

# HONDURAS: WHAT'S NEXT?

HONDURAS COFFEE DINNER  
NOVEMBER 2019

PRESENTED BY ADECAFEH

# Presentation Outline



Current situation



Updated cost of production



Why do Hondurans grow coffee?



Agronomical factors



Crop Projection

# Key events of the past crop

- 2018-19
- Climate: it was very warm in December creating an anticipated ripening  
Fortunately it did not rain in January.
- Pickers:
  - lack of pickers was evident throughout the country
  - producer minimized cost by reducing pickings
- Volume --- 5% down from previous crop.

# Trading environment

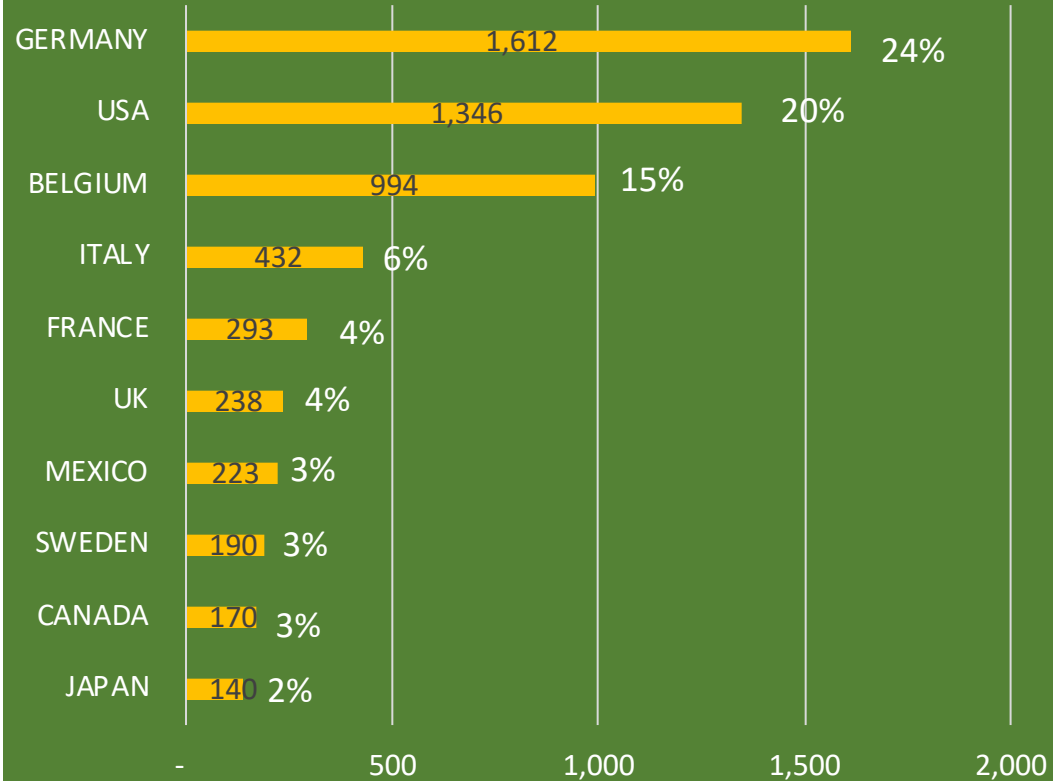
2019

- Consignment – producer slow to sell.
- Demand almost absent in first quarter 2019, but strong in 2<sup>nd</sup> and 3<sup>rd</sup> quarter.
- Honduras ICE Stocks – 1.5 million bags (Increased from 55% to 67% of certs)
  - Increased 200,000 ( 3% crop) bags early part of the crop.
- Differentials firm in competitor origins and stable in Honduras.

# Exports

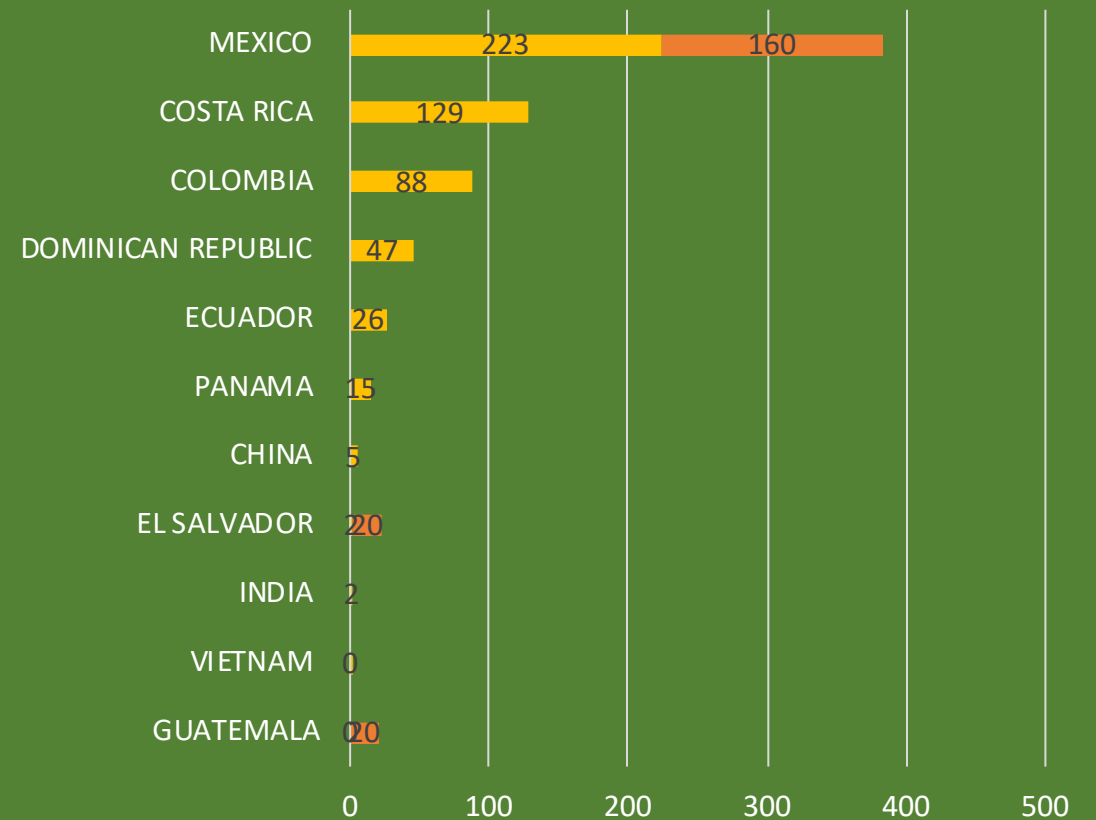
('000 60kg bags)

## EXPORTS TO TOP 10 DESTINATION COUNTRIES (84%)



Source: Ihcafe

## EXPORTS TO PRODUCING COUNTRIES 737,000 (14%)

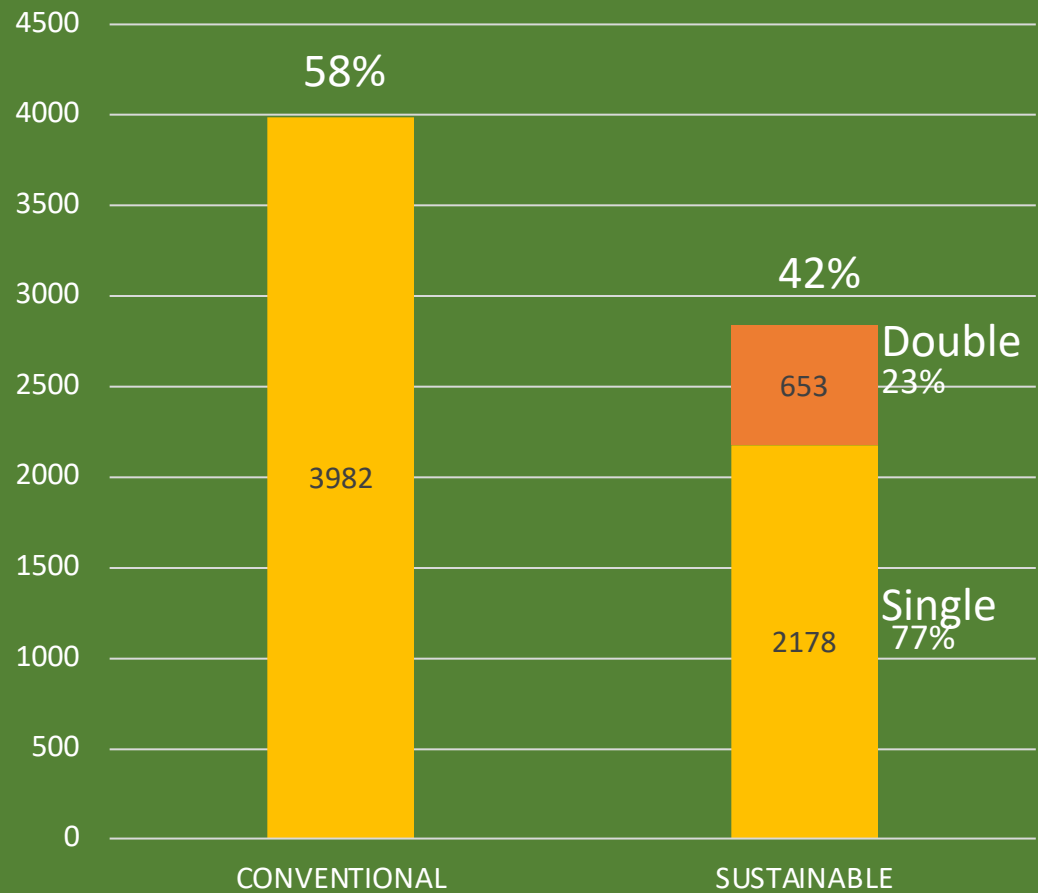


# Sustainable exports

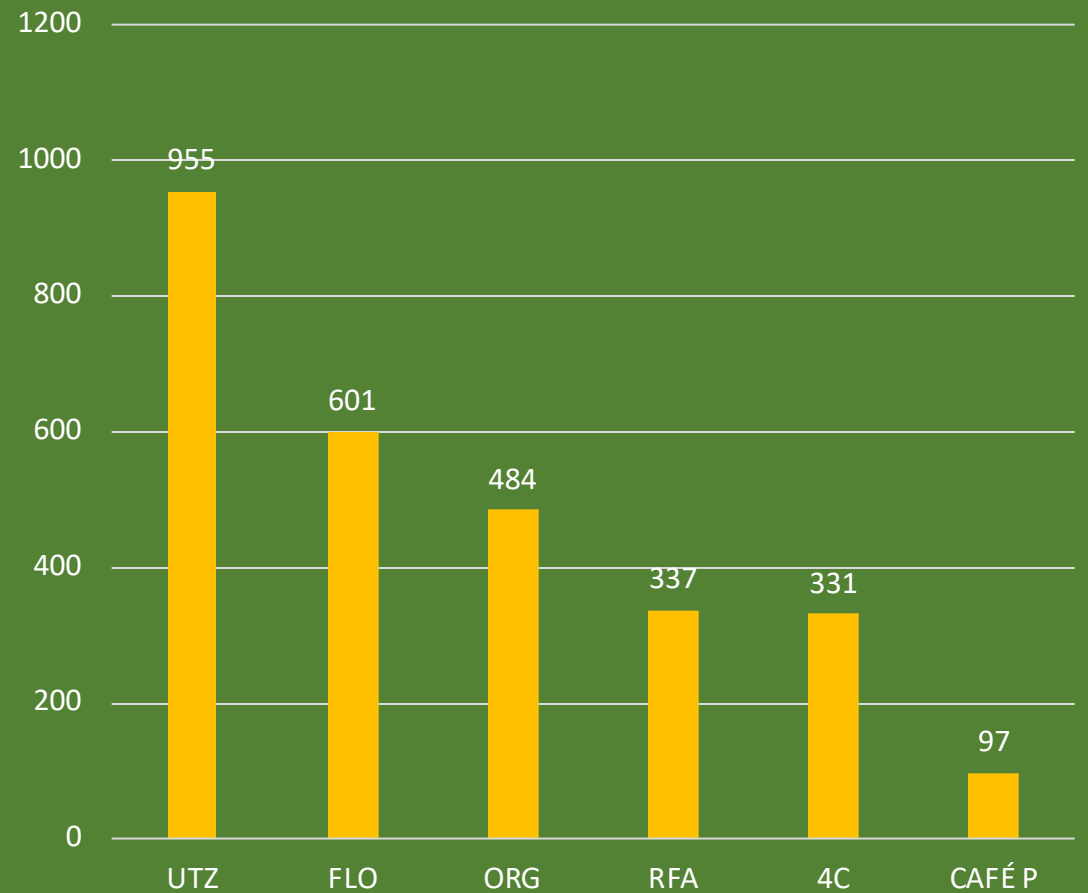
('000 60kg bags)

Source: Ihcafe

## CONVENTIONAL VS SUSTAINABLE

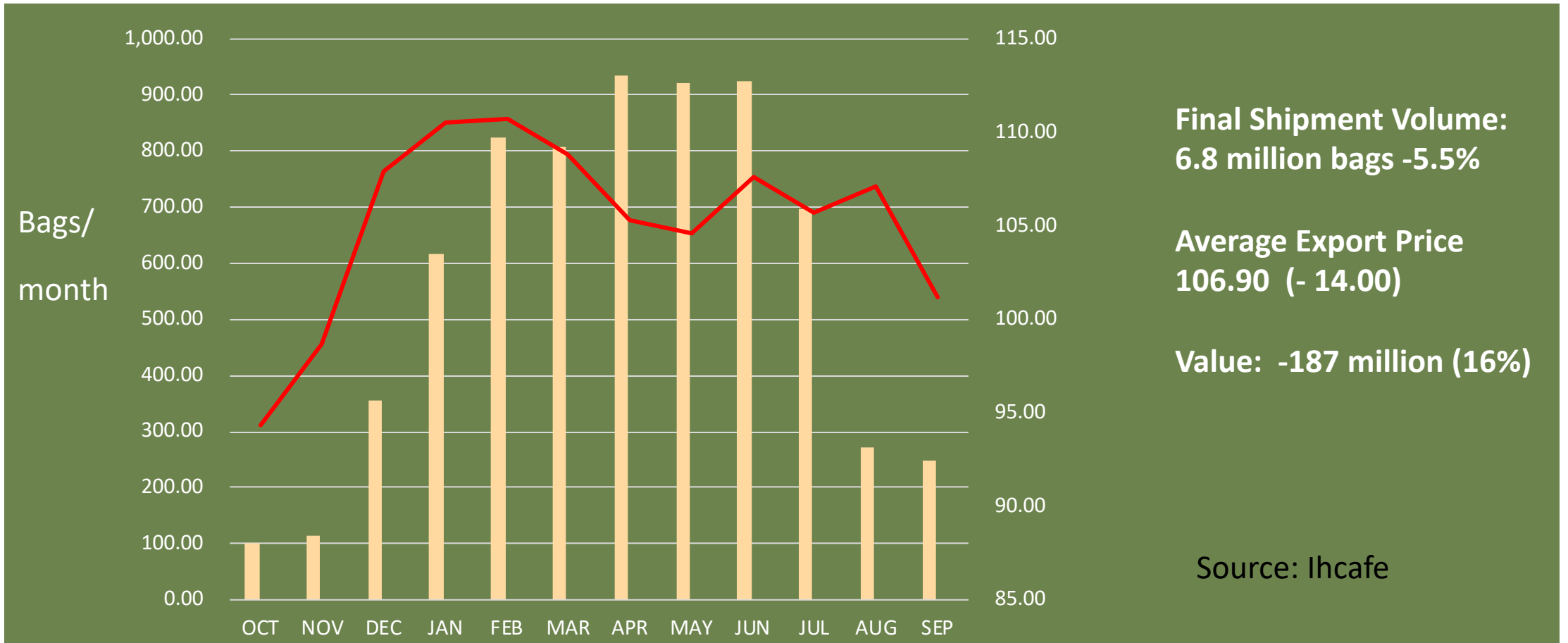


## DISTRIBUTION BY CERTIFICATION



# Final Shipment Stats

('000 60kg bags, USD/46KG)



# Social and economic

- GDP – 24B USD GDP Per capita \$2800 Growth rate: 2%
- Caravans and emigration specially in the first part of the year.
- Secure country agreements with US minimize emigration from Central America but increase emigration from Mexico
- Improving security situation



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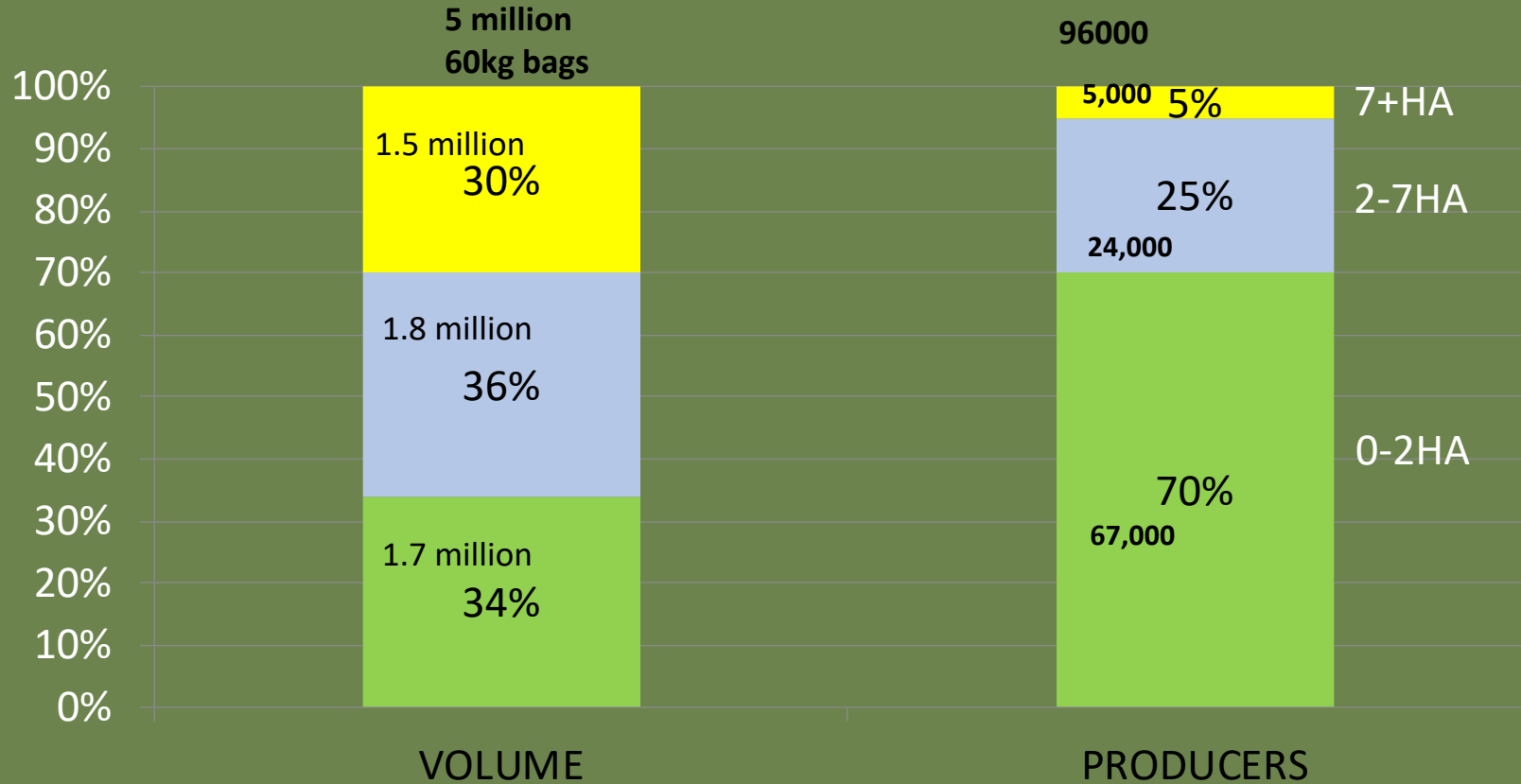


Agronomical factors

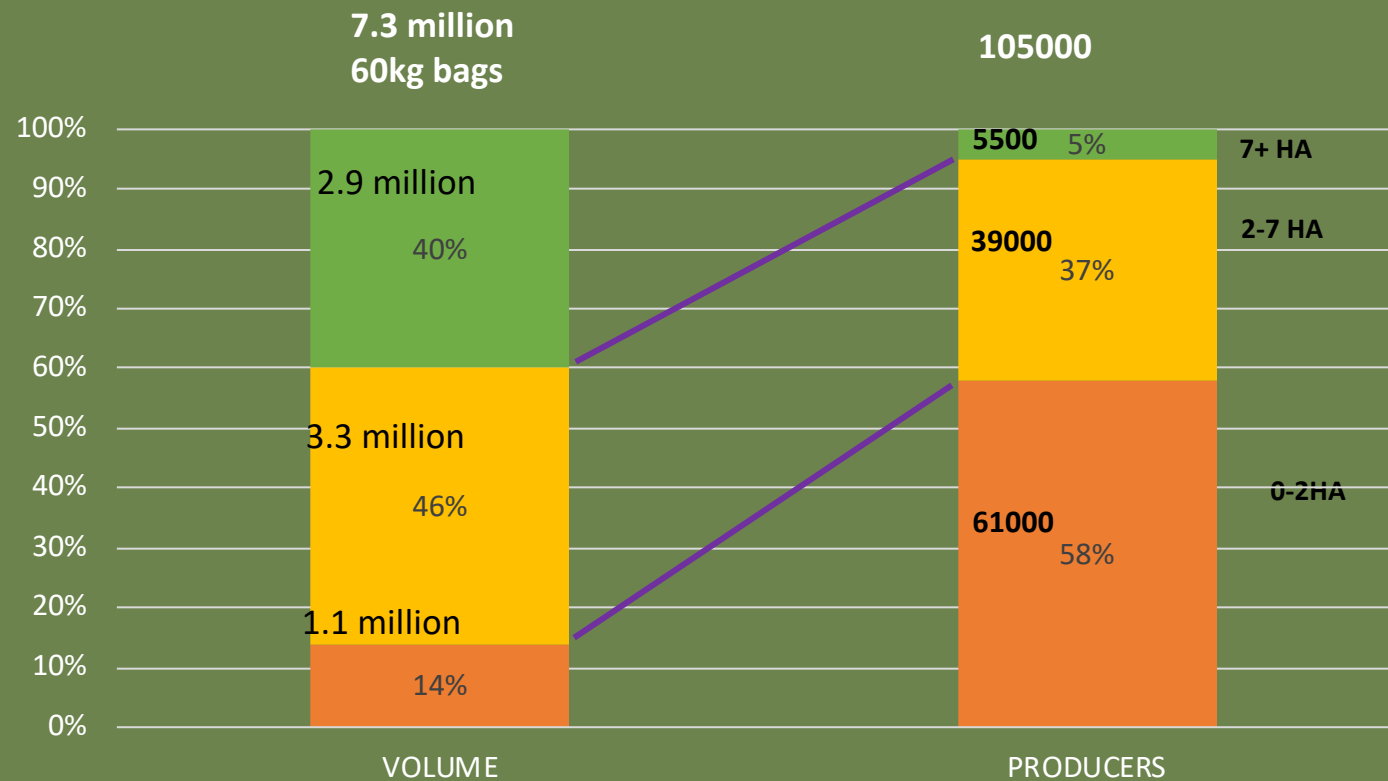


Crop Projection

# Distribution by producer size -2014



# Distribution by producer size 2018



# Comparison 2014 VS 2018

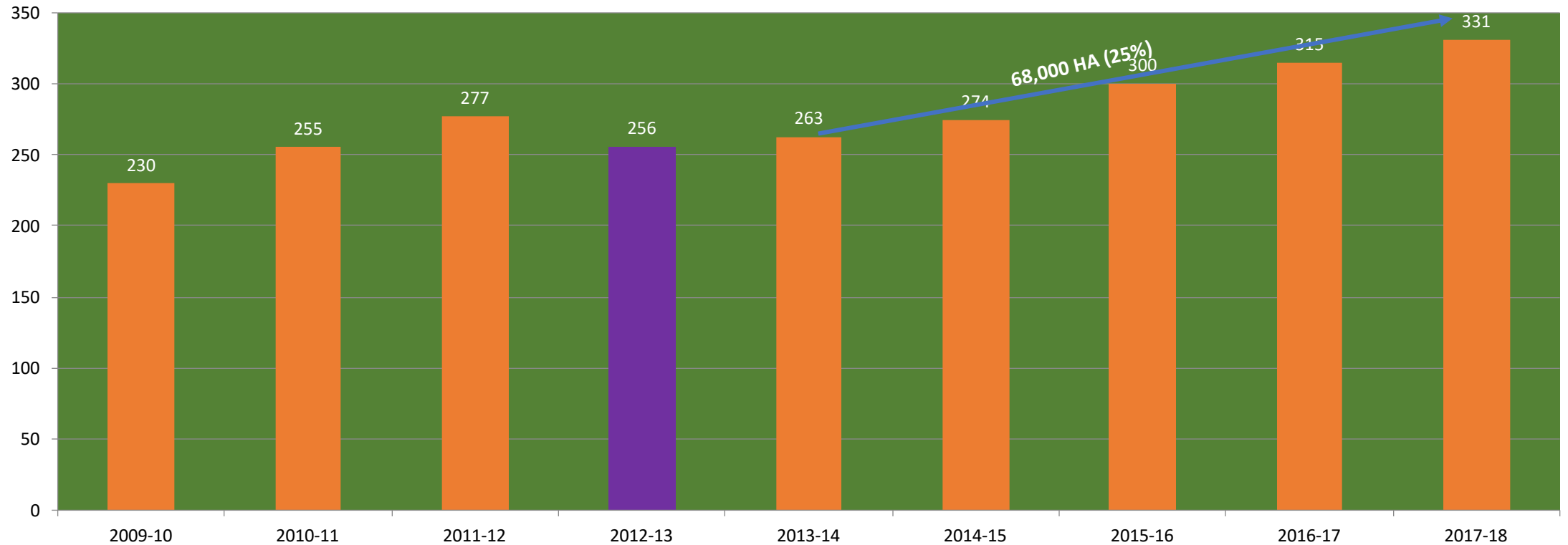
	PRODUCERS	% CHANGE PRODUCERS	VOLUME (60KG)	% CHANGE VOL
0-2 HA	-6,000	-6%	-646,082	-38%
2-7 HA	15,000	+16%	1,535,804	85%
7+ HA	500	+10%	1,387,066	92%
TOTAL	9,500	+10%	2,276,787	46%

- 10% additional producers 45% more volume

# Planted area and productivity

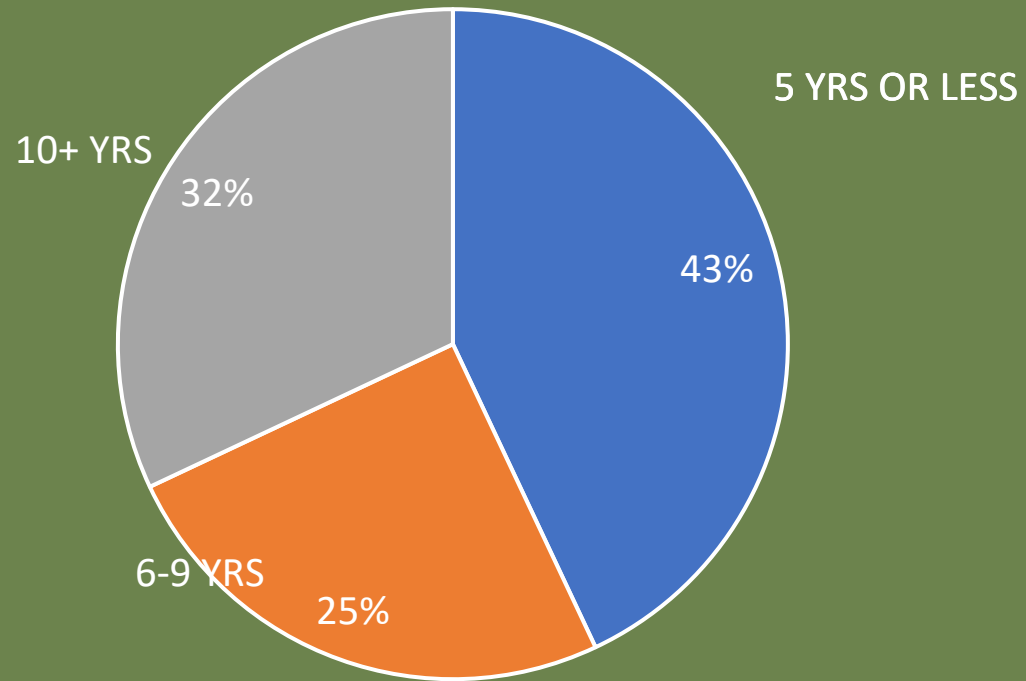
	AREA (HA)	AREA/PRODUCER	AVG VOLUME/ PRODUCER	PRODUCTIVITY
0-2 HA	87403	1.4	17	12
2-7 HA	148931	3.8	86	22
7+ HA	94859	24.9	529	30
TOTAL	331194			22

# Planted area 2009-2019 (000's of HA)



Growth 100k HA in 10 years

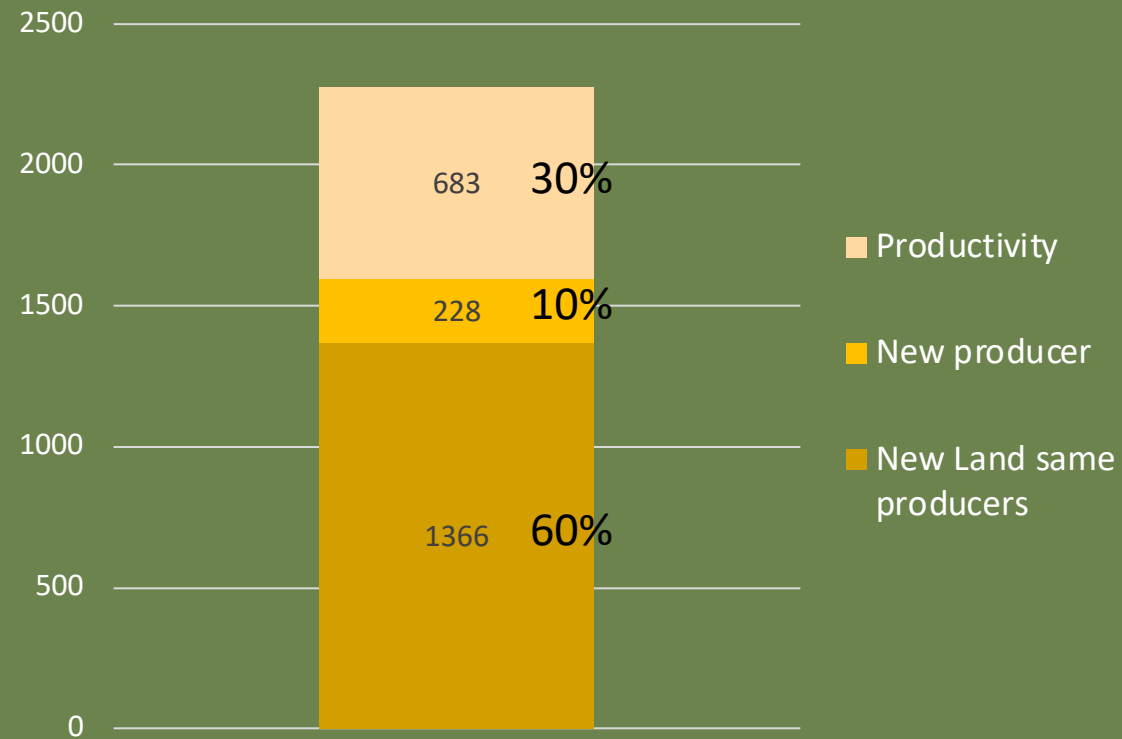
# Tree age



68% of trees are young  
because of replanting

# Volume increase 2014-18

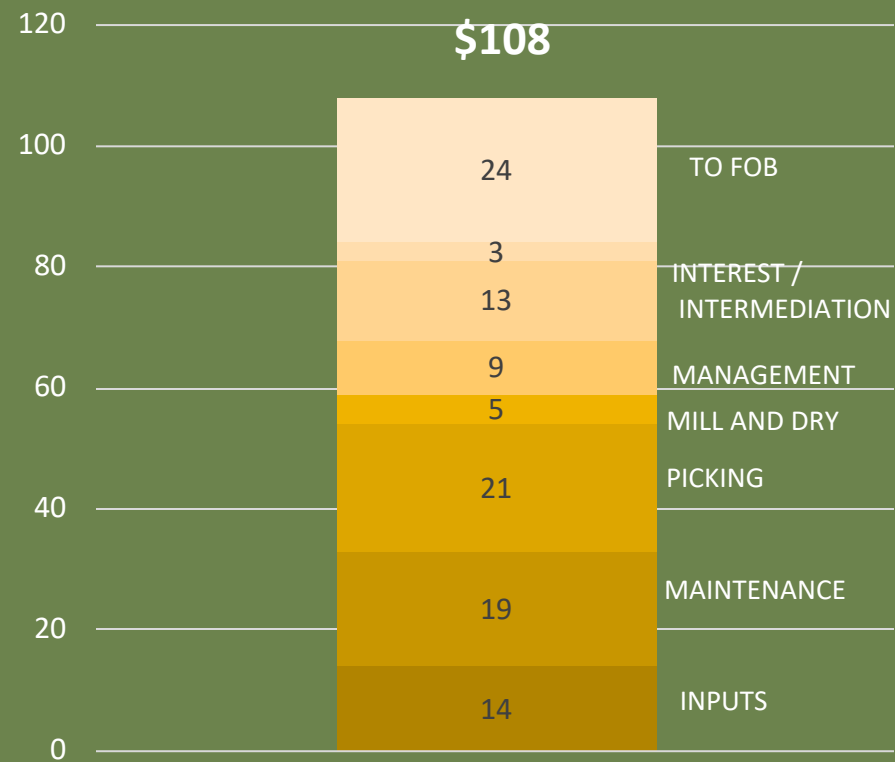
2.3 million bags 60kg





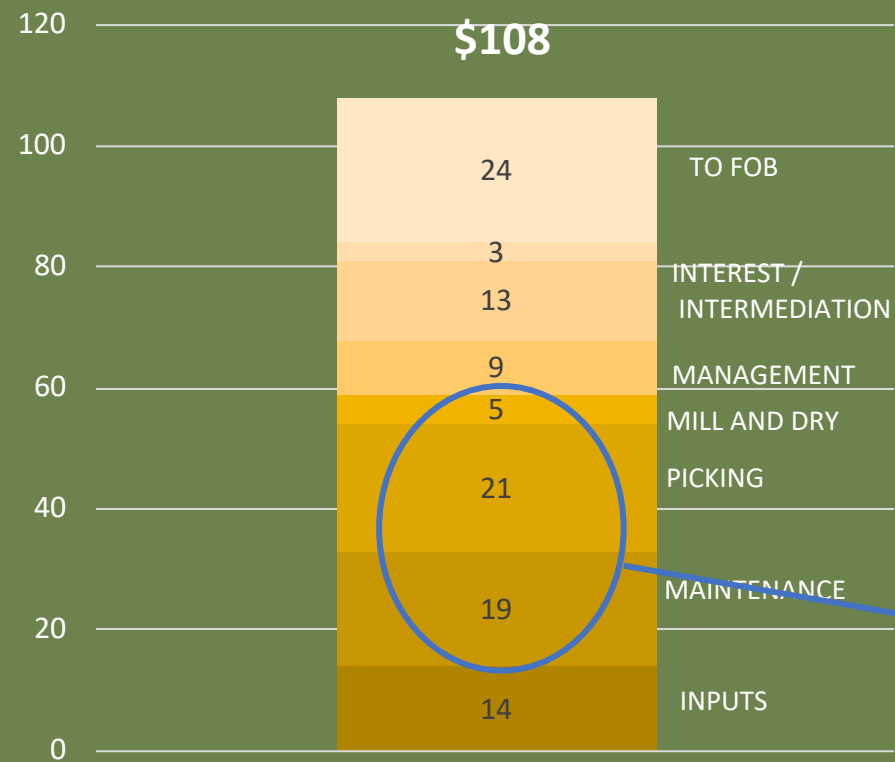
# Average cost of production

small producer 2HA 15bags/HA



# Average cost of production

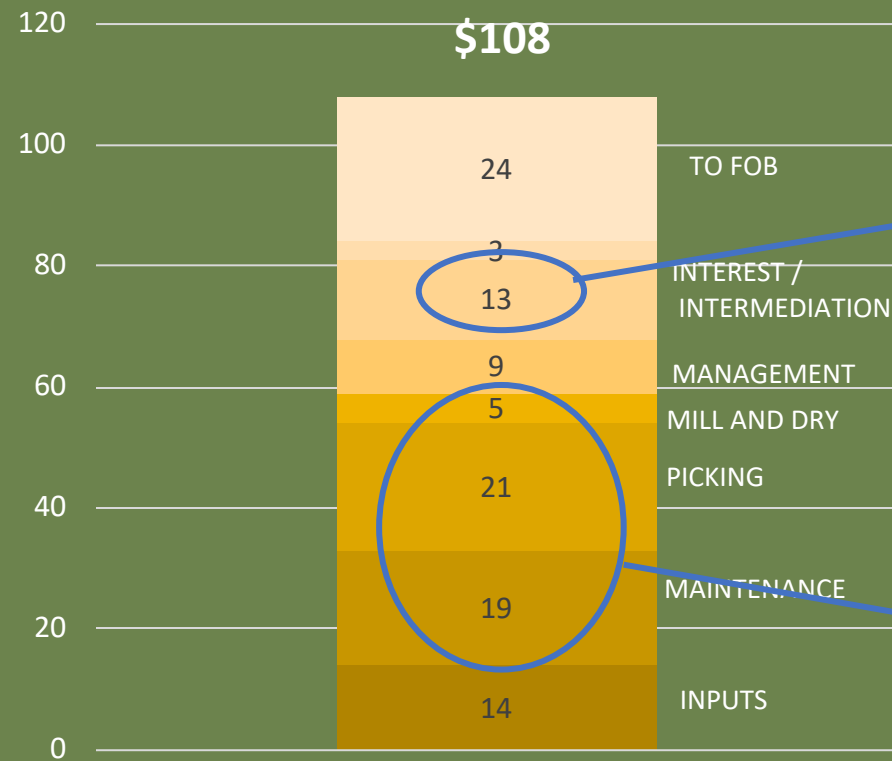
small producer 2HA 15bags/HA



$\$45 / 46\text{KG} = \$1755 \text{ USD}$   
"VALUE" OF WORK DONE BY  
PRODUCER.

# Average cost of production

small producer 2HA 15bags/HA

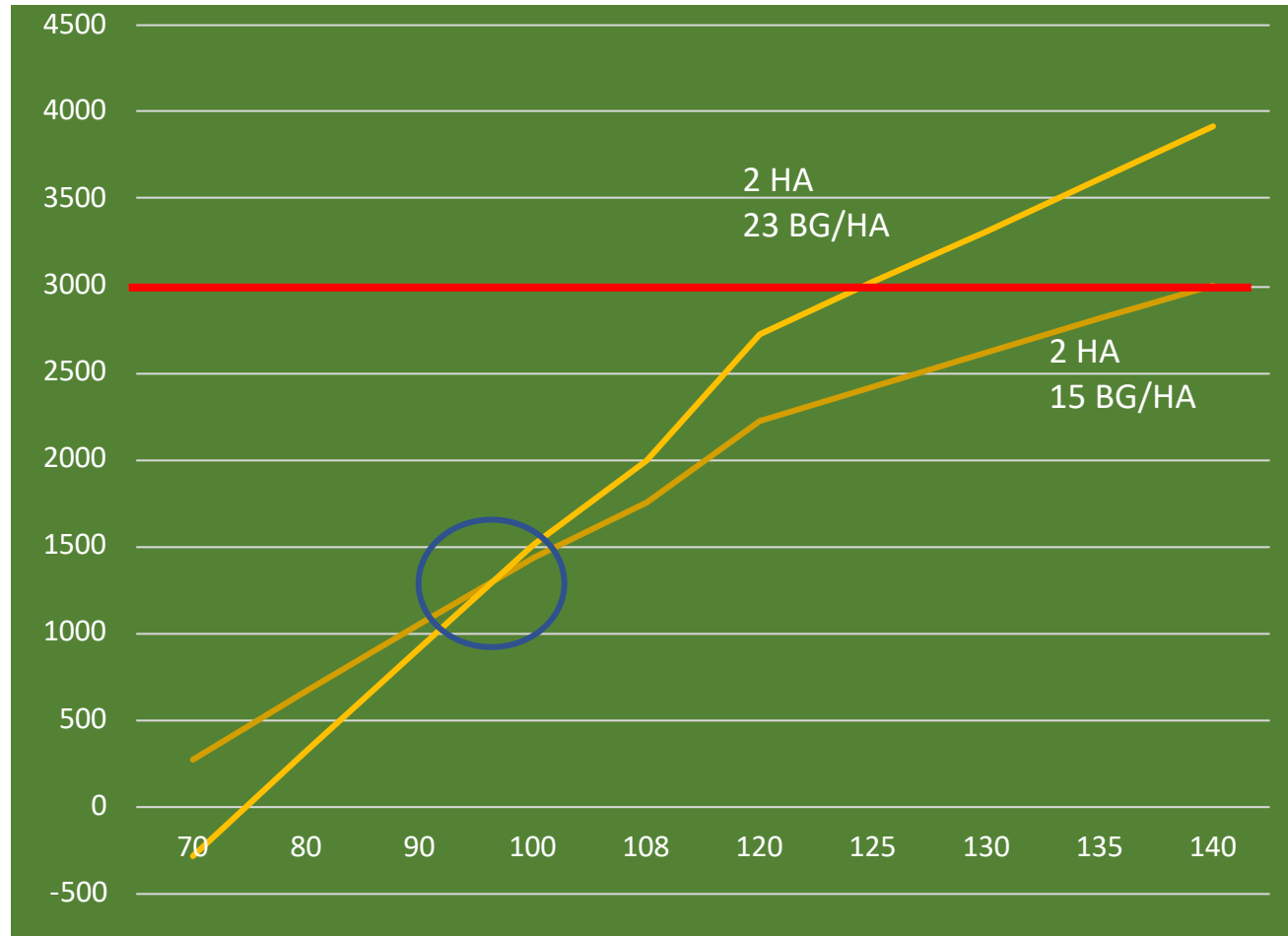


Producer borrows cost of living from intermediary. Spends \$13/46KG on interest

$\$45 / 46\text{KG} = \$1755 \text{ USD}$   
"VALUE" OF WORK DONE BY PRODUCER.

# Income comparison small producer

2HA farm: 15bg/ha vs 23 bg/ha



- \$3000 “Breakeven” minimum against minimum salary.
- \$125 – for 23 bg/HA
- \$140 – for 15 bg/HA
- Below \$100  
Productive producer makes less.

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Crop Projection

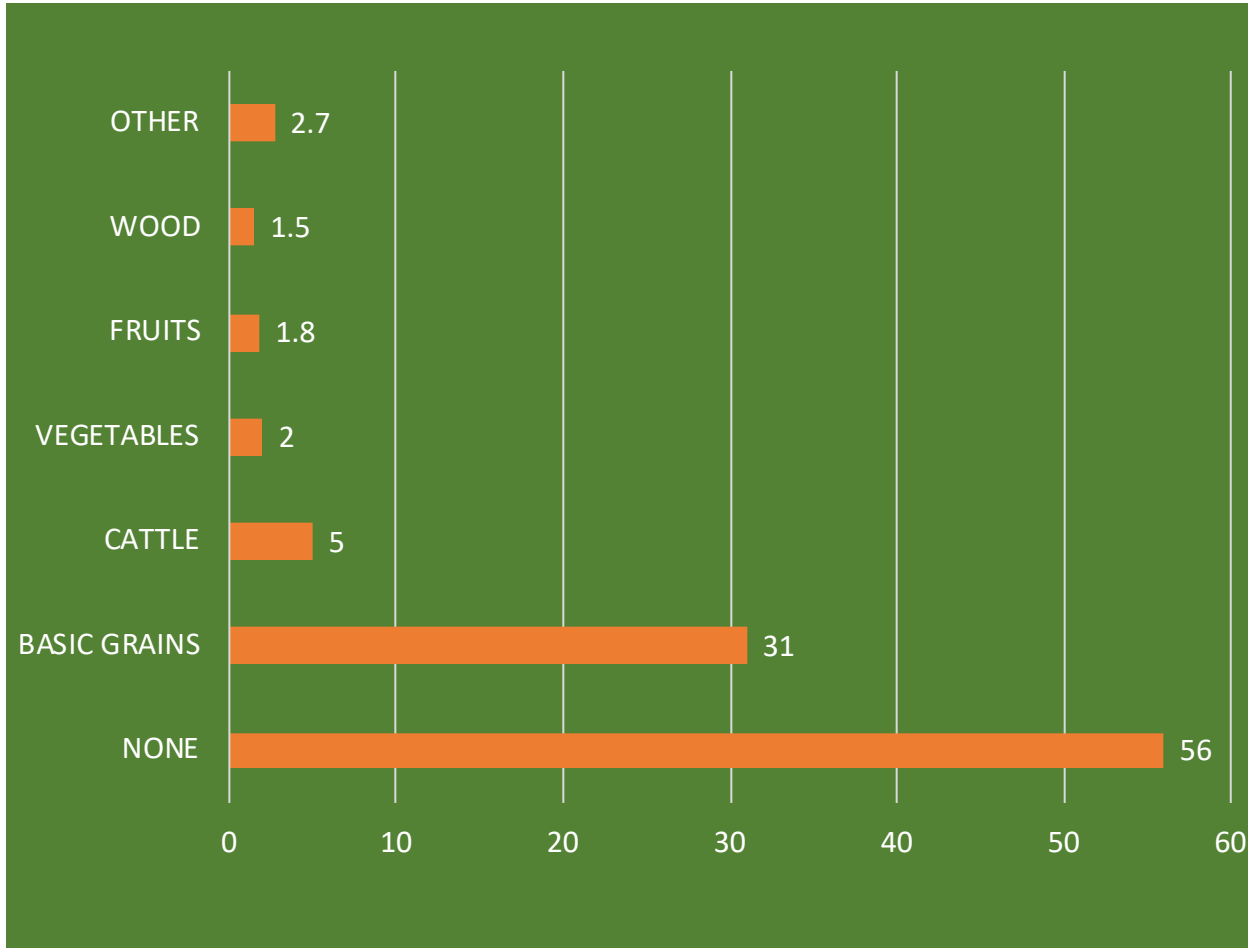
# What are the alternatives?

- What is driving the Honduran production?
- How does the producer view this and how is he / she making decisions?
- What are his/ her alternatives for more income?
  - More income / cost reduction from Coffee
  - Diversification
  - Employment
  - Emigration

# Other income from coffee

- Quality: spread between HG and SHG is increasing. Upto 10 cts/lb.
  - Favor coffees in higher elevations
- Certifications
- Cost reductions
  - One picking- reduce cost maybe 10cts/lb? - only a cost reduction for large producers.

# FARM DIVERSIFICATION (%)



**DIVERSIFICATION: 13%**

**31% Grow basic grains for food.**



# Coffee comercial chain

- Coffee has a powerful comercial chain that reaches all corners of Honduras.
- Buyers everywhere, all year, 24/7, pick up the coffee farmgate and there is always a cash price.
- Reduces sales risk for producer. Logistics and buyer
- Economies of scale.

# Employment

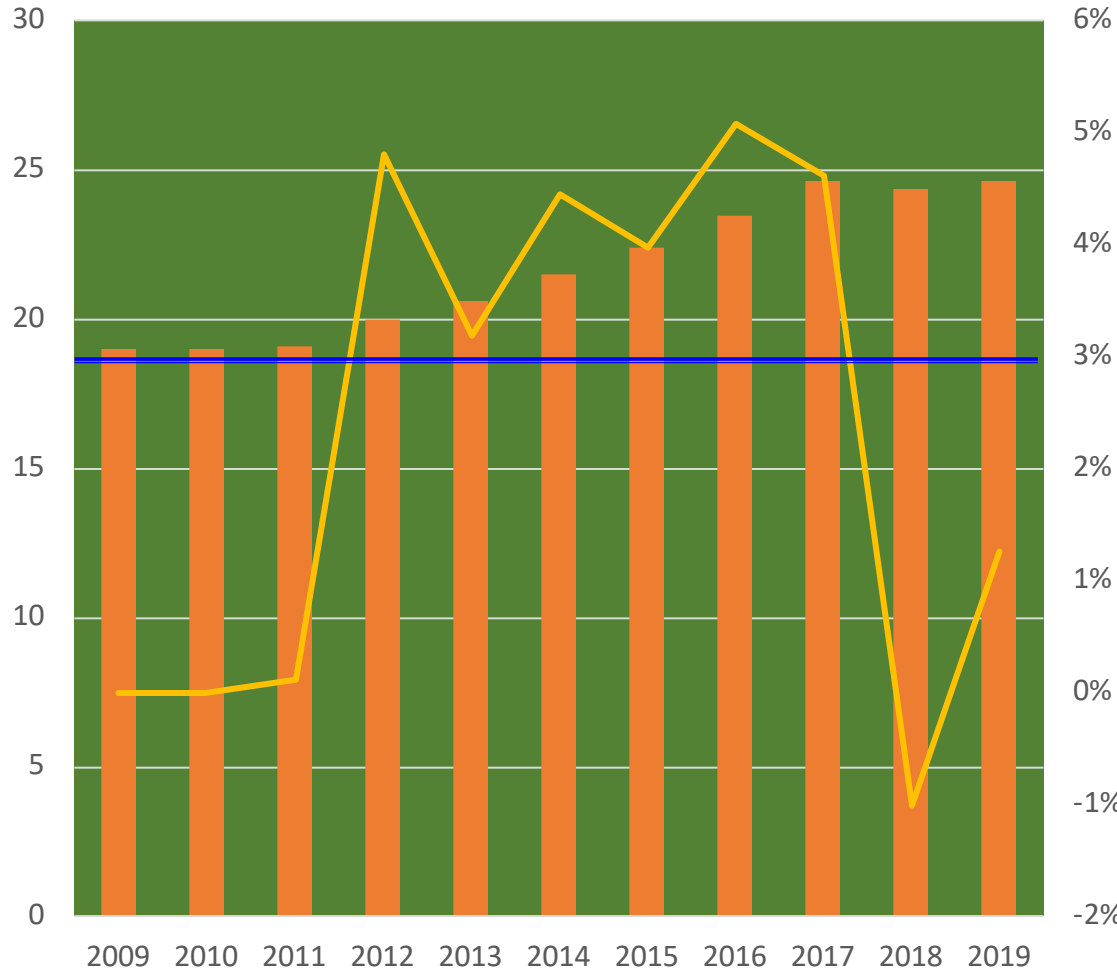
- Minimum Salary: \$3000 per year.
- There is rural farm work but not all the time – partial employment
  - Many small producers are partially employed. \$1500 / year – 180 days.
- If you move to the city there is more employment –
  - Education is required
  - And it is much more expensive to live.

# Emigration: a mixed bag

- Positive news from people that have made it through.
  - American dream
- Social escape valve.
- Remissions.

- Expensive
  - \$3-7,000 per person.
- Risky
  - News of injuries or abuses.
- Families broken up.
- 5% abandonment of farms to emigration in early part of the year

# Remissions and devaluation



- 5 Billion in remissions
  - Increase inflation (3.9%)
  - Slow devaluation (3%)
  - Primarily used to supplement home Budget
  - Subsidizing some farms and low prices
  - Disincentive to work

# Meet Dolores, who got into coffee



Dolores Domínguez, is a 47 year-old Lenca from Intibucá.

She comes from a big family of 9 siblings.

Dolores remembers she used to get up at 3:00 a.m. every day to prepare the food for her brothers.

She bought her first pair of shoes at 14 years old, with profits from weaving petates and baskets.

Two of her brothers gave her a small piece of land where she used to grow basic grains.

5 years ago she started growing coffee.

# Meet Dolores, who got into coffee



Dolores makes tortillas from corn that she grows and roasts her own coffee.

She also bakes bread to make some extra income.

She lives in a one room house and also a small store.

She is RFA certified.

She built a chemicals warehouse, and a carbon filter to clean the water she uses for depulping.



# Some thoughts

- The coffee story for the majority of people in Honduras is one of success – improved livelihood.
- At last year levels levels, producers can “scratch out” a living with a combination of coffee income, growing grains, partial employment and remissions.



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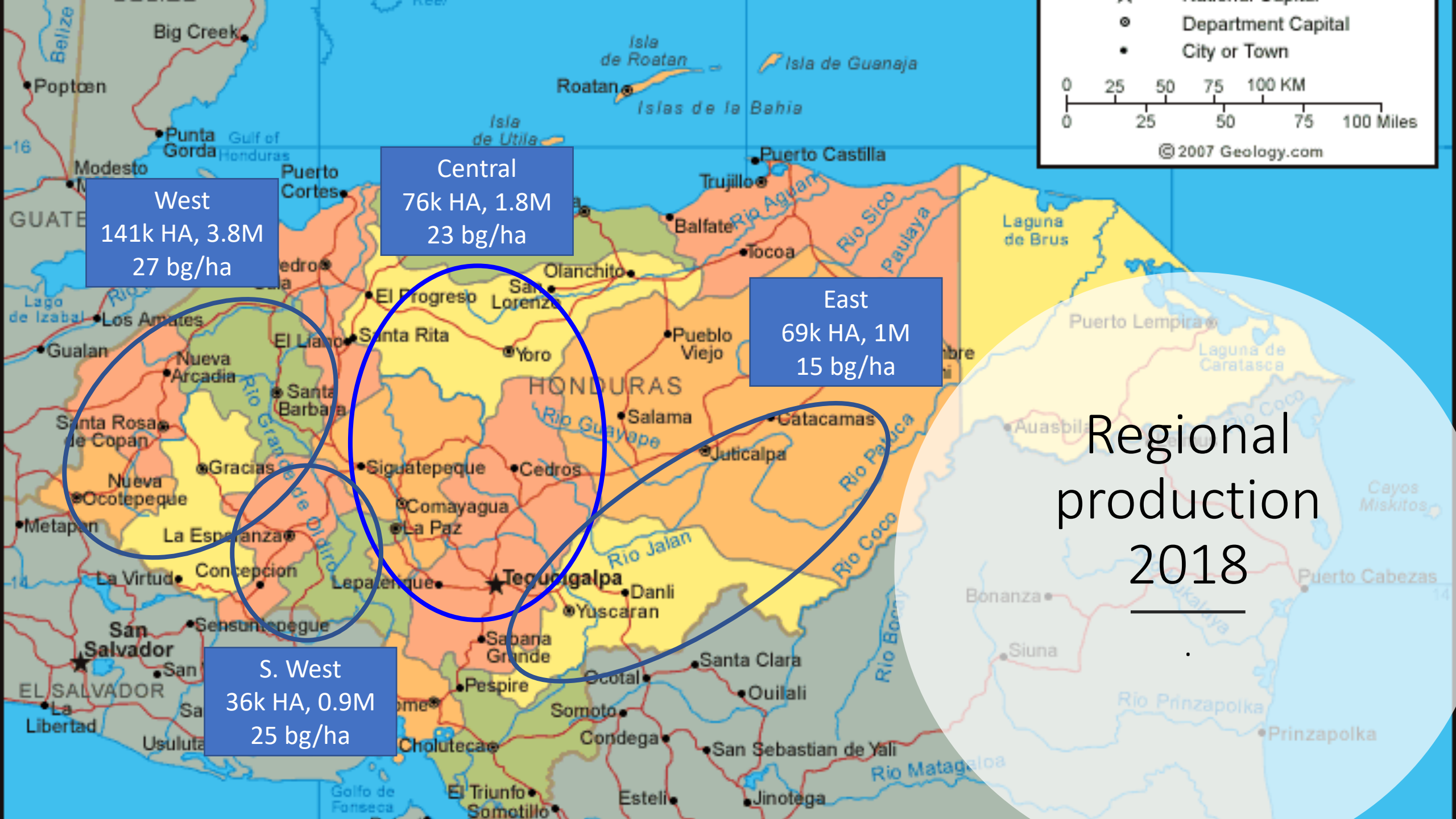


Agronomical factors

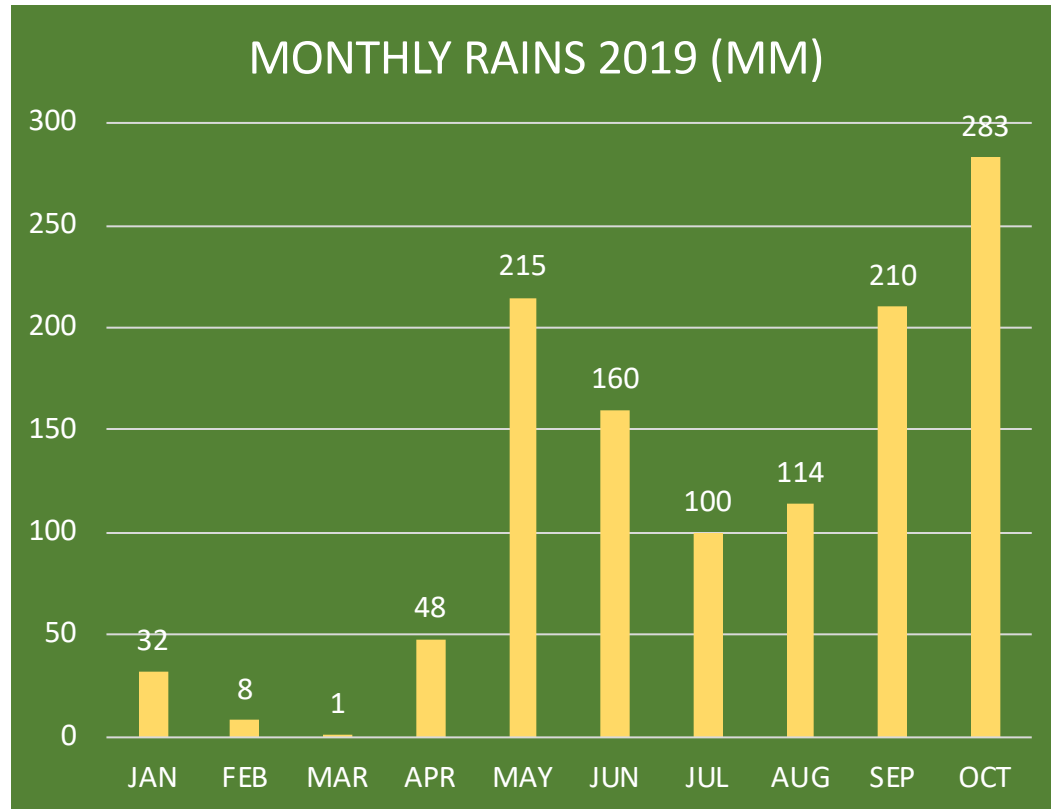


Crop Projection





# Yearly Rains OK



- It is one of the lowest rains years on record.
- Rained at precisely the right time.
  - May to Oct agricultural phase
  - Except in the East where there is a serious drought problem.

# ROYA AND BROCA

- ROYA – MINIMAL 3% CURRENTLY, NOT EXPECTED TO BE A PROBLEM
- BROCA (BORER) – 6% - BIT HIGHER THAN EXPECTED-SOME DAMAGE.

# Less Fertilization

**Fertilizer companies report 25% less sales in fertilizers than previous year.**

**Just enough fertilization to maintain plant vigor.**

**Expected to impact 2 years.**

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Other impacts



Agronomical factors



Crop Projection

# Crop projection

	2018/19	2019/20
<b>EXPORTABLE</b>		
+ CARRY-IN	+0.35	+0.35
+ PRODUCTION	+7.20	+6.40
= AVAILABLE	7.46	6.75
- SHIPMENTS	-6.81	-6.25
-DOMESTIC	-0.3	-0.30
= CARRY OUT	0.35	0.20
Committed		20%
Farmer sold		Less than 5%

THANK YOU