

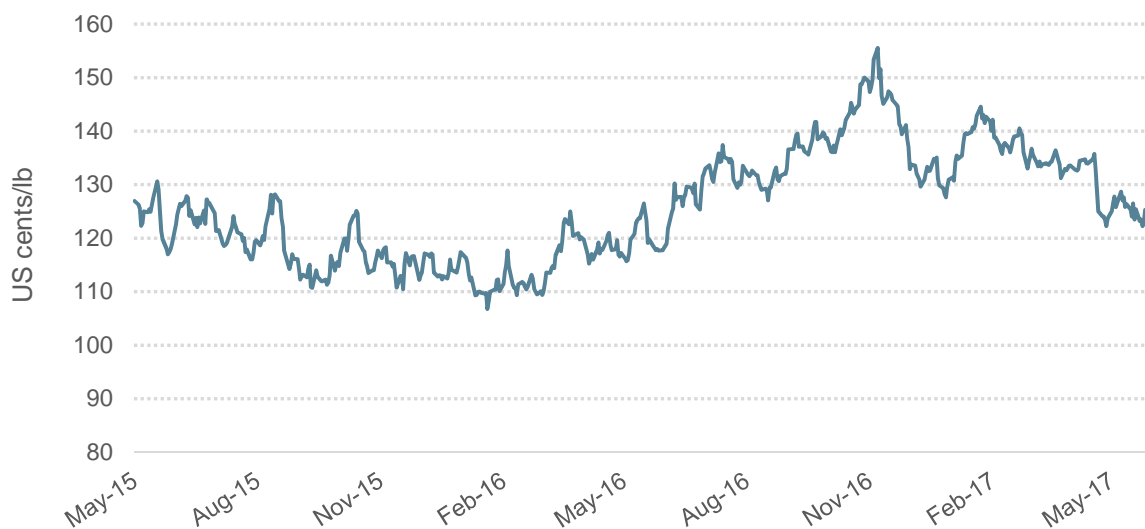


May 2017

Coffee prices continue to fall albeit at a lower rate

Coffee prices continued to fall as the market remains well supplied and inventories in consuming countries are high as a result of strong exports in the first seven months of the coffee year. For the first time in three years, Colombian Milds traded above Other Milds. Finally, Conab have released their second estimate of production in Brazil for 2017/18, which they forecast is to decrease by 11.3% to 45.56 million bags compared to crop year 2016/17.

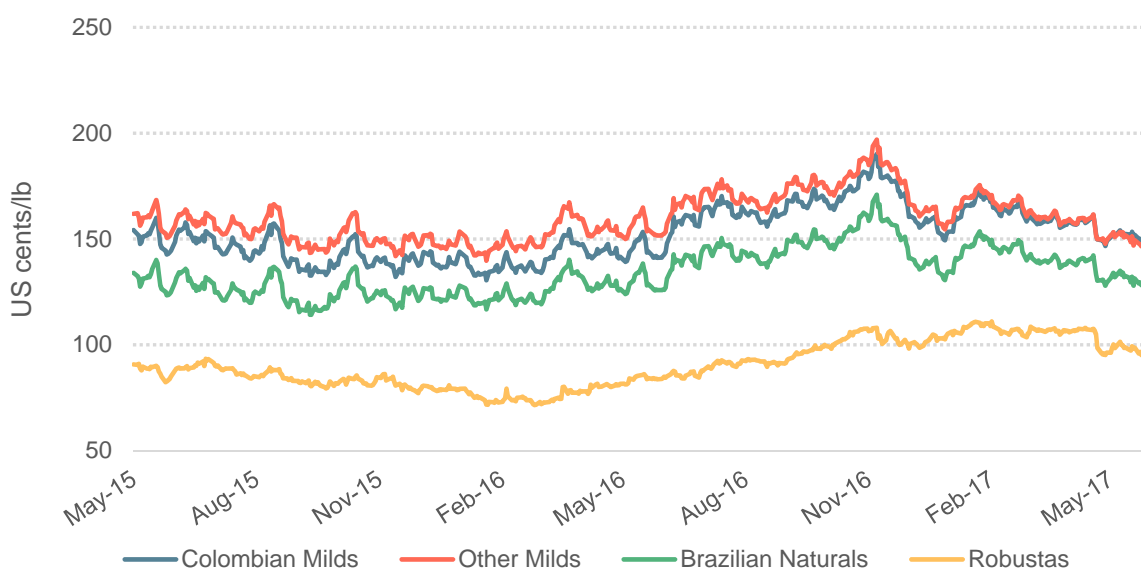
Graph 1: ICO composite indicator daily price



© 2017 International Coffee Organization (www.ico.org)

In May coffee prices continued to weaken as the monthly average of the ICO composite indicator price dropped significantly compared to last month, down 3.8% to 125.40 US cents/lb. The daily price of the ICO composite indicator started the month relatively strongly, making up some of the losses of the previous month and increased to a high of 128.66 US cents/lb on 8 May. However, most of these initial gains were subsequently lost as the market fell to 124.02 US cents/lb by the end of the month.

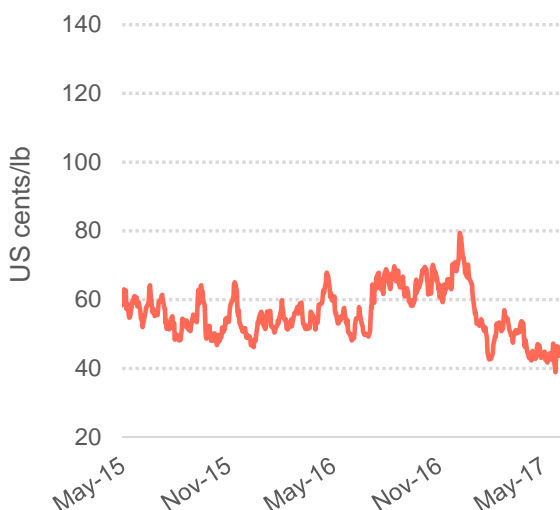
Graph 2: ICO daily group indicator prices



© 2017 International Coffee Organization (www.ico.org)

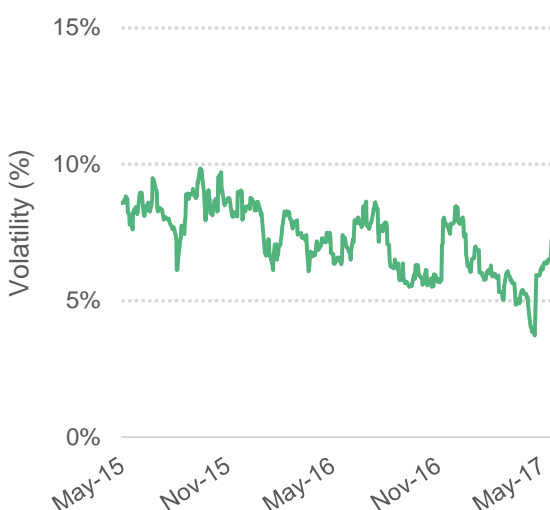
In terms of the group indicators, Robustas recorded the strongest decline, down by 5% compared to the previous month and dropping below the 100 US cents/lb mark for the first time since September 2016. All three Arabica groups registered significant decreases as the average prices for Colombian Milds, Other Milds and Brazilian Naturals were 2.3%, 3.5% and 3.6% lower, respectively. The Arabica/Robusta arbitrage, as measured on the New York and London futures markets, increased by 2.7% to 45.10 US cents/lb, remaining at a relatively low level. Meanwhile inter-day volatility of the ICO composite indicator price has significantly increased to 6.9% the highest level since November 2016.

Graph 3: Arbitrage between New York and London futures markets



© 2017 International Coffee Organization (www.ico.org)

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

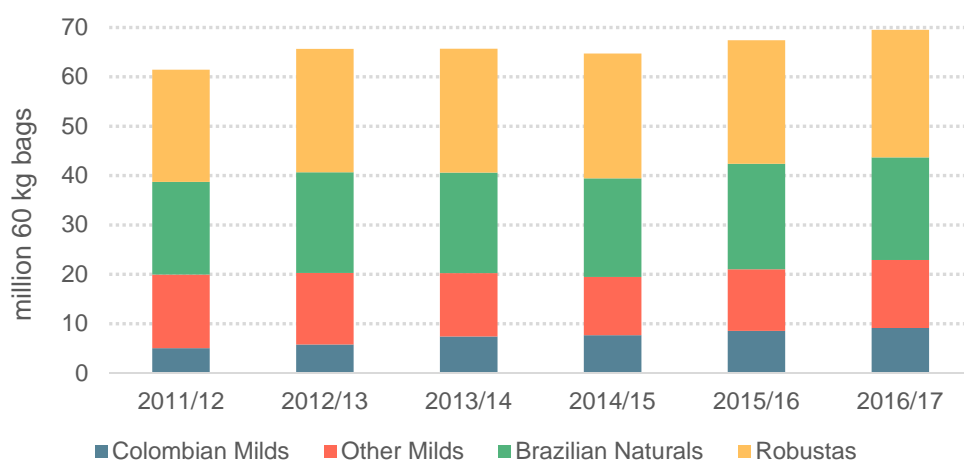


© 2017 International Coffee Organization (www.ico.org)

Coffee prices have been falling since February as a consequence of the easing of weather-related supply concerns, as well as the more general downturn in commodity markets. Notably, for the first time in three years Colombian Milds were traded 1.41 US cents/lb, i.e. above the Other Milds indicator. This is the preliminary end point of a long process of convergence which had been ongoing since March 2016, when the differential between the two groups peaked at -12.30 US cents/lb. During the first five months of 2017 in particular, the price of Other Milds decreased at a higher rate than the price of Colombian Milds. While Colombia was successfully increasing its output through replanting programmes, producers of Other Milds such as Costa Rica, El Salvador, Honduras, Guatemala, Mexico, Nicaragua and Peru were, in 2012/13, negatively affected by the outbreak of coffee leaf rust. This led to lower supplies of Other Milds, resulting in higher prices. Since then, production in various Other Milds origins has recovered, most notably Honduras and Peru. Hence, the export volume of Other Milds in the period May 2016 to April 2017 grew by 9.4% compared to the previous year while the previously strong growth in exports of Colombian Milds levelled off. However, reports from Honduras indicate the possibility of a new coffee leaf rust outbreak.

In April 2017 significantly less coffee was shipped globally compared to the same month last year. Total exports are estimated at 9.5 million bags, down 5.3%. The slowdown was particularly pronounced for shipments from Brazil, which dropped by 13.5% to 2.1 million bags, while Vietnam is estimated to have exported 6.9% less. Despite the recent weakening of export performance, the cumulative export volume for the first seven months of coffee year 2016/17 (October to April) stands at an impressive 69.5 million bags, 3.1% more than the same period last year. As a result, the market remains well supplied and inventories of green coffee in importing countries are high.

Graph 5: Exports by group (October - April)



© 2017 International Coffee Organization (www.ico.org)

Crop year 2017/18 has now started in several major coffee-producing countries, including Brazil, Indonesia, Papua New Guinea and Peru. The Brazilian Government Agency, Conab, have released their second estimate of production. Following the biennial production cycle, output is expected to fall 11.3% to 45.56 million bags compared to the same agency's estimate of 51.37 million bags in the previous year. While Arabica production is expected to decrease by 18.3% to 35.43 million bags, that of Robusta is expected to rise. With an increase of 26.9% to 10.14 million bags, a significant recovery after last year's poor crop is expected, mainly due to favourable climate conditions. The Conab

estimates are at the lower end of the spectrum, with the USDA forecasting production to reach 52.1 million bags, 4 million lower than the year before. The recent weakening of the Real increases the competitiveness of Brazilian producers and is expected to foster investment in the sector.

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							
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
Mar-17	134.07	158.40	160.15	139.67	106.73	143.38	99.01
Apr-17	130.39	154.97	155.40	136.09	103.58	139.25	95.34
May-17	125.40	151.41	150.00	131.21	98.36	135.45	90.35
% change between May-17 and Apr-17							
	-3.8%	-2.3%	-3.5%	-3.6%	-5.0%	-2.7%	-5.2%
Volatility (%)							
Apr-17	5.0%	5.4%	5.5%	5.9%	5.5%	6.4%	5.9%
May-17	6.9%	6.8%	7.0%	7.8%	8.9%	9.2%	9.5%
Variation between May-17 and Apr-17							
	2.0%	1.4%	1.4%	1.9%	3.3%	2.8%	3.6%

* 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*
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
Mar-17	-1.75	18.72	51.66	20.48	53.42	32.94	44.37
Apr-17	-0.43	18.88	51.40	19.31	51.82	32.51	43.91
May-17	1.41	20.20	53.05	18.79	51.64	32.85	45.10
% change between Mar-17 and Feb-17							
	P	7.0%	3.2%	-2.7%	-0.3%	1.0%	2.7%

* Average price for 2nd and 3rd positions

P = Positive change

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

	April 2016	April 2017	% change	October - April		
				2015/16	2016/17	% change
TOTAL	10 072	9 536	-5.3%	67 414	69 510	3.1%
Arabicas	6 032	5 713	-5.4%	42 370	43 671	3.1%
Colombian Milds	1 075	1 017	-1.4%	8 531	9 120	6.9%
Other Milds	2 418	2 385	-1.4%	12 477	13 753	10.2%
Brazilian Naturals	2 539	2 311	-9.0%	21 362	20 798	-2.6%
Robustas	4 040	3 823	-5.4%	25 044	25 839	3.2%

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**

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
New York	1.53	1.48	1.45	1.45	1.42	1.44	1.42	1.40	1.45	1.49	1.53	1.58	1.65
London	2.64	2.53	2.45	2.37	2.32	2.28	2.38	2.39	2.73	2.80	2.85	2.87	2.87

In million bags