

DJ Brazil **Coffee** Headed to US from European Stockpiles -- Market Talk

12:56 ET - American demand for Brazilian robusta, known as conilon, will likely be met by stockpiles of conilon **coffee** sitting in exchange warehouses in Europe, according to Marex Spectron. The brokerage says the US typically imports about 1.5 million bags of conilon a year, mainly for instant **coffee** and blending. However, after months of dry weather, the conilon crop is heavily damaged. Meanwhile, stockpiled beans held in warehouses are seeing renewed demand for exporting to the US -- normally, shipping these beans from Europe is too expensive. Other analysts say the taste of the Brazilian beans is more common in the US, whereas European roasters tend to use Vietnamese robusta.

(katherine.dunn@wsj.com)

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DJ Colombia **Coffee** Crop Faring Well-- Market Talk

12:47 ET - Dry weather and pests in Colombia has not hurt the country's **coffee** crop as much as expected, according to Marex Spectron. The brokerage says it now expects production will be atleast 13 million bags in the current season, and these gains should spill into a higher crop in the 2016-17 season. The brokerage estimates that season will see 13.4 million bags. "We now understand that the persistent dry weather and re-emergence of Broca had less impact than feared," it says. Broca is a beetle that can hurt **coffee** crops. (katherine.dunn@wsj.com)

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By Katherine Dunn

A bumper arabica **coffee** crop is expected to push Brazilian production up by 13% in the 2016-17 season, despite a shortfall in the country's robusta crop due to drought, the U.S. Department of Agriculture said Thursday.

Brazil is the world's largest producer of the arabica variety and the second-largest producer of robusta, after Vietnam.

Good growing conditions are expected to produce an arabica crop of 43.85 million bags in the 2016-17 season, a 21% jump from the previous season, the USDA said in its annual Brazilian **coffee** report. The Brazilian **coffee** marketing season runs from July to June. Each bag holds 60kg of **coffee**.

The agency forecast a 1.2-million-bag decline in the country's robusta crop, due to dry conditions in Espirito Santo, the key robusta producing region. The robusta crop is now expected to hit 12.1 million bags, the USDA said.

"Above average temperatures and prolonged dry spells in Espirito Santo will again jeopardize production potential in the state," the agency said.

Arabica is traded in New York. It has a milder taste than robusta and is typically considered higher quality. Robusta, traded on the futures market in London, is typically used in instant coffees and blends.

Despite the gain in production, the USDA said exports would fall slightly in the coming season due to lower carry-over stocks. Last year's sharp devaluation of the Brazilian real against the dollar had encouraged record exports of the beans on to international markets, limiting domestic stocks.

Exports are now forecast at 35.23 million bags overall, down 770,000 bags from the 2015-16 season.

Brazil's sharp economic slowdown is also expected to affect the industry, the USDA said. Brazil is one the world's top **coffee** consuming countries, but consumption is expected to be flat in 2016-17 at 20.51 million bags.

The sinking real pushed traders to export the beans, while lower robusta supplies have pushed up the retail price for the brew, the agency said. In the year to December 2015, average retail prices for the beans in Sao Paulo rose just over 16%, the USDA said.

Write to Katherine Dunn at katherine.dunn@wsj.com.

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