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Brazil

Coffee

Annual

2008

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Report Highlights:
Marketing Year (MY) 2008/09 coffee production is forecast at 51.1 million 60-kg bags, up 36 percent compared to previous MY, as a consequence of the biennial production cycle of arabica trees. Coffee exports for MY 2008/09, are projected at 28 million bags, up 4 percent from previous season, due to higher availability of the product. Carry-over stocks for MY 2008/09 are forecast at 6.3 million bags, up sharply from extremely low stocks for MY 2007/08.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Sao Paulo ATO [BR3]
[BR]

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PS&D Table

PSD Table									
Country	Brazil								
Commodity	Coffee, Green						(1000 HA)(MILLION TREES)(10(		
	2007	Revised		2008	Estimate		2009	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Planted	2431	2431	2431	2476	2476	2431	0	0	2411
Area Harvested	2245	2245	2245	2280	2280	2235	0	0	2223
Bearing Trees	5730	5730	5730	5755	5755	5720	0	0	5770
Non-Bearing Trees	563	563	563	674	674	679	0	0	663
Total Tree Population	6293	6293	6293	6429	6429	6399	0	0	6433
Beginning Stocks	7641	7641	7641	8211	8211	8361	4391	4391	1491
Arabica Production	36000	36000	36000	26300	26300	26300	0	0	38500
Robusta Production	10700	10700	10700	11300	11300	11300	0	0	12600
Other Production	0	0	0	0	0	0	0	0	0
Total Production	46700	46700	46700	37600	37600	37600	0	0	51100
Bean Imports	0	0	0	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0	0	0	0
Total Supply	54341	54341	54341	45811	45811	45961	4391	4391	52591
Bean Exports	26185	26185	26185	21230	21230	23550	0	0	24570
Rst-Grnd Exp.	55	55	55	70	70	120	0	0	130
Soluble Exports	3020	3020	3020	2700	2700	3200	0	0	3300
Total Exports	29260	29260	29260	24000	24000	26870	0	0	28000
Rst,Ground Dom. Consur	15900	15900	15750	16430	16430	16600	0	0	17250
Soluble Dom. Cons.	970	970	970	990	990	1000	0	0	1030
Domestic Use	16870	16870	16720	17420	17420	17600	0	0	18280
Ending Stocks	8211	8211	8361	4391	4391	1491	0	0	6311
Total Distribution	54341	54341	54341	45811	45811	45961	0	0	52591
Exportable Production	29830	29830	29980	20180	20180	20000	0	0	32820

Production

The Agricultural Trade Office (ATO)/Sao Paulo estimates Marketing Year (MY) 2007/08 (July-June) Brazilian coffee production at 37.6 million bags (60 kilograms per bag), green equivalent, unchanged from previous estimates. Arabica and robusta production should account for 26.3 and 11.3 million bags, respectively. According to industry sources, over 95 percent of the Brazilian 2007/08 crop has already been marketed.

Coffee production for MY 2008/09 (July-June) is forecast at 51.1 million 60-kg bags, green equivalent, a 36 percent increase compared to the previous MY. Higher production is mainly due to the biennial production cycle of arabica trees, which are experiencing a high-production year and are expected to produce 38.5 million bags, up 12.2 million bags relative to previous crop. Robusta trees should account for 12.6 million bags, up 12 percent compared to previous crop.

Post conducted field trips to major coffee producing areas to evaluate the MY 2008/09 production. Trips were made during the February-April 2008 period to the states of Minas Gerais, Espirito Santo, Parana and Sao Paulo to observe vegetative development, cherry set and fruit formation. Information for other producing states was obtained from government sources, state secretariats of agriculture, producers associations, cooperatives and traders.

Both Arabica and Robusta coffee trees benefited from good weather conditions during blossoming in the second semester of 2007. The dry weather that prevailed in August and September 2007 partially offset initial prospects for a better crop. However, steady rains from October 2007 – April 2008 supported stable fruit setting and development of the cherries, thus resulting in good yields.

The expected increase in production was also supported by improved prices throughout 2007, especially for robusta coffee, which provided incentive for better crop management and higher use of inputs. The table below shows forecast production by state and variety for MY 2008/09, as well, as production estimates for MY 2001/02 to MY 2007/08.

Brazilian Coffee Production (Million 60-kg bags)								
State/Variety	MY 2001/02	MY 2002/0	MY 2003/0	MY 04/05	MY 05/06	MY 06/07	MY 07/08	MY 08/09
Minas Gerais	16,20	26,70	14,40	21,40	16,30	23,70	16,85	25,55
Southwest	8,50	15,00	7,40	11,50	7,30	13,50	8,40	14,25
Central-western	3,20	4,85	3,20	4,20	3,30	4,60	3,05	4,90
Southeast	4,50	6,85	3,80	5,70	5,70	5,60	5,40	6,40
Espirito Santo	9,70	11,50	7,90	8,10	8,40	10,00	10,40	11,80
Arabica	2,20	3,00	1,70	2,50	2,20	2,20	2,20	2,80
Robusta	7,50	8,50	6,20	5,60	6,20	7,80	8,20	9,00
Sao Paulo	3,20	5,90	3,10	4,90	3,30	4,90	3,10	4,85
Parana	0,50	2,60	2,20	2,60	1,80	2,50	1,95	2,50
Others	5,50	6,90	5,60	6,60	6,30	5,60	5,30	6,40
Arabica	2,30	3,40	2,20	2,90	2,40	2,70	2,20	2,80
Robusta	3,20	3,50	3,40	3,70	3,90	2,90	3,10	3,60
Total	35,10	53,60	33,20	43,60	36,10	46,70	37,60	51,10
Arabica	24,40	41,60	23,60	34,30	26,00	36,00	26,30	38,50
Robusta	10,70	12,00	9,60	9,30	10,10	10,70	11,30	12,60
Source: ATO/Sao Paulo.								

In May 2008, the Brazilian Government (GOB), through the Ministry of Agriculture, Livestock and Supply's (MAPA) National Supply Company (CONAB), released its second survey projecting Brazilian coffee production for MY 2008/09 at 45.544 million 60-kg bags, a 11.804 million bag increase compared to the final estimate for MY 2007/08 (33.74 million bags). CONAB projects arabica production at 34.70 million bags, up 48 percent from the previous crop, whereas the robusta crop is estimated at 10.844 million bags, a 581,000 bags increase relative to MY 2007/08.

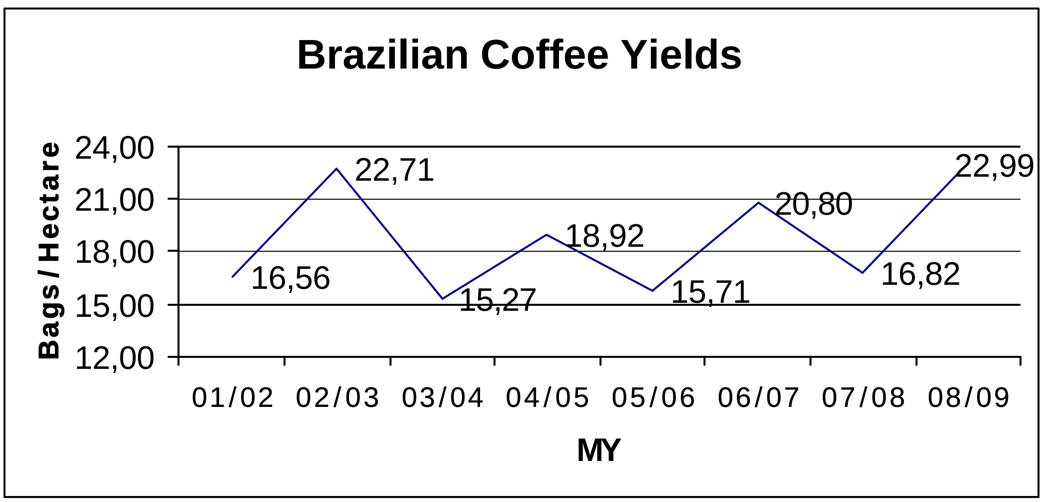
Coffee Area and Tree Population

The table below shows the Brazilian coffee area and tree population from MY 2001/02 through MY 2008/09.

Brazilian Coffee Area andTree Population (billion trees, million hectares, thousand trees/hectare)								
	MY01/02	MY02/03	MY 03/04	MY 04/05	MY 05/06	MY 06/07	MY 07/08	MY 08/09
Total Trees	5.965	6.390	5.681	5.721	5.911	6.293	6.399	6.433
Non-Bearing	1.500	1.125	631	466	581	563	679	663
Bearing	4.465	5.265	5.050	5.255	5.330	5.730	5.720	5.770
Total Area	2.615	2.675	2.379	2.453	2.473	2.431	2.431	2.411
Non-Bearing	495	315	205	148	175	186	196	188
Harvested	2.120	2.360	2.174	2.305	2.298	2.245	2.235	2.223
Trees/ha	2.281	2.389	2.388	2.332	2.390	2.589	2.632	2.669
Non-Bearing	3.030	3.577	3.075	3.149	3.320	3.030	3.468	3.527
Bearing	2.106	2.231	2.323	2.280	2.319	2.552	2.559	2.596

Yields

The Brazilian coffee yield for MY 2008/09 is forecast at 22.99 bags/hectare, a 37 percent increase relative to MY 2007/08 (16.82 bags/ha.), due to the on-year of the biennial arabica cycle, overall good weather conditions and improved crop management.



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 stable even during the peak of the MY 2007/08 season as a consequence of lower availabilility of the product.

Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag).					
	2004	2005	2006	2007	2008
January	193,24	284,40	291,50	281,63	267,84
February	203,52	305,07	269,75	267,66	285,19
March	206,22	337,03	254,44	252,72	263,28
April	202,10	336,40	248,82	238,88	256,48
May	217,53	324,55	234,86	232,20	252,75
June	239,77	300,90	224,58	240,80	--
July	200,61	255,61	218,16	238,63	--
August	198,98	253,87	232,82	254,54	--
September	219,27	230,41	233,47	259,15	--
October	215,95	244,36	235,12	255,84	--
November	240,38	252,90	269,13	245,82	--
December	269,70	248,13	291,35	261,28	--
Source: CEPEA/ESALQ/USP. 1/ May 2008 refers to May 26					

Consumption

Post forecasts total Brazilian domestic consumption for MY 2008/09 at 18.28 million coffee bags (17.25 and 1.03 million bags of roast/ground and soluble coffee, respectively), up 4 percent from 2007/08. Coffee consumption should be driven by increased purchasing power of the Brazilian population. The tight balance between supply and demand and higher roasting and grinding production costs should reflect, however, in increased retail prices, creating obstacles to higher domestic consumption.

Brazilian consumption during MY 2007/08 is estimated at 17.6 million 60-kg bags, green equivalent, a 5 percent increase compared to MY 2006/07 consumption (16.72 million bags). Roast and ground coffee consumption accounted for 16.6 million bags, whereas soluble consumption is estimated at 1 million bags. Estimates are based on periodic surveys conducted by ABIC, reflecting population growth, increased per capita consumption, increased purchasing power, and the effects of domestic campaigns to promote coffee consumption.

ABIC reports that the coffee industry processed 17.1 million bags, green equivalent, from November 2006 to October 2007, up 4.7 percent compared to the same period the year before. This figure represents 14 percent of world coffee consumption and over 50 percent of consumption among coffee-producing countries. Per capita consumption for 2007 is estimated at 4.42 kg of roasted coffee per person, up 4 percent from previous year.

Increased consumption results partially from measures taken by the industry during the past years, which include:

- Improving product quality via the Coffee Quality Program (PQC). The program has currently issued the "Quality Stamp" to over 250 coffee brands all over Brazil. PQC is complemented by the sustainable Coffee Program which offers a complete certification guarantee for those who reaches sustaintability standards from planting to the cup.

- Steady growth of the market for gourmet, specialty and high quality coffees, attracting more and more young people to the market;

- Improved perception that coffee can bring a healthier life as a result of investments in the Coffee and Health Program, supported by the entire coffee industry;

- Better economic conditions, with significant consumption and purchasing power improvements, lower unemployment rates and larger participation of consumers that migrated from lower to higher income classes.

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
1996	10,60	0,40	11,00	3,33	4,16
1997	11,00	0,50	11,50	3,44	4,30
1998	11,60	0,60	12,20	3,61	4,51
1999	12,20	0,50	12,70	3,73	4,67
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 1/			18,10		
Source: Brazilian Coffee Industry Association (ABIC). 1/ Projection					
Note: Estimates refer to November-October period.					

Trade

Exports

Brazilian coffee exports for MY 2008/09 are projected at 28 million bags, a 4 percent increase compared to revised figure for MY 2007/08, due to expected higher availability of the product. Green bean exports should contribute 24.57 million bags, while soluble coffee exports are forecast at 3.3 million bags.

Coffee exports for MY 2007/08 were revised upward to 26.87 million 60-kg bags, green beans, up 12 percent from previous estimate. In spite of the lower crop, carry-over stocks from previous years have supported steady shipments. Brazil remains competitive in international markets in spite of higher production costs and the continuous devaluation of the dollar vis-à-vis the Real. Green bean (arabica and robusta) exports are estimated at 23.55 million bags, whereas soluble coffee exports are estimated at 3.2 million bags. Brazil represents over 30 percent of total world exports.

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 CY 2007, MY 2006/07 and 2007/08 (July-March).

Brazilian Coffee Exports by Country of Destination (NCM 0901.11.10, MT, US$ 000 FOB)						
	CY 2007		MY 2006/07 1/		MY 2007/08 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
German	301.553	687.052	268.544	566.223	219.267	535.405
U.S.A.	269.791	589.871	239.915	471.134	206.623	482.773
Italy	160.482	375.638	131.532	281.841	118.385	305.670
Japan	112.489	272.772	88.619	197.869	78.414	201.453
Belgium	76.648	178.554	57.325	121.336	71.633	179.914
Slovenia	54.068	118.731	43.890	81.664	40.752	94.064
France	47.465	107.437	42.346	89.157	31.779	78.609
Spain	46.691	107.644	40.876	85.060	31.696	78.272
Sweden	40.971	92.852	32.164	67.679	30.534	74.125
Netherlands	44.363	101.008	39.338	79.870	29.030	69.344
Others	332.999	746.479	247.745	500.925	255.777	608.546
Total	1.487.520	3.378.038	1.232.294	2.542.757	1.113.890	2.708.175
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may not add due to rounding 1/July - March						

Brazilian Roasted Coffee Exports by Country of Destination (NCM 0901.21.00, MT, US$ 000 FOB)						
	CY 2007		MY 2006/07 1/		MY 2007/08 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
U.S.A.	3.648	18.407	1.481	7.100	4.242	22.306
Italy	917	3.776	718	2.706	675	2.919
Japan	212	945	223	866	225	969
Argentina	241	1.393	165	820	168	1.040
Paraguay	64	198	32	88	47	154
Ukraine	0	0	0	0	44	267
Uruguay	34	102	21	64	35	116
Portugal	23	86	58	411	33	119
Spain	2	14	2	11	28	128
Chile	36	185	21	91	27	146
Others	267	1.321	206	1.087	142	883
Total	5.446	26.428	2.925	13.245	5.666	29.046
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may not add due to rounding 1/July-March						

Brazilian Solube Coffee Exports by Country of Destination (NCM 2101.11.10 MT, US$ 000 FOB)						
	CY 2007		MY 2006/07 1/		MY 2007/08 1/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Russia	11.239	83.440	7.571	49.027	8.949	67.806
U.S.A.	11.754	55.747	9.366	41.329	9.412	47.466
United Kingdom	5.545	39.780	3.510	23.751	4.828	36.479
Ukraine	5.031	38.264	3.901	25.371	3.616	29.590
Germany	4.536	25.786	4.331	23.384	2.952	17.926
Japan	3.381	25.319	2.725	17.747	2.727	21.950
Argentina	3.771	16.817	2.073	8.100	3.281	15.829
Canada	2.011	14.453	961	5.425	1.362	10.483
Belgium	1.848	13.240	899	5.613	1.651	12.720
Singapore	2.881	10.944	2.107	7.697	2.470	10.291
Others	19.485	127.327	13.818	85.997	16.816	115.769
Total	71.481	451.117	51.262	293.442	58.063	386.308
Source : Brazilian Foreign TRADE Secretariat (SECEX)						
Note : Numbers may note add due to rounding 1/July-March						

The tables below include data on monthly coffee exports (quantity and value) for MY 2007/08 (July-April), as reported by CECAFE and the Brazilian Soluble Coffee Association (ABICS). Total coffee exports during the July 2007 - April 2008 period were 23.3 million bags, down 1.4 million bags relative to the same period for MY 2006/07. Preliminary data show that coffee export registrations for May 2008 were 1,343,744 while cumulative green coffee export shipments for May 2008 are 1,112,635 through May 26.

Brazilian Monthly Coffee Exports for MY 2007/08 (Quantity, 60 kg bag, green equivalent).						
Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
jul-07	208.960	1.703.644	4.576	1.917.180	305.103	2.222.283
Aug/07	174.953	1.758.924	6.594	1.940.471	264.919	2.205.390
Sep/07	213.394	1.714.275	15.643	1.943.312	281.140	2.224.452
Oct/07	238.309	2.255.546	13.586	2.507.441	283.422	2.790.863
nov-07	121.682	2.092.960	15.991	2.230.633	289.954	2.520.587
Dec/07	50.710	2.013.638	7.714	2.072.062	272.483	2.344.545
jan-08	46.762	1.890.658	8.404	1.945.824	315.809	2.261.633
Feb/08	35.010	1.822.321	11.412	1.868.743	242.965	2.111.708
mar-08	158.531	1.868.684	12.257	2.039.472	259.243	2.298.715
Apr/08	128.164	1.887.820	8.560	2.024.544	271.209	2.295.753
Cumulati	1.376.475	19.008.470	104.737	20.489.682	2.786.247	23.275.929
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2007/08 (Value, US$ 1,000).						
Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
jul-07	22.556	225.775	1.127	249.458	48.176	297.634
Aug/07	19.231	235.979	1.408	256.618	39.846	296.464
Sep/07	23.368	235.820	3.456	262.644	44.319	306.963
Oct/07	27.985	325.746	3.396	357.127	66.079	423.206
nov-07	14.462	307.839	4.264	326.565	45.962	372.527
Dec/07	6.133	300.952	1.842	308.928	43.484	352.411
jan-08	5.916	291.103	2.119	299.138	51.926	351.064
Feb/08	4.514	286.098	2.949	293.561	49.649	343.210
mar-08	22.753	310.245	3.425	336.424	44.019	380.443
Apr/08	18.181	311.962	2.444	332.587	47.360	379.947
Cumulati	165.098	2.831.521	26.430	3.023.049	480.819	3.503.868
Source: CECAFE and ABICS.						

Stocks

Ending stocks for MY 2007/08 are estimated at approximately 1.5 million 60-kg bags, down 6.9 million bags from previous MY (8.4 million bags). The lower 2007/08 crop size did not discourage Brazilian exports which led to a draw-down in carry-over from previous seasons. Note that stock levels are the lowest in the past 50 years and theoretically not sufficient to guarantee the proper flow of product among the different players of the industry (growers, brokers, exporters, roasters, soluble industry, etc.). However, the harvest of the MY 2008/09 crop started in April 2008 and over 20 percent of the crop should be available for the industry prior to the end of the current MY, this minimizing the impact of stock liquidation.

Projected ending stocks for MY 2008/09 are 6.3 million bags, up 4.8 million bags compared to MY 2007/08 due to expected higher availability of the product.

The table below shows the volumes offered and negotiated for MY 2007/08 (July-April) in the monthly coffee auctions conducted by the MAPA/Department of Coffee (DECAF). Cumulative sales to date are 730,755 bags or approximately 97 percent of the quantity offered. As of April 30, coffee stocks held by MAPA/DECAF were estimated at approximately 526,049 bags, whereas CONAB coffee stocks were 182,167 bags.

Auctions of the Brazilian Government Coffee Stocks, 2007/2008 (60 kg bags, US$/bag).				
Date	Quantity	Quantity	Auction Price	
	Offered	Sold	R$	USD$
11-jul	40.000	39.847	202,78	107,03
25-jul	40.000	39.983	201,85	108,27
08-ago	40.000	38.780	209,05	110,81
22-ago	40.000	39.801	210,62	104,41
05-set	40.000	37.504	213,38	108,65
19-set	50.000	49.320	212,87	114,21
10-out	50.000	49.655	215,66	119,49
31-out	50.000	47.336	194,47	111,51
13-nov	50.000	49.860	188,31	106,55
28-nov	60.000	60.000	189,54	105,24
19-dez	100.000	100.000	190,22	105,61
16-jan	100.000	92.030	187,48	106,39
13-fev	62.150	60.550	203,96	116,88
16-abr	8.605	7.635	223,87	134,13
Cumulative	730.755	712.301		
Source: Ministry of Agriculture, Livestock & Supply (MAPA)/Coffee Department (DCAF).				

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)						
Month	2003	2004	2005	2006	2007	2008
January	3,53	2,94	2,62	2,22	2,12	1,76
February	3,56	2,91	2,60	2,14	2,12	1,68
March	3,35	2,91	2,67	2,17	2,05	1,75
April	2,89	2,94	2,53	2,09	2,03	1,69
May 1/	2,97	3,13	2,40	2,30	1,93	1,64
June	2,87	3,11	2,35	2,16	1,93	--
July	2,97	3,03	2,39	2,18	1,88	--
August	2,97	2,93	2,36	2,14	1,96	--
September	2,92	2,86	2,22	2,17	1,84	--
October	2,86	2,86	2,25	2,14	1,74	--
November	2,95	2,73	2,21	2,17	1,78	--
December	2,89	2,65	2,26	2,14	1,77	--
Source: Gazeta Mercantil. And BACEN (as of October 2006).						
1/ May 2008 refers to May 19						