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

E

LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

July 2009

The downward price corrections recorded in June continued in the first half of July, but the last two weeks of the month have shown a recovery. From a level of 108.58 US cents per lb on 10 July, the ICO composite indicator price increased gradually to reach 117.71 cents on the last day of the month. Nevertheless, the monthly average of the ICO composite indicator price fell by 5.17%, from 119.05 US cents per lb in June to 112.90 US cents per lb in July. Although the differential between Colombian Milds and the New York futures market remains high, it has narrowed slightly, down from 66.93 US cents per lb in June to 64.87 US cents per lb in July, a fall of 3.1%. The differentials between Colombian Milds and the other groups of coffee have also narrowed.

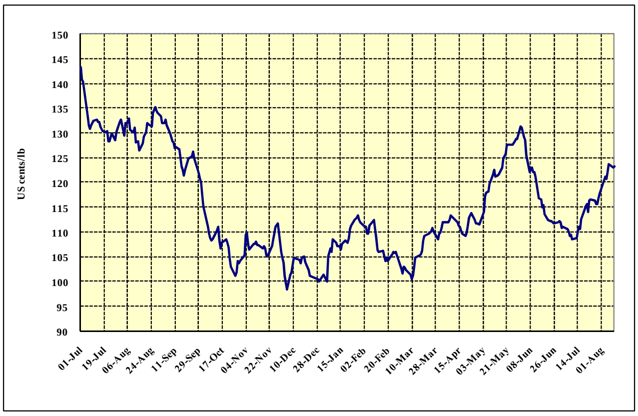
The value of the US dollar fell against the currencies of some coffee exporting countries during the month of July, particularly the Brazilian real and the Colombian peso, reducing the impact of price recovery. The Brazilian authorities have recently renewed a programme of support for producers through auctions covering a volume of 3 million 60-kilo bags in the form of option contracts.

Exports by all exporting countries in June 2009 totalled 8.5 million bags, bringing the cumulative total for the first nine months of the coffee year (October 2008 – June 2009), to 74.3 million bags compared to 72 million bags for the same period in 2007/08, an increase of 3.1%. Exports by Vietnam have reached 14.6 million bags in the first nine months of the coffee year. In the case of Colombia, export figures indicate 7.1 million bags compared to 9.1 million bags in the first nine months of the previous coffee year.

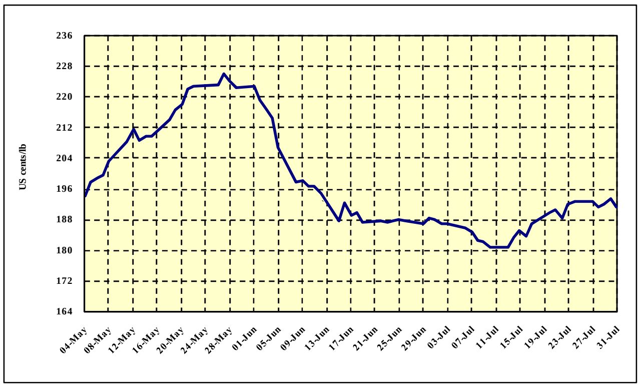
Price movements

Prices fell during July, with the monthly average of the **ICO composite indicator price** down by 5.17%, from 119.05 US cents per lb in June to 112.90 US cents per lb in July (Table 1). However, the price recovery that began in mid-July continued into early August[1]. Graph 1 shows changes in the ICO daily composite indicator price since 1 July 2008. The prices of all four groups of coffee recorded further falls in July. Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 4 May 2009.

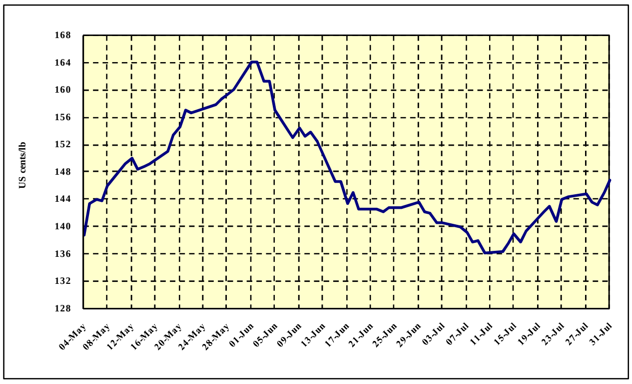
Graph 1: Daily composite indicator price 1 July 2008 – 12 August 2009



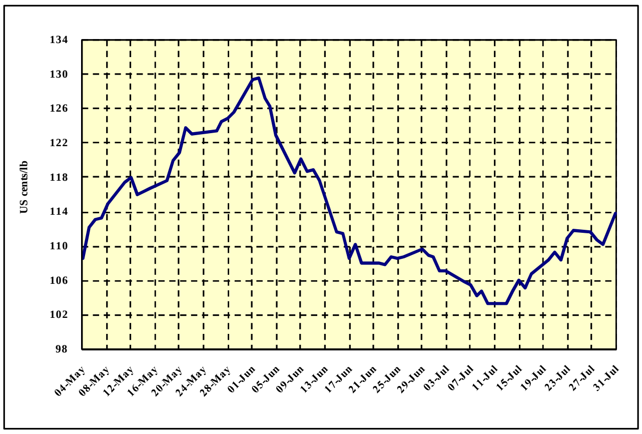
Graph 2: Daily indicator prices for Colombian Milds 4 May – 31 July 2009



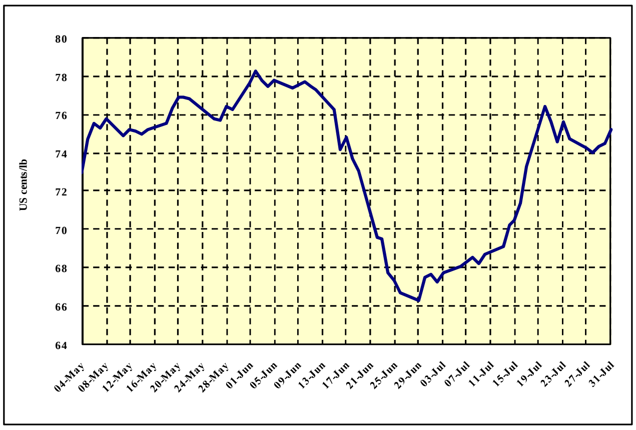
Graph 3: Daily indicator prices for Other Milds 4 May– 31 July 2009



Graph 4: Daily indicator prices for Brazilian Naturals 4 May – 31 July 2009



Graph 5: Daily indicator prices for Robustas 4-May– 31 July 2009



[1] *The price recorded on 12 August 2009 was 122.43 US cents per lb.*

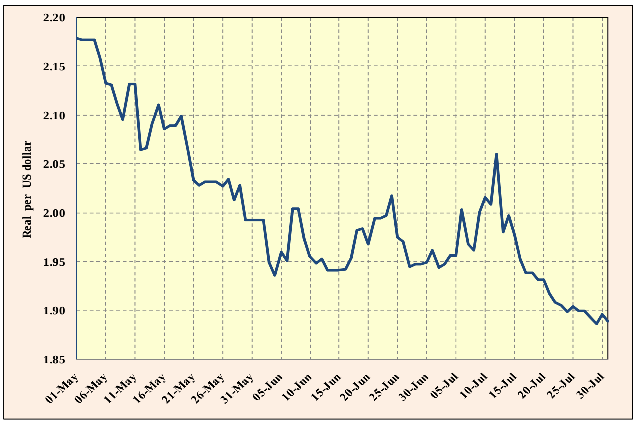
Table 1: ICO daily indicator prices and futures prices (US cents per lb) – July 2009

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Jul-09							
01-Jul	112.08	187.93	141.86	108.78	67.65	120.50	60.55
02-Jul	110.99	186.81	140.49	107.09	67.25	119.28	61.01
03-Jul	111.17	186.81	140.49	107.09	67.78	Holiday	61.17
06-Jul	110.61	185.71	139.89	105.86	68.03	119.52	61.51
07-Jul	110.23	184.41	139.12	105.40	68.34	118.20	61.80
08-Jul	109.40	182.51	137.65	104.29	68.55	116.70	61.42
09-Jul	109.43	182.12	137.93	104.70	68.25	117.15	61.85
10-Jul	108.58	180.51	136.14	103.31	68.73	115.92	62.28
13-Jul	108.78	180.65	136.29	103.30	69.15	116.42	62.44
14-Jul	110.15	183.10	137.45	104.67	70.23	117.00	63.43
15-Jul	111.19	184.77	138.88	106.09	70.46	119.45	64.39
16-Jul	110.74	183.36	137.64	105.05	71.37	117.17	64.59
17-Jul	112.78	186.61	139.42	106.81	73.31	120.20	66.50
20-Jul	115.36	189.74	142.19	108.41	76.45	123.78	69.17
21-Jul	115.63	190.48	143.01	109.34	75.61	124.00	68.63
22-Jul	114.20	188.28	140.82	108.30	74.58	124.58	67.77
23-Jul	116.51	191.76	143.99	110.93	75.66	129.10	68.95
24-Jul	116.66	192.66	144.43	111.75	74.75	128.50	67.43
27-Jul	116.49	192.55	144.68	111.66	74.23	129.03	67.49
28-Jul	115.64	190.93	143.47	110.65	74.04	127.33	67.47
29-Jul	115.62	191.74	143.06	110.09	74.39	127.40	67.83
30-Jul	116.86	193.23	144.98	112.01	74.53	129.53	68.15
31-Jul	117.71	191.10	146.77	113.77	75.24	132.43	68.70
Jul-09	**112.90**	**187.29**	**140.90**	**107.80**	**71.68**	**122.42**	**64.98**
% change between Jul-09 and Jun-09							
	-5.17	-4.60	-5.93	-6.60	-2.86	-5.39	-2.40
% change between Jul-09 and Jul-08							
	-14.97	23.89	-4.38	-20.08	-37.79	-15.17	-38.98
% change between Jul-09 and 2008 average							
	-9.13	29.77	0.80	-14.84	-31.91	-10.29	-33.13

*Average of the 2nd and 3rd positions

The exchange rate of the United States dollar in relation to the currencies of major coffee producing countries, particularly the Brazilian *real* (R$) and the Colombian *peso*, fell to lower levels in July compared to June (Graphs 6 and 7). Changes in the value of the United States dollar have a marked influence on the exports of Brazil and Colombia. The Brazilian authorities have recently renewed their support programme for producers through auctions covering a maximum volume of 3 million 60-kilo bags in the form of option contracts. The first delivery date, covering 1 million bags, will be on 1 November, with a minimum guaranteed price of R$303.5 per bag. Further delivery dates are scheduled for 2010 in January (800,000 bags), February (700,000 bags) and March (500,000 bags) at a minimum guaranteed price of R$309, R$311.7 and R$314.4 per bag, respectively.

Graph 6: Daily exchange rate: Real per US$
1 May – 31 July 2009



Graph 7: Daily exchange rate: Colombian peso per US$
1 May – 31 July 2009

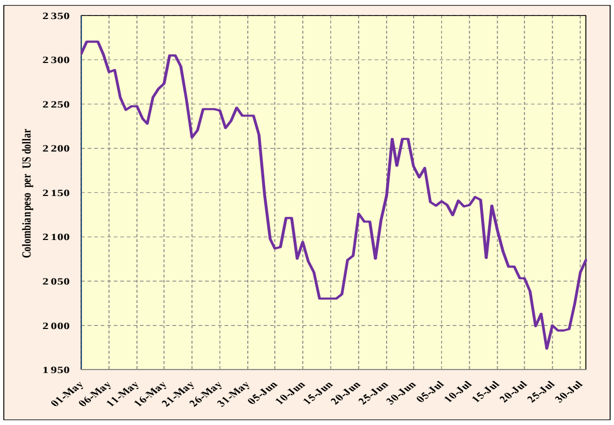
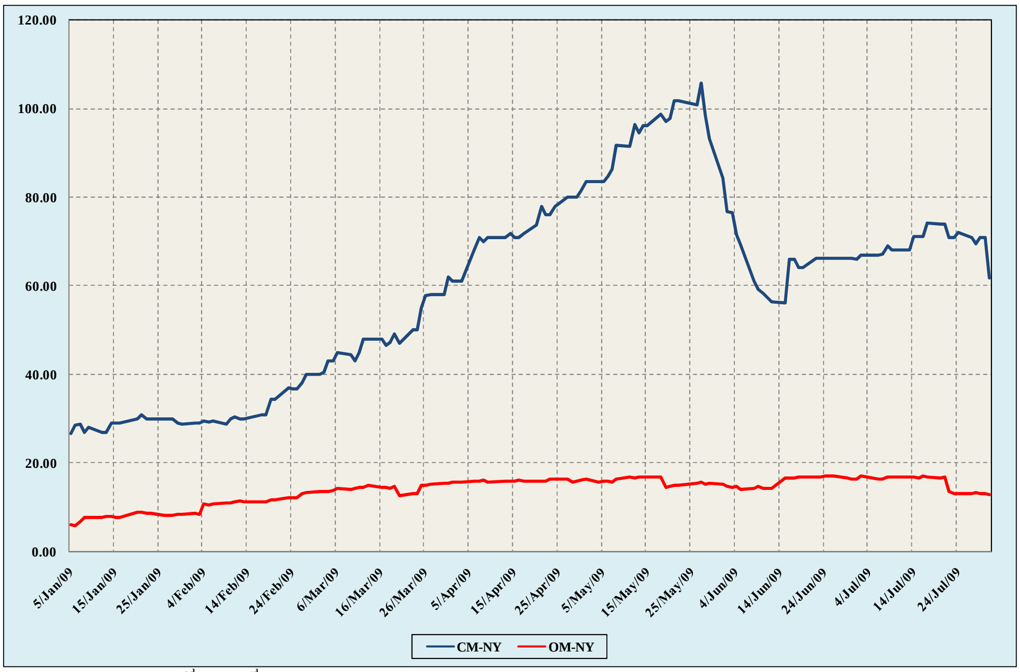


Table 2 shows differences between ICO indicator prices of the four groups of coffee. The differential between indicator prices of Colombian Milds and prices on the New York futures market remains high despite a fall of 3.1% in July in relation to the levels recorded in June (Graph 8).

Graph 8: Differences between indicator prices of Colombian Milds and Other Milds and the New York 'C' Contract* 5 January to 31 July 2009



* Average of the 2nd and 3rd positions

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*
Jan-09	14.02	33.14	59.58	19.12	45.56	26.44	43.87
Jun-09	46.53	80.90	122.53	34.37	76.00	41.63	62.81
Feb-09	15.07	36.86	64.33	21.79	49.26	27.47	44.03
Mar-09	25.64	51.35	77.85	25.71	52.21	26.50	44.08
Apr-09	46.22	75.15	105.57	28.93	59.35	30.42	49.89
May-09	61.06	93.65	136.43	32.59	75.37	42.78	62.43
Jun-09	46.53	80.90	122.53	34.37	76.00	41.63	62.81
Jul-09	46.39	79.49	115.61	33.10	69.22	36.12	57.44
% change Jul-Jun	**-0.30**	**-1.74**	**-5.65**	**-3.70**	**-8.92**	**-13.24**	**-8.55**

* Average of the 2nd and 3rd positions

Table 3: Production in selected exporting countries

Crop year commencing	2005	2006	2007	2008	% change 2008&2007
TOTAL	**110 181**	**127 909**	**118 083**	**127 288**	**7.80**
Africa	***13 026***	***15 385***	***14 882***	***15 192***	***2.09***
Cameroon	849	836	795	833	4.78
Cote d'Ivoire	1 962	2 847	2 150	2 500	16.30
Ethiopia	4 003	4 636	4 906	4 350	-11.33
Kenya	660	826	652	883	35.41
Tanzania	804	822	810	917	13.20
Uganda	2 159	2 700	3 250	3 100	-4.62
Others	2 588	2 717	2 319	2 609	12.50
Arabicas	*6 544*	*7 557*	*7 415*	*7 461*	0.62
Robustas	*6 481*	*7 828*	*7 467*	*7 732*	3.54
Asia & Oceania	***30 215***	***34 446***	***31 087***	***32 344***	***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	1 028	6.19
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*	*4 343*	4.91
Robustas	*25 991*	*30 638*	*26 948*	*28 001*	3.91
Mexico & Central America	***17 118***	***16 936***	***18 292***	***17 663***	***-3.44***
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	3 850	-6.09
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*	*17 516*	-3.59
Robustas	*136*	*135*	*125*	*147*	17.55
South America	***49 822***	***61 142***	***53 822***	***62 089***	***15.36***
Brazil	32 944	42 513	36 068	45 991	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*	*51 333*	*42 568*	*51 172*	20.21
Robustas	*9 662*	*9 808*	*11 254*	*10 917*	-2.99
TOTAL	**110 181**	**127 909**	**118 083**	**127 288**	**7.80**
Colombian Milds	13 487	13 488	13 685	11 970	-12.53
Other Milds	25 264	27 187	27 008	27 299	1.08
Brazilian Naturals	29 159	38 826	31 597	41 223	30.47
Robustas	42 271	48 409	45 793	46 796	2.19
Arabicas	67 910	79 501	72 290	80 492	11.35
Robustas	42 271	48 409	45 793	46 796	2.19
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	
Colombian Milds	12.24	10.55	11.59	9.40	
Other Milds	22.93	21.25	22.87	21.45	
Brazilian Naturals	26.46	30.35	26.76	32.39	
Robustas	38.36	37.85	38.78	36.76	
Arabicas	61.64	62.15	61.22	63.24	
Robustas	38.36	37.85	38.78	36.76	

In thousand bags

Market fundamentals

In the case of crop year 2008/09, which is nearing its end, **total production** may need to be revised upwards from the current estimate of around 127 million bags (Table 3). This upward revision is linked to the strong performance of Vietnamese exports, which have already exceeded 14.6 million bags in the first nine months of the coffee year (October 2008 – June 2009), representing a monthly average of 1.6 million bags. Taking into account exports for the next three months, the figure for total Vietnamese production in crop year 2008/09 could reach 19 million bags. Meanwhile, Colombian production has been considerably reduced. Although there is still some coffee to be harvested between July and September, the total production figure for the coffee year is likely to be around 9.5 million bags. I will be in a position to give a final world production figure for 2008/09 by the end of September 2009.

The 2009/10 crop in Brazil is already well under way and around 70% of Arabica crop has been harvested. This crop year will mean lower output of Arabicas in Brazil due to the biennial cycle that characterizes this production. The Brazilian authorities have indicated an estimated total production of 39.1 million bags. This total includes 28.3 million bags of Arabicas, compared to 35.5 million bags for the previous crop year. Estimated production of Robustas rose slightly to 10.8 million bags from 10.5 million bags. At the same time, increased production is expected in Africa, Asia and Central America. My preliminary estimate of total production in crop year 2009/10 is around 127 million bags.

Exports during June totalled 8.5 million bags, bringing the total volume exported during the first nine months of coffee year 2008/09 to 74.3 million bags as against 72 million bags for the same period in 2007/08 (Table 4).

Exports of Colombia for the first nine months of the coffee year (October 2008 – June 2009) total 7.1 million bags. It is very unlikely that average monthly exports in the remainder of coffee year 2008/09 will exceed the levels in May or June. However, shortfalls of supply of Colombian coffee have been made up by increased exports from Brazil and Vietnam.

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

	2007/08	2008/09	% change
TOTAL	**72 027**	**74 258**	**3.10**
Colombian Milds	10 097	8 243	-18.36
Other Milds	16 202	15 996	-1.27
Brazilian Naturals	20 496	23 419	14.26
Robustas	25 233	26 599	5.41
Arabicas	46 794	47 659	1.85
Robustas	25 233	26 599	5.41

In thousand bags

World consumption in calendar year 2008 is estimated at 128.5 million bags compared to 127 million bags in 2007 (Table 5). For calendar year 2009 preliminary estimates indicate that world consumption will be close to 129 million bags. This indicates that the world economic crisis has not affected general coffee consumption, although reports have been received of changes in patterns of consumption, particularly a shift to more in-home drinking.

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***	***24 062***
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

Tables 6 and 7 show per capita consumption in selected exporting and importing countries. Table 8 shows retail prices of selected importing countries for the month of December 2006 to 2008.

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	2.01
Venezuela	1.60	1.58	1.59	1.65	1.62
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	0.86	0.89	1.01	1.14	1.22
Panama	1.26	1.24	1.22	1.20	1.18
Cuba	1.20	1.20	1.20	1.20	1.16
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	0.64	0.63	0.67	0.70
Vietnam	0.36	0.36	0.43	0.65	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	1.29	1.35	1.37	1.71	1.58
Switzerland	5.86	8.87	7.48	7.90	9.15
Ukraine	0.94	1.31	1.25	1.37	2.26
USA	4.20	4.16	4.06	4.09	4.17

In kilogrammes

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

	December			% change
	2006	**2007**	**2008**	**2008-2007**
European Community				
Austria	414.70	454.99	441.18	**-3.03**
Belgium	460.24	523.76	514.08	**-1.85**
Bulgaria	306.42	398.63	369.81	**-7.23**
Cyprus	559.86	609.16	571.55	**-6.17**
Denmark	463.80	512.24	504.28	**-1.55**
Finland	306.83	345.21	339.84	**-1.55**
France	326.01	375.63	360.85	**-3.93**
Germany	443.46	474.82	449.82	**-5.26**
Italy	664.00	759.18	747.65	**-1.52**
Latvia	445.92	536.41	533.54	**-0.54**
Luxembourg	743.10	719.51	711.82	**-1.07**
Malta 1/	1 157.65	1 295.77	1 249.38	**-3.58**
Netherlands	417.10	473.50	467.13	**-1.35**
Poland	304.20	419.99	352.31	**-16.11**
Portugal	485.41	541.61	529.53	**-2.23**
Slovakia	344.51	430.17	480.95	**11.81**
Slovenia	429.74	495.98	457.86	**-7.69**
Spain	371.55	415.31	412.75	**-0.61**
Sweden	352.78	370.07	318.02	**-14.06**
United Kingdom 1/	1 781.61	1 808.51	1 464.09	**-19.04**
Japan	865.52	872.85	625.86	**-28.30**
Norway	396.25	478.99	311.30	**-35.01**
USA	311.30	368.50		

In US cents per lb
1/ Soluble coffee

In conclusion, it may be noted that prices of all four groups of coffee continued their downward trend until mid-July before recovering in the second half of the month and early August. There has been good export performance by Brazil, and Vietnam, while Colombian availability has continued to be below average due to weather conditions. Some reduction in exports has also been observed from Africa and Central America. The differentials between Colombian Milds and the other groups remains high despite a small reduction in July. Improvements in the supply situation for Colombian Milds and Other Milds could contribute to a return of historical patterns of price differentials during crop year 2009/10.