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Report Highlights:

Guatemala coffee planted area in MY2021/2022 is forecast to remain steady at 305,000 Ha, but harvested area will increase 2 percent as planted trees mature. Production is forecast at 3.47 million 60-Kg bags, a 10 percent increase compared to 3.15 million 60-Kg bags estimated for the MY2020/2021 harvest, hit by hurricanes Eta and Iota at the beginning of the harvest. Between the storms and the COVID pandemic in 2020, the harvest dropped 16 percent. Exports in MY2021/2022 are forecast at 3.2 million 60-Kg bags. Consumption in MY2021/2022 will slightly recover as hotels, restaurants, and coffee shops open, but continue with limitations due to less than 1 percent of the Guatemalans being COVID vaccinated as of May 2021.

Crop Area:

At least 93 percent of the coffee in Guatemala continues to be grown under shade, much of it on steep mountain ranges in the primary water sources areas, which creates an agroforestry system (Photo 1) that protects watersheds, reduces soil erosion, and allows for nutrient recycling. Coffee forests represent 7 percent of the national forest cover.

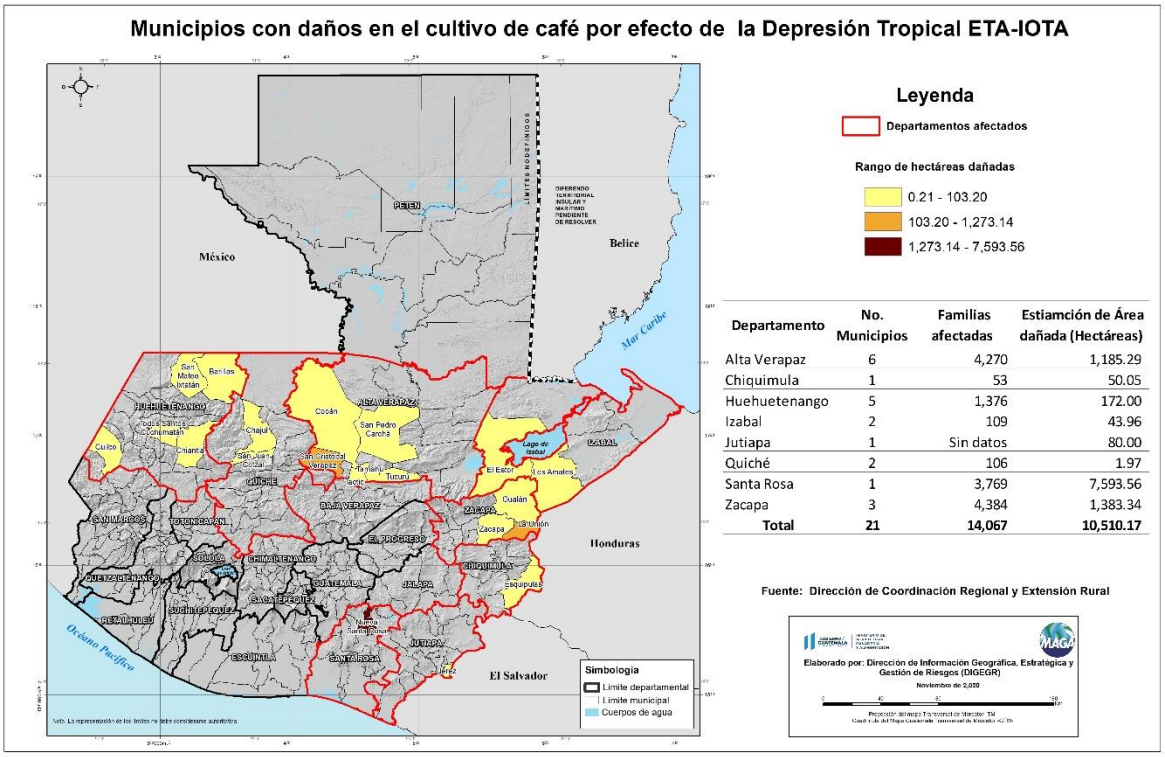
Photo 1
Agroforestry coffee system in Guatemala

Source: ANACAFE, 2021

Guatemala's coffee planted area forecast for MY2021/2022 is 305,000 hectares (Ha), just as in the past three years, but harvested area is forecast to increase to 270,000 Ha as bearing trees increase to 1.2 billion. This represents a slight increase of 2 percent in harvested area. Harvested area for MY2020/2021 is estimated at 260,000 Ha with 1.15 billion bearing trees. This area is 2 percent below MY2019/2020 but is not related to the number of bearing trees but to the reduction in hand labor resulting from the COVID-19 pandemic that impacted total harvested area, especially in northern Huehuetenango in the western highlands and eastern Jalapa. These departments were affected by the pandemic and many pickers were afraid of traveling in the country. In addition, at the peak of the pandemic (March-July), the Government of Guatemala established some mobilization restrictions.

In addition to the effects of the pandemic, an even more important factor that reduced the MY2020/2021 harvest was the impact of hurricanes Eta and Iota, which hit Guatemala at the beginning of the coffee harvest season in November of 2020, affecting roughly 10,500 Ha in 21 municipalities located in the departments of Alta Verapaz, Chiquimula, Huehuetenango, Izabal, Jutiapa, Quiche, Santa Rosa, and Zacapa, as shown in Figure 1. According to ANACAFE estimates, 945 Ha were destroyed due to landslides, flooding, and felled trees. The effects of Eta and Iota will also impact the MY2021/2022 harvest.

Figure 1
Coffee growing municipalities affected by Eta and Iota storms in November of 2020 in Guatemala



Departamento	No. Municipios	Familias afectadas	Estiamción de Área dañada (Hectáreas)
Alta Verapaz	6	4,270	1,185.29
Chiquimula	1	53	50.05
Huehuetenango	5	1,376	172.00
Izabal	2	109	43.96
Jutiapa	1	Sin datos	80.00
Quiché	2	106	1.97
Santa Rosa	1	3,769	7,593.56
Zacapa	3	4,384	1,383.34
Total	**21**	**14,067**	**10,510.17**

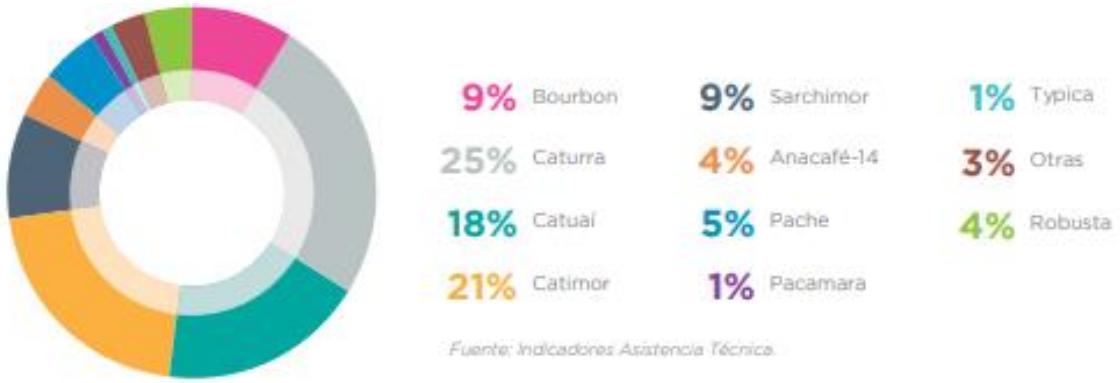
Source: MAGA, 2020

Coffee growers continue struggling with production costs and coffee international prices. Some of the coffee farms in the lower lands are intercropping or shifting to banana and citrus, and in areas like the Verapaces, cardamom is one of the main options for diversification. To support coffee farmers in areas with increased rust incidence, ANACAFE is promoting substitution with *Coffea canephora* var. Robusta (FRT clones). These clones were introduced in 2017 and are already in production, providing increased yields at lower costs, and are a feasible option for affected coffee farmers, some of whom had planned to drop coffee cultivation altogether.

Guatemala has made progress on renovating its coffee plantations. During MY2019/2020, roughly 65,900 Ha of coffee were renovated, with 47,697 Ha coming from tissue cultured plants and 18,215 Ha from rust resistant varieties planted underneath 1,200 meters above sea level. Above 1,400 meters above sea level, substitution continues with traditional varieties such as Caturra, Catuai, Burbon, Geisha, and Pacamara. Figure 2 shows the MY2019/2020 composition of coffee varieties and hybrids in Guatemala.

Figure 2

Coffee varieties and hybrids´ representation in the Guatemalan MY2019/2020 harvest



Source: ANACAFE, 2021

In MY2020/2021, ANACAFE reproduced close to 4,800 Kg of Nemaya seeds and another 4,800 Kg of Caturra, Catuai, Sarchimor, Anacafe-14, Obata, and Parainema seedlings at Finca Las Flores and Finca Buena Vista. These seeds were donated to 126 farmer organizations, composed of 3,257 coffee farmers who renovated 1,867 Ha with 5.6 million seedlings. The Central American Coffee Program (PROMECAFE) and Nestlé continue supporting coffee farmers with rust resistant hybrids.

Production:

Production in MY2021/2022 is forecast to increase to 3.34 million 60-Kg bags, a 10 percent increase compared to MY2020/2021 (3.02 million 60-Kg bags). This represents an important recovery but still below the 3.52 million 60-Kg bags produced in MY2019/2020, as Eta and Iota compromised production in the affected areas. Farmers are always skeptical regarding the weather conditions that may prevail in the coming years, as Guatemala has been hit in the past two years by intensive rainy seasons, which have followed five to six years of dry seasons and increased temperatures. Eta and Iota destroyed coffee areas, soils were eroded, and fertility has diminished. Photo 2 shows coffee plantation landslides in areas affected by the storms. Storms and heavy rainy seasons translate into increased production costs, as farmers must invest in more fertilizers and pesticides to deal with rust and other fungal diseases. Coffee quality may drop up to 50 percent during heavy rainy seasons.

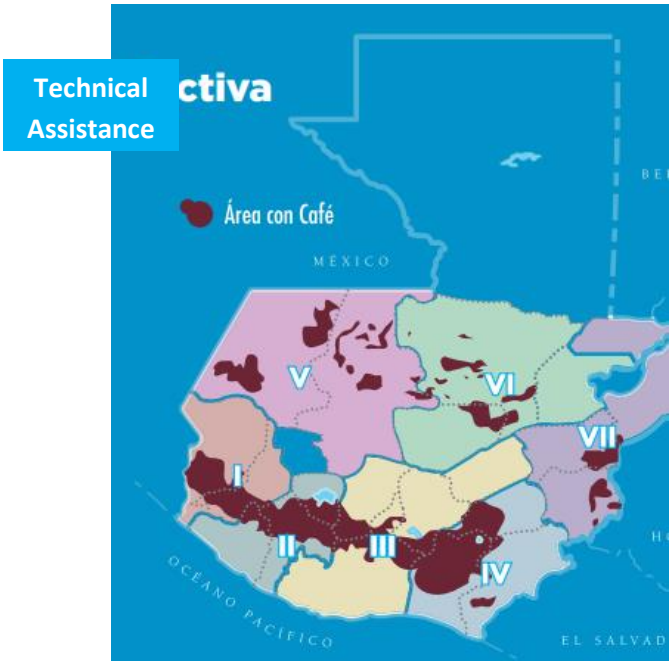
Photo 2
Coffee plantations destroyed by Eta and Iota Storms

Source: TechnoServe, 2020

ANACAFE has divided Guatemala into 7 productive regions as shown in Figure 3. These regions have different characteristics which are closely monitored to determine weather conditions, pest and disease incidence, productivity, quality, and technical services required. This is done with the aid of ANACAFE´s more than 100 weather stations combined with information from the Vulcanology and Meteorology National Institute (INSIVUMEH), through its Geographical Information System (GIS) portal.

In addition, ANACAFE recently launched its Better Soil – Better Coffee platform, which based on the soil chemical analysis, suggests a nutrition program. ANACAFE also provides technical support to coffee farmers on genetics, plant density, plant renovation, soil conservation, shade management, fertilization and corrections, integrated pest and disease management, effective administration of the plantation, quality throughout the production cycle, harvest, and post-harvest, sustainable practices, and quality management.

Figure 3
ANACAFE coffee regions based on technical assistance



Source: ANACAFE, 2021

Table 1 shows production costs in each of the regions shown in figure 2; the national average is $241.80 per 100-pound bag (or "quintal oro" as it is called in Guatemala).

Table 1

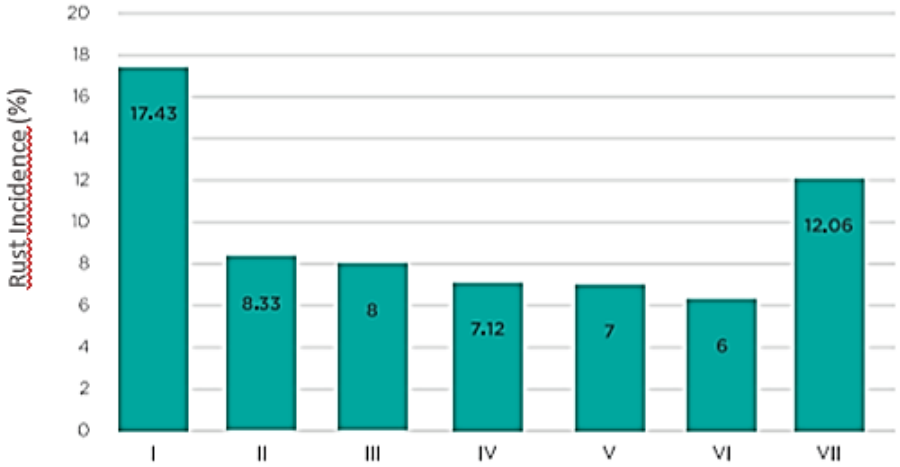
Coffee production costs per region in Guatemala

Region	Departments	Cost $/100-pound of bag of coffee Green Bean Equivalent (GBE)
Región I	San Marcos and Quetzaltenango	$ 234.57
Región II	Suchitepequez, Retalhulehu, Solola, El Palmar/Quetzaltenango, and Pochuta (Chimaltenango)	$ 256.74
Región III	Guatemala, Chimaltenango, Escuintla, Sacatepequez, El Progreso	$ 262.81
Región IV	Santa Rosa, Jalapa, Jutiapa	$ 218.59
Región V	Huehuetenango and Quiche	$ 237.06
Región VI	Alta Verapaz, Baja Verapaz, El Estor/Izabal	$ 258.16
Región VII	Zacapa, Chiquimula, Morales/Izabal, San Luis/Peten	$ 224.69

Source: ANACAFE, 2021

Coffee rust incidence in MY2020/2021 has varied in the different regions, with as low as 6 percent in region VI up to 17 percent in region I, as shown in Figure 4.

Figure 4
Average coffee rust incidence (%) according to the production region in Guatemala



Source: ANACAFE, 2021

Incidence also varies throughout the year, reporting the highest peaks in the Nov-Feb period, where the incidence may increase above 20 percent, representing the costliest operations months where fungicide applications may represent up to 70 percent of the costs. Figure 5 shows the historical average rust incidence at the national level during the year.

Figure 5
Historical national rust incidence average in Guatemala

Source: ANACAFE, 2021

Yields:

Yields are dependent on genetics, production techniques, harvest and post-harvest practices, weather conditions, and production areas. Table 2 shows historical yields per each of the production regions. Region VII (Zacapa, Chiquimula, Morales/Izabal, San Luis/Peten) is the most productive region, followed by region V (Huehuetenango and Quiche), region VI (Alta Verapaz, Baja Verapaz, El Estor/Izabal) and region III (Guatemala, Chimaltenango, Escuintla, Sacatepequez, and El Progreso). Coffee yields have been relatively stable in most of the regions, except when the drought hit hard region IV in 2016-2019, the Eastern country departments, and in 2020/2021, when Eta and Iota storms flooded Alta Verapaz, which sources around 7 percent of the total harvest.

Table 2
Historical Coffee Yields in Guatemalan in the Different Productive Regions

Yields (100-pound Grain Bean Equivalent (GBE) per Ha)					
Region	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
Region I	8	10	10	11	9
Region II	10	10	10	8	8
Region III	15	15	15	15	16
Region IV	9	7	7	14	13
Region V	21	22	22	27	22
Region VI	17	15	15	17	2
Region VII	25	27	27	30	29

Source: ANACAFE, 2021

Guatemalan coffee has many different partners supporting its sustainable production. The U.S. Government supports Guatemalan coffee production through USDA´s Food for Progress Programs in the Guatemalan western highlands and USAID´s coffee value chain program. USDA´s Food for Progress programs are implemented by Counterpart International through the PROCAMPO project and TechnoServe through the MOCCA regional project.

USDA´s PROCAMPO is supporting ANACAFE to increase effective service coverage to provide integrated technical assistance to farmers through capacity building, organizational strengthening of producer groups and market access. This project has supported close to 1,700 coffee farmers from region II at Sololá, who have increased their yields in 890 Ha. PROCAMPO and ANACAFE have increased the competitiveness of 56 coffee organizations around the basin of Lake Atitlan, one of the most beautiful volcanic lakes in the world. These organizations have been directly connected to local and export markets, receiving up to $164 per 100-pound bag of coffee in green bean equivalence (GBE). At least 20 percent of the coffee farmers around Lake Atitlan are female farmers (Photo 3).

Photo 3
Guatemalan coffee farmers around Lake Atitlan

Source: ANACAFE, 2021

USDA´s MOCCA Project has partnered with Olam to increase market access and coffee prices for 4,000 farmers in Huehuetenango. Alliances have also been established with Volcafe Guatemala to support 2,000 farmers in Baja Verapaz. Another strategic partnership that has been established is with UNEX Guatemala, aiming to support 3,000 farmers in Sacatepéquez, Chimaltenango, and Santa Rosa. All the partnerships and alliances involve farmer training to increase their coffee sales via direct purchasing, certification, premiums for higher quality coffee and access to better terms of credit.

USAID´s COFFEE VALUE CHAINS project is executed by the Guatemalan Coffee Federation of Cooperatives (FEDECOCAGUA), significantly increasing productivity and market access of 36 cooperatives composed by 15,000 farmers (35 percent female and 15 percent young) in the departments of Huehuetenango (13 municipalities); Quiche (3 municipalities), and San Marcos (8 municipalities). The project supported the renovation of 225 Ha of Arabic coffee and 40 Ha of Robusta, and is

facilitating the renovation with Marsellesa, ANACAFE-14, and San Ramon in the cooperatives at Huehuetenango and Quiché, while San Marcos cooperatives will receive Catimor and Sarchimor hybrids for renovation during MY2021/2022. These coffee cooperatives are being certified in sustainable agricultural practices with low carbon emissions.

Policy:

On October 30, 2013, Guatemala published Legislative Decree 12-2013 to extend the national coffee trust fund originally established through Legislative Decree 31-2001, published on August 1, 2001. Decree 12-2013 extends the trust fund until October 23, 2026. The trust fund is administered by Banrural Bank and is to be funded by the Government of Guatemala up to $100 million. The decree assigns the Ministry of Agriculture of Guatemala as the responsible entity to secure the adequate use of the trust fund, which can be used to buy agricultural inputs, mainly fungicides to combat coffee rust, and fertilizers. In addition, credits for farmers are offered with a 2 percent annual interest rate for small and medium-sized coffee farmers, while big producers get a 3 percent annual interest rate. Table 3 shows the credit options for coffee farmers, based on production area.

Table 3
Credit Options under the Guatemalan Coffee Trust Fund

Farmer Size	Maximum Coffee Production in 100-pound (parchment)	Credit Ceiling ($)	Financial Guarantee
Small	100	12,000.00	Collateral
Medium	101-1,600	200,0000.00	Collateral and/or Mortgage
Big	1,601 and above	600,000.00	Mortgage

Source: ANACAFE, 2021

On October 1 of 2020, Guatemala retreated from the International Coffee Organization, recognizing the lack of effective support to improve the final prices paid to coffee farmers in developing countries.

Consumption:

Coffee consumption in MY2021/2022 is forecast at 563,000 60-Kg bags, a 13 percent increase compared to the MY 2020/2021 estimate (490,000 60-Kg bags). Consumption is estimated to drop 38 percent compared to MY2019/2020, which closed with 678,000 60-Kg bags. The significant reduction in the estimate for MY2020/2021 is directly related to the COVID pandemic and the closing of hotels, restaurants, and coffee shops during close to 6 months in 2020. The consumption trend went from drinking at coffee shops to drinking at home, both domestically as internationally. The roasted coffee exports found new buyers in El Salvador, Belize, Costa Rica, Panama, the United Sates, and Canada. But overall, the 38 percent drop in local consumption brought down per capita consumption in Guatemala from 2.4 Kg to 1.73 Kg.

Consumption of roasted-ground coffee in MYY2021/2022 is forecast to increase to 343,000 60-Kg bags, a 23 percent increase compared to the MY2020/2021 estimate of 264,000 60-Kg bags. This is an expected trend considering that Guatemala's COVID vaccination plan is significantly delayed, with less than 1 percent of the population vaccinated as of May 2021, which will maintain limited attendance to coffee shops, restaurants, and hotels. In addition, consumption at home will maintain as telework measures are kept in place and schools and universities don´t have permanent physical attendance.

During the peak of the pandemic, ANACAFE had to close all the coffee promotion events at the national level, including seminars, conferences, etc. At the international level, the Coffee Expo-SCA and the Coffee Expo Seoul were cancelled. In substitution, ANACAFE promoted the "Half a Million Cups, Half a Million Thanks for those Heroes that are not at Home". Producers donated coffee, which was processed and packed by ANACAFE, delivering 12,859 pounds of ground coffee to prepare 550,000 cups for health care providers, fire fighters, and emergency response personnel working during the pandemic.

In addition, under strict COVID control measures, the 2020 Cup of Excellence took place, auctioning 30 coffee lots with an average price of $25.50 per pound, establishing a historical record. Another record was awarded for an exceptional 91.06 points lot from Palencia, Guatemala, valued in $180.20 per pound.

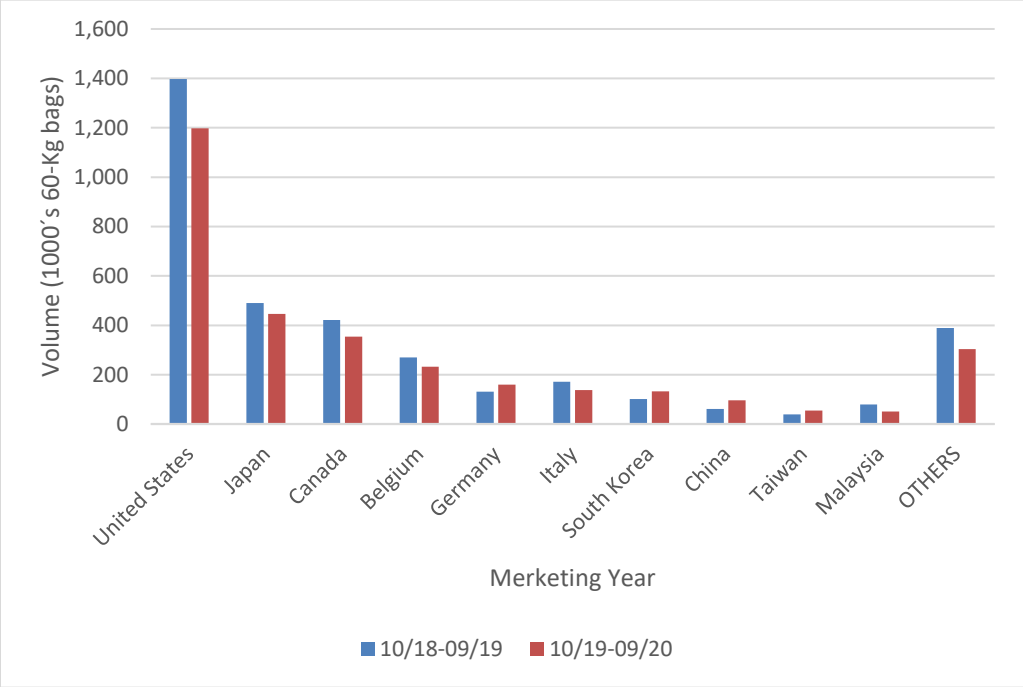
Stocks:

Guatemala doesn´t manage government held coffee stocks; coffee stocks are managed privately by coffee mills at big farms, associations, or cooperatives. Stocks for MY2021/2022 are forecast at 23,000 60-Kg bags, a 13 percent reduction compared to MY2020/2021 (26,000 60-Kg bags), characterized by lower production, lower consumption, and lower exports. Stocks in MY 2019/2020 closed with 22,000 60-Kg bags.

Trade:

Guatemalan exports in MY2021/2022 are forecast to increase 8 percent to 3.16 million 60-Kg bags, slightly recovering from exports estimated to drop to 2.89 million 60-Kg bags in MY2020/2021. Exports in MY2019/2020 closed with 3.22 million 60-Kg bags. Figure 6 shows a comparison of main trading partners in MY2018/2019 and 2019/2020. By far, the United States is Guatemala´s main export market, with 37 percent of the market share, followed by Japan (14 percent), and Canada (11 percent) for MY2019/2020. These three countries represent almost two thirds of the Guatemalan coffee exports.

Figure 6
Guatemalan coffee exports in MY208/2019 and MY2019/2020

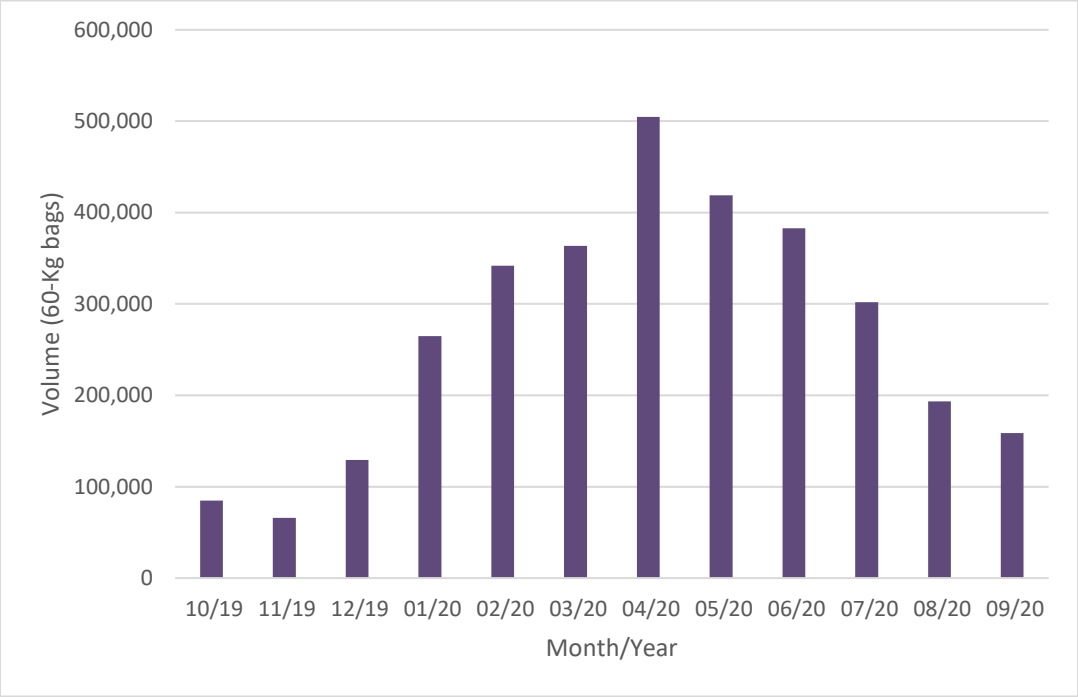


Source: Trade Data Monitoring, 2021

Guatemala expects to soon enter into the Central America-South Korea Free Trade Agreement, which was signed in 2018, ratified in 2019 and entered in effect for most of the Central American countries between 2019 and 2020, with the latest addition of Panama on March 1, 2021. Guatemala is the only country still pending approval and ratification of the agreement. South Korea may become an important export market once the agreement is in place for Guatemala, as the rest of the Central American countries got immediate access for coffee; at present Guatemalan coffee exports are affected by an 8 percent tariff on roasted coffee and 2 percent on green coffee.

Figure 7 shows MY2019/2020 total monthly exports, which reached their peak in April, exporting 15 percent of the harvest. By April, roughly 55 percent of the harvest had been exported. Though organic coffee only represents 4 percent of total exports, Guatemalan organic coffee exports continue their upswing, already reaching 154,000 60-Kg bags in MY2019/2020, with a 15 percent increase for the second consecutive year.

Figure 7
Guatemalan monthly coffee exports in MY2019/2020



Source: Trade Data Monitoring, 2021

Price Table:

Coffee continues to be one of the main agricultural export products and though export values reached above $1 billion in MY2010/2011, with a major drop in MY2012/2013, export values have kept on the $650-$750 million for the past eight years. Export value in MY2019/2020 was $657 million, with 82 percent strictly hard beans, 9.7 percent hard, 3.5 percent prime and extra prime, 1.3 percent Robusta and 3.5 percent of others.

Coffee prices paid at the farm gate will depend on the farmer's organizational structure, with the non-organized farmers most affected by prices. Table 4 shows the average price per 100-pound parchment coffee paid in Quiche, Huehuetenango, and San Marcos, for farmers belonging to a cooperative vs. outside of a cooperative. Price differentials may represent between 10 and 20 percent, favoring organized farmers.

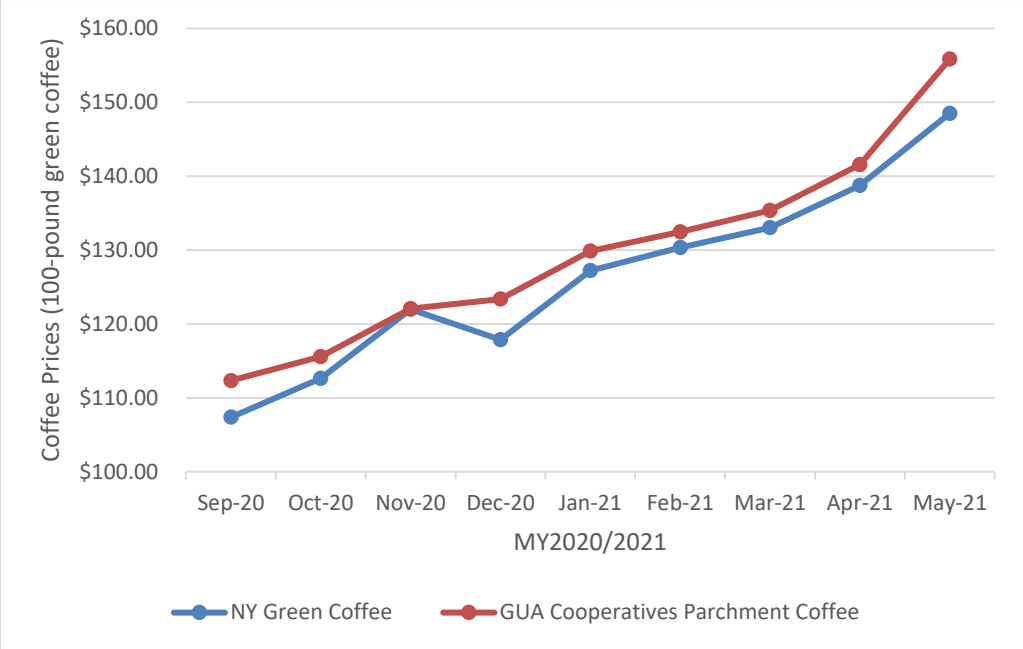
Table 4
Average Coffee Farm Gate Prices per 100-pound parchment coffee paid in Quiche, Huehuetenango, and San Marcos in Guatemala

Department	**Average Price per 100-pound of parchment coffee for cooperatives**	**Average Price per 100-pound of parchment coffee at the local market outside of the cooperative**
Quiché	128-155	117-121
Huehuetenango	121-129	103-116
San Marcos	105-115	98-103

Source: FEDECOCAGUA, 2021

In addition, when cooperatives pursue certifications such as Rainforest Alliance, Organic, Fair Trade, among others, prices at farm gate may increase additional $6.50-$37.50 per 100-pound. Organic coffee received a $23.38 premium per 100-pound bag and additional $30.00 premium if Fair Trade certified. Figure 8 shows the positive differential perceived at farm gate for parchment coffee in Guatemalan Cooperatives supported by FEDECOCAGUA in USAID´s coffee value chain project, compared to NY reference for green coffee international prices in present MY2020/2021.

Figure 8
Comparative prices for Guatemala coffee prices in MY2020/2021
under cooperative agreement vs. NY Green Coffee Reference



Source: FEDECOCAGUA, 2021

Production, Supply and Demand (PS&D)

Coffee, Green	2019/2020			2020/2021			2021/2022			
Market Begin Year	Oct 2019			Oct 2021			Oct 2022			
Guatemala	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
										(Units)
Area Planted	305	305	305	305	305	305	0	0	305	(1000 HA)
Area Harvested	260	260	260	260	260	265	0	0	270	(1000 HA)
Bearing Trees	1150	1150	1150	1150	1150	1176	0	0	1202	(MILLION TREES)
Non-Bearing Trees	200	200	0	200	200	177	0	0	151	(MILLION TREES)
Total Tree Population	1350	1350	1150	1350	1350	1353	0	0	1353	(MILLION TREES)
Beginning Stocks	26	27	26	20	29	22	0	0	26	(1000 60 KG BAGS)
Arabica Production	3200	3415	3515	3400	3400	3,019	0	0	3340	(1000 60 KG BAGS)
Robusta Production	250	130	130	250	130	130	0	0	130	(1000 60 KG BAGS)
Other Production	0	123	0	0	123	0	0	0	0	(1000 60 KG BAGS)
Total Production	3450	3668	3645	3650	3653	3149	0	0	3470	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0	0	0	0	(1000 60 KG BAGS)
Roast & Ground Imports	4	4	4	4	4	4	0	0	4	(1000 60 KG BAGS)
Soluble Imports	245	245	245	245	245	245	0	0	245	(1000 60 KG BAGS)
Total Imports	249	249	249	249	249	249	0	0	249	(1000 60 KG BAGS)
Total Supply	3725	3944	3920	3919	3931	3420	0	0	3745	(1000 60 KG BAGS)
Bean Exports	3200	3420	3211	3400	3400	2895	0	0	3150	(1000 60 KG BAGS)
Rst-Grnd Exp.	0	0	4	0	3	4	0	0	4	(1000 60 KG BAGS)
Soluble Exports	5	0	5	4	4	5	0	0	5	(1000 60 KG BAGS)
Total Exports	3205	3420	3220	3404	3407	2904	0	0	3159	(1000 60 KG BAGS)
Rst,Ground Dom. Consu	250	250	433	250	250	264	0	0	343	(1000 60 KG BAGS)
Soluble Dom. Cons.	250	245	245	245	245	226	0	0	220	(1000 60 KG BAGS)
Domestic Consumption	500	495	678	495	495	490	0	0	563	(1000 60 KG BAGS)
Ending Stocks	20	29	22	20	29	26	0	0	23	(1000 60 KG BAGS)
Total Distribution	3725	3944	3920	3919	3931	3420	0	0	3745	(1000 60 KG BAGS)
Exportable Production	2950	3173	2967	3155	3158	2659	0	0	2907	(1000 60 KG BAGS)
TS=TD	0	0	0	0	0	0	0	0	0	
Post Notes										

Attachments:

No Attachments