Addressing challenges in the world coffee sector

Multi-year Expert Meeting on Commodities and Development

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- I – Coffee market: trend and outlook
- II – Challenges faced by heavily commodity dependent countries
- III – Addressing the challenges

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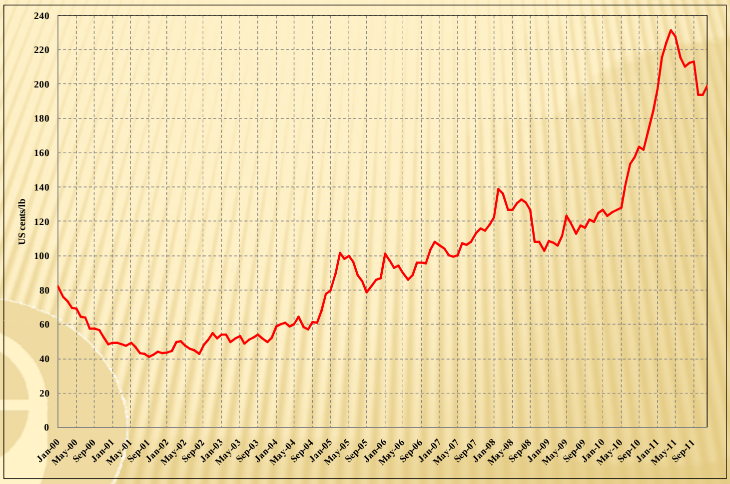
ICO composite indicator price

Monthly averages: January 2000 to December 2011

in current terms



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Market fundamental factors

- Historically, the long-term behaviour of coffee prices has been highly cyclical in nature. These cycles are primarily caused by fluctuation in supply, rather than changes in demand
- These price cycles were constrained by market regulatory mechanisms under the export quotas and other measures)

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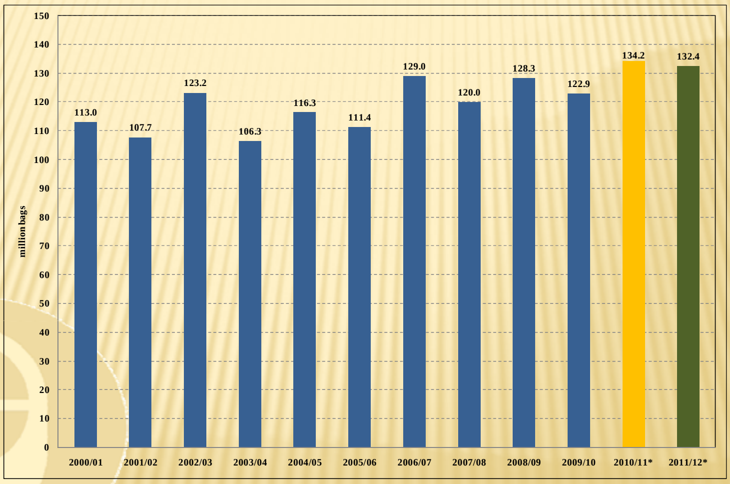
World Production
Crop years 2000/01 to 2011/12*



*Estimated

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Production: 10 leading producers
(Volume in 000 bags - % of world production)

	2010/11	2011/12*	% change
Brazil	48 095	43 480	-9.6
Vietnam	19 467	18 500	-5.0
Ethiopia	7 500	9 804	+30.7
Indonesia	9 129	8 750	-4.2
Colombia	8 523	8 500	-0.3
India	5 033	5 370	+6.7
Peru	3 976	5 000	+25.7
Mexico	4 850	4 500	-7.2
Honduras	4 326	4 300	-0.6
Guatemala	3 950	3 450	-12.7

*Estimated

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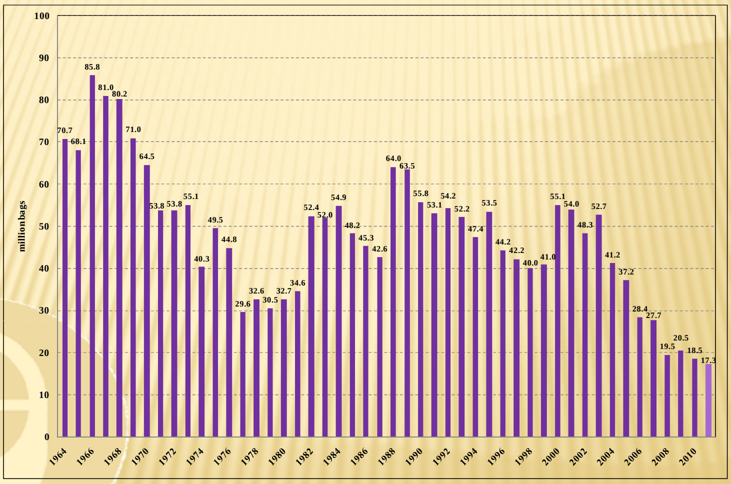
Opening stocks in exporting countries
Crop years 1964 to 2011*



*Estimated

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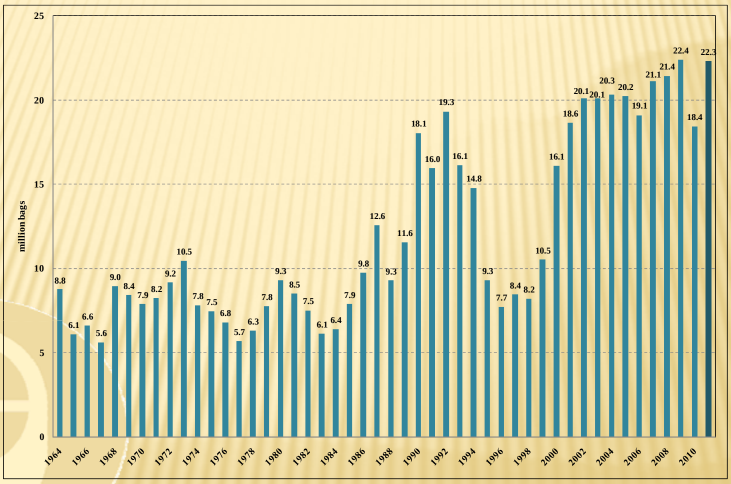
Inventories in importing countries
Calendar years 1964 to 2011*



*Estimated at the
end of Sep-11

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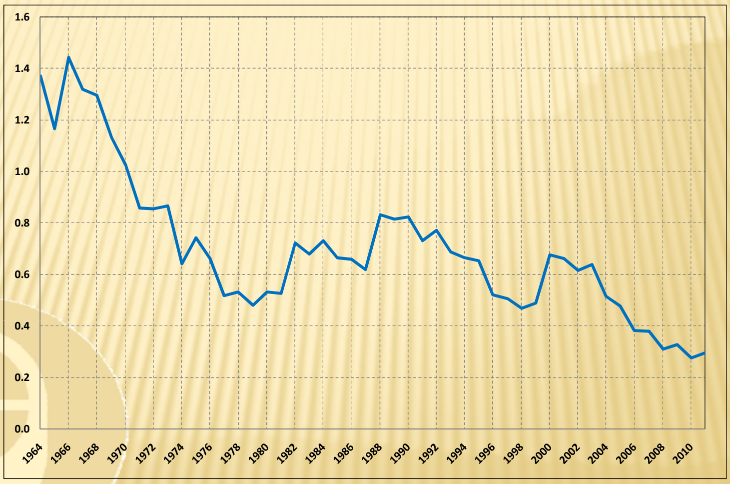
World stocks/consumption relation 1964 to 2011*



*Estimated

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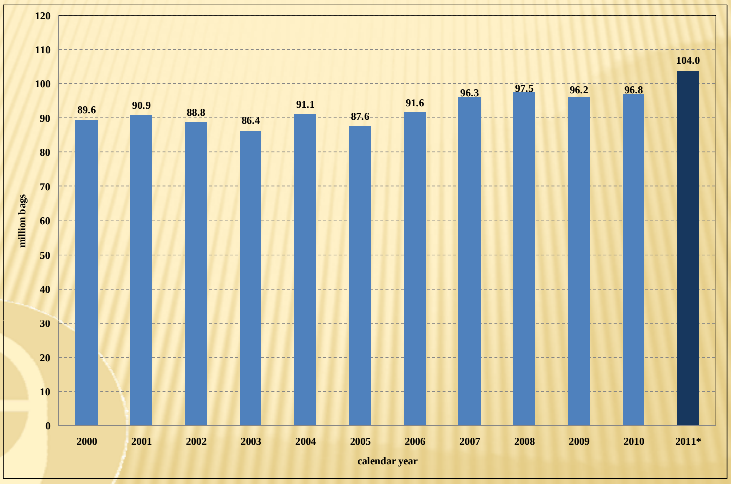
Total exports to all destinations Calendar years 2000 to 2011*



*Estimated

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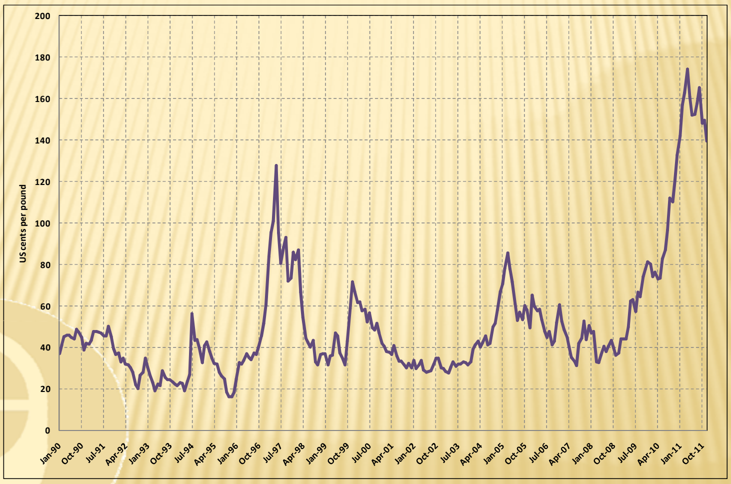
Arbitrage: New York – London
Monthly averages 2nd and 3rd positions
January 1990 to November 2011



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Exports by the top 10 exporting countries
December to November (000 bags)

	2010/11	2009/10	Change
Brazil	33 869	32 154	5.3%
Vietnam	17 025	14 503	17.4%
Colombia	7 982	7 504	6.4%
Indonesia	6 190	5 725	8.1%
India	5 993	4 430	35.3%
Peru	4 027	3 752	7.3%
Honduras	3 900	3 181	22.6%
Guatemala	3 700	3 442	7.5%
Uganda	3 138	2 691	16.6%
Mexico	2 865	2 509	14.2%

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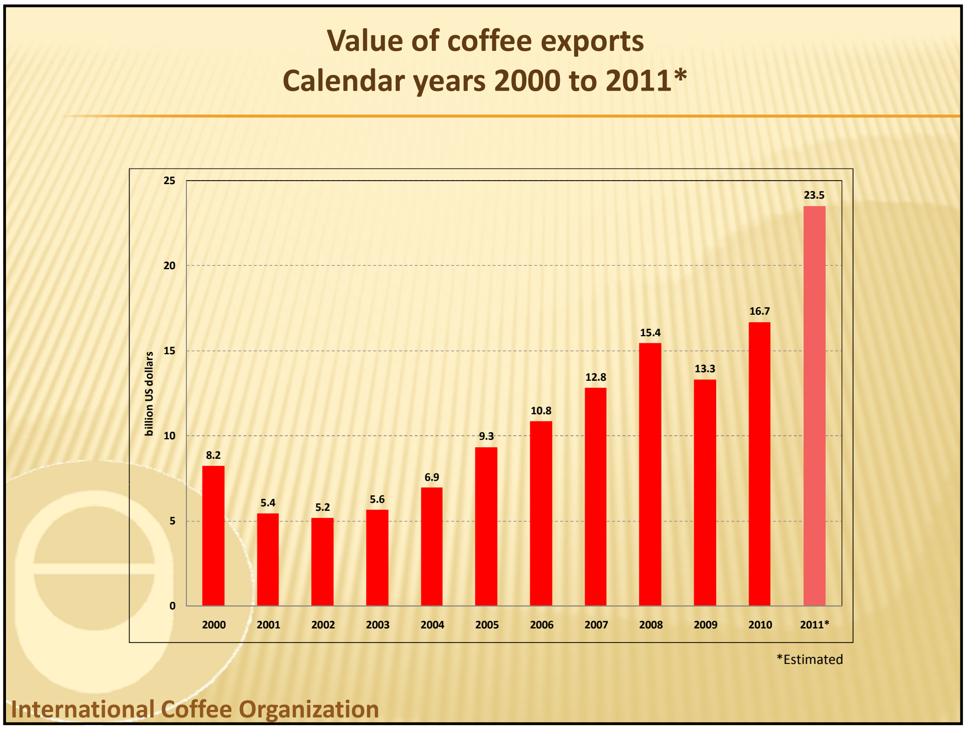
Value of coffee exports
Calendar years 2000 to 2011*
billion US dollars
25
20
15
10
5
0
8.2
5.4
5.2
5.6
6.9
9.3
10.8
12.8
15.4
13.3
16.7
23.5
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011*
*Estimated
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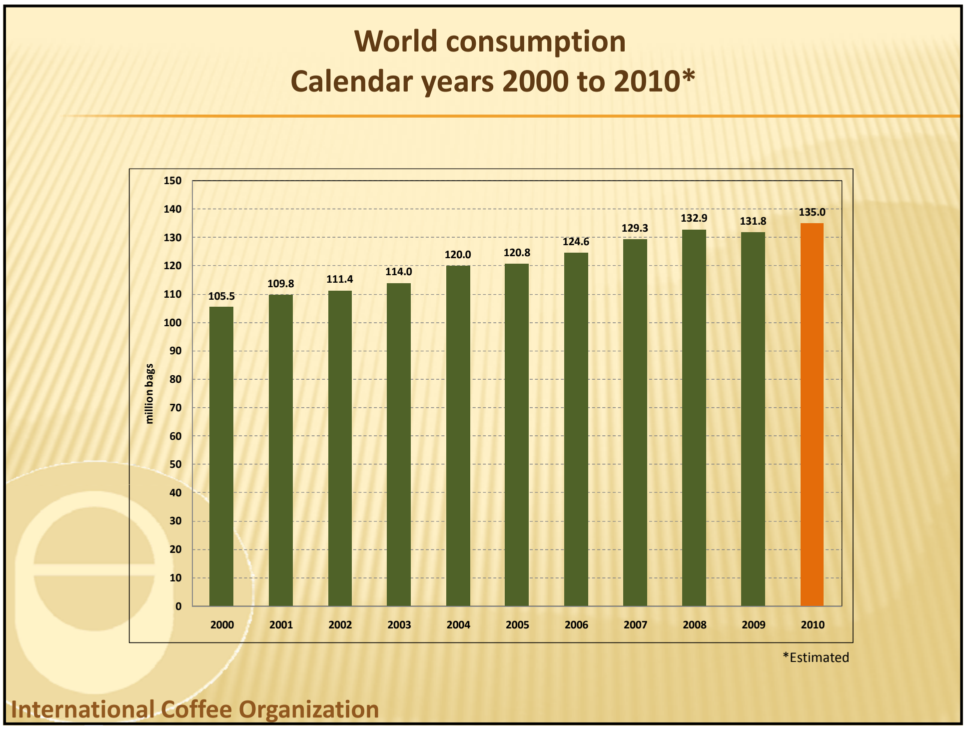
World consumption
Calendar years 2000 to 2010*
million bags
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
105.5
109.8
111.4
114.0
120.0
120.8
124.6
129.3
132.9
131.8
135.0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
*Estimated
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World coffee consumption
Evolution 2000 – 2010
(in thousand bags)

	2000	2010*	Change (2010)-(2000) Volume	%	Period growth rate (%)
Traditional markets	63 589	70 973	7 383	11.6	1.1
Producing countries	26 383	41 331	14 948	56.7	4.6
Emerging markets	15 994	22 693	6 699	41.9	3.6
World total	105 966	134 997	29 030	27.4	2.5

*Estimated

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Estimated consumption:
10 leading markets by volume

	2009	2010	%
	million bags		change
World total	131.8	135.0	2.4
USA	21.4	21.7	1.6
Brazil	18.2	18.9	4.1
Germany	8.9	9.3	4.4
Japan	7.1	7.2	0.9
Italy	5.8	5.8	-0.4
France	5.7	5.7	0.6
Russian Federation	3.1	3.7	16.9
Canada	3.3	3.6	8.9
Spain	3.4	3.2	-3.6
United Kingdom	3.2	3.1	-2.7

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Total consumption
Growth rates in traditional markets

	2000	2010	Annual growth rate
TOTAL	63 589	70 973	1.1%
USA	18 746	21 783	1.5%
Germany	8 770	9 292	0.6%
Japan	6 626	7 192	0.8%
Italy	5 149	5 781	1.2%
France	5 402	5 711	0.6%
Spain	2 991	3 232	0.8%
United Kingdom	2 342	3 134	3.0%
Netherlands	1 860	1 347	-3.2%
Sweden	1 173	1 221	0.4%
Finland	967	1 080	1.1%

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Total consumption
Growth rates in producing countries

	2000	2010	Annual growth rate
Total	26 383	41 331	+4.3
Brazil	13 075	18 945	+3.8
Indonesia	1 664	3 333	+7.2
Ethiopia	1 938	3 253	+5.3
Mexico	1 189	2 239	+6.5
India	938	1 400	+4.1
Others	7 579	12 161	+3.9

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Top 10 producers: ratio (domestic consumption/total production)
Crop years 2000/01 and 2011/12*

	2000	2011*
Brazil	42.2%	46.6%
Vietnam	2.7%	8.6%
Ethiopia	64.7%	34.5%
Indonesia	24.0%	38.1%
Colombia	13.5%	16.5%
India	22.9%	32.7%
Mexico	27.1%	52.3%
Peru	7.5%	5.6%
Honduras	8.6%	10.7%
Guatemala	6.1%	9.4%

*Estimated

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Total consumption
Growth rates in emerging markets

	2000	2010	Annual growth rate
Total	15 994	22 693	3.6%
Russian Federation	1 863	3 661	7.0%
Poland	2 046	2 156	0.5%
Algeria	1 779	2 021	1.3%
Korea, Rep. of	1 246	1 666	3.0%
Ukraine	179	1 485	23.6%
Australia	832	1 370	5.1%
Romania	551	796	3.7%
Turkey	291	610	7.7%
Israel	287	553	6.8%
South Africa, Rep.of	368	553	4.1%
Serbia	644	548	-1.6%

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II - Challenges

- Price fluctuations
- Exchange rate fluctuations
- Long period of low prices compared to the one of high prices
- Access to finance
- Poor extension services
- Poor research/development in the sector
- Poor organization of farmers

II - Challenges

- Poor marketing systems
- Poor infrastructure
- Increasing poverty in rural areas
- Increasing costs of production
- Low productivity
- Climate change
- Crops irrigation

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III – Addressing the challenges

- Diversification: promoting and supporting activities generating complementary earnings (ICO/CFC project in Burundi and Cote d'Ivoire);
- Diversification through the promotion of food security;
- Supporting extension services to promote good agricultural practices
- Support research/development

III - Addressing the challenges

- Improving the marketing systems;
- Support programs for the development of domestic market
- Facilitate farmers' access to finance;
- Promote capacity building of farmers' organizations
- Improve conditions for use of price risk management tools

Thank you

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