



LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

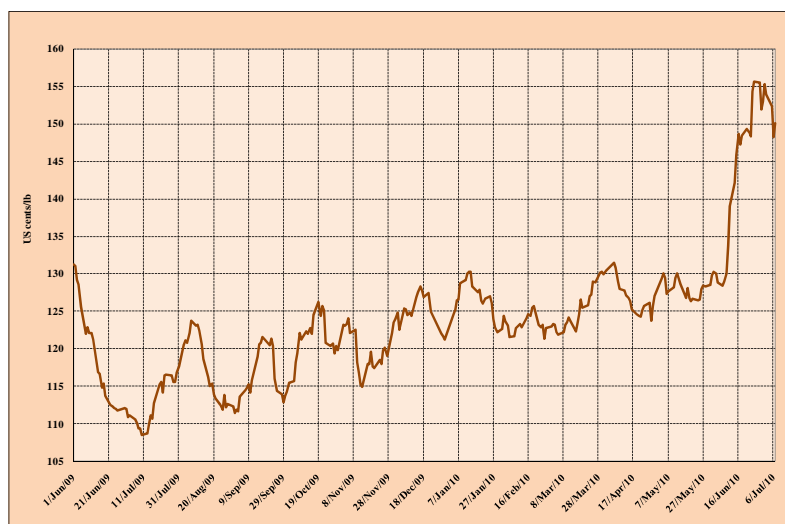
June 2010

Prices recorded a substantial increase in June with the monthly average of the ICO composite indicator price rising from 128.1 US cents per lb in May to 142.2 US cents per lb, the highest monthly average since June 1997. Price volatility also increased considerably, with that of the ICO composite indicator rising from 3.6% in May to 7.6% in June, an increase of more than 110%, indicating the marked nervousness of the market during this month. Speculative movements on the part of investment funds accentuated this price volatility, which can be accounted for mainly by the reduction in supplies of Mild Arabicas. Price increases were much steeper in the case of Arabicas, particularly Colombian Milds, with a widening in the differentials between prices of this group and the other three coffee groups.

There are, however, indications that production levels are gradually increasing in Colombia and several other producing countries. Recent private estimates of Brazilian production for crop year 2010/11 envisage a level of around 50 million bags. As indicated in my previous report, total production for crop year 2010/11 should be between 133 and 135 million bags.

Exports by all exporting countries during May totalled 8 million bags, bringing the cumulative total for the first eight months of coffee year 2009/10 (October 2009 – May 2010) to 61 million bags, a fall of 8.1% compared to the figure of 66.3 million bags for the same period in coffee year 2008/09.

**Graph 1: Daily composite indicator prices
1 June 2009 – 7 July 2010**



Price movements

Price levels increased steeply during June with the monthly average of the **ICO composite indicator price** at 142.2 US cents per lb compared to 128.1 US cents per lb in May, an increase of 11% (Table 1). Graph 1 shows the ICO daily composite indicator price since 1 June 2009. There was a relatively significant increase in prices of Arabicas,

particularly in the case of **Colombian Milds** (Graph 2). Accordingly, the differential between prices of Colombian Milds and the other three coffee groups widened in June compared to May (Table 2). Graph 3 shows the differential between Colombian Milds and the other three coffee groups since January 2009.

**Graph 2: Group indicator prices
1 June 2009 – 7 July 2010**

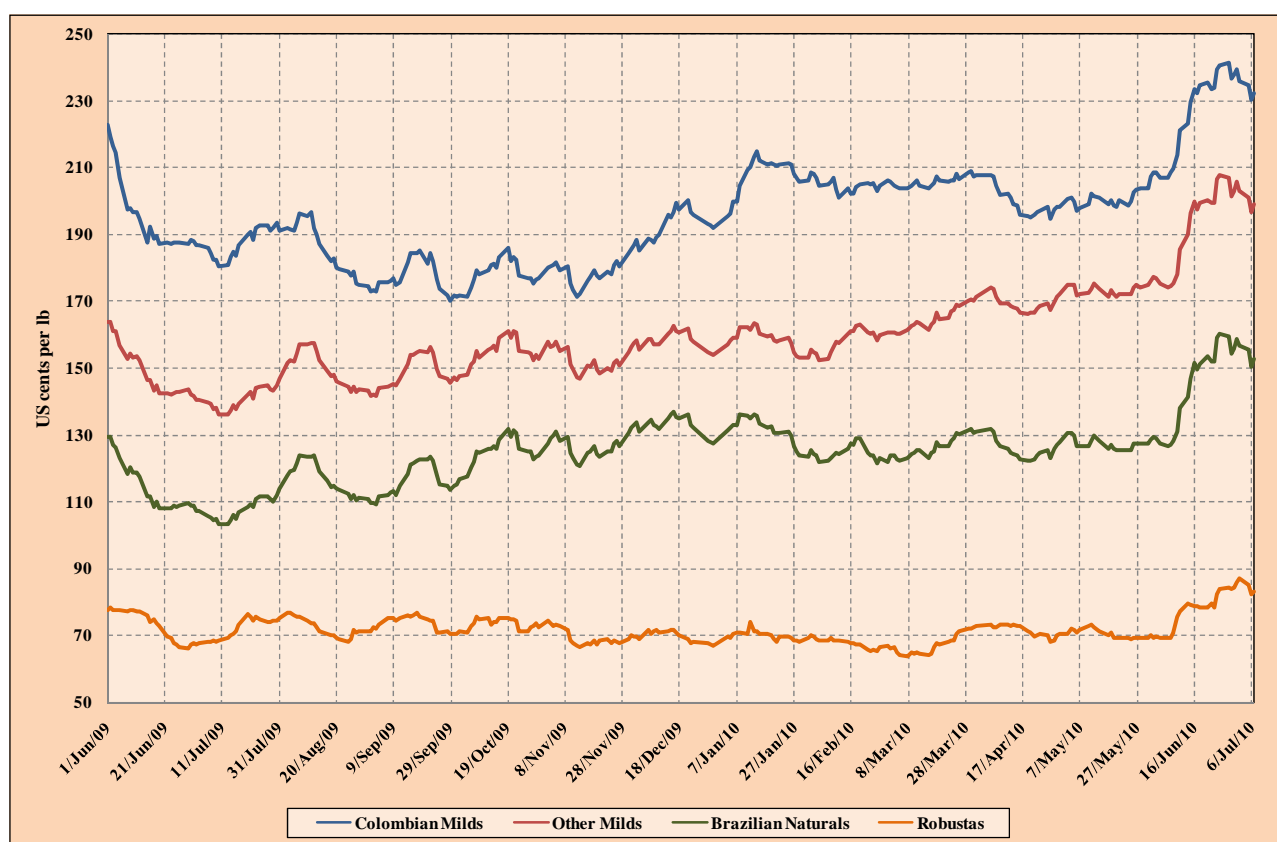


Table 1: ICO daily indicator prices and futures prices (US cents per lb) – June 2010

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Jun-10							
01-Jun	129.88	207.12	176.22	128.61	70.11	138.88	63.34
02-Jun	130.27	208.29	177.08	129.42	69.52	137.80	62.87
03-Jun	130.12	208.29	176.74	128.80	69.86	137.90	63.21
04-Jun	128.86	206.65	175.17	127.25	69.20	136.05	62.82
07-Jun	128.49	206.63	174.16	126.45	69.51	135.33	62.82
08-Jun	129.02	208.45	174.66	127.13	69.45	135.85	62.80
09-Jun	130.10	209.53	175.13	128.01	71.13	136.80	64.14
10-Jun	133.74	213.62	178.18	130.84	75.69	139.25	67.22
11-Jun	139.08	220.97	185.53	138.14	77.18	146.65	69.33
14-Jun	142.16	223.20	189.96	141.18	79.70	151.53	70.78
15-Jun	145.80	229.41	196.03	146.59	79.17	159.57	71.42
16-Jun	148.61	233.09	199.81	151.60	79.04	159.28	71.17
17-Jun	147.25	232.21	197.58	149.45	78.78	157.75	70.51
18-Jun	148.40	234.54	199.37	151.08	78.61	162.08	71.40
21-Jun	149.27	235.26	200.31	153.31	78.31	160.78	71.58
22-Jun	148.83	233.36	199.47	151.92	79.52	160.80	71.42
23-Jun	148.37	233.52	199.28	151.69	78.43	160.53	71.89
24-Jun	154.32	239.27	206.61	159.00	82.34	168.80	74.96
25-Jun	155.60	240.26	207.69	160.16	83.96	168.90	76.79
28-Jun	155.46	241.18	206.79	159.52	84.36	168.15	77.61
29-Jun	151.87	236.25	201.26	154.29	84.05	163.27	77.25
30-Jun	152.99	237.64	202.84	155.85	84.36	165.95	78.52
Jun-10	142.20	224.49	190.90	143.20	76.92	152.36	69.72
2009							
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
April	126.89	199.50	169.24	125.71	71.52	135.12	62.21
May	128.10	200.33	173.28	127.32	70.61	135.81	62.46
June	142.20	224.49	190.90	143.20	76.92	152.36	69.72
% change between Jun-10 and May-10	11.01	12.06	10.17	12.47	8.93	12.18	11.62
% change between Jun-10 and Jun-09	19.45	14.35	27.45	24.07	4.24	17.75	4.72
% change between Jun-10 and 2009 averages	22.94	26.52	32.72	24.17	3.14	18.66	3.00
volatility (%)							
Jun-09	5.19	7.44	6.09	7.82	6.71	9.21	9.15
Jul-09	4.75	4.68	5.12	5.76	6.23	7.27	6.29
Aug-09	4.56	4.78	4.84	5.54	5.93	7.51	6.93
Sep-09	6.18	6.64	6.12	7.33	6.81	9.00	7.61
Oct-09	6.43	5.34	6.48	7.49	7.72	8.61	8.22
Nov-09	6.81	5.86	6.96	8.18	7.02	8.54	8.95
Dec-09	4.94	5.70	5.07	5.96	5.51	7.03	6.40
Jan-10	3.89	4.76	4.13	4.78	7.82	5.53	4.94
Feb-10	4.06	3.83	4.37	5.85	4.59	6.43	4.59
Mar-10	3.41	2.57	3.23	4.69	6.00	5.69	7.22
Apr-10	3.76	3.62	3.75	5.00	5.01	5.00	5.22
May-10	3.60	3.43	3.46	4.43	5.28	4.90	4.69
Jun-10	7.58	5.98	7.82	10.16	9.42	10.74	7.60
Change between Jun-10 and May-10	110.67	74.11	126.09	129.11	78.34	119.26	62.18

*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*
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
Apr-10	30.26	73.78	127.97	64.38	43.53	97.72	54.19	72.91
May-10	27.05	73.00	129.72	64.52	45.95	102.66	56.71	73.35
Jun-10	33.59	81.29	147.57	72.13	47.70	113.98	66.28	82.64
% change between								
Jun-10 and May-10	24.16%	11.35%	13.76%	11.80%	3.81%	11.02%	16.87%	12.67%

* Average of the 2nd and 3rd positions

Graph 3: Differential between prices of Colombian Milds and the other three coffee groups
January 2009 – June 2010

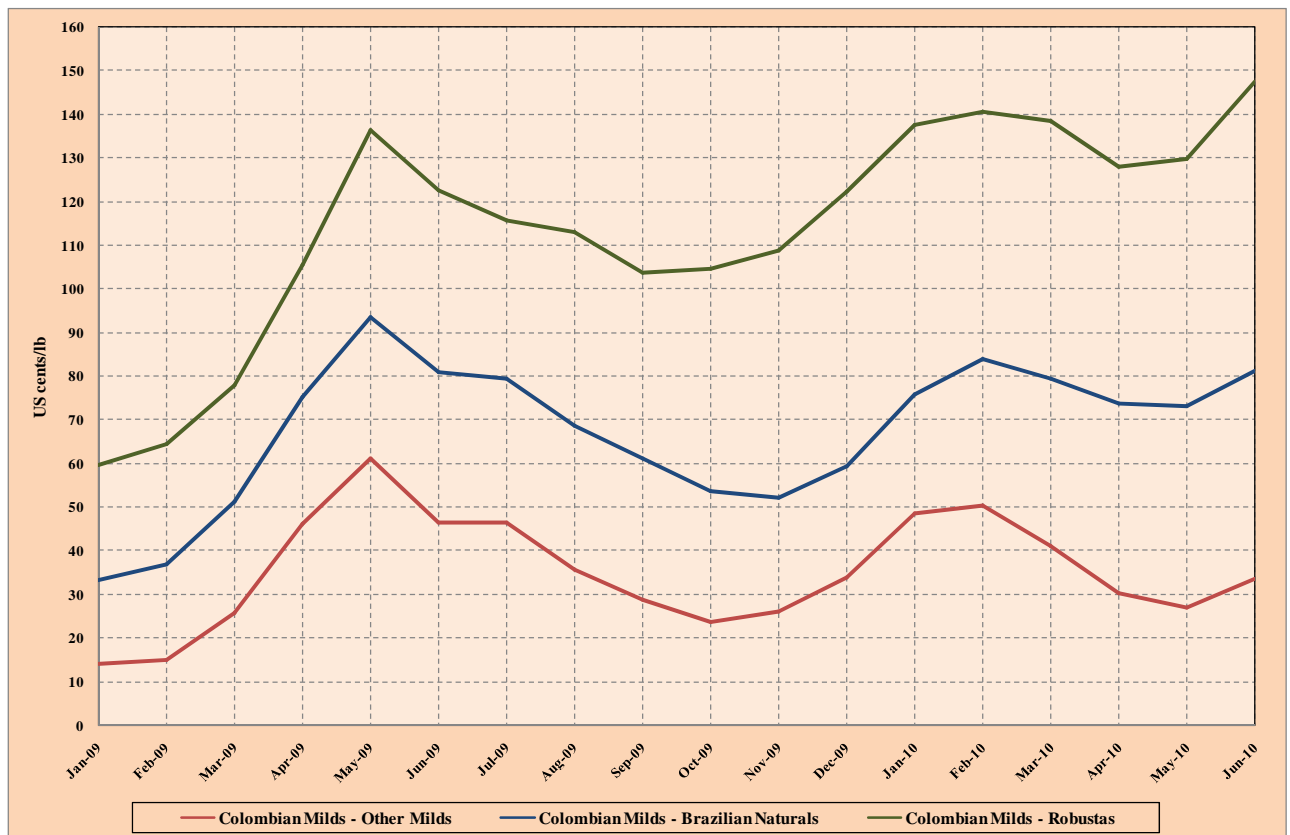


Table 3: Production in selected exporting countries

Crop year commencing	2006	2007	2008	2009	% change 2009 & 2008
TOTAL	129 138	119 396	128 086	120 613	-5.83
Africa	15 385	15 258	15 194	13 536	-10.91
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	750	31.17
Tanzania	822	810	1 186	667	-43.77
Uganda	2 700	3 250	3 200	3 000	-6.26
Others	2 717	2 247	2 783	2 079	-25.30
Arabicas	7 557	7 418	7 297	6 893	-5.54
Robustas	7 828	7 840	7 897	6 643	-15.88
Asia & Oceania	34 529	31 408	34 900	36 845	5.57
India	5 158	4 460	4 371	4 827	10.43
Indonesia	7 483	7 777	9 350	10 632	13.70
Papua New Guinea	807	968	1 028	1 003	-2.43
Thailand	766	653	675	930	37.70
Vietnam	19 340	16 467	18 500	18 000	-2.70
Others	976	1 083	976	1 454	49.01
Arabicas	3 836	4 248	4 365	4 979	14.07
Robustas	30 693	27 160	30 535	31 865	4.36
Mexico & Central America	16 936	18 295	17 685	16 620	-6.02
Costa Rica	1 580	1 791	1 320	1 462	10.72
El Salvador	1 371	1 621	1 547	1 065	-31.14
Guatemala	3 950	4 100	3 785	3 500	-7.53
Honduras	3 461	3 842	3 450	3 527	2.23
Mexico	4 200	4 150	4 651	4 200	-9.69
Nicaragua	1 300	1 700	1 615	1 686	4.43
Others	1 074	1 091	1 318	1 180	-10.46
Arabicas	16 801	18 170	17 553	16 491	-6.05
Robustas	135	125	132	129	-2.26
South America	62 288	54 435	60 307	53 612	-11.10
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	813	17.76
Peru	4 319	3 063	3 872	3 315	-14.39
Others	1 750	1 689	1 088	1 014	-6.77
Arabicas	52 479	43 180	49 389	42 556	-13.84
Robustas	9 810	11 256	10 917	11 056	1.27
TOTAL	129 138	119 396	128 086	120 613	-5.83
Colombian Milds	13 876	13 674	9 995	10 177	1.82
Other Milds	27 967	27 725	27 353	25 457	-6.93
Brazilian Naturals	38 830	31 617	41 256	35 286	-14.47
Robustas	48 466	46 380	49 481	49 694	0.43
Arabicas	80 673	73 016	78 605	70 919	-9.78
Robustas	48 466	46 380	49 481	49 694	0.43
TOTAL	100.00	100.00	100.00	100.00	
Colombian Milds	10.75	11.45	7.80	8.44	
Other Milds	21.66	23.22	21.36	21.11	
Brazilian Naturals	30.07	26.48	32.21	29.26	
Robustas	37.53	38.85	38.63	41.20	
Arabicas	62.47	61.15	61.37	58.80	
Robustas	37.53	38.85	38.63	41.20	

In thousand bags

Market fundamentals

For crop year 2010/11, which has already begun in a number of countries, including Brazil, Indonesia, Papua New Guinea and Peru, my estimate of **total production** is between 133 and 135 million bags. Of the major exporting countries, initial estimates indicate production of around 50 million bags in Brazil. Colombian production is also expected to recover following two consecutive years of low output with the current estimate put at between 10 and 11 million bags. Production in Vietnam is estimated at between 16 and 18 million bags while Indonesian production is put at 10 – 11 million bags. India and Ethiopia are expected to produce around 5 million bags each. Slight increases are also envisaged for other exporting countries.

In the case of crop year 2009/10, which has almost ended, **total production** remains unchanged at 120.6 million bags as indicated in my previous report (Table 3). This represents a fall of 5.8% in relation to production in crop year 2008/09. In the course of that year the share of Robustas increased from 38.6% to 41.2% in 2009/10 while that of Arabicas fell to 58.8% compared to 61.4% in 2008/09.

Exports during May totalled 8 million bags, bringing the total volume exported during the first eight months of coffee year 2009/10 to 61 million bags as against 66.3 million bags for the same period in 2008/09, a fall of 8.1% (Table 4). All four coffee groups have recorded a fall in their exports.

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

	2008/09	2009/10	% change
TOTAL	66 320	60 956	-8.09
Colombian Milds	7 460	5 588	-25.09
Other Milds	14 095	14 017	-0.55
Brazilian Naturals	21 218	20 026	-5.62
Robustas	23 547	21 325	-9.44
Arabicas	42 773	39 632	-7.34
Robustas	23 547	21 325	-9.44
Angola	4	1	-63.21
Benin	0	0	
Bolivia	47	52	8.88
Brazil	21 808	20 153	-7.59
Burundi	319	84	-73.71
Cameroon	284	493	73.87
Central African Republic	17	17	1.15
Colombia	6 491	4 783	-26.31
Congo, Dem. Rep. of	97	111	13.93
Congo, Rep. of	0	0	
Costa Rica	998	690	-30.92
Côte d'Ivoire	897	1 256	40.04
Cuba	5	5	-2.93
Dominican Republic	62	27	-57.28
Ecuador	583	689	18.17
El Salvador	958	834	-12.92
Ethiopia	926	1 307	41.03
Gabon	0	1	
Ghana	11	10	-5.85
Guatemala	2 261	2 323	2.73
Guinea	150	187	24.69
Haiti	12	2	-81.12
Honduras	2 111	2 393	13.33
India	2 075	2 959	42.64
Indonesia	3 384	3 615	6.82
Jamaica	16	10	-37.58
Kenya	370	396	7.10
Madagascar	51	60	19.51
Malawi	13	6	-52.06
Mexico	1 854	1 857	0.17
Nicaragua	915	1 173	28.21
Nigeria	2	0	-100.00
Panama	47	31	-33.45
Papua New Guinea	515	588	14.15
Paraguay	1	0	-76.20
Peru	1 958	1 551	-20.78
Philippines	5	5	-14.68
Rwanda	246	157	-35.96
Tanzania	910	515	-43.34
Thailand	116	131	13.20
Togo	89	136	52.12
Uganda	2 078	1 783	-14.18
Venezuela	9	4	-60.41
Vietnam	13 326	10 313	-22.61
Zambia	25	25	-0.41
Zimbabwe	15	12	-19.86
Other exporting countries 1/	262	213	-18.75

In thousand bags

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

Total exports in calendar year 2009 were estimated at 95.5 million bags compared to 97.7 million bags in 2008. The value of these exports was estimated at US\$13.2 billion in 2009 compared to US\$15.4 billion in 2008 (Table 5). The fall in the value of exports between 2008 and 2009 can be attributed not only to the fall in the price of coffee over this period but also to the reduced volume of exports in 2009.

In more specific terms, the estimated value of exports of both Brazilian Naturals and Robustas in calendar year 2009 is lower than in 2008 despite the increased volume of exports.

Table 5: Volume and value of annual exports (Calendar years 2006 – 2009)

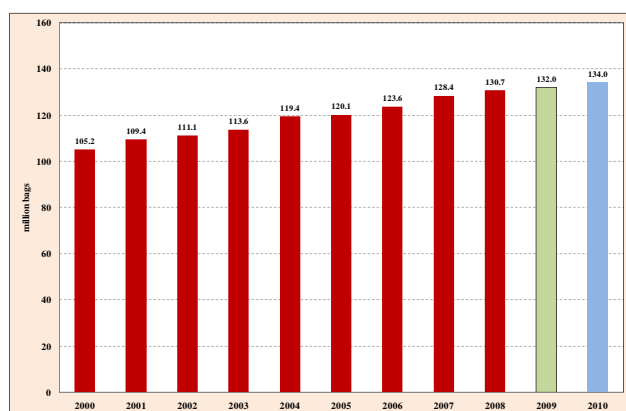
	2006	2007	2008	2009*
Colombian Milds				
- Volume	12.02	12.69	12.22	9.27
- Value	1.87	2.12	2.38	1.94
Other Milds				
- Volume	21.40	21.00	22.50	20.90
- Value	3.02	3.22	3.99	3.58
Brazilian Naturals				
- Volume	28.51	28.83	28.75	30.04
- Value	3.59	4.08	4.72	4.35
Robustas				
- Volume	30.36	34.12	34.20	35.26
- Value	2.38	3.37	4.28	3.30
Total				
- Volume	92.29	96.64	97.66	95.47
- Value	10.85	12.78	15.38	13.17

Volume in million bags – value in US\$

*Volume: Preliminary

*Value: Estimated

World consumption continues to support prices given its steady growth and in calendar year 2009 it is estimated at 132 million bags compared to 130 million bags in 2008 (Table 6). Although consumption has been impacted by the world economic crisis in a number of traditional consuming countries, it remains buoyant in a number of countries. **Graph 4** shows changes in world consumption since 2000.

Graph 4: World Consumption since 2000**Table 6: World consumption (Calendar years 2005 – 2009)**

	2005	2006	2007	2008	2009*	% share in 2009
WORLD TOTAL	120 075	123 610	128 395	130 661	132 000	100.00
Producing countries	31 848	33 500	35 367	36 703	37 705	28.56
Brazil	15 392	16 133	16 927	17 526	18 208	13.79
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	5 221	3.96
Importing countries	88 227	90 110	93 028	93 958	94 295	71.44
European Union	39 414	41 063	40 659	39 783	38 621	29.26
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	5 564	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	9 313	9 795	9 715	8 097	7 618	5.77
USA	20 998	20 667	21 033	21 652	21 434	16.24
Japan	7 128	7 268	7 282	7 065	6 816	5.16
Other importing countries	20 687	21 111	24 054	25 458	27 424	20.78
Canada	2 794	3 066	3 245	3 210	3 292	2.49
Russian Federation	3 212	3 263	4 055	3 716	3 131	2.37
Algeria	1 892	1 836	1 968	2 118	2 066	1.57
Ukraine	1 025	968	1 057	1 733	1 460	1.11
Korea, Republic of	1 394	1 437	1 425	1 665	1 551	1.17
Australia	1 039	992	1 031	1 145	1 223	0.93
Others	9 331	9 549	11 273	11 873	14 701	11.14

In thousand bags

* Provisional

Table 7 shows retail prices of roasted coffee in selected importing countries. With the exception of Slovakia, average annual prices have fallen in all importing countries mainly on account of the fall in unit values of imports during calendar year 2009 compared to 2008.

Table 7: Retail prices of roasted coffee in selected importing countries (Calendar years 2007 – 2009)

	January-December			% change 2009-2008
	2007	2008	2009	
European Union				
Austria 1/	426.95	474.37	695.05	46.52
Belgium	491.16	546.09	526.22	-3.64
Bulgaria	347.70	405.40	383.93	-5.30
Cyprus	575.55	617.54	584.42	-5.36
Denmark	481.73	539.93	528.70	-2.08
Finland	325.34	372.18	351.40	-5.58
France	341.27	385.95	378.56	-1.91
Germany	468.54	512.94	474.89	-7.42
Italy	701.66	786.65	767.61	-2.42
Latvia	482.85	589.44	610.15	3.51
Luxembourg	678.49	752.29	729.32	-3.05
Malta 2/	1213.68	1320.73	1296.57	-1.83
Netherlands	445.17	504.72		
Poland	349.23	445.24	349.31	-21.55
Portugal	511.80	572.26	533.75	-6.73
Slovakia	388.49	501.95	508.12	1.23
Slovenia	452.79	498.31	476.89	-4.30
Spain	385.16	430.66	416.01	-3.40
Sweden	352.80	376.25	355.40	-5.54
United Kingdom 2/	1792.52	1678.78	1599.73	-4.71
Japan 1/	809.17	832.30	605.07	
Norway	446.62	469.16	402.02	-14.31
USA	346.89		366.90 3/	

In US cents per lb

1/ Change in type of coffee product

2/ Soluble coffee

3/ December only

In conclusion, it should be noted that in the context of the current tight supply/demand balance and the shortage of stocks in exporting countries, prices of all four groups of coffee rose sharply during June. A return to normal production levels in a number of producing countries could contribute to the application of corrections as supplies of new crop coffee arrive on the market.