Required Report: Required - Public Distribution **Date:** May 19, 2023

Report Number: CS2023-0004

Report Name: Coffee Annual

Country: Costa Rica

Post: San Jose

Report Category: Coffee

Prepared By: Victor Gonzalez, Agricultural Specialist

Approved By: Evan Mangino

Report Highlights:

FAS/San José is projecting a small marketing year 2023/24 production increase to 1.44 million 60-kilogram bags, based on positive initial flowering, expected appropriate fertilization levels, and better overall condition of farms. Costa Rica's coffee production rebounded in marketing year 2022/23, climbing almost 15 percent to 1.41 million 60-kilogram bags as improved plantation management helped reduce fungal damage just one year after fungal diseases contributed to the lowest production level in 50 years.

Executive Summary
FAS/San José projects marketing year (MY) 2023/24 production to increase slightly to 1,440,000 60-kilogram (kg) bags, on positive flowering reports across key growing regions and the expectation of improved fertilization and farm maintenance practices by farmers. After higher production volumes and better prices obtained in MY 2022/23, and with lower fertilizer costs, producers are expected to continue to maintain plantation condition in MY 2023/24.

Preliminary information from the Costa Rican Coffee Institute (ICAFE) indicates that production rebounded almost 15 percent to 1,411,766 60-kg bags in MY 2022/23 after reaching one of the lowest production levels on record during MY 2021/22. Favorable weather throughout the coffee growing regions resulted in good flowering and subsequent coffee cherry development. Also, the implementation of good agricultural practices by producers limited the impact of diseases during the first stages of fruit formation, even though precipitation levels set records in 2022.

Changing immigration flows during the coffee harvest continue to present challenges to Costa Rican coffee farmers, as most of the coffee harvest depends on large numbers of temporary foreign workers from Nicaragua and Panama. Though industry sources have expressed concern about the larger number of Nicaraguan workers migrating to the United States instead of Costa Rica, labor supplies were sufficient to successfully bring in the MY 2022/23 crop.

Area
FAS/San José projects MY 2023/24 area planted to remain unchanged at approximately 94,000 hectares (ha). ICAFE estimates MY 2022/23 area planted at 93,697 ha, based on 2017 survey data (the most recent available) and recent satellite images that corroborate the 2017 estimate. ICAFE is working on updating the MY 2023/24 area planted estimate with survey data from 2020 and 2021. Updated information is expected to be available by the end of 2023. The following table breaks down the estimated area planted by region and the corresponding region in the map that follows is listed in parenthesis:

Table 1. Estimated MY 2022/23 Area Planted (hectares)

Coffee Region	**Area**
Los Santos (Tarrazú)	27,944
Occidental Valley (Valle Occidental)	21,992
Central Valley (Valle Central and Tres Ríos)	13,327
Perez Zeledón (Brunca)	13,315
Coto Brus (Brunca)	10,261
Turrialba (Turrialba and Orosi)	4,917
Northern Zone (Guanacaste)	1,942
National Total	**93,697**

Source: Costa Rican Coffee Institute (ICAFE)

The following map shows the 8 coffee production regions of the country:

Object 1: Map of Costa Rica Growing Regions

Source: Costa Rican Coffee Institute (ICAFE)

Production

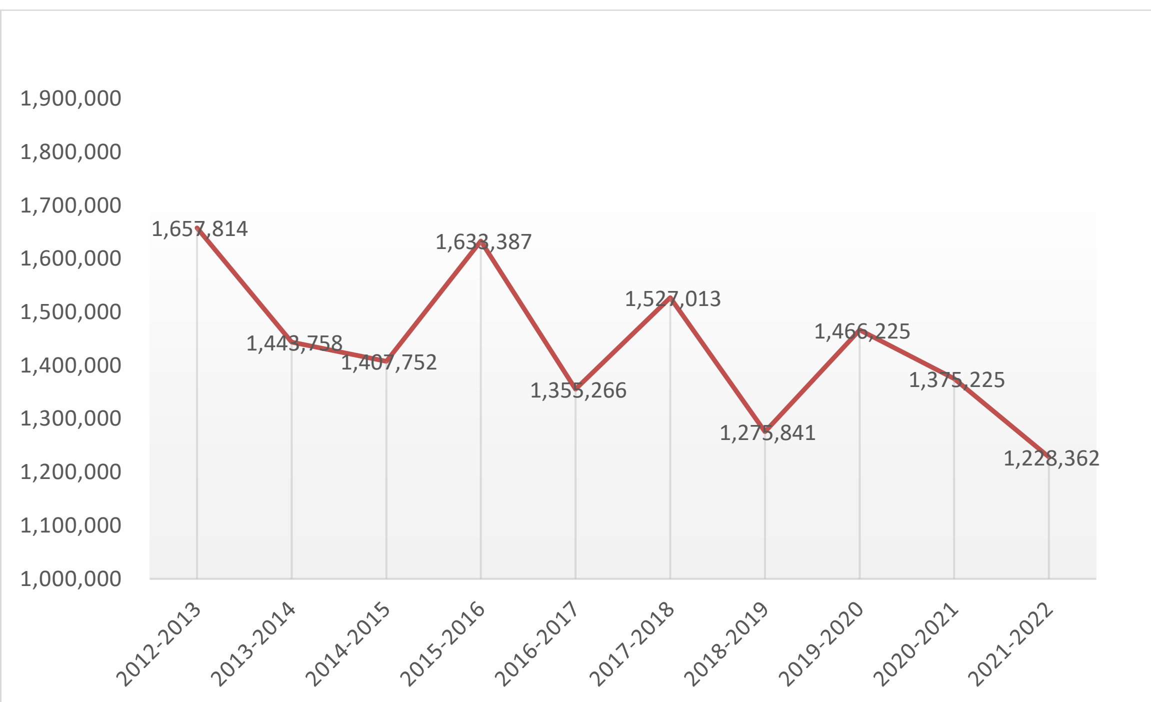
ICAFE expects MY 2023/24 production to increase 2 percent to 1,440,000 60-kg bags, as early rains in March supported robust flowering in most of the growing areas. The rainy season is forecast to become established by mid-May in most of the coffee growing areas, supporting typical crop development patterns. Industry sources believe replanting programs initiated several years ago have begun to show results in terms of yield and disease resistance. However, the continuation of replanting efforts are very important for improving the productivity of Costa Rica's aging plantations. ICAFE estimates that about 6,000 ha have been replanted each marketing year in recent years.


Strong early flowering on an organic coffee farm in the Central Valley; March 24, 2023.

Coffee growers (as well as other export-oriented farmers) were concerned in April 2023 about the recent appreciation of the Costa Rican colon against the U.S. dollar. The colon has appreciated nearly 25 percent since the U.S. dollar reached its highest value in June 2022, which resulted in lower final prices received by producers in colones. According to industry sources, the higher production levels and the lower input costs will not offset farmers' exchange rate losses in MY 2022/23. Although coffee farmers are still concerned about the high price of fertilizers, prices in 2023 have been substantially lower than in 2022, which could result in higher fertilization and implementation of the necessary agricultural practices needed to maintain current levels of productivity. One of the largest coffee cooperatives noted a 15 percent increase in demand for fertilizer from members of the cooperative through April 2023.

MY 2022/23 coffee production increased more than previously expected, reaching 1,411,766 60-kg bags, 15 percent higher than the previous crop, which was one of the lowest coffee production levels on record and the lowest in 50 years. Sufficient rainfall and adequate temperatures throughout the growing regions helped in the development of the fruit at the initial stages. Though 2022 precipitation was extraordinarily high in some areas, good agricultural practices limited the negative effects of diseases during the initial stages of MY 2022/23 crop development. Later in 2022, the distribution of rains allowed growers to fertilize at the right times, resulting in higher production as well as good plant growth for the MY 2023/24 crop. Humidity and temperatures were above the historical average during 2022, which favored the development of diseases such as antracnosis, chasparria (both are fungal diseases), and coffee rust. However, most of the plantations remained healthy because of the application of preventive protection measures by producers.

Chart 1: Green Coffee Production by Marketing Year (60-kg bags)



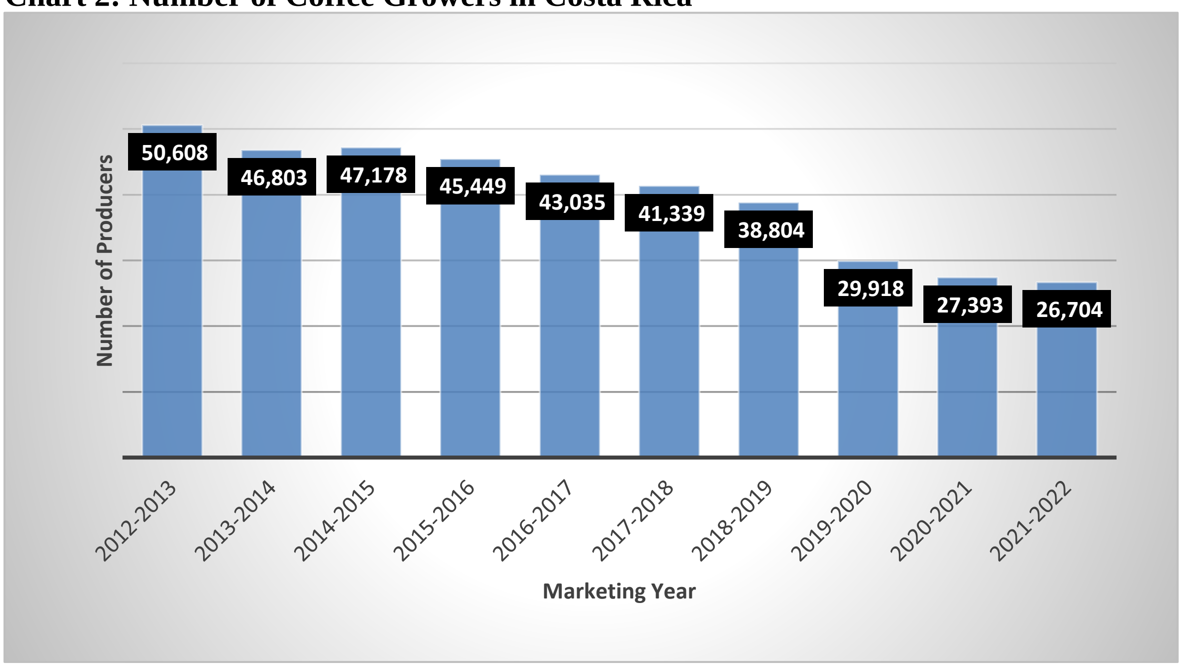
Source: Costa Rican Coffee Institute (ICAFE)

The coffee harvest is concentrated in the months of November to February. However, the harvest starts around August in the lower altitude areas and can end in some higher altitude areas around May.

In MY 2021/22 (the most recent year for which data is available), the canton of Tarrazú, which is part of the Los Santos coffee producing area, was the highest producing canton for the fifth year in a row. (Note: The country of Costa Rica is divided into provinces, which are divided into cantons, which are divided into districts.) Tarrazú was followed closely by Perez Zeledón, which is located to the South of Los Santos in the Province of San José. With few exceptions, most of the cantons in the country showed lower production in MY 2021/22, due to widespread fungal disease issues.

According to ICAFE, the number of coffee growers in the country continued to decline in MY 2021/22 (again, the latest year for which data is available) to 26,704 farmers, down nearly 50 percent from 10 years earlier. Long periods of low coffee prices, aging farmers, and high land prices near urban areas are some of the factors that have contributed to the declining number of producers. Most of the remaining coffee growers (87 percent in MY 2021/22) are on small farms, producing fewer than 100 60-kg bags of coffee each year.

Chart 2: Number of Coffee Growers in Costa Rica



Source: Costa Rican Coffee Institute (ICAFE)

Reflecting the industry trend towards increased product differentiation through smaller lots (‘micro-lots’) that allow producers to capture higher sales prices, the number of coffee mills has increased from 184 mills in MY 2011/12 to 304 mills in MY 2021/22. Many of these mills are very small, known as micro-mills, servicing a handful of farms in the immediate vicinity. According to ICAFE, in MY 2021/22 (the latest year for which data is available) there were 93 registered exporting companies and 65 coffee roasters in Costa Rica.

A micro-lot of ‘honey wash’ coffee being dried in the traditional manner in the Los Santos region; January 27, 2023.

Consumption

FAS/San José projects MY 2023/24 coffee consumption at 385,000 60-kg bags as higher local production, lower inflation rates, and continued economic recovery support higher consumption than MY 2022/23. Assuming most imported coffee is consumed locally, FAS/San José estimates MY 2022/23 consumption at 365,000 bags, lower than previously expected. ICAFE believes the decline in consumption over the last few years was related to the sharp economic contraction in 2020 and 2021 caused by the COVID-19 pandemic. Also, inflationary pressures and higher international coffee prices, caused domestic prices to increase almost 40 percent in 2022, resulting in lower sales. Changing habits, especially among the younger generations who are less likely to invest the time needed to brew coffee at home, are also negatively affecting the long-term domestic per capita consumption outlook.

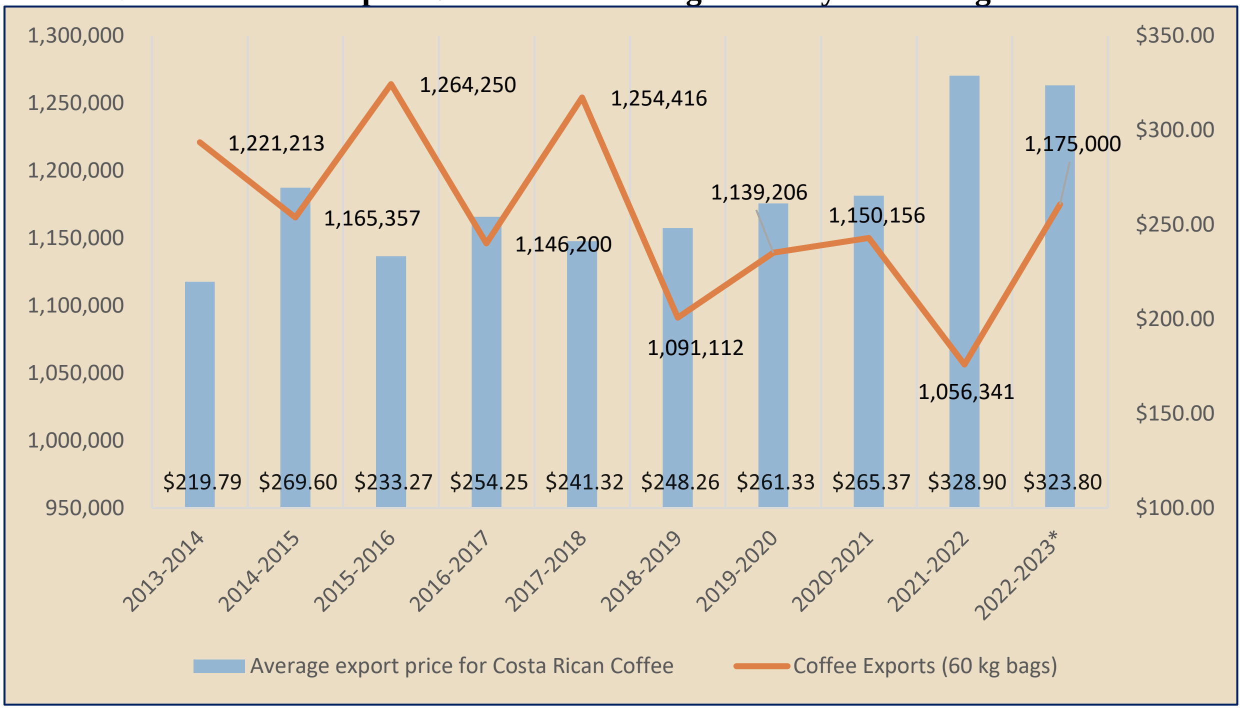
With a population of 5.1 million, low levels of legal immigration, and population growth less than one percent per year, FAS/San José does not expect Costa Rican coffee consumption to increase substantially in the near-term. According to ICAFE, which keeps track of coffee sales for domestic consumption, excluding coffee imports, sales of domestic coffee amounted to 142,000 60-kg bags during MY 2021/2022. This compares to 196,000 60-kg bags during MY 2020/21, the lowest consumption level since MY 1994/95. Coffee sales for domestic consumption represented 12 percent of total production in MY 2021/22, down from 14 percent in MY 2020/21.

Trade

FAS/San José projects MY 2023/24 coffee exports to reach 1.2 million 60-kg bags, the highest level since MY 2015/16, as production volume is expected to increase, and high-quality Costa Rican coffee remains in-demand globally. FAS/San José also expects export volumes to increase in MY 2022/23, reflecting higher production, to 1,175,000 60-kg bags. MY 2021/22 export volume declined to 1,056,431 60-kg bags at a value of $381 million; coffee exports represented 2.4 percent of Costa Rica’s total export revenue in 2022.

According to ICAFE, the export price for MY 2022/23 coffee through April 2023 has declined 2 percent from MY 2021/22 to an average of $323.80 per 60-kg bag, but prices are still much higher than MY 2020/2021, when coffee was trading at $265.40 per 60-kg bag. Local sources note that the quality of the coffee, the environmentally friendly production conditions, the high level of product traceability, and the fair distribution of income generated by the activity, confer an international market premium to Costa Rican coffee. Costa Rica's exports are almost exclusively green, unroasted coffee.

Chart 3. Green Coffee Export Volume and Average Price by Marketing Year



Source: Costa Rican Coffee Institute (ICAFE)

* The MY 2022/23 average export price reflects data through April 2023. The MY 2022/23 export volume reflects FAS/San José projection for the full marketing year.

Table 2. Exports of Green Coffee by Destination and Marketing Year (60-kg bags)

Country of destination	**2019/2020**	**2020/2021**	**2021/2022**
United States	559,427	490,813	506,264
Belgium	224,033	286,583	227,794
Germany	63,180	79,658	62,168
South Korea	44,413	31,959	43,483
Spain	27,279	29,258	15,497
Israel	19,909	25,026	17,659
Italy	32,481	23,509	22,042
Others not listed	168,484	183,350	161,524
Total	1,139,206	1,150,156	1,056,431

Source: Costa Rican Coffee Institute (ICAFE) with data from Costa Rican Customs Dept.

The United States has been the main destination for Costa Rican exports for several years, representing 48 percent of the total in MY 2021/22. The European Union is the second largest market, representing roughly 35 percent of total exports in MY 2021/22.

Costa Rica started to import economically significant volumes of coffee in 2008, primarily from other Central American countries (e.g., Honduras and Nicaragua), to meet part of its domestic consumption needs. Since most of Costa Rica's coffee is priced at a premium in the international markets, most locally produced coffee is exported, with lower priced Costa Rican coffee remaining in the local market. Since 2008, imports have fluctuated widely, responding to local roasters' ability to maximize profits through imports based on pricing, availability, and logistics. Imports of roasted coffee have increased over time, representing 14 percent of total imports during MY 2021/22.

Production, Supply and Distribution Statistics:

Coffee, Green	2021/2022		2022/2023		2023/2024	
Market Year Begins	Oct 2021		Oct 2022		Oct 2023	
Costa Rica	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	94	94	94	94	0	94
Area Harvested (1000 HA)	89	89	89	89	0	89
Bearing Trees (MILLION TREES)	385	385	385	385	0	385
Non-Bearing Trees (MILLION TREES)	21	21	21	21	0	21
Total Tree Population (MILLION TREES)	406	406	406	406	0	406
Beginning Stocks (1000 60 KG BAGS)	281	281	91	310	0	341
Arabica Production (1000 60 KG BAGS)	1275	1228	1365	1411	0	1440
Robusta Production (1000 60 KG BAGS)	0	0	0	0	0	0
Other Production (1000 60 KG BAGS)	0	0	0	0	0	0
Total Production (1000 60 KG BAGS)	1275	1228	1365	1411	0	1440
Bean Imports (1000 60 KG BAGS)	160	193	150	160	0	150
Roast & Ground Imports (1000 60 KG BAGS)	5	27	10	18	0	13
Soluble Imports (1000 60 KG BAGS)	5	2	5	2	0	2
Total Imports (1000 60 KG BAGS)	170	222	165	180	0	165
Total Supply (1000 60 KG BAGS)	1726	1731	1621	1901	0	1946
Bean Exports (1000 60 KG BAGS)	1160	1046	1150	1165	0	1190
Rst-Grnd Exp. (1000 60 KG BAGS)	10	10	10	10	0	10
Soluble Exports (1000 60 KG BAGS)	0	0	0	0	0	0
Total Exports (1000 60 KG BAGS)	1170	1056	1160	1175	0	1200
Rst,Ground Dom. Consum (1000 60 KG BAGS)	460	360	430	380	0	390
Soluble Dom. Cons. (1000 60 KG BAGS)	5	5	5	5	0	5
Domestic Consumption (1000 60 KG BAGS)	465	365	435	385	0	395
Ending Stocks (1000 60 KG BAGS)	91	310	26	341	0	351
Total Distribution (1000 60 KG BAGS)	1726	1731	1621	1901	0	1946
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Attachments:

No Attachments