

DJ Brazil **Coffee** Output May Be Higher Than Expected -- Market Talk

1637 GMT Brazil's **coffee** output could be higher than expected, according to Marex Spectron. As a result, the brokerage has raised its forecast for 15/16 production to 49.5 million bags, and increased its forecast for carry-over from the previous season by more than a million bags. Nonetheless, despite strong exports from outside the country, demand within Brazil -- which consumes more than 40% of its own **coffee** production -- seems to remain tepid, Marex notes. Brazil is the world's largest **coffee** producer. (Katherine.dunn@wsj.com)

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12:35 ET - Currencies were the key ingredients in last year's unequal exports from the world's two top coffee countries, according to Marex Spectron. As the Brazilian real fell, coffee prices were high in local terms and farmers rushed to export in exchange for hard dollars. Meanwhile in Vietnam, the Dong wasn't devalued and farmers were forced to contend with falling prices throughout the year, which encouraged them to hold back beans and wait for higher prices. As farmers have exported coffee strategically, Marex says Brazil has become less vulnerable to current price swings while Vietnam is now more vulnerable. "We now know that the farmer (and/or middleman) in each country has a greater propensity to retain coffee than we previously thought." (katherine.dunn@wsj.com)

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