



## LETTER FROM THE EXECUTIVE DIRECTOR

### COFFEE MARKET REPORT

March 2009

*In March prices of Colombian Milds rose to their highest level in the last 13 months while those of the other three groups of coffee fell. The fall in prices, and in particular those of Brazilian Naturals and Robustas, exerted downward pressure on the monthly average of the ICO composite indicator price, which fell from 107.60 US cents per lb in February to 105.87 US cents per lb, a reduction of 1.6%. Prices of Other Milds remained fairly firm, despite a fall of 0.7%.*

*Estimates of the current crop in Colombia have been reduced as a result of climatic problems and the implementation of a coffee tree regeneration programme, lending support to the market. Furthermore, fertilizer use has been reduced because of high costs. Heavy rainfall and cost constraints caused by high fertilizer prices have also affected production in Central America.*

*In terms of the fundamentals of the coffee market as a whole, the outlook remains broadly unchanged. The reduction in the Colombian and Central American crops is contributing to the creation of a fragile supply/demand balance. This fragile balance is particularly worrying at a time when stocks are at their lowest levels and Brazilian production in crop year 2009/10 is expected to be lower, since this is the off-year in the biennial Arabica production cycle. Furthermore, there is no indication at present of any significant fall in demand due to the world economic crisis.*

*Exports by all exporting countries in February 2009 totalled 8.4 million bags, bringing the cumulative total for coffee year 2008/09 to 39.4 million bags compared to 37.8 million bags for the same period in 2007/08, an increase of 5.7%. This increase is attributable mainly to the increase in exports of Brazilian Naturals and, to a lesser extent, Robustas and Other Milds.*

**Graph 1: Daily composite indicator price  
3 March 2008 – 14 April 2009**



## Price movements

The monthly average of the **ICO composite indicator price** fell by 1.6%, from 107.60 US cents per lb in February to 105.87 US cents per lb in March. This average has fluctuated in a narrow range, between 103.07 and 108.39 US cents per lb, since the onset of the crisis in world financial markets in September 2008. In March, prices of **Colombian Milds** increased by 6.7%. However, prices of **Brazilian Naturals** and **Robustas** fell by 4.5% and 4.9% respectively, while prices of **Other Milds** recorded only a slight decrease of 0.7%. These movements reflect the fragile supply/demand balance for Colombian Milds created by the reduced crop in Colombia and, to a lesser extent, the situation in Central America. The behaviour of prices in the first

week of April confirms this trend<sup>1</sup>. Graph 1 shows changes in the ICO daily composite indicator price since 3 March 2008. Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee in the first quarter of 2009.

Graph 6 shows changes in the difference between the Colombian Milds and Other Milds group indicators and the New York futures market. In the case of Colombian Milds, this difference increased from 6.46 US cents per lb on 1 October 2008 to 50.69 US cents per lb on 31 March 2009. At the same time, the difference between Other Milds and the New York futures market increased from 1.85 US cents per lb to 14.22 US cents per lb.

**Graph 2: Daily indicator prices for Colombian Milds 2 January – 31 March 2009**



**Graph 3: Daily indicator prices for Other Milds 2 January – 31 March 2009**



**Graph 4: Daily indicator prices for Brazilian Naturals 2 January – 31 March 2009**

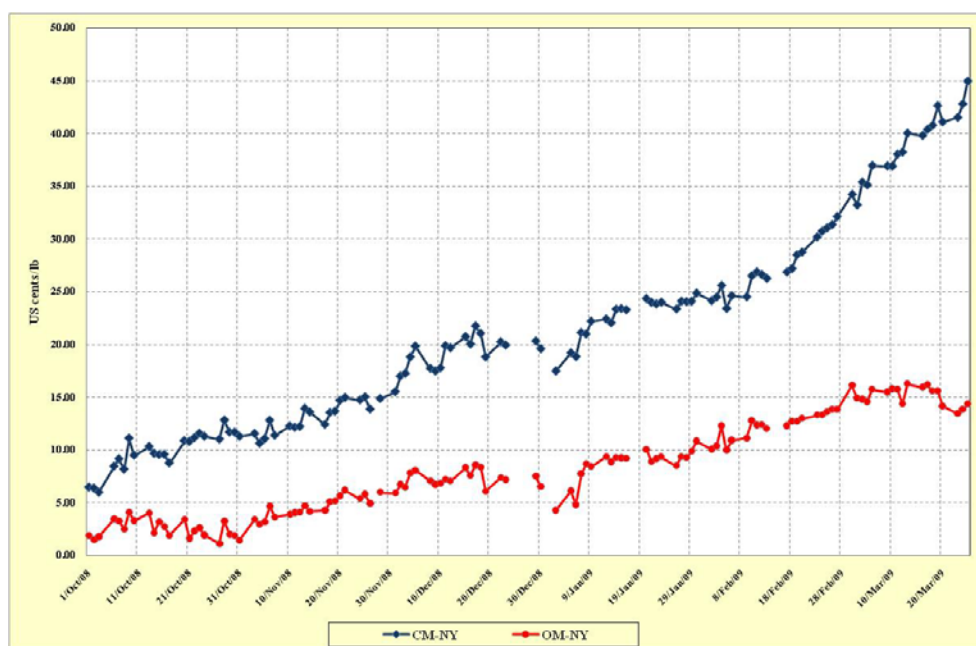


**Graph 5: Daily indicator prices for Robustas 2 January – 31 March 2009**



<sup>1</sup> The price recorded on 14 April was 112.01 US cents per lb

**Graph 6: Differences between indicator prices of Colombian Milds and Other Milds and the New York 'C' Contract\* 1 October 2008 to 31 March 2009**



\*Average of the 2<sup>nd</sup> and 3<sup>rd</sup> positions

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

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
<b>Mar-09</b>							
2	102.69	141.04	122.93	101.10	77.19	106.80	69.29
3	101.75	140.85	122.52	100.02	75.76	107.60	68.52
4	103.13	145.21	124.58	100.70	76.20	109.80	69.49
5	102.90	144.96	124.37	100.35	76.07	109.82	68.74
6	102.51	145.28	124.02	100.39	74.99	108.30	68.29
9	101.42	144.37	122.89	98.41	74.65	107.43	66.43
10	100.69	143.98	122.84	98.18	72.95	107.05	65.36
11	101.18	146.19	123.88	99.16	71.99	108.13	65.48
12	102.89	149.88	126.01	100.64	72.89	111.63	69.38
13	105.04	151.25	127.46	102.06	76.39	111.20	70.10
16	105.49	151.64	127.73	102.41	77.05	111.80	69.20
17	105.55	152.66	128.44	102.60	76.25	112.25	68.99
18	106.37	154.90	129.71	103.51	76.14	114.10	69.65
19	108.48	159.76	132.67	105.31	76.95	117.10	70.96
20	109.36	160.39	133.43	106.18	77.99	119.27	70.62
23	109.85	162.09	134.00	106.72	77.94	120.55	71.53
24	109.96	162.58	133.56	106.52	78.47	119.75	71.33
25	110.33	164.74	134.12	106.52	78.35	119.75	71.10
26	110.98	166.91	134.82	107.04	78.48	120.38	71.21
27	110.22	167.73	133.37	105.67	78.01	118.83	70.51
30	108.58	165.76	131.15	103.54	77.27	116.00	69.74
31	109.67	169.41	132.94	104.81	76.79	118.72	70.58
<b>Mar-09</b>	<b>105.87</b>	<b>154.16</b>	<b>128.52</b>	<b>102.81</b>	<b>76.31</b>	<b>113.47</b>	<b>69.39</b>
<b>% change between Mar-09 and Feb-09</b>	-1.61	6.65	-0.74	-4.53	-4.87	-3.26	-5.28
<b>% change between Mar-09 and Mar-08</b>	-22.25	1.66	-14.26	-24.63	-37.41	-22.68	-39.01
<b>% change between Mar-09 and 2008 average</b>	-14.79	6.82	-8.06	-18.79	-27.52	-16.85	-28.60

\*Average of the 2<sup>nd</sup> and 3<sup>rd</sup> positions

Table 2: Production in selected exporting countries

Crop year commencing					% change
	2005	2006	2007	2008	2008&2007
<b>TOTAL</b>	<b>110 131</b>	<b>127 653</b>	<b>117 882</b>	<b>127 005</b>	<b>7.74</b>
<b>Africa</b>	<b>13 044</b>	<b>15 233</b>	<b>14 873</b>	<b>17 496</b>	<b>17.64</b>
Cameroon	849	836	795	800	0.59
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	2 311	2 697	16.70
Arabicas	6 556	7 415	7 410	9 446	27.47
Robustas	6 488	7 818	7 463	8 050	7.87
<b>Asia &amp; Oceania</b>	<b>30 215</b>	<b>34 414</b>	<b>31 006</b>	<b>29 603</b>	<b>-4.52</b>
India	4 396	5 079	4 148	4 610	11.14
Indonesia	9 159	7 483	7 751	5 833	-24.74
Papua New Guinea	1 268	807	968	850	-12.16
Thailand	999	766	653	825	26.26
Vietnam	13 542	19 340	16 467	16 000	-2.84
Others	851	939	1 019	1 485	45.74
Arabicas	4 223	3 776	4 083	3 894	-4.63
Robustas	25 991	30 638	26 923	25 709	-4.51
<b>Mexico &amp; Central America</b>	<b>17 118</b>	<b>16 936</b>	<b>18 290</b>	<b>17 613</b>	<b>-3.70</b>
Costa Rica	1 778	1 580	1 791	1 594	-11.01
El Salvador	1 502	1 371	1 626	1 369	-15.85
Guatemala	3 676	3 950	4 100	3 370	-17.80
Honduras	3 204	3 461	3 842	3 833	-0.22
Mexico	4 225	4 200	4 150	4 650	12.04
Nicaragua	1 718	1 300	1 700	1 600	-5.88
Others	1 016	1 074	1 081	1 198	10.83
Arabicas	16 982	16 801	18 165	17 471	-3.82
Robustas	136	135	124	142	14.11
<b>South America</b>	<b>49 753</b>	<b>61 071</b>	<b>53 714</b>	<b>62 292</b>	<b>15.97</b>
Brazil	32 945	42 512	36 070	45 992	27.51
Colombia	12 329	12 153	12 515	10 500	-16.10
Ecuador	1 120	1 167	1 110	657	-40.80
Peru	2 419	4 249	2 953	4 102	38.91
Others	941	990	1 066	1 041	-2.33
Arabicas	40 091	51 262	42 459	51 391	21.04
Robustas	9 662	9 808	11 255	10 901	-3.14
<b>TOTAL</b>	<b>110 131</b>	<b>127 653</b>	<b>117 882</b>	<b>127 005</b>	<b>7.74</b>
Colombian Milds	13 487	13 488	13 685	12 037	-12.04
Other Milds	25 206	26 974	26 890	28 055	4.33
Brazilian Naturals	29 159	38 792	31 543	42 111	33.50
Robustas	42 278	48 399	45 764	44 802	-2.10
<b>Arabicas</b>	<b>67 853</b>	<b>79 254</b>	<b>72 118</b>	<b>82 202</b>	<b>13.98</b>
<b>Robustas</b>	<b>42 278</b>	<b>48 399</b>	<b>45 764</b>	<b>44 802</b>	<b>-2.10</b>
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	
Colombian Milds	12.25	10.57	11.61	9.48	
Other Milds	22.89	21.13	22.81	22.09	
Brazilian Naturals	26.48	30.39	26.76	33.16	
Robustas	38.39	37.91	38.82	35.28	
<b>Arabicas</b>	<b>61.61</b>	<b>62.09</b>	<b>61.18</b>	<b>64.72</b>	
<b>Robustas</b>	<b>38.39</b>	<b>37.91</b>	<b>38.82</b>	<b>35.28</b>	

In thousand bags

## Market fundamentals

**Total production** for crop year 2008/09, which is affected by the situation in Colombia, Central America and Vietnam, is estimated at around 127 million bags. This downward adjustment is mainly attributable to the receipt of revised data. Furthermore, the programme to replace old trees currently being implemented in Colombia and the reduction in fertilizer use as a result of high prices have contributed to lower production of Colombian washed Arabicas (Table 2).

Reduced production for crop year 2008/09 will have noticeable consequences in the future, since production in crop year 2009/10 will be affected by lower production in Brazil which will be in the off-year in its biennial production cycle. In accordance with the Arabica production cycle in Brazil, an abundant crop in one year is followed by a smaller crop in the next. For crop year 2009/10, commencing in April, the Brazilian authorities have forecast a total crop of between 36.9 and 38.8 million bags. While it is still too early to forecast world production for crop year 2009/10, it is expected that there will be a significant decrease in supply in relation to current levels of demand.

**Exports** in February 2009 totalled 8.4 million bags, an increase of 5.7% compared to the same month in 2008. This brings the total volume exported during the first five months of coffee year 2008/09 to 39.4 million bags compared to 37.8 million bags for the same period in 2007/08 (Table 3). This increase is attributable to the increases in exports of Brazilian Naturals and, to a lesser extent, Robustas and Other Milds. Exports of Colombian Milds fell by 15.2 % during the first five months of coffee year 2008/09, confirming the shortfall in the Colombian crop and consequent problems with export availability.

**Table 3: Total exports of all forms of coffee (October – February 2007/08 and 2008/09)**

	2007/08	2008/09	% change
<b>TOTAL</b>	<b>37 757</b>	<b>39 368</b>	<b>4.27</b>
Colombian Milds	5 939	5 037	-15.20
Other Milds	7 160	7 405	3.41
Brazilian Naturals	11 641	13 462	15.64
Robustas	13 017	13 464	3.44
Arabicas	24 741	25 903	4.70
Robustas	13 017	13 464	3.44

In thousand bags

The value of exports of all forms of coffee in coffee year 2007/08 is estimated at US\$15.14 billion for a volume of exports totalling 95.61 million bags, the highest export value recorded. In coffee year 2006/07 the total value of exports was US\$12.47 billion for a total volume of 98.20 million bags (Table 4).

**Table 4: Volume and value of exports Coffee years 2004/05 – 2007/08**

	2004/05	2005/06	2006/07	2007/08
<b>Colombian Milds</b>				
- Volume	12.19	11.88	12.51	12.71
- Value	1.72	1.80	2.02	2.43
<b>Other Milds</b>				
- Volume	19.32	20.49	21.37	22.09
- Value	2.53	2.87	3.20	3.89
<b>Brazilian Naturals</b>				
- Volume	27.95	26.68	29.73	27.12
- Value	3.04	3.29	4.02	4.41
<b>Robustas</b>				
- Volume	30.62	29.20	34.58	33.69
- Value	1.72	2.12	3.24	4.40
<b>Total</b>				
- Volume	90.09	88.25	98.20	95.61
- Value	9.01	10.08	12.47	15.14

Volume in million bags – Value in billion US\$

Information received from exporting countries indicates that the volume of **opening stocks** for crop year 2008/09 is estimated at 17.24 million bags, the lowest ever recorded by the Organization. Opening stocks of Colombian Milds in crop year 2008/09 have fallen substantially to below 0.5 million bags. Given the current situation of very tight supplies of this group of coffee, it is likely that the level of opening stocks in 2009/10 will be even lower.

Stocks held in importing countries were estimated at around 22 million bags in September 2008.

**World consumption** in calendar year 2008 is estimated at 128 million bags, compared to 126.5 million bags in 2007 (Table 5). Domestic consumption in exporting countries totalled 35.6 million bags in 2008 compared to 34.4 million bags in 2007. Consumption of importing countries as a whole, including Members and non-members, totalled 92.4 million bags in 2008 compared to 92.1 million bags in 2007. As yet there is no indication of any significant impact of the world economic crisis on consumption. However, changes in the behaviour of consumers, particularly in the emerging markets of Eastern Europe, are likely.

**Table 5 World consumption (Calendar years 2004 – 2008)**

	2004	2005	2006	2007	2008*
<b>WORLD TOTAL</b>	<b>118 399</b>	<b>118 891</b>	<b>122 304</b>	<b>126 549</b>	<b>128 000</b>
<b>Producing Countries</b>	<b>29 453</b>	<b>30 845</b>	<b>32 435</b>	<b>34 416</b>	<b>35 606</b>
Brazil	14 760	15 390	16 133	16 927	17 856
Indonesia	1 958	2 375	2 750	3 208	3 333
Mexico	1 500	1 556	1 794	2 050	2 200
Ethiopia	1 833	1 833	1 833	1 833	1 833
Colombia	1 188	1 272	1 337	1 360	1 430
India	917	917	917	989	1 060
Philippines	1 400	1 400	1 400	1 400	1 050
Vietnam	500	500	604	938	1 021
Venezuela	700	703	723	760	760
Others	4 698	4 899	4 945	4 952	5 063
<b>Importing Countries</b>	<b>88 946</b>	<b>88 046</b>	<b>89 868</b>	<b>92 133</b>	<b>92 394</b>
<b>European Community</b>	<b>41 193</b>	<b>39 277</b>	<b>40 941</b>	<b>40 557</b>	<b>39 917</b>
Germany	10 445	8 665	9 151	8 627	9 554
Italy	5 469	5 552	5 593	5 799	5 937
France	4 929	4 787	5 278	5 628	5 093
Spain	2 705	3 007	3 017	3 198	3 485
United Kingdom	2 458	2 680	3 059	2 824	3 068
Netherlands	1 978	1 927	2 129	2 292	1 578
Sweden	1 234	1 170	1 315	1 244	1 211
Poland	2 281	2 267	1 953	1 531	1 190
Finland	1 034	1 102	1 047	1 057	1 115
Greece	871	870	857	1 015	978
Others	7 788	7 249	7 544	7 344	6 707
USA	20 973	20 998	20 667	21 033	21 655
Japan	7 117	7 128	7 268	7 282	7 065
<b>Other Importing Countries</b>	<b>19 664</b>	<b>20 644</b>	<b>20 992</b>	<b>23 260</b>	<b>23 757</b>
Russian Federation	3 086	3 212	3 263	4 055	
Canada	2 747	2 794	3 098	3 535	
Algeria	2 159	1 892	1 836	1 968	
Korea, Republic of	1 401	1 394	1 437	1 425	
Ukraine	739	1 025	968	1 057	
Australia	864	1 039	992	1 031	
Others	8 667	9 288	9 397	10 190	

\* Preliminary

In thousand bags

Tables 6 and 7 show per capita consumption in selected exporting and importing countries. Table 8 shows retail prices in selected importing countries in September 2006 to 2008. With the exception of Norway and the United Kingdom, retail prices have increased in all importing countries.

**Table 6: Per capita consumption in selected exporting countries (Calendar years 2004 – 2008)**

	2004	2005	2006	2007	2008*
Brazil	4.80	4.94	5.11	5.30	5.59
Honduras	1.86	2.02	1.98	2.43	3.88
Costa Rica	4.17	5.04	4.77	4.18	3.61
Dominican Republic	2.31	2.39	2.36	2.32	2.32
Haiti	2.23	2.19	2.16	2.13	2.13
Nicaragua	2.12	2.09	2.06	2.04	2.04
El Salvador	1.44	1.62	1.85	1.96	2.01
Venezuela	1.60	1.58	1.59	1.65	1.65
Madagascar	1.43	1.50	1.46	1.42	1.42
Colombia	1.90	1.87	1.84	1.82	1.36
Guatemala	1.45	1.42	1.38	1.35	1.35
Ethiopia	1.43	1.39	1.36	1.32	1.32
Mexico	0.87	0.90	1.02	1.15	1.24
Panama	1.26	1.24	1.22	1.20	1.20
Cuba	1.20	1.20	1.20	1.20	1.20
Côte d'Ivoire	1.04	1.02	1.00	0.99	0.99
Indonesia	0.53	0.63	0.72	0.83	0.86
Philippines	0.66	0.65	0.64	0.67	0.72
Vietnam	0.36	0.35	0.42	0.64	0.70
Ecuador	0.70	0.69	0.68	0.67	0.67

\* Preliminary  
In kilogrammes

**Table 7: Per capita consumption in selected importing countries (Calendar years 2004 – 2008)**

	2004	2005	2006	2007	2008*
Algeria	4.00	3.46	3.30	3.49	
Australia	2.58	3.07	2.90	2.98	
Canada	5.16	5.20	5.71	6.45	
<b>European Community</b>	<b>5.06</b>	<b>4.81</b>	<b>5.00</b>	<b>4.94</b>	<b>4.86</b>
Austria	7.24	5.59	4.41	6.08	6.52
Belgium	8.09	6.68	8.84	6.33	
Bulgaria	2.81	3.33	3.28	2.86	3.22
Cyprus	4.32	4.97	3.92	4.89	
Czech Republic	3.56	3.87	3.72	4.00	3.66
Denmark	9.43	8.80	9.09	8.53	7.74
Estonia	5.71	6.48	7.48	4.53	6.89
Finland	11.87	12.60	11.94	12.01	12.67
France	4.88	4.71	5.16	5.48	4.96
Germany	7.58	6.29	6.64	6.27	6.94
Greece	4.72	4.70	4.62	5.46	5.26
Hungary	4.20	3.39	3.57	3.12	
Ireland	3.31	3.23	2.88	3.41	
Italy	5.61	5.68	5.71	5.91	6.05
Latvia	4.01	3.76	4.74	3.44	3.03
Lithuania	3.44	3.38	3.76	4.07	3.61
Luxembourg	15.67	11.66	13.49	16.65	12.92
Malta	2.33	2.44	4.32	2.33	3.33
Netherlands	7.30	7.08	7.80	8.38	
Poland	3.58	3.56	3.07	2.41	1.87
Portugal	3.93	3.74	3.85	4.28	4.16
Romania	2.26	2.38	2.33	2.30	2.26
Slovakia	3.15	3.26	3.13	3.97	3.80
Slovenia	5.55	5.44	5.27	5.85	5.83
Spain	3.79	4.16	4.12	4.33	4.72
Sweden	8.22	7.76	8.69	8.19	
United Kingdom	2.46	2.67	3.03	2.79	3.03
Japan	3.34	3.34	3.41	3.41	3.31
Korea, Republic of	1.76	1.75	1.79	1.77	
Norway	9.23	9.61	9.27	9.85	9.12
Russian Federation	1.28	1.34	1.37	1.71	
Switzerland	5.86	8.89	7.51	7.93	9.22
Ukraine	0.94	1.31	1.25	1.37	
USA	4.24	4.20	4.09	4.13	4.25

\* Preliminary  
In kilogrammes

**Table 8: Retail price of roasted coffee in selected importing countries**

	September			% change 2008 & 2007
	2006	2007	2008	
<i>European Community</i>				
Austria	419.13	422.27	475.69	<b>12.65</b>
Belgium	445.11	499.79	542.15	<b>8.48</b>
Cyprus	541.06	582.36	602.75	<b>3.50</b>
Denmark	456.30	481.25	544.54	<b>13.15</b>
Finland	302.51	335.30	368.82	<b>10.00</b>
France	304.82	345.38	380.55	<b>10.18</b>
Germany	438.76	476.47	495.23	<b>3.94</b>
Italy	639.08	717.86	778.69	<b>8.47</b>
Latvia	441.24	493.85	606.96	<b>22.90</b>
Luxembourg	654.09	678.16	750.67	<b>10.69</b>
Malta 1/	1 115.82	1 249.91	1 305.86	<b>4.48</b>
Netherlands	401.81	451.27		
Poland	282.47	371.71	453.27	<b>21.94</b>
Portugal	476.86	518.70	570.82	<b>10.05</b>
Slovakia	313.00	399.86	513.14	<b>28.33</b>
Slovenia	404.27	461.97	471.77	<b>2.12</b>
Spain	351.00	390.76	424.86	<b>8.73</b>
Sweden	321.22	358.13	377.08	<b>5.29</b>
United Kingdom 1/	1 694.25	1 820.24	1 662.78	<b>-8.65</b>
Japan	841.21	791.88	899.12	<b>13.54</b>
Norway	401.87	466.54	417.82	<b>-10.44</b>
USA	317.30			

In US cents per lb

1/ Soluble coffee

*In conclusion, it should be noted that problems in the availability of supplies of Colombian Milds have supported firm prices for this group of coffee, with the indicator price for this group reaching high levels in March and early April. So far, world demand remains steady despite the ongoing world economic crisis, while tight supplies of Colombian and, to a lesser extent, Central American origins, could make the supply/demand balance even more fragile. This is particularly worrying since stocks are at their lowest recorded levels in many exporting countries and the Brazilian 2009/10 crop is expected to be lower.*