International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

E

LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

April 2008

The downward adjustments to Arabica prices recorded in March were extended to all groups of coffee in April. The average of the ICO composite indicator price for April fell to 126.55 US cents per lb, compared to 136.17 US cents per lb in March. Despite this decrease, price levels are still firm and price volatility has become less intense. Average prices in the first four months of 2008 are higher than those recorded during previous months. However, the US dollar continues to weaken against other major currencies while prices of oil products are still rising, thus further increasing costs in the coffee supply chain of important items such as transportation and fertilizers. Some exporting countries have announced support measures for coffee producers to help them cope with constantly growing fertilizer costs and unfavourable exchange rate movements. New estimates of Brazilian production for crop year 2008/09, which has just commenced, establish the size of the crop at 45.5 million bags, comprising 34.7 million bags of Arabicas and 10.8 million bags of Robustas. On the basis of information received from Brazil and other data, I can revise my preliminary estimate of world production for 2008/09 to around 127 million bags.

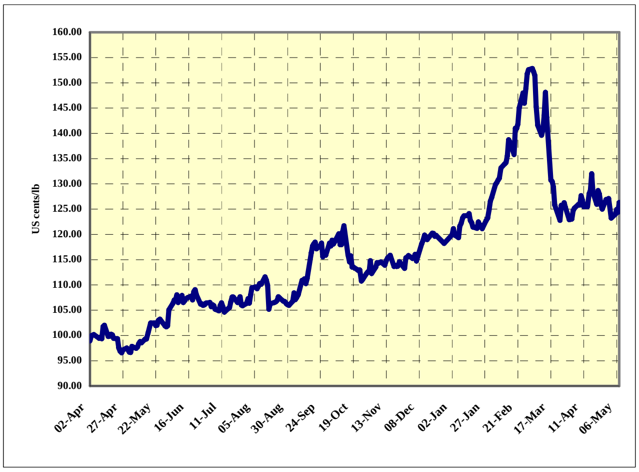
Exports during the month of March (8.7 million bags) were higher than those recorded in February (7.7 million bags). However, exports during the first six months of coffee year 2007/08 (October 2007 – March 2008) fell by 4.9% compared to the figure for the same period in coffee year 2006/07. During the first six months of coffee year 2007/08 exports from Brazil and Vietnam were considerably down compared to coffee year 2006/07. Imports by importing Members during calendar year 2007 totalled around 100 million bags, the highest level ever recorded in the history of the coffee trade. This rate of imports is an indication of the rapid growth in world consumption and an important factor for maintaining the firmness of prices.

In addition to the meetings of the International Coffee Council and other ICO bodies in the week of 19 to 23 May, the Organization is holding a Seminar on Geographical Indications for Coffee on 20 May 2008. The experiences of various countries will be presented and matters related to labelling, traceability and certification, as well as current legal questions, will also be discussed during the course of this Seminar.

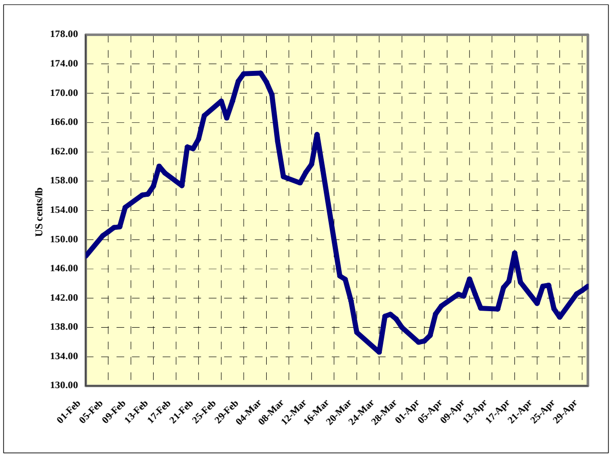
Price movements

The monthly average of the **ICO composite indicator price** was down from 136.17 US cents per lb in March to 126.55 US cents per lb in April, representing a fall of 7.06%. The average for February was 138.82 US cents per lb. Falls in prices were registered for all four groups of coffee (Table 1). Nevertheless, price levels during 2008 remain firm compared to those in previous years. Graph 1 shows changes in the ICO daily composite indicator price since 2 April 2007. Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 1 February 2008.

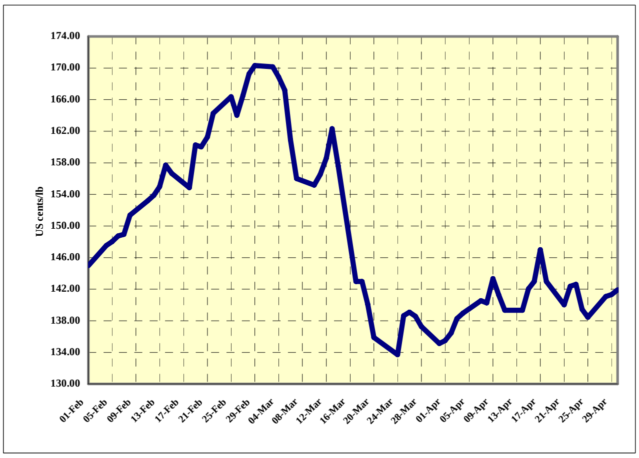
Graph 1: Daily composite indicator price 2 April 2007 – 9 May 2008



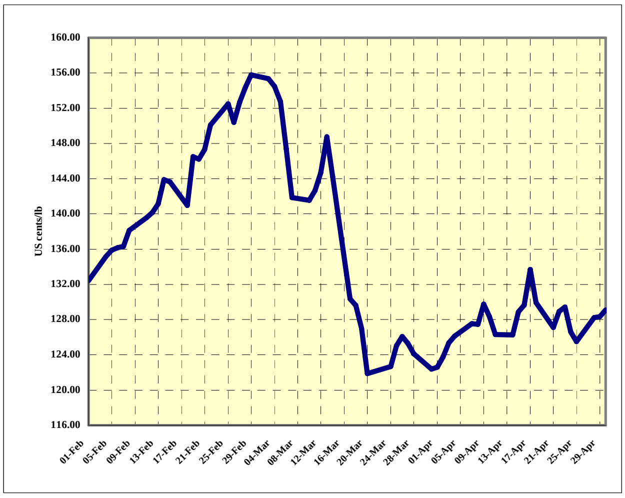
Graph 2: Daily indicator prices for Colombian Milds 1 February – 30 April 2008



Graph 3: Daily indicator prices for Other Milds 1 February – 30 April 2008



Graph 4: Daily indicator prices for Brazilian Naturals 1 February – 30 April 2008



Graph 5: Daily indicator prices for Robustas 1 February – 30 April 2008

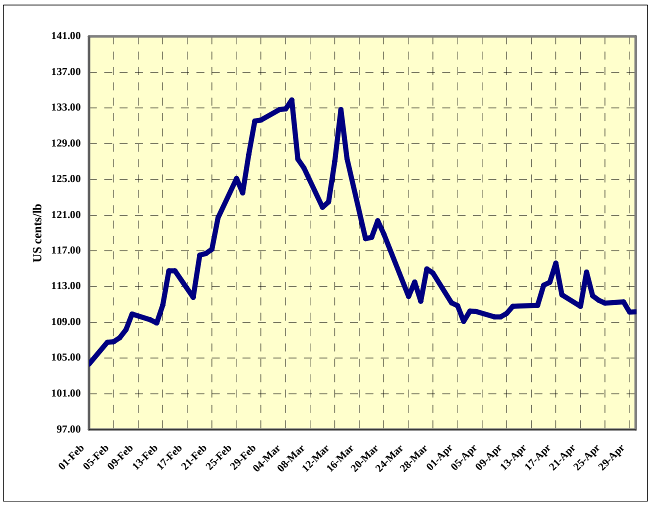


Table 1: ICO daily indicator prices and futures prices (US cents/lb) – April 2008

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Apr-08							
01-Apr	122.97	136.15	135.51	122.59	110.88	132.90	102.74
02-Apr	123.02	136.92	136.48	123.76	109.12	132.42	101.22
03-Apr	124.68	139.84	138.30	125.35	110.25	135.08	102.31
04-Apr	125.20	140.92	138.98	126.11	110.23	135.70	102.10
07-Apr	125.96	142.55	140.53	127.52	109.62	137.40	101.83
08-Apr	125.85	142.28	140.27	127.46	109.63	137.00	101.90
09-Apr	127.64	144.63	143.33	129.76	110.01	140.25	104.24
10-Apr	126.77	142.51	141.28	128.32	110.81	135.50	102.97
11-Apr	125.51	140.65	139.33	126.30	110.85	134.45	102.99
14-Apr	125.48	140.49	139.32	126.25	110.89	134.65	102.97
15-Apr	128.04	143.42	142.03	128.86	113.16	137.70	105.60
16-Apr	128.70	144.33	142.95	129.65	113.46	138.30	105.94
17-Apr	132.05	148.16	146.99	133.70	115.62	143.10	108.07
18-Apr	128.29	144.19	142.97	129.93	112.09	138.65	104.37
21-Apr	125.96	141.28	140.02	127.09	110.80	134.80	103.06
22-Apr	128.66	143.65	142.37	128.90	114.63	137.88	106.89
23-Apr	127.97	143.78	142.61	129.42	111.99	137.50	104.10
24-Apr	125.83	140.57	139.45	126.59	111.47	132.73	103.62
25-Apr	125.01	139.40	138.45	125.49	111.14	132.43	101.63
28-Apr	126.88	142.59	141.09	128.23	111.28	135.65	103.40
29-Apr	126.64	143.04	141.33	128.35	110.16	136.45	102.24
30-Apr	127.08	143.63	141.91	129.10	110.18	136.60	102.31
Apr-08	**126.55**	**142.04**	**140.70**	**127.67**	**111.29**	**136.23**	**103.48**
2007							
April	99.30	116.11	114.60	102.22	79.58	112.29	72.03
May	100.09	115.01	113.24	101.49	83.91	111.28	76.26
June	107.03	121.20	119.33	107.32	92.68	118.22	84.82
July	106.20	120.78	117.63	106.24	92.51	115.61	84.50
August	107.98	125.22	123.19	111.73	87.44	121.64	79.91
September	113.20	130.37	128.04	117.14	92.78	127.74	83.27
October	115.71	136.49	134.29	122.12	91.10	134.36	81.67
November	114.43	133.32	131.00	119.87	92.59	127.80	84.28
December	118.16	140.12	137.58	125.93	91.39	135.08	84.62
2008							
January	122.33	142.66	139.86	127.93	99.21	138.52	91.70
February	138.82	159.90	157.29	143.78	115.45	155.83	108.17
March	136.17	151.64	149.89	136.41	121.92	146.75	113.77
April	126.55	142.04	140.70	127.67	111.29	136.23	103.48
% change between Apr-08 and Mar-08							
	-7.06	-6.33	-6.13	-6.41	-8.72	-7.17	-9.05
% change between Apr-08 and Apr-07							
	27.45	22.34	22.78	24.90	39.84	21.32	43.66
% change between Apr-08 and 2007 average							
	17.53	13.12	13.88	14.20	28.50	11.82	31.72
volatility (%)							
Apr-07	0.98	1.01	1.08	1.19	1.14	1.18	1.27
May-07	0.73	0.74	0.77	0.85	0.95	1.25	0.86
Jun-07	0.90	0.79	0.81	0.79	1.64	1.17	1.28
Jul-07	0.76	0.91	0.84	0.85	1.10	1.44	1.40
Aug-07	1.17	1.22	1.26	1.18	1.32	1.89	1.14
Sep-07	1.48	1.59	1.63	1.59	1.70	1.98	1.28
Oct-07	1.46	1.50	1.61	1.61	1.52	2.03	1.13
Nov-07	0.91	1.15	1.12	1.21	0.92	1.29	1.00
Dec-07	0.87	0.76	0.86	0.79	1.40	1.04	1.15
Jan-08	0.86	0.99	1.01	1.02	0.96	1.41	0.98
Feb-08	1.34	1.15	1.15	1.26	1.86	1.51	1.88
Mar-08	2.66	2.68	2.74	2.81	3.23	3.02	3.37
Apr-08	**1.39**	**1.57**	**1.54**	**1.58**	**1.44**	**2.02**	**1.77**

*Averages of 2nd and 3rd positions

Table 2: Production in selected exporting countries

Crop year commencing	2004	2005	2006	2007	% change 2007&2006
TOTAL	**115 330**	**109 131**	**125 969**	**116 909**	**-7.19**
Africa	***14 349***	***12 921***	***14 868***	***14 772***	***-0.64***
Cameroon	727	849	827	795	-3.91
Côte d'Ivoire	2 301	1 962	2 847	1 500	-47.32
Ethiopia	4 568	4 003	4 636	5 733	23.67
Kenya	756	625	822	725	-11.81
Tanzania	763	721	750	833	11.10
Uganda	2 593	2 159	2 600	2 750	5.76
Others	2 640	2 602	2 385	2 436	2.14
Arabicas	*7 675*	*6 469*	*7 342*	*8 292*	12.95
Robustas	*6 674*	*6 452*	*7 526*	*6 480*	-13.90
Asia & Oceania	***28 733***	***29 077***	***32 311***	***32 075***	***-0.73***
India	4 592	4 396	5 079	4 850	-4.51
Indonesia	7 536	8 659	6 650	7 000	5.27
Papua New Guinea	998	1 268	807	1 043	29.21
Thailand	884	999	766	935	22.05
Vietnam	14 174	13 595	18 455	17 500	-5.17
Others	548	160	554	747	34.80
Arabicas	*3 542*	*3 661*	*3 246*	*3 527*	8.66
Robustas	*25 191*	*25 416*	*29 065*	*28 548*	-1.78
Mexico & Central America	***15 814***	***17 379***	***17 098***	***18 741***	***9.61***
Costa Rica	1 887	1 778	1 580	1 882	19.11
El Salvador	1 437	1 502	1 372	1 476	7.61
Guatemala	3 703	3 676	3 950	4 000	1.26
Honduras	2 575	3 204	3 461	3 833	10.75
Mexico	3 867	4 225	4 200	4 500	7.13
Nicaragua	1 130	1 718	1 300	1 750	34.63
Others	1 214	1 277	1 234	1 300	5.36
Arabicas	*15 799*	*17 243*	*16 963*	*18 596*	9.63
Robustas	*15*	*136*	*135*	*145*	7.68
South America	***56 434***	***49 754***	***61 693***	***51 320***	***-16.81***
Brazil	39 272	32 944	42 512	33 740	-20.63
Colombia	12 033	12 329	12 789	12 400	-3.04
Ecuador	938	1 120	1 167	950	-18.56
Others	4 191	3 361	5 225	4 230	-19.05
Arabicas	*48 691*	*40 092*	*51 885*	*40 828*	-21.31
Robustas	*7 743*	*9 661*	*9 808*	*10 493*	6.98
TOTAL	**115 330**	**109 131**	**125 969**	**116 909**	**-7.19**
Colombian Milds	13 345	13 401	14 076	13 658	-2.97
Other Milds	25 113	25 468	27 099	27 933	3.08
Brazilian Naturals	37 249	28 597	38 262	29 652	-22.50
Robustas	39 622	41 666	46 533	45 665	-1.86
Arabicas	75 708	67 466	79 436	71 243	-10.31
Robustas	39 622	41 666	46 533	45 665	-1.86
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	
Colombian Milds	11.57	12.28	11.17	11.68	
Other Milds	21.77	23.34	21.51	23.89	
Brazilian Naturals	32.30	26.20	30.37	25.36	
Robustas	34.36	38.18	36.94	39.06	
Arabicas	65.64	61.82	63.06	60.94	
Robustas	34.36	38.18	36.94	39.06	

In thousand bags

Market fundamentals

In Brazil, crop year 2008/09, which has just commenced, falls within the on-year of Arabica production in accordance with the biennial cycle. The second estimate released by CONAB, the government agency responsible for agricultural estimates in Brazil, indicates a total production of 45.5 million bags, comprising 34.7 million bags of Arabicas and 10.8 million bags of Robustas. According to these estimates, Brazilian production in crop year 2008/09 will be 35% higher than that for 2007/08, which fell within the low production season for Arabicas. Arabica production has increased by 48% compared to only 6% for Robustas.

On the basis of these figures from Brazil, **world production** in crop year 2008/09 will be around 127 million bags. It should be noted that in view of the weakness of the US dollar and the continued increase in prices of oil products some exporting countries have introduced compensatory mechanisms designed to support coffee producers. More specifically, the Brazilian authorities have decided to renew the '*Pepro*' programme designed to provide support prices for producers through auction sales covering a maximum volume of 4 million 60 kg bags in the form of option sales contracts. Colombia has also announced an in-kind support programme that will provide growers with fertilizers equivalent to 24% of their annual fertilizer costs.

CONAB has also confirmed figures for crop year 2007/08, giving total production as 33.7 million bags, comprising 23.5 million for Arabicas and 10.2 million for Robustas. With total production in Vietnam at around 17.5 million bags, production for crop year 2007/08 should total about 117 million bags, comprising 71.2 million bags for Arabicas and 45.7 million bags for Robustas (Table 2).

Table 3: Total exports of all forms of coffee March 2007 and 2008

	2007	2008	% change
TOTAL	**9.23**	**8.72**	**-5.46**
Colombian Milds	1.01	1.06	4.98
Other Milds	2.11	2.25	6.38
Brazilian Naturals	2.59	2.31	-10.81
Robustas	3.52	3.11	-11.62
Arabicas	5.71	5.61	-1.66
Robustas	3.52	3.11	-11.62

In million bags

Exports during March 2008 totalled 8.7 million bags, representing a fall of 5.5% compared to the figure for March 2007 (Table 3). Exports for the first six months of coffee year 2007/08 totalled 46.4 million bags compared to 48.8 million bags for the same period in coffee year 2006/07, a fall of 4.9% (Table 4).

Table 4: Exports
October – March 2006/07 and 2007/08

	2006/07	2007/08	% change
TOTAL	**48.82**	**46.41**	**-4.92**
Colombian Milds	6.35	6.98	9.90
Other Milds	9.60	9.79	1.96
Brazilian Naturals	15.46	13.95	-9.72
Robustas	17.41	15.69	-9.87
Arabicas	31.41	30.72	-2.18
Robustas	17.41	15.69	-9.87

In million bags

Imports by importing Members in calendar year 2007 reached a record level at around 100 million bags. Graph 6 shows changes in annual imports since 1980.

Graph 6: Imports by importing Members
Calendar years 1980 to 2007

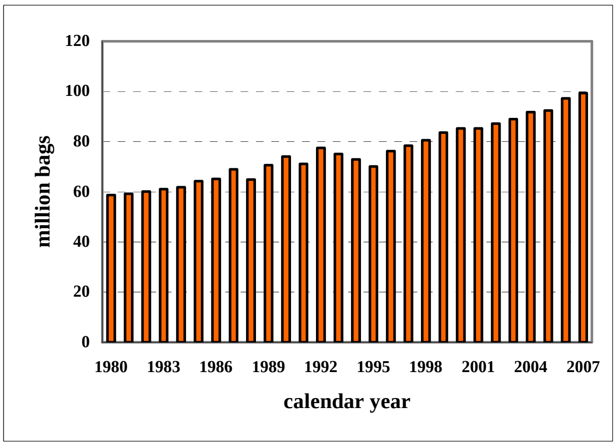


Table 5 shows **world consumption** from 2003 to 2007. Over the last few years, consumption has increased by about 2% a year. On this basis it is anticipated that world consumption could reach 125 million bags in 2008 and at least 127 million bags in 2009. Graph 7 shows the development of world consumption since 2000.

Graph 7: World consumption
Calendar years 2000 to 2007

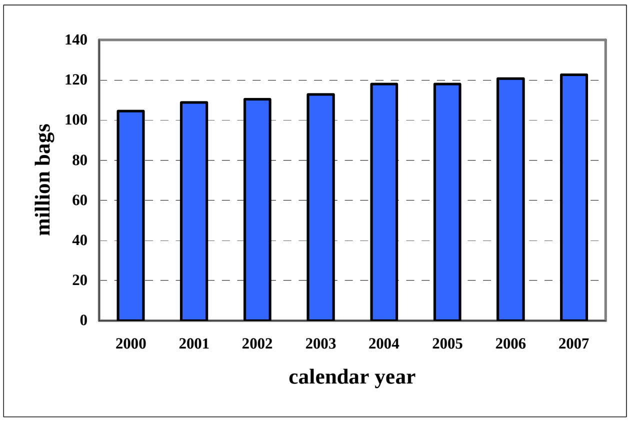


Table 5: World consumption
Calendar years 2003 – 2007

	2003	2004	2005	2006	2007*
WORLD TOTAL	**112 536**	**117 826**	**117 819**	**120 516**	**122 342**
Producing Countries	***28 189***	***29 238***	***30 164***	***31 309***	***32 874***
Brazil	14 088	14 763	15 363	16 100	17 125
Mexico	1 500	1 500	1 556	1 794	2 050
Indonesia	1 958	2 000	2 000	2 000	2 000
Ethiopia	1 833	1 833	1 833	1 833	1 833
Colombia	1 400	1 400	1 400	1 400	1 400
India	1 142	1 188	1 272	1 337	1 360
Philippines	873	917	917	917	989
Venezuela	693	700	703	723	760
Others	4 703	4 938	5 121	5 205	5 357
Importing Countries	***84 348***	***88 588***	***87 655***	***89 208***	***89 468***
European Community	***39 765***	***41 073***	***39 276***	***40 919***	***40 687***
Germany	9 499	10 445	8 665	9 151	8 624
Italy	5 507	5 469	5 552	5 593	5 799
France	5 394	4 929	4 787	5 278	5 585
Spain	2 740	2 705	3 007	3 017	3 248
United Kingdom	2 236	2 458	2 680	3 059	2 824
Netherlands	1 743	1 978	1 927	2 129	2 360
Poland	2 242	2 281	2 267	1 953	1 531
Sweden	1 178	1 234	1 170	1 315	1 244
Belgium	1 575	1 281	1 158	1 537	1 100
Finland	966	1 034	1 102	1 047	1 057
Greece	929	871	870	857	1 015
Others	6 685	7 258	6 961	6 841	7 315
USA	20 193	20 973	20 998	20 667	21 046
Japan	6 770	7 117	7 128	7 268	7 282
Other Importing Countries	***17 621***	***19 425***	***20 253***	***20 353***	***20 452***
Russian Federation	3 409	2 877	3 040	3 177	
Canada	2 146	2 747	2 794	3 098	3 535
Algeria	1 752	2 159	1 892	1 836	
Korea, Republic of	1 305	1 401	1 394	1 463	
Australia	873	864	1 039	992	
Ukraine	637	724	977	752	
Others	7 498	8 652	9 116	9 035	16 918

* Preliminary
In thousand bags

Tables 6 and 7 show per capita consumption in selected exporting and importing countries.

Table 6: Per capita consumption in selected exporting countries Calendar years 2003 – 2007

	2003	2004	2005	2006	2007
Brazil	4.65	4.81	4.93	5.10	5.43
Costa Rica	3.40	4.17	5.04	4.77	4.47
Honduras	1.83	1.86	2.02	1.98	2.47
Dominican Republic	2.22	2.31	2.39	2.36	2.36
Haiti	2.27	2.23	2.19	2.16	2.16
Nicaragua	2.10	2.12	2.09	2.06	2.06
El Salvador	1.42	1.44	1.62	1.85	1.97
Colombia	1.92	1.90	1.87	1.84	1.84
Venezuela	1.61	1.60	1.58	1.59	1.68
Madagascar	1.03	1.43	1.50	1.46	1.46
Guatemala	1.49	1.45	1.42	1.38	1.38
Ethiopia	1.47	1.43	1.39	1.36	1.36
Panama	1.29	1.26	1.24	1.22	1.22
Cuba	1.20	1.20	1.20	1.20	1.20
Mexico	0.88	0.87	0.90	1.02	1.17
Côte d'Ivoire	1.06	1.04	1.02	1.00	1.01
Philippines	0.65	0.66	0.65	0.64	0.69
Ecuador	0.70	0.70	0.69	0.68	0.68
Indonesia	0.53	0.54	0.53	0.52	0.52

In kilogrammes

Table 7: Per capita consumption in selected importing countries Calendar years 2003 – 2007

	2003	2004	2005	2006	2007
Algeria	3.30	4.00	3.46	3.30	
Australia	2.64	2.58	3.07	2.90	
Canada	4.07	5.16	5.20	5.71	6.51
European Community	**4.90**	**5.04**	**4.81**	**4.99**	**4.96**
Austria	5.26	7.24	5.59	4.41	6.10
Belgium	9.16	7.42	6.68	8.84	6.33
Bulgaria	3.04	2.81	3.33	3.28	2.84
Cyprus	3.89	4.32	4.97	3.92	4.88
Czech Republic	3.66	3.56	3.87	3.58	4.03
Denmark	8.06	9.43	8.80	9.09	8.76
Estonia	5.08	5.71	6.48	7.48	4.53
Finland	11.10	11.87	12.60	11.92	12.03
France	5.37	4.88	4.71	5.16	5.46
Germany	6.90	7.58	6.29	6.64	6.26
Greece	5.04	4.72	4.70	4.62	5.47
Hungary	3.82	4.20	3.39	3.57	3.08
Ireland	2.27	3.31	3.23	2.88	3.55
Italy	5.74	5.64	5.68	5.70	5.91
Latvia	4.08	4.03	3.76	4.74	4.19
Lithuania	3.01	3.44	3.40	3.78	4.07
Luxembourg	12.07	15.67	11.66	13.49	17.72
Malta	1.58	2.33	2.44	4.32	2.39
Netherlands	6.46	7.30	7.08	7.80	8.64
Poland	3.51	3.58	3.56	3.07	2.41
Portugal	3.78	3.90	3.74	3.85	4.30
Romania	2.08	2.26	2.38	2.33	2.30
Slovakia	3.54	3.15	3.26	3.13	3.97
Slovenia	5.02	5.55	5.44	5.27	5.85
Spain	3.91	3.79	4.16	4.12	4.44
Sweden	7.89	8.22	7.76	8.69	8.22
United Kingdom	2.25	2.46	2.67	3.03	2.80
Japan	3.18	3.34	3.34	3.41	3.41
Korea, Republic of	1.65	1.76	1.75	1.83	
Norway	8.95	9.23	9.61	9.27	9.91
Russian Federation	1.41	1.19	1.27	1.33	
Switzerland	6.95	5.86	8.89	7.51	7.90
Ukraine	0.80	0.92	1.25	0.97	
USA	4.12	4.24	4.20	4.09	4.17

In kilogrammes

In conclusion, it should be noted that, despite an increase in supply, coffee prices remain relatively firm mainly on account of growing demand. Imports reached a record level in 2007. Demand is thus the main factor influencing market developments at present.