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El Salvador

Coffee Annual

2012

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Report Highlights:

El Salvador's coffee production is expected to drop in 2011/12 (October 2011 - September 2012) to 1.18 million 60-kg bags. An off production cycle year and damage by Tropical Storm E12 were the main causes for the decline. El Salvador continues to promote specialty coffee and the effort is paying off as higher-quality coffee exports are increasing, and now account for approximately 30% of total exports. The El Salvadoran government is working on a program to provide coffee trees to small farmers to renovate their outdated trees. Post estimates the 2012/2013 crop at 1.48 million bags, up from 2011/2012, but still below the 2010/2011 crop of 1.86 million bags.

Executive Summary:

El Salvador's 2011/12 marketing year (October 1, 2011 - September 30, 2012) coffee harvest is expected to be approximately 27% lower than previously reported, reaching approximately 1.17 million 60-kg bags. According to the Salvadoran Coffee Council (CSC) an off-year production cycle and damage from Tropical Storm E12's heavy rains, during the harvest, are the main reasons behind this significant drop in production. The 2012/13 harvest is expected to rebound due to an on-cycle production year and relatively good rains and crop conditions at the start of the rainy season.

Exports in MY 2011/12 are expected to reach 1.111 million 60-kg bags. Export numbers for 2012/13 are expected to increase due to on-year production cycle and reasonable weather conditions. Local financial institutions continue to require farmers to have a planned coffee-sales program in order to have access to loans. These requirements require farmers to forward contract their coffee sales and avoid speculation. The United States is the main export destination for Salvadoran coffee, accounting for 33 percent of MY 2011/12 exports through April 2012. Germany is the second destination for Salvadoran coffee, followed by Japan, Canada, England, Belgium, Sweden and Italy.

Lack of local ground coffee processing facilities continues to favor imports for soluble coffee. This has led to a continued increase in soluble imports, mainly from Brazil, Mexico and Nicaragua. Peru and Colombia are also gaining market share in the retail and institutional market.

The CSC continues to monitor exports through the use of export registration permits. The Government of El Salvador (GOES) through the government owned financial institutions has guaranteed a loan of US\$75.00 per hundredweight (cwt) to cover routine maintenance and harvesting during the 2012/13 crop season (Please refer to Policy Section, below, for further information). Coffee is still the most important source of employment in rural areas, with the coffee harvest alone providing approximately 130,000 jobs. However, coffee is no longer the major source of export revenues in El Salvador, having been replaced by non-traditional products such as processed ethnic foods and tropical fruits. Coffee exports in 2012/13 are expected to generate approximately US\$350 million in foreign exchange.

El Salvador continues to promote its coffee focusing mainly on specialty and gourmet qualities (See Trade Section, below). The agricultural sector has continued growing assisted by higher prices for traditional exports (coffee and sugar), as well as increased market access for non-traditional exports under the Central America-Dominican Republic (CAFTA-DR) free trade agreement with the United States.

Commodities:

Coffee, Green

Production:

New production numbers compiled by the Foreign Agricultural Service (FAS) office in San Salvador reveal that the 2011/12 coffee harvest is expected to reach 1.175 million 60-kg bags. This is a lower number than previously reported; due to the harsh damage that Tropical Storm E12 caused during the harvesting season. So far, more reasonable weather conditions for coffee flowering, an on-year production cycle and somewhat increased investment in labor and inputs due to improved coffee revenues during the past season are expected to provide a boost to production in 2012/13. Total 2012/13 production is estimated at 1.475 million 60-kg bags.

The GOES continues to guarantee loans to the coffee sector. Cultural practices continue to improve due to fresh capital from higher international prices. Value-added production such as gourmet, specialty, fair trade and organic coffees continue to provide additional revenue to coffee producers. Specialty coffee production has steadily increased, reaching approximately 33 percent of total production in MY 2011/12. Recently, the CSC successfully organized the tenth edition of the “Cup of Excellence” promotional event to increase exposure of fine Salvadoran coffees in the specialty market. In addition, the CSC continues to promote trade missions of European and American specialty coffee bars to sample local coffee (Refer to Trade Section, below, for further information).

Consumption:

Recent data compiled by the CSC shows an increase in coffee consumption in El Salvador. New coffee brands at the retail level are stimulating consumption. In addition, coffee bars have sprung up in strip malls as well as in major shopping malls. In MY 2011/12, consumption reached 274,000 60-kg bags. Most local consumption is soluble coffee mainly imported from Brazil, Mexico and Nicaragua. In MY 2011/12, soluble domestic consumption is expected to reach 242,000 bags - Green Bean Equivalent (GBE). Roasted and ground domestic consumption remains at similar levels reaching 32,000 bags GBE in the same period. Peru and Colombia are new suppliers in the retail market for this type of coffee.

El Salvador only consumes approximately 6 percent of local production. Thus, there is room to grow local consumption as well as to promote the unique characteristics of Salvadoran coffee in the export market.

Trade:

Coffee exports for MY 2011/12 are estimated at 1.11 million 60-kg bags. This number is lower than previously reported mainly due to damage by excessive rain during the harvesting season. In MY 2012/13 coffee exports are forecast at 1.39 million bags.

In MY 2011/12 the United States is expected to be the main export destination for Salvadoran coffee reaching approximately 366,630 sixty-kg bags, about 33 percent of total exports. Germany is the number two export destination accounting for approximately 24 percent of total exports. Other important destinations are Japan, England, Canada, Belgium and Sweden.

Premium prices obtained by gourmet and specialty coffees are an incentive to increase exports of these types of coffees. Recently the CSC carried out the tenth edition of the “Cup of Excellence” promotional event. The best quality coffees produced in El Salvador are selected by a group of local and international coffee judges to participate in a global electronic auction. Through this event, local coffee was successfully sold to U.S., Japanese and European buyers with prices that are much higher than the coffee spot "Contract C" prices.

Export Trade Matrix El Salvador Coffee, Green			
Time Period	MY	Units:	60 kg bags
Exports for:	2011		2012
U.S.	366,630	U.S.	460,020
Others		Others	
Germany	266,640	Germany	334,560
Japan	139,986	Japan	175,644
Canada	102,212	Canada	128,248
England	51,106	England	64,124
Belgium	41,107	Belgium	51,578
Sweden	38,885	Sweden	48,790
Italy	35,552	Italy	44,608
Total for Others	675,488		847,552
Others not Listed	68,880		86,000
Grand Total	1,110,998		1,393,572
Source: CSC			

El Salvador has been active in promoting coffee through reverse trade missions composed of European, American and Japanese specialty coffee bar owners that visit the country's best coffee production sites, as well as coffee mills, to get acquainted with the unique qualities that Salvadoran coffee can provide to coffee blends.

Also programs such as the Rainforest Alliance Certification are being extended to include more coffee producers in this ecological seal program. Up to now, over 230 farms and 34 mills have been certified. Farmers that join this certification program have to improve the quality of life for their workers as well as the surrounding communities, must preserve the ecosystem, protect wild life and conserve water resources in order to have access to a premium price for their coffee production.

In Calendar Year 2011, Brazil supplied 95,767 sixty-kg bags GBE of soluble coffee to the local market. Nicaragua with 41,117 bags and Mexico with 38,090 are also important suppliers. Colombia and Peru are also entering the market with soluble products.

Import Trade Matrix El Salvador Coffee, Green			
Time Period	MY	Units:	60 kg bags
Exports for:	2011		2012
U.S.	2,591	U.S.	2,650
Others		Others	
Brazil	95,767	Brazil	96,000
Nicaragua	41,117	Nicaragua	41,200
Mexico	38,090	Mexico	38,200
Guatemala	3,432	Guatemala	3,450
Peru	3,033	Peru	3,100
Colombia	2,643	Colombia	2,700
Honduras	2,179	Honduras	2,200
Total for Others	186,261		187,850
Others not Listed	2,924		1,900
Grand Total	191,776		192,400
Source: Salvadoran Central Bank (BCR)			

Stocks:

New data provided by the CSC shows a decrease in previously reported stock numbers to 37,000 sixty-kg bags in MY 2011/12. Stocks for MY 2012/13 are expected to continue dropping to about 19 thousand bags, mainly due to farmers taking advantage of positive international prices to sell their harvest.

Policy:

To comply with World Trade Organization (WTO) regulations, the Government of El Salvador (GOES) has phased-out a six percent drawback program for non-traditional exports including soluble and roasted coffee. This drawback scheme was used by the GOES as an incentive for exporters to trade their products outside the Central American region. The GOES is working on an Export Promotion program that would replace the drawback program, since it was an export subsidy – not consistent with WTO agreements. However, problems with the private sector have delayed the application of the new Export Promotion program.

Coffee farmers continue paying back the Coffee Trust program, which was established in 2001 to defer accumulated debt with the banking system to a longer term that would allow farmers to cover their debt. As part of the GOES program to revamp coffee production, the capital payments to FICAFE have

been deferred for a grace period of 3 years so that those funds can be used in plant renovation and to improve agricultural practices to increase productivity at the farm level.

Positive results from a pilot coffee recovery program carried out in 2011 in coffee areas affected by Hurricane Ida that provided bearing trees to farmers, have created interest on the part of the GOES to expand the program to a national level. The GOES is working with the Inter-American Institute for Agriculture (IICA) on this program that would help replace decaying coffee plants with higher yielding varieties. This program is also expected to generate much needed jobs in the rural area.

El Salvador continues to actively participate in International Coffee Organization (ICO) meetings.

Production, Supply and Demand Data Statistics:

Coffee, Green El Salvador	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	176	0	176		176
Area Harvested	0	164	0	164		164
Bearing Trees	0	541	0	541		541
Non-Bearing Trees	0	53	0	54		54
Total Tree Population	0	594	0	595		595
Beginning Stocks	48	48	41	37		19
Arabica Production	1,750	1,860	1,600	1,175		1,475
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	1,750	1,860	1,600	1,175		1,475
Bean Imports	0	11	0	0		0
Roast & Ground Imports	12	11	12	14		14
Soluble Imports	125	125	130	178		178
Total Imports	137	147	142	192		192
Total Supply	1,935	2,055	1,783	1,404		1,686
Bean Exports	1,710	1,742	1,525	1,108		1,391
Rst-Grnd Exp.	2	2	2	2		2
Soluble Exports	2	0	2	1		1
Total Exports	1,714	1,744	1,529	1,111		1,394
Rst,Ground Dom. Consum	30	32	30	32		32
Soluble Dom. Cons.	150	242	200	242		242
Domestic Use	180	274	230	274		274
Ending Stocks	41	37	24	19		18
Total Distribution	1,935	2,055	1,783	1,404		1,686
Exportable Production	1,570	1,586	1,370	901		1,201

Attachment	Attachment Link
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