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# Colombia

# Coffee

# Annual Report

# 1999

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**Report Highlights:**
**Our estimate of Colombia's coffee production in 1998/99 has been reduced 600,000 bags to 11.5 million bags. Coffee output in 1999/2000 is forecast to rebound to 12.7 million bags. Our estimate of coffee exports in 1998/99 remains unchanged at 11.16 million bags. Exports in 1999/2000 are projected to remain at this level due to reduced exportable supplies. Coffee stocks have fallen to their lowest level since the mid-1980's.**

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Includes PSD changes: Yes
Includes Trade Matrix: Yes

Annual Report
Bogota [CO1], CO

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# Executive Summary

We have reduced our estimate of Colombia’s coffee crop in 1998/99 to 11.5 million bags. This year’s crop was adversely affected by excessive rainfall during the flowering period. The local industry anticipates improved weather during the second half of 1999 which will result in a larger coffee output next season. A severe earthquake struck Colombia’s major coffee growing areas in January 1999. Although significant damage was incurred by the industry’s primary processing facilities, this year’s coffee production was not seriously affected. Incidence of “broca” (cherry borer insect) damaged kernels is estimated to decline from 7 percent in 1997/98 to 5 percent in 1998/99. Coffee prices received by growers are now 6 percent lower than a year ago because of declining world coffee prices. The National Coffee Committee ( NCC) is discouraging growers from expanding their coffee areas. Instead, the NCC is providing technical assistance to growers to achieve an improvement in coffee yields while at the same time encouraging growers to turn to alternative crops. Domestic coffee consumption is estimated to increase 3 percent in 1998/99 as a result of a domestic promotional sales campaign by Fedecafe (National Coffee Growers Federation). Colombia’s green coffee exports in 1998/99 are estimated at 10.5 million bags, 3 percent above the previous year. Exports in 1999/2000, however, will not increase beyond this level despite an increased crop output due to declining stock levels and a reduction in exportable supplies. Coffee stocks at present are at their lowest level since the mid-1980's.

# Production

**a. General**

Colombia's coffee growing areas have been subjected to the La Nina weather phenomenon since August 1998. La Nina resulted in continuous rainfall during this period which adversely affected crop development during the bloom period. Coffee production during the first half of 1998/99 was 7 percent higher than the same 6-month period in 1997/98, but output during the second half of the year is expected to decline more than 15 percent. Coffee growers anticipate that weather will return to normal and as a result coffee output in 1999/2000 should improve to about 12.7 million bags.

Colombia's coffee area is not expected to change significantly over the next 3-5 years. Coffee output, however, should rise about 2-3 percent annually due to the renewal of plantations and other cultural practices that will improve average yield levels.

Colombia produces coffee throughout the year, but there are two main coffee production cycles. The dominant harvest occurs during the October-January period and accounts for 45 percent of annual production. The minor crop is harvested May-July and represents an additional 25 percent of annual production. The remaining 30 percent of national production is harvested during the remaining five months of the year.

Approximately, 70 percent of Colombia's total coffee area is planted with the high-yielding, rust-resistant Caturra and Colombia coffee varieties. These two varieties, which produce well without shade, account for more than 85 percent of total coffee production. The remaining 30 percent of Colombia's coffee area is planted with traditional coffee varieties which are cultivated near shade giving trees to ensure a quality coffee.

The central states of Antioquia, Caldas, Risaralda and Quindio cover 37 percent of Colombia's coffee area and account for over 50 percent of national output. Colombia's coffee crop is cultivated in mountainous regions where climate and soil conditions are suitable.

Colombia has shown an increasing interest in recent years in producing organic coffee. Production of this type coffee is based upon the non-usage of herbicides, pesticides, or chemical fertilizers. Currently, less than 1 percent of Colombia's coffee production is organic, but volumes are growing.

A deadly earthquake shook Colombia's coffee belt on January 25, 1999. Damage to urban areas was extensive. The area affected by the earthquake accounts for 30 percent of national production. Although coffee trees were not affected, on-farm processing facilities, threshers, coffee warehouses, owner and picker residences, and roads were damaged. Twelve percent of on-farm processing facilities were demolished and an additional 22 percent suffered partial damage within the earthquake-affected areas. However, the overall effect of the earthquake on this year's coffee output will be minimal. This was partly because the earthquake coincided with the lowest coffee production months of the year (February - March) when processing facilities are generally underutilized.

The Colombian Government and the National Coffee Committee (NCC) together allocated 60 billion pesos ($38 million) for the reconstruction of coffee areas affected by the earthquake. Reconstruction is underway. The aid program places a priority on repairing partially damaged processing facilities. Rehabilitation grants of up to 4 million pesos ($2,530), which do not require repayment, are being made available to growers. Additional funds are provided on a loan basis. During the first 2 years of the life of these loans, growers are not required to make repayment against either loan principal or interest. The National Coffee Growers Federation, Fedecafe, is taking this opportunity to urge farmers to shift to newer processing techniques.

**b. Inputs**

About 70 percent of the total cost of producing coffee is accounted for by labor. This labor intensive crop pays relatively high salary levels to workers. Additionally, broca insect control requires a significant labor input. Currently, the minimum rural monthly salary stands at 236,826 pesos ($150), up 17 percent from last year. Temporary labor brought on during the harvest period does not receive a fixed salary but instead is paid by the weight of the ripe coffee cherries picked. These seasonal workers can earn more than permanent workers depending on their skill levels.

Large amounts of water are used in on-farm processing of coffee which results in contamination of local rivers. Cenicafe, the Coffee Research Center, has developed a system by which water usage is reduced from about 40 liters per kilo of coffee beans to less than 1 liter. Fedecafe is promoting this new technology among coffee growers and at present about 3 percent of all farms (556,000) in Colombia are enrolled in the program. These farms account for approximately 17,000 hectares.

**c. Crop Quality**

A coffee cherry borer insect called “broca”, was detected in Colombia for the first time in 1988. According to local agronomists, this pest cannot be eradicated and, therefore, the local industry is concentrating its efforts on keeping the insect--and resulting crop damage--under control. Coffee broca does not affect production volumes but rather bean quality. Although broca-damaged beans are unsightly, they do maintain their aroma and other taste properties. Nearly all of Colombia’s broca-damaged beans are sold for consumption within the domestic market and are not exported.

Three control techniques are being promoted by Fedecafe for this insect: (a) more frequent harvesting of ripe cherries--both on the tree and on the ground; (b) use of biological controls--wasps (Pronus nasuta and P. cephalonomia) and a fungus (Beauveria bassiana) which eats the eggs and the insect larvae; and (c) fumigation with a low toxicity insecticide.

Broca-damaged beans accounted for approximately 7 percent of the crop in 1997/98 but in the first half of 1998/99 fell to only 5 percent of total harvested beans. The reduction in the incidence of broca damage in 1998/99 is partly attributed to this year’s rainy weather which does not favor broca development and partly to the cultural control techniques being employed.

**d. Grower Prices**

The NCC initiated in 1997 a grower target pricing system for parchment coffee. This target price is calculated taking into consideration coffee production costs, crop quality, international coffee prices, and the financial strength of the National Coffee Fund (NCF). The NCF was established in 1967 to maintain grower price stability against fluctuations in world prices. The NCF is funded from a compulsory grower check-off payment taken from parchment coffee sales. The NCC target price was frozen at 312,500 pesos per 125 kilograms ($0.71 per pound) in February 1999. Currently, this price is 6 percent below a year ago reflecting declining world coffee prices. Fedecafe is paying growers a 5 percent bonus for best grade coffee. This is encouraging growers to segregate their coffee production into different grades before offering it for sale to Fedecafe. The average market price paid in April 1999 by private buyers was 323,000 pesos per 125 kilograms. Approximately 65 percent of local coffee is purchased from growers by these private buyers.

The average international price for Colombian coffee reached a record price of $2.63 per pound in May 1997. A year ago, the international price had fallen to $1.45 per pound. The price has weakened further and stood at $1.05 per pound in April 1999. Local coffee industry officials do not anticipate a strengthening in world coffee prices in the near future.

**e. Production Policy**

Colombia's coffee output peaked in 1991/92 at 18 million bags, but has declined steadily since then. Because of weak world coffee prices, the National Coffee Committee, NCC (composed of government and coffee grower representatives) decided that Colombia should not expand its coffee plantations and since then it has been discouraging farmers from expanding planted area. Instead, the NCC has been promoting practices that improve coffee yields and quality.

Under that policy, Fedecafe (the Coffee Growers Federation) launched in 1998/99 a five-year program for renewing old coffee plantations with higher-yielding and disease-resistant varieties with a goal of 70,000 hectares annually. According to Fedecafe, 48,000 hectares were renewed in 1998/99 and Fedecafe is confident that the 70,000 hectare goal will be met this year. The average age for Colombia's coffee trees is 7.5 years and Fedecafe wants to reduce this figure to 5.5 years. Currently, growers receive a subsidy of 115 pesos ($0.07) per tree properly pruned or newly planted.

Fedecafe has been promoting other crop alternatives such as fruit, forestry, and macadamia nuts. The optimal altitude for coffee production is between 1,200 and 1,800 meters above sea level (3,940 - 5,900 feet). Producing zones above or below these parameters are considered marginal in Colombia. The NCC has been urging low-altitude growers to substitute tropical fruit, cocoa, pastures, and forestry products for coffee. Marginal coffee areas in zones of higher altitudes are being switched to dairy production.

# Consumption

Domestic coffee consumption in 1998/99 is calculated at 1.6 million bags, a 3 percent increase over the previous year. In comparison, Colombia's population is growing at 1.8 percent annually. In the last 2 years, Fedecafe has been engaged in a promotional campaign to encourage domestic coffee consumption. This is responsible for consumption increments higher than population growth. Despite these efforts, Colombia's annual per capita consumption of coffee (expressed in bean equivalency) is estimated at only 2.3 kilos compared to other producing countries such as Brazil and Costa Rica where per capita consumption stands at 4.3 kilos.

A kilogram of roasted/ground coffee (high quality) currently retails at 7,000 pesos ($1.98 per pound) in Bogota, 4 percent higher than a year ago. The retail price of a 170 gram jar of soluble coffee is 3,350 pesos ($2.10).

# Trade

Colombia, along with 16 other producing countries formed the Coffee Producing Countries Association (CPCA) in 1993. The CPCA established an export quota scheme for green coffee as a means of strengthening world coffee prices. Colombia has been allocated a green coffee export quota of 10.5 million (60 kilogram) bags for the marketing year 1998/99. The same quota volume had been assigned for marketing year 1997/98. Colombia laments the fact that important coffee producing countries such as Mexico and Ecuador are outside of the CPCA. Colombia is likely to meet its 1998/99 quota. In the first half of 1998/99, Colombia had already exported 7 percent more coffee than in the same period of 1997/98. Colombia anticipates that Brazil will push for upward revisions in the export quota levels because of its high production and stock levels. However, it is unlikely that Colombia will be able to take advantage of any upward revision in export quotas to expand its coffee exports during the remainder of this year and in 1999/2000 due to low stocks and exportable supplies.

Fedecafe accounts for about one-third of all Colombian coffee exports and the remainder of export shipments (sales) is handled by private exporters. Coffee exports generated $1.9 billion in foreign exchange earnings in 1997/98, down 16 percent from a year earlier. Although coffee export volume in 1997/98 was higher than in the previous year, prices received were lower. Coffee earnings in 1998/99 are expected to decline another 5 percent because of lower world price levels. Approximately 27 percent of all coffee exports during the past 3 years were destined for the U.S. market. Fifty-four percent of Colombia's coffee shipments were taken during this same period by the European Union. The largest single country buyer of Colombia's coffee is Germany, accounting for 24 percent of all export sales. Another important purchaser is Japan, which takes about 10 percent of Colombia's coffee exports.

A decade ago, foreign exchange earnings from coffee exports represented 31 percent of the total value of all Colombian exports (agricultural plus non-agricultural products). In 1998, coffee exports accounted for only 18 percent of the total value of Colombia's exports. Although coffee will continue to be an important generator of export earnings, it is expected to play a declining role due to the increasing importance of other export sectors such as mining, petroleum, and cut flowers.

# Stocks

Colombia's coffee stocks have fallen to their lowest level since the mid-1980's. End-of-season inventories have fallen from 3.9 million bags on September 30, 1998, to 2.7 million bags at end of September 1999. Stocks are projected to decline further to about 2.6 million bags at the end of September 2000. In comparison, the industry's average carryover stock level in the mid-1980's was equivalent to approximately 1 year's production. Colombia's coffee carryover at the end of 1998/99 is equal to only 3-months production. This stock level, however, is considered adequate to meet an orderly marketing of Colombia's coffee. Nevertheless, low coffee stocks will prevent the industry from expanding its coffee export volume in 1999/2000 despite a projected increase in coffee output.

# Tables

**Colombia: Coffee, Green, 1997/98 to 1999/2000**

| | | | | | | |
|---|---|---|---|---|---|---|
| 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 |
| Area Harvested | 840 | 840 | 840 | 840 | | 840 |
| Bearing Trees | 3 | 3 | 3 | 3 | | 3 |
| Non-Bearing Trees | 1 | 1 | 1 | 1 | | 1 |
| TOTAL Tree Population | 4 | 4 | 4 | 4 | 0 | 4 |
| Beginning Stocks | 4,420 | 4,420 | 3,929 | 3,929 | 3,269 | 2,669 |
| Arabica Production | 11,932 | 11,932 | 12,100 | 11,500 | | 12,700 |
| Robusta Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Production | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Production | 11,932 | 11,932 | 12,100 | 11,500 | 0 | 12,700 |
| 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 | 16,029 | 15,429 | 3,269 | 15,369 |
| Bean Exports | 10,213 | 10,213 | 10,500 | 10,500 | | 10,500 |
| Roast & Ground Exports | 105 | 105 | 110 | 110 | | 110 |
| Soluble Exports | 545 | 545 | 550 | 550 | | 550 |
| TOTAL Exports | 10,863 | 10,863 | 11,160 | 11,160 | 0 | 11,160 |
| Rst,Ground Dom. Consum | 1,300 | 1,300 | 1,330 | 1,330 | | 1,360 |
| Soluble Dom. Consum. | 260 | 260 | 270 | 270 | | 280 |
| TOTAL Dom. Consumption | 1,560 | 1,560 | 1,600 | 1,600 | 0 | 1,640 |
| Ending Stocks | 3,929 | 3,929 | 3,269 | 2,669 | | 2,569 |
| TOTAL DISTRIBUTION | 16,352 | 16,352 | 16,029 | 15,429 | 0 | 15,369 |

**Colombia: Green Coffee Prices to Growers, CY1997 and 1998 1/**

| | | | |
|---|---|---|---|
| Prices Table | | | |
| Country: | Colombia | | |
| Commodity: | Coffee, Green | | |
| Year: | CY1998 | | |
| | | | |
| Prices in (currency) | 1000pesos | per (uom) | 125 kilos |
| | | | |
| Year | 1997 | 1998 | % Change |
| Jan | 365 | 328 | -10.1% |
| Feb | 378 | 322 | -14.8% |
| Mar | 349 | 322 | -7.7% |
| Apr | 345 | 323 | -6.4% |
| May | 314 | | -100.0% |
| Jun | 315 | | -100.0% |
| Jul | 301 | | -100.0% |
| Aug | 306 | | -100.0% |
| Sep | 306 | | -100.0% |
| Oct | 304 | | -100.0% |
| Nov | 316 | | -100.0% |
| Dec | 345 | | -100.0% |
| | | | |
| Exchange Rate | 1600 | (Local currency/US $) | |
| Date of Quote | 15 May 1999 | (MM/DD/YY) | |

1/ Average paid by private traders for dry parchment coffee of ordinary quality.
Source: Colombian Association of Coffee Exporters.

**Colombia: Green Coffee Exports, CY1998**

| | | | |
|---|---|---|---|
| Export Trade Matrix | | | |
| Country: | Colombia | Units: | 1000 bags |
| Commodity: | Coffee, Green | | |
| Time period: | 1998 | | |
| Exports for | 0 | | 1999 |
| U.S. | 2963 | U.S. | |
| Others | | Others | |
| Germany | 2456 | | |
| Japan | 992 | | |
| Netherlands | 696 | | |
| Belgium | 549 | | |
| France | 480 | | |
| Canada | 372 | | |
| Spain | 298 | | |
| Sweden | 353 | | |
| | | | |
| | | | |
| Total for Others | 6196 | | 0 |
| Others not listed | 1458 | | |
| Grand Total | 10617 | | 0 |

Source: DANE (National Statistics Bureau).

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