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

E

MONTHLY COFFEE MARKET REPORT

February 2013

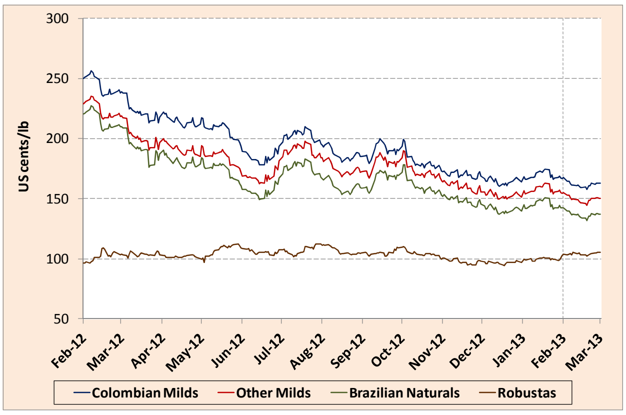
The ICO composite indicator price tracked downwards in February, despite the ongoing damage caused by the outbreak of coffee leaf rust in Central America. This trend was driven by movements in Arabicas, with all three group indicators losing value. Prices of Robustas, on the other hand, were much firmer, increasing to their highest monthly average since October 2012. The Arabica/Robusta arbitrage has therefore narrowed considerably, with the premium of New York over London at its lowest level since April 2009. Finally, total exports in calendar year 2012 earned exporting countries an estimated US$22.5 billion, 9.6% down on 2011, despite recording a higher volume of 113.1 million bags. Robusta coffee earned an estimated US$6.1 billion, up from US$5.1 billion in 2011.

Graph 1: ICO composite indicator daily prices

Price movements

The monthly average of the **ICO composite indicator price** fell to 131.51 US cents/lb in February, 2.9% lower than January 2013, and 27.9% lower than February 2012. This decline was driven by Arabicas, with the monthly averages of **Colombian Milds**, **Other Milds** and **Brazilian Naturals** all registering decreases of 4.4%, 5% and 5.9% respectively. The group indicator for **Robustas**, on the other hand, recorded a strong increase of 4.4% compared to January 2013 to reach 104.03 US cents/lb, its highest level since October 2012.

Graph 2: ICO group indicator daily prices

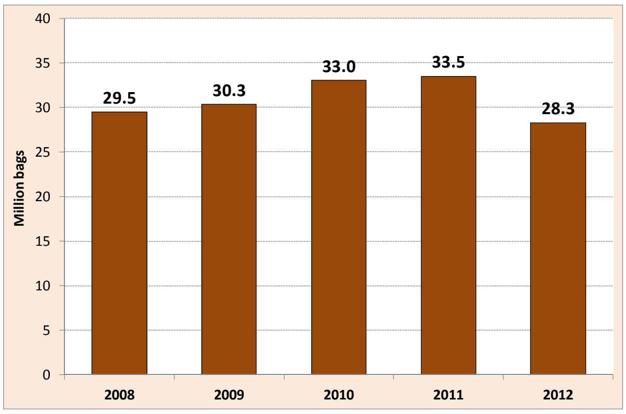


As a result, the differentials between the three Arabica groups and Robustas all narrowed considerably, with the arbitrage between the New York and London futures markets falling by 22.8% to 50.49 US cents/lb, its lowest level in nearly four years. This is also less than a third of its level of two years ago, which partly led to a movement away from Arabicas and towards Robustas (Graph 4).

Price movements in the market are currently being dominated by the performance of Robustas. With prices still rising modestly, there continues to be a reasonably strong incentive for producers of Robustas to boost their exports, and the market seems able to absorb this extra volume. Given dynamic demand in emerging markets and exporting countries, it seems likely that this trend could continue.

Arabicas, on the other hand, are facing a somehow different scenario. A record 2012/13 crop in Brazil of 50.8 million bags, together with the upcoming 2013/14 harvest, is weighing on the market. Furthermore, as shown in Graph 3, total exports by Brazil during 2012 were lower than the previous year, suggesting a build-up of stocks in Brazil. Sluggish demand in traditional coffee-consuming markets, which are growing at around 1% per year, is also contributing to the general bearish market sentiment.

Graph 3: Exports by Brazil of all forms of coffee (Calendar years 2008 – 2012)



Graph 4: Arbitrage between New York and London futures markets

Market fundamentals

Exports in January 2013 totalled 9.7 million bags, a 19.5% increase on January 2012. This brings total exports by all exporting countries for the first four months of coffee year 2012/13 to 37.9 million bags, a 15.8% increase on the same period last year. This increase can mostly be attributed to growth in Robustas, up 40.4%. In the twelve months up to January 2013, exports of Robustas increased to nearly 48 million bags, compared to 37.7 million for the previous twelve months, yet certified stocks on the London futures market have steadily decreased to around 1.9 million bags, compared with 3.5 million in February 2012.

On the basis of information currently available, the **total value of exports** in calendar year 2012 is provisionally estimated at US$22.5 billion, a 9.6% decrease on 2011, despite a strong increase in volume (Table 1 and Graph 5). Furthermore, the composition of export value has changed, with Robustas increasing year-on-year by 19.9% to accrue an estimated US$6.1 billion, compared with US$5.1 billion in 2011.

Table 1: Volume and value of exports (Calendar years 2011 and 2012)

	Volume			Value		
	2011	2012	% change	2011	2012	% change
Colombian Milds	8.8	8.3	-5.6%	3.2	2.5	-23.7%
Other Milds	26.1	27.4	5.3%	8.0	6.9	-13.7%
Brazilian Naturals	32.2	30.8	-4.3%	8.6	7.1	-17.8%
Robustas	37.5	46.6	24.1%	5.1	6.1	19.9%
Total	**104.6**	**113.1**	**8.2%**	**24.9**	**22.5**	**-9.6%**

Volume in million bags; value in billion US$

In terms of **total production**, crop year 2012/13 is still estimated at around 145 million bags, with damage arising from the outbreak of coffee leaf rust in Central America yet to be quantified. At the ICO meetings scheduled for 4 to 8 March, updates are anticipated from several countries, including some in Central America. A more complete analysis will therefore be provided next month.

Graph 5: Volume and value of world exports (Calendar years 2000 – 2012)

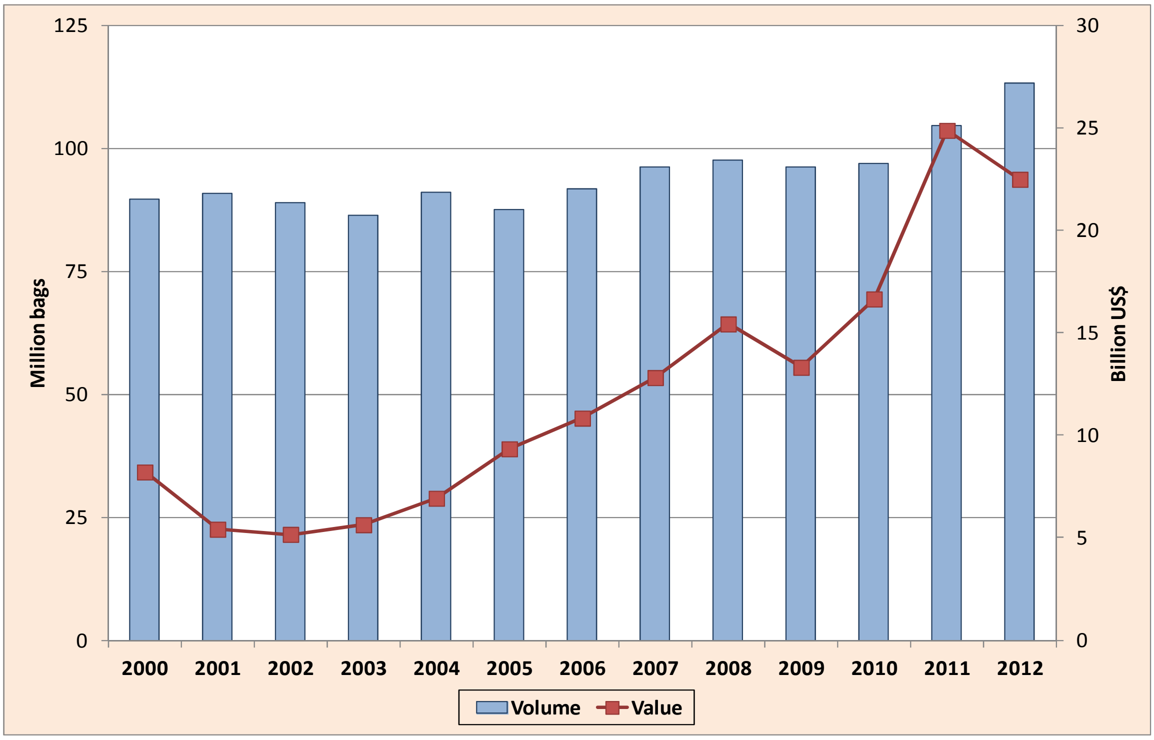


Table 2: ICO indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
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
Feb-13	131.51	161.70	149.46	136.63	104.03	144.89	94.41
% change between Feb-13 and Jan-13							
	-2.9	**-4.4**	**-5.0**	**-5.9**	**4.4**	**-6.1**	**6.3**
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	156.34	202.08	186.47	174.97	102.82	179.22	91.87
% change between Feb-13 and 2012 average							
	-15.9	**-20.0**	**-19.8**	**-21.9**	**1.2**	**-19.2**	**2.8**
Volatility (%)							
Jan-13	5.6	5.5	6.6	7.2	4.2	7.7	4.7
Feb-13	3.7	3.8	4.2	4.7	3.6	4.6	3.5
Variation between Feb-13 and Jan-13							
	-1.9	**-1.7**	**-2.4**	**-2.5**	**-0.6**	**-3.2**	**-1.3**

* Average price for 2nd and 3rd positions

Table 3: Price differentials (US cents/lb)

	Colombian Milds / Other Milds	Colombian Milds / Brazilian Naturals	Colombian Milds / Robustas	Other Milds / Brazilian Naturals	Other Milds / Robustas	Brazilian Naturals / Robustas	New York* / London*
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
Feb-13	12.24	25.06	57.66	12.82	45.43	32.60	50.49
% change between Feb-13 and Jan-13							
	2.9	**4.4**	**-17.0**	**5.8**	**-21.1**	**-28.3**	**-22.8**

* Average price for 2nd and 3rd positions

Table 4: Total exports of all forms of coffee by exporting countries

	January 2012	January 2013	% change	October - January 2011/12	October - January 2012/13	October - January % change
TOTAL	**8 091**	**9 667**	**19.5**	**32 689**	**37 869**	**15.8**
Colombian Milds	596	861	44.3	2 997	3 225	7.6
Other Milds	2 123	1 973	-7.1	7 356	7 074	-3.8
Brazilian Naturals	2 318	2 736	18.0	11 379	12 188	7.1
Robustas	3 053	4 097	34.2	10 957	15 383	40.4
Arabicas	5 038	5 570	10.6	21 731	22 486	3.5
Robustas	3 053	4 097	34.2	10 957	15 383	40.4
Angola	1	1	-56.1	3	3	-13.3
Benin	0	0		0	0	
Bolivia	8	5	-41.3	39	26	-33.1
Brazil	2 140	2 530	18.2	11 367	11 227	-1.2
Burundi	15	30	101.5	85	198	132.4
Cameroon	5	10	112.8	39	76	95.9
Central African Republic	0	3		0	5	
Colombia	542	743	37.2	2 775	2 848	2.6
Congo, Dem. Rep. of	9	10	15.5	34	37	8.0
Congo, Rep. of	0	0		0	0	
Costa Rica	126	90	-28.8	306	247	-19.2
Côte d'Ivoire	35	75	116.5	195	275	41.4
Cuba	0	1		3	2	-26.1
Dominican Republic	8	10	21.2	17	51	197.2
Ecuador	98	130	33.1	542	538	-0.7
El Salvador	131	117	-10.7	266	241	-9.3
Ethiopia	100	196	96.2	527	993	88.5
Gabon	0	0		0	0	
Ghana	12	10	-17.7	58	34	-41.4
Guatemala	244	266	8.9	626	676	8.1
Guinea	30	32	5.1	121	93	-23.3
Haiti	1	1		1	2	70.3
Honduras	505	640	26.7	960	1 129	17.6
India	348	357	2.8	1 328	1 142	-14.0
Indonesia	637	649	1.8	2 139	4 122	92.7
Jamaica	0	1		1	2	15.2
Kenya	35	50	43.5	130	183	40.6
Liberia	0	0		1	0	
Madagascar	8	9	14.3	50	41	-18.0
Malawi	2	2	-16.2	8	7	-13.0
Mexico	233	238	2.1	745	914	22.7
Nicaragua	113	101	-11.2	235	532	126.3
Nigeria	0	0		5	0	
Panama	2	3	25.2	6	9	56.5
Papua New Guinea	122	38	-68.5	516	218	-57.8
Paraguay	1	0		1	0	
Peru	285	72	-74.7	2 136	1 546	-27.6
Philippines	0	0		2	1	-59.3
Rwanda	17	18	8.3	119	97	-18.8
Sierra Leone	6	2	-64.0	23	8	-65.4
Tanzania	54	126	134.8	219	444	102.4
Thailand	43	28	-35.5	92	97	5.4
Timor-Leste	6	3	-50.1	13	9	-28.6
Togo	16	3	-80.7	23	8	-63.5
Uganda	226	345	52.4	911	988	8.4
Venezuela	0	0		0	0	
Vietnam	1 900	2 700	42.1	5 900	8 700	47.5
Yemen	2	4	47.9	17	13	-24.6
Zambia	0	1		4	4	-22.1
Zimbabwe	0	0		1	1	-32.3
Other exporting countries 1/	26	20	-22.7	97	82	-15.8

In thousand bags

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