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Report Highlights:

FAS/San José projects marketing year 2022/23 coffee production at 1,365,000 60-kilogram bags, as production volume rebounds from a 50-year low in marketing year 2021/22 when higher rates of fungal disease compounded the impact of a gradual downward trend in production. Though production volume has slowly declined, the Costa Rican industry has been developing the infrastructure needed to obtain higher prices for smaller lots of better quality coffee, providing some insulation from fluctuating world coffee prices.

Executive Summary

FAS/San José projects marketing year (MY) 2022/23 production to increase to 1,365,000 bags, on positive flowering reports across key growing regions and the expectation of typical precipitation and pest / disease pressures. Sub-optimal application of nitrogen fertilizers, in response to input price increases expected to persist throughout the growing season, could limit MY 2022/23 production volumes and yields.

Preliminary information from the Costa Rican Coffee Institute (ICAFFE) estimates production fell more than 7 percent in MY 2021/22 to 1,275,000 60-kg bags, as aging plantations yielded less volume and higher incidence of fungal diseases affected coffee cherry development in early stages in key growing areas. (Note: for the purpose of this report “bags” refers to 60-kg bags).

COVID-19 pandemic-related restrictions on immigration and working conditions in MY 2020/21 presented significant challenges during harvest, which depends on large numbers of temporary foreign workers. Successful coordination between industry and health, immigration, and agricultural sector authorities largely mitigated COVID-related impacts. With COVID-19 cases and restrictions falling, industry sources do not expect the pandemic to affect the MY 2022/23 harvest, however, increasing outbound migration from Nicaragua could limit available labor supplies.

Area

FAS/San José projects MY 2022/23 area planted to remain largely unchanged at approximately 94,000 hectares (ha). ICAFFE estimates MY 2021/22 area planted at 93,697 ha, based on 2017 survey data (the most recent available) and recent satellite images that corroborate the 2017 estimate. The following table breaks down the estimated area planted by region and the corresponding region in the map that follows is listed in parenthesis:

Table 1. Estimated MY 2021/22 Area Planted (hectares)

Coffee Region	Area
Los Santos (Tarrazú)	27,944.3
Occidental Valley (Valle Occidental)	21,992.1
Central Valley (Valle Central and Tres Rios)	13,326.6
Perez Zeledón (Brunca)	13,314.8
Coto Brus (Brunca)	10,260.5
Turrialba (Turrialba and Orosi)	4,917.2
Northern Zone (Guanacaste)	1,941.9
National Total	93,697.3

Source: Costa Rican Coffee Institute (ICAFFE)

The following map shows the 8 coffee production regions of the country:

Object 1: Map of Costa Rica Growing Regions

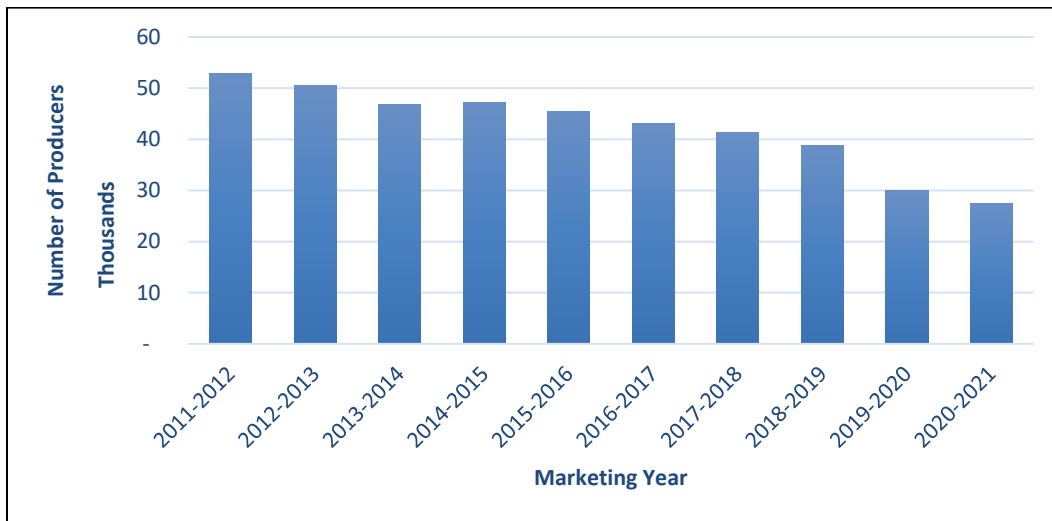


Source: *Costa Rican Coffee Institute (ICAFFE)*

In MY 2020/21, the canton of Tarrazú, which is part of the coffee region of Los Santos, was the highest producing canton for the fourth year in a row. (Note: The country of Costa Rica is divided into provinces, which are divided into cantons, which are divided into districts.) Only three cantons in the country (all located in the Occidental Valley) showed higher production in MY 2020/21.

According to ICAFFE, the number of coffee growers in the country continued to decline in MY 2021/22. During MY 2020/21 there were 27,393 coffee growers, down 8 percent from 29,918 growers in MY 2019/20 and down 46 percent from 50,631 in MY 2010/11. Long periods of low coffee prices, aging farmers, and high land prices near urban areas are some of the factors that have contributed to the declining number of producers. Most of the remaining coffee growers (86 percent in MY 2020/21) are small farmers, who produce the equivalent of fewer than 100 bags of coffee each year.

Chart 1: Number of Coffee Growers in Costa Rica



Source: Costa Rican Coffee Institute (ICAFFE)

Reflecting the increasing industry trend towards increasing product differentiation through smaller lots (‘micro-lots’) that allow producers to capture higher sales prices, the number of coffee mills continued to increase in MY 2020/21, climbing 4 percent year-over-year to 304 mills. Many of these mills are very small, known as micro-mills, servicing a handful of farms in the immediate vicinity.

Production

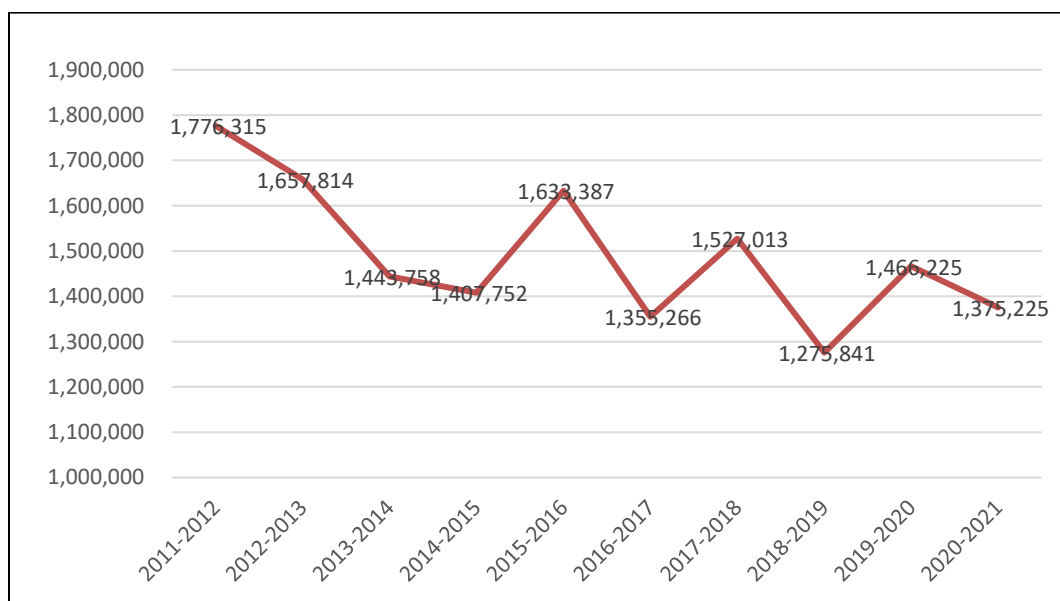
ICAFFE expects MY 2022/23 production to increase 7 percent to 1,365,000 60-kg bags, as early rains arrived in sufficient volume to support robust flowering in key growing areas. However, with meteorological forecasts for a stronger than normal rainy season, industry sources have expressed concerns about prospects for higher incidence of fungal diseases in MY 2022/23. The sector has also expressed concerns about the higher price of fertilizers, which in May 2022 had doubled since November 2021, as well as the impact of outbound migration from Nicaragua, a key source of labor during harvest, due to political and economic turmoil. Higher input prices could result in lower fertilization and lower application of the necessary agricultural practices needed to maintain current levels of productivity, however, higher prices early in the MY 2022/23 growing season signal a strong return to on-farm investments in fertilization and management practices.

FAS/San José expects general plantation conditions to continue to deteriorate gradually in MY 2022/23, as growers fall further behind the ‘ideal’ plantation renovation plan, which would see a grower replant 5 percent of her / his plantation area per year to completely renovate the plantation every 20 years. Recent strong coffee prices decrease the incentive for farmers to replant (which takes area out of production for three years), and farmers have exhibited reluctance to plant new varieties that may have higher rust-resistance or higher yields until they can verify the results on someone else’s land nearby. These two factors, combined with access to credit and available genetic material have contributed to the steady aging of Costa Rica’s plantations, which has also contributed to persistently lower yields.

MY 2021/22 coffee production declined more than previously expected, falling more than 7 percent to 1,275,000 60-kg bags; one of the lowest coffee production levels on record and the lowest in 50 years.

Although the MY 2021/22 rainy season started on time in April 2021 and temperatures were favorable for initial coffee cherry development, subsequent higher than normal precipitation levels contributed to higher incidence of fungal diseases that harmed the young fruit. Continued high moisture levels and high temperatures supported development of fungal diseases, including coffee rust and anthracnose, during the growth stage of the fruit. These conditions were more prevalent in the higher altitude areas, including the main production region of Los Santos, and MY 2021/22 coffee rust levels were the highest since MY 2018/19. Although there are more coffee rust-tolerant varieties available, adoption has been slow given the substantial costs involved in renovating plantations, especially among smaller producers who can least afford to forego income until the new plants begin producing.

Chart 2: Green Coffee Production by Marketing Year (60-kg bags)



Source: Costa Rican Coffee Institute (ICAFFE)

The coffee harvest is concentrated in the months of November to February. However, the harvest starts around August in the lower altitude areas and ends in the higher altitude areas.

Consumption

FAS/San José projects MY 2022/23 coffee consumption at 420,000 60-kg bags as continued economic recovery supports higher consumption than MY 2021/22. Assuming most imported coffee is consumed locally, FAS/San José estimates MY 2021/22 consumption at 400,000 bags as economic activity recovers. However, with a population of 5.1 million, low levels of legal immigration, and population growth less than one percent per year, FAS/San José does not expect Costa Rican coffee consumption will outpace population growth in the near-term.

According to ICAFFE, which keeps track of coffee sales for domestic consumption, excluding coffee imports, sales of domestic coffee amounted to 196,000 60-kg bags during MY 2020/21, the lowest consumption level since MY 1994/95. ICAFFE believes the decline in consumption was related to the sharp economic contraction in 2020 and 2021 due to the COVID-19 pandemic. Restaurants, cafeterias, hotels, and other coffee-serving outlets were closed during different periods of time or were required to

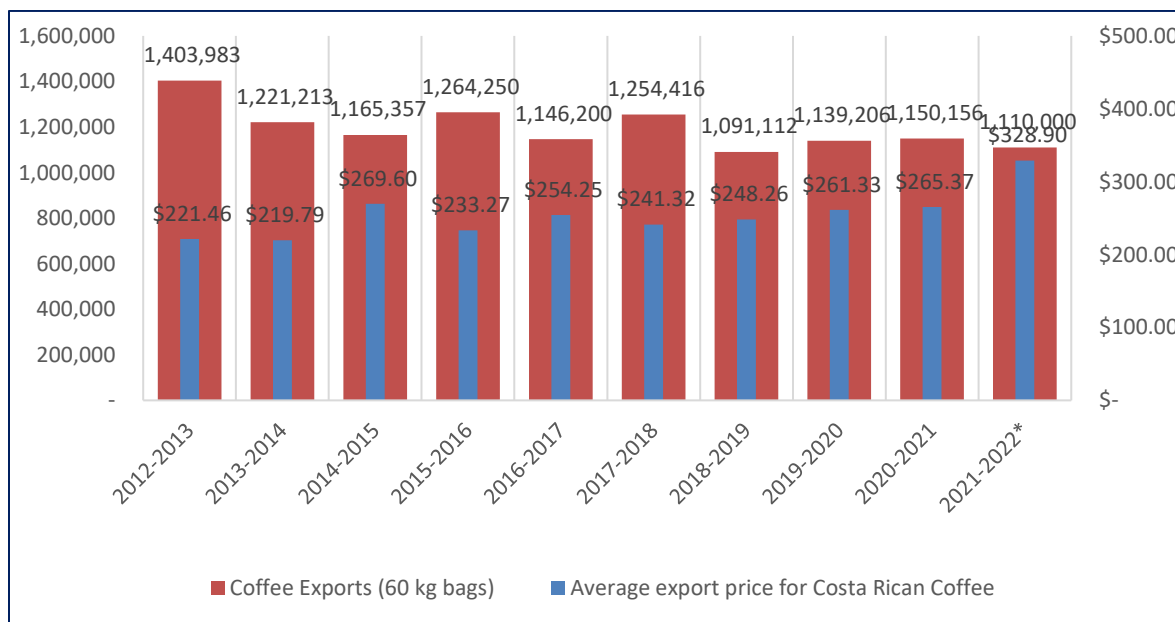
operate under limited conditions. The tourism sector, with over three million foreign visitors per year in 2019, was depressed during most of 2020 and 2021, and is still below pre-pandemic levels. Although the economic situation is improving, domestic coffee prices have increased substantially in MY 2021/22, which could keep consumption levels below pre-pandemic levels. According to Costa Rica’s National Institute of Statistics and Census, domestic coffee prices in March 2022 had increased 39 percent over March 2021 levels.

Trade

FAS/San José projects MY 2022/23 coffee exports to reach 1,160,000 60-kg bags, the highest level since MY 2015/16, as production volume rebounds and high-quality Costa Rican coffee remains in-demand globally. FAS/San José expects export volumes to decline in MY 2021/22, reflecting the lower production, to 1,100,000 60-kg bags. MY 2020/21 export volume reached 1,150,000 bags, valued at \$322 million. Coffee exports represented 2.3 percent of Costa Rica’s total export revenue in MY 2020/21.

According to ICAFE, the export price for MY2021/22 coffee through April 2022 has increased nearly 25 percent to an average of \$328.9 per bag, although lower production levels are expected to constrain grower profits. The average export price of Costa Rican coffee during MY 2020/21 was \$265.4 per bag, a 2 percent rise above the \$261.3 per bag average during MY 2019/20. Local sources note that the quality of the coffee, the environmentally friendly production conditions, the high level of product traceability, and the fair distribution of income generated by the activity, confer an international market premium to Costa Rican coffee.

Chart 3. Green Coffee Export Volume and Average Price by Marketing Year



Source: Costa Rican Coffee Institute (ICAFFE)

* The MY 2021/22 average export price reflects data through April 2022. The MY 2021/22 export volume reflects FAS/San José projection for the full marketing year.

The United States has been the main destination for Costa Rican exports for several years, though shipments fell 12 percent in MY 2020/21 as exports to other destinations increased.

Table 2. Exports of Green Coffee by Destination and Marketing Year (60-kg bags)

Country of destination	2018/2019	2019/2020	2020/2021
United States	519,897	559,427	490,813
Belgium	198,137	224,033	286,583
Germany	68,449	63,180	79,658
South Korea	44,122	44,413	31,959
Spain	25,465	27,279	29,258
Israel	17,344	19,909	25,026
Italy	31,700	32,481	23,509
Others not listed	185,995	168,484	183,350
Total	1,091,109	1,139,206	1,150,156

Source: Costa Rican Coffee Institute (ICAFFE) with data from Costa Rican Customs Dept.

Costa Rica’s exports are almost exclusively raw material, that is, coffee is exported “not roasted or decaffeinated”.

Costa Rica started to import economically significant volumes of coffee in 2008, primarily from other Central American countries (Honduras and Nicaragua), to meet part of its consumption needs. Since most of Costa Rica’s coffee is priced at a premium in the international markets, most locally produced coffee is exported, with lower priced Costa Rican coffee remaining in the local market. Since 2008, imports have fluctuated widely, responding to local roasters ability to maximize profits through imports based on pricing, availability, and logistics. Close to 99 percent of imported coffee is green coffee for processing by the local roasters.

Production, Supply and Distribution Statistics:

Coffee, Green Market Year Begins Costa Rica	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 (1000 HA)	94	94	94	94	0	94
Area Harvested (1000 HA)	89	89	89	89	0	89
Bearing Trees (MILLION TREES)	385	385	385	385	0	385
Non-Bearing Trees (MILLION TREES)	21	21	21	21	0	21
Total Tree Population (MILLION TREES)	406	406	406	406	0	406
Beginning Stocks (1000 60 KG BAGS)	299	299	281	328	0	273
Arabica Production (1000 60 KG BAGS)	1472	1375	1485	1275	0	1365
Robusta Production (1000 60 KG BAGS)	0	0	0	0	0	0
Other Production (1000 60 KG BAGS)	0	0	0	0	0	0
Total Production (1000 60 KG BAGS)	1472	1375	1485	1275	0	1365
Bean Imports (1000 60 KG BAGS)	145	181	150	170	0	150
Roast & Ground Imports (1000 60 KG BAGS)	10	5	5	5	0	5
Soluble Imports (1000 60 KG BAGS)	5	5	5	5	0	5
Total Imports (1000 60 KG BAGS)	160	191	160	180	0	160
Total Supply (1000 60 KG BAGS)	1931	1865	1926	1783	0	1798
Bean Exports (1000 60 KG BAGS)	1155	1140	1220	1100	0	1150
Rst-Grnd Exp. (1000 60 KG BAGS)	10	10	10	10	0	10
Soluble Exports (1000 60 KG BAGS)	0	0	0	0	0	0
Total Exports (1000 60 KG BAGS)	1165	1150	1230	1110	0	1160
Rst,Ground Dom. Consum (1000 60 KG BAGS)	465	382	455	395	0	415
Soluble Dom. Cons. (1000 60 KG BAGS)	20	5	5	5	0	5
Domestic Consumption (1000 60 KG BAGS)	485	387	460	400	0	420
Ending Stocks (1000 60 KG BAGS)	281	328	236	273	0	218
Total Distribution (1000 60 KG BAGS)	1931	1865	1926	1783	0	1798
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Attachments:

No Attachments