



November 2015

## Prices settle lower as focus turns to upcoming year

November saw mounting speculation over the size of the next 2016/17 Brazilian crop and its impact on the global supply/demand balance. In general, prospects for Brazil seem positive, although there is some concern over the conilon crop. Prices showed little clear trend, but ended the month down by nearly 3%, as commodities more broadly were subject to currency fluctuations, with coffee most prominently affected by the Brazilian real. In terms of ICO figures, production for crop year 2014/15 is pegged at 143.3 million bags, while consumption in calendar year 2014 has been revised upwards to 149.8 million bags, due to higher than expected demand in the European Union.

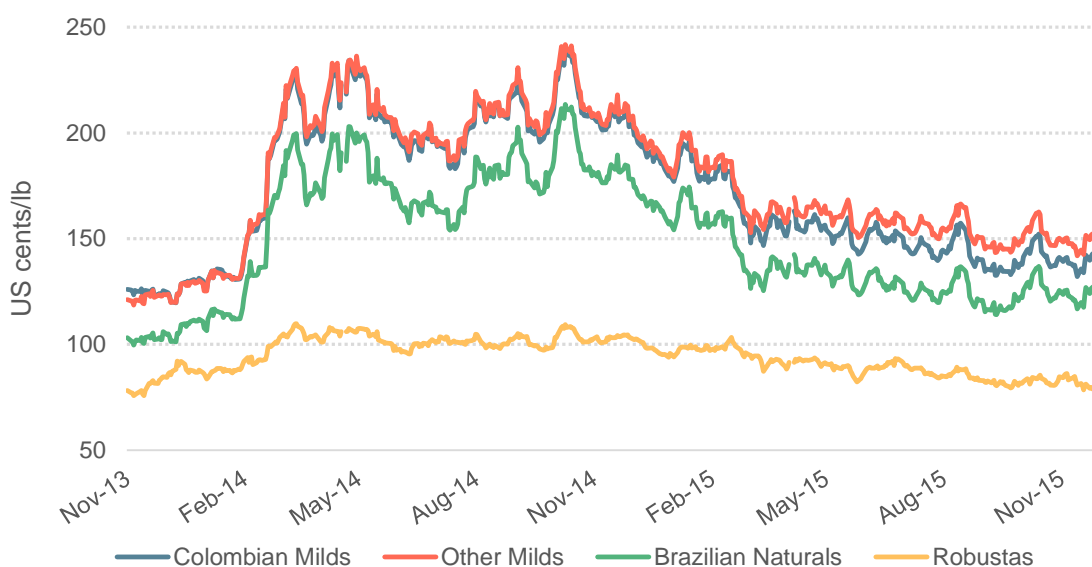
Graph 1: ICO composite indicator daily prices



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The monthly average of the ICO composite indicator price dropped by 2.9% to 115.03 US cents/lb, its second-lowest level in nearly two years. The daily price ranged from a high of 118.30 cents to a low of 110.45, its lowest daily price since January 2014. The exchange rate of the Brazilian real stabilised slightly, but the ongoing strong export levels from Brazil maintained negative pressure on the coffee market.

Graph 2: ICO group indicator daily prices



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In terms of the group indicators, the monthly average of all four ICO groups settled lower, with the heaviest declines in the three Arabica groups. Colombian Milds, Other Milds and Brazilian Naturals fell by 3.1%, 3.4% and 3.5% respectively, while Robustas were 1.3% lower. The arbitrage between Arabica (on the New York futures market) and Robusta (on London) narrowed by 11.1% to 50.31 cents, which should provide some support to Arabica prices moving forward.

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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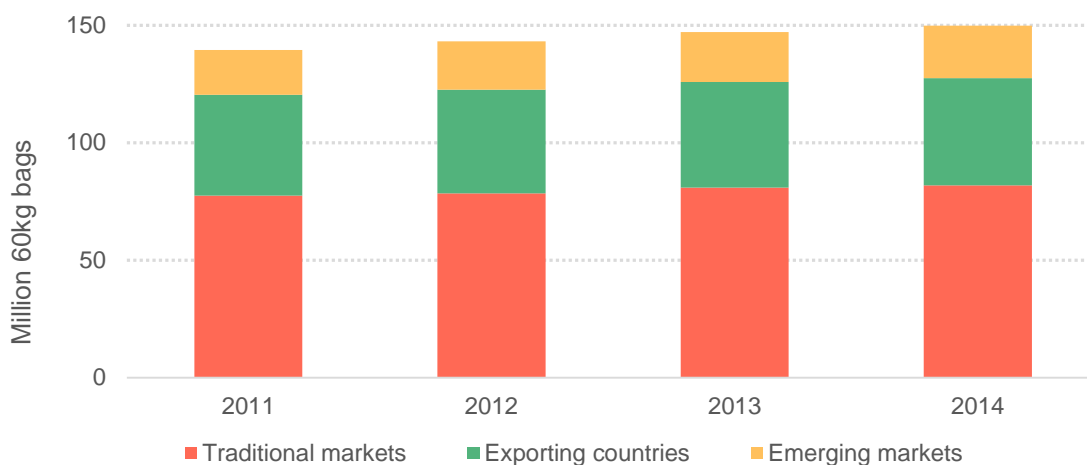
Total exports in October 2015 came to 8.7 million bags, 3.6% less than October 2014. This decrease was mostly attributable to lower shipments of Robusta, which anecdotal reports suggest is a reaction to the low prices, particularly in Vietnam.

Exports from Brazil were also slightly lower compared to October 2014, but still recorded their highest volume in the last twelve months, starting coffee year 2015/16 with exports of 3.2 million bags. The 36.9 million bags exported in coffee year 2014/15 was a record for Brazil, despite the lower production figures, suggesting that significant volumes of domestic stocks have been used to fuel the market.

In the absence of further information, production in Vietnam in 2014/15 has been maintained at 27.5 million bags, comprising 95% Robusta. However, exports from Vietnam were estimated at just over 20 million bags in coffee year 2014/15, 19.2% less than the previous year. Taking into account a domestic consumption of around 2 million bags, this suggests a significant Robusta stock buildup, which has yet to come to market. Looking ahead to 2015/16, the Vietnamese coffee authority Vicofa have indicated that they expect production to drop to 18 million bags, as lower prices reduce the incentive for farmers to invest in their trees. This contrasts with the recent USDA forecast of 29.3 million bags.

Turning to consumption, the world total for calendar year 2014 has been revised upwards to 149.8 million bags, representing an average annual growth rate of 2.4% over the last four years. This revision is due to higher than expected demand in the European Union, which is now estimated at 42.4 million bags. Consumption in Brazil, on the other hand, has been revised down by 500,000 bags.

Graph 5: World coffee consumption (calendar years)



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**Table 1: ICO indicator prices and futures prices (US cents/lb)**

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
<b>Monthly averages</b>							
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
Feb-15	141.10	174.11	178.89	151.90	98.36	159.55	89.76
Mar-15	127.04	154.29	160.74	133.55	92.16	139.70	82.94
Apr-15	129.02	157.06	164.00	136.70	92.06	141.79	82.71
May-15	123.49	150.19	158.48	130.38	87.56	135.22	78.03
Jun-15	124.97	152.02	159.76	130.51	90.25	135.86	80.25
Jul-15	119.77	144.52	154.45	123.64	87.12	128.59	77.16
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
<b>% change between Nov-15 and Oct-15</b>							
	<b>-2.9%</b>	<b>-3.1%</b>	<b>-3.4%</b>	<b>-3.5%</b>	<b>-1.3%</b>	<b>-5.5%</b>	<b>-1.2%</b>
<b>Volatility (%)</b>							
Oct-15	7.6	8.2	7.9	9.7	6.3	9.5	7.2
Nov-15	8.0	8.0	7.6	9.7	7.7	9.2	8.5
<b>Variation between Nov-15 and Oct-15</b>							
	<b>0.4</b>	<b>-0.2</b>	<b>-0.3</b>	<b>0.0</b>	<b>1.4</b>	<b>-0.4</b>	<b>1.3</b>

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> positions

**Table 2: Price differentials (US cents/lb)**

	Colombian Milds	Colombian Milds	Colombian Milds	Other Milds	Other Milds	Brazilian Naturals	New York*
	Other Milds	Brazilian Naturals	Robustas	Brazilian Naturals	Robustas	Robustas	London*
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
Feb-15	-4.78	22.21	75.75	26.99	80.53	53.54	69.79
Mar-15	-6.45	20.74	62.13	27.19	68.58	41.39	56.76
Apr-15	-6.94	20.36	65.00	27.30	71.94	44.64	59.08
May-15	-8.29	19.81	62.63	28.10	70.92	42.82	57.19
Jun-15	-7.74	21.51	61.77	29.25	69.51	40.26	55.61
Jul-15	-9.93	20.88	57.40	30.81	67.33	36.52	51.43
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
<b>% change between Nov-15 and Oct-15</b>							
	<b>-7.9%</b>	<b>0.3%</b>	<b>-5.7%</b>	<b>-2.9%</b>	<b>-6.0%</b>	<b>-7.8%</b>	<b>-11.1%</b>

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> positions

**Table 3: Total production in exporting countries**

Crop year commencing	2011	2012	2013	2014	% change 2013-14
<b>TOTAL</b>	<b>136 571</b>	<b>147 615</b>	<b>146 630</b>	<b>143 253</b>	<b>-2.3%</b>
Arabicas	82 007	88 370	87 010	84 999	-2.3%
<i>Colombian Milds</i>	8 720	11 523	13 488	14 656	8.7%
<i>Other Milds</i>	31 845	28 933	26 829	26 531	-1.1%
<i>Brazilian Naturals</i>	41 442	47 914	46 693	43 812	-6.2%
Robustas	54 564	59 245	59 620	58 253	-2.3%
Africa	16 058	16 632	16 240	16 569	2.0%
Asia & Oceania	41 919	45 379	46 573	45 693	-1.9%
Mexico & Central America	20 194	18 481	16 585	18 001	8.5%
South America	58 400	67 122	67 232	62 990	-6.3%

In thousand bags

Full production data are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

**Table 4: Total exports by exporting countries**

	October 2014	October 2015	% change	November - October		
				2013/14	2014/15	% change
<b>TOTAL</b>	<b>9 067</b>	<b>8 745</b>	<b>-3.6%</b>	<b>113 902</b>	<b>110 378</b>	<b>-3.1%</b>
Arabicas	5 446	5 547	1.9%	69 414	68 479	-1.3%
<i>Colombian Milds</i>	1 060	1 268	19.7%	12 130	13 643	12.5%
<i>Other Milds</i>	1 185	1 209	2.0%	22 433	21 791	-2.9%
<i>Brazilian Naturals</i>	3 201	3 070	-4.1%	34 852	33 044	-5.2%
Robustas	3 621	3 198	-11.7%	44 487	41 899	-5.8%

In thousand bags

Full trade statistics are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

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

	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
New York	2.63	2.60	2.55	2.56	2.60	2.56	2.41	2.43	2.38	2.36	2.28	2.15	2.08
London	2.08	2.12	2.35	2.55	2.84	2.93	3.02	3.12	3.35	3.43	3.43	3.37	3.35

In million bags

**Table 6: World coffee consumption**

Calendar years	2011	2012	2013	2014	CAGR (2011-2014)
<b>World total</b>	<b>139.5</b>	<b>143.1</b>	<b>147.1</b>	<b>149.8</b>	<b>2.4%</b>
Exporting countries	42.8	44.2	44.9	45.6	2.1%
Traditional markets	77.6	78.4	80.9	81.9	1.8%
Emerging markets	19.1	20.5	21.3	22.4	5.4%

CAGR: Compound Annual Growth Rate

In thousand bags

Full consumption statistics are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)