GLOBAL COMMODITIES FORUM

UNCTAD

31 January – 1 February 2011

Geneva, Switzerland

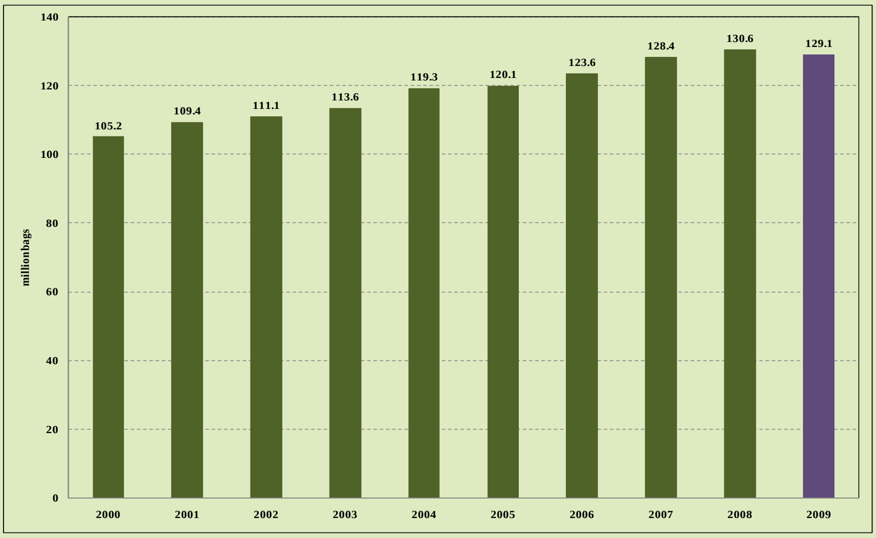
José Sette

Executive Director a.i.

SUMMARY

1. **Drivers of Volatility**
2. **Effects of Volatilty**
   - ❑ Export earnings
   - ❑ Producer income
3. **The Way Forward**

World consumption
Calendar years 2000 to 2009



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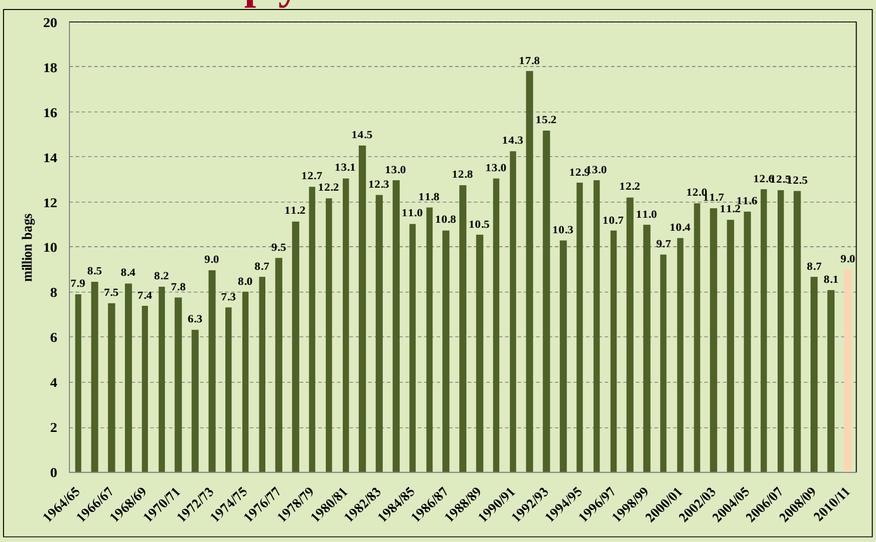
Colombia coffee production
Crop years 1964/65 to 2010/11



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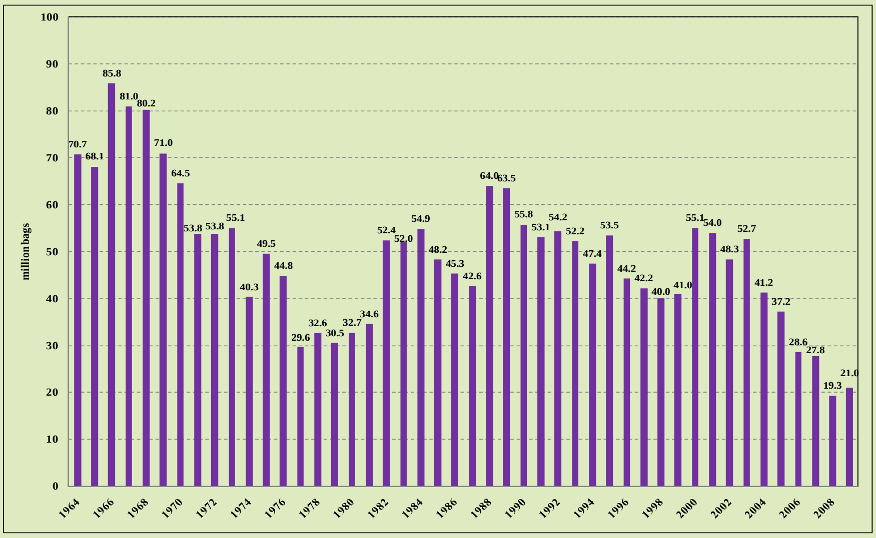
Opening stocks in exporting countries
Crop years 1964 to 2010



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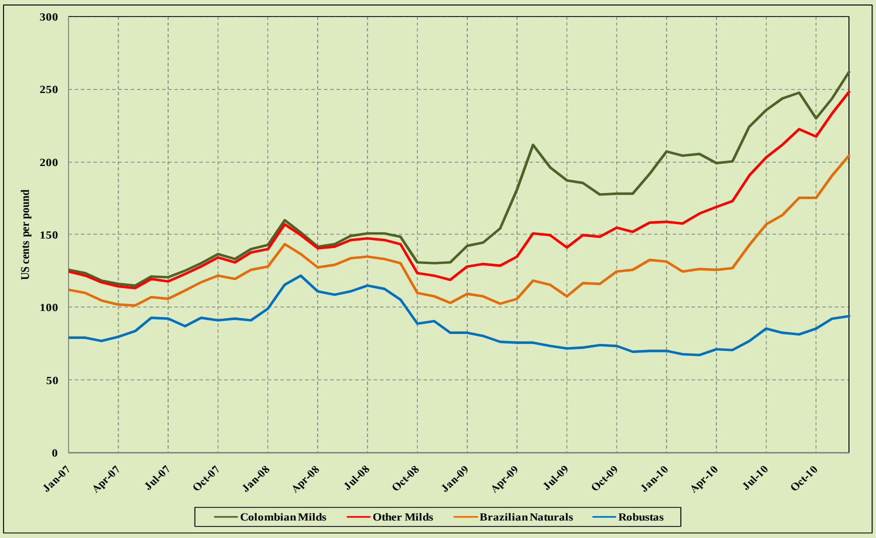
Group indicator prices
Monthly averages: January 2007 to December 2010



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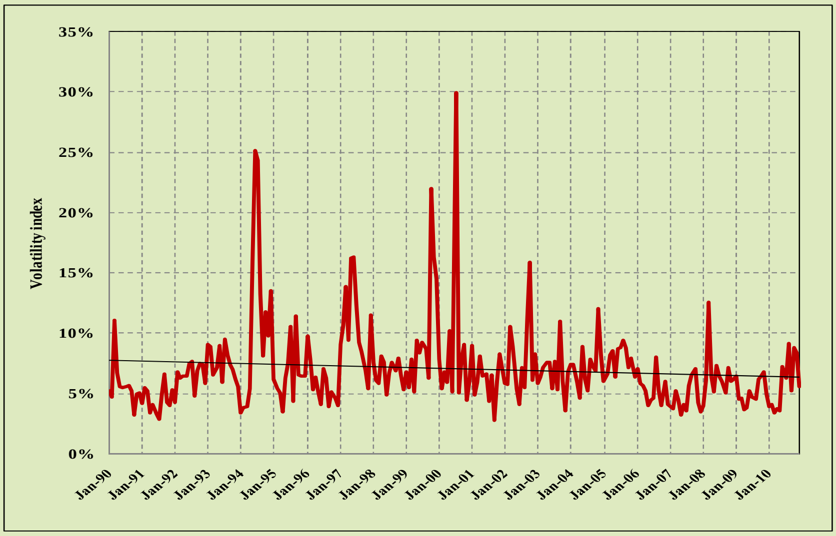
Volatility index
January 1990 to December 2010



	Volatility index January 1990 to December 2010						
Period	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York average 2nd and 3rd	London average 2nd and 3rd
Jan-90 to Dec-10	7.04%	7.99%	7.89%	9.68%	7.22%	9.26%	8.05%
Jan-90 to Dec-94	7.15%	8.82%	7.99%	10.23%	7.46%	8.86%	8.49%
Jan-95 to Dec-99	7.99%	9.89%	9.61%	11.60%	7.55%	10.62%	8.29%
Jan-00 to Dec-04	7.38%	7.78%	8.19%	10.86%	6.46%	9.58%	7.72%
Jan-05 to Dec-10	5.87%	5.91%	6.12%	6.63%	7.37%	8.18%	7.77%
Jan-08 to Dec-10	*5.83%*	*5.90%*	*6.12%*	*6.94%*	*7.27%*	*8.29%*	*7.67%*

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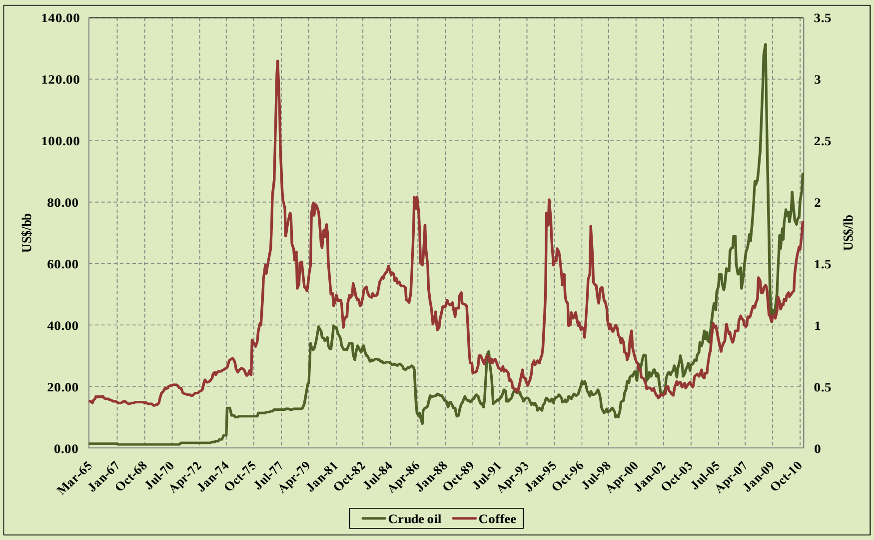
Study on "Coffee price volatility"
ICC-103-7 (September 2009)

Conclusion:

- **Trend towards reduced volatility despite emergence of occasional peaks as response to exogenous impacts**
- **Reduction in supply side shocks in last two decades**

Historical prices for oil and coffee
March 1965 to December 2010



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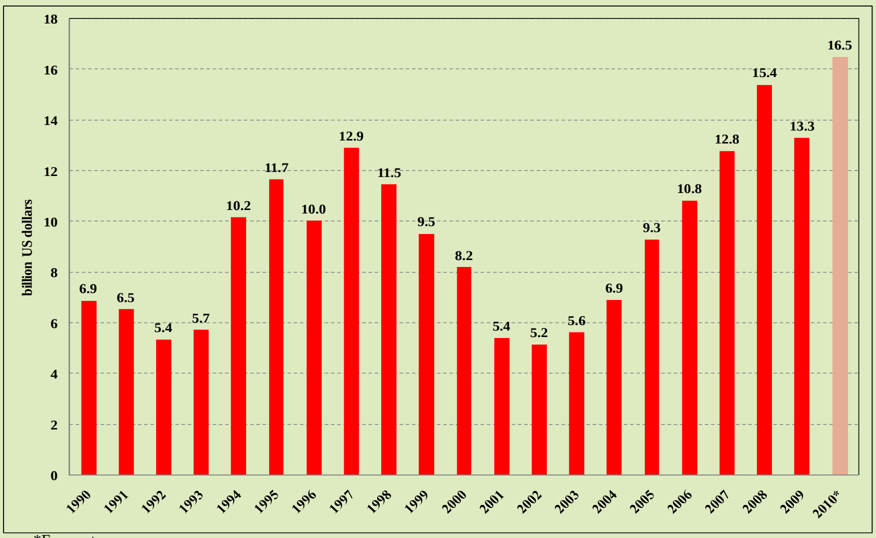
Value of coffee exports
Calendar years 1990 to 2010



*Forecast

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Coffee Exports as % of Total Exports
10 leading producers 2010/11

	PRODUCTION (mln 60-kg bags)	COFFEE AS % TOTAL EXPORTS	
Country	2010/11	1981-1985	2005-2009
Brazil	48.1	9.9	2.5
Vietnam	18.0	1.5	2.8
Indonesia	9.5	2.1	0.5
Colombia	9.0	50.1	6.2
Ethiopia	7.5	61.7	31.9
India	5.0	2.3	0.3
Mexico	4.5	1.9	0.2
Guatemala	4.0	32.3	11.2
Honduras	3.9	23.2	16.1
Peru	3.7	4.0	1.9

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Coffee Exports as % of Total Exports
Coffee-producing LDCs

	Production	Coffee as % exports	
Country	2010/11	1981-1985	2005-2009
Ethiopia	7 450	61.7	31.9
Uganda	3 200	93.7	16.3
Tanzania	1 083	32.6	4.8
Madagascar	500	36.9	1.0
Guinea	450	0.8	3.4
Rwanda	433	69.5	25.4
Congo, Dem. Rep. of	350	18.3	0.5
Haiti	350	31.2	0.7
Burundi	300	87.5	58.9
Togo	250	18.1	1.7
Yemen	150	n.a.	0.2
Central African Rep.	50	34.7	1.9
Timor-Leste	50	n.a.	69.4
Angola	35	4.1	0.0
Malawi	30	1.3	0.4
Zambia	21	0.1	0.2
Liberia	10	4.5	0.2

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THE WAY FORWARD

1. **Increased market regulation/intervention**
   - ❑ Strengthening of technical capacity of commodity market regulators
   - ❑ Limits on price movements/position limits etc.
   - ❑ Restrict participation to commercial interests
   - ❑ "Innovative stabilisation schemes"
2. **Risk management tools for smallholders**
3. **"Natural" hedges**
   - ❑ Diversification
   - ❑ Development of internal consumption

World coffee consumption
Evolution 2000 – 2009
(in thousand 60-kg bags)

	2000	2009*	Annual growth (%)
Traditional markets	63 377	68 873	0.8
Producing countries	25 604	37 705	4.0
Emerging markets	15 744	22 500	3.6
WORLD TOTAL	104 725	129 078	2.1

*Forecast

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World coffee consumption: Producing countries
Evolution 2000 – 2009
(in thousand 60-kg bags)

	2000	2009*	Annual growth (%)
Total	25 604	37 705	4.0
Brazil	13 075	18 208	3.4
Indonesia	1 664	3 333	7.2
Mexico	1 189	2 200	6.4
Ethiopia	1 642	1 833	1.1
India	938	1 573	5.3
Others	7 096	10 558	4.1

*Provisional

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Thank you

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