



February 2015

Coffee slumps to one-year low despite global deficit forecast for 2014/15

February saw the downward trend in the coffee market over the last few months continue. The ICO composite daily price dropped to a low of just under \$1.30, more than 50 cents less than its most recent peak of 185.09 in October 2014. Despite this downward pressure on prices, world production is expected to come to 142 million bags in crop year 2014/15, 4.6 million less than 2013/14 and its lowest level in three years. This puts the coffee market into a deficit for the current year, although stocks in exporting countries have so far allowed exports to continue at a strong pace.

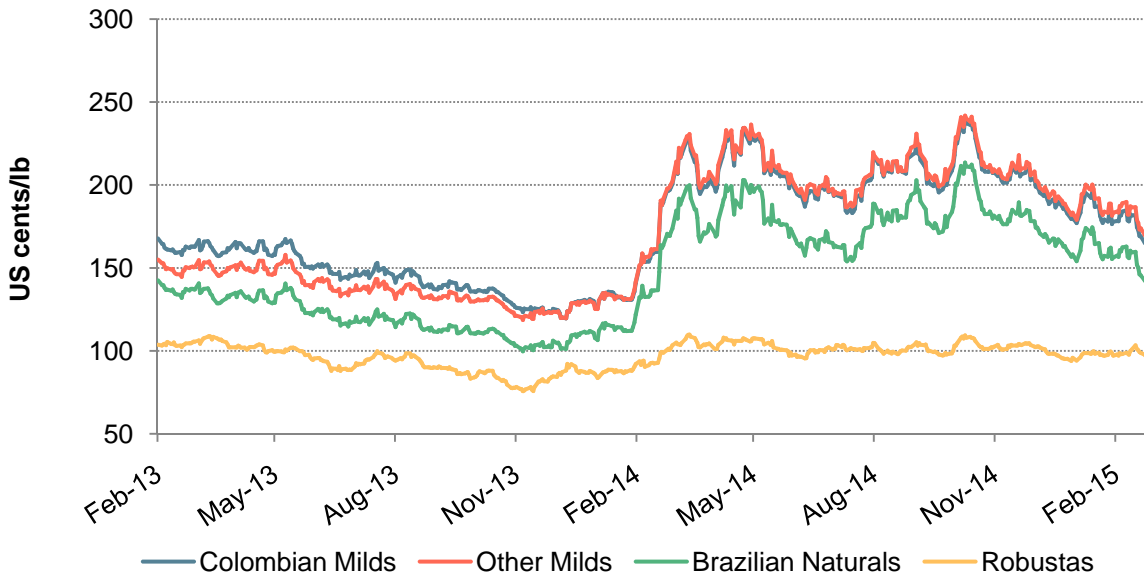
Graph 1: ICO composite indicator daily prices



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The coffee market fell sharply in February, as improved weather in Brazil contributed to heavy selling pressure. The daily price of the ICO composite dropped from a high of 148.25 cents/lb to a low of 128.75 cents, its lowest level since mid-February 2014. The monthly average settled on 141.10 cents, 4.8% lower than January, and the lowest monthly average in the last twelve months.

Graph 2: ICO group indicator daily prices

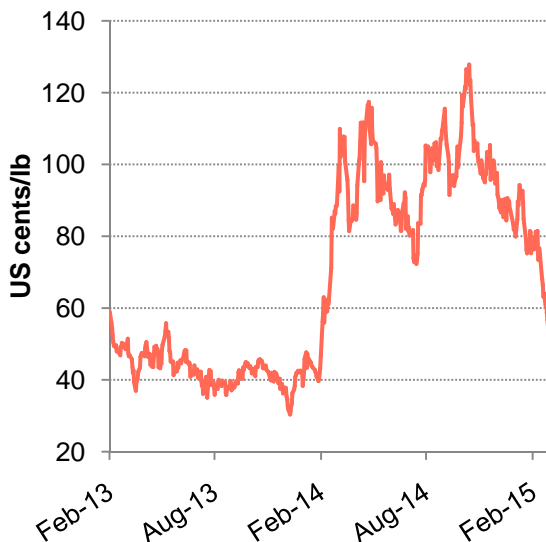


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In terms of the group indicators, the heaviest decrease was observed in Brazilian Naturals, which fell by 7.1%; Colombian Milds and Other Milds dropped by 6.0% and 5.8% respectively. Robustas, on the other hand, recorded an increase compared to January of 0.4% to reach 98.36 cents. This can partly be attributed to reduced selling from Vietnam during the New Year holiday.

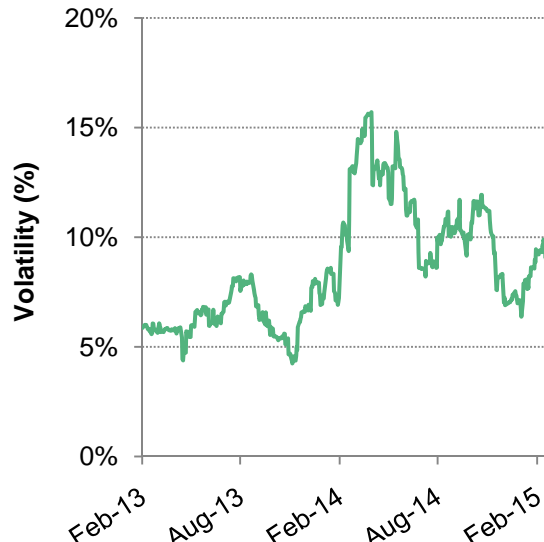
As a result, the arbitrage between Arabica and Robusta has narrowed significantly in the past month, reaching a low of 55 cents towards the end of the month. This is less than half its level of October 2014, and should present some resistance to further decreases in Arabica prices.

Graph 3: Arbitrage between New York and London futures markets



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

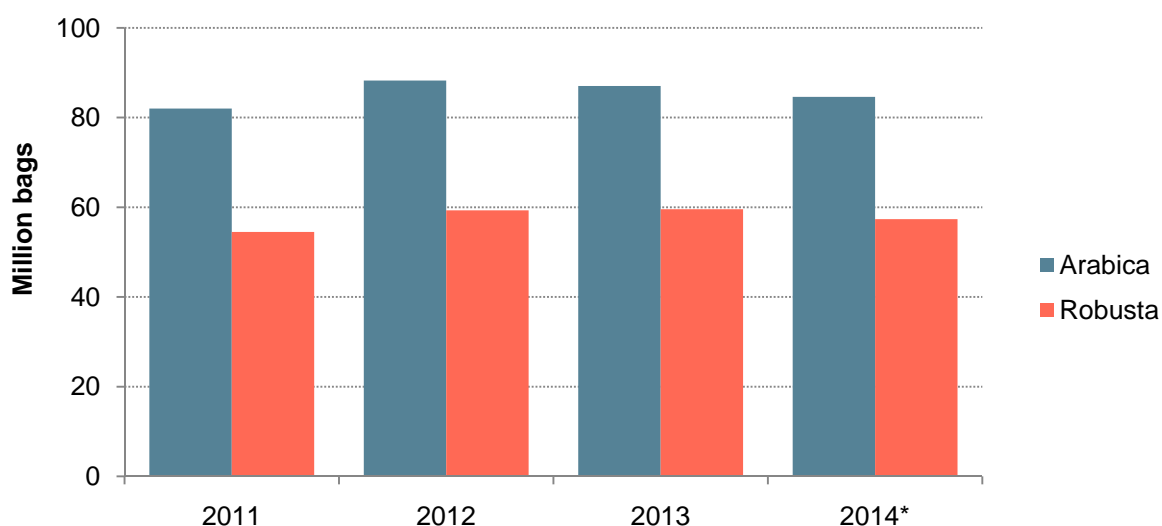


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Total coffee exports came to 8.8 million bags in January 2015, essentially unchanged on the same month in 2014. This brings total exports for the first four months of the coffee year to 34.4 million bags, just 0.1% less than the same period in 2013/14. Brazil continues to record strong export performance, while higher levels also came out of Colombia and Vietnam.

Total production in crop year 2014/15 is now estimated at 142 million bags, 3.2% less than 2013/14. This is slightly higher than the previous estimate, due to increased production expected in Honduras (revised up to 5.4 million), and slight upward adjustments in Tanzania (to 1 million), Cameroon (475,000), Rwanda (280,000) and Burundi (250,000). Production in India, on the other hand, has been revised down slightly to 5.5 million bags, according to the post-monsoon estimate of the Coffee Board of India, and Mexico has also been adjusted slightly lower to 3.9 million bags. Output in Brazil, Vietnam, Colombia and Indonesia has been maintained at the same level.

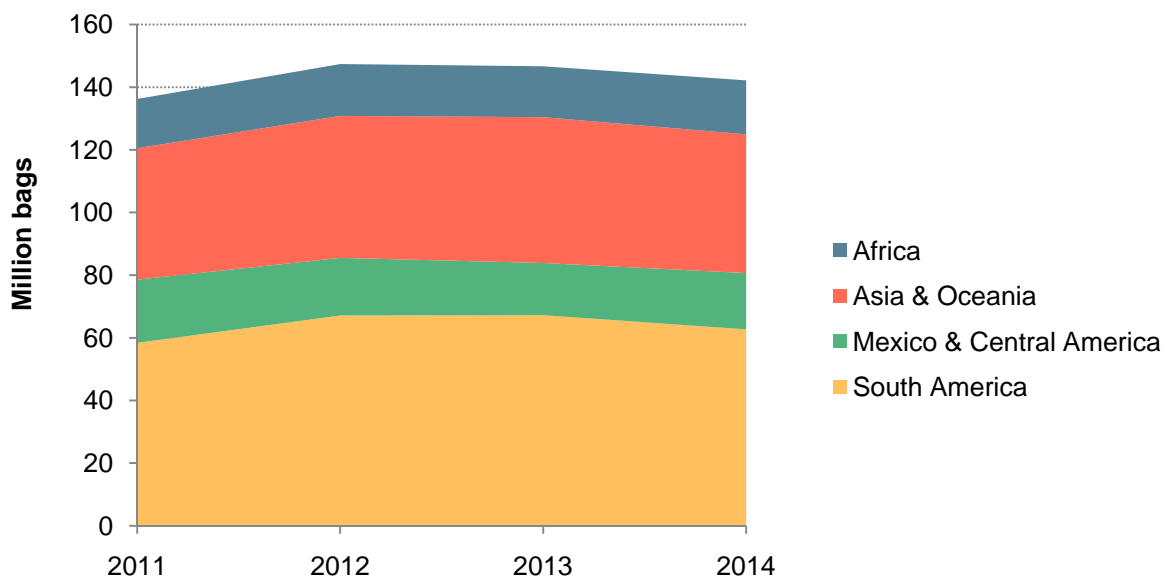
Graph 5: World coffee production by type (2011/12 - 2014/15)



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As a result, world coffee production is likely to be some 4.6 million bags lower compared to 2013/14, with both Arabica and Robusta estimated lower, by 2.8% and 3.7% respectively. In terms of the regional distribution, production in South America is estimated 6.8% lower on 62.7 million bags, giving it a 44.1% share of the world total. Asia and Oceania is also lower by 4.8%, accounting for 31.2% of the world total. In Mexico and Central America, output is estimated at 18 million bags, which is 7.9% higher than 2013/14, suggesting that the impact of coffee leaf rust is lessening somewhat. However, it should be kept in mind that this is still over 2 million bags less than the region's production in 2011/12, before the outbreak, and the social and economic damage to many countries is ongoing. Finally, production in Africa is considered to be increasing by 5.2% to 17 million bags; if realised, this will be the first time Africa has reached 17 million since 1999/2000. This would also increase its share of the world total to 12%.

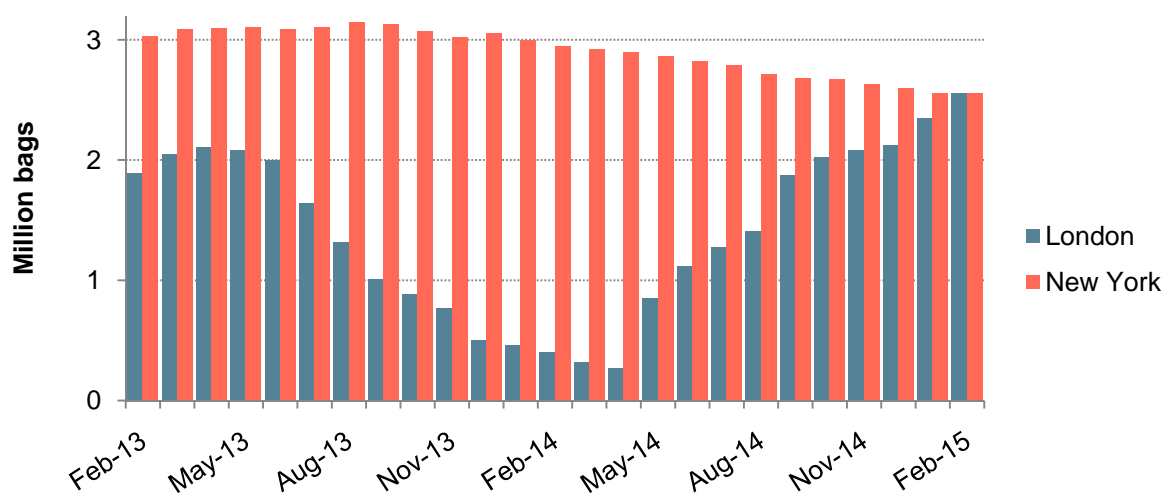
Graph 6: World coffee production by region (2011/12 - 2014/15)



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Finally, certified stocks on the London futures market have been significantly reconstituted over the last year, from a low of just 270,000 bags in April 2014 to 2.6 million in February 2015. This reflects the large level of exports from Vietnam and Brazil over the last 12 months, which have compensated for the lower availability from Indonesia. Certified stocks on the New York market, on the other hand, have been declining gradually over the same time period, from nearly 3 million bags to 2.6 million.

Graph 7: Certified stocks on the London and New York futures markets



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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							
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
Aug-14	163.08	211.60	212.97	183.32	100.25	193.98	90.64
Sep-14	161.79	206.78	210.53	182.15	100.52	192.09	91.24
Oct-14	172.88	222.59	225.29	197.05	104.70	210.12	95.51
Nov-14	162.17	206.41	209.38	181.43	103.06	192.33	93.60
Dec-14	150.66	190.16	193.60	166.58	98.43	177.82	89.86
Jan-15	148.24	185.26	190.00	163.50	98.01	173.19	89.33
Feb-15	141.10	174.11	178.89	151.90	98.36	159.55	89.76
% change between Feb-15 and Jan-15							
	-4.8%	-6.0%	-5.8%	-7.1%	0.4%	-7.9%	0.5%
Volatility (%)							
Jan-15	8.8	9.6	10.0	11.2	4.6	11.2	5.5
Feb-15	7.6	8.0	8.3	9.1	6.1	9.8	5.5
Variation between Feb-15 and Jan-15							
	-1.2	-1.5	-1.8	-2.0	1.5	-1.4	0.0

* 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*
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
Aug-14	-1.37	28.28	111.35	29.65	112.72	83.07	103.34
Sep-14	-3.75	24.63	106.26	28.38	110.01	81.63	100.85
Oct-14	-2.70	25.54	117.89	28.24	120.59	92.35	114.61
Nov-14	-2.97	24.98	103.35	27.95	106.32	78.37	98.73
Dec-14	-3.44	23.58	91.73	27.02	95.17	68.15	87.96
Jan-15	-4.74	21.76	87.25	26.50	91.99	65.49	83.86
Feb-15	-4.78	22.21	75.75	26.99	80.53	53.54	69.79
% change between Feb-15 and Jan-15							
	0.8%	2.1%	-13.2%	1.8%	-12.5%	-18.2%	-16.8%

* Average price for 2nd and 3rd positions

Table 3: Total production in exporting countries

Crop year commencing	2011	2012	2013	2014*	% change 2013-14
TOTAL	136 505	147 579	146 605	141 980	-3.2%
Arabicas	82 003	88 256	87 051	84 619	-2.8%
<i>Colombian Milds</i>	8 720	11 523	13 488	14 020	3.9%
<i>Other Milds</i>	31 965	28 826	26 857	27 111	0.9%
<i>Brazilian Naturals</i>	41 319	47 907	46 706	43 488	-6.9%
Robustas	54 501	59 323	59 554	57 361	-3.7%
Africa	15 738	16 569	16 211	17 190	6.0%
Asia & Oceania	41 913	45 328	46 579	44 334	-4.8%
Mexico & Central America	20 194	18 379	16 642	17 963	7.9%
South America	58 401	67 124	67 235	62 693	-6.8%

* Estimated

In thousand bags

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

	January 2014	January 2015	% change	October - January		
				2013	2014	% change
TOTAL	8 771	8 793	0.3%	34 418	34 378	-0.1%
Arabicas	5 515	5 500	-0.3%	22 095	21 298	-3.6%
<i>Colombian Milds</i>	1 045	1 149	10.0%	4 249	4 477	5.4%
<i>Other Milds</i>	1 790	1 677	-6.3%	6 221	5 414	-13.0%
<i>Brazilian Naturals</i>	2 680	2 674	-0.2%	11 625	11 407	-1.9%
Robustas	3 256	3 293	1.2%	12 323	13 080	6.1%

In thousand bags

Full trade statistics 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**

	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
London	0.40	0.32	0.27	0.85	1.12	1.28	1.41	1.88	2.02	2.08	2.12	2.35	2.55
New York	2.95	2.92	2.90	2.87	2.83	2.79	2.71	2.68	2.67	2.63	2.60	2.55	2.56

In million bags

Table 6: World coffee consumption

Calendar years	2010	2011	2012	2013	CAGR (2010-2013)
World total	137 185	139 506	143 029	146 100	2.1%
Exporting countries	41 005	42 772	44 190	44 946	3.1%
Traditional markets	71 015	70 735	71 411	73 875	1.3%
Emerging markets	25 165	25 999	27 429	27 279	2.7%

CAGR: Compound Annual Growth Rate