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Assessing the economic viability of coffee growing

September 2016

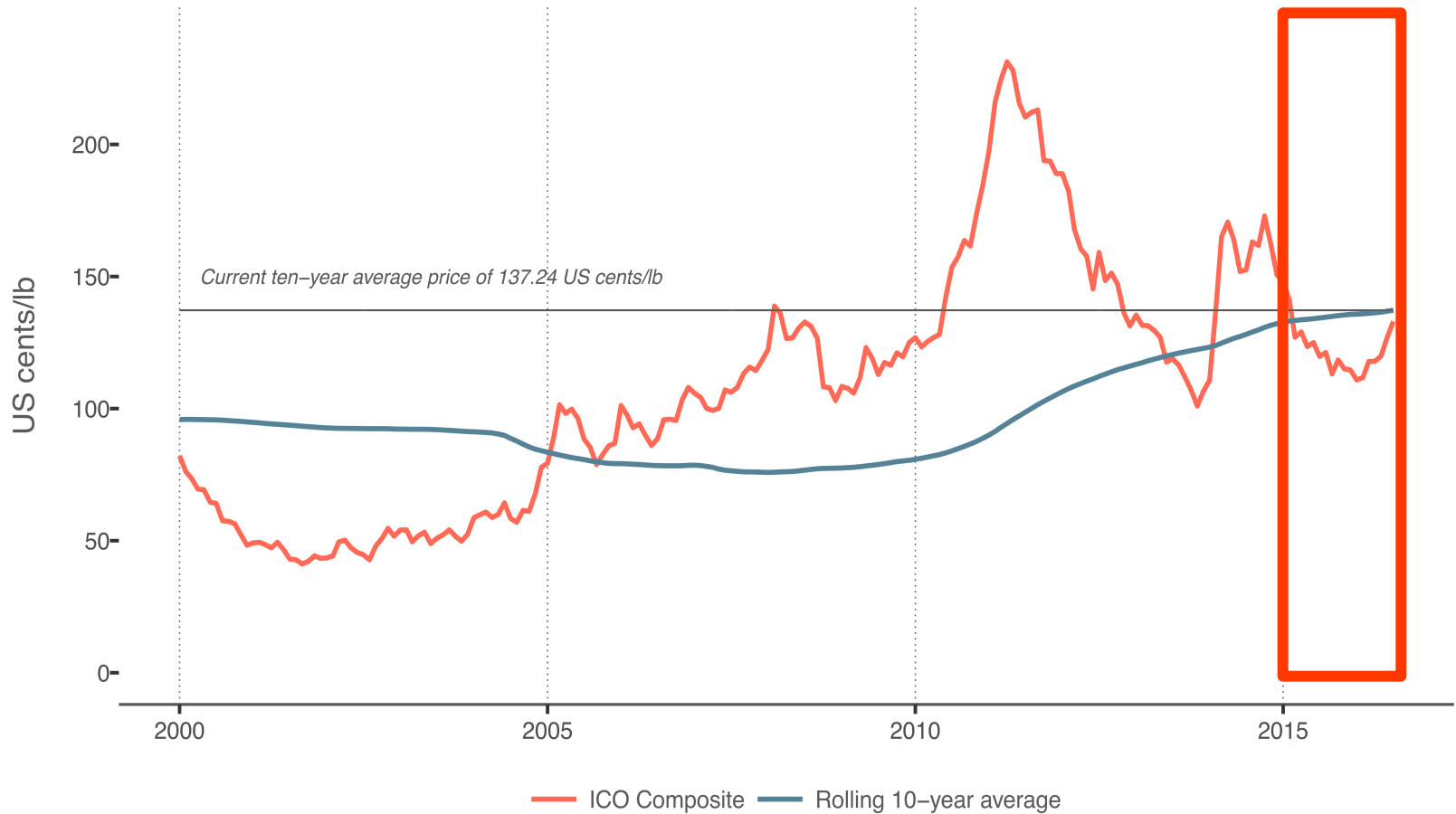
Motivation

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



Motivation

Graph 1: ICO composite indicator price since 2000



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

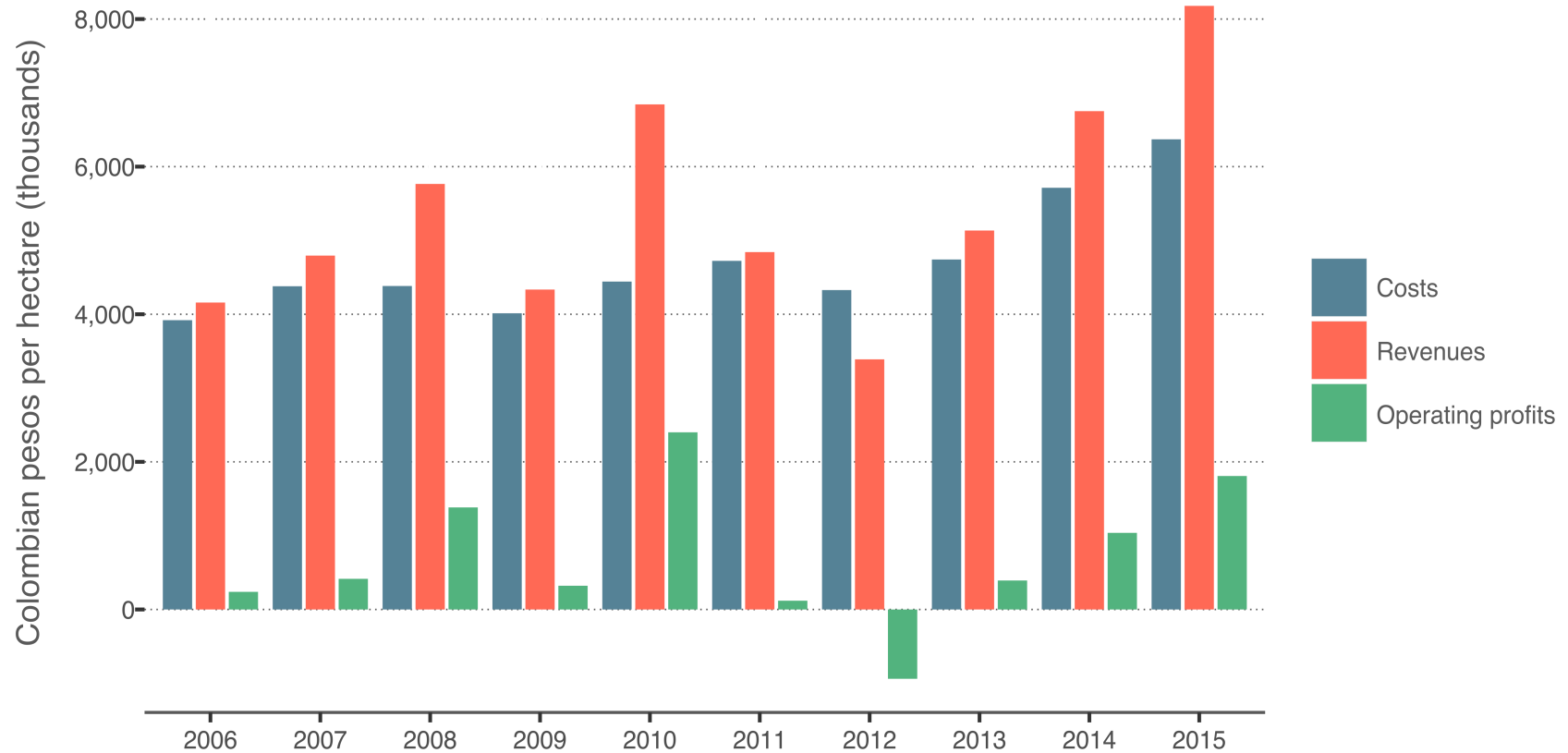
Data covers:

- 4 Countries: Brazil, Colombia, Costa Rica, El Salvador
- 10-year period (coffee years 2006/07-2015/16)



Results – Colombia

Graph 4: Costs, Revenues & Operating profits for Colombia



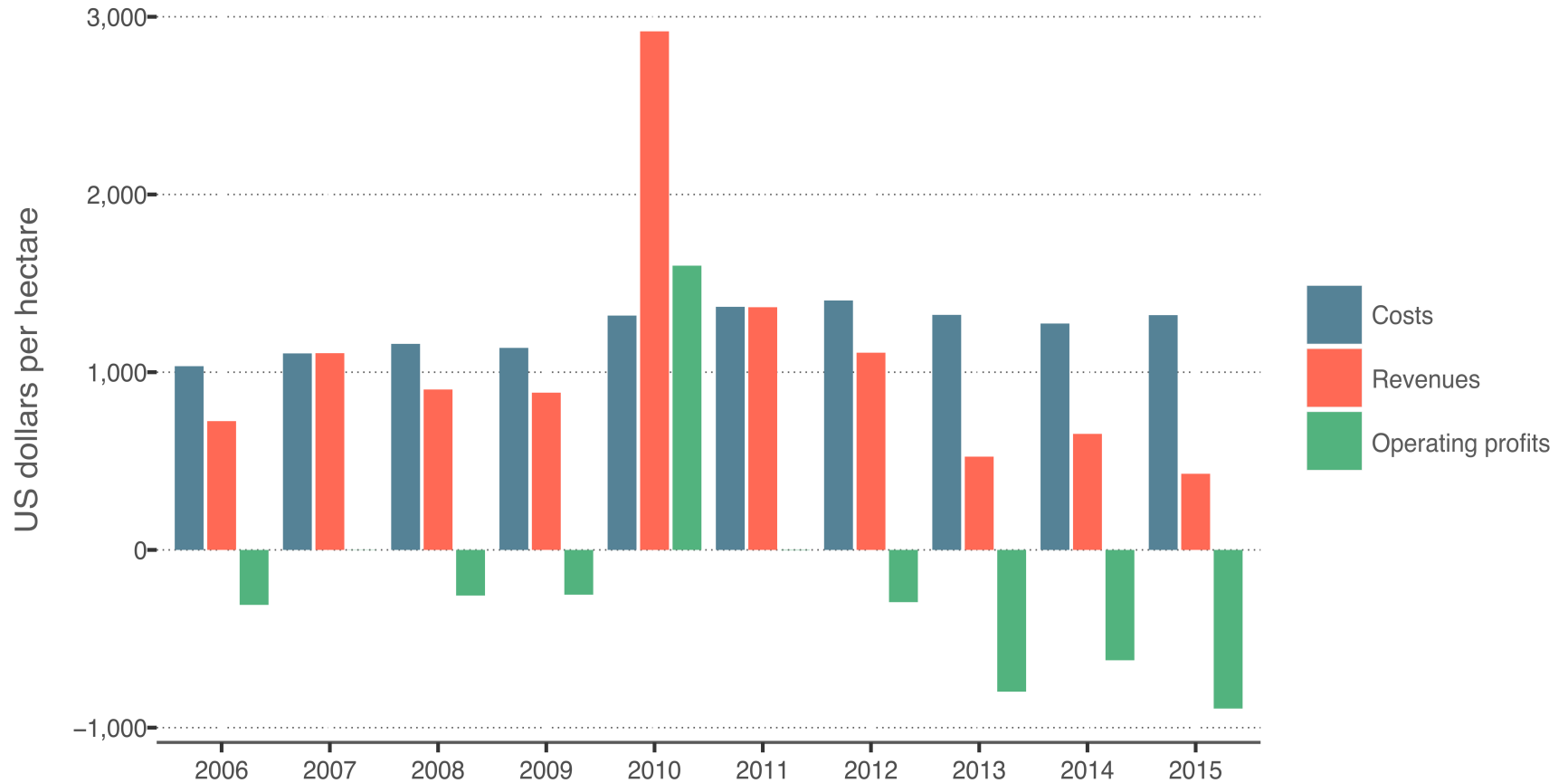
Results – Costa Rica

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



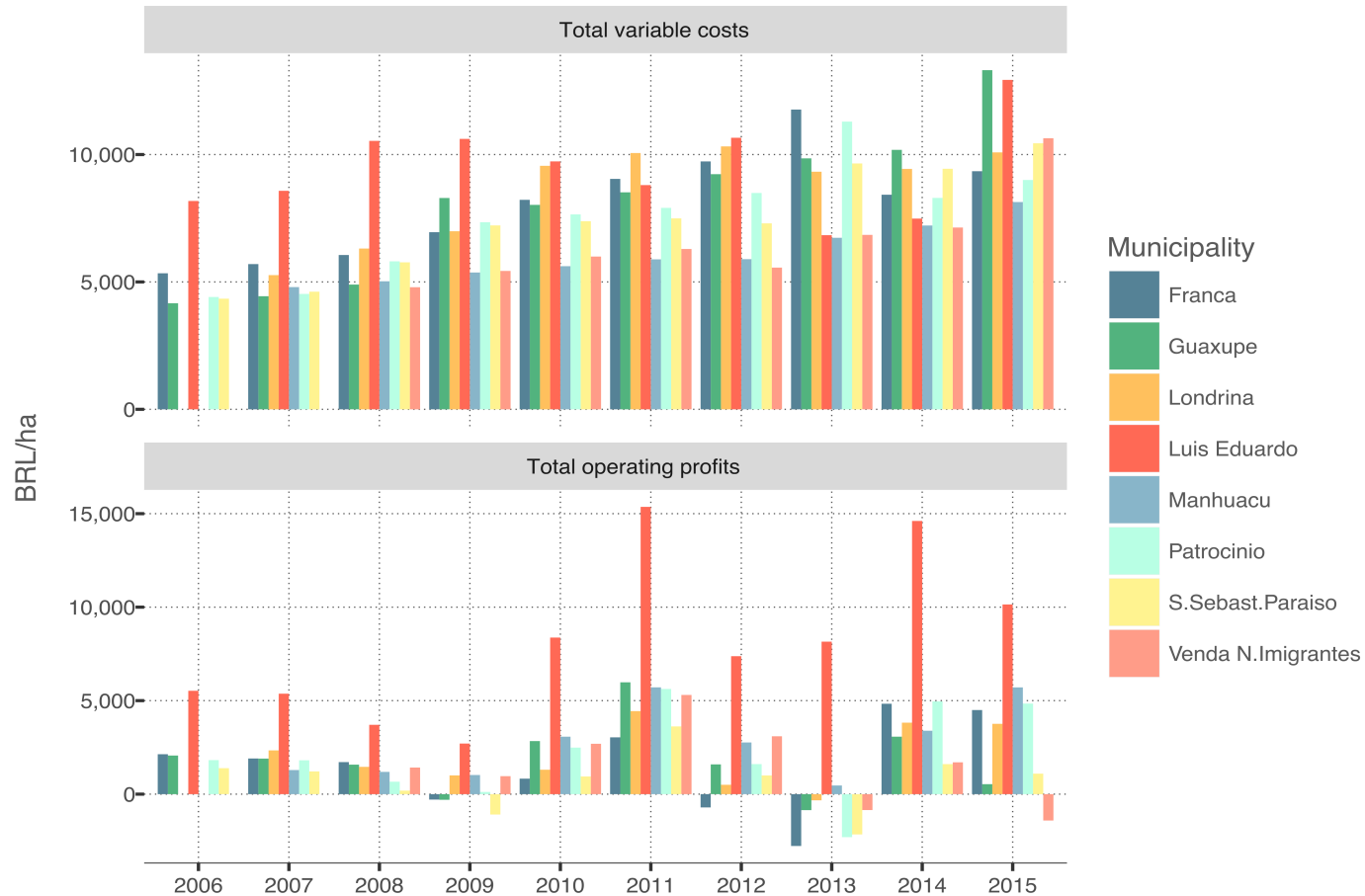
Results – El Salvador

Graph 9: Costs, Revenues & Operating profits for El Salvador



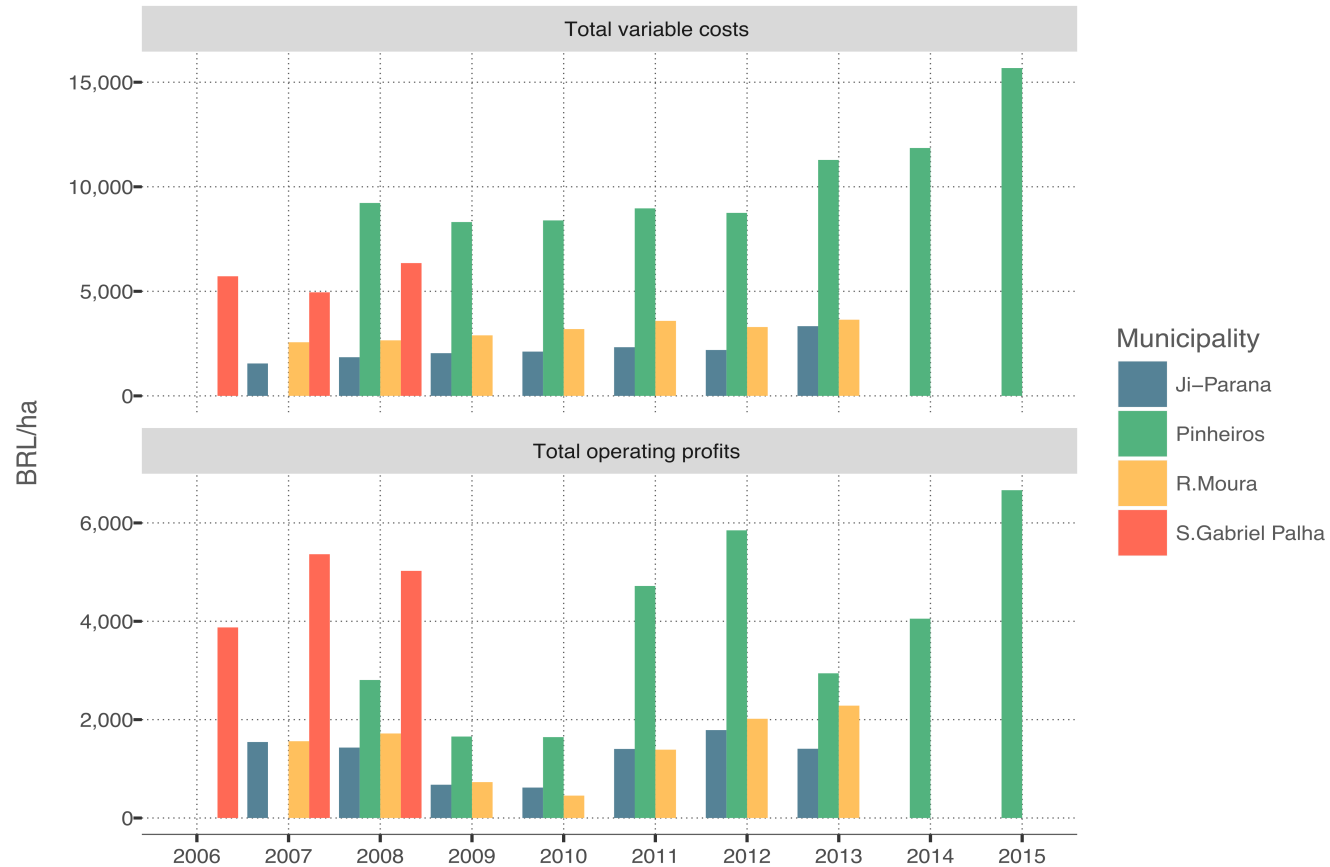
Results – Brazil (Arabica)

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



Results – country comparison

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

	2006 – 2010	2011 – 2015	2006 – 2015
Brazil	11.60%	7.14%	8.49%
Colombia	3.18%	7.76%	5.54%
Costa Rica	8.96%	1.56%	5.88%
El Salvador	6.27%	-0.87%	2.76%
ICO composite indicator price	18.5%	-8.58%	1.45%



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





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