

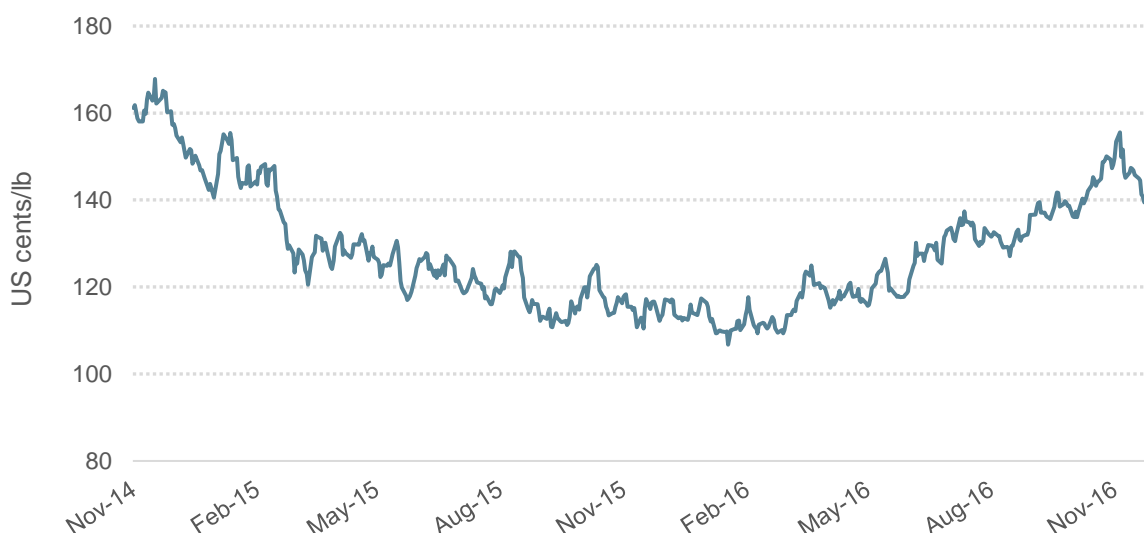


November 2016

## Downward correction in coffee market as supply prospects improve

*The recent rally in coffee prices underwent a notable reversal in November 2016, attributed to improved weather prospects in Brazil and Vietnam and a concurrent depreciation in the Brazilian real. This has reduced concerns over future supply, although the market has been in deficit for the last couple of years and prospects for Robusta production are still less than optimal. Nevertheless, current availability of coffee remains sufficient, with total exports of 112.4 million bags over the last 12 months.*

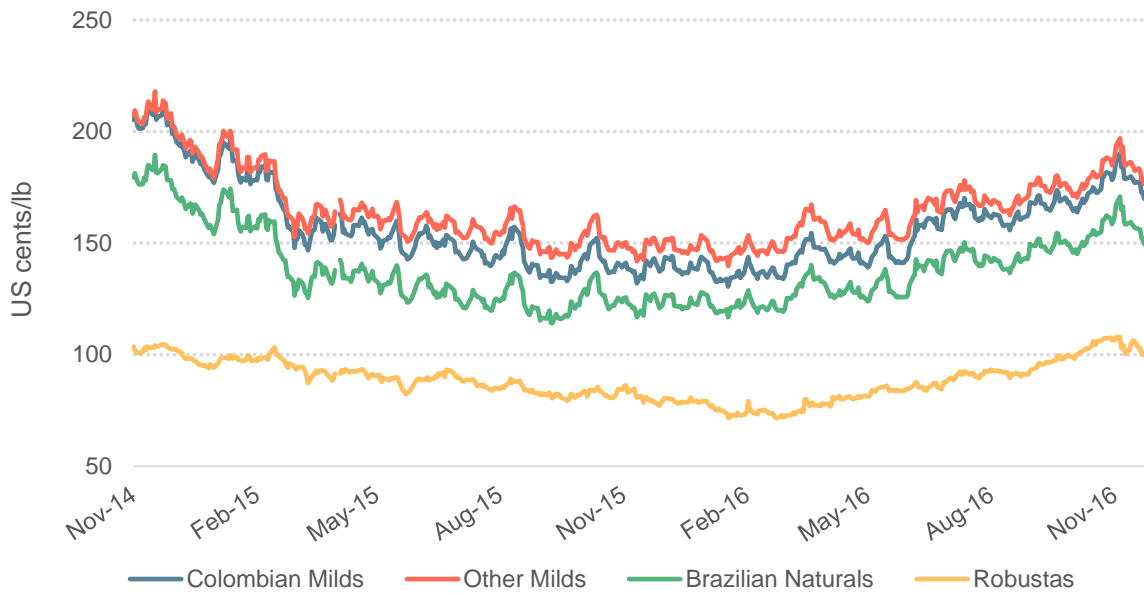
Graph 1: ICO composite indicator daily prices



© 2016 International Coffee Organization ([www.ico.org](http://www.ico.org))

After reaching a 23 month high of 155.52 US cents/lb on 7 November, the daily price of the ICO composite indicator fell precipitously to a low of 137.01 cents towards the end of the month, down by over 18.5 cents. This decline was attributed to improving prospects for future supply, along with a depreciation in the Brazilian real after several months of appreciation. Despite this downward trend, the monthly average for November settled up by 2.2% on 145.82 cents, its highest level since January 2015.

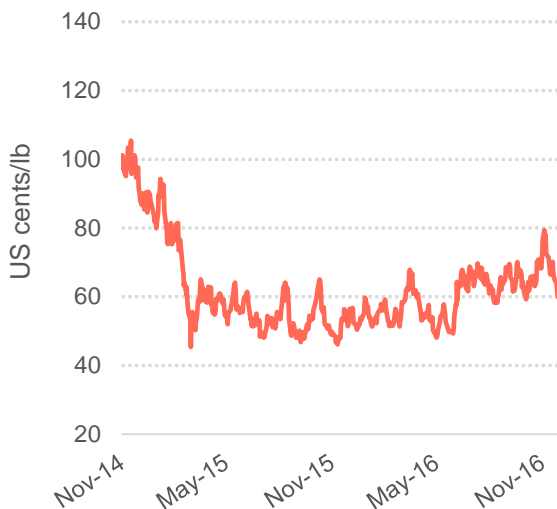
Graph 2: ICO group indicator daily prices



© 2016 International Coffee Organization ([www.ico.org](http://www.ico.org))

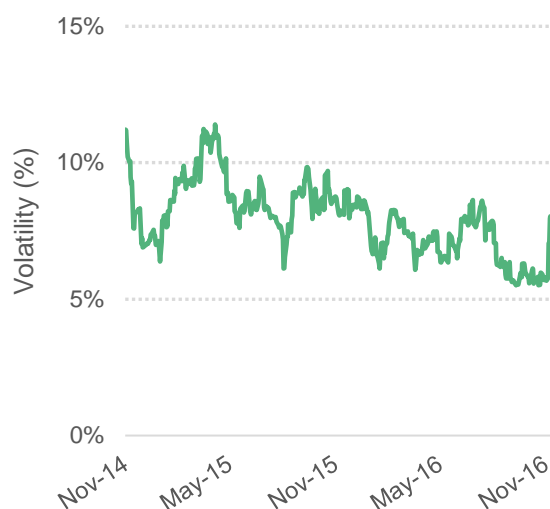
The decline in daily prices was most evident in the three Arabica group indicators, which all fell by around 25 cents from high to low over the course of November. The Robusta group dropped by 8 cents in daily terms but settled mostly unchanged compared to the October monthly average. The daily arbitrage between the New York and London futures markets narrowed significantly to around 60 cents by the end of November, while price volatility spiked considerably.

Graph 3: Arbitrage between New York and London futures markets



© 2016 International Coffee Organization ([www.ico.org](http://www.ico.org))

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



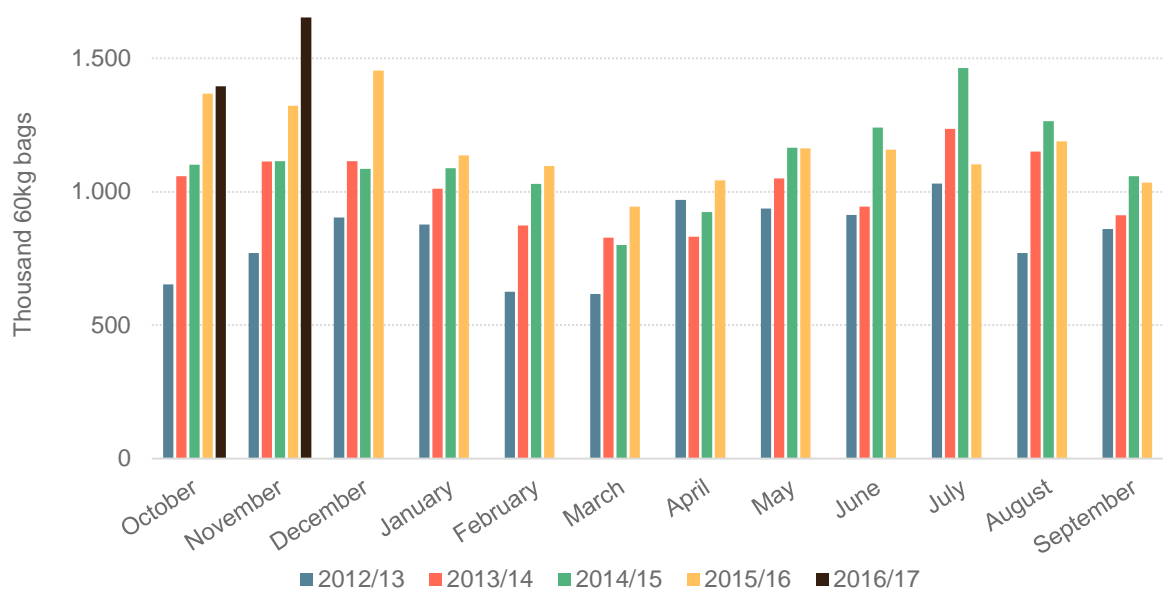
© 2016 International Coffee Organization ([www.ico.org](http://www.ico.org))

Exports for the first month of the new coffee year (October) were 1.9% lower than last year on 9.1 million bags. Shipments of Arabica were 4.7% higher, while Robustas were 12.9% lower, despite an increase in exports estimated from Vietnam. Robusta availability from Brazil has dropped to negligible levels as lower output so far this year has squeezed the domestic market.

Exports from Peru continued their strong performance in recent months, with exports for the first seven months of their crop year (April to October) up by 31.2% compared to 2015/16, reaching nearly 2.5 million bags, suggesting that production this year has improved considerably.

Colombia has also started the year in a positive fashion, with production in the first two months of the year (October and November) coming to just over 3 million bags, which is the highest volume for the period since 1998. This also means that total production by Colombia over the last 12 months has reached 14.4 million bags, compared to 13.8 million in the previous period. However, the potential of heavy rains if La Niña develops in early 2017 could have an impact on the crop.

Graph 5: Monthly production volumes by Colombia



© 2016 International Coffee Organization ([www.ico.org](http://www.ico.org))

In summary, while supplies over the last couple of years have been running a little short, with deficits in both 2014/15 and 2015/16, there is some potential for recovery in 2016/17, particularly in Arabica. Output of Robusta is still expected to fall, with lower crops anticipated in most major producers, but prospects for Arabica are more positive.

**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-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
Sep-16	138.22	168.85	176.30	149.80	96.88	154.87	88.63
Oct-16	142.68	172.28	178.96	153.15	103.65	160.07	95.30
Nov-16	145.82	177.85	184.12	157.72	103.72	165.24	95.40
<b>% change between Nov-16 and Oct-16</b>							
	2.2%	3.2%	2.9%	3.0%	0.1%	3.2%	0.1%
<b>Volatility (%)</b>							
Oct-16	4.3%	5.3%	5.1%	5.5%	3.7%	6.2%	3.9%
Nov-16	7.4%	7.6%	7.5%	8.4%	8.3%	9.2%	9.3%
<b>Variation between Nov-16 and Oct-16</b>							
	3.0%	2.3%	2.4%	2.9%	4.6%	3.1%	5.4%

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> 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*
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
Sep-16	-7.45	19.05	71.97	26.50	79.42	52.92	66.24
Oct-16	-6.68	19.13	68.63	25.81	75.31	49.50	64.77
Nov-16	-6.27	20.13	74.13	26.40	80.40	54.00	69.84
<b>% change between Nov-16 and Oct-16</b>							
	-6.1%	5.2%	8.0%	2.3%	6.8%	9.1%	7.8%

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

**Table 3: World Supply/Demand Balance\***

Crop year commencing	2012	2013	2014	2015	% change 2014-15
<b>PRODUCTION</b>	<b>150 858</b>	<b>152 105</b>	<b>146 648</b>	<b>147 994</b>	<b>0.9%</b>
Arabica	91 511	90 540	85 239	85 814	0.7%
Robusta	59 346	61 564	61 410	62 179	1.3%
Africa	16 673	16 205	16 005	16 831	5.2%
Asia & Oceania	42 181	45 903	44 592	47 428	6.4%
Mexico & Central America	18 773	16 856	17 287	16 739	-3.2%
South America	73 230	73 141	68 764	66 997	-2.6%
<b>CONSUMPTION</b>	<b>145 367</b>	<b>147 017</b>	<b>149 395</b>	<b>151 303</b>	<b>1.3%</b>
Exporting countries	44 350	44 209	45 374	46 369	2.2%
Importing countries	101 018	102 808	104 021	104 933	0.9%
Africa	10 447	10 571	10 704	10 815	1.0%
Asia & Oceania	28 329	28 745	30 516	31 609	3.6%
Mexico & Central America	5 135	5 198	5 239	5 257	0.4%
Europe	50 239	50 845	50 608	50 870	0.5%
North America	26 631	27 492	27 901	28 035	0.5%
South America	24 587	24 167	24 426	24 717	1.2%
<b>BALANCE</b>	<b>5 490</b>	<b>5 088</b>	<b>-2 747</b>	<b>-3 309</b>	<b>20.5%</b>

In thousand bags

\* Under review

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

	October 2015	October 2016	% change	November - October		
				2014/15	2015/16	% change
<b>TOTAL</b>	<b>9 309</b>	<b>9 131</b>	<b>-1.9%</b>	<b>113 020</b>	<b>112 392</b>	<b>-0.6%</b>
Arabicas	5 837	6 109	4.7%	69 208	71 932	3.9%
Colombian Milds	1 306	1 322	1.3%	13 700	13 617	-0.6%
Other Milds	1 237	1 385	12.0%	21 816	23 230	6.5%
Brazilian Naturals	3 295	3 401	3.2%	33 691	35 085	4.1%
Robustas	3 472	3 023	-12.9%	43 812	40 460	-7.7%

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-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16
New York	2.08	1.95	1.82	1.76	1.62	1.58	1.53	1.48	1.45	1.45	1.42	1.44	1.42
London	3.35	3.31	3.23	3.04	2.92	2.78	2.64	2.53	2.45	2.37	2.32	2.28	2.38

In million bags