

Brazilian Coffee's Defense Fund Gets US\$ 1.3 Bi from Government

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The Brazilian Ministry of Agriculture and the National Monetary Council (CMN) allocated around 2.2 billion Brazilian reais (US\$ 1.3 billion) to the Coffee Economy Defense Fund (Funcafé). The amount is destined for operations in financing, harvesting, storage and purchase of the grain in the year of 2008.

Most of the funds will be invested in storage (898 million reais or US\$ 540.9 million) and harvesting (496 million reais or US\$ 298.7 million). However, according to regulations published in the May 16 edition of the Diário Oficial (Official Gazette), funds may be redistributed among the aforementioned lines of credit.

This year, Brazil should have its second largest coffee crop in the last ten years, totaling 45.5 million 60-kilogram (132 lbs) bags. The estimate was disclosed) by the National Food Supply Company (Conab) in its second coffee crop survey for 2008. The volume represents growth of 35% in comparison with the previous crop.

Manoel Bertone, secretary of Production and Agro-Energy at the Ministry of Agriculture, Livestock and Supply, stated that the result could have been better, had it not been for the shortage of rain, especially in September and October last year. The positive aspect is that production next year should decrease at a lower rate than the average recorded in the last two cycles.

"The coffee crop cycle lasts two years, therefore a small crop is always followed by a very good one. As the current crop is not achieving the full potential of Brazilian coffee farming, next year's crop should not be as small as it would be expected, which after all is good news, because it makes it easier to manage public policies, and thus to control inventories for transition in a more reasonable manner," said secretary Bertone.

The Brazilian minister of Agriculture, Reinhold Stephanes, claimed that the crop next year should total around 40 million bags. Secretary Bertone asserted that consumers can rest assured, as they should have quality coffee for reasonable prices. He assured that this year's production should be sufficient to cater to exports of 28 million bags and a domestic demand for 17 million bags, creating balance between supply and demand.

Almost 85% of national production comes from the Southeast region, led by the state of Minas Gerais (22.9 million bags), followed by the states of Espírito Santo (10.5 million bags) and São Paulo (4.7 million bags). Total planted area is estimated at 2.29 million hectares.

The field survey was conducted by the Conab from March 31st to April 11th, when 189 technicians at the state-owned company and partnering institutions interviewed 2,750 representatives of the sector, including farmers, cooperatives, and public and private organizations.

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