ICO Coffee Seminar
4 March 2014
London

World Supply and Demand Outlook

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If I just knew it...
World Arabica Coffee Prices: NY „C“
(US-Cents/lb)

3 May 2011: 308.90
4 December 2001: 41.50
7 November 2013: 100.95
Coffee Price Volatility during the 1997 rally
(US-Cents/lb)

29 May 1997: 318.00
(311.00 vs. 247.50)
CFTC: Speculators boost net long to largest since May 2011
NY Arabica Premium over London Robusta

(US-Cents/lb)
Differentials vs New York „C“

(US-Cents/lb)

Colombian Milds

Other Milds

Brazilian Naturals

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World Coffee Production

(mln 60-kg bags)

Arabica

Robusta

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World Coffee Balance

(mln 60-kg bags)

2013/14 Surplus: 7.2 mln bags
How about demand?
Global Coffee Exports and World Production

(mln 60-kg bags)

World Coffee Exports 13/14: 117.7 mln 60-kg bags

World Coffee Production 13/14: 151.1 mln 60-kg bags

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World population continues to rise...

Source: U.S. Census Bureau, International Data Base, June 2011 Update.
.... but in many areas with low per capita consumption
# Coffee Consumption in selected Countries

(mln 60-kg bags)

<table>
<thead>
<tr>
<th>Country</th>
<th>2013/14</th>
<th>in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 USA</td>
<td>23.5</td>
<td>16.4</td>
</tr>
<tr>
<td>2 Brazil</td>
<td>20.7</td>
<td>14.5</td>
</tr>
<tr>
<td>3 Germany</td>
<td>9.4</td>
<td>6.6</td>
</tr>
<tr>
<td>4 Japan</td>
<td>7.5</td>
<td>5.2</td>
</tr>
<tr>
<td>5 France</td>
<td>5.8</td>
<td>4.1</td>
</tr>
<tr>
<td>6 Italy</td>
<td>5.7</td>
<td>4.0</td>
</tr>
<tr>
<td>7 Russia</td>
<td>4.4</td>
<td>3.1</td>
</tr>
<tr>
<td>8 Canada</td>
<td>4.3</td>
<td>3.0</td>
</tr>
<tr>
<td>9 Spain</td>
<td>3.7</td>
<td>2.6</td>
</tr>
<tr>
<td>10 United Kingdom</td>
<td>2.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Total Top 10</td>
<td>87.9</td>
<td>61.5</td>
</tr>
<tr>
<td>Total Other</td>
<td>55.0</td>
<td>38.5</td>
</tr>
<tr>
<td>World Consumption</td>
<td>142.9</td>
<td>100.0</td>
</tr>
</tbody>
</table>

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Coffee Consumption not correlated to the World Economy

World GDP growth in %

World Coffee Consumption (mln 60-kg bags)

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Coffee demand has proved to be rather recession-proof

The world population continues to rise by 75 mln people per year => 75 mln new potential customers p.a.!

There is still room for additional consumption in fast growing Asian markets, but tea will remain the ordinary Joe’s drink in China and India

Tea is perceived as a smart healthy drink option, coffee not to the same degree
The World needs more coffee!
World Coffee Consumption

(mln 60-kg bags)

10-year-average growth: 2.5%
- Exporting Countries: 4.0%
- Importing Countries: 1.6%

2.2% p.a.

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How about prospects for 2014/15?
South America
Rainfall in Brazil’s Coffee Areas

(in % of Average)

- Forested Zone MG
- South Minas Varginha
- South Minas Pocos de Caldas
- Cerrado MG
- Alegre area ES
- Forested Zone ES
- Mogiana, SP
- Southern SP
- Parana
- Bahia
- Rondonia
Brazil: Coffee Production by Variety

(mln 60-kg bags)

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Brazil was supposed to enter its „on-year“ in 2014/15

What was supposed to be a 60+ mln bag crop is now widely seen below 50 mln bags!!!

2014/15 will be the second „off-year“ in a row
Colombia: Monthly Coffee Production

(1,000 60-kg bags)
Colombia: Coffee Production

(mln 60-kg bags)
Peru: Coffee Production

(mln 60-kg bags)

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Mexico and Central America
Honduras: Coffee Production
(mln 60-kg bags)

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Mexico: Coffee Production
(mln 60-kg bags)

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Guatemala: Coffee Production
(mln 60-kg bags)

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Central America: Coffee Production
(mln 60-kg bags)

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Africa: Coffee Production

(mln 60-kg bags)

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Vietnam and Indonesia: Coffee Production

(mln 60-kg bags)

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Coffee Production Change in 2014/15

(mln 60-kg bags)

Cumulative World Change: -5.0 mln bags

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Conclusions

- Global coffee production has responded to high prices and rose by 26.1 mln bags over the three seasons to 2012/13

- The market is currently digesting its fourth consecutive surplus

- With a 5 mln bag reduction in Brazil possible, offsetting changes elsewhere and a 3 mln rise in consumption, 2014/15 may be in deficit

- BUT: There is still considerable uncertainty as to the extent of crop losses in Brazil => Expect Volatility down the road
Any Questions?
Muito obrigado
Muchas gracias
Thank you