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## **Colombia**

### **Coffee**

### **Coffee - Semi-Annual Report**

**1999**

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#### **Report Highlights:**

**Colombia's coffee production fell by 9 percent in 1998/99 but is expected to rebound in 1999/2000. World coffee prices for the Colombian coffee have stabilized just above US\$1 per pound. Coffee exports decreased four percent in 1998/99 and they are forecast to remain at about the same level in 1999/2000. Coffee inventories are at a low level and they may decrease further in 1999/2000.**

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Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Bogota [CO1], CO

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## Executive Summary

Coffee production in 1998/99 dropped nine percent from 1997/98, due to excessive rains. However, coffee output is projected to increase by about ten percent in 1999/2000, as weather patterns improve. Fedecafe, the main coffee buyer, raised the target price paid to the farmer to a level 19 percent higher than a year ago, and in the future it will be tied more closely to the world price. After declining for two-and-a-half years, world prices for the Colombian coffee rebounded in October 1999, as the world price rose sharply. However, because of low output and stocks, coffee exports in 1998/99 fell four percent from the previous year. For 1999/2000, coffee exports are forecast to grow slightly. The outlook for the next 3-5 years is for only minor increases in exports every year. Stocks are currently at a low level. No coffee area expansion is expected for the next few years.

## Production

Final production figures issued by Fedecafe (National Coffee Growers Federation) show a three percent downward revision of Colombia's coffee production to 10.9 million bags (60 kilogram bags) in 1998/99 (October-September). The La Nina weather phenomenon, which resulted in excessive rains in Colombia, adversely affected blooming during 1997/98. Because of this, coffee bean production fell nine percent in 1998/99. Coffee beans damage by the "broca", a boring insect which damages coffee beans before harvest, fell from 7 percent in 1997/98 to 3 percent in 1998/99. Excessive rains have helped to reduce proliferation of this insect. Weather analysts believe that the La Nina phenomenon is now over and that weather patterns will return to normal in Colombia over the next year. Post expects 1999/2000 coffee production to rebound to about 12,000 million bags or a ten percent increase over the past year.

## Prices

**World prices** for the Colombian coffee have been declining steadily from the peak of \$2.63 per pound in May 1997 and reached a low of \$0.85 per pound the first week of October 1999. However, on October 13, 1999, world coffee prices jumped to \$1.13, then declined the following day to \$1.09 where they have remained. This was mainly due to reports that the severe drought in the Brazil would continue and that excessive rainfall was expected in coffee regions of Central America and Mexico. Currently, world prices are about 20 percent lower than a year ago. Colombian coffee enjoys a quality premium over the world price, which amounted to \$0.16 per pound until October 5, 1999, when Colombia decided to lower it to \$0.11, in order to make its coffee more competitive.

The National Coffee Committee (NCC) determines a **target price paid to farmers** for coffee bought by Fedecafe. Even with falling world prices for the Colombian coffee, domestic prices to the farmer grew ten percent--the same rate as inflation rate--in the period September 1998 to September 1999. The target price had been frozen at 330,000 pesos per 125 kilograms since May 1999. On November 12, 1999, the NCC raised this target price by 11 percent to 365,000 pesos per 125 kilograms, 19 percent higher than a year ago.

Also, as of November 12, 1999, the NCC returned to the so-called *automatic price adjustment (APA) system*. Under this system, target coffee prices paid by Fedecafe are revised every three market days. Calculations take into consideration world coffee prices and the peso exchange rate. Due to this APA system, on November 15, 1999, the domestic target coffee price increased again to 380,500 pesos per 125 kilograms (\$0.70 per pound). In recent months the target price had been exceeded by private buyers. Coffee coops buying for Fedecafe report that private buyers had been purchasing coffee the past few weeks at about 370,000/380,000 pesos per 125 kilograms.

There are several reasons for this pressure on prices. First, while production in 1998/99 fell nine percent, demand in the same year decreased only three percent. In addition, there is normally a shortage of coffee at this time of the year, since the main coffee harvest usually starts in October, but this year that peak has moved ahead one month because of the weather and it is expected to occur in the period November 1999 - January 2000. Finally, in the first half of 1999, coffee buyers initiated a system that pays coffee on a

quality basis, which has encouraged growers to handle beans better in order to receive higher prices.

The **retail price** for a kilogram of roasted/ground coffee (high quality) is currently 5,820 pesos (\$1.34 per pound) **in Bogota**, seven percent lower than a year ago. Domestic demand has been depressed during the last two years, because of the economic recession that this country has reduced demand.

## Trade

The Coffee Producing Countries Association (CPCA) establishes annual coffee export quotas for the period July - June for its 16 member countries. The 1998/99 CPCA quota for Colombia was 10.5 million 60-kilogram bags, an export level that Colombia was unable to meet. Subsequently, CPCA quotas for 1999/2000 and 2000/2001 have been set at 10.35 and 9.75 million bags, respectively.

Final published trade figures for the 1998/99 marketing year show Colombia exported 9.8 million of 60-kilogram bags of green coffee, four percent less than in 1997/98. Lower output and limited stocks prevented this country from expanding coffee exports currently. Assuming that world coffee prices will remain near current levels and that production will increase by about ten percent, Post forecasts green coffee exports at about 10 million bags in 1999/2000, slightly above the previous level, but still below Colombia's CPCA quota. Coffee exports in the next 3-5 years are expected to grow no more than two or three percent annually.

## Stocks

End-of-season inventories fell during 1998/99 from 3.9 million bags at the beginning of the year to 2.7 million on September 30, 1999. Colombia's carryover at the end of 1998/99 is equal to about three month's of exports and domestic use. Stocks are projected to decline further to about 2.4 million bags at the end of 1999/2000.

## Policy

The National Coffee Committee (NCC) has decided that Colombia should not expand its coffee planted area and has been discouraging farmers in that sense. Instead, the NCC has been promoting practices that improve yields and quality. Also, Fedecafe has been promoting other crop alternatives, such as fruit, forestry, and macadamia nuts. At the same time, there is increasing interest in growing organic coffee for the export market, which is currently less than one percent of the national coffee output.

Instead of the traditional bag handling of coffee, Colombia initiated in September 1999 the use of containers to transport this product from the farm directly to foreign markets. Bulk handling is estimated to account for only about five percent of the 1999/2000 exports, but is expected to increase rapidly to account for a significant share of coffee exports.

## TABLES

**Colombia: PS&D Coffee, Green, 1997/98 to 1999/2000 <sup>1/</sup>**

(1,000 hectares, million trees, and 1,000 60 kilogram bags)

PSD Table						
Country:	Colombia					
Commodity:	Coffee, Green					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	900	900	900	900	900	900
Area Harvested	840	840	840	840	840	840
Bearing Trees	3,080	3,080	3,100	3,100	3,100	3,100
Non-Bearing Trees	540	540	550	550	550	550
TOTAL Tree Population	3,620	3,620	3,650	3,650	3,650	3,650
Beginning Stocks	4,420	4,420	3,929	3,929	2,669	2,747
Arabica Production	11,932	11,932	11,500	10,868	12,700	12,000
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
TOTAL Production	11,932	11,932	11,500	10,868	12,700	12,000
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	16,352	16,352	15,429	14,797	15,369	14,747
Bean Exports	10,213	10,213	10,500	9,790	10,500	10,000
Roast & Ground Exports	105	105	110	110	110	110
Soluble Exports	545	545	550	550	550	550
TOTAL Exports	10,863	10,863	11,160	10,450	11,160	10,660
Rst,Ground Dom. Consum	1,300	1,300	1,330	1,330	1,360	1,360
Soluble Dom. Consum.	260	260	270	270	280	280
TOTAL Dom. Consumption	1,560	1,560	1,600	1,600	1,640	1,640
Ending Stocks	3,929	3,929	2,669	2,747	2,569	2,447
TOTAL DISTRIBUTION	16,352	16,352	15,429	14,797	15,369	14,747

<sup>1/</sup> 1999/2000 estimated.

**Colombia: Green Coffee Prices to Growers, CY1998 and 1999 <sup>1/</sup>**  
 (1,000 pesos per 125 kilograms)

Prices Table			
Country:	Colombia		
Commodity:	Coffee, Green		
Year:	1999		
Prices in (currency)	1000pesos	per (uom)	125 kilos
Year	1998	1999	% Change
Jan	365	328	-10.1%
Feb	378	322	-14.8%
Mar	349	322	-7.7%
Apr	345	320	-7.2%
May	314	327	4.1%
Jun	315	343	8.9%
Jul	301	341	13.3%
Aug	306	343	12.1%
Sep	306	330	7.8%
Oct	304	370	21.7%
Nov	316		-100.0%
Dec	318		-100.0%
Exchange Rate	1960	(Local currency/US \$)	
Date of Quote	15-Nov-99	(MM/DD/YY)	

<sup>1/</sup> Average paid by private traders for dry parchment coffee of ordinary quality.

Source: Asoexport (Colombian Association of Coffee Exporters).

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