

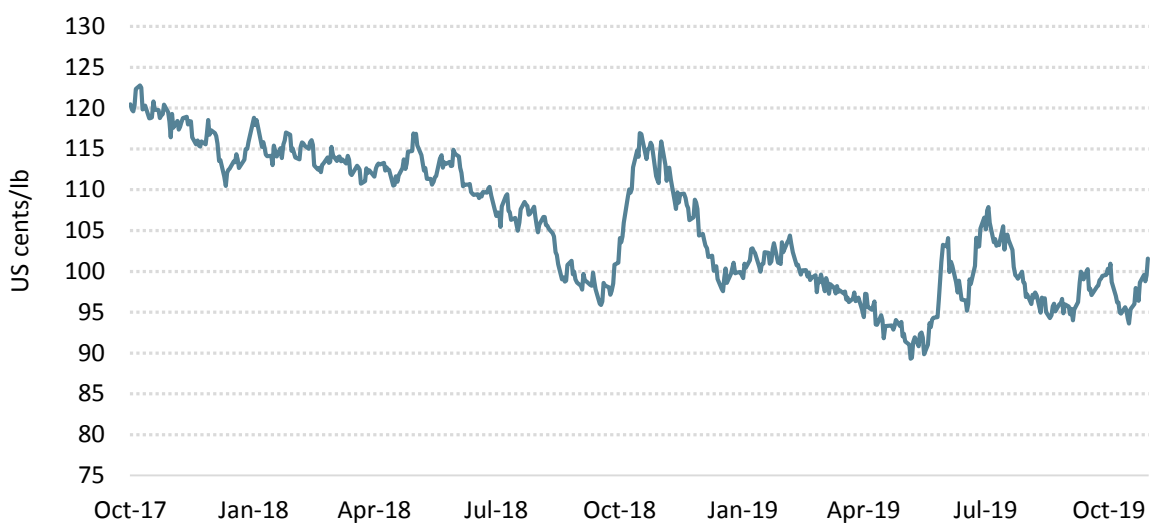


October 2019

Global Coffee Production to Decrease in 2019/20

World coffee production in coffee year 2019/20 is projected 0.9% lower at 167.4 million bags with a 2.7% decline in Arabica output to 95.68 million bags, while Robusta production is expected to rise by 1.5% to 71.72 million bags. South America's production is expected to fall by 3.2% to 78.08 million bags, due largely to the decline in Brazil's Arabica output in its off-year of the biennial crop cycle. Production from Asia & Oceania is projected to grow by 1.9% to 49.58 million bags due largely to a recovery in Indonesia's output while Viet Nam is expected to remain stable. Central America & Mexico could see an increase of 0.9% to 21.54 million bags while Africa's output is estimated to decline by 0.6% to 18.2 million bags. World coffee consumption growth is likely to slow in 2019/20 in line with the slower growth expected for the global economy, and demand is projected to increase by 1.5% to 167.9 million bags.

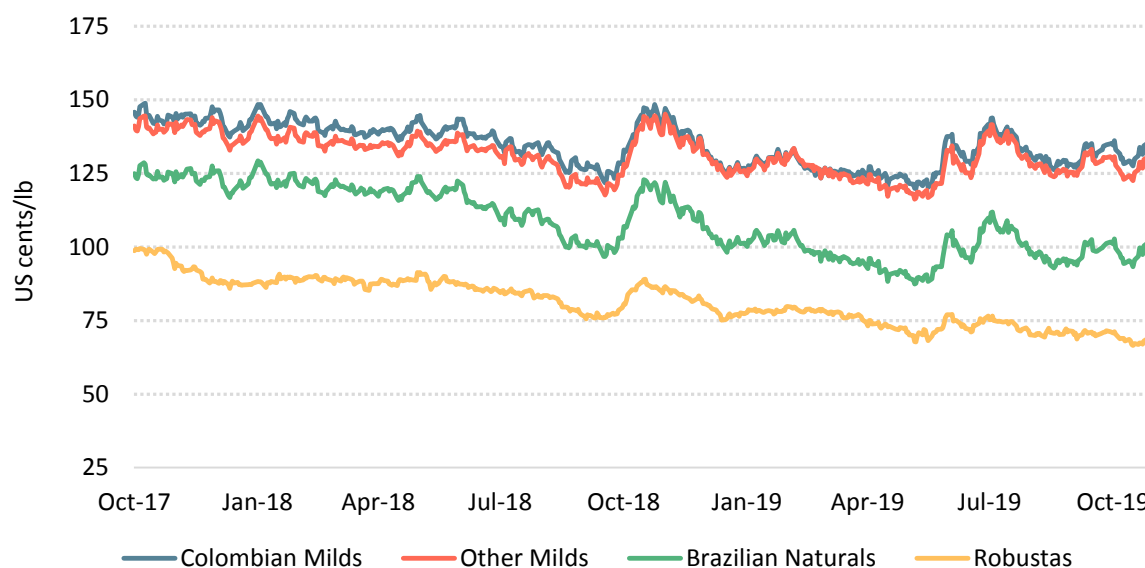
Figure 1: ICO composite indicator daily prices



The **ICO composite indicator edged downward in October 2019 to 97.35 US cents/lb**, decreasing 0.4% from September 2019. It ranged between 93.63 US cents/lb and 101.56 US cents/lb, exceeding 100 US cents/lb only on 1, 3, and 31 October. The market is currently well-supplied as Brazil has

completed the harvest of its 2019/20 off-year crop, which fills the gap before the output from the October-September producers reaches the market.

Figure 2: ICO group indicator daily prices



Prices for all group indicators, except Colombian Milds, fell in October 2019. Colombian Milds rose by 0.1% to 132.09 US cents/lb while Other Milds fell by 1.5% to 126.99. As a result, the differential between Colombia Milds and Other Milds increased by 69.4% to 5.10 US cents/lb. The last time the differential had exceeded this was in February 2018 when it reached 5.22 US cents/lb. Brazilian Naturals fell by 0.6% to 98.10 US cents/lb while Robustas decreased to 68.63 US cents/lb, 2.8% lower than in September 2019.

Arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets, increased by 3.7% to 44.07 US cents/lb. The New York futures market decreased by 0.4% to 102.41 US cents/lb while the London futures market experienced a steeper decline of 3.3% to 58.34 US cents/lb. The volatility of the ICO composite indicator price fell by just 0.1 percentage points to 6.2% over the last 30 days. The volatility for Colombian Milds and Other Milds remained unchanged from last month at 6.0% and 6.1%, respectively. Brazilian Naturals volatility decreased by 0.1 percentage points to 8.1%, and the volatility for Robustas, which accounts for 37% of the composite indicator price, decreased by 1 percentage point to 5.2%.

Figure 3: Arbitrage between New York and London futures markets

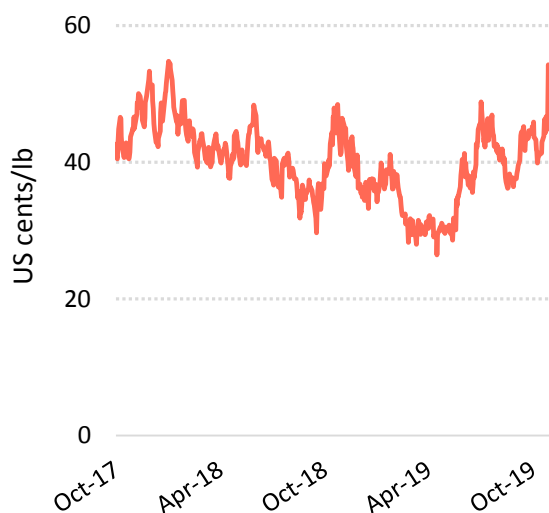
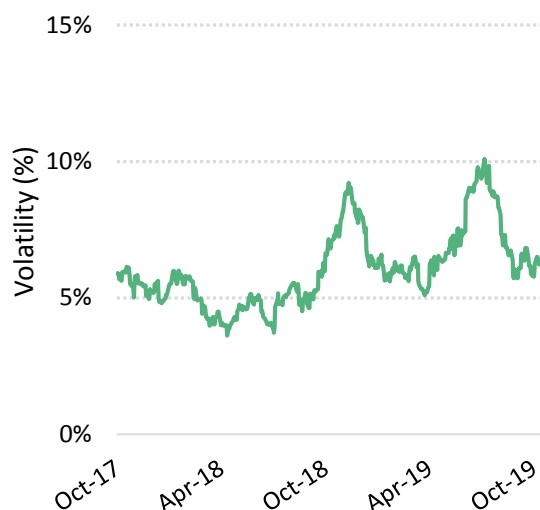


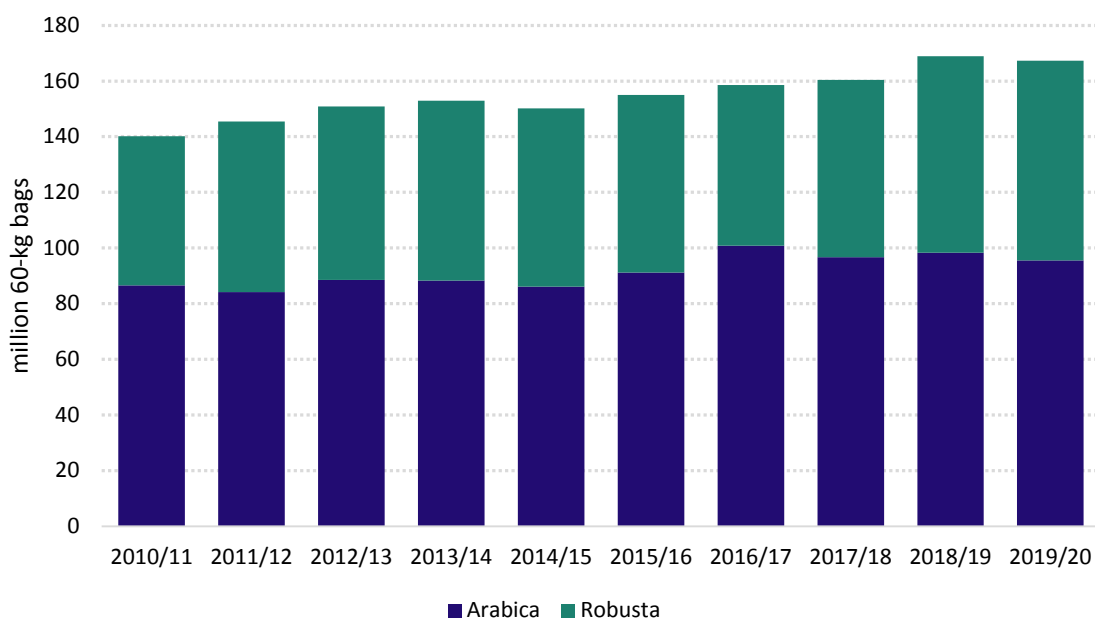
Figure 4: Rolling 30-day volatility of the ICO composite indicator price



Global exports in September 2019 declined by 3.1% to 9.29 million bags. Robusta shipments fell by 12.9% to 3.02 million bags, and Colombian Milds decreased by 8.5% to 1.08 million bags. However, exports of Other Milds increased by 5% to 1.98 million bags while Brazilian Naturals grew by 5.2% to 3.21 million bags. Despite the fall in September shipments, total exports for coffee year 2018/19 reached a new record of 129.43 million bags, 8.1% higher than in 2017/18. Shipments of both Arabica and Robusta increased in 2018/19, by 12.3% to 85.01 million bags and 0.9% to 44.43 million bags, respectively.

World production in coffee year 2018/19 is estimated at 169 million bags, which is 5.4% greater than in 2017/18. Production of Robusta increased 11% in 2018/19 to 70.67 million bags. Arabica production rose by 1.7% to 98.33 million bags, as declines from Honduras, Mexico and Peru offset the increase from Brazil. Not only did Brazil's Arabica output increase, but its Robusta production also expanded for the second consecutive year following a downturn in 2016/17. This increase led the growth in South America's production, which rose by 8.1% to 80.69 million bags in 2018/19. Output in Central America & Mexico declined by 1.7% to 21.35 million bags. However, production in Africa and Asia & Oceania increased by 5.3% to 18.30 million bags and 4.4% to 48.66 million bags, respectively.

Figure 5: Coffee year production



World production in coffee year 2019/20 is projected to fall by 0.9% to 167.4 million bags. While Robusta output is projected to rise by 1.5% to 71.72 million bags, Arabica output is anticipated to decrease 2.7% to 95.68 million bags. The decline in Arabica production is largely due to Brazil as its 2019/20 crop is in the off-year of its biennial cycle. As a result of this downturn, production in South America could decrease by 3.2% to 78.08 million bags. Output from Colombia is estimated to increase by 1% to 14 million bags, slightly higher than the volume produced in the last two years.

Output from Asia & Oceania is estimated to rise by 1.9% to 49.58 million bags. Viet Nam’s output is anticipated to remain stable at 31.2 million bags in 2019/20. Indonesia’s production declined by 13.2% in crop year 2018/19, but is projected to recover by 16.8% to 11 million bags in 2019/20. India may experience another fall in production in 2019/20 due to unfavourable weather, reaching 5.31 million bags, which is 0.3% lower than in 2018/19 and the third consecutive year of decrease.

Central America & Mexico’s harvest is projected to grow by 0.9% to 21.54 million bags. Production from Honduras is projected to decrease by 0.4% to 7.3 million bags while Mexico’s output could increase by 1.1% to 4.4 million bags. After a decline of 134,000 bags in 2018/19 due to unfavourable weather, production from Costa Rica is projected to rise by 8.6% to 1.55 million bags.

Africa’s output is projected to decline by 0.6% to 18.2 million bags. Increases in production from Ethiopia of 1.2% to 7.55 million bags and from Uganda of 1% to 4.75 million bags will likely be offset by declines from other African producers. Côte d’Ivoire’s output is projected to decrease by 4.1% to 2 million bags, following an increase of 41.6% to 2.09 million bags in 2018/19. Tanzania could see a decrease of 17.9% to 924,000 bags in 2019/20 as its Arabica crop enters an off-year.

Compared to an average annual rate of 2.1% in the previous 10 years, growth in global consumption in 2018/19 and 2019/20 is estimated to be slower. World consumption in 2018/19 grew 1.7% to 165.35 million bags, and in 2019/20, it is expected to rise by 1.5% to 167.9 million bags. Global coffee demand is expected to be affected by a slowdown in global economic growth, particularly for emerging markets and developing economies, as described by the International Monetary Fund in its October 2019 World Economic Outlook. In 2019/20, coffee demand in Asia & Oceania is projected to grow by 3% to 37.84 million bags, and in North America by 1.7% to 30.97 million bags. Africa’s demand for coffee is estimated to grow by 1.8% to 11.94 million bags, and Central America & Mexico’s demand by 1.4% to 5.47 million bags and Europe’s by 1.2% to 54.54 million bags. However, consumption in South America is likely to remain stable at 27.14 million bags in 2019/20.

Figure 6: Coffee year consumption

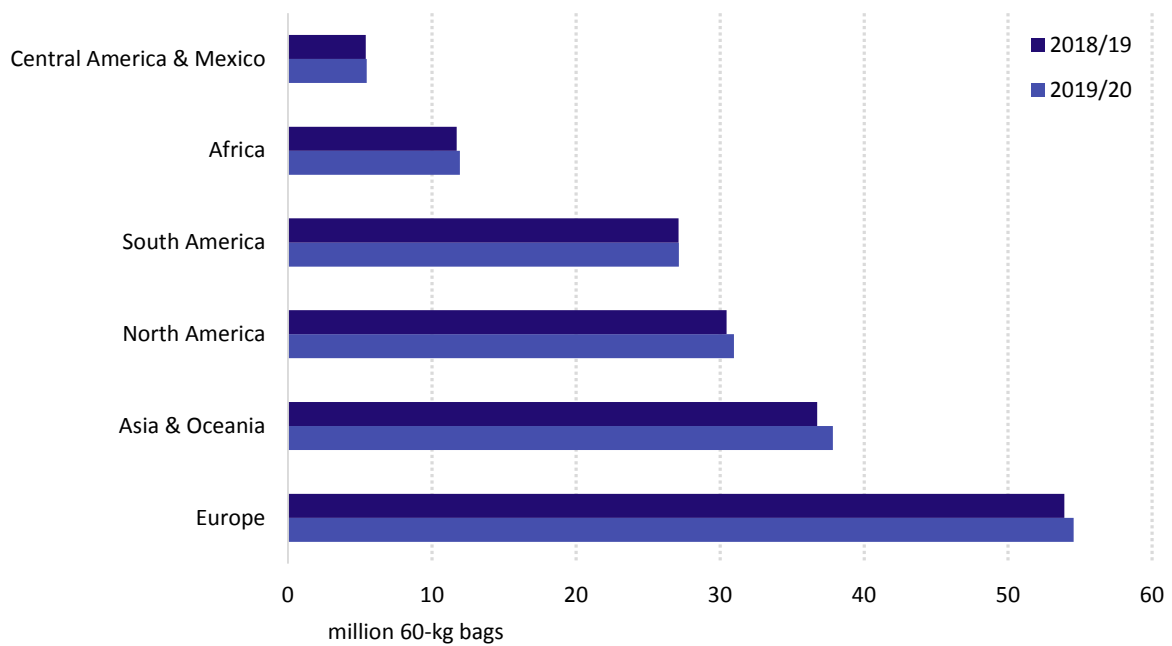


Table 1: ICO indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
Oct-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
Apr-19	94.42	124.42	121.13	92.47	73.28	95.31	65.06
May-19	93.33	124.40	120.55	91.95	71.12	94.86	62.45
Jun-19	99.97	133.49	129.73	100.69	74.02	104.44	65.41
Jul-19	103.01	137.63	135.47	105.43	73.93	109.01	64.83
Aug-19	96.07	129.20	126.23	95.85	70.78	99.87	60.90
Sep-19	97.74	131.90	128.89	98.73	70.64	102.81	60.31
Oct-19	97.35	132.09	126.99	98.10	68.63	102.41	58.34
% change between Sep-19 and Oct-19							
	-0.4%	0.1%	-1.5%	-0.6%	-2.8%	-0.4%	-3.3%
Volatility (%)							
Aug-19	6.2%	6.0%	6.1%	8.1%	5.2%	8.6%	6.1%
Jul-19	6.3%	6.0%	6.1%	8.2%	6.2%	8.4%	6.9%
Variation between Sep-19 and Oct-19							
	-0.1	0.0	0.0	-0.1	-1.0	0.2	-0.8

* Average price for 2nd and 3rd 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*
Sep-18	3.49	25.24	55.51	21.75	52.02	30.27	42.57
Oct-18	2.16	26.00	55.75	23.84	53.59	29.75	41.83
Nov-18	0.76	25.76	50.29	25.00	49.53	24.53	36.20
Dec-18	0.82	26.34	51.04	25.52	50.22	24.70	37.61
Jan-19	-0.52	27.87	49.28	28.39	49.80	21.41	33.60
Feb-19	1.34	29.42	48.27	28.08	46.93	18.85	30.23
Mar-19	3.29	31.95	51.14	28.66	47.85	19.19	30.25
Apr-19	3.85	32.45	53.28	28.60	49.43	20.83	32.41
May-19	3.76	32.80	59.47	29.04	55.71	26.67	39.03
Jun-19	2.16	32.20	63.70	30.04	61.54	31.50	44.18
Jul-19	2.97	33.35	58.42	30.38	55.45	25.07	38.97
Aug-19	3.01	33.17	61.26	30.16	58.25	28.09	42.50
Sep-19	5.10	33.99	63.46	28.89	58.36	29.47	44.07
% change between Sep-19 and Oct-19							
	69.4%	2.5%	3.6%	-4.2%	0.2%	4.9%	3.7%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Coffee year (October to September)	2015	2016	2017	2018	2019*	% change 18/19 to 19/20
PRODUCTION	154 996	158 625	160 370	169 001	167 399	-0.9%
Arabica	91 181	100 776	96 698	98 328	95 680	-2.7%
Robusta	63 815	57 849	63 672	70 673	71 718	1.5%
Africa	15 756	16 729	17 370	18 304	18 201	-0.6%
Asia & Oceania	49 484	45 652	46 608	48 662	49 577	1.9%
Mexico & Central America	17 106	20 322	21 725	21 345	21 544	0.9%
South America	72 651	75 921	74 667	80 691	78 078	-3.2%
CONSUMPTION	155 491	158 642	162 565	165 345	167 901	1.5%
Exporting countries	47 548	48 488	49 793	50 510	51 018	1.0%
Importing countries (Coffee Years)	107 943	110 154	112 772	114 835	116 882	1.8%
Africa	10 951	11 130	11 527	11 724	11 939	1.8%
Asia & Oceania	32 863	34 573	35 706	36 742	37 838	3.0%
Mexico & Central America	5 295	5 226	5 321	5 401	5 474	1.4%
Europe	52 147	52 045	53 148	53 896	54 542	1.2%
North America	28 934	29 559	29 941	30 454	30 965	1.7%
South America	25 299	26 111	26 922	27 128	27 141	0.1%
BALANCE	-495	-18	-2 195	3 657	-502	

In thousand 60-kg bags

*preliminary estimates

Note: Data on crop year production can be found at www.ico.org/trade_statistics.asp

Table 4: Total exports from exporting countries

	Sep-18	Sep-19	% change	October-September		
				2017/18	2018/19	% change
TOTAL	9 582	9 285	-3.1%	119 740	129 432	8.1%
Arabicas	6 117	6 269	2.5%	75 719	85 006	12.3%
<i>Colombian Milds</i>	1 181	1 081	-8.5%	13 969	14 923	6.8%
<i>Other Milds</i>	1 882	1 976	5.0%	27 941	28 611	2.4%
<i>Brazilian Naturals</i>	3 054	3 212	5.2%	33 809	41 472	22.7%
Robustas	3 464	3 016	-12.9%	44 020	44 426	0.9%

In thousand 60-kg bags

Monthly 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-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
New York	2.78	2.79	2.80	2.82	2.83	2.84	2.81	2.73	2.70	2.70	2.66	2.60	2.55
London	1.58	1.77	1.88	2.08	2.01	1.97	1.98	2.11	2.18	2.47	2.60	2.62	2.69

In million 60-kg bags