MAPA 150 YEARS
SUPPLYING BRAZIL PRODUCING FOR THE WORLD

Structural Outlook on the Brazilian Coffee Production

World Coffee Conference

Guatemala City

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Ministry of Agriculture, Livestock and Food Supply

BRASIL BRAZILIAN GOVERNMENT

Structural Baseline Aspects

- Difficulties in transferring costs down on the chain to consumers;
- Long-run production (perennial);
- Expensive initial production investments;
- Producing-based technology defined at initial investments;
- Non-perishable and easy-to-storage product;
- Developing countries-based production;
- Brazil: biennial cycle subject to adverse weather condition (drought and cold).

Structural Baseline Aspects

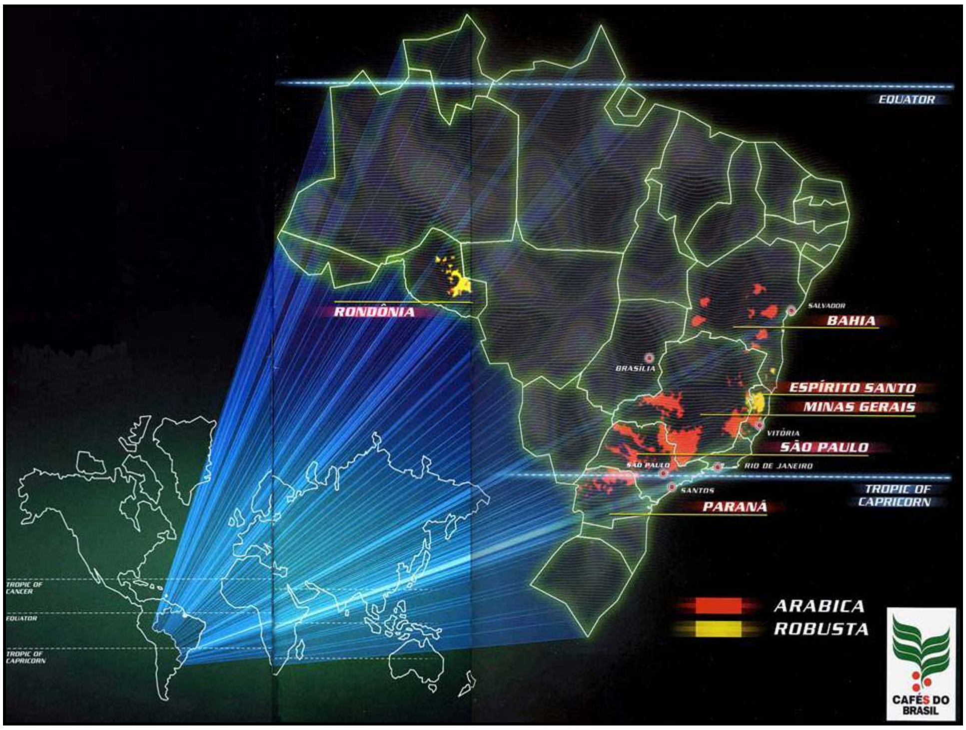
- Necessity to manage production surplus that might downturn coffee prices;
- Price –inelastic demand;
- Slow-reaction production to price upturns leads to the exhaustion of coffee farming areas.

International Aspects

- Commodities Agreements
- Coffee, Sugar, Cocoa, Timber and Rubber,
  - Exporting and importing members
  - Economic development forefront for many countries
  - Principles of the economic clauses;
  - Globalization and the extinction of the economic clauses;
  - 1989 – Selectivity , global market (members and non- members), and the reduction of the Brazilian quota.

“Cafés do Brasil” – Main Aspects

- High market share
- Biennial cycle
- Weather conditions (frosts or droughts)
- Diversity of the Coffee-farming regions and high technology
- Agronomic and procedure research;
- Density, mechanization e irrigation
- Diversity of production costs and quality;
- Modern financing and commercial instruments
- Funcafé and co-shared management (organization of all sectors that compose the coffee economic chain)



“Cafés do Brasil”

- Number of producing farms: 287.000 distributed in 1850 cities ;
- 30 exclusively coffee farmers cooperatives out of 43 coffee trading cooperatives (33% of production);
- Roasters: 1.336;
- Soluble coffee plants: 9;
- Trade marks : 3.000;
- Exporting companies: 220.

Brazilian Coffee at a Glance:

- **Major world coffee producer(48 million bags in the 2010 crop year;**
- **2,1 million hectares;**
- **Second largest world coffee consumer (18,4 million bags in 2009);**
- **Major world *in natura* coffee supplier (31 million bags in 2009)**

Institutional Framework

- Coffee Policy Deliberative Council - CDPC
- Government and private sectors
- Funcafé
- CNC, CNA, CECAFÉ, ABIC e ABICS
- Conab and Embrapa
- Unions
- Cooperatives

Cooperatives

- Considerable participation as to the total coffee production
- Relevant institutional instrument in the Brazilian coffee chain
- Outstandingly predominant in the “Sul de Minas” region
- 40.000 producers in 21 surveyed companies , 80% composed of small-holders with areas ranging from 0 to 20 hectares
- Services towards sustainability.

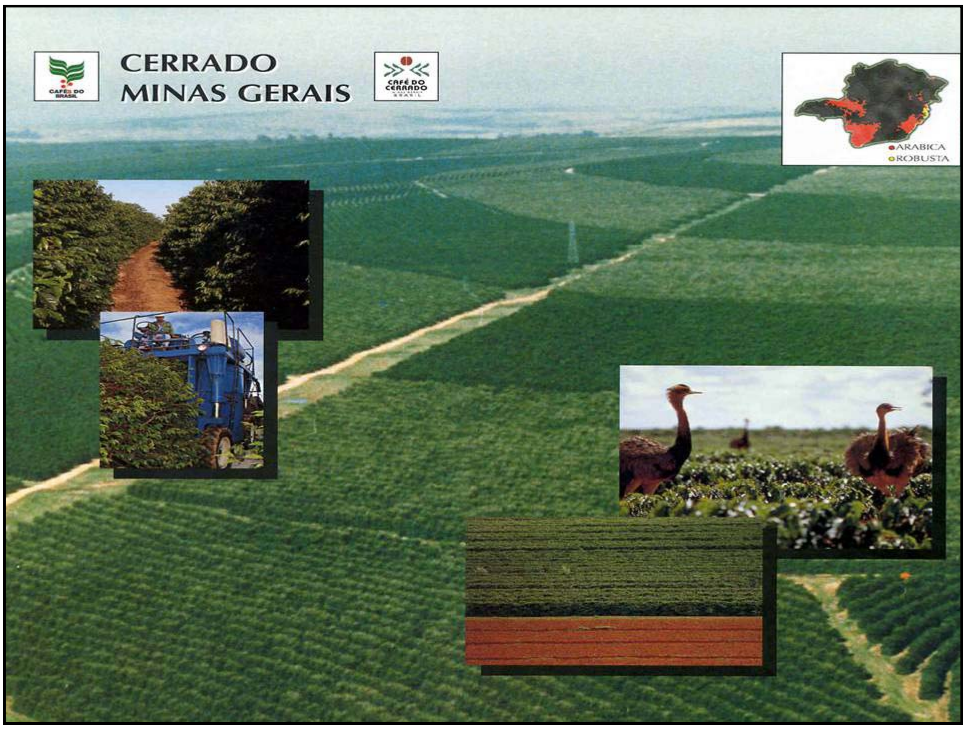
Brazil: Arabica and Robusta Coffee at a Glance

Brazil: farms with more than 50 trees of robusta or arabica coffees - as to 31.12.2006

Hectares	Nº of farms		coffee covering area (ha)		Production		Average
	Total	(%)	Total	(%)	Total	(%)	Productivity
0 a 10	220 554	76,89	751 670	37,13	13.829.304	35,15	18,40
10 a 20	18 306	6,38	276 099	13,64	5.109.256	12,99	18,51
20 a 50	9 813	3,42	322 856	15,95	6.793.175	17,27	21,04
50 a 100	2 781	0,97	206 170	10,19	4.736.613	12,04	22,97
> 100	1 656	0,58	352 408	17,41	8.877.584	22,56	25,19
Sem declaração	33 733	11,76	114 969	5,68	0	0,00	
Total	286.843	100,00	2 024 172	100,00	39.345.932	100,00	

Fonte: Brazilian Intitute of Geography and Statistics. In: Agro Survey 2006.

Final production by Conab:	**42.512**	**Dif. Not declared. Conab**	**3.166**	**28**
Final production by IBGE:	**43.209**	**Dif. Not Decl. IBGE**	**3.863**	**34**



Minas Gerais: farms with more than 50 trees of arabica coffee as to 31.12.2006

Hectares	Nº of farms		coffee covering area (ha)		Production		Average
	Total	(%)	Total	(%)	Total	(%)	Productivity
0 a 10	79 828	76,07	269 182	29,03	5.296.172	25,88	19,68
10 a 20	7 573	7,22	114 847	12,39	2.377.244	11,62	20,70
20 a 50	4 905	4,67	164 887	17,78	3.936.672	19,24	23,87
50 a 100	1 628	1,55	119 815	12,92	2.999.078	14,66	25,03
> 100	1 049	1,00	220 194	23,75	5.854.423	28,61	26,59
Sem declaração	9 956	9,49	38 243	4,12	0	0,00	
Total	104.939	100,00	927 168	100,00	20.463.589	100,00	

Fonte: Brazilian Intitute of Geography and Statistics. In: Agro Survey 2006.

Production estimated Conab: 21.577

Espírito Santo: farms with more than 50 trees of arabica coffee as to 31.12.2006

Hectares	Nº of farms		coffee covering area (ha)		Production		Average
	Total	(%)	Total	(%)	Total	(%)	Productivity
0 a 10	18 907	77,32	74 507	45,51	924.534	49,58	12,41
10 a 20	2 108	8,62	32 013	19,55	351.688	18,86	10,99
20 a 50	918	3,75	28 259	17,26	313.640	16,82	11,10
50 a 100	165	0,67	11 366	6,94	136.861	7,34	12,04
> 100	57	0,23	10 550	6,44	138.101	7,41	13,09
Sem declaração	2 297	9,39	7 013	4,28	0	0,00	
Total	24.452	100,00	163 708	100,00	1.864.823	100,00	

Fonte: Brazilian Intitute of Geography and Statistics. In: Agro Survey 2006.

Production estimated by Conab: 2.128

Espírito Santo: farms with more than 50 trees of robusta coffee as to 31.12.2006

Hectares	Nº of farms		coffee covering area (ha)		Production		Average
	Total	(%)	Total	(%)	Total	(%)	Productivity
0 a 10	28.048	79,35	110 064	45,58	2.224.715	47,44	20,21
10 a 20	3.468	9,81	49 747	20,60	925.680	19,74	18,61
20 a 50	1.517	4,29	45 651	18,91	884.799	18,87	19,38
50 a 100	251	0,71	17 560	7,27	408.640	8,71	23,27
> 100	70	0,20	12 540	5,19	246.047	5,25	19,62
Sem declaração	1.991	5,63	5 903	2,44	0	0,00	
Total	35.345	100	241 465	100	4.689.882	100	

Fonte: Brazilian Intitute of Geography and Statistics. In: Agro Survey 2006.

Production estimated by Conab: 6.881

São Paulo: farms with more than 50 trees of arabica coffee as to 31.12.2006

Hectares	Nº of farms		coffee covering area (ha)		Production		Average
	Total	(%)	Total	(%)	Total	(%)	Productivity
0 a 10	11 420	67,86	45 599	23,27	1.304.234	29,88	28,60
10 a 20	1 407	8,36	23 406	11,94	539.246	12,35	23,04
20 a 50	948	5,63	35 029	17,88	740.282	16,96	21,13
50 a 100	374	2,22	30 412	15,52	637.242	14,60	20,95
> 100	246	1,46	47 582	24,28	1.144.505	26,22	24,05
Sem declaração	2 435	14,47	13 936	7,11	0	0,00	
Total	16.830	100,00	195 964	100,00	4.365.510	100,00	

Fonte: Brazilian Intitute of Geography and Statistics. In: Agro Survey 2006.

Production estimated by Conab: 4.470

Paraná: farms with more than 50 trees of arabica coffee as to 31.12.2006

Hectares	Nº of farms		coffee covering area (ha)		Production		Average
	Total	(%)	Total	(%)	Total	(%)	Productivity
0 a 10	16 670	81,36	52 593	50,21	1.516.198	60,98	28,83
10 a 20	921	4,50	14 347	13,70	396.793	15,96	27,66
20 a 50	379	1,85	12 597	12,03	348.856	14,03	27,69
50 a 100	74	0,36	5 415	5,17	115.659	4,65	21,36
> 100	38	0,19	13 789	13,16	109.069	4,39	7,91
Sem declaração	2 406	11,74	6 001	5,73	0	0,00	
Total	20.488	100	104 742	100	2.486.574	100	

Fonte: Brazilian Intitute of Geography and Statistics. In: Agro Survey 2006.

Production estimated by Conab: 2.248

Technology Models

- **Brazilian coffee farming models:**
- Traditional
- Mountain
- Cerrado region
- High density;
- Robusta

Competitiveness

- Within the farm
  - New frontlines with high productivity
  - New densities
  - Enterprise-like management
  - Mechanization
  - Irrigation
  - Production costs – (unfavourable exchange rate)
  - Robust and cereja descascado

Competitiveness

- High technology to be decided during coffee planting or renewal
- Irrigation e harvest mechanization
- New varieties
- Conillon
- New drying and machinery procedures
- Increase in regional diversity

Brazilian Coffee Competitiveness

- Out-of-farmer competitiveness:
  - Fertilizer, machinery and equipment suppliers;
  - Roasted and soluble coffee industries;
  - Storage and commercialization structures;
  - Commercial structure;
  - BM&F e modern financial instruments;
  - CPR's
  - Brazilian government;
    - **CDPC, EMBRAPA, CONAB, universities, research and technology transference institutes; agricultural policy for Coffee: pre-producing and harvesting costs , pre-commercialization , storage, sale options, pepro, pep.**

Government-triggered Impacts

- **Economic policy:**
  - **monetary and fiscal policies (interest and exchange rates);**
  - **Economic growth;**
  - **labour costs increase (as to US$);**
  - **Competitive difficulties for the arabicas;**
  - **Debts relief and loans releases;**
  - **Pepro and coffee stocks programmes (AGF, trade options, coffee-converted debts);**
  - **Impact both on the coffee supply and on the exports;**

Actions to be undertaken

- Foster investment in competitiveness
- Investments in quality (*cereja descascado*, specials, gourmet, harvesting and drying procedures)
- Better-off coordination a long the coffee chain;
- Foster promotion and marketing of the Brazilian coffee
- Sustainability-based investments
- Who should pay the bill?

Jumping to Conclusion

- Solid Institutions
- Strong Organizations
- Government Investments – Fiscal trigger-offs (PIS e Cofins)
- Outstanding trading performance
  - Exports and Market Share
  - domestic consumption
- Coffee producers: trading losses and debts
- Who should pay for production costs?
- Selectivity and its effects on the market
- Which role should be attributed to the ICO?

Thank you very much indeed!

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