

## Prices for all coffee groups decreased in June

*In June 2018, the ICO composite indicator decreased by 2.6% to an average of 110.44 US cents/lb, which is the lowest monthly average since December 2013. Prices for all coffee groups fell in June 2018, though the largest month-on-month decrease occurred for Brazilian Naturals, which declined by 3.7% to 115.10 US cents/lb. Global coffee production in 2017/18 is estimated at 158.56 million bags, 0.3% lower than in 2016/17. World exports amounted to 9.27 million bags in May 2018, compared with 10.59 million bags in May 2017, driven by a 32.5% decrease for shipments from Brazil, 25.7% for shipments from Honduras, and 55.2% for shipments from Indonesia.*

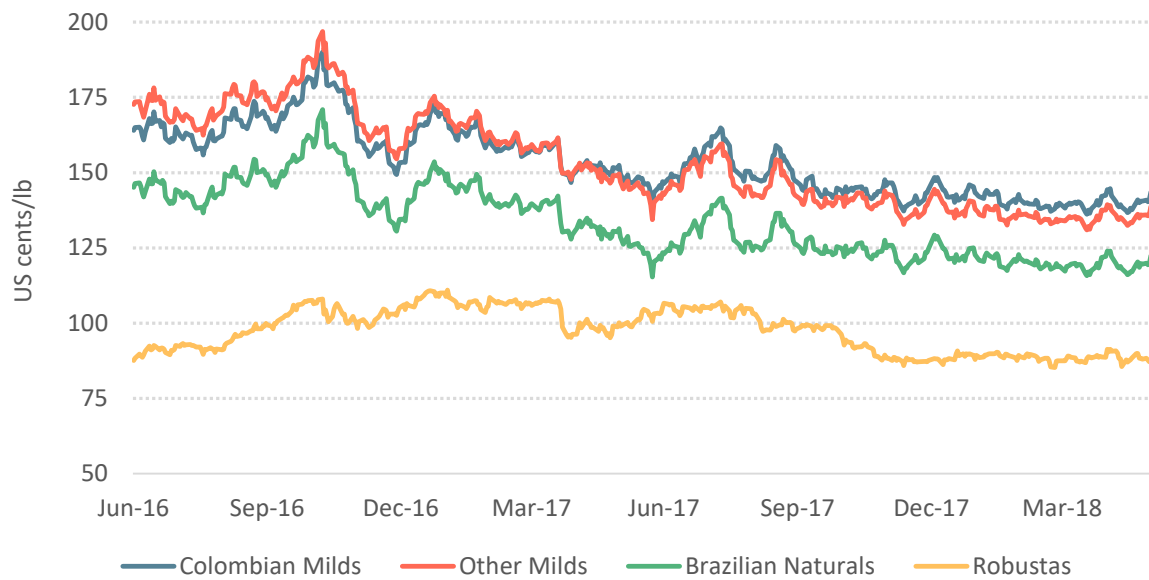
Figure 1: ICO composite indicator daily prices



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**The monthly average of the ICO composite indicator fell by 2.6% to 110.44 US cents/lb in June 2018,** which is the lowest monthly average since December 2013. The daily composite indicator started at a high of 114.40 US cents/lb on 1 June, but quickly declined to 110.41 on 7 June. For the rest of the month, the daily composite indicator ranged between 108.98 US cents/lb and 110.72 US cents/lb before falling to 108.68 US cents/lb on 29 June. Prices in June are likely reflecting the greater availability of coffee on the international market from new crops for April-March producers, notably Brazil.

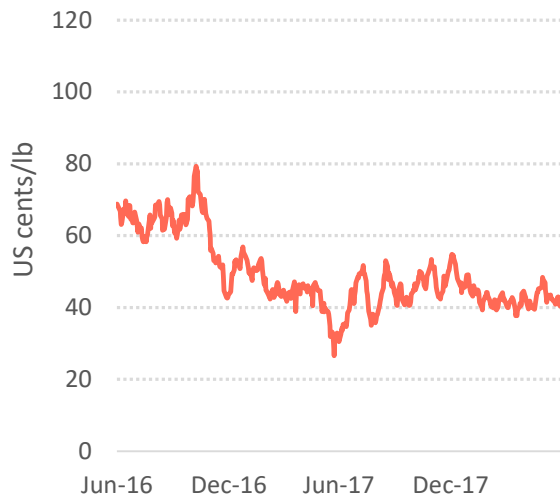
Figure 2: ICO group indicator daily prices



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**Prices for all group indicators fell in June 2018.** The largest decrease occurred in the average price for Brazilian Naturals, which declined by 3.7% to 115.10 US cents/lb. Both Colombian Milds and Other Milds decreased by 1.2% to 138.55 US cents/lb and 134.03 US cents/lb, respectively. The monthly average Robusta price fell by 3% to 86.07 US cents/lb. The average arbitrage in June, as measured on the New York and London futures markets, rose by 0.3% to 42.79 US cents/lb. Meanwhile, intra-day volatility of the ICO composite indicator price decreased by 0.3 percentage points to 4.5%.

Figure 3: Arbitrage between New York and London futures markets



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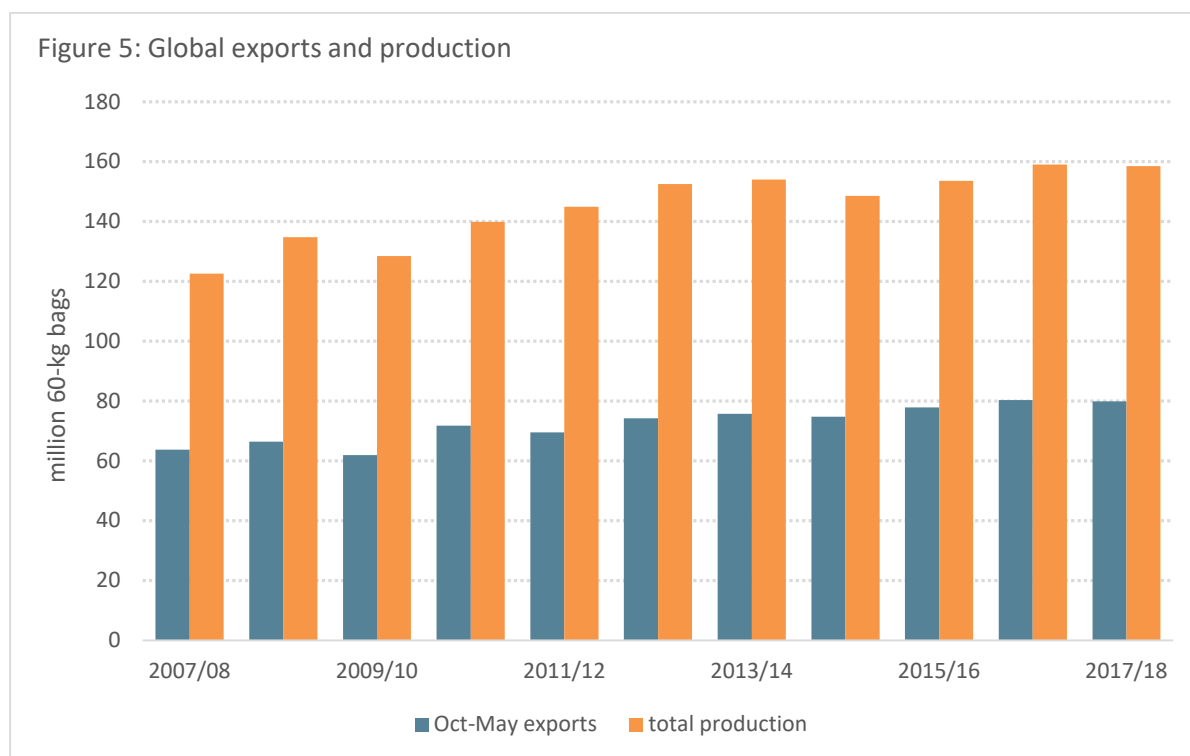
Figure 4: Rolling 30-day volatility of the ICO composite indicator price



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**World production in 2017/18 is estimated at 158.56 million bags, 0.3% lower than last year.** Arabica output is expected to decline by 6.6% to 97.16 million bags, while Robusta production is predicted to grow by 11.5% to 61.40 million bags. Production is estimated to grow in all regions except South

America, which is 8.2% lower at 70.57 million bags. Output from Africa is estimated to rise by 5.3% to 17.63 million bags, from Asia & Oceania by 7.9% to 48.44 million bags, and from Mexico & Central America, by 7% to 21.92 million bags.



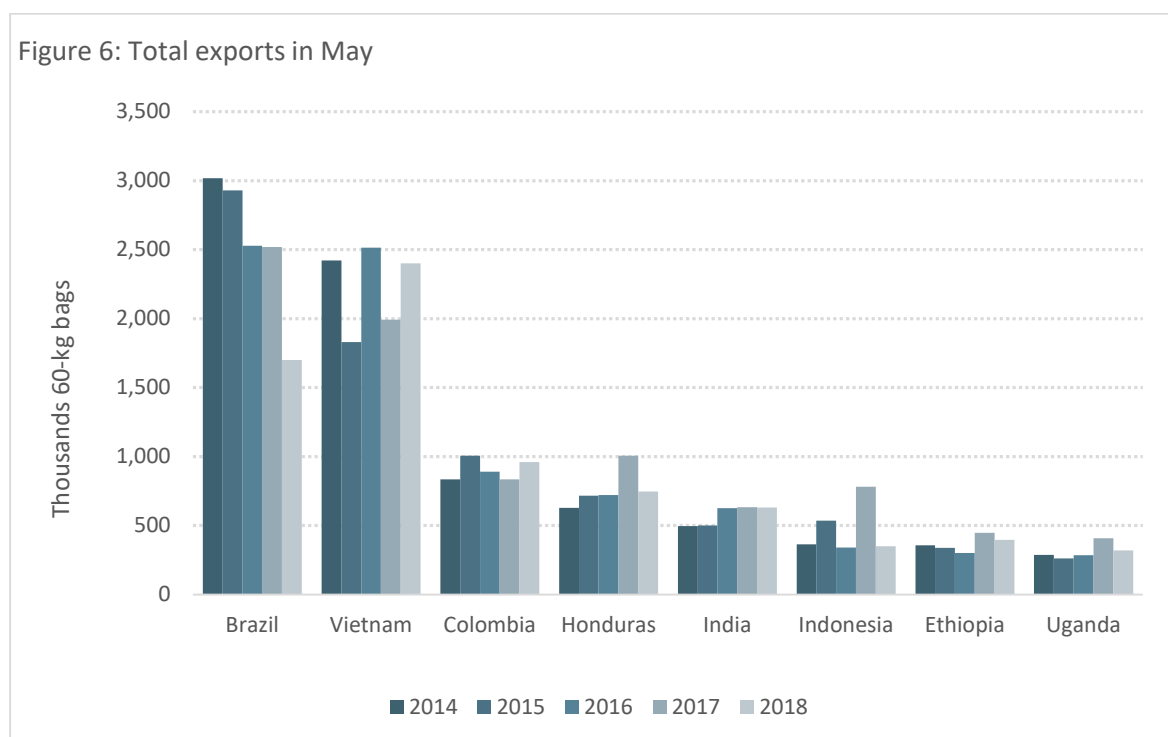
**Total exports in May 2018 amounted to 9.27 million bags, 12.4% lower** than in the same month one year ago. Robusta exports saw a decrease of 4.4% to 3.65 million bags, and Arabica shipments fell by 17% to 5.62 million bags. While exports of Colombian Milds grew by 11.6%, to 1.08 million bags, in May 2018, this volume did not offset declines in Other Milds and Brazilian Naturals. Shipments of Other Milds decreased by 15.5% to 2.46 million bags, while Brazilian Naturals declined by 27.9% to 2.08 million bags. Total coffee exports for October 2017 through May 2018 were 0.5% lower than those in the same period one year ago. Arabica shipments declined by 2.4% to 50.2 million bags, in the first eight months of coffee year 2017/18. Exports of Colombian Milds and Brazilian Naturals decreased by 6.8% to 9.45 million bags, and 4.1% to 22.95 million bags, respectively. However, shipments of Other Milds increased 2.6% to 17.76 million bags, compared to one year ago. Robusta exports for October 2017 through May 2018 reached 29.79 million bags, 2.8% higher than one year ago.

**Brazil's exports in May 2018 were 1.7 million bags, 32.5% lower than in May 2017.** Its total exports in the first eight months of coffee year 2017/18 are 8.6% lower at 20.73 million bags. This is attributed mainly to a smaller crop, estimated at 51 million bags, mainly due to the fact that 2017/18 is an off-year of the biennial production cycle for Arabica. Additionally, a nationwide trucking strike delayed delivery of coffee to ports in May. However, harvesting of its 2018/19 crop is underway, with a larger crop expected given that Arabica production will be in an on-year. The larger crop, coupled with the resolution of the strike, will likely lead to higher exports from Brazil over the next few months compared to the volume in May.

**Vietnam’s exports in May 2018 are estimated at 2.4 million bags, 20.5% higher than May 2017, while its shipments for October 2017 to May 2018 increased 17.7% to 19.41 million bags.** After falling 11.1% in 2016/17, its production is estimated to grow by 15.5% to 29.5 million bags in 2017/18. The larger crop has increased greatly the availability of coffee for export.

**Colombia’s exports in May 2018 are estimated 15.1% higher, at 960,000 bags, than in May 2017, but total shipments in the first eight months of coffee year 2017/18 declined by 7% to 8.58 million bags.** Its output in 2017/18 is estimated 4.3% lower at 14 million bags due to excessive rain and cloudiness. According to the National Federation of Coffee Growers, output in May increased 36% to 1.18 million bags, from April 2018. This has contributed to the higher volume exported in May, which was also stimulated by the depreciation of the Colombian peso against the US dollar that month.

After starting the coffee year with higher shipments than one year ago, the pace of exports from Honduras has slowed in April and May 2018. **Honduras’s exports in May 2018 were 747,591 bags, 25.7% lower than in May 2017, while total shipments in the first eight months of coffee year 2017/18 were relatively unchanged at 4.9 million bags.** Germany and Belgium accounted for 50.3% of all coffee shipped from Honduras for October 2017 to May 2018. The USA was the third main destination for Honduran coffee during this period, representing 14.7% of all exports. Unfavourable weather and limited availability of labour have caused delays in harvesting the crop leading to lower exports. Output in 2017/18 is estimated at 8.35 million bags, 12% higher than last crop year.



**In May 2018, India’s exports were about 1,500 bags lower than one year ago, reaching 630,993 bags.** However, in the first eight months of coffee year 2017/18, India’s exports increased by 11.2% to 4.57 million bags. Out of all coffee exported from India for October 2017 to May 2018, six countries were the main destinations, representing nearly 50% of all shipments. Italy accounted for 21.5%, followed by Germany at 8.4%, Russia at 6.2%, Belgium at 4.7%, Turkey at 4.2% and Indonesia

at 4.1%. The low volume of coffee consumed domestically and larger crop in 2017/18, which is estimated 12.3% higher at 5.84 million bags, have contributed to increased exports in the first eight months of the coffee year.

**Indonesia's exports are estimated 55.2% lower, at 350,000 bags, in May 2018, and its exports for October 2017 through May 2018 are 28.2% lower, at 3.89 million bags.** Indonesia currently has limited availability of coffee for export as its production is estimated to decrease for the second consecutive season, reaching 10.9 million bags in 2017/18, 5.1% lower than last season. A prolonged rainy season at the start of coffee year 2017/18 impacted yield and hampered dry processing of coffee cherries. This has contributed to the decline in output and exports of coffee.

**Ethiopia's exports in May 2018 decreased by 11.5% to 396,814 bags, but its exports for October 2017 to May 2018 increased 12.6% to 2.26 million bags.** Germany, Saudi Arabia, Japan and the USA were the main destinations for Ethiopian coffee in the first eight months of coffee year 2017/18, accounting for 58.8% of shipments. Recent reforms to the marketing system to allow sales directly to international buyers rather than through the Ethiopian Commodity Exchange, the devaluation of its currency and the larger crop in 2017/18 have contributed to increased coffee shipments in the first eight months. Ethiopia's production in 2017/18 is provisionally estimated 4.8% higher at 7.65 million bags due to sufficient and timely rainfall.

**Compared to May 2017, shipments from Uganda have declined by 21.9% in May 2018, reaching 319,035 bags, but are 8.1% higher than in April 2018.** The main season for the Central and Eastern regions ended in April, while for the Masaka and Southwest regions the main season started in May. Total exports for October 2017 through May 2018 reached 3 million bags, just 0.6% higher than last year. The European Union, notably Germany, Italy and Belgium, Sudan, the USA and India were the main destinations for Ugandan coffee in the first eight months of coffee year 2017/18. Coffee production in Uganda is estimated 2.8% higher at 5.1 million bags in 2017/18, as more trees have come into production.

**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>							
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
Apr-18	112.56	139.29	134.34	118.76	88.31	120.17	79.36
May-18	113.34	140.26	135.61	119.57	88.74	122.50	79.85
Jun-18	110.44	138.55	134.03	115.10	86.07	120.19	77.40
<b>% change between June-18 and May-18</b>							
	-2.6%	-1.2%	-1.2%	-3.7%	-3.0%	-1.9%	-3.1%
<b>Volatility (%)</b>							
May-18	4.8%	5.2%	4.9%	5.8%	6.0%	6.3%	5.9%
Jun-18	4.5%	4.8%	4.7%	5.7%	5.5%	6.9%	5.0%
<b>Variation between June-18 and May-18</b>							
	-0.3	-0.4	-0.2	-0.2	-0.5	0.6	-0.9

\* 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*
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
Apr-18	4.95	20.53	50.98	15.58	46.03	30.45	40.81
May-18	4.65	20.69	51.52	16.04	46.87	30.83	42.65
Jun-18	4.52	23.45	52.48	18.93	47.96	29.03	42.79
<b>% change between June-18 and May-18</b>							
	-2.8%	13.3%	1.9%	18.0%	2.3%	-5.8%	0.3%

\* 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>148 558</b>	<b>153 562</b>	<b>159 047</b>	<b>158 560</b>	<b>-0.3%</b>
Arabica	86 180	90 437	103 973	97 162	-6.6%
Robusta	62 379	63 125	55 074	61 399	11.5%
Africa	15 942	15 783	16 748	17 629	5.3%
Asia & Oceania	45 478	49 538	44 913	48 439	7.9%
Mexico & Central America	17 188	17 237	20 485	21 924	7.0%
South America	69 950	71 003	76 902	70 569	-8.2%
<b>CONSUMPTION</b>	<b>151 828</b>	<b>155 712</b>	<b>157 858</b>	<b>159 917</b>	<b>1.3%</b>
Exporting countries	47 197	48 252	48 516	49 434	1.9%
Importing countries (Coffee Years)	104 631	107 461	109 342	110 483	1.0%
Africa	10 713	10 926	11 119	11 238	1.1%
Asia & Oceania	32 641	33 628	34 680	35 422	2.1%
Mexico & Central America	5 237	5 302	5 239	5 326	1.7%
Europe	50 914	51 674	51 860	52 101	0.5%
North America	27 363	28 934	29 564	29 851	1.0%
South America	24 960	25 248	25 398	25 978	2.3%
<b>BALANCE</b>	<b>-3 270</b>	<b>-2 150</b>	<b>1 189</b>	<b>-1 357</b>	

In thousand 60-kg bags

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

	May-17	May-18	% change	October-May		
				2016/17	2017/18	% change
<b>TOTAL</b>	<b>10 585</b>	<b>9 270</b>	<b>-12.4%</b>	<b>80 354</b>	<b>79 945</b>	<b>-0.5%</b>
Arabicas	6 766	5 619	-17.0%	51 377	50 157	-2.4%
<i>Colombian Milds</i>	966	1 079	11.6%	10 142	9 452	-6.8%
<i>Other Milds</i>	2 910	2 458	-15.5%	17 304	17 760	2.6%
<i>Brazilian Naturals</i>	2 890	2 082	-27.9%	23 930	22 945	-4.1%
Robustas	3 818	3 651	-4.4%	28 977	29 787	2.8%

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**

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
New York	1.70	1.73	1.86	2.03	2.15	2.17	2.23	2.24	2.14	2.21	2.26	2.28	2.33
London	2.81	2.63	2.52	2.52	2.19	2.20	2.09	1.79	1.52	1.37	1.32	1.34	1.14

In million 60-kg bags