

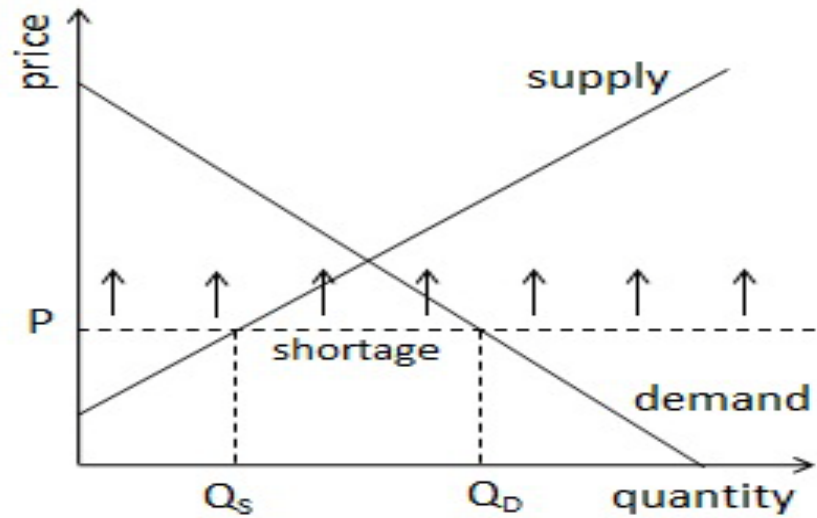
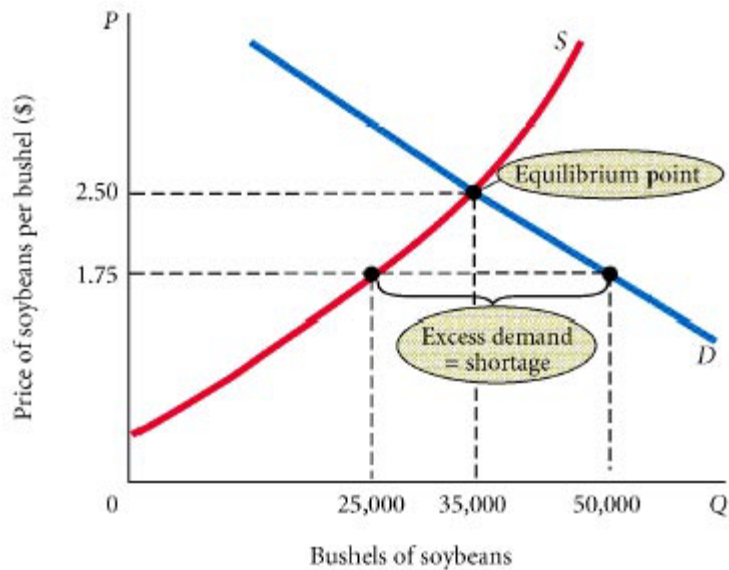


Factors to achieve a balanced market

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Market Forces Result in Economic Equilibrium



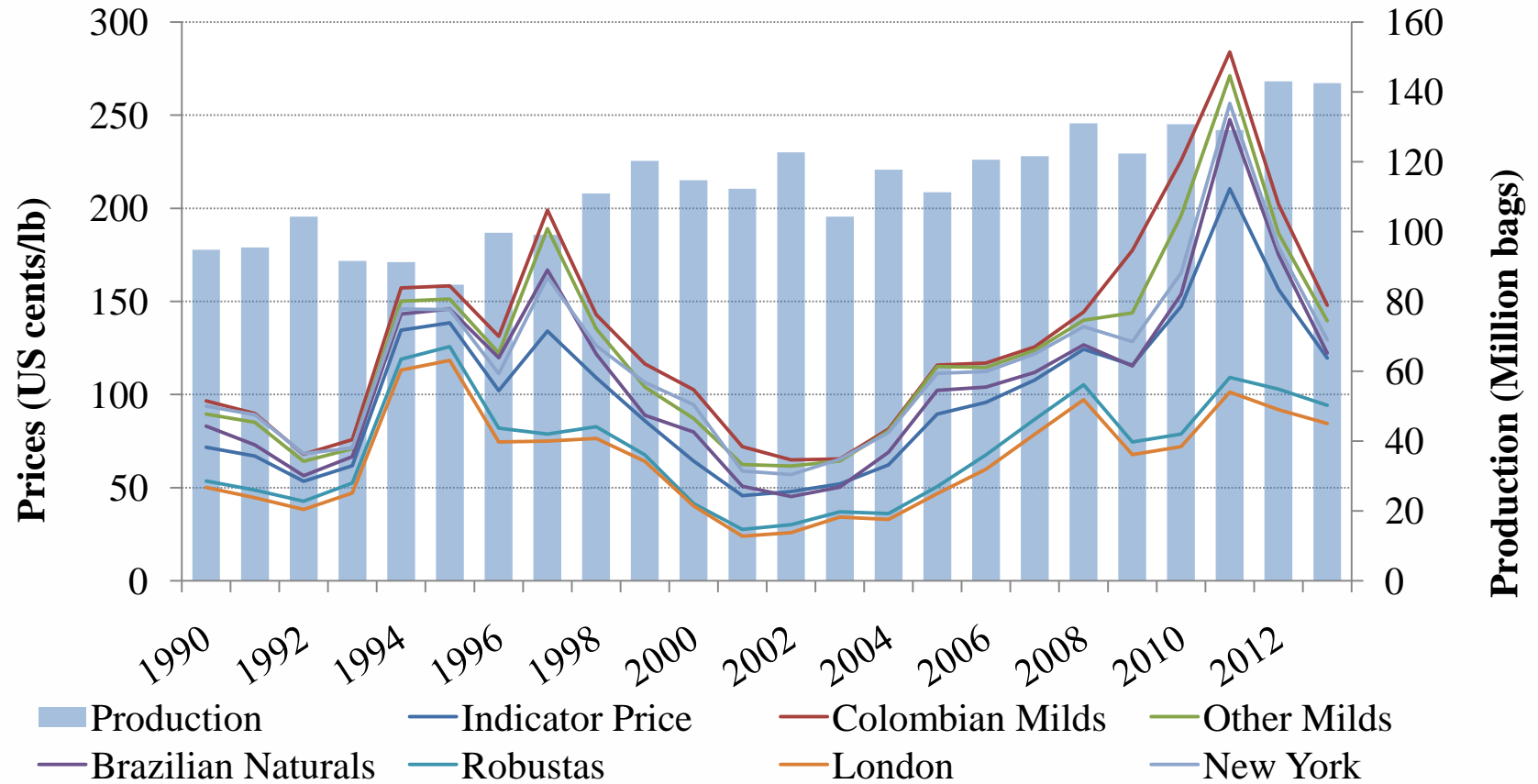


Introduction

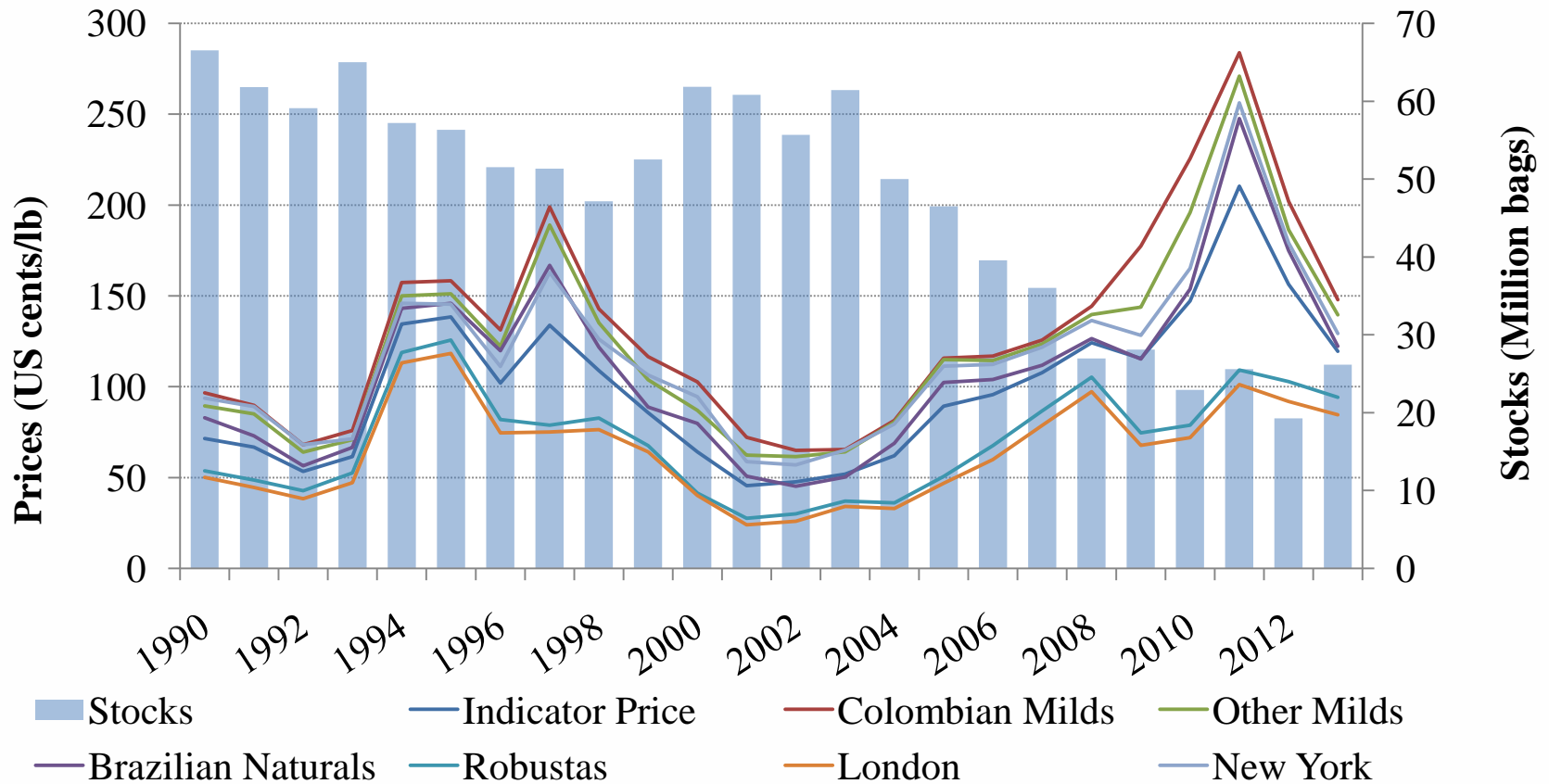
- General Equilibrium Theory
- Concept of balanced market
- Topics to cover & Methodology:
 - * Evolution of coffee market fundamentals
 - * Supply/Demand relations and world coffee prices
 - * Achieving a balanced market for a sustainable coffee economy



World coffee production and prices

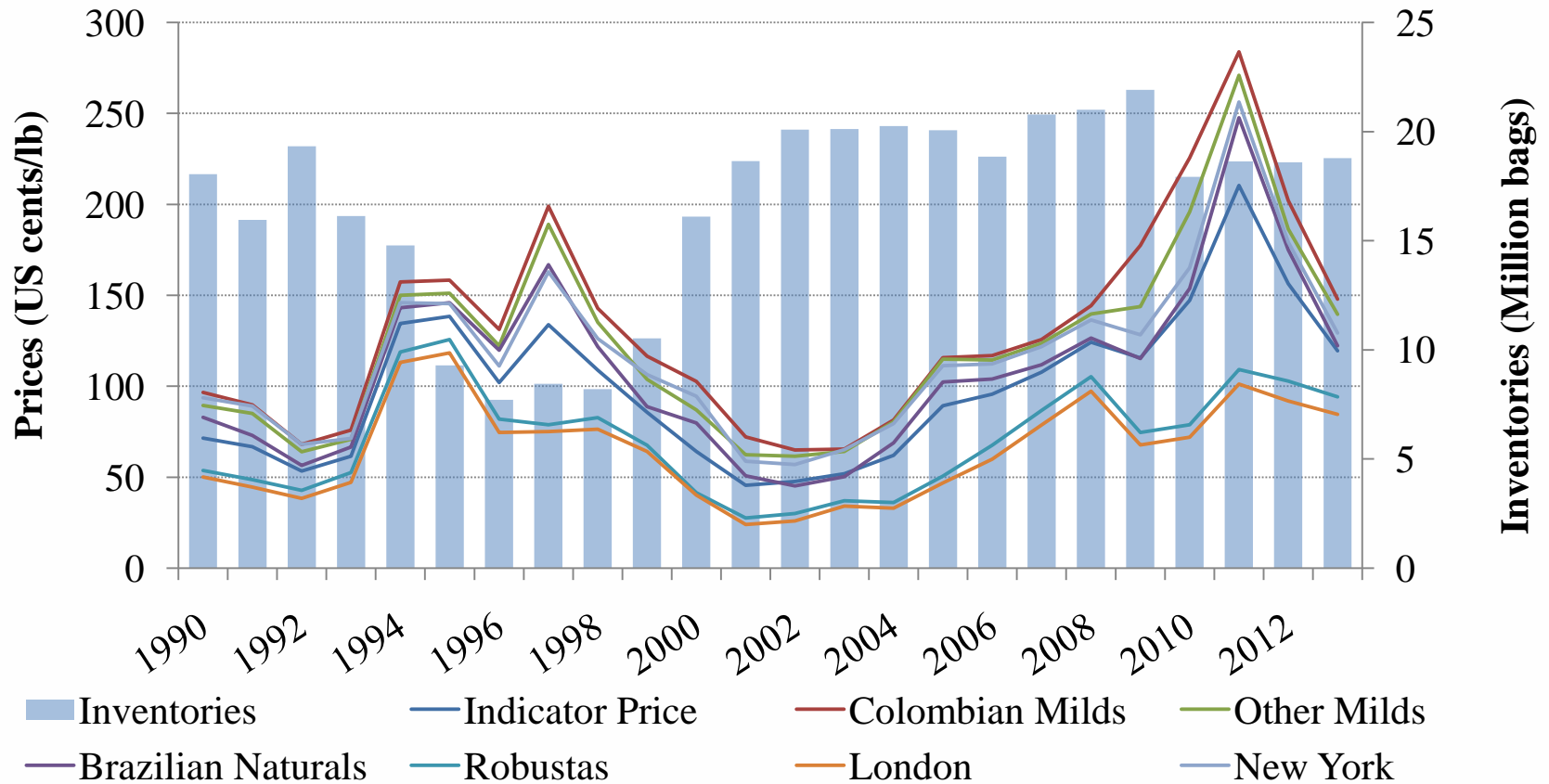


Opening stocks in exporting countries and coffee prices



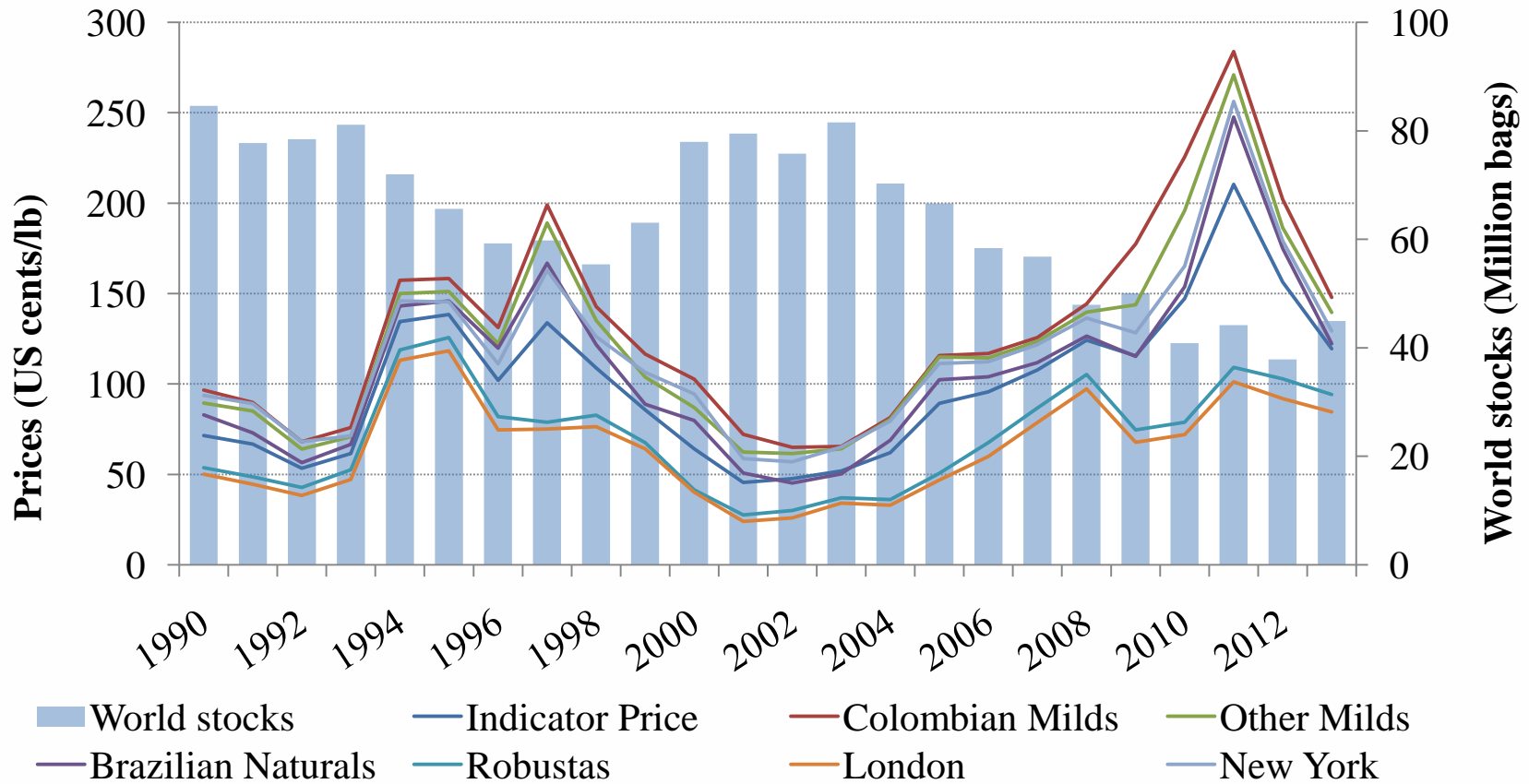


Inventories in importing countries and coffee prices

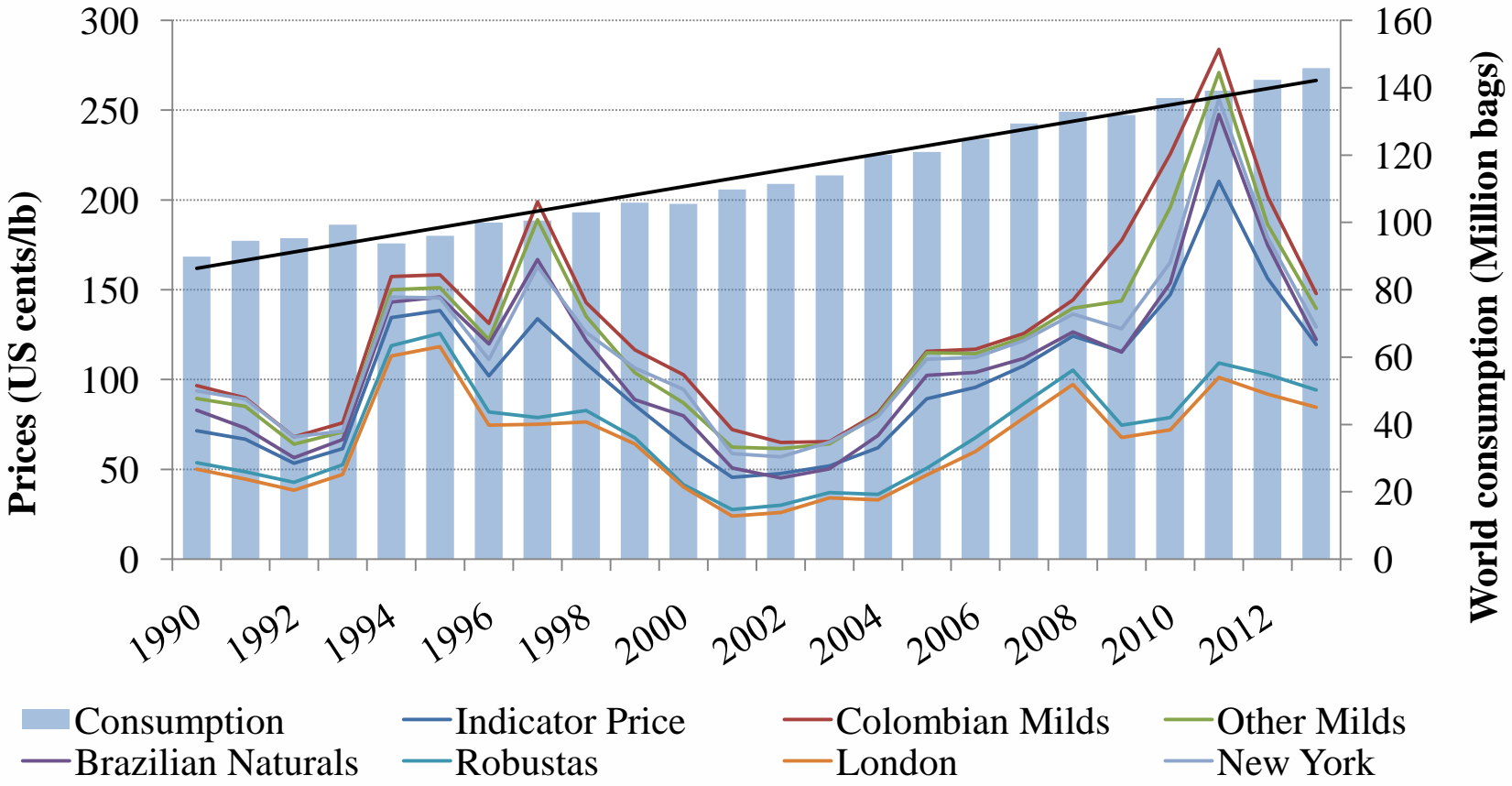




World stocks and coffee prices



World consumption and coffee prices





Supply/Demand relations and world coffee prices: Correlation between volume and prices

	Total production	World consumption	Opening stocks	Inventories	World stocks	Global availability
ICO composite	0.33	0.49	-0.72	-0.17	-0.81	-0.54
Colombian Milds	0.37	0.50	-0.72	-0.16	-0.81	-0.49
Other Milds	0.35	0.49	-0.71	-0.17	-0.80	-0.51
Brazilian Naturals	0.28	0.43	-0.66	-0.23	-0.76	-0.55
Robustas	0.13	0.28	-0.55	-0.31	-0.67	-0.66
New York	0.34	0.48	-0.69	-0.16	-0.77	-0.48
London	0.09	0.24	-0.52	-0.33	-0.65	-0.67



Supply/Demand relations and world coffee prices: Correlation between ratios and prices

	Production/ Consumption	World Stocks/ Consumption	Opening stocks/ consumption	Importing stocks/ importing consumption	Global availability/ world consumption
ICO Composite	-0.41	-0.69	-0.63	-0.42	-0.72
Colombian Milds	-0.35	-0.70	-0.64	-0.41	-0.71
Other Milds	-0.37	-0.69	-0.63	-0.42	-0.71
Brazilian Naturals	-0.37	-0.64	-0.57	-0.46	-0.66
Robustas	-0.39	-0.51	-0.43	-0.49	-0.56
New York	-0.35	-0.66	-0.60	-0.39	-0.68
London	-0.38	-0.48	-0.40	-0.50	-0.53

Achieving a balanced market



Suggestions for achieving a balanced market for a sustainable coffee economy:

- Supply management
- Market development
- Adapting to price volatility



Conclusion

- * Unbalanced market: Supply inelasticity to prices;
- Changes in supply encourage or prevent speculation;
- Cyclical character of green coffee prices
- Market transparency (challenging);
- Futures prices remain a better indication of the real supply situation



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