



## Coffee market continues downward trend

Since August 2017, the ICO composite indicator price has declined in each month except January 2018. The composite indicator decreased by 1.1% in March 2018 to an average of 112.99 US cents/lb, which is the lowest monthly price since February 2016. Indicator prices for all groups fell in March 2018, though the largest month-on-month decrease occurred for Colombian Milds, which fell by 1.4% to 139.45 US cents/lb. This narrowed the price differential between Colombian Milds and Other Milds to an average of 4.42 US cents/lb, 15.3% lower than last month. Global production is estimated at 159.66 million bags in 2017/18, 1.2% higher than 2016/17, resulting in an estimated surplus of 0.78 million bags. Arabica production is estimated 4.6% lower at 97.43 million bags while Robusta is estimated 12.1% higher at 62.24 million bags. The surplus in production is reflected in increased shipments for all groups, except Colombian Milds, during the first five months of coffee year 2017/18.

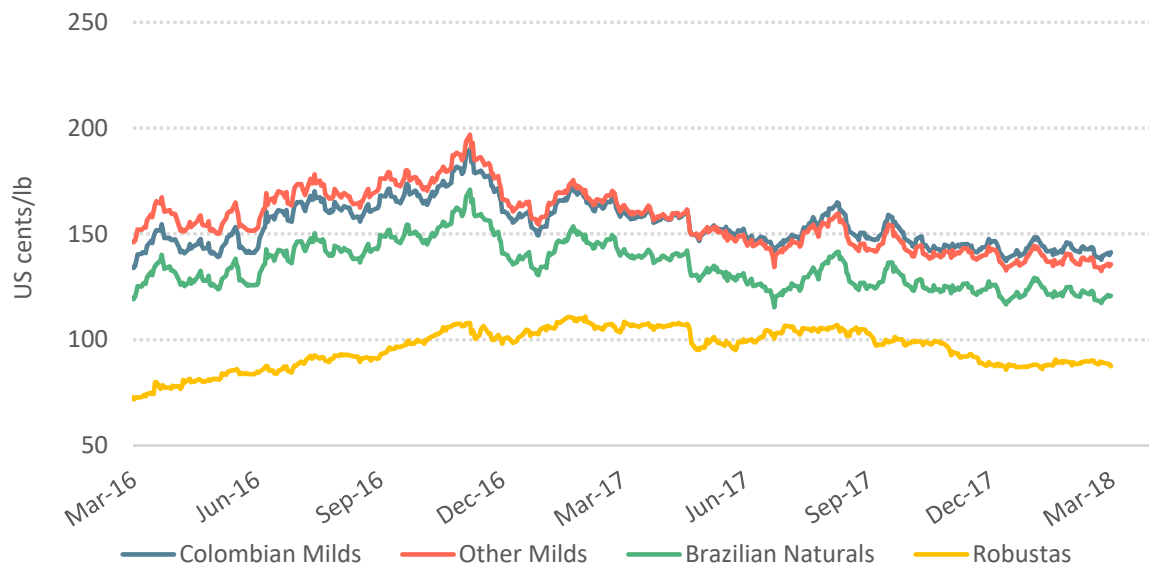
Figure 1: ICO composite indicator daily prices



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The monthly average of the ICO composite indicator continued its downward trend in March 2018, decreasing by 1.1% to 112.99 US cents/lb. The daily composite indicator started the month at a high of 115.23 US cents/lb, but generally fell during the rest of the month. It reached a low of 110.73 US cents/lb on 23 March 2018. Aside from 12 December 2017, this was the lowest daily value for the ICO composite indicator since 2 March 2016.

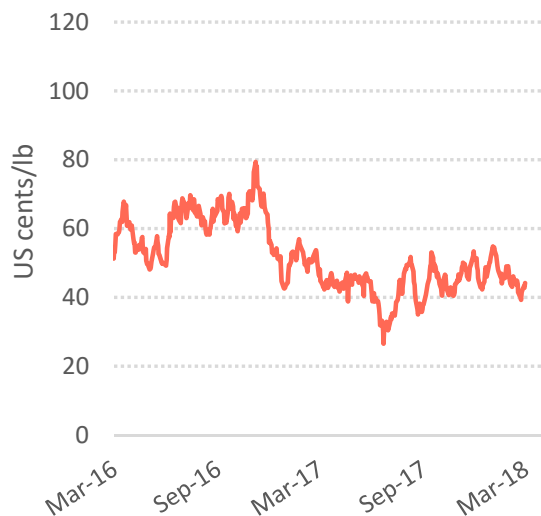
Figure 2: ICO group indicator daily prices



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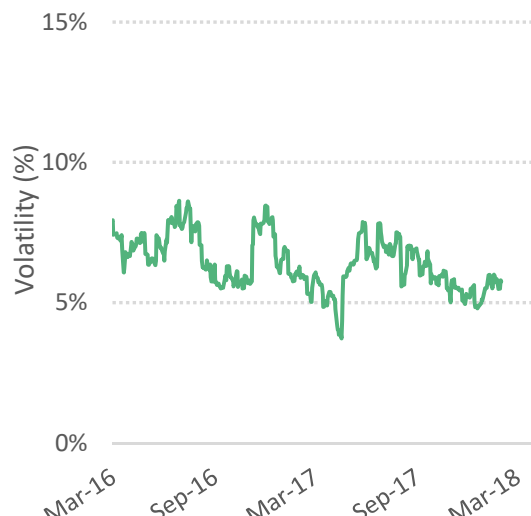
Prices for all group indicators drove the decline in the monthly composite indicator in March 2018. Colombian Milds fell by 1.4% to an average of 139.45 US cents/lb. Other Milds and Brazilian Naturals declined by 0.9% to 135.03 cents/lb and 119.80 cents/lb, respectively. As a result of these movements, the differential between Colombian Milds and Other Milds decreased by 15.3% to an average of 4.42 US cents/lb. The monthly average for the Robusta group decreased by 1.2% to 88.18 US cents/lb, reversing the slight upward movement in February 2018. The average arbitrage in March, as measured on the New York and London futures markets, fell by 3.8% to 41.80 US cents/lb, which is the lowest level since July 2017. Additionally, intra-day volatility of the ICO composite indicator price decreased by 0.9 percentage points to 4.3%.

Figure 3: Arbitrage between New York and London futures markets



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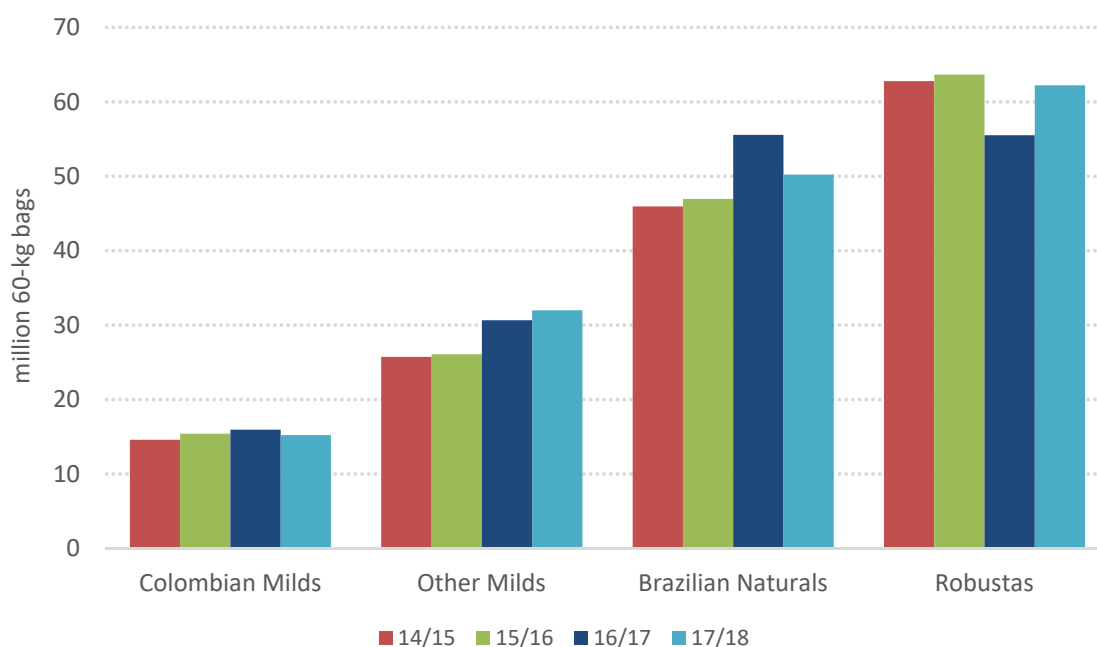
Figure 4: Rolling 30-day volatility of the ICO composite indicator price



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Global coffee production in 2017/18 is estimated at 159.66 million bags, 1.2% higher than 2016/17 with a 12.1% increase in Robusta output offsetting a 4.6% decline in Arabica production. In February 2018, world coffee exports amounted to 9.93 million bags, up 0.4% compared to February 2017. The volume exported between October 2017 and February 2018 totalled 50.98 million bags as against 49.41 million bags for the same period in 2016/17, an increase of 3.2%.

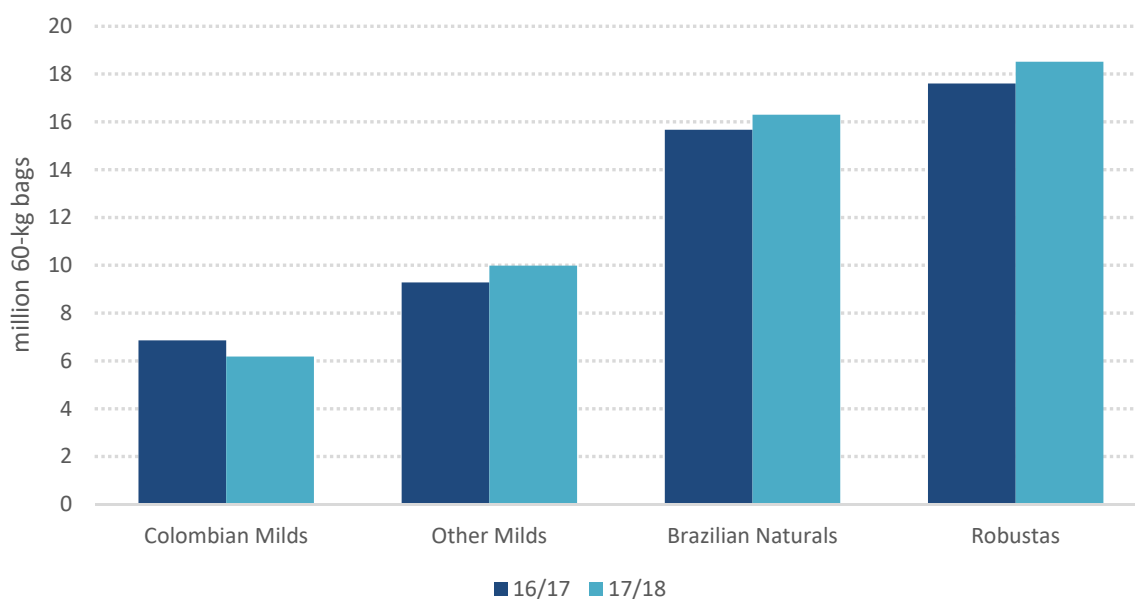
Figure 5: Coffee production



The decline in Arabica production is driven by lower output of Colombian Milds at 15.21 million bags (-4.6%) and Brazilian Naturals estimated at 50.23 million bags (-9.6%). However, production of Other Milds is estimated at 31.98 million bags, 4.3% higher than last year. Colombia's production is estimated at 14 million bags, 4.3% lower than last year. According to data from the National Federation of Coffee Growers of Colombia, the country's total output for October 2017 through February 2018 reached 6.27 million bags compared to 6.94 million bags for the same period one year ago. In the last five years, output during the first five months of the coffee year has been around 43% of the total. The decline in production of the Brazilian Naturals group can be attributed largely to a decrease in Brazil's production. Total output of Other Milds is estimated at 31.98 million bags in 2017/18, an increase of 4.3% compared to last year with output from the top four growers of this type estimated to increase.

Arabica exports reached 32.47 million bags during the first five months of coffee year 2017/18, 2.1% higher than the same period last year as increased shipments of Other Milds and Brazilian Naturals offset a lower volume of Colombian Milds. Other Milds and Brazilian Naturals' exports increased by 7.6% to 9.99 million bags and by 4% to 16.30 million bags, respectively. However, shipments of Colombian Milds fell by 9.9% to 6.18 million bags. The decline in shipments of Colombian Milds reflects the lower output from Colombia in the first five months of the coffee year while the greater availability of Other Milds has led to increased shipments of this type. Growth in shipments of Brazilian Naturals was led by Ethiopia, which exported 0.96 million bags in the first five months of coffee year 2017/18, 42.4% than one year ago.

Figure 6: Exports from October through February



Robusta production rose from 55.6 million bags in 2016/17 to 62.24 million bags in 2017/18 due largely to increases in output from Vietnam, Indonesia and Brazil. Vietnam’s production is estimated at 29.5 million bags in coffee year 2017/18, 15.5% higher than last year, nearly all of which is comprised of Robusta. Indonesia’s production is estimated at 12 million bags in 2017/18, 4.4% higher than last year, while India’s production is estimated 12.3% higher at 5.84 million bags.

Production growth has been matched by Robusta exports, which rose by 5.2% to 18.52 million bags in the first five months of coffee year 2017/18. Vietnam’s exports of green Robusta have trailed behind shipments during the same period one year ago as rainfall delayed harvesting at the start of the season. Vietnam’s green Robusta shipments for October 2017 through February 2018 amounted to an estimated 9.64 million bags compared to 9.75 million bags for the same period in the previous season. India’s exports of green Robusta coffee rose by 16.2% to 1.27 million bags in the first five months of 2017/18 while shipments from Uganda increased by 9.6% to 1.47 million bags.

Coffee year 2017/18 is estimated to be in surplus for the second consecutive year, with production exceeding consumption by 778,000 bags. This excess is weighing down on global coffee prices in the current coffee year. Additionally, exports in the first five months of the year have increased compared to the same period in 2016/17, a year in which record export volumes were recorded. This has put pressure on prices as the market was well-supplied at the start of the coffee year. Stocks in importing countries reached a record level of 26.33 million bags at the end of June 2017 and declined to 25.59 million bags at the end of September 2017. June 2009 was the last time stocks in importing countries had reached this level.

**Table 1: ICO indicator prices and futures prices (US cents/lb)**

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
<b>Monthly averages</b>							
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
Feb-18	114.19	141.50	136.28	120.83	89.24	123.82	80.38
Mar-18	112.99	139.45	135.03	119.80	88.18	121.66	79.86
<b>% change between Mar-18 and Feb-18</b>							
	-1.1%	-1.4%	-0.9%	-0.9%	-1.2%	-1.7%	-0.6%
<b>Volatility (%)</b>							
Feb-18	5.2%	5.5%	6.1%	6.5%	5.0%	6.6%	5.3%
Mar-18	4.3%	4.6%	5.1%	5.5%	4.5%	5.9%	5.1%
<b>Variation between Mar-18 and Feb-18</b>							
	-0.9	-0.9	-1.0	-1.0	-0.5	-0.7	-0.2

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> 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*
Mar-17	-1.75	18.73	51.67	20.48	53.42	32.94	44.37
Apr-17	-0.43	18.88	51.39	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	2.90	22.41	44.17	19.51	41.27	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	19.71	45.87	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
Feb-18	5.22	20.67	52.26	15.45	47.04	31.59	43.44
Mar-18	4.42	19.65	51.27	15.23	46.85	31.62	41.80
<b>% change between Mar-18 and Feb-18</b>							
	-15.3%	-4.9%	-1.9%	-1.4%	-0.4%	0.1%	-3.8%

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> positions

**Table 3: World supply/demand balance**

Crop year commencing	2014	2015	2016	2017	% change 2016-17
<b>PRODUCTION</b>	<b>149 077</b>	<b>152 107</b>	<b>157 694</b>	<b>159 663</b>	<b>1.2%</b>
Arabica	86 281	88 432	102 176	97 426	-4.6%
Robusta	62 796	63 675	55 518	62 237	12.1%
Africa	15 964	16 338	17 120	17 663	3.2%
Asia & Oceania	45 974	49 566	44 968	49 485	10.0%
Mexico & Central America	17 188	17 237	20 467	21 924	7.1%
South America	69 951	68 965	75 139	70 591	-6.1%
<b>CONSUMPTION</b>	<b>151 725</b>	<b>155 756</b>	<b>157 382</b>	<b>158 886</b>	<b>1.0%</b>
Exporting countries	47 198	48 253	48 514	48 881	0.8%
Importing countries (Coffee Years)	104 527	107 503	108 868	110 005	1.0%
Africa	10 705	11 031	11 309	11 382	0.6%
Asia & Oceania	32 550	33 605	34 425	35 166	2.2%
Mexico & Central America	5 238	5 315	5 239	5 326	1.7%
Europe	50 914	51 626	51 693	51 933	0.5%
North America	27 359	28 931	29 380	29 664	1.0%
South America	24 960	25 248	25 335	25 415	0.3%
<b>BALANCE</b>	<b>-2 648</b>	<b>-3 648</b>	<b>312</b>	<b>778</b>	

In thousand 60-kg bags

**Table 4: Total exports by exporting countries**

	February 2017	February 2018	% change	October-February		
				2016	2017	% change
<b>TOTAL</b>	<b>9 886</b>	<b>9 930</b>	<b>0.4%</b>	<b>49 412</b>	<b>50 982</b>	<b>3.2%</b>
Arabicas	6 267	6 355	1.4%	31 810	32 467	2.1%
<i>Colombian Milds</i>	1 307	1 238	-5.2%	6 858	6 181	-9.9%
<i>Other Milds</i>	2 316	2 315	0.0%	9 284	9 985	7.6%
<i>Brazilian Naturals</i>	2 644	2 802	6.0%	15 668	16 300	4.0%
Robustas	3 619	3 575	-1.2%	17 602	18 516	5.2%

In thousand 60-kg bags

Monthly trade statistics are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

**Table 5: Certified stocks on the New York and London futures markets**

	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
New York	1.53	1.58	1.65	1.70	1.73	1.86	2.03	2.15	2.17	2.23	2.24	2.14	1.95
London	2.85	2.87	2.87	2.81	2.63	2.52	2.52	2.19	2.20	2.09	1.79	1.52	1.37

In million 60-kg bags