INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFÉ

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LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

January 2009

Coffee prices rose slightly in January, reversing the downward trend recorded in the market during the last quarter of 2008, with the monthly average of the ICO composite indicator price at 108.39 US cents per lb compared to 103.07 US cents per lb in December 2008. The relative firmness of prices in January has been particularly noticeable in the case of Colombian and Central American coffees, the supplies of which have been affected by climatic and structural problems. The decline in some fertilizer prices, as a consequence of the fall in prices of oil products, is not yet noticeable in many exporting countries, which continue to face rising costs of imports.

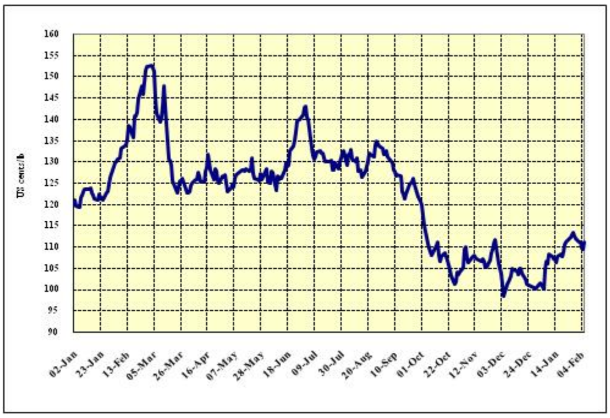
In regard to market fundamentals, it may be noted that despite the high level of Brazilian output in crop year 2008/09, the prospect of decreased future production and the low level of world stocks continue to be favourable factors for the maintenance of some firmness in coffee prices. Meanwhile, many other commodities are already feeling the impact of the current financial and economic crisis. Initial forecasts for 2009/10 indicate a relatively low world crop, mainly as a result of a reduction in output in Brazil. The first estimate released by CONAB, the government agency responsible for agricultural estimates in Brazil, indicates a production level of between 36.9 and 38.8 million bags, comprising 26.9 to 28.3 million bags of Arabicas and 10 to 10.5 million bags of Robustas.

Exports by all exporting countries in December 2008 totalled 8.9 million bags, bringing the total for calendar year 2008 to 96.6 million bags, compared to total exports of 96.4 million bags in 2007. Exports by Brazil and Vietnam during December 2008 were at record levels for the year at 3.2 and 2.3 million bags respectively.

Price movements

The monthly average of the **ICO composite indicator price** was 108.39 US cents per lb in January compared to 103.07 US cents per lb in December representing an increase of 5.16%. This monthly average marks a reversal in the downward trend recorded during the last quarter of 2008 (Table 1). The increase was considerably more marked in the case of Arabica prices. The behaviour of prices during the first few days of February seems to confirm this firmness in prices[1]. Graph 1 shows changes in the ICO daily composite indicator price since 2 January 2008. Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 3 November 2008.

Graph 1: Daily composite indicator price 2 January 2008 – 6 February 2009



Graph 2: Daily indicator prices for Colombian Milds 3 November 2008 – 30 January 2009

Graph 3: Daily indicator prices for Other Milds 3 November 2008 – 30 January 2009

Graph 4: Daily indicator prices for Brazilian Naturals 3 November 2008 – 30 January 2009

Graph 5: Daily indicator prices for Robustas 3 November 2008 – 30 January 2009

[1] *The price recorded on 6 February was 111.36 US cents per pound*

Table 1: ICO daily indicator prices and futures prices (US cents per lb): January 2009

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Jan-09							
02-Jan	101.59	131.77	118.56	102.19	79.30	114.28	72.55
05-Jan	100.19	130.31	117.19	100.14	78.47	111.10	71.53
06-Jan	105.15	138.38	124.33	106.92	79.32	119.53	76.18
07-Jan	106.81	138.50	125.11	107.61	82.95	117.38	75.09
08-Jan	106.18	137.59	125.26	106.97	82.01	116.60	75.00
09-Jan	108.53	142.21	128.42	110.02	82.37	120.00	77.41
12-Jan	107.99	140.08	127.02	108.22	84.08	117.67	75.77
13-Jan	107.20	139.93	126.72	107.58	82.63	117.88	75.05
14-Jan	107.26	141.07	126.98	107.93	81.87	117.72	74.50
15-Jan	106.57	140.38	126.19	107.04	81.41	116.97	74.23
16-Jan	107.80	142.12	128.01	108.84	81.60	118.83	75.48
19-Jan	108.38	142.59	128.24	108.84	82.94	Holiday	75.30
20-Jan	107.97	142.32	128.00	108.43	82.37	117.97	75.21
21-Jan	108.95	144.60	129.50	109.38	82.56	120.60	75.82
22-Jan	110.61	146.42	131.72	111.21	83.70	122.58	77.18
23-Jan	111.25	146.81	132.12	111.66	84.73	122.80	77.70
26-Jan	112.51	148.73	133.84	113.13	85.30	125.35	78.52
27-Jan	113.07	149.27	134.51	113.80	85.68	125.17	78.43
28-Jan	113.53	149.81	134.99	114.95	85.48	125.75	78.15
29-Jan	112.62	148.85	134.63	114.60	83.79	124.75	78.18
30-Jan	112.02	147.03	132.97	113.30	84.92	122.15	76.25
2008							
January	122.33	142.66	139.86	127.93	99.21	138.52	91.70
February	138.82	159.90	157.29	143.78	115.45	155.83	108.17
March	136.17	151.64	149.89	136.41	121.92	146.75	113.77
April	126.55	142.04	140.70	127.67	111.29	136.23	103.48
May	126.76	143.60	141.95	129.52	108.88	137.03	100.89
June	130.51	149.15	146.15	133.65	111.34	143.59	102.98
July	132.78	151.18	147.36	134.88	115.23	144.31	106.49
August	131.14	151.03	146.43	133.28	112.56	144.26	103.85
September	126.69	148.36	143.27	130.26	105.38	140.72	97.50
October	108.31	130.99	123.59	110.27	88.77	121.11	81.49
November	107.88	130.45	121.89	107.96	90.76	117.23	81.07
December	103.07	130.89	118.97	103.46	82.51	111.91	74.71
2009							
January	**108.39**	**142.32**	**128.30**	**109.18**	**82.74**	**119.75**	**75.88**
annual averages							
2003	51.90	65.33	64.20	50.31	36.95	65.24	34.11
2004	62.15	81.44	80.47	68.97	35.99	79.53	32.85
2005	89.36	115.73	114.86	102.29	50.55	111.38	46.80
2006	95.75	116.80	114.40	103.92	67.55	112.30	59.77
2007	107.68	125.57	123.55	111.79	86.60	121.83	78.56
2008	124.25	144.32	139.78	126.59	105.28	136.46	97.18
% change between Jan-09 and Dec-08							
	5.16	8.73	7.84	5.53	0.28	7.01	1.57
% change between Jan-09 and Jan-08							
	-11.40	-0.24	-8.27	-14.66	-16.60	-13.55	-17.25
% change between Jan-09 and 2008 average							
	-12.76	-1.39	-8.21	-13.75	-21.41	-12.25	-21.92
volatility (%)							
Jan-08	0.86	0.99	1.01	1.02	0.96	1.41	0.98
Feb-08	1.34	1.15	1.15	1.26	1.86	1.51	1.88
Mar-08	2.66	2.68	2.74	2.81	3.23	3.02	3.37
Apr-08	1.39	1.57	1.54	1.58	1.44	2.02	1.77
May-08	1.15	1.29	1.32	1.23	1.54	2.01	1.54
Jun-08	1.58	1.69	1.69	1.68	1.58	2.02	1.78
Jul-08	1.32	1.21	1.22	1.25	1.71	1.75	1.90
Aug-08	1.31	1.27	1.31	1.30	1.79	1.64	1.82
Sep-08	1.08	1.21	1.22	1.20	1.24	2.04	1.56
Oct-08	1.48	1.86	1.86	2.05	2.20	2.15	2.47
Nov-08	1.35	1.23	1.30	1.35	2.15	1.78	2.48
Dec-08	1.43	1.51	1.71	1.65	1.51	2.22	1.62
Jan-09	**1.42**	**1.75**	**1.63**	**1.89**	**1.52**	**2.35**	**2.00**

*Average of the 2nd and 3rd positions

Table 2: Production in selected exporting countries

Crop year commencing	2005	2006	2007	2008	% change 2008&2007
TOTAL	**109 630**	**126 820**	**116 224**	**133 385**	**14.77**
Africa	***13 044***	***15 233***	***14 616***	***17 634***	***20.65***
Cameroon	849	836	602	800	32.92
Côte d'Ivoire	1 962	2 847	2 150	2 500	16.30
Ethiopia	4 003	4 636	4 906	6 133	25.02
Kenya	660	826	652	950	45.68
Tanzania	804	822	810	917	13.20
Uganda	2 159	2 700	3 250	3 500	7.69
Others	2 607	2 565	2 247	2 834	26.12
Arabicas	*6 556*	*7 415*	*7 388*	*9 626*	30.29
Robustas	*6 488*	*7 818*	*7 228*	*8 008*	10.79
Asia&Oceania	***29 715***	***33 581***	***29 626***	***33 376***	***12.66***
India	4 396	5 079	4 148	4 883	17.72
Indonesia	8 659	6 650	6 371	5 833	-8.45
Papua New	1 268	807	968	850	-12.16
Thailand	999	766	653	825	26.26
Vietnam	13 542	19 340	16 467	19 500	18.42
Others	851	939	1 019	1 485	45.74
Arabicas	*3 893*	*3 460*	*3 318*	*3 520*	6.07
Robustas	*25 821*	*30 121*	*26 308*	*29 856*	13.49
Mexico & Central America	***17 118***	***16 936***	***18 270***	***18 301***	***0.17***
Costa Rica	1 778	1 580	1 784	1 822	2.12
El Salvador	1 502	1 371	1 626	1 448	-10.96
Guatemala	3 676	3 950	4 100	3 900	-4.87
Honduras	3 204	3 461	3 842	3 833	-0.22
Mexico	4 225	4 200	4 150	4 500	8.42
Nicaragua	1 718	1 300	1 700	1 600	-5.88
Others	1 016	1 073	1 068	1 198	12.15
Arabicas	*16 982*	*16 801*	*18 146*	*18 157*	0.06
Robustas	*136*	*135*	*124*	*144*	15.99
South America	***49 753***	***61 071***	***53 711***	***64 075***	***19.29***
Brazil	32 944	42 512	36 070	45 992	27.51
Colombia	12 329	12 153	12 515	12 300	-1.71
Ecuador	1 120	1 167	1 110	640	-42.36
Peru	2 419	4 249	2 953	4 102	38.91
Others	941	990	1 063	1 041	-2.09
Arabicas	*40 091*	*51 262*	*42 457*	*53 208*	25.32
Robustas	*9 662*	*9 808*	*11 255*	*10 867*	-3.44
TOTAL	**109 630**	**126 820**	**116 224**	**133 385**	**14.77**
Colombian Milds	13 487	13 488	13 685	13 837	1.11
Other Milds	25 206	26 974	26 845	29 004	8.04
Brazilian Naturals	28 829	38 476	30 779	41 669	35.38
Robustas	42 107	47 882	44 915	48 875	8.82
Arabicas	67 523	78 938	71 309	84 510	18.51
Robustas	42 107	47 882	44 915	48 875	8.82
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	
Colombian Milds	12.30	10.64	11.77	10.37	
Other Milds	22.99	21.27	23.10	21.74	
Brazilian Naturals	26.30	30.34	26.48	31.24	
Robustas	38.41	37.76	38.65	36.64	
Arabicas	61.59	62.24	61.35	63.36	
Robustas	38.41	37.76	38.65	36.64	

In thousand bags

Market fundamentals

On the basis of available information provided by Member countries, **total production** for crop year 2008/09 is estimated at 133.4 million bags compared to 116.2 million bags in the previous crop year (Table 2). The share of Arabicas in this total was 63.4% compared to 61.4% in 2007/08; the share of Robustas fell from 38.7% in 2007/08 to 36.6% in 2008/09.

With regard to crop year 2009/10, the first estimate of Brazilian production indicates a significant fall in world production. The Brazilian authorities anticipate a crop of between 36.9 and 38.8 million bags. The fall in production is linked to the biennial cycle of Arabica production in Brazil, with an abundant crop in one year being followed by a significantly lower crop in the next. Arabica production will be around 26.9 to 28.3 million bags and production of Robustas around 10 to 10.5 million bags. A similar cyclical reduction in production is expected in Peru, which has become an increasingly important origin of washed Arabica in recent years. The situation in other countries is somewhat different to that in Brazil and Peru, particularly in countries where the 2008/09 crop year is still under way. The current crop in Colombia and Central America countries has been affected by excessive rain, which may cause losses of up to 20% in relation to initial production estimates. The relatively high prices of 2008 could encourage coffee farmers to increase their production potential through new investments or improved farm maintenance. However, the costs of fertilizers derived from petroleum products have not yet come down in many exporting countries, even though oil prices have been falling since September. High fertilizer prices are an obstacle to investments designed to increase production. A study of changes in the prices of fertilizers used in coffee production is currently being carried out in order to assess their impact.

Exports in December 2008 totalled 8.9 million bags, bringing the total volume exported during calendar year 2008 to 96.6 million bags, an increase of 0.26% in relation to exports of 96.4 million bags in 2007 (Table 3).

Table 3: Total exports of all forms of coffee (January – December 2007 and 2008)

Country of origin	2007	2008	% change
TOTAL	**96 367**	**96 622**	**0.26**
Colombian Milds	***12 690***	***12 207***	***-3.81***
Other Milds	***20 928***	***22 280***	***6.46***
Brazilian Naturals	***28 745***	***28 938***	***0.67***
Robustas	***34 005***	***33 198***	***-2.37***
Arabicas	62 362	63 424	1.70
Robustas	34 005	33 198	-2.37

In thousand bags

I am maintaining my preliminary estimate of **world consumption** in calendar year 2008 at the level of 128 million bags compared to 125 million bags in 2007 (Table 4). Domestic consumption in exporting countries totalled 33.2 million bags in 2007 compared to 31.7 million bags in 2006. Consumption of importing countries as a whole, including Members and non-members, totalled 91.8 million bags in 2007 compared to 89.8 million bags in 2006. The figures indicate that the growth in world consumption is largely dependent on non-member countries and exporting countries, many of which have launched promotion programmes to increase their domestic consumption. In the case of traditional markets in Europe and the United States, speciality coffees play an increasingly significant role in developing consumption.

Table 4 World consumption (Calendar years 2003 – 2007)

	2003	2004	2005	2006	2007*
WORLD TOTAL	**112 919**	**118 437**	**118 365**	**121 425**	**125 029**
Producing Countries	***28 374***	***29 498***	***30 442***	***31 653***	***33 181***
Brazil	14 088	14 763	15 363	16 100	16 900
Mexico	1 500	1 500	1 556	1 794	2 050
Indonesia	1 958	2 000	2 000	2 000	2 000
Ethiopia	1 833	1 833	1 833	1 833	1 833
Colombia	1 400	1 400	1 400	1 400	1 400
India	1 142	1 188	1 272	1 337	1 360
Philippines	873	917	917	917	989
Vietnam	500	500	500	604	938
Venezuela	693	700	703	723	760
Others	4 389	4 698	4 899	4 945	4 952
Importing Countries	***84 544***	***88 939***	***87 923***	***89 772***	***91 848***
European Community	***39 738***	***41 193***	***39 276***	***40 941***	***40 571***
Germany	9 499	10 445	8 665	9 151	8 627
Italy	5 507	5 469	5 552	5 593	5 799
France	5 394	4 929	4 787	5 278	5 622
Spain	2 740	2 705	3 007	3 017	3 198
United Kingdom	2 236	2 458	2 680	3 059	2 824
Netherlands	1 743	1 978	1 927	2 129	2 292
Poland	2 242	2 281	2 267	1 953	1 531
Sweden	1 178	1 234	1 170	1 315	1 244
Belgium	1 579	1 396	1 158	1 537	1 103
Finland	966	1 034	1 102	1 047	1 057
Greece	929	871	870	857	1 015
Others	5 725	6 392	6 091	6 007	6 260
USA	20 193	20 973	20 998	20 667	21 033
Japan	6 770	7 117	7 128	7 268	7 282
Other importing countries	***17 844***	***19 656***	***20 521***	***20 895***	***22 961***
Russian Federation	3 582	3 086	3 212	3 263	4 055
Canada	2 146	2 747	2 794	3 098	3 535
Algeria	1 752	2 159	1 892	1 836	1 968
Korea, Republic of	1 305	1 401	1 394	1 437	1 425
Ukraine	647	739	1 025	968	1 057
Australia	873	864	1 039	992	1 031
Others	7 538	8 660	9 165	9 301	9 890

* Preliminary
In thousand bags

Tables 5 and 6 show per capita consumption in selected exporting and importing countries. Table 7 shows retail prices in selected importing countries in September 2006 to 2008. It may be noted that these prices have increased in all countries with the exception of United Kingdom and Norway.

Table 5: Per capita consumption in selected exporting countries (Calendar years 2003 – 2007)

	2003	2004	2005	2006	2007
Brazil	4.65	4.81	4.93	5.10	5.29
Costa Rica	3.40	4.17	5.04	4.77	4.18
Honduras	1.83	1.86	2.02	1.98	2.43
Dominican Republic	2.22	2.31	2.39	2.36	2.32
Haiti	2.27	2.23	2.19	2.16	2.13
Nicaragua	2.10	2.12	2.09	2.06	2.04
El Salvador	1.42	1.44	1.62	1.85	1.96
Colombia	1.92	1.90	1.87	1.84	1.82
Venezuela	1.61	1.60	1.58	1.59	1.65
Madagascar	1.03	1.43	1.50	1.46	1.42
Guatemala	1.49	1.45	1.42	1.38	1.35
Ethiopia	1.47	1.43	1.39	1.36	1.32
Panama	1.29	1.26	1.24	1.22	1.20
Cuba	1.20	1.20	1.20	1.20	1.20
Mexico	0.88	0.87	0.90	1.02	1.15
Côte d'Ivoire	1.06	1.04	1.02	1.00	0.99
Ecuador	0.70	0.70	0.69	0.68	0.67
Philippines	0.65	0.66	0.65	0.64	0.67
Vietnam	0.36	0.36	0.35	0.42	0.64
Indonesia	0.53	0.54	0.53	0.52	0.52

In kilogrammes

Table 6: Per capita consumption in selected importing countries (Calendar years 2003 – 2007)

	2003	2004	2005	2006	2007
Algeria	3.30	4.00	3.46	3.30	3.49
Australia	2.64	2.58	3.07	2.90	2.98
Canada	4.07	5.16	5.20	5.71	6.45
European Community	**4.89**	**5.06**	**4.81**	**5.00**	**4.94**
Austria	5.26	7.24	5.59	4.41	6.08
Belgium	9.18	8.09	6.68	8.84	6.33
Bulgaria	3.04	2.81	3.33	3.28	2.86
Cyprus	3.89	4.32	4.97	3.92	4.89
Czech Republic	3.66	3.56	3.87	3.72	4.00
Denmark	8.06	9.43	8.80	9.09	8.75
Estonia	5.08	5.71	6.48	7.48	4.53
Finland	11.10	11.87	12.60	11.94	12.01
France	5.37	4.88	4.71	5.16	5.47
Germany	6.90	7.58	6.29	6.64	6.27
Greece	5.04	4.72	4.70	4.62	5.46
Hungary	3.82	4.20	3.39	3.57	3.12
Ireland	2.27	3.31	3.23	2.88	3.41
Italy	5.67	5.61	5.68	5.71	5.91
Latvia	4.08	4.01	3.76	4.74	3.44
Lithuania	3.01	3.44	3.38	3.76	4.07
Luxembourg	12.07	15.67	11.66	13.49	16.65
Malta	1.58	2.33	2.44	4.32	2.33
Netherlands	6.46	7.30	7.08	7.80	8.38
Poland	3.51	3.58	3.56	3.07	2.41
Portugal	3.79	3.93	3.74	3.85	4.28
Romania	2.08	2.26	2.38	2.33	2.30
Slovakia	3.18	3.15	3.26	3.13	3.97
Slovenia	5.02	5.55	5.44	5.27	5.85
Spain	3.91	3.79	4.16	4.12	4.33
Sweden	7.89	8.22	7.76	8.69	8.19
United Kingdom	2.25	2.46	2.67	3.03	2.79
Japan	3.18	3.34	3.34	3.41	3.41
Korea, Republic of	1.65	1.76	1.75	1.79	1.77
Norway	8.95	9.23	9.61	9.27	9.85
Russian Federation	1.48	1.28	1.34	1.37	1.71
Switzerland	6.95	5.86	8.89	7.51	7.93
Ukraine	0.82	0.94	1.31	1.25	1.37
USA	4.12	4.24	4.20	4.09	4.13

In kilogrammes

Table 7: Retail price of roasted coffee in selected importing countries

	September			% change
	2006	**2007**	**2008**	**2008-2007**
European Community				
Austria	419.13	422.27		
Belgium	445.11	499.79	542.15	**8.48**
Cyprus	541.06	582.36	602.75	**3.50**
Denmark	456.30	481.25	544.54	**13.15**
Finland	302.51	335.30	368.82	**10.00**
France	304.82	345.38	380.55	**10.18**
Germany	438.76	476.47	495.23	**3.94**
Italy	639.08	717.86	778.69	**8.47**
Latvia	441.24	493.85	606.96	**22.90**
Luxembourg	654.09	678.16	750.67	**10.69**
Malta 1/	1 115.82	1 249.91	1 305.86	**4.48**
Netherlands	401.81	451.27		
Poland	282.47	371.71		
Portugal	476.86	518.70	570.82	**10.05**
Slovakia	313.00	399.86		
Slovenia	404.27	461.97	471.77	**2.12**
Spain	351.00	390.76	424.86	**8.73**
Sweden	321.22	358.13	377.08	**5.29**
United Kingdom 1/	1 694.25	1 820.24	1 662.78	**-8.65**
Japan	841.21	791.88	899.12	**13.54**
Norway	401.87	466.54	417.82	**-10.44**
Switzerland				
USA	317.30			

In US cents per lb
1/ Soluble coffee

In conclusion, it should be noted that market fundamentals continue to be favourable to the maintenance of firm coffee prices despite the instability created by the financial and economic crisis, whose impact on the world coffee sector cannot yet be definitively assessed. In the very short term, concerns over the availability of Colombian and Central American coffees have provided increased support to the market. Looking ahead, with the fall in Brazilian production, world stocks will come under heavy pressure during 2009, since the level of stocks in producing countries is already at its lowest for many years. Moreover, it is not yet possible to evaluate the impact of changes in the prices of fertilizers and other inputs on world production.