323
Italy	970	4,121	228	1,078	203	886
Argentina	285	1,441	195	892	82	430
Japan	267	1,351	120	653	47	241
Egypt	2	8	0	0	39	352
Uruguay	44	487	13	58	32	116
Bolivia	54	180	1	6	27	98
U.E.A.	0	0	0	0	26	177
Arabia	8	41	0	0	19	113
Others	300	1,540	112	629	91	680
Total	5,605	30,403	2,057	11,597	1,706	9,585

Source : Brazilian Foreign Trade Secretariat (SECEX)
Note : Numbers may not add to rounding 1/July-June - 2/July-Sep

Monthly coffee data (quantity and value) for MY 2008/09 and MY 2009/10 (July-September), as reported by CECAFE and the Brazilian Soluble Coffee Association (ABICS), follows. Preliminary data show that October 2009 shipments were 2.4 million bags.

Brazilian Monthly Coffee Exports for MY 2008/09 (Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Roasted**	**Tot. Green**	**Soluble**	**Total**
Jul-08	281.90	1,498.06	11.14	1,791.09	296.12	2,087.21
Aug-08	297.75	1,595.61	7.12	1,900.48	297.62	2,198.10
Sep-08	314.92	2,386.87	12.69	2,714.48	284.33	2,998.81
Oct-08	197.81	2,602.70	11.20	2,811.71	262.77	3,074.47
Nov-08	106.38	2,616.60	0.94	2,723.92	218.46	2,942.38
Dec-08	154.23	2,841.47	0.93	2,996.63	250.59	3,247.21
Jan-09	43.17	2,063.34	1.72	2,108.23	213.97	2,322.21
Feb-09	41.28	2,358.28	2.02	2,401.57	221.56	2,623.14

Mar-09	34.34	2,300.74	16.12	2,351.20	249.16	2,600.35
Apr-09	69.72	2,180.82	1.83	2,252.36	244.18	2,496.55
May-09	184.60	2,068.99	9.64	2,263.23	232.73	2,495.96
Jun-09	137.00	2,019.78	12.76	2,169.54	219.25	2,388.79
Cumulative	1,863.08	26,533.26	88.10	28,484.44	2,990.74	31,475.18

Source: CECAFE and ABICS.

Brazilian Monthly Coffee Exports for MY 2009/10 (Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-09	135.78	1,856.49	16.06	2,008	250.11	2,258
Aug-09	135.05	2,116.31	10.82	2,262	210.09	2,472
Sep-09	131.29	2,247.39	7.27	2,386	247.29	2,633
Cumulative	402.13	6,220.18	34.16	6,656.47	707.49	7,363.96

Source: CECAFE and ABICS.

Brazilian Monthly Coffee Exports for MY 2008/09 (US$ 1,000,000).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-08	37.81	246.45	3.14	287.40	53.73	341.13
Aug-08	40.92	264.37	2.15	307.45	52.17	359.61
Sep-08	43.36	400.67	3.88	447.91	49.27	497.18
Oct-08	24.99	424.38	3.19	452.56	50.08	502.65
Nov-08	12.23	404.67	0.22	417.12	42.35	459.47
Dec-08	17.46	422.37	0.21	440.04	49.12	489.16
Jan-09	5.04	280.36	0.39	285.78	37.40	323.19
Feb-09	4.49	315.11	0.52	320.12	37.17	357.29
Mar-09	3.55	298.56	4.64	306.74	41.68	348.42
Apr-09	6.93	280.28	0.42	287.62	39.86	327.48
May-09	17.59	269.07	3.00	289.65	38.54	328.19
Jun-09	12.99	273.27	3.30	289.56	33.78	323.33
Cumulative	227.35	3,879.55	25.04	4,131.93	525.16	4,657.09

Source: CECAFE and ABICS.

Brazilian Monthly Coffee Exports for MY 2009/10 (US$ 1,000,000).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-09	12.23	254.55	4.00	270.77	39.84	310.61
Aug-09	12.39	302.20	3.21	317.80	35.24	353.04
Sep-09	12.80	330.98	2.37	346.15	39.33	385.48
Cumulative	37.41	887.73	9.58	934.72	114.41	1,049.13

Source: CECAFE and ABICS.

Stocks:

Ending stocks for MY 2009/10 are estimated at approximately 3.296 million bags, down 1.35 million bags relatively to MY 2008/09. According to CONAB, privately-owned stocks on March 31, 2009 were approximately 14.656 million bags, up 2.153 million bags compared to stocks on March 31, 2008 (12.503 million bags). These stocks include coffee held by growers, coffee cooperatives, exporters, roasters and the soluble industry (see table below). As of June 30, 2009 coffee stocks held by MAPA/DECAF (Funcafe stocks) were estimated at approximately 500,000 bags. CONAB coffee stocks were 99,283 bags.

Brazilian Private Coffee Carry-Over Stocks (60-kg Bags)						
	2006 crop Mar 31, 2007		2007 crop Mar 31, 2008		2008 crop Mar 31, 2009	
	Arabica	Conillon	Arabica	Conillon	Arabica	Conillon
Industry	787,598	298,345	786,950	264,533	796,509	276,387
Roaster	717,829	205,036	--	--	--	--
Soluble	69,769	93,309	--	--	--	--
Exporters	3,603,577	162,569	3,169,605	318,125	3,271,167	134,435
Coops.	7,587,722	68,724	4,087,053	104,445	5,671,240	72,884
Others	4,802,317	273,252	3,446,254	326,067	4,265,863	167,913
Sub-Total	16,781,214	802,890	11,489,862	1,013,170	14,004,779	651,619
Total	17,584,104		12,503,032		14,656,398	

Source: CONAB, Annual Carry Over Stock Surveys - Reference Month = March 31st.

Policy:

Last July the Brazilian government held four option contract auctions to partially regulate the domestic coffee supply. A total of 3 million bags were auctioned and producers are allowed to sell their products to the Brazilian government at the delivery price, assuming that the "delivery price minus premium" is higher than the market price at the delivery date. Note that current prices for Arabica coffee type 6 range from R$270.00-275.00/bag. If these prices prevail, it is high likely that growers will deliver their product to the government. The table below summarizes the results of the auctions.

Coffee Option Contract Program					
Date	**Auction**	**Volume (bags)**	**Delivery Price (R$)**	**Premium (R$/bag)**	**Delivery Date**
15-Sep	1st	1,000,000	303.50	9.50	13-Nov
22-Sep	2nd	800,000	309.00	1.55	15-Jan
22-Sep	3rd	700,000	311.70	1.56	15-Feb
22-Sep	4th	500,000	314.50	1.57	15-Mar
Total		3,000,000			

On October 16, the National Monetary Council approved several measures to support coffee growers, including the renegotiation of debts amounting to R$860 million, the creation of credit lines totaling R$200 million; the reduction of the interest rate from 7.50 to 6.75 percent/year for current and future financing; the conversion of Funcafe debts in exchange for coffee bags, using the minimum price of R$ 261.69/bag as the reference price.

Production, Supply and Demand Data Statistics:

Coffee, Green	2007/2008		2008/2009		2009/2010		
	USDA Official Data	Post Update	USDA Official Data	Post Update	USDA Official Data	Post Update	
Area Planted	2,431	2,431	2,424	2,424	2,395	2,395	(1000 HA)
Area Harvested	2,235	2,235	2,223	2,223	2,151	2,151	(1000 HA)
Bearing Trees	5,720	5,720	5,890	5,890	5,725	5,725	(MILLION TREES)
Non-Bearing Trees	679	679	677	677	873	873	(MILLION TREES)
Total Tree Population	6,399	6,399	6,567	6,567	6,598	6,598	(MILLION TREES)
Beginning Stocks	8,361	8,361	2,781	2,781	6,011	4,646	(1000 60 KG BAGS)
Arabica Production	27,650	27,650	38,850	38,850	31,900	31,900	(1000 60 KG BAGS)
Robusta Production	11,450	11,450	12,600	12,600	11,600	11,600	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	(1000 60 KG BAGS)
Total Production	39,100	39,100	51,450	51,450	43,500	43,500	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Roast & Ground Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Total Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Total Supply	47,461	47,461	54,231	54,231	49,511	48,146	(1000 60 KG BAGS)
Bean Exports	23,770	23,770	27,300	28,396	25,000	24,100	(1000 60 KG BAGS)
Rst-Grnd Exp.	125	125	80	88	100	100	(1000 60 KG BAGS)
Soluble Exports	3,395	3,395	2,900	2,991	3,000	2,800	(1000 60 KG BAGS)
Total Exports	27,290	27,290	30,280	31,475	28,100	27,000	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	16,390	16,390	16,940	17,110	17,470	17,650	(1000 60 KG BAGS)
Soluble Dom. Cons.	1,000	1,000	1,000	1,000	1,000	1,000	(1000 60 KG BAGS)
Domestic Use	17,390	17,390	17,940	18,110	18,470	18,650	(1000 60 KG BAGS)
Ending Stocks	2,781	2,781	6,011	4,646	2,941	2,496	(1000 60 KG BAGS)
Total Distribution	47,461	47,461	54,231	54,231	49,511	48,146	(1000 60 KG BAGS)

Author Defined:

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
January	3.53	2.94	2.62	2.22	2.12	1.76	2.32
February	3.56	2.91	2.60	2.14	2.12	1.68	2.38
March	3.35	2.91	2.67	2.17	2.05	1.75	2.25
April	2.89	2.94	2.53	2.09	2.03	1.69	2.18
May	2.97	3.13	2.40	2.30	1.93	1.63	1.97
June	2.87	3.11	2.35	2.16	1.93	1.64	1.95
July	2.97	3.03	2.39	2.18	1.88	1.57	1.87
August	2.97	2.93	2.36	2.14	1.96	1.63	1.88
September	2.92	2.86	2.22	2.17	1.84	1.92	1.78
October	2.86	2.99	2.25	2.14	1.74	2.12	1.74
November 1/	2.95	2.73	2.21	2.17	1.78	2.33	1.76
December	2.89	2.65	2.26	2.14	1.77	2.34	--

Source : Gazeta Mercantil and BACEN (as of October 2006)

1/ Exchange Rate for November refers to November 03.