

Required Report: Required - Public Distribution

Date: May 18, 2023

Report Number: CO2023-0012

Report Name: Coffee Annual

Country: Colombia

Post: Bogota

Report Category: Coffee

Prepared By: FAS Bogota Staff

Approved By: Abigail Mackey

Report Highlights:

In marketing year (MY) 2023/24, Colombian coffee production is forecast to increase by 3 percent to 11.6 million bags of green bean equivalent (GBE) coffee driven by improving weather conditions, which have hurt production over the past two years. Colombia's economy is projected to grow at a slower pace in 2023 and 2024, restricting a more substantial growth in coffee consumption which has been supported by coffee imports, largely from Brazil and Peru. In MY 2023/24, coffee consumption is forecast to remain the same as the previous year at 2.2 million GBE bags. In MY 2023/24, coffee exports are forecast at 12.1 million GBE bags, a 2 percent increase, due to recovering production and the prioritization of exports by producers. The United States remains the largest importer of Colombian coffee with over 40 percent of the market share.

Commodities

Coffee, Green

Production

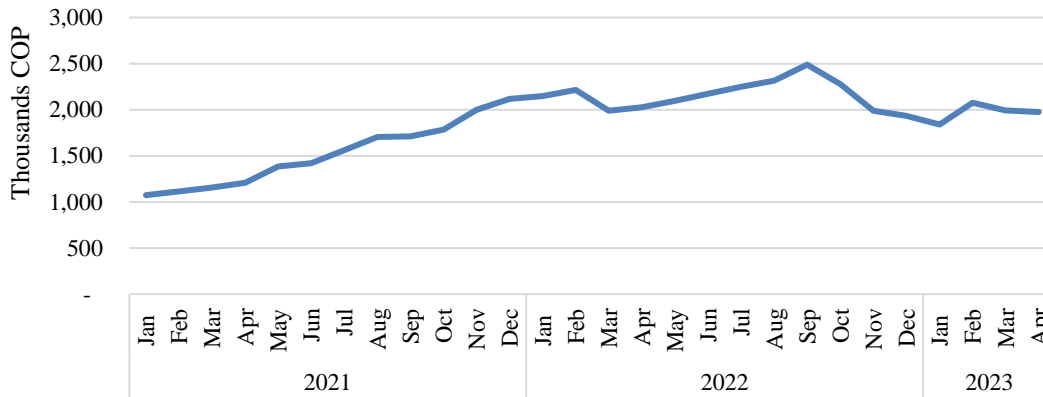
In MY 2023/24, Colombian green bean equivalent (GBE) coffee production is forecast at 11.6 million bags (1 bag = 60 kilograms), a 2.7 percent increase from Post's revised estimate for the previous marketing year. Improved weather conditions for coffee cultivation are likely to slightly increase production. According to a [recent report](#) from the Colombian Institute of Meteorology (IDEAM), La Niña weather phenomena ended in early 2023. It is expected that neutral conditions will continue until El Niño weather phenomena develops with a 62 percent probability in the second half of 2023.

In MY 2022/23, Post's revised coffee production estimate is 11.3 million bags GBE, 10.3 percent down from USDA's official estimate of 12.6 million bags. Excessive rains and cloudiness from La Niña weather phenomena extended longer than expected. This, combined with lower levels of fertilization due to high prices, hindered productivity in MY 2022/23. As a result of high prices of traditional fertilizers, Colombian coffee producers have been looking for bio-fertilizer alternatives, such as coffee subproducts, to reduce input costs for primarily nitrogenous fertilizers. However, bio-fertilizers are not yet available at scale to producers.

In addition, high coffee prices have slowed down Colombia's replanting program as coffee growers have preferred to harvest than renovate fields. According to the Colombia's coffee growers association, Fedecafe, at the end of 2022 area planted with coffee trees younger than 24 months-old was 130,000 hectares (ha). This is 40,000 ha short of Fedecafe's target. Fedecafe has conducted campaigns among producers to incentivize coffee renovations as not renovating will impact productivity and profitability in the medium and long term.

During MY 2021/22, Colombian coffee domestic prices showed an upward trend, driven by high international prices, devaluation of the Colombian peso, and the high-quality differential that Colombian coffee receives in the market. However, since October 2022, this trend reversed. International prices have moderately lowered as a result of better projections of the Brazilian harvest and the stabilization of international logistics chains. High production costs globally are limiting a more significant price decrease. Colombian coffee producers are working on producing high-quality and sustainable coffee to receive price differentials in the market. Figure 1 illustrates the monthly average internal price paid to Colombian growers per 125-kilogram (kg) bag.

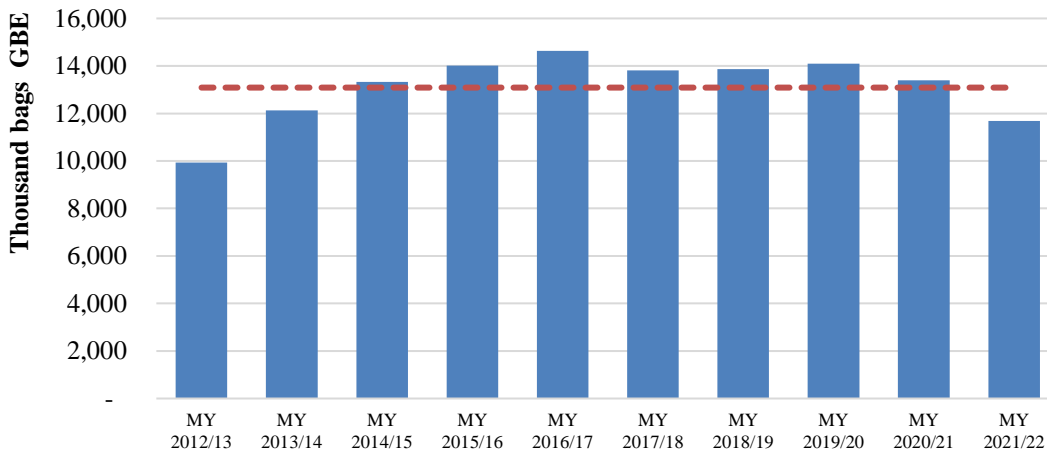
Figure 1: Domestic Monthly Average Coffee Prices in Colombia (thousand \$COP per 125-kg bag)



Data source: Colombia’s Coffee Growers Association (Fedecafe)

Figure 2 illustrates production from the last ten years, with the average annual production shown by the red dotted line at 13.1 million bags GBE. Coffee production in MY 2021/22 was lower than expected which indicates that extended rains and cloudiness above normal levels and rising production costs have reduced Colombia’s productivity.

Figure 2: Colombia’s Annual Coffee Production (thousand bags GBE)



Source of data: Colombia’s Coffee Growers Association (Fedecafe)

In CY 2022, Fedecafe estimates there are approximately 840,000 hectares of coffee planted in Colombia by 540,000 families, with 685,000 hectares planted with “technified” young crops (between 3 to 7 years old), meaning planted using modern techniques such as the use of improved seeds. Fedecafe estimates that 150,000 hectares are planted with technified old crops (more than 8 years old) and nearly 7,000 hectares are planted with traditional crop. Fedecafe estimates there are 130,000 hectares of unproductive coffee plantations younger than 2 years old due to the replanting program. According to industry, 86 percent of coffee area in Colombia is planted with rust-resistant varieties, compared to 35 percent in 2010. While planting density increased to 5,287 trees per hectare, a record figure, productivity decreased

11.6 percent to 17.1 bags GBE per hectare. This decrease in productivity is mainly a result of adverse weather conditions and lower fertilization rates.

Since March 30, 2023, the Colombian Geological Service (CGS) declared the *Nevado del Ruiz* volcano on orange alert, meaning that “an eruption is likely within days or weeks.” It is estimated that 110,000 ha of coffee crops (14 percent of total area planted) might be affected if the volcano erupts. The *Nevado del Ruiz* volcano is located in central Colombia, approximately 87 miles to the northwest of Bogota, Colombia’s capital. In recent weeks, seismic activity slightly lowered but the CGS has maintained the orange alert.

Consumption

In MY 2023/24, Colombian coffee consumption is forecast to remain unchanged from Post’s revised figure from the previous marketing year at 2.2 million bags GBE. According to the Organization for Economic Cooperation and Development (OECD), Colombia’s economy is projected to grow 1.2 percent in 2023 and 1.7 percent in 2024. This, combined with Colombia’s high inflation rates and the Colombian peso devaluation, is likely to hinder consumption growth in the near future.

In MY 2022/23, Post’s revised coffee consumption estimate is at 2.2 million bags GBE, a 2 percent increase from USDA’s official estimate as coffee consumption started to stabilize and has been supported by increasing imports.

Colombia’s per capita coffee consumption is estimated at 2.8 kg, significantly lower than other coffee producing countries that consume more than 6.0 kg per capita. However, industry players continue to grow their presence in Colombia and promote consumption. In 2022, Fedecafe launched a new campaign called “Look for the Colombian Coffee Quality Triangle” to promote consumption of Colombian coffee worldwide and locally in Colombia, where often consumers are unaware if they are consuming local or imported coffee. The triangular “*Café de Colombia*” logo is a seal that guarantees that the content of the package is 100 percent Colombian coffee origin, produced with highest standards, and not mixed with other origins of inferior quality. The use of the 100 percent [“Café de Colombia”](#) logo is subject to a brand license agreement and is linked to obtaining the authorization of use of the denomination or origin and the protected geographical indication. When the campaign started, there were approximately 790 brands around the world that have this triangular logo and now, an estimated 860 brands use this logo.

The major Colombian coffee brands are Juan Valdez, leading the market with 22 percent market share and 361 stores in Colombia, followed by Tostao with 19 percent of the market and 511 stores. Dunkin’ Donuts has 10 percent of the market and 205 stores, Starbucks has 6 percent of the market and 50 stores, and OMA has 4 percent of the market and 140 stores. There are other coffee players with smaller market share like Café Quindio, El Galio, and McCafé.

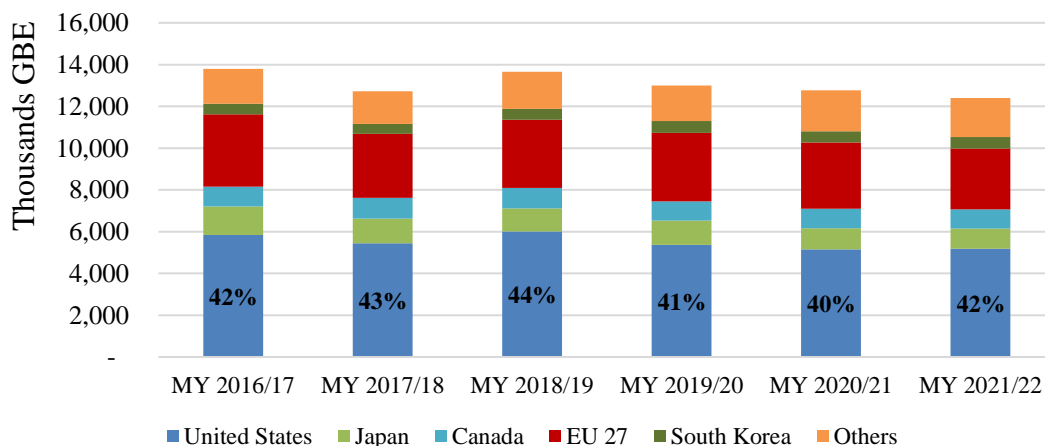
Trade

In MY 2023/24, coffee exports are forecast to slightly improve to 12.1 million bags GBE, which represents a 1.7 percent increase from Post’s revised figure for the previous marketing year. This is mainly a result of the projected recovery in production.

In MY 2022/23, Post’s revised coffee exports estimate is down 6.7 percent from 12.8 to 11.9 million bags GBE due to a contraction in production given adverse weather conditions and lower fertilization levels.

The United States continues to be the major destination for Colombian coffee with over 40 percent market share followed by the European Union, Japan, Canada, and others. In CY 2022, three new markets opened for Colombian coffee: Kuwait, Vietnam, and Malta. Colombian coffee is exported to 41 countries. In MY 2021/22, coffee bean exports represented 89 percent of total Colombian exports followed by soluble coffee (9 percent) and roasted coffee (2 percent). Fedecafe exported an estimated 21 percent of Colombia’s total coffee exports in terms of value, with the remaining 79 percent exported by other private stakeholders.

Figure 3: Colombian Coffee Exports by Country of Destination (thousand bags GBE)



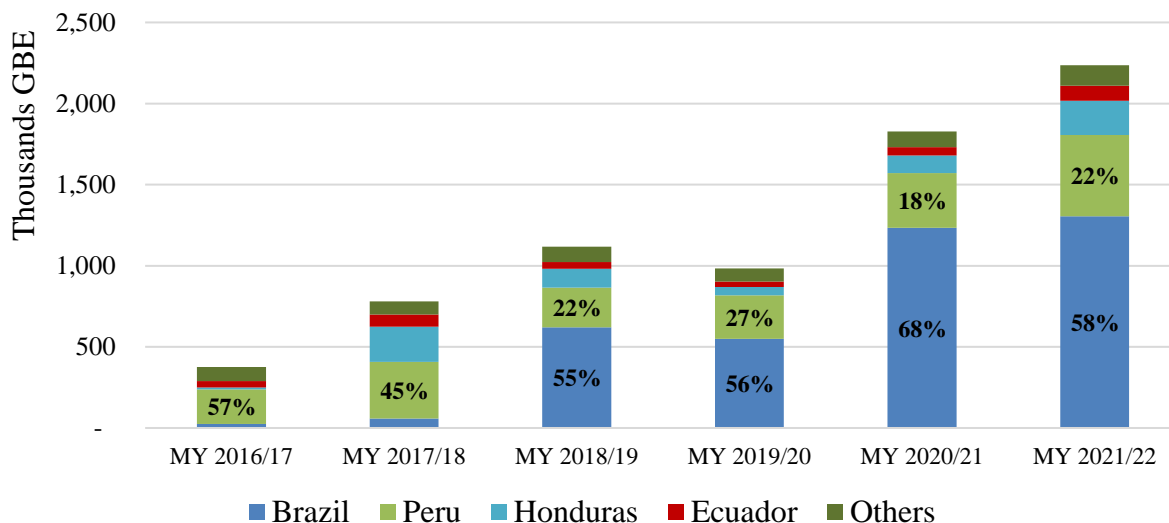
Source of data: Colombian Customs Authority (DIAN) – Trade Data Monitor

In MY 2023/24, coffee imports are forecast to reach 2.6 million bags GBE to balance ongoing demand for exports and domestic consumption, while production slowly recovers.

For MY 2022/23, Post’s revised coffee imports are up 19 percent from 2.1 to 2.5 million bags GBE to supply domestic consumption as local production decreased. Since approximately four years ago, Brazil became the top coffee supplier for Colombian imports, accounting for 58 percent of total imports in MY 2021/22. Peru continues to be the second largest supplier with 22 percent imports followed by Honduras (9 percent) and Ecuador (4 percent). Imports are primarily used to meet the demand for lower quality

coffee in the Colombian market. Colombia primarily imports coffee beans (91 percent), followed by soluble coffee imports (8 percent), and roasted coffee (1 percent).

Figure 4: Colombian Coffee Imports by Country of Origin (thousand bags GBE)



Source of data: Colombian Customs Authority (DIAN) – Trade Data Monitor

Stocks

There is no government or Fedecafe policy to support large scale carry-over stocks of coffee. In MY 2023/24, ending stocks are forecast to fall to 420,000 bags GBE as exports are expected to recover faster than local production.

Policy

Fedecafe represents Colombia’s coffee sector and manages its programs under a legal agreement with the Colombian government. Most of the policies and programs for the coffee sector are sponsored by the National Coffee Fund, which is a checkoff program that collects six cents per pound of coffee from producers. Most coffee growers are members of Fedecafe and take advantage of the organization’s educational programs, technical training, and sales support. Fedecafe provides technical support to coffee producers through extension services that assist growers on good practices for planting, harvest, post-harvest, and processing that have an impact on the final quality of coffee. In addition, Fedecafe manages low interest loan programs used for the costs of replanting.

The Colombian government also offers financial assistance to coffee producers supported by the Financing Fund for the Agricultural Sector (FINAGRO). The program provides loans with discounted payback terms and a special loan category that offers funds to small growers in replanting their coffee fields. In response to the current situation, Finagro created four special loan categories for all coffee farmers to support replanting activities, purchasing of machinery, coffee crop maintenance, and alternative crops planting.

Production, Supply and Distribution Estimates: Coffee, green

Coffee, Green Market Year Begins	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
Colombia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	800	800	800	800	0	800
Area Harvested	640	640	640	640	0	640
Bearing Trees	3500	3500	3500	3500	0	3500
Non-Bearing Trees	1000	1000	1000	1000	0	1000
Total Tree Population	4500	4500	4500	4500	0	4500
Beginning Stocks	1235	1235	750	760	0	515
Arabica Production	11800	11800	12600	11300	0	11600
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
Total Production	11800	11800	12600	11300	0	11600
Bean Imports	2040	2040	1900	2300	0	2350
Roast & Ground Imports	5	5	5	5	0	5
Soluble Imports	180	190	200	200	0	200
Total Imports	2225	2235	2105	2505	0	2555
Total Supply	15260	15270	15455	14565	0	14670
Bean Exports	11000	11000	11500	10800	0	10900
Rst-Grnd Exp.	265	265	250	200	0	200
Soluble Exports	1100	1100	1000	900	0	1000
Total Exports	12365	12365	12750	11900	0	12100
Rst,Ground Dom. Consum	1545	1545	1510	1550	0	1550
Soluble Dom. Cons.	600	600	600	600	0	600
Domestic Consumption	2145	2145	2110	2150	0	2150
Ending Stocks	750	760	595	515	0	420
Total Distribution	15260	15270	15455	14565	0	14670

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

Note: 'New Post' data reflects FAS/Bogota's assessment.

Attachments:

No Attachments