Ministry of Agriculture, Livestock and Food Supply

Coffee Department

Production and Agro-energy Secretariat
Coffee in Brazil

- World’s leading coffee producer and exporter
- World’s second biggest consumer
- Employs around 8 million workers (directly or indirectly)
- Produced in 14 States and 1,850 Municipalities
- 230 thousand coffee farms
- Cooperatives: 43
- Roasters: 1,336
- Soluble coffee companies: 6
- Exporting companies: 220
- Brands: 3,000
Characteristics

- Biennial cycle
- Climatic factors (frosts or droughts)
- Diversity in regions and advanced technology
- Agricultural and processing research
- Density, mechanization and irrigation
- Production costs and quality – competitive factors
- Modern marketing and financing instruments
- Funcafé and shared management (organization of sectors in the coffee economy)
Source of funds:

- Proceeds from collection of the ‘contribution quota’ established under Law-Decree No.2,295/86 (a form of tax on all coffee exports)

- Returns on investments/financing

- Proceeds from sales of government-held stocks

- Proceeds from sales of financial assets held in National Treasury bonds through the Banco do Brasil (the central Bank of Brazil), as well as any financial surpluses at 31 December each year
Coffee Economy Defence Fund - FUNCAFÉ

Legally permitted uses of funds:

- Building up of regulatory stocks
- Rationalizing coffee growing and providing assistance to coffee farmers
- Technological research, studies and diagnostic analyses of Brazilian coffee growing; international technical and financial cooperation
- Adoption of new coffee farming and processing techniques in small and medium-scale farms
- Encouraging cooperatives in coffee growing
- Supporting development in the coffee roasting and soluble coffee industries
- Promotion and advertising in the domestic and external markets

Art. 2, Decree No. 94,874/87
Credit Lines/ Beneficiaries:

- **Costs**: Coffee growers, through loans contracted directly or via cooperatives; for *warehousing* rural producer cooperatives may be accepted in the case of coffee produced by themselves.

- **Financing for purchasing coffee**: Roasting industries, processors, exporters and cooperatives carrying out coffee processing, roasting and export activities.

- **Options and futures contracts**: Coffee growers and producer cooperatives.

- **Working capital for the soluble coffee industry**: Soluble coffee industries established in national territory.

- **Rehabilitation of damaged coffee farms**: Coffee growers with at least 10% of their coffee areas damaged by hail, frost, wind or other adverse weather phenomena.
Evolution of Brazilian Production of 60kg Millions of bags

Source: CONAB Estimate September 2011
Introduction of new mechanisms

CPR – Rural Product Note (*Cédula de Producto Rural*)
CDA/WA – Agricultural Deposit Certificate and Agricultural Warrant
Legal Basis

Law 8,929/94 - CPR
Law 11,076/04 - CDA/WA

Cultural Basis
Farmer’s Behaviour

Price
Farmer’s Culture

- Traditional
- Backward-looking
- Inadequate marketing
- Lack of information
- Difficulty in accessing modern mechanisms
Paradigm Change

- Planting before selling
- Selling before planting
Culture Change

- Using appropriate language
- Providing access to market knowledge
- Price management
- Producers to become entrepreneurs
CPR – Rural Product Note (Cédula de Produto Rural)

- **Banks**: Buys note at market interest rates – resells to buyers of the product
- **Buyers**: Buys part of production in advance
- **Sellers of inputs**: Exchanges note for inputs during period before harvest and then resells to buyers of product
- **Commodity Exchanges / Investors / Investment funds**: Buys note:
  - with payment in form of product and passes it on to the final buyer
  - with financial settlement
1) Sells two notes – the buyer has the right to take delivery of the product or to pass on the note to the market.

2) Sells the WA only - for the buyer it constitutes an investment, with the CDA acting as a guarantee.

3) Sells the CDA with the Wa debt – the buyer can acquire ownership of the goods if he settles the WA.

The deal is registered electronically and involves the participation of: the industry, trade, investors, funds and banks.

Takes out a bank loan:

- uses CDA / WA as guarantee
- insurance guarantees are allowed
A NEW AGRICULTURAL MODEL

• Envisaging the future and seeking security for participants

• A leap forward in quality and production

• Partnership consolidation

• Brazil as a reference for the world