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Brazil

Coffee Annual

2018

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Report Highlights:
ATO/Sao Paulo forecasts Brazil's coffee production for Marketing Year (MY) 2018/19 (July-June) record at 60.2 million 60-kg bags, an increase of 9.3 million bags relative to the previous crop. Good weather conditions supported fruit setting and filling, especially in Robusta growing regions. In addition, the majority of the Arabica trees are in the on-year of the biennial production cycle. Coffee exports for MY 2018/19 are expected to bounce back to 35.33 million bags, an increase of 4.91 compared to the previous MY, due to expected higher product availability.

Production

The Agricultural Trade Office in Sao Paulo (ATO) projects Brazilian marketing year (MY) 2018/2019 (July-June) coffee production at a record 60.2 million bags (60 kilograms per bag), green equivalent, an increase of 18 percent relative to the previous season.

MY 2018/19 Arabica production is forecast at 44.5 million bags, an increase of 6 million bags vis-a-vis the previous crop, given that the majority of producing areas are in the on-year of the biennial production cycle. Note that coffee production both in Parana and south-eastern Minas Gerais are on the off-year of the biennial production cycle, however, the drop in production is expected to be less intense than average. Good weather conditions in the majority of the producing regions contributed to steady fruit setting, coffee bean development and filling, and will likely result in high yields. The bulk of the Arabica coffee harvest should start in May/June.

Robusta/Conillon production for MY 2018/19 is forecast at 15.7 million bags, an increase of 27 percent compared to MY 2017/18 (12.4 million bags). Good weather conditions, especially abundant rainfall, are the drivers for expected higher production in the three major producing states of Espirito Santo, Rondonia, and Bahia. The expansion of clonal seedlings and improved crop management techniques have also support the likely increase in Rondonia. Harvest in the Robusta/Conillon producing regions started in April/May.

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 2018 crop. Information was also collected from government sources, state secretariats of agriculture, grower associations, cooperatives, and traders.

The table below shows coffee forecast production by state and variety for MY 2018/19 as well as production estimates from MY 2014/15 to MY 2017/18.

Brazilian Coffee Production (Million 60-kg bags)					
State/Variety	**MY 14/15**	**MY 15/16**	**MY 16/17**	**MY 17/18**	**MY 18/19**
Minas Gerais	26.00	25.30	32.50	27.80	31.10
Southwest	14.00	12.20	17.80	14.50	17.30
Central-western	6.20	5.50	7.20	5.20	6.40
Southeast	5.80	7.60	7.50	8.10	7.40
Espirito Santo	16.40	13.00	10.50	10.40	14.70
Arabica	3.30	3.10	3.80	3.20	4.10
Robusta	13.10	9.90	6.70	7.20	10.60
Sao Paulo	4.60	4.30	5.90	4.20	6.00
Parana	1.00	1.20	1.10	1.30	1.10
Others	6.30	5.60	6.10	7.20	7.30
Arabica	2.40	2.20	2.30	2.00	2.20
Robusta	3.90	3.40	3.80	5.20	5.10
Total	54.30	49.40	56.10	50.90	60.20
Arabica	37.30	36.10	45.60	38.50	44.50
Robusta	17.00	13.30	10.50	12.40	15.70
Source: ATO/Sao Paulo.					

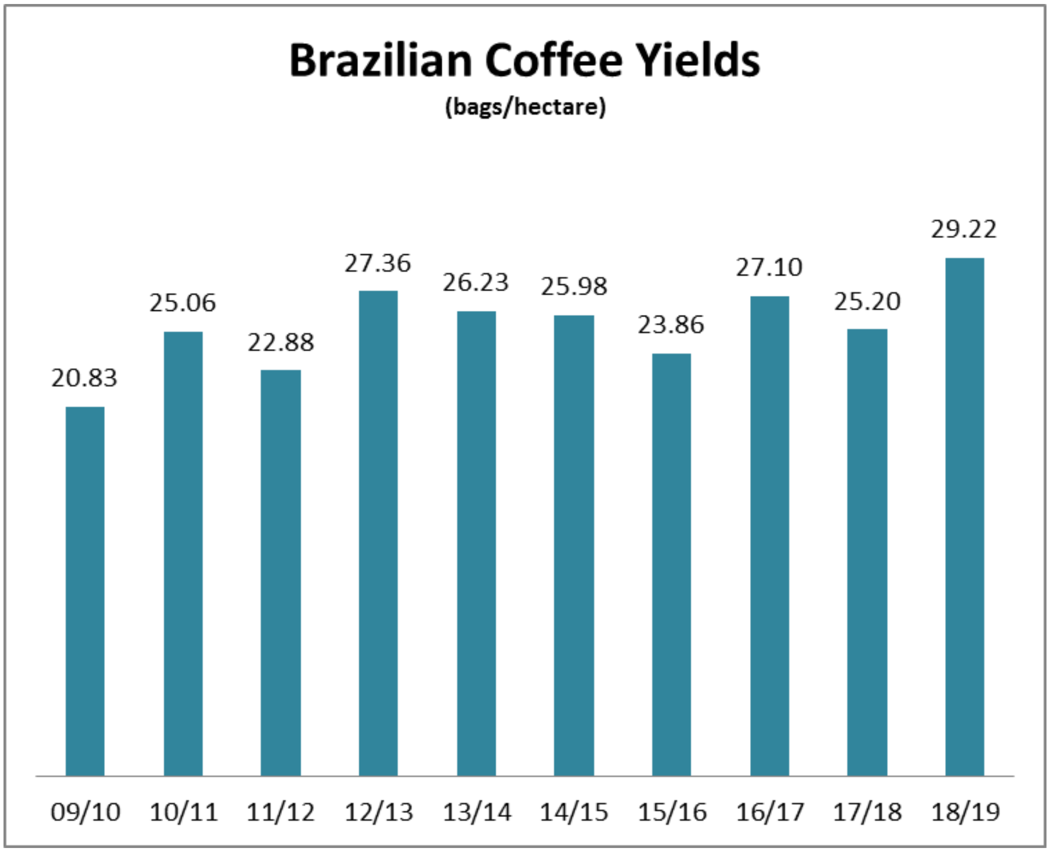
In January 2018, the Brazilian Government (GOB), through the Ministry of Agriculture, Livestock and Food Supply's (MAPA) National Supply Company (CONAB), released its first survey projecting Brazilian coffee production in MY 2018/19. It forecasts between 54.44 and 58.51 million 60-kg bags, a 9.47 to 13.54 million bag increase compared to the final estimate for MY 2017/18 (44.97 million bags – 34.25 and 10.72 million bags of Arabica and Robusta/conilon coffee, respectively). CONAB projects Arabica production between 41.74 and 44.55 million bags, whereas the Robusta/Conillon crop is estimated between 12.7 and 13.96 million bags. CONAB is expected to release the second coffee survey for the 2018 crop on May 18.

Coffee Area, Tree Inventory, and Yields

The table below shows the Brazilian coffee area and tree population from MY 2014/15 through MY 2018/19. Total area planted to coffee is projected stable at 2.395 million hectares, whereas coffee tree inventory decreased by one percent relative to MY 2016/17.

Brazilian Coffee Area and Tree Population (million trees, thousand hectares, trees/hectare)					
	MY 14/15	**MY 15/16**	**MY 16/17**	**MY 17/18**	**MY 18/19**
Total Trees	6,955	6,860	6,860	6,940	6,890
Non-Bearing	1,185	1,125	1,125	1,300	1,150
Bearing	5,770	5,735	5,735	5,640	5,740
Total Area	2,437	2,410	2,410	2,400	2,395
Non-Bearing	347	340	340	380	335
Harvested	2,090	2,070	2,070	2,020	2,060
Trees/ha	2,854	2,846	2,846	2,892	2,892
Non-Bearing	3,415	3,309	3,309	3,421	3,421
Bearing	2,761	2,771	2,771	2,792	2,792
Source: ATO/Sao Paulo					

The Brazilian coffee yield for MY 2018/19 is projected at a record 29.22 bags/hectare, an increase of sixteen percent relative to the previous crop (25.20 bags/hectare). This is mainly due to favorable weather conditions in the majority of the crop areas and the on-year of the biennial production cycle for Arabica trees (expect in Parana and south-eastern Minas Gerais). The graph bellows illustrates the evolution of Brazilian coffee yields since the 2009/10 crop.



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.

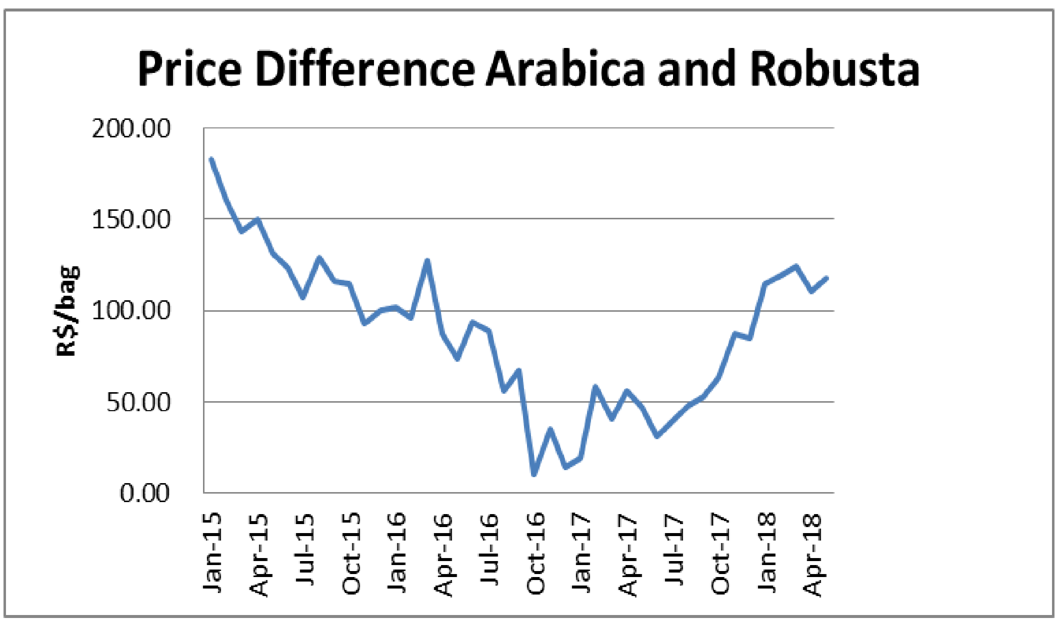
Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag).

Month	2014	2015	2016	2017	2018
January	289.44	465.92	491.31	514.23	446.42
February	366.32	459.99	489.82	508.65	438.32
March	437.24	447.10	491.06	485.92	429.81
April	449.45	445.69	466.71	467.63	430.71
May 1/	429.28	421.95	460.36	455.69	444.31
June	396.74	424.02	484.87	445.85	
July	387.87	414.50	498.52	451.90	
August	437.19	454.98	479.03	458.76	
September	433.52	456.95	502.94	453.46	
October	480.12	478.11	511.07	445.95	
November	460.95	468.39	556.74	452.87	
December	455.20	479.32	501.80	447.36	

Source: CEPEA/ESALQ/USP. 1/ May 2018 refers to May 10

Robusta Coffee Prices in the Domestic Market (Real, 60kg/bag).					
Month	**2014**	**2015**	**2016**	**2017**	**2018**
January	226.82	283.28	389.27	495.19	331.57
February	243.48	299.58	393.61	449.93	319.12
March	263.25	303.44	363.88	444.97	305.55
April	256.77	295.88	379.33	411.31	320.04
May 1/	245.82	290.33	386.71	408.81	326.88
June	235.14	301.03	391.40	414.96	
July	242.44	307.28	409.99	411.84	
August	248.42	325.68	422.87	410.77	
September	250.55	340.81	435.74	400.50	
October	264.25	363.94	501.07	382.43	
November	277.02	375.25	521.31	365.36	
December	277.14	378.98	487.60	362.30	
Source: CEPEA/ESALQ/USP. 1/ May 2018 refers to May 10					

Arabica coffee prices dropped by 11 percent in the first four months of 2018 compared to the same period of 2017, a signal that the market has anticipated a larger crop for the upcoming season. Robusta coffee prices fell even more, recording a 29 percent drop using the same reference periods, given the expected drastic recovery in Robusta production. Therefore, the price differential between both varieties has broadened to pre-shortage in supply levels in 2015/16, as shown in the graph below.



Source: CEPEA/ESALQ/USP

Consumption

ATO/Sao Paulo projects Brazil's domestic coffee consumption for MY 2018/19 at 23 million coffee bags (21.82 million bags of roast/ground and 1.18 million bags of soluble coffee, respectively), a three percent increase relative to MY 2017/18. Coffee enjoys a high penetration in Brazilian households and there are strong indicators that the Brazilian economy is recovering. Signals such as low inflation rates and a 2.5 and 3.0 percent forecast growth in the Brazilian Gross Domestic Product (GDP) for 2018 and 2019, highlight recovery.

The Brazilian Coffee Industry Association (ABIC) reports that the coffee industry processed 22 million bags, green equivalent, from November 2016 to October 2017, an increase of four percent compared to the same period the year before (21.2 million bags). Per capita consumption for 2017 is estimated slightly up from 2016, at 5.10 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 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	1.10	20.50	4.90	6.12
2016	20.10	1.11	21.21	5.03	6.26
2017	20.90	1.14	22.04	5.10	6.38
Source: Brazilian Coffee Industry Association (ABIC). Note: Estimates refer to November-October period.					

Trade

Exports

Total Brazilian coffee exports for MY 2018/19 are forecast up at 35.33 60-kg million bags, due to expected larger coffee supply. Green bean exports are forecast to account for 32 million bags, while soluble coffee exports are projected at 3.3 million bags.

ATO/Sao Paulo estimates coffee exports for MY 2017/18 at 30.42 million 60-kg bags, green beans, a decrease of eight percent from MY 2016/17 (33.08 million bags), based on year-to-date export volumes and anticipated May-June loadings. Green bean (Arabica and Robusta/Conillon) exports are estimated at 27.2 million bags, whereas soluble coffee exports are estimated at 3.2 million bags.

According to the April 2018 coffee trade statistics released by the International Coffee Organization (ICO), total world coffee consumption for 2017/18 is estimated at 159.92 million bags, up 2.06 million bags relative to 2016/17. Brazil represents roughly 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 2016/17 (July-June) and MY 2016/17 and 2017/18 (July-March).

Brazilian Green Coffee Exports by Country of Destination						
(NCM 0901.11.10, MT,US$ 000 FOB)						
	MY 2016/17 1/		**MY 2016/17 2/**		**MY 2017/18 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
United States	353,630	989,912	279,043	786,867	244,638	663,536
Germany	349,287	974,431	283,606	801,444	255,777	655,259
Italy	178,747	525,755	141,729	419,218	133,612	378,794
Japan	124,150	394,982	97,365	314,443	82,446	238,886
Belgium	115,684	347,370	92,589	278,143	75,778	215,468
Turkey	56,647	154,643	41,068	111,953	34,826	89,482
Canada	45,899	130,482	35,876	101,512	32,077	87,729
France	46,834	127,087	36,338	99,095	32,330	84,201
Spain	41,161	118,404	31,789	91,810	30,002	81,051
United Kingdom	33,492	106,317	26,821	86,136	26,356	77,044
Others	418,185	1,163,079	329,692	916,523	323,304	854,936
Total	1,763,717	5,032,461	1,395,916	4,007,144	1,271,146	3,426,387
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July-June, 2/July-Mar						

Brazilian Soluble Coffee Exports by Country of Destination						
(NCM 2101.11.10, MT,US$ 000 FOB)						
	MY 2016/17 1/		**MY 2016/17 2/**		**MY 2017/18 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Country**	**Quantity**	**Value**
United States	12,913	86,709	9,841	64,439	10,557	73,570
Russia	13,397	99,190	10,485	75,827	7,331	57,179
Indonesia	4,587	32,309	3,078	20,957	4,099	28,959
United Kingdom	2,632	23,510	1,929	16,932	2,773	26,574
Japan	4,840	38,554	3,737	29,380	3,154	26,173
Ukraine	3,321	22,948	2,982	20,154	1,416	11,423
Canada	2,343	20,484	1,746	14,824	1,379	11,283
Poland	1,744	12,742	1,306	9,131	1,849	11,119
Argentina	1,589	10,728	1,013	6,516	1,538	10,505
Saudi Arabia	1,806	16,321	1,405	12,214	1,167	10,037
Others	31,779	243,373	25,499	190,600	18,769	143,338
Total	80,951	606,867	63,023	460,974	54,031	410,160
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July-June, 2/July-Mar						

Brazilian Roasted Coffee Exports by Country of Destination (NCM 0901.21.00, MT,US$ 000 FOB)						
	MY 2016/17 1/		MY 2016/17 2/		MY 2017/18 2/	
Country	**Quantity**	**Value**	**Quantity**	**Country**	**Quantity**	**Value**
United States	619	4,522	426	3,109	474	3,230
Argentina	255	2,173	154	1,078	191	1,852
Paraguay	113	795	75	481	96	698
Uruguay	86	617	64	462	67	612
Japan	157	925	146	866	106	586
Chile	102	563	73	398	79	476
Bolivia	32	159	17	79	31	249
Libya	0	0	0	0	56	194
Germany	34	203	33	201	20	131
Canada	2	10	0	1	7	117
Others	795	5,097	755	4,876	88	562
Total	2,193	15,066	1,743	11,551	1,215	8,706
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July-June, 2/July-Mar						

The tables below include data on monthly coffee exports (quantity and value) for MY 2017/18 (July-April), as reported by the Brazilian Green Coffee Association (CECAFE) and the Brazilian Soluble Coffee Association (ABICS). Total coffee exports during the July 2017 - April 2018 period were 25.9 million bags, down 2.37 million bags to export volumes during the same period for MY 2016/17 (28.29 million bags). Preliminary data until May 14 show that coffee export registrations for May 2018 were 944,128 bags, while cumulative green coffee export shipments for May 2018 are 451,215 bags.

Brazilian Monthly Coffee Exports for MY 2017/18 (Thousand 60-kg bag, green equivalent).						
Month	**Conillon**	**Arabica**	**Total Green**	**Roasted**	**Soluble**	**Total**
Jul-17	19.83	1,576.80	1,596.63	1.27	275.53	1,873.43
Aug-17	29.97	2,274.94	2,304.91	1.81	303.49	2,610.21
Sep-17	24.48	2,130.29	2,154.77	2.19	284.78	2,441.74
Oct-17	19.23	2,570.75	2,589.98	1.94	310.19	2,902.11
Nov-17	36.49	2,683.91	2,720.40	2.15	242.79	2,965.34
Dec-17	46.49	2,596.32	2,642.81	2.12	378.10	3,023.03
Jan-18	12.76	2,517.53	2,530.29	2.08	185.27	2,717.63
Feb-18	26.96	2,204.83	2,231.80	0.18	268.88	2,500.86
Mar-18	71.64	2,231.22	2,302.86	1.21	344.42	2,648.49
Apr-18	53.47	1,926.78	1,980.25	0.27	257.78	2,238.30
Cumulative	341.31	22,713.37	23,054.68	15.24	2,851.23	25,921.15
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2017/18 (US$ 1,000,000).

Month	Conillon	Arabica	Total Green	Roasted	Soluble	Total
Jul-17	3.09	250.08	253.17	0.49	50.63	304.28
Aug-17	4.36	367.21	371.56	1.40	54.75	427.72
Sep-17	3.56	350.71	354.27	1.88	51.30	407.44
Oct-17	2.78	425.97	428.75	1.03	57.05	486.83
Nov-17	5.15	438.13	443.28	1.40	45.40	490.07
Dec-17	6.43	422.51	428.95	0.82	69.11	498.87
Jan-18	1.57	400.67	402.24	1.35	32.92	436.51
Feb-18	3.46	349.48	352.94	0.18	47.70	400.83
Mar-18	7.70	349.90	357.60	0.44	57.34	415.38
Apr-18	6.14	295.68	301.82	0.09	41.58	343.49
Cumulative	44.24	3,650.34	3,694.57	9.07	507.78	4,211.42
Source: CECAFE and ABICS.						

Imports

The table below shows roasted coffee (NCM 0901.21.00) by country of origin, according to SECEX, for MY 2016/17 (July-June) and MY 2016/17 and 2017/18 (July-March).

Brazilian Roasted Coffee Imports by Country of Origin						
(NCM 0901.21.00, MT,US$ 000 FOB)						
	MY 2016/17 1/		**MY 2016/17 2/**		**MY 2017/18 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Switzerland	1,385	43,441	1,062	34,606	1,240	33,612
Italy	991	10,086	797	7,629	174	3,723
France	197	3,405	145	2,553	180	3,338
United Kingdom	121	2,049	82	1,331	136	2,525
Spain	109	1,545	64	868	111	1,812
United States	192	1,749	173	1,575	152	1,393
Portugal	161	1,519	122	1,148	125	1,295
Colombia	11	133	8	85	73	362
Uruguay	9	28	5	10	102	88
Brazil	3	6	2	5	29	80
Others	0	6	0	2	2	82
Total	3,177	63,967	2,460	49,812	2,324	48,312
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may not add rounding 1/July - June, 2/July - Mar						

Stocks

ATO/Sao Paulo forecasts total ending stocks in MY 2018/19 at 4 million bags, an increase of 1.93 million bags vis-a-vis the previous MY (2.07 million bags), due to expected recovery in coffee supply. Government stocks are virtually zero. CONAB's 2018 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 31, 2018.

PS&D Tables

Coffee, Green	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2410	2410	2400	2400	0	2395
Area Harvested	2070	2070	2020	2020	0	2060
Bearing Trees	5735	5735	5640	5640	0	5740
Non-Bearing Trees	1125	1125	1300	1300	0	1150
Total Tree Population	6860	6860	6940	6940	0	6890
Beginning Stocks	2372	2372	3928	3828	0	2072
Arabica Production	45600	45600	38800	38500	0	44500
Robusta Production	10500	10500	12400	12400	0	15700
Other Production	0	0	0	0	0	0
Total Production	56100	56100	51200	50900	0	60200
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	62	62	65	61	0	65
Soluble Imports	0	0	0	0	0	0
Total Imports	62	62	65	61	0	65
Total Supply	58534	58534	55193	54789	0	62337
Bean Exports	29325	29325	27200	27200	0	32000
Rst-Grnd Exp.	31	31	30	22	0	30
Soluble Exports	3725	3725	3200	3200	0	3300
Total Exports	33081	33081	30430	30422	0	35330
Rst,Ground Dom. Consum	20400	20500	21050	21150	0	21820
Soluble Dom. Cons.	1125	1125	1145	1145	0	1180
Domestic Consumption	21525	21625	22195	22295	0	23000
Ending Stocks	3928	3828	2568	2072	0	4007
Total Distribution	58534	58534	55193	54789	0	62337
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
January	1.74	1.99	2.43	2.66	4.04	3.13	3.16
February	1.71	1.98	2.33	2.88	3.98	3.10	3.24
March	1.82	2.01	2.26	3.21	3.56	3.17	3.32
April	1.89	2.00	2.24	2.98	3.45	3.20	3.48
May 1/	2.02	2.13	2.24	3.18	3.60	3.26	3.57
June	2.02	2.22	2.20	3.10	3.21	3.30	--
July	2.05	2.29	2.27	3.39	3.24	3.13	--
August	2.04	2.37	2.24	3.65	3.24	3.15	--
September	2.03	2.23	2.45	3.98	3.25	3.17	--
October	2.03	2.20	2.44	3.86	3.18	3.27	--
November	2.10	2.32	2.56	3.85	3.40	3.26	--
December	2.04	2.34	2.66	3.90	3.47	3.31	--
Source: Brazilian Central Bank (BACEN) - Last day of month. 1/ May 2018 refers to May 10.							