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Report Name: Coffee Annual

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Report Highlights:

In marketing year (MY) 2021/22, the Colombian coffee production forecast is 14.1 million bags (1 bag = 60 kilograms) green bean equivalent (GBE), assuming excessive rains during the first quarter of the year will marginally impact the October/November harvest. Colombian coffee consumption continues to increase; however, COVID-19 containment measures have impacted consumption patterns. In MY 2021/22, coffee exports are forecast to slightly decrease to 13.5 million bags GBE, driven by lower production levels. In MY 2020/21, the revised production estimate is up from 14.1 to 14.3 million bags GBE, mainly due to favorable weather conditions and the success of harvesting plans during the COVID-19 pandemic. Revised coffee exports are up from 13.6 to 13.8 million bags GBE due to increasing production, higher international prices, and the Colombian peso devaluation.

Commodities:

Coffee, Green

Production:

In MY 2021/22, Colombian coffee production is forecast at 14.1 million bags GBE, slightly lower than the previous MY new post estimates. Excessive rains and cloudiness in March and April 2021 from La Niña weather phenomena affected the flowering period in some coffee regions, which may impact the October and November harvest. According to the Colombian Institute of Meteorology (IDEAM), rainfall is resuming its historical average in the second quarter of 2021. Normal weather conditions are expected at least until September 2021.

In MY 2020/21, post's Colombian coffee production estimate is up from 14.1 to 14.3 million bags GBE. During the first seven months of MY 2020/21, the Coffee Producers Federation (Fedecafe) reported production is up 2.9 percent from the previous year, mainly driven by favorable weather conditions and a successfully collected harvest. A shortage of labor due to the COVID-19 pandemic did not materialize as expected. High coffee prices motivated growers to harvest under sanitary protocols, and unemployed people in other sectors affected by the pandemic moved to work in the coffee farms, mitigating the shortage of labor due to containment measures. According to Fedecafe, COVID-19 cases were reported in less than 4 percent of Colombia's coffee farms in calendar year (CY) 2020.

Colombia harvests coffee year-round. There are two peak harvest periods during the calendar year given the presence of two dry and two wet weather seasons. The main harvest period, which takes place during the second part of the year, produces nearly 60 percent of total production. The remaining 40 percent comes from the harvest period in the first part of the year.

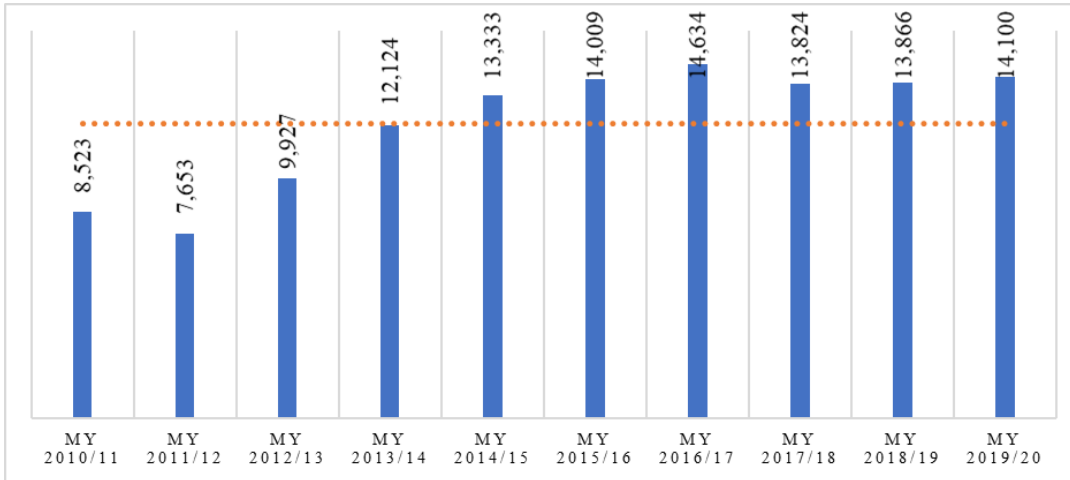
Production remains strong as a result of a successful replanting program and minimal impact from weather. In CY 2020, the replanting program results, along with the implementation of agronomic best practices, led to the increase of planting density to 5,261 trees per hectare, with productivity at 19.8 bags GBE per hectare, and the average age of coffee plantations at 6.9 years. In CY 2020, only 61,462 hectares were renovated since there was market uncertainty and increasing production costs due to the pandemic. The replanting area was 24 percent below Colombia's annual goal of renovated hectares (80,000 ha). If Colombia does not recover the renovated hectares to at least 80,000 per year, current productivity potential, estimated at 14.7 million bags GBE, may decrease.

Fedecafe indicates that 84.1 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 (see Figure 1). According to Fedecafe's last coffee diseases survey, on average, borer infestation is at 4.5 percent and rust levels are at 2.0 percent. The Colombian Coffee Research Center (Cenicafe) recently discovered new variants of the fungus that causes coffee rust. Fedecafe is urging producers to plant more resistant coffee varieties given that Colombia's climate conditions are favorable for coffee rust. Studies show that

the incidence of rust in non-resistant varieties is at least 20 percent, while it is less than 6 percent in resistant varieties.

The graph below illustrates production from the last ten years, highlighting the turnaround in MY 2012/2013. As a reference, the average annual production is illustrated by the orange dotted line at 12.2 million bags GBE.

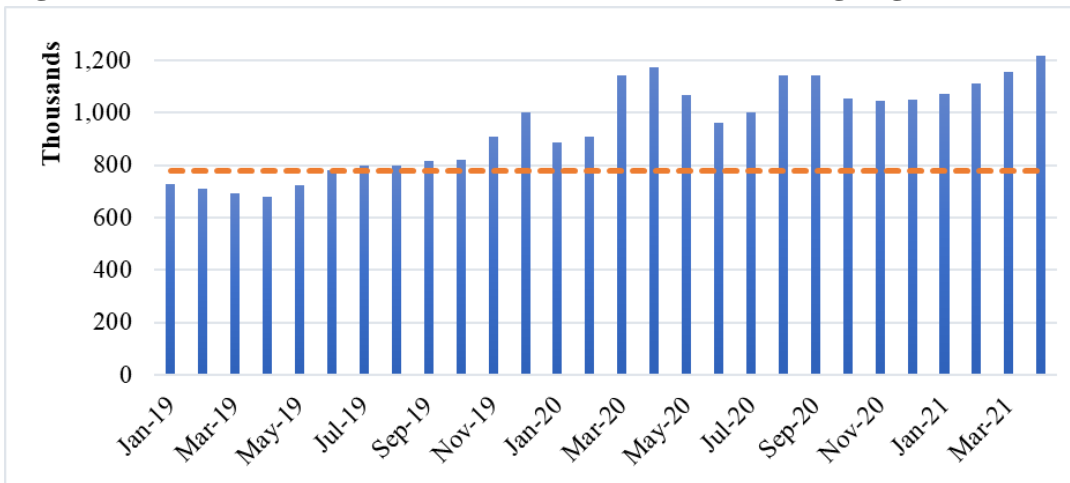
Figure 1. Colombia’s Annual Coffee Production (Thousand bags GBE)



Source of data: Fedecafe

Colombian domestic prices remain high, driven by higher international prices, and Colombian peso (COP) devaluation. The graph below illustrates the monthly internal price paid to growers per 125 kilogram bag. The estimated average production cost is illustrated by the orange dotted line.

Figure 2. Colombia Domestic Prices (Thousand \$COP/125 Kg bag)



Source of data: Fedecafe

Colombian domestic prices depend on the New York international price, the price differential of Colombian mild coffee and the Colombian peso to U.S. dollar currency exchange rate. Since the COVID-19 outbreak, local prices have jumped to high historical levels. The increase is motivated by higher international prices and the Colombian peso devaluation against the U.S. dollar, which has exacerbated during the last few weeks due to national strikes (\$1USD=\$3,769COP).

According to Fedecafe, about 40 percent of total Colombian coffee production receives significant price premiums for being specialty coffees. Colombian coffee producers plan to improve quality to sell mostly specialty coffees.

Consumption:

In MY 2021/22, Colombian coffee consumption is forecast to slightly increase to 2.1 million bags GBE. Revised consumption estimates for MY 2020/21 are up from 1.9 million to 2.0 million bags GBE in response to higher household consumption combined with resumed operations of several economic sectors, including food service.

The measures to prevent and control the spread of COVID-19 led Colombia to an economic contraction (-6.8% decrease in GDP) that affected household incomes and consumption patterns. However, coffee was one of the few items that saw increased household demand during the pandemic. Closures of restaurants and coffee stores, along with social distancing measures, resulted in an increased demand of food consumed at home. According to Fedecafe, Colombia's coffee per capita consumption is estimated at 2.2 kilograms (4.6 pounds), a very low level compared to other countries that consume up to 27 pounds per capita. About 70 percent of Colombia's total consumption is roasted and ground coffee, while the remaining 30 percent is soluble coffee.

In recent years, an increasing number of coffee stores boosted Colombia's coffee consumption, primarily from young professionals and foreign visitors. However, COVID-19 containment measures affected expansion plans of coffee stores. The major players in the Colombian coffee retail market are Juan Valdez, Starbucks, and Café Tostao.

Trade:

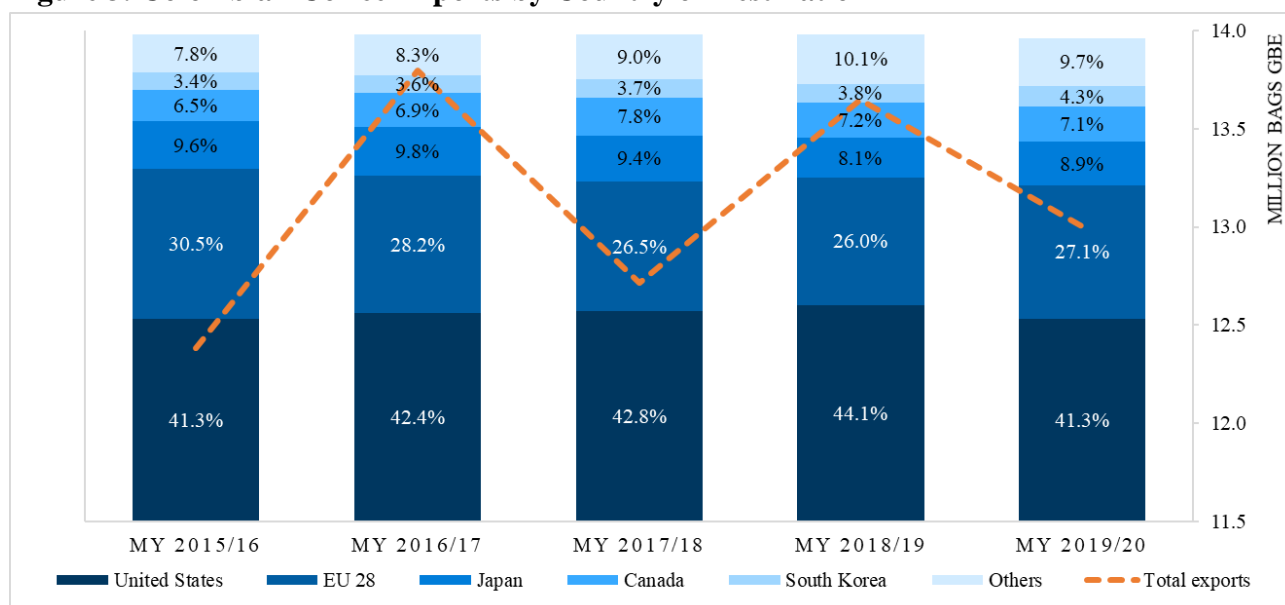
In MY 2021/22, coffee exports are forecast to decrease to 13.5 million bags GBE, following an expected decrease in production and increased local demand. In MY 2020/21, revised coffee exports are up from 13.6 to 13.8 million bags GBE. During the first seven months of MY 2020/21, exports grew 8.7 percent, year-over-year. Increasing production combined with higher international prices and the Colombian peso devaluation boosted coffee exports. However, current road blockages due to a national strike lasting more than 15 days may impact the export growth rate. Coffee and other exportable commodities are locked in production zones since cargo vehicles have not been able to transport products in and out of Buenaventura Port, located in the Pacific Ocean. In terms of volume,

approximately 70 percent of Colombia’s coffee exports are shipped from Buenaventura, 25 percent from Cartagena port and the remaining 5 percent from other ports and airports.

According to Fedecafe’s CEO, Colombian coffee exporters have breached export contracts amid protests and roadblocks across the nation, preventing coffee from arriving at ports. As exporters breach contracts, international buyers may not be willing to pay the premium it pays for Colombian coffee.

Coffee bean exports represent over 90 percent of total exports followed by soluble coffee and roasted coffee. The United States continues to be the major destination for Colombian coffee. The graph below illustrates Colombian coffee exports and market share by destination country over the past five years.

Figure 3. Colombian Coffee Exports by Country of Destination



Source of data: Colombian Customs Authority (DIAN) – Trade Data Monitor

In MY 2021/22, coffee imports are forecast at 1.4 million bags GBE to satisfy the increasing domestic demand. Brazil became the top coffee supplier of Colombian imports, accounting for more than 55 percent of total imports in MY 2019/20. Peru was the second supplier with 27 percent imports followed by Honduras and Ecuador with a 5 and 3 percent share, respectively. Imports are primarily used to meet the lower end of the domestic market. In MY 2020/21, revised coffee imports are up from 1.2 to 1.4 million bags GBE, based on year to date available data.

Stocks:

There exists no government or Fedecafe policy to support large scale carry-over stocks of coffee. In MY 2021/22, ending stocks are forecast to fall to 579,000 bags GBE, as a result of decreasing production levels, increasing domestic demand and strong exports. Revised ending stocks for MY 2020/21 are up from the previous estimate, following higher production levels.

Policy:

Fedecafe represents Colombia's coffee sector and manages its programs under a legal agreement with the Colombian government. Most of the policies and programs for the coffee sector are sponsored by the National Coffee Fund, which is a checkoff program that collects six cents per pound of coffee from producers. 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.

The Colombian government also offers financial assistance to coffee producers supported by the Financing Fund for the Agricultural Sector (FINAGRO). It provides loans with discounted payback terms and a special loan category that offers funds to small growers in replanting their coffee fields. Under the current emergency, Finagro created four special loan categories for all coffee farmers to support replanting activities, purchasing of machinery, coffee crop maintenance and alternative crops planting.

Production, Supply and Demand Data Statistics:

Coffee, Green Market Year Begins	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2022	
Colombia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	800	800	800	800	0	800
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	552	552	772	772	0	624
Arabica Production	14100	14100	14100	14300	0	14100
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
Total Production	14100	14100	14100	14300	0	14100
Bean Imports	800	800	1000	1200	0	1250
Roast & Ground Imports	5	5	5	2	0	5
Soluble Imports	130	130	150	150	0	150
Total Imports	935	935	1155	1352	0	1405
Total Supply	15587	15587	16027	16424	0	16129
Bean Exports	11800	11800	12400	12500	0	12400
Rst-Grnd Exp.	215	215	300	300	0	200
Soluble Exports	1000	1000	900	1000	0	900
Total Exports	13015	13015	13600	13800	0	13500
Rst,Ground Dom. Consump.	1300	1300	1400	1400	0	1450
Soluble Dom. Cons.	500	500	500	600	0	600
Domestic Consumption	1800	1800	1900	2000	0	2050
Ending Stocks	772	772	527	624	0	579
Total Distribution	15587	15587	16027	16424	0	16129

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

Attachments:

No Attachments