



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

E

MONTHLY COFFEE MARKET REPORT

September 2012

The ICO composite indicator increased slightly in September, up 1.9% on the previous month. This performance was driven by Arabicas, with all three group indicators registering price increases, while Robustas fell by 1.5%. This led to a widening in the arbitrage between the New York and London futures markets of 9.6%. The average price of the ICO composite indicator for coffee year 2011/12 was 169.82 US cents/lb, which is 17.4% lower than the 205.65 US cents/lb recorded in 2010/11. Volatility for all coffee groups also increased in September.

In terms of production, coffee year 2011/12 has now ended, with a total volume estimated at 134.3 million bags, effectively unchanged on the previous year. This is because the downturn in production normally associated with the biennial cycle of Arabica production in Brazil has been entirely offset by increased production in other countries.

Exports in August 2012 totalled 9.2 million bags, compared to 7.8 million in August 2011. This brings total exports for the first eleven months of coffee year 2011/12 to 99.6 million bags, a 2.7% increase on 97 million for the same period in 2010/11, and a record level for this time of the year.

Finally, the International Coffee Council met in London from 24 to 28 September 2012, incorporating a Seminar on the impact of certification on the coffee supply chain from an economic, social and environmental perspective. The Seminar emphasised that there are costs incurred by farmers as well as benefits arising from certification, and that certification should be seen as a tool that can improve standards for farmers, rather than as a goal in itself. Presentations and other relevant information can be found on the ICO website at www.ico.org/seminar-certification.asp.

Graph 1: ICO composite indicator prices
Daily: 1 September 2011 – 3 October 2012



Price movements

The monthly average of the **ICO composite indicator** increased slightly in September 2012 to reach 151.28 US cents/lb, a 1.9% rise on August (Table 1). This growth was entirely attributable to Arabicas, with **Colombian Milds, Other Milds, and Brazilian Naturals** registering increases of 1.6%, 2.4% and 4%, respectively. However, all three Arabica groups are still significantly lower than they were in the same

month last year. The monthly average of **Robustas**, on the other hand, fell by 1.5% compared to August 2012, but is only 1% lower than September 2011. As a result, the differential between the New York and London futures markets increased by 9.6% (Table 2 and Graph 3). Furthermore, volatility of all indicators increased in September compared to the previous month.

Graph 2: Group indicator prices
Daily: 1 September 2011 – 3 October 2012

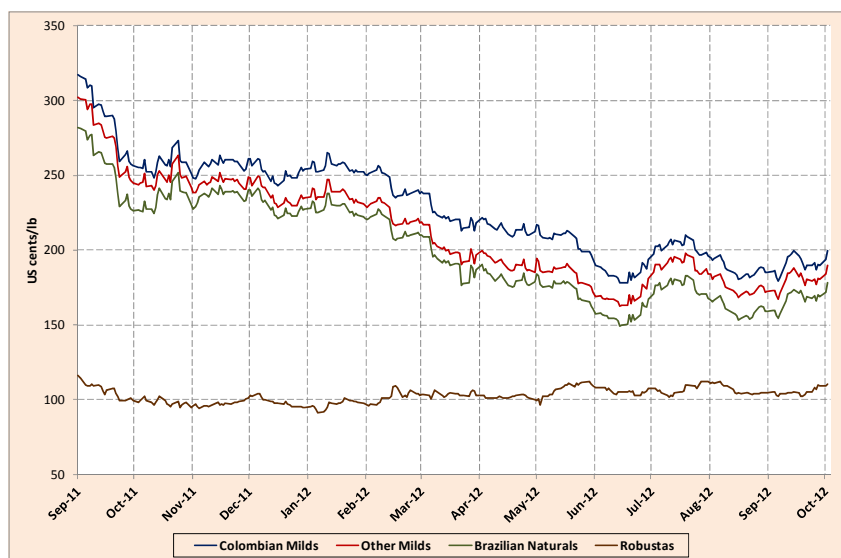


Table 1: ICO indicator prices and futures prices (US cents/lb) – September 2012

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
2011							
September	213.04	287.54	274.88	255.64	106.06	261.39	96.10
October	193.90	257.66	247.82	234.28	98.10	236.74	88.64
November	193.66	256.99	245.09	236.75	97.24	235.25	85.78
December	189.02	251.60	236.71	228.79	98.41	227.23	87.65
2012							
January	188.90	255.91	237.21	228.21	96.72	227.50	84.19
February	182.29	244.14	224.16	215.40	101.93	212.09	88.69
March	167.77	222.84	201.26	192.03	103.57	188.78	91.37
April	160.46	214.46	191.45	180.90	101.80	181.75	91.81
May	157.68	207.32	184.65	174.17	106.88	176.50	96.82
June	145.31	184.67	168.69	156.17	105.70	159.93	94.75
July	159.07	202.56	190.45	175.98	107.06	183.20	96.14
August	148.50	187.14	174.82	160.05	106.52	169.77	96.12
September	151.28	190.10	178.98	166.53	104.95	175.36	94.65
Annual averages							
2001	45.59	72.05	62.28	50.70	27.54	58.86	23.92
2002	47.74	64.90	61.52	45.23	30.01	57.02	25.88
2003	51.90	65.33	64.20	50.31	36.95	65.24	34.11
2004	62.15	81.44	80.47	68.97	35.99	79.53	32.85
2005	89.36	115.73	114.86	102.29	50.55	111.38	46.80
2006	95.75	116.80	114.40	103.92	67.55	112.30	59.77
2007	107.68	125.57	123.55	111.79	86.60	121.83	78.56
2008	124.25	144.32	139.78	126.59	105.28	136.46	97.17
2009	115.67	177.43	143.84	115.33	74.58	128.40	67.69
2010	147.24	225.46	195.96	153.68	78.74	165.20	71.98
2011	210.39	283.84	271.07	247.61	109.21	256.36	101.23
% change between Sep-12 and Aug-12							
	1.9	1.6	2.4	4.0	-1.5	3.3	-1.5
% change between Sep-12 and Sep-11							
	-29.0	-33.9	-34.9	-34.9	-1.0	-32.9	-1.5
% change between Sep-12 and 2011 average							
	-28.1	-33.0	-34.0	-32.7	-3.9	-31.6	-6.5
Volatility (%)							
Sep-11	7.7	8.0	8.2	9.0	8.2	9.2	9.0
Oct-11	10.6	10.4	10.9	11.4	10.0	12.4	11.2
Nov-11	4.7	5.7	6.0	6.1	4.9	7.5	4.9
Dec-11	6.1	6.6	6.8	6.7	4.7	8.0	5.5
Jan-12	6.5	6.4	7.3	7.1	6.6	7.7	8.1
Feb-12	4.4	5.4	5.4	5.9	10.4	6.4	6.5
Mar-12	8.4	7.8	9.0	12.6	7.3	10.4	6.8
Apr-12	5.1	5.5	6.0	7.2	3.2	7.2	3.4
May-12	6.0	5.7	6.1	6.4	8.7	6.8	5.9
Jun-12	7.9	8.7	9.7	9.8	5.9	10.9	5.7
Jul-12	6.9	7.2	8.6	8.6	6.8	9.8	6.6
Aug-12	4.8	5.4	5.7	6.3	4.0	6.0	4.0
Sep-12	7.7	8.6	9.8	9.2	5.7	10.8	6.1
Variation between Sep-12 and Aug-12							
	2.9	3.2	4.0	2.9	1.8	4.8	2.1

*Average price for the 2nd and 3rd positions

Table 2: Price differentials (US cents/lb)

	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*
Sep-11	12.66	31.90	181.48	26.14	19.24	168.82	149.58	165.29
Oct-11	9.83	23.37	159.55	20.91	13.54	149.72	136.18	148.10
Nov-11	11.91	20.25	159.75	21.74	8.34	147.85	139.50	149.47
Dec-11	14.89	22.81	153.19	24.37	7.92	138.30	130.38	139.58
Jan-12	18.71	27.71	159.20	28.42	9.00	140.49	131.49	143.30
Feb-12	19.98	28.74	142.21	32.06	8.76	122.22	113.47	123.39
Mar-12	21.58	30.80	119.26	34.06	9.22	97.69	88.46	97.41
Apr-12	23.01	33.55	112.66	32.71	10.55	89.65	79.10	89.94
May-12	22.67	33.15	100.45	30.83	10.48	77.78	67.30	79.68
Jun-12	15.98	28.49	78.97	24.73	12.51	62.99	50.48	65.18
Jul-12	12.11	26.58	95.50	19.36	14.46	83.38	68.92	87.06
Aug-12	12.31	27.09	80.62	17.37	14.77	68.30	53.53	73.65
Sep-12	11.13	23.57	85.15	14.75	12.45	74.03	61.58	80.70
Absolute change between Sep-12 and Aug-12								
	-1.19	-3.51	4.54	-2.62	-2.33	5.72	8.05	7.06
% change between Sep-12 and Aug-12								
	-9.6	-13.0	5.6	-15.1	-15.7	8.4	15.0	9.6

* Average for the 2nd and 3rd positions

Graph 3: Differential between prices of Arabica and Robusta indicators
August 2010 – September 2012

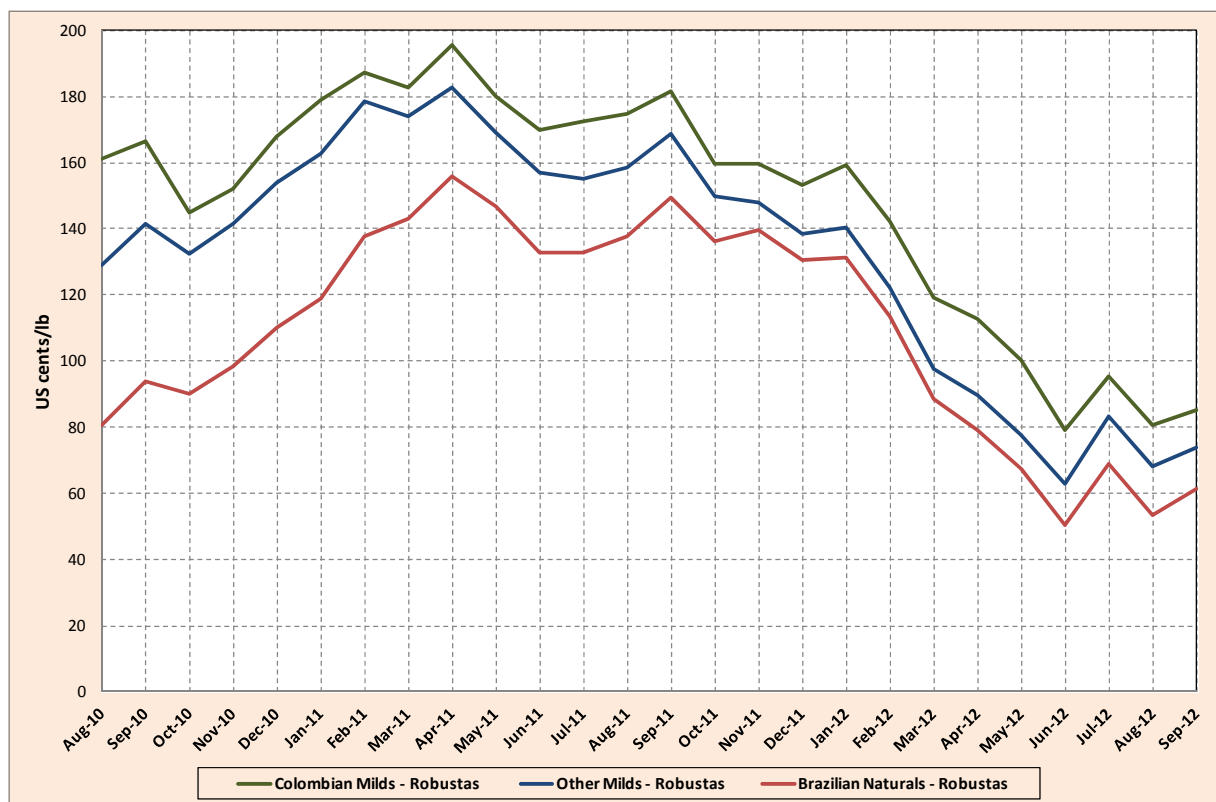


Table 3: Production in selected exporting countries

Crop year commencing	2008	2009	2010	2011	% change 2010-2011
TOTAL	128 357	122 707	134 270	134 273	0.0
Africa	16 042	15 882	16 173	15 626	-3.4
Cameroon	750	750	608	1 083	78.2
Côte d'Ivoire	2 397	1 795	982	1 600	62.9
Ethiopia	4 949	6 931	7 500	5 400	-28.0
Kenya	541	630	658	680	3.3
Tanzania	1 186	709	800	534	-33.2
Uganda	3 290	2 845	3 203	3 212	0.3
Others	2 929	2 223	2 421	3 116	28.7
Arabicas	7 913	9 157	10 139	7 991	-21.2
Robustas	8 129	6 725	6 034	7 634	26.5
Asia & Oceania	34 696	36 886	36 062	39 510	9.6
India	3 950	4 794	5 033	5 233	4.0
Indonesia	9 612	11 380	9 129	8 620	-5.6
Papua New Guinea	1 028	1 038	870	1 415	62.7
Thailand	376	470	579	693	19.8
Vietnam	18 438	17 825	19 467	22 500	15.6
Others	1 292	1 379	985	1 049	6.4
Arabicas	4 420	5 106	5 206	6 272	20.5
Robustas	30 277	31 780	30 857	33 238	7.7
Mexico & Central America	17 310	16 894	19 142	20 118	5.1
Costa Rica	1 320	1 450	1 588	1 799	13.3
El Salvador	1 450	1 065	1 860	1 260	-32.2
Guatemala	3 785	3 835	3 950	3 750	-5.1
Honduras	3 450	3 575	4 326	5 500	27.1
Mexico	4 651	4 200	4 850	4 750	-2.1
Nicaragua	1 445	1 871	1 669	1 750	4.8
Others	1 209	899	899	1 309	45.7
Arabicas	17 168	16 761	18 938	19 874	4.9
Robustas	142	134	204	245	20.1
South America	60 309	53 045	62 893	59 020	-6.2
Brazil	45 992	39 470	48 095	43 484	-9.6
Colombia	8 664	8 098	8 523	7 800	-8.5
Ecuador	691	813	854	1 075	25.9
Peru	3 872	3 286	4 069	5 492	35.0
Others	1 090	1 377	1 353	1 169	-13.6
Arabicas	49 391	41 988	50 931	47 186	-7.4
Robustas	10 918	11 056	11 962	11 834	-1.1
TOTAL	128 357	122 707	134 270	134 273	0.0
Colombian Milds	9 964	9 181	9 693	8 785	-9.4
Other Milds	27 074	26 640	29 895	32 114	7.4
Brazilian Naturals	41 853	37 190	45 626	40 424	-11.4
Robustas	49 466	49 696	49 056	52 951	7.9
Arabicas	78 890	73 011	85 214	81 323	-4.6
Robustas	49 466	49 696	49 056	52 951	7.9
TOTAL	100.0	100.0	100.0	100.0	
Colombian Milds	7.8	7.5	7.2	6.5	
Other Milds	21.1	21.7	22.3	23.9	
Brazilian Naturals	32.6	30.3	34.0	30.1	
Robustas	38.5	40.5	36.5	39.4	
Arabicas	61.5	59.5	63.5	60.6	
Robustas	38.5	40.5	36.5	39.4	

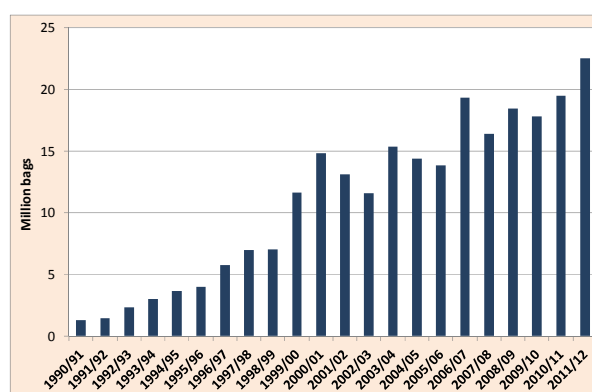
In thousand bags

Market fundamentals

Crop year 2011/12 has now ended in all countries, with aggregate production estimated at around 134.3 million bags (Table 3). This total is virtually unchanged on the previous year, despite 2011/12 being an off year in the Brazilian biennial cycle of Arabica production. The shortfall in production usually associated with this cycle has been entirely compensated by increased production in other countries, particularly Vietnam, Peru and Honduras.

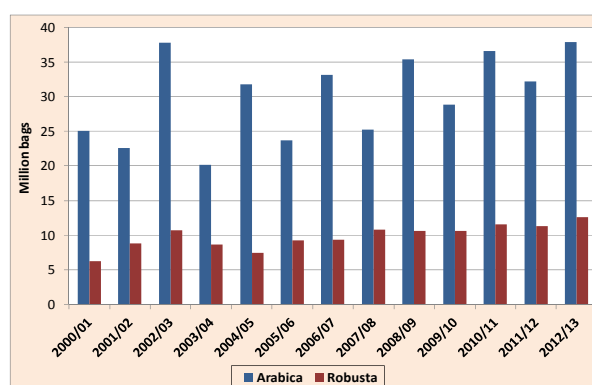
Production in Vietnam has been revised upwards again to a record 22.5 million bags, a 15.6% increase on the previous year. As shown in Graph 4, production in Vietnam has increased from just 1.3 million bags in 1990/91 to its current level, at an average annual rate of 14.5%.

Graph 4: Production in Vietnam (1990/91 – 2011/12)



Conab have released their second estimate for Brazilian production in 2012/13, of 50.48 million bags. This total comprises 37.9 million bags of Arabica and 12.5 million bags of Robusta (*Conillon*), representing yearly increases of 17.9% and 11% respectively (Graph 5).

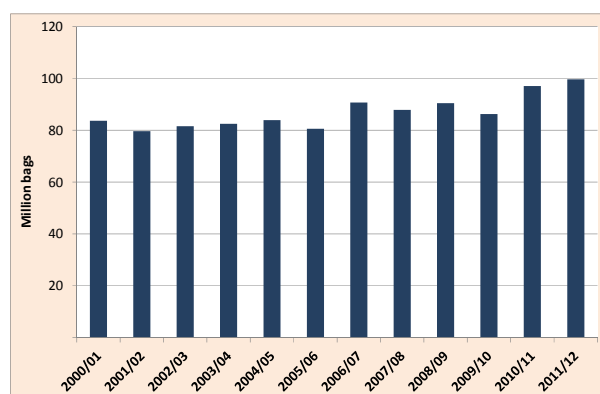
Graph 5: Arabica and Robusta production in Brazil (2000/01 – 2012/13)



Colombia seems to be continuing its recovery with a fifth consecutive month of higher year-on-year production in August 2012. However, production for the crop year as a whole is still 8.5% below the previous year, indicating that a return to production levels registered in the beginning of the millennium will take time. It is too early to provide any further estimates for production in 2012/13.

Total exports in August 2012 reached 9.2 million bags, compared to 7.8 million for the same month last year. This brings cumulative exports for the first eleven months of coffee year 2011/12 (October to August) to a record 99.6 million bags, 2.7% higher than the same period in 2010/11 (Table 4 and Graph 6).

Graph 6: Total exports of all forms of coffee (October to August 2000/01 - 2011/12)



These high levels of exports have been driven predominantly by shipments of Robusta, which currently stand at around 39 million bags (39.2% of the market). Arabica exports have fallen slightly, by 3% compared to the same period in 2010/11, although Other Milds did register an increase of 6.7%. A particularly strong performance has been observed in Vietnam (37.3% increase year on year), Honduras (37.8%), Indonesia (19.4%), Côte d'Ivoire (73.1%) and Mexico (22.5%). However, there has been a noticeable drop in shipments from Brazil since the start of their 2012/13 crop in April, with cumulative exports for the five months from April to August 18.6% lower than in 2011. Brazilian farmers are well capitalised and willing to hold on to their crop in search of higher prices.

Table 4: Total exports of all forms of coffee (October to August 2010/11 and 2011/12)

	2010/11	2011/12	% change
TOTAL	96 971	99 584	2.7
Colombian Milds	8 634	7 726	-10.5
Other Milds	23 519	25 090	6.7
Brazilian Naturals	30 341	27 777	-8.5
Robustas	34 477	38 991	13.1
Arabicas	62 494	60 594	-3.0
Robustas	34 477	38 991	13.1
Angola	8	9	19.7
Benin	0	0	
Bolivia	60	76	26.4
Brazil	31 436	26 502	-15.7
Burundi	296	191	-35.3
Cameroon	530	461	-13.0
Central African Republic	87	78	-11.0
Colombia	7 594	6 771	-10.8
Congo, Dem. Rep. of	126	142	12.0
Congo, Rep. of	0	0	
Costa Rica	1 182	1 338	13.2
Côte d'Ivoire	899	1 555	73.1
Cuba	7	16	139.7
Dominican Republic	85	97	14.6
Ecuador	1 257	1 466	16.6
El Salvador	1 843	1 010	-45.2
Ethiopia	2 827	2 551	-9.8
Gabon	1	0	
Ghana	106	96	-8.7
Guatemala	3 339	3 396	1.7
Guinea	320	363	13.1
Haiti	8	8	1.0
Honduras	3 826	5 271	37.8
India	5 498	5 216	-5.1
Indonesia	5 604	6 689	19.4
Jamaica	15	13	-14.4
Kenya	615	600	-2.4
Liberia	4	2	-59.4
Madagascar	106	103	-3.0
Malawi	22	19	-16.4
Mexico	2 521	3 087	22.5
Nicaragua	1 509	1 506	-0.2
Nigeria	2	5	157.1
Panama	55	40	-27.0
Papua New Guinea	914	1 057	15.6
Paraguay	0	1	
Peru	3 491	3 785	8.4
Philippines	10	4	-57.5
Rwanda	257	200	-22.3
Sierra Leone	22	39	76.2
Tanzania	750	543	-27.5
Thailand	323	288	-10.8
Timor-Leste	52	24	-54.1
Togo	153	135	-11.9
Uganda	2 810	2 551	-9.2
Venezuela	2	1	-64.8
Vietnam	16 000	21 975	37.3
Yemen	32	26	-19.6
Zambia	9	11	26.2
Zimbabwe	5	4	-21.9
Other exporting countries 1/	355	265	-25.4

In thousand bags

1/ Equatorial Guinea, Guyana, Laos, Nepal, Sri Lanka, and Trinidad and Tobago

Graph 7 shows **certified stocks** on the New York and London exchanges over the last five years. It is clear that in recent months, stocks in London have been falling rapidly, while those in New York have been steadily increasing. As of September 2012, stocks in New York reached 2.4 million bags, its highest level since June 2010, whereas London stood at 2.2 million bags, its lowest state since November 2007. After reaching a peak of 7 million bags in June 2011, certified stocks in London have fallen by 69.2%. Indeed, this is the first time New York stocks have exceeded London since March 2009. These contrasting developments reflect the respective states of the physical markets, suggesting a slackening in demand for Arabica and a tightening in Robusta.

Graph 7: Certified stocks in New York and London (October 2007 – September 2012)

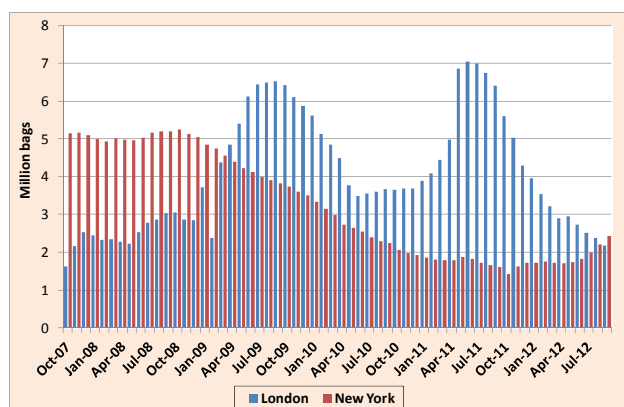


Table 5 shows **world consumption** in calendar years 2008 to 2011, which currently stands at around 139 million bags. The highest rates of growth have been found mostly in exporting countries, which have increased their share of the total from 25% in 2000 to 30.5% in 2011.

Table 5: World consumption (Calendar years 2008 – 2011)

	2008	2009	2010	2011	2008 - 2011	
					Difference	% change
World total	132 956	132 464	137 154	139 000	6 044	4.5
Exporting countries	37 943	39 798	41 040	42 412	4 469	11.8
Brazil	17 526	18 583	19 070	19 573	2 046	11.7
Ethiopia	2 933	3 089	3 253	3 383	451	15.4
Indonesia	3 333	3 333	3 333	3 333	0	0.0
Mexico	2 200	2 200	2 239	2 354	154	7.0
Philippines	1 390	1 770	1 973	2 150	760	54.7
India	1 518	1 605	1 713	1 763	244	16.1
Venezuela	1 599	1 649	1 650	1 650	51	3.2
Vietnam	959	1 068	1 302	1 583	624	65.1
Others	9 043	9 219	9 460	9 857	814	9.0
Importing countries	95 013	92 666	96 114	96 588	1 575	1.7
Traditional Markets	69 564	69 529	70 962	70 799	1 235	1.8
USA	21 652	21 436	21 783	22 044	391	1.8
Germany	9 535	8 897	9 292	9 460	-74	-0.8
Japan	7 065	7 130	7 192	7 015	-50	-0.7
France	5 152	5 677	5 713	5 962	810	15.7
Italy	5 892	5 806	5 781	5 689	-203	-3.4
Canada	3 210	3 273	3 586	3 574	364	11.3
Spain	3 485	3 352	3 232	3 149	-337	-9.7
United Kingdom	3 067	3 220	3 134	2 925	-142	-4.6
Others	10 506	10 738	11 248	10 980	474	4.5
Emerging Markets	25 449	23 137	25 151	25 789	341	1.3
Russia	3 716	3 131	3 661	3 695	-21	-0.6
Korea, Rep. of	1 665	1 551	1 666	1 801	136	8.2
Algeria	2 118	2 066	2 021	1 789	-328	-15.5
Australia	1 145	1 223	1 370	1 407	262	22.9
Ukraine	1 733	1 460	1 485	1 324	-409	-23.6
Others	15 074	13 706	14 947	15 774	700	4.6

In thousand bags

To conclude, prices of Arabica coffee recorded a slight improvement in September 2012, while those of Robusta fell by a similar amount. The monthly average of the ICO composite indicator remains in the 140-160 US cents/lb range which it has covered for the last five months. At the end of crop year 2011/12, total production is estimated at roughly the same level as the previous year.