



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 5/15/2005

**GAIN Report Number:** CO5010

## Colombia

## Coffee

## Annual

## 2005

**Approved by:**

David J. Mergen  
U.S Embassy

**Prepared by:**

Leonardo Pinzon

---

**Report Highlights:**

Colombian coffee production is expected to increase 450,000 bags in the October-September 2004/2005 commercial year to reach 11.5 million bags. Production of 11.6 million bags is forecast for the following year. Production increases are due to improvements in international prices. Colombian exports are projected to reach 10.4 million bags during the 2004/2005 year. The Colombian government is pursuing country of origin certification for Colombian coffee worldwide and is expanding exports of specialty coffees.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Bogota [CO1]  
[CO]

**Table of Contents**

**Executive Summary** ..... 3  
**Production** ..... 3  
**Consumption**..... 3  
**Trade**..... 4  
**Stocks** ..... 4  
**Policy** ..... 4  
    U.S. – Colombia Free Trade Agreement ..... 4  
    U.S. Entry in International Coffee Organization (ICO) ..... 4  
    Support ..... 4  
**Prices** ..... 4  
**Tables**..... 5

**Executive Summary**

Colombia's coffee production is projected to reach 11.5 million bags (60 Kg) at the end of marketing year 2004/05, which is 450,000 bags (60 Kg) higher than a year before. The trend in coffee production is to improve productivity and quality in the main growing areas, while reducing production in marginal areas. The higher world prices have resulted in increased productivity by allowing growers to afford a more intensive use of inputs and better management.

The Colombian Government has made major efforts to promote country of origin certification for Colombian coffee in the International Coffee Organization and in the bilateral free trade negotiations currently taking place with the U.S. The goal is to differentiate Colombian coffee and gain a premium price in the market place.

Colombian coffee exports are expected to increase to 10.42 million bags (60 Kg). While exact figures are not available, local contacts report that the share of specialty coffees (which includes organic and coffee identified by origin) is increasing significantly.

**Production**

Production increases have been fueled mainly by better management practices, particularly pest control practices, since higher international prices have provided higher incomes to growers. Production has benefited from the coffee planting renovation program (the Coffee Federation has been encouraging coffee tree renovation for several years) and normal weather conditions. Preliminary figures published by the Coffee Federation for the first half of the current marketing year (October-March 2004/05) show a 6 percent increase in coffee production (370,000 60 Kg bags) compared with the same period a year before.

Production for 2005/06 is expected to increase to 11.6 million bags (60 Kg), since producers can now afford costs of increased productivity and improved quality. The main impact is greater investment in traditional producing areas rather than expanding area. Production has been falling in marginal coffee areas, but this has been offset by increasing tree density and high productivity in the most competitive coffee areas. High international prices could have stimulated new plantings in the southern areas of the country that will start producing in 2007. Local contacts estimate that the future Colombia's coffee production would remain between 11.0 and 12.0 million bags.

Production policy of the Coffee Growers Federation has been oriented toward achieving efficient production and high quality. As part of this strategy, CENICAFE (Scientific Research Center for Coffee) has developed new techniques to make more efficient the process of picking ripe coffee cherries by hand by reducing harvest time and the amount of fallen coffee cherries (that can host coffee pests). The Coffee Growers Federation is also encouraging supplementary activities for small coffee producers to diversify their income. Ninety percent of coffee plantations are less than 5 hectares.

The Federation has been promoting specialty coffees, including organic and identity preserved coffees. Local contacts report significant premiums for those coffees and a growing production. Specialty coffees may represent as high as 20 percent of production in some areas.

**Consumption**

Colombia's coffee consumption is expected to barely increase 0.4 percent in 2004/05. Changes in local coffee consumption are mainly due to expanding consumption of products containing coffee. Despite marketing efforts to expand coffee consumption as a whole, the main competition has been among coffee brands. There has been a small shift from lower to higher quality and specialty coffees. The increase in international prices has tightened the

supply for local consumption. Local consumption has been traditionally supplied with lower quality coffee, but higher prices have resulted in greater care given to local production and less low quality coffee is now available for domestic sales.

### **Trade**

Preliminary figures showed a growth of 250,000 bags (60 Kg) in exports during the first half of the 2004/05 marketing year. Total exports are expected to reach 10.42 million bags (60 Kg), 2.6 percent higher than the previous year boosted by high international prices.

Colombian exports are expected to go to traditional markets such as the U.S. (35 percent of exports), followed by Japan and Germany that represent 15 and 13 percent of exports. Private companies exported 73 percent of total exports while the National Coffee Growers Federation exported 27 percent.

### **Stocks**

Ending stocks for the 2004/05 marketing year are calculated at 1 million bags (60 Kg). This is Post's estimate based on information gathered from local contacts (the Coffee Federation does not publish official stock estimates). Stocks are expected to fall because of higher international prices and tight supplies of high quality coffee. This amount represents one month of exports, which would be the lowest level ever. Stocks are expected to decline once again in 2005/06 to reach 886,000 bags (60 Kg).

### **Policy**

#### **U.S. – Colombia Free Trade Agreement**

The free trade agreement currently being negotiated between the U.S. and Colombia will have no impact on duties, since green coffee entering U.S. market pays no tariffs. The Colombian Government is, however, pursuing the establishment of rules of origin to prevent the entry into Colombia of low priced coffee from other countries via the U.S. They are also seeking recognition of Colombian coffee as a distinctive denomination of origin and are asking for lower duties on products containing coffee.

#### **U.S. Entry in International Coffee Organization (ICO)**

The entry of the U.S. into the ICO has been welcomed by the Colombian coffee sector. Most realize that there is no possibility of reestablishing international quotas, but they are very happy to have back the main coffee consuming country as a member. The coffee sector is very much focused on improving quality and it believes that having the U.S. as a member of the ICO can assist in this area.

### **Support**

The Colombian government continues providing support through guaranteeing a minimum price paid to growers of 320,000 pesos (\$136.29) per 125 kg bag. Currently the government is not paying this subsidy because the international price is well above the trigger price for the support of \$0.55 per pound.

The government has also given credit to the growers for investments in infrastructure devoted to processing organic coffee. Growers receive from FINAGRO –the government financial institution- subsidized credit with a 20-40 percent of the debt forgiven.

### **Prices**

The higher world price for coffee (in U.S. dollars) has been partially offset by a rise in the value of the Colombian peso. Despite this revaluation of the peso, prices paid to the growers have improved significantly. The average price paid to growers during the January-April period in local currency was 45 percent above prices a year before. International prices have been increasing since September 2004, with prices for Colombian coffee currently US\$ 1.31 per pound, up from US\$ 0.79 in September.

## Tables

Colombia							
Coffee, Green							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Planted	770	770	765	765	0	750	(1000 HA)
Area Harvested	630	630	630	620	0	610	(1000 HA)
Bearing Trees	2800	2800	2800	2800	0	2800	(MILLION TREES)
Non-Bearing Trees	1030	1030	1030	1030	0	1030	(MILLION TREES)
TOTAL Tree Population	3830	3830	3830	3830	0	3830	(MILLION TREES)
Beginning Stocks	1437	1437	1131	1131	1136	1006	(1000 60 KG BAGS)
Arabica Production	11053	11053	11600	11500	0	11600	(1000 60 KG BAGS)
Robusta Production	0	0	0	0	0	0	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Production	11053	11053	11600	11500	0	11600	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Roast & Ground Imports	50	50	55	55	0	60	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Imports	50	50	55	55	0	60	(1000 60 KG BAGS)
TOTAL SUPPLY	12540	12540	12786	12686	1136	12666	(1000 60 KG BAGS)
Bean Exports	9484	9484	9720	9750	0	9850	(1000 60 KG BAGS)
Roast & Ground Exports	120	120	120	120	0	120	(1000 60 KG BAGS)
Soluble Exports	550	550	550	550	0	550	(1000 60 KG BAGS)
TOTAL Exports	10154	10154	10390	10420	0	10520	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	1000	1000	1000	1000	0	1000	(1000 60 KG BAGS)
Soluble Dom. Consum.	255	255	260	260	0	260	(1000 60 KG BAGS)
TOTAL Dom. Consumption	1255	1255	1260	1260	0	1260	(1000 60 KG BAGS)
Ending Stocks	1131	1131	1136	1006	0	886	(1000 60 KG BAGS)
TOTAL DISTRIBUTION	12540	12540	12786	12686	0	12666	(1000 60 KG BAGS)

<b>Colombia</b>			
<b>Coffee, Green</b>			
<b>Export Trade Matrix</b>			
Time Period	Oct-Sep	Units:	60 kg bags (1,000)
Exports for:	2003		2004
U.S.	3627	U.S.	
Others		Others	
Japan	1567		
Germany	1338		
Canada	589		
Belgium	508		
Italy	281		
United kingdom	267		
Sweden	262		
Luxemburg	240		
Spain	219		
Finland	171		
Total for Others	5442		0
Others not Listed	1085		
Grand Total	10154		0

Colombia			
Coffee, Green			
Prices Table			
Prices in	Pesos (1,000)	per uom	125 Kg bag
Year	2004	2005	% Change
Jan	341	417	22%
Feb	334	483	45%
Mar	343	558	63%
Apr	326	519	59%
May	346		-100%
Jun	378		-100%
Jul	320		-100%
Aug	319		-100%
Sep	352		-100%
Oct	349		-100%
Nov	388		-100%
Dec	422		-100%
Exchange Rate	2,348.69	Local Currency/US \$	
Date of Quote	5/16/2005	MM/DD/YYYY	

Source: Coffee Growers Federation. Price paid to the growers