

In cooperation with:



**Department
of Agriculture**
STATE OF HAWAII

Agricultural Development Division

Hawaii Coffee

August 29, 2006

Farm value hits record \$37.3 million

Upcoming season page 2

Brief outlook of the upcoming 2006/07 season.

Statistics page 3

Number of farms, acreage, yield, marketings, farm price, and farm value by county for the past 10 seasons.

World coffee update..... page 4

Latest forecast of 2006/07 world coffee production.

Total farm revenue of coffee is estimated at a record high \$37.3 million (parchment basis) for the 2005/06 season, up 88 percent from the 2004/05 season and 32 percent more than the previous record high of \$28.2 million achieved during the 1997/98 season. The record revenue resulted from a 46-percent increase in production to 8.2 million pounds (parchment basis) and a record high average farm price of \$4.55 per pound (parchment equivalent).

Improved weather helps boost production

Most of the increase in production during the 2005/06 season occurred on the Big Island where frequent showers produced multiple rounds of flowerings. Rainfall readings at Kainaliu, located in the middle of the North and South Kona districts, showed numerous months of above-normal, or near-normal, totals from late 2004 through 2005. The frequent showers not only triggered heavy flowering, but also helped to ensure a good fruit set rate. Production got an additional boost from acreages planted in the past five years that are continuing to mature. These recent plantings have relatively high tree densities than produce yields above the industry average.

Continued on next page...

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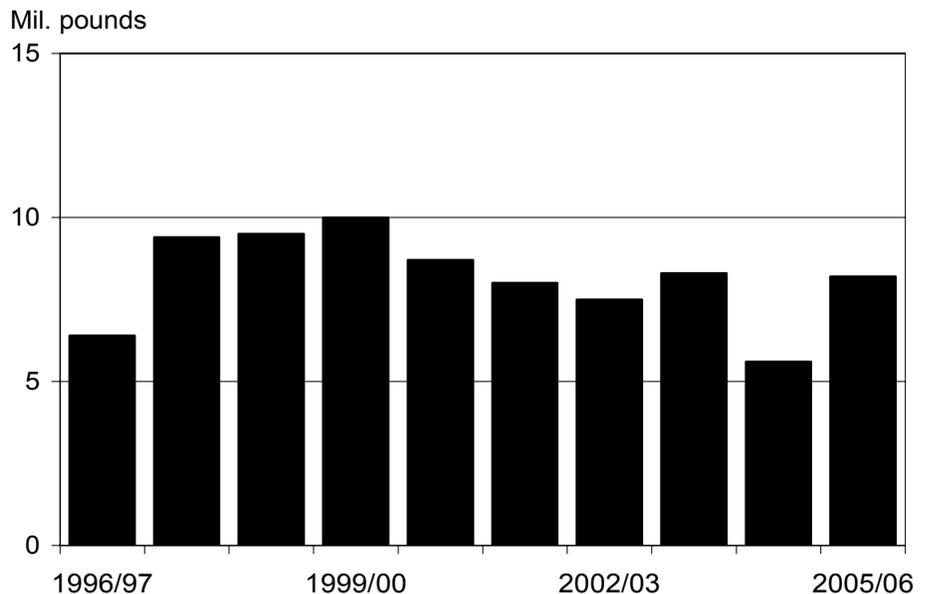
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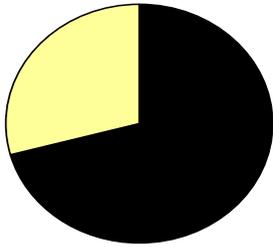
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**Hawaii Coffee Production
Parchment Basis, 1996/97 - 2005/06 Seasons**



Distribution of Hawaii Coffee Production 2005/06 Season



■ Hawaii ■ Kauai/Maui/Honolulu

Hawaii Island production is estimated at 5.8 million pounds (parchment basis) for the 2005/06 season, up 81 percent from the previous season. The counties of Kauai, Maui, and Honolulu combined for a total of 2.4 million pounds (parchment basis) during the 2005/06 season, unchanged from the previous season.

Farm price at record high level

The Statewide farm price for coffee averaged a record high \$4.55 per pound (parchment basis) for the 2005/06 season, up 28 percent from the 2004/05 season farm price of \$3.55 per pound. Big Island growers received an average of \$5.35 per pound (parchment basis) during the 2005/06 season, up 15 percent from the previous season. This was also the highest farm price received by Big Island growers in 8 seasons, but it was short of the record \$5.70 received during the 1997/98 season. Growers on Kauai, Maui, and Honolulu counties received an average of \$2.61 per pound (parchment basis) for coffee during the 2005/06 season, up 26 percent from the previous season.

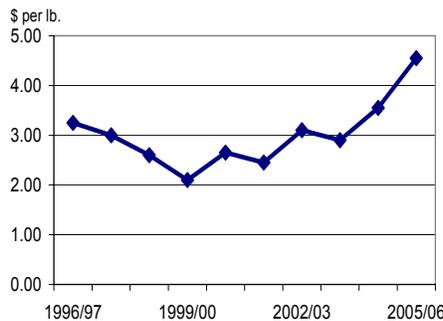
Kona green bean prices top \$10 per pound

The average price of green certified Kona coffee is estimated at \$10.25 per pound for the 2005/06 season, up 5 percent from the \$9.75 average green Kona price during the 2004/05 season.

Farm prices for parchment coffee averaged \$6.70 per pound for Big

Island growers during the 2005/06 season, up 2 percent from the previous season and second only to the record high \$7.00 per pound averaged during the 1997/98 season. Cherry coffee prices averaged \$1.20 per pound during the 2005/06 season, a 9-percent increase from the previous season when growers received an average of \$1.10 cents per pound. The 2005/06 cherry price was the highest in 7 seasons. Farm prices include the sale of organically-grown coffee.

Hawaii Coffee Farm Prices Parchment Basis, 1996/97 - 2005/06



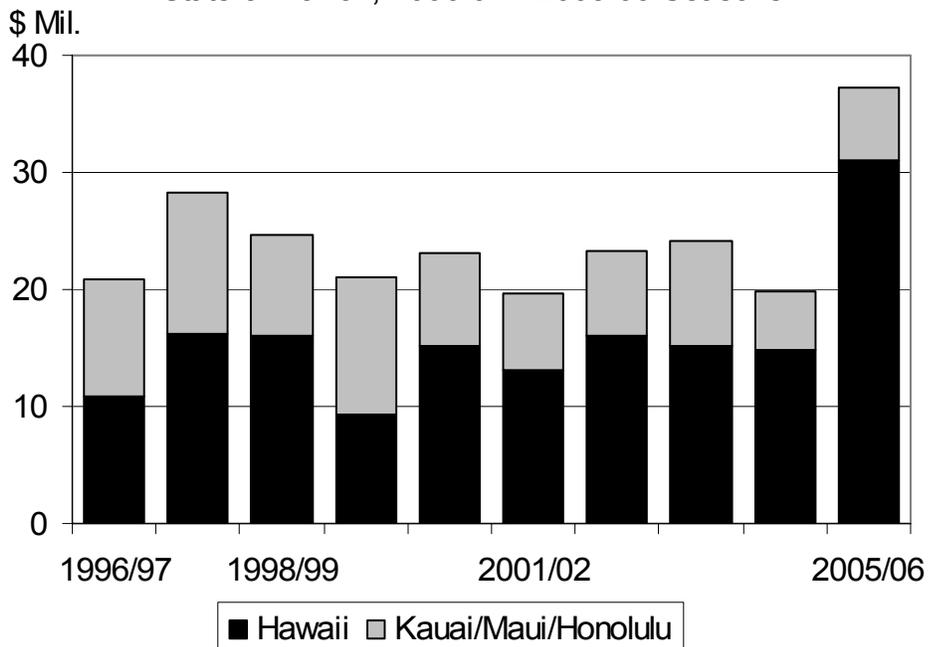
Big Island dominates farm value

Coffee growers across the State generated \$37.3 million in farm sales (parchment basis) during the 2005/06 season, up 88 percent from the previous season. Big Island growers accounted for \$31.0 million of the State's total farm revenue or 83 percent. The combined farm value of Maui, Honolulu, and Kauai counties was \$6.3 million (parchment basis), up 26 percent from the 2004/05 season.

2006/07 harvest expected to be slightly smaller

As a whole, Big Island millers expect production to be approximately 5 percent lower for the 2006/07 season. This will be partially offset by a smaller increase from the combined counties of Maui, Molokai, Honolulu, and Kauai. ■

Hawaii Coffee Farm Value State of Hawaii, 1996/97 - 2005/06 Seasons



Hawaii Coffee Statistics

Number of farms, acreage, yield, marketings, price, and value by county,
1996/97 through 2005/06, State of Hawaii

County and crop year ^{1/}	Farms	Acreage		Yield ^{2/}	Marketings ^{3/}	Farm prices			Value of sales	Green production
		In crop	Harvested			Cherry	Parchment	All ^{4/}		
	<i>Number</i>	<i>----- Acres -----</i>	<i>----- 1,000 pounds -----</i>	<i>----- Cents per pound -----</i>				<i>\$1,000</i>	<i>1,000 pounds</i>	
State										
1996/97	560	6,600	5,400	1.2	6,400			325.0	20,800	5,000
1997/98	585	7,000	5,800	1.6	9,400			300.0	28,200	7,720
1998/99	610	7,400	6,100	1.6	9,500			260.0	24,700	7,600
1999/00	650	7,700	6,400	1.6	10,000			210.0	21,000	8,100
2000/01	670	7,900	6,800	1.3	8,700			265.0	23,055	7,000
2001/02	700	8,000	6,300	1.3	8,000			245.0	19,600	6,400
2002/03	710	7,200	5,900	1.3	7,500			310.0	23,250	5,900
2003/04	715	7,300	5,900	1.4	8,300			290.0	24,070	6,600
2004/05	750	7,700	5,800	1.0	5,600			355.0	19,880	4,500
2005/06	790	8,000	6,100	1.3	8,200			455.0	37,310	6,600
Hawaii										
1996/97	550	2,160	1,720	1.3	2,300	105.0	550.0	470.0	10,810	1,850
1997/98	575	2,490	1,900	1.5	2,850	135.0	700.0	570.0	16,245	2,300
1998/99	600	2,800	2,170	1.6	3,500	130.0	500.0	460.0	16,100	2,800
1999/00	635	3,200	2,400	1.2	3,000	70.0	360.0	310.0	9,300	2,400
2000/01	650	3,350	2,700	1.4	3,800	85.0	425.0	400.0	15,200	3,000
2001/02	675	3,430	2,850	1.1	3,100	85.0	425.0	425.0	13,175	2,500
2002/03	680	3,500	2,850	1.4	4,100	90.0	405.0	390.0	15,990	3,200
2003/04	690	3,600	3,000	1.3	4,000	85.0	365.0	380.0	15,200	3,200
2004/05	710	3,750	3,300	1.0	3,200	110.0	660.0	465.0	14,880	2,560
2005/06	745	3,900	3,300	1.8	5,800	120.0	670.0	535.0	31,030	4,700
Kauai/Maui/Honolulu ^{5/}										
1996/97	10	4,440	3,680	1.1	4,100			243.0	9,990	3,150
1997/98	10	4,510	3,900	1.7	6,550			183.0	11,955	5,420
1998/99	10	4,600	3,930	1.5	6,000			143.0	8,600	4,800
1999/00	15	4,500	4,000	1.8	7,000			167.0	11,700	5,700
2000/01	20	4,550	4,100	1.1	4,900			160.0	7,855	4,000
2001/02	25	4,570	3,450	1.4	4,900			131.0	6,425	3,900
2002/03	30	3,700	3,050	1.1	3,400			213.5	7,260	2,700
2003/04	25	3,700	2,900	1.5	4,300			206.3	8,870	3,400
2004/05	40	3,950	2,500	1.0	2,400			208.3	5,000	1,940
2005/06	45	4,100	2,800	0.9	2,400			261.7	6,280	1,900

^{1/} Coffee harvesting occurs throughout the year in Hawaii. The main harvest normally begins in late summer and extends to the early part of the following year. ^{2/} Average yields based on parchment equivalent marketings and harvested acreage. ^{3/} Expressed in parchment equivalent pounds. Coffee marketed in cherry form was converted to an equivalent parchment weight and added to parchment marketings. ^{4/} Represents an average farm price for parchment equivalent sales. Obtained by dividing farm revenues from the sale of cherry and parchment coffee by total marketings (parchment equivalent basis). ^{5/} Kauai, Maui, and Honolulu counties combined to avoid disclosure of individual operations.

World 2006/07 Coffee Production Forecast Up Nearly 10 Percent

World coffee production in 2006/07 is forecast at 123.6 million bags (60 kilograms or 132,276 pounds), up nearly 10 percent, or nearly 11 million bags over the previous year. Most of the increase is attributed to the rise of the coffee crops in Brazil, Vietnam, and Peru. Brazil's production of coffee during 2006/07 is forecast at 44.8 million bags, 25 percent over the previous year. Vietnam's coffee production during 2006/07 is forecast at 13.85 million bags, up from 12.3 million bags the previous year, but still lower than prior years. Peru's coffee production in 2006/07 is forecast to rise to 3.5 million bags.

Other notable changes in production include: Ethiopia, down 500,000 bags; Burundi, up 450,000 bags; and Honduras, down 400,000 bags.

Since Brazil is the largest coffee producer, swings in Brazil's supplies of coffee account for a large portion of the change in world total supplies of coffee. Total coffee supplies in 2006/07 are forecast at 146.9 million bags, up nearly 7 percent from the 2005/06 preliminary level. This should allow some recovery in ending stocks.

Brazil

Brazil's coffee production for marketing year (MY) 2006/07 (July-June) is forecast at 44.8 million bags, a 24 percent increase compared to the previous year. Higher production is mainly due to the biennial production cycle of Arabica trees, which are experiencing a high production year and are forecast to produce 34 million bags. Robusta trees should account for 10.8 million bags, up 7 percent compared to the previous crop. Overall, Arabica coffee trees benefited from good weather conditions during blossoming in September-November 2005. However, in Minas Gerais, which represents approximately 50 percent of total production, the dry weather that prevailed in the eastern growing region during the beginning of the year partially offset initial prospects for a better crop. The dry weather also affected Arabica production in center-southern Espirito Santo. The expected increase in production was also supported by improved prices throughout 2005, which provided an incentive for better crop management and higher use of inputs. ■

Source: *Tropical Products: World Markets and Trade*, Circular series FTROP 2-06, June 2006, Foreign Agricultural Service, U.S. Department of Agriculture.