



DRW Wakefield

April 2021 Monthly Origin Focus.

The Rugby 6 nations drew to a close with the two final games seemingly attempting to recreate the Titanomachy (at least in rugby terms anyway). France managed to steal the Grand Slam title from Wales with an extra time winning try on the left wing. However, poetic irony is a cruel mistress, and a replica defeat was instilled upon France the week after by Scotland.

Spain announced the news that it is going to trial a 4 day working week. Following the like of New Zealand and Germany who have also given this idea a shot, it's planned to start in the Autumn. The idea of the initiative is to increase productivity, improve the mental health of workers and help fight climate change. Perhaps the UK could also follow suit?

In the coffee world Sterling is at a 13 month high against the Euro, still riding the successes of the UK's vaccination roll out. The NYC has dropped about 10 cents now circling around the more familiar mid 20's. Compared to February 2019, Brazilian farmgate prices in BRL terms have more than doubled, and a recent depreciation of the currency caused a big sell off.

Origin focus

Colombia

Harvesting of the mitaca crop has started at low altitudes. It is estimated that around 1% of the crop has been harvested already. Early, and above average rainfall has fallen in February and March, which some reports indicate will have negatively impacted flowering for the 20/21 main crop. This heavy rainfall could bring about a drop of 0.5 million bags, putting the total production between 13 and 12.3 million bags this year. Others have suggested that overall it will have been beneficial in aiding cherry development, if already past the flowering stage. Estimates sit between 30-50% of flowering has already occurred.

Higher rates of pruning since December 2020 have been noted and if this is confirmed, it will point to a reduction in 2020/21 mitaca crop. Prospects of around 0.2 million bags, from 5.4 million bags in December 2020 to 5.2 million bags.

From the below graph you can see through the year on year comparison of 2019/20 and 2020/21 that the Colombian Peso has gained much of the value it had lost on the US dollar in 2020. In March 2020 one dollar was worth over 4,100 Pesos whereas now it stands at a bit above 3,500 Pesos. This largely correlates with the movement of the of the US Dollar Index which over the same period has weakened. The US\$ Index has fallen below 95 for the first time in 2 years. The Colombian peso has always been a volatile currency and in

previous periods of low value there has been calls for the Colombian government to replace it for good with the Greenback, like some of its other Latin American counterparts. Whilst the value is increasing it hard to imagine the government would make such a call, but perhaps in the future that will be one way to secure a bit more stability in the Colombian coffee industry.

Colombia Peso Vs US Dollar



Source: Racafe, Colombia.

Kenya

Kenya is currently at the tail end of their main crop. They are set to have four auctions in May, followed by a short break and then more auctions for the fly crop in June. The fly crop is projected to be between 10,000 MT and 12,000 MT. A substantial improvement on the 2020 crop which only produced 8,000 MT. Weather conditions have been favourable and forecasts call for further rain in the Central and Rift Valley regions, good for development of the upcoming main crop, but it is still too far away to talk of any meaningful crop projection.

On average the main grades priced at \$6 per kg for the during the March auctions, which was considered excellent by many exporters. This gives renewed backing to the *Coffee Revitalization Program* where the Kenyan government are looking to source \$11.6 million to refurbish the sector as a whole. According to the Agriculture Minister the investment would be used to purchase fermentation tanks, drying beds, weighing scales and modern pulping machines in an effort to modernize and improve the efficiency of Cooperatives and exporters.

One of the areas of impacted by Covid-19 has been the slowing of operations at ports on the East coast of Africa. Booking container space on vessels has become a challenge, with some delays being up to a month. Of course, the upset in the Suez Canal will not have helped this. Other than that, operations are continuing apace despite the Covid-19 virus numbers continuing to increase while the vaccine rollout is underway.

Costa Rica

Costa Rica is running about four weeks behind its usual harvest cycle due to the hurricanes at the tail end of 2020. That being said, 95% of the harvest has already been reported to ICAFE, Costa Rica's governing coffee body. Currently volume stands at 9.2% down on the 2019/20 crop year. The total expected volume for this harvest is 1.8 million fanegas (46 kgs). Lower than the previous year of 1.92 million fanegas but up on the year before; 1.65 million fanegas.

Worries that Covid-19 would impact the harvest were put to rest as social distancing measures enabled pickers and processors to proceed largely unimpeded. The number of cases has dropped considerably, and it's felt that the country is slowly returning to normal. The country has also embarked on its vaccination program with over a quarter of million doses applied, representing nearly 5% of the country. Costa Rica aims to vaccinate 80% of its adult population by the end of 2021.

Concerns about European demand remain a central issue for the market, due to the increase in Covid-19 cases and several countries suspending the use of the AstraZeneca vaccine. However, US green coffee stocks fell by 52,600 bags during February and ended the month at 5.7 million bags, representing a seventh monthly decline in the last 8 months, as they have fallen to their lowest levels since the end 2015. Demand from North America has held up better than Europe during the pandemic, and both regions should benefit as COVID restrictions are relaxed. Costa Rican coffee exports fell 21.5% (77,693 down from 99, 016 bags) in February compared to the same month of the previous harvest, due to the advance of shipments at the end of last year.

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