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Colombia

Coffee

Semi-Annual

2003

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Report Highlights:

Colombia's production reached 11.7 million 60-Kg bags in the October-September 2002/03 crop year, well above initial estimates due to excellent weather. Production is estimated at 11.8 million bags for the 2003/04 year. Exports are forecast to continue at 10.5 million 60-kg bags. Consumption is still low and recovery looks weak. Colombia continues to press for the U.S. to join the International Coffee Organization.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Bogota [CO1]
[CO]

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Executive Summary

Colombian coffee production is currently in a period of consolidation. Due to low prices, marginal areas are coming out of production. At the same time production is being modernized (through replacement of old plants) and made more intensive in the best producing areas (between 1,500 and 1,800 meters).

Colombian coffee production is estimated at 11.7 million 60-kg bags for the 2002/2003 marketing year, well above initial estimates due to excellent weather conditions. The forecast for the following 2003/2004 marketing year is for slight growth to 11.8 million 60-kg bags, if normal weather conditions prevail, largely due to modernization of production in the main growing areas. Domestic consumption is not expected to change noticeably during the next two years, although there is a trend for growing consumption of soluble (instant) coffee. Colombia's coffee exports are expected maintain their current level of around 10.5 million bags. Colombian government and coffee authorities continue to pressure for the U.S. to join the International Coffee Organization (ICO).

Production

Colombia's production reached 11.7 million 60-Kg bags in the October-September 2002/03 crop year. This production level is higher than previous estimates made by post due to extremely good weather, with dry periods to stress plants during the blossom period followed by good rain while the trees were growing.

The production forecast for the 2003/04 crop is for 11.8 million 60-kg bags. Production is expected to continue to be close to level of the previous year due to good weather thus far in the season and the renovation of old plantings. According to the coffee cooperatives, the main sales point for coffee producers, the renovation program for old plantings has now been completed on an area totaling 320,000 hectares.

Over the next three to five years, marginal production areas are expected to continue to leave coffee production and the more traditional coffee producing areas are expected intensify production. The total area planted is expected to continue to fall. An estimated 30,000 hectares of coffee came out of production during the two past years. These are marginal areas for coffee production located mainly in the lower altitudes of the coffee farms, which means low productivity and low quality. The coffee renovation program is only conducted and supported for the main coffee areas (located in the best altitude between 1,500 meters and 1,800 meters). Growers in these areas increased the density planted, which is currently calculated at 5,700 trees per hectare, up from 4,800 trees per hectare previously. Coffee plantations now have an average age of 5.5 years, down from the 7.5 years before the renovation program. Over the longer run, production under normal weather conditions is expected to be between 11.0 and 12.0 million bags.

Despite budgetary difficulties, the Colombian government will continue supporting the coffee renovation program until it reaches the target of 350,000 hectares (approximately half the current planted area). The program will be completed during this crop year. The support level for each tree renewed last year was 100 pesos (3.6 cents), which covers around 25 percent of the actual calculated cost of 400 pesos (14.3 cents).

An estimated 700,000 60-kg bags of specialty coffees were produced in Colombia last year. Local contacts estimate that this figure could reach 1.5 million bags in the next four years. Within this production, the area devoted to produce organic coffees has been increasing, although no estimates of organic production are available. There are over 50 registered

brands of specialty coffees in Colombia. These are currently estimated to have the potential export one million bags (an estimated 30 percent of the world demand for specialty coffees).

Consumption

Local coffee consumption is considered low when compared with other producing countries. Total coffee consumption decreased last year 6 percent due to the economic downturn. Soluble coffee consumption grew as a result of the coffee brand "Buendia" entering into the local market. This brand is manufactured by the National Growers Federation (FEDECAFE) and was previously sold only to external markets. Overall domestic consumption is expected to grow in the future because the improving overall quality of coffee sold on the local market and the strong marketing efforts of FEDECAFE in opening coffee stores in Colombia under the brand name "Juan Valdez". The purpose of these stores is mainly to give consumers the opportunity of tasting 100 percent Colombian coffee, as a part of marketing higher quality Colombian coffee.

Trade

Most of Colombia's coffee is produced for the export market, with 90 percent of last year's crop was exported. In commercial year 2002/03 (October – September), Colombia exported 10.48 million 60-kg bags, down 2 percent from 10.66 million 60-kg bags a year before. The U.S. market received 35 percent of the total exports of Colombia, which represents around 20 percent of the total U.S. consumption. Colombia exported to the U.S. 3.6 million 60-kg bags, twice as much as the amount exported to Germany its second largest market.

Stocks

The few last years Colombia has generally maintained between one to two million 60-kg bags as normal stock level. The stocks held at the end of crop year 2002/03 were 1.2 million bags and this is estimated to fall slightly to 1.1 million bags at the end of the 2003/04 year. Lower international prices and weaker finances at the National Coffee Federation have made it unattractive for growers to keep high inventories.

Policy

Colombia is pushing for the U.S. to join the International Coffee Organization (ICO). Colombian coffee representatives and leaders generally accept that the ICO will not be able to return to the previous system of international quotas, but they do hope that having the U.S. in the organization will help in marketing coffee, establishing minimum standards to remove low quality coffee from the market and improve the international rules covering coffee trade. Colombia is also working with the Association of Coffee Producing Countries (ACPC) to remove the supply of lower quality coffee. While some low quality coffee has been removed from the market, this has not had a significant impact on prices.

The coffee sector is considered to be strategic for Colombia due to the large number of families that depend on coffee production (an estimated 500,000 families). The Colombian Government currently provides supplemental payments when the price paid to growers falls below 300,000 pesos (\$10.50) per 125-kg bag. The current payment is 1,000 pesos (35 cents) per 125-kg bag.

Coffee exporters pay a compulsory check-off for each pound of coffee exported of 5 cents (142.5 pesos). This payment is shared between FEDECAFE (3 cents), which invests the funds in programs such as scientific research through CENICAFE (the center for research on coffee) and educational, social and infrastructure programs. The remaining 2 cents are given to the

National Coffee Fund (FNC). The FNC is managed by FEDECAFE with the goal of stabilizing prices paid to producers.

Prices

During 2003 prices, paid to growers have improved somewhat due to better international prices and devaluation of the Colombian peso early in the year.

Colombia							
Coffee, Green							
(1000 HA)(MILLION TREES)(1000 60 kg BAGS)							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2001		10/2002		10/2003	MM/YYYY
Area Planted	805	805	795	775	785	760	(1000 HA)
Area Harvested	650	650	650	630	650	620	(1000 HA)
Bearing Trees	2790	2790	2790	2850	2790	2800	(MILLION TREES)
Non-Bearing Trees	1030	1030	1030	1030	1030	1030	(MILLION TREES)
TOTAL Tree Population	3820	3820	3820	3880	3820	3830	(MILLION TREES)
Beginning Stocks	1618	1618	1393	1393	923	1207	(1000 60 KG BAGS)
Arabica Production	11950	11950	10900	11712	11800	11800	(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	11950	11950	10900	11712	11800	11800	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Roast & Ground Imports	80	80	95	70	95	80	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Imports	80	80	95	70	95	80	(1000 60 KG BAGS)
TOTAL SUPPLY	13648	13648	12388	13175	12818	13087	(1000 60 KG BAGS)
Bean Exports	10005	10005	9200	9808	9800	9820	(1000 60 KG BAGS)
Roast & Ground Exports	120	120	120	120	120	130	(1000 60 KG BAGS)
Soluble Exports	540	540	550	550	560	560	(1000 60 KG BAGS)
TOTAL Exports	10665	10665	9870	10478	10480	10510	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	1350	1350	1350	1240	1350	1250	(1000 60 KG BAGS)
Soluble Dom. Consum.	240	240	245	250	255	255	(1000 60 KG BAGS)
TOTAL Dom. Consumption	1590	1590	1595	1490	1605	1505	(1000 60 KG BAGS)
Ending Stocks	1393	1393	923	1207	733	1072	(1000 60 KG BAGS)
TOTAL DISTRIBUTION	13648	13648	12388	13175	12818	13087	(1000 60 KG BAGS)

Export Trade Matrix

Country Colombia

Commodity Coffee, Green

Time Period **Oct-Sept** Units: **60 Kg bags (,000)**

Exports for: **2002** **2003**

U.S. **3,634** U.S.

Others Others

Germany	1,872		
Japan	1,315		
belgium	627		
Canada	497		
United Kingdom	311		
Spain	250		
Italy	250		
Netherlands	249		
Sweden	237		
France	201		

Total for Others 5809 0

Others not Listed **1035**

Grand Total 10478 0

Import Trade Matrix

Country Colombia

Commodity Coffee, Green

Time Period Units:

Imports for:

U.S. U.S.

Others Others

Peru	30		
Brazil	21		
Venezuela	10		

Total for Others 61 0

Others not Listed

Grand Total 63 0

Prices Table

Country Colombia

Commodity Coffee, Green

Prices in **Pesos(,000)** per uom **125 Kg bag**

Year	2002	2003	% Change
Jan	277	328	18%
Feb	271	319	18%
Mar	296	299	1%
Apr	309	313	1%
May	284	314	11%
Jun	275	290	5%
Jul	265	318	20%
Aug	260	300	15%
Sep	303	308	2%
Oct	312		-100%
Nov	321		-100%
Dec	287		-100%

Exchange Rate **2,854** Local Currency/US \$

Date of Quote **7/11/2003** MM/DD/YYYY