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Global Agricultural Information Network

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Guatemala

Coffee Annual

Coffee international prices do not cover costs for small and medium size farmers

Approved By:

Sean Cox, Regional Agricultural Attaché

Prepared By:

Karla Tay, Agricultural Specialist

Report Highlights:

Coffee production for Marketing Year (MY) 2019 (Oct. 2018-Sept. 2019) is forecast at 3.3 million 60-kilogram bags. Coffee production in Guatemala decreased six percent from MY2017 to MY2018.

Exports for MY2018 are stable at 3.1million bags. Planted area is revised up 9 percent, from 277,000 Ha to 305,000 Ha. Coffee producers are struggling, as depressed prices do not cover costs, especially for small farmers. The United States, Japan, and Canada continue to be the top export markets.

Executive Summary:

Guatemalan coffee production is slowly recovering from the rust outbreak of 2012, and planted area is revised up 9 percent as new rust tolerant varieties are planted. Production for MY2017 closed at 3.3 million bags, down six percent from the previous estimate. MY2018 coffee production is estimated at 3.3 million bags, down two percent from the previous forecast and is forecast to maintain stable in MY2019. Farmers are struggling to remain in the market due to low prices. Guatemala is forecast to export 3.1 million bags in MY2019, the same as this year's estimate. Estimates for exports in MY2018 are unchanged at 3.1 million bags. The United States, Japan, and Canada continue to be the top export markets.

Commodities:

Coffee, Green

Production:

Coffee production for MY2019 is forecast at 3.3 million bags. MY2018 coffee production is estimated at 3.3 million bags, down two percent from the previous estimate, due to reduced moisture of the coffee bean resulting from higher temperatures at the drying patios and warehouses. Production for MY2017 closed at 3.3 million bags, down six percent from the previous estimate, due to a drought during the harvest season.

Guatemalan coffee production is recovering from the rust epidemic of 2012, when 20 percent of the coffee production was lost to the disease, but the recovery and growth of the sector has been slow. In MY2017, the area planted increased after 5 years of decreases, and is revised 9 percent up to 305,000 hectares. This is mainly due to new areas being planted with more rust tolerant plants.

Coffee production represents two percent of GDP (down from a high of 5 percent), with 300,000 families depending on coffee as a livelihood (down from 600,000 in year 2000). Coffee is the major economic catalyst for economic growth in rural areas, as 20 out of the 22 departments produce coffee.

Coffee rust is not the only culprit for Guatemala's lack of competitiveness in coffee: low international prices, a relatively strong quetzal compared to the dollar, and salary minimum wage that is high for the region are important variables affecting coffee production prices. In the following table, the structure of coffee costs is provided, depending on the farmer's size. The small farmers represent 97 percent of the producers and 47 percent of the total coffee production. The medium farmers produce 31 percent of the total production and the big farmers produce 22 percent, representing both 3 percent of the total coffee producers in Guatemala.

Table 1
Coffee Cost Structure in Guatemala

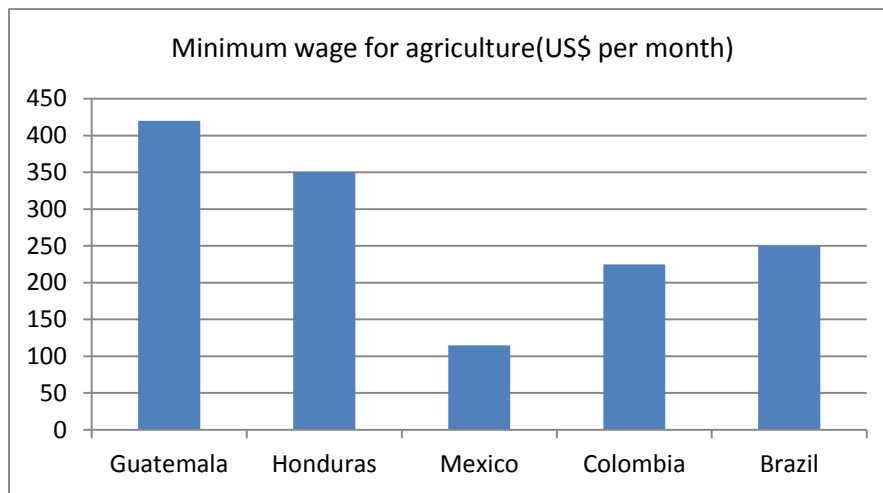
Farmer Size	Number of Farmers	Area (Ha)	Yield (100 pounds/Ha)	Production (quintal)	Cost Structure (percentage)				Other Items (percentage)			FOB Cost (quintal) US\$
					Investment	Operation	Production	Administrative	Labor	Inputs	Taxes	
Small	354	1.2	13	1-200	4	10	76	10	31	54	3	468.84
Medium	363	26	14	201-2000	11	29	43	17	56	22	9	227.33
Large	121,192	189	16	2001-4000	13	34	33	21	62	13	12	173.99
Average		13	14		5	12	71	12	33	49	5	384.10

Source: Paulo de Leon, CABI, *The Importance of Coffee in the Guatemalan Economy and the Present State of its Productivity and Sustainability*, 2016.

Table 1 shows the breakdown of the different costs of production for small, medium, and large farmers. Large farmers have a cost of US\$174/quintal of coffee, just \$6 below the current market price. The table shows the large differences in costs between small and large farmers. Labor costs are double for small farmers, and cost of inputs represents 54 percent for small farmers and just 13 percent for large farmers. The adequately application of inputs for the medium farmers is also limited. The fragile cost structure and depressed prices of coffee in Guatemala represents a significant risk for the whole coffee sector.

As a result of the cost structure, small and medium-sized coffee farmers are not competitive given current prices. Small farmers survive by limiting the use of inputs and discounting their own labor from production costs. Many small farmers sell to intermediaries who buy for the domestic and Central American markets. Medium farmers have joined associations and cooperatives, which can negotiate higher volumes of inputs at a lower cost, and provide both technical and financial support. The Guatemalan Federation of Cooperatives (FEDECOCAGUA) represents around 35 percent of the small and medium farmers, and directly exports coffee to markets that will pay a premium for higher quality, social and environmental sustainable practices. Large farmers are also struggling as labor costs in Guatemala continue to increase year after year, making Guatemala less competitive compared to other Latin American coffee producing countries.

Graph 1
Minimum wage in some Latin American coffee producing countries



Source: Paulo de Leon, CABI, *The Importance of Coffee in the Guatemalan Economy and the Present State of its Productivity and Sustainability*, 2016.

Price ranges for coffee under contract “C” for MY2017 ranged from \$120.45 - \$133.85 per 100 lbs. For the first week of May 2018, high and low prices reported were at \$120.45 per 100 lbs. Domestic retail coffee prices vary. Low quality coffee can be as cheap as \$5 per pound for roasted coffee, whereas high-end coffee like the Pacamara variety can reach \$20 per pound in the export market; the median domestic retail price is around \$6.50 per pound for roasted coffee. Twenty six Guatemalan farms were awarded with the 2017 Cup of Excellence. Guatemala continues producing for the high quality specialty coffee market.

Consumption:

Consumption of local coffee represents 13 percent of the country’s production. Roughly 70 percent of the consumption is roasted ground coffee and 30 percent is soluble. Most soluble coffee is imported from Mexico. Imports represent around 5 percent of the total distribution. Consumption for MY2019 is forecast at 440,000 bags. Consumption for MY2018 is estimated at 440,000 bags, 8 percent down from the previous USDA estimate, per updated calculations from the industry. Annual consumption in Guatemala is estimated at 1.6 Kg per capita, second highest in Central America.

Trade:

Guatemala is forecast to export 3.1 million bags in MY2019, the same as previous year. Exports for MY2018 are estimated unchanged at 3.1 million bags. Table 2 shows exports for MY2017, up 1.2 percent from MY2016.

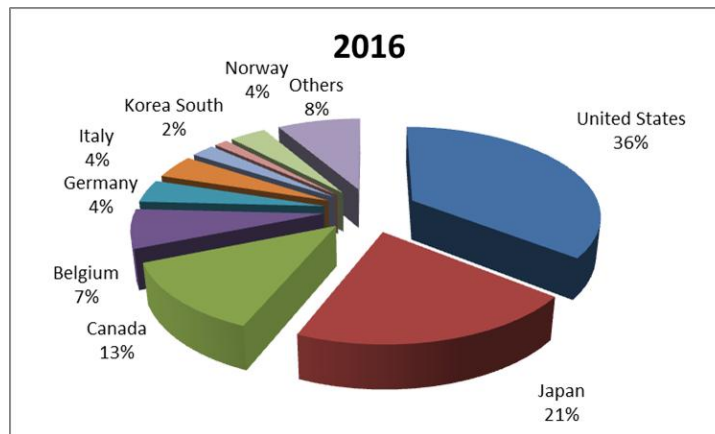
Table 2
MY 2016-MY2017 Guatemalan Coffee Exports

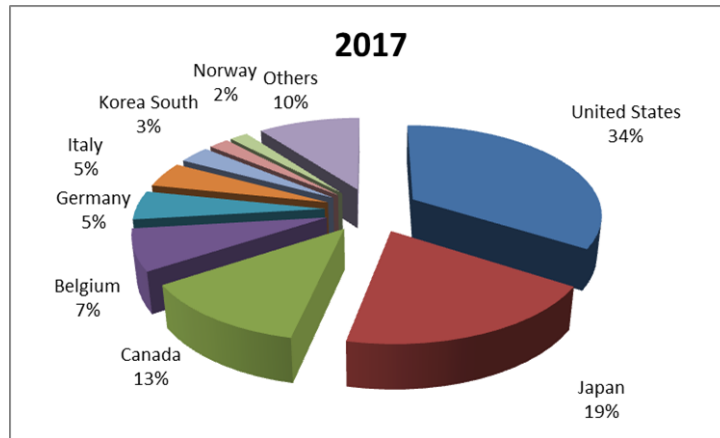
Partner Country	Guatemala Coffee Exports (60 Kg bags)	
	Marketing Year (MY)	
	2016	2017
World	3,069	3,083
United States	1,064	1,047
Japan	617	595
Canada	377	383
Belgium	208	225
Germany	123	158
Italy	127	140
Korea South	71	95
Netherlands	40	62
Norway	110	57
United Kingdom	30	36
Taiwan	52	33
Others	252	251

Source: World Trade Atlas, 2018

Figure 2 shows the main export markets for MY2017. In MY2017, the United States, Japan, and Canada were the major destinations for Guatemalan coffee. In MY2017 exports to Japan decreased 10 percent. Guatemalan coffee quality is composed by 83 percent of strictly hard bean, followed by 8 percent of hard coffee, and roughly 4 percent of the lower quality.

Figure 2
Guatemalan Coffee Exports by Market Share MY2016-MY2017





Source: World Trade Atlas, 2018

Stocks:

Ending stocks are forecast at 40,000 bags for MY2019. Stocks are estimated to slightly increase for MY2018. Stocks correspond to inventories on September 30, at private exporting facilities.

Policy:

Legislative Decree 19-69 created the Coffee Law in Guatemala in 1969, and Presidential Decree 13-70 regulates it. The National Coffee Association (ANACAFE) is responsible for advising the Government of Guatemala on coffee matters, and establishing coffee policy for production and commercialization. ANACAFE is mandated to provide technical services that include research, trials, demonstrations, assistance, and outreach. Overall, ANACAFE must promote economic and agricultural activities related to coffee, including crop diversification. Other services that ANACAFE provides: cupping, registration, statistics, warehouses, and other auxiliary services. In addition, ANACAFE must propose financial solutions for the milling and commercialization of coffee, mainly attending to small producers. ANACAFE is also responsible for issuing export and shipment permits. ANACAFE sets minimum prices and supervises overall sales activities, including quality. ANACAFE is financed through an export tax, which imposes a Q0.25 fee for every hundred-weight of green beans exported (equivalent to \$0.08/ bag). The export tax is collected through the Government of Guatemala Customs Authority, and transferred via Bank of Guatemala to ANACAFE.

Legislative Decree 37-72 and 74-72 provides amendments to the Coffee Law, the first establishing tax exemptions to buy fertilizers and equipment and the second, defining a 2-year term for the President and Vice President of ANACAFE. Legislative Decree 12-2013 expands the Guatemalan Coffee Trust Fund (created in 2001 and later modified in 2005) for another 10-year period (which ends in 2026) to support measures addressing the coffee rust outbreak. The trust fund provides for: 1) non-reimbursable funds for inputs and assistance for coffee production, 2) low interest loans for producers, sets at a two-percent annual rate for small producers and three percent for medium and large producers, and 3) increased public transfers up to \$100 million. The Ministry of Agriculture is responsible for the supervision of the trust fund, and the Rural Development Bank (BANRURAL) is tasked with its administration. However, the trust fund has yet to be fully funded.

Marketing:

ANACAFE, the Federation of Guatemalan Coffee Cooperatives (FEDECOCAGUA), and many other independent coffee associations provide technical assistance (to farmers and associations interested in export certificates) to support the following certifications: Rainforest Alliance, Global GAP, Utz Certified Good Inside, Organic Coffee (IFOAM), Café Bird Friendly, Fair Trade, Private Standards for Nespresso, Naturaland, Bio Suisse, and Demeter.

ANACAFE has established a coffee school, where any person, group, or association can learn how to prepare gourmet coffees. ANACAFE is also responsible for Guatemala's participation at the Cup of Excellence auction. ANACAFE publishes its "Technical Bulletins", selective coffee magazine, with news related to the coffee sector, from technical information to health studies associated with drinking coffee. You can access the magazine here:

http://anacafe.org/glifos/index.php?title=08PUBLI:Boletines_tecnicos .

ANACAFE has pioneered a marketing effort to define Guatemala's coffee producing regions based on coffee characteristics, defined by geography and climate, reflecting in an exclusive cup profile. Eight distinctive regions of strictly hard bean quality coffees have been identified, which are promoted as Guatemala's regional coffees.



Source: ANACAFE, 2018

Production, Supply and Demand Data Statistics:

Coffee, Green Market Begin Year Guatemala	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	290	305	277	305	0	305
Area Harvested	265	259	253	259	0	259
Bearing Trees	1152	1151	1101	1151	0	1151
Non-Bearing Trees	127	199	121	199	0	199
Total Tree Population	1279	1350	1222	1350	0	1350
Beginning Stocks	26	26	36	30	0	33
Arabica Production	3400	3160	3200	3165	0	3165
Robusta Production	170	180	200	180	0	180
Other Production	0	0	0	0	0	0
Total Production	3570	3340	3400	3345	0	3345
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	2	0	2	0	2
Soluble Imports	210	187	200	187	0	187
Total Imports	210	189	200	189	0	189
Total Supply	3806	3555	3636	3564	0	3567
Bean Exports	3300	3083	3100	3089	0	3085
Rst-Grnd Exp.	0	1	0	1	0	1
Soluble Exports	10	1	10	1	0	1
Total Exports	3310	3085	3110	3091	0	3087
Rst,Ground Dom. Consum	250	270	290	270	0	270
Soluble Dom. Cons.	210	170	200	170	0	170
Domestic Consumption	460	440	490	440	0	440
Ending Stocks	36	30	36	33	0	40
Total Distribution	3806	3555	3636	3564	0	3567

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