

Strong Currency, Heavy Rains Hitting Coffee Growers in Colombia

By Marvin G. Perez.

New York, May 30 (CoffeeNetwork) To the current list of problems affecting Colombian growers, now add heavy rains that may disrupt flowering and complicate logistical planning for the world's third largest exporter of coffee.

The Colombian peso hit a 9-year high against the dollar Thursday and that has reduced by about 100,000 pesos in local currency the returns for local growers per 125-kilo bag of coffee. On top of that, fertilizer costs have risen about 65% from May 2007, and now heavy rains are increasing transportation costs and logistics, according to Colombia's National Federation of Coffee Growers, Fedecafe.

Gabriel Silva, manager of Fedecafe told local press that the recent heavy rains, affecting about half of the country, could have an effect on flowering later this year. He said that the rains are increasing the costs of transporting coffee to the ports – mainly Buenaventura and Cartagena.

He told daily La Republica that the rains may affect production in the second half, though no revision have been made to the crop estimate, which had been projected to drop about 300,000 bags.

He emphasized that the excess water has caused flooding in areas such as Quindio, which comes on top of rising costs.

“Providing some underlying support was talk that Colombian producing areas may be receiving too much heavy rain which might be a bit disruptive to the flowering process and impact the crop production later this year,” said a trader.

On top of this, the Colombian pesos closed Thursday at 1,740 to the dollar, up almost 27 pesos, and the highest level for the local currency since mid 1999.

Colombia is the world's largest producer and exporter of washed-Arabica coffee. According to Fedecafe, the 12-month coffee exports to April summed 11,804,000 bags, up 5.3% on year from 11,193,000 bags shipped a year earlier. The 12-month production from May 2007 to April 2008 stood now at 13,356,000 bags, up 10.3% from 12,105,000 bags a year ago.

Arabica coffee futures in New York were trading up 2.15 cents early Thursday at 134.65 cents a pound, in part lifted by rising oil prices.

