



MONTHLY COFFEE MARKET REPORT

July 2014

A renewed bullish sentiment triggered by a spate of negative reports on the current Brazilian crop took the ICO composite daily price up by nearly 15% in the last two weeks of July. Several external sources have issued lower production estimates in the last month, spurring the market higher. The damage from the drought at the beginning of the year is expected to cause a global supply deficit in crop year 2014/15, with production in Brazil officially estimated to decrease by 9.3% to 44.57 million bags, its lowest level in three years.

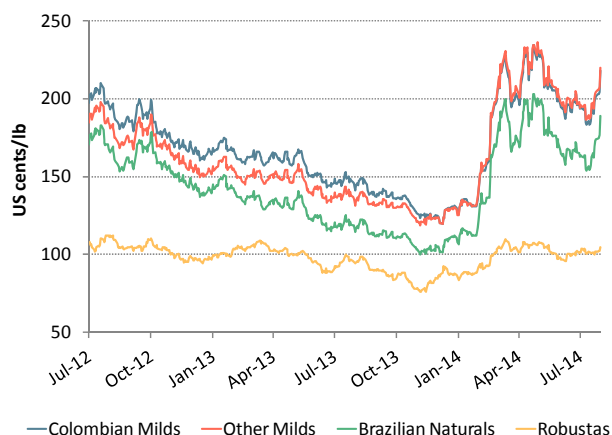
Graph 1: ICO composite indicator daily prices



The monthly average of the ICO composite indicator for July settled on 152.50 US cents/lb, up 0.4% on June. However, the daily price increased

from 145.14 cents on 11 July to 168.55 cents by the end of the month, including an 8.75 cent overnight jump on the 31, reflecting the mounting concern over the size of the Brazilian crop.

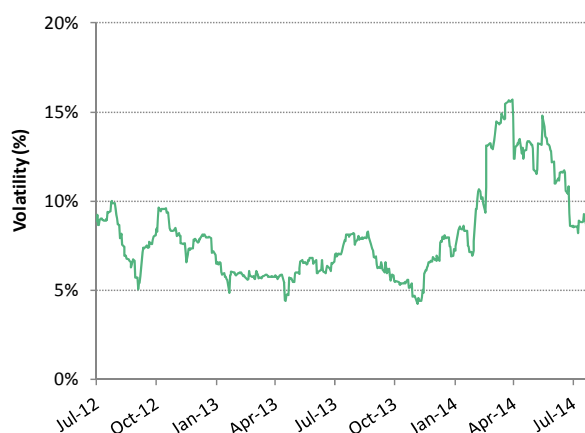
In terms of the ICO group indicators, the monthly averages of the three Arabica groups were all slightly lower compared to June, with Colombian Milds, Other Milds and Brazilian Naturals -0.5%, -0.5% and -0.3% lower respectively. Robustas on the other hand settled 2.9% higher on 101.79 cents. However, all four indicators recorded their highest daily level on the last day of the month, with the three Arabica groups all jumping by over 12 cents in one day.

Graph 2: ICO group indicator daily prices

The arbitrage between the New York and London futures markets narrowed slightly on average in July, down 2.9% to 83.91 US cents/lb. However, this widened to over 100 cents by the end of the month, as Arabica prices increased faster than Robusta. The price differentials between the three Arabica groups and Robusta also decreased compared to June.

Graph 3: Arbitrage between New York and London futures markets

Price volatility was notably higher in July than June, with all group indicators except Robusta recording higher monthly volatility levels, as increased speculation focused on the size of the Brazilian crop. However, price volatility remains well below the levels recorded earlier in the year.

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

Total exports for June 2014 came to 9.2 million bags, broadly unchanged on June 2013. This brings total exports for the first nine months of coffee year 2013/14 (October to June) to 81.8 million bags, 3.5% lower than the same period in 2012/13.

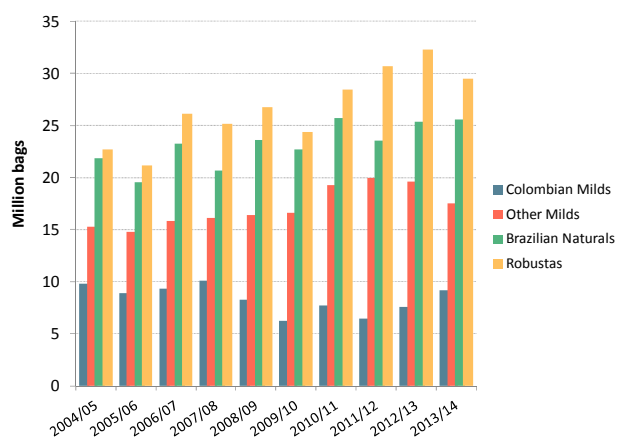
Total Arabica exports are down -0.3% to 52.3 million bags; Colombian Milds are up significantly by 21.8% to 9.2 million bags, as production continues to recover in Colombia, already exceeding 10 million bags so far this crop year.

Other Milds, on the other hand, are 10.5% lower on 17.5 million bags due to the coffee leaf rust outbreak in Central America. More specifically, exports are down by 20.3% in Costa Rica, 49.1% in El Salvador, 13.9% in Guatemala, 7.6% in Honduras, 28.3% in Mexico and 11.5% in Nicaragua. Exports of Brazilian Naturals are up 0.9% year on year, with a particularly notable increase of 9% in exports from Brazil. Indeed, this is the second-highest volume of exports by Brazil in this time period on record, exceeded only by 2010/11.

Exports of Robustas are down 8.6% compared to 2012/13, although shipments from the largest Robusta producer, Vietnam, are unchanged on an estimated 16.2 million bags. Indonesia, however, has dropped dramatically from 8.3 million bags in 2012/13 to an estimated 4.4 million in 2013/14,

raising concerns over the size of the current 2014/15 crop, which started in April. Moreover, the continued increase in domestic consumption in Indonesia is likely to put further pressure on supply availability.

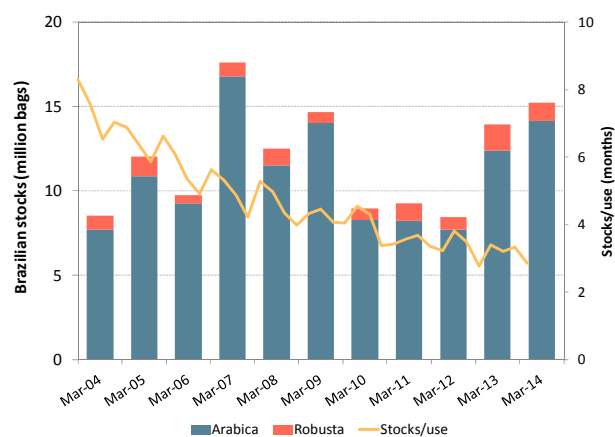
Graph 5: Exports for the first nine months of the coffee year (October to June)



Finally, according to Conab, private stocks of coffee in Brazil amounted to 15.2 million bags at the end of March 2014, before the start of the 2014/15 crop. This is 9.2% higher than the previous year, and follows two consecutive high crops of 50.83 and 49.15 million bags in 2012/13 and 2013/14. However, given the lower crop expected

in 2014/15 of 44.57 million bags, it is likely that much of these stocks will be necessary to keep the market supplied.

Graph 6: Private stocks of coffee in Brazil and global stocks/use in months (End-March 2004 to 2014)



It must also be kept in mind that the global stocks to use ratio is significantly lower than in previous years, currently standing at around three months of demand, compared to over eight months ten years ago. This leaves the market in a relatively vulnerable position, with global demand likely to exceed supply in the near future. Some of this demand can be met by stocks, but this situation offers significant potential for other origins to meet the shortfall.

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

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
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
May-14	163.94	211.66	214.20	181.97	102.99	191.07	93.83
Jun-14	151.92	195.17	197.89	165.34	98.91	175.81	89.40
Jul-14	152.50	194.21	196.90	164.92	101.79	175.74	91.83
% change between Jul-14 and Jun-14							
	0.4%	-0.5%	-0.5%	-0.3%	2.9%	0.0%	2.7%
Annual averages							
2009	115.67	177.39	143.81	115.30	74.56	128.40	67.69
2010	147.24	225.52	195.99	153.72	78.74	165.20	71.98
2011	210.39	283.84	271.07	247.62	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	139.53	122.23	94.16	129.41	84.45
% change between 2013 and 2012							
	-23.6%	-26.8%	-25.2%	-30.1%	-8.4%	-27.8%	-8.1%
Volatility (%)							
Jun-14	7.4	8.4	7.9	9.7	5.2	9.9	5.9
Jul-14	8.9	10.4	10.0	11.4	5.2	11.7	5.5
Variation between Jul-14 and Jun-14							
	1.5	2.0	2.1	1.7	0.0	1.8	-0.5

* Average price 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*
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
May-14	-2.54	29.69	108.67	32.23	111.21	78.98	97.24
Jun-14	-2.72	29.83	96.26	32.55	98.98	66.43	86.41
Jul-14	-2.69	29.29	92.42	31.98	95.11	63.13	83.91
% change between Jul-14 and Jun-14							
	-1.1%	-1.8%	-4.0%	-1.8%	-3.9%	-5.0%	-2.9%

* Average price for 2nd and 3rd positions

Table 3: Total production in exporting countries

Crop year commencing	2010	2011	2012	2013*	% change 2012-13
TOTAL	133 065	132 207	145 323	145 194	-0.1%
Arabicas	84 190	81 804	88 780	85 269	-4.0%
<i>Colombian Milds</i>	9 705	8 720	12 011	12 264	2.1%
<i>Other Milds</i>	28 871	31 965	28 991	26 299	-9.3%
<i>Brazilian Naturals</i>	45 614	41 119	47 777	46 706	-2.2%
Robustas	48 876	50 403	56 543	59 925	6.0%
Africa	16 053	15 715	16 529	16 267	-1.6%
Asia & Oceania	36 016	37 897	42 684	46 707	9.4%
Mexico & Central America	18 103	20 194	18 498	16 020	-13.4%
South America	62 893	58 401	67 612	66 200	-2.1%

* Estimated

In thousand bags

Full production data are available on the ICO website at www.ico.org/prices/po.htm**Table 4: Total exports of all forms of coffee by exporting countries**

	June 2013	June 2014	% change	October - June		
				2012/13	2013/14	% change
TOTAL	9 203	9 189	-0.2%	84 769	81 823	-3.5%
Arabicas	5 799	5 996	3.4%	52 470	52 293	-0.3%
<i>Colombian Milds</i>	791	874	10.5%	7 542	9 190	21.8%
<i>Other Milds</i>	2 531	2 296	-9.3%	19 588	17 528	-10.5%
<i>Brazilian Naturals</i>	2 477	2 825	14.1%	25 340	25 575	0.9%
Robustas	3 404	3 193	-6.2%	32 299	29 529	-8.6%

In thousand bags

Full trade statistics for all exporting countries 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**

	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14
London	1.64	1.32	1.01	0.89	0.77	0.50	0.46	0.40	0.32	0.27	0.85	1.12	1.28
New York	3.11	3.15	3.13	3.07	3.02	3.06	3.00	2.95	2.92	2.90	2.87	2.83	2.79

In million bags

Table 6: World coffee consumption

Calendar years	2010	2011	2012	2013*	CAGR (2010-2013*)
World total	136 960	139 135	142 300	145 800	2.1%
Exporting countries	40 787	42 398	43 470	44 671	3.1%
Traditional markets	71 015	70 735	71 399	73 917	1.3%
Emerging markets	25 158	26 002	27 430	27 212	2.7%

CAGR: Compound Annual Growth Rate

* Estimated