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

E

LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

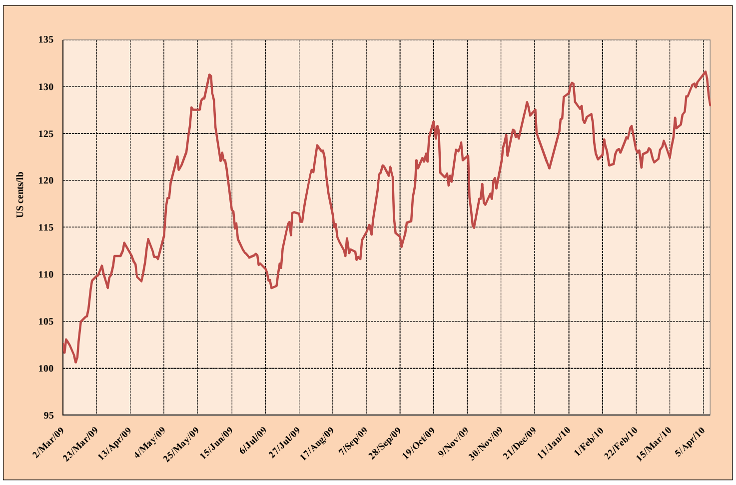
March 2010

Market movements and coffee prices continue to be dominated by reduced production in a number of exporting countries and the steady erosion of stocks in both exporting and importing countries. In March the monthly average of the ICO composite indicator price rose by 1.6% from 123.37 US cents per lb in February to 125.30 US cents per lb. Robusta prices fell, however, widening the differential with prices of Other Milds, which rose from 89.98 US cents per lb in February to 97.25 US cents per lb in March.

As a result of information received, the estimate of world production for crop year 2009/10 has been revised downward to between 120 to 122 million bags. Colombian production in the first five months of crop year 2009/10 was well below the level recorded for the same period in crop year 2008/09, indicating the likelihood of a second consecutive year of reduced production. This is attributable mainly to renewed outbreaks of coffee berry borer following heavy rainfall in the previous crop year, as well as the implementation of the coffee regeneration programme.

Exports by all exporting countries during February 2010 totalled 7.1 million bags compared to 8.7 million bags in February 2009. The cumulative total for the first five months of coffee year 2009/10 (October 2009 – February 2010) was 35.6 million bags compared to 40 million bags for the same period in 2008/09, a fall of almost 11%. Declining production in many countries has led to a drawing down of remaining stocks to very low levels, especially in exporting countries, while certified stocks of the New York and London futures markets have been falling continuously since September 2009.

Graph 1: Daily composite indicator prices
2 March 2009 – 9 April 2010



Price movements

The monthly average of the **ICO composite indicator price** increased by 1.6% from 123.37 US cents per lb in February to 125.30 US cents per lb in March (Table 1). Graph 1 shows changes in the ICO daily composite indicator price since 2 March 2009. **Arabica** prices rose while those of **Robustas** fell once more (Graph 2). As a consequence, the differential between each of the three Arabica groups and Robustas widened further (Table 2).

Graph 3 shows the evolution of the differentials between each of the three Arabica coffee groups and Robustas since January 2009. It should be noted that the increase in prices of **Other Milds** was steeper (4.2%) than in the case of the other two groups, narrowing the differential with **Colombian Milds** by 12% to 41.21 US cents per lb in March from 46.85 US cents per lb in February. The differential between Colombian Milds and **Brazilian Naturals** decreased slightly.

Graph 2: Group indicator prices
2 March 2009 – 9 April 2010

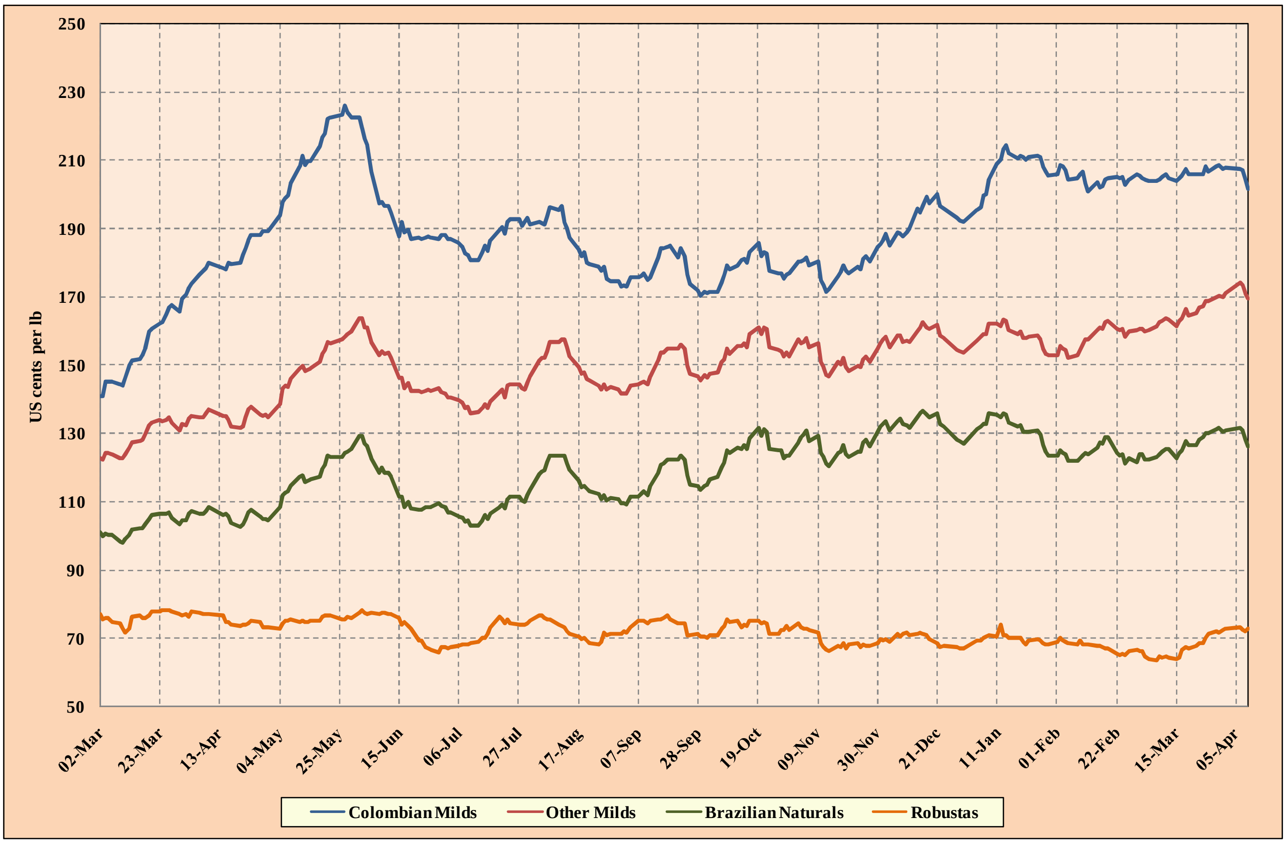


Table 1: ICO daily indicator prices and futures prices (US cents per lb) – March 2010

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Mar-10							
01-Mar	122.99	205.88	160.49	121.77	67.02	132.60	59.42
02-Mar	123.39	205.62	160.56	123.90	66.35	133.18	58.74
03-Mar	123.29	204.63	160.68	123.87	66.40	132.95	59.01
04-Mar	122.27	204.19	160.11	122.65	65.01	131.03	57.42
05-Mar	121.90	203.73	160.14	122.43	64.28	131.25	56.70
08-Mar	122.31	203.81	161.59	123.21	63.78	131.95	56.25
09-Mar	123.22	204.36	162.56	124.13	64.78	133.60	57.27
10-Mar	123.55	205.26	163.04	124.76	64.53	133.60	56.70
11-Mar	124.24	205.91	163.92	125.58	65.00	134.57	56.88
12-Mar	123.80	204.57	163.55	125.47	64.55	133.28	56.43
15-Mar	122.41	203.76	161.41	123.05	64.36	131.88	56.36
16-Mar	123.45	204.62	163.08	124.50	64.69	133.57	56.63
17-Mar	124.60	205.37	163.97	125.06	66.69	134.45	57.38
18-Mar	126.65	207.32	166.45	127.96	67.73	136.38	58.24
19-Mar	125.54	205.95	164.71	126.62	67.34	133.35	57.83
22-Mar	125.90	205.75	165.18	126.60	68.17	135.50	58.49
23-Mar	127.00	206.00	166.82	128.26	68.74	137.10	59.13
24-Mar	127.26	205.87	167.22	128.90	68.73	136.67	59.15
25-Mar	128.96	208.14	168.81	130.35	70.52	139.30	61.71
26-Mar	128.94	206.48	168.63	130.18	71.35	138.07	61.53
29-Mar	130.14	208.28	170.12	131.41	72.10	140.20	62.96
30-Mar	130.27	208.62	170.42	131.64	71.95	141.15	62.28
31-Mar	129.92	207.26	170.10	130.55	72.61	138.60	62.23
Mar-10	**125.30**	**205.71**	**164.50**	**126.21**	**67.25**	**134.97**	**58.64**
2009							
March	105.87	154.16	128.52	102.81	76.31	113.47	69.39
April	111.61	181.10	134.88	105.95	75.53	118.48	68.59
May	123.05	212.05	150.99	118.40	75.62	131.43	69.00
June	119.05	196.32	149.79	115.42	73.79	129.39	66.58
July	112.90	187.29	140.90	107.80	71.68	122.42	64.98
August	117.45	185.39	149.76	116.86	72.35	132.05	65.47
September	116.40	177.45	148.53	116.16	73.82	131.33	66.77
October	121.09	178.13	154.57	124.62	73.51	140.77	66.74
November	119.67	178.33	152.21	126.17	69.48	140.33	62.84
December	124.96	192.11	158.16	132.84	69.89	144.08	62.80
2010							
January	126.85	207.51	158.90	131.67	70.08	142.76	62.66
February	123.37	204.71	157.86	124.57	67.88	134.35	60.37
March	125.30	205.71	164.50	126.21	67.25	134.97	58.64
annual averages							
2000	64.24	102.60	87.07	79.86	41.41	94.58	40.11
2001	45.59	72.05	62.28	50.70	27.54	58.86	23.92
2002	47.74	64.90	61.52	45.23	30.01	57.02	25.88
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
2009	115.67	177.43	143.84	115.33	74.58	128.40	67.69
% change between Mar-10 and Feb-10							
	1.56	0.49	4.21	1.32	-0.93	0.46	-2.87
% change between Mar-10 and Mar-09							
	18.35	33.44	28.00	22.76	-11.87	18.95	-15.49
% change between Mar-10 and 2009 averages							
	8.33	15.94	14.36	9.43	-9.83	5.12	-13.37

*Average of the 2nd and 3rd positions

Table 2: Price differentials

	Colombian Milds Other Milds	Colombian Milds Brazilian Naturals	Colombian Milds Robustas	Colombian Milds New York*	Other Milds Brazilian Naturals	Other Milds Robustas	Brazilian Naturals Robustas	New York* London*
Jan-09	14.02	33.14	59.58	22.57	19.12	45.56	26.44	43.87
Feb-09	15.07	36.86	64.33	27.26	21.79	49.26	27.47	44.03
Mar-09	25.64	51.35	77.85	40.69	25.71	52.21	26.50	44.08
Apr-09	46.22	75.15	105.57	62.62	28.93	59.35	30.42	49.89
May-09	61.06	93.65	136.43	80.62	32.59	75.37	42.78	62.43
Jun-09	46.53	80.90	122.53	66.93	34.37	76.00	41.63	62.81
Jul-09	46.39	79.49	115.61	64.87	33.10	69.22	36.12	57.44
Aug-09	35.63	68.53	113.04	53.34	32.90	77.41	44.51	66.58
Sep-09	28.92	61.29	103.63	46.12	32.37	74.71	42.34	64.57
Oct-09	23.56	53.51	104.62	37.36	29.95	81.06	51.11	74.03
Nov-09	26.13	52.17	108.85	38.01	26.04	82.72	56.69	77.49
Dec-09	33.95	59.27	122.22	48.03	25.32	88.27	62.95	81.28
Jan-10	48.61	75.84	137.43	64.75	27.23	88.82	61.59	80.10
Feb-10	46.85	80.14	136.83	70.36	33.29	89.98	56.69	73.98
Mar-10	41.21	79.50	138.46	70.74	38.29	97.25	58.96	76.33
% change between Mar-10 and Feb-10	**-12.04%**	**-0.80%**	**1.19%**	**0.54%**	**15.02%**	**8.08%**	**4.00%**	**3.18%**

* Average of the 2nd and 3rd positions

Graph 3: Differential between Arabica and Robusta prices
January 2009 – March 2010

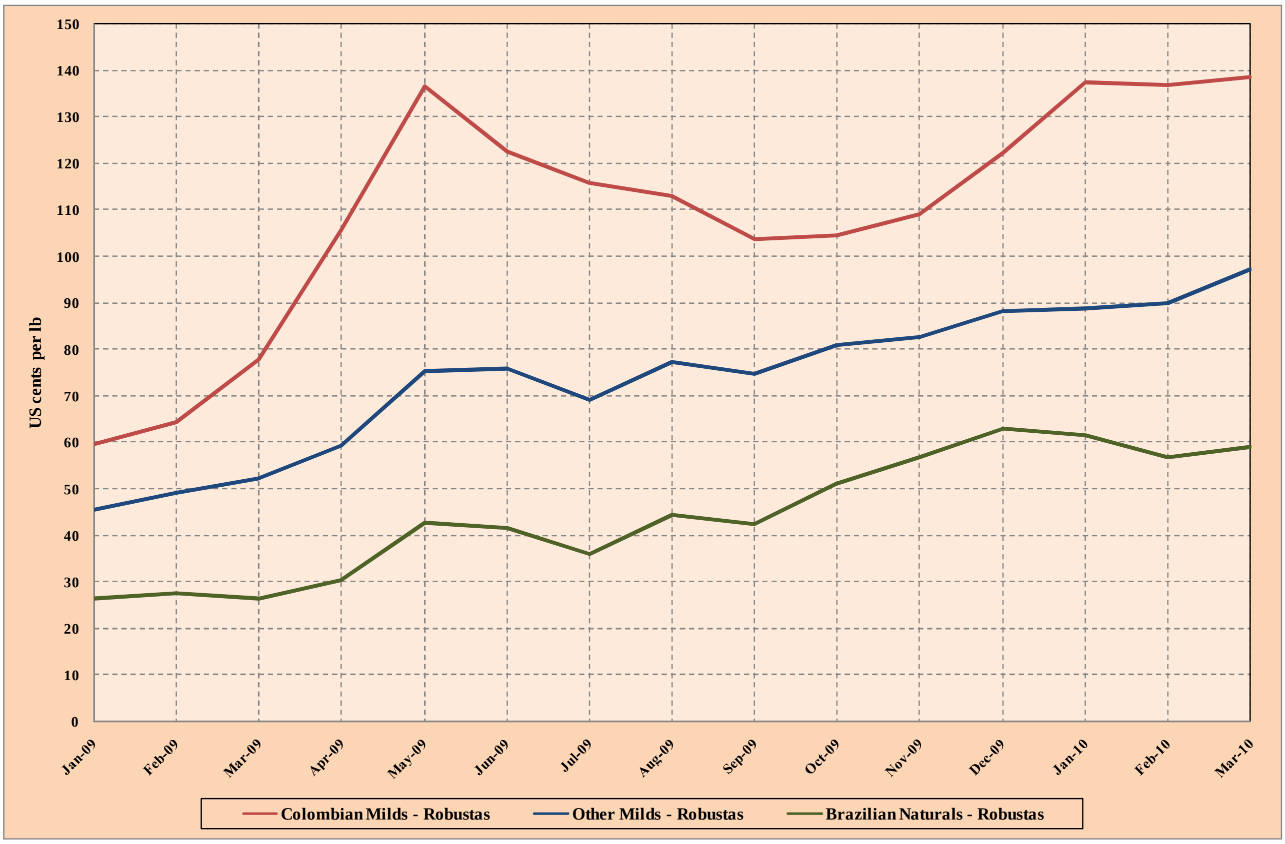


Table 3: Production in selected exporting countries

Crop year commencing	2006	2007	2008	2009	% change 2009 & 2008
TOTAL	**129 137**	**119 395**	**128 087**	**121 967**	**-4.78**
Africa	***15 385***	***15 258***	***15 196***	***14 216***	***-6.45***
Cameroon	836	795	750	690	-7.99
Côte d'Ivoire	2 847	2 598	2 353	1 850	-21.36
Ethiopia	4 636	4 906	4 350	4 500	3.45
Kenya	826	652	572	815	42.53
Tanzania	822	810	1 186	667	-43.77
Uganda	2 700	3 250	3 200	3 000	-6.26
Others	2 717	2 247	2 785	2 694	-3.26
Arabicas	*7 557*	*7 418*	*7 299*	*7 379*	1.10
Robustas	*7 828*	*7 840*	*7 897*	*6 837*	-13.43
Asia & Oceania	***34 529***	***31 408***	***34 900***	***36 882***	***5.68***
India	5 158	4 460	4 371	4 827	10.43
Indonesia	7 483	7 777	9 350	10 700	14.43
Papua New Guinea	807	968	1 028	960	-6.58
Thailand	766	653	675	930	37.70
Vietnam	19 340	16 467	18 500	18 000	-2.70
Others	976	1 083	976	1 465	50.15
Arabicas	*3 836*	*4 248*	*4 365*	*4 961*	13.65
Robustas	*30 693*	*27 160*	*30 535*	*31 920*	4.54
Mexico & Central America	***16 936***	***18 295***	***17 685***	***16 743***	***-5.33***
Costa Rica	1 580	1 791	1 320	1 460	10.58
El Salvador	1 371	1 621	1 547	1 115	-27.91
Guatemala	3 950	4 100	3 785	3 500	-7.53
Honduras	3 461	3 842	3 450	3 870	12.17
Mexico	4 200	4 150	4 651	4 200	-9.69
Nicaragua	1 300	1 700	1 615	1 418	-12.17
Others	1 074	1 091	1 318	1 180	-10.46
Arabicas	*16 801*	*18 170*	*17 553*	*16 614*	-5.35
Robustas	*135*	*125*	*132*	*129*	-2.26
South America	***62 287***	***54 434***	***60 306***	***54 126***	***-10.25***
Brazil	42 512	36 070	45 992	39 470	-14.18
Colombia	12 541	12 504	8 664	9 000	3.88
Ecuador	1 167	1 110	691	875	26.69
Peru	4 319	3 063	3 872	3 750	-3.16
Others	1 748	1 687	1 088	1 031	-5.20
Arabicas	*52 479*	*43 180*	*49 389*	*43 039*	-12.86
Robustas	*9 808*	*11 254*	*10 917*	*11 087*	1.55
TOTAL	**129 137**	**119 395**	**128 087**	**121 967**	**-4.78**
Colombian Milds	13 876	13 674	9 995	10 242	2.47
Other Milds	27 967	27 725	27 355	26 369	-3.60
Brazilian Naturals	38 830	31 617	41 256	35 383	-14.24
Robustas	48 464	46 378	49 481	49 973	0.99
Arabicas	80 673	73 016	78 606	71 994	-8.41
Robustas	48 464	46 378	49 481	49 973	0.99
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	
Colombian Milds	10.75	11.45	7.80	8.40	
Other Milds	21.66	23.22	21.36	21.62	
Brazilian Naturals	30.07	26.48	32.21	29.01	
Robustas	37.53	38.84	38.63	40.97	
Arabicas	62.47	61.16	61.37	59.03	
Robustas	37.53	38.84	38.63	40.97	

In thousand bags

Market fundamentals

My estimate of **total production** in crop year 2009/10 is revised to between 120 and 122 million bags, representing a fall of 4.8% compared to crop year 2008/09 (Table 3). Recently revised production data in Central American countries, especially Costa Rica, Guatemala and Nicaragua, accounts for this substantial revision. Vietnam has also been experiencing climatic difficulties as a result of the drought caused by the El Niño phenomenon. The large number of aging coffee trees has added to these difficulties. The country's authorities have informed me that Vietnamese production may be reduced to about 17 million bags during the current crop year. In the case of Colombia, despite the positive results expected from the tree regeneration programme, the size of the crop harvested during the first five months of the crop year makes it difficult to envisage a substantial recovery in total production. On the other hand, Indonesia, with an estimated production level of around 10.7 million bags, has become the world's third largest producer after Brazil and Vietnam.

In the case of crop year 2010/11, which begins in in April 2010, the Brazilian authorities envisage an increase in Arabica production in accordance with the biennial production cycle. According to the latest estimates provided by the Brazilian coffee authorities in January 2010, production will be between 45.9 and 48.7 million bags. The most recent estimates from private sources indicate a substantially higher production figure. I await the next official estimates before reassessing the situation.

Exports during February totalled 7.1 million bags, bringing the total volume exported during the first five months of coffee year 2009/10 to 35.6 million bags compared to 40 million bags for the same period in 2008/09, a fall of nearly 11% (Table 4). Exports of all four coffee groups fell during the first five months of coffee year 2009/10 compared to the same period in 2008/09. More specifically, exports of Colombian Milds fell by 30% and those of Other Milds by 2.5%. Brazilian Naturals and Robustas fell by 9.7% and 9.8% respectively.

Table 4: Total exports of all forms of coffee (October – February 2008/09 and 2009/10)

	2008/09	2009/10	% change
TOTAL	**40 027**	**35 646**	**-10.95**
Colombian Milds	5 101	3 570	-30.01
Other Milds	7 639	7 449	-2.49
Brazilian Naturals	13 687	12 360	-9.69
Robustas	13 602	12 267	-9.81
Arabicas	26 426	23 378	-11.53
Robustas	13 602	12 267	-9.81
Angola	3	1	-65.84
Benin	0	0	
Bolivia	39	42	7.71
Brazil	14 211	12 678	-10.79
Burundi	222	57	-74.43
Cameroon	89	163	82.85
Central African Republic	11	11	-0.91
Colombia	4 572	3 070	-32.85
Congo, Dem. Rep. of	60	68	12.00
Congo, Rep. of	0	0	
Costa Rica	444	322	-27.44
Côte d'Ivoire	335	755	125.26
Cuba	2	0	-100.00
Dominican Republic	19	14	-27.49
Ecuador	363	391	7.93
El Salvador	417	445	6.69
Ethiopia	504	535	6.15
Gabon	0	0	
Ghana	8	7	-9.69
Guatemala	897	1 007	12.19
Guinea	85	124	45.52
Haiti	7	2	-68.58
Honduras	811	1 030	27.05
India	1 035	1 274	23.16
Indonesia	2 042	1 975	-3.28
Jamaica	6	4	-23.99
Kenya	223	222	-0.33
Madagascar	40	30	-23.32
Malawi	11	5	-60.24
Mexico	859	909	5.83
Nicaragua	446	493	10.46
Nigeria	2	0	-100.00
Panama	26	16	-38.61
Papua New Guinea	384	424	10.64
Paraguay	1	0	-66.02
Peru	1 684	1 288	-23.54
Philippines	2	2	-9.30
Rwanda	218	115	-47.00
Tanzania	491	357	-27.34
Thailand	75	81	6.90
Togo	18	54	202.05
Uganda	1 395	1 236	-11.43
Venezuela	7	2	-72.90
Vietnam	7 808	6 256	-19.88
Zambia	17	18	6.56
Zimbabwe	9	7	-20.11
Other exporting countries 1/	129	154	20.03

In thousand bags

1/ Equatorial Guinea, Guyana, Laos, Liberia, Sierra Leone, Sri Lanka, Timor-Leste, Trinidad and Tobago and Yemen

Stocks in importing countries were estimated at 22.6 million bags at the end of December 2009, compared to 25.6 million at the end of September 2009. Based on information available, certified stocks of the London and New York futures markets are continuing to fall.

World consumption in calendar year 2009 is estimated at 132 million bags compared to 130 million bags in 2008 (Table 5). On this basis, the world's biggest consuming countries are the United States of America (16.2% of total world consumption), Brazil (13.9%), Germany (6.7%) and Japan (5.6%).

Table 5: World consumption (Calendar years 2005 – 2009)

	2005	2006	2007	2008	2009*	% share in 2009
WORLD TOTAL	**119 936**	**123 555**	**127 981**	**129 951**	**132 000**	**100.00**
Producing Countries	***31 846***	***33 500***	***35 367***	***36 703***	***37 662***	***28.53***
Brazil	15 390	16 133	16 927	17 526	18 290	13.86
Indonesia	2 375	2 750	3 208	3 333	3 333	2.53
Mexico	1 556	1 794	2 050	2 200	2 200	1.67
Ethiopia	1 833	1 833	1 833	1 833	1 833	1.39
Venezuela	1 412	1 472	1 534	1 599	1 649	1.25
India	1 272	1 357	1 438	1 518	1 573	1.19
Colombia	1 400	1 400	1 400	1 400	1 400	1.06
Vietnam	722	829	938	1 021	1 208	0.92
Philippines	917	917	989	1 070	1 080	0.82
Others	4 969	5 015	5 052	5 202	5 095	3.86
Importing Countries	***88 090***	***90 055***	***92 613***	***93 249***	***94 338***	***71.47***
European Union	***39 277***	***40 951***	***40 543***	***39 793***	***39 200***	***29.70***
Germany	8 665	9 151	8 627	9 535	8 897	6.74
Italy	5 552	5 593	5 821	5 892	5 835	4.42
France	4 787	5 278	5 628	5 152	5 554	4.21
Spain	3 007	3 017	3 198	3 485	3 352	2.54
United Kingdom	2 680	3 059	2 824	3 067	3 221	2.44
Sweden	1 170	1 315	1 244	1 272	1 133	0.86
Finland	1 102	1 047	1 057	1 115	1 058	0.80
Greece	870	857	1 015	978	974	0.74
Poland	2 267	1 953	1 531	1 190	970	0.73
Others	9 176	9 683	9 599	8 107	8 207	6.22
USA	20 998	20 667	21 033	21 652	21 434	16.24
Japan 1/	7 128	7 268	7 282	7 065	7 350	5.57
Other Importing Countries	***20 688***	***21 169***	***23 755***	***24 739***	***26 354***	***19.97***
Russian Federation	3 212	3 263	4 055	3 716		
Canada	2 794	3 098	3 245	3 214		
Algeria	1 892	1 836	1 968	2 118		
Ukraine	1 025	968	1 057	1 733		
Korea, Republic of	1 394	1 437	1 425	1 665		
Australia	1 039	992	1 031	1 145		
Others	9 331	9 575	10 974	11 150	26 354	19.97

In thousand bags

* Provisional

1/ Includes estimates for 2009

Per capita consumption data in selected exporting and importing countries are shown in Tables 6 and 7 respectively.

Table 6: Per capita consumption in selected exporting countries (Calendar years 2005 – 2009)

	2005	2006	2007	2008	2009*
Brazil	4.96	5.14	5.34	5.48	5.72
Honduras	2.00	1.96	2.41	3.77	3.77
Venezuela	3.17	3.25	3.33	3.41	3.52
Costa Rica	5.04	4.77	4.19	3.54	3.22
Dominican Republic	2.38	2.35	2.31	2.28	2.28
El Salvador	1.78	2.05	2.20	2.25	2.25
Haiti	2.17	2.13	2.10	2.06	2.06
Nicaragua	2.09	2.06	2.04	2.01	2.01
Colombia	1.95	1.92	1.89	1.87	1.87
Guatemala	1.42	1.38	1.35	1.35	1.47
Madagascar	1.59	1.55	1.51	1.47	1.47
Ethiopia	1.47	1.44	1.40	1.36	1.36
Mexico	0.89	1.01	1.14	1.22	1.22
Panama	1.24	1.22	1.20	1.18	1.18
Cuba	1.20	1.20	1.20	1.16	1.15
Côte d'Ivoire	0.99	0.97	0.94	0.92	0.92
Indonesia	0.65	0.74	0.86	0.88	0.88
Vietnam	0.52	0.58	0.65	0.70	0.83
Philippines	0.64	0.63	0.67	0.71	0.72
Ecuador	0.69	0.68	0.67	0.67	0.67

In kilogrammes
* Provisional

Table 7: Per capita consumption in selected importing countries (Calendar years 2005 – 2009)

	2005	2006	2007	2008	2009*
Algeria	3.46	3.30	3.49	3.70	
Australia	3.06	2.88	2.97	3.26	
Canada	5.19	5.70	5.91	5.80	
European Union	**4.81**	**5.00**	**4.93**	**4.83**	
Austria	5.63	4.44	6.11	6.53	
Belgium	6.67	8.81	6.29	3.68	5.29
Bulgaria	3.33	3.28	2.86	3.52	3.24
Cyprus	4.97	3.92	4.89	5.39	
Czech Republic	3.86	3.70	3.97	3.61	3.05
Denmark	8.80	9.09	8.52	7.63	7.90
Estonia	6.43	7.42	4.53	6.89	5.53
Finland	12.62	11.94	12.01	12.62	11.98
France	4.71	5.16	5.47	4.98	5.37
Germany	6.31	6.66	6.29	6.95	6.49
Greece	4.72	4.63	5.48	5.27	5.25
Hungary	3.39	3.57	3.12	2.96	2.67
Ireland	3.19	2.85	3.36	1.56	1.82
Italy	5.68	5.69	5.89	5.93	5.87
Latvia	3.78	4.76	3.46	3.06	2.34
Lithuania	3.39	3.78	4.11	3.68	3.77
Luxembourg	11.66	15.40	16.17	25.55	13.88
Malta	2.44	4.22	2.33	3.33	2.07
Netherlands	7.08	7.79	8.36	4.80	
Poland	3.56	3.07	2.41	1.87	1.53
Portugal	3.73	3.80	4.07	4.14	4.05
Romania	2.38	2.33	2.30	2.27	2.18
Slovakia	3.26	3.13	3.97	3.79	2.36
Slovenia	5.44	5.24	5.82	5.77	5.89
Spain	4.19	4.15	4.36	4.70	4.52
Sweden	7.74	8.66	8.15	8.29	7.38
United Kingdom	2.67	3.03	2.78	3.01	3.16
Japan	3.36	3.42	3.43	3.33	
Korea, Republic of	1.76	1.81	1.78	2.07	
Norway	9.61	9.25	9.81	8.99	9.00
Russian Federation	1.35	1.37	1.71	1.58	
Switzerland	8.87	7.48	7.90	9.15	7.68
Ukraine	1.31	1.25	1.37	2.26	
USA	4.16	4.06	4.09	4.17	4.13

In kilogrammes
* Provisional

In conclusion, I would like to indicate that the dynamic performance of world consumption and lower production in some important producing countries have helped to support a firm market, particularly in the case of Arabicas. Stocks are at low levels both in exporting and importing countries since they are being drawn down to offset the reduction in supply. Bearing in mind the outlook for production, it is likely that demand will continue to outstrip supply in coming months.