

Coffee Market Report



INTERNATIONAL
COFFEE
ORGANIZATION

January 2015

Coffee prices at their lowest in nearly a year as volatility rises

The weather in Brazil was the primary driver of prices in January, which were seen rising initially before falling back down again. Monthly averages of the ICO composite and group indicator prices all fell to their lowest levels since February 2014, with a bearish market sentiment continuing to exert downward pressure on prices. Exports have remained strong so far in coffee year 2014/15, with total exports for October to December just 0.8% lower than the same period last year, while exports in calendar year 2014 hit a record 111.7 million bags.

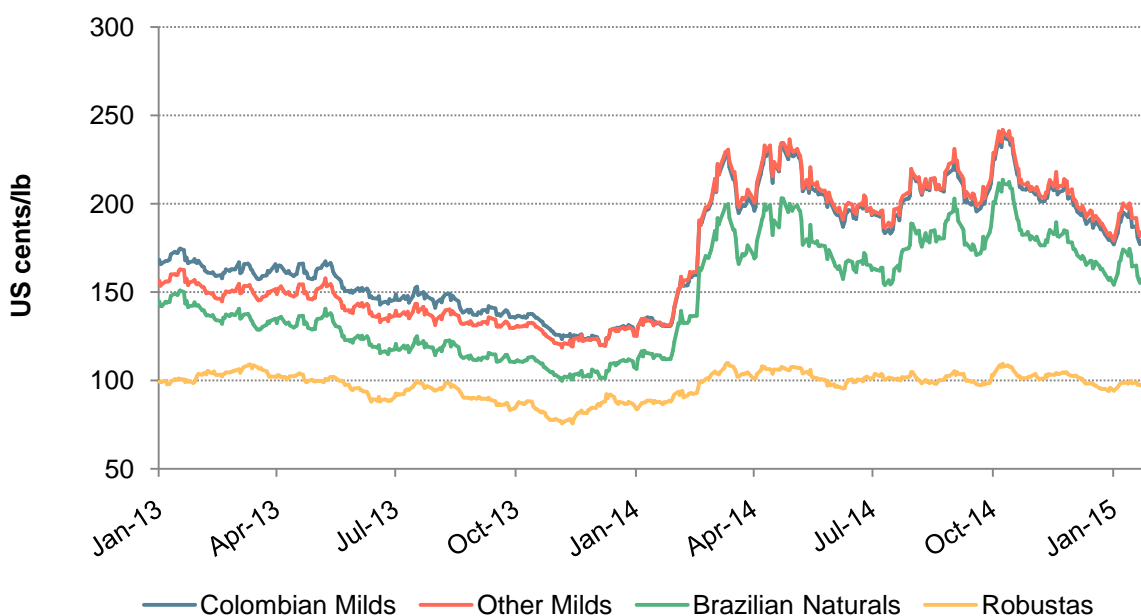
Graph 1: ICO composite indicator daily prices



Dry weather in Brazil at the beginning of January spurred prices higher, with the daily price of the ICO composite indicator rising from 140.57 US cents/lb to a high of 155.40 by the middle of the month. However, forecasts of rain later in the month punctured this brief rally, causing the ICO composite to fall back down to 143.43 cents by the end of January. Nevertheless, overall rainfall levels in Brazil remain below average, with the development of the 2015/16 crop now at a crucial stage. Furthermore, an infestation of coffee berry borer has led to a state of phytosanitary emergency being declared in the states of São Paulo and Espírito Santo.

As a result, the monthly average of the ICO composite indicator price settled 1.6% lower on 148.24 US cents/lb in January, its lowest level since February 2014. All four group indicators fell, although Robustas were more stable, down just 0.4%. Other Milds increased their premium over Colombian Milds, and now have been trading higher for 12 consecutive months. The differentials between the three Arabica groups and Robustas narrowed significantly, and the arbitrage between the New York and London futures markets was reduced to 83.86 cents, again, the lowest since February 2014.

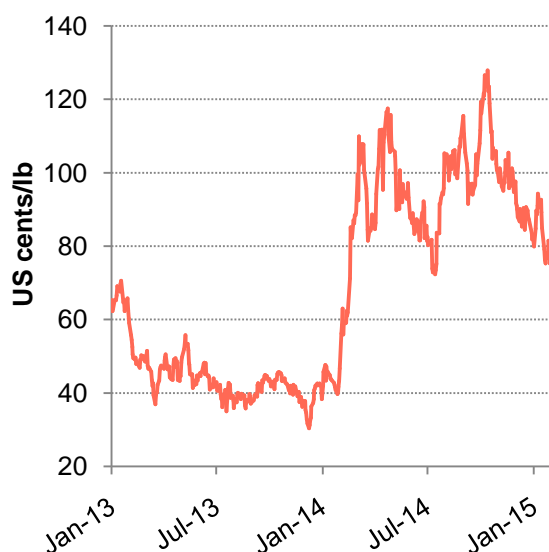
Graph 2: ICO group indicator daily prices



© 2015 International Coffee Organization (www.ico.org)

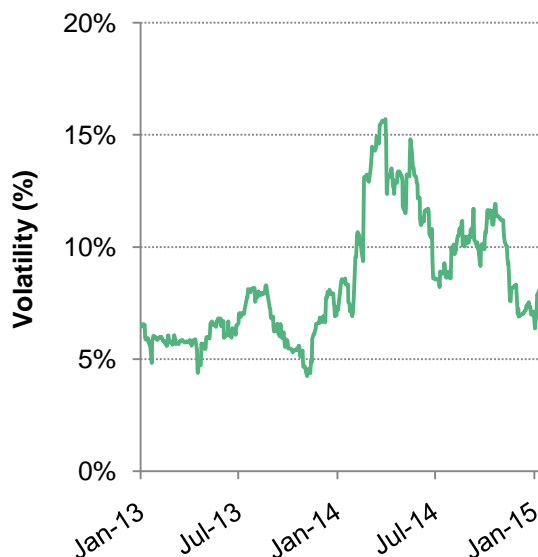
Unsurprisingly, price volatility in January was significantly higher than last month, given the effects of the weather on the market. Monthly volatility levels were higher for all group indicators, most evidently in Brazilian Naturals which increased from 5.7% to 11.2%.

Graph 3: Arbitrage between New York and London futures markets



© 2015 International Coffee Organization (www.ico.org)

Graph 4: Rolling 30-day volatility of the ICO composite indicator price

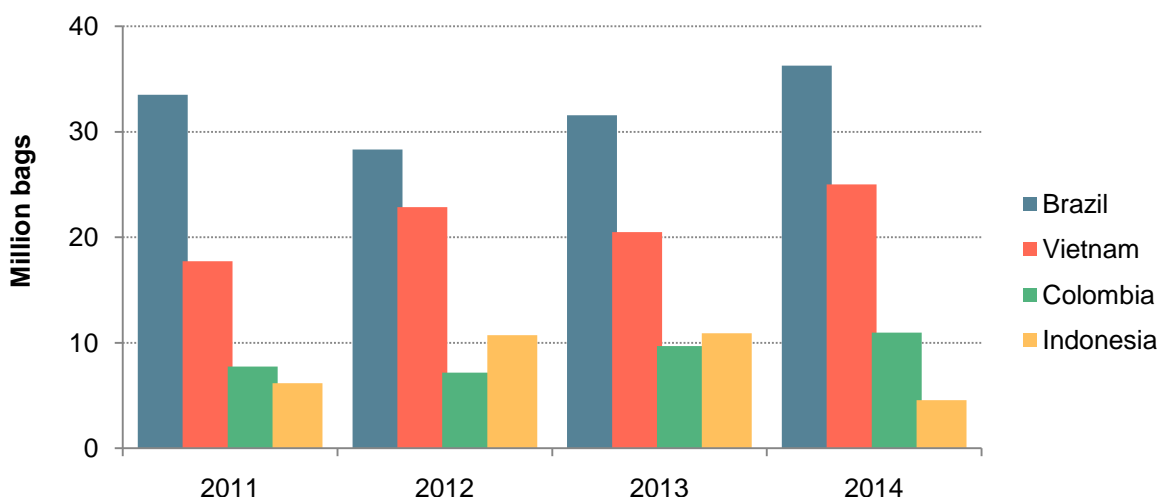


© 2015 International Coffee Organization (www.ico.org)

Total exports in December came to 8.9 million bags, virtually unchanged on December 2013. A 5.5% decrease in exports of Arabica (down to 5.2 million bags) was matched by 9.9% increases in Robusta (up to 3.6 million bags). Exports for the first three months of coffee year 2014/15 (October to December) are estimated 0.8% lower on 25.4 million bags, with Arabica exports nearly 1 million bags lower in this time period.

World exports in calendar year 2014 came to 111.7 million bags, which is the highest on record. This export performance has been driven primarily by shipments from Brazil, which has increased from 31.5 million bags in 2013 to 36.3 million in 2014. Exports from Vietnam are also estimated significantly higher, on 25 million bags, which has compensated for a dramatic decline in exports from Indonesia, which have dropped from 10.9 million bags to an estimated 4.5 million in 2014. Colombia, on the other hand, has increased from 9.7 million bags in 2013 to 11 million in 2014. Finally, exports from Central America are mostly recorded lower in 2014 as the coffee leaf rust outbreak continued to affect production, which is also the case in Mexico and Peru.

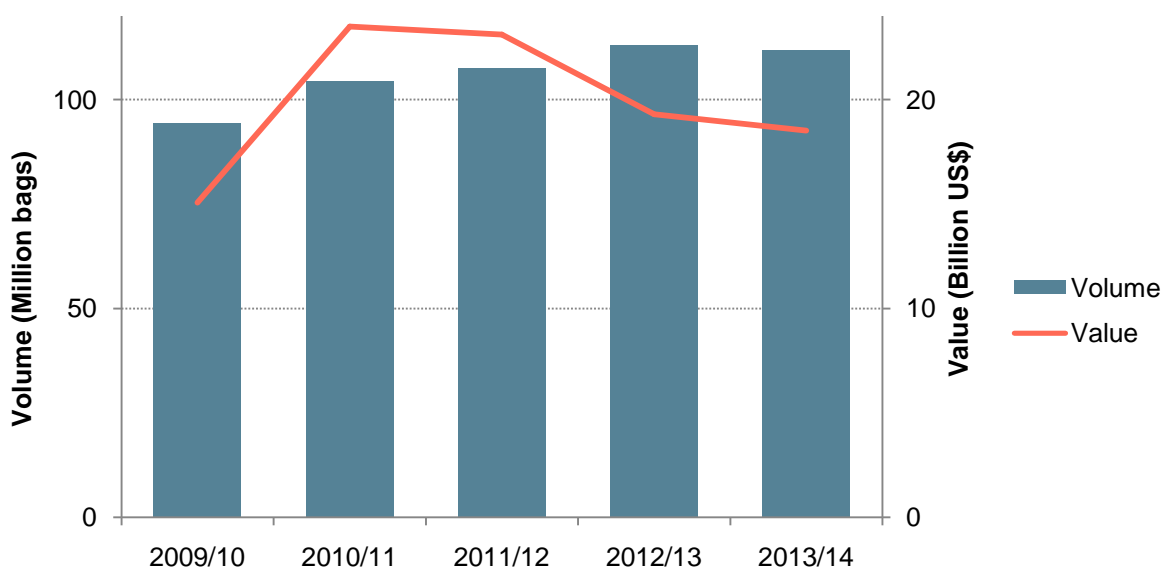
Graph 5: Exports by selected countries (Calendar years 2011 - 2014)



© 2015 International Coffee Organization (www.ico.org)

Data on the value of exports by all exporting countries in coffee year 2013/14 are now available, coming to an estimated US\$18.5 billion for a volume of 111.9 million bags. This value is 4.1% lower than 2012/13 and the lowest amount since 2009/10, reflecting the lower prices recorded over the last couple of years.

Graph 6: Volume and value of world coffee exports (2009/10 - 2013/14)



© 2015 International Coffee Organization (www.ico.org)

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-14	110.75	132.90	132.73	114.02	87.73	120.92	77.25
Feb-14	137.81	172.22	173.64	148.74	95.90	156.68	85.12
Mar-14	165.03	211.07	214.09	182.97	105.37	190.66	95.53
Apr-14	170.58	220.62	223.48	190.62	105.55	200.39	96.12
May-14	163.94	211.66	214.20	181.97	102.99	191.07	93.83
Jun-14	151.92	195.17	197.89	165.34	98.91	175.81	89.40
Jul-14	152.50	194.21	196.90	164.92	101.79	175.74	91.83
Aug-14	163.08	211.60	212.97	183.32	100.25	193.98	90.64
Sep-14	161.79	206.78	210.53	182.15	100.52	192.09	91.24
Oct-14	172.88	222.59	225.29	197.05	104.70	210.12	95.51
Nov-14	162.17	206.41	209.38	181.43	103.06	192.33	93.60
Dec-14	150.66	190.16	193.60	166.58	98.43	177.82	89.86
Jan-15	148.24	185.26	190.00	163.50	98.01	173.19	89.33
% change between Jan-15 and Dec-14							
	-1.6%	-2.6%	-1.9%	-1.8%	-0.4%	-2.6%	-0.6%
Volatility (%)							
Dec-14	4.7	5.3	5.7	5.7	3.5	7.3	4.2
Jan-15	8.8	9.6	10.0	11.2	4.6	11.2	5.5
Variation between Jan-15 and Dec-14							
	4.1	4.2	4.3	5.4	1.1	3.9	1.4

* Average price for 2nd and 3rd positions

Table 2: 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*
Jan-14	0.17	18.88	45.17	18.71	45.00	26.29	43.67
Feb-14	-1.42	23.48	76.32	24.90	77.74	52.84	71.56
Mar-14	-3.02	28.10	105.70	31.12	108.72	77.60	95.13
Apr-14	-2.86	30.00	115.07	32.86	117.93	85.07	104.27
May-14	-2.54	29.69	108.67	32.23	111.21	78.98	97.24
Jun-14	-2.72	29.83	96.26	32.55	98.98	66.43	86.41
Jul-14	-2.69	29.29	92.42	31.98	95.11	63.13	83.91
Aug-14	-1.37	28.28	111.35	29.65	112.72	83.07	103.34
Sep-14	-3.75	24.63	106.26	28.38	110.01	81.63	100.85
Oct-14	-2.70	25.54	117.89	28.24	120.59	92.35	114.61
Nov-14	-2.97	24.98	103.35	27.95	106.32	78.37	98.73
Dec-14	-3.44	23.58	91.73	27.02	95.17	68.15	87.96
Jan-15	-4.74	21.76	87.25	26.50	91.99	65.49	83.86
% change between Jan-15 and Dec-14							
	37.8%	-7.7%	-4.9%	-1.9%	-3.3%	-3.9%	-4.7%

* Average price for 2nd and 3rd positions

Table 3: Total production in exporting countries

Crop year commencing	2011	2012	2013	2014*	% change 2013-14
TOTAL	136 246	147 495	146 914	141 620	-3.6%
Arabicas	81 952	88 345	87 172	84 065	-3.6%
<i>Colombian Milds</i>	8 720	11 523	13 481	13 935	3.4%
<i>Other Milds</i>	31 913	28 914	27 000	26 655	-1.3%
<i>Brazilian Naturals</i>	41 319	47 908	46 691	43 475	-6.9%
Robustas	54 295	59 150	59 742	57 556	-3.7%
Africa	15 738	16 539	16 145	16 905	4.7%
Asia & Oceania	41 913	45 328	46 715	44 709	-4.3%
Mexico & Central America	20 194	18 504	16 821	17 313	2.9%
South America	58 401	67 124	67 232	62 693	-6.8%

* Estimated

In thousand bags

Full production data are available on the ICO website at www.ico.org/prices/po.htm

Table 4: Total exports by exporting countries

	December 2013	December 2014	% change	October - December		
				2013	2014	% change
TOTAL	8 832	8 850	0.2%	25 640	25 423	-0.8%
Arabicas	5 538	5 231	-5.5%	16 580	15 649	-5.6%
<i>Colombian Milds</i>	1 108	1 156	4.3%	3 204	3 315	3.5%
<i>Other Milds</i>	1 521	1 363	-10.4%	4 431	3 722	-16.0%
<i>Brazilian Naturals</i>	2 909	2 711	-6.8%	8 945	8 612	-3.7%
Robustas	3 293	3 619	9.9%	9 060	9 774	7.9%

In thousand bags

Full trade statistics are available on the ICO website at www.ico.org/trade_statistics.asp

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

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
London	0.46	0.40	0.32	0.27	0.85	1.12	1.28	1.41	1.88	2.02	2.08	2.12	2.35
New York	3.00	2.95	2.92	2.90	2.87	2.83	2.79	2.71	2.68	2.67	2.63	2.60	2.55

In million bags

Table 6: World coffee consumption

Calendar years	2010	2011	2012	2013	CAGR (2010-2013)
World total	137 185	139 506	143 029	146 100	2.1%
Exporting countries	41 005	42 772	44 190	44 946	3.1%
Traditional markets	71 015	70 735	71 411	73 875	1.3%
Emerging markets	25 165	25 999	27 429	27 279	2.7%

CAGR: Compound Annual Growth Rate