USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 5/16/2016

GAIN Report Number: BR16004

Brazil

Coffee Annual

Annual Report

Approved By:
Chanda Berk, Agricultural Consul

Prepared By:
Sergio Barros, Agricultural Specialist

Report Highlights:
ATO/Sao Paulo projects Brazilian coffee production for Marketing Year (MY) 2016/17 (July-June) at 55.95 million 60-kg bags, up 13 percent relative to MY 2015/16, due to expected high arabica yields in major growing regions. Coffee exports for MY 2016/17 are forecast at 35.23 million bags, slightly down compared to the previous year due to likely lower carry-over stocks, which are forecast at 2.25 million bags by the end of the 2015/16 season and 2.53 million bags for MY 2016/17.

Production

The Agricultural Trade Office in Sao Paulo (ATO) projects marketing year (MY) 2016/2017 (July-June) Brazilian coffee production at 55.95 million bags (60 kilograms per bag), green equivalent, up 6.55 million bags relative to unchanged estimate for MY 2015/16.

Post conducted field trips to major coffee producing areas (Minas Gerais, Espirito Santo, Sao Paulo and Parana) to observe vegetative development, cherry set, and fruit formation to assess the 2016 crop. Information was also collected from government sources, state secretariats of agriculture, grower associations, cooperatives, and traders.

Arabica production for MY 2016/17 is forecast at 43.85 million bags, up 21 percent compared to the previous crop. Good blossoming between September and November 2015 in all producing regions and overall good weather conditions during fruit setting and development are likely to contribute to expected better agricultural yields compared to previous season. Indeed, production numbers could even improve along the harvest due to expected above average de-husking yields and quality of the beans (larger screen size).

Robusta production for MY 2016/17 is, however, expected to decrease during the second consecutive year reaching 12.1 million bags, down 1.2 million bags from MY 2015/16. Above average temperatures and prolonged dry spells in Espirito Santo will again jeopardize production potential in the state. In addition, water shortages remains an issue for the state, thus limiting the use of irrigation on coffee plantations, a practice that is common within the state.

Harvest in the robusta producing regions began in March/April, whereas Arabica coffee harvest kicks into gear in May. It is expected that roughly 7 to 8 million bags of washed arabica coffee will be harvested in 2016 as Brazil gained some international market share from Colombian and Central American coffee beans.

The table below shows forecast coffee production by state and variety for MY 2016/17 as well as production estimates from MY 2012/13 to MY 2015/16.

Brazilian Coffee Production (Million 60-kg bags)					
State/Variety	**MY 12/13**	**MY 13/14**	**MY 14/15**	**MY 15/16**	**MY 16/17**
Minas Gerais	29.50	29.40	26.00	25.30	31.50
Southwest	15.70	15.00	14.00	12.20	17.00
Central-western	6.40	5.50	6.20	5.50	7.00
Southeast	7.40	8.90	5.80	7.60	7.50
Espirito Santo	15.20	15.80	16.40	13.00	11.80
Arabica	3.00	3.50	3.30	3.10	3.40
Robusta	12.20	12.30	13.10	9.90	8.40
Sao Paulo	5.40	4.60	4.60	4.30	5.40
Parana	1.80	1.70	1.00	1.20	1.10
Others	5.70	5.70	6.30	5.60	6.15
Arabica	2.40	2.60	2.40	2.20	2.45
Robusta	3.30	3.10	3.90	3.40	3.70

Total	57.60	57.20	54.30	49.40	55.95
Arabica	42.10	41.80	37.30	36.10	43.85
Robusta	15.50	15.40	17.00	13.30	12.10
Source: ATO/Sao Paulo.					

In January 2016, 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 2016/17. It forecasted between 49.12 and 51.94 million 60-kg bags of production, a 5.89 to 8.71 million bag increase compared to the final estimate for MY 2015/16 (43.23 million bags – 32.04 and 11.18 million bags of arabica and robusta coffee, respectively). CONAB projects arabica production between 37.73 and 39.86 million bags, whereas the robusta crop is estimated between 11.38 and 12.07 million bags. CONAB is expected to release the second coffee survey for the 2016 crop in May.

Coffee Area, Tree Inventory, and Yields

The table below shows the Brazilian coffee area and tree population from MY 2012/13 through MY 2016/17. Coffee inventory and total area planted to coffee is projected stable for MY 2016/17.

Brazilian Coffee Area and Tree Population (billion trees, million hectares, thousand trees/hectare)					
	MY 12/13	**MY 13/14**	**MY 14/15**	**MY 15/16**	**MY 16/17 1/**
Total Trees	6,860	6,865	6,955	6,860	6,860
Non-Bearing	1,000	1,055	1,185	1,125	1,125
Bearing	5,860	5,810	5,770	5,735	5,735
Total Area	2,387	2,442	2,437	2,410	2,410
Non-Bearing	282	307	347	340	340
Harvested	2,105	2,135	2,090	2,070	2,070
Trees/ha	2,874	2,811	2,854	2,846	2,846
Non-Bearing	3,546	3,436	3,415	3,309	3,309
Bearing	2,784	2,721	2,761	2,771	2,771
Source; ATO/Sao Paulo 1/ Forecast.					

The Brazilian coffee yield for MY 2016/17 is projected at 27.03 bags/hectare (ha), a 13 percent increase relative to the previous crop (23.86 bags/ha.). Higher Arabica tree yields should offset expected losses in production from robusta coffee.

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. Coffee prices have remained relatively stable along MY 2015/16 in the local currency, the Real, however, they were significantly reduced in U.S. dollars due to the steady depreciation of the Real (US$ 171.49/bag during July/2014–April/2015 compared to US$ 124.56/bag during July/2015-April/2016).

Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag).					
Month	**2012**	**2013**	**2014**	**2015**	**2016**
January	485.04	341.16	289.44	465.92	491.31
February	441.31	317.72	366.32	459.99	489.82
March	387.53	303.42	437.24	447.10	491.06
April	379.53	300.51	449.45	445.69	466.71
May 1/	382.65	297.25	429.28	421.95	464.17
June	360.61	285.71	396.74	424.02	--
July	408.06	287.57	387.87	414.50	--
August	378.48	286.18	437.19	454.98	--
September	385.92	273.90	433.52	456.95	--
October	374.97	253.94	480.12	478.11	--
November 1/	355.23	247.73	460.95	468.39	--
December	341.40	272.10	455.20	479.32	--
Source: CEPEA/ESALQ/USP. 1/ May 2016 refers to May 9					

Note that production costs have increased significantly in Brazil for the 2015/16 crop compared to the previous year, thus reducing grower profitability. Total production costs for mechanized harvest in Guaxupe, Minas Gerais, the largest producing region in Brazil, increased from R$ 299.46/bag in November 2014 to R$ 400.31/bag in November 2015, an increase of 34 percent. Major cost escalations include machinery (205 percent); labor (67 percent) and fertilizers (23 percent).

Consumption

ATO/Sao Paulo projects Brazilian domestic coffee consumption for MY 2016/17 will be stable at 20.51 million coffee bags (19.4 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 consumer patterns, in spite the high penetration of coffee in Brazilian households.

The Brazilian Coffee Industry Association (ABIC) reports that the coffee industry processed 20.51 million bags, green equivalent, from November 2014 to October 2015, up roughly one percent compared to the same period the previous year (20.33 million bags). Per capita consumption for 2015 is estimated at 4.90 kg of roasted coffee per person, similar to previous year (4.89 kg/person).

Total sales in the domestic market are estimated at R$7.4 billion in 2015. The steady devaluation of the Real encouraging Brazilian exports and lower supply of robusta coffee for roasting and blending pushed production costs up, therefore affecting final retail prices. Indeed, the average retail price for regular coffee blends was R$16.17 per kilogram in December 2015 in the city of Sao Paulo, a 16.1 percent increase relative to the beginning of the year.

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	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	1.11	20.51	4.90	6.12
Source: Brazilian Coffee Industry Association (ABIC).					
Note: Estimates refer to November-October period.					

Trade

Exports

Post projects total Brazilian coffee exports for MY 2016/17 at 35.23 60-kg million bags, slightly down (770,000 bags) compared to previous season, due to expected lower carry-over stocks from MY 2015/16. Green bean exports are forecast to account for 32 million bags, while soluble coffee exports are projected at 3.2 million bags.

ATO/Sao Paulo estimates coffee exports for MY 2015/16 at 36 million 60-kg bags, green beans, slightly down from record exports from the previous year (36.573 million bags), based on year-to-date export volumes and anticipated April-June loadings. Green bean (arabica and robusta) exports are estimated at 32.72 million bags, whereas soluble coffee exports are estimated at 3.25 million bags. The Real devaluated on average 43.5 percent from 2014 to 2015, which supported Brazilian arabica coffee competitiveness in international markets.

According to the April 2016 coffee trade statistics report released by the International Coffee Organization (ICO), total world coffee consumption for 2014 is estimated at 150.3 million bags, up 2.48 million bags relative to 2013. 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 2014/15 (July-June) and MY 2014/15 and 2015/16 (July-March).

Brazilian Green Coffee Exports by Country of Destination						
(NCM 0901.11.10, MT,US$ 000 FOB)						
	MY 2014/15 1/		**MY 2014/15 2/**		**MY 2015/16 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
United States	394,719	1,220,879	329,658	1,056,094	358,120	899,423
Germany	391,642	1,286,334	323,245	1,123,621	315,982	770,692
Italy	168,527	597,246	147,147	538,014	163,728	454,004
Japan	145,534	530,194	127,885	474,595	115,377	353,523
Belgium	183,631	583,463	164,789	533,722	106,084	281,594
Canada	40,809	146,117	35,529	126,459	37,928	111,794
Turkey	40,574	103,748	31,572	82,645	42,301	96,814
Spain	61,069	181,012	54,039	159,900	36,049	92,571
United Kingdom	56,448	157,378	50,452	144,460	26,478	82,217
France	46,826	144,281	37,513	120,717	33,435	79,691
Others	459,551	1,332,195	374,937	1,125,376	432,655	1,036,525
Total	1,989,333	6,282,847	1,676,765	5,485,603	1,668,138	4,258,848
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July - June, 2/July-March						

Brazilian Soluble Coffee Exports by Country of Destination						
(NCM 2101.11.10, MT,US$ 000 FOB)						
	MY 2014/15 1/		**MY 2014/15 2/**		**MY 2015/16 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
United States	14,130	98,628	10,421	75,334	10,659	61,246
Russia	8,671	64,873	6,237	47,219	8,232	55,096
Japan	4,684	35,214	3,410	26,062	4,096	28,296
United Kingdom	2,572	21,485	1,915	16,098	2,731	22,516
Ukraine	4,096	29,577	3,128	23,479	3,218	18,663
Germany	2,517	18,081	1,935	13,840	2,350	16,450
Indonesia	3,570	22,630	2,427	15,242	2,621	15,931
Singapore	2,105	14,442	1,519	10,263	1,799	11,255
Canada	2,618	22,779	2,119	18,540	1,532	11,018
Saudi Arabia	1,542	14,143	1,131	10,635	1,408	10,699
Others	29,477	236,112	21,431	174,052	21,933	155,535

Total	75,982	577,965	55,674	430,765	60,581	406,705
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July - June, 2/July-March						

Brazilian Roasted Coffee Exports by Country of Destination						
(NCM 0901.21.00, MT,US$ 000 FOB)						
	MY 2014/15 1/		**MY 2014/15 2/**		**MY 2015/16 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
United States	585	4,897	428	3,617	512	3,657
Italy	345	1,499	267	1,172	246	912
Argentina	145	800	135	750	130	543
Uruguay	72	556	53	423	48	366
Paraguay	73	409	49	279	47	350
Japan	155	901	100	626	71	299
France	31	261	21	217	32	210
Chile	58	347	38	244	41	192
Bolivia	52	227	45	197	39	129
Germany	24	154	24	154	26	116
Others	119	865	77	572	80	521
Total	1,660	10,916	1,238	8,252	1,272	7,295
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July - June, 2/July-March						

The tables below include data on monthly coffee exports (quantity and value) for MY 2014/15 (July-June) and 2015/16 (July-March), as reported by the Brazilian Green Coffee Association (CECAFE) and the Brazilian Soluble Coffee Association (ABICS). Total coffee exports during the July 2015 - March 2016 period were 27.93 million bags, similar to export volumes during the same period for MY 2014/15 (27.77 million bags). Preliminary data show that coffee export registrations for April 2016 were 2.526 million bags, while cumulative green coffee export shipments for April 2016 are 2.248 million bags.

Brazilian Monthly Coffee Exports for MY 2014/15						
(Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-14	428.75	2,273.56	2.03	2,704.34	332.72	3,037.06
Aug-14	385.64	2,386.98	2.57	2,775.19	317.64	3,092.83
Sep-14	248.61	2,410.44	3.29	2,662.34	326.36	2,988.70
Oct-14	279.54	2,813.90	4.06	3,097.50	248.57	3,346.07
Nov-14	450.20	2,492.35	1.70	2,944.24	208.93	3,153.17
Dec-14	463.42	2,433.89	0.61	2,897.91	319.85	3,217.76
Jan-15	344.79	2,495.63	1.08	2,841.50	216.98	3,058.48
Feb-15	252.80	2,227.83	2.61	2,483.23	260.76	2,743.99
Mar-15	344.70	2,468.82	3.58	2,817.10	313.08	3,130.18

Apr-15	528.59	2,352.87	1.32	2,882.77	323.78	3,206.55
May-15	409.74	2,217.28	2.01	2,629.03	296.52	2,925.55
Jun-15	406.72	1,934.64	3.21	2,344.57	328.77	2,673.34
Cumulative	4,543.50	28,508.17	28.05	33,079.72	3,493.95	36,573.68
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2014/15						
(US$ 1,000,000).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-14	51.74	454.76	1.06	507.56	59.27	566.83
Aug-14	45.79	477.36	0.88	524.03	56.75	580.78
Sep-14	30.20	502.68	1.31	534.19	58.38	592.58
Oct-14	33.73	607.37	1.44	642.53	44.89	687.43
Nov-14	54.43	530.97	0.62	586.02	38.05	624.07
Dec-14	55.91	532.17	0.27	588.35	57.10	645.45
Jan-15	39.98	530.31	0.53	570.82	37.81	608.63
Feb-15	29.38	457.58	0.93	487.89	47.31	535.20
Mar-15	39.23	473.38	1.02	513.63	53.95	567.57
Apr-15	58.35	422.23	0.45	481.03	55.20	536.23
May-15	43.41	392.03	0.75	436.18	49.52	485.70
Jun-15	46.11	335.91	0.99	383.01	54.02	437.03
Cumulative	528.26	5,716.74	10.25	6,255.25	612.25	6,867.50
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2015/16						
(Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-15	405.38	2,132.08	3.46	2,540.92	328.81	2,869.73
Aug-15	389.08	2,196.78	2.14	2,587.99	310.23	2,898.22
Sep-15	333.69	2,572.88	2.31	2,908.88	278.36	3,187.24
Oct-15	358.61	2,839.49	3.49	3,201.59	322.37	3,523.96
Nov-15	293.43	2,941.48	1.38	3,236.29	256.31	3,492.59
Dec-15	109.56	2,814.47	2.25	2,926.28	315.01	3,241.29
Jan-16	75.43	2,445.59	2.05	2,523.07	268.35	2,791.42
Feb-16	68.46	2,544.96	2.23	2,615.65	308.91	2,924.56
Mar-16	58.17	2,637.53	1.79	2,697.49	299.06	2,996.55
Cumulative	2,091.81	23,125.25	21.09	25,238.15	2,687.41	27,925.56
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2015/16
(US$ 1,000,000).

Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
Jul-15	45.53	369.56	1.40	416.50	51.81	468.31
Aug-15	42.92	368.34	0.87	412.12	49.27	461.39
Sep-15	37.26	416.63	0.65	454.54	44.32	498.86
Oct-15	38.28	448.96	1.13	488.38	48.81	537.19
Nov-15	31.16	446.42	1.04	478.62	39.32	517.93
Dec-15	11.01	431.33	1.46	443.79	47.47	491.27
Jan-16	7.54	364.55	0.56	372.65	40.53	413.18
Feb-16	7.26	379.03	0.85	387.14	45.31	432.45
Mar-16	6.41	387.27	0.40	394.07	43.37	437.45
Cumulative	227.36	3,612.09	8.37	3,847.82	410.21	4,258.03
Source: CECAFE and ABICS.						

Imports

The table below shows roasted coffee (NCM 0901.21.00) by country of origin, according to SECEX, for MY 2014/15 (July-June) and MY 2014/15 and 2015/16 (July-March).

Brazilian Roasted Coffee Imports by Country of Origin.						
(NCM 0901.21.00, MT,US$ 000 FOB)						
	MY 2014/15 1/		**MY 2014/15 2/**		**MY 2015/16 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Switzerland	1,195	32,616	784	20,661	915	20,725
Italy	632	6,429	408	4,297	636	6,426
United Kingdom	435	8,691	217	4,625	236	4,523
Spain	304	4,072	145	2,071	268	3,572
Peru	244	1,062	0	0	394	1,608
United States	142	1,338	94	883	133	1,296
France	45	902	26	545	60	1,114
Portugal	118	1,679	77	1,203	76	694
Brazil	3	75	2	37	3	107
Colombia	1	5	1	5	2	19
Others	0	1	0	1	0	1
Total	3,118	56,869	1,754	34,327	2,724	40,085
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July - June, 2/July-March						

Stocks

ATO/Sao Paulo forecasts total ending stocks in MY 2016/17 at 2.53 million bags, slightly up compared to the previous season (2.255 million bags), however at historically low levels.
CONAB coffee stocks in March 31 are reported at 1.33 million bags. The 2016 CONAB privately-owned stocks survey has not yet been released. The survey includes coffee stocks held by growers, coffee cooperatives, exporters, roasters, and the soluble industry as of March 31st.

Policy

On March 31, 2016, the National Monetary Council (CMN) approved funds totaling R$4.6 billion to finance coffee operations during the 2016 crop. This amount represents a 15 percent increase compared to 2015. Funds are expected to be released in May (beginning of the harvest season for Arabica) by the Coffee Defense Fund (Funcafe) through several financing institutions such as commercial banks and coffee cooperatives. In 2015, funds were available only in August, when a significant volume had already been harvested.

PS&D Tables

Coffee, Green	**2014/2015**		**2015/2016**		**2016/2017**	
Market Begin Year	**Jul 2014**		**Jul 2015**		**Jul 2016**	
Brazil	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	2437	2437	2410	2410	0	2410
Area Harvested	2090	2090	2070	2070	0	2070
Bearing Trees	5770	5770	5735	5735	0	5735
Non-Bearing Trees	1185	1185	1125	1125	0	1125
Total Tree Population	6955	6955	6860	6860	0	6860
Beginning Stocks	11946	11946	9398	9305	0	2255
Arabica Production	37300	37300	36100	36100	0	43850
Robusta Production	17000	17000	13300	13300	0	12100
Other Production	0	0	0	0	0	0
Total Production	54300	54300	49400	49400	0	55950
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	52	52	60	60	0	65
Soluble Imports	0	0	0	0	0	0
Total Imports	52	52	60	60	0	65
Total Supply	66298	66298	58858	58765	0	58270
Bean Exports	33051	33051	30000	32720	0	32000
Rst-Grnd Exp.	28	28	30	30	0	30
Soluble Exports	3491	3494	3300	3250	0	3200
Total Exports	36570	36573	33330	36000	0	35230
Rst,Ground Dom. Consum	19250	19325	19250	19400	0	19400
Soluble Dom. Cons.	1080	1095	1080	1110	0	1110
Domestic Consumption	20330	20420	20330	20510	0	20510
Ending Stocks	9398	9305	5198	2255	0	2530
Total Distribution	66298	66298	58858	58765	0	58270

(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
January	1.87	1.67	1.74	1.99	2.43	2.66	4.04
February	1.81	1.66	1.71	1.98	2.33	2.88	3.98
March	1.78	1.62	1.82	2.01	2.26	3.21	3.56
April	1.77	1.57	1.89	2.00	2.24	2.98	3.45
May 1/	1.81	1.57	2.02	2.13	2.24	3.18	3.54
June	1.80	1.57	2.02	2.22	2.20	3.10	
July	1.75	1.56	2.05	2.29	2.27	3.39	
August	1.75	1.59	2.04	2.37	2.24	3.65	
September	1.69	1.85	2.03	2.23	2.45	3.98	
October	1.70	1.69	2.03	2.20	2.44	3.86	
November	1.71	1.81	2.10	2.32	2.56	3.85	
December	1.66	1.88	2.04	2.34	2.66	3.90	
Source : Brazilian Central Bank (BACEN) 1/ May 2016 refers to May 9							