

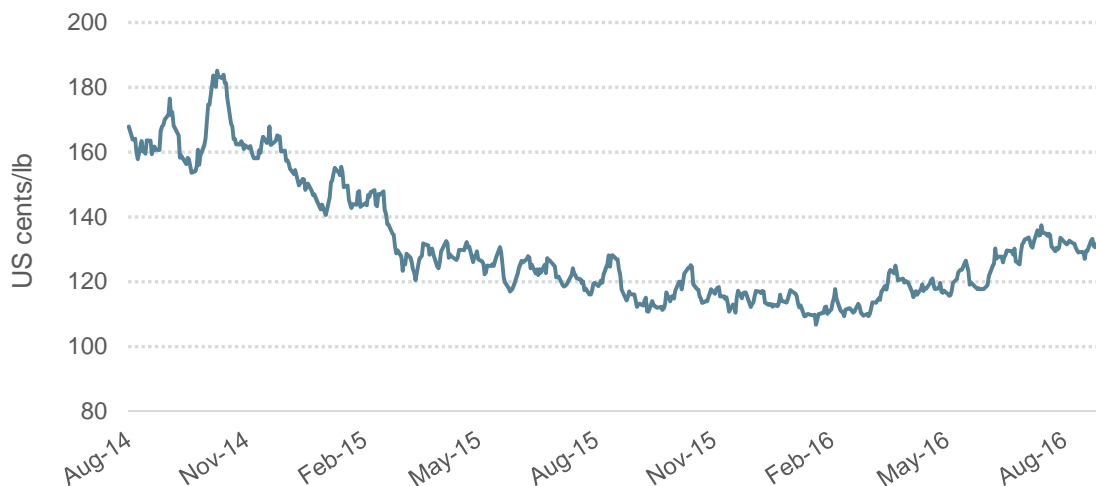


August 2016

Monthly exports hit lowest level in nearly five years

Export volumes in July were 22% lower compared to last year, as all four of the top producers registered lower shipments, due to a variety of factors. This represents the lowest monthly volume since October 2011, nearly five years ago. Prices in August slipped by 1.5%, although Robustas continued their strong recent performance to reach a 16 month high.

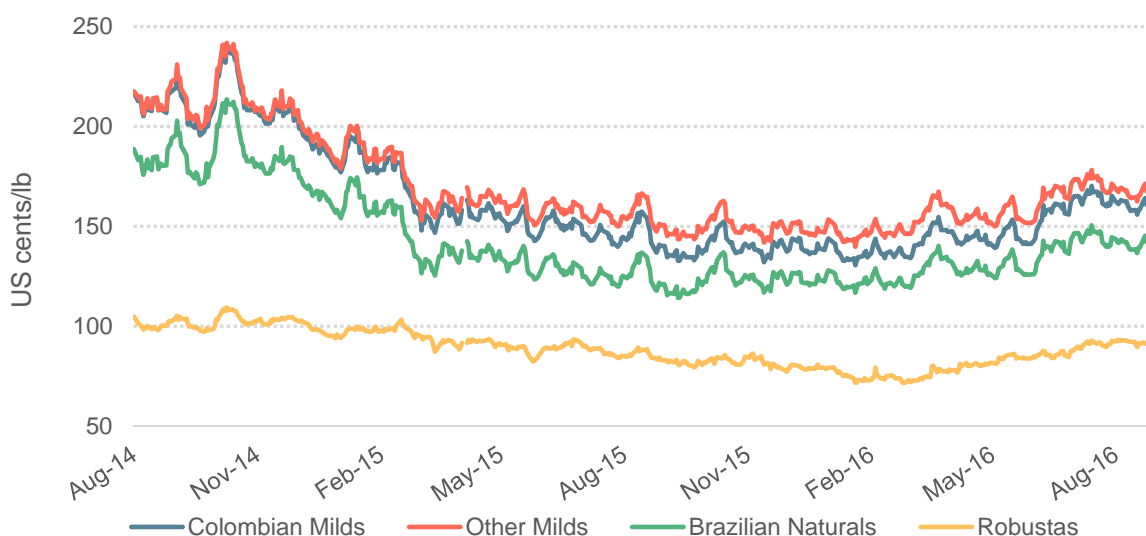
Graph 1: ICO composite indicator daily prices



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The daily price of the ICO composite indicator declined over the first two weeks of August, as the Brazilian Arabica harvest seemed to make it through the frost season relatively unscathed. Prices then recovered to around their original levels by the end of the month amid concerns being raised over the development of the 2017/18 Brazilian crop. Overall, prices were little changed, settling on 131 US cents/lb, 1.5% lower than the July average.

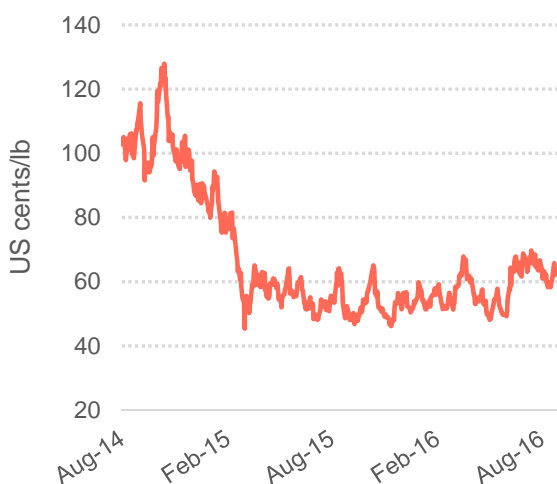
Graph 2: ICO group indicator daily prices



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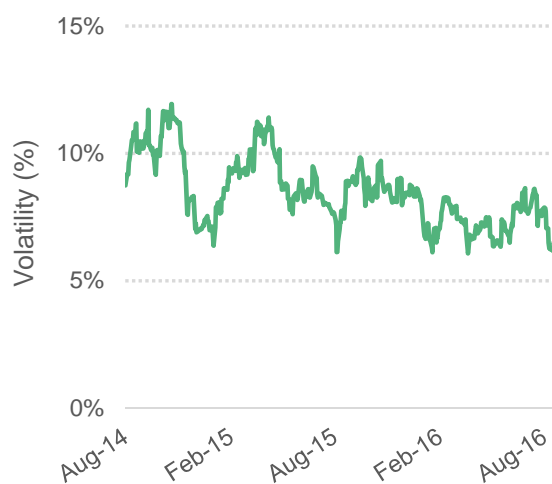
Robusta prices were relatively stable over the course of the month, with the monthly average increasing for the 6th consecutive month. Prices of the three Arabica group indicators all fell compared to July, reflecting their respective supply outlook. The arbitrage therefore narrowed slightly, although it remains relatively high compared to the course of the previous year.

Graph 3: Arbitrage between New York and London futures markets



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



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July saw a dramatic reduction in monthly export volumes, with shipments totalling just 7.7 million bags, 22% less than the same month last year and the lowest monthly volume since October 2011. Several major producers recorded lower exports, although for slightly different reasons.

In Brazil, exports were 33.1% lower than last year on 1.9 million bags, comprising 1.6 million of green Arabica (down -26.3%), 300,000 bags of roasted and soluble (-10.3%) and less than 40,000 bags of Robusta (-90.9%). This reinforces the idea that domestic stocks are nearly exhausted in Brazil, with the 2016/17 crop due to start coming to market shortly. However,

there are some concerns over the Robusta supply, which is mostly used for domestic consumption, and it is therefore likely that some lower grade Arabica will be required to supply the local market, potentially reducing availability over the next year.

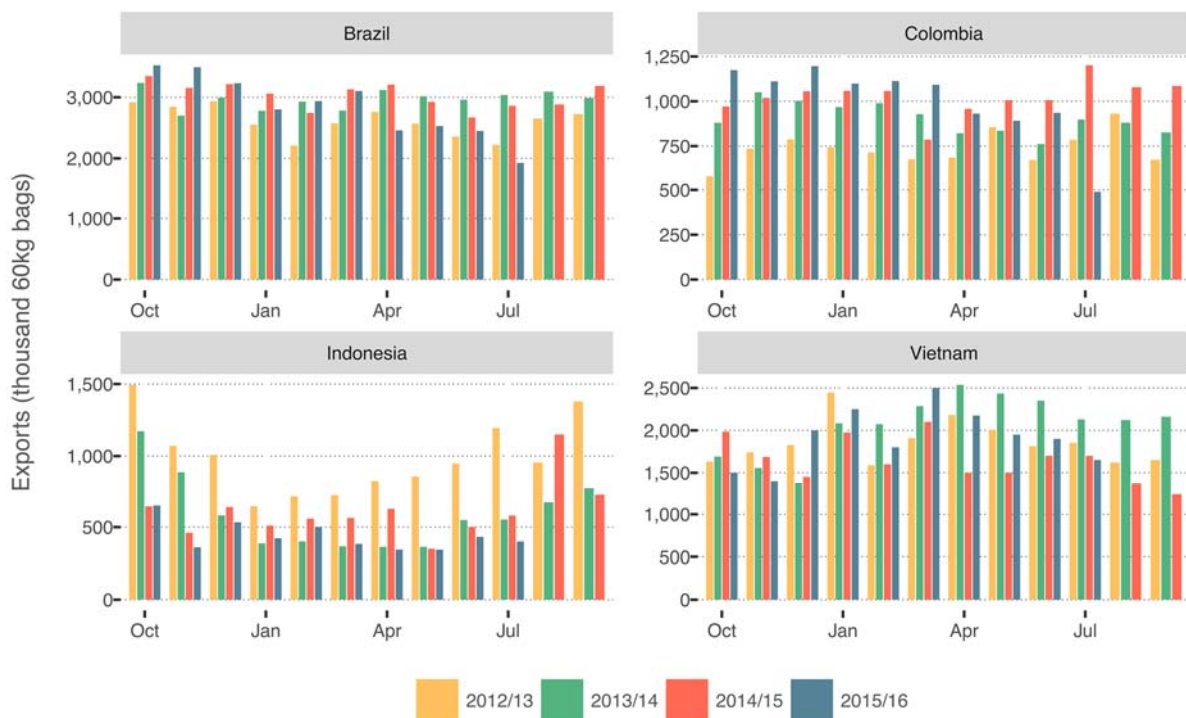
In Vietnam, exports are estimated 5.9% lower on 1.65 million bags. It is important to emphasise that these are provisional figures, which differ significantly from the official customs figures. It is believed that this difference is explained by coffee that has been customs cleared but has not yet been shipped. This would suggest that significant stocks of coffee are building up in Vietnam, which could help alleviate supply issues over the next year.

In Colombia, exports dropped by nearly 60% to just 489,000 bags as a truckers strike disrupted the internal movement of coffee. However, following the resolution of this strike, it is expected that the flow of exports should have resumed in August, although a lack of rainfall due to El Niño is expected to reduce output towards the end of the year.

Finally, Indonesia has been recording consistently lower exports since the beginning of its crop year in April, as the 2016/17 crop also seems to have been badly affected by El Niño. Total exports for the first third of its crop year (April to July) are down by over 45% on 1.5 million bags.

Graph 5: Monthly exports by selected countries

July export volumes for the top four producing countries in coffee year 2015/16 (depicted in blue) were lower than the previous year.



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As a result, total exports for the first 10 months of the coffee year have come to 93.3 million bags, 1.7% lower than last year. Arabicas are up by 2.6%, with higher shipments of both Other Milds and Brazilian Naturals, while Robustas are down by 8.2%.

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							
Aug-15	121.21	146.96	156.92	127.24	85.78	132.42	76.25
Sep-15	113.14	135.55	146.15	117.83	81.50	121.66	71.53
Oct-15	118.43	143.10	153.25	127.47	82.78	129.45	72.89
Nov-15	115.03	138.63	147.98	122.95	81.74	122.35	72.04
Dec-15	114.63	139.89	148.66	123.73	79.28	123.77	70.02
Jan-16	110.89	135.21	145.03	121.21	74.71	120.20	65.67
Feb-16	111.75	137.17	147.70	122.24	74.04	119.25	64.96
Mar-16	117.83	145.20	157.50	130.38	75.60	127.33	66.17
Apr-16	117.93	143.66	154.22	128.10	80.18	125.34	70.90
May-16	119.91	144.49	155.19	129.05	83.93	126.80	75.11
Jun-16	127.05	156.86	165.45	138.38	85.94	139.10	76.87
Jul-16	132.98	164.46	171.76	144.76	90.82	148.16	82.09
Aug-16	131.00	160.78	167.54	141.41	91.79	145.37	83.47
% change between Aug-16 and Jul-16							
	-1.5%	-2.2%	-2.5%	-2.3%	1.1%	-1.9%	1.7%
Volatility (%)							
Jul-16	6.2%	6.8%	6.9%	7.3%	4.8%	8.9%	4.8%
Aug-16	4.4%	5.1%	5.1%	5.7%	3.7%	6.6%	3.7%
Variation between Aug-16 and Jul-16							
	-1.7%	-1.7%	-1.8%	-1.6%	-1.1%	-2.3%	-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*
Aug-15	-9.96	19.72	61.18	29.68	71.14	41.46	56.17
Sep-15	-10.60	17.72	54.05	28.32	64.65	36.33	50.13
Oct-15	-10.15	15.63	60.32	25.78	70.47	44.69	56.56
Nov-15	-9.35	15.68	56.89	25.03	66.24	41.21	50.31
Dec-15	-8.77	16.16	60.61	24.93	69.38	44.45	53.75
Jan-16	-9.82	14.00	60.50	23.82	70.32	46.50	54.53
Feb-16	-10.53	14.93	63.13	25.46	73.66	48.20	54.29
Mar-16	-12.30	14.82	69.60	27.12	81.90	54.78	61.16
Apr-16	-10.56	15.56	63.48	26.12	74.04	47.92	54.44
May-16	-10.70	15.44	60.56	26.14	71.26	45.12	51.69
Jun-16	-8.59	18.48	70.92	27.07	79.51	52.44	62.23
Jul-16	-7.30	19.70	73.64	27.00	80.94	53.94	66.07
Aug-16	-6.76	19.37	68.99	26.13	75.75	49.62	61.90
% change between Aug-16 and Jul-16							
	-7.4%	-1.7%	-6.3%	-3.2%	-6.4%	-8.0%	-6.3%

* Average price for 2nd and 3rd positions

Table 3: Total production in exporting countries

Crop year commencing	2012	2013	2014	2015	% change 2014-15
TOTAL	144 960	146 506	142 278	143 306	0.7%
Arabicas	88 420	88 400	82 889	82 890	0.0%
<i>Colombian Milds</i>	11 523	13 488	14 571	14 845	1.9%
<i>Other Milds</i>	29 143	26 838	25 768	25 755	0.0%
<i>Brazilian Naturals</i>	47 753	48 074	42 551	42 289	-0.6%
Robustas	56 540	58 106	59 389	60 416	1.7%
Africa	16 668	16 214	16 055	17 449	8.7%
Asia & Oceania	42 552	46 453	45 666	47 805	4.7%
Mexico & Central America	18 609	16 596	17 269	16 753	-3.0%
South America	67 131	67 243	63 287	61 298	-3.1%

In thousand bags

Full production data are available on the ICO website at www.ico.org/trade_statistics.asp

Table 4: Total exports by exporting countries

	July 2015	July 2016	% change	October - July		% change
				2014/15	2015/16	
TOTAL	9 934	7 747	-22.0%	94 849	93 275	-1.7%
Arabicas	5 917	4 783	-19.2%	57 771	59 253	2.6%
<i>Colombian Milds</i>	1 268	571	-55.0%	11 154	11 171	0.2%
<i>Other Milds</i>	1 984	2 102	5.9%	18 717	19 395	3.6%
<i>Brazilian Naturals</i>	2 665	2 111	-20.8%	27 900	28 687	2.8%
Robustas	4 017	2 963	-26.2%	37 078	34 021	-8.2%

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

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
New York	2.36	2.28	2.15	2.08	1.95	1.82	1.76	1.62	1.58	1.53	1.48	1.45	1.45
London	3.43	3.43	3.37	3.35	3.31	3.23	3.04	2.92	2.78	2.64	2.53	2.45	2.37

In million bags

Table 6: World coffee consumption

Calendar years	2012	2013	2014	2015	CAGR (2012-2015)
World total	143 430	147 811	150 389	152 204	2.0%
Exporting countries	44 711	45 522	46 649	47 633	2.1%
Importing countries	98 719	102 289	103 740	104 572	1.9%
Africa	9 839	10 690	10 455	10 621	2.6%
Asia & Oceania	28 421	29 649	31 260	33 131	5.2%
Central America & Mexico	5 149	5 154	5 215	5 242	0.6%
Europe	49 459	50 499	50 960	50 116	0.4%
North America	25 730	26 931	27 679	27 975	2.8%
South America	24 831	24 888	24 819	25 120	0.4%

CAGR: Compound Annual Growth Rate

In thousand bags