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Brazil

Coffee Annual

2019

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Report Highlights:

ATO/Sao Paulo projects Brazilian coffee production for Marketing Year (MY) 2019/20 (July-June) at 59.30 million 60-kg bags, a 5.5 million bags drop compared to record historical production in the former season (64.8 million bags). In spite of good weather conditions in the majority of growing regions, Arabica coffee trees are mostly in the off-year of the biennial production cycle, thus producing less. Coffee exports for MY 2018/19 are estimated at 39.72 million bags, again reaching again historical export levels, due to large production levels and steady competitiveness of the Brazilian product.

Production

The Agricultural Trade Office in Sao Paulo (ATO) forecasts Brazilian marketing year (MY) 2019/20 (July-June) coffee production at 59.3 million bags (60 kilograms per bag), green equivalent, a decrease of eight percent vis-à-vis the revised figure for the previous crop year (64.80 million 60-kg bags). This small decrease is attributed the lower off-year production of Arabica and an increase in Robusa/Conillon production the same MY.

Arabica production is forecast at 41 million bags, a 15 percent reduction compared to the previous crop. Good weather conditions have generally prevailed in most coffee growing regions, supporting fruit setting, development, and filling. However, the majority of producing areas are in the off-year of the biennial production cycle, thus resulting in lower production potential for the upcoming crop. The bulk of the Arabica coffee harvest should start in May/June and the quality of the crop is expected somewhat worse than the previous year because of the multiple blossomings in some growing areas.

Robusta/Conillon production is expected to reach 18.3 million bags, an increase of 1.7 million bags compared to the current MY. Espirito Santo, the major Robusta/Conillon producing state has been favored by abundant rainfall. Meanwhile the state of Rondonia's increased use of good crop management practices and clonal seedlings have supported a steady increase in production in recent years.

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 2019 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 2019/20 as well as production estimates from MY 2015/16 to MY 2018/19.

Brazilian Coffee Production (Million 60-kg bags)					
State/Variety	**MY 15/16**	**MY 16/17**	**MY 17/18**	**MY 18/19**	**MY 19/20**
Minas Gerais	25.30	32.50	27.80	33.30	28.50
Southwest	12.20	17.80	14.50	18.60	15.80
Central-western	5.50	7.20	5.20	7.10	5.70
Southeast	7.60	7.50	8.10	7.60	7.00
Espirito Santo	13.00	10.50	10.40	15.50	16.70
Arabica	3.10	3.80	3.20	4.60	3.80
Robusta	9.90	6.70	7.20	10.90	12.90
Sao Paulo	4.30	5.90	4.20	6.30	5.30
Parana	1.20	1.10	1.30	1.10	1.10
Others	5.60	6.10	7.20	8.60	7.70
Arabica	2.20	2.30	2.00	2.90	2.30
Robusta	3.40	3.80	5.20	5.70	5.40
Total	49.40	56.10	50.90	64.80	59.30

Arabica	36.10	45.60	38.50	48.20	41.00
Robusta	13.30	10.50	12.40	16.60	18.30
Source: ATO/Sao Paulo.					

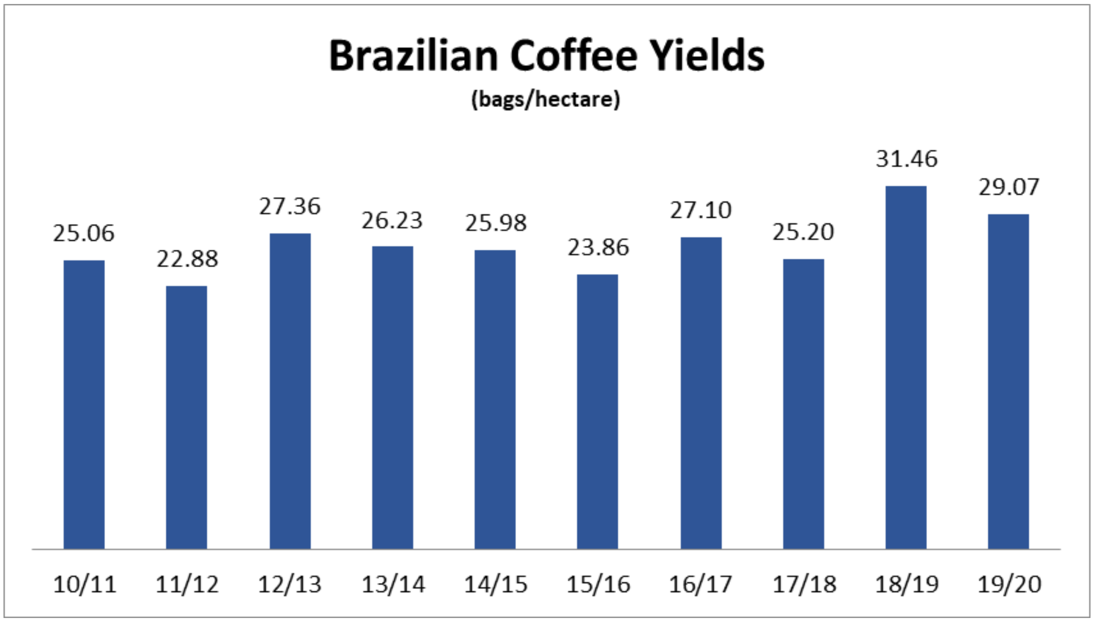
In January 2019, the Brazilian Government (GOB), through the Ministry of Agriculture, Livestock and Food Supply's (MAPA) National Supply Company (CONAB), released its first survey projecting Brazilian coffee production in MY 2019/20. It forecasts between 50.48 and 54.48 million 60-kg bags, a 7.18 to 11.18 million-bag reduction relative to MY 2018/19 (61.66 million bags – 47.48 and 14.17 million bags of Arabica and Robusta/Conillon coffee, respectively). CONAB projects Arabica production between 36.12 and 38.16 million bags, whereas the Robusta/Conillon crop is estimated between 14.36 and 16.33 million bags. CONAB is expected to release the second coffee survey for the 2018 crop on May 16.

Coffee Area, Tree Inventory, and Yields

The table below shows the Brazilian coffee area and tree population from MY 2015/16 through MY 2019/20. Total area planted to coffee is projected stable at 2.39 million hectares, whereas coffee tree inventory slightly increase to 6.93 billion trees.

Brazilian Coffee Area and Tree Population (million trees, thousand hectares, trees/hectare)					
	MY 15/16	**MY 16/17**	**MY 17/18**	**MY 18/19**	**MY 19/20**
Total Trees	6,860	6,860	6,940	6,890	6,930
Non-Bearing	1,125	1,125	1,300	1,150	1,230
Bearing	5,735	5,735	5,640	5,740	5,700
Total Area	2,410	2,410	2,400	2,395	2,390
Non-Bearing	340	340	380	335	350
Harvested	2,070	2,070	2,020	2,060	2,040
Trees/ha	2,846	2,846	2,892	2,877	2,900
Non-Bearing	3,309	3,309	3,421	3,433	3,514
Bearing	2,771	2,771	2,792	2,786	2,794
Source: ATO/Sao Paulo					

Brazil's coffee yield for MY 2019/20 is forecast at 29.07 bags/hectare, a decrease of eight percent compared to MY 2018/19 (31.46 bags/hectare). The drop in yields due to the off-year of the biennial production cycle for Arabica trees was partially offset by the recovery of Robusta/Conillon production. The graph bellows illustrates the evolution of Brazilian coffee yields since the 2010/11 crop.



Source: ATO/Sao Paulo

Coffee Prices in the Domestic Market

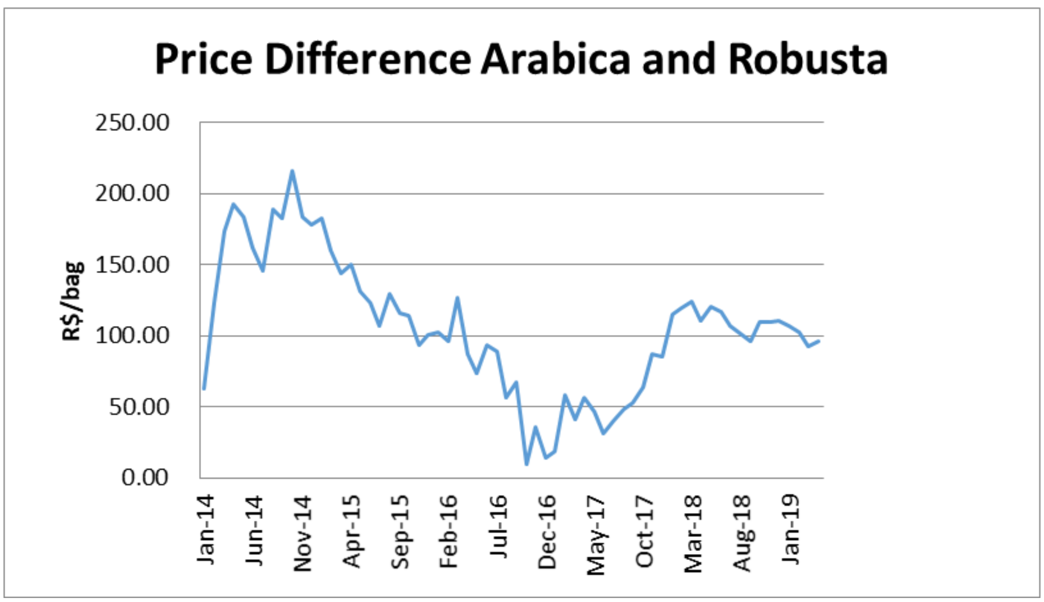
The tables below show the Coffee Index price series for both Arabica and Robusta coffee released by the University of Sao Paulo's Luiz de Queiroz College of Agriculture (ESALQ). The series tracks coffee prices in the domestic spot market dating back to September 1996. Note that both Arabica and Robusta prices have declined in the initial months of 2019 compared to the same period in 2018, due to the abundant supply from the 2018 crop and expectations for a good crop in 2019.

Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag).					
Month	**2015**	**2016**	**2017**	**2018**	**2019**
January	465.92	491.31	514.23	446.42	410.87
February	459.99	489.82	508.65	438.32	407.70
March	447.10	491.06	485.92	429.81	395.60
April	445.69	466.71	467.63	430.71	384.35
May	421.95	460.36	455.69	451.01	376.64
June	424.02	484.87	445.85	452.01	
July	414.50	498.52	451.90	439.25	
August	454.98	479.03	458.76	421.14	
September	456.95	502.94	453.46	415.39	
October 1/	478.11	511.07	445.95	441.23	
November	468.39	556.74	452.87	441.59	
December	479.32	501.80	447.36	420.32	
Source: CEPEA/ESALQ/USP. 1/ May prices refers May 7.					

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

Month	2015	2016	2017	2018	2019
January	283.28	389.27	495.19	331.57	304.21
February	299.58	393.61	449.93	319.12	305.15
March	303.44	363.88	444.97	305.55	302.88
April	295.88	379.33	411.31	320.04	288.40
May	290.33	386.71	408.81	330.78	266.08
June	301.03	391.40	414.96	335.39	
July	307.28	409.99	411.84	332.38	
August	325.68	422.87	410.77	319.25	
September	340.81	435.74	400.50	319.38	
October 1/	363.94	501.07	382.43	331.70	
November	375.25	521.31	365.36	331.94	
December	378.98	487.60	362.30	309.44	
Source: CEPEA/ESALQ/USP. 1/ May prices refers May 7.					

The price differential between the Arabica and Robusta varieties have fluctuated roughly between R$90 and R$120/bag since 2018, as shown in the graph below. Robusta/Conillon production recovered in the last few crop years, thus reducing the differential compared to Arabica.



Source: CEPEA/ESALQ/USP

Consumption

Brazil's domestic coffee consumption for MY 2019/20 is forecast at 23.53 million coffee bags (22.35 million bags of roast/ground and 1.18 million bags of soluble coffee, respectively), an increase of 1.5 percent compared to the previous MY, following the expected Brazilian gross domestic product (GDP) growth for the current year. Note that coffee already has a high penetration in Brazilian households.

The Brazilian Coffee Industry Association (ABIC) reports that the coffee industry processed 21 million bags, green equivalent, from November 2017 to October 2018, an increase of roughly five percent compared to the same period the year before (20.04 million bags). ABIC changed recently the methodology to estimate the domestic coffee consumption to include consumption only by roasters. Therefore, the aforementioned figures do not include consumption from other channels like on-farm consumption, coffee shops and other informal sources. According to the new methodology, per capita consumption for 2018 is estimated slightly up from 2017, at 4.82 kg of roasted coffee per person. Coffee consumption from sources other than roasters is roughly estimated at 2 million bags.

Trade

Exports

ATO/Sao Paulo forecasts total Brazilian coffee exports for MY 2019/20 at 36.82 60-kg million bags, due to expected lower coffee supply. Green bean exports are forecast at 33.5 million bags, while soluble coffee exports are projected at 3.3 million bags. In spite of the expected lower supply, Brazil is expected to remain very competitive in the international market.

Coffee exports for MY 2018/19 are estimated at a record volume of 39.72 million 60-kg bags, green beans, an increase of 9.27 million bags vis-a-vis MY 2017/18. The record crop in 2018 and steady competitiveness of the Brazilian product due to the depreciation of the local currency, the Real, have supported strong exports. The estimate is based on year-to-date export volumes and anticipated May-June loadings. Green bean (Arabica and Robusta/Conillon) exports are estimated at 36 million bags, whereas soluble coffee exports are estimated at 3.7 million bags.

According to the April 2019 coffee trade statistics released by the International Coffee Organization (ICO), total world coffee consumption for 2018/19 is estimated at 168.55 million bags, an increase of 2.56 million bags relative to 2017/18. Brazil represents roughly one third of total world exports.

The tables below show 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 the Global Trade Atlas (GTA), based on the Secretariat of Foreign Trade (SECEX), for MY 2015/16 through MY 2017/18 (July-June) and MY 2017/18 and MY 2018/19 (July-April).

Brazilian Green Coffee Exports by Country of Destination						
(NCM 0901.11.10, July-June, MT,US$ 000 FOB)						
	MY 2015/16		**MY 2016/17**		**MY 2017/18**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Germany	373,064	895,525	349,287	974,431	307,681	779,858
United States	402,453	999,224	353,630	989,912	304,060	812,523
Italy	179,025	491,896	178,747	525,755	167,612	464,821
Japan	133,947	402,591	124,151	394,982	103,655	295,692
Belgium	126,941	334,680	115,665	347,305	97,948	273,875
Turkey	46,695	105,833	56,647	154,643	48,554	123,155

United Kingdom	30,403	92,281	33,492	106,317	42,048	108,057
France	40,015	93,365	46,834	127,087	41,018	105,810
Canada	44,697	125,506	45,899	130,482	40,361	110,154
Sweden	38,807	90,893	36,910	100,750	37,864	97,137
Others	496,685	1,177,408	422,441	1,180,732	414,243	1,083,202
Total	1,912,732	4,809,203	1,763,703	5,032,397	1,605,044	4,254,282
Source : Global Trade Atlas based on the Brazilian Foreign Trade Secretariat (SECEX)						

Brazilian Green Coffee Exports by Country of Destination				
(NCM 0901.11.10, July-April, MT,US$ 000 FOB)				
	MY 2017/18		**MY 2018/19**	
Country	**Quantity**	**Value**	**Quantity**	**Value**
United States	264,754	714,287	330,575	737,925
Germany	273,246	697,316	313,226	680,144
Italy	147,870	415,517	175,824	406,191
Belgium	82,277	234,027	129,619	274,857
Japan	90,548	260,688	128,793	326,377
United Kingdom	28,547	82,916	57,751	117,102
Turkey	38,890	99,545	54,745	116,931
France	36,762	95,045	40,234	86,105
Canada	35,820	97,455	39,555	97,716
Spain	32,606	87,684	35,862	79,895
Others	359,347	944,845	481,306	1,039,896
Total	1,390,667	3,729,325	1,787,490	3,963,138
Source : Global Trade Atlas based on the Brazilian Foreign Trade Secretariat (SECEX)				

Brazilian Soluble Coffee Exports by Country of Destination						
(NCM 2101.11.10, July-June, MT,US$ 000 FOB)						
	MY 2015/16		**MY 2016/17**		**MY 2017/18**	
Country	**Quantity**	**Value**	**Quantity**	**Country**	**Quantity**	**Value**
United States	13,843	79,131	12,914	86,709	13,868	95,737
Russia	10,547	71,449	13,397	99,190	9,490	73,313
Indonesia	3,612	21,139	4,587	32,309	5,813	39,620
United Kingdom	3,386	28,900	2,632	23,510	3,759	34,607
Japan	5,539	38,570	4,840	38,554	4,126	33,180
Canada	2,138	15,072	2,343	20,484	2,013	16,179
Ukraine	4,324	24,570	3,321	22,948	2,007	16,057
Argentina	1,545	9,172	1,589	10,728	2,198	14,570
Saudi Arabia	1,763	13,251	1,806	16,321	1,654	13,976
Peru	1,177	10,274	1,468	12,090	1,683	12,737
Others	32,107	221,231	32,063	244,025	25,767	189,678
Total	79,981	532,759	80,960	606,867	72,378	539,655

Source : Global Trade Atlas based on the Brazilian Foreign Trade Secretariat (SECEX)

Brazilian Soluble Coffee Exports by Country of Destination				
(NCM 2101.11.10, July-April, MT,US$ 000 FOB)				
	MY 2017/18		**MY 2018/19**	
Country	**Quantity**	**Value**	**Quantity**	**Value**
United States	11,981	83,307	12,743	80,902
Russia	8,032	62,328	8,126	59,321
Indonesia	4,438	31,182	4,671	27,065
United Kingdom	3,289	30,740	3,564	25,106
Japan	3,425	28,217	3,323	23,481
Peru	1,280	10,096	2,593	14,291
Canada	1,857	14,978	2,460	16,076
Ukraine	1,739	13,903	2,387	17,146
Singapore	1,235	7,197	2,195	10,820
Poland	2,019	11,951	1,854	9,671
Others	22,763	174,021	25,513	168,436
Total	62,058	467,921	69,429	452,315
Source : Global Trade Atlas based on the Brazilian Foreign Trade Secretariat (SECEX)				

Brazilian Roasted Coffee Exports by Country of Destination						
(NCM 0901.21.00, July-June, MT,US$ 000 FOB)						
	MY 2015/16		**MY 2016/17**		**MY 2017/18**	
Country	**Quantity**	**Value**	**Quantity**	**Country**	**Quantity**	**Value**
United States	660	4,760	619	4,522	564	3,686
Argentina	180	751	255	2,173	261	2,851
Paraguay	70	541	113	795	129	895
Japan	121	536	157	925	163	868
Uruguay	71	491	86	617	94	777
Chile	53	269	102	563	82	496
Bolivia	43	147	32	159	38	281
Libya	0	0	0	0	56	194
Germany	26	116	34	203	28	186
Canada	2	12	2	10	13	153
Others	507	2,251	793	5,097	118	745
Total	1,733	9,875	2,193	15,066	1,546	11,133
Source : Global Trade Atlas based on the Brazilian Foreign Trade Secretariat (SECEX)						

Brazilian Roasted Coffee Exports by Country of Destination				
(NCM 0901.21.00, July-April, MT,US$ 000 FOB)				
	MY 2017/18		**MY 2018/19**	
Country	**Quantity**	**Value**	**Quantity**	**Value**

United States	503	3,378	629	3,274
Argentina	238	2,503	192	1,750
Japan	152	821	169	778
Paraguay	110	799	155	968
Uruguay	78	692	80	594
Chile	80	488	76	369
Jordan		0	73	133
Bolivia	37	280	30	132
Libya	56	194	28	111
Venezuela	3	7	25	89
Others	124	932	176	1,083
Total	1,381	10,095	1,633	9,281
Source : Global Trade Atlas based on the Brazilian Foreign Trade Secretariat (SECEX)				

As reported by Brazilian Green Coffee Association (CECAFE) and the Brazilian Soluble Coffee Association (ABICS), total coffee exports during the July 2018 - March 2019 period were 30.95 million bags, an increase of 7.20 million bags compared to the same period for MY 2017/18 (23.75 million bags), as a direct result of the abundant coffee supply. April 2019 exports are preliminary estimated at 2.97 million 60-kg bags. Initial data through May 8 show that coffee export registrations for May 2019 were 668,388 bags, while cumulative green coffee export shipments for May 2019 are 201,113 bags.

Imports

The table below shows roasted coffee (NCM 0901.21.00) by country of origin, according to the Global Trade Atlas (GTA), based on the Secretariat of Foreign Trade (SECEX), for MY 2015/16 through MY 2017/18 (July-June) and MY 2017/18 and MY 2018/19 (July-April).

Brazilian Roasted Coffee Imports by Country of Origin						
(NCM 0901.21.00, July-June, MT,US$ 000 FOB)						
	MY 2015/16		**MY 2016/17**		**MY 2017/18**	
Country	**Quantity**	**Value**	**Quantity**	**Country**	**Quantity**	**Value**
Switzerland	1,234	27,664	1,385	43,441	1,642	42,268
Italy	745	7,694	991	10,086	266	5,389
France	83	1,534	197	3,405	242	4,304
United Kingdom	275	5,222	121	2,049	194	3,401
Spain	327	4,438	109	1,545	147	2,392
United States	171	1,641	192	1,749	235	2,130
Portugal	105	1,021	161	1,519	186	1,746
Colombia	4	34	11	133	93	430
Uruguay	0	0	9	28	102	97
Belgium	0	0	0	0	2	67
Others	398	1,727	3	12	30	111
Total	3,342	50,975	3,179	63,967	3,139	62,334
Source : Global Trade Atlas based on the Brazilian Foreign Trade Secretariat (SECEX)						

Brazilian Roasted Coffee Imports by Country of Origin				
(NCM 0901.21.00, July-April, MT,US$ 000 FOB)				
	MY 2017/18		MY 2018/19	
Country	Quantity	Value	Quantity	Value
Switzerland	1,390	37,049	1,481	30,422
France	212	3,854	345	5,043
Italy	214	4,445	265	3,939
United States	171	1,564	217	1,898
Portugal	134	1,361	144	1,133
United Kingdom	143	2,644	126	2,192
Spain	120	1,972	117	1,895
Colombia	73	362	37	254
Germany		0	12	204
Belgium	1	67	3	115
Others	132	200	9	116
Total	2,590	53,517	2,756	47,209
Source : Global Trade Atlas based on the Brazilian Foreign Trade Secretariat (SECEX)				

Stocks

ATO/Sao Paulo forecasts total ending stocks in MY 2019/20 at 2.88 million bags, a roughly 1 million bag drop compared to the previous MY (3.86 million bags), due to expected lower coffee supply during the season and continued strong exports. Government stocks are virtually zero. CONAB's 2019 privately-owned stocks survey has not yet been released. That survey includes coffee stocks held by growers, coffee cooperatives, exporters, roasters, and the soluble industry as of March 31, 2019.

PS&D Tables

Coffee, Green	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jul 2017		Jul 2018		Jul 2019	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2400	2400	2395	2395	0	2390
Area Harvested	2020	2020	2060	2060	0	2040
Bearing Trees	5640	5640	5740	5740	0	5700
Non-Bearing Trees	1300	1300	1150	1150	0	1230
Total Tree Population	6940	6940	6890	6890	0	6930
Beginning Stocks	3828	3828	1919	1919	0	3864
Arabica Production	38500	38500	46900	48200	0	41000
Robusta Production	12400	12400	16500	16600	0	18300
Other Production	0	0	0	0	0	0

Total Production	50900	50900	63400	64800	0	59300
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	61	61	65	65	0	65
Soluble Imports	0	0	0	0	0	0
Total Imports	61	61	65	65	0	65
Total Supply	54789	54789	65384	66784	0	63229
Bean Exports	26936	26936	32000	36000	0	33500
Rst-Grnd Exp.	20	20	30	20	0	20
Soluble Exports	3494	3494	3300	3700	0	3300
Total Exports	30450	30450	35330	39720	0	36820
Rst,Ground Dom. Consum	21275	21275	22020	22020	0	22350
Soluble Dom. Cons.	1145	1145	1180	1180	0	1180
Domestic Consumption	22420	22420	23200	23200	0	23530
Ending Stocks	1919	1919	6854	3864	0	2879
Total Distribution	54789	54789	65384	66784	0	63229
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
January	1.99	2.43	2.66	4.04	3.13	3.16	3.65
February	1.98	2.33	2.88	3.98	3.10	3.24	3.74
March	2.01	2.26	3.21	3.56	3.17	3.32	3.90
April	2.00	2.24	2.98	3.45	3.20	3.48	3.94
May	2.13	2.24	3.18	3.60	3.26	3.74	3.99
June	2.22	2.20	3.10	3.21	3.30	3.86	
July	2.29	2.27	3.39	3.24	3.13	3.75	
August	2.37	2.24	3.65	3.24	3.15	4.14	
September	2.23	2.45	3.98	3.25	3.17	4.00	
October	2.20	2.44	3.86	3.18	3.27	3.72	
November	2.32	2.56	3.85	3.40	3.26	3.86	
December	2.34	2.66	3.90	3.47	3.31	3.87	
Source: Brazilian Central Bank (BACEN) - Last day of month. 1/ May 2019 refers to May 7.							