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Coffee

Annual Report

2004

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Report Highlights: Marketing Year 2004/05 coffee production is forecast at 42.4 million 60-kg bags, up 33 percent compared to the unchanged MY 2003/04 estimate (32 million bags), mainly because coffee trees are in the "on-year" of the biennial production cycle. Coffee exports for MY 2004/05 are projected at 26.9 million bags, up 13 percent from the previous MY, due to the higher expected availability of the product.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
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PS&D Table

Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG B		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Estimate [DA	Official [Estimate [DA	Official [Estimate [New]	
Market Year Begin	07/2002		07/2003		07/2004	MM/YYYY	
Area Planted	2675	2675	2457	2379	0	2339	(1000 HA)
Area Harvested	2360	2360	2279	2174	0	2205	(1000 HA)
Bearing Trees	5265	5265	5070	5050	0	5131	(MILLION TREES)
Non-Bearing Trees	1125	1125	682	631	0	430	(MILLION TREES)
TOTAL Tree Population	6390	6390	5752	5681	0	5561	(MILLION TREES)
Beginning Stocks	7235	7235	15939	15939	9439	10079	(1000 60 KG BAGS)
Arabica Production	39600	39600	22600	22600	0	33100	(1000 60 KG BAGS)
Robusta Production	12000	12000	9400	9400	0	9300	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Production	51600	51600	32000	32000	0	42400	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Roast & Ground Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL SUPPLY	58835	58835	47939	47939	9439	52479	(1000 60 KG BAGS)
Bean Exports	26620	26620	21900	21000	0	24000	(1000 60 KG BAGS)
Roast & Ground Exports	66	66	100	60	0	100	(1000 60 KG BAGS)
Soluble Exports	2710	2710	2500	2800	0	2800	(1000 60 KG BAGS)
TOTAL Exports	29396	29396	24500	23860	0	26900	(1000 60 KG BAGS)
Rst,Ground Dom. Consur	12700	12700	13300	13300	0	13900	(1000 60 KG BAGS)
Soluble Dom. Consum.	800	800	700	700	0	700	(1000 60 KG BAGS)
TOTAL Dom. Consumpti	13500	13500	14000	14000	0	14600	(1000 60 KG BAGS)
Ending Stocks	15939	15939	9439	10079	0	10979	(1000 60 KG BAGS)
TOTAL DISTRIBUTION	58835	58835	47939	47939	0	52479	(1000 60 KG BAGS)

Production

The Agricultural Trade Office (ATO)/Sao Paulo forecasts Brazilian coffee production for marketing year (MY) 2004/05 (July-June) at 42.4 million 60-kg bags, green equivalent, up 10.4 million bags compared to MY 2003/04. The projected increase in production is solely associated with the Arabica variety which is expected to yield 33.1 million bags or a jump of 10.5 million bags relative to the unchanged estimate for MY 2003/04 (22.6 million bags). Post forecasts a slight reduction in 2004/05 Robusta production, which is set at 9.3 million bags or down 1 percent from MY 2003/04 (9.4 million bags).

Post conducted four field trips to major coffee producing areas to evaluate the MY 2004/05 production. Trips were made in January, April and May 2004 to the states of Minas Gerais, Espirito Santo, Parana and Sao Paulo to observe vegetative development, cherry set and fruit formation. Information for other producing states was obtained from government sources, state secretariat of agricultures, producers associations, cooperatives and traders.

The majority of Arabica trees are in the "on-year" of the biennial production cycle, which will result in higher yields compared to the previous season. Coffee trees have recovered from the effects of lower precipitation and higher-than-average temperatures experienced during the July-October 2003 period in the states of Minas Gerais, Sao Paulo and Bahia. The adverse weather conditions promoted higher than average flower abortion and fruit drop, thus diminishing the initial potential for the fruit setting. However, good weather conditions since November 2003 have supported a steady development of the trees and fruits. Overall, coffee trees show good vegetative development.

In spite of the good weather conditions during the blossoming period in the state of Parana, which resulted in good fruit setting, the dry weather that prevailed in the initial months of 2004 in some coffee areas of the state (northwest and part of the north) should affect production resulting in smaller and lighter beans and causing quality problems for the product. As a consequence of the dry weather, fruits are ready for ripening earlier than usual, and the harvest for Parana started in April.

MY 2004/05 robusta production in Espirito Santo has been affected by low precipitation from April to November 2003, which damaged flowering and fruit setting. However, steady rainfall as of December 2003 has ameliorated fruit development to some extent. Blossoming and fruit setting in Rondonia is also reported to be partially damaged by drier-than-usual weather. As a consequence, total robusta production for MY 2004/05 is projected down 100,000 bags from previous season. The harvest season started in mid-April both in Rondonia and in the robusta areas of Espirito Santo.

The table below shows forecasts by state and variety for MY 2004/05, as well, as production estimates for MY 1999/2000 to MY 2003/04.

Brazilian Coffee Production (Million 60-kg bags)

State/Variety	MY 1998/99	MY 1999/00	MY 2000/01	MY 2001/02	MY 2002/03	MY 2003/04	MY 2004/05
Minas Gerais	18.95	15.40	16.00	16.20	25.35	13.70	21.00
Southwest	10.75	8.40	9.00	8.50	14.20	7.00	11.30
Central-western	4.10	3.50	3.00	3.20	4.65	3.00	4.10
Southeast	4.10	3.50	4.00	4.50	6.50	3.70	5.60
Espirito Santo	5.35	4.70	7.40	9.70	11.35	7.70	8.00
Arabica	2.15	2.00	2.60	2.20	2.85	1.70	2.50
Robusta	3.20	2.70	4.80	7.50	8.50	6.00	5.50
Sao Paulo	4.20	3.70	3.60	3.20	5.75	3.00	4.90
Parana	3.20	2.80	2.20	0.50	2.50	2.20	2.60
Others	3.90	4.20	4.90	5.50	6.65	5.40	5.90
Arabica	2.10	1.90	2.20	2.30	3.15	2.00	2.10
Robusta	1.80	2.30	2.70	3.20	3.50	3.40	3.80
Total	35.60	30.80	34.10	35.10	51.60	32.00	42.40
Arabica	30.60	25.80	26.60	24.40	39.60	22.60	33.10
Robusta	5.00	5.00	7.50	10.70	12.00	9.40	9.30

Source: ATO/Sao Paulo.

In April 2004, the Brazilian Government (GOB), through the Ministry of Agriculture, Livestock and Supply's (MAPA) National Supply Company (CONAB), released its second survey projecting Brazilian coffee production for MY 2004/05 between 36.1 and 40.5 million 60-kg bags, up 25.3 to 40.4 percent compared to revised estimated for MY 2003/04 (28.82 million bags) and up 5.8 to 8 percent compared to the first survey for MY 2004/05 (34.11 to 37.48 million bags), released in December 2003.

On May 13, Conab launched a satellite crop monitoring system project. This project to enhance to crop production forecast methodology is a partnership between Conab and several universities and research centers, partially funded by the United Nations Development Program (UNDP). The project will support the formulation and implementation of agricultural and supply policies.

The system includes the use of geo-technologies (remote sensing), geoprocessing by satellite (GPS), statistical sampling models and agrimeteorological models, among others. The project is expected to be concluded in 2006 and includes the following crops: coffee, sugarcane, corn and soybeans.

Coffee Area and Tree Population

The ATO/Sao Paulo forecast for the MY 2004/05 Brazilian area planted to coffee is 2.339 million hectares (ha), down 40,000 ha. from MY 2003/04. Farmers have to some extent abandoned and/or replaced coffee areas to more productive crops such as soybeans, corn and sugarcane due to depressed prices during the past couple of years. Area harvested for MY 2004/05 is projected at 2.205 million ha, up 31,000 ha. compared to the previous season, because young trees have now entered production and some existing bearing trees which had been pruned and stumped have started to yield anew. Post has projected the MY 2004/05 tree inventory as follows: 430 million non-bearing trees and 5.131 billion bearing trees. Planted area and tree population are based on post surveys and data obtained from different sources such as CONAB, the Brazilian Institute of Geography and Statistics – IBGE, state secretariats of agriculture, coffee cooperatives, coffee growers associations, trading companies, etc.

Yields

Coffee trees have received sub-optimal crop management during the past years, as a consequence of lower coffee prices in the market. The table below shows total US dollars spent on pesticides and US dollar expenditures per bag produced indicating a decreasing trend in pesticide use. Concurrently, fertilizer use also indicates the utilization of lower volumes of this input especially for 2001 and 2002.

Year	Production (bags)	Pesticides (US\$)	US\$ / sc	Fertilizer (tons)	kg / sc
1997	23,500,000	170,041,000	7.24	1,021,000	43.45
1998	35,600,000	161,867,000	4.55	1,117,000	31.38
1999	30,800,000	153,344,000	4.98	1,325,000	43.02
2000	34,100,000	122,882,000	3.60	1,428,000	41.88
2001	35,100,000	86,808,000	2.47	1,133,000	32.28
2002	51,600,000	76,300,000	1.48	1,042,000	20.19
Cumulative	210,700,000	771,242,000	3.66	7,066,000	33.54

Source: Input companies, ATO/Sao Paulo

In spite of the sub-optimal use of inputs over the past few years, coffee yields for MY 2004/05 are projected at 19.23, up 31 percent from MY 2003/04, especially due to the "on-year" of the biennial production cycle of arabica trees.

Coffee Prices in the Spot Market

The table below shows the Coffee Index price series released by the University of Sao Paulo's College of Agriculture "Luiz de Queiroz" (ESALQ). The series tracks coffee prices in the domestic spot market. Coffee prices remained stable and depressed during 2003, not encouraging producers to invest in new areas and adequate crop management (fertilizers and pesticides).

Coffee prices in 2004 have climbed due to initial world coffee supply and demand projections reporting lower availability of the product and increased consumption. The fact that the Brazilian crop is not expected to be as large as the 2002/03 crop has also contributed to increased coffee prices.

Coffee Prices in the Domestic Market (Real, 60kg/bag).

	1996	1997	1998	1999	2000	2001	2002	2003	2004
January	--	159.76	242.64	167.85	223.56	127.51	110.01	190.74	193.24
February	--	194.62	238.70	188.63	197.39	127.05	110.84	193.03	203.52
March	--	218.45	208.34	188.67	194.20	125.17	116.41	174.97	206.22
April	--	224.07	189.49	171.57	180.33	117.03	117.76	175.00	202.10
May	--	252.32	162.76	188.21	179.31	130.24	107.54	172.99	205.81
June	--	242.57	139.77	187.30	157.37	125.23	106.37	159.58	--
July	--	197.99	130.15	161.17	150.01	116.99	104.70	162.77	--
August	--	209.86	135.83	160.90	137.83	113.90	109.21	173.51	--
September	116.82	220.40	123.76	149.86	137.34	111.97	136.04	173.90	--
October	116.71	202.67	122.50	172.97	143.78	104.39	167.72	167.35	--
November	119.23	201.44	141.37	219.83	141.65	111.09	187.65	167.69	--
December	126.12	229.12	142.08	242.42	128.19	105.02	184.13	174.53	--

Source: CEPEA/ESALQ/USP. Note: May 2004 price refers to May 03-14.

Consumption

ATO/Sao Paulo forecasts MY 2004/05 domestic coffee consumption at 14.6 million 60-kg bags, green equivalent, up 600,000 from previous season. Roast and ground coffee consumption should account for 13.9 million bags, while soluble coffee consumption is projected stable at 700,000 bags. The projection takes into account population growth rate and domestic campaigns to promote coffee consumption in Brazil.

According to the Brazilian Coffee Industry Association (ABIC), the coffee industry should process between 14.2 and 14.4 million bags in 2004, up 3.65 to 5.11 percent compared to 2003 (13.7 million bags). ABIC projects coffee consumption up 6 percent for 2005 (15.1 million bags), reaching 16 million bags in 2006. ABIC reports that the Coffee Quality Program (PQC) in association with the traditional ABIC's "Stamp of Purity" program will be influential in leveraging coffee consumption in Brazil. According to the PQC, coffee brands are eligible for the "Quality Stamp" only if they comply with three basic conditions: (1) products with minimal quality recognition; (2) sustainable standard flavor in the long term; and (3) good manufacturing practices. Although the participation in the program is voluntary, ABIC believes that PQC is an important step to increase coffee consumption and to add value to the Brazilian product.

Trade

Exports

Post estimates total MY 2003/04 (July-June) coffee exports at 23.86 million 60-kg bags, green equivalent, down 640,000 bags from the previous estimate, based on updated information provided by the Brazilian Secretariat of Foreign Trade (SECEX) and the Brazilian Green Coffee Association (CECAFE). Arabica and robusta exports should contribute 21 million bags, down 4 percent from the previous estimate, whereas soluble coffee exports should amount to 2.8 million bags, green equivalent, up 300,000 bags compared to the previous projection.

Total coffee exports for MY 2004/05 are projected at 26.9 million bags, green equivalent, up 13 percent from MY 2003/04, due to the expected higher availability of the product and strong competitiveness of Brazilian coffee. Note that the steady devaluation of the Brazilian currency, the Real, vis-à-vis the U.S. dollar and relatively low domestic coffee prices are important factors supporting Brazilian coffee exports. Green coffee (arabica and robusta) exports should contribute 24 million bags, up 3 million bags from the current season.

As reported by SECEX, green coffee exports (NCM 0901.11.10) for calendar year 2003 were 1,368,797 metric tons (approximately 22.8 million bags), down 12 percent from CY 2002, due to the lower crop for MY 2003/04 compared to the previous one. On the other hand, soluble coffee exports (NCM 2101.21.00) for CY 2003 increased by 12 percent (63,283 metric tons) relative to 2002. The table below shows green beans, soluble coffee and roasted coffee exports (NCM 0901.21.00) by country of destination, according to SECEX for CY 2003, MY 2002/03 and 2003/04 (July-April).

Brazilian Coffee Exports by Country of Destination (NCM 0901.11.10, MT, Tel quel, US\$ 000 FOB)

Country	CY 2003		MY 2002/03 1/		MY 2003/04 2/	
	Quantity	Value	Quantity	Value	Quantity	Value
Germany	247,909	245,164	320,849	279,480	229,653	244,496
USA	290,781	256,463	362,092	274,479	207,078	205,806
Italy	150,753	154,450	154,365	139,622	120,960	135,054
Japan	103,866	114,556	106,519	106,495	83,038	99,303
Slovenia	47,326	38,861	58,910	36,653	47,417	45,993
Belgium	52,913	52,069	77,468	63,880	44,619	49,439
France	51,968	52,831	58,668	53,014	44,456	49,548
Spain	46,485	43,890	67,647	53,537	32,997	35,434
Greece	34,279	28,014	42,833	28,232	29,560	28,902
Sweden	36,029	35,124	41,534	37,662	28,529	30,432
Others	306,489	280,870	371,142	291,165	246,810	256,695
Total	1,368,797	1,302,292	1,662,025	1,364,219	1,115,117	1,181,102

Source: Brazilian Foreign Trade Secretariat (SECEX)

Note : Numbers may not add due to rounding. 1/July-June, 2/ July-April

Brazilian Coffee Exports by Country of Destination (NCM 2101.21.00, MT, tel quel, US\$ 000 FOB)

Country	CY 2003		MY 2002/03 1/		MY 2003/04 2/	
	Quantity	Value	Quantity	Value	Quantity	Value
USA	12,985	31,873	12,406	29,812	10,948	27,917
Russia	8,388	31,633	9,148	28,748	7,948	34,918
Ukraine	7,339	24,625	6,450	19,094	7,242	28,536
Germany	6,589	20,007	7,221	21,604	5,207	16,761
Japan	4,173	18,786	3,959	17,625	3,321	15,390
United Kingdom	2,543	10,963	1,533	5,298	2,328	12,245
Singapore	2,344	6,116	2,372	5,431	1,852	5,165
Lithuania	1,324	4,657	1,572	4,665	1,377	5,002
Malaysia	1,617	3,630	1,796	3,823	1,264	2,842
Czech Republic	1,865	9,083	1,896	9,518	1,150	5,231
Others	14,115	52,610	12,697	41,097	12,336	50,289
Total	63,283	213,982	61,048	186,715	54,972	204,295

Source : Brazilian Foreign Trade Secretariat (SECEX)

Note : Numbers may not add due to rounding. 1/ July-June, 2/ July-April.

Brazilian Coffee Exports by Country of Destination (NCM 0901.21.00, MT, tel quel, US\$ 000 FOB)

Country	CY 2003		MY 2002/03 1/		MY 2003/04 2/	
	Quantity	Value	Quantity	Value	Quantity	Value
USA	2,522	6,885	2,148	3,875	1,822	6,102
Italy	459	1,124	378	840	524	1,435
Colombia	1,050	952	1,260	957	420	378
Japan	410	1,096	174	450	298	793
Russia	90	312	0	0	135	483
Argentina	98	315	86	218	76	266
Canada	140	365	113	273	52	138
Uruguay	44	52	23	31	51	66
France	10	22	25	54	38	103
Hong Kong	16	69	8	30	25	112
Others	307	641	340	611	139	392
Total	5,146	11,833	4,556	7,340	3,580	10,268

Source : Brazilian Foreign Trade Secretariat (SECEX)

Note: Numbers may not add due to rounding. 1/July-June, 2/ July-April

Monthly coffee data (quantity and value) for MY 2003/04 (July-April), as reported by CECAFE and the Brazilian Soluble Coffee Association (ABICS), follows. According to information provided by CECAFE, Brazilian green bean exports (arabica and robusta) during the July 2003 - April 2004 period were 18.25 million bags, down approximately 5 million bags compared to the same period for the previous MY, due to the lower availability of the product. Preliminary data show that coffee export registrations for May 2004 were 1,115,400, while cumulative green coffee export shipments for May 2004 are 795,100 bags up to May 19.

Brazilian Monthly Coffee Exports for MY 2003/04 (60 kg bag, green equivalent).

Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
Jul-03	227,197	1,314,039	6,859	1,548,095	250,195	1,798,290
Aug-03	239,509	1,472,697	3,631	1,715,837	210,483	1,926,320
Sep-03	211,034	2,061,875	7,597	2,280,506	236,066	2,516,572
Oct-03	175,235	1,922,911	2,996	2,101,142	234,847	2,335,989
Nov-03	128,540	1,724,319	2,507	1,855,366	295,867	2,151,233
Dec-03	72,361	2,059,105	7,463	2,138,929	268,258	2,407,187
Jan-04	38,816	1,587,853	2,384	1,629,053	197,418	1,826,471
Feb-04	35,318	1,362,973	3,017	1,401,308	157,353	1,558,661
Mar-04	50,428	2,085,407	5,746	2,141,581	306,524	2,448,105
Apr-04	23,127	1,454,204	3,472	1,480,803	287,339	1,768,142
Cumulative	1,201,565	17,045,383	45,672	18,292,620	2,444,350	20,736,970

Source: CECAFE and ABICS.

Brazilian Monthly Coffee Exports for MY 2003/04 (US\$ 1,000).

Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
Jul-03	8,840	74,687	570	84,097	20,151	104,248
Aug-03	9,654	86,013	532	96,199	17,294	113,493
Sep-03	9,339	125,938	612	135,888	19,507	155,395
Oct-03	7,870	122,270	367	130,507	20,774	151,281
Nov-03	6,018	107,944	367	114,329	24,586	138,915
Dec-03	3,426	132,186	1,858	137,469	22,243	159,713
Jan-04	1,934	102,191	350	104,475	17,734	122,209
Feb-04	1,830	92,167	418	94,415	14,757	109,173
Mar-04	2,663	149,931	1,110	153,704	27,605	181,309
Apr-04	1,170	107,225	496	108,891	27,134	136,025
Cumulative	52,743	1,100,552	6,680	1,159,975	211,785	1,371,761

Source: CECAFE and ABICS.

Stocks

Post forecasts the MY 2004/05 ending stocks at approximately 11 million 60-kg bags, green equivalent, up 9 percent from revised MY 2003/04 carry-over stocks (10 million bags), as a result of the higher expected 2004 crop. The table below shows the volumes offered and negotiated for MY 2003/04 (July-May) in the monthly coffee auctions conducted by the MAPA/Department of Coffee (DECAF). Cumulative sales to date are 392,170 million bags, up 197,000 bags compared to the same period in the previous MY. As of April 30, coffee stocks held by the GOB were estimated at approximately 4.9 million bags.

Auctions of the Brazilian Government Coffee Stocks, 2003/2004 (60 kg bags, US\$/bag).

Date	Quantity Offered	Quantity Sold	Auction Price	
			R\$	USD\$
16-Jul	20,000	19,900	124.50	43.41
13-Aug	20,000	18,870	143.74	47.42
17-Sep	20,000	19,874	142.71	49.11
16-Oct	20,000	19,701	140.20	49.35
12-Nov	20,000	19,800	132.35	45.46
10-Dec	20,000	17,510	144.77	49.19
14-Jan	20,000	19,940	152.95	54.35
04-Feb	40,000	39,800	156.84	48.17
03-Mar	60,000	59,826	138.55	45.94
01-Apr	80,000	77,655	142.42	49.27
05-May	80,000	67,383	136.67	46.15
17-May	12,000	11,911	139.86	44.80
Cumulative	412,000	392,170		

Source: Ministry of Agriculture, Livestock & Supply (MAPA)/Coffee Department (DECAF).

The monthly coffee distribution linked to Brazilian cooperatives for MY 2003/04 (July-April) follows. As reported by the National Coffee Council (CNC), the coffee stocks held by cooperatives amounted to approximately 2.7 million bags in April 2004, down 2.6 million bags relative to April 2003, a clear sign of the lower availability of the product for MY 2003/04. There are no official data for total private stocks.

Monthly Coffee Distribution of Brazilian Cooperatives (60-kg bags, MY 2003/04 - Jul/Jun).

Month	Beginning Stocks	Deliveries	Sales	Ending Stocks
July	5,202,721	1,406,663	532,589	6,076,795
August	6,076,795	1,722,129	688,919	7,110,005
September	7,110,005	1,374,216	980,016	7,504,205
October	7,504,205	619,409	1,110,165	7,013,449
November	7,013,449	341,558	1,052,087	6,302,920
December	6,302,920	244,840	848,188	5,699,572
January	5,699,572	119,783	1,271,938	4,547,417
February	4,547,417	272,936	747,593	4,072,760
March	4,072,760	139,127	996,540	3,215,347
April	3,215,347	116,652	617,681	2,714,318
Cumulative		6,357,313	8,845,716	

Source: National Coffee Council (CNC).

Policy

On March 29, 2004, the Brazilian Government announced two measures to support the 2004 coffee crop:

1. A credit line of R\$400 million to finance the harvest and storage of the product at 9.5 percent per year. Financing must come from the Coffee Defense Fund (FUNCAFE) and the repayment is due 3 months after harvest;
2. A special credit line ("Linha Especial de credito" – LEC) to market robusta and arabica coffees from the previous season (2003 crop) at 8.75 percent per year. Funding depends on the availability of credit supplied by commercial banks, principally Bank of Brazil

In 2003, CONAB paid the amount of R\$189.9 million for approximately 981,000 bags of arabica coffee sold by coffee growers through option contracts effective in September and November 2003. This volume represented approximately 52 percent of the total volume negotiated through the option program. The table below shows the options contracts negotiated by producers and the volume of coffee acquired by CONAB by type of coffee and state where the coffee is stored.

Coffee Option Contracts acquired by the Brazilian Government in 2003

Storage (State)	Offered		Negotiated		Premium (R\$)	Acquired		Value (R\$)
	# contracts	# of bags	# contracts	# of bags		# contracts	# of bags	
ARABICA								
Bahia	1,704	170,400	1,651	165,100	611,452	668	66,800	12,889,000
Espírito Santo	1,480	148,000	253	25,300	27,275	97	9,700	1,886,500
Minas Gerais	12,960	1,296,000	11,943	1,194,300	7,263,050	6,346	634,600	122,936,500
Paraná	2,160	216,000	2,055	205,500	910,040	1,215	121,500	23,464,500
São Paulo	2,640	264,000	2,550	255,000	1,566,400	1,432	143,200	27,748,000
Rio de Janeiro	216	21,600	74	7,400	7,185	13	1,300	253,500
Goiás	200	20,000	187	18,700	18,265	38	3,800	736,000
Espírito Santo (Rio Zona)	640	64,000	8	800	780	0	0	0
TOTAL ARABICA	22,000	2,200,000	18,721	1,872,100	10,404,447	9,809	980,900	189,914,000
ROBUSTA								
Bahia	420	42,000	0	0	0	0	0	0
Espírito Santo	5,120	512,000	98	9,800	5,233	0	0	0
Rondônia	2,100	210,000	50	5,000	5,750	0	0	0
Mato Grosso	360	36,000	0	0	0	0	0	0
TOTAL ROBUSTA	8,000	800,000	148	14,800	10,983	0	0	0
GRAND TOTAL	30,000	3,000,000	18,869	1,886,900	10,415,430	9,809	980,900	189,914,000

Source: CONAB

On May 18, CONAB sold 155,800 coffee bags or 78 % of the total volume offered (200,000 bags) through the auction system. The product offered by CONAB was acquired through the option contract program in 2003. The average price was R\$ 205.26 per bag and total revenue amounted to approximately R\$ 31.98 million. CONAB has already announced a second auction on May 26 for another 200,000 bags. Producers did not agree with the auctions claiming that these sales will depress coffee prices, since the upcoming crop has already started for some states. They also claim that if the auctions occur, the revenue should be used to equalize interest rates to finance the coffee sector. The measure was discussed during the last meeting of the Brazilian Coffee Policy Council ("Conselho Deliberativo da Política Cafeeira" – CDPC) on May 6, but it was not made officially effective up to date.

Marketing

The Export Promotion Agency (APEX), created by the federal government in 1997, is organizing a trade mission to China starting on June 16. The agency works to promote Brazilian products overseas, bringing more small and medium-sized businesses into the export market. The mission will include specialty coffee and meat and processed fruit companies, among others. The Minister of Development, Industry and Commerce will lead the group. The program includes a seminar about business opportunities between Brazil and China, one-to-one meetings between companies, technical visits to distribution centers, retail centers, ports, importers, etc.

Exchange Rate

Exchange Rate (R\$/US\$1.00 - official rate, last day of period)

Month	2000	2001	2002	2003	2004
January	1.80	1.97	2.42	3.53	2.94
February	1.77	2.04	2.35	3.56	2.91
March	1.75	2.16	2.32	3.35	2.91
April	1.81	2.22	2.36	2.89	2.94
May	1.82	2.36	2.52	2.97	3.11
June	1.80	2.30	2.84	2.87	--
July	1.78	2.43	3.43	2.97	--
August	1.82	2.55	3.02	2.97	--
September	1.84	2.67	3.89	2.92	--
October	1.91	2.71	3.65	2.86	--
November	1.98	2.53	3.59	2.95	--
December	1.96	2.32	3.53	2.89	--

Source: Gazeta Mercantil. Note: May 2004 refers to May 19.