



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

E

MONTHLY COFFEE MARKET REPORT

December 2012

Coffee prices underwent further downward corrections in December 2012, with the monthly average of the ICO composite indicator price falling by 3.7% to 131.31 US cents/lb, compared to a level of 188.90 US cents/lb at the beginning of the calendar year. This brings the average price for calendar year 2012 to 156.34 US cents/lb, 25.7% lower than 2011, but still higher than any other year in the last decade, although costs of production may have increased over time. Price falls were particularly pronounced in the three Arabica groups, with Robustas recording a smaller decrease of 1.1% compared to November. On the New York futures market, which reflects the situation of Arabicas, the average of the 2nd and 3rd positions fell by 3.9% from 155.72 US cents/lb to 149.58 in December, triggering a narrowing of 7% in the differential with the London futures market.

In terms of market fundamentals, it may be noted that the new coffee crop from exporting countries whose crop year 2012/13 starts in October is beginning to arrive in greater quantities on the market. This crop year has witnessed increased production in a number of countries, notably in Africa and also in Indonesia. Brazil is currently in the on-year of its biennial cycle of Arabica production, and is set for a record crop of 50.83 million bags according to the official authorities. This comprises 38.34 million bags of Arabica coffee and 12.48 million bags of Robusta. However, some countries in Central America have been affected by adverse weather as well as coffee pest and diseases, in particular coffee leaf rust and coffee berry borer, which could have an impact on production levels going forward. Finally, India has reduced its post-monsoon estimate of the 2012/13 crop to 5.3 million bags. As a result, the provisional estimate for world production in 2012/13 has been revised to 144.1 million bags, a 7.2% increase on 2011/12. World consumption remains buoyant, particularly in emerging markets and exporting countries. Moreover, opening stocks in exporting countries for crop year 2012/13 are estimated at 15.1 million bags, the lowest level ever recorded.

Exports by all exporting countries reached 9.2 million bags in November 2012, compared to 7.9 million the previous year. This brings total exports for the eleven months of calendar year 2012 (January to November) to 103.5 million bags, an 8.5% increase on the same period in 2011. A record level of 108.7 million bags of imports was registered by importing Member countries and Japan in coffee year 2011/12.

Graph 1: ICO composite indicator prices
Daily: 1 December 2011 – 7 January 2013



Price movements

The monthly average of the **ICO composite indicator price** fell by 3.7% in December 2012 to reach 131.31 US cents/lb, its lowest level since May 2010 (Table 1). This brings the average price for calendar year 2012 to 156.34 US cents/lb, compared to 210.39 in 2011, a 25.7% decrease. However, this average price for 2012 is still the second-highest level since 1986. Arabica prices recorded the strongest price decreases in 2012, with the annual averages of **Colombian Milds**, **Other Milds**, and **Brazilian Naturals** falling by 28.8%, 31.2% and 29.3%, respectively,

compared to their 2011 levels. Prices of **Robusta**, on the other hand, fell by a less significant 5.8% in 2012 to an average level of 102.82 US cents/lb. All four coffee groups recorded their lowest monthly average of the year in December 2012, although volatility did fall compared to November. Finally, the differential between Arabica and Robusta prices narrowed over the course of 2012, with the average annual price of the New York futures market over London falling from 155.13 US cents/lb in 2011 to 87.35 in 2012, a reduction of 43.7%.

Graph 2: Group indicator prices
Daily: 1 December 2011 – 7 January 2013

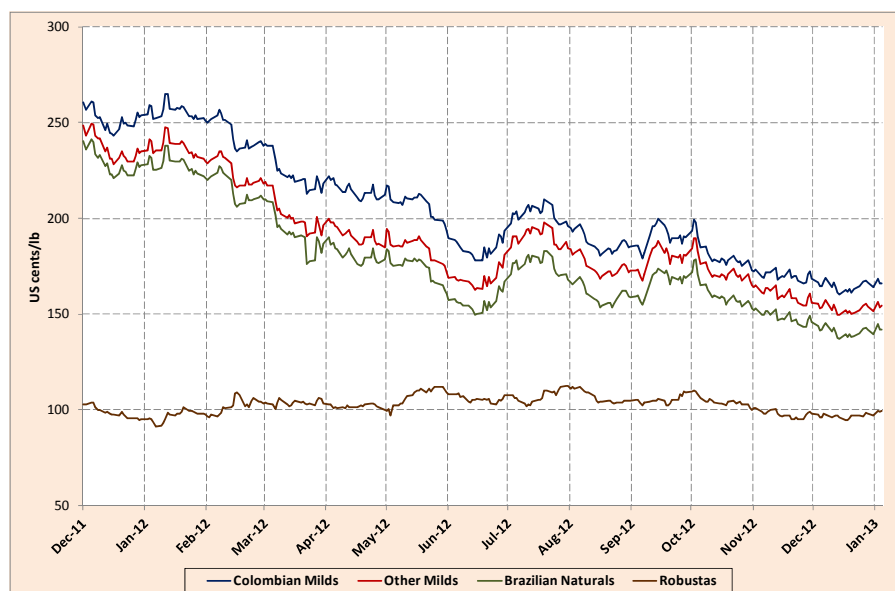


Table 1: ICO indicator prices and futures prices (US cents/lb) – December 2012

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
2011							
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
October	147.12	181.39	173.32	161.20	104.47	170.43	94.66
November	136.35	170.08	159.91	148.25	97.67	155.72	87.32
December	131.31	164.40	152.74	140.69	96.59	149.58	85.94
Annual averages							
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
2012	156.34	202.08	186.47	174.97	102.82	179.22	91.87
% change between Dec-12 and Nov-12							
	-3.7	-3.3	-4.5	-5.1	-1.1	-3.9	-1.6
% change between Dec-12 and Dec-11							
	-30.5	-34.7	-35.5	-38.5	-1.8	-34.2	-2.0
% change between 2012 average and 2011 average							
	-25.7	-28.8	-31.2	-29.3	-5.8	-30.1	-9.2
Volatility (%)							
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
Oct-12	7.1	7.8	8.3	8.8	4.7	8.7	4.5
Nov-12	7.2	7.6	8.8	8.4	5.7	9.7	6.5
Dec-12	5.4	6.1	6.9	6.7	4.6	8.3	4.0
Variation between Dec-12 and Nov-12							
	-1.8	-1.5	-1.9	-1.7	-1.0	-1.4	-2.5

*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*
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
Oct-12	8.07	20.19	76.92	10.96	12.12	68.85	56.73	75.78
Nov-12	10.17	21.83	72.41	14.36	11.66	62.23	50.58	68.40
Dec-12	11.66	23.70	67.81	14.82	12.05	56.15	44.10	63.64
Absolute change between Dec-12 and Nov-12								
	1.49	1.87	-4.60	0.46	0.39	-6.09	-6.47	-4.76
% change between Dec-12 and Nov-12								
	14.6	8.6	-6.4	3.2	3.3	-9.8	-12.8	-7.0

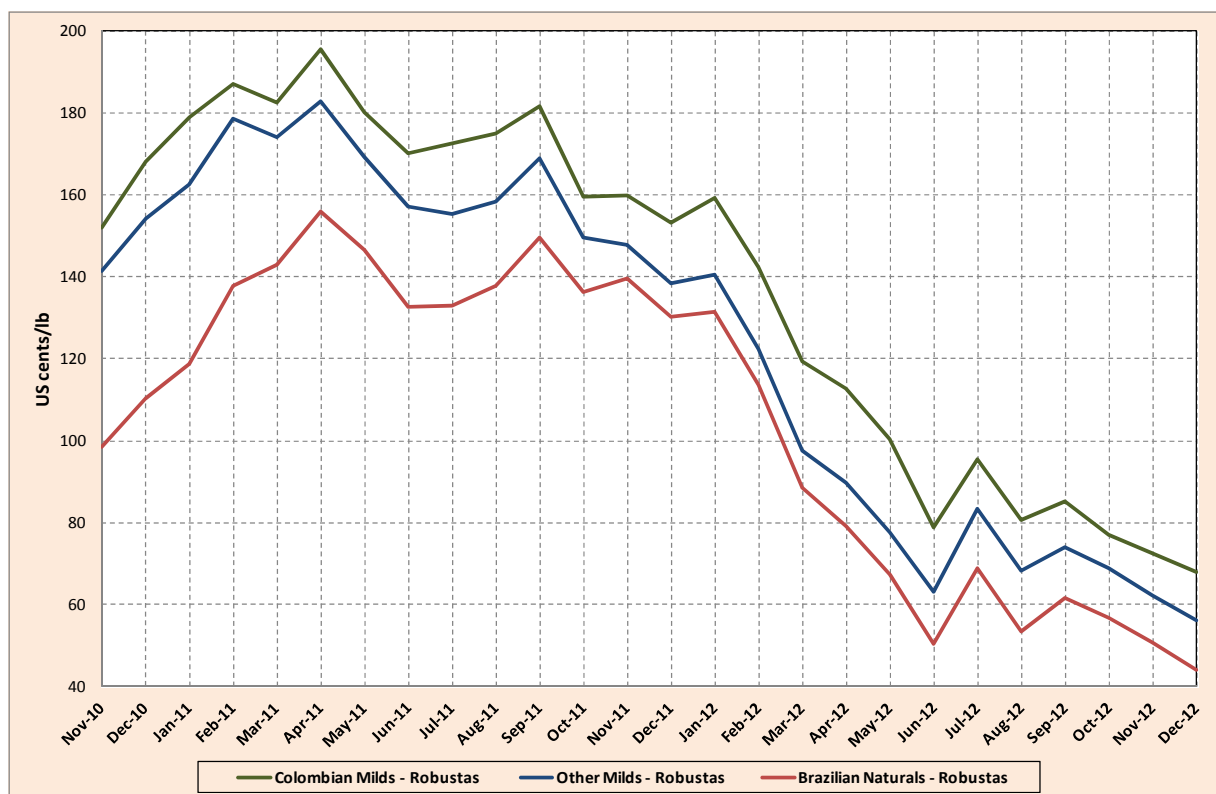
* Average for the 2nd and 3rd positionsGraph 3: Differential between prices of Arabica and Robusta indicators
November 2010 – December 2012

Table 3: Production in selected exporting countries

Crop year commencing	2009	2010	2011	2012*	% change 2011-12
TOTAL	122 599	133 470	134 416	144 061	7.2
Africa	15 849	16 226	14 814	16 985	14.7
Cameroon	750	608	555	850	53.1
Côte d'Ivoire	1 795	982	1 906	2 000	4.9
Ethiopia	6 931	7 500	6 008	6 500	8.2
Kenya	630	658	680	850	24.9
Tanzania	675	846	534	918	71.7
Uganda	2 845	3 203	2 817	3 000	6.5
Others	2 224	2 429	2 313	2 867	24.0
<i>Arabicas</i>	<i>9 136</i>	<i>10 168</i>	<i>8 240</i>	<i>9 682</i>	<i>17.5</i>
<i>Robustas</i>	<i>6 713</i>	<i>6 058</i>	<i>6 574</i>	<i>7 303</i>	<i>11.1</i>
Asia & Oceania	37 211	36 317	41 046	41 583	1.3
India	4 794	5 033	5 233	5 258	0.5
Indonesia	11 380	9 129	8 620	10 950	27.0
Papua New Guinea	1 038	870	1 415	1 200	-15.2
Thailand	795	829	831	850	2.3
Vietnam	17 825	19 467	24 058	22 000	-8.6
Others	1 379	990	889	1 325	49.0
<i>Arabicas</i>	<i>5 106</i>	<i>5 206</i>	<i>6 304</i>	<i>6 569</i>	<i>4.2</i>
<i>Robustas</i>	<i>32 105</i>	<i>31 111</i>	<i>34 742</i>	<i>35 014</i>	<i>0.8</i>
Mexico & Central America	16 495	18 034	19 699	19 736	0.2
Costa Rica	1 304	1 392	1 462	1 616	10.6
El Salvador	1 075	1 850	1 163	1 420	22.1
Guatemala	3 835	3 950	3 840	3 500	-8.9
Honduras	3 403	4 280	5 705	5 400	-5.3
Mexico	4 109	3 994	4 546	5 160	13.5
Nicaragua	1 871	1 669	1 774	1 530	-13.7
Others	899	899	1 208	1 110	-8.1
<i>Arabicas</i>	<i>16 363</i>	<i>17 847</i>	<i>19 456</i>	<i>19 506</i>	<i>0.3</i>
<i>Robustas</i>	<i>132</i>	<i>187</i>	<i>242</i>	<i>231</i>	<i>-4.7</i>
South America	53 045	62 893	58 857	65 756	11.7
Brazil	39 470	48 095	43 484	50 826	16.9
Colombia	8 098	8 523	7 653	8 000	4.5
Ecuador	813	854	1 075	1 000	-7.0
Peru	3 286	4 069	5 581	4 750	-14.9
Others	1 377	1 353	1 065	1 180	10.8
<i>Arabicas</i>	<i>41 988</i>	<i>50 931</i>	<i>47 024</i>	<i>52 665</i>	<i>12.0</i>
<i>Robustas</i>	<i>11 056</i>	<i>11 962</i>	<i>11 833</i>	<i>13 092</i>	<i>10.6</i>
TOTAL	122 599	133 470	134 416	144 061	7.2
Colombian Milds	9 160	9 722	8 638	9 447	9.4
Other Milds	26 263	28 810	31 453	31 308	-0.5
Brazilian Naturals	37 170	45 620	40 934	47 667	16.4
Robustas	50 007	49 317	53 391	55 639	4.2
<i>Arabicas</i>	<i>72 593</i>	<i>84 152</i>	<i>81 024</i>	<i>88 422</i>	<i>9.1</i>
<i>Robustas</i>	<i>50 007</i>	<i>49 317</i>	<i>53 391</i>	<i>55 639</i>	<i>4.2</i>
TOTAL	100.0	100.0	100.0	100.0	
Colombian Milds	7.5	7.3	6.4	6.6	
Other Milds	21.4	21.6	23.4	21.7	
Brazilian Naturals	30.3	34.2	30.5	33.1	
Robustas	40.8	37.0	39.7	38.6	
<i>Arabicas</i>	<i>59.2</i>	<i>63.0</i>	<i>60.3</i>	<i>61.4</i>	
<i>Robustas</i>	<i>40.8</i>	<i>37.0</i>	<i>39.7</i>	<i>38.6</i>	

In thousand bags

*Provisional

Market fundamentals

On the basis of the latest information received from Members, **total production** for crop year 2012/13 is currently estimated at 144.1 million bags, a 7.2% increase on the previous year (Table 3).

CONAB, the Brazilian Government Agency responsible for crop forecasts, have updated their estimate of Brazil's 2012/13 crop to 50.83 million bags, compared to the previous estimate of 50.48 million. This would be a record harvest in Brazil, 16.9% higher than last year's off-year crop, and 5.7% higher than the previous on-year crop in 2010/11.

In Colombia, on the other hand, the coffee industry is still experiencing difficulties, particularly as a result of the outbreak of the coffee berry borer, which may further delay a return to the country's normal production levels. Crop year 2012/13 has seen two consecutive months of lower year-on-year production, and the expected recovery has not yet been realized.

In Vietnam, production in 2012/13 is estimated to decrease, following the record crop harvested in 2011/12. However, it is likely that any decrease in production in Vietnam could be offset by increases in other countries, particularly Indonesia, which is provisionally forecast for a 27% increase to 11 million bags. Production in India has been revised downwards slightly from the post-blossom to the post-monsoon crop forecast, to an estimated 5.3 million bags, compared to 5.2 million in 2011/12.

In Central America, decreases are forecast in Guatemala, Honduras and Nicaragua, whereas Mexico, Costa Rica and El Salvador are provisionally set for larger crops compared to 2011/12. However, reports of coffee leaf rust in several Central American countries could still affect the current estimates. Finally African production is expected to increase by 14.7% as a result of high performance in a number of countries.

Total Arabica production for crop year 2012/13 is estimated at 88.4 million bags, compared with 55.6 million bags for Robusta.

**Table 4: Total exports of all forms of coffee
(January to November 2011 and 2012)**

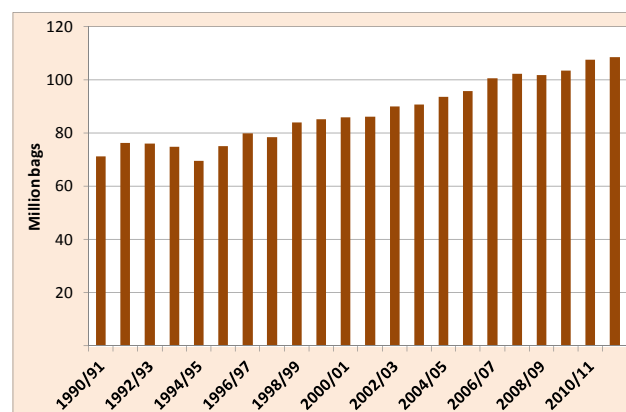
	2011	2012	% change
TOTAL	95 416	103 544	8.5
Colombian Milds	7 836	7 396	-5.6
Other Milds	23 946	25 660	7.2
Brazilian Naturals	29 193	27 647	-5.3
Robustas	34 441	42 842	24.4
Arabicas	60 975	60 703	-0.4
Robustas	34 441	42 842	24.4
Angola	7	8	3.4
Benin	0	0	
Bolivia	61	55	-9.5
Brazil	30 498	25 326	-17.0
Burundi	194	354	82.2
Cameroon	473	521	10.3
Central African Republic	78	78	-0.3
Colombia	6 876	6 381	-7.2
Congo, Dem. Rep. of	121	143	18.3
Congo, Rep. of	0	0	
Costa Rica	1 165	1 274	9.4
Côte d'Ivoire	720	1 614	124.1
Cuba	7	14	95.2
Dominican Republic	83	117	40.4
Ecuador	1 370	1 429	4.3
El Salvador	1 744	969	-44.5
Ethiopia	2 581	2 946	14.1
Gabon	1	0	
Ghana	139	103	-25.9
Guatemala	3 518	3 610	2.6
Guinea	355	327	-8.0
Haiti	9	9	3.7
Honduras	3 583	5 165	44.1
India	5 501	5 056	-8.1
Indonesia	5 690	9 718	70.8
Jamaica	15	14	-5.1
Kenya	587	640	9.1
Liberia	3	1	-51.4
Madagascar	131	93	-29.2
Malawi	23	16	-30.5
Mexico	2 732	3 338	22.2
Nicaragua	1 412	1 914	35.5
Nigeria	6	0	
Panama	52	48	-6.7
Papua New Guinea	1 089	881	-19.0
Paraguay	0	1	
Peru	3 995	3 941	-1.4
Philippines	10	3	-64.4
Rwanda	240	193	-19.7
Sierra Leone	30	28	-7.4
Tanzania	715	668	-6.6
Thailand	232	333	43.7
Timor-Leste	37	24	-36.2
Togo	154	138	-10.3
Uganda	2 900	2 445	-15.7
Venezuela	0	1	
Vietnam	15 825	23 275	47.1
Yemen	31	26	-16.2
Zambia	10	9	-11.9
Zimbabwe	4	3	-20.3
Other exporting countries 1/	408	294	-27.9

In thousand bags

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

Total exports in November 2012 were 9.2 million bags, compared to 7.9 million in November 2011. This brings total exports for the first eleven months of calendar year 2012 to 103.5 million bags, an 8.5% increase on the same period in 2011. Furthermore, this figure is only one million bags fewer than total exports in the whole of calendar year 2011. This increase has been driven primarily by higher shipments of Robusta coffee, which made up over 41% of the total in the first eleven months of 2012, up from 36.1% in the previous period. There was also an increase of over 1.5 million bags in shipments of Other Milds, which can be attributed to higher exports by Honduras. Exports of Colombian Milds and Brazilian Naturals were both lower, decreasing by 5.6% and 5.3%, respectively. Indeed, exports by Brazil were 17% lower than the same period in 2011.

Furthermore, in terms of imports, coffee year 2011/12 registered a record 108.7 million bags of imports by ICO importing Member countries and Japan, as shown in Graph 4.

Graph 4: Total imports by ICO importing Member countries + Japan (Coffee years 1990/91 – 2011/12)

At the beginning of crop year 2012/13, **opening stocks** in exporting countries stand at 15.1 million bags, down 17.1% on the previous year. This is the lowest level of any crop year on record. Finally, certified stocks over the last two years are shown in Table 5. In December 2012, stocks in London fell slightly while those in New York increased further. This gives an indication of strong demand for Robusta coffee.

Table 6 shows **world consumption** levels between calendar years 2008 and 2011. The world total has increased by 4.7% over the last four years, to reach around 139 million bags in 2011. Further increases are expected in 2012 and 2013.

Table 5: Certified stocks on the London and New York futures exchanges

	London	New York
Jan-11	3.88	1.85
Feb-11	4.10	1.80
Mar-11	4.44	1.79
Apr-11	4.98	1.80
May-11	6.86	1.88
Jun-11	7.05	1.83
Jul-11	6.99	1.73
Aug-11	6.75	1.65
Sep-11	6.41	1.61
Oct-11	5.60	1.42
Nov-11	5.04	1.63
Dec-11	4.29	1.72
Jan-12	3.96	1.72
Feb-12	3.53	1.76
Mar-12	3.22	1.73
Apr-12	2.89	1.71
May-12	2.95	1.73
Jun-12	2.73	1.82
Jul-12	2.51	1.99
Aug-12	2.39	2.22
Sep-12	2.17	2.43
Oct-12	1.94	2.72
Nov-12	1.82	2.82
Dec-12	1.78	2.90

In million bags

Table 6: World consumption (Calendar years 2008 – 2011)

	2008	2009	2010	2011	2008 - 2011	
					Difference	% change
World total	132 747	132 273	136 954	139 000	6 253	4.7
Exporting countries	37 734	39 616	40 897	42 328	4 594	12.2
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	6 276	6 320	6 366	6 540	264	4.2
Importing countries	95 013	92 656	96 057	96 679	1 665	1.8
Traditional Markets	69 564	69 527	70 922	70 766	1 201	1.7
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	10 736	11 208	10 947	441	4.2
Emerging Markets	25 449	23 130	25 135	25 907	458	1.8
Russia	3 660	3 661	3 662	3 663	3	0.1
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	15 129	13 168	14 929	15 929	800	5.3

In thousand bags

In conclusion, it should be noted that coffee prices continued to fall during December, reinforcing the downward trend since October. As a result, calendar year 2012 ended with the ICO composite indicator price 25.7% lower than the previous year, although the average price for 2012 is still higher than most of the previous decade at 156.34 US cents/lb. However, costs of production continue to increase, reducing good agricultural practices in a number of exporting countries. Vietnam is unlikely to repeat its record crop of 2011/12 this year and Colombia is also yet to recover to its previous production levels. Consumption remains reasonably resilient to macroeconomic concerns, and there is strong potential for growth in exporting countries and emerging markets. With certified stocks and inventories at relatively low historical levels, there seems to be limited potential for further downwards price corrections.