

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Colombia

Coffee Annual

Colombian Coffee Production Stabilizes Around 14 Million Bags

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Report Highlights:

In marketing year (MY) 2018/19, Colombian coffee production is estimated to reach 14.3 million bags (1 bag = 60 kilograms unless otherwise noted) green bean equivalent (GBE) as the flowering period in the main coffee regions has benefited from good climate. If weather conditions are favorable and renovated plants keep reaching their productive peak, production is forecast to remain at 14.3 million bags GBE in MY 2019/20. Paralleling production recovery, exports are expected to increase to 13.3 million bags GBE in MY 2018/19, with no change in MY 2019/20.

Executive Summary:

Colombian coffee production is estimated to increase to 14.3 million bags GBE in MY 2018/19 (October through September), and maintain the same level in MY 2019/20. Production is forecast to recover due to positive impacts from the low intensity El Niño drought that has increased flowering. In addition, more plants are reaching their productive peak to stabilize Colombian coffee production around 14 million bags GBE. The production recovery during the past years has been a direct result of the successful replanting program established in 2012, which reduced the average age of coffee trees from 15 to 7 years and increased productivity and plant density.

Paralleling production recovery, exports are estimated to increase to 13.3 million bags GBE in MY 2018/19, with no changes in MY 2019/20. The United States is the main destination for Colombian coffee exports accounting for over 40 percent of total exports. Coffee imports into Colombia are destined to satisfy increasing domestic demand that is growing at a faster pace than the traditional coffee consumer countries. The main sourcing options for Colombia imports are Peru, Honduras, Ecuador and Brazil.

Although coffee production has maintained strong levels because of an increase in productivity and the renewal of coffee plantations, international prices have severely affected producers' income. Because of low prices, the Colombian government is supporting coffee farmers through direct payments subsidies.

Commodities:

Coffee, Green

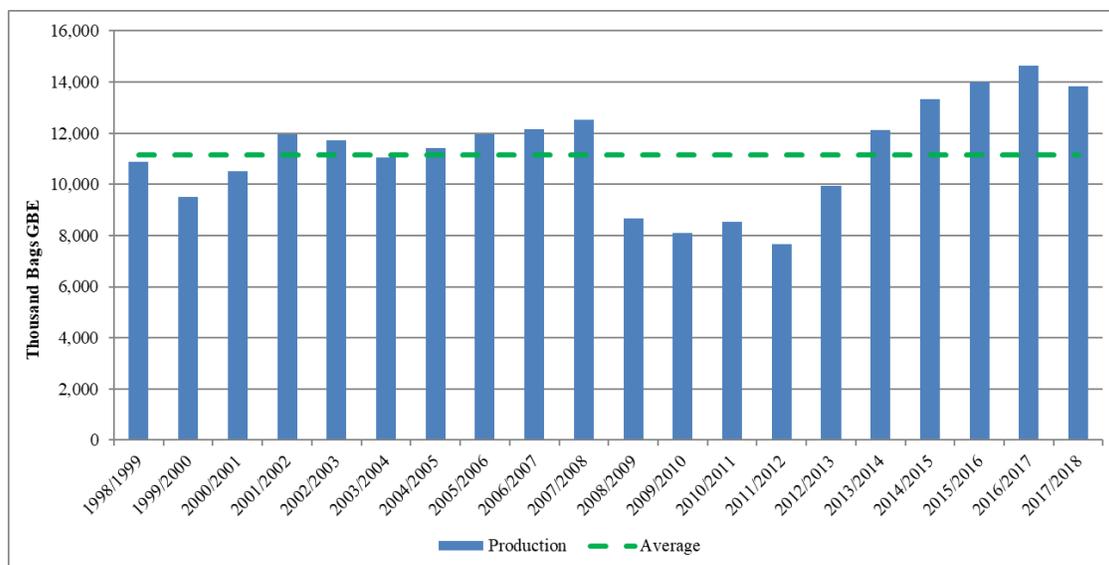
Production:

In MY 2019/20 Colombian coffee production is forecast to remain at 14.3 million bags GBE. Production is expected to recover above 14 million bags GBE as the low intensity El Niño weather phenomena has boosted the flowering period in the main producing regions. A good flowering in trees helps to determine the size of the harvest. Despite Colombian coffee production decreasing in MY 2017/18, it has maintained high levels compared to the average production from past years.

Due to the successful replanting program, FEDECAFE estimates that average coffee productivity has increased to 18.2 bags GBE per hectare, 32 percent higher than the last decade (13.8 bags GBE). From the beginning of the replanting program in 2012 up to now, about 500,000 hectares have been renovated, which corresponds to 53 percent of the total Colombian coffee production area. In 2018, 80,000 hectares were renovated, mostly with varieties resistant to rust, the planting density increased to 5,200 trees per hectare and productivity increased to 18.6 bags GBE per hectare. FEDECAFE and the Colombian government plan to increase the number of renovated hectares to at least 90,000 per year to reach the production goal of 18 million bags GBE in the coming years. The renovation cost per hectare is estimated between 8 to 12 million Colombian pesos (\$2,860-\$4,285).

The graph below illustrates production from the last twenty years, highlighting the turnaround in MY 2012/2013. In MY 2017/18, coffee production decreased affected by heavy rains and cloudiness. As a reference, the average annual production is illustrated by the green dotted line.

Graph 1. Annual Coffee Production (Thousand bags GBE)



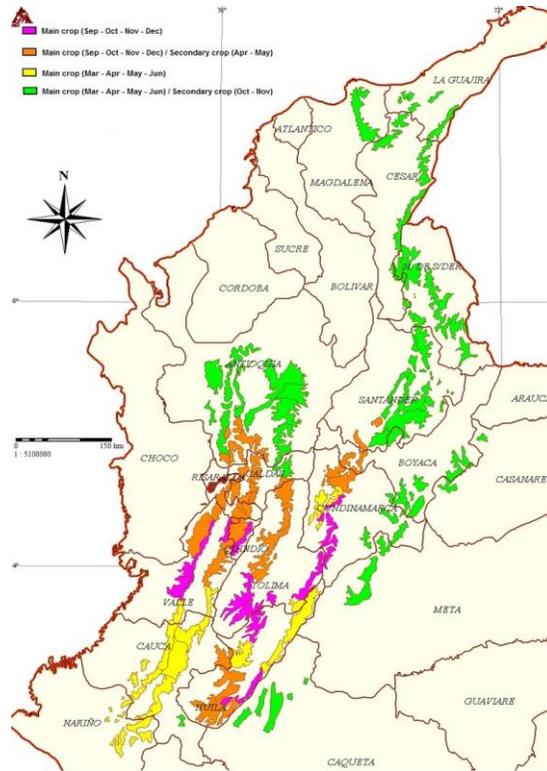
Source: FEDECAFE

The average size of the Colombian coffee farm is 4.5 hectares of land. FEDECAFE estimates there are 560,000 coffee growing families, where small farmers with less than five hectares of land are responsible for approximately 69 percent of coffee production in Colombia. There are 940,000 hectares of coffee planted in Colombia but only 780,000 correspond to technified crops which mean they are partially planted with improved coffee varieties, such as rust resistant trees, dense plantations and are younger than 12 years. FEDECAFE indicates that about 80 percent of coffee area is planted with rust resistant varieties, compared to 35 percent in 2010, when weather conditions had devastating effects on coffee production. According to FEDECAFE’s last coffee diseases survey, on average, borer infestation and rust levels are below two percent.

The map below illustrates the coffee producing regions of Colombia. Colombia’s proximity to the equator and ample growing season supports harvesting coffee almost year-round. Some of the coffee regions have two peak harvest periods during the calendar year given the presence of two dry and two wet weather conditions. These are the northern and central southern coffee zones.

The departments of Caldas, Quindío and Risaralda have been known as the Colombian coffee region because years ago they grew and produced the majority of Colombian coffee. However, given lower agricultural labor costs and climate change, coffee production has shifted to other departments such as Huila, Antioquia and Tolima. In 2018, these three departments accounted for 46 percent of Colombia’s total coffee production, while Caldas, Quindío and Risaralda only accounted for 16.5 percent. The “coffee region” is nowadays well known for developing tourist attractions to highlight Colombian coffee and its culture.

Graph 2. Coffee Producing Regions in Colombia



Source: FEDECAFE

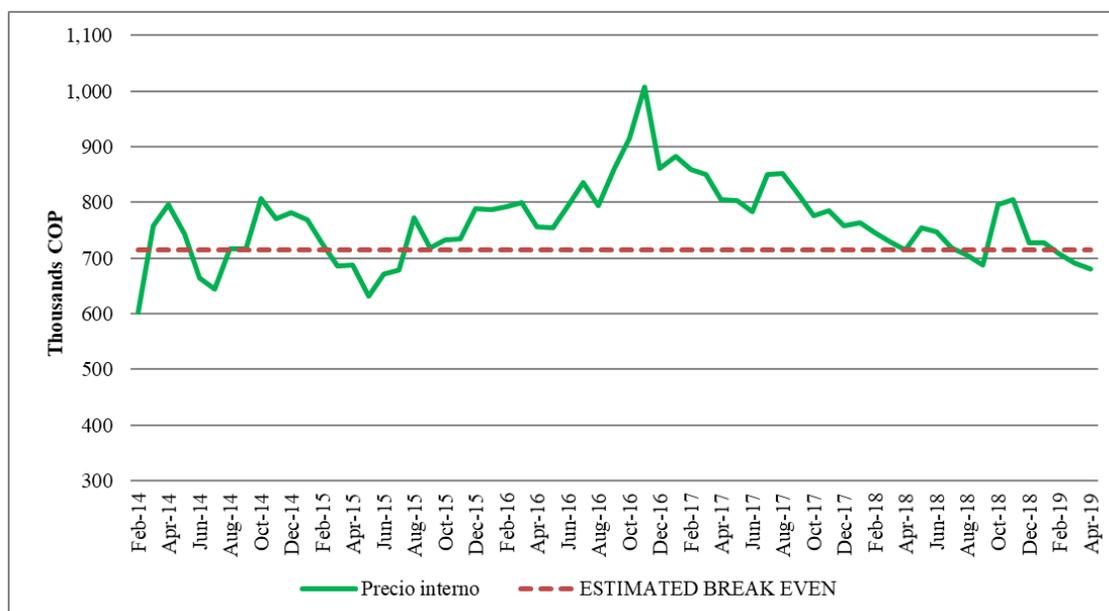
Colombian domestic prices depend on the New York international price and the Colombian peso to U.S. dollar currency exchange rate. Despite the exchange rate being favorable for exporters, the decrease in international prices has severely affected internal prices to a point that the price does not cover production costs. From January to April 2019, the monthly average internal price of coffee reached COP 701,628 (USD 214) per 125 kilogram bag, a 17 percent decrease from the same time period two years ago. This dramatic reduction in domestic prices has motivated coffee growers to claim support from the government (see policy section). According to FEDECAFE, about 40 percent of total coffee production receives significant price premiums for being specialty coffees.

According to FEDECAFE’s director, if low prices continue, many growers are considering leaving coffee production and planting other crops such as avocados and other fruits.

FEDECAFE proposed to growers to sell coffee at a price that covers production costs plus a profit margin, without taking into account the reference price provided by the New York Stock Exchange. This proposal made a lot of noise in the press but received little support by the coffee industry and the Colombian government.

The graph below illustrates the monthly internal price paid to growers per 125 kilogram bag. As reference, the estimated average production cost is illustrated by the red dotted line.

Graph 3. Colombia: Domestic Prices (Thousand COP/125 Kg bag)



Source: FEDECAFE

Consumption:

In MY 2019/20, domestic consumption is forecast to reach 1.8 million bags GBE, an increase of 5.8 percent compared to a year before. As other production countries, Colombian coffee consumption keeps growing at a faster pace driven by an increasing number of coffee shops and the creation of new coffee products to satisfy the rising demand of young professionals and foreign visitors.

The major players in the Colombian coffee stores market are: Juan Valdez, OMA and Café Tostao. Other companies with a presence in this market include McCafe, Ily, Segafredo, and the mega-coffee retailer, Starbucks. Café Tostao has dramatically grown in the last years to have about 408 small coffee stores in Bogota, Cali and Medellin offering coffee and pastry products at a lower price than their competitors. This strategy has led Café Tostao to become the second largest seller of coffee in Colombia, after Juan Valdez.

Trade:

In MY 2019/20, coffee exports are forecast at 13.3 million bags GBE, with no changes from the year before. Coffee exports will increase in MY 2018/19 paralleling the production recovery and will maintain the same level in MY 2019/20. Coffee bean exports represent over 90 percent of total exports, followed by soluble coffee.

The United States is the major single destination for Colombian coffee, importing approximately 44% of the total Colombian exports, followed by the European Union (25%), Japan (10%), and Canada (7%).

Traditionally FEDECAFE purchases coffee from its members, but in an effort to promote direct trading and increase small-scale producer income, FEDECAFE launched an initiative to allow registered exporters to ship coffee in small quantities. Shipments of up to 60 kilograms of green coffee, roasted

coffee, instant coffee and coffee extract, are occurring with authorized private shipping companies. This initiative has resulted in a larger number of private exporters.

To satisfy the increasing domestic demand along with decreased production, in MY 2017/18 Colombia imported 770,000 bags GBE. The coffee imports were mainly from Peru (51.4%), Honduras (32.0%), Ecuador (9.5%) and Brazil (6.9%). In MY 2018/19 imports are estimated to decrease to 425,000 bags GBE because of large beginning stocks and increasing production. Imports are forecast to increase to 480,000 bags GBE in MY 2019/20 to meet local demand as inventories decrease and exports recover.

Stocks:

There exists no government or FEDECAFE policy to support large scale carry-over stocks of coffee. In MY 2018/19 beginning stocks are estimated at 1,1 million bags GBE given large imports and low prices which discouraged trade. In MY 2019/20 beginning and ending stocks are forecast to fall to 841,000 and 521,000 bags GBE, respectively, as a result of exports recover and increased domestic demand.

Policy:

The decrease in domestic prices due to the reduction on international markets motivated coffee growers to claim government support. In 2019, the Colombian government allocated 155.5 billion pesos (about \$50 million) to coffee growers to protect farmers’ income through direct payments. The government will subsidize the internal purchase price paying up to 30,000 pesos (\$9.5) per 125 kg (275 lb) bag when the domestic price falls below 715,000 pesos. The average price in April 2019 was 680,567 pesos.

Additional assistance will be delivered to coffee farmers through financial measures such as refinance or partly condone, the debts of growers. The Financing Fund for the Agricultural Sector (FINAGRO) will also provide loans with discounted payback terms and a special loan category that will offer funds to small growers in replanting their coffee fields.

Most coffee growers are members of FEDECAFE and take advantage of the organization’s educational programs, technical training, and sales support. FEDECAFE provides technical support to coffee producers through the extension service that assists growers on good practices for planting, harvest and post-harvest, as well as processing that have an impact on the final quality of coffee. In addition, FEDECAFE manages low interest loan programs for the costs of replanting.

Production, Supply and Demand Data Statistics:

Coffee, Green	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Colombia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	780	780	780	780	0	780
Area Harvested	640	640	640	640	0	640

Bearing Trees	3500	3500	3500	3500	0	3500
Non-Bearing Trees	1000	1000	1000	1000	0	1000
Total Tree Population	4500	4500	4500	4500	0	4500
Beginning Stocks	886	886	696	1116	0	841
Arabica Production	13825	13825	14300	14300	0	14300
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
Total Production	13825	13825	14300	14300	0	14300
Bean Imports	100	670	300	300	0	350
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	100	100	125	125	0	130
Total Imports	200	770	425	425	0	480
Total Supply	14911	15481	15421	15841	0	15621
Bean Exports	11700	11700	12300	12300	0	12300
Rst-Grnd Exp.	165	165	100	100	0	100
Soluble Exports	850	850	900	900	0	900
Total Exports	12715	12715	13300	13300	0	13300
Rst,Ground Dom. Consum	1100	1200	1200	1250	0	1350
Soluble Dom. Cons.	400	450	400	450	0	450
Domestic Consumption	1500	1650	1600	1700	0	1800
Ending Stocks	696	1116	521	841	0	521
Total Distribution	14911	15481	15421	15841	0	15621

(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)