

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 5/16/2010

GAIN Report Number: EC1003

Ecuador

Coffee Annual

2010 Ecuador Coffee Production Consumption Trade Arabica Robusta

Approved By:

Candice Bruce

Prepared By:

Henry Vega

Report Highlights:

Ecuador's coffee production is forecasted to increase slightly in MY 2011. Exports are expected to remain constant, and bean imports are also expected to remain steady. Ecuador is forecast to import between 600,000 and 650,000 bags of Robusta beans in MY 2011.

Executive Summary:

Coffee production for Marketing Year 2011 (April/March) will increase to 650,000 60-Kg. bags (Bags). This increase is the result of Government of Ecuador's programs to promote coffee production in rural areas as a development tool. Since 2005, Ecuador has renovated or added almost 12,000 has dedicated to coffee.

Ecuador's local consumption grows in accordance to population growth; however, recently consumption has increased due to a notable presence of specialized coffee retail outlets and aggressive advertising to promote coffee consumption. Domestic consumption is forecast at 199,000 bags in MY 2011, 94 percent of which is consumed as soluble or instant coffee. Coffee exports for MY 2011 are forecast at 1,170,000 bags, 60 percent of which are soluble and instant coffee products. In order to meet the industry's demand of Robusta coffee beans, in calendar year (CY) 2009, Ecuador imported 650,000 bags of Robusta beans, most of which enter Ecuador under a regime for industrialization and re-export. Ecuador's imports of Robusta coffee in MY 2011 are expected to range about 600,000 – 650,000 bags.

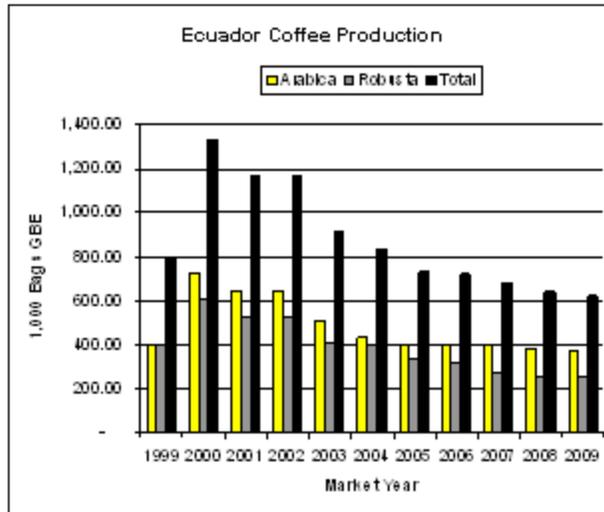
Commodities:

Coffee, Green

Production:

Coffee production in Ecuador will increase slightly to 650,000 60-kg bags green bean equivalent (GBE) on 197,000 harvested hectares in MY 2011. From 2002 to 2004 there was an average annual decrease of 4.8% in planted area. Starting in 2005, renovations of old plantations as well as small additions of new planted areas have taken place. Thus, 689 has were renovated or added in 2005, 1,736 in 2006, 1,910 in 2007, 2,830 in 2008, and 4,710 in 2009. It is expected that at least 4,500 has will be either added or renovated in 2010. The effects of the increases in renovations are expected to result in production increases starting in MY 2011. Renovations and increases in produced area respond to Government of Ecuador (GoE) programs to promote coffee production in rural areas as a tool for economic development. These programs have received significant support from international donors including the U.S. Agency for International Development. Adoption by farmers has been a limitation to the success of these programs and low yields, due to a lack of technology, and old plantations have encouraged farmers to switch to more profitable crops. Despite efforts by GoE and foreign assistance, an estimated 15 -25% of existing plantations are past peak production and need to be replanted with new varieties. Volatile international prices in the past also created disincentives for investments in new trees. However, steady and climbing international prices in the past two years appear to be having an effect on farmers. Nevertheless, production methods are traditional with most bean picking done by hand and there is usually no application of fertilizers. Eighty-five percent of Ecuador's coffee production is under this traditional and arguably inefficient system with average yields of 250 kg per ha. Only about 15 percent of coffee plantations are managed using technical or semi-technical approaches. These plantations have average yields about 750 kg per ha.

Ecuador has approximately 197,000 hectares of area planted with 179,000 hectares being harvested. A large portion (60 percent) of this area is also shared with other crops. Arabica coffee represents 60 percent of the total production and will reach 390,000 bags in MY 2011. Robusta production represents 40 percent and MY 2011 production is forecast at 260,000 bags. The proportion of Arabica/Robusta has remained stable in the last few years.



Areas planted with Arabica are distributed between Ecuador’s coastal provinces (for example: Manabí, 48 percent; Guayas, 8 percent, El Oro, 7 percent), the Sierra province of Loja (20 percent), and also in the Amazonian province of Zamora Chinchipe (4 percent). Areas planted with Robusta are located in Ecuador’s coastal provinces (for example: Los Ríos, 10 percent; Esmeraldas, 9 percent) but most of the plantations are in the Amazonian provinces of Orellana (30 percent) and Sucumbíos (26 percent).

Prices for Arabica decreased during CY 2009 by 2 percent on average compared to the previous year and averaged \$160 per bag while the average price of Robusta was \$88 per bag. Robusta prices declined about 24 percent. Since Ecuador’s production, consumption and trade is relatively small compared in the global market, decreases in prices are the result of overall lower world prices in CY 2009.

Consumption:

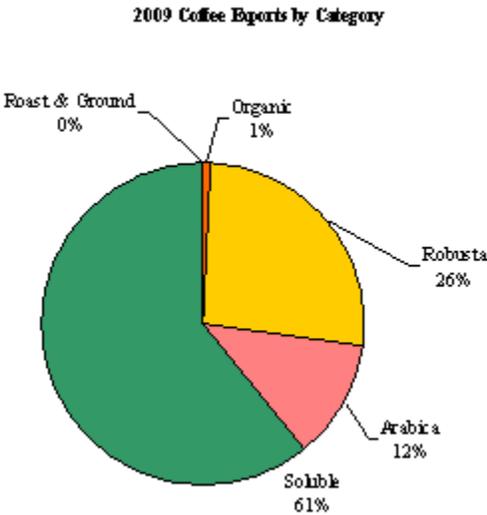
Domestic coffee use is forecast at 199,000 bags in MY 2011. Ecuadorians consume more soluble coffee than roasted and ground coffee. This consumption pattern is explained by changes in consumer habits over the past 25 years towards savings and ease of use. Overall, there has been a lack of coffee drinking although this has started to change with the presence of Colombia’s coffee franchise Juan Valdez. There are only two major coffee chains operating in Ecuador: Sweet & Coffee which has been operating in Ecuador for about ten years, and Juan Valdez which began operations in 2008. In addition, Cafe Velez is currently entering the roasted coffee niche market by using home delivery service and distribution through Ecuador’s major deli chains. Nevertheless, instant coffee has remained popular in Ecuador and several national and imported brands are represented in the market. A single Ecuadorian company, El Café (Grupo Noboa) has about 60 percent market share of the instant coffee market. Ecuador also imports, in small amounts, soluble and coffee essences from Colombia, Brazil and other countries.

The domestic industry produces large quantities of spray dry (instant coffee powder) and freeze dry (lyophilized or granulated) for both domestic consumption and for export. The local industry has an installed processing capacity of 1.2 million bags per year, and coffee imports are necessary to meet this demand.

Trade:

Exports of coffee and coffee products are forecast at 1,170,000 bags in MY 2011. Exports are driven by soluble and industrialized coffee and Robusta bean exports. These exports are not recorded in official statistics as they correspond to imported coffee that is re-exported as soluble coffee. The slight increase in exports reflects Ecuador’s Coffee Council (COFENAC)’s decision to allow more coffee imports into Ecuador for processing and re-exporting. In CY 2009, COFENAC authorized the importation of 650,000 bags. Exports of organic coffee beans have grown steadily and represented almost 9,000 bags in CY 2009. These beans are targeted at high-income international niche markets and for tourists and specialty stores in Ecuador.

The prevalence of Robusta exports is an important issue. Despite lower world prices for Robusta in comparison to Arabica, about 300,000 bags of bean exports in CY 2009 were Robusta. Robusta receives a higher price in the Andean regional market where it is used to make instant coffee in neighboring countries. Ecuador primarily exports Robusta beans to Colombia. In CY 2009, Ecuador exported almost 298,000 bags of Robusta to Colombia. Since consumers pay a premium price for Colombian coffee, its industries are willing to pay higher prices for Robusta beans than the Ecuadorian industry would pay locally. For this reason, Ecuador chooses to export Robusta beans to be marketed as Colombian coffee. This is also why the local soluble industry imports large quantities of Robusta (forecast 680,000 bags in MY 2011), primarily from Vietnam, that enters Ecuador under a special import regime.



Soluble exports, forecast at 700,000 bags in MY 2011, are expected to maintain their growth despite lower production and Robusta prices. In addition, the coffee industry has gained local and international markets for soluble coffee products, especially spray and freeze dried.

Export Trade Matrix

Country	Ecuador	
Commodity	Coffee, Green, in 60Kg Bags	
Destination	2008	2009
U.S.	26,327	66,084
Germany	208,969	187,835

Poland	162,773	135,850
Russia	163,177	159,849
U.K.	48,209	72,993
Colombia	65,105	348,745
Other countries	199,519	155,365
Total	874,079	1,126,72

Policy:

A not-for-profit, semi-private institution, COFENAC establishes Ecuador's coffee policy. COFENAC is the institution in charge of regulating the coffee sector.

Ecuador's Special Law of the Coffee Sector, published in Official Record 756, on March 20, 1995, provides a framework to promote and organize a modern coffee industry, deal with the fluctuations of international coffee prices, and provide loans through private banks at preferential interest rates for the rehabilitation, renovation, and maintenance of coffee plantations. The primary goal of the loans provided by COFENAC is not to increase planted and harvested areas, but to provide access to better coffee seedlings in order to improve quality and increase yields. COFENAC is currently implementing the second phase of a tree renovation project in several areas of Ecuador; the project involves the planting of 200,000 new trees nationwide. Specifically, COFENAC, sponsored by Ecuador's Ministry of Agriculture, has begun a project with the National Secretariat of Planning and Development (SENPLADES) to renew 50,000 hectares of coffee (50% Arabica, 50% Robusta) in eight years. The goal of this project is to recover Ecuador's coffee production capacity of the 1980s. Ecuador's 1983 Coffee Census reported that the planted area was 426,965 has.

COFENAC has obtained a direct credit line from Ecuador's Agricultural Development Bank (BNF). The loans finance the costs of establishing a plantation, purchasing supplies and building infrastructure. The loans are to be repaid in seven years with two-year grace period.

COFENAC also led a project aimed at identifying markets for organic and gourmet specialty coffee and encouraged consumption and production of these specialty coffees. Production and certification of organic and fair trade coffee are activities which are also being promoted. Ecuadorian coffee exporters to the United States and Europe usually have USDA organic certification as well as the European certification BCS Öko-Garantie. In addition, the Association of Coffee Producers of Loja has successfully certified several of its members under Fair Trade.

A salient policy issue for Ecuadorian producers and exporters is the definition of a position at the International Coffee Organization (ICO). Until 1989 when country members decided to abolish the quota system, the ICO determined the amount of coffee that each country member was allowed to trade in the global market. To some extent both producers and exporters believe that the return to the quota system under ICO membership could ease the situation of variable world prices and will encourage farmers to make new investments in the sector. However, there are concerns at the same time regarding the allocation of the quota to domestic producers and exporters. When the quota was in place, small producers and exporters were not able to compete with larger peers. In addition, the soluble coffee industry fears that the return of the quota system will increase the prices of beans, making the Ecuadorian industry less competitive in the international market.

Production, Supply and Demand Data Statistics:

Green Coffee, Ecuador	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Apr 2008			Market Year Begin: Apr 2009			Market Year Begin: Apr 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	191			197		197			197
Area Harvested	168			174		179			184
Bearing Trees	154			160		160			170
Non-Bearing Trees	12			13		13			10
Total Tree Population	166			173		173			180
Beginning Stocks	8			8		8			7
Arabica Production	379			371		382			390
Robusta Production	258			254		255			260
Other Production	0			0		0			0
Total Production	637			625		637			650
Bean Imports	310			300		600			625
Roast & Ground Imports	2			3		3			5

Soluble Imports	77			50		79			83
Total Imports	389			353		682			713
Total Supply	1,034			986		1,327			1,370
Bean Exports	179			175		436			450
Rst-Grnd Exp.	2			3		10			20
Soluble Exports	682			690		691			700
Total Exports	863			868		1,137			1,170
Rst,Ground Dom. Consum	7			9		9			12
Soluble Dom. Cons.	156			100		174			187
Domestic Use	163			109		183			199
Ending Stocks	8			9		7			1
Total Distribution	1,034			986		1,327			1,370
Exportable Production	474			516		454			451

Author Defined:

Coffee Prices in Ecuador, US\$ per 60Kg

Year	ARABICA <i>green</i>			ROBUSTA <i>husked beans</i>		
	2008	2009	% Change	2008	2009	% Change
Jan	151.5	135.4	-11%	m/a	96.6	#VALUE!
Feb	160.8	158.6	-1%	112.4	94.2	-16%
Mar	170.5	180.6	6%	n/a	86.9	n/a
Apr	165.3	149.5	-10%	145.8	87.1	-40%
May	153.7	211.9	38%	n/a	82.2	n/a
Jun	165.6	n/a	n/a	119.6	90.7	-24%
Jul	177.5	137.6	-22%	108.0	84.1	-22%
Aug	175.1	152.1	-13%	133.0	90.1	-32%
Sep	171.8	139.6	-19%	126.8	91.6	-28%
Oct	158.7	160.2	1%	109.8	84.1	-23%
Nov	138.2	159.9	16%	101.3	82.3	-19%
Dec	163.3	170.8	0.0	108.9	85.0	-22%
Average	162.7	159.7	-2%	115.1	87.9	-24%