Green Coffee Quality Report Review & Expectations

Brazil

It rained quite a lot over all coffee areas with the amount of rains above the average for the period. More rains are forecasted to fall. Since the start of raining season, almost all coffee areas got enough rain with some areas receiving more than the average for the period. Soil moisture levels are high. According to Safras & Mercados wire news, producers have already sold and delivered almost 75% of their production. Therefore producers should be yet holding approximately 14/15 million bags considering a total crop between 55 and 57 million bags. CONAB just released their 4th. 2016 crop research. They increase their previous Arabica estimate to 43.38 million bags while the Conilon estimate decreased to 7,98 million bags due to the drought in the north of Espirito Santo. Therefore according to CONAB total 2016 crop is at 51.37. However according to trade estimates the 2016 crop stands between 54 and 56 million bags thanks to exceptional Arabica production. CONAB shall release their first 2017 crop forecast by January 17th. 2017.

Group 1: Very quiet market with most producers and cooperatives clearly postponing decisions to next year.

Group 2: Amazing Rio Minas differentials! Moderate quantities traded for final Rio Minas markets like Turkey, Lebanon, Syria.

Conilon: Market almost paralyzed with just few price indications but no business reported. Agriculture Minister informed that the decision to allow Robusta imports has been postponed by 30 days. Some reports from both industry sources (R&G and Instant) state that those imports would be selective for each industry separately (for instance drawback terms to attend soluble sector). Quantities and allowed period were not decided yet. According to ES sources, the Governor called the Agriculture Minister to suspend the decision as this would hurt ES Conilon producers that were already penalized by production shortfall. So it seems this matter shall never have a consensus.

Colombia

The weather in Colombia will be good for harvesting. The internal flow has slowed down in response to the stronger Peso. This is resulting in more coffee being stored and held back in hope of better prices to come. Nonetheless good volumes are still seen coming from the northern and higher altitude regions. The cumulative production for calendar year 2016 is so far at 12.9 Mio bags, while 11.3 Mio bags have been exported so far. The FNC unveiled two major initiatives at the recent 83rd National Coffee Growers Conference in Bogotá, including the release of a new pest- and leaf-rust-resistant variety called Cenicafé 1, and a new sustainability certification platform associated with the Café de Colombia mark.

Costa Rica

Rain, producers are in no rush to sell with over half of the crop thought to be committed already. Turrialba is at it again but as of yet ashes have not been as widely spread. Harvest activities are at its peak.

Nicaragua

The new crop is advancing well in Nicaragua with more than 25% of the coffee already harvested and with good weather and good prospects for the new crop.

Honduras

Flow in the pipeline is gaining some traction but still waiting for the peak to come, having been delayed by the wet weather although now weather has improved.

Guatemala

Generally good weather but some sporadic rains and fair demand. Quality good and flow is just starting. The still rainy weather slowing down the milling process in the Oriente. The harvest began with a high expectation of an increase of the production in the different regions, but a decrease has been observed. In the southern coast region, a considerable decrease in the production has also been observed, which has surprised all the initial forecasts. In regions, such as Huehuetenango and the South West, there is concern to fulfill their production expectations. Large mills from the south east are currently operating with a 50% to 60% of their capacity since matured coffee does not flow as it has been at this time in previous crops. In the field exporters can see a lot of movement with certified coffees themes, mainly UTZ which apparently is the label that most roasters abroad prefer at the time. Exporters are making efforts to certify their supply chains between producers and intermediaries. Coffee transfer to Mexico has stopped because of the price and the exchange rates have dropped considerably. In general terms, the internal prices have been quite conservative among the exporters who maintain a great similarity between their purchase prices. It hasalso been observed that intermediaries have had to lower their price ideas for the same reason.

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Peru
The crop is coming to an end and quality is starting to drop off.

Ethiopia
The harvesting in most parts of the south is two-thirds done, with another month of picking to go. The crop looks good in terms of quality and availability.

Kenya
This was the last auction for the year and marketing agents are generally in a jovial mood given their higher price expectations and optimistic news from the farms. Dry mills are working at capacity for January sales. Wet mills are busy with processing and drying parchment, however this has been affected by the ongoing cold weather and scattered showers in the region.
The short rains were short indeed and seem to be over - the country has converted from brown to an incredible intense green color, thanks to the November / early December rains. At the end of the month the weather has turned dry and hot. The dry period will now continue through to March 2017 when the onset of the long rains are expected.
The harvest is down to the last 20% on the plantations closer to Nairobi, and possibly midway in the higher lying smallholder coffee gardens – in any case about a month later than the previous year on account of the late flowering caused by the late onset of the rains in April. Quality is steadily improving, the bean size is good with plenty of AA and conversely less grinder. Logistics continue smoothly given a 2 week loading time for railed containers. There seems to be no shortage of containers in Nairobi.

Uganda
Uganda exports during October achieved 209.478 bags (129.402 bags of Robusta and 80.076 bags of Arabica). Compared to the same month last year, Robusta exports decreased by 12.73% and Arabica increased by 6.88%.
Arabica: Nice quality coffee and good cherry flow has been seen in the higher areas. It has been the third week without significant rains in the Mt. Elgon area, hence the cherry flow is expected to end around the second week of January.
Robusta: Hot weather and solid drying conditions resulted in a good flow of coffee. However a common practice among farmers is to sell just a parcel of their kiboko before Christmas and hold the rest as a deposit until January/February.

India
Weekly harvested volume is picking up with a good flow expected. The lack of water is affecting the Robusta parchment prices, farmers need the water to irrigate their farms. Arabica coffee farmers in the Karnataka and Tamil Naidu districts have voiced fears that the cyclone Vardah that impacted upon the east coast of India this month and the unseasonal excessive wind and rain that came with this cyclone, might have reduced the new Arabica coffee crop potential by approximately 170,000 bags.

Indonesia
Rainfall in Robusta coffee regions has been above normal and is favourable for the cherry development but continuous heavy rainfall could cause some damage to the next crop.

PNG
Arrivals remain minimal in this off-season period. Exporters expected a more active internal market before Christmas which did not materialize. The little coffee that is internally sold is of poor quality. The weather is stable with some decent afternoon rains. The coffee trees are leafy green with young green cherries developing well.

Vietnam
Internal differentials are tightening rapidly as the flow of coffee reduces because rain hampers drying. Reports of moldy arrivals fill in from multiple sources, while some have mentioned smoky deliveries as farmers restart to drying coffee by fire.

Various

McDonald's has announced that it is "re-committing" to McCafé in 2017.The company is looking to revamp the McCafé brand in the US, which is currently worth US$4 billion, through the introduction of new seasonal flavours, a focus on sustainable sourcing, a rewards program a mobile app, and increased training of staff. The company is planning to offer deals on its coffees, including lattes for US$2, in the first quarter of 2017. McDonald's is also in the process of Upgrading its espresso machines to achieve a more consistent result with its beverages.

Tata Coffee announced in December that it would set up a green field instant coffee facility of 5,000 tonnes capacity in Vietnam at a cost of $50 million.

The leading german coffee-maker **Tchibo** will increase the prices by 30 to 50 cents

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per 500 grams pack January 17th. The company explained this on Tuesday in Hamburg with higher purchase prices for green coffee and the weaker EURO. Since spring, green coffee has become much more expensive. From prices between 1.10 and 1.20 dollars per pound, the price temporarily rose to 1.70 dollars and has now settled in the range of 1.40 dollars. In addition, green coffee is traded in Dollars, and the EURO has recently lost significantly against the US currency.

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

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