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

July 2010

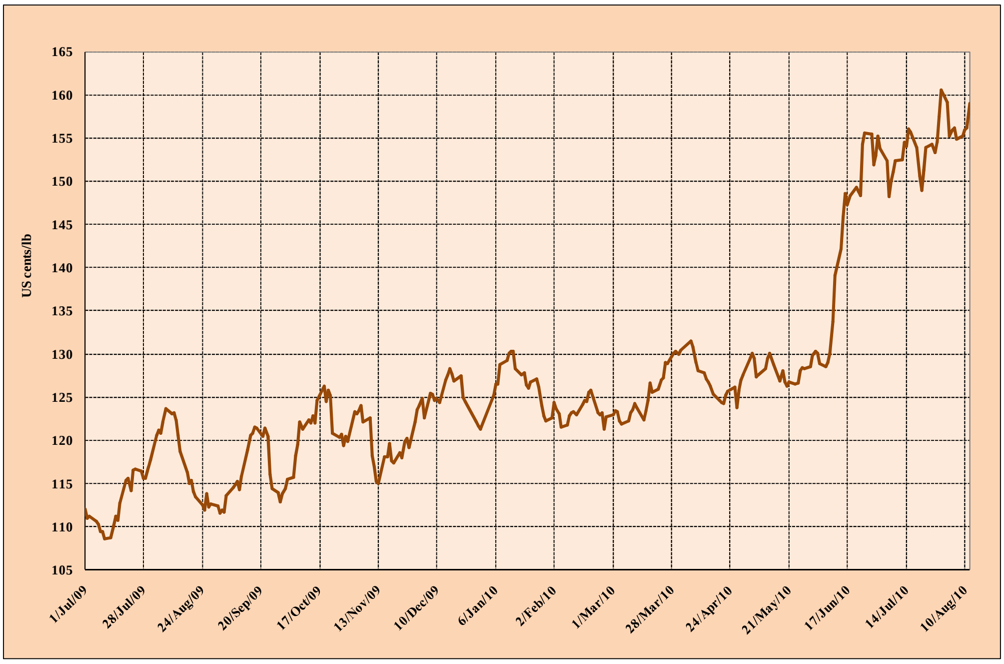
Prices recorded further increases in July with the monthly average of the ICO composite indicator price at 153.41 US cents per lb compared with 142.20 US cents per lb in June. This continued price firmness is confirmed by the behaviour of the futures markets, particularly in the case of the monthly average of the 2nd and 3rd positions in the New York futures market (ICE), which rose from 152.36 US cents per lb in June to 165.23 US cents per lb in July, the highest level recorded since 1997. In the case of the London futures market (NYSE Liffe), the monthly average of the 2nd and 3rd positions was 78.17 US cents per lb compared with 69.72 US cents per lb in June. The differentials between Arabicas and Robustas widened further.

Despite the arrival on the market of new crop coffee from Brazil, where crop year 2010/11 is a high production year in the biennial Arabica cycle, short-term supply problems continue to stimulate a drawing down of world stocks. Colombian production in July 2010 is certainly an improvement on the level in July 2009, but is still a relatively low monthly production level. In Vietnam, adverse weather conditions could affect the country's production prospects for crop year 2010/11. My estimate of total production for crop year 2010/11 remains unchanged in a range from 133 to 135 million bags. Production in crop year 2009/10 totalled 120 million bags.

With information now available from a large number of countries, it has become possible to gauge the performance of world consumption in calendar year 2009 more accurately. The latest ICO figures indicate that world consumption fell by 1.5%, from 130.7 million bags in 2008 to 128.8 million bags in 2009, which is mainly attributable to the effects of the world economic crisis, especially in emerging markets.

Exports by all exporting countries during June totalled 7.8 million bags, bringing the cumulative total for the first nine months of coffee year 2009/10 (October 2009 – June 2010) to 69.8 million bags as against 74.9 million bags for the same period in coffee year 2008/09, a fall of 6.8%. Exports in all months since September 2009 have been consistently below the rhythm established in the previous two coffee years, leading to a drawdown in the remaining stocks in importing countries in order to meet demand.

Graph 1: Daily composite indicator prices
1 July 2009 – 12 August 2010



Price movements

The upward trend in prices continued during July with the monthly average of the **ICO composite indicator price** at 153.41 US cents per lb compared with 142.20 US cents per lb in June and 128.10 US cents in May (Table 1). Graphs 1 and 2 show the ICO daily composite indicator price and the group indicator prices since 1 July 2009, respectively. Although the increase in prices during July 2010 was also relatively significant in the case of Robustas, the differential with Arabicas widened further (Graph 3). On the other hand, the price differential between Colombian Milds and the other Arabica groups narrowed in July compared with June (Table 2). Except in the case of the London futures market, price volatility decreased in July. Graph 3 shows the price differential between Colombian Milds and the other three coffee groups since January 2009.

Graph 2: Group indicator prices
1 July 2009 – 12 August 2010

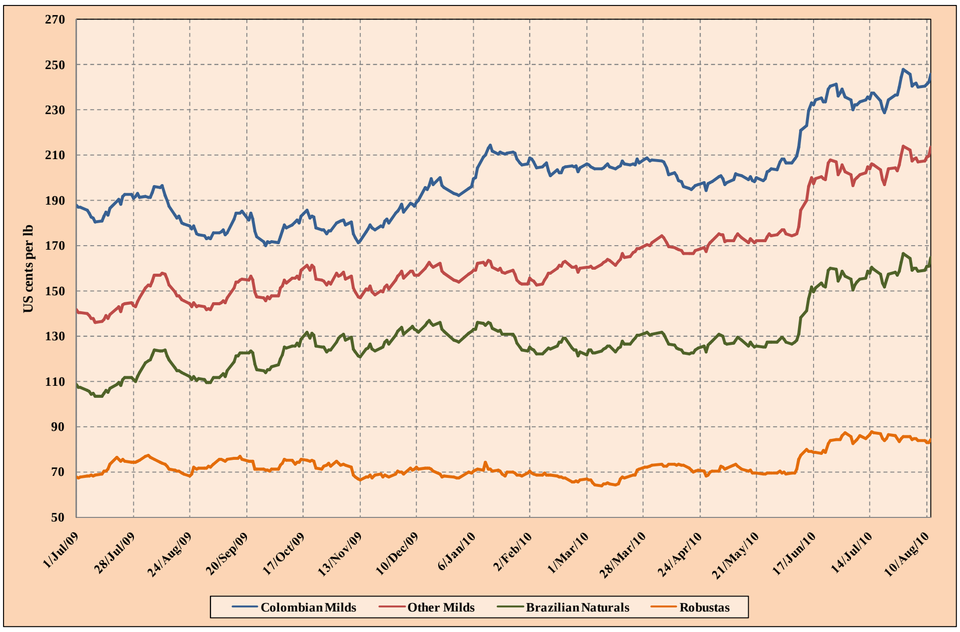


Table 1: ICO daily indicator prices and futures prices (US cents per lb) – July 2010

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Jul-10							
01-Jul	155.23	239.22	205.75	158.72	85.85	168.45	79.99
02-Jul	153.86	235.50	202.82	156.46	87.24	164.65	79.33
05-Jul	152.39	234.51	201.11	155.35	85.43	Holiday	77.52
06-Jul	148.26	230.18	196.52	150.24	82.54	158.05	74.80
07-Jul	150.05	232.12	199.03	152.48	83.39	163.25	75.68
08-Jul	151.08	232.42	199.99	153.98	84.32	162.38	76.88
09-Jul	152.43	233.71	201.40	154.98	85.97	164.10	77.36
12-Jul	152.51	234.30	202.08	155.72	84.86	163.72	77.25
13-Jul	154.57	235.83	204.93	158.75	85.73	165.80	78.02
14-Jul	154.05	234.93	203.92	157.67	86.20	165.07	78.63
15-Jul	156.05	237.29	206.06	160.18	87.50	167.28	79.70
16-Jul	155.69	237.25	205.73	159.48	87.30	167.25	80.22
19-Jul	153.95	234.11	203.67	157.25	86.75	164.15	78.74
20-Jul	150.65	230.55	199.24	153.61	84.60	158.93	76.82
21-Jul	148.93	228.65	197.07	151.52	83.61	158.08	76.27
22-Jul	151.26	231.27	200.46	154.54	84.49	162.22	77.07
23-Jul	153.89	234.34	203.76	157.53	86.19	166.63	78.79
26-Jul	154.33	236.42	204.21	158.06	85.92	166.47	78.49
27-Jul	153.35	236.40	203.13	156.89	84.78	164.72	77.43
28-Jul	154.52	239.93	205.87	158.60	83.54	168.30	78.49
29-Jul	157.50	244.34	209.90	162.41	84.50	173.63	79.65
30-Jul	160.51	248.09	214.05	166.70	85.33	176.60	82.53
Jul-10	**153.41**	**235.52**	**203.21**	**156.87**	**85.27**	**165.23**	**78.17**
2009							
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
July	153.41	235.52	203.21	156.87	85.27	165.23	78.17
% change between Jul-10 and Jun-10							
	7.88	4.91	6.45	9.55	10.86	8.45	12.12
% change between Jul-10 and Jul-09							
	35.88	25.75	44.22	45.52	18.96	34.97	20.30
% change between Jul-10 and 2009 averages							
	32.63	32.74	41.28	36.02	14.33	28.68	15.48
volatility (%)							
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
Jul-10	**6.28**	**5.20**	**6.24**	**7.73**	**7.36**	**9.55**	**8.18**
Change between Jul-10 and Jun-10	**-17.13**	**-13.04**	**-20.16**	**-23.86**	**-21.90**	**-11.05**	**7.66**

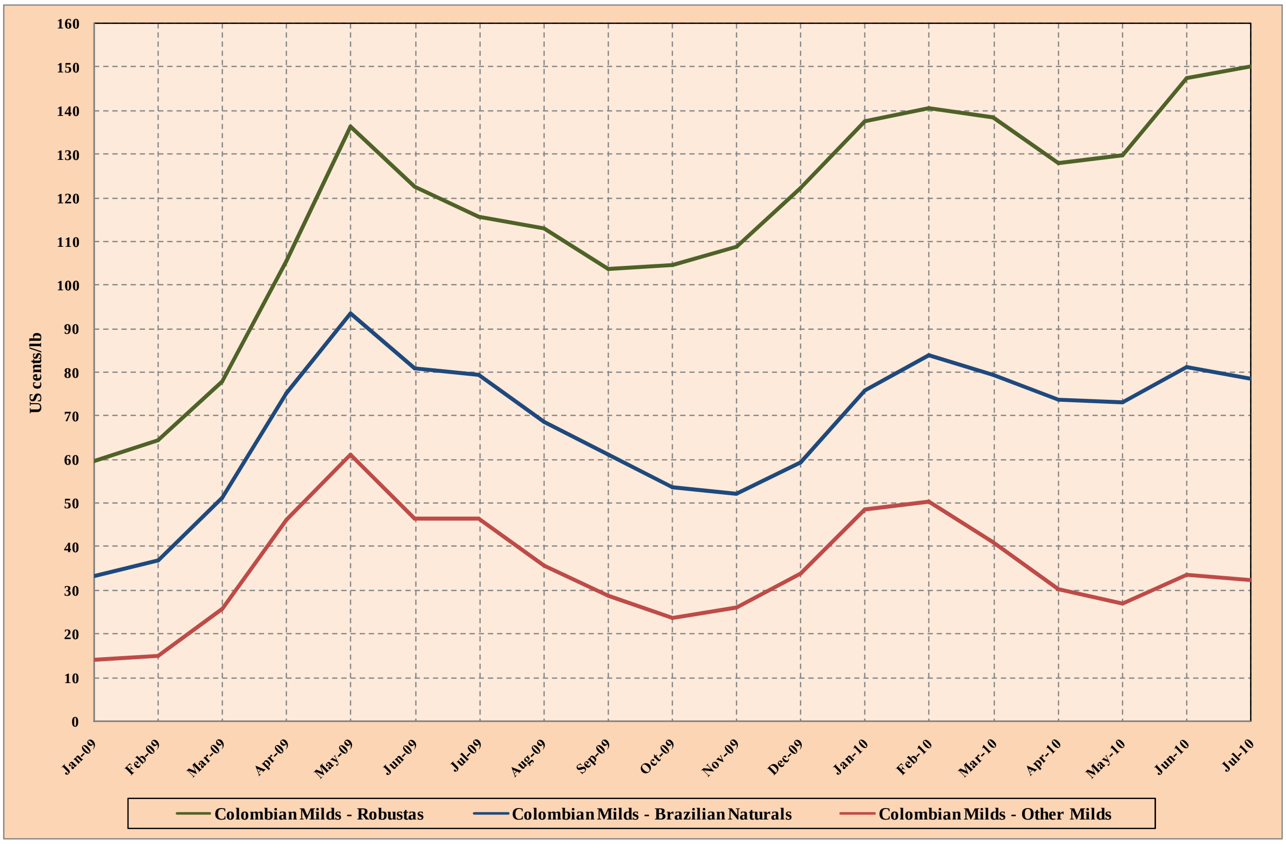
*Average of the 2nd and 3rd positions

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
Jul-10	32.30	78.65	150.24	70.29	46.34	117.94	71.59	87.06
% change between Jul-10 and Jun-10	**-3.83%**	**-3.25%**	**1.81%**	**-2.55%**	**-2.84%**	**3.47%**	**8.02%**	**5.35%**

Average of the 2nd and 3rd positions

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



Market fundamentals

On the basis of the latest available information **total production** in crop year 2009/10 will be around 120.0 million bags, a fall of 6.3% in relation to crop year 2008/09 (Table 3).

Table 3: Production in selected exporting countries

Crop year commencing	2006	2007	2008	2 009	% change 2009-2008
TOTAL	**129 138**	**119 396**	**128 089**	**120 045**	**-6.3**
Africa	***15 385***	***15 258***	***15 197***	***13 590***	***-10.6***
Cameroon	836	795	750	690	-8.0
Cote d'Ivoire	2 847	2 598	2 353	1 850	-21.4
Ethiopia	4 636	4 906	4 350	4 500	3.4
Kenya	826	652	572	750	31.2
Tanzania	822	810	1 186	709	-40.3
Uganda	2 700	3 250	3 200	3 000	-6.3
Others	2 717	2 247	2 786	2 091	-25.0
Arabicas	*7 557*	*7 418*	*7 296*	*6 931*	-5.0
Robustas	*7 828*	*7 840*	*7 901*	*6 658*	-15.7
Asia & Oceania	***34 529***	***31 408***	***34 900***	***36 934***	***5.8***
India	5 158	4 460	4 371	4 827	10.4
Indonesia	7 483	7 777	9 350	11 380	21.7
Papua New Guinea	807	968	1 028	1 004	-2.3
Thailand	766	653	675	930	37.7
Vietnam	19 340	16 467	18 500	18 000	-2.7
Others	976	1 083	976	793	-18.7
Arabicas	*3 836*	*4 248*	*4 365*	*5 104*	16.9
Robustas	*30 693*	*27 160*	*30 535*	*31 830*	4.2
Mexico & Central America	***16 936***	***18 295***	***17 685***	***16 409***	***-7.2***
Costa Rica	1 580	1 791	1 320	1 462	10.7
El Salvador	1 371	1 621	1 547	1 065	-31.1
Guatemala	3 950	4 100	3 785	3 500	-7.5
Honduras	3 461	3 842	3 450	3 527	2.2
Mexico	4 200	4 150	4 651	4 200	-9.7
Nicaragua	1 300	1 700	1 615	1 687	4.5
Others	1 074	1 091	1 318	968	-26.5
Arabicas	*16 801*	*18 170*	*17 553*	*16 280*	-7.3
Robustas	*135*	*125*	*132*	*129*	-2.3
South America	***62 288***	***54 435***	***60 307***	***53 113***	***-11.9***
Brazil	42 512	36 070	45 992	39 470	-14.2
Colombia	12 541	12 504	8 664	8 500	-1.9
Ecuador	1 167	1 110	691	813	17.8
Peru	4 319	3 063	3 872	3 315	-14.4
Others	1 750	1 689	1 088	1 014	-6.8
Arabicas	*52 479*	*43 180*	*49 389*	*42 056*	-14.8
Robustas	*9 810*	*11 256*	*10 917*	*11 057*	1.3
TOTAL	**129 138**	**119 396**	**128 089**	**120 045**	**-6.3**
Colombian Milds	13 876	13 674	9 995	9 703	-2.9
Other Milds	27 967	27 725	27 352	25 260	-7.7
Brazilian Naturals	38 830	31 617	41 256	35 408	-14.2
Robustas	48 466	46 380	49 485	49 674	0.4
Arabicas	80 673	73 016	78 604	70 372	-10.5
Robustas	48 466	46 380	49 485	49 674	0.4
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	
Colombian Milds	10.75	11.45	7.80	8.08	
Other Milds	21.66	23.22	21.35	21.04	
Brazilian Naturals	30.07	26.48	32.21	29.50	
Robustas	37.53	38.85	38.63	41.38	
Arabicas	62.47	61.15	61.37	58.62	
Robustas	37.53	38.85	38.63	41.38	

In thousand bags

For crop year 2010/11 my preliminary estimate of production remains unchanged at between 133 and 135 million bags. As this crop year is a high production year in the biennial cycle that characterizes Arabica production in Brazil, it is envisaged that the Brazilian crop will rise to around 47 million bags. Colombian production is also expected to recover following two consecutive years of low output. In the case of Vietnam, the high level of production originally anticipated for crop year 2010/11 may be affected by current climatic problems.

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

	2008/09	2009/10	% change
TOTAL	**74 866**	**69 754**	**-6.8**
Colombian Milds	8 285	6 330	-23.6
Other Milds	16 351	16 712	2.2
Brazilian Naturals	23 627	22 477	-4.9
Robustas	26 602	24 235	-8.9
Arabicas	48 263	45 519	-5.7
Robustas	26 602	24 235	-8.9
Angola	4	2	-51.0
Benin	0	0	
Bolivia	52	57	10.2
Brazil	24 205	22 285	-7.9
Burundi	327	85	-74.0
Cameroon	371	617	66.4
Central African Republic	20	19	-1.0
Colombia	7 133	5 458	-23.5
Congo, Dem. Rep. of	113	103	-8.4
Congo, Rep. of	0	0	
Costa Rica	1 156	995	-14.0
Côte d'Ivoire	1 003	1 406	40.2
Cuba	7	5	-20.5
Dominican Republic	84	30	-63.8
Ecuador	672	795	18.3
El Salvador	1 112	900	-19.1
Ethiopia	1 175	1 746	48.7
Gabon	0	1	
Ghana	13	11	-13.6
Guatemala	2 744	2 729	-0.6
Guinea	173	207	19.5
Haiti	14	2	-83.3
Honduras	2 513	2 811	11.9
India	2 302	3 391	47.3
Indonesia	4 200	4 773	13.7
Jamaica	19	11	-42.0
Kenya	436	446	2.2
Madagascar	53	67	27.5
Malawi	13	12	-6.0
Mexico	2 146	2 052	-4.4
Nicaragua	1 084	1 390	28.3
Nigeria	2	0	-100.0
Panama	55	36	-34.1
Papua New Guinea	617	660	7.1
Paraguay	1	0	-78.3
Peru	2 238	1 831	-18.2
Philippines	6	5	-9.8
Rwanda	257	169	-34.1
Tanzania	1 057	538	-49.1
Thailand	127	144	13.0
Togo	104	155	48.6
Uganda	2 332	2 018	-13.5
Venezuela	12	4	-66.6
Vietnam	14 575	11 513	-21.0
Zambia	25	27	5.6
Zimbabwe	16	13	-18.2
Other exporting countries 1/	300	232	-22.7

In thousand bags

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

Exports in June totalled 7.8 million bags bringing the total volume exported during the first nine months of coffee year 2009/10 to 69.8 million bags compared with 74.9 million bags for the same period in 2008/09, a fall of almost 6.8% (Table 4). With the exception of Other Milds, all coffee groups recorded a fall in their exports. Cumulative Arabica and Robusta exports during the first nine months of coffee year 2009/10 fell by 5.7% and 8.9% respectively.

Stocks of green coffee in importing countries at the end of 2009 are estimated at 22.6 million bags. Certified stocks of the New York (ICE) and London (NYSE Liffe) futures markets have fallen sharply, with levels down by 40.2% and 44.8% respectively between July 2009 and July 2010 (Table 5).

Table 5: New York and London certified stocks

End of	New York	London
Jul-05	5.16	3.65
Jul-06	3.82	1.79
Jul-07	4.87	1.48
Jul-08	5.17	2.79
Jul-09	4.00	6.44
Aug-09	3.90	6.50
Sep-09	3.82	6.53
Oct-09	3.73	6.43
Nov-09	3.61	6.10
Dec-09	3.50	5.88
Jan-10	3.33	5.62
Feb-10	3.15	5.13
Mar-10	2.99	4.84
Apr-10	2.73	4.50
May-10	2.64	3.90
Jun-10	2.55	3.48
Jul-10	2.39	3.56

In million 60-kg bags

Levels of **opening stocks in exporting countries** for crop year 2010/11 are likely to be relatively low and certainly well below the level of 20.9 million bags in crop year 2009/10.

World consumption is now estimated at 128.8 million bags in calendar year 2009 compared with 130.7 million bags in 2008, a fall of 1.5% (Table 6). This result reflects the impact of the world economic crisis, especially in emerging markets, such as Eastern Europe. In percentage terms, the steepest falls in consumption were recorded in Poland (-18.5%), Russia (-15.7%), Ukraine (-15.7%), Sweden (-11%), Republic of Korea (-6.8%), and Germany (-6.7%). It should be noted, however, that these figures do not take into account the use of stocks in the pipeline to supplement imports. Therefore, it is likely that the data overstate the reduction in consumption and that the true performance is somewhat better. Indeed, information received from various sources indicates that consumption is likely to recover in 2010.

Table 6: World consumption (Calendar years 2006 – 2009)

	2006	2007	2008	2009	Difference 2009-2008	% change 2009-2008
WORLD TOTAL	**123 610**	**128 395**	**130 657**	**128 755**	**-1 902**	**-1.5**
Producing Countries	***33 500***	***35 367***	***36 703***	***37 705***	***1 003***	***2.7***
Brazil	16 133	16 927	17 526	18 208	681	3.9
Indonesia	2 750	3 208	3 333	3 333	0	0.0
Mexico	1 794	2 050	2 200	2 200	0	0.0
Ethiopia	1 833	1 833	1 833	1 833	0	0.0
Venezuela	1 472	1 534	1 599	1 649	50	3.2
India	1 357	1 438	1 518	1 573	55	3.6
Colombia	1 400	1 400	1 400	1 400	0	0.0
Vietnam	829	938	1 021	1 208	187	18.3
Philippines	917	989	1 070	1 080	10	0.9
Others	5 015	5 052	5 202	5 221	19	0.4
Importing Countries	***90 110***	***93 028***	***93 955***	***91 050***	***-2 905***	***-3.1***
European Union	***41 063***	***40 659***	***39 783***	***38 621***	***-1 162***	***-2.9***
Germany	9 151	8 627	9 535	8 897	- 638	-6.7
Italy	5 593	5 821	5 892	5 835	- 57	-1.0
France	5 278	5 628	5 152	5 564	412	8.0
Spain	3 017	3 198	3 485	3 352	- 134	-3.8
United Kingdom	3 059	2 824	3 067	3 221	153	5.0
Sweden	1 315	1 244	1 272	1 133	- 140	-11.0
Finland	1 047	1 057	1 115	1 058	- 57	-5.1
Greece	857	1 015	978	974	- 4	-0.4
Poland	1 953	1 531	1 190	970	- 220	-18.5
Others	9 795	9 715	8 097	7 618	- 479	-5.9
USA	20 667	21 033	21 652	21 434	- 218	-1.0
Japan	7 268	7 282	7 065	6 814	- 251	-3.6
Other Importing Countries	***21 111***	***24 054***	***25 455***	***24 181***	***-1 274***	***-5.0***
Canada	3 066	3 245	3 210	3 292	82	2.5
Russian Federation	3 263	4 055	3 716	3 131	- 585	-15.7
Algeria	1 836	1 968	2 118	2 066	- 51	-2.4
Ukraine	968	1 057	1 733	1 460	- 272	-15.7
Korea, Republic of	1 437	1 425	1 665	1 551	- 114	-6.8
Australia	992	1 031	1 145	1 223	78	6.8
Others	9 549	11 273	11 869	11 458	- 411	-3.5

In thousand bags
* Provisional

In conclusion, it should be noted that coffee prices, particularly in the case of Arabicas, reached a 13-year high in July. Despite increased production in several countries this price increase indicates some uncertainty relating to short-term supply problems. As soon as supplies from crop year 2010/11 become available a correction to prices may occur.