



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

April 2009

Market developments, coffee prices and news continue to be dominated by the shortfall in Colombian production and the unprecedented increase in the premium for this origin. In April prices of Colombian Milds recorded their highest monthly average since February 1998. As noted by many traders, the industry has struggled to cope with a deficit of around 2.5 million bags from Colombia. The difference between the Colombian Milds indicator price and the New York futures market has increased from 9.88 US cents per lb to 62.62 US cents per lb since October 2008. The rocketing prices of Colombian Milds, which continued during the first week of May, have had a ratchet effect on prices of the other groups of coffee with the exception of Robustas. The monthly average of the ICO composite indicator price was up from 105.87 US cents per lb in March to 111.61 US cents per lb.

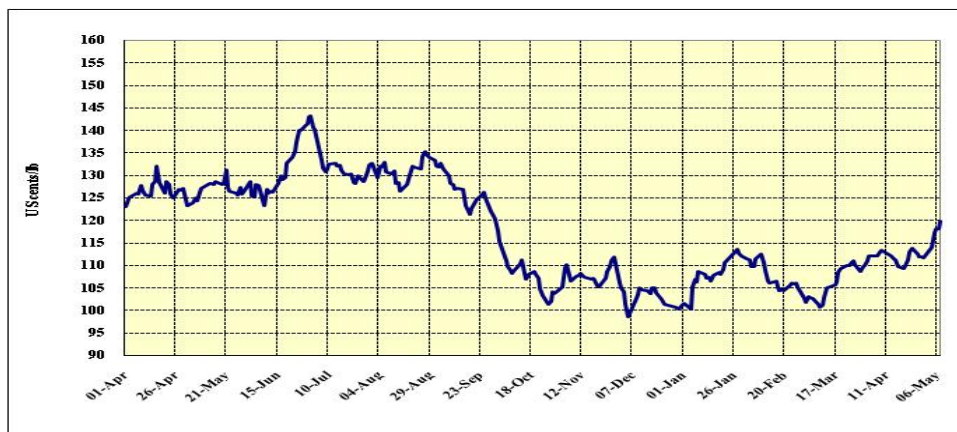
However, the reduction in Colombian production does not in itself seem sufficient to explain the current price rises. It should be noted that attempts to find supplies of Other Milds to off-set the relative shortage of Colombian coffee are being hampered by limited export availability from Central America, which is attributable not only to climatic problems but also to high costs of labour and fertilizers. Falls in production are also expected in Peru and India. It is worth noting that the reaction of prices on the New York futures market has not matched the pace of changes in prices on the physical market.

A major factor in the behaviour of prices on terminal markets has been the availability of coffee from other origins to fill the gap. Exports from Brazil and Vietnam have increased considerably and provided vital support to supplies. In the case of Brazil, exports from May 2008 to April 2009 were 30.1 million bags, compared to 28.1 million bags for the same period in the previous year. In the case of Vietnam, exports for the first six months of crop year 2008/09 already exceed 10 million bags, representing a monthly average of 1.6 million bags.

Exports by all exporting countries in March 2009 totalled 9.3 million bags, bringing the cumulative total for coffee year 2008/09 to 48.9 million bags compared to 46.6 million bags for the same period in 2007/08, an increase of 4.9%. This increase in total exports, which is attributable mainly to the growth in shipments by Brazil and Vietnam, seems to provide an opportunity to rebuild stocks of Brazilian Naturals and Robustas in a number of importing countries.

With regard to crop year 2009/10, new estimates just received indicate that Brazil's total production will be 39.1 million bags. Based on the performance of exports and internal consumption in Brazil during recent years, many analysts believe that the 2008/09 crop may have been closer to 50 million bags, compared to the official figure of 46 million bags, and that 2009/10 crop should be close to 45 million bags.

Graph 1: Daily composite indicator price 1 April 2008 – 8 May 2009

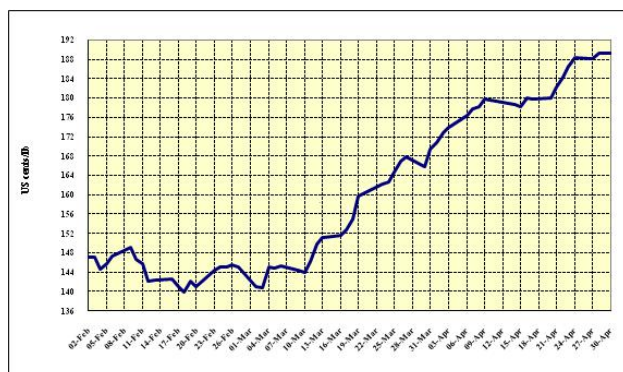


Price movements

The monthly average of the **ICO composite indicator price** increased by 5.4%, from 105.87 US cents per lb in March to 111.61 US cents per lb in April. This increase was considerably influenced by the soaring prices of **Colombian Milds**, with the monthly average rising to 181.10 US cents per lb in April, the highest level since February 1998. Prices of **Brazilian Naturals** and **Other Milds** increased at a relatively lower rate, at 105.95 and 134.88 US cents per lb respectively. Prices of **Robustas** were slightly down, from 76.31 US cents per lb in March to 75.53 US cents per lb in April. The behaviour of prices in the first week of May indicates a continuation of the upward trend for prices of Colombian Milds¹.

Graph 1 shows changes in the ICO daily composite indicator price since 1 April 2008. Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee for the first four months of 2009.

Graph 2: Daily indicator prices for Colombian Milds
2 January to 30 April 2009



The difference between the indicator prices of Colombian Milds and the New York futures market increased further, with the average at 62.62 US cents per lb in April as against 40.69 US cents per lb in March, an increase of 53.9%. The relative scarcity of Colombian Milds in relation to Other Milds is demonstrated by changes in relative prices of the two groups. In May 2008, Colombian Milds were 1.65 US cents per lb above Other Milds, while in April 2009 this difference had increased to 46.22 US cents per lb.

Graph 6 shows changes in the difference between the indicator prices of the Colombian Milds and Other Milds groups and the New York futures market. The evolution of the differences between ICO indicator prices of the four groups is indicated in Table 2.

Graph 3: Daily indicator prices for Other Milds
2 January to 30 April 2009



¹The price recorded on 8 May was 203.22 US cents per lb.

Graph 4: Daily indicator prices for Brazilian Naturals
2 January to 30 April 2009



Graph 5: Daily indicator prices for Robustas
2 January to 30 April 2009

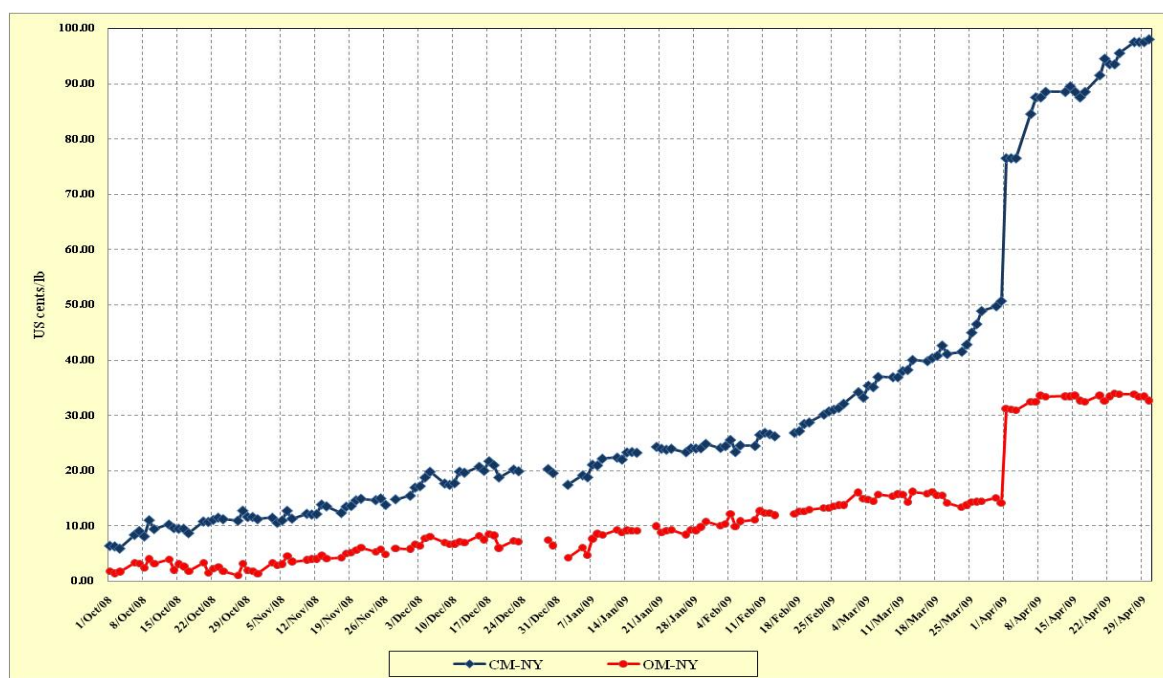


Table 1: ICO daily indicator prices and futures prices (US cents per lb): April 2009

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Apr-09							
1	109.90	170.66	132.54	104.69	77.28	117.47	69.63
2	110.92	172.73	134.49	106.63	76.52	119.78	70.60
3	112.00	173.84	135.20	107.38	78.10	121.42	70.85
6	111.97	176.39	134.96	106.75	77.70	120.50	70.60
7	111.99	177.71	134.94	106.75	77.23	120.58	70.62
8	112.54	178.24	136.04	107.54	77.26	121.30	70.51
9	113.38	179.77	137.07	108.73	77.41	122.45	70.74
10	Holiday						
13						118.43	
14	112.01	178.56	135.15	106.47	77.08	118.65	68.47
15	111.35	178.17	135.27	106.58	75.19	118.70	68.52
16	111.12	180.02	134.14	105.91	75.02	116.68	67.63
17	109.79	179.62	132.33	103.85	74.24	114.88	67.20
20	109.31	179.89	131.75	102.86	73.97	114.72	67.34
21	109.98	182.19	132.28	103.55	74.05	115.45	67.29
22	111.31	184.19	134.76	105.27	74.10	118.83	68.13
23	112.86	186.37	137.01	107.16	74.72	119.30	67.79
24	113.80	188.18	138.07	107.97	75.33	120.50	68.76
27	112.49	188.02	135.67	105.71	75.03	116.50	66.97
28	111.90	189.05	135.39	105.17	73.58	117.35	67.04
29	111.92	189.16	135.54	105.22	73.46	117.60	66.97
30	111.65	189.15	134.98	104.77	73.40	117.00	66.20
Apr-09	111.61	181.10	134.88	105.95	75.53	118.48	68.59
% change between Apr-09 and Mar-09	5.42	17.47	4.95	3.05	-1.02	4.42	-1.15
% change between Apr-09 and Apr-08	-11.81	27.50	-4.14	-17.01	-32.13	-13.03	-33.72
% change between Apr-09 and 2008 average	-10.17	25.48	-3.51	-16.31	-28.25	-13.18	-29.42

*Average of the 2nd and 3rd positions

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



*Average of the 2nd and 3rd positions

Table 2: Difference between indicator prices

	Colombian Milds Other Milds	Colombian Milds Brazilian Naturals	Colombian Milds Robustas	Other Milds Brazilian Naturals	Other Milds Robustas	Brazilian Naturals Robustas	New York London
May-08	1.65	14.08	34.72	12.43	33.07	20.64	36.14
Apr-09	46.22	75.15	105.57	28.93	59.35	30.42	49.89
Change	2 701.21%	433.74%	204.06%	132.74%	79.47%	47.38%	38.05%

Market fundamentals

Crop year 2008/09 has been significantly affected by climatic problems and constraints linked to high fertilizer prices and labour costs in many exporting countries. Falls in production were recorded in Colombia and Central America in particular. In Colombia, production is also being affected by the ongoing programme to replace old trees. In these circumstances, **total production for crop year 2008/09** is estimated at around 127 million bags (Table 3).

With regard to crop year 2009/10, I have just received the second estimate from CONAB, the government agency responsible for agricultural estimates in Brazil. Production is forecast to reach 39.1 million bags, of which 28.3 million bags of Arabica and 10.8 million of Robusta. I am waiting for information from other origins before providing an estimate of world production in 2009/10.

Table 3: Production in selected exporting countries

Crop year commencing	2005	2006	2007	2008	% change 2008 & 2007
TOTAL	110 131	127 653	117 918	126 858	7.58
<i>Africa</i>	<i>13 044</i>	<i>15 233</i>	<i>14 914</i>	<i>17 229</i>	<i>15.53</i>
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	883	35.41
Tanzania	804	822	810	917	13.20
Uganda	2 159	2 700	3 250	3 300	1.54
Others	2 607	2 565	2 351	2 697	14.70
<i>Arabicas</i>	<i>6 556</i>	<i>7 415</i>	<i>7 450</i>	<i>9 339</i>	<i>25.36</i>
<i>Robustas</i>	<i>6 488</i>	<i>7 818</i>	<i>7 464</i>	<i>7 890</i>	<i>5.71</i>
<i>Asia & Oceania</i>	<i>30 215</i>	<i>34 414</i>	<i>31 006</i>	<i>29 603</i>	<i>-4.52</i>
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
<i>Arabicas</i>	<i>4 223</i>	<i>3 776</i>	<i>4 083</i>	<i>3 894</i>	<i>-4.63</i>
<i>Robustas</i>	<i>25 991</i>	<i>30 638</i>	<i>26 923</i>	<i>25 709</i>	<i>-4.51</i>
<i>Mexico & Central America</i>	<i>17 118</i>	<i>16 936</i>	<i>18 284</i>	<i>17 733</i>	<i>-3.01</i>
Costa Rica	1 778	1 580	1 791	1 651	-7.82
El Salvador	1 502	1 371	1 621	1 432	-11.70
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
<i>Arabicas</i>	<i>16 982</i>	<i>16 801</i>	<i>18 160</i>	<i>17 591</i>	<i>-3.13</i>
<i>Robustas</i>	<i>136</i>	<i>135</i>	<i>124</i>	<i>142</i>	<i>14.11</i>
<i>South America</i>	<i>49 753</i>	<i>61 071</i>	<i>53 714</i>	<i>62 292</i>	<i>15.97</i>
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
<i>Arabicas</i>	<i>40 091</i>	<i>51 262</i>	<i>42 459</i>	<i>51 391</i>	<i>21.04</i>
<i>Robustas</i>	<i>9 662</i>	<i>9 808</i>	<i>11 255</i>	<i>10 901</i>	<i>-3.14</i>
TOTAL	110 131	127 653	117 918	126 858	7.58
Colombian Milds	13 487	13 488	13 685	11 970	-12.53
Other Milds	25 206	26 974	26 924	28 134	4.49
Brazilian Naturals	29 159	38 792	31 543	42 112	33.51
Robustas	42 278	48 399	45 765	44 642	-2.45
Arabicas	67 853	79 254	72 152	82 215	13.95
Robustas	42 278	48 399	45 765	44 642	-2.45
TOTAL	100.00	100.00	100.00	100.00	
Colombian Milds	12.25	10.57	11.61	9.44	
Other Milds	22.89	21.13	22.83	22.18	
Brazilian Naturals	26.48	30.39	26.75	33.20	
Robustas	38.39	37.91	38.81	35.19	
Arabicas	61.61	62.09	61.19	64.81	
Robustas	38.39	37.91	38.81	35.19	

In thousand bags

Exports in March 2009 totalled 9.3 million bags, bringing the total volume exported during the first six months of coffee year 2008/09 to 48.9 million bags compared to 46.6 million bags for the same period in 2007/08 (Table 4). This increase of 4.9% is largely attributable to the strong export performance of Brazil and Vietnam while the rate of exports of Other Milds has slackened and exports of Colombian Milds are significantly lower. Indeed, Colombian exports in April have been preliminarily estimated at around 400,000 bags, one of the lowest figures in history.

It is interesting to observe that exports by Brazil and Vietnam have increased significantly. In the case of Brazil, exports of all forms of coffee during the period from May 2008 to April 2009 totalled 30.1 million bags, which constitutes a record performance. Taking into account a figure of 18.2 million bags for domestic consumption, use of Brazilian coffee in crop year 2008/09 (July-June) would exceed 48 million bags, compared with a total production of 46 million bags according to official figures.

In similar fashion, Vietnam has already exported slightly more than 10 million bags in the first six months of crop year 2008/09 (October 2008 – March 2009). With an estimated domestic consumption of around 1 million bags, the volume committed for use would be 11 million bags from a total production of 16 million bags, as estimated by the Vietnamese authorities. This implies that there would be only five million bags remaining for export during the rest of the crop year.

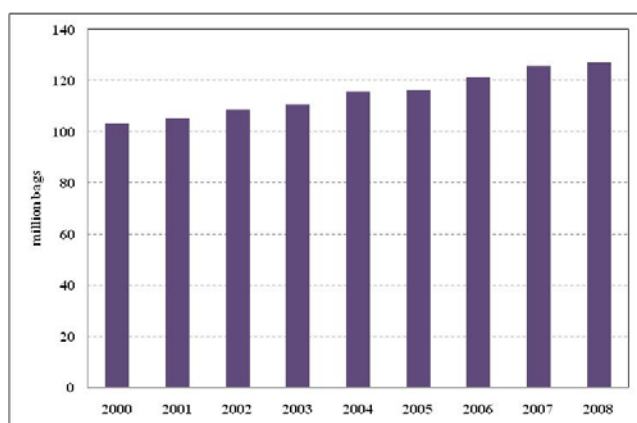
Table 4: Total exports of all forms of coffee (October – March 2007/08 and 2008/09)

	2007/08	2008/09	% change
TOTAL	46 632	48 910	4.89
Colombian Milds	7 017	6 019	-14.22
Other Milds	9 407	9 665	2.75
Brazilian Naturals	13 958	16 125	15.53
Robustas	16 251	17 101	5.23
Arabicas	30 381	31 809	4.70
Robustas	16 251	17 101	5.23

In thousand bags

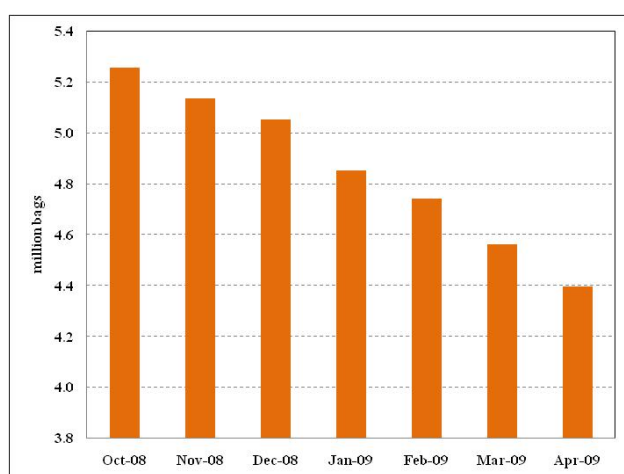
Imports by all importing countries in calendar year 2008 totalled 127.1 million bags compared to 125.6 million bags in 2007. Graph 7 shows the behaviour of annual imports since 2000.

Graph 7: Imports by importing countries (Calendar years 2000 – 2008)



The volume of high exports in recent months has enabled **inventories** in importing countries to be rebuilt, with an estimated level of 24 million bags compared to 21 million bags at the end of 2008. Despite this volume of inventories, importing countries are experiencing a relative shortage of Mild Arabicas given the reduction in Colombian and Central American supplies. This is exerting a downward pressure on certified stocks in the New York futures market, which have been reduced by 16.2% between October 2008 and April 2009, from 5.25 million bags to just under 4.4 million (Graph 8).

Graph 8: Volume of certified stocks in the New York futures market (October 2008 to April 2009)



World consumption remains dynamic despite the economic crisis. Estimates for calendar year 2008 indicate a figure of 128 million bags, compared to 126.5 million bags in 2007 (Table 5). World consumption has been supported by the growing domestic consumption in exporting countries, particularly Brazil, while demand in traditional markets in developed countries remains relatively stable. Meanwhile, the growth rate of consumption in emerging markets may decelerate as a result of the turbulence in the world economy.

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

	2004	2005	2006	2007	2008*
WORLD TOTAL	118 399	118 891	122 346	126 571	128 000
<i>Producing Countries</i>	<i>29 453</i>	<i>30 845</i>	<i>32 435</i>	<i>34 416</i>	<i>35 680</i>
Brazil	14 760	15 390	16 133	16 927	17 931
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
India	1 188	1 272	1 337	1 360	1 430
Philippines	917	917	917	989	1 060
Colombia	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	5 062
<i>Importing Countries</i>	<i>88 946</i>	<i>88 046</i>	<i>89 911</i>	<i>92 156</i>	<i>91 825</i>
<i>European Community</i>	<i>41 193</i>	<i>39 277</i>	<i>40 941</i>	<i>40 580</i>	<i>39 742</i>
Germany	10 445	8 665	9 151	8 627	9 554
Italy	5 469	5 552	5 593	5 821	5 937
France	4 929	4 787	5 278	5 628	5 129
Spain	2 705	3 007	3 017	3 198	3 485
United Kingdom	2 458	2 680	3 059	2 824	3 074
Netherlands	1 978	1 927	2 129	2 292	1 319
Sweden	1 234	1 170	1 315	1 244	1 272
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	6 688
USA	20 973	20 998	20 667	21 033	21 655
Japan	7 117	7 128	7 268	7 282	7 065
<i>Other Importing Countries</i>	<i>19 664</i>	<i>20 644</i>	<i>21 034</i>	<i>23 260</i>	<i>23 859</i>
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	9 440	10 190	

* Preliminary
In thousand bags

Tables 6 and 7 show per capita consumption in selected exporting and 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	5.61
Honduras	1.86	2.02	1.98	2.43	3.88
Costa Rica	4.17	5.04	4.77	4.18	3.59
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	
European Community	5.06	4.81	5.00	4.94	4.84
Austria	7.24	5.59	4.41	6.08	6.52
Belgium	8.09	6.68	8.84	6.33	3.73
Bulgaria	2.81	3.33	3.28	2.86	3.49
Cyprus	4.32	4.97	3.92	4.89	5.46
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	4.99
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	2.96
Ireland	3.31	3.23	2.88	3.41	1.61
Italy	5.61	5.68	5.71	5.93	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	4.82
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	8.37
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

In conclusion, problems in the availability of Mild Arabicas supplies have continued to support firm prices in the market as a whole while leading to very high levels of differentials for Colombian Milds and Other Milds. However, increases in exports from certain producing countries have enabled importers to cover their needs. The tight supplies of Mild Arabicas are likely to persist until the situation in Colombia returns to normality, which is expected only after October 2009. Meanwhile, the pace of exports from Brazil is likely to decrease, since that country's 2009/10 crop will be lower than the previous one. This combination of factors is likely to maintain nervousness and uncertainty in the world coffee market in upcoming months.