

Coffee Market Report

July 2021



INTERNATIONAL
COFFEE
ORGANIZATION

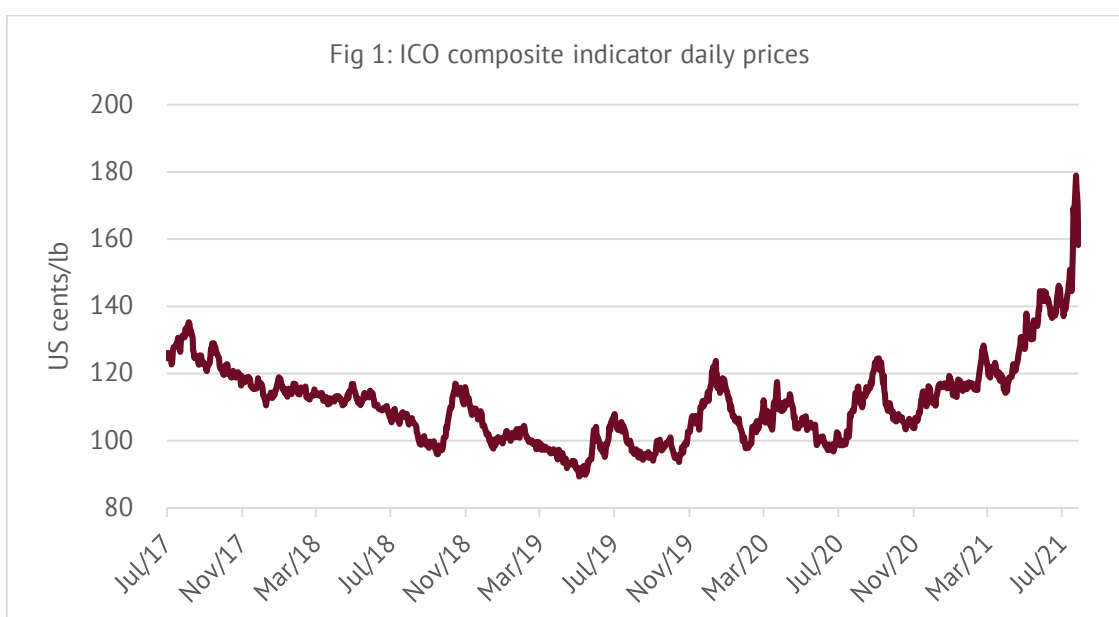
Prices for Arabica coffee in July 2021 surged to the highest levels since November 2014 as severe frost hit Brazilian coffee farms, while concerns grow over weather phenomena in other producing countries

Coffee prices continued to increase in July 2021, with the Arabica variety reaching its highest levels since November 2014, as concerns grew about the current and future availability of many origins, especially the world's largest producer, Brazil, which suffered a severe frost on July 20. As a result, market volatility increased. The monthly average of the ICO composite indicator reached 152.24 US cents/lb in July 2021, its highest level since 162.17 US cents/lb recorded in November 2014. Compared with the monthly average in October 2020, the beginning of the current coffee year, the level reached in July 2021 represents an increase of 43.8%. Prices of all four groups of coffee have recorded substantial increases. This upward trend of coffee prices over the first 10 months of coffee year 2020/21 seems to confirm a net recovery from the low-price levels that have dominated the world market since coffee year 2017/18. The price performance has also been driven by brighter prospects for demand, as pandemic-related restriction measures are being removed in major consuming markets and the development of vaccination programmes is enabling a progressive return to normal economic activity.

In terms of market fundamentals, exports of all forms of coffee by all exporting countries to all destinations totalled 11.2 million 60-kg bags in June 2021, an increase of 4.1% compared with 10.8 million bags in June 2020. The level of total exports in June 2021 mirrored the volume of 11.2 million bags recorded in June 2019, before the pandemic. Social unrest affecting transportation logistics in some origins, particularly Colombia, has ended. Moreover, with the gradual introduction of vaccination programs, covid-19 pandemic-related restriction measures affecting people's movement have been eased in many exporting countries. Total exports of all forms of coffee over the first nine months of coffee year 2020/21 amounted to 98.6 million bags, an increase of 2.5% compared with 96.1 million bags during the same period in coffee year 2019/20. Cumulative exports from July 2020 to June 2021 are estimated at 129.7 million bags, an increase of 0.6% compared with the 129 million bags recorded from July 2019 to June 2020. World consumption for coffee year 2020/21 is projected at 167.58 million bags, an increase of 1.9% on its level of 164.43 million bags in coffee year 2019/20. The projection for total production in coffee year 2020/21 remains unchanged at 169.60 million bags,

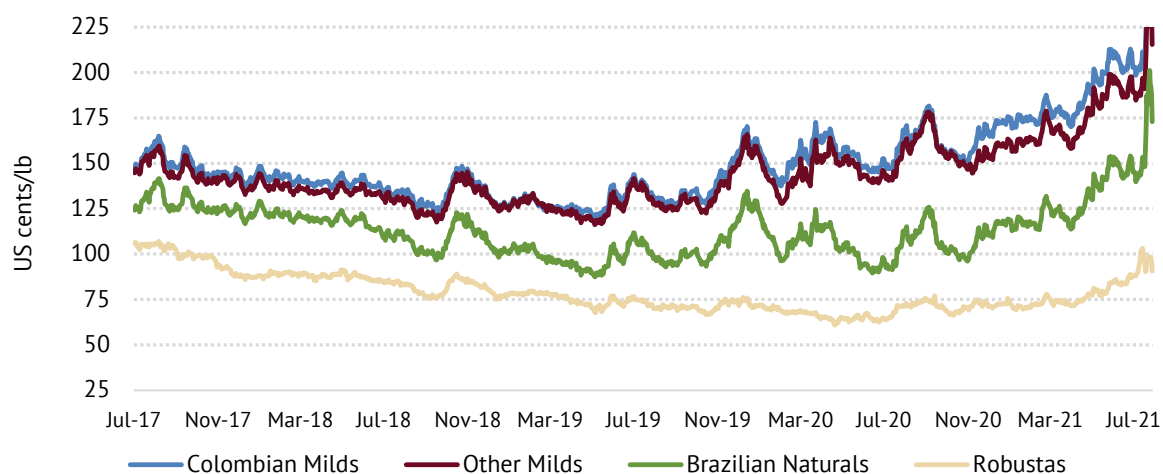
representing a 0.3% increase on 168.94 million bags harvested in coffee year 2019/20. However, with substantial reduction of output from Brazil and many other origins affected by climate-related shocks, combined with increasing demand, the supply/demand ratio is expected to reverse from coffee year 2021/22 onward.

The monthly average of the ICO composite indicator rose by 7.9%, from 141.03 US cents/lb in June 2021 to 152.24 US cents/lb in July 2021. This level reached in July 2021 is 42.9% higher than that of July 2020 and represents the ninth consecutive month of increase and the highest monthly average since 162.17 US cents/lb recorded in November 2014. Compared to the monthly average of 99.05 US cents/lb registered in October 2020, the level of July 2021 represents a 43.8% increase. Figure 1 shows a pronounced shift from the low-price levels that prevailed in the previous three coffee years.



Prices for all group indicators increased in June 2021 and achieved their highest levels in several years. The price of 218.66 US cents/lb reached by Colombian Milds in July 2021 is the highest monthly average since the level of 222.59 US cents/lb recorded in October 2014. It also represents a rise of 42.6% from the level of 103.66 cents/lb recorded in July 2020. Prices for Other Milds increased by 6.2% to 204.29 US cents/lb, compared to 192.45 US cents/lb in June, which is the highest monthly average since 209.38 US cents/lb registered in November 2014. The average price for Brazilian Naturals, which rose by 8.4% to 160.62 US cents/lb, is the highest monthly average since 163.50 US cents/lb in January 2015. Moreover, compared to its level of 97.96 US cents/lb in July 2020, the Brazilian Naturals indicator increased by 64% in July 2021. The Robusta indicator price recorded a 11.2% increase to 94.37 US cents/lb in July 2021 compared to 84.85 US cents/lb in June 2021. The Robusta price in July 2021 is also the highest monthly average since 98.39 US cents/lb recorded in October 2017. The average of July 2021 is an increase of 39.4% on 67.69 US cents/lb in July 2020.

Figure 2: ICO group indicator daily prices



Increased volatility was observed in the New York futures exchange, which reflects the market for Arabicas. When frost hit the Brazilian coffee belt on 20 July 2021, the daily price skyrocketed by 25.4% in one week, from 165.65 US cents/lb on 20 July to 207.8 US cents/lb on 26 July. The monthly average of positions in the New York Futures market rose to 168.55 US cents/lb, in July 2021 from 156.43 US cents/lb in June 2021, the highest level since January 2015. In the case of the London futures market, the monthly average of the level of July 2021 for the London futures market is the highest since 81.36 US cents/lb recorded in November 2017.

The differential between Colombian Milds and Other Milds increased by 2% to 14.36 US cents/lb. As the price increase Brazilian Naturals was the highest among the Arabica groups, the differentials between Colombian Milds and Brazilian Naturals and between Other Milds and Brazilian Naturals decreased by 0.6% and 1.5% respectively. The differentials between the Arabica groups (Colombian Milds, Other Milds and Brazilian Naturals) and the Robusta group widened by 2.1%, 2.2% and 4.7%, respectively. The arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets, increased by 5% at 87.39 US cents/lb in July 2021 compared with 83.26 US cents/lb in June 2021.

Intra-day volatility of the ICO composite indicator price rose by 1.5 percentage point to 10.6% in July 2021. The intra-day volatility of the ICO Composite Indicator increased substantially following the frost in Brazil, reaching as high as 17%. The volatility for the Brazilian Naturals, which is 13.8%, has been the highest of the four groups while the volatility of the Colombian Milds and Other Milds were 10.2% and 10.9% respectively. The volatility of the Robusta group price grew from 7.7% in June 2021 to 11% in July 2021. The market for the four groups of coffee has been shaken by the weather-related shocks that occurred in Brazil, resulting in increased concerns on the current and future availability of quality coffee.

Figure 3: Arbitrage between New York and London futures markets

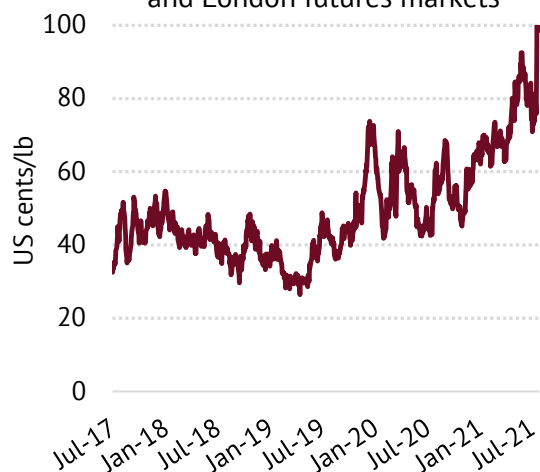
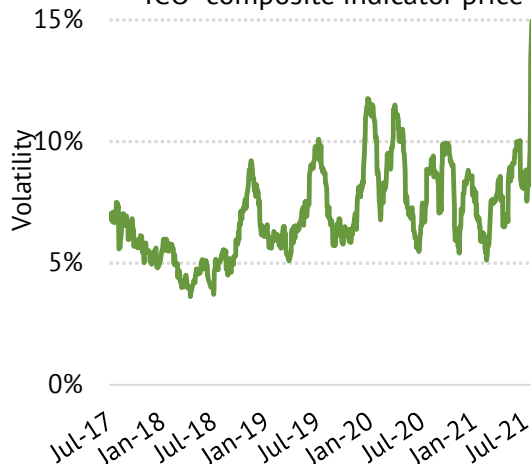
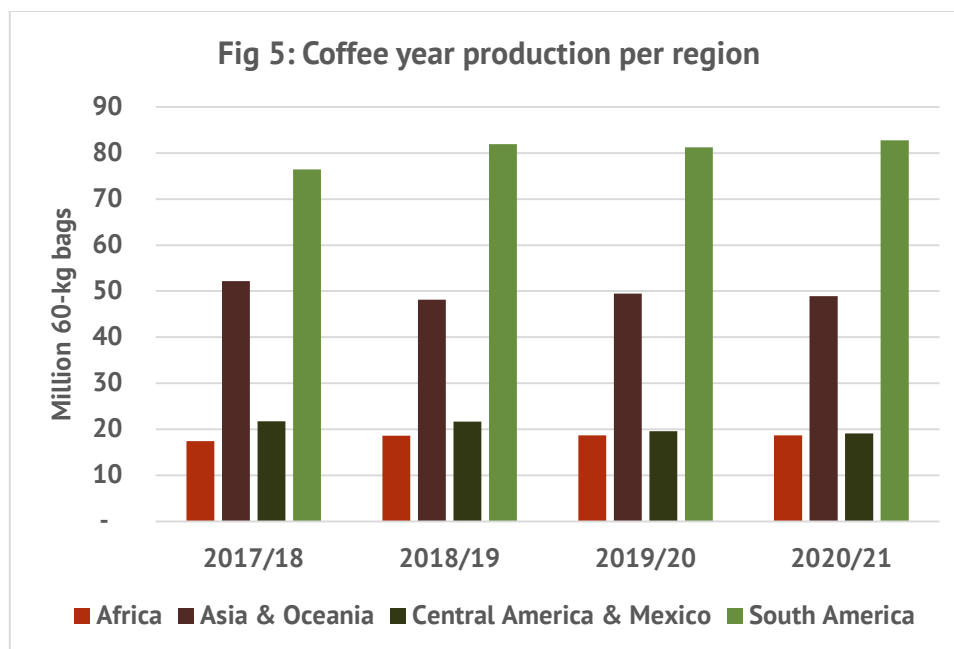


Figure 4: Rolling 30-day volatility of the ICO composite indicator price

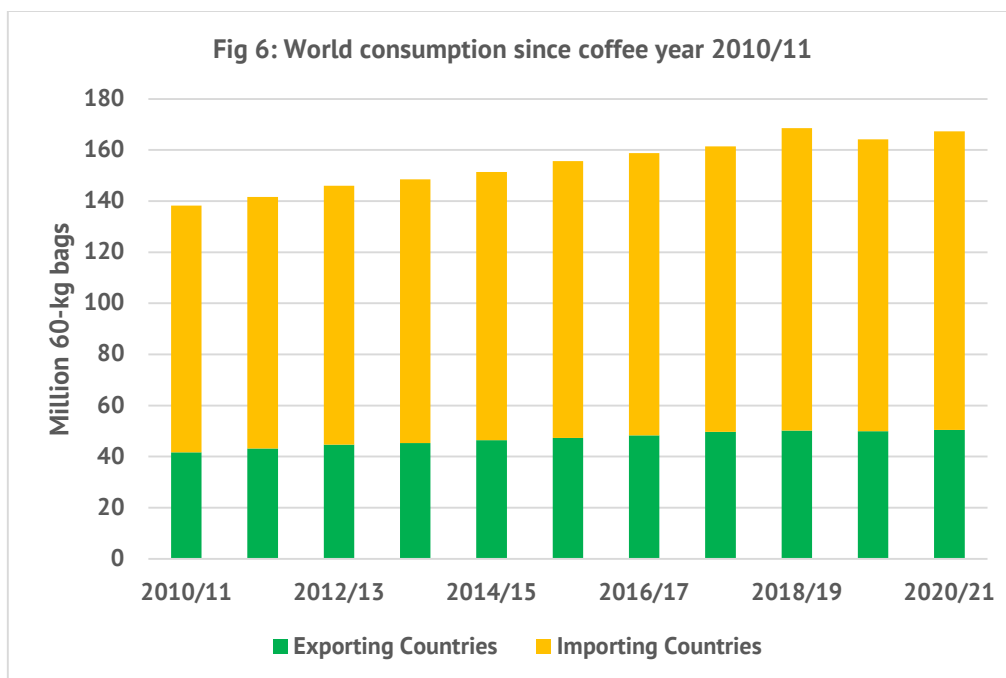


Estimates of total production for coffee year 2020/21 increased slightly by 0.4% at 169.6 million 60-kg bags, compared with 168.9 during the previous coffee year. While Arabica production is expected to increase by 2.3% to 99.2 million bags, a 2.1% reduction is expected in the production of Robusta coffee to 70.4 million bags. At the regional level, African output is expected to remain unchanged at 18.68 million bags in comparison with the previous coffee year. Production for Asia & Oceania is forecast to fall by 1.1% from 49.45 million bags in 2019/20 to 48.93 million in 2020/21. Production in Central America and Mexico is expected to decrease by 2.1% at 19.19 million bags against 19.60 million bags in coffee year 2019/20. Many countries in the region hit by climate-related shocks have seen their production potential reduced. An increase of 2% in production is expected from South America at 82.8 million bags, compared with 81.2 million bags in 2019/20.

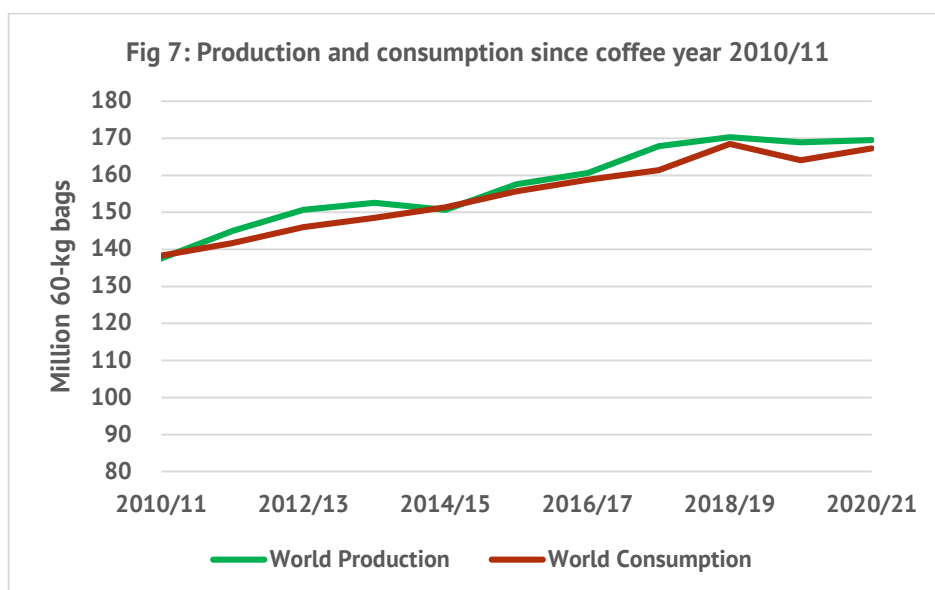


Meanwhile, the situation in Brazil has become a matter of serious concern. Its production for crop year 2021/22, which started last April, had already been expected to fall significantly, since this is the off year in the production cycle of Arabica coffee. On top of this, the recent frost is expected to destroy a substantial number of trees, with negative effects on production expected from crop year 2022/23 onwards. Coffee authorities in Brazil are still evaluating the magnitude of one of the most intense frosts in living memory. Regarding performance expected from the four groups of coffee, production of Colombian Milds and Brazilian Naturals will increase by 2.4% and 4.3% to 15.9 million bags and 54.4 million bags respectively. The production of Other Milds and Robusta will decrease by 1.8% and 2.1% to 28.8 million and 70.36 million bags respectively.

World coffee consumption is projected to rise by 1.9% to 167.58 million bags in 2020/21 compared to 164.43 million bags for coffee year 2019/20, but still 0.8% below the level of 168.5 million bags before the outbreak of the pandemic. With the easing of pandemic restrictions related to covid-19 and the subsequent prospects of economic recovery, world consumption is expected to continue growing. Since coffee year 2010/11, world consumption has been climbing at an average growth rate of 1.7% per year. Growing domestic consumption in producing countries and emerging markets has largely contributed to this performance. For coffee year 2020/21, consumption in importing countries is expected to grow by 2.3%, to 117.09 million bags, while domestic consumption in coffee exporting countries is expected to rise by 1% at 50.5 million bags.

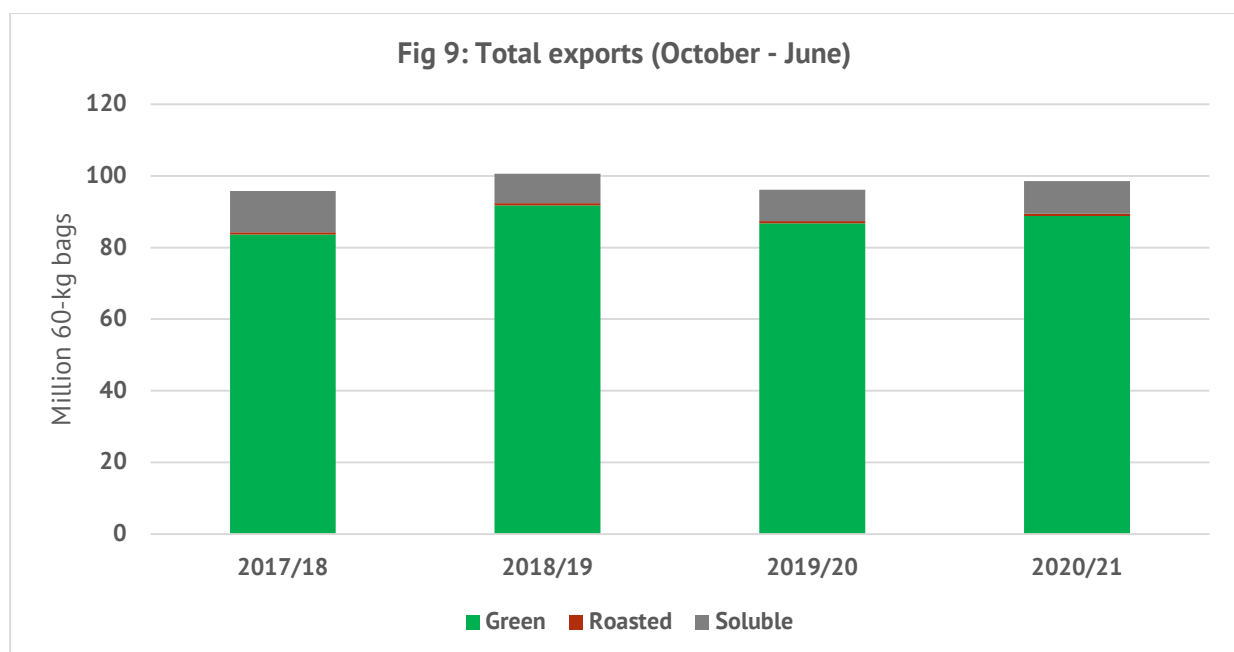
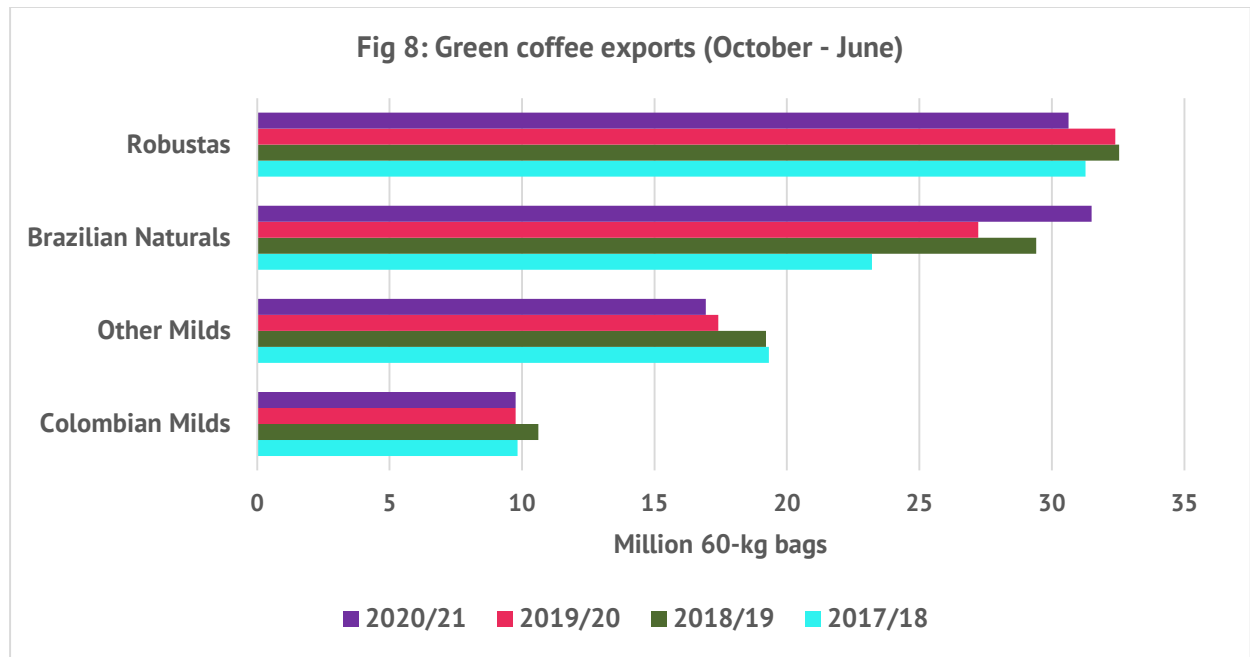


The **supply/demand** ratio is expected to tighten, as total supply is forecast to be only 1.4% higher than demand in coffee year 2020/21, as compared to 3.2% in 2019/20. With the expected substantial reduction in output from Brazil as a result of the recent frost and climate-related issues in many other exporting countries, total supply is likely to fall below world consumption. The dynamic of the two market fundamentals since coffee year 2010/11 is shown in figure 7 below.

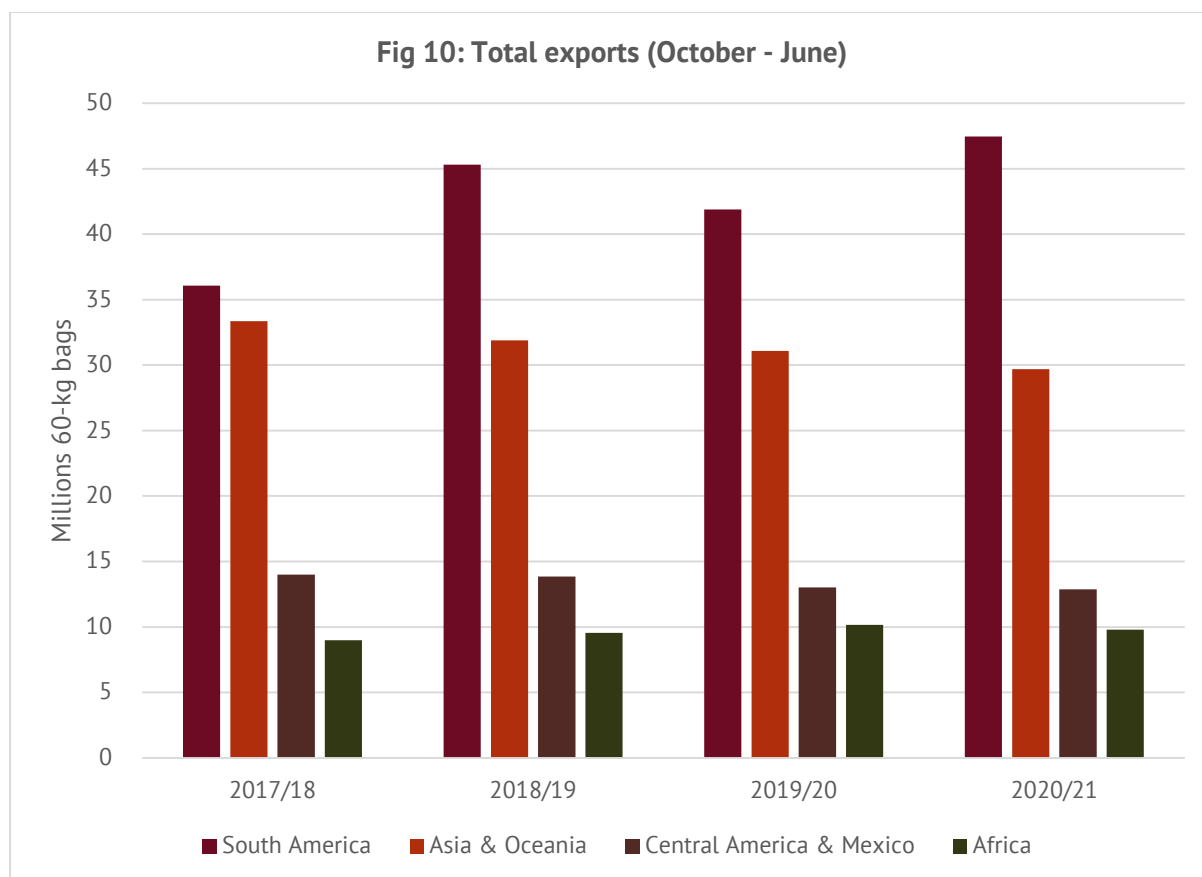


Exports of all forms of coffee in June 2021 totalled 11.2 million bags, representing a 4.1% increase compared with 10.8 million bags in June 2020. Exports of green coffee in June 2021 remained unchanged at 9.7 million bags recorded in June 2020, as the increase of green exports of Other Milds and Brazilian naturals was offset by the decline in green exports of Colombian

Milds and Robustas. Green coffee exports of Other Milds and Brazilian Naturals grew by 12.5% and 17.2% respectively in June 2021 compared with their levels of June 2020. Exports of roasted coffee has increased substantially in June 2021 but remains tiny at 150,321 bags compared to 9.7 million bags of green coffee exports. Exports of soluble coffee rose by 35.4% at 1.3 million bags in June 2021 compared to 967,643 bags in June 2020. Nevertheless, cumulative green coffee exports of the four groups over the first nine months of coffee year 2020/21 increased by 2.3%, to 88.8 million bags, compared with 86.8 million bags during the same period in coffee year 2019/20.



In regional terms, exports of all forms of coffee from Africa fell by 3.5% to 9.8 million bags in the first nine months of coffee year 2020/21. Cumulative exports rose in Uganda (+15.8%), Tanzania (+15.7%) and Kenya (+17.5%) while exports decreased in Ethiopia (-19.5%), Côte d'Ivoire (-47.4%). Asia & Oceania's coffee exports declined by 4.5% to 29.7 million bags in October 2020 to June 2021 compared with 31.7 million bags in October 2019 to June 2021. Exports of Vietnam shrank by 11.3%, while India and Indonesia recorded increases of 5% and 15.9% respectively. Exports from Central America and Mexico fell by 1.3% to 12.8 million bags, compared with 13 million bags over the same period during coffee year 2019/20. Honduras and Nicaragua recorded reductions of export volumes of 6.1% and 9.4% respectively.



From October 2020 to June 2021, South America's exports increased by 10.3%, to 46.2 million bags. Exports increased by 14.8% in Brazil while a decline of 1.1% was recorded in Colombia.

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

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
Jul-20	103.66	153.38	146.78	97.96	67.69	106.20	57.92
Aug-20	114.78	167.22	163.25	111.79	72.68	120.98	62.89
Sep-20	116.25	168.36	166.56	113.81	72.77	122.08	63.35
Oct-20	105.85	154.28	152.06	100.37	68.36	110.70	59.14
Nov-20	109.70	161.21	150.73	106.41	72.38	115.48	62.82
Dec-20	114.74	170.44	157.81	114.96	72.04	124.46	62.41
Jan-21	115.73	173.42	160.69	116.69	70.71	127.59	60.54
Feb-21	119.35	176.96	166.43	120.06	73.37	129.69	63.07
Mar-21	120.36	177.49	167.05	122.16	73.86	131.72	63.90
Apr-21	122.03	181.70	168.65	124.18	74.47	134.77	63.76
May-21	134.78	199.02	186.46	140.85	79.68	152.42	69.15
Jun-21	141.03	206.53	192.45	148.12	84.85	156.43	73.16
Jul-21	152.24	218.66	204.29	160.62	94.37	168.55	81.17
% change between Jun-21 and Jul-21							
	7.9%	5.9%	6.2%	8.4%	11.2%	7.8%	10.9%
Volatility (%)							
Jun-21	9.1%	8.2%	9.0%	11.6%	7.7%	11.5%	8.7%
Jul-21	10.6%	10.2%	10.9%	13.8%	11.0%	13.6%	8.6%
Variation between Jun-21 and Jul-21							
	1.5	2.0	1.9	2.2	3.3	2.1	-0.1

* Average prices 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*
Jul-20	6.60	55.42	85.69	48.82	79.09	30.27	48.28
Aug-20	3.97	55.43	94.54	51.46	90.57	39.11	58.09
Sep-20	1.80	54.55	95.59	52.75	93.79	41.04	58.73
Oct-20	2.22	53.91	85.92	51.69	83.70	32.01	51.56
Nov-20	10.48	54.80	88.83	44.32	78.35	34.03	52.66
Dec-20	12.63	55.48	98.40	42.85	85.77	42.92	62.05
Jan-21	12.73	56.73	102.71	44.00	89.98	45.98	67.05
Feb-21	10.53	56.90	103.59	46.37	93.06	46.69	66.62
Mar-21	10.44	55.33	103.63	44.89	93.19	48.30	67.82
Apr-21	13.05	57.52	107.23	44.47	94.18	49.71	71.01
May-21	12.56	58.17	119.34	45.61	106.78	61.17	83.27
Jun-21	14.09	58.41	121.68	44.32	107.59	63.27	83.26
Jul-21	14.36	58.03	124.29	43.67	109.93	66.26	87.39
% change between Jun-21 and Jul-21							
	2.0%	-0.6%	2.1%	-1.5%	2.2%	4.7%	5.0%

* Average prices for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Coffee year commencing	2016	2017	2018	2019	2020*	% change 2019/20
PRODUCTION	160,608	167,868	170,322	168,942	169,604	0.4%
Arabica	99,940	98,187	99,919	97,041	99,245	2.3%
Robusta	60,668	69,680	70,403	71,901	70,360	-2.1%
Africa	16,839	17,461	18,579	18,684	18,679	0.0%
Asia & Oceania	47,930	52,203	48,173	49,452	48,930	-1.1%
Mexico & Central America	20,322	21,752	21,636	19,598	19,194	-2.1%
South America	75,516	76,453	81,934	81,208	82,802	2.0%
CONSUMPTION	158,781	161,377	168,492	164,436	167,584	1.9%
Exporting countries	48,334	49,686	50,245	49,982	50,497	1.0%
Importing countries (Coffee Years)	110,447	111,691	118,247	114,455	117,087	2.3%
Africa	10,702	11,087	12,017	12,019	12,273	2.1%
Asia & Oceania	35,068	34,903	36,472	36,241	36,706	1.3%
Mexico & Central America	5,193	5,273	5,431	5,321	5,356	0.7%
Europe	52,148	53,251	55,637	53,316	54,250	1.8%
North America	29,559	29,941	31,779	30,628	31,768	3.7%
South America	26,111	26,922	27,156	26,912	27,232	1.2%
BALANCE	1,827	6,491	1,830	4,506	2,019	

In thousand 60-kg bags

*preliminary estimates

As the figures in this table are on a coffee year basis, these estimates will vary from the figures published in Table 1 of Coffee Production Report (<http://www.ico.org/prices/po-production.pdf>), which contains crop year data. For further details, see the explanatory note at the end of this report.

Table 4: Total exports by exporting countries

	Jun-21	May-21	% change	Ocotber-June		
				2019/20	2020/21	% change
TOTAL	11,200	9,865	13.5%	96,148	98,545	2.5%
Arabicas	7,351	6,030	21.9%	59,152	63,311	7.0%
Colombian Milds	994	487	103.9%	10,556	10,550	-0.1%
Other Milds	2,981	2,804	6.3%	19,225	18,943	-1.5%
Brazilian Naturals	3,377	2,738	23.3%	29,370	33,818	15.1%
Robustas	3,849	3,835	0.4%	36,996	35,234	-4.8%

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

	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
New York	1.45	1.26	1.30	1.40	1.52	1.75	1.92	1.97	2.07	2.21	2.33	2.32
London	1.85	1.85	2.04	2.24	2.31	2.40	2.44	2.50	2.53	2.67	2.53	2.43

In million 60-kg bags

Explanatory Note for Table 3

For each year, the Secretariat uses statistics received from Members to provide estimates and forecasts for annual production, consumption, trade and stocks. As noted in paragraph 100 of document [ICC 120-16](#), these statistics can be supplemented and complemented by data from other sources when information received from Members is incomplete, delayed or inconsistent. The Secretariat also considers multiple sources for generating supply and demand balance sheets for non-Members.

The Secretariat uses the concept of the marketing year, that is the coffee year commencing on 1 October of each year, when looking at the global supply and demand balance. Coffee-producing countries are located in different regions around the world, with various crop years, i.e. the 12-month period from one harvest to the next. The crop years currently used by the Secretariat commence on 1 April, 1 July and 1 October. To maintain consistency, the Secretariat converts production data from a crop year basis to a marketing year basis depending on the harvest months for each country. Using a coffee year basis for the global coffee supply and demand, as well as prices ensures that analysis of the market situation occurs within the same time period.

For example, the 2014/15 coffee year began on 1 October 2014 and ended 30 September 2015. However, for producers with crop years commencing on 1 April, the crop year production occurs across two coffee years. Brazil's 2014/15 crop year began on 1 April 2014 and finished 31 March 2015, covering the first half of coffee year 2014/15. However, Brazil's 2015/16 crop year commenced 1 April 2015 and ended 31 March 2016, covering the latter half of coffee year 2014/15. In order to bring the crop year production into a single coffee year, the Secretariat would allocate a portion of the April-March 2014/15 crop year production and a portion of the April-March 2015/16 production into 2014/15 coffee year production.

It should be noted that while estimates for coffee year production are created for each individual country, these are made for the purpose of creating a consistent aggregated supply-demand balance for analytical purposes, and does not represent the production occurring on the ground within the individual countries.