

Coffee Market Report

December 2020



INTERNATIONAL
COFFEE
ORGANIZATION

Arabica prices rise in December

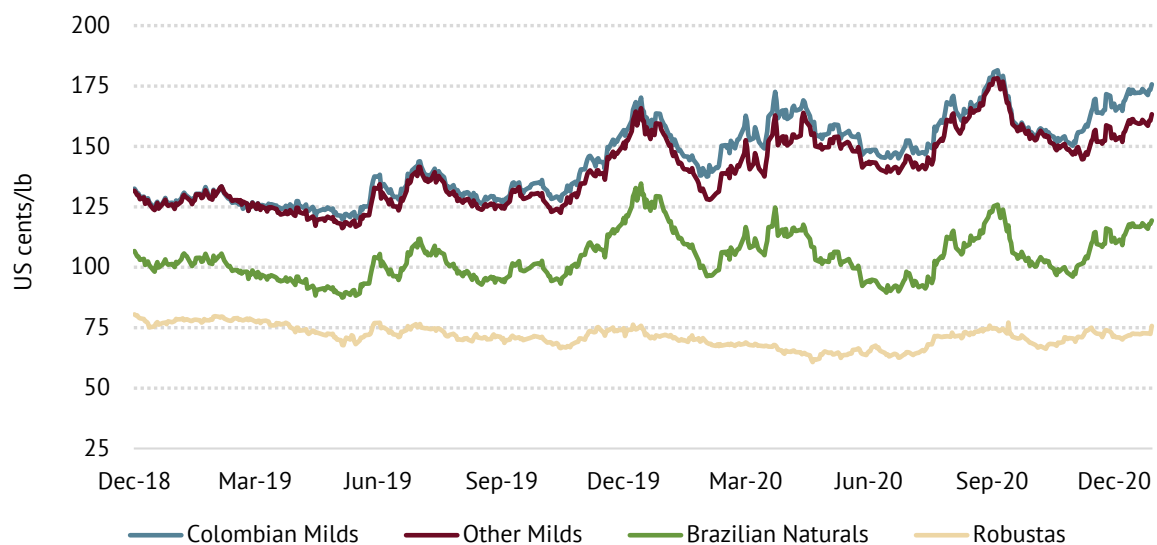
The ICO composite indicator in December increased by 4.6% to 114.74 US cents/lb as prices for Arabica group indicators increased. The largest increase occurred for Brazilian Naturals, which grew by 8% to 114.96 US cents/lb, which is the highest monthly average since December 2019 when they reached 126.36 US cents/lb. Colombian Milds rose by 5.7% to 170.44 US cents/lb and Other Milds by 4.7% to 157.81 US cents/lb, which are both higher than their average in December 2019. However, prices for Robusta fell by 0.5% to 72.04 US cents/lb. In the first two months of coffee year 2020/21, total exports were 6.5% higher at 20.2 million bags compared to the same period last year as shipments for all groups declined except Brazilian Naturals, which rose by 23.1% to 8.31 million bags. Likely due to the impact of the covid-19 pandemic, imports by ICO importing Members and the United States decreased by 4.5% to 129.98 million bags in coffee year 2019/20. While both green and roasted imports declined in coffee year 2019/20, imports of soluble coffee increased by 1% to 14.4 million bags. In coffee year 2019/20, re-exports by ICO importing Members and the United States rose by 0.4% to 46.93 million bags.

Figure 1: ICO composite indicator daily prices



The monthly average of the ICO composite indicator rose by 4.6% to 114.74 US cents/lb in December 2020. The daily composite indicator fell to a low of 110.35 US cents/lb on 9 December before climbing back up to 116.98 on 17 December. The daily price remained at a similar level for the remainder of the month until reaching a high of 119.21 US cents/lb on 31 December. Prices in December were supported by sustained demand as evidenced by a continued drawdown in green coffee stocks in large importing countries, such as the USA, as well as the depreciation of the US dollar. Additionally, while exports from Brazil have surged due to the sizeable 2020/21 crop, this was partially offset by a decline in shipments from other Arabica producers, reducing the downward pressure on prices.

Figure 2: ICO group indicator daily prices



Prices for all Arabica group indicators rose in December 2020. The average price for Colombian Milds rose by 5.7% to 170.44 US cents/lb, which is the highest monthly average since November 2016 when it averaged 177.85 US cents/lb. After declining in October and November 2020, the average price for Other Milds rose by 4.7% to 157.81 US cents/lb. As a result, the differential between Colombia Milds and Other Milds rose by 20.5% to 12.63 US cents/lb, which is the largest difference since June 2012 when it reached 15.98 US cents/lb. The average price for Brazilian Naturals grew by 8% to 114.96 US cents/lb, while Robusta prices averaged 72.04 US cents/lb, 0.5% lower than in November 2020.

The average arbitrage in November, as measured on the New York and London futures markets, rose by 17.8% to 62.05 US cents/lb. Stocks of certified Arabica increased by 8.6% to 1.52 million bags in December 2020, which is the third consecutive month of increase. Certified Robusta stocks amounted to 2.31 million bags, 3.1% higher than in November 2020.

The volatility of the ICO composite indicator price increased by 1.9 percentage points to 8.4% as the volatility for all Arabica indicators increased, while the volatility for Robusta prices was 6.1%,

unchanged from November 2020. The volatility for Colombian Milds rose by 2.4 percentage points to 8.6%, for Other Milds by 2.2 percentage points to 9.2%. and for Brazilian Naturals by 2.8 percentage points to 12.2% in December 2020.

Figure 3: Arbitrage between New York and London futures markets

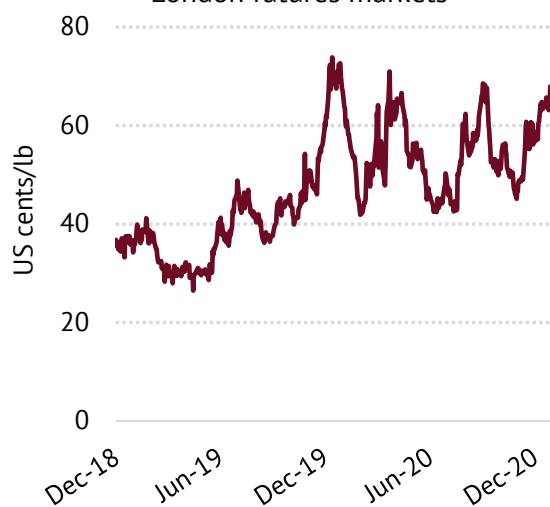
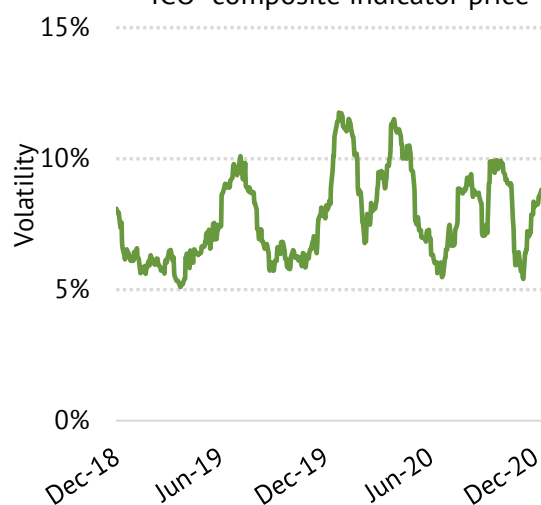


Figure 4: Rolling 30-day volatility of the ICO composite indicator price



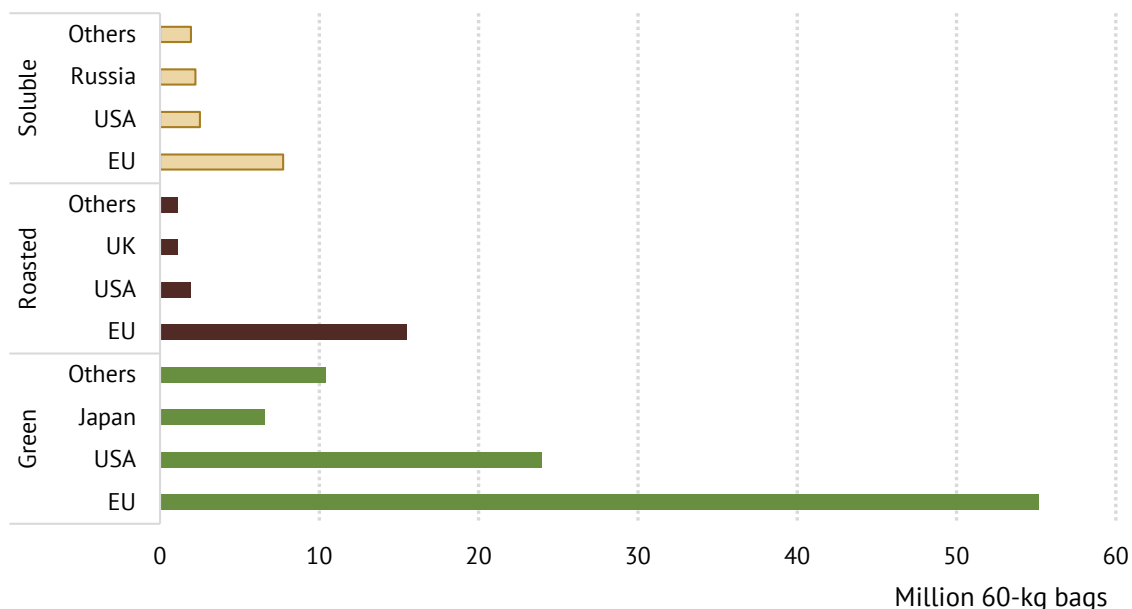
Global exports in November 2020 reached 10.15 million bags, which represents an increase of 5.7% compared to November 2019. Robusta shipments totalled 3.31 million bags, 10.7% lower than in November 2019 when they reached a record 3.7 million bags. Shipments of Arabica rose by 16% to 6.84 million bags. Brazilian Naturals saw the largest increase, growing 29.9% to 4.21 million bags, reflecting the on-year Arabica crop from Brazil. Colombian Milds increased by 3.6% to 1.32 million bags, as exports from Colombia grew by 8.8% to 1.26 million bags despite lower production in November 2020 compared to November 2019. However, shipments of Other Milds fell by 5.1% to 1.3 million bags as exports from Honduras dropped 48% to 55,500 bags.

In the first two months of coffee year 2020/21, total exports were 6.5% higher at 20.2 million bags, compared to 18.97 million bags for the same period last year. Shipments for all groups declined except Brazilian Naturals, which rose by 23.1% to 8.31 million bags. Exports of Colombian Milds decreased by 4.5% to 2.48 million bags, Other Milds fell by 5% to 2.75 million bags, and Robusta declined by 1% to 6.66 million bags. This growth came primarily from shipments of green Arabica, which reached 12.56 million bags, 11.9% higher than the first two months of coffee year 2019/20. Green Robusta exports increased by 1.1% to 5.79 million bags. In contrast, exports of roasted coffee from producing countries fell by 5.5% to 103,800 bags, and shipments of soluble coffee decreased by 8.2% to 1.75 million bags.

Imports from all origins by ICO importing Members and the United States, decreased by 2.8% to 10.58 million bags in September 2020. In coffee year 2019/20, their total imports declined by 4.5% to 129.98 million bags. Imports by the EU in coffee year 2019/20 fell by 2.6% to 78.32 million bags with Brazil, Viet Nam and intra-EU trade as the main origins. Imports by the USA

declined by 10% to 28.36 million bags, and Brazil, Colombia and Viet Nam were the main source. Japan's imports decreased by 10% to 7.34 million bags with Brazil, Viet Nam and Colombia as the top three origins. Imports by the Russian Federation grew by 7.6% to 6.22 million bags, while those of the United Kingdom declined by 13.4% to 5 million bags. Imports by Switzerland, Norway and Tunisia increased by 9% to 3.41 million bags, 0.4% to 802,400 bags and 6.2% to 527,000 bags, respectively.

Figure 5: 2019/20 imports

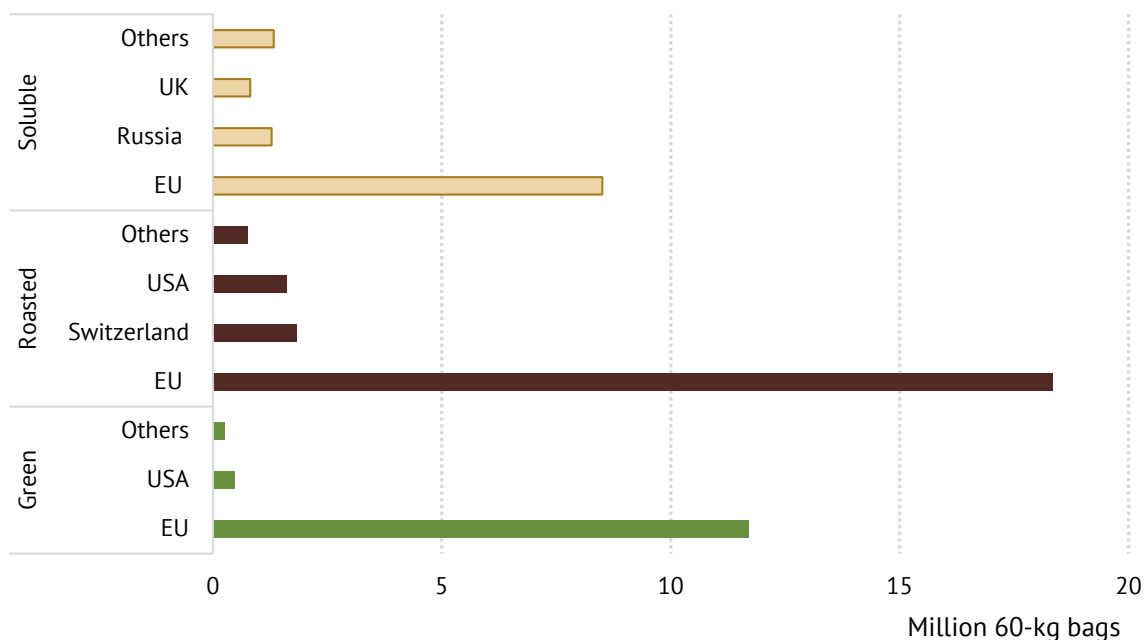


Green coffee imports by ICO Members and the USA decreased by 5.4% to 95.98 million bags in coffee year 2019/20 while roasted imports declined by 3.7% to 19.6 million bags. **However, imports of soluble coffee increased by 1% to 14.41 million bags.** Although roasted coffee imports declined for most ICO Members and the USA, Switzerland's roasted coffee imports rose by 9.6% to 257,000 bags with Italy, Germany and the Netherlands as the main origins. In contrast, soluble imports rose for the USA and all ICO Members except the EU and the United Kingdom. Soluble imports by the EU fell by 2.2% to 7.73 million bags while those of the UK decreased by 7.4% to 1.14 million bags.

Re-exports by ICO importing Members and the United States, increased by 8.3% to 4.31 million bags in September 2020. In coffee year 2019/20, their total re-exports rose by 0.4% to 46.93 million bags. Re-exports by the EU in coffee year 2019/20 fell by 0.3% to 38.56 million bags, while those of the USA by declined 6% to 2.66 million bags. Re-exports from the United Kingdom fell by 24.6% to 1.45 million bags. However, re-exports by all other ICO importing Members increased. Japan's re-exports more than doubled to 309,700 bags due to strong growth in soluble re-exports, particularly to the Russian Federation, Japan, and China. Re-exports from Norway grew by 46.3% to 20,700 bags on increased shipments to the EU, notably Denmark,

Sweden, and the United Kingdom. The Russian Federation's re-exports rose by 45.7% to 1.59 million bags as both roasted and soluble shipments increased. The main destinations for the Russian Federation's roasted re-exports were Belarus, the Ukraine, and Georgia and for soluble re-exports were Belarus, Kazakhstan, and Uzbekistan. Re-exports from Switzerland increased by 14% to 2.34 million bags with much of the growth from re-exports of roasted coffee to France, USA and Germany as well as newer markets like the Republic of Korea and Indonesia. Tunisia's re-exports grew by 6.1% to 157 bags.

Figure 6: 2019/20 Re-Exports



In coffee year 2019/20, re-exports of roasted coffee from the ICO importing Members and the USA decreased by 0.1% to 22.54 million bags as increases in re-exports of soluble coffee offset declines in roasted coffee. The EU's re-exports of roasted coffee decreased by 1.2% to 18.35 million bags, while those of the USA fell by 3.9% to 1.61 million bags. However, Switzerland's re-exports of roasted coffee rose by 14.8% to 1.82 million bags. Re-exports of soluble coffee increased by 0.7% to 11.93 million bags. Soluble re-exports from the EU rose by 0.6% to 8.5 million bags, and those from the Russian Federation grew by 35.5% to 1.28 million bags. However, re-exports from the United Kingdom fell by 32.4% to 813,000 bags.

The ICO Secretariat wishes everyone a Happy New Year and our very best wishes for a healthy and prosperous 2021.

Table 1: ICO daily indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Colombian Other Milds	Brazilian Naturals	Brazilian Robustas	New York*	London*
Monthly averages							
Dec-19	117.37	161.50	157.11	126.36	73.22	131.44	63.87
Jan-20	106.89	147.52	142.19	110.73	70.55	117.05	61.03
Feb-20	102.00	146.43	135.50	102.62	68.07	106.69	59.02
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
% change between Nov-20 and Dec-20							
	4.6%	5.7%	4.7%	8.0%	-0.5%	7.8%	-0.7%
Volatility (%)							
Dec-20	8.4%	8.6%	9.2%	12.2%	6.1%	11.9%	6.5%
Nov-20	6.5%	6.2%	7.0%	9.4%	6.1%	8.6%	6.7%
Variation between Nov-20 and Dec-20							
	1.9	2.4	2.2	2.8	0.0	3.3	-0.2

* 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*
Dec-19	4.39	35.14	88.28	30.75	83.89	53.13	67.57
Jan-20	5.33	36.79	76.97	31.46	71.64	40.18	56.02
Feb-20	10.93	43.81	78.36	32.88	67.43	34.55	47.67
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
% change between Nov-20 and Dec-20							
	20.5%	1.2%	10.8%	-3.3%	9.5%	26.1%	17.8%

* Average prices for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Coffee year commencing	2015	2016	2017	2018	2019*	% change
						2018/19
PRODUCTION	157 160	160 713	166 476	171 378	168 553	-1.6%
Arabica	91 083	100 686	97 478	100 827	95 732	-5.1%
Robusta	66 077	60 027	68 998	70 551	72 822	3.2%
Africa	15 566	16 539	17 307	18 858	18 855	0.0%
Asia & Oceania	51 837	47 930	52 203	48 098	50 074	4.1%
Mexico & Central America	17 106	20 322	21 727	21 739	20 760	-4.5%
South America	72 651	75 921	75 240	82 682	78 865	-4.6%
CONSUMPTION	155 672	158 771	161 608	169 113	167 592	-0.9%
Exporting countries	47 349	48 334	49 686	50 275	50 003	-0.5%
Importing countries (Coffee Years)	108 323	110 437	111 922	118 838	117 589	-1.1%
Africa	10 768	10 702	11 087	11 734	11 671	-0.5%
Asia & Oceania	32 964	35 059	35 124	37 396	37 067	-0.9%
Mexico & Central America	5 309	5 193	5 273	5 433	5 426	-0.1%
Europe	52 398	52 147	53 262	55 614	55 089	-0.9%
North America	28 934	29 559	29 941	31 779	31 434	-1.1%
South America	25 299	26 111	26 922	27 156	26 905	-0.9%
BALANCE	1 488	1 942	4 868	2 265	961	

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

	Nov-19	Nov-20	% change	October-November		
				2019/20	2020/21	% change
TOTAL	9 600	10 149	5.7%	18 973	20 203	6.5%
Arabicas	5 896	6 840	16.0%	12 242	13 538	10.6%
Colombian Milds	1 279	1 325	3.6%	2 597	2 480	-4.5%
Other Milds	1 374	1 304	-5.1%	2 895	2 751	-5.0%
Brazilian Naturals	3 243	4 212	29.9%	6 750	8 306	23.1%
Robustas	3 704	3 308	-10.7%	6 731	6 665	-1.0%

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

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
New York	2.49	2.45	2.29	2.11	2.01	1.90	1.82	1.45	1.26	1.30	1.40	1.52
London	2.45	2.57	2.44	2.31	2.18	1.99	1.90	1.85	1.85	2.04	2.24	2.31

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.