



DRWakefield

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DRWakefield guide to sourcing Brazilian coffee for the 2022/23 harvest

Brazil as a producer and the frost

The Brazilian harvest is the most important coffee harvest across the globe as it produces more Arabica coffee than any other origin. It's held this spot for many decades now, and its portion of the global pie has been slowly increasing, and this trend is predicted to continue: Brazil's harvest is set to play centre stage for the foreseeable future. That said, we have been talking about this harvest more than we usually would due to the frost that ripped across the Brazilian coffee belt in July last summer. The frost caused a large spike in coffee futures. At the time, we had been in a very low price climate for years, and although the move was not a straight line, it precipitated the start of a large move to the upside.



Coffee Futures, Jan 2021 - May 2022

Any changes to Brazil's supply can have a big impact on coffee futures. A predicted 5% increase or decrease in its supply represents more than the total amount of coffee produced by many famous coffee producing origins which is why farmers across the world not only watch the weather forecast for their own country, but also keep an eye out on the weather in Brazil. Most of the coffee in the world is traded against the New York Coffee market, so if the weather in Brazil has the power to move the New York Coffee market up or down, it also means that it can change pricing in all other coffee origins too.

The frost that occurred last July had a minimal impact on the harvest that summer as much coffee had already been harvested: it was the trees themselves that were the worst affected by the frost, not the fruits. It was a strange phenomenon as nobody could accurately gauge the damage done as we would only begin to see that in October when the flowering occurred. Why is this important? Coffee flowers give an indication of how many fruits will be produced, which is a key indicator for agronomists when they go out into the fields to make crop predictions (and assess frost damage). Predicting crop sizes is not an exact science; we can predict the 'on' (big) or 'off' (small) year in Brazil. You can read more on that [here](#), but the gist of it is that Brazil's productive output swings a great deal year on year. The 2022/23 harvest is an off-year, and this exacerbated the problem caused by the frost as it would not only reduce the 2022/23 Brazilian harvest, but it would reduce it on an off-year. The Brazilian harvest typically starts in April/May and winds up in August. Now we have entered it, what is the latest update and how have the last few months gone?

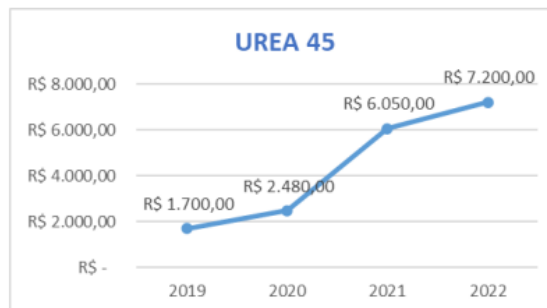
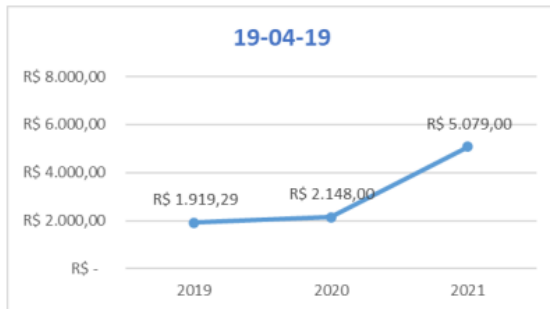
Harvest Update

The post frost flowering did show significant frost damage, but it varied from region to region and was not as bad as some had feared. Conditions for fruit development have been favourable, and we expect a large percentage of screen size 17/18 to be on offer. There are still, as always, big variances in people's crop predictions, but there is a consensus that there is more volume on offer than was initially thought during the frost's aftermath. It's too early to assess the quality of the cup; this will become apparent as more coffee is harvested.

Although there has been some good news on volume, this has been dampened by the many other concerns surrounding producers at the moment. The main one held by Brazilian coffee producers is the cost of production. Inputs, fuel, implements and machinery prices have all gone up. However, the biggest price increase has been in fertilisers. Fertiliser costs have been increasing since the start of the global pandemic and, as the data and graphs below show, the increases in percentage terms in Brazilian Real pricing are huge.

In the charts below, we can see the beginning of 2020 was marked by historical fertilizer increase, influenced by higher value of raw materials, natural gas and coal. Furthermore, the restrictions have contributed to further rises. Nitrogen fertilizers are the most used worldwide, and the price increase influences in all agricultural production. Special fertilizers that have nitrogen, phosphorus and potassium (NPK) are experiencing higher costs. According to the [National Supply Company \(CONAB\)](#), fertilizer prices increased more than 200%. Urea, in particular, increased 325,5% in comparison with 2019.

Fertilizers	2019	2020	2021	2022	2019-2021	2019-2022
19-04-19	R\$ 1.919,29	R\$ 2.148,00	R\$ 5.079,00	-	164,6%	-
20-00-20	R\$ 1.475,00	R\$ 1.850,00	R\$ 5.300,00	R\$ 5.180,00	259,3%	251,2%
20-05-20	R\$ 1.680,00	R\$ 2.016,17	R\$ 5.300,00	R\$ 6.094,00	215,5%	262,7%
MAP	R\$ 1.900,00	R\$ 2.305,00	R\$ 6.450,00	R\$ 7.400,00	239,5%	289,5%
UREA 45	R\$ 1.700,00	R\$ 2.480,00	R\$ 6.050,00	R\$ 7.200,00	255,9%	323,5%



It's still quite early to measure the data, but the war in Russia has further fuelled price rises as Russia is one of the largest suppliers of fertilisers globally.

It's not all bad news though. In the last rainy season coffee growers began to hope again as there was good vegetative recovery and plant development. This has resulted in farmers being bullish about the 2023/24 harvest. Back to the 2022/23 harvest though.

Timing and pre-finance

Generally, Brazilian coffee farmers like to sell a big percentage of their harvest in January-May. This helps them secure pre-finance at lower interest rates, and often roasters can secure better deals as producers will give more favourable pricing to secure contracts. It also allows both the producer and roaster to plan out their production together and reduce uncertainty. You can read more on the topic of planning your sourcing [here](#).

This year, due to the volatility of the New York Coffee market and the uncertain domestic and global macroclimate, many producers held off offering their coffee until the harvest began. That way, they could sell with less uncertainty. Electoral campaigns in Brazil are due to occur this year and there are fears over how this will affect the Brazilian Real. However, coffee has now started to trickle in, and we are receiving offers and producers are keen to do some business.

Qualities on offer

Due to its size, Brazil naturally offers a large range of coffee across the speciality, certified & commercial market. Although Brazil's cost of production has increased of late, it still has a much lower cost of production than other origins and is, therefore, able to offer coffee at more competitive prices. The result of this is that Brazil features heavily in most roasters' line-ups, whether it's in a blend or as a single origin. Regardless of the quality of Brazil that you're sourcing, it's important to understand what you're buying and how it relates to other Brazilian coffees on offer.

Sustainable sourcing holds many definitions in our industry, but one of its key determinants, for us, is longevity. The strongest partnerships between origin, importers and roasters are forged over the long term, with repeat business. Buying coffee in this way means that as each year passes, there is a better understanding of each side's requirements and expectations. It also means that interesting longer-term collaborations that span multiple seasons can be achieved. Many of the single estates, cooperatives and exporters that we work with are relationships that are over a decade old--in some cases, the figure is closer to 30 years. If you are looking to develop your own long term partnership with a farm, let us know what kind of quality and cup profile you're looking to source, and we can recommend to you a farm that we know that matches your target profile. Brazil is blessed with so many different terroirs, there is no shortage of choice there!



Brazil map showing SMC and DRWakefield's origin partners

On the commercial side, there are the classic [Santos](#) good and fine cups, and as you pay more, you move into the traceable regional coffees from [Pocos de Caldas](#) and [Cerrado](#). Consistency is the main aim here and we are picky with our choice of what exporters we buy from. Although the commercial coffees are less interesting on the cupping table, we still apply the same rigorous quality control to keep up consistency.

However, if you do look beyond the regionals, this is where the opportunity for more personal relationships can develop. It could be with a single farm like [Daterra](#) or [Palmital](#), a cooperative like [Ascarive](#), or a group of producers that constitute a blend like [Donas Do Café](#) or [Vinte](#). Each has their own story to tell and it's well worth reading their coffee information sheets and our trip reports as you can find great nuggets of information logged there.

Each farm, cooperative or exporter will work differently, and Brazil is no exception. We have started to receive offers from all our major partners in Brazil save Daterra, which always offers a little later than everyone else. This year we expect to receive pricing from Daterra towards the end of June/early July and we will also be doing a focus on their work surrounding carbon credits then. If you currently buy Daterra coffee or are considering them, it's worth bearing that in mind.

You may be thinking, "Why should I buy coffee if it hasn't been grown yet and I can't taste it?". In our industry, much of the contracting is done before the coffee is grown, which means that often at the point of contracting the coffee there is no fresh sample to taste. If it's a farm you have worked with before, then this is not an issue as it's likely you will know the profile and consistency. However, if it's a new source, then a good way around this is by tasting the sample of the current crop, as this will give you a good idea. There is no

harm in waiting to taste fresh arrivals, but you may find that there is less choice at that point, as much coffee would already have been contracted. However, buying spot is usually always an option and, as mentioned before, we do try and maintain a well-stocked spot position for this purpose. Regardless of what Brazilian you use in your line-up though, it's well worth paying Brazil some attention as there is good value in terms of price and quality to be had. Gone are the days of Brazil simply being 'chocolate nut'.

Conclusion

Forging and nurturing relationships between origin and roasters is what we love to achieve. If you're looking to continue working with the same coffee or develop a new relationship, now is a good time to be assessing your Brazilian requirements for the upcoming harvest. Even if you decide that, actually, you would rather buy spot for the foreseeable future, understanding our offering means you'll have a better idea of what will be on offer, and when. It also allows us to plan to have a bit of extra stock in case you need it.

Get in touch with your contact in trade to discuss further. We look forward to hearing from you!