

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Colombia

**Post:** Bogota

### **Coffee Update - Recovery Underway But Subsidy Crisis Looms as Farmer**

**Report Categories:**

Coffee

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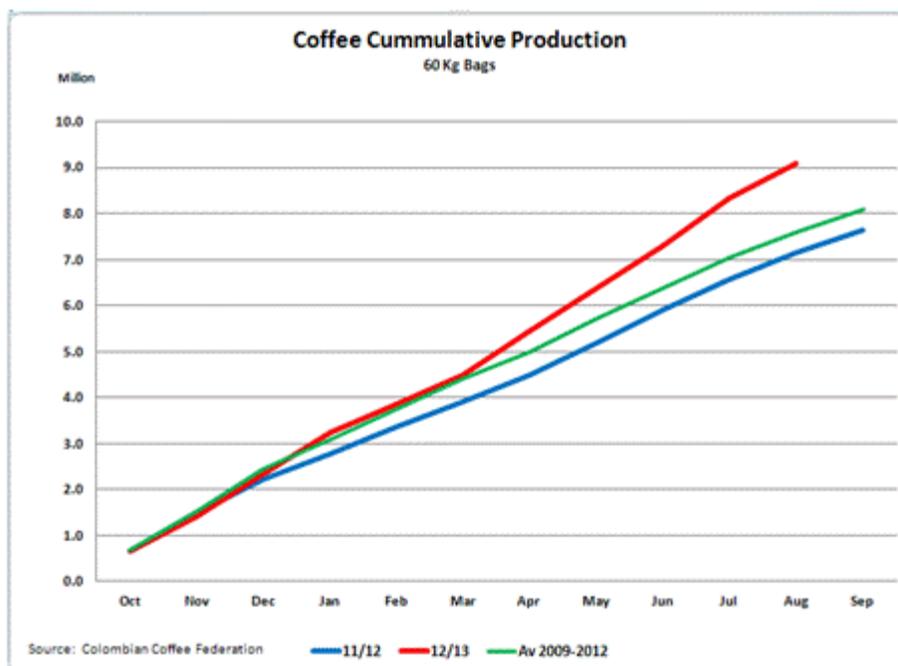
**Report Highlights:**

Post revises upward the estimate for Colombian coffee production from 8.3 to 10.1 million 60 kilogram bags (green bean equivalent) for marketing year (MY) 2012/13. Post is also revising upward MY2013/14 projections from 9.0 to 10.5 million bags. The production recovery is a result of the first harvests of rust resistant coffee varieties and favorable weather conditions.

### General Information:

Monthly production data from September 2012 to August 2013 are averaging 28 percent above figures from the same time period a year before. The coffee production recovery is a result of replanted hectares of rust-resistant varieties entering into production and improved weather conditions. Given the recovery, Post revises upward the estimate for Colombian coffee production from 8.3 to 10.1 million bags for MY2012/13. Post is also revising upward MY2013/14 projections from 9.0 to 10.5 million bags.

As of August 2013, Colombian production reached 9.1 million bags, 2 million bags above the total production of MY2011/12. Production is expected to well exceed 10 million bags by the end of calendar year 2013. The graph below illustrates the production recovery compared with MY2011/12 and the three year average.



In spite of the production recovery, Colombian coffee producers remain challenged by high production costs and low prices paid to producers. The internal coffee price recently hit a five-year low of US\$240 per (125 kilogram) bag in August 2013, creating difficulties for growers to break even. Colombia coffee farmers assess productions costs per *arroba*, a volume equivalent to 25 pounds. Typical production costs range from Colombian pesos (COP) 55,000 to 65,000 per *arroba*. Current prices paid to growers per *arroba* are about COP40,000 to 45,000 per *arroba*. This economic burden resulted in thousands of coffee farmers protesting and blockading roads in February and March 2013. The Government of Colombia (GOC) response was to partner with the Colombian Coffee Federation (FEDECAFE) and support coffee growers with a direct payment subsidy of COP14,500 per *arroba*. The GOC provides the funds to FEDECAFE, which are then distributed directly to the farmers who provide a bill of sale to justify the amount of subsidy given. The GOC has pledged to continue the subsidy into 2014; however, there have been allegations of fraud in the distribution of the subsidy with

farmers providing fabricated bills of sale or delivering contraband coffee from Ecuador and Peru as if it was harvested in Colombia. The first Colombian coffee harvests from January to June occur in the southern regions of Huila, Cauca and Nariño. The alleged fraud during the earlier harvests may have exhausted most of the entire subsidy promised by the GOC for 2013. While the GOC and FEDECAFE point fingers at one another about who is responsible for allowing the fraud to happen, the bulk of the harvest is underway in central Colombia with coffee farmers expecting to receive the promised subsidy. If the GOC and FEDECAFE do not act to supplement the funds for the subsidy, the funds may expire towards the end of October. This will likely result in coffee growers again taking to the streets in protest at a time when the GOC appears to have resolved the violent, nation-wide agricultural protests that ended last month.

**Trade:**

Post revises upward the estimate for Colombian coffee exports from 8.2 to 8.9 million bags for MY 2012/13. Post is also revising upward MY 2013/14 export projections from 8.9 to 10.4 million bags. Trade issues with a strong local currency may abate, as the GOC continues to manage monetary and fiscal policies that stabilize the strength of the Colombian peso in support of exports.

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

Coffee, Green Colombia	2011/2012			2012/2013			2013/2014		
	Market Year Begin: Oct 2011			Market Year Begin: Oct 2012			Market Year Begin: Oct 2013		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	780	780	780	0	780	780			780
Area Harvested	640	640	640	0	640	640			640
Bearing Trees	2,900	2,900	2,900	0	2,900	2,900			2,900
Non-Bearing Trees	1,070	1,070	1,070	0	1,070	1,070			1,070
Total Tree Population	3,970	3,970	3,970	0	3,970	3,970			3,970
Beginning Stocks	99	99	99	249	239	249			702
Arabica Production	7,655	7,653	7,655	7,500	8,300	9,953			10,900
Robusta Production	0	0	0	0	0	0			0
Other Production	0	0	0	0	0	0			0
Total Production	7,655	7,653	7,655	7,500	8,300	9,953			10,900
Bean Imports	1,050	1,000	1,050	900	1,000	600			700
Roast & Ground Imports	0	40	0	0	40	40			40
Soluble Imports	55	0	55	60	0	60			60
Total Imports	1,105	1,040	1,105	960	1,040	700			800
Total Supply	8,859	8,792	8,859	8,709	9,579	10,902			12,402
Bean Exports	6,675	6,523	6,675	6,500	7,400	8,100			9,900
Rst-Grnd Exp.	25	55	25	25	25	25			25
Soluble Exports	610	775	610	600	775	775			780
Total Exports	7,310	7,353	7,310	7,125	8,200	8,900			10,705
Rst,Ground Dom. Consum	1,000	900	1,000	1,000	900	1,000			1,000
Soluble Dom. Cons.	300	300	300	300	300	300			300

Domestic Use	1,300	1,200	1,300	1,300	1,200	1,300			1,300
Ending Stocks	249	239	249	284	179	702			397
Total Distribution	8,859	8,792	8,859	8,709	9,579	10,902			12,402