

Required Report: Required - Public Distribution

Date: June 02, 2022

Report Number: CO2022-0010

Report Name: Coffee Annual

Country: Colombia

Post: Bogota

Report Category: Coffee

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Report Highlights:

In marketing year (MY) 2022/23, Colombia's coffee production is forecast to remain unchanged at 13 million bags of green bean equivalent (GBE). Although weather conditions are expected to be normal, crop productivity has the potential to be negatively impacted as a result of lower fertilizer use due to rising prices. Colombia's economy is projected to continue growing in 2022, but current uncertainty and high food inflation rates will likely slow down consumption which is forecasted to remain flat at 2.2 million bags GBE in MY 2022/23. Paralleling stagnant production, exports are forecast to remain unchanged at 13.0 million bags GBE in MY 2022/23. Coffee imports are forecast to slightly increase in MY 2022/23 to 1.9 million bags GBE to support domestic consumption and continued strong levels of exports.

Commodities

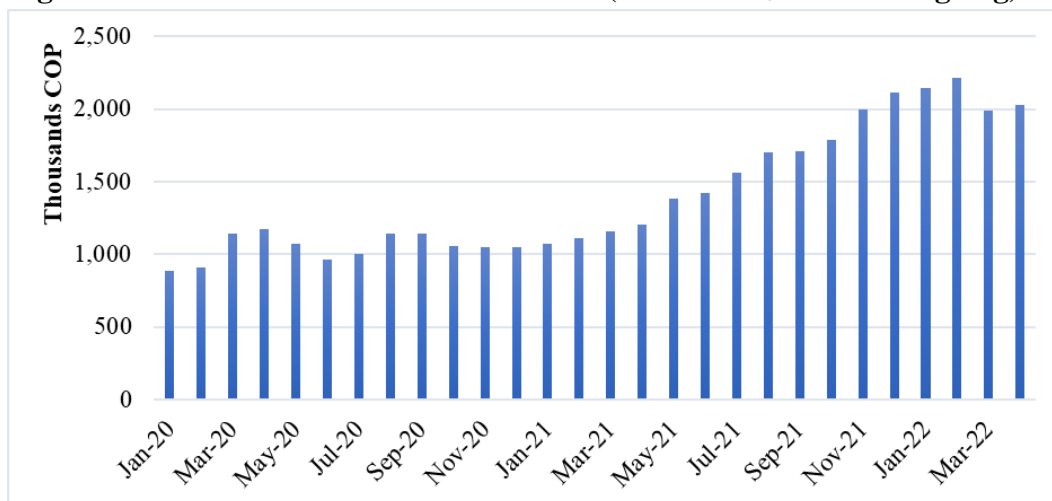
Coffee, Green

Production

In MY 2022/23, Colombian coffee production is forecast at 13.0 million bags (1 bag = 60 kilograms unless otherwise noted) of green bean equivalent (GBE). Although international coffee prices are increasing and weather conditions are expected to be normal in the second half of 2022, the upward trend of input costs, primarily fertilizers, will likely hinder productivity in MY 2022/23. Colombia is highly dependent on imported simple fertilizers (i.e., nitrogen, phosphorous, and potassium). The Russian invasion of Ukraine has tightened the world supply of fertilizers and put upwards pressure on fertilizer prices. As a result, coffee producers in Colombia are looking for fertilizer alternatives, such as coffee subproducts, to reduce input costs for primarily nitrogenous fertilizers.

Colombian domestic prices remain high, driven by higher international prices, devaluation of the Colombian peso, and the high-quality differential that the market recognizes to the Colombian coffee. In February 2022, coffee reached its highest value in the history of the country at \$2,213,333 Colombian pesos (equivalent to \$540 dollars) per 125-kilogram bag. Figure 1 illustrates the monthly internal price paid to Colombian growers per 125-kilogram bag.

Figure 1: Colombia Domestic Coffee Prices (Thousand \$COP/125 Kg bag)

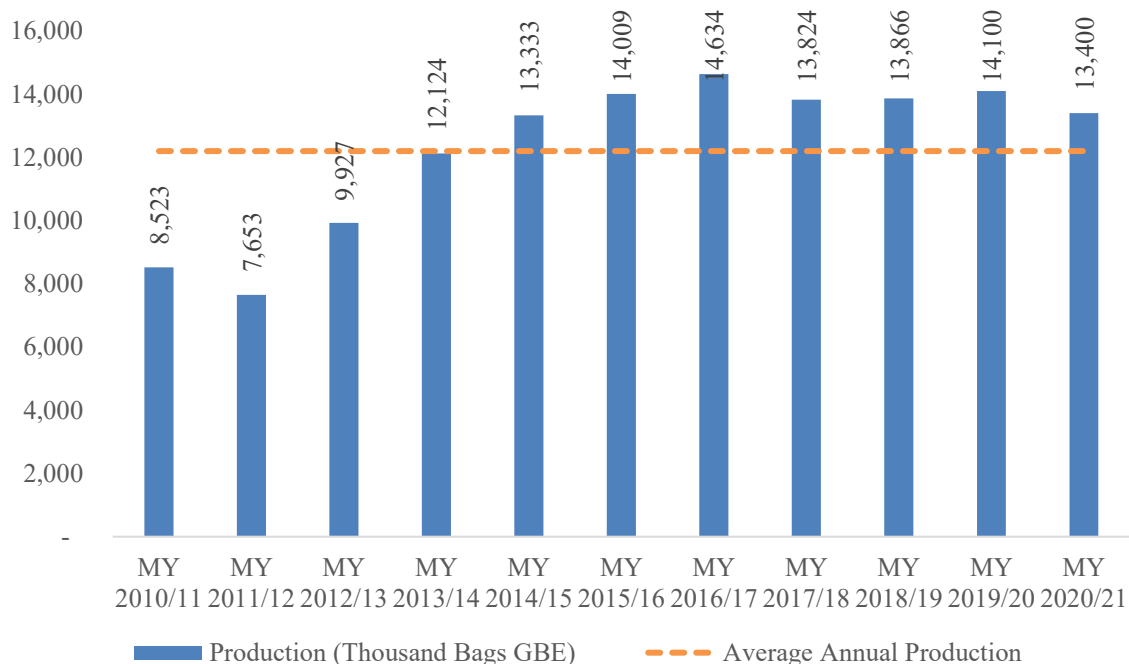


Source of data: Colombia's Coffee Growers Association (Fedecafe)

In MY 2021/22, Post's revised coffee production estimate is 13.0 million bags GBE, 5.8 percent down from the previous forecast of 13.8 million bags. Excessive rains and cloudiness from the *La Niña* weather phenomena during the first five months of 2022 affected coffee production. According to the Colombian Institute of Meteorology (IDEAM), rainfall is estimated between 20 to 40 percent above historical averages in some of the coffee regions until July 2022. Between August and October 2022, IDEAM estimates rainfall will resume its historical average in most of the country.

While coffee production in MY 2021/22 is lower than expected, output remains historically strong due to Colombia’s replanting program, improved agronomic practices (e.g., use of improved seeds and inputs), and high international coffee prices. The replanting program, a collaboration between Colombia’s Coffee Growers Association (Fedecafe) and the government, is supporting farmers’ transition to more productive, rust-resistant coffee varieties. From MY 2010/11 to MY 2020/21, coffee production increased by 57.2 percent in Colombia. Figure 2 illustrates production from the last ten years, with the average annual production shown by the orange dotted line at 12.2 million bags GBE.

Figure 2: Colombia’s Annual Coffee Production (thousand bags GBE)



Source of data: Colombia’s Coffee Growers Association (Fedecafe)

In CY 2021, while planting density increased to 5,268 trees per hectare, productivity decreased by 3 percent to 19.3 bags GBE per hectare. This decrease in productivity is mainly a result of adverse weather conditions. In CY 2021, rising coffee prices motivated farmers to expand renovated area to 81,304 hectares, a 32 percent increase compared to the previous year. The replanted area in 2021 was slightly higher than Colombia’s annual goal of 80,000 renovated hectares. Colombia’s current total productivity potential is estimated at 14.7 million bags GBE.

According to Fedecafe, there are nearly 543,000 coffee growing families in Colombia. Of these, 96 percent are small (with less than 5 hectares of land), 3 percent are considered medium (between 5 and 10 hectares), and 1 percent are large (more than 10 hectares). In recent years, large foreign investors have begun producing coffee in Colombia, purchasing thousands of hectares of land for production.

There are 840,000 hectares of coffee planted in Colombia, with 689,000 hectares planted with “technified,” meaning planted using modern techniques such as the use of improved seeds, young crops (between 3 to 7 years old), 142,000 hectares with technified old crops (more than 8 years old), and nearly 9,000 hectares of traditional crop. Fedecafe estimates there are 146,000 hectares of unproductive coffee plantations younger than 2 years old due to the replanting program. Fedecafe indicates that 85 percent of coffee area in Colombia is planted with rust resistant varieties, compared to 35 percent in 2010. Fedecafe’s last coffee diseases survey in December 2021 found that on average, borer infestation is at 1.42 percent and rust levels are at 3.26 percent.

Consumption

In MY 2022/23, Colombian coffee consumption is forecast at 2.2 million bags GBE, which represents no change from the previous year. Despite Colombia’s economic recovery, global uncertainty, rising coffee prices, and high food inflation rates in Colombia are likely to hinder growth in consumption.

In MY 2021/22, Post’s revised coffee consumption estimate is at 2.2 million bags GBE, a 2 percent increase from the previous year, driven by the rapid recovery of the economy. In CY 2021, Colombia’s GDP grew 10.2 percent after the economic contraction of 6.8 percent in CY 2020. According to Fedecafe, the growth trend in coffee consumption resumed pre-pandemic levels in CY 2021 due to the reopening of the economy and the return of many workers to the physical office space.

In May 2022, Fedecafe launched a new campaign called “Look for the Colombian Coffee Quality Triangle” to promote consumption of Colombian coffee. The triangular “[Café de Colombia](#)” logo is a seal that guarantees that the content of the package is 100 percent Colombian coffee origin, produced with highest standards, and not mixed with other origins of inferior quality. See Figure 3 below.

Figure 3: The “Café de Colombia” Logo



The use of the 100 percent “Café de Colombia” logo is subject to a brand license agreement and is linked to obtaining the authorization of use of the denomination of origin and the protected geographical indication. There are approximately 790 brands around the world that have this triangular logo. By an internal mandate of the Coffee Congress, Fedecafe must incentivize domestic coffee consumption, which is very low compared to other countries. Colombia’s per capita coffee consumption is estimated between 1.8 to 2.0 kg, while other coffee producing countries consume more than 6.0 kg per capita.

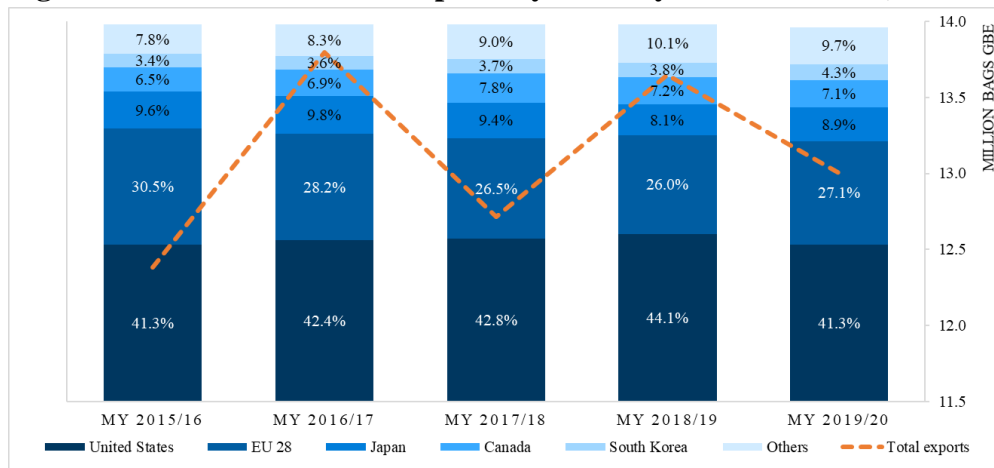
Trade

In MY 2022/23, coffee exports are forecast at 13.0 million bags GBE, which represents no change from the previous year. This is primarily a result of stagnant production. In MY 2021/22, Post’s revised coffee exports estimate is down 6.7 percent from 14.0 to 13.1 million bags GBE, due to an expected reduction in production and increasing domestic consumption. In MY 2021/22, the revised coffee exports estimate is slightly higher than the previous year motivated by high international prices and Colombian peso devaluation.

According to Fedecafe, in CY 2021, the Colombian coffee federation exported 18 percent of Colombia’s total coffee exports in terms of volume, with the remaining 82 percent exported by other private stakeholders. Coffee bean exports represent over 90 percent of total Colombian exports followed by soluble coffee and roasted coffee. The United States continues to be the major destination for Colombian coffee. According to the National Coffee Association (NCA), 66 percent of Americans drink coffee each day, more than any other beverage. This is an increase of nearly 14 percent since January 2021, the largest increase since NCA began tracking U.S. consumer patterns.

Figure 4 illustrates Colombian coffee exports and market share by destination country over the past five years.

Figure 4: Colombian Coffee Exports by Country of Destination (million bags GBE)



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

In MY 2022/23, coffee imports are forecast to reach 1.9 million bags GBE to balance ongoing demand for exports and domestic consumption, while production remains stagnant. In MY 2021/22, Post’s revised coffee imports are up 9.1 percent from 1.7 to 1.8 million bags GBE to support the slight increase in domestic consumption between MY 2020/21 and MY 2021/22. Brazil became the top coffee supplier for Colombian imports, accounting for 64 percent of total imports in MY 2020/21. Peru was the second largest supplier with 19 percent imports followed by Honduras and Ecuador with a 7 and 2 percent share, respectively. Imports are primarily used to meet the demand for lower quality coffee in the

Colombian market. Colombia primarily imports coffee beans (91 percent), followed by soluble coffee imports (8 percent), and roasted coffee (1 percent).

Stocks

There is no government or Fedecafe policy to support large scale carry-over stocks of coffee. In MY 2022/23, ending stocks are forecast to fall to 485,000 bags GBE as a result of decreasing production levels, unchanged domestic demand, and good export 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 extension services that assist 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 used for the costs of replanting.

Given the current situation of rising input prices, under Fedecafe's replanting program, fertilizers have been delivered to some coffee growers to preserve and stabilize national production, though this is unlikely to meet the total fertilizer needs of the coffee sector. In 2021, 32,325 hectares were renewed under Fedecafe's program, supporting 60,560 coffee farmers, with an estimated value of \$25,314 million COP (\$6.2 million dollars).

The Colombian government also offers financial assistance to coffee producers supported by the Financing Fund for the Agricultural Sector (FINAGRO). The program provides loans with discounted payback terms and a special loan category that offers funds to small growers in replanting their coffee fields. In response to the current situation, 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 Distribution:

Coffee, Green Market Year Begins Colombia	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	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	852	852	1235	1225	0	780
Arabica Production	13400	13400	13800	13000	0	13000
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
Total Production	13400	13400	13800	13000	0	13000
Bean Imports	1670	1670	1500	1650	0	1700
Roast & Ground Imports	3	3	5	5	0	5
Soluble Imports	145	145	150	150	0	150
Total Imports	1818	1818	1655	1805	0	1855
Total Supply	16070	16070	16690	16030	0	15635
Bean Exports	11500	11500	12800	11800	0	11800
Rst-Grnd Exp.	245	245	240	200	0	200
Soluble Exports	990	1000	1000	1100	0	1000
Total Exports	12735	12745	14040	13100	0	13000
Rst,Ground Dom. Consum	1500	1500	1550	1550	0	1550
Soluble Dom. Cons.	600	600	600	600	0	600
Domestic Consumption	2100	2100	2150	2150	0	2150
Ending Stocks	1235	1225	500	780	0	485
Total Distribution	16070	16070	16690	16030	0	15635

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

Attachments:

No Attachments