

## 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.

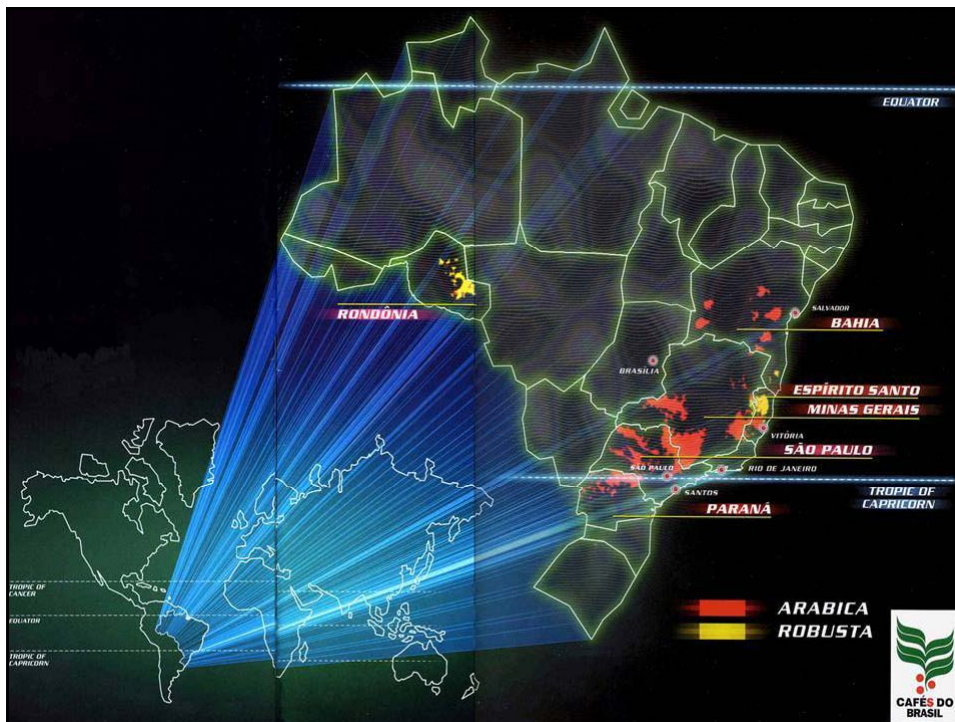


## International Aspects

- 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

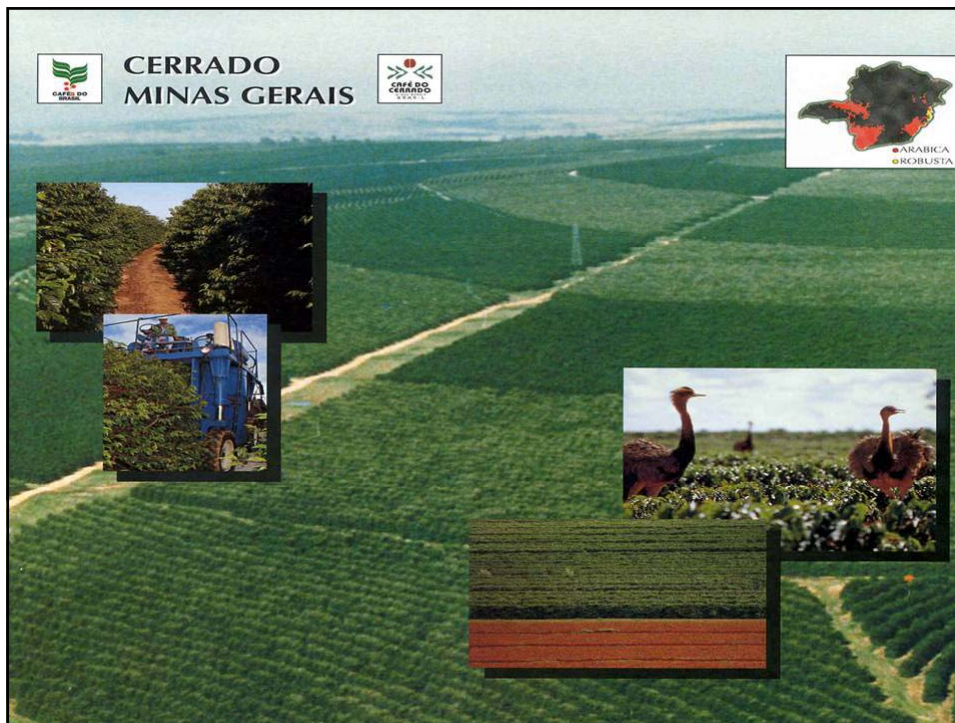
Brazil: farms with more than 50 trees of robusta or arabica coffees - as to 31.12.2006

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	
<b>Total</b>	<b>286.843</b>	<b>100,00</b>	<b>2 024 172</b>	<b>100,00</b>	<b>39.345.932</b>	<b>100,00</b>	

Fonte: Brazilian Institute 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 Productivity
	Total	(%)	Total	(%)	Total	(%)	
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	
<b>Total</b>	<b>104.939</b>	<b>100,00</b>	<b>927 168</b>	<b>100,00</b>	<b>20.463.589</b>	<b>100,00</b>	

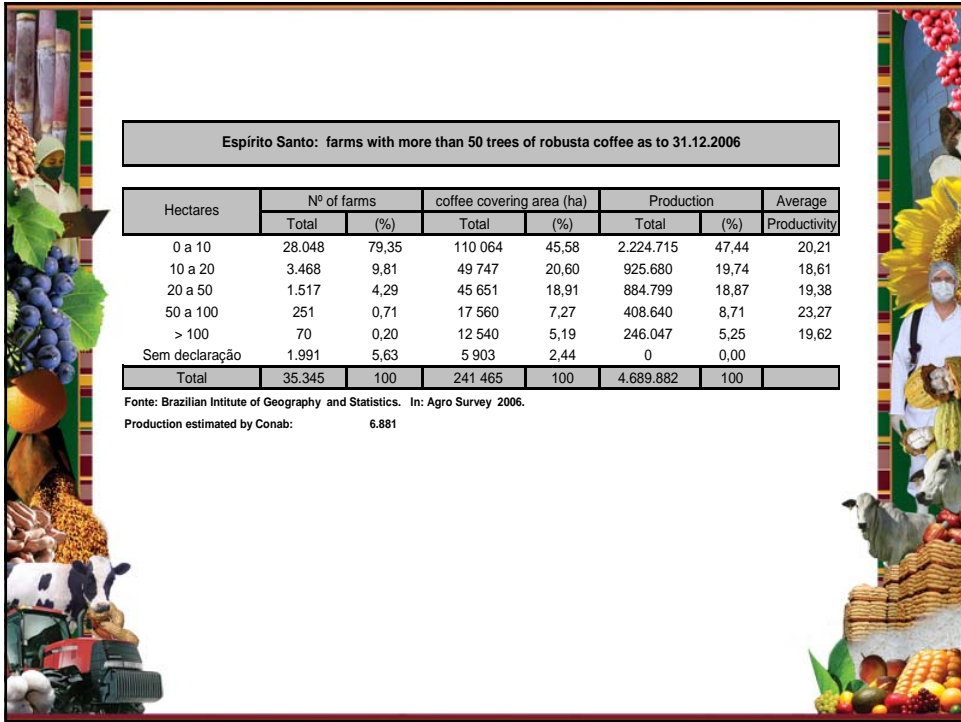
Fonte: Brazilian Institute of Geography and Statistics. In: Agro Survey 2006.  
 Production estimated Conab: 21.577

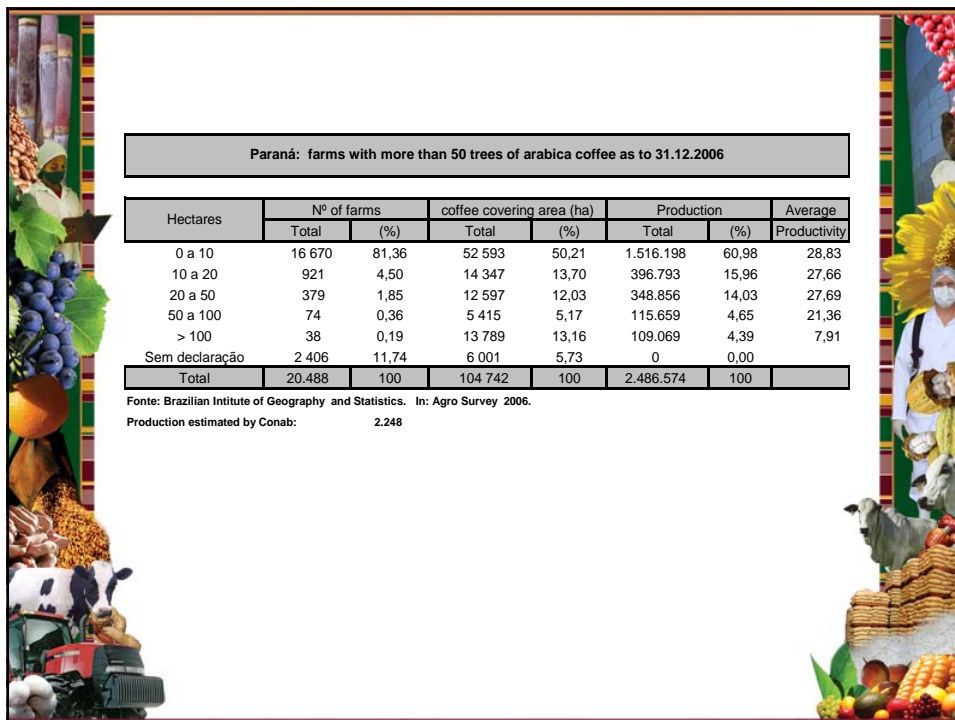
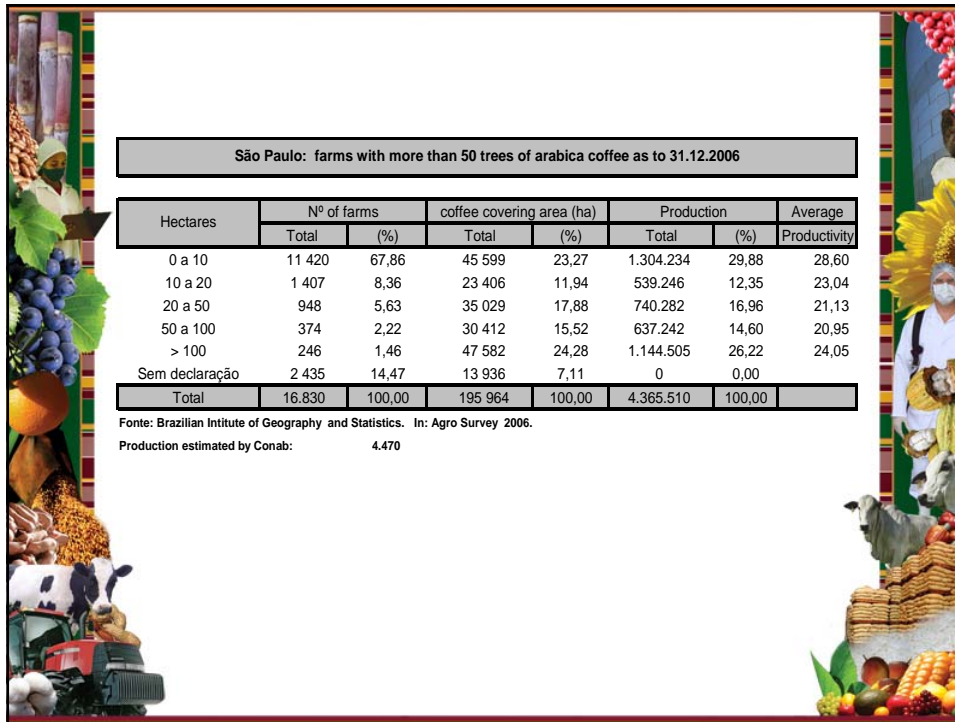


**Espírito Santo: farms with more than 50 trees of arabica coffee as to 31.12.2006**

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	
<b>Total</b>	<b>24.452</b>	<b>100,00</b>	<b>163 708</b>	<b>100,00</b>	<b>1.864.823</b>	<b>100,00</b>	

Fonte: Brazilian Institute of Geography and Statistics. In: Agro Survey 2006.  
 Production estimated by Conab: 2.128







## 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, pepo, 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;
  - **Pepero 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 along 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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