Outlook for the world coffee market

103rd Session

International Coffee Council

21 to 25 September 2009

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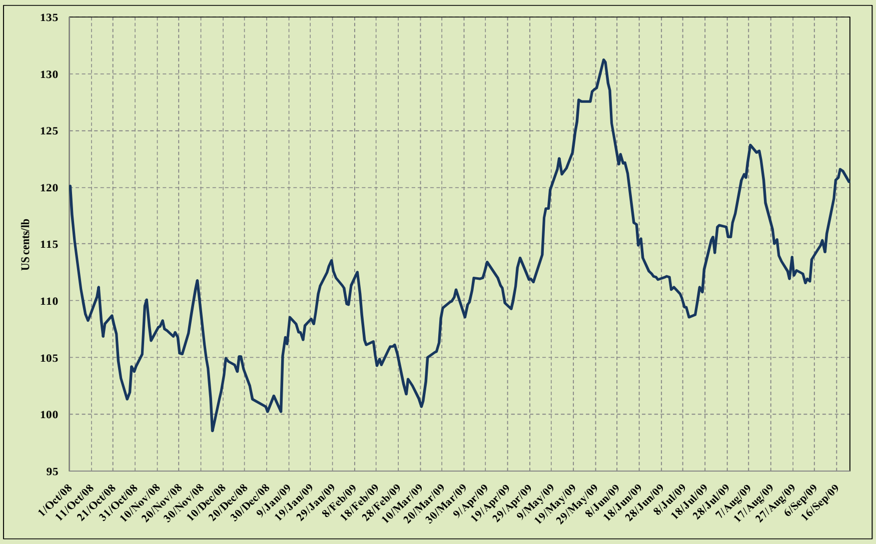
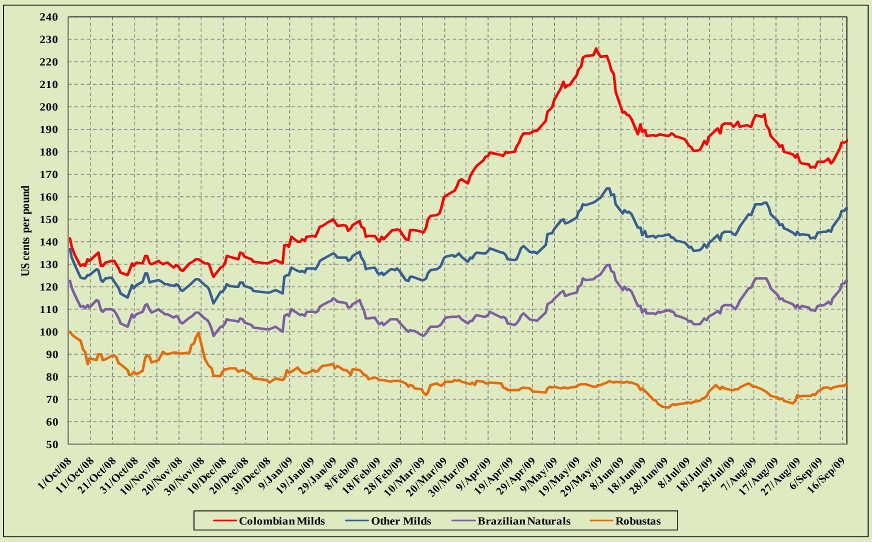
Executive Director

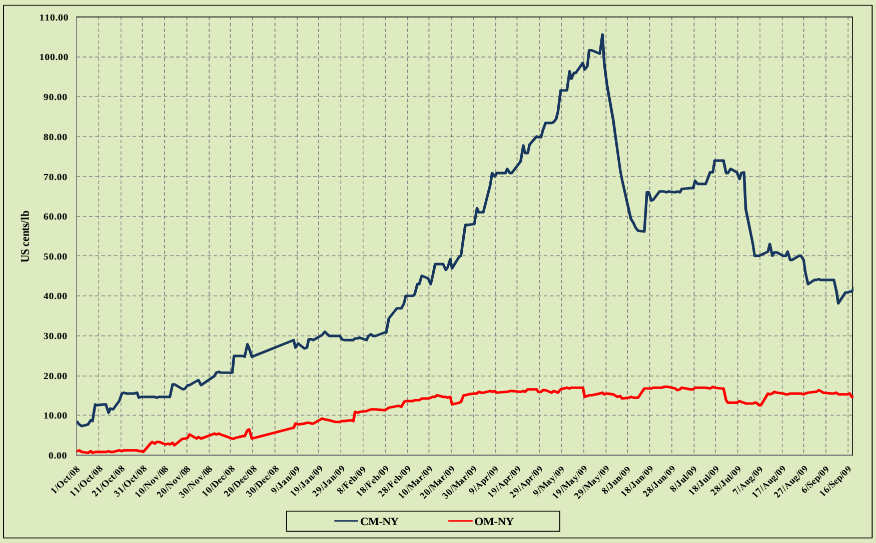
ICO composite indicator price
Daily: 1 October 2008 to 21 September 2009



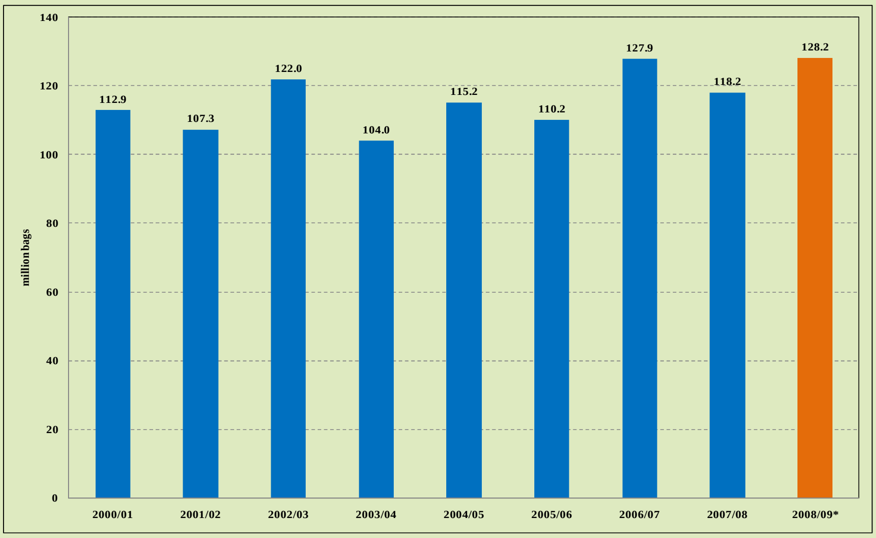
ICO group indicator prices
Daily: 1 October 2008 to 21 September 2009



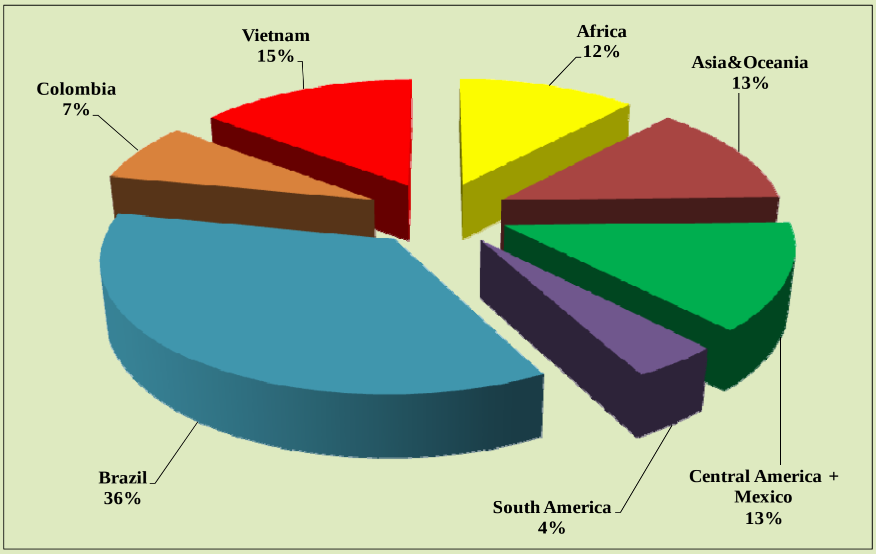
Differentials between Colombian Milds, Other Milds and the average of 2nd and 3rd positions in the New York futures market
Daily: 1 October 2008 to 21 September 2009



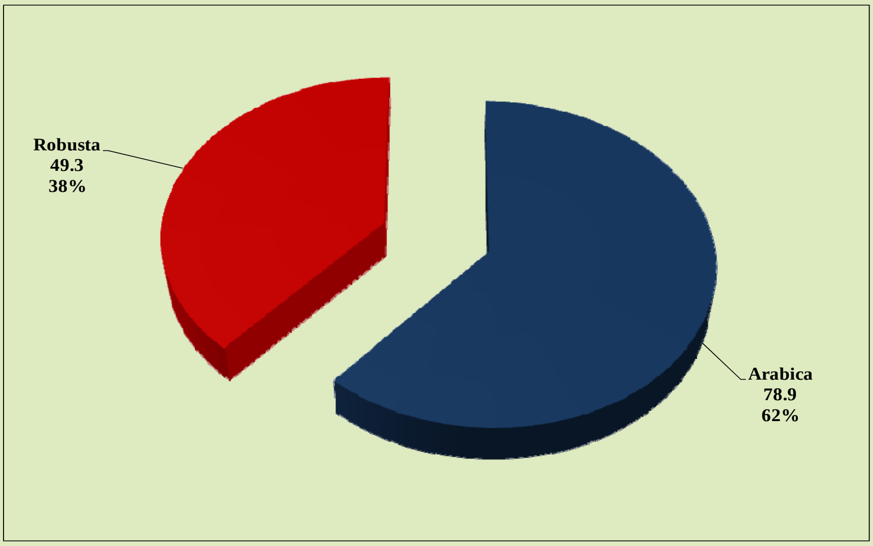
World production
Crop years commencing 2000 to 2008



Total production in 2008/09



Production by type of coffee
Crop year 2008/09



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Production: top 10 producers in 2008/09
(Volume in 000 bags - % share in world production)

Brazil	45 992	35.9%
Vietnam	18 500	14.4%
Colombia	9 500	7.4%
Indonesia	8 638	6.7%
Mexico	4 650	3.6%
India	4 372	3.4%
Ethiopia	4 350	3.4%
Peru	3 868	3.0%
Guatemala	3 730	2.9%
Uganda	3 300	2.6%

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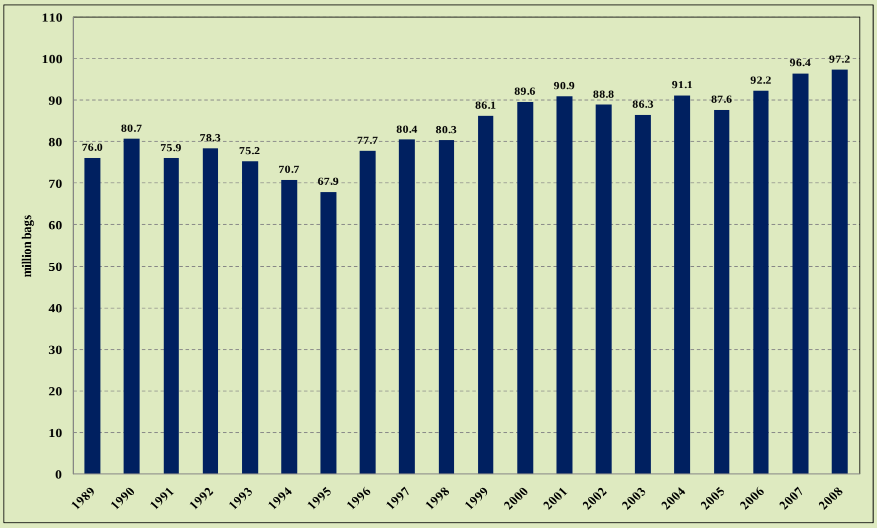
Total exports to all destinations

Calendar years 1989 to 2008



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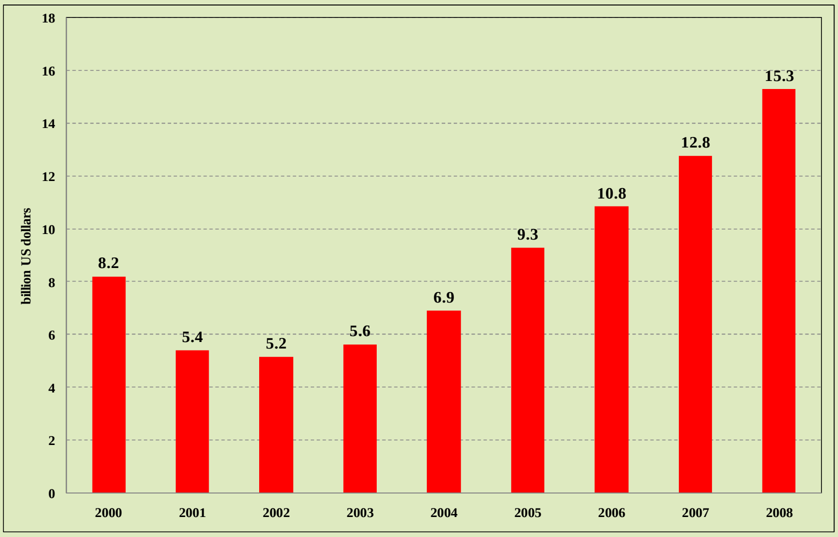
Value of exports of coffee

Calendar years 2000 to 2008



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World consumption
Calendar years 2000 to 2008

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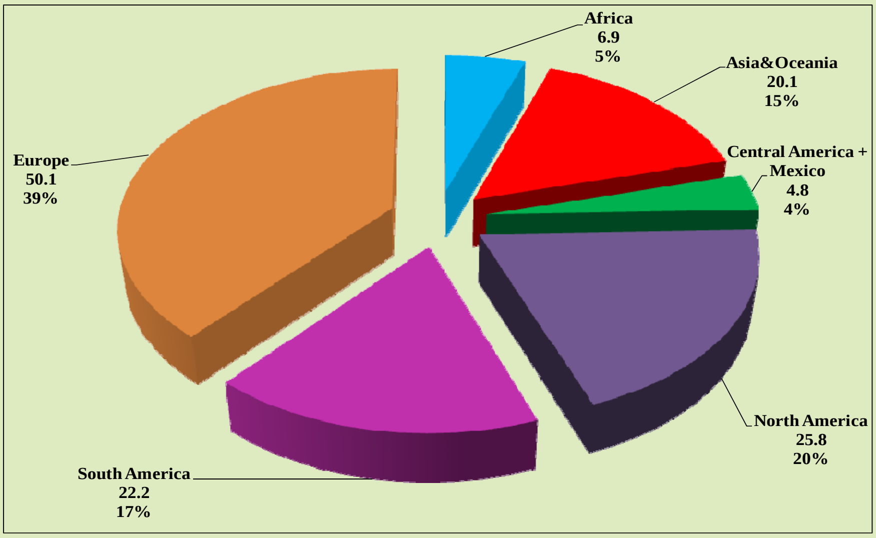
Estimated world consumption for 2008
(million 60-kg bags)



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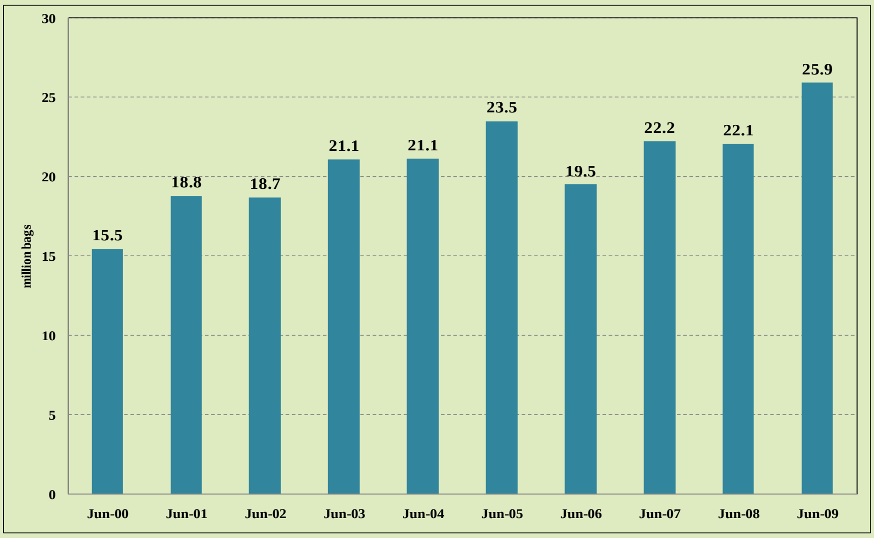
Estimated consumption in 2008: top 10 countries in volume

(million bags)	
USA	21.7
Brazil	17.9
Germany	9.6
Japan	7.1
Italy	5.9
France	5.1
Russian Federation	3.7
Spain	3.5
Indonesia	3.3
United Kingdom	3.1

Inventories in importing countries at the end of June: 2000 to 2009



Outlook 2009/10: Supply 1

- Production costs
  - Steadily rising in recent years
  - Prices of key inputs (fertilizers + oil) now declining
  - Labour costs remain at high levels

Outlook 2009/10: Supply 2

- Influence of exchange rates:
  - In countries with exchange rate linked to the US$, coffee prices have fallen in local currency and production has become less attractive
  - In countries with flexible exchange rates, coffee prices in local currency show little change

Outlook 2009/10: Demand 1
Developed country markets

- 58% of world consumption
- Shift in types of coffee consumed (“downtrading”):
  - Out-of-home to in-home
  - Higher price to lower price with possible impact on market for specialty coffee
- Effect on overall volume of consumption expected to be limited

Outlook 2009/10: Demand 2
Producing country markets

- 26% of world consumption
- Influence of exchange rates:
  - In countries with exchange rate linked to the US$, coffee prices have fallen in local currency and internal consumption may be stimulated
  - In countries with flexible exchange rates, prices almost unchanged in local currency
- Effect on overall volume of consumption likely to be limited

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Outlook 2009/10: Demand 3 Emerging markets

- 18% of world consumption
- Vulnerabilities:
  - Coffee still a “luxury” good
  - Possible devaluations of local currencies vs. US$ may increase coffee prices to consumers
  - Macroeconomic dislocations (unemployment, lack of credit) may reduce demand
- Effect on consumption still uncertain

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Consumption in top emerging markets from 1997-2007

	Volume (millon bags)		Growth in the period
	1997	2007	
World total	100,3	127,1	27%
Ukraine	0,17	1,06	533%
Sudan	0,10	0,49	390%
Russian Federation	1,86	4,05	118%
Turkey	0,24	0,52	118%
Syrian Arab Republic	0,21	0,44	108%
Serbia	0,31	0,61	100%
Algeria	1,46	1,97	35%
Korea, Republic of	1,06	1,42	34%
Australia	0,80	1,03	29%
Morocco	0,37	0,46	24%
Israel	0,37	0,44	20%

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Change in exports to top emerging markets October to June: 2007/08 and 2008/09

Sudan	-61.7%
Algeria	-48.5%
Serbia	-46.6%
Morocco	-38.6%
Ukraine	-36.4%
Australia	-35.4%
Russian Federation	-24.3%
Israel	-21.9%
Korea, Republic of	-6.3%
Turkey	4.3%
Syria Arab Republic	102.9%

Outlook 2009/10: Prices

- Short-term:
  - Low production in Colombia and Central America raises differentials of washed Arabicas
  - Market heavily influenced by exogenous factors (stock exchanges, exchange rates)
- Medium-term:
  - Low 2009/10 Brazil crop tends to support prices