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

E

LETTER FROM THE EXECUTIVE DIRECTOR

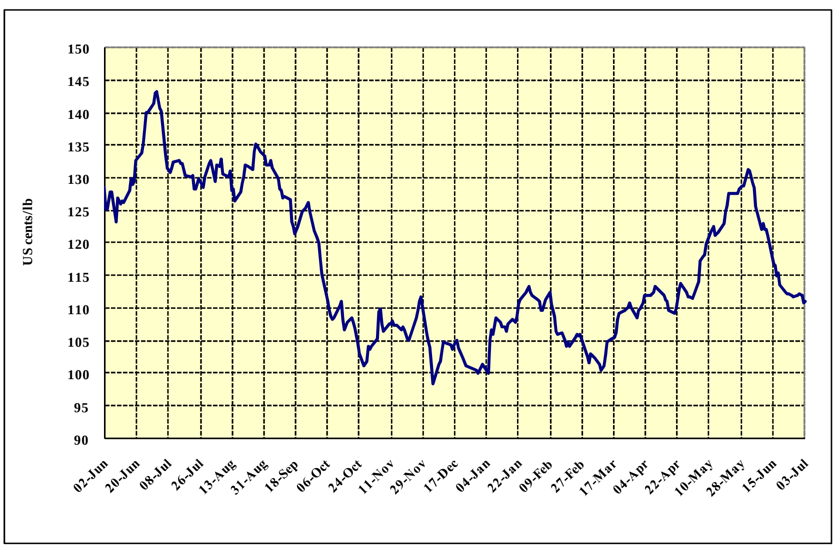
COFFEE MARKET REPORT

June 2009

The efforts of the industry to substitute Colombian Milds and Other Milds from Central America, which continue to be in short supply, contributed towards the downward price corrections recorded during June 2009. After reaching 131.24 US cents per lb on 1 June, the ICO composite indicator price was down to 112.17 cents on 30 June, a fall of 14.5% in one month. The monthly average of the ICO composite indicator price fell by 3.3%, from 123.05 US cents per lb in May to 119.05 US cents per lb in June, indicating that the market appears to be ruling out the possibility of a frost in Brazil, where the winter season lasts until the end of August. The differential between prices of Colombian Milds and the New York futures market narrowed down from 80.62 US cents per lb in May to 66.93 US cents per lb in June, a fall of 17%.

Exports by all exporting countries in May 2009 remained at the same level as in May 2008 at 8.2 million bags bringing the cumulative total for the first eight months of the coffee year (October 2008 – May 2009), to 65.7 million bags compared to 63.8 million bags for the same period in 2007/08, an increase of 3%. A fall in exports of Colombian Milds and Other Milds was counterbalanced by a rise in the exports of Brazilian Naturals and Robustas.

Graph 1: Daily composite indicator price
2 June 2008 – 3 July 2009

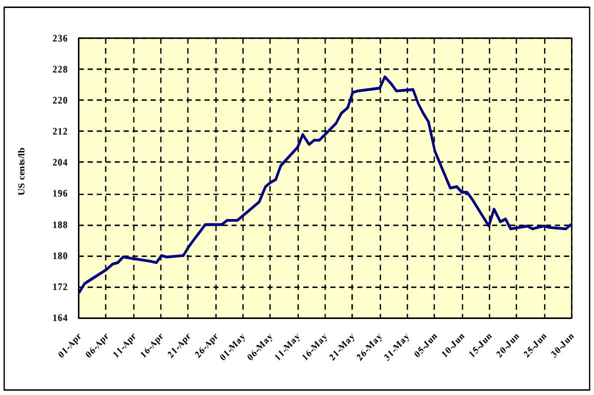


Price movements

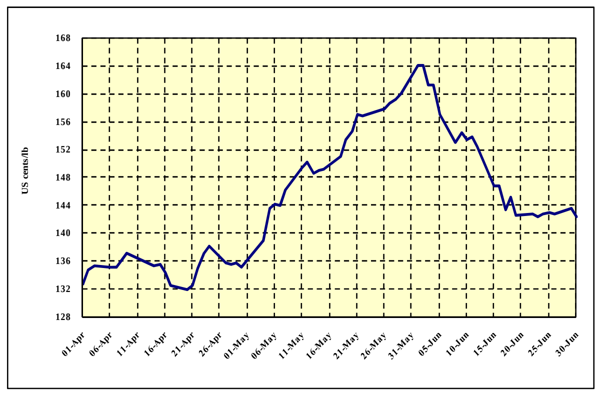
The monthly average of the **ICO composite indicator price** fell by 3.25% from 123.05 US cents per lb in May to 119.05 US cents per lb in June (Table 1). Graph 1 shows changes in the ICO daily composite indicator price since 2 June 2008[1]. The prices of all four groups of coffee were subject to downward corrections, particularly in the case of **Colombian Milds**, which recorded the sharpest fall, namely 7.42%. Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 1 April 2009. The differential between indicator prices of Colombian Milds and the New York futures market was down by 17% in June compared to the level in May although it remains high in relation to the levels recorded in 2008 (Graph 6). Table 2 shows differences between ICO indicator prices of the four groups of coffee.

After several months of weak performance against the currencies of major coffee producing countries, the US dollar was relatively unchanged during June. This stabilization has taken place at levels that are not favourable to the export sector, and especially the coffee sector, of these countries.

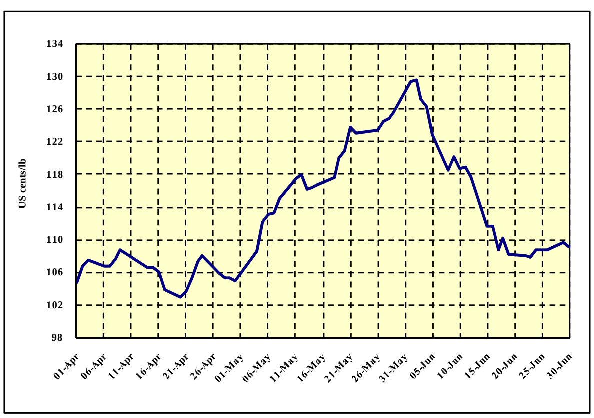
Graph 2: Daily indicator prices for Colombian Milds 1 April – 30 June 2009



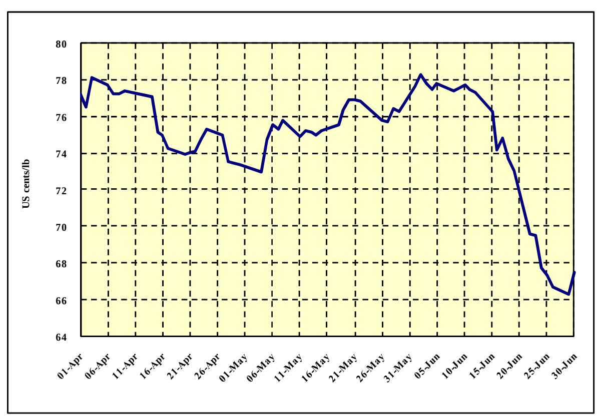
Graph 3: Daily indicator prices for Other Milds 1 April – 30 June 2009



Graph 4: Daily indicator prices for Brazilian Naturals 1 April – 30 June 2009



Graph 5: Daily indicator prices for Robustas 1 April – 30 June 2009



[1] *The price recorded on 3 July was 111.17 US cents per pound*

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

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Jun-09							
1	131.24	222.56	163.92	129.44	77.62	145.03	71.46
2	131.03	219.23	163.84	129.55	78.30	144.88	71.01
3	129.17	216.48	161.08	127.11	77.84	141.38	70.47
4	128.54	214.34	161.16	126.36	77.51	142.25	70.78
5	125.64	206.70	156.86	122.91	77.81	137.08	71.01
8	122.04	197.43	152.93	118.44	77.42	133.35	70.51
9	122.94	197.86	154.31	120.12	77.54	134.47	70.85
10	122.12	196.41	153.19	118.60	77.75	133.75	70.56
11	122.16	196.44	153.63	118.78	77.46	135.00	70.42
12	121.24	194.61	152.26	117.62	77.36	132.97	70.17
15	116.90	187.60	146.61	111.64	76.30	124.80	67.15
16	116.72	192.05	146.56	111.52	74.15	125.95	68.22
17	114.92	188.73	143.26	108.59	74.81	122.25	66.90
18	115.45	189.49	144.94	110.10	73.73	124.25	66.90
19	113.75	187.03	142.46	108.06	73.06	121.13	62.62
22	112.59	187.47	142.60	107.99	69.57	121.82	63.03
23	112.37	186.96	142.12	107.85	69.54	120.35	61.05
24	112.19	187.43	142.65	108.70	67.77	120.58	60.62
25	112.07	187.63	142.83	108.60	67.35	121.65	60.06
26	111.84	187.45	142.67	108.72	66.73	120.60	59.24
29	112.05	186.87	143.46	109.65	66.29	121.67	60.55
30	112.17	188.16	142.11	108.95	67.51	121.35	61.08
Jun-09	**119.05**	**196.32**	**149.79**	**115.42**	**73.79**	**129.39**	**66.58**
% change between Jun-09 and May 09							
	-3.25	-7.42	-0.79	-2.52	-2.42	-1.55	-3.51
% change between Jun-09 and Jun-08							
	-8.78	31.63	2.49	-13.64	-33.73	-9.89	-35.35
% change between Jun-09 and 2008 average							
	-4.19	36.03	7.16	-8.82	-29.91	-5.18	-31.49

Graph 6: Differences between indicator prices of Colombian Milds and Other Milds and the New York 'C' Contract*
1 October 2008 to 30 June 2009

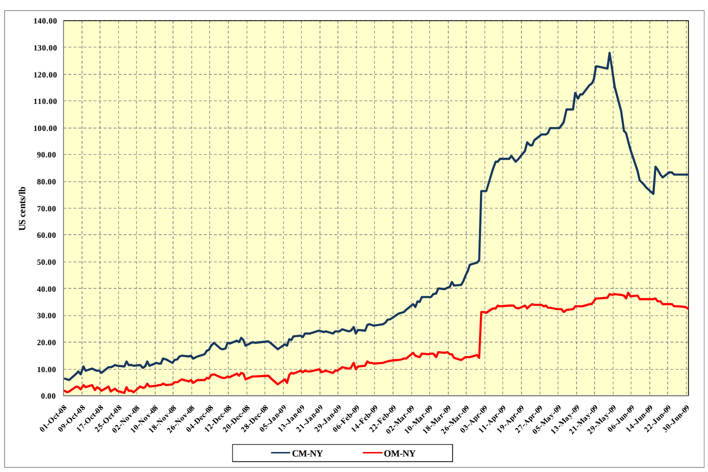


Table 2: Differences between price groups

	Colombian Milds Other Milds	Colombian Milds Brazilian Naturals	Colombian Milds Robustas	Other Milds Brazilian Naturals	Other Milds Robustas	Brazilian Naturals Robustas	New York* London*
Jun-08	3.00	15.50	37.81	12.50	34.81	22.31	40.61
Jun-09	46.53	80.90	122.53	34.37	76.00	41.63	62.81
Change	1 451.00%	421.94%	224.07%	174.96%	118.33%	86.60%	54.67%

**Average of the 2^{nd} and 3^{rd} positions*

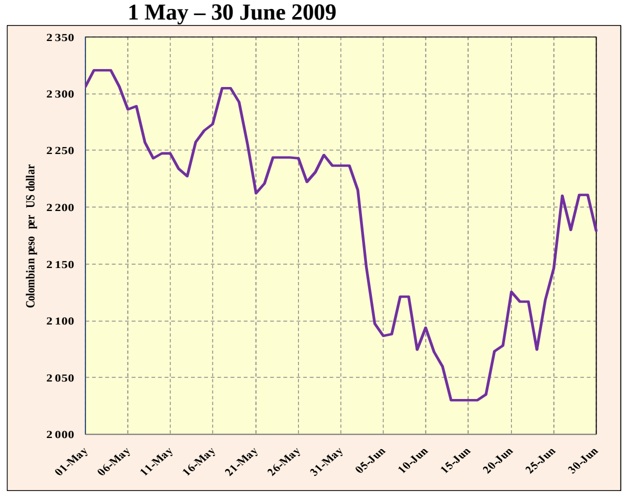
Table 3: Production in selected exporting countries

Crop year commencing	2005	2006	2007	2008	% change 2008&2007
TOTAL	**110 181**	**127 908**	**118 086**	**128 790**	**9.06**
Africa	***13 026***	***15 385***	***14 882***	***17 175***	***15.41***
Cameroon	849	836	795	833	4.78
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	2 588	2 717	2 319	2 609	12.50
Arabicas	*6 544*	*7 557*	*7 415*	*9 284*	25.21
Robustas	*6 481*	*7 828*	*7 467*	*7 892*	5.69
Asia & Oceania	***30 215***	***34 446***	***31 087***	***32 342***	***4.04***
India	4 396	5 079	4 148	4 372	5.40
Indonesia	9 159	7 483	7 777	8 638	11.08
Papua New Guinea	1 268	807	968	1 026	6.01
Thailand	999	766	653	825	26.26
Vietnam	13 542	19 340	16 467	16 000	-2.84
Others	851	972	1 075	1 481	37.82
Arabicas	*4 223*	*3 809*	*4 140*	*4 516*	9.09
Robustas	*25 991*	*30 638*	*26 948*	*27 826*	3.26
Mexico & Central America	***17 118***	***16 936***	***18 292***	***17 183***	***-6.07***
Costa Rica	1 778	1 580	1 791	1 592	-11.11
El Salvador	1 502	1 371	1 621	1 400	-13.64
Guatemala	3 676	3 950	4 100	3 370	-17.80
Honduras	3 204	3 461	3 842	3 373	-12.20
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	1 089	1 198	10.02
Arabicas	*16 982*	*16 801*	*18 168*	*17 041*	-6.20
Robustas	*136*	*135*	*125*	*142*	13.70
South America	***49 822***	***61 140***	***53 824***	***62 090***	***15.36***
Brazil	32 944	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	691	-37.80
Peru	2 489	4 319	3 063	3 868	26.30
Others	941	990	1 066	1 039	-2.56
Arabicas	*40 160*	*51 332*	*42 570*	*51 173*	20.21
Robustas	*9 662*	*9 808*	*11 255*	*10 918*	-2.99
TOTAL	**110 181**	**127 908**	**118 086**	**128 790**	**9.06**
Colombian Milds	13 487	13 488	13 685	11 970	-12.53
Other Milds	25 264	27 187	27 009	27 469	1.71
Brazilian Naturals	29 159	38 825	31 598	42 574	34.74
Robustas	42 271	48 408	45 794	46 777	2.15
Arabicas	67 910	79 500	72 292	82 013	13.45
Robustas	42 271	48 408	45 794	46 777	2.15
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	
Colombian Milds	12.24	10.55	11.59	9.29	
Other Milds	22.93	21.26	22.87	21.33	
Brazilian Naturals	26.46	30.35	26.76	33.06	
Robustas	38.36	37.85	38.78	36.32	
Arabicas	61.64	62.15	61.22	63.68	
Robustas	38.36	37.85	38.78	36.32	

In thousand bags

Graph 7: Daily exchange rate: Real per US$
1 May – 30 June 2009

Graph 8: Daily exchange rate: Colombian peso per US$
1 May – 30 June 2009



Market fundamentals

The estimate of **total production** in crop year 2008/09 has been revised upwards to 128.8 million bags from 126.1 million bags. This change is largely due to an increase in the crop of Indonesia, now at 8.6 million bags. The revised figure for total production in 2008/09 represents a rise of 9.1% in relation to the previous crop (Table 3). Production falls in Central America, Colombia, Ecuador and Vietnam were largely offset by increased production in a number of other exporting countries.

In the case of crop year 2009/10, information received from the Brazilian authorities indicates an estimated total production of 39.1 million bags, comprising 28.3 million bags of Arabicas and 10.8 million bags of Robustas. Increased production is expected in some countries, particularly in Asia, but I am awaiting confirmation of the figures before providing an estimate of total production for all exporting countries.

Exports during May totalled 8.2 million bags, bringing the total volume exported during the first eight months of coffee year 2008/09 to 65.7 million bags as against 63.8 million bags for the same period in 2007/08 (Table 4).

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

	2007/08	2008/09	% change
TOTAL	**63 766**	**65 689**	**3.02**
Colombian Milds	9 072	7 463	-17.74
Other Milds	13 958	13 902	-0.40
Brazilian Naturals	18 567	21 088	13.58
Robustas	22 169	23 235	4.81
Arabicas	41 597	42 454	2.06
Robustas	22 169	23 235	4.81

In thousand bags

World consumption remains buoyant despite the economic crisis and is estimated at 128.5 million bags in calendar year 2008 compared to 127 million bags in 2007 (Table 5). This level of consumption is attributable mainly to the growing domestic consumption in exporting countries, particularly Brazil, and the level of consumption in some emerging markets. For 2009, consumption in the traditional markets of North America, Western Europe and Japan is believed to be relatively stable. Nevertheless, there are some signs of a slowdown of coffee imports in some emerging markets. This may be attributable to a drawdown in inventories by many buyers as a result of rising prices and uncertainty about demand.

Tables 6 and 7 show per capita consumption in selected exporting and importing countries. Average per capita consumption figures for calendar year 2008 indicate that Brazil is the only exporting country with a relatively high level of coffee consumption. In the case of importing countries, excluding Luxembourg, the ten countries with the highest consumption levels are: Finland (12.62 kg per capita), Switzerland (9.15), Norway (8.99), Sweden (8.29), Denmark (7.71), Germany (6.97), Estonia (6.89), Austria (6.53), Italy (5.98) and Canada (5.80). Per capita consumption in 2009 is likely to reflect the impact of the economic crisis, since import figures for the emerging markets already indicate a slight downward trend.

Average retail prices in calendar year 2008 indicate an increase in relation to levels in calendar year 2007 in almost all importing countries with the exception of the United Kingdom, where the annual average was down by more than 6% (Table 8).

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

	2004	2005	2006	2007	2008
WORLD TOTAL	**118 478**	**119 021**	**122 591**	**127 070**	**128 450**
Producing Countries	***29 523***	***30 915***	***32 505***	***34 516***	***35 810***
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	4 768	4 969	5 015	5 052	5 192
Importing Countries	***88 955***	***88 106***	***90 085***	***92 554***	***92 640***
European Community	***41 193***	***39 277***	***40 951***	***40 543***	***39 859***
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	5 143
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	7 554	7 307	6 790
USA	20 973	20 998	20 667	21 033	21 655
Japan	7 117	7 128	7 268	7 282	7 065
Other Importing Countries	***19 672***	***20 704***	***21 199***	***23 696***	***24 061***
Russian Federation	3 086	3 212	3 263	4 055	3 716
Canada	2 747	2 794	3 098	3 245	3 214
Algeria	2 159	1 892	1 836	1 968	2 118
Ukraine	739	1 025	968	1 057	1 733
Korea, Republic of	1 401	1 394	1 437	1 425	1 665
Australia	864	1 039	992	1 031	1 145
Others	8 676	9 347	9 605	10 915	10 473

In thousand bags

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

	2004	2005	2006	2007	2008
Brazil	4.82	4.96	5.14	5.34	5.60
Honduras	1.84	2.00	1.96	2.41	3.77
Costa Rica	4.16	5.04	4.77	4.19	3.52
Dominican Republic	2.29	2.38	2.35	2.31	2.28
El Salvador	1.48	1.78	2.05	2.20	2.25
Haiti	2.20	2.17	2.13	2.10	2.06
Nicaragua	2.12	2.09	2.06	2.04	2.04
Venezuela	1.60	1.58	1.59	1.65	1.65
Madagascar	1.52	1.59	1.55	1.51	1.47
Colombia	1.98	1.95	1.92	1.89	1.40
Ethiopia	1.51	1.47	1.44	1.40	1.36
Guatemala	1.45	1.42	1.38	1.35	1.31
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	1.01	0.99	0.97	0.94	0.92
Indonesia	0.54	0.65	0.74	0.86	0.88
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

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	3.70
Australia	2.57	3.06	2.88	2.97	3.26
Canada	5.15	5.19	5.70	5.91	5.80
European Community	**5.06**	**4.81**	**5.00**	**4.93**	**4.83**
Austria	7.30	5.63	4.44	6.11	6.53
Belgium	8.09	6.67	8.81	6.29	3.68
Bulgaria	2.81	3.33	3.28	2.86	3.52
Cyprus	4.32	4.97	3.92	4.89	5.39
Czech Republic	3.56	3.86	3.70	3.97	3.61
Denmark	9.43	8.80	9.09	8.52	7.71
Estonia	5.71	6.43	7.42	4.53	6.89
Finland	11.87	12.62	11.94	12.01	12.62
France	4.88	4.71	5.16	5.47	4.97
Germany	7.61	6.31	6.66	6.29	6.97
Greece	4.73	4.72	4.63	5.48	5.27
Hungary	4.21	3.39	3.57	3.12	2.96
Ireland	3.29	3.19	2.85	3.36	1.56
Italy	5.63	5.68	5.69	5.89	5.98
Latvia	4.03	3.78	4.76	3.46	3.06
Lithuania	3.44	3.39	3.78	4.11	3.68
Luxembourg	15.33	11.66	15.40	16.17	25.55
Malta	2.33	2.44	4.22	2.33	3.33
Netherlands	7.31	7.08	7.79	8.36	4.79
Poland	3.58	3.56	3.07	2.41	1.87
Portugal	3.92	3.73	3.80	4.07	4.14
Romania	2.26	2.38	2.33	2.30	2.27
Slovakia	3.16	3.26	3.13	3.97	3.79
Slovenia	5.55	5.44	5.24	5.82	5.77
Spain	3.82	4.19	4.15	4.36	4.70
Sweden	8.21	7.74	8.66	8.15	8.29
United Kingdom	2.46	2.67	3.03	2.78	3.01
Japan	3.35	3.36	3.42	3.43	3.33
Korea, Republic of	1.77	1.76	1.81	1.78	2.07
Norway	9.25	9.61	9.25	9.81	8.99
Russian Federation	1.28	1.34	1.37	1.71	1.56
Switzerland	5.86	8.87	7.48	7.90	9.15
Ukraine	0.94	1.31	1.25	1.37	2.25
USA	4.20	4.16	4.06	4.09	4.17

In kilogrammes

Table 8: Retail prices of roasted coffee in selected importing countries

	January-December			% change
	2006	**2007**	**2008**	**2008-2007**
European Community				
Austria	412.94	426.93	474.33	**11.10**
Belgium	431.78	491.14	546.04	**11.18**
Bulgaria	290.42	347.70	405.40	**16.60**
Cyprus	534.17	575.55	617.49	**7.29**
Denmark	442.84	481.72	539.92	**12.08**
Finland	294.00	325.33	372.15	**14.39**
France	296.93	341.25	385.92	**13.09**
Germany	432.50	468.52	512.90	**9.47**
Italy	629.21	701.64	786.58	**12.11**
Latvia	428.54	482.83	589.63	**22.12**
Luxembourg	643.82	678.47	752.23	**10.87**
Malta 1/	1 092.44	1 213.68	1 320.62	**8.81**
Netherlands	396.39	445.15	504.67	**13.37**
Poland	276.47	349.23	445.24	**27.49**
Portugal	473.63	511.79	572.21	**11.81**
Slovakia	305.12	388.49	501.95	**29.21**
Slovenia	397.79	452.78	498.27	**10.05**
Spain	342.43	385.15	430.62	**11.81**
Sweden	315.86	352.80	376.25	**6.65**
United Kingdom 1/	1 581.65	1 792.40	1 678.55	**-6.35**
Japan	816.15	809.16	832.31	**2.86**
Norway	389.09	446.62	469.16	**5.05**
USA	320.32	346.89		

In US cents per lb
1/ Soluble coffee

In conclusion, it may be noted that prices for all four groups of coffee were subject to downward corrections during June, even though supplies of Colombian Milds and Other Milds from Central America remained relatively tight. The ability of the industry to substitute other origins contributed to a slackening in the upward pressures on market prices so that the differentials between prices of Colombian Milds and the other groups of coffee were down. This downward trend may also indicate that market participants consider that the critical risk period for frosts during the winter season in Brazil is over and that the summer in the Northern hemisphere, traditionally a season of slack demand, has arrived.