

## Coffee Update

### Summary

World coffee production in 2002/03 is forecast at 125.1 million bags (60 kilograms or 132.276 pounds), up 2.4 percent from the first forecast made in June, and up nearly 12 percent from the 2001/02 season. The major upward adjustment was in the Brazil crop. Brazil's coffee production in 2002/03 is now estimated at 51.6 million bags, versus 46.85 million bags in June. Other major upward revisions since June, in 60-kilogram bags: Cote d'Ivoire, 700,000 bags; Honduras, 615,000 bags; Colombia, 350,000 bags; and Tanzania, 317,000 bags. Major downward revisions since June, in 60-kilogram bags, occurred in the following countries: Ethiopia, 800,000 bags; Mexico, 500,000 bags; Vietnam, 500,000 bags; Thailand, 400,000 bags; Nicaragua, 350,000 bags; and Cameroon, 300,000 bags.

Total coffee supply in producing countries in 2002/03 is forecast at 148.9 million bags, up nearly 4 percent from the forecast made in June 2002, and up nearly 9 percent from the revised 2001/02 level. Total supplies of coffee are still at levels that will continue to put downward pressure on prices.

World coffee exports in 2002/03 are forecast to increase by nearly 4 percent, or up 3.2 million bags from last year's revised level. Total exports for 2001/02 were revised downward to 86.9 million bags, down 1.8 million bags from the June estimate. Brazil's total exports of coffee in 2002/03 are forecast at 28.6 million bags, an increase of 15 percent from the 2001/02 level. Colombia's exports of coffee in 2002/03 are forecast at 10.1 million bags, up 300,000 bags from the June forecast. Other major changes from the June export forecast include: Cote d'Ivoire, up 700,000 bags; Vietnam, down 667,000 bags; Honduras, up 525,000 bags; Mexico, down 500,000 bags; Thailand, down 500,000 bags; Cameroon, down 450,000 bags; and Ethiopia, down 400,000 bags;

World coffee consumption in 2001/02 is estimated at 113.2 million bags, up about 1 percent from the preliminary 2000/01 level—86.0 million bags in importing countries and 27.2 million bags in exporting countries. The breakdown for 2000/01 is 85.6 million bags in importing countries and 26.1 million bags in exporting countries. Although USDA does not maintain an official database for importing and consuming countries, world consumption is calculated using the information that is available. World consumption can be estimated based on net exports from producing countries, the change in major importers' stock levels, plus consumption in producer countries. Exports from producing countries are assumed to be consumed in the importing countries, after adjusting for changes in the stocks levels in the importing countries.

Coffee Stocks in Major Consuming Countries, End of September of Last Year Shown

|         | United States | Europe                     | Japan | Others | Total  |
|---------|---------------|----------------------------|-------|--------|--------|
|         |               | 1,000 bags of 60-kilograms |       |        |        |
| 1994/95 | 2,608         | 7,000                      | 1,340 | 100    | 11,048 |

|         |       |        |       |     |        |
|---------|-------|--------|-------|-----|--------|
| 1995/96 | 1,611 | 6,400  | 1,089 | 100 | 9,200  |
| 1996/97 | 2,294 | 7,390  | 1,239 | 100 | 11,023 |
| 1997/98 | 1,680 | 5,820  | 1,090 | 100 | 8,690  |
| 1998/99 | 2,824 | 7,200  | 1,420 | 160 | 11,604 |
| 1999/00 | 6,259 | 10,400 | 1,522 | 170 | 18,351 |
| 2000/01 | 5,793 | 13,370 | 1,710 | 200 | 21,073 |
| 2001/02 | 5,488 | 13,270 | 1,840 | 190 | 20,788 |

Source: Reported statistics and estimates.

## Brazil

Brazil's estimate of 2002/03 coffee production has been revised upward to 51.6 million bags, up 10 percent, or 4.75 million bags, from the June 2002 estimate. This revision is based on higher-than-expected dehusking yields and an upward revision in the coffee tree inventory. According to reports, the quality of the beans is uniform and good to better than good.

Although Brazil's coffee production was increased, the estimate for exports of coffee in 2002/03 remains essentially unchanged from the June estimate. However, the level of exports in 2002/03 is forecast 15 percent higher than the 2001/02 level. The larger supplies plus the devaluation of the Real should continue to keep Brazilian coffee competitive; however, not enough given the large supplies in Brazil. As a result, ending stocks for 2002/03 are forecast to more than double the 2001/02 level to 16.2 million bags, up 8.8 million bags.

### Brazil's Coffee Production

| State/Variety              | 1997/98      | 1998/99      | 1999/00      | 2000/01      | 2001/02      | 2002/03      |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| (Million 60-kilogram bags) |              |              |              |              |              |              |
| Minas Gerais               | 10.70        | 18.95        | 15.40        | 16.00        | 16.20        | 25.35        |
| Southwest 1/               | 5.50         | 10.75        | 8.40         | 9.00         | 8.50         | 14.20        |
| Central-Western 1/         | 2.90         | 4.10         | 3.50         | 3.00         | 3.20         | 4.65         |
| Southeast 1/               | 2.30         | 4.10         | 3.50         | 4.00         | 4.50         | 6.50         |
| Espirito Santo             | 4.00         | 5.35         | 4.70         | 7.40         | 9.70         | 11.35        |
| Arabica                    | 1.20         | 2.15         | 2.00         | 2.60         | 2.20         | 2.85         |
| Robusta                    | 2.80         | 3.20         | 2.70         | 4.80         | 7.50         | 8.50         |
| Sao Paulo 1/               | 3.00         | 4.20         | 3.70         | 3.60         | 3.20         | 5.75         |
| Parana 1/                  | 2.50         | 3.20         | 2.80         | 2.20         | 0.50         | 2.50         |
| Others                     | 3.30         | 3.90         | 4.20         | 4.90         | 5.50         | 6.65         |
| Arabica                    | 1.80         | 2.10         | 1.90         | 2.20         | 2.30         | 3.15         |
| Robusta                    | 1.50         | 1.80         | 2.30         | 2.70         | 3.20         | 3.50         |
| <b>Total</b>               | <b>23.50</b> | <b>35.60</b> | <b>30.80</b> | <b>34.10</b> | <b>35.10</b> | <b>51.60</b> |
| Arabica                    | 19.20        | 30.60        | 25.80        | 26.60        | 24.40        | 39.60        |
| Robusta                    | 4.30         | 5.00         | 5.00         | 7.50         | 10.70        | 12.00        |

1/ Arabica

Brazil continues to offer government-owned stocks through its auction system.

Brazil: Auctions of Government-Owned Coffee Stocks

| Date of Auction | Quantity Offered | Quantity Sold | Price Range      |
|-----------------|------------------|---------------|------------------|
|                 | 60-kilogram bags |               | Brazil reais/bag |
| 2002            |                  |               |                  |
| March 20        | 20,000           | 13,014        | 72.00-83.60      |
| April 17        | 20,000           | 18,620        | 65.00-87.20      |
| May 15          | 20,000           | 14,494        | 59.80-85.00      |
| June 12         | 20,000           | 11,656        | 62.00-89.00      |
| July 10         | 20,000           | 18,161        | avg. 64.78       |
| August 14       | 20,000           | 9,997         | 68.20-90.00      |
| September 11    | 20,000           | 16,105        | 81.00-105.00     |
| October 9       | 20,000           | 19,260        | 92.80-97.90      |
| November 13     | 20,000           | 16,005        | 109.50-137.00    |

## United States

World coffee prices continue to decline and many coffee-producing countries are facing an economic crisis as a result. Governments are facing difficult consequences: rising unemployment and reduced export earnings are hurting the budgets of many countries. Many growers report that production costs are above the market price. Producers in Central America and Africa have been particularly hard hit as coffee exports are crucial for export revenue. Some countries in Africa reportedly realize 60-70 percent of their export earnings from coffee.

As a result of this difficult situation, especially as it relates to Central American farmers, Congress, through its Committee on International Relations, Subcommittee on the Western Hemisphere, has been focused on the situation in recent months and examining what could be done to help boost world coffee prices. The expectation is that raising coffee prices would help these economies, keep coffee farmers on the farm, and help to prevent the switch from coffee production into illegal crops, such as coca.

The Committee on International Relations, Subcommittee on the Western Hemisphere, held a hearing on July 24, 2002, to listen to testimony from various government and industry sources. In addition, during the week of November 17, 2002, Congress passed a non-binding resolution that calls on the United States to “adopt a global strategy to respond to the current coffee crisis with coordinated activities in Latin America, Africa, and Asia to address the short-term humanitarian needs and long-term rural development needs of countries adversely affected by the collapse of coffee prices.”

U.S. coffee stocks at the end of October totaled 5.5 million bags, up 25,365 bags from the September 30, 2002, level. Details follow in 60-kilogram bags.

U.S. Coffee Stocks

| Location        | September 30 | October 31 | Difference |
|-----------------|--------------|------------|------------|
| New York        | 1,374,907    | 1,490,688  | 115,781    |
| New Orleans     | 1,997,607    | 1,865,781  | (131,826)  |
| Jacksonville    | 115,135      | 104,300    | (10,835)   |
| Miami           | 1,099,971    | 1,168,399  | 68,428     |
| Houston         | 272,236      | 274,734    | 2,498      |
| Laredo          | 103,041      | 102,366    | (675)      |
| Port Everglades | 7,000        | 6,500      | (500)      |
| San Francisco   | 337,245      | 316,801    | (20,444)   |
| Los Angeles     | 0            | 3,876      | 3,876      |
| Seattle         | 0            | 0          | 0          |
| Norfolk         | 174,119      | 171,752    | (2,367)    |
| Philadelphia    | 6,539        | 7,968      | 1,429      |
| Baltimore       | 0            | 0          | 0          |
| Total           | 5,487,800    | 5,513,165  | 25,365     |