

Coffee Market Report

March 2021

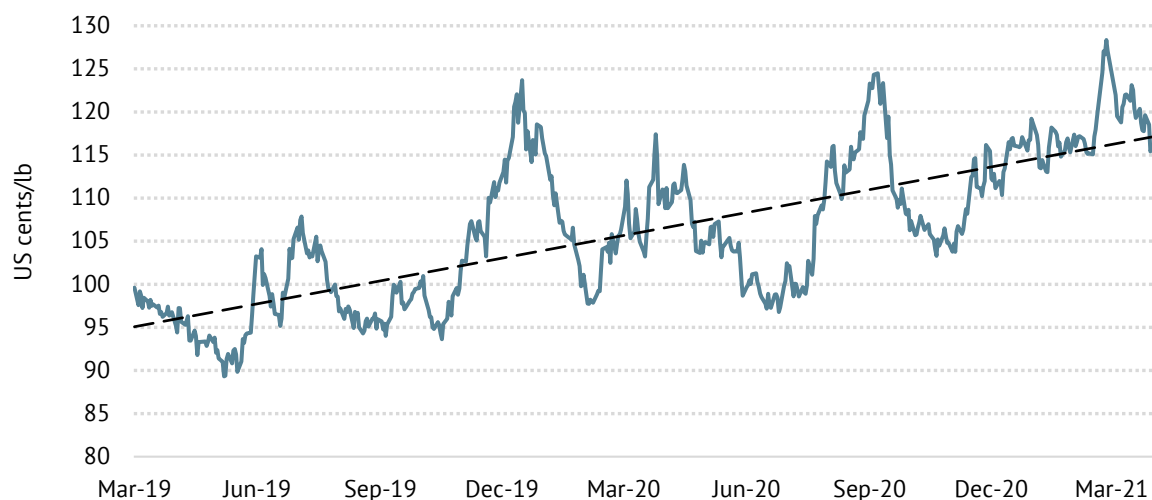


INTERNATIONAL
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Coffee prices rise but falter towards end of month

The ICO composite indicator rose slightly, by 0.8%, in March averaging 120.36 US cents/lb compared to 119.35 US cents/lb in February, confirming an upward trend over the last five months. This is the highest monthly average since coffee year 2017/18. However, reversed this upward trend and prices weakened in the final days of the month, recording their lowest levels in the last two days of the month. Total exports by exporting countries to all destinations totaled 10.47 million bags in February 2021, compared with 11.16 million bags in February 2020. Cumulative exports from March 2020 to February 2021 are provisionally estimated at 128.57 million bags against 130.97 million bags recorded from March 2019 to February 2020. Exports over the first five months of coffee year 2020/21 totaled 52.81 million bags compared to 51.53 million in coffee year 2019/20. World consumption for coffee year 2020/21 is projected at 166.62 million bags, an increase of 1.3% on its level of 164.5 million bags in coffee year 2019/20. However, world consumption still falls by 3.11% below estimated total production of 171.89 million bags in coffee year 2020/21.

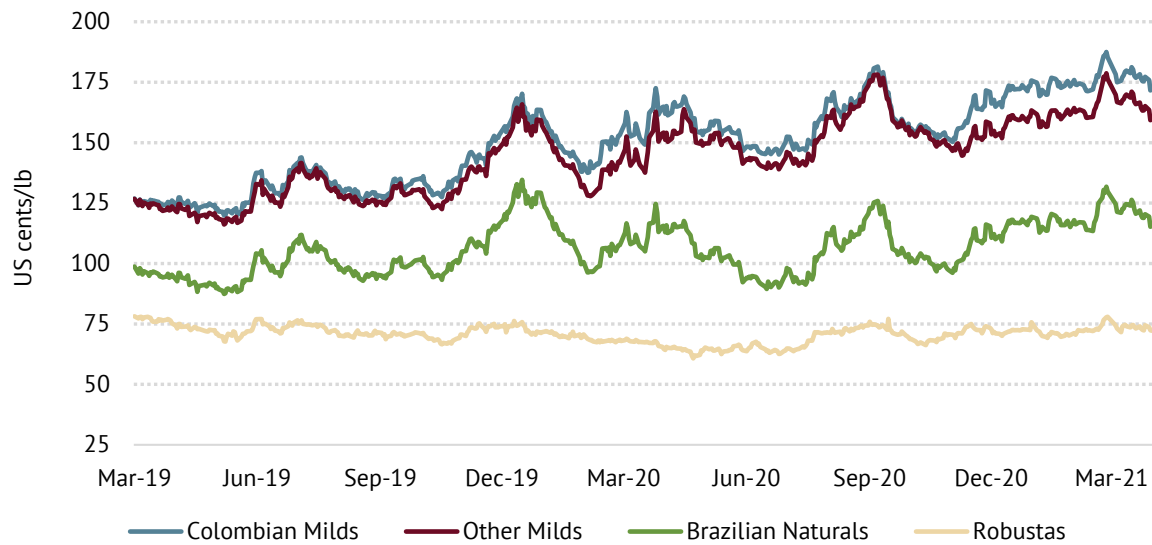
Figure 1: ICO composite indicator daily prices



The monthly average of the ICO composite indicator rose by 0.8% to 120.36 US cents/lb in March 2021, representing the fifth consecutive month of increase and the highest monthly average since September 2017. In March 2021, the daily composite indicator fluctuated between

115.42 and 125.30 US cents/lb. Uncertainty of regular supply to the market due to various restriction due to the ongoing pandemic and climactic events seems to support coffee prices while increasing the volatility of the uptrend.

Figure 2: ICO group indicator daily prices



Prices for all group indicators observed an upward trend in March 2021. Prices for Brazilian Naturals experienced the largest increase of 1.7% at 122.16 US cents/lb, which is the highest monthly average since January 2018. The average price for Robusta coffee rose by 0.7% to 73.86 US cents/lb, the highest monthly average of the last 21 months since the mark of 73.93 US cents/lb recorded in July 2019. Average prices for Colombian Milds rose by 0.3% to 177.49 US cents/lb and the average price for Other Milds grew by 0.4% to 167.05 US cents/lb. As a result, the differential between Colombian Milds and Other Milds fell slightly by 0.9% to 10.44 US cents/lb. The differential between Colombian Milds and Brazilian Naturals fell by 2.8% and the differential between Other Milds and Brazilian Naturals decreased by 3.2%.

The **average arbitrage** in March, as measured on the New York and London futures markets, increased by 1.8% to 67.82 US cents/lb.

Figure 3: Arbitrage between New York and London futures markets

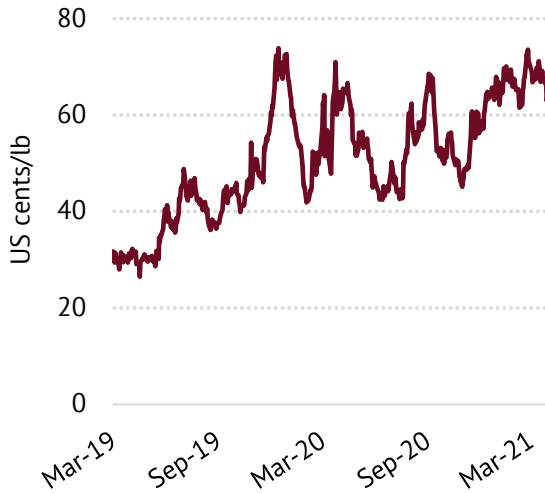
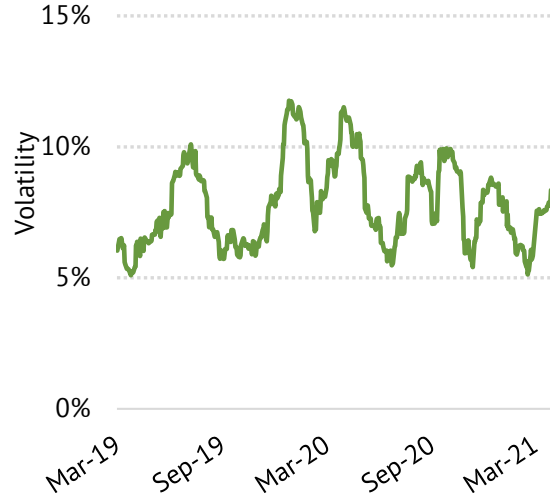


Figure 4: Rolling 30-day volatility of the ICO composite indicator price

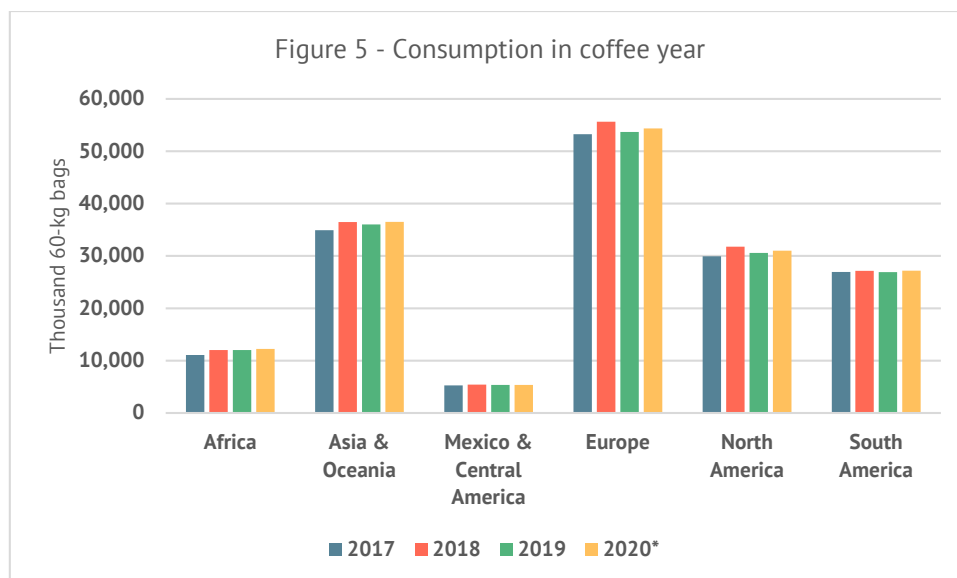


In March 2021, certified stocks of Arabica for New York Futures exchange were 1.97 million bags and certified stocks of Robusta coffee for the London Futures Exchange were 2.50 million bags, representing an increase by 3% and 2% respectively

The volatility of the ICO composite indicator price increased from 5.8% in February to 7.7% in March. The volatility for all indicators increased in March after decreasing over the last two months. The highest volatility in March was recorded by the Brazilian Naturals at 9.7%, followed by Robusta coffee at 8.2%. The volatility of the futures markets also increased by 9.3% and 9.1% respectively for New York and London.

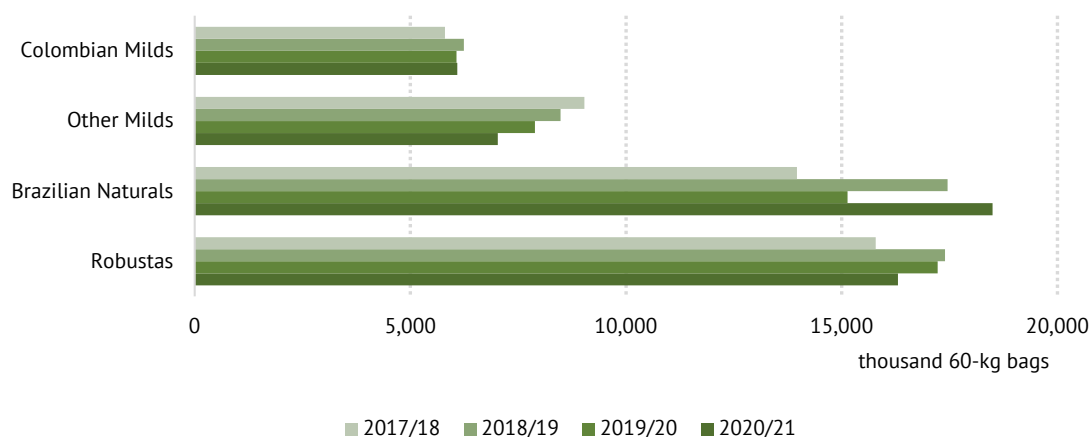
In coffee year 2020/21, global production is estimated to rise by 1.9% to 171.89 million bags with Arabica production growing by 5.2% to 101.88 million bags. The production of Robusta coffee is expected to decrease by 2.6% to 70.02 million bags. At regional level, a slight decrease of 0.8% is expected for Africa at 18.5 million bags in coffee year 2020/21 in comparison with 18.7 million bags in the previous coffee year. Production for Asia & Oceania is forecast to fall by 0.4% from 49.5 million bags in 2019/20 to 49.3 million in 2020/21. Production for Mexico & Central America is expected to remain at the level of 19.5 million bags recorded in coffee year 2019/20. An increase of 4.4% in production is expected from South America at 84.53 million bags compared with 80.97 million bags in 2019/20.

World coffee consumption is projected to increase by 1.3% to 166.6 million bags in 2020/21 compared to coffee year 2019/20 as at-home consumption is increasing, offsetting the reduction of out-of-home consumption caused by social distancing measures while global economy recovers at a slow pace. Consumption in importing countries and domestic consumption in exporting countries is expected to be 115.96 million bags and 50.66 million bags respectively. Consumption in Africa is expected to increase by 1.8% at 12.2 million bags. Consumption in Asia & Oceania will increase by 1.4% at 36.5 million bags. However, coffee year 2020/21 is projected to end with a surplus of 5.3 million bags as total production outpaces demand by 3.1%.



Global exports in February 2021 totalled 10.47 million bags, compared with 11.16 million bags in February 2020. Exports in the first five months of coffee year 2020/21 increased by 2.5% to 52.81 million bags compared to 51.53 million bags during the same period in 2019/20. More specifically, the four groups of coffee experienced mix performance in green coffee exports over the first five months of coffee year 2020/21. Green exports of the Brazilian Naturals increased by 18.2%. Colombian Milds recorded an increase of only 0.3%. Green exports of Other Milds decreased by 12.3% and Green Robusta exports decreased by 5.6%.

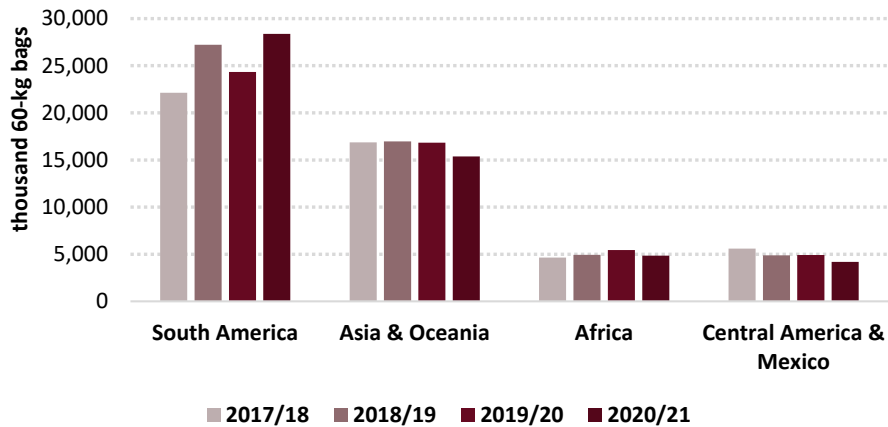
Figure 6: Green coffee exports (October-February)



Exports of all forms of coffee from Africa in the first five months of coffee year 2020/21 decreased by 12.2% to 4.9 million bags as shipments from Ethiopia, Côte d'Ivoire and Kenya declined by 31.6%, 54.1% and 10.8% respectively. Uganda, the largest regional exporter has recorded an increase of 9.6% to 2.3 million bags.

Asia & Oceania's coffee exports declined by 9.4% to 15.4 million bags in October 2020 to February 2021. Viet Nam's exports during this period declined by 16.4% to 9.8 million bags while Indonesia's shipments increased by 20.5% to 3.1 million bags. Exports from India, the region's third largest producer, decreased by 4.6% to 1.9 million bags.

Figure 7: Total Exports (October-February)



Compared to the first five months of coffee year 2019/20, exports from Mexico & Central America fell by 17.4% to 4.2 million bags as parts of the region have not yet recovered from the severe impact of hurricanes Iota and Eta. Notably, shipments from Honduras, the region's largest producer, decreased by 30.7% to 1.4 million bags while those from Nicaragua fell by 14.5% to 750,000 bags. Guatemala's exports declined by 14.4% to 761,352 bags. In contrast, Mexico's exports between October 2020 and February 2021 increased by 20.8% to 1 million bags, partially in response to the greater availability of coffee compared to other countries in the region.

From October 2020 to February 2021, South America's exports increased by 16.6% to 28.4 million bags. During this period, exports of all forms of coffee from Brazil rose by 24.2% to 20.5 million bags. Brazil is nearing the end of its 2020/21 crop year, which was an on-year for its Arabica production. Brazil's exports of green Arabica increased by 26.7% to 17.1 million bags, and its green Robusta shipments grew by 28.8% to 1.7 million bags. Exports from Colombia increased by 1.1% to 6 million bags. Its shipments of green Arabica coffee slightly increased by 0.9% to 5.5 million bags.

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							
Mar-20	109.05	158.99	148.33	112.87	67.46	116.09	57.39
Apr-20	108.91	161.92	154.52	111.22	63.97	115.55	54.40
May-20	104.45	154.96	149.84	101.69	64.53	107.54	54.67
Jun-20	99.05	147.16	141.52	92.56	64.62	99.50	54.77
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
% change between Feb-21 and Mar-21							
	0.8%	0.3%	0.4%	1.7%	0.7%	1.6%	1.3%
Volatility (%)							
Mar-21	7.7%	7.1%	7.8%	9.7%	8.2%	9.3%	9.1%
Feb-21	5.8%	5.5%	5.9%	8.0%	6.4%	7.6%	7.2%
Variation between Feb-21 and Mar-21							
	1.9	1.6	1.9	1.7	1.8	1.7	1.9

* 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*
Mar-20	10.66	46.12	91.53	35.46	80.87	45.41	58.70
Apr-20	7.40	50.70	97.95	43.30	90.55	47.25	61.15
May-20	5.12	53.27	90.43	48.15	85.31	37.16	52.87
Jun-20	5.64	54.60	82.54	48.96	76.90	27.94	44.73
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
% change between Feb-21 and Mar-21							
	-0.9%	-2.8%	0.0%	-3.2%	0.1%	3.4%	1.8%

* 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	170,242	168,678	171,896	1.9%
Arabica	99,940	98,187	99,873	96,816	101,875	5.2%
Robusta	60,668	69,680	70,368	71,862	70,021	-2.6%
Africa	16,839	17,461	18,579	18,681	18,539	-0.8%
Asia & Oceania	47,930	52,203	48,163	49,493	49,274	-0.4%
Mexico & Central America	20,322	21,752	21,636	19,542	19,544	0.0%
South America	75,516	76,453	81,864	80,963	84,539	4.4%
CONSUMPTION	158,781	161,377	168,491	164,530	166,628	1.3%
Exporting countries	48,334	49,686	50,244	50,002	50,664	1.3%
Importing countries (Coffee Years)	110,447	111,691	118,247	114,528	115,964	1.3%
Africa	10,702	11,087	12,017	12,020	12,240	1.8%
Asia & Oceania	35,068	34,903	36,472	36,002	36,503	1.4%
Mexico & Central America	5,193	5,273	5,431	5,352	5,364	0.2%
Europe	52,148	53,251	55,637	53,680	54,349	1.2%
North America	29,559	29,941	31,779	30,580	30,993	1.4%
South America	26,111	26,922	27,156	26,898	27,180	1.0%
BALANCE	1,827	6,491	1,750	4,148	5,268	

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

	Feb-20	Feb-21	% change	October-February		
				2019/20	2020/21	% change
TOTAL	11,161	10,477	-6.1%	51,537	52,811	2.5%
Arabicas	6,590	6,704	1.7%	31,686	34,146	7.8%
Colombian Milds	1,216	1,425	17.2%	6,493	6,525	0.5%
Other Milds	2,261	2,080	-8.0%	8,892	7,932	-10.8%
Brazilian Naturals	3,113	3,199	2.7%	16,301	19,689	20.8%
Robustas	4,571	3,773	-17.4%	19,851	18,664	-6.0%

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

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
New York	2.11	2.01	1.90	1.82	1.45	1.26	1.30	1.40	1.52	1.75	1.92	1.97
London	2.31	2.18	1.99	1.90	1.85	1.85	2.04	2.24	2.31	2.40	2.44	2.50

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.