

Ministry of Agriculture, Livestock and Food Supply

Coffee Department



Ministério da Agricultura, Pecuária e Abastecimento

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)

Coffee Economy Defence Fund – FUNCAFÉ

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:

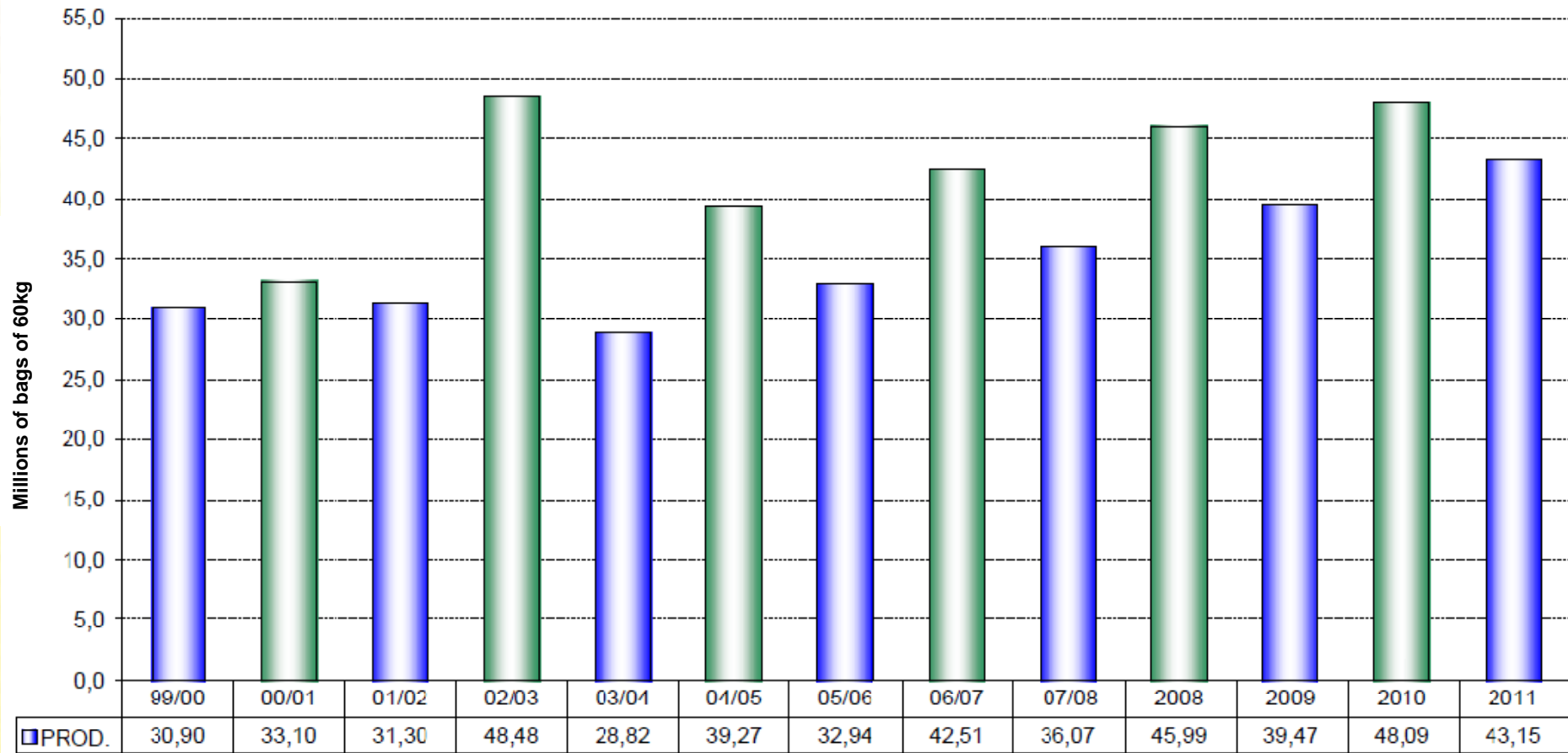
- Building up of regulatory stocks
- Rationalizing coffee growing and providing assistance to coffee farmers
- Technological research, studies and diagnostic analyses of Brazilian coffee growing; international technical and financial cooperation
- Adoption of new coffee farming and processing techniques 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



Source: CONAB, Estimate, September 2011

Introduction of new mechanisms

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

Legal Basis

Law 8,929/94 - CPR

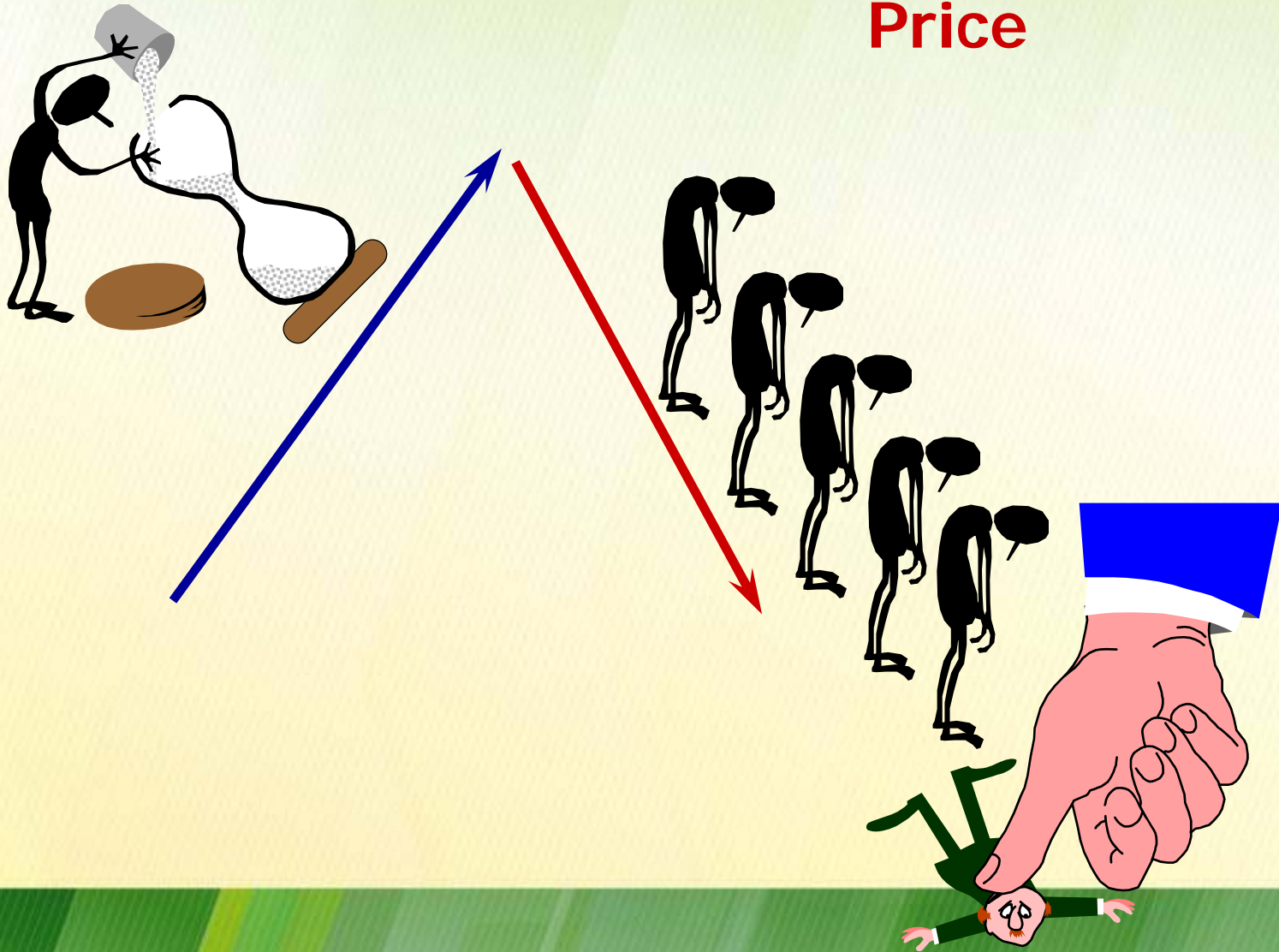
Law 11,076/04 - CDA/WA



Cultural Basis

Farmer's Behaviour

Price



Farmer's Culture

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



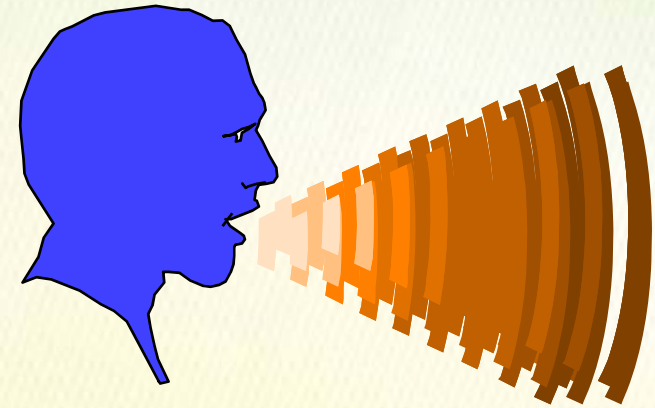
Paradigm Change

- **Planting before selling**
- **Selling before planting**

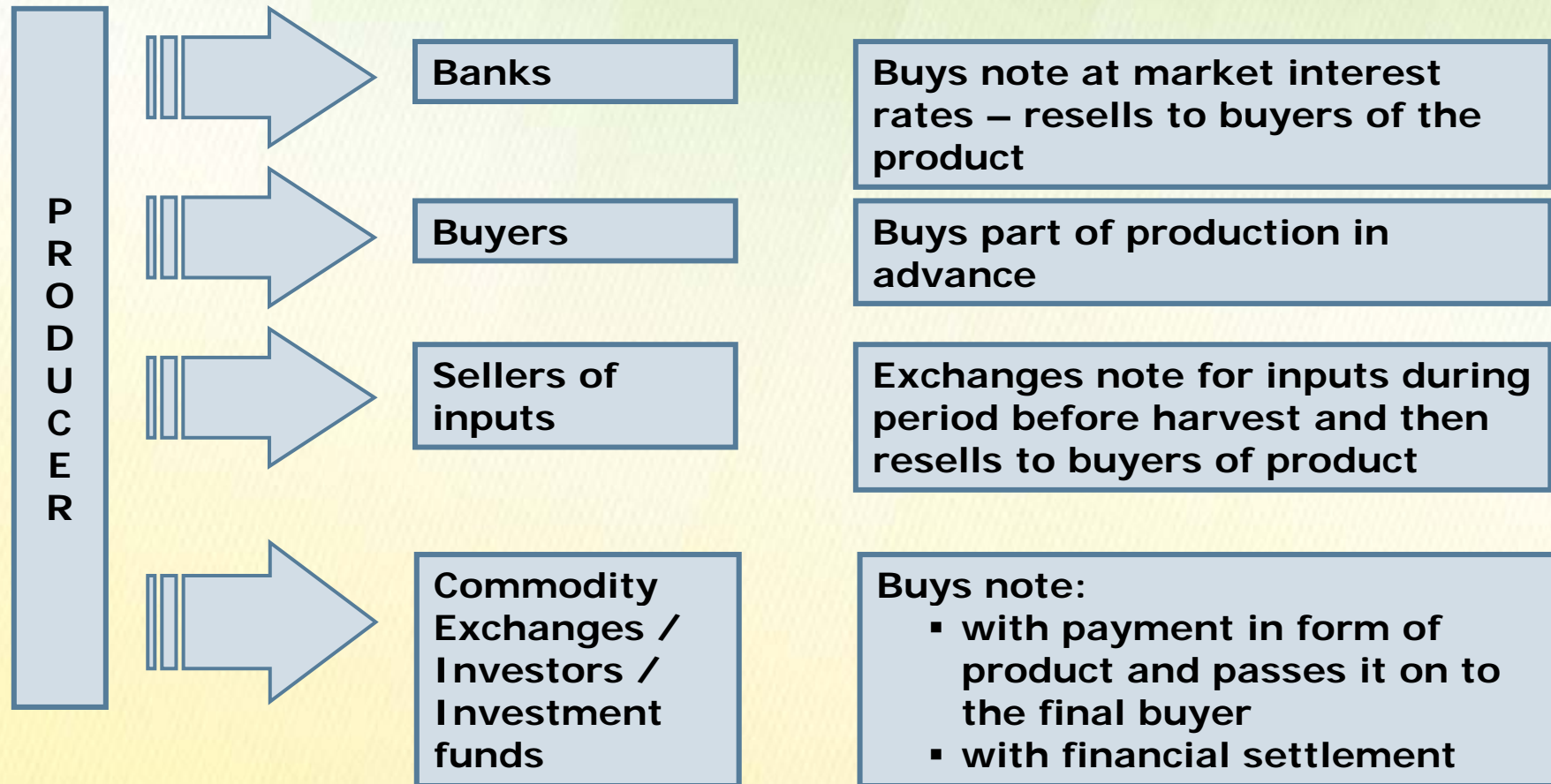


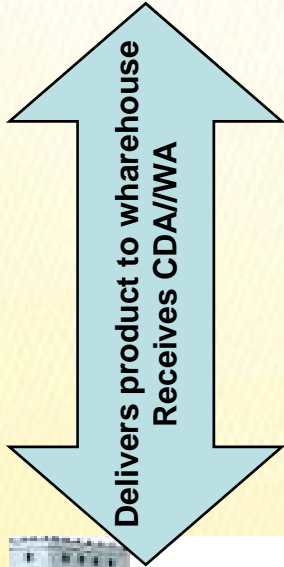
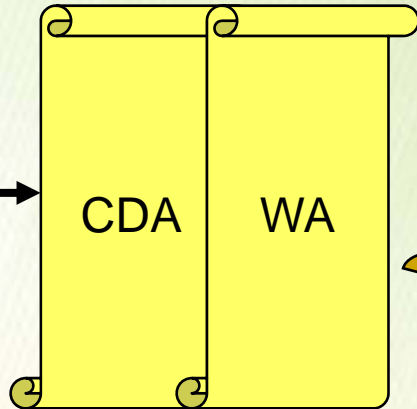
Culture Change

- **Using appropriate language**
- **Providing access to market knowledge**
- **Price management**
- **Producers to become entrepreneurs**



CPR – Rural Product Note (*Cédula de Produto Rural*)





**General
Warehouse**

- 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**



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GOVERNO FEDERAL
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PAÍS RICO É PAÍS SEM POBREZA