

Required Report: Required - Public Distribution

Date: November 15, 2020

Report Number: CO2020-0043

Report Name: Coffee Semi-annual

Country: Colombia

Post: Bogota

Report Category: Coffee

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Report Highlights:

Colombian coffee production is forecast to remain at 14.1 million bags (1 bag = 60 kilograms) green bean equivalent (GBE) in marketing year 2020/21, due to the highly successful replanting program of coffee rust resistant varieties and assuming that coffee plantations are not heavily impacted by the La Niña weather phenomena. The MY 2019/20 production estimates are revised up from 13.8 million to 14.1 million bags GBE, mainly due to favorable weather conditions and the measures taken to guarantee sufficient labor during the COVID-19 pandemic. In MY 2020/21, exports are forecast to increase to 13.6 million bags GBE, in line with increased production levels. Imports are forecast to increase to 1.2 million bags GBE, to satisfy the recovery of domestic consumption and exports.

Commodities:

Coffee, Green

Production:

In MY 2020/21, Colombian coffee production is forecast at 14.1 million bags green bean equivalent (GBE), unchanged from the previous year. In recent months, the flowering period in the main coffee regions is an indicator of good production levels in the harvest period from April to June, 2021. Assuming only mild impact from the La Niña weather phenomena, production is forecast to remain strong as a result of a successful replanting program. However, coffee farmers and government officials remain concerned about the potential above average rains from La Niña, which is projected to materialize towards the end of 2020 and the first part of 2021. La Niña will produce more clouds, lower temperatures, and less sun light available for coffee plantations.

There are two peak harvest periods during the calendar year given the presence of two dry and two wet weather seasons. The main harvest period, from October to December, produces nearly 60 percent of total production. The remaining 40 percent comes from the second harvest period from April to June, or the *mitaca* crop.

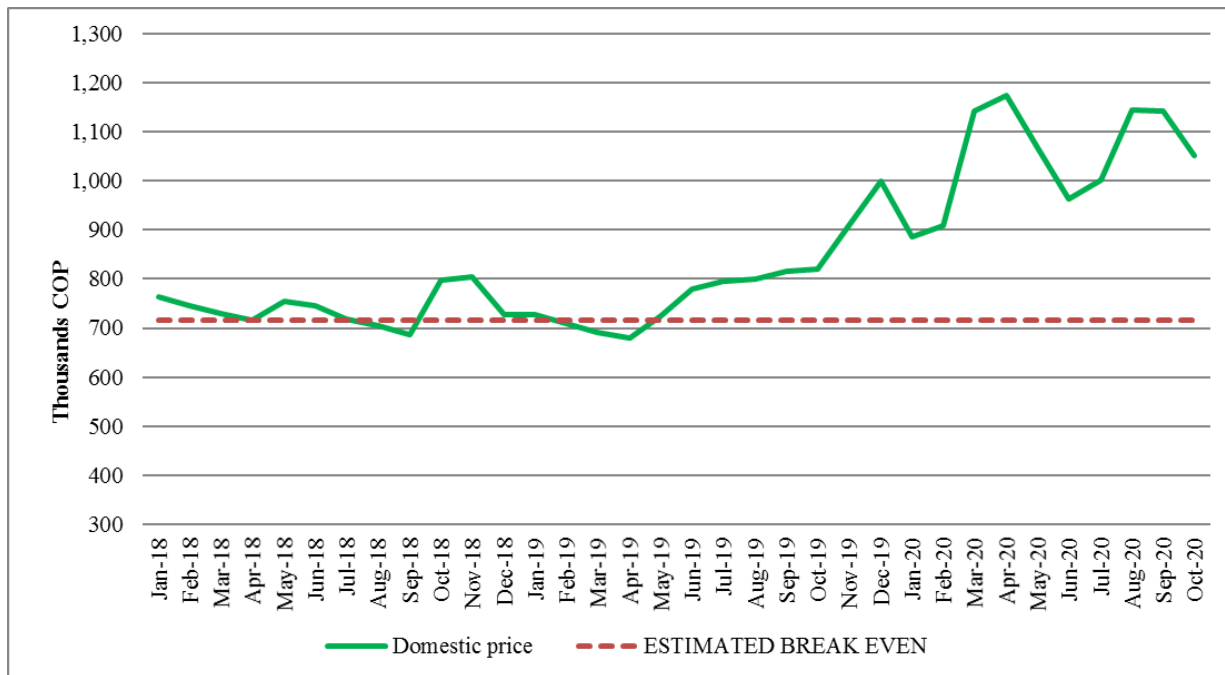
In calendar year (CY) 2021, La Niña could impact the first three month flowering period in some producing regions and therefore the harvest of the second half of the year. However, it may also be beneficial for fruit-filling stages in other coffee regions. While wet conditions are conducive to the spread of coffee rust, the threat will be mitigated from the significant replanting program of rust resistant varieties. The Coffee Producers Federation (Fedecafe) estimates 83 percent of total area in Colombia is planted with rust resistant varieties. According to Fedecafe's last coffee diseases survey, on average, borer infestation is at 2.3 percent and rust levels are approximately 5 percent.

Revised production estimates for MY 2019/20 are up from 13.8 million to 14.1 million bags GBE, a 2.2 percent increase, mainly driven by favorable weather conditions and a successfully collected harvest. A shortage of labor due to the Covid-19 pandemic did not materialize as expected. High coffee prices motivated growers to harvest under health and sanitary protocols, which farmers claim have increased production costs. In addition to the sanitary measures, unemployed local people in other sectors moved to work in the coffee farms, mitigating the shortage of labor due to lockdown restrictions. In addition, growers used seven day work weeks to collect the coffee beans.

Colombian domestic prices remain high, driven by higher international prices, and a greater than 20 percent Colombian peso depreciation against the U.S. dollar. Fedecafe expects the value of CY 2020's harvest to exceed COP 9 trillion (USD 2.4 billion), reportedly a record figure. The graph below illustrates the monthly internal price paid to growers per 125 kilogram bag.

According to Fedecafe, about 40 percent of total Colombian coffee production receives significant price premiums for being specialty coffees. Colombian coffee producers plan to improve quality to sell mostly specialty coffees.

Graph 1. Colombia: Domestic Prices (Thousand COP/125 Kg bag)



The estimated average production cost is represented by the red dotted line. Source: Fedecafe

Consumption:

In MY 2020/21, Colombian coffee consumption is forecast to recover to 1.9 million bags GBE, due to the expected resumption of operations of restaurants, coffee stores, and workplaces, etc. Post revised the consumption estimate for MY 2019/20 up from 1.7 million to 1.8 million bags GBE, as demand started to normalize after the Covid-19 peak in July, as well as resumed operations of several economic sectors, including the food service sector.

In recent years, an increasing number of local coffee stores boosted domestic coffee consumption. In MY 2019/20, while roasted and ground coffee consumption may decrease driven by closures of restaurants and coffee stores and social distancing measures, soluble coffee consumption may increase as a result of a shift in demand towards food consumed at home.

Trade:

In MY 2020/21, revised coffee exports are forecast to reach 13.6 million bags GBE, a 4.6 percent increase from the previous year. This growth is due to strong production, more normal conditions in the supply chain operation and global coffee demand. In MY 2020/21, coffee imports are forecast at 1.2 million bags GBE to satisfy the recovery of domestic demand along with exports. The coffee imports have been traditionally from Peru, Honduras and Ecuador. However, since 2019, Brazil became the top coffee supplier, accounting for 60 percent of total imports, followed by Peru (20.7 percent) and Honduras (5.6 percent). Imports are primarily used to meet the lower end of the domestic market.

In MY 2019/20, revised coffee exports are estimated slightly up from 12.9 million to 13.0 million bags GBE, following increasing production levels. Coffee bean exports represent over 90 percent of total exports, followed by soluble coffee and roasted coffee. From October 2019 to August 2020, overall coffee exports decreased six percent, year-over-year, driven by lower exports of roasted coffee (-35.4 percent) and coffee beans (-6.3 percent). Soluble coffee exports increased by 8.4 percent. The United States continues to be the major destination for Colombian coffee.

Stocks:

In MY 2020/21, ending stocks are forecast to fall to 556,000 bags GBE, as a result of stagnant production levels, recovering exports and domestic demand. In line with increased ending stocks in MY 2019/20, revised ending stocks for MY 2020/21 are up from the previous estimate. In MY 2019/20, revised ending stocks are estimated to increase from 691,000 bags to 801,000 bags GBE, following higher production levels and a slowdown of operations in the supply chain due to the Covid-19 containment measures. There exists no government or Fedecafe policy to support large scale carry-over stocks of coffee.

Policy:

The *Harvest Plan* is the most recent policy implemented by Fedecafe and the Colombian government. Under the Covid-19 outbreak, Fedecafe and the Colombian government developed sanitary protocols and delivered protection and hygiene supplies to farmers to prevent the spread of Covid-19 in the coffee sector while growers gather the crop. In addition, local and national authorities cooperated to allow transportation of coffee pickers to successfully collect the coffee under Covid-19 outbreak.

After monitoring the impacts of the La Niña weather phenomena on coffee farms, the Colombian government and Fedecafe may launch a program to support coffee growers affected by adverse climate conditions. In the past, programs to support coffee growers affected by weather patterns focused on providing inputs and other mechanisms to boost production.

Fedecafe represents Colombia's coffee sector and manages its programs under a legal agreement with the Colombian government. Most of the policies and programs for the coffee sector are sponsored by the National Coffee Fund, which is a checkoff program that collects six cents per pound of coffee from producers. Fedecafe provides technical support to coffee producers through the extension service that assists growers on good practices for planting, harvest and post-harvest, as well as processing that have an impact on the final quality of coffee. In addition, Fedecafe manages low interest loan programs for the costs of replanting.

The Colombian government also offers financial assistance to coffee producers supported by the Financing Fund for the Agricultural Sector (FINAGRO). It provides loans with discounted payback terms and a special loan category that offers funds to small growers in replanting their coffee fields. Under the current emergency, Finagro created four special loan categories for all coffee farmers to support replanting activities, purchasing of machinery, coffee crop maintenance and alternative crops planting.

Production, Supply and Demand Data Statistics:

Coffee, Green Market Year Begins	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
Colombia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	780	780	800	800	800	800
Area Harvested	640	640	640	640	640	640
Bearing Trees	3500	3500	3500	3500	3500	3500
Non-Bearing Trees	1000	1000	1000	1000	1000	1000
Total Tree Population	4500	4500	4500	4500	4500	4500
Beginning Stocks	1111	1111	567	567	692	801
Arabica Production	13870	13870	13800	14100	14100	14100
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
Total Production	13870	13870	13800	14100	14100	14100
Bean Imports	1100	1100	800	800	1000	1000
Roast & Ground Imports	6	6	5	4	5	5
Soluble Imports	130	130	140	130	150	150
Total Imports	1236	1236	945	934	1155	1155
Total Supply	16217	16217	15312	15601	15947	16056
Bean Exports	12500	12500	12000	11800	12400	12400
Rst-Grnd Exp.	300	300	120	200	300	300
Soluble Exports	900	900	800	1000	800	900
Total Exports	13700	13700	12920	13000	13500	13600
Rst,Ground Dom. Consum	1500	1500	1220	1300	1400	1400
Soluble Dom. Cons.	450	450	480	500	500	500
Domestic Consumption	1950	1950	1700	1800	1900	1900
Ending Stocks	567	567	692	801	547	556
Total Distribution	16217	16217	15312	15601	15947	16056

(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)

Attachments:

No Attachments