Coffee market outlook

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22nd September 2014
Price volatility & Arabica/Robusta arbitrage

Volatility

Arbitrage

US cents/lb
Coffee production

- 145.2 million bags in 2013/14
- Roughly unchanged on 2012/13
  - Robustas ↑ 6%
  - Arabicas ↓ 4%
Production in Brazil

• New estimate for 2014/15: 45.14 million bags, 8.2% lower than 2013/14

• Arabica 16.6% lower, but Robusta up 19.9%

• Record crops in 2013/14 and 2012/13
## Coffee Leaf Rust in Central America: 2014/15 update

<table>
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</thead>
<tbody>
<tr>
<td>Costa Rica</td>
<td>60,000</td>
<td>60%</td>
<td>-12%</td>
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<td>Dominican Republic</td>
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<td>Jamaica</td>
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<td>-25%</td>
<td>-5%</td>
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<td>Peru</td>
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<td>-23%</td>
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<td><strong>TOTAL</strong></td>
<td><strong>658,170</strong></td>
<td><strong>51%</strong></td>
<td><strong>-18%</strong></td>
<td><strong>-2%</strong></td>
<td><strong>615</strong></td>
</tr>
</tbody>
</table>

*Source: PROMECAFE, JNC (Peru)*
Recovery in Colombia

• Production for the first 11 months of 2013/14: 11.2 million bags

• 24% higher than 2012/13

• On course for highest production level since 2007/08
Exports:
(12 months ending July)

• 109.7 million bags in the last 12 months

• 1.7% less than last year, but second-highest on record
Exports from Brazil

- High monthly exports despite the drought.
- Suggests that stocks in Brazil will be heavily drawn down this year.
Inventories in importing countries

Million bags

Stocks

Stocks/use (months)

Jun-10 | Jun-11 | Jun-12 | Jun-13 | Jun-14
Consumption – looking ahead to 2020

- Emerging markets
- Traditional markets
- Exporting countries

Million bags

Renewed demand in traditional markets

- Relatively slow growth in the last few years
- But stronger increase in 2013
  - EU +2.0%
  - USA +5.3%
  - Japan +4.3%
Market outlook

• Supply & Demand
  – Drought in Brazil
  – Coffee leaf rust in Central America
  – Growing demand

• Prices
  – Volatility
  – Arabica/Robusta arbitrage widening