

Coffee price crisis in Latin America



Coffee, the agricultural product with the second largest trade volume in the world (15,000 million USD per year), is in crisis with the lowest price in history. This crisis is affecting farmers in terms of society, economy and production, especially small coffee producers throughout Latin America and the Caribbean which are over 14 million persons.

In 2018, the average price of Arabica coffee with excellent quality was at 1.01 USD per pound, with the lowest drop in April at 0.95 USD, which is the lowest price in 13 years. Robusta coffee price also dropped to the lowest in the past 9 years as well, last week.

Mexico, Costa Rica, Panama, El Salvador, Guatemala, Honduras, Belize, Colombia, Peru, Ecuador, Bolivia, Dominican Republic, Jamaica and Brazil are countries that are severely affected by this crisis. Especially Brazil and Colombia which are the world's first and third biggest coffee exporters, respectively, including Honduras that has coffee as much as one third of all export products. The crisis results in damages in terms of employment, income and migration.

With the lower price, coffee farmers cannot make money to compensate for the cost of production, be in debt and lack of investment to hire employees to take care of the cultivated fields. The latter results in disease outbreaks and reduced productivity levels. Many people must live in poor condition and without food security

In addition, the crisis of profits and extreme climate problems that occur more often, such as drought that is affecting the Central American countries on the Dry Corridor, is also another reason that make people left the rural areas and causes massive migrations.

In Colombia, farmers who used to cultivate coffee have turned to plant other crops instead. This causes coffee plantation area in the country to drop by 40,000 hectares, from 920,000 hectares to 880,000 hectares in the past 18 months. That is because they gained only 209 USD per 125 kg of coffee while the production cost is 237 USD.

Possible Solutions

Due to the seriousness of the coffee price crisis and it is beyond the control of the farmers, there is an urgent need to plan policies to encourage all elements in the coffee chain to discuss, to develop the ability to access information and competitive price, including to promote the improvement of land to be more diverse in terms of production, abundance and resistance to diseases and plagues.

Another important thing is to add value to products according to the quality standards and the different types of coffee. There should be certificate for special types of coffee and to identify the origin, and to specify special or gourmet coffee. There should also be establishment of sustainable or carbon neutral production system or fair trade system.

In Colombia, the government has supported the amount of 77 million USD to help coffee farmers. There is a suggestion to government to sell coffee at a price that can cover production costs without having to depend on the price set by the New York Stock Exchange.

However, there must be actions in macroeconomics level. That is the policy that can develop public investments and create the competitiveness of the coffee chain within the markets, as well as having a good relationship with major traders.

Sources: https://elpais.com/elpais/2019/05/14/planeta_futuro/1557840304_495672.html
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