BRAZIL
COFFEE TREE POPULATION

<table>
<thead>
<tr>
<th>EVOLUTION</th>
<th>PRODUCING</th>
<th>IN DEVELOPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>2,3 BI</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>3,2 BI</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>3,9 BI</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>4,2 BI</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>3,2 BI</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>4,8 BI</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>5,1 BI</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>5,5 BI</td>
<td>1,39</td>
</tr>
</tbody>
</table>

2001/2002 = 5,5 BILLONS
INVESTMENTS >> EFFICIENCY

Good prices 94 to 99

New plantations - Replanting - High density
Increasing yield

Mechanization - Cerrado - Flat lands
Irrigation - New areas of conillon & cerrado

Drier machine
Patios (cement/asfalt) instead of dirty ground

Genetic
Clonal
Drought
Rust and Nematoide

Result: Improvement of quality and increasing productivity
Brazil started again to plant since 1995 using new methods, obtaining more productivity. From the total of the planted area, 30 to 40% is maintained in the old methods.

**PRODUCTIVITY:**
- **1990:** 8 to 9 bags per hectare
- **2001:** 15 to 16 bags per hectare
Producing Areas

- Producing States
  - Pernambuco
  - Bahia
  - Goiás
  - Espírito Santo
  - São Paulo
  - Paraná
  - Mato Grosso
  - Mato Grosso do Sul
  - Minas Gerais

- Percentage of Arabica and Robusta (Conillon)
  - Pernambuco: 47.94%
  - Bahia: 6.37%
  - Goiás: 6.0%
  - Espírito Santo: 25.84%
  - São Paulo: 10.49%
  - Paraná: 15.5%
  - Mato Grosso: 25.84%
  - Mato Grosso do Sul: 10.49%
Profile of Brazilian Producers

70% → SMALL PRODUCERS
20% OF TOTAL PRODUCTION
Not more than 20 hectares
(Up to 300 bags of 60kgs)

20% → MEDIUM SIZE PRODUCERS
40% OF TOTAL PRODUCTION
From 20 to 200 hectares)
(From 300 to 3000 bags of 60kgs)

10% → LARGE PRODUCERS
40% OF TOTAL PRODUCTION
(more than 200 hectares)
(More than 3000 bags of 60kgs)
Cost of Production

(-) Small producers  
  Technical & Mechanized  
  High productivities  

Cost

(+) Low productivities

Current Market Price

→ Good potential planted for the next 2/3 years
FARMERS

At current low prices

- Sharply reduction of new plantations
- Less 30% of Fertilizer
- Less treatment on the trees
- Low production

Non professional/Low productivities
Abandonment of coffee plantations
2001/2002 CROP

Already beginning

Quality

\[
\begin{align*}
\text{Not so uniform as the crop 2000/2001} \\
\text{(due to many flowerings)} \\
\text{Dry weather: Good for harvesting and improvement of cup quality}
\end{align*}
\]

More Robustas \quad \leftrightarrow \quad \text{Less Arabica}

Washed: 1 million

\[
\begin{align*}
0,7 \text{ - Semiwashed} \\
0,3 \text{ - Fully washed}
\end{align*}
\]

*底盘 decreasing in traditional areas

South of Minas and Mogiana

Low productivity of old coffee plantations due to no satisfactory weather conditions for these trees
## MAIN ALLOCATION FOR THE CROP 2000/2001

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (in thousand bags)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exportation:</td>
<td></td>
</tr>
<tr>
<td>Green</td>
<td>17.524</td>
</tr>
<tr>
<td>Soluble</td>
<td>2.334</td>
</tr>
<tr>
<td>Auctions IBC Stocks</td>
<td>(935)</td>
</tr>
<tr>
<td>Domestic Consumption</td>
<td>12.500</td>
</tr>
<tr>
<td>Retention</td>
<td>2.923</td>
</tr>
<tr>
<td></td>
<td><strong>34.346</strong></td>
</tr>
</tbody>
</table>
Cooperatives Stocks
From Jun/93 thru Apr/01

March/01 : 4,866,801
April/01 : estimated 4,100,000
2002/2003 CROP

GOOD POTENTIAL PLANTED

LOW PRICES ➔ LESS TREATMENT

WEATHER

DROUGHT???

INDEX OF RAINS:

During Jan/Apr/01
26% below less five years
BASIS
SWEDISH QUALITY

New York
B A S I S

Widening

ALTHOUGH NY LOW LEVEL
CURRENCY: REAL’s devaluation of 15% last 2 months

SELL PRESSURE
\[
\begin{align*}
\text{Cash Flow} \\
\text{Reasonable Carry over} \\
\text{New crop arriving}
\end{align*}
\]

END OF RETENTION LINKED TO EXPORTS

Narrowing

DEPENDING ON FLAT PRICES (If NY at 0.60 cts.)

PROTECTION OF WEATHER RISKS
AFTER THE CROP PRESSURE
Robusta (Conillon)

Progressive increase of production

DISTRIBUTION

4.0 millions = 30% of Brazil domestic consumption (13 millions) potential of 5.0 millions = 40%

1.5 million = 70% Soluble Industries (2 millions)

Balance = exported or retained
Green Coffee Exportation
World x Brazil
Crop-Year: Jul/Jun - 95/96 to Jul/Mar 00/01
In thousand bags of 60 kg