Outlook for the World Coffee Market

ASEAN INTERNATIONAL SEMINAR ON COFFEE

12-13 June 2012

Kuta, Bali, Indonesia

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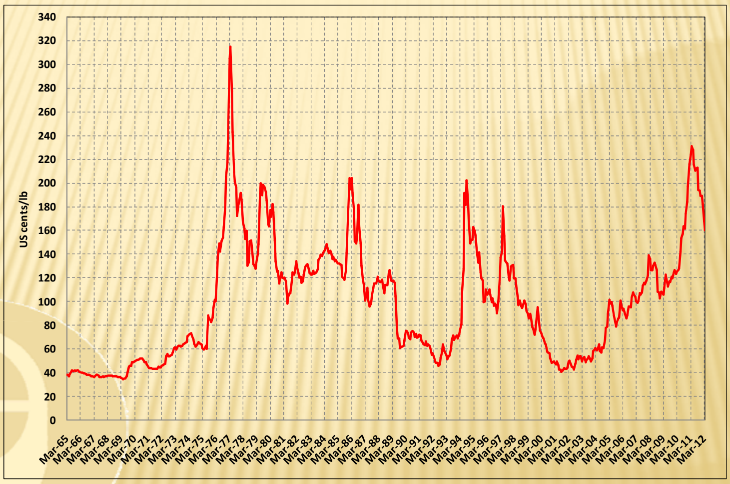
International Coffee Organization

ICO Composite Indicator Price (in current terms)

Monthly averages: March 1965 to May 2012



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ICO Composite Indicator Price

Monthly averages: March 1965 to May 2012

deflated by UN index for manufactured goods exports (2000 = 100)

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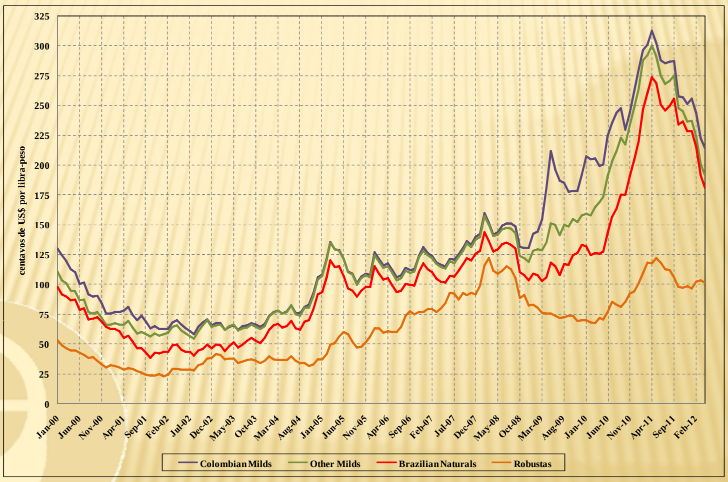
ICO Group Indicator Prices (in current terms)

Monthly: January 2000 to May 2012



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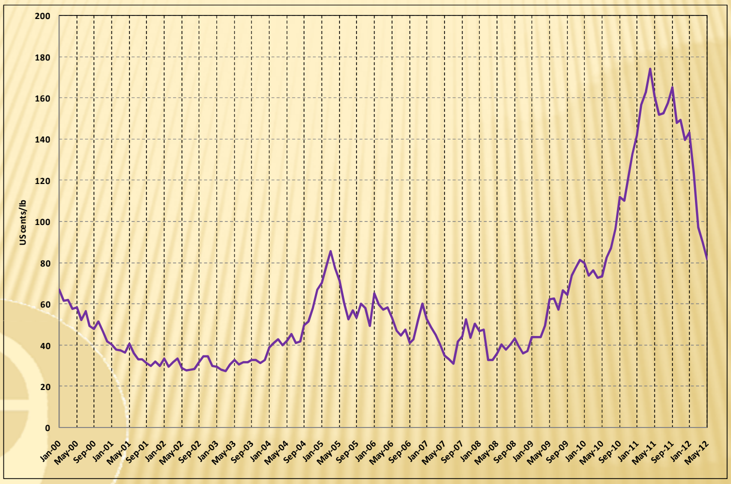
Arbitrage: New York – London

Monthly averages 2nd & 3rd positions (Jan/2000 to May/2012



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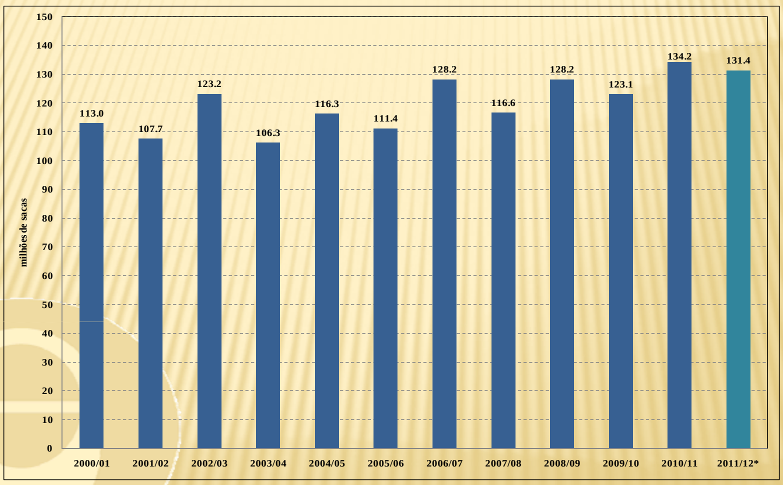
World Production

Crop years 2000/01 to 2011/12*



*Preliminary

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Production: 10 Leading Producers

(Volume in 000 bags)

	2010/11	2011/12*	% change
Brazil	48 095	43 484	-9.6
Vietnam	19 467	20 000	+2.7
Indonesia	9 129	8 250	-9.6
Colombia	8 523	7 800	-8.5
Ethiopia	7 500	6 500	-13.3
Peru	4 069	5 443	+33.8
India	5 033	5 333	+6.0
Honduras	4 326	4 500	+4.0
Mexico	4 850	4 300	-11.3
Guatemala	3 950	3 750	-5.1

*Preliminary

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Production in ASEAN countries in 2011/12*

(Volume in 000 bags - % of world production)

	Robusta	% in World	Arabica	% in World
Indonesia	6 518	13.0%	1 733	2.2%
Laos	583	1.2%	0	0.0%
Philippines	340	0.7%	11	0.0%
Thailand	850	1.7%	0	0.0%
Vietnam	19 000	37.8%	1 000	1.2%
Sub-total	27 290	54.3%	2 743	3.4%
World total	50 291		80 087	

*Estimated

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World Production Robusta
(average of period)

	Volume (million 60-kg bags)	Growth rate in over the previous period	% in World total
1965/66 - 1979/80	17.1		24.3%
1980/81 - 1989/90	22.4	30.1%	24.9%
1990/91 - 1999/2000	30.5	36.2%	30.3%
2000/01 - 2011/12	44.8	46.9%	37.3%

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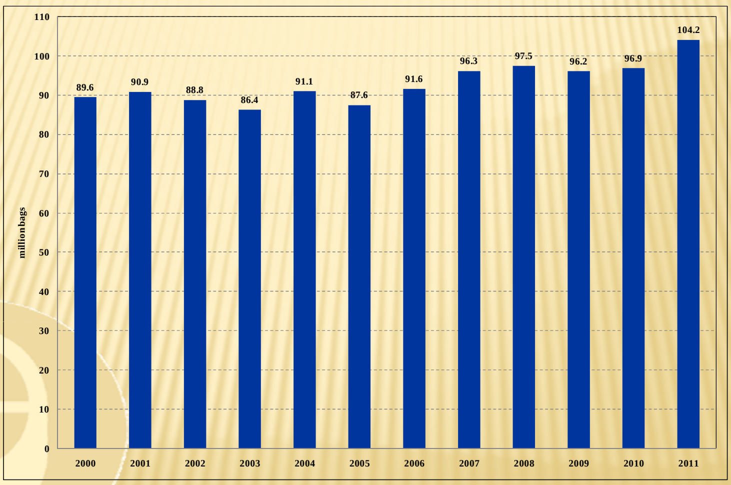
Total exports to all destinations
Calendar years 2000 to 2011*



*Provisional

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Exports by group and by type of coffee

October to April (000 bags)

	2010/11	2011/12	Change
Total	62 829	60 299	-4.0%
Colombian Milds	6 310	4 996	-20.8%
Other Milds	14 334	14 800	3.3%
Brazilian Naturals	20 643	17 814	-13.7%
Robustas	21 541	22 689	5.3%
Arabicas	41 288	37 611	-8.9%
Robustas	21 541	22 689	5.3%

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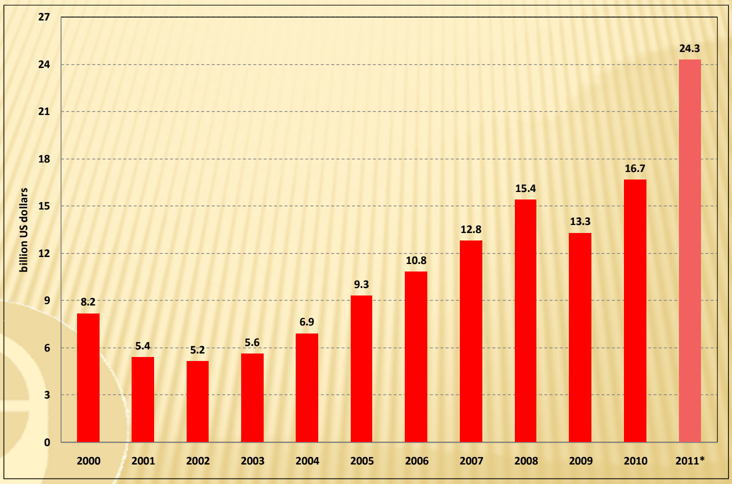
Value of exports to all destinations

Calendar years 2000 to 2011*



*Estimated

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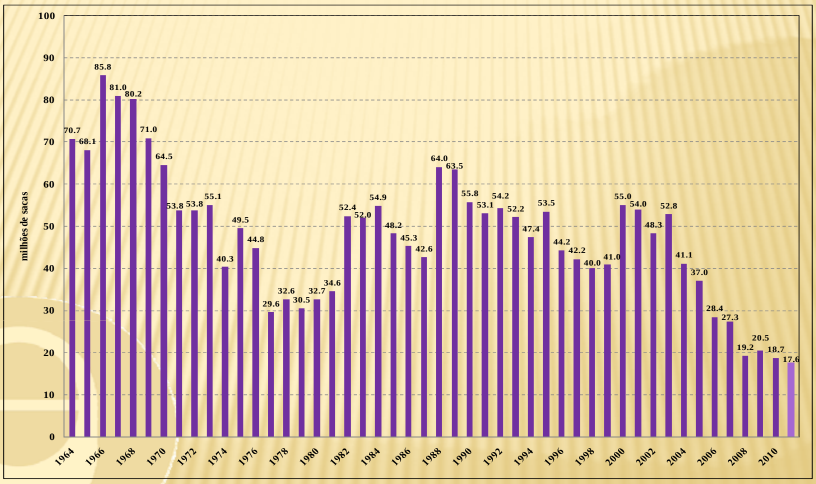
Opening stocks in exporting countries

Crop years 1964 to 2011*



*Preliminary

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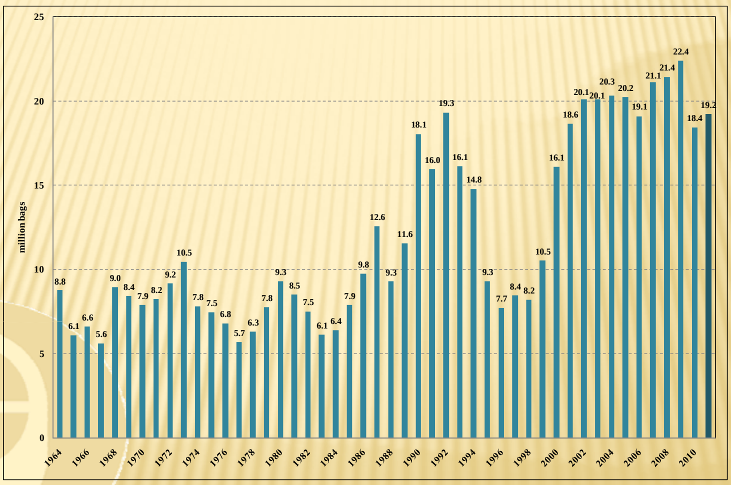
Inventories in importing countries

End of calendar year 1964 to 2011*



*Preliminary

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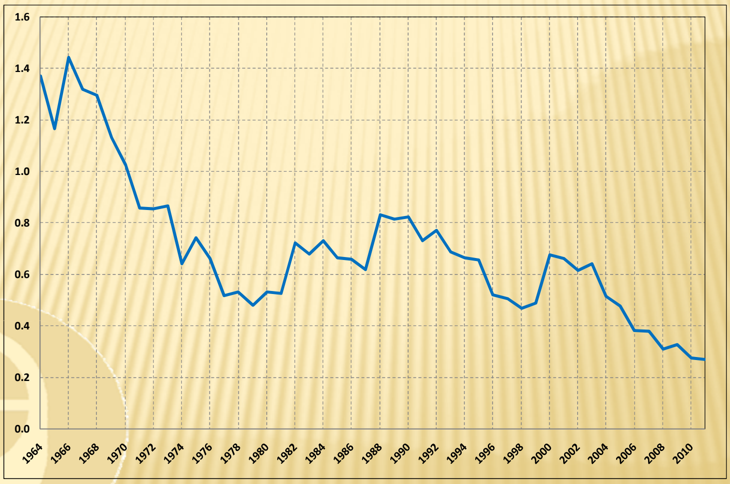
World stocks/consumption ratio

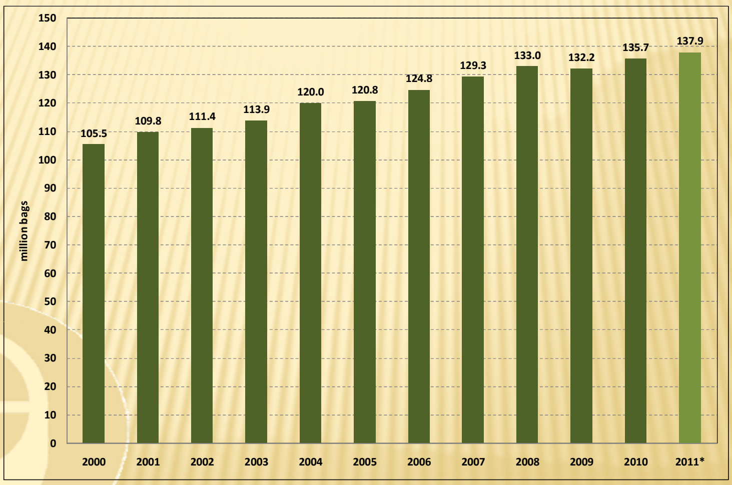
1964 to 2011*



*Preliminary

World consumption

Calendar years 2000 to 2011*



*Preliminary

World consumption 2000-2011

(in 000s of 60kg bags)

	2000	2011*	Change (2011 - 2000) Volume	%	Period growth rate (%)
Traditional markets	63 589	70 771	7 182	11.3	1.0
Producing countries	26 383	42 412	16 029	60.8	4.4
Emerging markets	15 524	24 717	9 193	59.2	4.3
World total	105 496	137 900	32 404	30.7	2.5

*Preliminary

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Consumption: traditional markets

(000 bags)

	2000	2011*	Annual growth rate
TOTAL	63 589	70 771	1.0%
USA	18 746	22 043	1.5%
Germany	8 770	9 460	0.7%
Japan	6 626	7 015	0.5%
France	5 402	5 959	0.9%
Italy	5 149	5 689	0.9%
Spain	2 991	3 149	0.5%
United Kingdom	2 342	2 926	2.0%
Poland	2 046	2 042	0.0%
Sweden	1 173	1 125	-0.4%
Austria	875	1 117	2.2%

*Preliminary

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Changes in retail prices of roasted coffee

(in national currency)

Importing country	% change from previous year Calendar year 2009	2010	2011	2008-2011
Belgium	-0.8	9.6	19.8	30.2
Denmark	-0.2	15.0	20.9	38.8
Finland	1.5	27.2	22.5	58.2
France	3.4	0.7	11.2	15.8
Germany	3.8	9.0	2.9	16.5
Italy	0.7	0.7	16.6	18.2
Spain	-2.4	1.2	12.1	10.8
Sweden	7.0	15.2	20.3	48.3
United Kingdom 1/	5.1	3.9	16.0	26.7
Japan	-2.4	-10.6	22.7	7.1
Norway	13.2	8.9	23.4	52.0
USA	-0.6	13.0	31.1	47.3

1/ Soluble coffee

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Estimated consumption:

10 leading markets by volume

	2010	2011*	%
	million bags		change
World total	135.7	137.9	1.6
USA	21.78	22.04	1.2
Brazil	19.07	19.57	2.6
Germany	9.29	9.46	1.8
Japan	7.19	7.01	-2.5
France	5.71	5.96	4.3
Italy	5.78	5.69	-1.6
Russian Federation	3.66	3.69	0.9
Canada	3.59	3.57	-0.3
Spain	3.23	3.15	-2.6
United Kingdom	3.13	2.93	-6.7

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*Preliminary

Consumption: producing countries

(000 bags)

	2000	2011*	period growth rate (%)
Total	26 383	42 412	+4.4
Brazil	13 075	19 573	+3.7
Ethiopia	1 938	3 383	+5.2
Indonesia	1 664	3 333	+6.5
Mexico	1 189	2 354	+6.4
Philippines	841	2 150	+8.9
India	938	1 763	+5.9
Others	6 738	8 857	+3.5

*Preliminary

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Consumption: emerging markets

	2000	2011*	Annual growth rate
Total	15 524	24 717	4.3%
Russian Federation	1 863	3 695	6.4%
Korea, Rep. of	1 246	1 801	3.4%
Algeria	1 779	1 789	0.1%
Australia	832	1 406	4.9%
Ukraine	178	1 324	20.0%
Romania	551	802	3.5%
Turkey	287	633	7.5%
South Africa, Rep. of	368	538	3.5%
Israel	287	512	5.4%
Lebanon	273	407	3.7%
New Zealand	186	243	2.5%

*Preliminary

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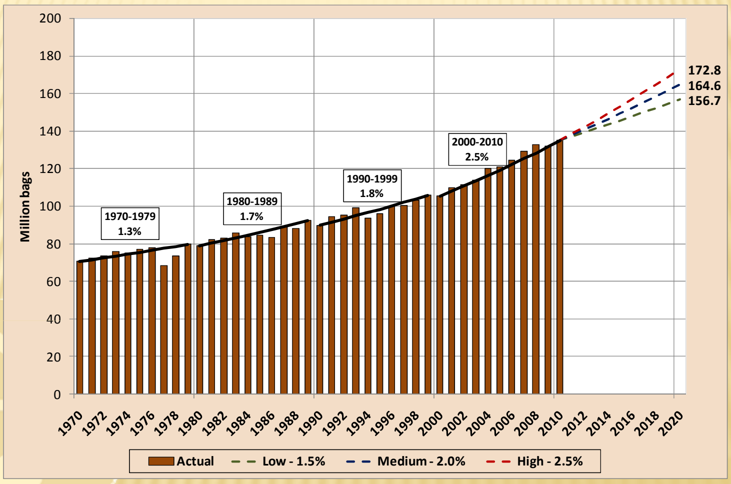
World consumption

Calendar years 1970 to 2020*



*Estimated

ASEAN Countries : Challenges 1

- **Need to strengthen support services / capacity-building**
- **Strengthen research**: coffee genome, biodiversity conservation, development of new varieties, carbon sequestration
- **Implement adaptation and mitigation strategies** to offset climate change and other adverse effects of weather
- **Improve labour productivity**, esp. harvesting techniques
- **Renew ageing tree population** (esp. Vietnam)

ASEAN Countries : Challenges 2

- **Increase yields without increasing land area**
- **Improve access to financial services** (credit & risk management)
- **Social sustainability:** empower women & attract youth
- **Value addition:**
  - **Differentiation (quality, certification, geographical indications etc.)**
  - **Industrialization**
- **Sustainability: certification / verification**

ASEAN Countries: Opportunities

- **Favourable demographics:** Large populations / rising middle class / young population → grow internal market

Consumption and per capita consumption in selected countries

	2011*	
	Consumption (000 bags)	Per capita (kg)
Finland	1 093	12.26
Germany	9 460	6.92
Brazil	19 573	6.01
USA	22 043	4.16
Australia	1 407	3.92
New Zealand	243	3.40
Japan	7 015	3.31
Korea, Rep. of	1 801	2.23
Laos	150	1.40
Philippines	2 150	1.38
Vietnam	1 583	1.07
Indonesia	3 333	0.86
Thailand	500	0.44

*Preliminary

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ASEAN Countries: Opportunities

- **Favourable demographics:** Large populations / rising middle class / young population → grow internal market
- **Proximity to major emerging markets**
- **Demand for soluble coffee** in emerging markets

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Consumption by continent

(000 bags)

	(000 bags)			
	2000	2011	Change (volume)	Annual growth rate
Africa	6 007	8 055	2 048	2.7%
Asia & Oceania	15 147	23 206	8 060	4.0%
Europe	42 799	52 236	9 437	1.8%
Latin America	20 420	28 786	8 366	3.2%
North America	21 123	25 617	4 494	1.8%
World	105 496	137 900	32 404	2.5%

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Role of ICO

Knowledge-based organization to help create an enabling environment for the sustainability of the world coffee sector

NOT

- market regulator (no economic clauses)
- standard-setting body (→ ISO)
- forum for int'l trade negotiations (→ WTO)

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ICO Activities

- Forum for international cooperation
- Coffee development projects
- Economics
- Statistics
- Promotion
- Quality and food safety
- Coffee and health
- Information services

Seminar on the economic, social and environmental impact of certification on the coffee supply chain (1)

- Date: 25/Sep/2012
- Topics:
  - **costs, benefits and economic, social and environmental impacts of certification/verification schemes**, especially for smallholder farmers;
  - impact of certification on **productivity, cost-management, incomes, health, education, farmer training, biodiversity and soil fertility**;
  - consumer and industry **demand** for certified/verified coffee and related demand drivers;
  - access to **credit and finance** for certification/verification processes and the production and promotion of certified/verified coffee;

Seminar on the economic, social and environmental impact of certification on the coffee supply chain (2)

- Date: 25/Sep/2012
- Topics:
  - **impact** of certification/verification on value **at the various levels in the coffee supply chain**, for example, price premiums for producers and other supply chain participants, and means to enhance transparency about such value/premiums;
  - **similarities and differences**, as well as possible synergies, among certification/verification schemes;
  - the **relationship** between **certification/verification schemes** and **relevant international standards**;
  - certification/verification schemes and their **impact on trade**;
  - **traceability**;

Seminar on the economic, social and environmental impact of certification on the coffee supply chain (3)

- Topics (cont.):
  - impact of certifications/verifications on the **volatility of coffee prices**;
  - the role of certifications in times of **low coffee supply**;
  - certification/verifications **as a marketing strategy**;
  - **lessons learned** on the impact of certification/verifications on improving long-term sustainability; and
  - **improving the efficiency and cost-effectiveness** of certification/verifications.

Thank you

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