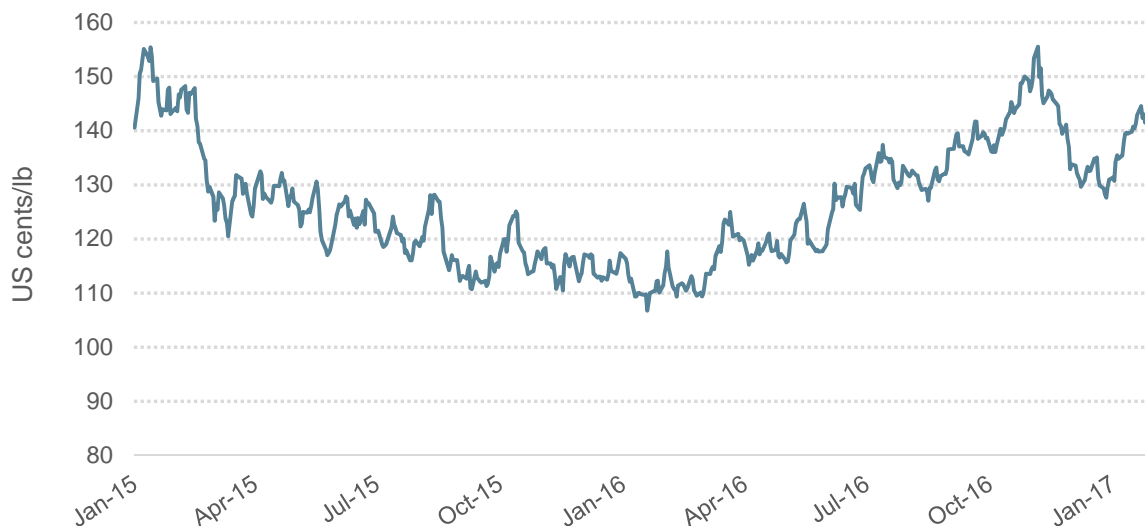


January 2017

Robusta prices increase to five and a half year high

In January, the coffee market recovered from the fall in prices which was recorded towards the end of last year. While a price increase could be observed across all groups, it was most notable for Robusta. Exports for the first quarter of coffee year 2016/17 were 8.3% higher than last year at 29.8 million bags. Conab has released its first estimates of coffee production in Brazil for the upcoming crop year 2017/18, projecting a reduction of around 10% in crop compared to the current year. Large export volumes and the high levels of stocks in consuming countries seem likely to put pressure on price levels.

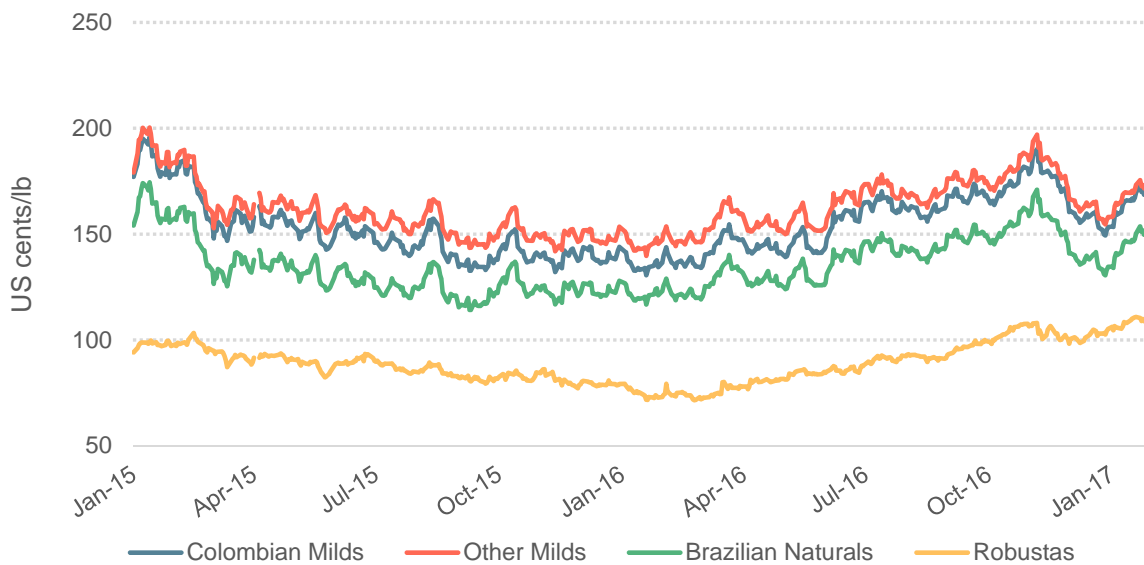
Graph 1: ICO composite indicator daily prices



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Coffee prices increased in January with the monthly average of the ICO composite indicator up by 5.6% to 139.07 US cents/lb compared to 131.70 US cents/lb in December 2016. Although the monthly average of the ICO composite price has significantly improved in January, it remains below the level of 145.82 US cents/lb recorded in November 2016. In view of the steady level of exports and news of more favourable weather conditions in Brazil, the positive trend reversed towards the end of January after the daily price peaked on 23 January at 144.54 US cents/lb.

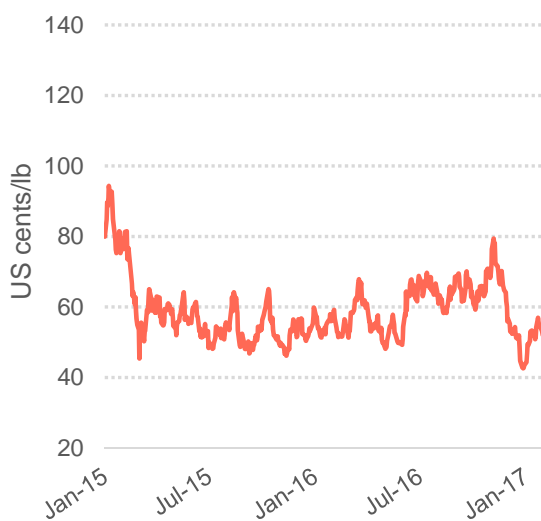
Graph 2: ICO group indicator daily prices



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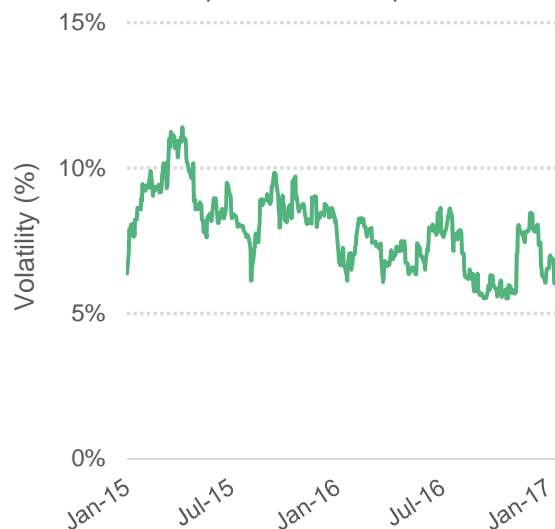
The most pronounced price increase was for the Robusta group, which rose by 6.4% to 108.32 US cents/lb, the highest monthly level since September 2011. This increase can mainly be attributed to supply shortages stemming from a small conilon crop in Brazil and reduced crop forecasts for Vietnam and Indonesia. Consequently, roasters increasingly substitute other Robusta origins or lower grade Arabica in blends, which unsurprisingly drives up prices of the Arabica groups with Colombian Milds, Other Milds and Brazilian Naturals up by 5.3%, 4.2% and 6.2%, respectively. At the same time, the arbitrage between the London and New York futures markets has increased by 5.3% from 49.38 US cents/lb to 52.00 US cents/lb.

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

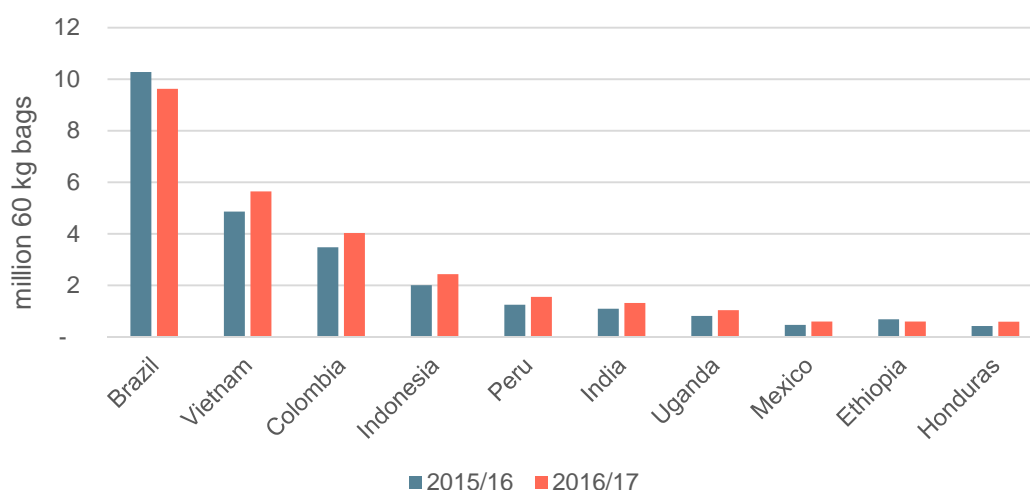


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Total exports in December 2016 came to 10.2 million bags, 7% more than in the previous year. This brings exports for the first quarter of coffee year 2016/17 (October to December) to 29.8 million bags, up 8.3% compared to the same period last year. Shipments of Arabica coffee were up by 8.5% to 19.2 million. The biggest increase was found in Other Milds, which were up by 23.3% as result of higher exports from Honduras, Papua New Guinea and Peru. Exports of Colombian Milds remain on a growth path, with shipments up by 500,000 bags as Colombia's production continues to recover to levels not seen since the 1990s. Brazilian Naturals increased by 3.7%.

Meanwhile shipments of Robusta, on the other hand, are estimated to have increased by 7.9% compared to last year, with exports from the two largest origins, Vietnam and Indonesia, estimated up by 16.1% and 21.2% respectively.

Graph 5: October to December exports by selected countries



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In terms of production, the first estimates recently published by Conab, the official Brazilian agency responsible for crop forecasts, indicate a total production between 43.65 and 47.50 million bags for crop year 2017/18. This would constitute a decrease compared to last year's crop of between 8% in the more optimistic scenario, and up to 15% when a more conservative view is taken. According to these estimates, Arabica and Robusta crops are projected to fall in a range of 35.01–37.89 million bags and 8.64–9.63 million bags respectively. Hence, Arabica production is provisionally down by between 13% and 19%, which has been attributed mainly to the fact that 2017/18 is an off-year in Brazil's biennial production cycle as trees are recovering from a strong 2016/17 crop. On the other hand, Robusta is expected to be up by between 8% and 21%, a significant recovery from last year's low output. However, some independent sources indicate much higher figures for the total production of Brazil. Based on the latest information received from Member countries, total production in crop year 2016/17 is estimated at around 151.6 million bags.

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							
Jan-16	110.89	135.21	145.03	121.21	74.71	120.20	65.67
Feb-16	111.75	137.17	147.70	122.24	74.04	119.25	64.96
Mar-16	117.83	145.20	157.50	130.38	75.60	127.33	66.17
Apr-16	117.93	143.66	154.22	128.10	80.18	125.34	70.90
May-16	119.91	144.49	155.19	129.05	83.93	126.80	75.11
Jun-16	127.05	156.86	165.45	138.38	85.94	139.10	76.87
Jul-16	132.98	164.46	171.76	144.76	90.82	148.16	82.09
Aug-16	131.00	160.78	167.54	141.41	91.79	145.37	83.47
Sep-16	138.22	168.85	176.30	149.80	96.88	154.87	88.63
Oct-16	142.68	172.28	178.96	153.15	103.65	160.07	95.30
Nov-16	145.82	177.85	184.12	157.72	103.72	165.24	95.40
Dec-16	131.70	156.64	161.78	137.14	101.85	143.04	93.66
Jan-17	139.07	164.96	168.61	145.70	108.32	152.24	100.24
% change between Jan-17 and Dec-16							
	5.6%	5.3%	4.2%	6.2%	6.4%	6.4%	7.0%
Volatility (%)							
Dec-16	5.0%	5.3%	5.2%	5.9%	5.2%	6.6%	5.8%
Jan-17	6.3%	7.0%	6.5%	7.8%	6.0%	7.9%	6.3%
Variation between Jan-17 and Dec-16							
	1.3%	1.7%	1.3%	1.9%	0.8%	1.3%	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*
Jan-16	-9.82	14.00	60.50	23.82	70.32	46.50	54.53
Feb-16	-10.53	14.93	63.13	25.46	73.66	48.20	54.29
Mar-16	-12.30	14.82	69.60	27.12	81.90	54.78	61.16
Apr-16	-10.56	15.56	63.48	26.12	74.04	47.92	54.44
May-16	-10.70	15.44	60.56	26.14	71.26	45.12	51.69
Jun-16	-8.59	18.48	70.92	27.07	79.51	52.44	62.23
Jul-16	-7.30	19.70	73.64	27.00	80.94	53.94	66.07
Aug-16	-6.76	19.37	68.99	26.13	75.75	49.62	61.90
Sep-16	-7.45	19.05	71.97	26.50	79.42	52.92	66.24
Oct-16	-6.68	19.13	68.63	25.81	75.31	49.50	64.77
Nov-16	-6.27	20.13	74.13	26.40	80.40	54.00	69.84
Dec-16	-5.14	19.50	54.79	24.64	59.93	35.29	49.38
Jan-17	-3.65	19.26	56.64	22.91	60.29	37.38	52.00
% change between Dec-16 and Nov-16							
	-29.0%	-1.2%	3.4%	-7.0%	0.6%	5.9%	5.3%

* Average price for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Crop year commencing	2013	2014	2015	2016*	% change 2015-16
PRODUCTION	152 130	148 724	151 438	151 624	0.1%
Arabica	90 163	86 151	88 273	95 204	7.9%
Robusta	61 967	62 572	63 165	56 419	-10.7%
Africa	16 243	15 987	16 229	16 353	0.8%
Asia & Oceania	46 461	45 666	48 967	43 110	-12.0%
Mexico & Central America	16 598	17 116	17 291	17 740	2.6%
South America	72 828	69 954	68 951	74 420	7.9%
CONSUMPTION	149 032	151 822	155 712	155 100	-0.4%
Exporting countries	46 109	47 245	48 262	48 337	0.2%
Importing countries (Coffee Years)	102 931	104 577	107 450	106 763	-0.6%
Africa	10 595	10 739	10 745	10 774	0.3%
Asia & Oceania	30 714	32 602	33 665	33 669	0.0%
Mexico & Central America	5 158	5 240	5 311	5 237	-1.4%
Europe	50 169	50 907	51 802	51 544	-0.5%
North America	27 714	27 372	28 875	28 535	-1.2%
South America	24 682	24 962	25 313	25 341	0.1%
BALANCE	3 098	-3 098	-4 274	-3 476	-18.7%

In thousand bags

* Estimated

Table 4: Total exports by exporting countries

	December 2015	December 2016	% change	October - December		
				2015/16	2016/17	% change
TOTAL	9 500	10 166	7.0%	27 490	29 773	8.3%
Arabicas	6 091	6 542	7.4%	17 724	19 233	8.5%
Colombian Milds	1 292	1 590	23.0%	3 806	4 340	14.1%
Other Milds	1 524	1 735	13.8%	4 021	4 959	23.3%
Brazilian Naturals	3 275	3 217	-1.8%	9 897	9 934	3.7%
Robustas	3 409	3 624	6.3%	9 767	10 539	7.9%

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**

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
New York	1.82	1.76	1.62	1.58	1.53	1.48	1.45	1.45	1.42	1.44	1.42	1.40	1.45
London	3.23	3.04	2.92	2.78	2.64	2.53	2.45	2.37	2.32	2.28	2.38	2.39	2.73

In million bags