

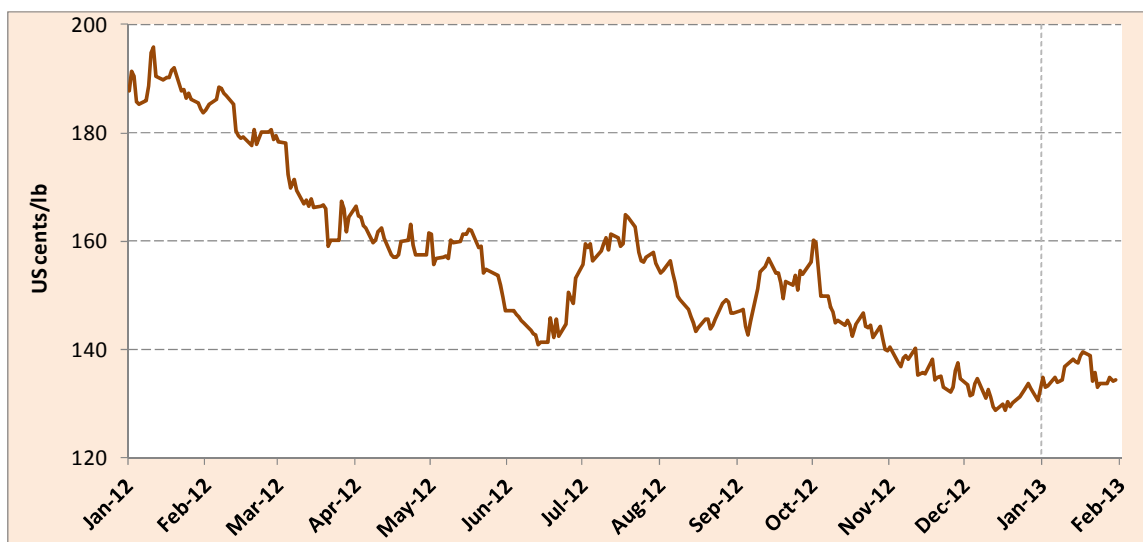


MONTHLY COFFEE MARKET REPORT

January 2013

Coffee prices recovered slightly in January, supported by growing concerns about the outbreak of coffee leaf rust across Central America. All major coffee-producing countries in the region have now reported some extent of damage to the 2012/13 crop, though these reports have been tempered by the prospect of a record off-year crop in Brazil in 2013/14, which CONAB, the Brazilian Government Agency responsible for crop forecasts, have initially pegged at 47 to 50.2 million bags, exerting a bearish influence on the market. Finally, total exports in calendar year 2012 reached a record 113.1 million bags, 8.2% higher than 2011, and predominantly fuelled by a high volume of Robusta shipments.

Graph 1: ICO composite indicator daily prices



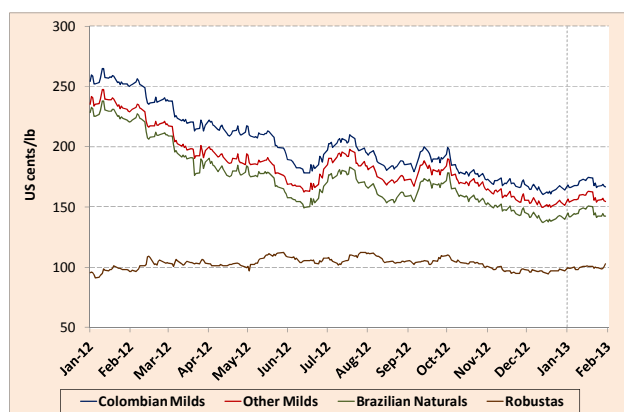
Price movements

The **ICO composite indicator daily price** rallied briefly at the beginning of January from a low of 132.89 US cents/lb to a high of 139.44 cents, before falling back sharply to its original level by the end of the month. The monthly average therefore settled on 135.38 US cents/lb, a 3.1% increase on December, but still well below the levels seen earlier in 2012 (Graph 1 and Table 1).

These developments were driven by the three Arabica groups, with **Colombian Milds**, **Other Milds**, and **Brazilian Naturals** all recording increases of 2.9%, 3% and 3.2% respectively, despite finishing the month lower than they started. **Robustas** also increased over the course of the month, with the group indicator briefly touching above 100 US cents/lb for the first time since November

2012, before settling on a monthly average of 99.69 cents, 3.2% higher than its level in December 2012 (Graph 2).

Graph 2: ICO group indicator daily prices



In terms of price differentials, the New York-London arbitrage widened slightly by 2.8% to 65.44 US cents/lb, but is still less than half its level of January 2012 (Graph 3). The three Arabica group indicators also increased their differential over the Robustas indicator (Table 2).

Graph 3: Differential between New York and London futures prices

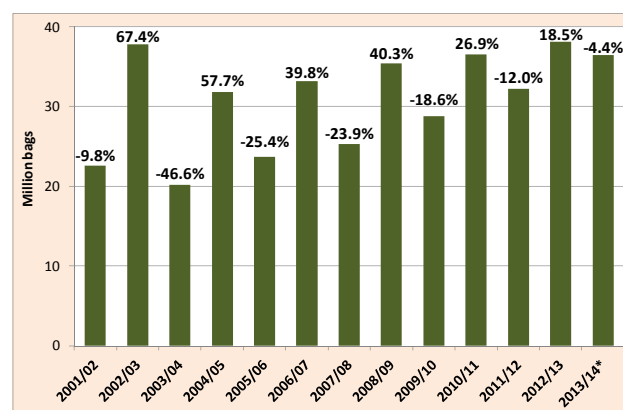


Market fundamentals

Total production for crop year 2012/13 is currently estimated at 144.5 million bags, a 7.3% increase on 2011/12. After a few weeks of below-average rainfall, January saw some plentiful showers in Brazil's coffee-growing regions, boding well for the

2013/14 harvest. In their preliminary crop forecast, CONAB estimated this harvest at between 47 and 50.2 million bags, which would likely be a record crop for an off-year in the Brazilian biennial cycle. This would comprise between 35 and 37.5 million bags of Arabica, compared to 38.3 million in 2012/13, and 12 to 12.7 million bags of Conillon, compared to 12.5 million in the previous crop year. As indicated in Graph 4, the traditionally biennial cycle of production exhibited by Arabicas in Brazil seems to be converging.

Graph 4: Arabica production by Brazil and year-on-year percentage changes



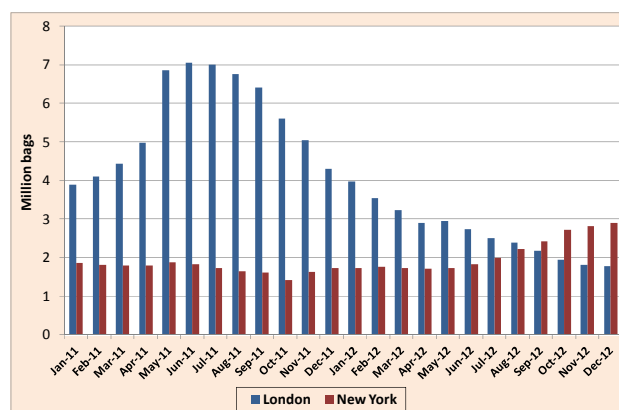
* Average of minimum and maximum estimates

In Central America, outbreaks of coffee leaf rust have now been reported in all major coffee-producing countries. Authorities in Costa Rica have declared a state of emergency in order to tackle the spread of the fungus. In Guatemala and El Salvador, there are reports that rust could have affected 40-50% of all coffee plants, with both countries enacting programmes to provide fungicide to coffee farmers. Nicaragua has also recently launched a campaign to train experts and growers against the spread, while Honduras has declared a phytosanitary emergency. Coffee leaf rust has also been reported in certain parts of Mexico. This outbreak could have serious long-term implications for the production of Washed Arabicas in Central America, with the region potentially losing around 2.5 to 3 million bags of coffee. However, it is too early to provide an exact breakdown.

In December 2012, **total exports** by all exporting countries were 9.4 million bags, bringing the total volume for the first three months of coffee year 2012/13 to 28.3 million bags (Table 3). This represents a 15% increase on the same period last year. Furthermore, total exports for calendar year 2012 reached a record 113.1 million bags, the highest level ever recorded, and 8.2% higher than 2011. 2012 was characterized by particularly strong shipments of Robustas, which increased by 24.2% compared to 2011. As shown in Graph 6, Robustas increased their percentage share in 2012 to 41.2%, compared to 35.9% in 2011. Most of this increase has come from Vietnam, which exported an estimated 25.5 million bags in 2012, a 44.1% increase on 2011, and Indonesia, which saw an increase of 80% with 6.2 million bags. Brazil, Colombia and Peru on the other hand all registered lower exports year-on-year, falling by 15.6% to 28.3 million bags, 7.3% to 7.1 million bags, and 8.2% to 4.3 million bags respectively.

December 2011. On the New York futures market, on the other hand, certified stocks have been increasing, from 1.7 million bags in December 2011 to 2.9 million in December 2012 (Graph 5). This trend gives an indication of the market’s appetite for Robustas.

Graph 5: Certified stocks on the London and New York futures markets



Despite these significant exports of Robusta coffee over the last 12 months, **certified stocks** on the London futures market have been falling over time. As of December 2012, stocks on the London market stood at 1.8 million bags, compared to 4.3 million in

The strong export levels seen over the last couple of years have also led to a reduction in **opening stocks** in exporting countries. At the beginning of crop year 2012/13, total opening stocks were 15.3 million bags, compared to 18.2 million the previous year.

Graph 6: Total exports by all exporting countries by type of coffee

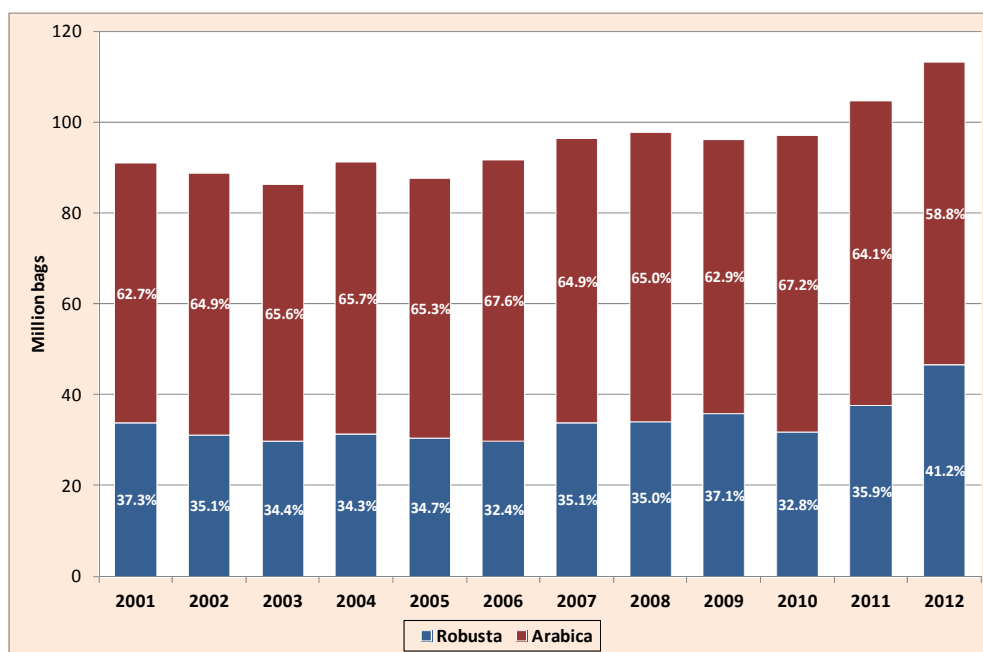


Table 1: ICO indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
Jan-12	188.90	255.91	237.21	228.21	96.72	227.50	84.19
Feb-12	182.29	244.14	224.16	215.40	101.93	212.09	88.69
Mar-12	167.77	222.84	201.26	192.03	103.57	188.78	91.37
Apr-12	160.46	214.46	191.45	180.90	101.80	181.75	91.81
May-12	157.68	207.32	184.65	174.17	106.88	176.50	96.82
Jun-12	145.31	184.67	168.69	156.17	105.70	159.93	94.75
Jul-12	159.07	202.56	190.45	175.98	107.06	183.20	96.14
Aug-12	148.50	187.14	174.82	160.05	106.52	169.77	96.12
Sep-12	151.28	190.10	178.98	166.53	104.95	175.36	94.65
Oct-12	147.12	181.39	173.32	161.20	104.47	170.43	94.66
Nov-12	136.35	170.08	159.91	148.25	97.67	155.72	87.32
Dec-12	131.31	164.40	152.74	140.69	96.59	149.58	85.94
Jan-13	135.38	169.19	157.29	145.17	99.69	154.28	88.85
% change between Jan-13 and Dec-12							
	3.1	2.9	3.0	3.2	3.2	3.1	3.4
Annual averages							
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
2012	149.11	190.38	175.78	163.74	103.17	169.57	92.58
% change between Jan-13 and 2012 average							
	-9.2	-11.1	-10.5	-11.3	-3.4	-9.0	-4.0
Volatility (%)							
Dec-12	5.4	6.1	6.9	6.7	4.6	8.3	4.0
Jan-13	5.6	5.5	6.6	7.2	4.2	7.7	4.7
Variation between Jan-13 and Dec-12							
	0.2	-0.6	-0.3	0.5	-0.4	-0.6	0.7

* Average price for 2nd and 3rd positions

Table 2: Price differentials (US cents/lb)

	Colombian Milds	Colombian Milds	Colombian Milds	Other Milds	Other Milds	Brazilian Naturals	New York*
	Other Milds	Brazilian Naturals	Robustas	Brazilian Naturals	Robustas	Robustas	London*
Jan-12	18.71	27.71	159.20	9.00	140.49	131.49	143.30
Feb-12	19.98	28.74	142.21	8.76	122.22	113.47	123.39
Mar-12	21.58	30.80	119.26	9.22	97.69	88.46	97.41
Apr-12	23.01	33.55	112.66	10.55	89.65	79.10	89.94
May-12	22.67	33.15	100.45	10.48	77.78	67.30	79.68
Jun-12	15.98	28.49	78.97	12.51	62.99	50.48	65.18
Jul-12	12.11	26.58	95.50	14.46	83.38	68.92	87.06
Aug-12	12.31	27.09	80.62	14.77	68.30	53.53	73.65
Sep-12	11.13	23.57	85.15	12.45	74.03	61.58	80.70
Oct-12	8.07	20.19	76.92	12.12	68.85	56.73	75.78
Nov-12	10.17	21.83	72.41	11.66	62.23	50.58	68.40
Dec-12	11.66	23.70	67.81	12.05	56.15	44.10	63.64
Jan-13	11.90	24.02	69.50	12.12	57.60	45.48	65.44
% change between Jan-13 and Dec-12							
	2.0	1.3	2.5	0.6	2.6	3.1	2.8

* Average price for 2nd and 3rd positions

Table 3: Total exports of all forms of coffee by exporting countries

	December	December	% change	Calendar years		
	2011	2012		2011	2012	% change
TOTAL	9 141	9 420	3.1	104 577	113 144	8.2
Colombian Milds	938	882	-5.9	8 773	8 280	-5.6
Other Milds	2 169	1 657	-23.6	26 052	27 421	5.3
Brazilian Naturals	2 941	3 130	6.4	32 218	30 827	-4.3
Robustas	3 093	3 751	21.3	37 534	46 616	24.2
Arabicas	6 048	5 670	-6.3	67 043	66 528	-0.8
Robustas	3 093	3 751	21.3	37 534	46 616	24.2
Angola	0	1		8	8	10.6
Benin	0	0		0	0	
Bolivia	14	8	-43.0	74	63	-15.7
Brazil	3 009	2 896	-3.8	33 507	28 266	-15.6
Burundi	24	50	110.2	218	404	85.3
Cameroon	4	12	202.6	477	515	8.1
Central African Republic	0	2		78	80	2.2
Colombia	857	787	-8.2	7 733	7 169	-7.3
Congo, Dem. Rep. of	10	10	0.8	131	153	17.0
Congo, Rep. of	0	0		0	0	
Costa Rica	78	85	8.9	1 243	1 359	9.3
Côte d'Ivoire	52	120	130.5	772	1 784	131.0
Cuba	3	2	-43.0	10	15	57.0
Dominican Republic	5	19	279.6	89	137	54.2
Ecuador	162	153	-5.6	1 532	1 580	3.1
El Salvador	82	75	-8.1	1 826	1 044	-42.8
Ethiopia	94	257	172.8	2 675	3 203	19.7
Gabon	0	0		1	0	
Ghana	8	9	14.4	147	111	-24.4
Guatemala	178	140	-21.3	3 697	3 750	1.4
Guinea	29	30	3.1	385	357	-7.2
Haiti	0	1		9	9	8.3
Honduras	364	343	-5.7	3 947	5 508	39.5
India	339	232	-31.5	5 840	5 288	-9.4
Indonesia	469	910	93.8	6 159	10 628	72.6
Jamaica	1	0		16	15	-7.1
Kenya	31	48	55.8	617	688	11.4
Liberia	0	0		3	2	-52.4
Madagascar	12	10	-18.4	143	102	-28.9
Malawi	3	1	-62.0	26	17	-33.7
Mexico	163	201	23.5	2 895	3 540	22.3
Nicaragua	55	61	9.3	1 468	1 985	35.2
Nigeria	1	0		7	0	
Panama	1	2	67.3	53	50	-5.0
Papua New Guinea	136	44	-67.8	1 225	925	-24.5
Paraguay	0	0		0	1	
Peru	702	293	-58.2	4 697	4 310	-8.2
Philippines	1	0		10	3	-70.1
Rwanda	35	38	8.5	275	231	-16.1
Sierra Leone	7	2	-72.6	37	43	14.6
Tanzania	83	87	4.9	798	755	-5.4
Thailand	11	20	80.2	243	345	41.9
Timor-Leste	2	2	22.8	39	24	-37.1
Togo	1	5		155	157	1.4
Uganda	242	241	-0.7	3 142	2 685	-14.5
Venezuela	0	0		0	2	
Vietnam	1 850	2 200	18.9	17 675	25 475	44.1
Yemen	5	3	-35.5	58	31	-46.8
Zambia	2	1	-50.0	9	8	-6.7
Zimbabwe	1	0		5	4	-9.8
Other exporting countries 1/	16	20	27.4	424	315	-25.8

In thousand bags

1/ Equatorial Guinea, Guyana, Lao (PDR), Nepal, Sri Lanka, and Trinidad and Tobago