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Report Highlights:
ATO/Sao Paulo has revised total Brazilian coffee production for MY 2003/04 to 32 million bags, down 19.6 million bags from MY 2002/03. MY 2003/04 coffee exports are projected at 24.5 million bags, down 4.9 million bags from previous MY due to expected lower availability of the product.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Sao Paulo [BR3]
[BR]

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PS&D Table

Commodity	Coffee, Green				(1000 HA)(MILLION	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [	Estimate [	A Official [	Estimate [	A Official [	Estimate [
Market Year Begin		07/2001		07/2002		07/2003
Area Planted	2615	2615	2675	2675	2457	2457
Area Harvested	2120	2120	2360	2360	2279	2279
Bearing Trees	4465	4465	5265	5265	5070	5070
Non-Bearing Trees	1500	1500	1125	1125	682	682
TOTAL Tree Population	5965	5965	6390	6390	5752	5752
Beginning Stocks	10630	10630	7235	7235	15505	15939
Arabica Production	24400	24400	39600	39600	23300	22600
Robusta Production	10700	10700	12000	12000	10300	9400
Other Production	0	0	0	0	0	0
TOTAL Production	35100	35100	51600	51600	33600	32000
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	45730	45730	58835	58835	49105	47939
Bean Exports	22245	22245	26250	26620	23000	21900
Roast & Ground Exports	75	75	80	66	100	100
Soluble Exports	2475	2475	2600	2710	2500	2500
TOTAL Exports	24795	24795	28930	29396	25600	24500
Rst,Ground Dom. Consur	13000	13000	13600	12700	14100	13300
Soluble Dom. Consum.	700	700	800	800	800	700
TOTAL Dom. Consumpti	13700	13700	14400	13500	14900	14000
Ending Stocks	7235	7235	15505	15939	8605	9439
TOTAL DISTRIBUTION	45730	45730	58835	58835	49105	47939

Production

The Agricultural Trade Office (ATO)/Sao Paulo has revised the Brazilian coffee production estimate for Marketing Year (MY) 2003/04 (July-June) downward to 32 million bags (60 kilograms per bag), green equivalent, a 5 percent decrease compared to the previous estimate. Arabica coffee production should account for 22.6 million bags, while Robusta production should contribute 9.4 million bags. Major revisions were done for southern Minas Gerais and Espirito Santo to reflect lower than expected crop yields. As reported by traders, the harvest season is over and the quality of the beans is reported to be uniform and good to better-than-good. No changes have been made with regard to coffee area and tree population. The table below shows the coffee production estimate by state and variety of coffee from MY 1998/99 to MY 2003/04.

In July 2003, the Brazilian Government (GOB), through the National Supply Company (CONAB) of the Ministry of Agriculture, Livestock and Supply (MAPA), released the second official Brazilian coffee production forecast for MY 2003/04. According to CONAB, coffee production is estimated between 27.9 and 30.1 million bags, on average, a 40 percent decrease from the revised total for MY 2002/03 (48.5 million bags).

No official forecast has yet been announced for the MY 2004/05 crop. Blossoming is reported to be average to better-than-average, however it still remains unclear if coffee trees will be able to hold the fruit setting, since many of them show higher than average leaf droppage rates.

Brazilian Coffee Production (Million 60-kg bags)

State/Variety	MY 1998/9	MY 1999/00	MY 2000/0	MY 2001/0	MY 2002/0	MY 2003/0
Minas Gera	18.95	15.40	16.00	16.20	25.35	13.70
Southwest	10.75	8.40	9.00	8.50	14.20	7.00
Central-we	4.10	3.50	3.00	3.20	4.65	3.00
Southeast	4.10	3.50	4.00	4.50	6.50	3.70
Espirito San	5.35	4.70	7.40	9.70	11.35	7.70
Arabica	2.15	2.00	2.60	2.20	2.85	1.70
Robusta	3.20	2.70	4.80	7.50	8.50	6.00
Sao Paulo	4.20	3.70	3.60	3.20	5.75	3.00
Parana	3.20	2.80	2.20	0.50	2.50	2.20
Others	3.90	4.20	4.90	5.50	6.65	5.40
Arabica	2.10	1.90	2.20	2.30	3.15	2.00
Robusta	1.80	2.30	2.70	3.20	3.50	3.40
Total	35.60	30.80	34.10	35.10	51.60	32.00
Arabica	30.60	25.80	26.60	24.40	39.60	22.60
Robusta	5.00	5.00	7.50	10.70	12.00	9.40

Source: ATO/Sao Paulo.

In spite of the expected on-year in the biennial production cycle of the coffee trees in many coffee regions, the size of the crop will be negatively affected by unfavorable weather conditions in some areas. According to market sources, dry weather has negatively affected many production regions, especially in Espirito Santo, the north-central (Mogiana) region in the state of Sao Paulo and southern Minas Gerais during the March-October 2003 period. In addition, average temperatures are reported to be higher than the historical average for the aforementioned period in several producing regions. In the state of Espirito Santo it is reported that only the third blossoming showed good fruit setting. Leafless coffee trees, which did not recover from the 2003 crop, should result in diminished production potential in 2004 in the Mogiana region and southern Minas Gerais.

In addition, relatively less attention is being given to crop management as a consequence of lower prices received by producers and high input costs. Different sources report that fertilizer companies adjusted their selling prices when the local currency was especially devalued (R$ 3.80/US$ 1 in September 2002), and most of the active ingredients used for fertilizer are imported. However, prices were not readjusted downwards with the strengthening of the Real (R$ 2.90/US$ 1 after April 2003). According to some cooperatives, input use has been reduced by one-third to one-half of regular amounts used. Leaf miner and rust problems are reported in some areas in southern Minas Gerais. Many growers decided to prune trees after the 2003 crop, since the dry weather did not promote adequate growth and plant development.

Area reduction in some coffee areas, especially in central-western Minas Gerais and the Mogiana region in Sao Paulo also represents an extra factor pushing next crop volumes down. In many areas, soybeans, grains and sugarcane replaced coffee trees. Unofficial estimates project that 200,000 to 700,000 hectares have been abandoned or replaced by other crops in the past two years.

CONAB is undergoing a field survey to make its first projection of the MY 2004/05 crop, as well as to revise the 2003 crop figure. The estimates should be released in December 2003. The Brazilian Government recently approved funds to be used by CONAB to develop a crop forecast methodology using satellite pictures (R$ 1.7 million of funds already available).

Coffee Prices in the Domestic 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 since September 1996. Coffee prices have remained relatively stable (US$ 55 to 60 per 60-kg bag) during 2003 and, as reported by market sources, prices are not likely to react in the short term, encouraging some producers to shift to other commodities such as soybeans and sugarcane.

Note that according to studies conducted by the Agricultural and Livestock Research Enterprise (EMBRAPA), arabica production costs are estimated at R$196 per bag, higher than prices received by producers. Other sources place coffee production costs between R$ 150 and R$ 170 per bag.

In spite of the overall pessimism in the world coffee sector, Brazilian coffee growers have been able to better manage the low international and domestic market coffee prices due to technology improvements in the past years. These include using better varieties, planting a higher number of trees per hectare, investing in mechanization and irrigation, migrating to new flat areas more suitable for crop management, low cost of land in new production areas, professional management, etc., which ultimately led to higher yields, thus lowering production costs and making the country more competitive in international markets. Brazil's cheaper labor also contributes to increased competitiveness, since it represents approximately 50 percent of production costs. The devaluation of the local currency, the Real, also represents an additional factor increasing the Brazilian competitiveness worldwide.

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

	1996	1997	1998	1999	2000	2001	2002	2003
January	--	159.76	242.64	167.85	223.56	127.51	110.01	190.74
February	--	194.62	238.70	188.63	197.39	127.05	110.84	193.03
March	--	218.45	208.34	188.67	194.20	125.17	116.41	174.97
April	--	224.07	189.49	171.57	180.33	117.03	117.76	175.00
May	--	252.32	162.76	188.21	179.31	130.24	107.54	172.99
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	167.35
December	126.12	229.12	142.08	242.42	128.19	105.02	184.13	--

Source: USP/ESALQ/CEPEA

Note: November prices refer to Nov. 12.

Producers' Financing

In June 2003, the GOB announced the 2003/04 crop plan. The following measures are related to the coffee sector:

- The interest rate applied to the R$ 300 million fund to finance the coffee harvest and storage of the product was reduced from 13 to 9.5 percent;
- A new credit line of R$ 200 million for the 2003/04 crop management at 9.5 percent per year;
- Option contracts, which allow coffee producers to buy the option to sell their products to the GOB. The exercise prices for arabica are set at R$ 190 and 195 per bag for the September and November auctions. Prices for robusta are set at R$ 104 and 107 per bag for the September and November auctions, respectively;
- Inclusion of coffee in the Federal Government Loan Program (EGF), which allows coffee producers and cooperatives to finance and store the product up to December 10, 2003 at 8.75 percent per year. The lending limit per grower increased from R$ 100 to R$ 140 thousand. In August, the GOB postponed the term of payment to March 31, 2004.

In October, CONAB paid the amount of R$ 55.9 million for 291,000 bags of arabica coffee sold by coffee growers through the option contracts effective in September. This volume represents approximately 31 percent of the total volume contracted for that month. According to CONAB, 939,300 and 11,100 bags of arabica and robusta coffee, respectively, were contracted for the November auction. Of this amount, CONAB reports that approximately 889,200 bags of arabica are likely to be sold by growers through the option program.

Consumption

ATO/Sao Paulo has revised downward the total domestic consumption coffee estimate for MY 2002/03 to 13.5 million 60-kg bags, green coffee, down 6 percent from the previous estimate due to updated information provided by the Brazilian Coffee Industry Association (ABIC). Ground and roasted coffee consumption contributed 12.7 million bags, and soluble coffee accounted for 800,000 bags, green equivalent. As reported by ABIC, total coffee domestic consumption during the May 2002/April 2003 period was 13.45 million bags, a 1.5 percent decrease compared to the same period previous year. Lower per capita income, mainly in the first four months of 2003 is considered the main reason for the decrease in consumption. The institution also reports that lower quality coffee brands in the market sold at lower prices are not attracting consumers, thus leading to lower consumption.

Total coffee consumption for MY 2003/04 is projected at 14.1 million bags, green equivalent, up 600,000 from MY 2002/03. Ground and roasted consumption should account for 13.3 million bags, whereas soluble coffee consumption is expected to remain stable at 800,000 bags. Population growth and campaigns to promote coffee consumption in Brazil such as the PACIC ("Programa de Aumento do Consumo Interno") are major factors leading to expected increase in consumption. ABIC targets a 16 million bags consumption for 2006. See BR3006 for more details on PACIC.

The Pao de Acucar Group, the major supermarket chain in Brazil, established a partnership with ABIC to promote the consumption of good quality coffee. Similar partnerships were forged with the wine, mineral water and ready-to-drink juice sectors, which received special attention in the stores, wider promotion of the products, product samplings and experts in stores to guide the consumer when choosing a brand.

According to information provided by ABIC, in addition to mergers and acquisitions that have been steadily taking place in Brazil, a number of roasters have been going out of business. In 1996, approximately 1,600 roasters were registered at ABIC, whereas this figure declined to 1,116 in July 2003. The majority of the companies that went out of business were small-sized companies. ABIC also reports that the five largest companies in 2002 were responsible for 32.6 percent of the market, while the 100 largest companies comprised about 60 percent of the market.

Trade

Exports

ATO/Sao Paulo has adjusted the MY 2002/03 (Jul-Jun) Brazilian coffee exports estimate to 29.4 million bags (60-kg, green equivalent), up 2 percent from previous estimate, based on updated information from the Brazilian Green Coffee Association (CECAFE). Coffee bean exports amounted to 26.62 million bags, while soluble coffee contributed approximately 2.7 million bags. In spite of the high competitiveness of Brazilian coffee in the international market, total Brazilian coffee exports for MY 2003/04 are projected at 24.5 million bags, down 1.1 million bags relative to the previous estimate, due to expected lower availability of the product. Green bean exports should represent 21.9 million bags, while soluble coffee exports should account for 2.5 million bags, green equivalent. According to trade sources, coffee growers have been holding stocks as a result of prevailing low prices paid for the product.

Trade sources also report that the recent International Coffee Organization (ICO) measure #407 intended to improve the overall quality of the product through the exports of superior types of coffee could be implemented by Brazil. However, they claim that Brazil should be the last producing country to do it. Traders allege that when the Coffee Retention Plan was set a couple of years ago, Brazil was the only country that adopted the retention policy, which did not prove useful, thus damaging the Brazilian coffee sector.

According to official data provided by the Brazilian Secretariat of Foreign Trade (SECEX), total green exports (NCM 0901.11.10) for MY 2002/03 (Jul-Jun) were approximately 1.66 million metric tons, up 29 percent from previous figure. Roasted coffee (NCM 0901.21.00) exports for MY 2002/03 are reported at 4,556 metric tons, down 1,154 metric tons from MY 2001/02, whereas soluble coffee exports are estimated at 61 thousand metric tons, up 12 percent relative to the previous MY. The table below shows green bean exports, soluble coffee and roasted coffee exports by country of destination, according to SECEX for MY 2001/02, 2002/03 and 2003/04 (Jul-Sep).

Brazilian Green Coffee Exports (Metric Tons, US$ 000 FOB)

Destination	MY 2001/02		MY 2002/03		MY 2003/04 1/	
	Quantity	Value	Quantity	Value	Quantity	Value
United States	199,001	145,867	362,092	274,479	68,182	58,654
Germany	268,412	228,803	320,849	279,480	60,296	60,177
Italy	118,135	108,910	154,365	139,622	33,589	35,984
Japan	89,198	85,277	106,519	106,495	27,602	30,410
Belgium	64,201	54,593	77,468	63,880	10,184	10,028
Spain	50,390	39,304	67,647	53,537	11,078	10,759
Slovenia	47,278	33,700	58,910	36,653	11,748	9,660
France	57,206	49,572	58,668	53,014	12,796	12,771
Greece	35,038	25,046	42,833	28,232	8,215	6,777
Sweden	34,179	29,859	41,534	37,662	8,177	8,052
Others	329,426	251,502	371,142	291,165	76,620	70,817
Total	1,292,466	1,052,434	1,662,025	1,364,219	328,486	314,089

Source: Brazilian Secretariat of Foreign Trade (SECEX), NCM 0901.11.10
1/ July-September

Brazilian Soluble Coffee Exports (Metric Tons, US$ 000 FOB)

Destination	MY 2001/02		MY 2002/03		MY 2003/04 1/	
	Quantity	Value	Quantity	Value	Quantity	Value
USA	9,843	22,885	12,406	29,812	3,366	8,225
Russia	9,399	28,724	9,148	28,748	1,791	7,775
Germany	5,403	15,481	7,221	21,604	1,680	5,117
Ukraine	6,058	18,266	6,450	19,094	1,178	4,443
Japan	3,572	16,099	3,959	17,625	1,030	4,968
Czech, Rep	1,607	8,640	1,896	9,518	552	2,311
Argentina	2,615	7,756	2,169	5,602	534	1,744
Singapore	1,568	3,346	2,372	5,431	442	1,283
United King	501	1,132	1,533	5,298	631	2,632
Lithuania	965	2,799	1,572	4,665	478	1,630
Others	12,937	41,147	12,324	39,318	4,167	15,831
Total	54,468	166,275	61,048	186,715	15,849	55,958

Source: Brazilian Secretariat of Foreign Trade (SECEX), NCM 2101.11.10
1/ July-September.

Roasted Coffee Exports by country of Destination (Metric Tons, US$ 1,000 FOB).

Destination	MY 2001/02		MY 2002/03		MY 2003/04 1/	
	Quantity	Value	Quantity	Value	Quantity	Value
United States	626	1,199	2,148	3,875	416	976
Colombia	4,005	2,547	1,260	957	420	378
Italy	149	279	378	840	122	306
Japan	205	680	174	450	159	440
Angola	14	27	128	182	0	1
Canada	91	165	113	273	22	83
Argentina	190	385	86	218	23	76
Turkey	0	0	42	39	0	0
France	7	14	25	54	10	21
Uruguay	30	66	23	31	10	13
Others	393	354	178	421	60	187
Total	5,710	5,715	4,556	7,340	1,243	2,481

Source : Brazilian Department of Foreign Trade (SECEX), NCM 0901.21.00
1/ July-September.

The tables below show monthly coffee export data (quantity and value) for MY 2002/03 and MY 2003/04 (Jul-October), as reported by CECAFE and the Brazilian Soluble Coffee Association (ABICS).

Brazilian Monthly Coffee Exports for MY 2002/03 (60 kg bag, green equivalent).

Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
Jul-02	449,140	1,688,298	10,875	2,148,313	178,921	2,327,234
Aug-02	515,159	2,135,232	3,276	2,653,667	222,507	2,876,174
Sep-02	445,132	2,195,631	5,762	2,646,525	217,380	2,863,905
Oct-02	530,435	2,310,383	7,148	2,847,966	218,098	3,066,064
Nov-02	353,404	2,314,466	1,946	2,669,816	230,358	2,900,174
Dec-02	417,108	2,086,297	3,091	2,506,496	292,985	2,799,481
Jan-03	298,124	1,790,231	9,436	2,097,791	181,796	2,279,587
Feb-03	328,431	1,786,215	4,133	2,118,779	246,569	2,365,348
Mar-03	280,265	1,497,804	3,016	1,781,085	234,244	2,015,329
Apr-03	243,025	1,621,962	6,067	1,871,054	201,310	2,072,364
May-03	300,926	1,468,236	7,585	1,776,747	237,173	2,013,920
Jun-03	227,035	1,335,308	3,237	1,565,580	248,941	1,814,521
Cumulative	4,388,184	22,230,063	65,572	26,683,819	2,710,282	29,394,101

Source: CECAFE and ABICS.

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	1,474,409	3,631	1,717,549	210,483	1,928,032
Sep-03	211,034	2,061,429	7,597	2,280,060	235,871	2,515,931
Oct-03	163,755	1,820,260	3,702	1,987,717	247,313	2,235,030
Cumulative	841,495	6,670,137	21,789	7,533,421	943,862	8,477,283

Source: CECAFE and ABICS.

Brazilian Monthly Coffee Exports for MY 2002/03 (US$ 1,000).

Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
Jul-02	12,745	81,378	857	94,980	11,873	106,853
Aug-02	14,293	99,984	366	114,642	16,028	130,671
Sep-02	12,792	103,715	574	117,081	16,065	133,147
Oct-02	16,632	115,187	354	132,173	15,243	147,417
Nov-02	12,170	118,022	131	130,323	16,070	146,393
Dec-02	15,785	116,300	287	132,372	19,078	151,450
Jan-03	12,109	101,430	715	114,253	13,526	127,780
Feb-03	14,535	100,857	455	115,847	17,341	133,188
Mar-03	12,212	83,886	360	96,459	16,625	113,083
Apr-03	9,927	88,674	697	99,298	15,831	115,129
May-03	12,379	91,409	514	104,302	18,043	122,345
Jun-03	8,885	76,315	388	85,588	19,281	104,869
Cumulative	154,463	1,177,157	5,699	1,337,319	195,005	1,532,324

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	86,099	532	96,285	17,294	113,579
Sep-03	9,339	125,912	612	135,863	19,484	155,347
Oct-03	7,339	116,109	366	123,815	21,891	145,706
Cumulative	35,172	402,807	2,080	440,060	78,819	518,880

Source: CECAFE and ABICS.

Stocks

Total ending-stocks for MY 2002/03 were adjusted upward to 15.93 million bags, due to revisions made in export and domestic consumption figures. Projected carry-over stocks for MY 2003/04 are 9.43 million bags, down 6.5 million bags from previous season, due to expected lower availability of the product. The results of monthly coffee auctions conducted by MAPA /Department of Coffee (DECAF) are shown below. The next government coffee auction is scheduled for December 10, 2003 when 20,000 bags should be offered. As of September 30, the stock levels held by the GOB were estimated at approximately 5.2 million bags.

Auctions of the Brazilian Government Coffee Stocks, 2002/2003 and 2003/04 (60 kg b

Date	Quantity Offered	Quantity Sold	Auction Price R$	Auction Price USD$
10-Jul	20,000	18,161	64.64	22.65
14-Aug	20,000	9,997	71.62	22.41
11-Sep	20,000	16,105	85.91	27.44
09-Oct	20,000	19,260	93.93	24.38
13-Nov	20,000	16,005	113.62	31.56
11-Dec	20,000	20,000	135.00	38.24
15-Jan	20,000	19,314	126.06	38.22
12-Feb	20,000	20,000	142.76	26.09
12-Mar	20,000	20,000	135.73	32.68
16-Apr	20,000	16,825	142.97	46.49
14-May	20,000	19,450	130.29	45.08
11-Jun	20,000	19,151	127.53	44.45
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	20,000	132.36	45.47

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

The monthly coffee distribution linked to Brazilian cooperatives for MY 2000/01 (Jul-Mar) follows. As reported by the National Coffee Council (CNC), stocks held by cooperatives totaled approximately 7 million bags on October 31, 2003, as opposed to approximately 8.9 million bags on October 31, 2002, reflecting the lower availability of the product for the MY 2003/04 crop. In spite of the lower stock figure reported by the coffee cooperatives, current stock levels in private hands are reported to be high considering the size of the crop and the carry-over from MY 2002/03

Monthly Coffee Distribution of Brazilian Cooperatives (60-kg bags, MY 2002/03 - Jul/Jun).

Month	Beginning Stocks	Deliveries	Sales	Ending Stocks
July	3,191,430	3,083,880	960,846	5,314,464
August	5,314,464	3,680,718	985,614	8,009,568
September	8,009,568	2,361,823	1,264,322	9,107,069
October	9,107,069	1,340,012	1,523,038	8,924,043
November	8,924,043	500,251	1,265,243	8,159,051
December	8,159,051	310,154	852,347	7,616,858
January	7,616,858	224,836	884,765	6,956,929
February	6,956,929	172,601	884,449	6,245,081
March	6,245,081	137,496	544,277	5,838,300
April	5,838,300	226,915	714,873	5,350,342
May	5,350,342	401,410	837,692	4,914,060
June	4,914,060	714,677	426,016	5,202,721
Cumulative		13,154,773	11,143,482	

Source: National Coffee Council (CNC).

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
Cumulative		5,122,417	3,311,689	

Source: National Coffee Council (CNC).

Policy

On November 19, the GOB created a task force comprised of representatives from the production, export and industry sectors to study new policies for the Brazilian coffee sector. Coffee growers are concerned long-term sustainability of the coffee industry in Brazil because of the combination of current high production costs associated with what are viewed to be continued low market prices.

Coffee growers made several proposals to the GOB which include:

- the postponement of current debts,
- equalization of the rural credit lines to the coffee sector,
- better flow of the crop through the concession of credit lines to stock the product and adoption of selling option programs (approximately R$ 1.24 billion),
- the restructuring of the Brazilian Coffee Policy Council ("Conselho Deliberativo da Politica do Café" – CDPC) through the creation of a executive secretariat,
- the restructuring of the Coffee Defense Fund (Funcafe),
- survey the Brazilian coffee area, tree inventory, stocks and growers profile to better understand the Brazilian reality,
- creation of the coffee market intelligence center under the CDPC which will study coffee world production and consumption flows.

As reported earlier, coffee was included in the GOB 2003/04 crop plan and funds for credit will have to be shared with other commodities such as corn, rice, wheat, etc. Historically, the coffee sector was set apart, using funds from Funcafe and from the National Treasury. According to post contacts, Funcafe funds are diminishing. Funcafe assets include R$ 2 billion in loans to producers (R$ 1 billion with short term payback and R$ 1 billion with long term payback) and approximately 5.2 million bags of coffee from very old crops with low market prices (see Table Coffee Government Auctions).

Exchange Rate

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

Month	1998	1999	2000	2001	2002	2003
January	1.12	1.92	1.8	1.97	2.4183	3.5258
February	1.13	2.03	1.77	2.04	2.3482	3.5632
March	1.14	1.77	1.75	2.16	2.3236	3.3531
April	1.14	1.66	1.81	2.22	2.3625	2.8898
May	1.15	1.72	1.82	2.36	2.52	2.97
June	1.16	1.77	1.8	2.3	2.8444	2.872
July	1.16	1.79	1.775	2.43	3.4285	2.9655
August	1.18	1.81	1.823	2.55	3.0223	2.9665
September	1.19	1.92	1.844	2.6713	3.89	2.9234
October	1.19	1.95	1.91	2.7071	3.65	2.8562
November	1.2	1.92	1.98	2.5287	3.5898	2.927
December	1.21	1.79	1.96	2.3204	3.5333	--

Source: Gazeta Mercantil
Note: November 2003 prices refer to November 24.