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Report Highlights:

El Salvador's coffee production is expected to reach 555,000 sixty-kg-bags in marketing year (MY) 2023/24. The Salvadoran coffee sector continues to be affected by climate vulnerability and an absent long-term strategy. The MY2024/25 crop is forecast to reach 560,000 sixty-kg-bags. Lack of labor availability due to migration in rural areas is affecting farm activities such as pruning, tree renovations, and berry picking and processing. In addition, prices for inputs remain high, increasing production costs. The Government of El Salvador (GOES) continues to carry-out a coffee plant give-away program, however most plants are not planted by farmers due to lack of the financial resources to cover this cost.

Executive Summary:

El Salvador's MY2023/24 harvest, which begins in October and ends in September, will increase slightly, thus FAS San Salvador estimates production will reach 555,000 sixty-kg bags. The MY2024/25 harvest is expected to increase approximately 5,000 sixty-kg bags reaching 560,000 sixty-kg bags.

Exports in MY 2023/24 are expected to reach 402,200 sixty-kg bags, down 22 percent from the previous crop. Export numbers for MY2024/25 are forecast to increase to 525,000 sixty-kg bags. The United States remains the main export destination for Salvadoran coffee, accounting for 43 percent of MY2023/24 exports through April 2024. Germany is the second largest destination for Salvadoran coffee, followed by Belgium, Italy, Japan, Canada, Australia, and the Netherlands. The Salvadoran Coffee Institute (SCI) continues to monitor exports through export registration permits.

A tendency to look towards the export market has contributed to a lack of development of the domestic market. This has led to increases in soluble coffee imports, mainly from Mexico, Brazil, and Nicaragua. Coffee bar chains, including Starbucks, Juan Valdez, and El Salvador's The Coffee Cup continue growing in the retail market. In addition, McDonald's has continued expanding its McCafé coffee shops.

In the past, the Government of El Salvador (GOES) guaranteed loans to the coffee sector both through state and private banks; however, private banks are now reluctant to lend to the coffee sector due to price volatility and climate change vulnerability.

Coffee is still an important source of employment in rural areas. However, the drastic decline in production (As a result of coffee rust, low prices, and a lack of investment) has led to significant job losses in the sector. In the past, coffee production accounted for over 100,000 jobs, however this number has continuously dropped reaching a low of 37,005 jobs in the 2019/20 crop. Over the last two crops, jobs have picked up reaching 44,500 for the 2023/24 crop. Coffee is no longer the top source of export revenues in El Salvador and has been replaced by non-traditional products such as processed ethnic foods, tropical fruits, and sugar. However, a rebound in prices for coffee exports in 2024/25 is expected to increase foreign exchange generation reaching approximately \$190 million.

El Salvador continues to promote its coffee through trade expos and buyer missions, focusing mainly on specialty and gourmet qualities (See Trade Section, below).

In March 2024, the GOES passed a law requiring all coffee exporters to register their sale contracts with the ISC and make export sale schemes more transparent to benefit farmers. Also, the Salvadoran Coffee Institute has been recently created to conduct much needed coffee research and take over Salvadoran Coffee Council responsibilities (see Policy section).

Commodities:

Coffee, Green

Production:

New production numbers compiled by FAS San Salvador estimate the 2023/24 coffee crop at 555,000 sixty-kg bags. The 2024/25 production is forecasted to increase to 560,000 bags.

GOES assistance is focused on small farmers (less than 10 hectares) with a plant and fungicide giveaway program that has had a minimal positive impact on the recovery of the coffee sector. Salvadoran coffee production could recover with increased activities to counter coffee rust and an adequate renovation program that includes financing to provide plants with appropriate nutrients and post-harvest management until they reach berry production.

Value-added production such as gourmet, specialty, and fair-trade coffees continues to provide additional revenue to a small, but growing number of coffee producers that are focusing on this type of market. These farmers are focusing on micro (5-100 bags) and nano (less than 5 bags) coffee lot sales to specialty retailers in the United States, Europe, and Asia.

In 2023, El Salvador held the Cup of Excellence competition using a virtual component for coffee grading. The Geisha and Pacamara varieties continue to dominate this competition with scores in the 90-point range. The pandemic affected export promotion through postponed trade missions to the European, Asian, and U.S. specialty coffee markets. In-person participation in these trade events rose in 2023 (see Trade section).

Consumption:

Consumption in coffee bars continues to grow in El Salvador. The number of establishments is expanding – opening in strip malls and major shopping centers, which is the case with Juan Valdez, Starbucks, McCafé and local competitors Viva Espresso and The Coffee Cup. In addition, new coffee brands at the retail level are stimulating demand for local Bourbon, Pacas and Pacamara variety coffee. In addition, batches of locally grown high quality Geisha variety have started to gain market share in local coffee shops.

In MY2023/24 consumption is estimated to reach 295,000 bags. Due to the impact of COVID-19 on consumer spending, domestic consumption had practically stalled. However, a post-pandemic economic rebound that is one of the highest in Latin America, has had a positive effect on consumption. However, most local consumption continues to be lower quality soluble coffee imported from Brazil, Mexico, Colombia, and Nicaragua, as well as locally produced brands such as Coscafe and D'Cafe. In MY2023/24, soluble domestic consumption is expected to reach 263,000 sixty-kg bags-Green Bean Equivalent (GBE). Roasted and ground domestic consumption is also expected to reach 32,000 sixty-kg bags GBE in the same period. Local consumers continue to favor soluble coffee over roasted/ground due to ease of preparation and lower price.

Insufficient investment in marketing to boost consumption of local higher-quality roasted beans, and a market that tends to be price elastic are factors that continue to favor soluble consumption. The SCI has been working to boost consumption of higher quality coffee by holding local coffee promotion events and participation in international coffee expos such as the 2023 Specialty Coffee Expo. Also, in April 2024 the ISC held a tourism and coffee event to promote local coffee quality, provide presentations on local farmer success stories, present latest processing/brewing trends, and sustainable production training.

Trade:

Coffee exports for MY2023/24 are estimated at 402,200 sixty-kg bags, down 22 percent from the previous crop. In MY2024/25 coffee exports are expected to increase reaching approximately 525,000 sixty-kg bags.

In MY2023/24 the United States is expected to be the main export destination for Salvadoran coffee reaching approximately 172,946 sixty-kg bags, or about 43 percent of total exports. Germany has become the number two export destination accounting for approximately 8 percent of total exports. Other important destinations are Belgium, Italy, Japan, and Canada. Australia and the Netherlands are slowly increasing purchases of Salvadoran coffee, accounting for almost 7 percent of total exports.

Premium prices obtained by gourmet and specialty coffees create an incentive to increase exports of these types of coffees. In 2023, the SCI conducted various promotional events, including the Cup of Excellence. The best quality coffees produced in El Salvador are offered for sale through global electronic auctions. Through this type of events, local coffee is acquired by U.S., Asian, and European buyers at premium prices that range from \$100 to \$300 per hundredweight over the spot market "Contract C" prices.

Export Trade Matrix El Salvador Coffee, Green			
Time Period	MY	Units:	60 kg bags
Exports for:	2023/24		2024/25
United States	179,946	United States	225,750
Others		Others	
Germany	32,176	Germany	42,000
Belgium	30,969	Belgium	40,425
Italy	28,154	Italy	36,750
Japan	16,088	Japan	21,000
Canada	15,283	Canada	19,950
Australia	13,675	Australia	17,850
Netherlands	11,664	Netherlands	15,225
United Kingdom	11,262	United Kingdom	14,700
Saudi Arabia	10,859	Saudi Arabia	14,175
South Korea	9,653	South Korea	12,600
Others not Listed	49,471	Others not Listed	64,575
Grand Total	402,200		525,000

Source: Trade Data Monitoring

Local non-government organization (NGO) Salvanatura continues to expand the number of producers that are participating in environmental and social responsibility certifications such as the Rainforest Alliance certification. Currently, over 230 farms and 34 mills have been Rainforest Alliance certified. Other certification efforts such as Starbucks Cafe Practices, Fair Trade, UTZ, and coffee-related geographical indications (GIs) continue expanding in El Salvador. The SCI, working with the six coffee regions in El Salvador, has established GIs for the coffee produced in those regions. Coffee with these certifications commands a higher price on the market. The SCI has also trained local cuppers to obtain “Q” grade certification that helps to position Salvadoran coffee as a reliable source of quality beans. Starbucks Cafe Practices program enables Salvadoran farmers under the program to sell their coffee at prices about \$50 above international “Contract C” prices. In 2024, NESCAFE announced the construction of a logistics facility to source and sell local coffee, thus providing hope that their local purchase program will increase in the near future.

In marketing year (MY) 2024/25, Brazil is expected to supply approximately 100,415 sixty-kg bags GBE of soluble coffee to the local market. Mexico is expected to export 92,090 sixty-kg bags and Nicaragua 24,978 sixty-kg bags. Colombia is also present in the market with soluble product brand Colcafe, as well as with its', "Juan Valdez", coffee retail outlets selling 17,661 sixty-kg bags of Colombian coffee. U.S. imports are estimated at 6,560 sixty-kg bags of both roasted and soluble coffee.

Import Trade Matrix El Salvador Coffee, Green			
Time Period	MY	Units:	60 kg bags
Imports for:	2023/24		2024/25
United States	6,503	United States	6,560
Others		Others	
Brazil	99,540	Brazil	100,415
Mexico	91,287	Mexico	92,090
Nicaragua	24,760	Nicaragua	24,978
Colombia	17,507	Colombia	17,661
Guatemala	3,251	Guatemala	3,280
United Kingdom	2,751	United Kingdom	2,775
Malaysia	2,000	Malaysia	2,018
Others not Listed	2,501	Others not Listed	2,523
Grand Total	250,100		252,300

Source: Trade Data Monitoring

Stocks:

FAS/San Salvador estimates stock numbers reaching 115,000 sixty-kg bags in MY2023/24. This increased stock number is due to farmers holding back coffee sales due to delays in harvesting and to seek expected higher prices. Stocks for MY2024/25 are forecast to reach 103,000 sixty-kg bags.

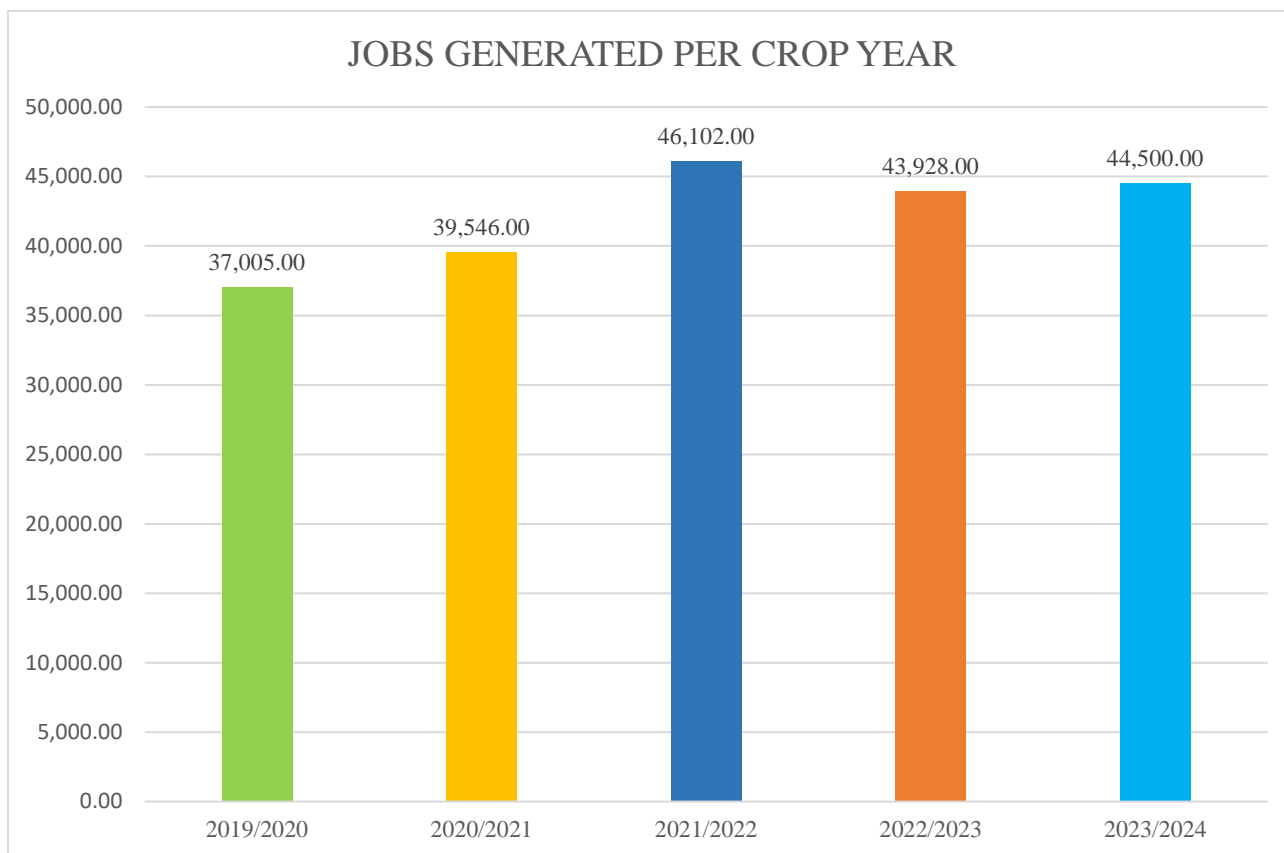
Policy:

The Salvadoran coffee sector continues to lack a broad strategy to create sustainability and profit for coffee farmers. While there have been some efforts by past government administrations to implement assistance programs, they have not been effective in helping producers recover from losses due to diseases such as coffee leaf rust and anthracnosis, and to erratic weather patterns affecting flower blossoming.

The government tends to focus on assistance programs targeting small farmers with less than 3 hectares, which account for less than 10 percent of planted areas. Through these programs, the Ministry of Agriculture, through the National Agriculture Research Center (CENTA), gives away coffee plants that most of the time lack genealogy and quality certification, thus providing less productive trees. In addition, farmers often lack the resources for upkeep to enable the plants to reach production age (approximately 3 years). As such, most of the time farmers sell the plants or they die due to a lack of inputs (i.e. fertilizer, insecticides, fungicides). In addition, this program usually has logistical issues, and the plants are distributed almost at the end of the rainy season, thus many plants are left unplanted.

The sector would benefit from a major replanting program to renovate coffee production areas with new trees. In most areas, trees are over 25 years old and have surpassed their productive age. Every year over 7 million plants need to be planted, just to replace those that die naturally. According to the Salvadoran Coffee Association, approximately 30 million good quality rust-resistant plants are needed per year for a period of 10 years to completely renovate the national coffee area.

As a result of the problems the sector faces, jobs continue to disappear in coffee producing areas resulting in migration to urban areas. Approximately 10,000 jobs are lost for every 100,000-quintal drop in production – approximately every 45,000 tons. In addition, more coffee farms are being abandoned and/or devoted to basic grain production, depriving the country of its main source of forestation and water retention.



Source: Salvadoran Coffee Institute

Coffee farmers continue paying back the Coffee Trust (FICAFE) program, which was established in 2001 to defer accumulated debt. As part of the GOES program to assist the coffee sector, the capital payments to FICAFE were deferred in 2014 for a grace period of 3 years, so that those funds could be used to plant new coffee trees, to improve agricultural practices to fight coffee leaf rust, and to increase productivity at the farm level. The GOES has extended this grace period through the end of 2024.

The GOES is providing loans through state banks to certain qualified farmers to carry out production activities and harvest collection for the upcoming production cycle. However, given the continued damage by coffee rust, this loan program will again not be enough to keep farmers afloat. Private banking institutions are reluctant to provide loans to the sector due to the high-risk of default because of price volatility and dwindling cherry yields.

Through the Food for Progress program, the U.S. Department of Agriculture (USDA) continues working with the NGO Technoserve on the Maximizing Opportunities for Coffee and Cocoa in the Americas (MOCCA) project to assist approximately 5,000 coffee farmers with new production technologies, extension work, access to high-quality coffee seeds, access to higher paying export markets, and a loan guarantee program to facilitate lending to the sector. This program could serve as a model of what the coffee sector could do to overcome the challenges posed by coffee rust, low yields, and lack of profitability.

Another issue impacting farmer profitability is the high cost that coffee mills charge to farmers for the service to transform their coffee to export-ready green beans. Currently this cost is approximately \$60 per hundredweight GBE. Also, increasing roasted and soluble coffee imports are impacting local farmers. According to the Ministry of Economy, current duties are too low, and changes are needed to alleviate the impact on local coffee consumption. Every year, El Salvador imports around 245,000 sixty-kg bags mainly of soluble low-quality coffee that affects market opportunities for local coffee.

The future of El Salvador's coffee sector will depend upon the ability of both producers and government institutions to implement a strategy that includes debt re-structuring; extending repayment periods; and a unified coffee association that oversees research, technical assistance, and quality control; labor; food security; and crop diversification. If these issues are not addressed, the number of farmers that have already abandoned their farms (currently 35 percent) will continue to grow, deepening the labor, environmental, and economic crises.

The GOES drafted a program called Cafe-Proyecto Pais. This program was viewed as an opportunity to get the coffee associations together and come up with a unified strategy that could help farmers become sustainable in the near future. Under the program, the issues affecting the sector were divided into four areas: financing for plant renovation; debt restructuring; research and technology transfer; and commercialization (export and domestic). However, due to the COVID-19 crisis, in 2020 this program was put on hold by the GOES and there is uncertainty if it will ever be started.

In April 2021, the GOES administration announced a coffee rescue program that seeks to increase production and farmer profitability in the medium term. Under the program, the GOES plans to re-structure carry over debt from the sector estimated at \$240 million, create a coffee research institute, build a coffee seed/nursery certification program, renovate approximately 35,000 hectares, create a transparent coffee processing mechanism among farmers and coffee mills, promote local consumption of Salvadoran coffee, review coffee import duties, increase direct trade, and crop diversification to increase farmer income and diminish dependency on a single crop, among other activities. But it is also on hold due to fiscal constraints faced by the government budget.

To date, the GOES has only secured a \$45 million loan from the Inter-American Development Bank (IDB) to assist smallholder farmers (approximately 8 % of total coffee area) through technical assistance and preferential loans, and to create the Salvadoran Coffee Research Institute to provide much needed technology transfer to outdated farmers.

Production, Supply and Demand Data Statistics:

Coffee, Green	2022/2023		2023/2024		2024/2025	
Market Begin Year	Oct 2022		Oct 2023		Oct 2024	
El Salvador	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (Has.)	137	137	137	137	0	137
Area Harvested (Has.)	130	130	130	130	0	130
Bearing Trees (Million)	324	324	324	324	0	324
Non-Bearing Trees (Million)	19	19	19	19	0	19
Total Tree Population (Million)	343	343	343	343	0	343
Beginning Stocks (Thousand 60 Kg. Bags)	14	14	10	7	0	115
Arabica Production (Thousand)	550	550	670	555	0	560
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
Total Production (Thousand 60 Kg. Bags)	550	550	670	555	0	560
Bean Imports (Thousand 60 Kg. Bags)	15	0	15	0	0	0
Roast & Ground Imports (Thousand 60 Kg. Bags)	15	11	15	12	0	12
Soluble Imports (Thousand 60 Kg. Bags)	200	236	200	238	0	240
Total Imports (Thousand 60 Kg. Bags)	230	247	230	250	0	252
Total Supply (Thousand 60 Kg. Bags)	794	811	910	812	0	927
Bean Exports (Thousand 60 Kg. Bags)	487	488	600	391	0	505
Rst-Grnd Exp. (Thousand 60 Kg. Bags)	0	10	0	1	0	2
Soluble Exports (Thousand 60 Kg. Bags)	10	18	10	10	0	18
Total Exports (Thousand 60 Kg. Bags)	497	516	610	402	0	525
Rst,Ground Dom. Consum (Thousand 60 Kg. Bags)	30	30	25	32	0	34

Soluble Dom. Cons. (Thousand 60 Kg. Bags)	257	258	265	263	0	265
Domestic Consumption (Thousand 60 Kg. Bags)	287	288	290	295	0	299
Ending Stocks (Thousand 60 Kg. Bags)	10	7	10	115	0	103
Total Distribution (Thousand 60 Kg. Bags)	794	811	910	812	0	927

Attachments:

No Attachments