



January 2018

Coffee market recovers slightly from December slump

After reaching its lowest level in 22 months in December 2017, the monthly average of the ICO composite indicator price increased by 1.4% to 115.60 US cents/lb in January 2018. Prices for all group indicators saw gains in January. Colombian Milds, Other Milds, and Brazilian Naturals recorded increases of 1.5%, 1% and 1.8% respectively while Robusta rose by 1.2%. In December 2017, global shipments of coffee increased by 0.7% to 10.62 million bags compared to the same month one year ago. However, shipments for the first quarter of coffee year 2017/18 are down 6.7% from one year ago, reaching 28.36 million bags. Global output in crop year 2017/18, is estimated at 158.93 million bags, 0.8% higher than last year. Production is estimated to grow by 4.7% to 17.93 million bags in Africa, 5.9% to 47.64 million bags in Asia & Oceania and 7.1% to 21.92 million bags in Mexico & Central America. These increases would offset declines in South America by 4.9% to 71.44 million bags.

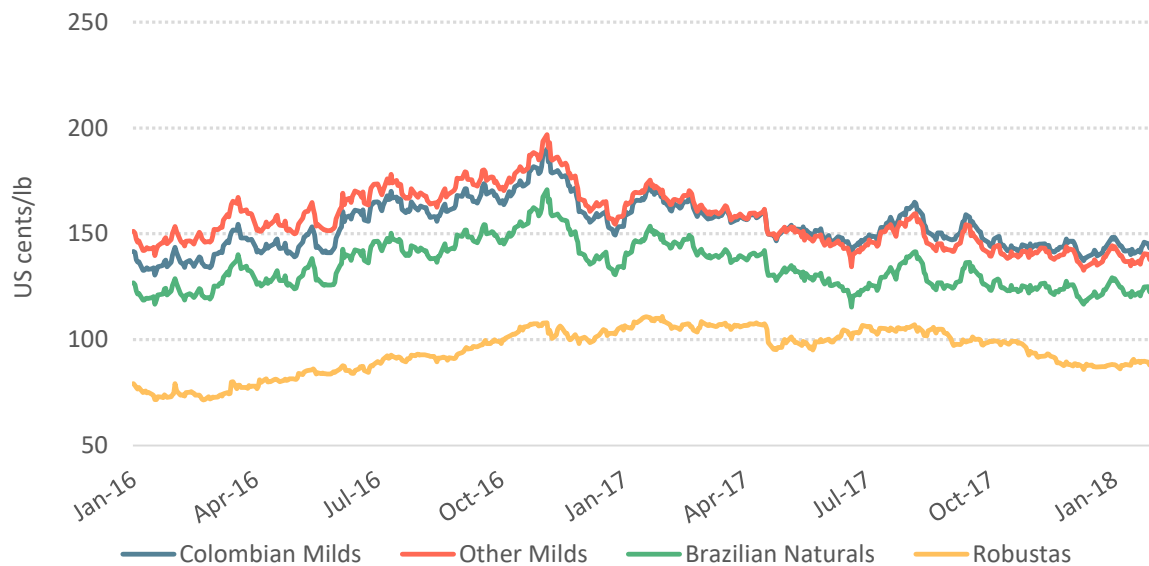
Figure 1: ICO composite indicator daily prices



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After falling to its lowest level in 22 months in December 2017, **the monthly average of the ICO composite indicator price rose by 1.4% in January 2018 to 115.60 US cents/lb**. The composite started the month at a high of 118.83 US cents/lb then fell to 113.03 US cents/lb on 16 January before rising slightly at the end of the month.

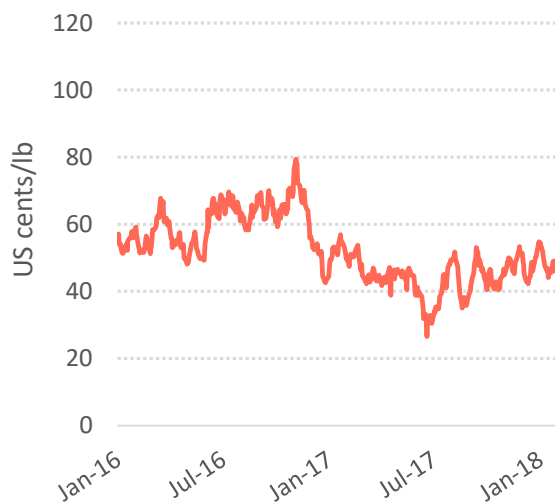
Figure 2: ICO group indicator daily prices



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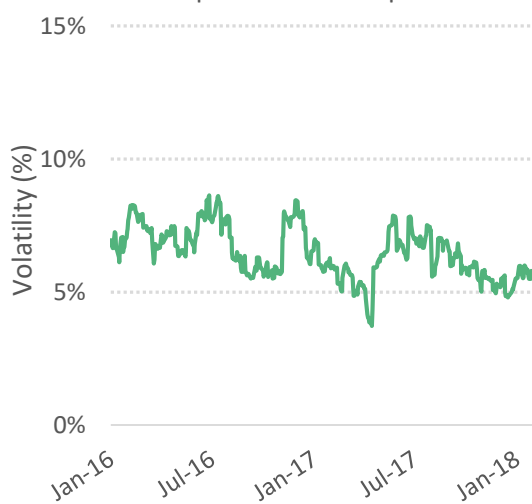
Prices for all group indicators rose in January. Colombian Milds, Other Milds, and Brazilian Naturals recorded increases of 1.5%, 1% and 1.8% respectively, despite finishing the month lower than they started. Robustas also increased over the course of the month, with the group indicator briefly touching above 90 US cents/lb for the first time since November 2017, before settling on a monthly average of 88.65 cents, 1.2% higher than its level in December 2017. The average arbitrage in January, as measured on the New York and London futures markets, increased by 3.8% to 48.75 US cents/lb. Additionally, intra-day volatility of the ICO composite indicator price increased by 0.6 percentage points to 5.7%, after five months of decrease.

Figure 3: Arbitrage between New York and London futures markets



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

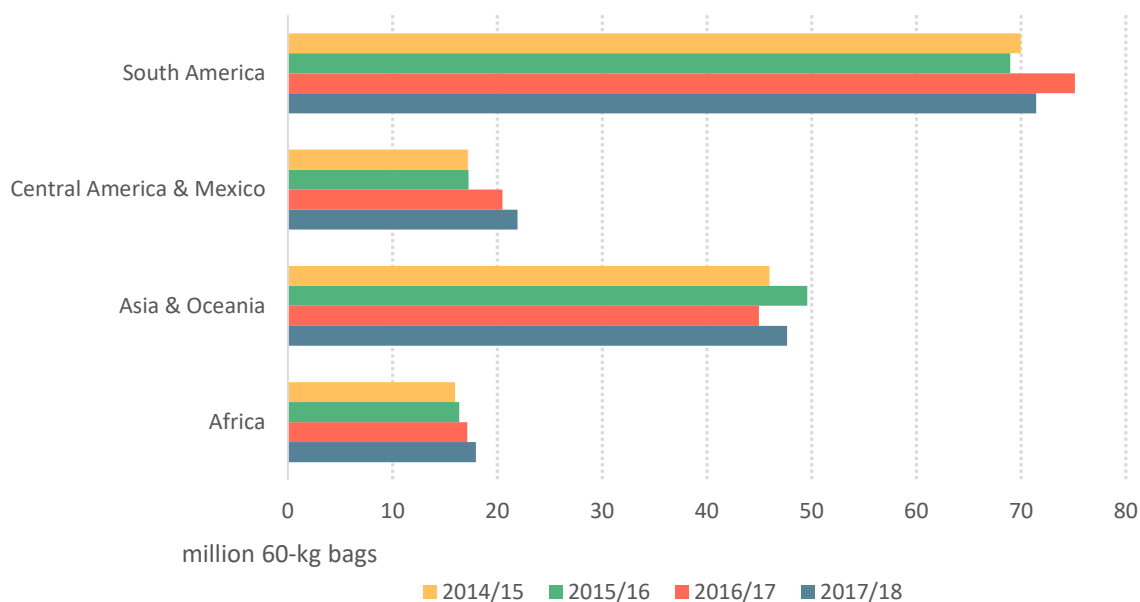


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Total production for crop year 2017/18 is estimated at 158.93 million bags compared to 157.69 million bags in the previous crop year. The share of Arabica in this total is estimated at 62.2% compared to 64.8% in 2016/17 while Robustas' share of world production is estimated up from 35.2% in 2016/17 to 37.8% in 2017/18. Decreases in Colombian Milds of 4.6% to 15.21 million bags and in Brazilian Naturals of 8.3% to 50.95 million bags offset an increase of 6.6% to 32.68 million bags for Other Milds. The total output of Robustas is estimated at 60.09 million bags in 2017/18, 8.2% higher than the previous crop year.

Production in crop year 2017/18 is estimated to rise in all regions aside from **South America** where total production is estimated at 71.44 million bags, down 4.9% from crop year 2016/17. This is due largely to a decline in Brazilian output to 51.5 million bags compared with 55 million bags in 2016/17. Conab, the Brazilian Government Agency, produced its first estimate for Brazil's output in 2018/19 with a midpoint of 56.48 million bags, which is an increase of 25.6% from 2017/18. Conab's estimate includes increases in both Arabica and Robusta. In 2018/19, Brazil's Arabica crop will enter a positive swing in the biennial cycle. Improved yields in Espírito Santo, Bahia and Rondônia are the main contributors to the increase in the Robusta crop. Production in Colombia is estimated at 14 million bags, down 4.3% from the 14.63 million bags reached last year. Colombia's output during the first quarter of coffee year 2017/18 is 10% lower than one year ago, as decreases in October and November outweigh a slight increase during December. The lower production in these months is attributed to excessive rains although it may improve yields for the mitaca crop.

Figure 5: Regional coffee production



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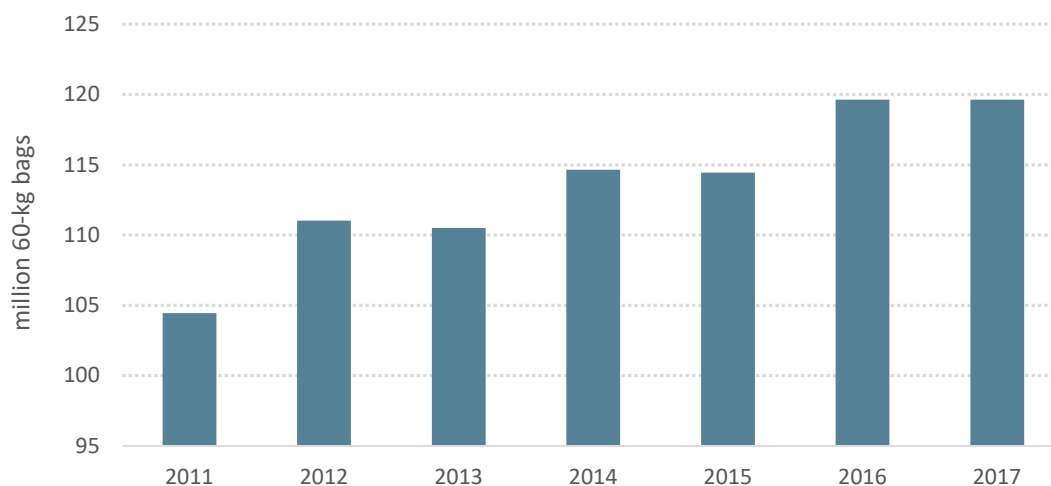
Africa's production is estimated at 17.93 million bags, 4.7% higher than the previous crop year. Output in the region's two largest producers are both expected to increase by 4.8% to 7.65 million bags in Ethiopia and 2.8% to 5.1 million bags in Uganda. Crop year 2017/18 would be the fifth season of production growth for Ethiopia, which has benefitted from increased investment in the sector and support from the government.

Regional output in **Asia & Oceania** is expected to increase 5.9% to 47.64 million bags. Estimated production in Vietnam amounts to 28.5 million bags, 11.6% higher than in 2016/17. India's production is estimated up 12.3% to 5.84 million bags due to higher yields boosted by sufficient rainfall and trees planted in new areas now becoming productive. Increases in India and Vietnam will offset a 6% estimated decline to 10.8 million bags in Indonesia's production.

Mexico & Central America's regional output is estimated at 21.92 million bags, which is 7.1% higher than in 2016/17 and represents the largest growth among the different regions. Production is estimated to expand in the region's three largest growers. Honduras, which achieved record production in 2016/17 of 7.46 million bags, surpasses last season's output by 12%, amounting to 8.35 million bags in 2017/18. Mexico's volume is estimated at 4 million bags, 5.8% higher than last crop year while Guatemala's production is expected to rise by 3.1% to 3.8 million bags.

World exports in December 2017 totalled 10.62 million bags, which is 0.7% higher than the 10.54 million bags shipped in December 2016. This brings the total volume exported in the first quarter of coffee year 2017/18 to 28.36 million bags, down 6.7% from 2016/17.

Figure 6: Global coffee exports



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Total shipments during calendar year 2017 reached 119.63 million bags, unchanged from calendar year 2016. Exports of both Colombian Milds and Other Milds were higher for the year, up 1.4% and 14.2%, respectively. However, these increases were outweighed by lower levels in Brazilian Naturals (-2.8%) and Robustas (-5.8%). Shipments from Brazil in 2017 reached 30.64 million bags, 10.6% lower than in 2016, and Vietnam's exports were estimated to be down 14.4% to 23.60 million bags. For calendar year 2017, shipments from Colombia were 13.13 million bags, 2.3% higher compared to 2016 and India exported 7.5% more coffee, reaching 6.54 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-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
Jun-17	122.39	146.12	143.22	123.71	101.95	128.18	93.11
Jul-17	127.26	152.51	149.66	129.19	104.94	135.71	96.03
Aug-17	128.24	155.15	149.88	131.93	104.52	138.11	94.89
Sep-17	124.46	151.47	146.56	129.67	99.18	135.95	89.69
Oct-17	120.01	144.26	140.71	124.55	98.39	131.00	88.38
Nov-17	117.26	144.09	140.90	124.28	91.33	129.96	81.46
Dec-17	114.00	141.62	137.42	121.47	87.59	125.25	78.30
Jan-18	115.60	143.77	138.81	123.67	88.65	127.65	78.90
% change between Dec-17 and Nov-17							
	1.4%	1.5%	1.0%	1.8%	1.2%	1.9%	0.8%
Volatility (%)							
Dec-17	5.2%	5.2%	5.5%	6.6%	5.4%	6.8%	6.7%
Jan-18	5.7%	6.1%	6.5%	7.5%	5.1%	7.5%	6.0%
Variation between Dec-17 and Nov-17							
	0.6	0.9	0.9	0.9	-0.3	0.7	-0.7

* 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-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	43.92
May-17	1.41	20.20	53.05	18.79	51.64	32.85	45.09
Jun-17	2.89	22.41	44.17	19.51	41.28	21.76	35.07
Jul-17	2.85	23.32	47.57	20.47	44.72	24.25	39.68
Aug-17	5.27	23.22	50.63	17.95	45.36	27.41	43.22
Sep-17	4.91	21.80	52.29	16.89	47.38	30.49	46.26
Oct-17	3.55	19.70	45.86	16.16	42.32	26.16	42.62
Nov-17	3.19	19.81	52.76	16.62	49.57	32.95	48.50
Dec-17	4.20	20.15	54.03	15.95	49.83	33.88	46.95
Jan-18	4.96	20.10	55.12	15.14	50.16	35.02	48.75
% change between Dec-17 and Nov-17							
	18.1%	-0.2%	2.0%	-5.1%	0.7%	3.4%	3.8%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Crop year commencing	2014	2015	2016	2017	% change 2016-17
PRODUCTION	149 077	152 108	157 694	158 930	0.8%
Arabica	86 281	88 433	102 174	98 843	-3.3%
Robusta	62 796	63 675	55 520	60 087	8.2%
Africa	15 964	16 338	17 123	17 929	4.7%
Asia & Oceania	45 974	49 566	44 968	47 642	5.9%
Mexico & Central America	17 189	17 238	20 466	21 924	7.1%
South America	69 951	68 966	75 137	71 435	-4.9%
CONSUMPTION	151 725	155 756	157 382	158 953	1.0%
Exporting countries	47 198	48 253	48 514	48 998	1.0%
Importing countries (Coffee Years)	104 527	107 503	108 868	109 954	1.0%
Africa	10 705	11 031	11 309	11 404	0.8%
Asia & Oceania	32 550	33 605	34 425	35 300	2.5%
Mexico & Central America	5 238	5 315	5 239	5 266	0.5%
Europe	50 914	51 626	51 693	51 924	0.4%
North America	27 359	28 931	29 380	29 658	0.9%
South America	24 960	25 248	25 335	25 400	0.3%
BALANCE	-2 648	-3 648	312	-22	

In thousand 60-kg bags

Table 4: Total exports by exporting countries

	December 2016	December 2017	% change	October-December		
				2016	2017	% change
TOTAL	10 543	10 621	0.7%	30 405	28 361	-6.7%
Arabicas	6 712	6 596	-1.7%	19 448	18 660	-4.1%
<i>Colombian Milds</i>	1 558	1 465	-6.0%	4 310	3 930	-8.8%
<i>Other Milds</i>	1 759	1 942	10.4%	4 917	5 346	8.7%
<i>Brazilian Naturals</i>	3 395	3 189	-6.1%	10 221	9 384	-8.2%
Robustas	3 831	4 025	5.1%	10 957	9 701	-11.5%

In thousand 60-kg bags

Monthly 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-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
New York	1.45	1.49	1.53	1.58	1.65	1.70	1.73	1.86	2.03	2.15	2.17	2.23	2.24
London	2.73	2.80	2.85	2.87	2.87	2.81	2.63	2.52	2.52	2.19	2.20	2.09	1.79

In million 60-kg bags