

UNITED STATES

On Tuesday, March 4th the Trump administration enacted unprecedented tariffs on its main trading partners, Canada, Mexico and China. Immediately after US tariffs took effect China and Canada announced retaliatory measures, escalating trade tensions and rattling global markets. Beijing responded by slapping additional tariffs of 10-15% on a variety of U.S. agricultural imports, including chicken, pork, soy and beef. Canadian Prime Minister Justin Trudeau said Ottawa would impose immediate 25% tariffs on more than \$20 billion worth of U.S. imports. Tariffs on an additional \$86 billion worth of products will take effect in 14 days. Mexico also retaliated with tariffs of its own. Legendary US investor Warren Buffett called tariffs “an act of war to some degree” during an interview with CBS. He elaborated that tariffs over time serve as a tax on goods and raise prices for consumers. Many economists consider them mostly geopolitical leverage and not an efficient model for international trade. In the 1930s the US hiked tariffs that only led to exacerbate the Great Depression. The biggest risk of tariffs on the coffee supply chain is the decaf market as the Swiss Water process comes from Canada and Mountain Water and MC processes come from Mexico. Soluble coffee will also be greatly impacted as Mexico represents 25% of total U.S. soluble imports. In a sudden, but perhaps not surprising reversal, the US suspended the implementation tariffs on Mexico and Canada Thursday. Businesses across all 3 countries are struggling under Trump’s chaotic tariff back and forth.

MEXICO

Leading coffee exporters were left scrambling after the Trump administration enacted (and soon after suspended) 25% tariffs across the board on Mexican imports. Coffee does not grow in the US, besides tiny amounts in Puerto Rico and Hawaii, and therefore these are interpreted as merely punitive tactics without economic merit. The US is the main coffee export destination for Mexico, followed by Canada, Switzerland and the European Union, which combined do not account for even half the export volumes to the US. A massive disruption to the coffee trade landscape has been experienced by Mexican growers and exporters who will be encouraged to pivot sharply towards Asian and European markets. Trump's across-the-board tariffs mark a sudden turning point in over 30 years of economic integration between Mexico and the U.S. and could have deep repercussions on Latin America's second-largest economy. Mexico’s President Claudia Sheinbaum declared... “There is no reason, rationale or justification to support this decision that will affect our people and nations ... Nobody wins.”

COLOMBIA

Coffee flow is at a minimum with hardly any parchment available anymore. Any “reserves” carried over from the Main Crop are finally over, and we are now entering one of Colombia’s tightest periods in terms of coffee availability. Differentials have firmed in a natural reaction to limited availability during this time of the year. The Mitaca crop continues to develop normally, supported by favorable climatic conditions during the final stage of cherry growth. The crop is expected to yield healthy volumes and good quality.

HONDURAS

A transport strike slowed down the flow of coffee containers to port and shipping lines decided to skip some sailings resulting in rollovers and severe port congestion. These logistical challenges, besides disrupting the flow of exports, further exacerbate the cashflow crisis for exporters. Vessel schedule reliability is barely above 50%.

BURUNDI

Harvest preparations are underway. Initial forecasts indicate that the upcoming crop is expected to be of similar size to the previous season as long as climatic conditions remain favorable.

ETHIOPIA

Local prices are still relatively high leading to a slowdown in coffee flow, especially for Naturals. Early assessments of Nekemte and Djimmah's qualities are promising. Most exporters have plenty of washed coffee in stock in Addis and they are eager to find markets, but high minimums remain an obstacle.

KENYA

The auction is slowly running out of top grades. Differentials for top/plus grades have increased in the last month as availability is reduced signaling the end of the main crop.

RWANDA

It has been sunny and dry, ideal for harvesting activities. Farmers have started picking cherries and washing stations are fully open with coffee flow increasing.

UGANDA

Robusta: The weather remains dry and is expected to stay this way for the next few days, with temperatures +2°C above normal. Coffee trees are showing early signs of stress, but there are no imminent concerns about production at this stage. However, if the dryness persists for another 2 weeks, screen size and outturn could be affected. The main/summer crop harvest is set to begin in April and will run until early July.

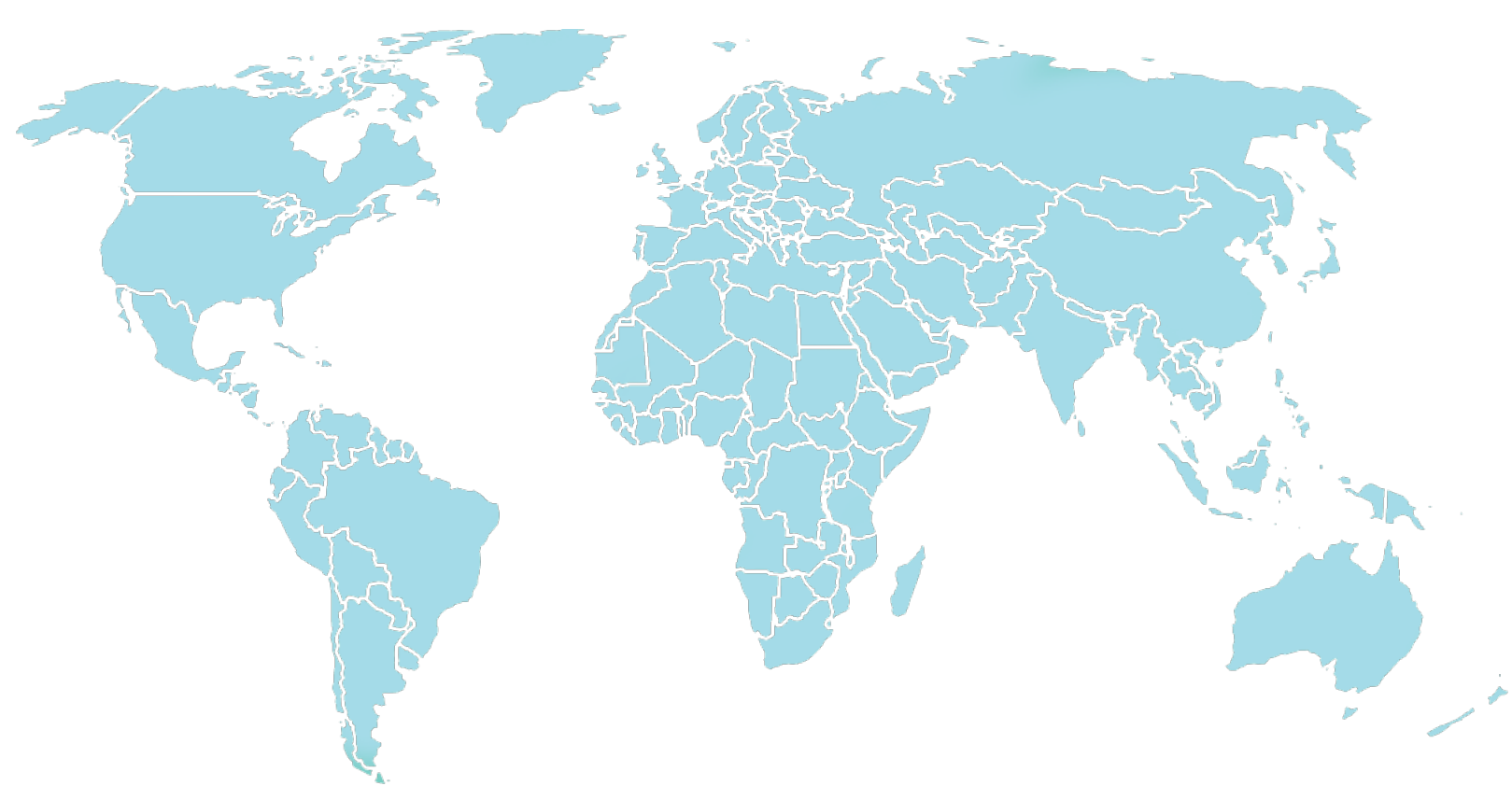
Arabica: Washing stations in Western Uganda are at 100% of their capacity, with most farmers preferring to deliver cherry rather than doing home processing. This is the peak of the harvest in Western Uganda.

INDONESIA

Arabica: Coffee availability has tightened as most shippers report being fully booked for March and April shipments.

VIETNAM

Flowering has been healthy and very promising for the development of new crops.



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