

MONTHLY COFFEE MARKET REPORT

January 2014

Coffee prices surged higher in January, with the monthly average of the ICO composite indicator price at its highest level in four months. The recent publication of official Brazilian production estimates for crop year 2014/15, which is due to start in April, suggests that output could fall for the second consecutive crop year, giving an initial forecast of between 46.53 and 50.15 million bags. This uncertainty over the 2014/15 crop, exacerbated by notably dry weather in some coffee-producing regions, has given support to coffee prices over the last month.

Based on the information currently available, total production for crop year 2013/14 is provisionally estimated at around 145.8 million bags, representing a slight increase on the 145.1 million bags produced in 2012/13. Finally, total exports in calendar year 2013 amounted to 108.9 million bags, down 1.8% on calendar year 2012.

Graph 1: ICO composite indicator price
(2 January 2013 to 4 February 2014)



Market developments

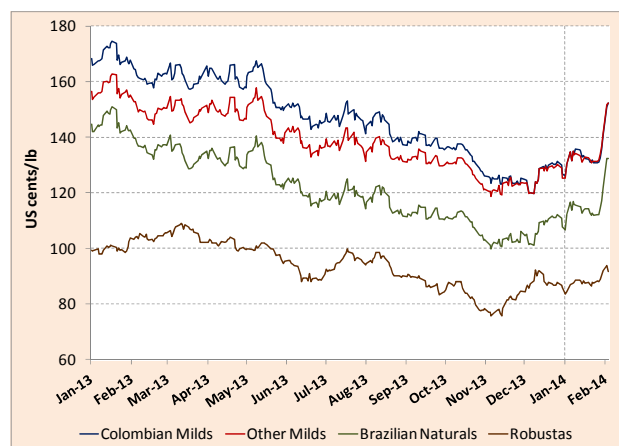
The monthly average of the ICO composite indicator rose by 3.9% in January 2014 to 110.75 US cents/lb, its highest level in four months. The composite increased consistently over the course of the month, starting at a low of 104.52 and finishing on a high of 117.56, an increase of 12.5%. The ICO group indicators underwent more mixed fortunes, with the three Arabica groups all increasing significantly while Robustas fell slightly. Colombian Milds, Other Milds and Brazilian Naturals recorded average increases of 5.0%, 5.4% and 6.2% respectively; Robusta prices decreased slightly by 0.2%.

In terms of differentials, the daily price of Other Milds again frequently traded above Colombian Milds in January, with the average differential narrowing by 70.2% to just 0.17 US cents/lb. In the last year, the differential in the daily price has fallen from around +US\$12/lb to a low of -US\$1.2/lb towards the end of January (Graph 3). These price developments reflect the contrasting availability of Central American origins compared to Colombian. In terms of the Arabica/Robusta differential, the arbitrage between the New York and London futures markets increased in January by 16.8% compared to the previous month, to reach 43.67 US cents/lb.

Much of the recent price support has been due to speculation over the size of the upcoming Brazilian crop. The first estimate by Conab of the 2014/15 crop gives a forecast of 46.53 to 50.15 million bags, with an average of 48.34 million. If realised, this average would represent two consecutive decreases in Brazilian coffee production for the first time since 1977, and would suggest that the significance of the traditional biennial cycle of production is waning. The expected decrease is attributed to a reduction in the area of production, as well as lower levels of crop investment caused by falling coffee prices. Furthermore, particularly dry weather in January in several coffee-growing regions in Brazil has been seen as detrimental to

the development of the 2014/15 harvest, supporting coffee prices over the course of the month.

**Graph 2: ICO group indicator daily prices
(2 January 2013 to 4 February 2014)**



**Graph 3: Daily price differential between
Colombian Milds and Other Milds
(2 January 2013 to 4 February 2014)**



Exports in December 2013 amounted to 8.5 million bags, a 5.8% decrease on the same month in 2012. This brings total exports for the first quarter of coffee year 2013/14 (October to December) to 24.9 million bags, down 9.8% on 2012/13.

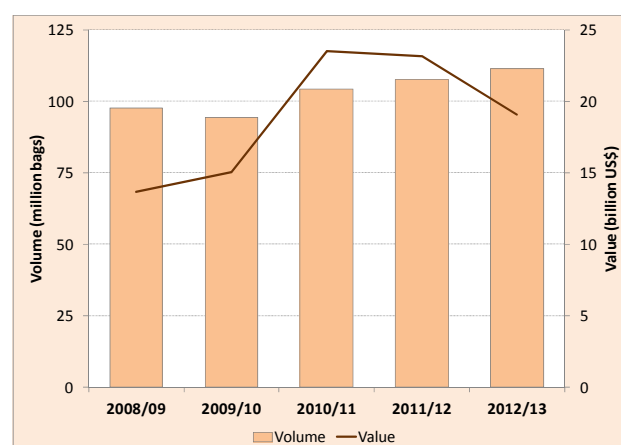
Total exports in calendar year 2013 reached 108.9 million bags, 1.8% below the record volume of 110.8 million exported in 2012. Exports of both Colombian Milds and Brazilian Naturals were higher for the year, up 31% and 2.1% respectively. However, these increases were outweighed by

lower levels in Other Milds (-8.6%), particularly from Central America, and Robustas (-6.6%). Brazil exported 9.8% more coffee in 2013 up to 31.1 million bags, while Vietnam exports were estimated to be down 19.5% to 18.4 million bags. Indonesia was relatively unchanged, increasing from 10.7 million to 10.9 million, but Colombia increased by over a third to 9.7 million bags, its highest calendar year exports since 2008.

In terms of export value, total exports in coffee year 2012/13 (October – September) amounted to US\$19.1 billion, down 17.7% on 2011/12, despite an increase in the total volume of exports to a record 111.6 million bags (see Graph 4).

Finally, certified stocks of Robusta on the London futures market fell by a further 7.5% in January to just 464,000 bags, while Arabica stocks in New York dropped by 2% to 3 million bags.

Graph 4: Export volume and value
(Coffee years 2008/09 – 2012/13)



Production in crop year 2013/14

Table 1: Total production by all exporting countries
(Crop years 2010/11 – 2013/14*)

Crop year commencing	2010	2011	2012	2013*	% change 2012-13
TOTAL	132 983	132 304	145 116	145 775	0.5
Arabicas	84 108	81 880	88 850	85 440	-3.8
Colombian Milds	9 705	8 715	11 967	12 238	2.3
Other Milds	28 789	32 046	29 078	26 445	-9.1
Brazilian Naturals	45 614	41 119	47 805	46 758	-2.2
Robustas	48 876	50 424	56 266	60 335	7.2
Africa	16 053	15 708	16 650	16 436	-1.3
Asia & Oceania	36 016	37 896	42 359	47 334	11.7
Mexico & Central America	18 021	20 298	18 541	16 047	-13.5
South America	62 893	58 402	67 565	65 959	-2.4

*Estimated

According to the information currently available, total coffee production in 2013/14 is provisionally estimated at 145.8 million bags, a 0.5% increase on 2012/13. Production of Arabicas is expected to decrease by 3.8% to 85.4 million bags, or 58.6% of the total. This is mostly attributable to a 9.1% decrease in Other Milds, following the ongoing outbreak of coffee leaf rust in Central America, as well as a 2.2% decrease in production of Brazilian Naturals. A 2.3% increase is anticipated in

Colombian Milds to 12.2 million bags, and Robustas are provisionally forecast for a 7.2% increase to 60.3 million bags.

In **Africa**, a slight decrease of 1.3% is expected down to 16.4 million bags from 16.7 million, giving the region as a whole an 11.3% share of total production. The largest producer in the region is Ethiopia, where production is forecast to increase in 2013/14 by 3.7% to 6.6 million bags, while

production in 2012/13 has been revised downwards to 6.4 million. Uganda is estimated at 3.6 million bags, with Kenya at 850,000 and Tanzania at 750,000. Production in Côte d'Ivoire is estimated at 2.1 million bags and Cameroon 400,000.

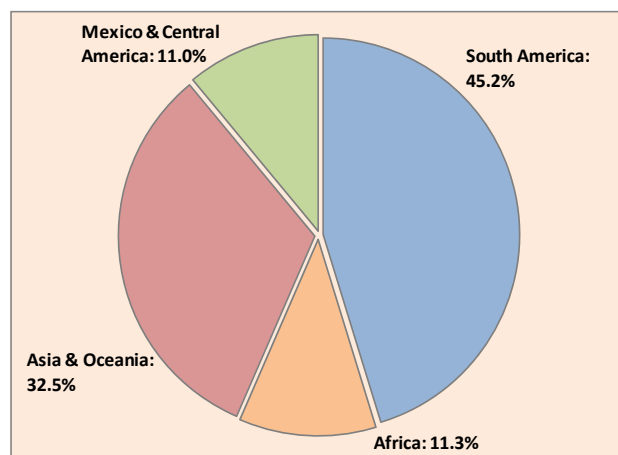
A strong increase in production is expected in **Asia & Oceania**, up 11.7% to 47.3 million bags, accounting for nearly a third of world production. This is largely due to increased output in Vietnam of an estimated 27.5 million bags. Indonesia is provisionally estimated at 11.7 million bags, with India on 5.2 million. Papua New Guinea and Thailand are estimated at 1 million and 638,000 bags respectively. The region as a whole is set to produce over two thirds of the world's Robusta coffee in 2013/14.

Coffee production in **Mexico & Central America** has been severely hit by coffee leaf rust, with lower production levels forecast for almost all countries. An overall decrease of 13.5% is provisionally estimated for the region, down to 16 million bags, its lowest level since 2004/05. Production in Honduras is down to 4.2 million bags, with Mexico down to 3.9 million and Guatemala to 3.1 million. Nicaragua, Costa Rica and El Salvador are all forecast lower at 1.5 million, 1.4 million and 844,000 respectively. Mexico and Central America provisionally accounts for 11% of total production in 2013/14, and 18.6% of world Arabica production.

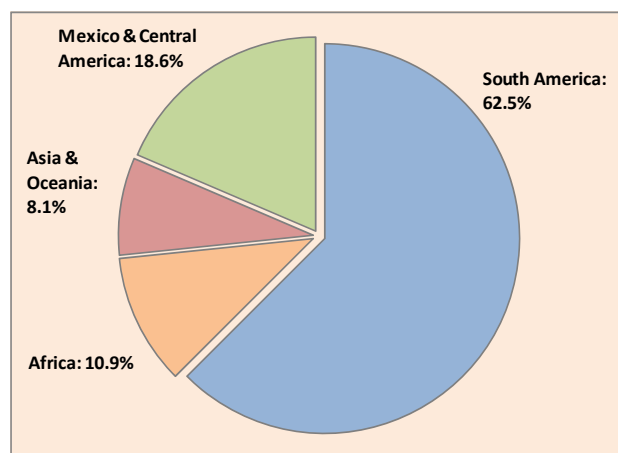
In **South America**, production is estimated at 66 million bags, 2.4% less than the record volume of 67.6 million in 2012/13, to account for 45.2% of the world total. 2013/14 is an off year in Brazil's biennial cycle, which is down 3.3% to 49.2 million bags according to the latest Conab estimate. This is a record volume for an off year in Brazil. Colombia is expected to continue its recovery following several years of below-average production, provisionally estimated up 5.1% to 10.9 million bags. This trend is reinforced by production in the first three months of crop year 2013/14, which has increased by 41.2% compared to 2012/13. Peru has

also been hit by coffee leaf rust, and production is therefore expected to fall to 4.2 million bags, while Ecuador is estimated at 676,000 bags. Full data on production in all exporting countries can be found on the ICO website at www.ico.org/prices/po.htm.

Graph 5: % share of total production by region in 2013/14



Graph 6: % share of Arabica production by region in 2013/14



Graph 7: % share of Robusta production by region in 2013/14

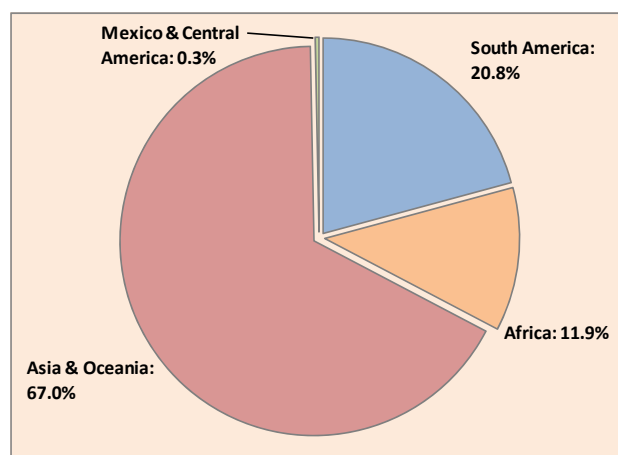


Table 2: ICO indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
Jan-13	135.38	169.19	157.29	145.17	99.69	154.28	88.85
Feb-13	131.51	161.70	149.46	136.63	104.03	144.89	94.41
Mar-13	131.38	161.53	149.78	133.61	106.26	141.43	97.22
Apr-13	129.55	161.76	149.81	132.62	101.68	139.91	93.15
May-13	126.96	158.35	147.19	130.29	99.18	138.64	91.07
Jun-13	117.58	147.55	138.26	120.01	90.79	126.37	81.82
Jul-13	118.93	147.46	138.39	119.47	95.21	125.27	85.34
Aug-13	116.45	143.26	135.15	116.81	94.01	122.31	84.10
Sep-13	111.82	138.60	132.28	112.65	87.78	119.55	77.89
Oct-13	107.03	133.83	128.70	109.57	83.70	117.05	73.47
Nov-13	100.99	124.65	122.02	102.57	79.71	109.10	69.32
Dec-13	106.56	126.54	125.97	107.40	87.89	114.12	76.74
Jan-14	110.75	132.90	132.73	114.02	87.73	120.92	77.25
% change between Jan-14 and Dec-13							
	3.9	5.0	5.4	6.2	-0.2	6.0	0.7
Annual averages							
2009	115.67	177.43	143.84	115.33	74.58	128.40	67.69
2010	147.24	225.46	195.96	153.68	78.74	165.20	71.98
2011	210.39	283.84	271.07	247.61	109.21	256.36	101.23
2012	156.34	202.08	186.47	174.97	102.82	179.22	91.87
2013	117.46	144.85	137.48	119.64	93.16	126.63	83.48
% change between 2013 and 2012							
	-24.9	-28.3	-26.3	-31.6	-9.4	-29.3	-9.1
Volatility (%)							
Dec-13	6.7	6.9	6.8	7.4	8.0	7.9	8.3
Jan-14	7.2	8.0	7.9	9.5	5.1	9.4	5.7
Variation between Jan-14 and Dec-13							
	0.5	1.1	1.1	2.1	-2.9	1.6	-2.6

* Average price for 2nd and 3rd positions

Table 3: 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*
Jan-13	11.90	24.02	69.50	12.12	57.60	45.48	65.43
Feb-13	12.24	25.07	57.67	12.83	45.43	32.60	50.48
Mar-13	11.75	27.92	55.27	16.17	43.52	27.35	44.21
Apr-13	11.95	29.14	60.08	17.19	48.13	30.94	46.76
May-13	11.16	28.06	59.17	16.90	48.01	31.11	47.57
Jun-13	9.29	27.54	56.76	18.25	47.47	29.22	44.55
Jul-13	9.07	27.99	52.25	18.92	43.18	24.26	39.93
Aug-13	8.11	26.45	49.25	18.34	41.14	22.80	38.21
Sep-13	6.32	25.95	50.82	19.63	44.50	24.87	41.66
Oct-13	5.13	24.26	50.13	19.13	45.00	25.87	43.58
Nov-13	2.63	22.08	44.94	19.45	42.31	22.86	39.78
Dec-13	0.57	19.14	38.65	18.57	38.08	19.51	37.38
Jan-14	0.17	18.88	45.17	18.71	45.00	26.29	43.67
% change between Jan-14 and Dec-13							
	-70.2	-1.4	16.9	0.8	18.2	34.8	16.8

* Average price for 2nd and 3rd positions

Table 4: Total exports of all forms of coffee by exporting countries

	December 2012	December 2013	% change	October - December		
				2012	2013	% change
TOTAL	9 066	8 542	-5.8	27 628	24 919	-9.8
Arabicas	5 782	5 560	-3.8	17 187	16 415	-4.5
Colombian Milds	875	1 112	27.2	2 392	3 210	34.2
Other Milds	1 679	1 589	-5.4	5 159	4 477	-13.2
Brazilian Naturals	3 228	2 860	-11.4	9 636	8 729	-9.4
Robustas	3 284	2 981	-9.2	10 441	8 504	-18.6

In thousand bags

Full trade statistics for all exporting countries 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

	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
London	1.77	1.89	2.05	2.11	2.08	2.00	1.64	1.32	1.01	0.89	0.77	0.50	0.46
New York	2.96	3.03	3.09	3.10	3.11	3.09	3.11	3.15	3.13	3.07	3.02	3.06	3.00

In million bags

Table 6: Total coffee consumption in selected countries

Calendar years	2009	2010	2011	2012	Average annual growth rate (2009 - 2012)
World total	132 240	136 973	139 050	142 000	2.4
Exporting countries	39 616	40 910	42 397	43 467	3.1
Traditional markets	69 204	71 004	70 717	71 404	1.0
Emerging markets	23 419	25 059	25 936	27 129	5.0

In thousand bags