



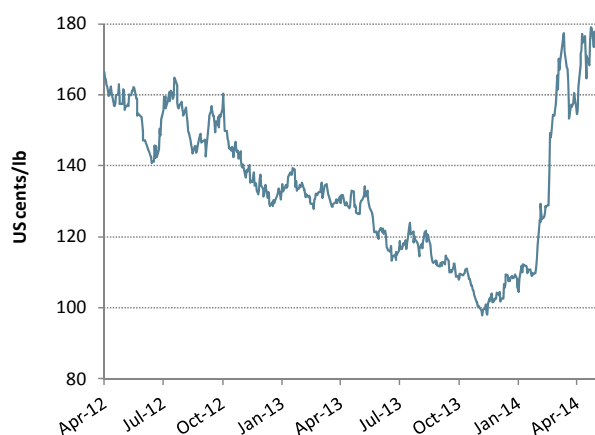
## MONTHLY COFFEE MARKET REPORT

April 2014

*Coffee prices remained highly volatile in April 2014, with the ICO composite indicator recording its highest monthly average in over two years, breaking last month's record. Continued uncertainty over the Brazilian crop has driven prices upwards, although the rate of increase has slowed slightly. Reports that an El Niño weather event might take place earlier than expected have also contributed to speculation over future coffee supply. The resulting uncertainty over coffee production in several exporting countries has reinforced the likelihood of a global supply deficit.*

*Total exports for the first half of coffee year 2013/14 are estimated at 53.2 million bags, 4.7% lower than the same period last year, although exports in March were estimated 2.2% higher. Finally, retail prices of roasted coffee fell in 2013 for many importing countries, reflecting the significant decrease in international coffee prices in 2012 and 2013.*

Graph 1: ICO composite indicator daily prices



The monthly average of the ICO composite indicator price reached its highest level since February 2012 in April, increasing by 3.4% to 170.58 US cents/lb. In terms of daily prices, the ICO

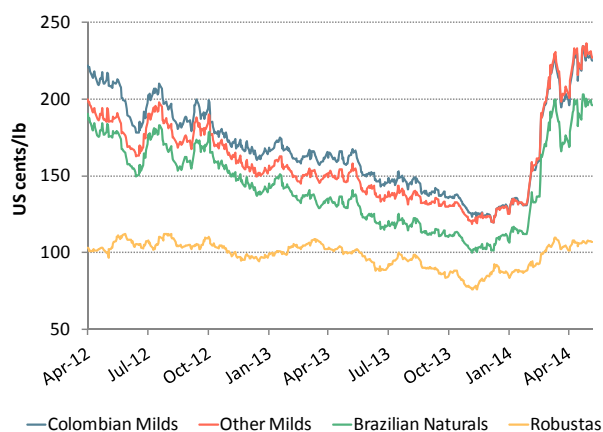
composite covered a wide range, from a low of 154.56 cents on 2 April to a high of 178.96 on the 23 April, a difference of nearly 25 cents. This performance has been mostly driven by the ongoing uncertainty over the Brazilian crop, with several market analysts reducing their forecast for 2014/15 production. The disruption to the Brazilian crop from the recent drought is also expected to affect the 2015/16 crop, and there are growing reports that the quality of the coffee, as well as the quantity, will suffer as a result.

Furthermore, there have been indications that the El Niño phenomenon, which can result in unpredictable rainfall and extreme weather events, is now expected to occur in 2014. The US Climate Prediction Center has estimated that the

probability of El Niño will exceed 50% by this summer. This could have further adverse effects on coffee production in several major producers, contributing to increased price volatility. Warmer weather in Brazil may reduce the risk of frost, but also bring rains during the harvest, damaging the crop. In Vietnam and Indonesia, on the other hand, there is a possibility of reduced rainfall which could have a negative effect on Robusta production, while in Colombia a moderate El Niño could actually help the crop.

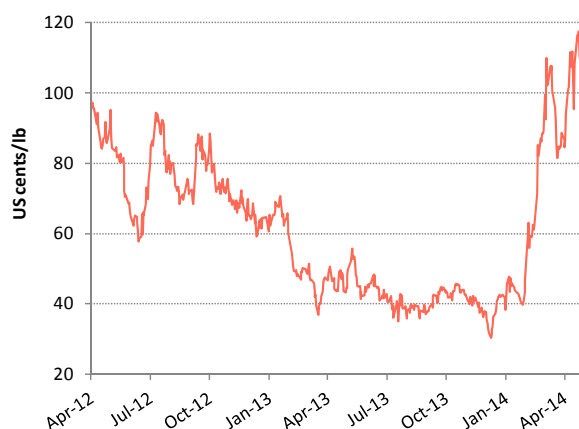
The three Arabica groups all recorded strong growth month on month, with Colombian Milds, Other Milds and Brazilian Naturals increasing by 4.5%, 4.4% and 4.2% respectively. This brings all three indicators to their highest levels in over two years. The monthly price of Robustas was virtually unchanged on March, averaging 105.55 cents/lb, its highest average since March 2013. Furthermore, price volatility continues to be a significant factor, with all indicator prices recording higher monthly volatility compared to March.

**Graph 2: ICO group indicator daily prices**



The strong increase in Arabica prices also widened the arbitrage between Arabica and Robusta coffees. Graph 3 shows the arbitrage between the New York and London futures markets (2<sup>nd</sup> and 3<sup>rd</sup> positions), which averaged 104.27 cents in April, 9.6% higher than March and the highest level since February 2012. Furthermore, price differentials between all three Arabica group indicators and Robustas were all at their highest in over two years.

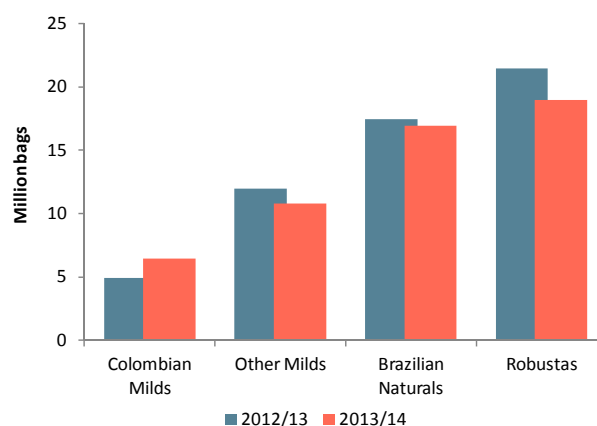
**Graph 3 Arbitrage between New York and London futures markets**



Total exports in the first half of coffee year 2013/14 (October to March) came to 53.2 million bags, 4.7% less than the same period last year. As can be seen in Graph 4 below, the only group of coffee to increase over the time period was Colombian Milds, which were up 30.9% to 6.5 million bags, as production in Colombia continues to recover. Exports of Other Milds were 9.9% lower than 2012/13, as coffee leaf rust in Central America had a significant detrimental effect on production.

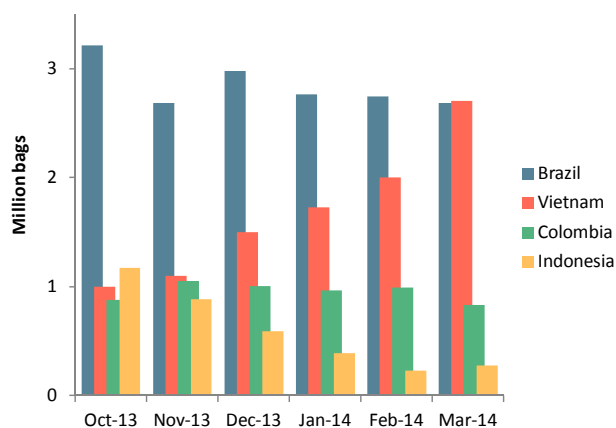
Brazilian Naturals were also lower by 2.8%, although shipments from the largest producer, Brazil, were actually up by over a million bags. This brings overall exports of Arabicas to 34.2 million bags for the first half of coffee year 2013/14, 0.4% lower than 2012/13. Exports of Robustas were 11.6% lower, with decreased shipments estimated from both Indonesia and Vietnam.

**Graph 4: Total exports by group of coffee (October to March 2012/13 – 2013/14)**



However, as can be seen in Graph 5, exports from Vietnam have been increasing significantly over the last six months. In March they reached an estimated 2.7 million bags, slightly above Brazil, although total exports for the first six months of the coffee year are still 11.1% less than last year, at an estimated 10 million bags. Exports from Indonesia, on the other hand, have decreased significantly in recent months, amounting to 3.5 million bags over the time period, 37.4% less than last year, as adverse weather affects production and domestic consumption rises.

**Graph 5: Monthly exports by selected countries (October 2013 – March 2014)**

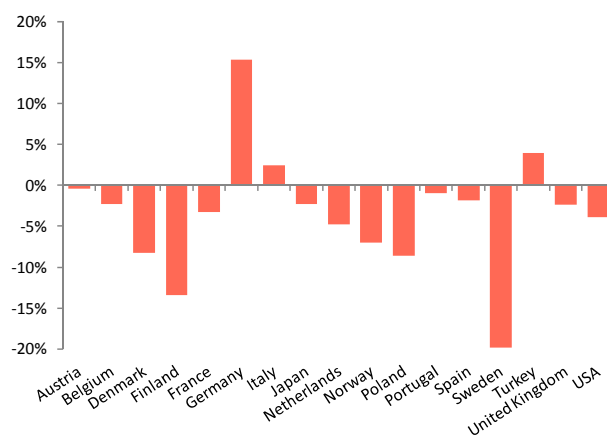


Certified stocks on the New York and London futures markets both fell in April; stocks of Robusta on the London market fell by 13.6% to a new low of just 274,167 bags, while New York Arabica stocks slipped slightly by 0.8% to 2.9 million bags.

Finally, domestic retail prices for roasted coffee are now available for calendar year 2013, which show a mixed trend. Prices fell in the majority of countries for which data are available, as shown in Graph 6, with particularly significant decreases of 19.8% in Sweden and 13.4% in Finland. These decreases in retail prices are likely a reaction to the significant declines in international coffee prices in 2012 and 2013. Germany recorded a notable increase of

15.3% in its annual retail prices, while lesser increases were also recorded in Italy and Turkey. However, this increase in Germany can likely be attributed to a change in the methodology used to calculate retail prices.

**Graph 6: Percentage change in retail prices in selected countries (2012 – 2013)**



Furthermore, despite this increase, prices in Germany are still not particularly high compared to other importing countries (see Graph 7). However, it must be kept in mind that these relative prices could be affected by changes in the exchange rate over time.

**Graph 7: Retail prices in selected importing countries in US\$/lb**

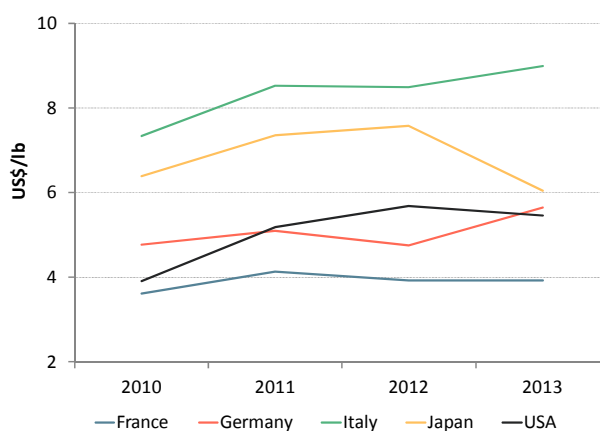


Table 1: ICO indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milder	Other Milder	Brazilian Naturals	Robustas	New York*	London*
<b>Monthly averages</b>							
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
Feb-14	137.81	172.22	173.64	148.74	95.90	156.68	85.12
Mar-14	165.03	211.07	214.09	182.97	105.37	190.66	95.53
Apr-14	170.58	220.62	223.48	190.62	105.55	200.39	96.12
<b>% change between Apr-14 and Mar-14</b>							
	<b>3.4%</b>	<b>4.5%</b>	<b>4.4%</b>	<b>4.2%</b>	<b>0.2%</b>	<b>5.1%</b>	<b>0.6%</b>
<b>Annual averages</b>							
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	119.51	147.87	139.52	122.23	94.16	129.41	84.45
<b>% change between 2013 and 2012</b>							
	<b>-23.6%</b>	<b>-26.8%</b>	<b>-25.2%</b>	<b>-30.1%</b>	<b>-8.4%</b>	<b>-27.8%</b>	<b>-8.1%</b>
<b>Volatility (%)</b>							
Mar-14	10.8	11.9	12.6	13.4	5.4	14.9	5.7
Apr-14	11.3	13.3	13.0	14.1	5.6	17.8	6.3
<b>Variation between Apr-14 and Mar-14</b>							
	<b>0.5</b>	<b>1.3</b>	<b>0.5</b>	<b>0.7</b>	<b>0.3</b>	<b>2.9</b>	<b>0.6</b>

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> positions

Table 2: Price differentials (US cents/lb)

	Colombian Milder Other Milder	Colombian Milder Brazilian Naturals	Colombian Milder Robustas	Other Milder Brazilian Naturals	Other Milder Robustas	Brazilian Naturals Robustas	New York* London*
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
Feb-14	-1.42	23.48	76.32	24.90	77.74	52.84	71.56
Mar-14	-3.02	28.10	105.70	31.12	108.72	77.60	95.13
Apr-14	-2.86	30.00	115.07	32.86	117.93	85.07	104.27
<b>% change between Apr-14 and Mar-14</b>							
	<b>-5.3%</b>	<b>6.8%</b>	<b>8.9%</b>	<b>5.6%</b>	<b>8.5%</b>	<b>9.6%</b>	<b>9.6%</b>

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> positions

Table 3: Total production in exporting countries

Crop year commencing	2010	2011	2012	2013*	% change 2012-13
<b>TOTAL</b>	<b>132 984</b>	<b>132 296</b>	<b>145 436</b>	<b>145 717</b>	<b>0.2%</b>
Arabicas	84 108	81 870	88 891	85 402	-3.9%
Colombian Milds	9 705	8 720	12 010	12 238	1.9%
Other Milds	28 789	32 030	29 104	26 425	-9.2%
Brazilian Naturals	45 614	41 119	47 777	46 739	-2.2%
Robustas	48 876	50 426	56 545	60 315	6.7%
Africa	16 053	15 715	16 528	16 451	-0.5%
Asia & Oceania	36 016	37 897	42 701	47 320	10.8%
Mexico & Central America	18 021	20 282	18 597	15 995	-14.0%
South America	62 893	58 402	67 610	65 951	-2.5%

\* Estimated

In thousand bags

Full production data are available on the ICO website at [www.ico.org/prices/po.htm](http://www.ico.org/prices/po.htm)

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

	March 2013	March 2014	% change	October - March		
				2012/13	2013/14	% change
<b>TOTAL</b>	<b>10 123</b>	<b>10 342</b>	<b>2.2%</b>	<b>55 833</b>	<b>53 187</b>	<b>-4.7%</b>
Arabicas	5 996	6 284	4.8%	34 349	34 201	-0.4%
Colombian Milds	829	1 083	30.6%	4 928	6 452	30.9%
Other Milds	2 516	2 557	1.6%	11 974	10 791	-9.9%
Brazilian Naturals	2 651	2 644	-0.3%	17 447	16 957	-2.8%
Robustas	4 127	4 059	-1.6%	21 484	18 987	-11.6%

In thousand bags

Full trade statistics for all exporting countries are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

Table 5: Certified stocks on the New York and London futures markets

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
London	2.11	2.08	2.00	1.64	1.32	1.01	0.89	0.77	0.50	0.46	0.40	0.32	0.27
New York	3.10	3.11	3.09	3.11	3.15	3.13	3.07	3.02	3.06	3.00	2.95	2.92	2.90

In million bags

Table 6: World coffee consumption

Calendar years	2010	2011	2012	2013*	CAGR (2010-2013*)
<b>World total</b>	<b>137 060</b>	<b>139 079</b>	<b>142 000</b>	<b>145 800</b>	<b>2.1%</b>
Exporting countries	40 910	42 398	43 471	44 670	3.0%
Traditional markets	71 015	70 735	71 399	74 109	1.4%
Emerging markets	25 135	25 946	27 131	27 021	2.4%

CAGR: Compound Annual Growth Rate

\* Estimated