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## **Guatemala**

### **Coffee Annual**

**2011**

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**Report Highlights:**

Coffee production for MY 2012 is forecast to remain at 3.88 million bags, slightly above the level of MY2011 production. Total bean exports are forecast at 3.67 million bags. Guatemala has positioned itself as a marketing leader with worldwide recognition for its specialty coffee. The United States continues as Guatemala's biggest export market, accounting for 46 percent of its total coffee exports, 3 percent down from previous year. The European Union (EU), as a block, is expanding considerably its purchase of Guatemalan coffee, accounting for 33 percent of Guatemalan exports. Guatemalan coffee exports to Germany increased by 34 percent. Japan follows as the third export market for Guatemala, holding 15 percent of the market share.



### Executive Summary:

Coffee production for MY 2012 is forecast at 3.9 million bags, slightly above MY 2011 production. Export volumes for MY 2012 are forecast to remain at 3.7 million bags. Guatemalan coffee is being marketed more as a specialty product rather than a commodity. The United States is still Guatemala's biggest customer, accounting for 46 percent of all exports. Japan follows and has maintained its share at 15 percent of total exports. After coffee gained immediate duty-free access to Taiwan under the Guatemala-Taiwan Free Trade Agreement, coffee exports to that country have been growing. Guatemala has positioned itself as a marketing leader with worldwide recognition. Alliances have been made to increase production and exports of high quality, certified coffee. The "Cup of Excellence", Guatemala's on-line Coffee Auction Program, has consistently received a meritorious recognition from the World Summit of the Information Society (WSIS). Domestic consumption has doubled in the past five years, through marketing strategies that involve coffee-soda beverages, internet cafés, and specialty coffee shops and restaurants. Guatemala's success as a coffee producer and exporter was evidenced by its hosting of the Third World Coffee Conference (2010), where the new marketing interactive electronic platform was launched, which allows the Google Earth map (through GPS technology) to bring closer international buyers to local sellers at farm level.

### Commodities:

Coffee, Green

### Production:

Post forecasts coffee production at 3.88 million bags, slightly above post's MY2011 estimate. Limited credit availability and the increase in fertilizer costs have undercut growth though the planted area was renewed in 4,000 Ha during the past 3 years, resulting in 23,000 new trees under production. Irregular rainfall patterns have affected bi-annual production output. Post also forecasts that exports for MY 2012 will be 3.67 million bags, as shown in Table 1.

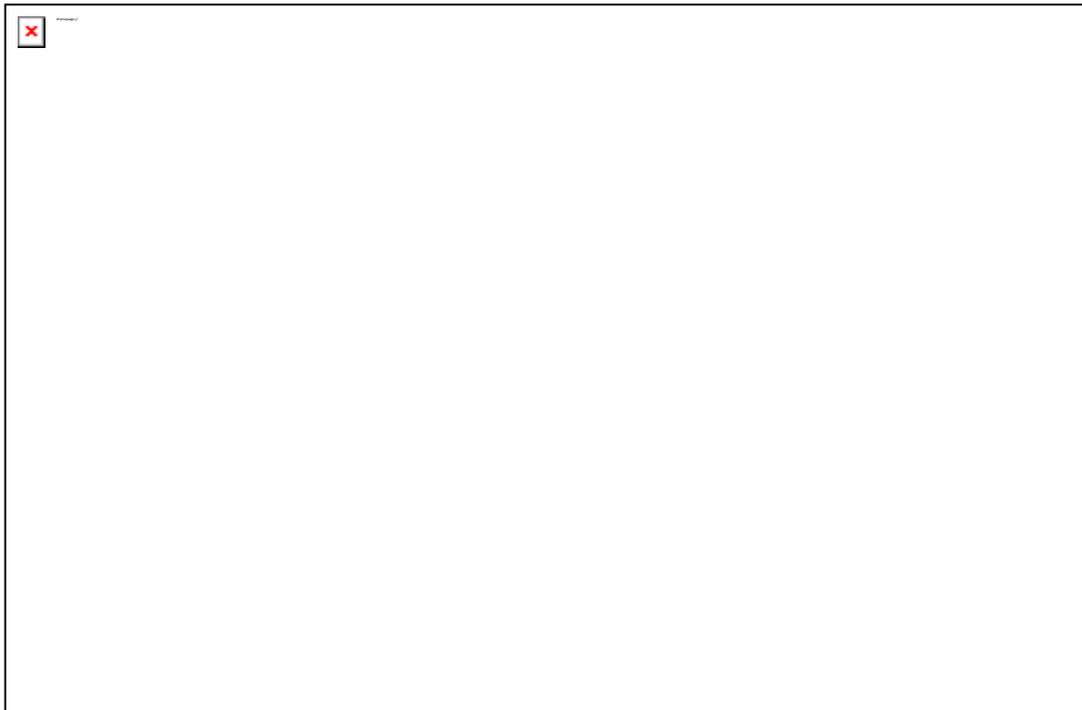
Table 1  
PS&D for 2010-2012

Coffee, Green Guatemala	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b>	272	272	0	280		280
<b>Area Harvested</b>	2,253	251	0	276		276
<b>Bearing Trees</b>	865	865	0	900		900
<b>Non-Bearing Trees</b>	95	95	0	72		72
<b>Total Tree Population</b>	960	960	0	972		972
<b>Beginning Stocks</b>	159	159	42	277		142
<b>Arabica Production</b>	3,900	3,992	3,990	3,863		3,870
<b>Robusta Production</b>	10	10	10	10		10
<b>Other Production</b>	0	0	0	0		0
<b>Total Production</b>	3,910	4,002	4,000	3,873		3,880

<b>Bean Imports</b>	0	0	0	0		0
<b>Roast &amp; Ground Imports</b>	3	1	1	1		1
<b>Soluble Imports</b>	165	158	175	167		170
<b>Total Imports</b>	168	159	176	168		171
<b>Total Supply</b>	4,237	4,320	4,218	4,318		4,193
<b>Bean Exports</b>	3,860	3,527	3,850	3,600		3,630
<b>Rst-Grnd Exp.</b>	0	1	0	1		1
<b>Soluble Exports</b>	0	30	0	35		37
<b>Total Exports</b>	3,860	3,558	3,850	3,636		3,668
<b>Rst,Ground Dom. Consum</b>	170	335	160	340		341
<b>Soluble Dom. Cons.</b>	165	150	175	200		150
<b>Domestic Use</b>	335	485	335	540		491
<b>Ending Stocks</b>	42	277	33	142		34
<b>Total Distribution</b>	4,237	4,320	4,218	4,318		4,193
1000 HA, MILLION TREES, 1000 60 KG BAGS						

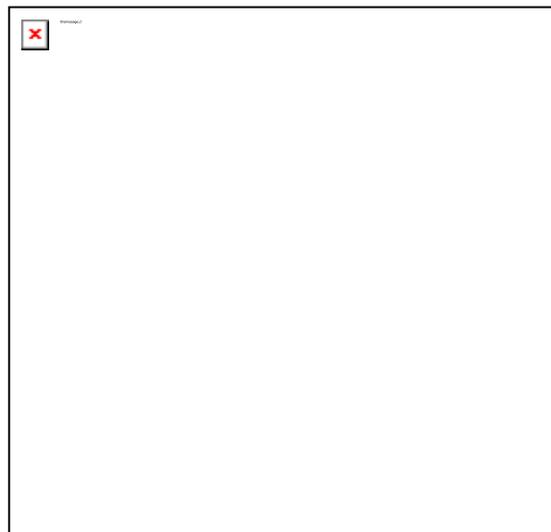
Though the production and export numbers have not varied significantly for the past 3 years, export values foreign exchange have increased significantly (18 percent) given international prices. Coffee exports generated \$580 million in 2009 and \$706 million in 2010, the first and second major export products in terms of values, respectively. Figure 1 shows historical production and export values of Guatemala's coffee.

Figure 1  
Historical Coffee Export Volumes and Values



Guatemala has experienced a very interesting change in coffee production over the last 30 years. In 1980, 20 percent of production was hard and strictly hard beans which are the higher quality beans that bring better prices in the market. The lower qualities, prime and extra prime, accounted for 80 percent of coffee production. Guatemalan coffee producers recognized the problems inherent in relying so extensively on lower quality product, so they made a strategic decision to focus on high quality coffee. By 2005, 80 percent of the coffee production was hard and strictly hard, while prime and extra prime represented only 20 percent. Although total coffee production has not increased significantly, the financial security of the industry has strengthened. Currently, about 80 percent of production is carried out on very small (less than 1 hectare), small (25-30 hectares) and medium sized farms (130 hectares), located in high altitude zones that produce hard and strictly hard beans. Out of Guatemala's 22 departments, only 3 departments are not producing coffee. Figure 2 shows the coffee production areas in Guatemala. The major production zone is the belt alongside the highlands in the southern part of the country. Coffee production in Guatemala provides incomes for 90,000 households, 45 percent of which produce in less than 1 Ha of land.

Figure 2  
Coffee production areas in Guatemala



Source: ANACAFE, 2011

### **Consumption:**

Consumption estimates for MY 2012 are 341,000 bags, a 2 percent fewer increase in consumption for the past two years. Coffee consumption in Guatemala is still 2 kilograms per person. The National Association of Coffee Producers, ANACAFE, is trying to increase domestic consumption by educating consumers on quality coffee and proper preparation, through strategic cooperation with the National Institute for Training (INTECAP) and the Guatemalan Chefs' Association. ANACAFE cooperated with Pepsi to introduce the beverage called "Pepsi Cappuccino." The increase of internet cafes, "McCafés" (part of McDonald's operation), and specialty coffee shops and restaurants, is further stimulating consumption. In the last two years, Guatemala has opened at least five new chains of specialty coffee shops and coffee restaurants. Café Barista and Cafe Saul have been the most successful ones. Both

Café Barista and McCafés offer drive-through services. Starbucks opened its first location in Guatemala in March 2011 located within a popular, up-scale commercial center in a Guatemala City suburb. Others coffee shops in the country include: &Cafe, Cafe Gitane, Cafe Saul, El Cafetalito, and Cafe Leon. Coffee shops have also been opened inside supermarkets.

Prior to 2005, Guatemala imported 20,000 bags of coffee beans, mainly from Costa Rica, and soluble coffee was produced domestically. Gourmet coffee was not readily available in the markets or supermarkets. Since 2005, there has been a shift from imported coffee beans to its complete substitution by soluble coffee, mainly decaffeinated coffee which comes from Costa Rica, the U.S., and Mexico. Imports of coffee extracts, essences, and concentrates have increased substantially in the past two years, especially those coming from Mexico.

**Trade:**

Table 2  
Export Trade Matrix  
CY2009-2010

Export Trade Matrix			
Country	Guatemala		
Commodity	Coffee, Green		
Time period	CY	Units:	60 Kg bags
Exports for:	2009		2010
U.S.	1,836,633	U.S.	1,590,316
Others		Others	
Japan	604,367	Japan	526,988
Canada	293,150	Canada	359,859
Germany	216,467	Germany	328,686
Other European Countries	722,933	Other European Countries	1,05,7032
Total for Others *	1,836,917	Total for Others *	1,544,219
Others not Listed		Others not Listed	
Grand Total	3,806,000	Grand Total	3,862,881
* Total others is Other than U.S.			

MY 2012 exports are estimated to reach almost 3.67 million bags, slightly above MY 2011 exports.

The United States is still Guatemala’s largest customer, accounting for 46 percent of all exports. Japan, Canada, and Germany are the next top export destinations. Japan has become a much more important customer for Guatemalan coffee, rapidly increasing its share from 7 percent in MY 2007 to 15 percent in MY 2010. In 2003, exports to Japan were roughly 250,000 bags and by 2010 exports to Japan reached 526,988 bags. The Japanese beverage firm Suntory, in cooperation with ANACAFE, developed the canned coffee product “Rainbow Mountain” which has been successfully sold throughout Japan. Guatemala signed a Free Trade Agreement (FTA) with Taiwan in 2005 that went into effect July 1, 2006. Under this FTA, coffee received immediate duty-free access to Taiwan. For CY 2010 exports to Canada and Germany showed a considerable upswing. Guatemala continues to seek new markets which demand specialty coffee.

**Stocks:**

Post’s updates estimate MY 2012 ending stocks reflect more recent information provided by ANACAFE.

**Policy:**

In 1990, the Guatemalan Government authorized a US\$100 million trust fund to assist coffee farmers during the price crisis. The trust fund has been managed by ANACAFE, and is operational for the years 2001-2016. The trust fund has provided financial assistance to coffee farmers at low interest rates. In addition, USAID and the Inter-American Development Bank (IDB) are supporting coffee farmers with loan programs to help them recover from the increased prices in fertilizers and agrochemicals. Guatemala's coffee efforts have also been recognized by the International Coffee Organization (ICO), which has provided the sector with US\$4 million to be used in their competitiveness program. ANACAFE has supported the initiative with an extra US\$2 million during this same period, for promoting crop diversification, industrialization processes, commercialization, loan restructuring, coffee maintenance and harvest. This recent financial support has allowed for coffee renewal of old areas every seven years. Additionally, Banrural Bank is also collaborating with ANACAFE to provide low interest loans for small farmers, which allow them to apply for international quality certification, including organic certification.

**Marketing:**

ANACAFE has a very active marketing program focusing on the high quality and the variety of its coffee. Consumer recognition of Guatemalan coffee is increasing, both through fresh hot coffee sales which take place in coffee shop chains such as Starbucks, as well as in ready-to-drink packages (either cold or hot) in Japan. ANACAFE's marketing strategy includes differentiating its various designated varieties by special colorful and easily recognizable packaging. Varieties include Rainforest Coban, New Oriente, Antigua Coffee, Fraijanes Plateau, Volcanic San Marcos, Traditional Atitlan, Highland Huehue, and Acatenango Valley. This approach was possible through the creation of coffee profiles based on geographic analysis of specific regions to ensure coffee traceability to origin for high valued sales. For more details, please visit [www.guatemalancoffees.com](http://www.guatemalancoffees.com), which has become a valuable platform to promote one-on-one proximity in between international buyers and local sellers. The website includes a coffee search system that can provide detailed information of the different farms, which can be enhanced through Google Earth maps, to learn about detailed characteristics of the farms and direct contact information. Figure 3 shows the different coffee regions in Guatemala.

Figure 3  
Specialty Coffee Regions in Guatemala



Source: ANACAFE, 2011

In February 2006, ANACAFE signed a strategic agreement with the Alliance for Sustainable Certified Products (formed by USAID and the Rainforest Alliance) to promote capacity building among producers interested in obtaining certification. Presently, Rainforest Alliance has certified over 8,500 hectares of specialty coffee. Rainforest Alliance certified products are sold to eleven European countries. Starbucks is also investing in the country carrying out corporate social responsibility projects in the coffee producing areas. Other buyers of Guatemalan coffee are UCC, Key Coffee, Boyds, Diedrichs Coffee, Mayorga Coffee Roasters, and others.

During the 2008 World Fair of the Specialty Coffee Association of America, Guatemala was selected as the “compass” that guides producers of gourmet coffee all around the world. This fair hosted more than 7,000 representatives from different countries.

Guatemala received a Meritorious Recognition Award from the World Summit of the Information Society (WSIS) for its Internet Auction Program for Guatemalan coffee known as the “Cup of Excellence”. This program started in 2004 and has expanded each year. In MY 2009, buyers paid up to US\$10.50 per pound for Guatemalan bourbon coffee. Guatemala has also won recognition in 104 coffee gourmet competitions as well as in the Roaster Guild Cupping Pavilion, which is promoted annually by the Specialty Coffee Association of America (SCAA).

In April 2011, the Premium Arabica coffee from Guatemala closed out at US\$331.35 per quintal (NY), even though the international average price had dropped 5 percent. Almost 80 percent of the 2011 harvest, which ends in September, had been sold by February. Costa Rica is interested in increasing its coffee imports from Guatemala, given the considerable decrease in its production.

INTERMOM OXFAM has promoted Guatemalan coffee as a fair trade product throughout Spain. The Japanese coffee chain, Tully’s Coffee, is promoting small cooperative production lots to be tasted in Japan.

Guatemala hosted the Third World Coffee Conference in February 2010, where a website portal with trade and marketing information was launched. One can access this portal at [www.washedarabicacoffees.org/index.php](http://www.washedarabicacoffees.org/index.php), where all Latin American washed coffees’ information is posted. A US\$250 annual fee is required to have access to the trade and production information. For the public, the website provides general information regarding soft washed coffees (characterization, geographical distribution, and processing description) and producing country profiles.

Local alliances are working together to increase Guatemalan sales of specialty coffee. In April 2011, “Multiinversiones Group”, owners of “Pollo Campero”, partnered with the highest quality coffee shop in Guatemala, Barista Coffee Shop, to open new markets outside Guatemala City. The new partnership is also interested in expanding the gourmet coffee concept in Guatemala to the rest of Central America.

**Production, Supply and Demand Data Statistics:**

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