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Report Highlights:

For Marketing Year 2020 (October 2019-September 2020), planted area continues to be 305,000 hectares and production is estimated to be 3.67 million 60-kilogram bags, of which 3.42 million is expected to be exported. Guatemala's main export market is the United States, followed by Japan and Canada. The production forecast for MY2021 is 3.65 million 60-Kg bags, with 3.41 million 60-Kg bags to be exported.

Executive Summary:

Coffee continues to play an important role in the Guatemalan economy. Small coffee farmers now represent 96.8 percent of producers, and large producers are disappearing. Many small farmers produce at a loss, with production costs between \$190 and \$230 per 60-Kg bag. International prices in MY2019 were around \$170 - \$190 per 60-Kg bag. Although Guatemalan coffee continues to be recognized for its superior quality and receives premiums of \$30 on average above the international base price per 60-Kg bag, the differential has not been enough to cover the costs. Despite these conditions, farmers continue renovating their plantations with coffee rust tolerant varieties. Guatemalan producers continue to mostly plant the Arabica variety and grow 98 percent of coffee in the shade.

COVID-19 did not significantly affect the MY2020 harvest, as most of the coffee had already been picked and contracts were already confirmed. Production in MY2020 is estimated at 3.67 million 60-Kg bags. Guatemala continues to export primarily to the United States, Japan, and Canada and began exporting to Malaysia in MY2019.

Production:

At least 98 percent of Guatemalan coffee is produced in the shade and over 1,300 meters above sea level. The planted area of 305,000 hectares represent 2.8 percent of the national territory. Coffee is produced in all 22 departments of the country and in 204 out of the 340 municipalities. Planted area remains unchanged from MY 2019, with renovation of the coffee plantations at an annual rate of five percent.

Production in MY2021 is forecast at 3.65 million 60-Kg bags. MY2020 will close with an estimated 3.67 million 60-Kg bags, roughly two percent higher than the previous estimate. Despite COVID-19's impact worldwide, most of Guatemala's MY2020 sales corresponded to previously existing contracts, and the MY2020 harvest was only slightly impacted because it was nearly completed by the time the virus started to affect Guatemala and even then, most farmers are able to continue working under the conditions of the emergency measures. Their main challenges resulting from the pandemic have been mobilizing alternative means of transportation due to the restrictions on public transportation that were imposed on March 17, 2020 and adjusting to unofficial local community quarantines that limited movement of workers and the harvest. As a result of transportation restrictions related to COVID-19, which limited the ability of workers to get to the fields, plantations did not harvest some end of season coffee cherries, which not only is a phytosanitary concern for the plantations but also limits farmers' ability to carry out normal post-harvest practices. The government's COVID-19 social distancing policies have also imposed operative and logistical challenges for the cooperatives and associations, who have needed to invest in protective equipment and adjust operations.

Production in MY2019 closed with 3.77 million 60-Kg bags, which represents no major change from the year before. The number of small producers in the coffee sector in Guatemala continues to increase and reached 96.8 percent of the total 125,000 producers. Medium-sized coffee producers represent 2.9 percent of total coffee operations, while large producers are disappearing and now make up only 0.3 percent of the total. The low and depressed international coffee prices continue to affect the economic and social structure of the coffee sector.

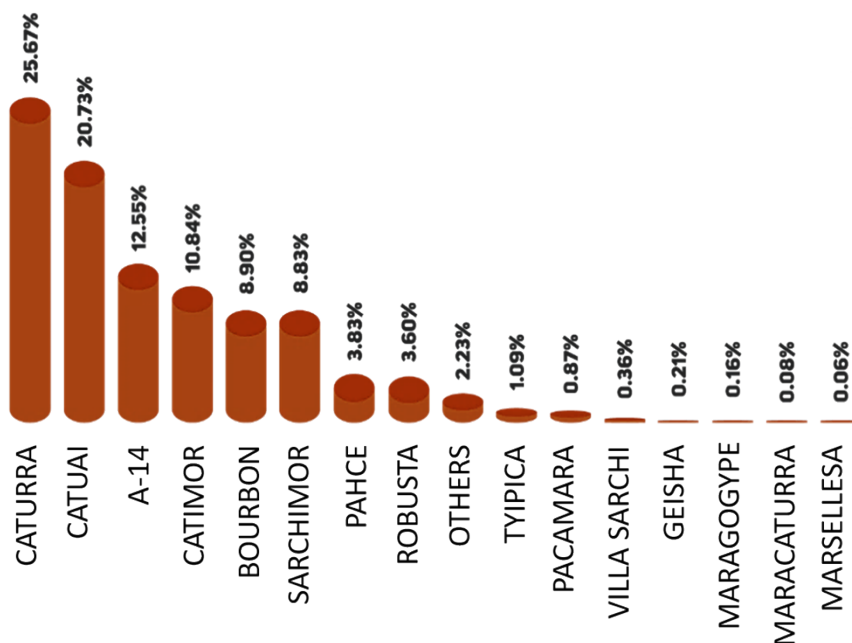
Coffee production costs for MY2019 varied between \$190 and \$230 per 60-kg bag, of which 49 percent corresponded to manual labor (27 percent for crop maintenance, which is usually done labor, and 22 percent for hired labor for the harvest). Small farmers that do not belong to an association or cooperative represent roughly 75 percent of the coffee farmers in Guatemala. For these farmers, farm gate prices averaged \$56/60-Kg bag for cherry coffee, compared to \$70/60-Kg bag paid to organized farmers belonging to an association or cooperative. The processing of coffee represents an additional \$83-\$105/60-Kg bag, resulting in average prices of \$200/60-Kg bag (F.O.B). Costs related to farm production represent 38 percent of the cost of coffee, while those related to processing the beans into green coffee correspond to about 62 percent.

The international coffee prices for MY2019, which were \$170 to \$190 per 60-kg bag, usually do not cover the cost of production. Guatemalan coffee continues to be in high demand and receives price

premiums that average \$30 per 60-Kg bag above the base price (normally \$20 to \$40 but can reach \$50 to \$100 for some specialty micro lots). Despite these premiums, many small farmers continued producing at a loss this season. Coffee is the main source of income for farmers producing in the steep hills of Guatemala.

Figure 1 shows the coffee varieties harvested in Guatemala in MY2019. Arabica variety continues to be the main variety planted in Guatemalan, though Robusta has increased to 3.6 percent. Catimor, Sarchimor, and its hybrid (Anacafe-14), with increased tolerance to rust, account for 20 percent of the crop.

Figure 1
Coffee varieties harvested in Guatemala in MY2019



Source: ANACAFE, 2020

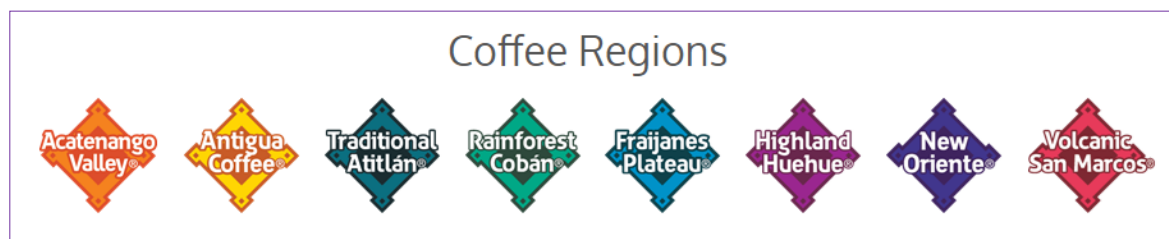
<https://www.anacafe.org/exportacion/estadisticas-divisas/por-variedad/>

Consumption:

Guatemalan consumption in MY2021 is forecast at 495,000 60-Kg bags, of which half is roast ground coffee and the other half is soluble (mostly imported). The MY2020 consumption estimate is also 495,000 60-Kg bags, six percent above the previous estimate, mostly reflected in increased soluble imports. Consumption of high-quality hard and strictly hard beans is the new trend. The number of

coffee shops continues growing in Guatemala. According to ANACAFE, the growth of local consumption of high-quality coffee in Guatemala grew exponentially beginning eight years ago and now, ten percent of the coffee previously exported is filling this new domestic demand. Figure 2 shows the type of coffees marketed in Guatemala according to the production region. Each region has its own profile.

Figure 2
Guatemalan Regional Coffees



Source: ANACAFE, 2020

<http://www.guatemalancoffees.com/main/regions-and-profiles/>

Trade:

Guatemala is forecast to export 3.42 million bags in MY2020 and 3.41 million bags in MY2021, which represents a steady decrease from MY2019. This results from increased renovation and pruning in some areas, in addition to the biannual behavior of the crop. Guatemalan exports account for 2.7 percent of the world coffee market. According to the International Coffee Organization, Guatemala was the 9th largest coffee exporter in MY2019. Coffee represented 24.6 percent of the Guatemalan agroindustry exports in MY2019.

Table 1 shows the main export markets for Guatemalan coffee. The United States continues to be, by far, the main buyer for Guatemalan coffee, with a 39 percent market share. Japan, Canada, Belgium, Italy, and Germany follow, with Malaysia appearing as a new buyer in MY2019. Overall, 50.4 percent of the exports go to North America, 24.6 percent to Europe, 22.3 percent to Asia, and 2.7 percent to the rest of the world.

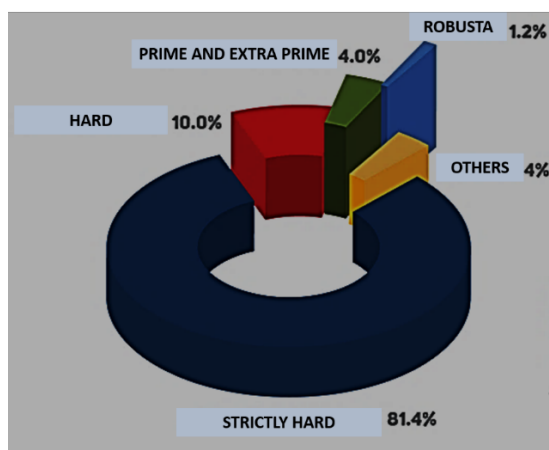
Table 1
Guatemalan Coffee Exports in MY2018 and MY2019

EXPORTS 60-Kg Bag (GBE) (mostly green) 10 main partners		
Partner Country	MY (Oct-Sep)	
	2018	2019
World	3,467	3,606
United States	1,347	1,399
Japan	395	490
Canada	377	422
Belgium	266	269
Italy	203	171
Germany	218	132
South Korea	108	102
Malaysia	0	79
Netherlands	58	62
China	77	61

Source: Trade Data Monitoring, 2020

Guatemalan coffee exports are mainly composed of strictly hard bean (81.4 percent), followed by hard bean (10 percent), prime/extra prime (4 percent), others (3.4 percent), and Robusta (1.2 percent), as shown in Figure 3.

Figure 3
Guatemalan Exports per Coffee Type



Source: ANACAFE, 2020

Imports of coffee are mostly soluble coffee, representing half of Guatemalan coffee consumption. Guatemala’s main supplier of coffee is Mexico (see Table 2).

Table 2
Guatemalan Main Coffee Imports in MY2018 and MY2019

IMPORTS 60-Kg Bag (GBE) (mostly soluble coffee) 3 main partners		
Partner Country	MY (Oct-Sep)	
	2018	2019
World	244	249
Mexico	186	190
Nicaragua	22	20
Colombia	15	16

Source: Trade Data Monitoring, 2020

Stocks:

For MY2020, the estimate for ending stocks is 29,000 bags. The forecast for MY2021 is also 29,000 bags, significantly lower than previous estimates for MY2020 and MY2019. Stocks correspond to inventories on September 30 at private exporting facilities.

Policy:

Legislative Decree 19-69 created the Coffee Law in Guatemala in 1969, and Presidential Decree 13-70 regulates it. The coffee industry association ANACAFE is the main advisor for the Government of Guatemala on coffee matters and establishing the coffee policy for production and commercialization.

ANACAFE is financed through an export tax, which imposes a Q0.25 fee for every hundredweight of green beans exported (equivalent to \$0.03/bag).

Legislative Decrees 37-72 and 74-72 amended the Coffee Law. The first establishes tax exemptions to buy fertilizers and equipment and the second defines a 2-year term for the president and vice president of ANACAFE. Legislative Decree 12-2013 expands the Guatemalan Coffee Trust Fund, which was created in 2001 and later modified in 2005, for another 10-year period (which ends in 2026) to support measures addressing the coffee rust outbreak.

The trust fund provides for: 1) non-reimbursable funds for inputs and assistance for coffee production, 2) low interest loans for producers, set at a two percent annual rate for small producers and three percent for medium and large producers, and 3) increased public transfers up to \$100 million. At least 84 percent of the beneficiaries are small farmers, 15 percent medium farmers, and one percent large farmers.

The Government of Guatemala has not always been fully committed to finance the trust fund despite the existing legislative decrees. However, on April 3, 2019, the Congress of Guatemala approved Legislative Decree 5498-2019, extending the coffee trust fund until October 23, 2051. The law provides for loan restructuring to support farmers to pay their overdue debts. In addition, coffee producers will get access to electronic invoices, allowing for the option for a tax credit return on exports. The Congress of Guatemala recently approved a \$286 million loan from the Central American Economic Integration Bank to provide loans for renovations in the coffee sector. These loans will be available to producers in the second half of 2020.

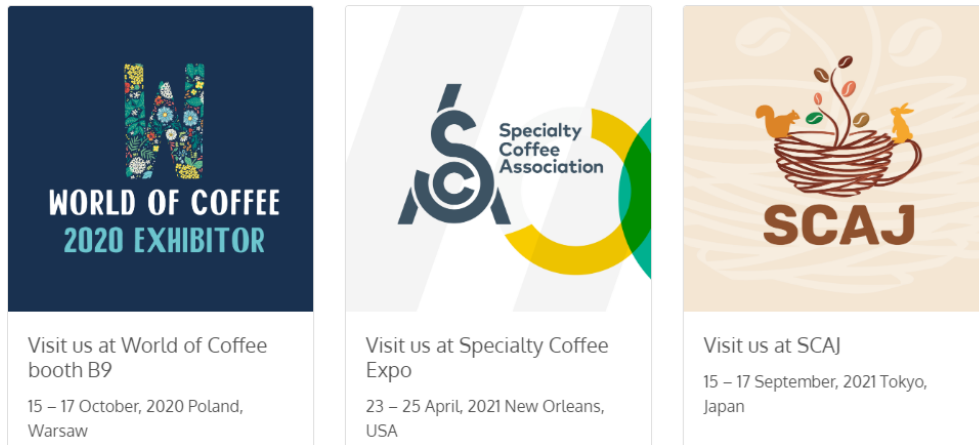
In addition, the coffee sector has an environmental policy in place to reduce greenhouse gas emissions, promote soil conservation, and contribute to the maintenance of watersheds. Some of the organic coffee farms maintain up to 200 different plant species, mostly those grown in the shade, to support biodiversity conservation practices.

Marketing:

ANACAFE continues to lead on Guatemala's participation in major international fairs (see Figure 3). The marketing strategy continues to target direct access to buyers, including micro lots of the highest quality. During COVID-19, Guatemala has made an incredible effort to continue its participation in the Cup of Excellence by negotiating affordable express cargo services for the inclusion of small farmers in the fairs.

Figure 3

International Fairs where Guatemalan Coffee has a Presence



Source: ANACAFE, 2020

A real time GPS platform to directly connect buyers with farms was launched by ANACAFE years ago. In addition, the Differentiated Coffees' Committee of the Exporters Association (AGEXPORT) recently launched another platform for the MY2020 harvest. This platform, called Coffee Verse, intends to promote specialty coffees with certifications such as Utz, Rainforest Alliance, CAFÉ Practices, Fair Trade, Organic, and others. The focus and strategy are to strengthen the identification and segmentation of producers to develop and promote traceability, differential processes, origin, and sales of micro lots.

PS&D

Coffee, Green Market Begin Year Guatemala	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	305	305	0	305	0	305
Area Harvested	259	260	0	260	0	260
Bearing Trees	1151	1150	0	1150	0	1150
Non-Bearing Trees	199	198	0	200	0	200
Total Tree Population	1350	1348	0	1350	0	1350
Beginning Stocks	106	106	116	27	0	29
Arabica Production	3700	3520	3500	3415	0	3400
Robusta Production	100	130	100	130	0	130
Other Production	0	123	0	123	0	123
Total Production	3800	3773	3600	3668	0	3653
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	4	0	4	0	4
Soluble Imports	230	245	225	245	0	245
Total Imports	230	249	225	249	0	249
Total Supply	4136	4128	3941	3944	0	3931
Bean Exports	3550	3599	3300	3420	0	3400
Rst-Grnd Exp.	0	3	0	0	0	3
Soluble Exports	5	4	0	0	0	4
Total Exports	3555	3606	3300	3420	0	3407
Rst,Ground Dom. Consum	250	250	250	250	0	250
Soluble Dom. Cons.	215	245	215	245	0	245
Domestic Consumption	465	495	465	495	0	495
Ending Stocks	116	27	176	29	0	29
Total Distribution	4136	4128	3941	3944	0	3931

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

Attachments:

No Attachments