August 2016

Green Coffee Quality Report Review & Expectations

Brazil
According to local wire news, Safras & Mercados, as of August 30th, 95% (91% previous week) of the total crop were already picked/harvested, being 94% (89% previous week) of Arabicas. Conilons harvest already finished. With the harvest almost finished, the focus is now the flowering that showed up at the end of the month. After the good rains of last week in Paraná, Sao Paulo and Sul de Minas. At Zona da Mata it is also about to occur. The flowering was not so abundant and beautiful what is normal due to the big production of Arabica at these regions this year.
Very occasionally temperatures have dropped substantially and even reached freeze levels in some high lands. There was a frost alert for some coffee areas but the meteorologists did not call them strong enough to cause damage.
Exportadora Guaxupe estimates 2016/17 crop to be at 56 million bags. Although it is too early to access 17/18 crop size, they expect next crop to be smaller than 16/17 due to natural bi annual low cycle.

Group 2 Rio Minas volume is 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 first their good cups/light rioy coffees.
Local medium size roasters practically abandon Conilons on their blends. They are much more flexible than bigger roasters which cannot afford to keep using Conilon on the blends, either because of the fierce competition and fears to lose market share or even due to limited low grade/Rio Minas availabilities.

Conilon In north of Espirito Santo only light rains have occured but they were not long enough to trigger flowering on the Conilon trees. Indeed the flowering there is already late and can be an additional problem for buds fixing. Usually Conilons are one month ahead of Arabicas.

Colombia
The dust after the Truckers strike slowly starts to settle. Colombia is actually between crops. First beans of the main crop are flowing into the pipeline. Timely rains are helping final development of main crop, now some 3 weeks away. Peace negotiations dominate the headlines with the gov-ernment hoping to finalise an agreement with the FARC guerrillas to try to end over 50 years of internal conflict.

Honduras
Hurricane Earl passed by with almost no impact on the coffee park. The crop looks good and it still looks like the crop is about 1 month earlier than usual. The new crop 16/17 is being expected to be larger in size due to the favorable weather conditions throughout and the new plants coming into production this year also. Many areas (low growns) are already being picked. Due to last year's dry climate during the summer months, bad yields continue being reported. The government has lifted the local selling tax (~15%) from the agri-sector bringing some financial relief.

Costa Rica/Nicaragua
Reports show that the weather/rain pattern (accumulative milliliters up to today) has been much better than past 2–3 crops, however the weather is kind of choppy/unstable with long dry periods of 2 weeks even though we are soon to approach the two rainiest months of the year September & October. Diseases like Roya and Broca are well controlled. The new crop should be available by Dec.16/Jan.17.

Guatemala
Some first harvestings were reported. Hurricane Earl brought welcome rains to all producing areas and producers step up protection against Roya and other diseases. The harvest has now started in the lowlands whilst all other areas are about to start soon

El Salvador
El Salvador, hardly hit by Roya, has suffered now two years of adverse weather and poor coffee productions. This is pushing many farmers away from coffee into cocoa, easier and cheaper to produce, and with good prices in the international markets.

Mexico
Mexico coffee production was now pegged at 2.8 million bags, from a previous estimate of 3.9 million bags, it said in a monthly report. "This is attributed to the more severe than anticipated impact of coffee leaf rust, which has aggressively reduced output by more than a third since 2012/13," the ICO said.

Peru
About 80 % of the Central and North eastern coffees have been picked. Cajamarca harvesting is currently at its peak. Availability remains good and the demand calmed down again as the Colombia situation normalizes. Persistent rainfall slightly hinders sun-drying in some high altitude areas. Very dry weather continues to affect lowlands.

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Ethiopia
Quality issues continue. The delivery of coffee to the ECX warehouses around the country is being hampered by unacceptable high moisture levels due to the rainy season. Changes are expected with the end of the rainy season from mid-September onwards.
Ethiopia earned approximately seven percent less from its exports in 2015/16 than it did in the previous fiscal year, though the country actually exported more commodities in terms of volume.

Kenya
Quality is improving as nice early crop coffees find their way to dry mills. The weather continues cold with shy sunshine intervals across most regions.

Tanzania
Producers are generally eager to use the results from this session as a guide for making their milling and selling decisions. In the meantime, the prevailing sunny conditions continue to support parchment drying with deliveries into various dry mills advancing at a steady pace. The weather in Mbinga has seen some widespread rainfall, while Mbeya and the northern regions remain cool and dry. Activities at most wet mills in Mbeya has come to an end while higher elevated wet mills in the Ruvuma region (Mbinga) remain active what may be the last 15 percent of the crop. All dry mills work at maximum capacity as producers push to quickly get their parchment milled and delivered into auction.

Uganda
Arabica The Kasese region has seen good rains and looks for the harvesting to start early September. Harvesting in Mbale is slowly picking up. Volumes are still very limited but first cup profiles look promising. The Mount Elgon area is picking up, the cherry flow from the lower regions is slowly gaining momentum. Drugar harvesting is slowly beginning but main harvest to start in September.

Robusta Off-season with various players closing their buying stations for a few weeks due to the lack of coffee flow. The western crop has ended and the market is at a standstill. The weather has been rather dry but should change in the next weeks. There are news from Uganda regarding a wide-spread threat of twig borer beetle, that could negatively affect the development of the Robusta areas for next crop.

India
The Indian Government agreed to merge the state & central level Goods and Services Taxes (GTC) to one national GTC rate. Coffee was currently exempted from the Central level tax. This means an increase of capital requirements for exporters as the tax on exported coffee can only be refunded by the end of the year. With still 4.5 months to go till the start of the harvest, availability of the cherry qualities has strongly reduced thereby pushing up the RC prices rapidly Farmers are sitting on about 10% of the crop, hoping for higher prices as they expect good demand coming up.
Rainfall is below seasonal average on all coffee regions. Coffee Board's post-blossom forecast for 2016–2017 crop shows a decrease of 8% over 2015–2016 crop, reduction is mainly in Robusta. The decrease in crop is accepted mostly by all players while quantum is still debatable, something firm info can be expected by this month-end as reports vary from 10% to 25% reduc-tion. The weather continues to be cloudy with intermittent showers in growing areas. Substantial water shortage is reported in the reservoirs and they desperately need some rains in the next weeks to have some relief for the people of Karnataka. Washing of Robusta could be a concern due to water shortage. Whatever water is available in the estates will be used for timely irrigation as a priority.
The long drought of about 4 months definitely has had a negative impact on the soil moisture, plants, etc. Even though the dry spell had its effect on the coffee crop setting, the following factors will make 2016/17 crop really challenging:
The crop looks good or slightly more in about 15–20% the farms which have an irrigation facility, who could afford 2–3 rounds of back up irrigation, here the crop could increase by 10–15%. In around 50% of the Robusta farms with thin shade, which had water for only blossom and 1 time back up, the crop could be down by 15 to 20%. In around 30% of the farms which did not irrigate at all and got the blossom rains during 1st week of May, the crop could be down by 30–35% (loss minimized due to the shade trees). Due to the menace of stem borer in Arabica, since 5 to 10 years many Arabica estates in the lower elevations have been converted to Robusta, the yield of which are peaking. That is off setting the crop loss in Robusta during recent years and the same will happen with the coming crop also. That is the reason why Robusta production figures get revised every year, once or twice. The Coffee Board of India is yet to do a survey and estimate the change in area from Arabica to Robusta.

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Indonesia
Local prices did not move as the crop is late and the local industry is replenishing the stocks until next crop. With harvesting at full swing the main bottleneck was the drying as rains hampered this process heavily.
July Robusta coffee exports from Sumatra (12.350 tons), dropped 66% reflecting drought damage from last year's El Nino event. According to the latest government data, exports from Indonesia in May were are 21,000 tons, well below the 5-year average of 34,000 tons. The USDA has forecasted Indonesian exports across 2016–17 down 18% year on year, with the worst of the effects seen in Sumatra.

PNG
Most processing facilities are operating at full capacity and warehouse space is at a premium. Good volumes of parchment continues to arrive from the Southern and Morobe Province. Arrivals from other provinces are slowing slightly. Exporters have seen regular afternoon and evening rain which triggered a sizeable flowering in the Eastern and Western Highlands. Harvesting is complete in most regions.

Vietnam
Local suppliers are relaxed as they liquidated large parts into the rallies. Upcountry stocks are getting low and what is left is used for speculations. the stormy/rainy season started with every day rain but it must be much more to fill the reservoirs. Arabica coffee of the new crop will be har-vested next month.

Various
More consolidation in the coffee industry, this time in the North American market. After having acquired coffee and water distributor DSS for 1.2 billion USD two years ago, **Cott Group,** a private label drinks giant, has acquired S&D coffee for 355 million USD. S&D is a premium coffee roaster in the US, specialized on the food service market, with clients like McDonalds, Dunkin´ Donuts and Krispy Kreme, with a turnover of 550 million USD.

German giant **Tchibo** has acquired Scottish roaster Mathew Algie, UK´s leading independent roaster, specialized in sustainable coffee.

The local market in **Vietnam** has been shaken in the last couple of months over coffee adulteration. A recent study by the Vietnam Standard and Consumers Association found that, in 30% of the coffee sold in Vietnam there is very little caffeine, a clear indication that there is little coffee in the coffee... So, at a ceremony last month in Hanoi, attended by Government officials and the media, Vinacafé Bien Hoa was the first coffee manufacturer to sign the memorandum, followed by Nestlé, to pledge to state full, honest and clear information about the ingredients they use on their labels and packages, and not to use banned chemicals and additives.

Tim Horton´s, Canadas famous coffee shop chain, is planning its move into the European Market, starting in the UK.

Ecom expands coffee trading to $1.9 Billion Italian market. The company will open an office in Genoa.

While Italy still has many small coffee companies, roaster **Luigi Lavazza SpA** had the largest market share with 37 percent last year, Euromonitor said in a February report.

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

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