



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFÉ

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MONTHLY COFFEE MARKET REPORT

February 2012

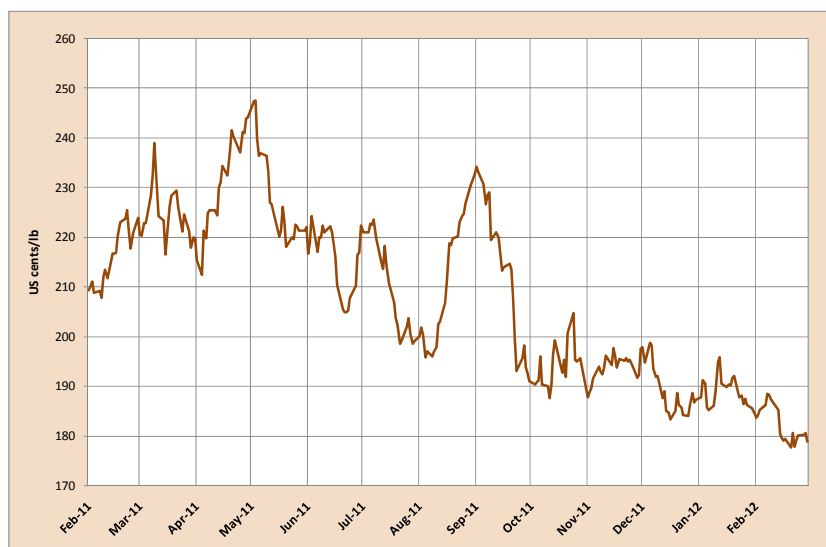
Coffee prices presented a mixed performance in February, with Arabicas slipping and Robustas increasing by a similar amount. This resulted in a sharp narrowing of the differential between the two. The ICO composite indicator fell to 182.29 US cents/lb compared to 188.90 in January, a drop of 3.5%, and has now fallen every month since the start of the coffee year. This monthly average is also 15.6% lower than February 2011 and 13.4% lower than the annual average of 2011. Indeed, the prices of all four groups of coffee are lower than they were 12 months ago. This downward correction was particularly marked in the case of Arabica, with the New York futures market at its lowest level since November 2010.

The value of the US dollar depreciated in relation to the currencies of a number of exporting countries during February 2012, notably the Brazilian real, the Colombian peso, the Indian rupee, the Indonesian rupiah, and the Vietnamese dong, accentuating the impact of downward price corrections.

In terms of market fundamentals, a record crop of 50.6 million bags is forecast in Brazil for crop year 2012/13, which will begin harvesting shortly. However, adverse weather conditions have continued to limit the supply of Washed Arabicas, particularly in Central America and Colombia. Given the strength of domestic consumption in Brazil, high levels of production in crop year 2012/13 will have a limited negative impact on prices. Indeed, the outlook for world consumption, on the other hand, is bright. Demand in traditional importing countries has remained resilient to the global economic downturn, and consumption in exporting countries and emerging markets has proved dynamic with strong potential for further growth. Moreover, stocks in exporting countries need to be replenished since they are at their lowest levels on record.

Exports by all exporting countries during January 2012 totalled 8.0 million bags, bringing the cumulative total for coffee year 2011/12 (October 2011 to January 2012) to 32.6 million bags as against 33.6 million bags for the same period in coffee year 2010/11, a decrease of 3%.

Graph 1: ICO composite indicator prices
Daily: 1 February 2011 – 29 February 2012



Price movements

The monthly average of the ICO composite indicator fell by a further 3.5% in February 2012, from 188.90 US cents/lb in January to 182.29, its lowest level in 15 months (Table 1). This decline was driven by the negative performance of the three Arabica groups, all of which lost value compared to their January levels. More specifically, **Colombian Milds** fell by 4.6%, **Other Milds** by 5.5%, and **Brazilian Naturals** by 5.6%. **Robustas**, on the

other hand, recorded strong growth of 5.4% compared to January. Graphs 1 and 2 show ICO daily composite and group indicator prices since 1 February 2011. As a result of these developments, differentials between the three Arabica groups and Robusta narrowed significantly, with the arbitrage between the New York and London futures markets dropping by 13.9% (Table 2 and Graph 3).

Graph 2: Group indicator prices
Daily: 1 February 2011 – 29 February 2012

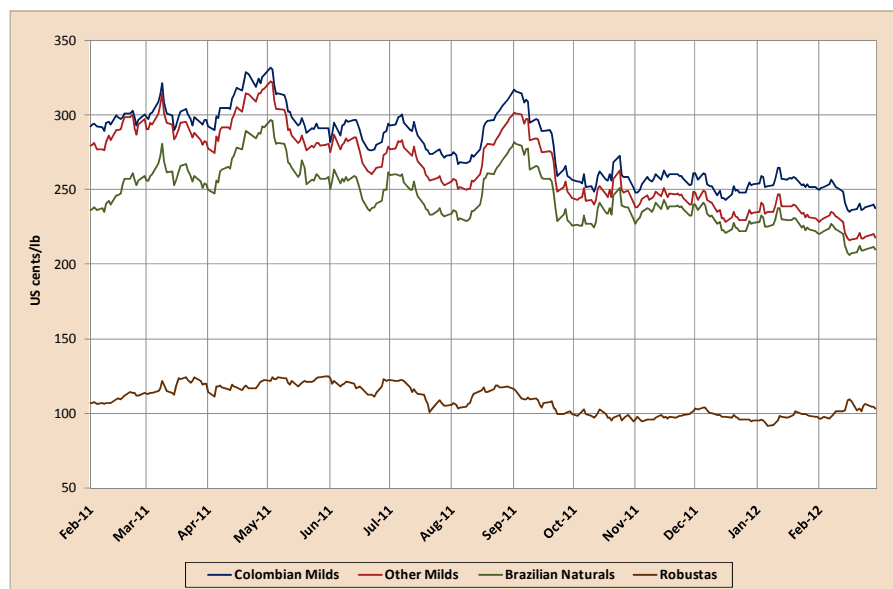


Table 1: ICO indicator prices and futures prices (US cents/lb) – February 2012

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
2011							
February	216.03	296.44	287.89	247.00	109.35	261.41	104.53
March	224.33	300.68	292.07	260.98	118.13	274.10	111.36
April	231.24	312.95	300.12	273.40	117.37	285.58	111.34
May	227.97	302.17	291.09	268.66	121.98	277.72	116.76
June	215.58	287.95	274.98	250.59	117.95	262.52	110.51
July	210.36	285.21	268.02	245.69	112.73	255.90	103.36
August	212.19	286.97	270.44	249.83	112.07	260.39	102.71
September	213.04	287.54	274.88	255.64	106.06	261.39	96.10
October	193.90	257.66	247.82	234.28	98.10	236.74	88.64
November	193.66	256.99	245.09	236.75	97.24	235.25	85.78
December	189.02	251.60	236.71	228.79	98.41	227.23	87.65
2012							
January	188.90	255.91	237.21	228.21	96.72	227.50	84.19
February	182.29	244.14	224.16	215.40	101.93	212.09	88.69
Annual averages							
2001	45.59	72.05	62.28	50.70	27.54	58.86	23.92
2002	47.74	64.90	61.52	45.23	30.01	57.02	25.88
2003	51.90	65.33	64.20	50.31	36.95	65.24	34.11
2004	62.15	81.44	80.47	68.97	35.99	79.53	32.85
2005	89.36	115.73	114.86	102.29	50.55	111.38	46.80
2006	95.75	116.80	114.40	103.92	67.55	112.30	59.77
2007	107.68	125.57	123.55	111.79	86.60	121.83	78.56
2008	124.25	144.32	139.78	126.59	105.28	136.46	97.17
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
% change between Feb-12 and Jan-12							
	-3.5	-4.6	-5.5	-5.6	5.4	-6.8	5.3
% change between Feb-12 and Feb-11							
	-15.6	-17.6	-22.1	-12.8	-6.8	-18.9	-15.2
% change between Feb-12 and 2011 average							
	-13.4	-14.0	-17.3	-13.0	-6.7	-17.3	-12.4
Volatility (%)							
Feb-11	5.2	4.6	6.3	5.8	4.9	4.6	6.0
Mar-11	8.9	8.6	8.8	9.7	10.3	9.8	8.3
Apr-11	6.6	6.6	6.6	6.5	8.8	7.7	7.2
May-11	6.3	5.6	6.4	8.5	5.7	7.1	4.8
Jun-11	7.8	7.3	7.8	9.6	9.6	9.2	11.2
Jul-11	5.8	5.4	5.5	5.8	9.9	6.3	10.3
Aug-11	5.7	5.3	6.0	6.5	7.2	6.8	7.5
Sep-11	7.7	8.0	8.2	9.0	8.2	9.2	9.0
Oct-11	10.6	10.4	10.9	11.4	10.0	12.4	11.2
Nov-11	4.7	5.7	6.0	6.1	4.9	7.5	4.9
Dec-11	6.1	6.6	6.8	6.7	4.7	8.0	5.5
Jan-12	6.5	6.4	7.3	7.1	6.6	7.7	8.1
Feb-12	4.4	5.4	5.4	5.9	10.4	6.4	6.5
Variation between Feb-12 and Jan-12							
	-2.1	-1.0	-1.9	-1.2	3.8	-1.3	-1.6

*Average of the 2nd and 3rd positions

Table 2: Price differentials (US cents/lb)

	Colombian Milds Other Milds	Colombian Milds Brazilian Naturals	Colombian Milds Robustas	Colombian Milds New York*	Other Milds Brazilian Naturals	Other Milds Robustas	Brazilian Naturals Robustas	New York* London*
Feb-11	8.61	39.70	182.55	26.58	31.09	173.94	142.85	162.74
Mar-11	12.83	39.55	195.58	27.37	26.72	182.75	156.03	174.24
Apr-11	11.08	33.51	180.19	24.45	22.43	169.11	146.68	160.96
May-11	12.97	37.36	170.00	25.44	24.39	157.03	132.63	152.00
Jun-11	17.19	39.52	172.48	29.30	22.33	155.29	132.96	152.55
Jul-11	16.53	37.14	174.90	26.58	20.61	158.37	137.77	157.68
Aug-11	12.66	31.90	181.48	26.14	19.24	168.82	149.58	165.29
Sep-11	12.66	31.90	181.48	26.14	19.24	168.82	149.58	165.29
Oct-11	9.83	23.37	159.55	20.91	13.54	149.72	136.18	148.10
Nov-11	11.91	20.25	159.75	21.74	8.34	147.85	139.50	149.47
Dec-11	14.89	22.81	153.19	24.37	7.92	138.30	130.38	139.58
Jan-12	18.71	27.71	159.20	28.42	9.00	140.49	131.49	143.30
Feb-12	19.98	28.74	142.21	32.06	8.76	122.22	113.47	123.39
Absolute change between Feb-12 and Jan-12								
	1.28	1.03	-16.99	3.64	-0.24	-18.27	-18.02	-19.91
% change between Feb-12 and Jan-12								
	6.8	3.7	-10.7	12.8	-2.7	-13.0	-13.7	-13.9

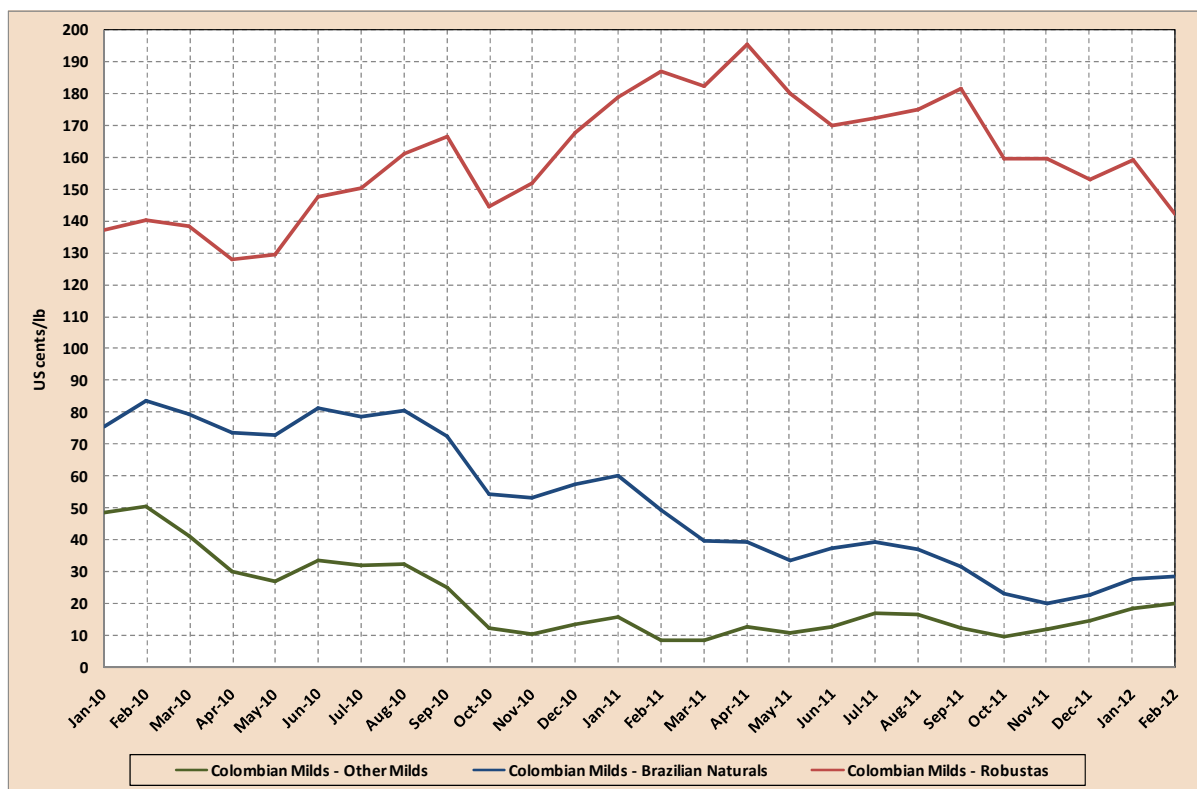
*Average of the 2nd and 3rd positionsGraph 3: Differential between prices of Colombian Milds and the other three coffee groups
January 2010 – February 2012

Table 3: Production in selected exporting countries

Crop year commencing	2008	2009	2010	2011	% change 2010-2011
TOTAL	128 293	122 935	134 267	128 546	-4.3
Africa	15 950	15 830	16 166	17 787	10.0
Cameroon	750	750	608	1 083	78.2
Côte d'Ivoire	2 397	1 795	999	1 600	60.2
Ethiopia	4 949	6 931	7 500	8 312	10.8
Kenya	541	630	658	750	13.9
Tanzania	1 186	709	800	750	-6.2
Uganda	3 197	2 797	3 290	2 850	-13.4
Others	2 931	2 220	2 311	2 442	5.6
Arabicas	7 894	9 147	10 143	10 857	7.0
Robustas	8 056	6 683	6 023	6 929	15.0
Asia & Oceania	34 727	37 206	36 011	34 668	-3.7
India	3 950	4 764	5 033	4 917	-2.3
Indonesia	9 612	11 380	9 129	9 200	0.8
Papua New Guinea	1 028	1 038	867	1 000	15.3
Thailand	376	470	579	850	46.9
Vietnam	18 500	18 200	19 467	17 500	-10.1
Others	1 261	1 354	936	1 201	28.2
Arabicas	4 389	5 070	5 190	5 825	12.2
Robustas	30 338	32 136	30 821	28 842	-6.4
Mexico & Central America	17 307	16 855	19 278	18 082	-6.2
Costa Rica	1 320	1 450	1 588	1 592	0.2
El Salvador	1 450	1 065	1 859	1 330	-28.5
Guatemala	3 785	3 835	3 950	3 450	-12.7
Honduras	3 450	3 575	4 326	4 300	-0.6
Mexico	4 651	4 200	4 850	4 500	-7.2
Nicaragua	1 442	1 831	1 804	1 850	2.6
Others	1 209	899	901	1 060	17.7
Arabicas	17 165	16 721	19 074	17 872	-6.3
Robustas	142	134	204	210	2.8
South America	60 309	53 044	62 812	58 010	-7.6
Brazil	45 992	39 470	48 095	43 484	-9.6
Colombia	8 664	8 098	8 523	8 500	-0.3
Ecuador	691	813	854	875	2.5
Peru	3 872	3 286	3 986	3 980	-0.1
Others	1 090	1 377	1 354	1 171	-13.5
Arabicas	49 391	41 988	50 851	46 275	-9.0
Robustas	10 918	11 056	11 962	11 736	-1.9
TOTAL	128 293	122 935	134 267	128 546	-4.3
Colombian Milds	9 964	9 181	9 693	9 730	0.4
Other Milds	27 052	26 582	29 949	28 765	-4.0
Brazilian Naturals	41 822	37 162	45 615	42 335	-7.2
Robustas	49 455	50 010	49 009	47 717	-2.6
Arabicas	78 838	72 926	85 258	80 829	-5.2
Robustas	49 455	50 010	49 009	47 717	-2.6
TOTAL	100.0	100.0	100.0	100.0	
Colombian Milds	7.8	7.5	7.2	7.6	
Other Milds	21.1	21.6	22.3	22.4	
Brazilian Naturals	32.6	30.2	34.0	32.9	
Robustas	38.5	40.7	36.5	37.1	
Arabicas	61.5	59.3	63.5	62.9	
Robustas	38.5	40.7	36.5	37.1	

In thousand bags

Market fundamentals

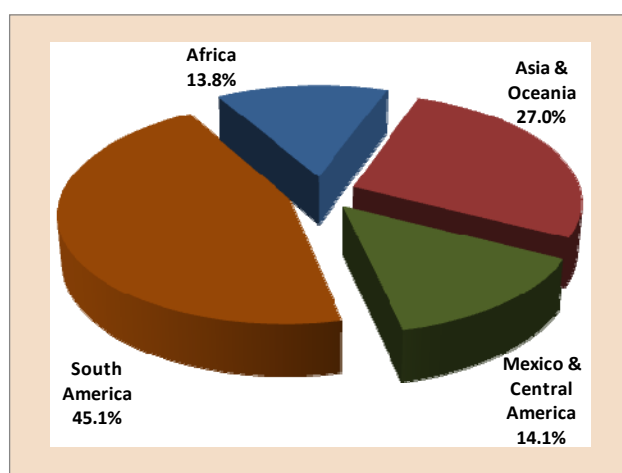
Total production in crop year 2011/12 is now estimated at 128.5 million bags, representing a 4.3% fall on 2010/11. This reduction is mostly attributable to the biennial cycle for Arabica production in Brazil, which dropped by 12%. Graph 4 indicates the share of world production by region.

With the exception of Africa, where production is expected to increase by 10% to 17.8 million bags, output has decreased in all other coffee-producing regions. A slight decrease of 3.7% is forecast in Asia and Oceania, down to 34.7 million bags from 36 million bags in 2010/11. This reduction in production is due to Vietnam and India where heavy rains are likely to affect their output.

Adverse weather conditions have also been reported in much of Central America, causing a 6.2% decrease to 18.1 million bags for the region. Only Nicaragua and Costa Rica are expecting a slight increase. In South America, production is expected to drop 7.6% to 58 million bags from 62.8 million bags in 2010/11. Production in Colombia looks unlikely to recover from three consecutive years of below-capacity production, due to excess rainfall, the occurrence of coffee disease and pests and replanting.

With regard to crop year 2012/13, only Brazil has provided its first estimates through CONAB, the official agency responsible for crop forecasts, indicating a total production of 50.6 million bags, including 37.7 million bags of Arabica and 12.9 million bags of Robusta. However, it is too early to estimate a total world production for 2012/13.

Graph 4: Share in total production by continent in 2011/12



**Table 4: Total exports of all forms of coffee
(October – January 2010/11 and 2011/12)**

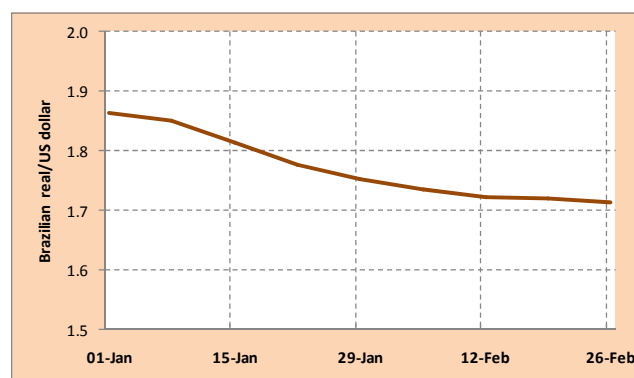
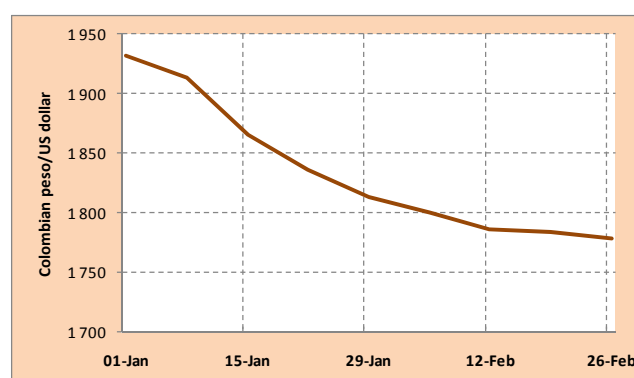
	2010/11	2011/12	% change
TOTAL	33 612	32 592	-3.0
Colombian Milds	3 800	3 104	-18.3
Other Milds	6 730	7 242	7.6
Brazilian Naturals	12 870	11 282	-12.3
Robustas	10 211	10 965	7.4
Arabicas	23 401	21 627	-7.6
Robustas	10 211	10 965	7.4
Angola	2	3	60.8
Benin	0	0	
Bolivia	29	42	44.4
Brazil	12 887	11 236	-12.8
Burundi	187	69	-63.1
Cameroon	131	39	-70.7
Central African Republic	19	7	-65.5
Colombia	3 412	2 775	-18.7
Congo, Dem. Rep. of	38	32	-15.5
Congo, Rep. of	0	0	
Costa Rica	259	295	13.9
Côte d'Ivoire	386	229	-40.7
Cuba	1	4	233.3
Dominican Republic	16	17	7.4
Ecuador	435	595	36.8
El Salvador	492	262	-46.8
Ethiopia	948	527	-44.4
Gabon	0	0	
Ghana	11	28	149.6
Guatemala	604	627	3.7
Guinea	91	125	36.9
Haiti	0	2	384.7
Honduras	915	960	4.9
India	1 364	1 328	-2.7
Indonesia	1 835	2 108	14.9
Jamaica	2	2	8.6
Kenya	199	229	14.9
Liberia	1	0	-31.5
Madagascar	26	27	1.9
Malawi	7	4	-51.2
Mexico	497	745	49.9
Nicaragua	418	232	-44.5
Nigeria	1	0	-75.1
Panama	11	9	-20.6
Papua New Guinea	262	495	88.8
Paraguay	0	0	-100.0
Peru	1 520	2 119	39.4
Philippines	5	3	-40.0
Rwanda	137	80	-41.8
Sierra Leone	10	13	36.6
Tanzania	351	219	-37.5
Thailand	177	59	-66.8
Timor-Leste	35	33	-5.2
Togo	16	8	-48.3
Uganda	908	911	0.4
Venezuela	2	1	-34.5
Vietnam	4 875	6 000	23.1
Yemen	3	4	21.8
Zambia	5	8	40.4
Zimbabwe	2	1	-45.4
Other exporting countries 1/	78	82	4.2

In thousand bags

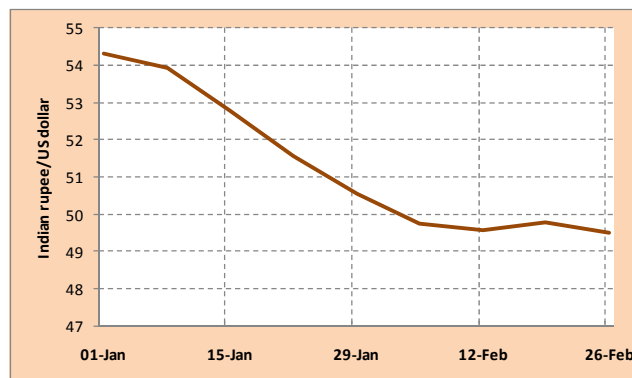
1/ Equatorial Guinea, Guyana, Lao (PDR), Nepal, Sri Lanka and Trinidad and Tobago

Exports in January were 8.0 million bags, compared to 8.9 million in January 2011. This brings the total exports for the first 4 months of coffee year 2011/12 (October 2011 to January 2012) to 32.6 million bags, a 3% decrease on 33.6 million bags recorded over the same period last year (Table 4). Total exports of Arabicas fell by 7.6% whereas Robustas increased by 7.4% compared to coffee year 2010/11. During this period several major exporting countries have recorded decreases in their exports.

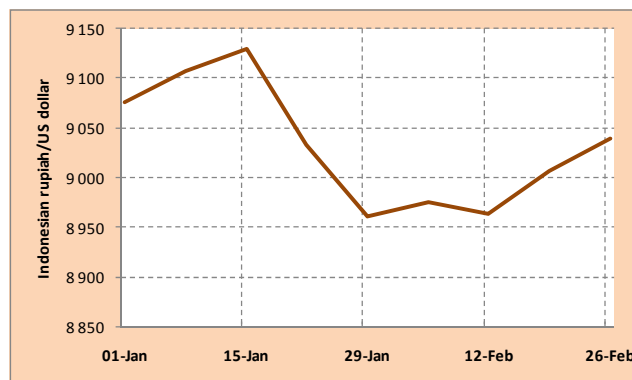
Moreover, the exchange rate of the US dollar and the currencies of some exporting countries fell to lower levels in February compared to January, accentuating the negative impact of downward corrections in prices. Graphs 5, 6, 7, 8 and 9 show weekly variations in the exchange rates of the US dollar to the Brazilian real, the Colombian peso, the Indian rupee, the Indonesian rupiah and the Vietnamese dong respectively since January 2012.

Graph 5: Exchange rate of Brazilian real to US dollar**Graph 6: Exchange rate of Colombian peso to US dollar**

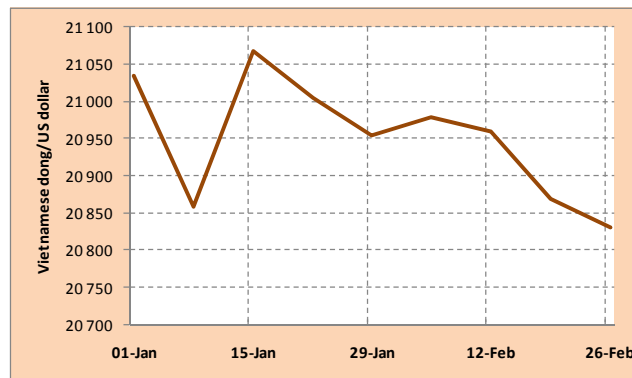
Graph 7: Exchange rate of Indian rupee to US dollar



Graph 8: Exchange rate of Indonesian rupiah to US dollar



Graph 9: Exchange rate of Vietnamese dong to US dollar

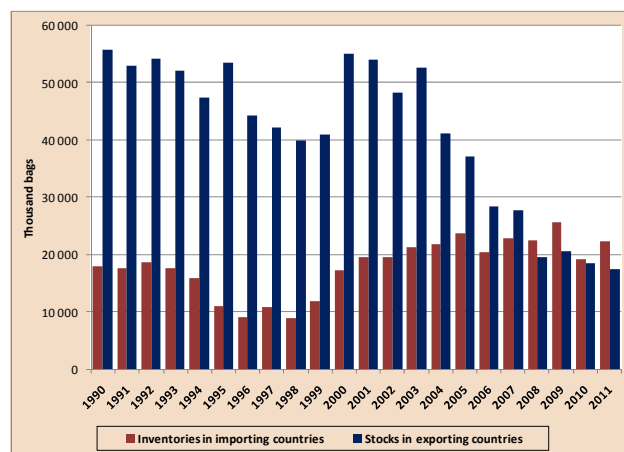


Graph 10 shows world stocks and inventories since 1990/91. World stocks have been significantly eroded due to the high exports recorded in calendar year 2011. On the basis of information provided by Members, the volume of **opening stocks in exporting countries** in crop year 2011/12 is around

17.4 million bags, the lowest on record. The relatively high prices seen over the last two years have encouraged strong export performance and a reduction in stocks.

Inventories in importing countries, on the other hand, have increased to a relatively healthy level of 22.3 million bags. This accumulation has eased concerns regarding the limited supply of certain origins, contributing towards the downward trajectory of prices since their peak in early May 2011.

Graph 10: World stocks and inventories (Crop years 1990/91 – 2011/12)



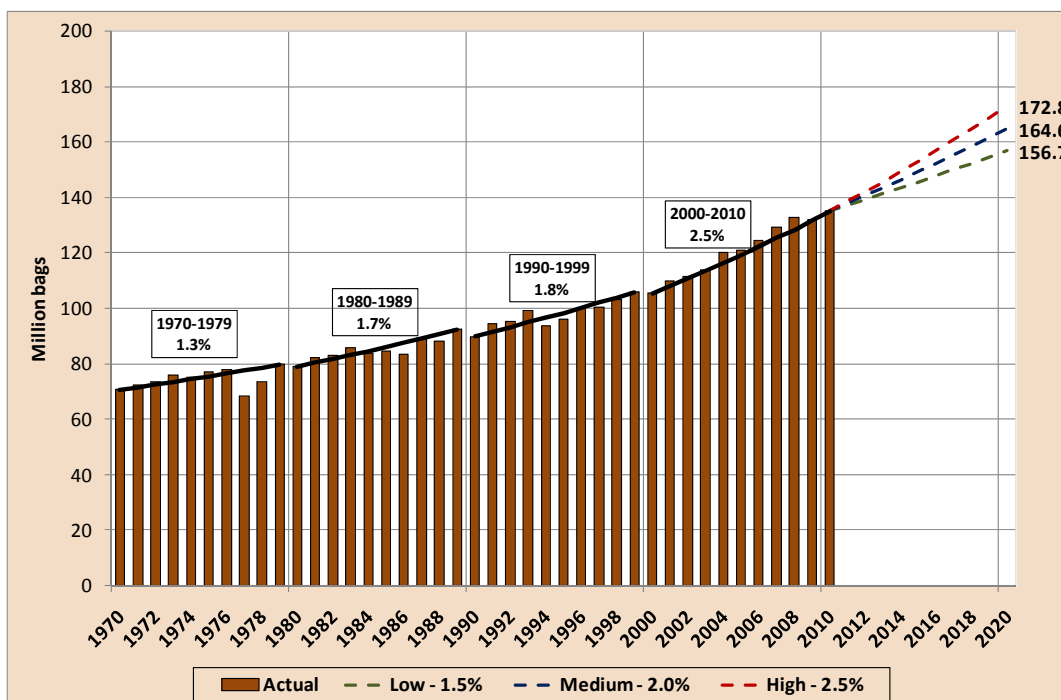
World consumption in calendar year 2010 reached 135 million bags, an increase of 2.4% on the previous year (Table 5). Early indications envisage further growth in 2011. Indeed, world consumption has been growing consistently for over 40 years, at a compound annual growth rate of 1.6%. Graph 11 shows a 10-year outlook for coffee demand, under three potential scenarios: low, medium and high. Under all these scenarios, relatively strong consumption growth is envisaged, which could well outpace production growth.

**Table 5: World consumption
(Calendar years 2007 – 2010)**

	2007	2008	2009	2010	2009-2010	
					Difference	% change
WORLD TOTAL	129 354	132 917	131 828	135 012	3 184	2.4
Exporting countries	36 373	38 119	39 675	41 319	1 643	4.0
Brazil	16 927	17 526	18 208	18 945	738	3.9
Indonesia	3 208	3 333	3 333	3 333	0	0
Ethiopia	2 785	2 933	3 089	3 253	165	5.1
Mexico	2 050	2 200	2 200	2 239	39	1.7
Venezuela, B.R.	1 534	1 599	1 649	1 650	1	0
Vietnam	938	1 021	1 208	1 583	375	23.7
India	1 438	1 518	1 605	1 713	107	6.3
Colombia	1 400	1 400	1 400	1 400	0	0
Philippines	1 060	1 390	1 770	1 973	203	10
Others	5 035	5 199	5 214	5 231	17	0.3
Importing countries	92 981	94 798	92 152	93 693	1 541	1.6
European Union	40 670	40 230	39 652	40 779	1 127	2.8
Germany	8 627	9 535	8 897	9 292	395	4.3
France	5 628	5 152	5 677	5 713	36	0.6
Italy	5 821	5 892	5 806	5 781	-25	-0.4
Spain	3 198	3 485	3 352	3 232	-120	-3.7
United Kingdom	2 824	3 067	3 220	3 134	-86	-2.7
Others	14 572	13 099	12 700	13 626	926	6.8
Japan	7 282	7 065	7 130	7 192	62	0.9
USA	21 033	21 652	21 436	21 783	347	1.6
Other importing countries	23 996	25 850	23 934	23 938	5	0.0

In thousand bags

**Graph 11: World consumption outlook
(Calendar years 1970 – 2020)**



In conclusion, despite the downward correction in Arabica prices, the longer-term outlook for the coffee market remains positive. Strong and dynamic demand, coupled with the short supply of Washed Arabicas, should support firm prices going forward. However, the weakness of the US dollar in relation to the currencies of some exporting countries is likely to exert a negative impact on export earnings.