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## **Colombia**

## **Coffee**

## **Semi-annual Report**

## **1998**

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### **Report Highlights:**

Coffee production increased 11 percent in 1997/98 to 11.9 million bags in response to favorable weather. Early season expectations of a reduced crop due to El Nino proved to be inaccurate. A 5 percent increase in coffee output is forecast for the 1998/99 marketing year. Grower coffee prices were increased 5 percent by Fedecafe's National Coffee Committee in November 1998 reflecting stronger world market prices. Green coffee exports in 1997/98 fell 3 percent from the previous year to 10.2 million bags. Coffee exports in 1998/99 are forecast to increase to 10.5 million bags which is in line with the export volume guidelines for Colombia issued by the Coffee Producing Countries Association. End-of-year coffee stocks for 1998/99 are forecast to decline to 3.7 million bags compared to 3.9 a year earlier.

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## SUMMARY

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Colombian coffee production in marketing year 1997/98 (October - September) totaled 11.9 million bags, up 11 percent from the previous year. The El Nino weather phenomenon was not adverse to coffee production as previously anticipated by the local coffee industry. Coffee production in Colombia peaks during the October - January period. Coffee output in 1998/99 is forecast at 12.5 million bags, up 5 percent over 1997/98. According to local industry reports, coffee outturn is now running about 10 percent above last year's pace and quality is much improved. Coffee prices for dry parchment were increased 5 percent in November 1998 which will help the overall financial situation of coffee growers. Green coffee exports during 1997/98 reached 10.2 million bags valued at \$1.9 billion. Green coffee exports a year earlier totaled 10.6 million bags and were valued at \$2.2 billion. Green coffee exports for the current 1998/99 marketing year are estimated at 10.5 million bags. End-of-year coffee stocks fell from 4.4 in 1996/97 to 3.9 million bags in 1997/98.

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## PRODUCTION

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Both the GOC and the coffee industry had anticipated that the dry weather resulting from El Nino experienced during January-March 1998 would extend throughout the remainder of the 1997/98 season. The drought, however, was brought to an end in April 1998 and precipitation continued through September 1998 in major coffee areas. This resulted in a 10 percent increase in our previously submitted estimate of coffee output for 1997/98 from 10.8 to 11.9 million bags.

Coffee output in 1998/99 is forecast to increase to 12.5 million bags. Coffee harvested during October - January accounts for about 45 percent of annual production. According to the local industry, coffee output during this period is about 10 percent higher than the same 4 month period of a year ago. This results from the April 1998 rains which arrived after a period of water stress and, therefore, produced an excellent bloom. Quality of coffee from this peak producing period, reportedly, is excellent. Broca-damaged beans are accounting for no more than 4 percent of harvested volume. The secondary coffee crop which will be harvested May-July 1999 is forecast to be about the same as a year earlier.

**Table 1. Colombia: Coffee, Green PSD, 1996/97-98/99**

PSD Table							
Country:	Colombia						
Commodity:	Coffee, Green						
	1997		1998		1999		UOM
	Old	New	Old	New	Old	New	
Market Year Begin	10/1996		10/1997		10/1998		(MONTH/YEAR)
Area Planted	920	920	900	900	900	900	(1000 HA)
Area Harvested	860	860	840	840	840	840	(1000 HA)
Bearing Trees	3150	3150	3080	3080	3100	3100	(1000 TREES)
Non-Bearing Trees	560	560	540	540	550	550	(1000 TREES)
TOTAL Tree Population	3710	3710	3620	3620	3650	3650	(1000 TREES)
Beginning Stocks	6328	6328	4420	4420	2910	3929	(1000 60 KG BAGS)
Arabica Production	10779	10779	10800	11932	11000	12500	(1000 60 KG BAGS)
Robusta Production	0	0	0	0	0	0	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Production	10779	10779	10800	11932	11000	12500	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Roast & Ground Imports	0	0	0	0	0	0	(1000 60 KG BAGS)

Soluble Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL SUPPLY	17107	17107	15220	16352	13910	16429	(1000 60 KG BAGS)
Bean Exports	10568	10568	10100	10213	10100	10500	(1000 60 KG BAGS)
Roast & Ground Exports	100	100	105	105	110	110	(1000 60 KG BAGS)
Soluble Exports	519	519	545	545	550	550	(1000 60 KG BAGS)
TOTAL Exports	11187	11187	10750	10863	10760	11160	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	1250	1250	1300	1300	1330	1330	(1000 60 KG BAGS)
Soluble Dom. Consum.	250	250	260	260	270	270	(1000 60 KG BAGS)
TOTAL Dom. Consumption	1500	1500	1560	1560	1600	1600	(1000 60 KG BAGS)
Ending Stocks	4420	4420	2910	3929	2569	3669	(1000 60 KG BAGS)
TOTAL DISTRIBUTION	17107	17107	15220	16352	14929	16429	(1000 60 KG BAGS)

Coffee during the 1997/98 marketing year was adversely affected by the broca insect, a cherry coffee borer. The hot, dry weather experienced during the first half of the 1997/98 season resulted in a high incidence of light weight and wrinkled beans. According to industry estimates broca insect affected beans totaled 15 percent of total crop output during the first half of 1997/98.

In recent years, Colombia has shown increasing interest in producing organic coffee, which is based

upon the non-usage of herbicides, pesticides, and chemical fertilizers. Currently, only about 0.2 percent of Colombia's coffee production is organic, but volumes are growing.

## PRICES

The average monthly price for Colombian coffee exports during the past 2 years peaked at \$2.63 per pound in May 1997 but has since declined to \$1.22 in October 1998. In the first week of November 1998 it recovered to \$1.42 only to fall the next week to \$1.35. A recuperation in export prices for Colombian coffee is attributed to damages resulting from hurricane Mitch in Central American coffee producing countries.

**Table 2. Colombia: Export Price for Green Colombian Coffee**

Month	1997	1998	
	----- U.S. dollars per pound -----		Percent Change
January	1.45	1.85	28
February	1.85	1.89	2
March	2.14	1.65	(23)
April	2.15	1.61	(25)
May	2.63	1.46	(44)
June	2.48	1.36	(45)
July	2.01	1.27	(37)
August	2.05	1.38	(33)
September	2.07	1.24	(40)
October	1.77	1.22	(31)
November	1.71		
December	1.84		

Source: Fedecafe.

Grower prices are established by the National Coffee Committee (NCC) of Fedecafe. Modifications in grower prices are prompted to reflect variations in world coffee prices. In May 1997, grower prices reached a high of 413,000 pesos per 125 kilos (\$1.34 per lb.) of green coffee. Since then, they have trended downward. Grower prices peaked in February 1998 at 378,000 pesos per 125 kilos (\$0.98 per lb.). The average grower price was increased to 342,000 pesos per 125 kilos (\$0.79 per lb.) on November 7, 1998. A week later, when the NCC viewed world prices again retreating, lowered them to 322,750 pesos (\$0.73/lb.).

Table 3. Colombia: Green Coffee Prices Paid to Growers

Prices Table			
Country:			
Commodity:			
Year:	1998		
Prices in (currency)	1000pesos	per (uom)	125 kilos
Year	1997	1998	% Change
Jan	227	365	60.8%
Feb	274	368	34.3%
Mar	361	349	-3.3%
Apr	366	334	-8.7%
May	413	304	-26.4%
Jun	402	300	-25.4%
Jul	328	300	-8.5%
Aug	330	300	-9.1%
Sep	335	300	-10.4%
Oct	316	307	-2.8%
Nov	313		-100.0%
Dec	345		-100.0%
Exchange Rate	1580	(Local currency/US \$)	
Date of Quote	15-Nov-98	(MM/DD/YY)	

## TRADE

Final published trade figures indicate that during marketing year 1997/98 (October - September) Colombia exported 10.2 million 60 kilo bags of green coffee, 3 percent below the 10.5 million bag export quota assigned to it by the Coffee Producing Countries Association (CPCA). Extensive broca damage prevented Colombia from reaching the CPCA quota. Colombian coffee growers complain that attractive export prices coincided in recent months when exportable supplies were limited. This was because of a reduction in coffee output experienced in the period October 1997-March 1998.

Colombia's green coffee export allocation for 1998/99 remains at the 10.5 million bag level as in the previous year. The CPCA revises export quotas quarterly for associated countries. Should world coffee prices remain at October 1998 levels, the CPCA quota is expected to remain unchanged for the remainder of the year. Fedecafe laments the fact that important coffee producing countries such

as Mexico are outside of the CPCA and that Ecuador recently resigned from this body.

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## STOCKS

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Ending stocks on September 30, 1998 are now estimated at 3.9 million bags or 35 percent higher than previously reported. The increase is due to larger than expected coffee production. Coffee stocks, however, were 11 percent lower than a year earlier. This lower stock levels will help alleviate the financial burden on the National Coffee Fund which usually holds inventories at Almacafe's warehouses and storage facilities. Assuming that Colombia's green bean coffee exports in 1998/99 will meet the export quota of 10.5 million bags, end-of-year coffee stocks are forecast to fall to 3.7 million bags.

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