

Coffee bean glut driving down prices

By Marvin G. Perez and Luzi Ann Javier, Bloomberg

Like many coffee growers, Nils Solorzano Villareal figured it made sense to expand output as prices surged to a 14-year high in 2011. Now, the 71-year-old Costa Rican farmer is harvesting at a loss.

Record crops from Brazil to Vietnam are compounding a global surplus that drove prices down 26 percent this year, heading for a third annual decline and the longest slump in two decades. Solorzano, who added trees and fertilizer to expand his farm to 9.9 acres from 3, said he is spending \$140 to produce each 132-pound bag of arabica-coffee beans that sells for about \$132.

“We increased investments in the last few years because we thought prices will stay high,” Solorzano said by telephone from Montes de Oro, where he has been farming for three decades on Costa Rica’s Pacific slopes about 81 miles north of the capital, San Jose. “We’re still hopeful that prices will rebound at some point. We can’t do anything else because the land around us is very hilly.”

Global output will exceed consumption for a fourth season in 2014, the longest glut in 11 years, the U.S government estimates. The price of arabica traded in New York will drop 11 percent to 95 cents a pound by March, the lowest since July 2006, based on the median of 13 forecasts in a Bloomberg survey of traders. Lower costs improved profit margins for Green Mountain Coffee Roasters Inc., while Starbucks Corp. and Kraft Foods Group cut the retail cost of packaged beans.

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