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Report Highlights:

FAS/San José projects marketing year 2024/25 coffee production to remain near record low levels, as exchange rate challenges, persistent labor shortages, and above average precipitation forecasts prevent the sector from rebounding. Sluggish export sales in 2024 are exacerbating already challenging financial and agronomic conditions for Costa Rica's nearly 27,000 coffee growers, who are likely to delay or reduce investments in rust resistant varieties, fertilizer applications, and other cultural practices.

Executive Summary

FAS/San José projects marketing year (MY) 2024/25 production almost unchanged at 1,185,000 60-kilogram (kg) bags on lower fertilization, generally lower producer investment in plantations, and increases in fungal and disease pressures associated with anticipated increases in precipitation. The Costa Rican National Meteorological Institute (IMN) is forecasting wetter than average growing conditions for MY 2024/25, with a La Niña weather system possibly emerging later in 2024.

Although coffee production was initially forecast to increase in MY 2023/24, the combination of earlier, temporally concentrated fruit ripening, heavy rains during harvest, and reduced labor availability all contributed to a substantial drop in production. Preliminary information from the Costa Rican Coffee Institute (ICAFE) indicates MY 2023/24 production fell 16 percent to 1,180,836 60-kg bags.

Area

FAS/San José projects MY 2024/25 area planted to remain unchanged at approximately 94,000 hectares (ha). ICAFE estimates MY 2023/24 area planted at 93,697 ha, based on 2017 survey data (the most recent available) and recent satellite images corroborating the 2017 estimate. ICAFE is currently updating its area planted estimates, but that information is not expected to be available until the second half of 2024. 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 2023/24 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 Costa Rica.

Object 1: Map of Costa Rican Growing Regions



Source: Costa Rican Coffee Institute (ICAFFE)

Production

FAS/San José projects MY 2024/25 coffee production at 1.185 million 60-kg bags, similar to MY 2023/24, as systemic challenges persist. High indebtedness among producers, the appreciation of the Costa Rican Colón against the U.S. dollar, less demand among large international buyers, a smaller price premium for Costa Rican arabica beans in 2024, and lower international prices all contribute to a difficult financial picture for growers in 2024. As result, FAS/San José expects many growers will limit investments in their plantations in 2024, reducing fertilization rates and delaying upgrades to higher yielding, more disease resistant varieties. According to ICAFFE, the greatest concern for the sector is the relative strength of the Costa Rican Colón. Since the vast majority of Costa Rican coffee is exported, the stronger Colón has reduced MY 2023/24 revenues to growers by nearly 20 percent from MY 2022/23 as international coffee contracts are denominated in U.S. dollars.

Object 2. Coffee Plants Flowering Early in MY 2023/24



Source: FAS/San José. Photos taken on an organic coffee farm in the Central Valley on March 24, 2023.

IMN projects the rainy season to be well-established throughout coffee-growing regions by mid-May 2024, setting the MY 2024/25 production timeline closer to typical crop development patterns. Flowering had not begun in many growing regions as of April 25. However, IMN also anticipates above average precipitation in MY 2024/25, with a La Niña weather cycle possibly developing in August 2024. La Niña cycles typically correspond to increased precipitation across the Pacific and central regions of Costa Rica. Sustained higher levels of precipitation are correlated with higher rates of coffee rust and other yield-reducing disease and pest pressures.

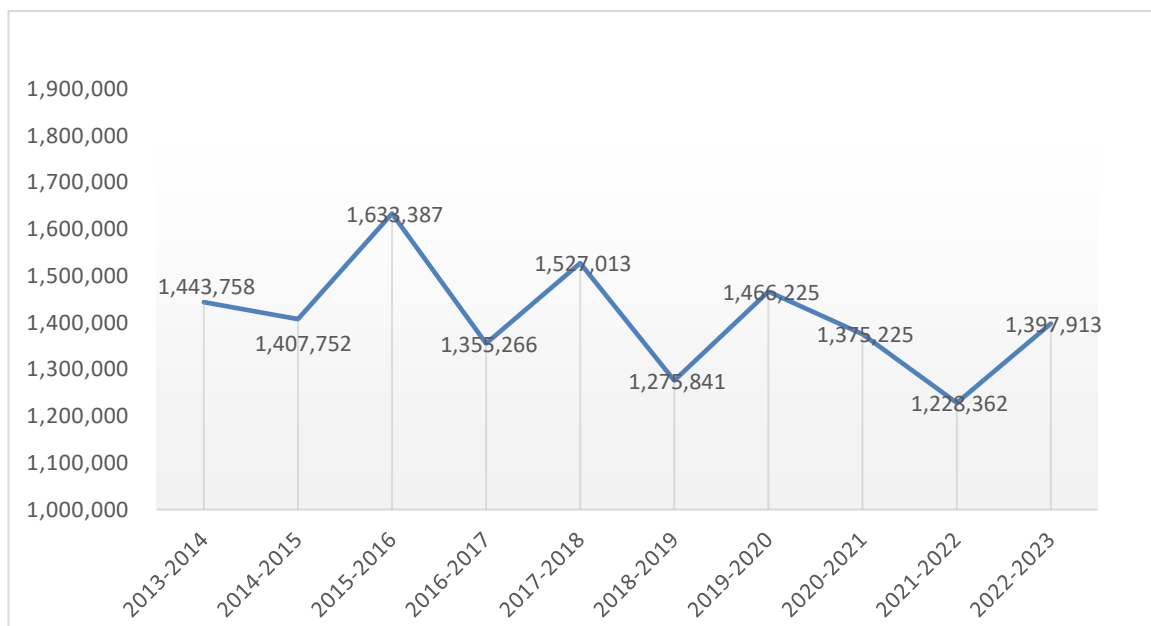
FAS/San José expects MY 2024/25 production to be limited by continued labor challenges. Coffee growers typically contract with the same pickers or teams of pickers year after year, with the majority of the pickers coming from Nicaragua on seasonal work permits. However, the further deterioration of civil liberties and rule of law in Nicaragua following the November 2021 elections have driven more than 500,000 Nicaraguans – some estimates range as high as 1 million, but official statistics are not available – into migration, bound predominantly for the United States. Industry sources report that this migratory surge has significantly disrupted long-established and relatively stable labor patterns in Costa Rica. Sustained growth in record-high remittances to Nicaragua in early 2024 suggest that Nicaraguan migrants are not likely to return to Nicaragua or Costa Rican coffee plantations in MY 2024/25.

Though ICAFE had initially projected MY 2023/24 coffee production rising to 1.44 million 60-kg bags, a confluence of factors resulted in production declining by 16 percent from MY 2022/23 to just 1.18 million bags, one of the smallest crops on record. Industry sources blamed an uncommonly early and condensed harvest season coinciding with sustained heavy rains during harvest as the primary explanations for the short crop. Unusually early, heavy rains in March 2023 promoted strong flowering in all coffee regions virtually at once, rather than a typical cycle in which flowering advances gradually northward along with the beginning of the rainy season. In drier regions, such as Valle Occidental, rains stopped for about 30 days after the initial flowering in 2023, negatively affecting fruit development. Above average temperatures linked to the El Niño weather cycle that emerged in 2023 resulted in

increased prevalence of fungal diseases such as antracnosis and chasparria, particularly in areas where shade cover for coffee plants was lacking. As coffee rust is highly correlated to precipitation, the relatively dry conditions of the El Niño weather cycle contributed to a below average incidence of coffee rust in MY 2023/24.

Earlier maturation of the MY 2023/24 crop, along with sustained heavy rains into November – typically a transition period into the dry season – meant that harvest started in wet conditions, which typically leads to lower quality beans and increased costs for drying the crop. Most significantly, already limited numbers of coffee pickers were unable to be everywhere at once as the crop matured almost synchronously across the country; pickers typically follow the harvest North from one region to the next as fruit ripens sequentially over a longer period of time. In addition to reduced availability of Nicaraguan pickers, widespread protests across Western Panama from October through December 2023 prevented many Panamanian pickers from reaching Costa Rica due to numerous roadblocks and limited transportation options. According to ICAFE, limited labor and wet harvest conditions reduced MY 2023/24 production by about 155,000 60-kg bags.

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



Source: Costa Rican Coffee Institute (ICAFE)

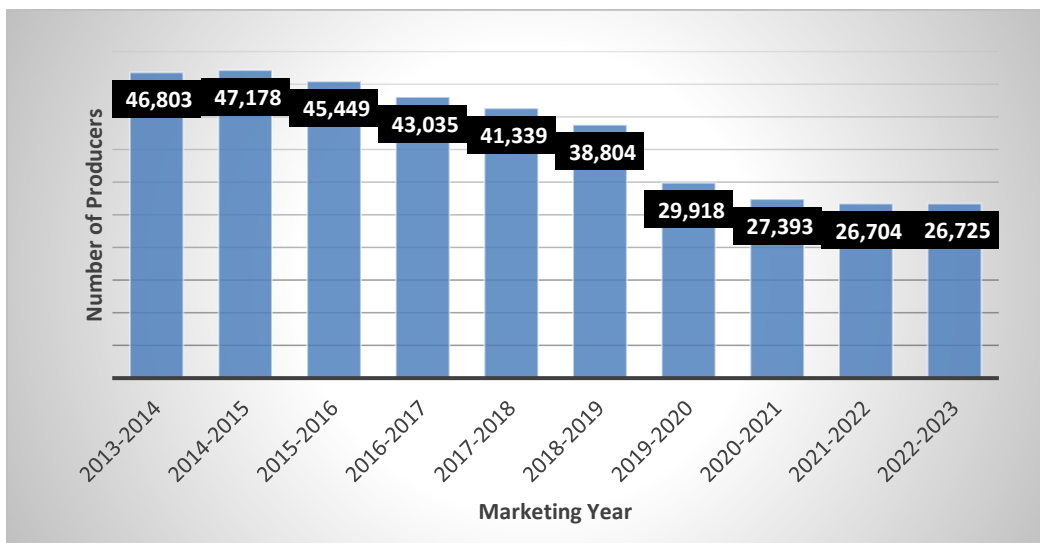
The coffee harvest is concentrated in the months of November to February. However, the harvest starts around August in the lower altitude areas in the South and can end around May in some higher altitude areas.

In MY 2022/23 (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 sixth 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.

According to ICAFE, the number of coffee growers in the country was marginally higher in MY 2022/23 (26,725 farmers) than in MY 2021/22 (26,704 farmers), though still 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. Eighty-five percent of coffee growers in MY 2022/23 produced fewer than 100 60-kg bags of coffee on farms smaller than 10 hectares.

Chart 2: Number of Coffee Growers in Costa Rica



Source: Costa Rican Coffee Institute (ICAFFE)

Object 3: Micro-lot of Premium Coffee Drying by Traditional Method



Source: FAS/San José. Honey-wash coffee drying in Tarrazú on January 27, 2023.

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 increased from 184 mills in MY 2011/12 to 307 mills in MY 2022/23. 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 2022/23 (the latest year for which data is available) there were 98 registered exporting companies and 55 coffee roasters in Costa Rica.

Consumption

FAS/San José projects MY 2024/25 coffee consumption at 420,000 60-kg bags, as lower inflation rates and continued economic recovery support higher coffee consumption. Assuming most imported coffee is consumed locally, FAS/San José estimates MY 2023/24 consumption at 415,000 bags, higher 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. Inflationary pressures and higher international coffee prices pushed domestic prices almost 40 percent higher in 2022, also dragging on local consumption. Although younger generations are less inclined to invest the time needed to brew coffee at home, different roasters indicate that consumers are demanding higher quality coffee. This factor has provided an incentive to local producers to sell more of their coffee domestically. According to the Chamber of Coffee Roasters, its members (who represent about 90 percent of the brands in the market) started to see an increase in sales in late 2023, particularly lower-priced coffees. According to the Association of Fine Coffees of Costa Rica, there are about 150 coffee brands in the country, and many of the brands are owned by small local producers who sell through different channels, including social media.

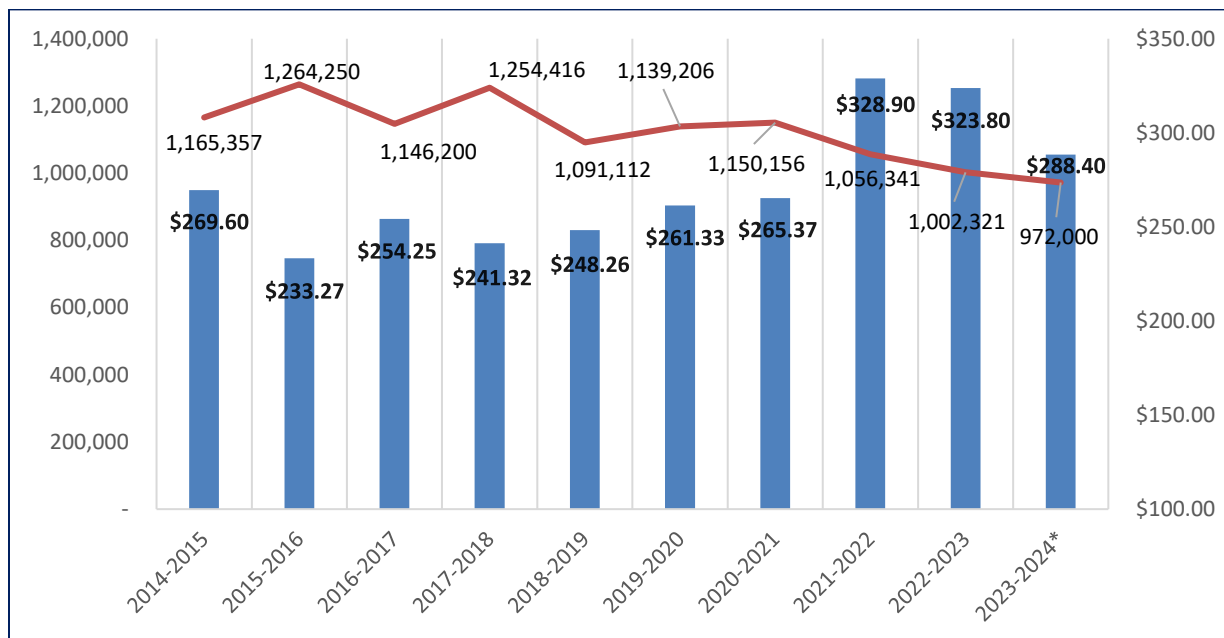
With a population of 5.1 million, low levels of legal immigration, and population growth less than one percent per year, FAS/San José does not expect Costa Rican coffee consumption to increase substantially in the near-term. According to ICAFE, which keeps track of coffee sales for domestic consumption, excluding coffee imports, sales of domestic coffee in MY 2022/23 shot up nearly 50 percent over MY 2021/22 reaching 210,312 60-kg bags and representing the first positive growth in three years. According to industry sources, another factor that contributed to higher sales of local coffee in MY 2022/23 was the international inventory glut that accumulated following the COVID-19 pandemic. Reportedly, large coffee stocks held by international companies began to drive down global coffee purchasing in the second half of 2023, making local sales more attractive to Costa Rican marketers. As a result, coffee sales for domestic consumption represented 15 percent of total production in MY 2022/23, a 30 percent rise from MY 2021/22.

Trade

FAS/San José projects MY 2024/25 coffee exports slightly higher at 975,000 60-kg bags, as a result of lower expected production. FAS/San José expects MY 2023/24 export volumes at 972,000 60-kg bags, down 3 percent from MY 2022/23, reflecting the smaller size of the crop and slower global sales pace. MY 2022/23 export volume was just over 1 million 60-kg bags, worth \$350 million. Coffee exports represented 2 percent of Costa Rica’s total export revenues in 2023.

According to ICAFE, the export price for MY 2023/24 coffee declined 11 percent through April 2023 to an average of \$288.40 per 60-kg bag, down from the MY 2022/23 average price of \$323.80. According to local sources, in addition to its quality, Costa Rican coffee enjoys other intangible attributes that make it attractive to foreign buyers, such as the environmentally friendly production conditions, the high level of product traceability, and the fair distribution of income generated by the activity. These characteristics confer a premium on Costa Rican coffee in international markets. 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 2023/24 average export price reflects data through April 2024. The MY 2023/24 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 | 2020/2021 | 2021/2022 | 2022/2023 |
|------------------------|------------------|------------------|------------------|
| United States | 490,813 | 508,827 | 506,098 |
| Belgium | 286,583 | 227,313 | 128,290 |
| Germany | 79,658 | 64,123 | 93,990 |
| South Korea | 31,959 | 45,917 | 28,312 |
| Italy | 23,509 | 21,714 | 27,247 |
| Japan | 22,203 | 18,380 | 21,022 |
| United Kingdom | 13,265 | 11,509 | 18,212 |
| Israel | 25,026 | 19,244 | 16,689 |
| Others not listed | 177,140 | 146,346 | 162,461 |
| Total | 1,150,156 | 1,063,373 | 1,002,321 |

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 51 percent of total MY 2022/23 exports. The European Union was the second largest market in MY 2022/23, representing roughly 35 percent of total exports.

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 international markets, most locally produced coffee is exported, with lower priced Costa Rican and imported coffees satisfying local market demand. Since 2008, imports have fluctuated widely, responding to local roasters' ability to maximize profits through imports based on pricing, availability, and logistics. However, imports of roasted coffee (rather than green beans) have increased over time, representing 12 percent of total imports during MY 2022/23.

Policy

ICAFFE has taken the lead in coordinating the Costa Rican coffee sector's compliance with the European Union (EU) Green Deal [requirements for deforestation-free verification](#), which will enter into effect on September 30, 2024. As part of a pilot program that involved the participation of a local cooperative, the United Nations Development Programme (UNDP) and ICAFFE, Costa Rica exported the first shipment of "deforestation and degradation free" coffee to Italy on March 14, 2024. The pilot program involved a total of 69 coffee growers (about 0.3 percent of all growers). According to a UNDP representative, the pilot program had the goal of developing an effective and practical method for the evaluation and documentation of Costa Rican coffee compliance with the demanding requirements to be considered "deforestation-free."

As of the writing of this report, it is unclear if the EU will implement the deforestation-free requirement on imported products, like coffee, as planned due widespread challenges among non-EU suppliers to demonstrate compliance as well as lively opposition to the Green Deal from EU farmers. The Costa Rican coffee sector is making a valiant effort to achieve compliance with Green Deal requirements, but it does not appear that the majority of growers supplying beans to the EU in any given year could be compliant with the requirements by September 30, 2024.

Production, Supply and Distribution Statistics:

| Coffee, Green Market Year Begins | 2022/2023 | | 2023/2024 | | 2024/2025 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | Oct 2022 | | Oct 2023 | | Oct 2024 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Costa Rica | | | | | | |
| Area Planted (1000 HA) | 94 | 94 | 0 | 94 | 0 | 94 |
| Area Harvested (1000 HA) | 89 | 89 | 0 | 89 | 0 | 89 |
| Bearing Trees (MILLION TREES) | 385 | 385 | 0 | 385 | 0 | 385 |
| Non-Bearing Trees (MILLION TREES) | 21 | 21 | 0 | 21 | 0 | 21 |
| Total Tree Population (MILLION TREES) | 406 | 406 | 0 | 406 | 0 | 406 |
| Beginning Stocks (1000 60 KG BAGS) | 241 | 241 | 481 | 495 | 0 | 504 |
| Arabica Production (1000 60 KG BAGS) | 1425 | 1398 | 1440 | 1181 | 0 | 1185 |
| 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) | 1425 | 1398 | 1440 | 1181 | 0 | 1185 |
| Bean Imports (1000 60 KG BAGS) | 215 | 208 | 150 | 200 | 0 | 185 |
| Roast & Ground Imports (1000 60 KG BAGS) | 20 | 32 | 15 | 13 | 0 | 12 |
| Soluble Imports (1000 60 KG BAGS) | 5 | 3 | 5 | 2 | 0 | 3 |
| Total Imports (1000 60 KG BAGS) | 240 | 243 | 170 | 215 | 0 | 200 |
| Total Supply (1000 60 KG BAGS) | 1906 | 1882 | 2091 | 1891 | 0 | 1899 |
| Bean Exports (1000 60 KG BAGS) | 1025 | 992 | 1200 | 962 | 0 | 970 |
| Rst-Grnd Exp. (1000 60 KG BAGS) | 10 | 10 | 10 | 10 | 0 | 5 |
| Soluble Exports (1000 60 KG BAGS) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Exports (1000 60 KG BAGS) | 1035 | 1002 | 1210 | 972 | 0 | 975 |
| Rst,Ground Dom. Consum (1000 60 KG BAGS) | 385 | 380 | 390 | 410 | 0 | 415 |
| Soluble Dom. Cons. (1000 60 KG BAGS) | 5 | 5 | 5 | 5 | 0 | 5 |
| Domestic Consumption (1000 60 KG BAGS) | 390 | 385 | 395 | 415 | 0 | 420 |
| Ending Stocks (1000 60 KG BAGS) | 481 | 495 | 486 | 504 | 0 | 494 |
| Total Distribution (1000 60 KG BAGS) | 1906 | 1882 | 2091 | 1881 | 0 | 1899 |
| | | | | | | |
| (1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS) | | | | | | |
| OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query | | | | | | |

Attachments:

No Attachments