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Costa Rica

Coffee Annual

Coffee Production, Consumption and Trade

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Report Highlights:

Preliminary information indicates that Costa Rica's coffee production is expected to decline 15 percent in 2013/2014 to 1,420,000 60 kg. bags, leading to sharply lower exports. Production also declined by roughly 6 percent in 2012/2013. Lower output is the result of a strong attack of coffee rust which is affecting 65 percent of the area planted. Assistance to producers is being provided by the Ministry of Agriculture and the Costa Rican Coffee Institute.

Executive Summary:

Costa Rica's 2012/2013 coffee production declined 5.95% to 1,670,471 bags (Note: for the purpose of this report bags refers to 60 kg. bags) as compared to 1,776,314 bags during the previous crop year. Lower production was primarily the result of much higher incidence of a fungal disease known as coffee rust. Production is forecast to decline further to 1,420,000 bags in the 2013/2014 crop year as a result of the damage caused by the disease. As a result, exports are forecast to decline to 1,180,000 bags. The Costa Rican Government is providing assistance to farmers through the Ministry of Agriculture. The Costa Rican Coffee Institute (ICAFE) is also providing agricultural inputs and technical assistance to producers to combat the disease.

Commodities:

Coffee, Green

Production:

After a couple years of higher production, the coffee harvest dropped almost 6 percent in 2012/2013 as approximately 65 percent of the area planted was affected to a higher or lesser degree by the coffee rust. ICAFE estimates that 15,900 ha., or 25 percent of area planted, were severely affected by the coffee rust. Lower rainfall during 2012, in particular between the months of June and November, favored the development and severity of the coffee rust. The damage to the plantations has been evident by severe defoliation, premature falling of coffee cherries, severe exhaustion of the plants, higher pruning requirements, and expected lower production during the next few crops. As a result of the lower volume of rainfall, many producers became overconfident that fungal diseases would be under control, and stopped or reduced the application of preventive agrochemicals and cultural practices. The farmers who applied the recommended inputs and maintained preventive controls were able to keep the disease under control. The greatest damage has occurred in the Southern areas of the country in Perez Zeledon and Coto Brus. Affected producers face the option of pruning or replanting their coffee plants. In either case they will have to wait at least two years to obtain a new crop. According to preliminary data from the ICAFE, about 13,000 ha. will have to be pruned during 2013. Of those, an estimated 5,000 ha. will have to be replanted.

Based on the factors mentioned above, in addition to the under performance of the farm renovation program started by ICAFE in 2010, as well as continuing dry weather conditions, production may decline 15 percent to 1,420,000 bags in 2013/2014.

Although coffee production continues to face competition for land, primarily from urbanization, no significant reduction in area planted is expected at this point. Most producers are expected to keep their farms. Producers are expected to apply the inputs provided by ICAFE under an emergency plan to assist in the control of the fungus. A high percentage of coffee growers have already obtained the products provided by the ICAFE under a \$4 million program to be used against the rust. The GOCR is

also trying to get legislative approval of about \$40 million. Half of those resources will be used to support small and medium size producers until their plantations become productive again. The other half would go to support farm renovation and restructuring of loans.

Consumption:

Sales to the domestic market declined to 237,000 bags in 2011/2012 from 281,850 bags during the 2010/2011 marketing year. This is one of the lowest levels registered during the last 8 marketing years. According to ICAFE, the higher international prices registered during the period resulted in higher volume of coffee destined to the export market and lower volume for domestic consumption. Imports of coffee increased during calendar year 2011, which may explain the lower sales of domestic coffee. Assuming that most of the green coffee that is being imported is for local consumption, and based on information from local roasters, consumption for 2011/2012 amounted to 380,000 bags and is expected to reach 390,000 bags in 2012/2013. Local consumption has experienced wide fluctuations in the last few years. Industry sources indicate these fluctuations are partly related to the way roasters buy coffee in the local market. Only recently did roasters begin to make purchase decisions in advance of the crop to compete more effectively for the limited volume of the Costa Rican crop. This situation may result in higher sales for domestic consumption as most roasters would rather purchase local coffee than imported coffee.

Roasters continue to import lower cost coffee mostly from Nicaragua, Honduras and Mexico, but at lower volumes than in the past. Green coffee imports had been close to zero between 2000 and 2008. Starting in 2008, imports started to increase, reaching a peak in calendar year 2011. According to data from ICAFE, the price of coffee for domestic consumption has been increasing during the last few crop years relative to the price of coffee for export. In the past, the price of coffee for domestic consumption was always lower than the price of coffee for export. This change signals that roasters have had to compete with higher prices to obtain high quality coffee locally.

Trade:

Costa Rica exported 1,224,387 bags in 2010/2011 and 1,421,741 bags in 2011/2012. Export volume is expected to decline in 2012/2013 to 1,180,000 bags as a result of lower production. Export value will decline as a result of lower export volume and lower average prices.

Most of Costa Rica's coffee was exported to the United States (51.56%), Belgium (13.34%), and Germany (6.0%). Coffee exports to the United States as a percentage of total exports have grown significantly in the past decade from 29.8 percent of the total in 1999/2000 to 51.56 percent in 2011/2012. Export volume has declined sharply during the last 10 years. During 2001/2002 Costa Rica exported 2,016,971 bags, as compared to 1,421,741 bags in 2011/2012. Also, export patterns have changed. Costa Rica used to export a higher share to Europe and Japan in the past.

Although coffee has declined to third place in terms of the export value of agricultural products, it is still an important producer of foreign exchange. Coffee exports amounted to \$479.8 million during the 2011/2012 crop year, almost 20% higher than in the previous period. Costa Rica's coffee exports represented 3.63% of total exports during 2012. Bananas and pineapples now surpass coffee in terms of export value.

Export Trade Matrix, Coffee, Green

Costa Rica Coffee, Green

60 kg bags	
Time Period	2011/2012
Exports for:	
U.S.	733,095
Others	
Belgium	189,670
Germany	85,402
Italy	61,191
Netherlands	52,593
Venezuela	40,796
Australia	35,114
Total for Others	403,575
Others not Listed	285,071
Grand Total	1,421,741

Production, Supply and Demand Data Statistics:

Coffee, Green, Costa Rica	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	98	0	98		98
Area Harvested	0	93	0	93		93
Bearing Trees	0	384	0	384		360
Non-Bearing Trees	0	46	0	46		70
Total Tree Population	0	430	0	430		430
Beginning Stocks	197	197	180	237		127
Arabica Production	1,700	1,776	1,600	1,670		1,420
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	1,700	1,776	1,600	1,670		1,420
Bean Imports	75	66	120	40		50
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	0	0	0	0		0
Total Imports	75	66	120	40		50
Total Supply	1,972	2,039	1,900	1,947		1,597
Bean Exports	1,330	1,422	1,400	1,430		1,180
Roast & Ground Exports	0	0	0	0		0
Soluble Exports	0	0	0	0		0
Total Exports	1,330	1,422	1,400	1,430		1,180
Rst,Ground Dom. Consump.	457	375	410	385		385
Soluble Dom. Consumption	5	5	5	5		5
Domestic Use	462	380	415	390		390

