

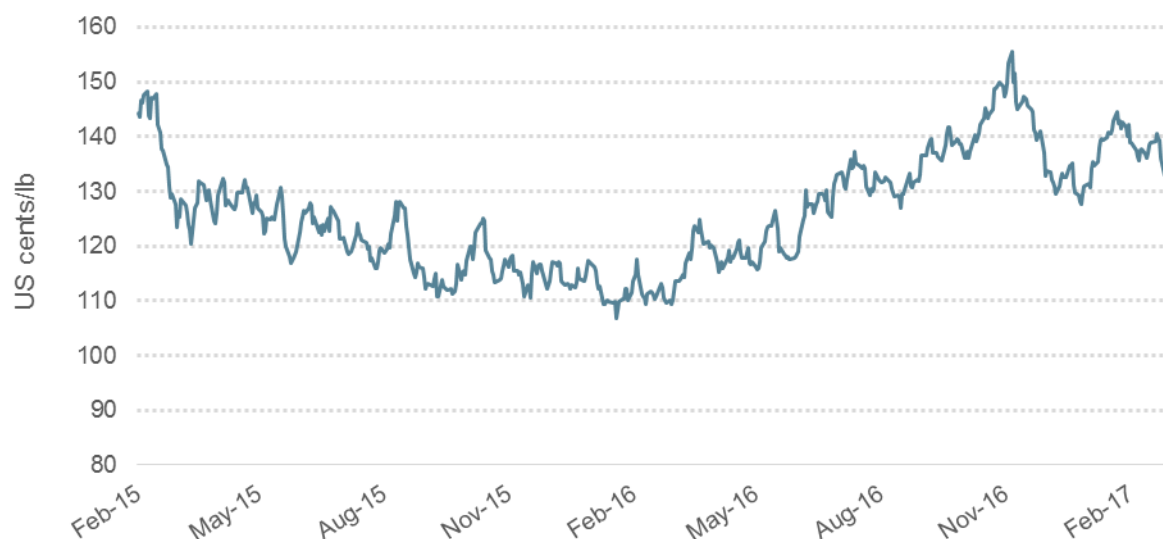


February 2017

Market turns down slightly as supply concerns ease

ICO indicator prices fell slightly across all groups but the decline was most pronounced for Robustas. The controversy concerning the need for Brazil to import Robusta to alleviate supply shortages in Brazil continued when an envisaged import quota was suspended. Meanwhile increasing inventory levels and a favourable outlook for the 2017/18 crop, especially in Brazil somewhat eased supply concerns. Finally, our initial estimate of the value of world coffee exports shows an increase of almost 6% for 2015/16 compared to the year before.

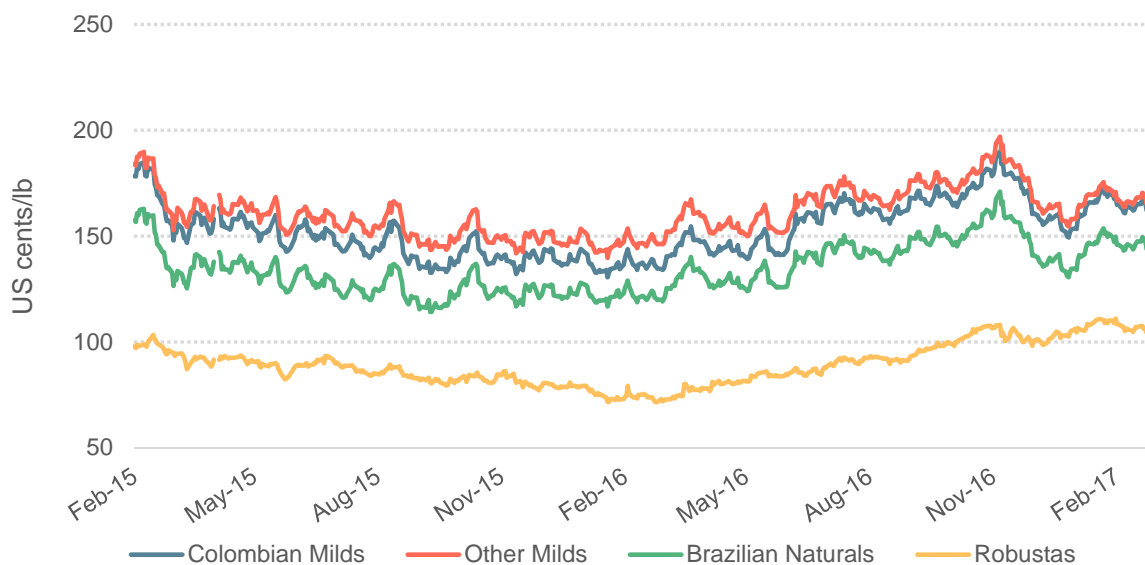
Graph 1: ICO composite indicator daily prices



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Coffee prices in February decreased slightly with the monthly average of the ICO composite indicator down by 1.0% to 137.68 US cents/lb compared to 139.07 US cents/lb in January. The composite price varied within a range of almost 10 US cents/lb around the mean, from a high of 142.09 US cents/lb on 1 February to a low of 133.02 US cents/lb on 27 February. The price increase noted in January came to a halt as a result of increased stock levels and a positive outlook for the upcoming crop in Brazil.

Graph 2: ICO group indicator daily prices



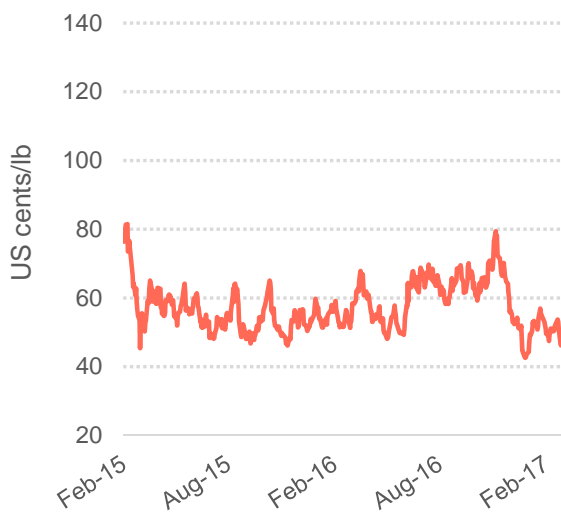
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Among all groups, the monthly average prices of the Robusta group recorded the most pronounced decline, down by 1.7% from 108.32 US cents/lb to 106.49 US cents/lb. However, the daily prices declined throughout the month to a low of 103.54 US cents/lb before ending the month on 105.33 US cents/lb. Hence, the positive price trend for Robusta has reversed in February after reaching a 5 ½ year high last month. The Arabica group indicators also fell slightly with Colombian Milds, Other Milds noted lower by 0.8%, 1.3%; Brazilian Naturals remained almost unchanged just 0.1% lower compared to January. The arbitrage between the London and New York futures markets has decreased by 3.5% from 52 US cents/lb to 50.18 US cents/lb.

The evolution of prices in February comes against the backdrop of a dispute in Brazil about whether or not to allow imports of Robusta in order to buffer supply shortages resulting from the poor Conillon harvest. This has led to an increase in the Brazilian domestic Robusta price and as a result, the Brazilian soluble industry has had to substitute the use of Robusta with lower grade Arabicas. While processors of soluble argued in favour of importing a limited amount of Robusta, farmers claimed that domestic supply was sufficient and that imports would be detrimental for local production. On 22 February the Brazilian President suspended the approval of the envisaged import quota of 1 million bags in order to allow for further analysis of the matter.

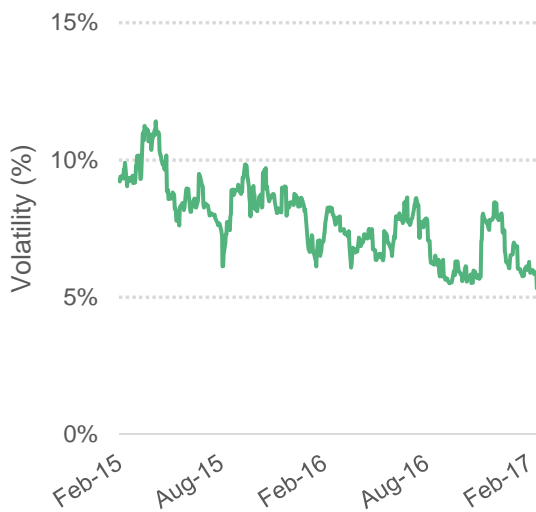
Meanwhile Vietnam, the major Robusta producing country, is estimated to have exported 11.9% more coffee in the first four month of coffee year 2016/17 compared to the previous year. Certified stocks on the New York and London futures markets have increased further by 3.1% (from 1.45 to 1.49 million bags) and 2.5% (from 2.73 to 2.80 million bags) respectively. Weather conditions in Brazil remain largely positive despite below average rainfall in Espírito Santo, the main Conillon producing region, somewhat alleviating supply concerns.

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

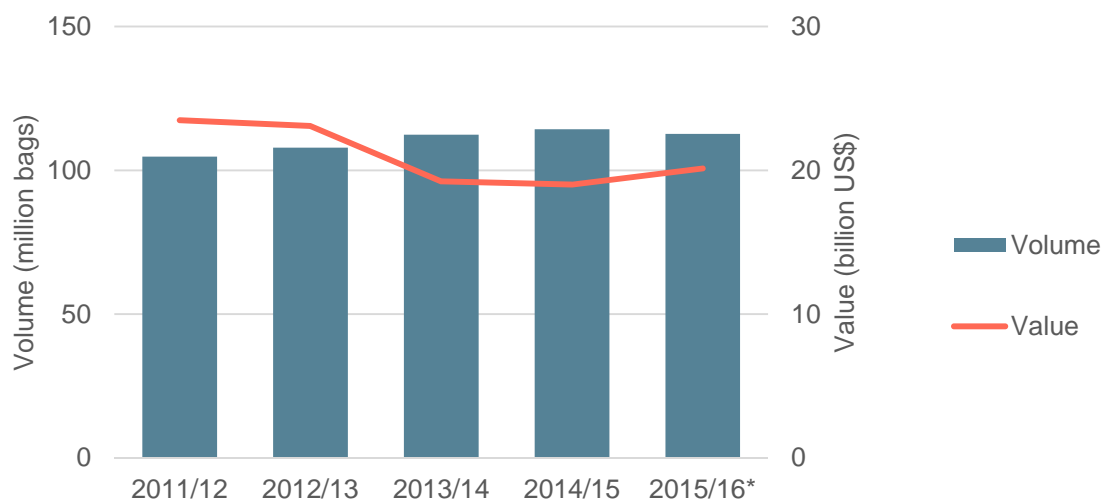


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Preliminary data on the value of exports by all exporting countries in coffee year 2015/16 are now available, coming to an estimated US\$ 20.1 billion for a volume of 104.8 million bags. This value is 5.9% higher than 2014/15 despite a 1.4% lower total export volume, reflecting the increase in prices recorded over the last year.

Shipments by all exporting countries during January 2017 totalled 9.8 million bags, bringing the cumulative total for coffee year 2016/17 (October 2016 to January 2017) to 39.9 million bags against 36.7 million for the same period in coffee year 2015/16, an increase of 8.9%. During this period, exports of Robusta and Arabica increased by 7.4% and 9.7% respectively.

Graph 5: Volume and value of world coffee exports (2011/12 - 2015/16)



* estimated

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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-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
Feb-17	137.68	163.67	166.35	145.50	106.49	148.64	98.46
% change between Jan-17 and Dec-16							
	-1.0%	-0.8%	-1.3%	-0.1%	-1.7%	-2.4%	-1.8%
Volatility (%)							
Jan-17	6.3%	7.0%	6.5%	7.8%	6.0%	7.9%	6.3%
Feb-17	5.7%	6.2%	5.6%	7.0%	5.6%	6.5%	5.8%
Variation between Jan-17 and Dec-16							
	-0.6%	-0.8%	-0.9%	-0.7%	-0.4%	-1.4%	-0.6%

* 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-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
Feb-17	-2.68	18.17	57.18	20.85	59.86	39.01	50.18
% change between Feb-17 and Jan-17							
	-26.6%	-5.7%	1.0%	-9.0%	-0.7%	4.4%	-3.5%

* 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

	January 2016	January 2017	% change	October - January		
				2015/16	2016/17	% change
TOTAL	9 219	9 837	6.7%	36 709	39 977	8.9%
Arabicas	5 712	6 343	11.0%	23 435	25 716	9.7%
Colombian Milds	1 182	1 567	32.6%	4 988	5 876	17.8%
Other Milds	1 689	2 018	19.5%	5 710	7 029	23.1%
Brazilian Naturals	2 841	2 758	-2.9%	12 737	12 811	0.5%
Robustas	3 507	3 494	-0.4%	13 274	14 261	7.4%

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-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
New York	1.76	1.62	1.58	1.53	1.48	1.45	1.45	1.42	1.44	1.42	1.40	1.45	1.49
London	3.04	2.92	2.78	2.64	2.53	2.45	2.37	2.32	2.28	2.38	2.39	2.73	2.80

In million bags