

Green Coffee Quality Report Review & Expectations

Brazil

Light frost has taken place in Cerrado and South of Minas in the middle of the month. Surprisingly the temperatures did not reach zero degrees (stayed between 2 and 3 degrees) but the winds spread the cold air and reached isolated areas. Fortunately it was not a classic frost as atmosphere was not humid and an erratic coverage. The farms hit by the cold air had leaves (mostly young trees) damaged. Photos of brown farms circulated and TV GLOBO broadcast showed the areas damaged, confirming the event. However affected areas all together do not represent any sizeable part of the whole Brazilian coffee areas. According to local sources the damage for the next crop should be between 300.000 bags and 1 million bags. Although 1 million bags are not negligible, it is a small number considering the potential of Arabica production of about 40 million bags.

According to IBGE total crop shall be 1.6 % less than their previous estimate of 49.9 million bags due to drought in Espirito Santo. They revise the Conilon production in Espirito Santo to 5.27 million bags in line with local producers and exporters. Indeed there are estimates as low as 4.5 million bags. Local sources are also alerting for the low 2017/18 potential crop as trees did not develop as they should therefore potential production shall be affected.

According to local wire news, Safras & Mercados, the dry weather helped farmers to accelerate their harvesting activities. As of August 2nd, 76 % of the total crop were already picked/harvested, being 69 % of Arabicas. Conilons harvest is 100 % finished. Total Arabica quantity so far harvested is close to 30 million bags, an impressive volume done.

Semi washed coffees are not yet available; mainly coffees from Bahia with a delayed crop.

The government decided to sell via auctions half of their remaining coffee stocks to attend local roasters request, heavily affected by the Conilon shortage and current high, low grade prices. An agriculture ministry official informed that their total stocks range at almost 1.5 million bags of older crops, although not any large volume but at least can help reducing the supply stress of local industry.

Group 1 Arrivals of new crop are improving with cooperatives reporting to receive big volumes daily. However producers don't seem to have any hurry to sell.

Group 2 The flow of Rio coffees into the local market was very slow for this time of the harvesting. The cherries hit by rains during June have been left behind (most of them were not collected yet) whilst the latest arrivals are almost all Group 1 cup quality style. Indeed even the Duro/Riado/Rio cup qualities are fetching high premiums over Rio soft or Rio Minas standard qualities. So far the volume of Rio Minas coffees to attend the Group 2 market is rather frustrating.

At the end of the month the Rio Minas volume was improving especially in the South of Minas. Producers and cooperatives usually offer their Rio cup profile while Zona da Mata producers do the opposite by offering firstly their Good cups/light rioy coffees.

Conilon Extremely firm and tight market in spite of harvesting is virtually finished. Argentinian buyers for instance skip Conilon completely in their blends, using Rio Minas small beans instead.

Colombia

The weather continues to be favourable for new crop development. The trucker's strike has come to the end after 45 days that has delayed the shipments of almost 800.000 bags. The milling plants are stocked with coffee ready to export, so, first, this needs to be cleared before they can receive more parchment for processing.

Costa Rica

The first ICAFE crop estimate for 2016/17 was pegged at 1.59 million bags. This is 7.1 % less versus previous crop. ICAFE announced its intention to lift the Robusta prohibition. The weather remains favourable with positive outlook for new crop in most regions.

Honduras

Quiet on all fronts. Weather conditions remain beneficial. More early picking has been reported in the low lands. Producers attribute this phenomenon to the climate change, which is felt strongly right now.

Guatemala

The flow of coffee has come to a standstill and producers focus on their farming activities. Rains have been a bit choppy and some regions with no rain at all, which is not ideal for the coming crop. The current rains in the Orient were a big relief to the producers.



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Peru

A bullish, competitive market speeded the flow of good quality lots throughout all regions bringing back hope to producers waiting to sell their stockpiled coffee. Broca continues to impact quality in most areas. Heavy rainfall hinders drying activities in the North.

Very good demand for prompt shipment, in order to replace Colombian delays. The harvest is at its peak in the high altitudes, quality is improving. Reduced precipitation throughout the coffee areas. The crop is now in full swing and quality looks promising so far.

El Salvador

El Salvador exported 47.766 bags of coffee in June, compared to last year's 61,262 bags. On the 15/16 crop year exports are down already 33.5 %, or 358,519 bags, comparing to 2014/2015.

Ethiopia

Saudi traders are back in the external market scooping up any available Lekempti. Unwashed quality at origin has to be monitored very carefully due to the rainfalls during harvesting. All signs point to a bigger 16/17 crop, exporters should have a better idea once harvesting commences in September.

Mexico

Very little activity. The 2016/17 crop is developing well and exporters remain very optimistic, mainly in the Puebla and Veracruz region. Overall the Mexican crop will increase from 2.4 to 2.95 Mio bags.

Nicaragua:

June exports have been healthy again (+17 % compared to June 2015). Exporters cleaning their warehouses before new crop which will come a month earlier and with good volumes.

Kenya

New crop parchment is starting to arrive at dry mills in bigger quantities with the onset of sunnier weather. The auction on the 9th. of August should contain bigger volume of new early crop.

Due to cold and cloudy weather, drying of the fresh coffees has been delayed. Sunny weather should be however ahead and the situation is expected to normalize soon. A lot of focus is actually put on the marketing reforms proposed by the Kenyan government which would cause a lot of headaches for exporters.

Tanzania

Auctions are likely to resume early August. The harvesting is well underway with parts of the south approaching the peak. The lower areas in the north are also in full harvest with generally satisfying volume and quality. The weather continues to be favorable for drying with lots of sunshine and warm daytime temperatures.

Uganda

Arabica Volumes in Mbale are slowly picking-up as we move from the fly crop to the beginning of the main crop in mid-August in the lower areas. Drugar at a standstill, we are still one month away from the new crop. Although rainy weather in Mbale has slowed down the drying. The upcoming crop on the trees is looking healthy.

Robusta Continued dry weather is helping coffee to flow, however, total volume still low as the crop is down. The Western crop is over. Being in the off-season, in the meantime, cherries continue to develop nicely.

The ministry of food of Russia has banned the import of fruit, vegetables and flowers from Uganda since July 7th. because of concerns that prohibited products may be supplied from this country to Russia. The ban refers also to importation of Uganda Robusta and Arabica coffees, shipped from origin or via third countries.

India

Rains in the coffee areas have been beneficial for next year's crop. Exports remain strong and are up 19 % versus the first 7 months last year. This year's Robusta exports are up 22 % driven by strong RC demand (+32 %), Parchment quality exports are down by 21 %.

Indonesia

The Ramadan month.

PNG

Harvesting is completed in most areas in the highlands. Intermediary suppliers are all busy purchasing and transporting parchment from outlying areas. The Morobe Province on the other hand is now getting busy. Farmers and intermediate agents queue sometimes for days waiting for machine capacity. Fortunately, the dry weather takes some pressure off the overloaded mills.



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Vietnam

Despite some sunny days, the weather in the central highlands remains rainy and cloudy overall. Rains are still 30 % behind schedule and the first storm hit the country late in the month.

The wet weather has been beneficial to the good development of the crop. Rainfalls in July actually exceeded the long term average for the month. Exporters are nevertheless calling the upcoming crop down by approx. 15 %, as the drought that took place in May-June of this year caused some irreversible damages to the trees.

The Central Highlands province administration of Lam Dong will help local farmers to replace aging trees on an area of 650 hectares including 565 hectares of robusta coffee and 85 hectares of Arabica coffee. To this aim, local authorities have allocated the sum of 3.8 billion VND (US\$170,400). The money will be used to subsidise 60-80 percent of the prices of coffee seedlings.

Various

Dunkin' Donuts is expanding to cater for those who prefer their coffee cold, announcing that cold brew coffee is now available at participating Dunkin' Donuts restaurants in the Metro New York and Los Angeles markets.

Italy's Massimo Zanetti, which owns various coffee brands including Segafredo, will buy portuguese Nutricafes from two private equity firms in a deal that values the group 74.5 million euros (\$83 million), it said on Tuesday. The acquisition of Nutricafes, the third largest coffee group in Portugal, will allow Massimo Zanetti to reach a total market share of 14 percent in the country.

Coca-Cola has announced plans to sell a line of gourmet roasted and ground Arabica beans in Brazil under the brand Café Leao. While it is well known as the world's largest coffee producer, Brazil is also the second-largest consumer of coffee in the world, after the USA.

Sources: ECOM, Volcafe, Atte, Flavour, ICONA



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