



March 2019

## Monthly composite indicator lowest since October 2006

*In March 2019, the ICO composite indicator fell by 3.1% to 97.50 US cents/lb, which is the lowest monthly average since October 2006 when the price was 95.53 US cents/lb. Prices for all group indicators fell in March 2019, with Brazilian Naturals registering a decrease of 4.2% to 95.81 US cents/lb, the largest among the four group indicators. Shipments in the first five months of coffee year 2018/19 increased by 6.2% to 52.27 million bags, reflecting the ample supply of coffee on the international market. Shipments of Brazilian Naturals rose by 20.4% to 18.65 million bags, and Colombian Milds grew by 7.7% to 6.63 million bags. World production in coffee year 2018/19 is estimated at 168.05 million bags while consumption is estimated at 164.99 million bags, creating a surplus of 3.06 million bags. This follows a surplus of 4.16 million bags in coffee year 2017/18.*

Figure 1: ICO composite indicator daily prices

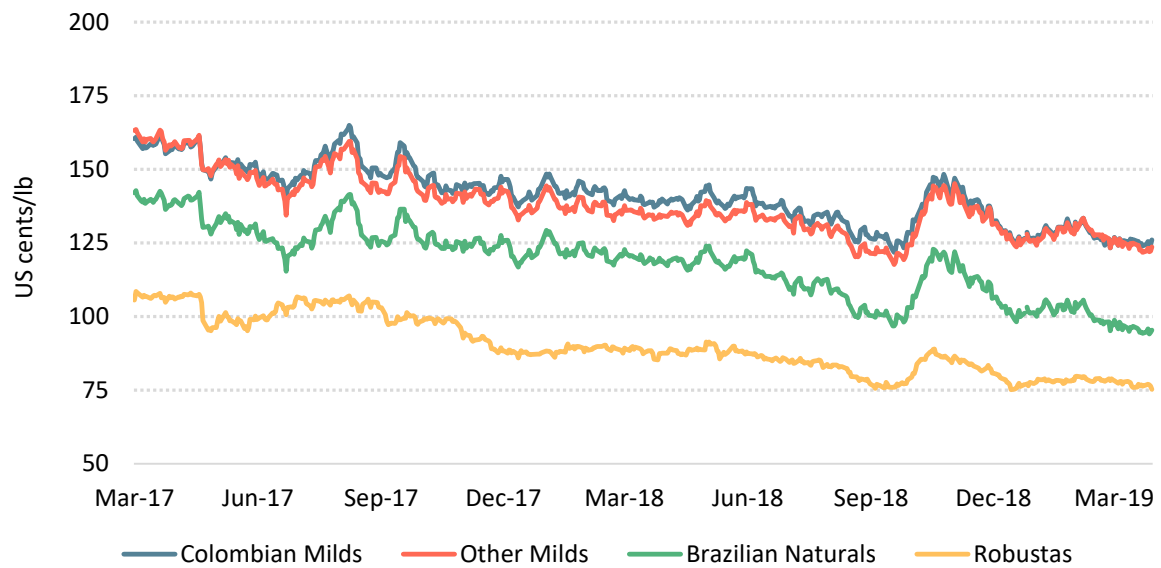


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**The monthly average of the ICO composite indicator fell by 3.1% to 97.50 US cents/lb in March 2019.** This is the lowest monthly average since October 2006 when the price was 95.53 US cents/lb. The daily composite indicator generally declined over the month, starting at a high of 99.61 US cents/lb

on 1 March 2019 and reaching a low of 96.23 US cents/lb on 22 March 2019. Prospects of a large off-year crop from Brazil for crop year 2019/20 and increased exports in each month of 2018/19 compared to the previous year are contributing to the sustained low prices this coffee year.

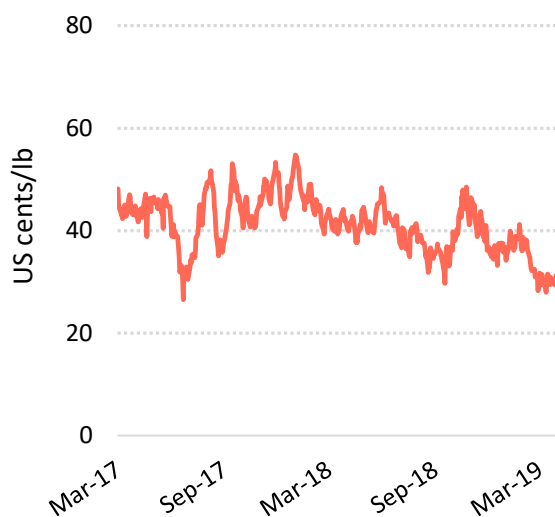
Figure 2: ICO group indicator daily prices



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**Price movements for all group indicators fell in March 2019.** Prices for Brazilian Naturals decreased by 4.2% to 95.81 US cents/lb, which is the lowest price for this group since July 2006. Prices for Colombian Milds declined by 2.1% to 125.23 US cents/lb while Other Milds fell by 3.6% to 123.89 US cents/lb. In terms of differentials, Colombian Milds frequently traded above Other Milds in March, resulting in a differential of 1.34 US cents/lb for the month, reversing the trend of a negative differential last month. Prices for Robusta fell by 2.1% to 76.96 US cents/lb. In March, the arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets narrowed further, decreasing by 10% to 30.23 US cents/lb. The last time arbitrage had reached this level was in March 2003, with a difference of 30.84 US cent/lb between the New York and London futures prices. Intra-day volatility of the ICO composite indicator price decreased by 0.2 percentage points to 5.7% as the intra-day volatility of Robusta increased by 0.1 percentage point while it decreased for all Arabica indicators.

Figure 3: Arbitrage between New York and London futures markets



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



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**In February 2019, world coffee exports amounted to 10.16 million bags, 3.2% higher than in February 2018.** Increased shipments of Brazilian Naturals and Colombian Milds offset declines in Other Milds and Robusta. Compared to February 2018, exports of Brazilian Naturals grew by 27.7% to 3.46 million bags, and exports of Colombian Milds rose by 12.4% to 1.39 million bags in February 2019. In contrast, shipments of Robusta fell by 4.9% to 3.21 million bags, and shipments of Other Milds decreased by 16.8% to 2.11 million bags. In the first five months of 2018/19, total exports grew by 6.2% to 52.27 million bags. Exports of all types, except for Other Milds, increased compared to the first five months of 2017/18. Shipments of Brazilian Naturals rose by 20.4% to 18.65 million bags, and Colombian Milds grew by 7.7% to 6.63 million bags. Robusta exports in coffee year 2018/19 rose by 2.5% to 17.93 million bags. However, shipments of Other Milds fell by 10.1% to 9.05 million bags.

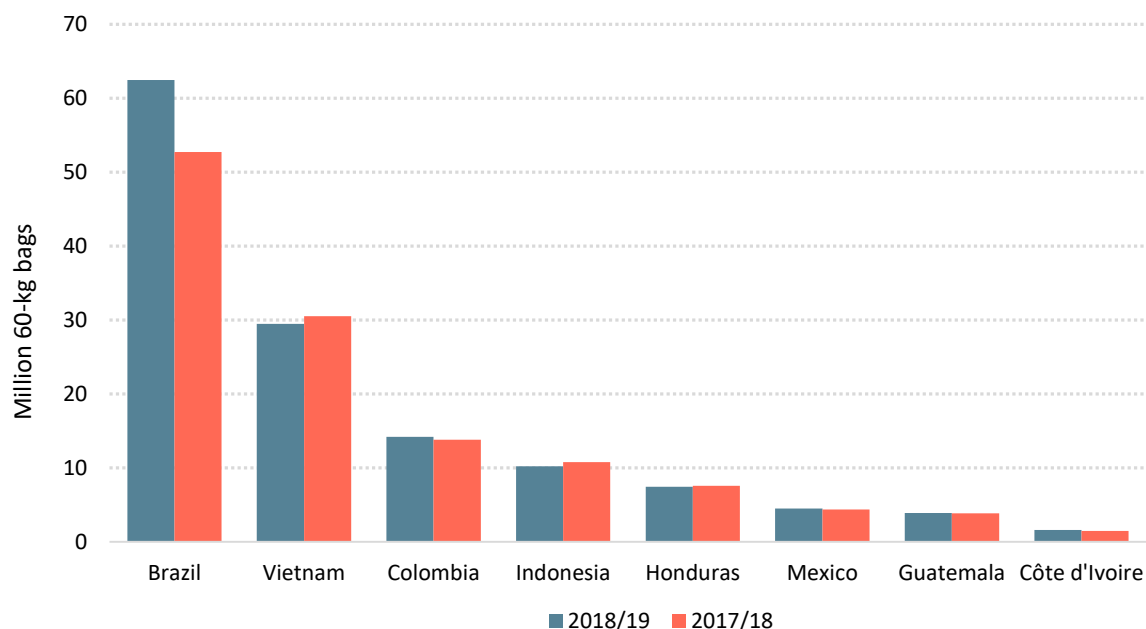
**World production in coffee year 2018/19 is estimated at 168.05 million bags compared to 165.54 million bags in 2017/18.** The largest growth occurred in South America, where output increased by 4.4% to 80.42 million bags. Brazil's 2018/19 crop year production has been revised upwards to 62.5 million bags since last month's report. This in turn has caused global production to increase in both coffee year 2017/18 and 2018/19. Brazil's exports in the first five months of the coffee year are 29.7% higher than one year ago, reaching 18.32 million bags. Shipments from Brazil have been supported by the weakness of the Brazilian real against the US dollar in the past few months. Colombia's production is estimated to rise by 2.7% to 14.2 million bags in coffee year 2018/19. In February 2019, it exported 1.26 million bags of coffee, and its shipments in October 2018 to February 2019, grew by 6.1% to 6.01 million bags.

**Africa is estimated to harvest 17.74 million bags in 2018/19, an increase of 1.4% over 2017/18.** The top three producing countries in Africa are all estimated to increase their output in 2018/19. Notably, Côte d'Ivoire's production is estimated to rise by 9% to 1.6 million bags. This is reflected in the growth of their shipments in the first five months of coffee year 2018/19, which more than doubled to 617,241 bags compared to last year when they reached 243,155 bags.

**Production in Central America & Mexico is estimated to decline by 0.5% to 21.72 million bags.**

Production in Honduras is estimated down 1.5% to 7.45 million bags following record production in 2017/18. Shipments from Honduras declined by 19.4% to 2.01 million bags, which largely accounts for the fall in Other Milds group's exports this coffee year. Production in Mexico, the second largest producer in the region, is estimated to increase by 2.5% to 4.5 million bags, and output from Guatemala, the region's third largest, is estimated to increase 1.1% to 3.9 million bags.

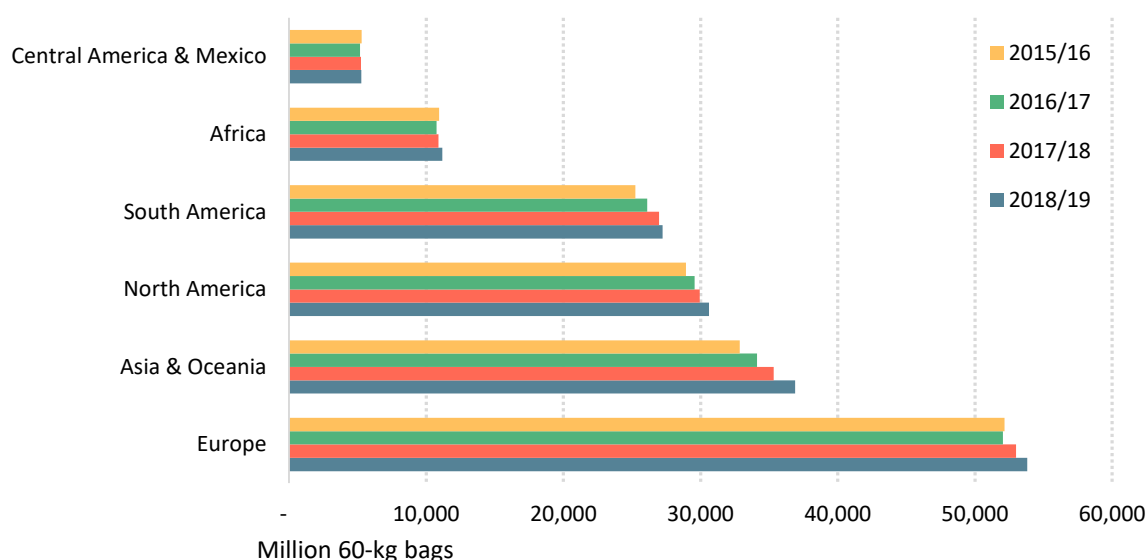
Figure 5: Crop year production



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**In Asia & Oceania output is estimated to decrease by 2% to 48.18 million bags.** Vietnam's production is estimated at 29.5 million bags, 3.4% lower than in 2017/18 due to lower than expected yields. Vietnam's exports in February 2019 fell by 22.7% to 1.7 million bags compared to February 2018, but its shipments in the first five months of coffee year 2018/19 rose by 0.4% to 11.2 million bags. Output from Indonesia, the region's second largest producer and the world's fourth largest, is estimated to decrease by 5.6% to 10.2 million bags in crop year 2018/19. Its exports from April 2018 to February 2019 were 4.75 million bags, 36% lower than last year.

Figure 6: Regional coffee consumption



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**World consumption in coffee year 2018/19 is estimated at 164.99 million bags compared to 161.38 million bags in 2017/18.** The largest growth occurred in Asia & Oceania where consumption increased by 4.4% to 36.9 million bags. Demand in Africa is estimated to rise by 2.5% to 11.17 million bags, and in North America by 2.2% to 30.61 million bags. Europe's consumption is estimated to increase by 1.5% to 53.82 million bags, and South America's consumption is estimated 1% higher at 27.24 million bags. However, demand in Central America & Mexico is expected to slow, with an increase of 0.2% to 5.27 million bags.

**In coffee year 2018/19, production is estimated to surpass consumption by 3.06 million bags, which is the second year of surplus.** In 2017/18, there was a surplus of 4.16 million bags, following a deficit of 366,000 bags in coffee year 2016/17. This overhang of supply has greatly contributed to current low prices.

**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>							
Mar-18	112.99	139.45	135.03	119.80	88.18	121.66	79.86
Apr-18	112.56	139.29	134.34	118.76	88.31	120.17	79.36
May-18	113.34	140.26	135.61	119.57	88.74	122.50	79.85
Jun-18	110.44	138.55	134.03	115.10	86.07	120.19	77.40
Jul-18	107.20	133.92	130.60	110.54	84.42	114.06	75.56
Aug-18	102.41	129.99	125.21	104.46	80.74	108.12	71.94
Sep-18	98.17	125.74	121.18	99.87	76.70	102.83	68.03
Oct-18	111.21	140.83	137.34	115.59	85.32	119.73	77.16
Nov-18	109.59	139.27	137.11	113.27	83.52	117.06	75.23
Dec-18	100.61	127.86	127.10	102.10	77.57	105.79	69.59
Jan-19	101.56	129.28	128.46	102.94	78.24	107.93	70.32
Feb-19	100.67	127.93	128.45	100.06	78.65	104.12	70.52
Mar-19	97.50	125.23	123.89	95.81	76.96	98.84	68.61
<b>% change between Feb-19 and Mar-19</b>							
	-3.1%	-2.1%	-3.6%	-4.2%	-2.1%	-5.1%	-2.7%
<b>Volatility (%)</b>							
Mar-19	5.7%	6.7%	6.5%	8.3%	3.9%	8.2%	4.6%
Feb-19	6.0%	7.0%	6.9%	8.7%	3.7%	8.5%	4.8%
<b>Variation between Feb-19 and Mar-19</b>							
	-0.2	-0.3	-0.4	-0.5	0.1	-0.3	-0.2

\* 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*
Mar-18	4.42	19.65	51.27	15.23	46.85	31.62	41.80
Apr-18	4.95	20.53	50.98	15.58	46.03	30.45	40.81
May-18	4.65	20.69	51.52	16.04	46.87	30.83	42.65
Jun-18	4.52	23.45	52.48	18.93	47.96	29.03	42.79
Jul-18	3.32	23.38	49.50	20.06	46.18	26.12	38.50
Aug-18	4.78	25.53	49.25	20.75	44.47	23.72	36.18
Sep-18	4.56	25.87	49.04	21.31	44.48	23.17	34.80
Oct-18	3.49	25.24	55.51	21.75	52.02	30.27	42.57
Nov-18	2.16	26.00	55.75	23.84	53.59	29.75	41.83
Dec-18	0.76	25.76	50.29	25.00	49.53	24.53	36.20
Jan-19	0.82	26.34	51.04	25.52	50.22	24.70	37.61
Feb-19	-0.52	27.87	49.28	28.39	49.80	21.41	33.60
Mar-19	1.34	29.42	48.27	28.08	46.93	18.85	30.23
<b>% change between Feb-19 and Mar-19</b>							
	357.7%	5.6%	-2.0%	-1.1%	-5.8%	-12.0%	-10.0%

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

**Table 3: World supply/demand balance**

Coffee year (October to September)	2014	2015	2016	2017	2018*	% change 17/18 to 18/19
<b>PRODUCTION</b>	<b>149 932</b>	<b>156 153</b>	<b>157 402</b>	<b>165 540</b>	<b>168 047</b>	<b>1.5%</b>
Arabica	87 064	93 402	99 676	101 032	103 714	2.7%
Robusta	62 902	62 751	57 726	64 508	64 369	-0.2%
Africa	15 983	15 734	16 718	17 497	17 740	1.4%
Asia & Oceania	46 274	49 323	45 299	49 156	48 177	-2.0%
Mexico & Central America	17 188	17 237	20 466	21 828	21 715	-0.5%
South America	70 486	73 859	74 919	77 059	80 415	4.4%
<b>CONSUMPTION</b>	<b>151 505</b>	<b>155 443</b>	<b>157 768</b>	<b>161 381</b>	<b>164 988</b>	<b>2.2%</b>
Exporting countries	46 505	47 500	48 458	49 605	50 257	1.3%
Importing countries	105 000	107 943	109 310	111 777	114 731	2.6%
Africa	10 719	10 951	10 767	10 895	11 167	2.5%
Asia & Oceania	31 950	32 863	34 114	35 325	36 897	4.4%
Mexico & Central America	5 230	5 295	5 174	5 257	5 266	0.2%
Europe	51 008	52 147	52 043	52 999	53 816	1.5%
North America	27 645	28 934	29 559	29 941	30 606	2.2%
South America	24 954	25 251	26 111	26 964	27 236	1.0%
<b>BALANCE</b>	<b>-1 573</b>	<b>711</b>	<b>-366</b>	<b>4 159</b>	<b>3 059</b>	

In thousand 60-kg bags

\*preliminary estimates

Note: Data on crop year production can be found at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

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

	February 2018	February 2019	% change	October-February 2017/18	October-February 2018/19	% change
<b>TOTAL</b>	<b>9 850</b>	<b>10 161</b>	<b>3.2%</b>	<b>49 210</b>	<b>52 267</b>	<b>6.2%</b>
Arabicas	6 476	6 952	7.4%	31 709	34 335	8.3%
<i>Colombian Milds</i>	1 235	1 388	12.4%	6 160	6 634	7.7%
<i>Other Milds</i>	2 532	2 106	-16.8%	10 061	9 048	-10.1%
<i>Brazilian Naturals</i>	2 708	3 458	27.7%	15 489	18 654	20.4%
Robustas	3 374	3 209	-4.9%	17 500	17 931	2.5%

In thousand 60-kg bags

Monthly 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**

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
New York	2.21	2.26	2.28	2.33	2.33	2.51	2.70	2.78	2.79	2.80	2.82	2.83	2.84
London	1.37	1.32	1.34	1.14	1.28	1.26	1.51	1.58	1.77	1.88	2.08	2.01	1.97

In million 60-kg bags