January 2016

Green Coffee Quality Report Review & Expectations

Brazil

Brazil would harvest a bumper crop this year, possibly the biggest in its history. On its first official forecast for the 2016/17 crop, CONAB, a public enterprise of the Ministry of Agriculture, pegged Brazil's next crop between 49.13 and 51.94 million bags, up by 13.6 % to 20.1 % percent on year. If we consider the average estimate (50.5 million bags), this may be the second largest crop in the country's history, slightly below the record crop of 50.8 million bags achieved in 2012.

The rainfalls in January were at or above historical averages in the coffee areas.

A substantial weather change is under way in Brazil that is expected to take all of the previously driest areas in the nation and make them wetter than usual. Conditions will get so wet that fieldwork will come to a halt and worry over flooding will evolve Rain frequency will be much too high for significant drying in some northern crop areas and the persistent rainfall that will be heavy at times will lead to significant flooding and some crop damage in low-lying areas.

Colombia

Colombia is reporting 2015 as the largest crop of this century at 14.175 mio bags, up from 12.140 mio bags in 2014.

The current market lows have halted coffee flow to the warehouses. Picking has mostly finished in main growing regions.

Rains are below average and remain an ongoing topic. Some areas especially in Huila and Cauca are already in a critical stage because water deficit comes from last quarter 2015, so there every new day without rain counts for crop losses. The center and the north, where anyway midcrop is much smaller can still afford another couple weeks of this weather.

Reports that El Niño will stay until March are of great concerns for all agricultural products as well as energy generation.

Costa Rica

Crop delays have been turned around, harvesting is now at its peak with excellent and concentrated cherry flow, expected to continue for 2–4 weeks. 69 % of the crop has been harvested already.

Honduras

Harvest almost complete in lowlands with good deliveries from the highlands.

The crop advance to date is estimated 55 to 60 %. Yields have been reported to be on the low side which might influence the total crop estimate and the initial number might not be reached.

Exports go at a similar pace as last year. Producers are worried about the high labour costs for harvesting which now counts for a substantial part of the total coffee prices.

Producers/intermediaries are reluctant to sell their crop and it is estimated that at this moment between 1 million and 1.5 million 46 kilo bags are being withheld by them. The largest part of these coffees have been placed in deposit with exporters.

It is being reported that contraband to neighbour countries and especially to Guatemala and Mexico is very strong this crop. Numbers circulating talk about 500 to 600 thousand 46 kilo bags already having crossed the borders.

Panama

The coffee crop got reduced from 200,000 to 100/110,000 bags 60 kilos so a 50 % reduction. This 15/16 crop is estimated at 100,000 to 110,000 bags 60 kilo each. Robusta is being grown in the Coclé and Veraguas Regions to fill up local consumption needs. Imports of coffee are allowed with a 75 % import tax in the beginning but recently have been adjusted to 30 % due to pressure from local roasters. Vietnamese coffee is being imported. There is no offer of the past usual coffee types such as SHB EP Boquete machine clean maximum 10 defects and no one cares any more about the New York market price and development. Sales are all performed on high fix prices required for the few brave producers to sustain their activity and their quality. Prices of $300+ up are the norm….so who cares about NYC "C"?? The climate has changed, so it is drier than before and coffee ripening is delayed 2 months from historic average. Local consumption of Panamanian coffee is estimated on 75,000 bags with imports of 40 to 50,000 bags, this results in a total export availability of 35,000 bags 60 kilos.

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Guatemala
Harvest is in full swing. Prices continue to firm up with reports of roya outbreaks, disappointing yields and supply concerns. The weather cloudy and wet resulting in difficulties for coffee drying process and triggering some fungal diseases.

The low coffee producing zones that produce prime washed coffees are now in their early flowering stages for the next crop.

Mexican buyers have been highly active in Guatemala, taking significant quantities of Guatemalan coffee into their territory, somewhat altering the commercial dynamics in our country.

Peru
It remains quiet on all fronts. Current price levels are not incentivizing middlemen to sell their remaining stock. Lighter than normal rain has been noticed in growing the regions. Farmers are fertilizing and renewing their certification licenses.

Nicaragua
In Nicaragua the prices stay firm, although exporters haven´t yet seen the massive purchases of Venezuelan importers, especially for SHGs.

El Salvador
Little activity in El Salvador, that exported only 16,399 bags in December, a 59 % less than same month last year.

Kenya
Weather is hot and dry with occasional showers.

The quality level has reached its peak, with decent volumes of consistently excellent coffees available in the main AA, AB and PB grades in the auction.

Parchment deliveries are ongoing and dry mills are operating close to full capacity, they will cease by end February. An acute shortage of railway wagons to pull cargo to Mombasa port has developed, causing some shipment delays.

Tanzania
Steady rainfall is received across the southern highlands while the north records some of the highest temperatures received so far this coffee year. Kigoma particularly has received above average rainfall and producers in the area are becoming concerned about the early signs of CBD.

Exporters estimate that about 10–15 % of the southern crop is still in the origin mills at this stage.

The government has confirmed that it will continue with the construction of a $10 billion port at Bagamoyo despite earlier reports that the project had been halted. The port is expected to occupy 800 hectares and will be the largest in Africa with capacity to handle 20 X more cargo than Dar-Es-Salaam port.

Ethiopia
Coffee areas are a bid dry due to El-Nino effect but it's still too early to get some reports about impact on coffees.

Sales of new crop washed coffees are still far behind historical numbers. By law Ethiopian exporters are not allowed to sell on differential basis and outright prices are far from buyers ideas. The Ethiopian government is running short in Foreign currency! How to pay the import side with the low coffee income? Coffee comprised of 84 % of all country exports and made up around 50 % of gross domestic product.

Uganda
Arabica: The Drugar flow has slowed down, as we are approaching the end of the crop. The fly crop is expected to begin in April/May. The cherry flow in the Mt. Elgon region slowed down with fierce competition for the volumes available. The weather in the area of Mt. Elgon was cold but dry which helped the farmers drying the remaining coffee while the crop reaches its end.

Robusta: Robusta crop has been harvested and now sits with farmers and middlemen. Field reports also witness coffee being held back by farmers in a hope for price recovery. Dry weather contributes to improved quality which in turn results in lower levels of under grades in production output.

China
Exporters and middlemen were happy buyers at the beginning of the week but suddenly turned quiet due to dropping terminal market levels. Quality seems to be a problem due to the bad weather conditions during the drying period of the last few weeks.

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PNG
Green bean arrivals have come to an end from all Highland regions. All local coffee activity remains very subdued. Farmers have not yet begun harvesting and most wet mills are closed and/or in maintenance and preparation for the up-coming season. Wet conditions prevail throughout the Highland regions. In line with the traditional wet season the Highlands have regular afternoon and evening rains.

India
The Arabica harvest is almost over for this season. The majority of the coffee is still with the farmers/middle man.

Due to the Pongal harvest festival in the Tamil Nadu region and a religious festival in Karnataka many operations have been closed down for several days in January. Robusta harvest is full swing and currently about 45 % is harvested. After stocking up new crop for weeks, farmers ran out of storage space forcing them to start selling.

With both terminal markets coming down substantially, the replacement cost for both Arabica & Robusta shot up to crazy levels. Washed Arabica is getting traded at price equivalent to +45 for Plantation A and unwashed Robusta at a price equivalent to +300 for Rob Cherry AB.

Vietnam
The weather is fine and the harvest has been completed. Farmers continued liquidating their new crop stocks, which exporters estimate as about 20 % being sold so far. Gia Lai farmers are the most active in the market, while other provinces are selling gradually. The weather gets a little crazy in the coffee regions of Vietnam. The North is too cold whereas the south is too warm. Actually the farmers are busy in the fields with some kind of 1st or 2nd irrigation.

Indonesia
Rains have been helping lately to improve the situation for the next crop but the situation needs to be monitored. The current crop is finished and limited amounts of coffee are only available at high prices. The Indonesian industry shows interest for coffee like Vietnam and West African origins.

Various
The US Department of Agriculture (USDA) has revised its forecast for world coffee con-sumption in 2015–16. After looking at the data and getting out the crystal ball, the group has raised its original prediction upwards and is now of the impression that we could drink our way through a record 148.3m bags of coffee. This increase was fuelled by an expectation that USA & Japan would see their annual consumption rise this year.

Nestlé is getting into the coffee-shop business. After opening a Nespresso café in Vienna, Nestlé plans to open a coffee-shop chain in Mexico.

As per official sources, Starbucks Corp has locked their prices on more than 90 percent of its coffee needs for 2016.

Tea drinking United Kingdom is turning into Coffee Drinking Britain. With 21,000 coffee shops in England (double than a decade ago), and sales up 10 % this year, Costa, Starbucks and Nero own more than 50 % of the market.

Sales of single serve coffee in the US increase 18 % in 2015, highlighting the importance of this market in the US, where it represents already 7.5 % of the total sales.

Sources: Flavour, Volcafe, Atte, Taylor Winch, ICONA

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