Coffee Producers Getting Reprieve but Sustainable Practices Still Critical
While the market may be recovering now, at some time in the future prices will fall again. Producers need to prepare today for tomorrow. Small farmers will struggle against Giants. Quality, unfortunately, is not always rewarded; quality and cost control generally are.
Major State Supported Producers Control an Ever Increasing Share of Global Coffee Market

Source: USDA
Brazilian Potential Losses Equivalent to Colombia, Indonesia, or Ethiopia Not Producing Any Coffee

Source: USDA
Strong Monthly Data Should Result in Upward Revision of USDA Colombia Production Estimate

Source: USDA
Central American Producers haven’t Been Able To Take Advantage of High Prices
African Output Not as Responsive As It Was in 94/95, 96/97
Adequately Financed Vietnamese Farmers Aren’t Pressed to Export

Source: ICO, World Bank
Continued Strong Robusta Output Causing Global Share to Rise

Source: USDA
Internal Colombian Price Including Subsidies Likely Under Cost of Production Before Recent Rally

Source: Fedecafe, USDA
Colombian, Brazilian Currencies Increasingly Unfavorable For Farming Input Imports

Source: Futuresource, OANDA
End February Pricing of 405 Reals per Bag Providing Temporary Relief From Worsening Economics in Brazil

Source: CONAB, Cecafe
Pruning Aggressively Provides Future Relief Should Prices Tumble

Source: CONAB
Effective Pruning Should also Provide Sustainable Yield Benefits

Source: CONAB
Brazilian Mechanized Production Provides Favorable Economics

Source: CONAB
Prices may have Recovered but Sustainability Issues Persist

- Coffee is Profitable Again thanks to Brazil’s Losses
  - Without drought, most producers would still be under water
  - Even low cost producers no longer low cost providers
  - Did the recovery come too soon for farmers to respond to low prices by implementing even better best care practices?
  - Survival of fittest not put to sufficient challenge, creating potential again for a steep price drop in 3-4 years.
  - Measures need to be taken now to keep production at an even keel against use; easier said than done.
With Drought Persisting Brazil Farmers may need to Learn Lessons from Other Producers

- Brazilian farmers facing challenges and decisions
  - As below normal rainfall lingers, producers need to decide whether they attempt to let the current crop develop or reduce the stress on the trees by harvesting now.
    - The trees will expend energy on a crop that could still be of poor quality or removing the fruit now will channel energy to growth and recovery, sustaining production long term by sacrificing today.
    - It remains to be seen if Brazilian farmers will make this sacrifice. With prices as they are it becomes a tough decision.
Questions?

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