

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date:

GAIN Report Number:

Ecuador

Coffee Annual

Ecuadorian Coffee Sector Continues to Bounce Back

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Report Highlights:

During market year (MY) 2017/18 (April/March), Ecuador's domestic bean production increased due to better than expected results in the recovery of old plantations and the addition of new cultivars. Production will increase further in MY 2018/19. Exports in MY 2017/18 increased significantly due to a recovery in the competitiveness of the processed-coffee sector. Germany and Russia were Ecuador's top two markets for its exports of soluble coffee products. Coffee exports will increase in MY 2018/19.

Executive Summary:

Ecuador's coffee production in marketing year (MY) 2018/19 (April/March) is forecast at 255,000 bags (60-kilograms per bag) on a Green Bean Equivalent (GBE) basis, up 50,000 bags or 24 percent higher than the MY 2017/18 estimate. FAS Quito is revising upward its MY 2017/18 coffee production estimate to 205,000 bags, reflecting a production increase of 21 percent compared to MY 2016/17 levels. Production has increased due to better than expected results in the recovery of old plantations and the addition of new cultivars starting to bear fruit. This development is expected to expand through MY 2018/19.

Ecuador's total domestic coffee consumption in MY 2018/19 is forecast at 217,000 bags GBE, up 5,000 bags or 2.4 percent higher than the MY 2017/18 (revised) estimate of 212,000 bags. Total domestic consumption is recovering from the slowdown in the Ecuadorian economy.

FAS Quito understands that Ecuador maintains coffee stocks of about 100,000 to 200,000 bags GBE. The government does not manage or warehouse these stocks. Local soluble coffee manufacturers, and smaller bean exporters storing beans while reaching a shipment size, are the entities responsible for these coffee stocks.

Ecuador's coffee exports in MY 2018/19 are forecast at 742,000 bags GBE, up 37,000 bags or 5 percent higher compared to the MY 2017/18 (revised) estimate of 705,000 bags. FAS Quito is revising upward its MY 2017/18 coffee export estimate to 131,000 bags GBE or 23 percent higher than MY 2016/17 levels. In MY 2017/18 Ecuador exported an estimated 132,000 bags of coffee (Arabica and Robusta) beans, 572,000 bags of soluble coffee (about 81 percent of total exports), and some 1,000 bags of roasted-ground coffee. Germany and Russia were Ecuador's top two markets for its exports of coffee products in CY 2017.

Imports in MY 2018/19 are forecast at 714,000 bags, up 26,000 bags or 4 percent higher compared to the MY 2017/18 (revised) estimate of 688,000 bags. The relevance of Ecuador's coffee sector remains tied to its soluble-coffee processing capabilities. Thus, it continues to import nearly as much coffee as it then converts it into soluble coffee to be delivered to foreign markets.

Commodities:

Coffee, Green

Coffee, Green Market Begin Year	2016/2017		2017/2018		2018/2019	
	Apr 2016		Apr 2017		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Ecuador						
Area Planted	200	200	200	200	0	200
Area Harvested	97	97	87	130	0	137
Bearing Trees	78	78	75	90	0	93
Non-Bearing Trees	75	75	75	70	0	67
Total Tree Population	153	153	150	160	0	160
Beginning Stocks	210	210	237	237	0	213
Arabica Production	70	70	85	95	0	135
Robusta Production	100	100	110	110	0	120
Other Production	0	0	0	0	0	0
Total Production	170	170	195	205	0	255
Bean Imports	575	575	460	625	0	650
Roast & Ground Imports	3	3	3	3	0	4
Soluble Imports	60	60	60	60	0	60
Total Imports	638	638	523	688	0	714
Total Supply	1018	1018	955	1130	0	1182
Bean Exports	89	89	100	132	0	140
Rst-Grnd Exp.	1	1	1	1	0	2
Soluble Exports	484	484	410	572	0	600
Total Exports	574	574	511	705	0	742
Rst,Ground Dom. Consum	37	37	33	39	0	41
Soluble Dom. Cons.	170	170	150	173	0	176
Domestic Consumption	207	207	183	212	0	217
Ending Stocks	237	237	261	213	0	223
Total Distribution	1018	1018	955	1130	0	1182

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

Crop Area

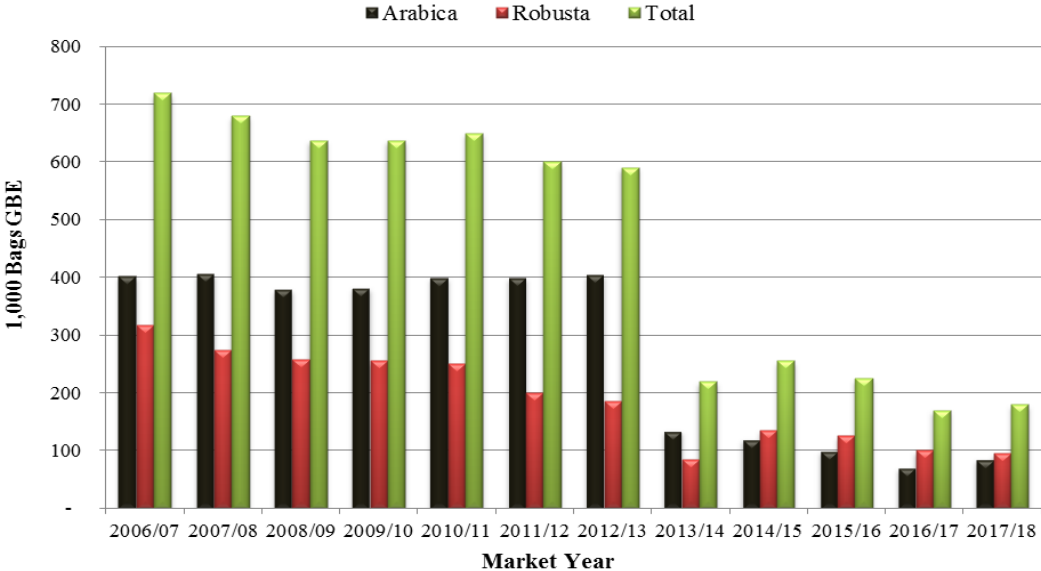
Total area planted has remained constant at about 200,000 hectares. The area harvested—137,000 hectares in MY 2018/19—is forecast upward from the previous marketing year due to increasingly new and pruned plots coming into production. Most of the coffee-cultivated area is in the hands of smallholders who rely on family labor for maintaining the crops and harvesting. As the younger generations migrate to urban centers and rural labor costs continue to increase, with rising coffee prices and a growing appetite for specialty coffees in the world market, there has been an inflow of new entrants of varied sizes. Intercropping and poly-culture are still common, occurring on at least 50 percent of total planted area.

Production

Ecuador's coffee production in marketing year (MY) 2018/19 (April/March) is forecast at 255,000 bags (60-kilograms per bag) on a Green Bean Equivalent (GBE) basis, up 50,000 bags or 24 percent higher

from the MY 2017/18 (revised) estimate. FAS Quito is revising upward its MY 2017/18 coffee production estimate to 205,000 bags due to a better than expected results in the recovery of old plantations and the addition of new cultivars. The expectation was for production improvements becoming evident in MY 2017/18. Production had been suffering for many years due to a lack of investment in rejuvenating plantations and new cultivars. Often, current cultivars are in need of complete renewals. At the beginning of CY 2018, farmers reported low presence of pests and diseases and favorable weather conditions.

Ecuador's Historical Coffee Production



Prices

Farmers in calendar year (CY) 2017 were paid on average \$289 per 60-kg bag of Arabica coffee, \$46 or 19 percent more than in 2016. Robusta coffee prices averaged \$91.66 per 60-kg bag in 2017. Farmers benefited from better prices in CY 2017 mainly due to increases in quality.

Price Table Ecuador, Wholesale Coffee Prices (\$/60 Kg Bag, Green Coffee)

Month	Arabica (green)			Robusta (husked beans)		
	2016	2017	% Change	2016	2017	% Change
Jan	192.60	264.35	37.3%	92.86	94.61	1.9%
Feb	192.60	264.35	37.3%	86.91	91.60	5.4%
Mar	252.91	264.35	4.5%	84.53	91.80	8.6%
Apr	247.62	287.58	16.1%	82.14	90.36	10.0%
May	261.38	290.38	11.1%	82.14	89.12	8.5%
Jun	261.38	296.76	13.5%	80.95	92.75	14.6%
Jul	258.21	290.58	12.5%	84.53	96.35	14.0%
Aug	258.21	291.04	12.7%	89.29	98.16	9.9%
Sep	248.68	286.23	15.1%	97.62	96.79	-0.9%
Oct	247.62	298.28	20.5%	103.57	93.71	-9.5%
Nov	248.68	314.82	26.6%	105.95	87.81	-17.1%
Dec	245.51	314.82	28.2%	102.38	76.91	-24.9%
Average	242.95	288.63	18.8%	91.07	91.66	0.60%

Source: FAS Quito Office Research

Fifty percent of coffee production occurs in the coastal provinces. The province of Manabí accounts for 30 percent of total production. The Amazon and the Sierra (mountain) areas account for 30 and 25 percent of the Ecuador's coffee production, respectively. Robusta coffee is planted in the Amazon, while Arabica coffee is cultivated along the coast. There are about 70,000 coffee farmers.

Inputs

Overall, Ecuador's coffee sector is a mix of domestic bean production and processing of imported beans for the soluble industry. Coffee is largely hand-picked in Ecuador; there is limited use of fertilizer and modern irrigation systems. Traditional cultivation accounts for 70 percent of the crop. Traditional bean production is in the hands of subsistence landholders who do not use fertilizers, pesticides, irrigation or contracted labor. The country's soluble coffee producers source raw material coffee beans from major Robusta producers such as Vietnam. The technology used by the soluble industry was developed mainly in Switzerland.

Yields

Yields are increasing and some modern producers are more often surpassing 200 kilograms (kg) per hectare. Yields in MY 2017/18 averaged 95 kilograms per hectare. The observed drop in yield per hectare is mainly the result of new cultivars that FAS Quito is accounting for in this report with low productivities. Yield estimates are forecast to increase in the coming years.

Average yields had been on decline in the last two decades. FAS Quito estimated an average yield of 105 kilograms per hectare harvested in MY 2016/17 and is forecasting an average yield of 112 kilograms per hectare in MY 2018/19. Increases in yields and area harvested are the result of new cultivars starting to bear fruit and the replacement of old cultivars with new ones which started in MY 2014/15.

Policy

Ecuador's 2008 Constitution stipulates that only public agencies can benefit from fees and special contributions set forth by public law. As a result, no organization other than a government entity could collect fees. Prior to this, Ecuador's Coffee Council (COFENAC), a public-private organization handling coffee policy and trade, was responsible of assistance to Ecuador's coffee sector, but it was fully disbanded in February 2015. The Ministry of Agriculture and Livestock (MAG) in 2015 assumed control over coffee policies and technical assistance programs. No fees or export taxes are currently being levied on coffee exports. MAG is currently assessing ways to continue promote production through technical assistance, pruning campaigns, provision of inputs and full renewals of old cultivars. Ecuador's Foreign Commerce Committee is responsible for authorizing imports of foreign coffee beans.

Consumption

Ecuador's total domestic coffee consumption in MY 2018/19 is forecast at 217,000 bags GBE, up 5,000 bags or 2.4 percent higher than the MY 2017/18 revised estimate of 212,000 bags. Total domestic consumption is recovering from the slowdown in the Ecuadorian economy. Real growth in Gross Domestic Product (GDP), according to the IMF, is expected to reach 2.5 percent in 2018 and further expand 2.2 percent in 2019. Ecuador's population is 16.2 million, growing at a rate of 1.3 percent per annum (U.S. Census Bureau – July 2017 estimate). Post estimates per capita consumption of coffee on a GBE basis at around 0.76 kilogram per person. Ecuadorians consume primarily soluble (instant or powder) coffee, preferences are, however, changing. El Café (Grupo Noboa) dominates the soluble

coffee market. The market is developing a taste for roasted-ground coffee. This is driven by a growing coffee culture accompanied by the opening of specialty coffee roasters and coffee outlets such as Café Vélez, Galletti, Cafecom, El Español, Sweet & Coffee, Isveglio, and Colombia’s Juan Valdez.

Stocks

Ecuador maintains coffee stocks of around 100,000 to 200,000 bags GBE. The government does not manage or warehouse these stocks as these are beans used mainly to produce soluble coffee. Therefore, domestic soluble coffee manufacturers, and smaller bean exporters storing beans while reaching a shipment size, are the entities responsible for these coffee stocks.

Trade

Ecuador exports beans and soluble coffee. The harvest of domestically-grown beans occurs between April and October. These beans are exported mainly from July to October. Imports of coffee beans for processing by the soluble industry, and exports of soluble coffee, on the other hand, occur year round. Ecuador’s coffee exports in MY 2018/19 are forecast at 742,000 bags GBE, up 37,000 bags or 5 percent higher compared to the MY 2017/18 (revised) estimate of 705,000 bags. Ecuador’s soluble industry seems to have recovered competitiveness and adapt to increasingly higher domestic production costs. FAS Quito has revised upward its MY 2017/18 coffee export estimate by 194,000 bags GBE.

Ecuador exported in MY 2017/18 an estimated 132,000 bags of coffee (Arabica and Robusta) beans, 572,000 bags of soluble coffee (about 81 percent of total exports), and some 1,000 bags of roasted-ground coffee. Germany and Russian were Ecuador’s top two markets for its exports of coffee products in CY 2016 and CY 2017. Imports in MY 2018/19 are forecast at 714,000 bags, up 26,000 bags or 4 percent higher compared to the MY 2017/18 (revised) estimate of 688,000 bags. Imports of soluble coffee in MY 2018/19 are forecast to remain flat at 60,000 bags, the same level as recent marketing years.

**Export Trade Matrix Calendar Years
2016 and 2017**

Country	Ecuador	
Commodity	Coffee, Green, in 60Kg Bags	
Destination	2016	2017
Germany	313,575	323,095
Russia	259,189	146,581
Colombia	26,499	51,129
Poland	79,271	33,371
United States	53,086	33,151
Turkey		18,247
Japan	19,266	17,735
Mexico	51,231	14,907
Other countries	119,056	56,928
Total	921,174	695,144

Source: Ecuadorian Association of Coffee Exporters ANECAFE

Ecuador’s statistics do not report data for coffee beans temporarily imported for processing into soluble coffee and subsequently re-exported. In monetary value, Ecuador exported almost \$102 million in soluble coffee products in CY 2017, with some \$74 million alone in shipments to Germany and Russia. Ecuador’s exports of green coffee were destined mainly to the United States, \$7.1 million out of a total of \$16.9 million in CY 2017.

Ecuador's Historical Coffee Exports

