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Guatemala

Coffee Annual

Coffee Production: No Longer Business as Usual

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Report Highlights:

Coffee production for Marketing Year (MY) 2018 (Oct. 2017-Sept. 2018) is forecast at 3.1 million 60-kg bags. Coffee production in Guatemala is decreasing around three percent annually as planted area is down for the third consecutive year. Guatemala is forecast to export 2.8 million bags in MY2018, down four percent from the revised estimate for MY2017 as a result of the reduction in planted area. The United States, Japan, and Canada continue to be the top export markets.

Executive Summary:

Guatemalan coffee production has partially recovered from the rust outbreak of 2012, although planted and harvested areas have decreased three percent per year for the past four years. Big coffee producers are shifting to more profitable crops, leaving 98 percent of production in the hands of small farmers.

Production for MY2016 (October 2015-September 2016) closed at 3.3 million bags (60 kilograms each), down two percent from the previous estimate. Production was negatively affected by drought in some regions. MY2017 coffee production is estimated at 3.16 million bags, down seven percent from the previous forecast and is forecast to fall further to 3.1 million bags in MY2018. Coffee production in Guatemala is decreasing three percent annually as small farmers are struggling to remain in the market. Guatemala is forecast to export 2.8 million bags in MY2018, down four percent from this year's estimate, as a result of reductions in planted area (five percent reduction from estimates for MY2017).

Exports for MY2017 are estimated at 2.9 million bags, down three percent from the previous estimate. The United States, Japan, and Canada continue to be the top export markets.

Commodities:

Coffee, Green

Production:

Coffee production for MY2018 (October -September) is forecast at 3.1 million bags. MY2017 coffee production is estimated at 3.2 million bags, down seven percent from the previous estimate. Production for MY2016 closed at 3.3 million bags, down two percent from the previous estimate. Overall, coffee production in Guatemala is decreasing by three percent annually and forecast to continue dropping, as planted and harvested area shrinks. Production during MY2017 was affected by drought attributed to El Nino. Drought drastically reduced the return and quality for affected farmers, who received \$138 (per 100 lbs.) when the market average was \$180 per 100 lbs. Production cost during MY2016 averaged \$150-\$160 per 100 lbs.

Guatemalan coffee production is recovering from the rust epidemic of 2012, when 20% of the coffee production was lost to the disease, but the recovery and growth of the sector has been less than expected. Although planted area increased initially, following the rust outbreak, overall planted area has fallen 3 percent each year for the past 4 years. Area planted for MY2018 is forecast at 277,000 Ha, down five percent from MY2017. Harvested area is forecast at 253,000 Ha in MY2018, down five percent from MY2017.

Guatemala has been producing coffee since the late 1800's. Given the price fluctuations and market crisis, combined with the rust outbreak in the 1970s, close to 80 percent of lowland coffee production moved to the highlands. The lowland coffee was replaced by more profitable crops such as sugar. Coffee produced at higher altitudes and lower temperatures results in harder grains and higher quality due to a slower maturation.

By the late 1980s, hard and strictly hard coffee represented roughly 20 percent of Guatemalan coffee production and it was all for export. By the late 1990s, Guatemalan coffee had shifted to at least 80 percent hard and strictly hard quality. Guatemalan consumers did not have access to high quality coffee until around the year 2000.

In 2012, coffee production area reached its peak 4.5 million bags produced on 305,000 Ha. The coffee rust epidemic in 2012 changed coffee production in the region for years to come. As profits decreased due to rising input and labor costs, many large farm operations dropped coffee production. In the 1990s, 70 percent of coffee production was in the hands of small farmers (1.7 to 2 hectares). Today, 98 percent of production comes from small farmers. Whereas large farms must pay for labor, small farms generally do not. While no more profitable, small farmers tend not to take into account their and their family's labor costs.

Around 125,000 farmers are involved in coffee production of which 122,000 are small farmers who are highly dependent on middlemen and coffee associations to sell their coffee. Guatemalan coffee producers have formed small farmer groups, larger associations, and a number of higher level organizations and federations. These different organizations provide support for technology transfer, market organization, and commercialization. Promoting washed Arabica coffee as a specialty product rather than a commodity has allowed Guatemala to maintain competitiveness on the world market. The medium and large coffee producers also focus on the specialty market and use direct marketing and sales to eliminate intermediaries along the whole value chain.

The organic coffee market trend is growing. More than 90% of organic agriculture in Guatemala is coffee, but barely 1% of coffee production is organic. Organic certification is expensive for small farmers and often seen as too risky given the ideal environmental conditions for pests and diseases under which coffee grows.

Guatemala has increased Robusta production, but Arabica continues to dominate, making up more than 90% of total coffee produced. Although efforts are underway to develop high-quality rust-tolerant Arabica varieties, this is not seen as a short-term fix for most farmers due to high costs. Replanting with traditional Arabica varieties averages \$5,000 per Ha, while replanting rust tolerant hybrids costs \$8,000 per Ha. Although the investment can pay off after only a few years, small coffee farmers are unable to take on this kind of economic burden.

Price ranges for coffee under contract "C" for MY2016 were \$115.75 - \$273.81 per 100 lbs., with an average of \$167.58. For the third week of April 2017, the range was 128.80 - 143.70 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; the median domestic retail price is around \$6.50 per pound for roasted coffee. In the export market, during the Cup of Excellence, the yearly international auction, Guatemalan coffee from Acatenango closed at \$42 per roasted pound. Guatemala continues producing for the high quality specialty coffee market.

Consumption:

Consumption of local coffee represents around 10 to 12 percent of the country’s production. Roughly 70% of the consumption is roast-grounded coffee and 30% is soluble. Most soluble coffee is imported. Consumption for MY2018 is forecast at 480,000 bags. Consumption for MY2017 is estimated at 440,000 bags, 12 percent down from the previous USDA estimate, per updated calculations from the industry. Annual consumption in Guatemala is estimated at 1.58 Kg per capita, second highest in Central America, but 3 to 5 times less than other countries around the world.

Trade:

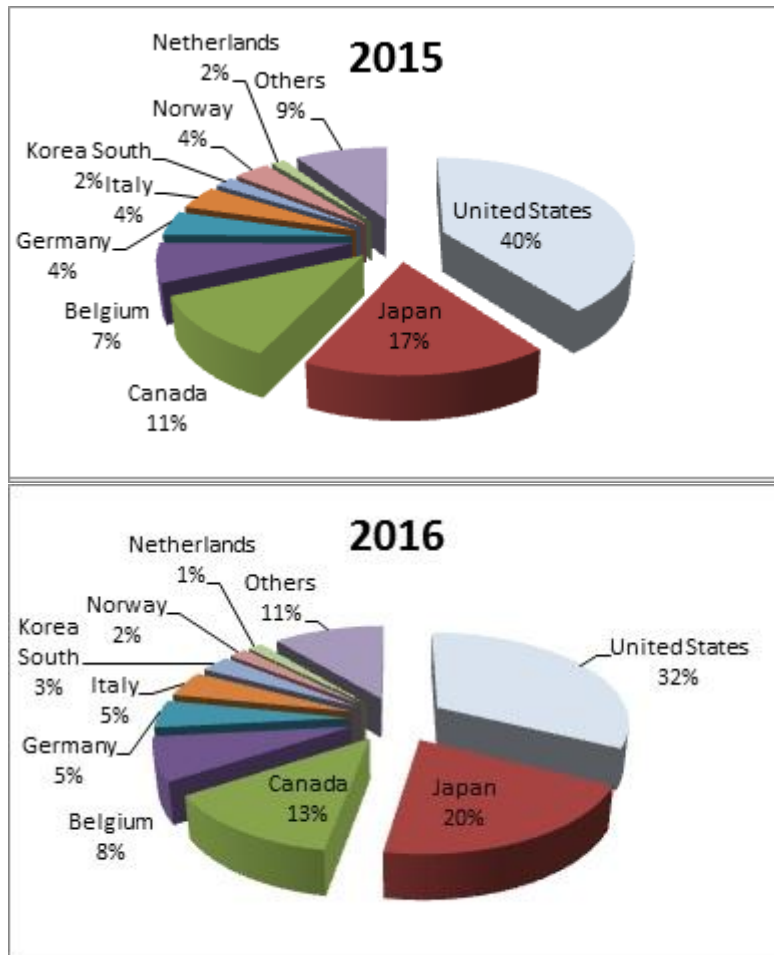
Guatemala is forecast to export 2.8 million bags, four percent less ground coffee in MY2018, as the result of a reduction in both planted and harvested areas. Exports for MY2017 are estimated to close at 2.9 million bags, down three percent from the previous estimate, and down five percent from MY2016. Table 1 shows exports for MY2016 increased roughly to 3.05 million bags, up 1.4 percent from MY2015.

Table 1
MY 2016 Guatemalan Coffee Exports

Coffee, Green	
60 Kg-bags (1,000's)	
	MY2016
United States	986.59
Japan	621.19
Canada	396.43
Belgium	230.50
Germany	147.89
Italy	138.32
Korea South	90.57
Norway	54.83
Netherlands	46.17
Others not Listed	335.46
World	3,047.94

Figure 1 shows the main export markets for MY2016. During MY2016, the United States, Japan, and Canada were the major destinations for Guatemalan coffee. In MY2016, the United States reduced its share, from 40 percent to 32 percent, while Japan and Canada took some of that share.

Figure1
Guatemalan Coffee Exports by Market Share MY2015-MY2016



Stocks:

Ending stocks are forecast at 15,000 bags for MY2018. Stocks are estimated to drop significantly for MY2017, as a result of lower production combined with formal commitment of filling contracts. Stocks correspond to inventories as of end of marketing year September 30th, at the individual exporting facilities privately owned by companies and cooperatives.

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, demonstration, assistance, and outreach. Overall, ANACAFE must promote economic and agricultural activities related to coffee, including crop diversification.

Other services that ANACAFE provides: cupping, arbitrage, registration, statistics, warehouses, and other auxiliary services. In addition, ANACAFE must propose financial solutions for the milling and commercialization of coffee, mainly attending to the small producers. ANACAFE is also responsible for issuing the 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 provide 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, set 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 certs) 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 baristas, chefs, and any person, group, or association can learn how to prepare gourmet coffees. ANACAFE is also responsible for Guatemala's participation at the Cup of Coffee auction. ANACAFE publishes its "Technical Bulletins", selective coffee magazine, with latest news related to the coffee sector, from technical information up to health studies associated with drinking coffee; please visit

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.

Production, Supply and Demand Data Statistics:

Coffee, Green Market Begin Year Guatemala	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	295	0	290	0	277
Area Harvested	0	270	0	265	0	253
Bearing Trees	0	1176	0	1152	0	1101
Non-Bearing Trees	0	130	0	127	0	121
Total Tree Population	0	1306	0	1279	0	1222
Beginning Stocks	15	15	45	16	0	14
Arabica Production	3275	3128	3300	2990	0	2900
Robusta Production	75	170	75	170	0	200
Other Production	0	0	0	0	0	0
Total Production	3350	3298	3375	3160	0	3100
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	1	0	1	0	1
Soluble Imports	200	189	180	190	0	192
Total Imports	200	190	180	191	0	193
Total Supply	3565	3503	3600	3367	0	3307
Bean Exports	3000	3043	3000	2909	0	2808
Rst-Grnd Exp.	0	1	0	1	0	1
Soluble Exports	4	3	10	3	0	3
Total Exports	3004	3047	3010	2913	0	2812
Rst,Ground Dom. Consum	300	270	300	270	0	290
Soluble Dom. Cons.	216	170	200	170	0	190
Domestic Consumption	516	440	500	440	0	480
Ending Stocks	45	16	90	14	0	15
Total Distribution	3565	3503	3600	3367	0	3307

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