

October Coffee Prices Highest In Over Two Years

Coffee prices soared higher at the beginning of the month, with the ICO composite price gaining 15 cents in just 6 days, but rains in Brazil drove prices lower, finishing the month below where they started. Nevertheless, the average monthly price for October is the highest in over two and a half years. At the end of coffee year 2013/14, total exports reached 111.3 million bags, slightly down compared to 2012/13, but the second highest level on record. Despite the drought, exports from Brazil have continued to exceed their levels of a year ago.

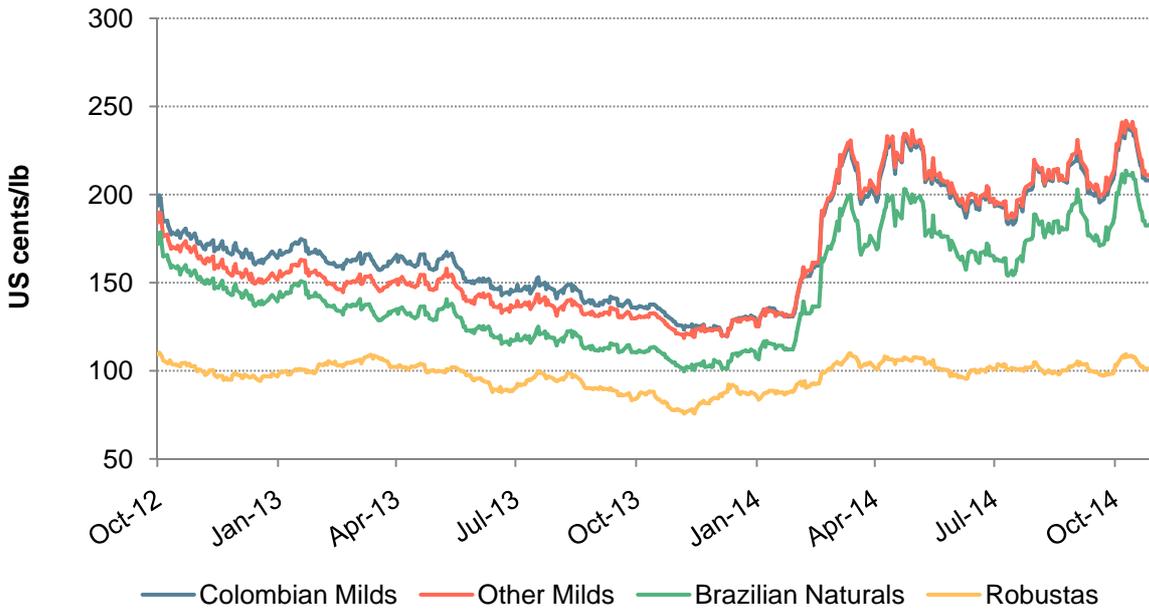
Graph 1: ICO composite indicator daily prices



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The daily price of the ICO composite jumped from 169.63 US cents/lb at the beginning of October to a high of 185.09, before falling back down to 162.08 by the end of the month. The monthly average of 172.88 is the highest since February 2012, 6.9% higher than September. This price swing has been driven almost entirely by weather reports from Brazil, with dryness at the beginning of the month spurring prices higher, before scattered showers dampened any bullish spirits. The discussion is now centred on whether damage to the 2015/16 crop is already irreversible, and to what extent these rains can encourage new flowering.

Graph 2: ICO group indicator daily prices



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In terms of the group indicators, the three Arabica indicators all reached their highest monthly average in over two and a half years (February 2012 for Colombian Milds and Brazilian Naturals, January 2012 for Other Milds), recording increases of 7.6%, 8.2% and 7%, respectively. Robustas also increased by 4.2% to reach their highest level in six months.

Graph 3: Arbitrage between New York and London futures markets

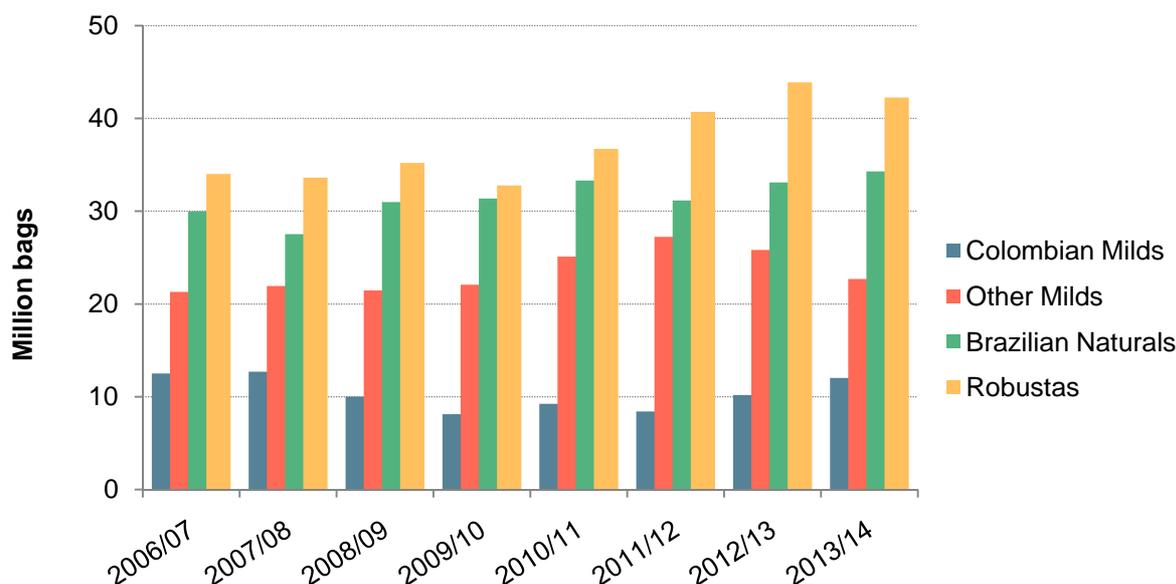


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As a result, the arbitrage between Arabica (on the New York market) and Robustas (London) also increased by 13.6% to 114.61 US cents/lb, again, the largest gap since February 2012. The price differentials between the three Arabica groups and Robusta all increased significantly.

Total exports in September 2014 reached 8.1 million bags, compared to 8.5 million in September last year. This brings to a close coffee year 2013/14, with total exports amounting to 111.3 million bags, 1.5% less than the 113 million bags shipped in coffee year 2012/13. Nevertheless, this is still the second highest level on record, ensuring that the coffee market has been well supplied over the last two years.

Graph 4: Total exports by group of coffee

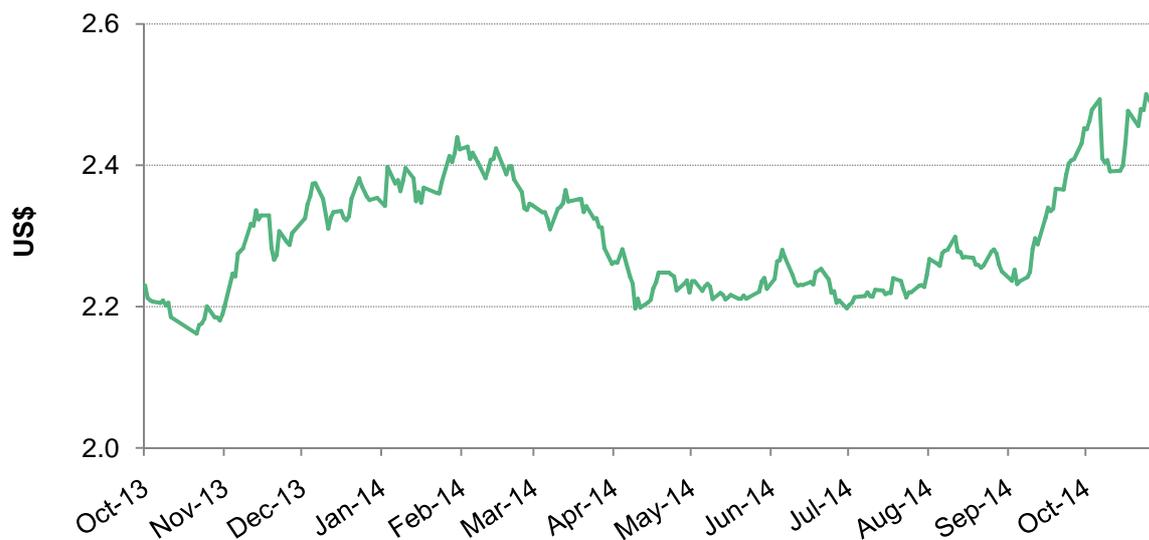


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Exports of Colombian Milds increased significantly compared to last year, up by 18.2% to reach 12 million bags for the first time since 2007, as production in Colombia continues its recovery. Exports of Other Milds, on the other hand, were 12.1% lower than last year on 22.7 million bags. In Central America, lower exports were recorded by almost all countries in the region for the second consecutive year, due to the severe damage from coffee leaf rust. As a result, total shipments of Other Milds have fallen by 4.5 million bags in the last two years.

Exports of Brazilian Naturals are up 3.6% to 34.3 million bags, bolstered by the continued strong performance of Brazil, which has now had higher monthly exports for eleven consecutive months. Furthermore, the exchange rate of the Brazilian *real* against the US dollar has depreciated significantly in the last two months to its lowest level since April 2005. This will increase the local income from dollar-denominated coffee sales, thus encouraging further sales.

Graph 5: Exchange rate of the Brazilian real against the US dollar



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Source: IMF

This brings total exports of Arabica to 69 million bags in the last twelve months, roughly unchanged on 2012/13. In terms of Robustas, the two main producers have seen mixed fortunes. Exports from Vietnam are estimated up by 10.7% to 23.8 million bags, while shipments from Indonesia have dropped by over 50% to an estimated 5.9 million bags. Total exports of Robusta are therefore down by 3.7% on 42.3 million bags.

To conclude, although slightly down compared to last year, total exports in coffee year 2013/14 were still over 110 million bags. Increased shipments from Brazil and Colombia compensated for the decrease from Central America, but an increase from Vietnam was outweighed by the lower exports from Indonesia.

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							
Oct-13	107.03	133.83	128.70	109.57	83.70	117.05	73.47
Nov-13	100.99	124.65	122.02	102.57	79.71	109.10	69.32
Dec-13	106.56	126.54	125.97	107.40	87.89	114.12	76.74
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
% change between Oct-14 and Sep-14							
	6.9%	7.6%	7.0%	8.2%	4.2%	9.4%	4.7%
Volatility (%)							
Sep-14	9.2	9.8	10.3	11.5	4.9	11.1	5.4
Oct-14	9.5	10.6	10.8	11.3	5.9	12.4	6.6
Variation between Oct-14 and Sep-14							
	0.3	0.8	0.4	-0.2	0.9	1.2	1.2

* 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*
Oct-13	5.13	24.26	50.13	19.13	45.00	25.87	43.58
Nov-13	2.63	22.08	44.94	19.45	42.31	22.86	39.78
Dec-13	0.57	19.14	38.65	18.57	38.08	19.51	37.38
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
% change between Oct-14 and Sep-14							
	-28.0%	3.7%	10.9%	-0.5%	9.6%	13.1%	13.6%

* Average price for 2nd and 3rd positions

Table 3: Total production in exporting countries

Crop year commencing	2010	2011	2012	2013*	% change 2012-13
TOTAL	133 065	132 011	145 003	145 202	0.1%
Arabicas	84 190	81 741	88 685	85 276	-3.8%
<i>Colombian Milds</i>	9 705	8 720	12 011	12 269	2.1%
<i>Other Milds</i>	28 871	31 913	28 914	26 301	-9.0%
<i>Brazilian Naturals</i>	45 614	41 108	47 759	46 705	-2.2%
Robustas	48 876	50 270	56 319	59 926	6.4%
Africa	16 053	15 715	16 529	16 267	-1.6%
Asia & Oceania	36 016	37 897	42 684	46 707	9.4%
Mexico & Central America	18 103	20 194	18 498	16 020	-13.4%
South America	62 893	58 401	67 612	66 200	-2.1%

* 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**

	September 2013	September 2014	% change	October - September		
				2012/13	2013/14	% change
TOTAL	8 548	8 150	-4.7%	113 003	111 291	-1.5%
Arabicas	5 166	5 090	-1.5%	69 105	69 028	-0.1%
<i>Colombian Milds</i>	750	892	19.0%	10 178	12 033	18.2%
<i>Other Milds</i>	1 724	1 462	-15.2%	25 825	22 698	-12.1%
<i>Brazilian Naturals</i>	2 692	2 736	1.6%	33 103	34 297	3.6%
Robustas	3 382	3 060	-9.5%	43 898	42 263	-3.7%

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**

	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
New York	3.07	3.02	3.06	3.00	2.95	2.92	2.90	2.87	2.83	2.79	2.71	2.68	2.67
London	0.89	0.77	0.50	0.46	0.40	0.32	0.27	0.85	1.12	1.28	1.41	1.88	2.02

In million bags

Table 6: World coffee consumption

Calendar years	2010	2011	2012	2013*	CAGR (2010-2013*)
World total	137 179	139 492	142 919	145 800	2.1%
Exporting countries	41 005	42 755	44 078	44 656	2.9%
Traditional markets	71 015	70 735	71 411	73 878	1.3%
Emerging markets	25 158	26 002	27 430	27 266	2.7%

CAGR: Compound Annual Growth Rate

* Estimated