Motivation

- Coffee price has been below 10-year average since March 2015
Graph 1: ICO composite indicator price since 2000

Current ten-year average price of 137.24 US cents/lb
Motivation

- Coffee price has been below 10-year average since March 2015

- Farmers face liquidity constraints
  - Insufficient use of inputs (short-term)
  - Lack of investments in replanting (long-term)

- Concerns about livelihoods of smallholders and future supply of quality coffee
Methodology & data

Assessment of:
- Profitability of coffee production
  - Profits = Revenues – Variable costs
  - Where available depreciation is taken into account

Data covers:
- 4 Countries: Brazil, Colombia, Costa Rica, El Salvador
- 10-year period (coffee years 2006/07-2015/16)
Graph 4: Costs, Revenues & Operating profits for Colombia
Results – Costa Rica

Graph 6: Costs, Revenues & Operating profits for Costa Rica

Costa Rican colôns per hectare (thousands)

- Costs
- Revenues
- Operating profits

Years: 2006 to 2015
Graph 9: Costs, Revenues & Operating profits for El Salvador
Results – Brazil (Arabica)

Graph 10: Total variable costs and operating profits in Arabica producing municipalities
Results – Brazil (Robusta)

Graph 11: Total variable costs and operating profits in Robusta producing municipalities

- **Total variable costs**

- **Total operating profits**

*Municipality*
- Ji-Parana
- Pinheiros
- R.Moura
- S.Gabriel Palha

*Years*
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
## Results – country comparison

Table 1: Average annual growth rates of variable costs and ICO prices

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>11.60%</td>
<td>7.14%</td>
<td>8.49%</td>
</tr>
<tr>
<td>Colombia</td>
<td>3.18%</td>
<td>7.76%</td>
<td>5.54%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>8.96%</td>
<td>1.56%</td>
<td>5.88%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>6.27%</td>
<td>-0.87%</td>
<td>2.76%</td>
</tr>
<tr>
<td>ICO composite indicator price</td>
<td>18.5%</td>
<td>-8.58%</td>
<td>1.45%</td>
</tr>
</tbody>
</table>
Discussion – why do costs increase?

- Increased labour costs
- Rising prices for agro-chemical inputs
- Increased intensity in the use of capital goods and related expenditures resulting from higher yield levels in some countries.
- The impact of exchange rate fluctuations
Recommendations

At farm level:
- Provide farmers with tools to mitigate price risks
- Strengthen resilience against shocks

At country level:
- Share experience between countries on successful national policies
Next steps

- ICO will continue its work on economic viability via (i) forum function, and (ii) think tank function
- Foster exchange between countries on best-practices
- Create research area and continue collaboration with IFPRI on topics such as volatility
- However, more and better data is needed