



October 2017

Record Exports for Coffee Year 2016/17

Total exports in September 2017 reached 8.34 million bags, compared to 9.8 million in September 2016. While coffee year 2016/17 registered a decrease in its final month, total exports reached a record 122.45 million bags, 4.8% greater than the 116.89 million bags shipped in coffee year 2015/16. Exports of Colombian Milds grew by 8% to 14.66 million bags, Other Milds by 15.6% to 27.02 million bags, and Brazilian Naturals by 2.6% to 35.84 million bags while Robusta shipments remained stable, amounting to 44.93 million bags. Global coffee production in crop year 2016/17 has been revised upwards to 157.44 million bags, a 3.4% increase on 2015/16, due largely to the increase in production for Honduras. The ICO composite indicator continued its downward trend, averaging 120.01 US cents/lb in October 2017, which is the lowest level since May 2016 when it averaged 119.91 US cents/lb.

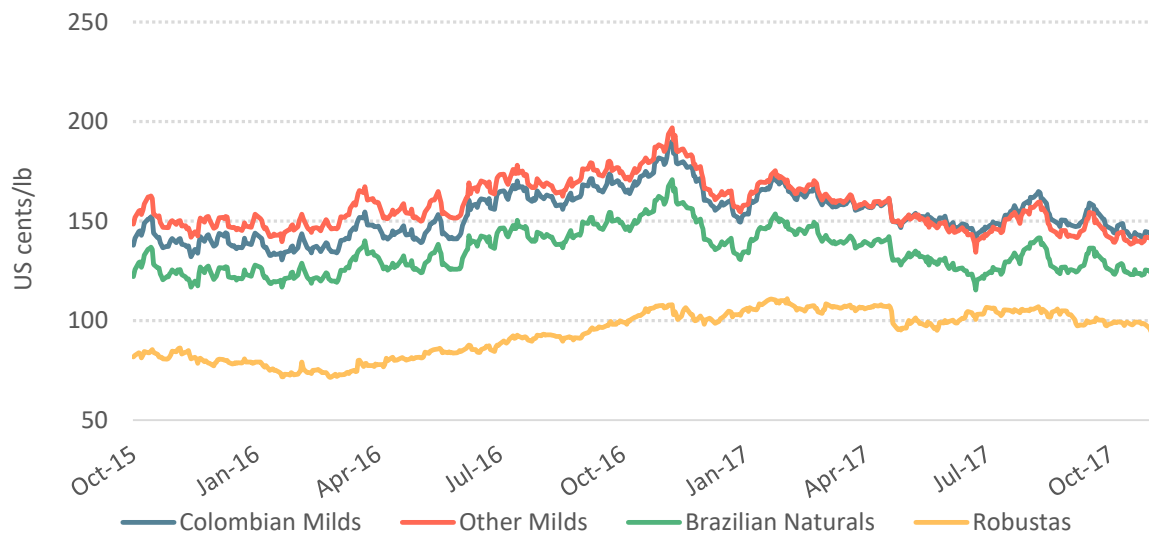
Figure 1: ICO composite indicator daily prices



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Coffee prices have drifted downwards since the end of August 2017, though prices in October were fairly stable with a drop at the end of the month. In October, the ICO composite indicator price ranged between 118.36 US cents/lb and 122.79 US cents/lb; and averaged 120.01 US cents/lb, down 4.45 US cents/lb from the average price in September.

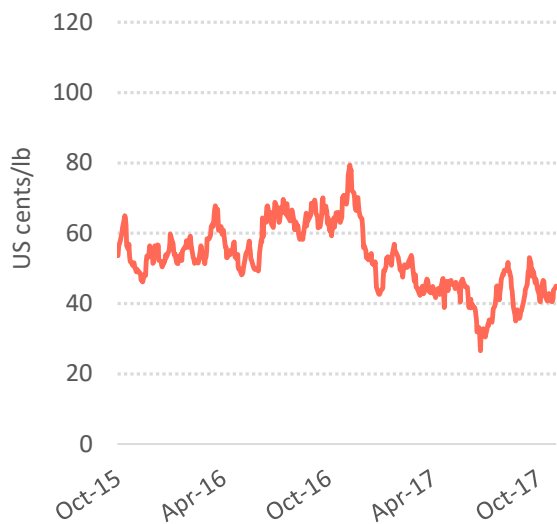
Figure 2: ICO group indicator daily prices



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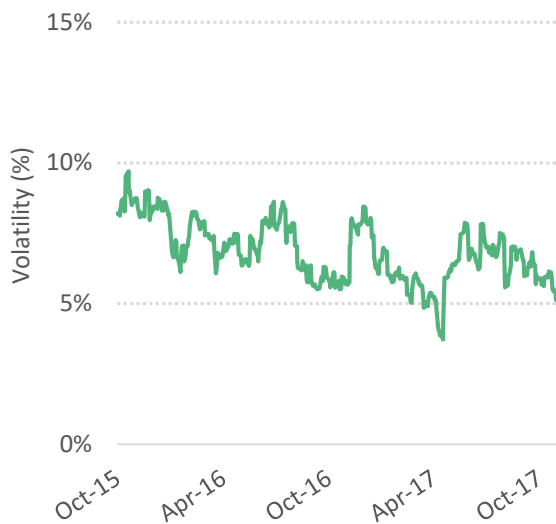
The Arabica group indicators all showed declining trends in October despite a small rise in the first week of the month. All three Arabica groups registered decreases from September as the average price for Colombian Milds, Other Milds and Brazilian Naturals decreased by 4.8%, 4% and 3.9%, respectively. Compared to the Arabica groups, Robusta was relatively stable, ranging between 98.16 US cents/lb and 99.46 US cents/lb for most of the month, until falling to 94.62 US cents/lb on the last day of the month. As a result, the monthly average for the Robusta group was recorded just 0.8% lower than in September. The average arbitrage in October, as measured on the New York and London futures markets, decreased by 7.9% to 42.62 US cents/lb after three months of increases. Meanwhile intra-day volatility of the ICO composite indicator price decreased further by 0.5 percentage points to 5.8%.

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

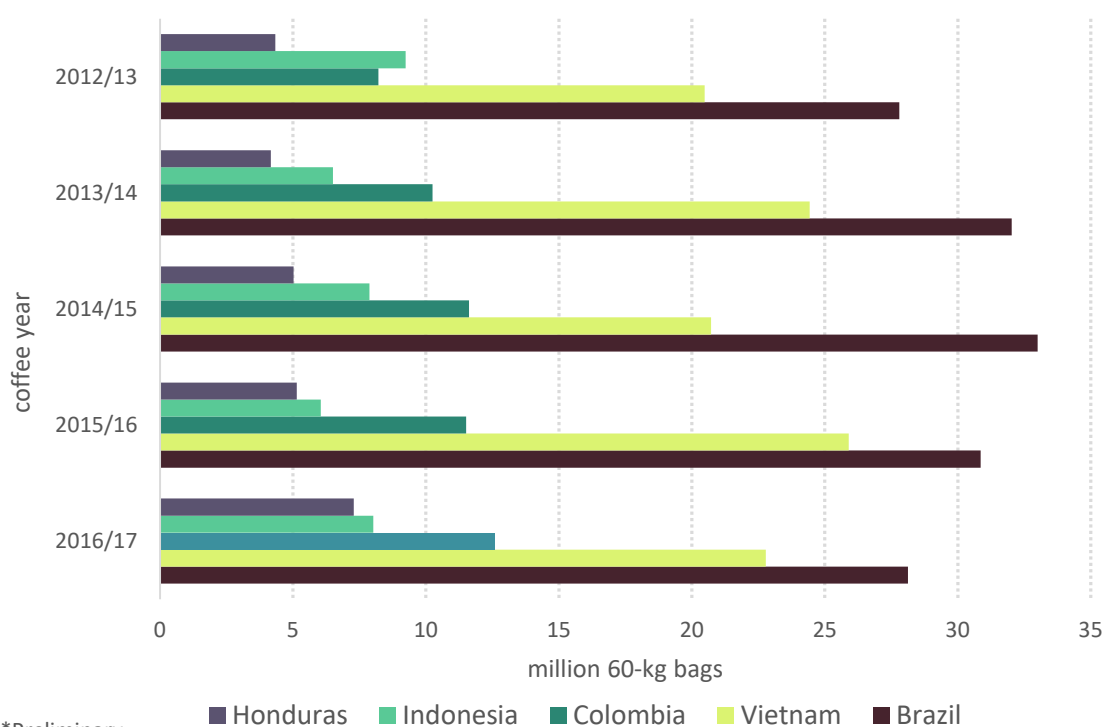


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Crop year 2017/18 is now in progress in all exporting countries. On the basis of new information from Member countries, the estimate of total production for crop year 2016/17 has been revised upwards to 157.44 million bags, a 3.4% increase on 2015/16. Arabica production is up by 14.7% to 101.55 million bags, with increases observed for all three Arabica groups. Production of Colombian Milds rose by 2.7% to 15.82 million bags, Other Milds by 15.6% to 30.29 million bags and Brazilian Naturals by 18.1% to 55.44 million bags. However, Robusta production is estimated down 12.2% to 55.89 million bags. Coffee production increased in Africa, Mexico & Central America and South America by 5.3%, 16.3% and 8.6%, respectively while production decreased by 9% in Asia for crop year 2016/17. The significant increase in production in Mexico & Central America is largely attributed to increased production in Honduras, the recovery from the coffee leaf rust outbreak in the region and beneficial weather.

Total exports in September 2017 reached 8.34 million bags, compared to 9.79 million in September 2016. While coffee year 2016/17 registered a decrease in its final month, total exports reached a record 122.45 million bags, 4.8% greater than the 116.89 million bags shipped in coffee year 2015/16. Export trends in coffee year 2016/17 broadly matched trends for coffee production with shipments of all three Arabica groups increasing. Exports of Colombian Milds grew by 8% to 14.66 million bags, Other Milds by 15.6% to 27.02 million bags, and Brazilian Naturals by 2.6% to 35.84 million bags. While production of Robusta coffee declined greatly in crop year 2016/17, shipments were relatively stable, amounting to 44.93 million bags. Out of the ten largest exporters in coffee year 2016/17, only Brazil and Vietnam registered decreases compared to shipments in coffee year 2015/16.

Figure 5: Green Coffee Exports*



*Preliminary

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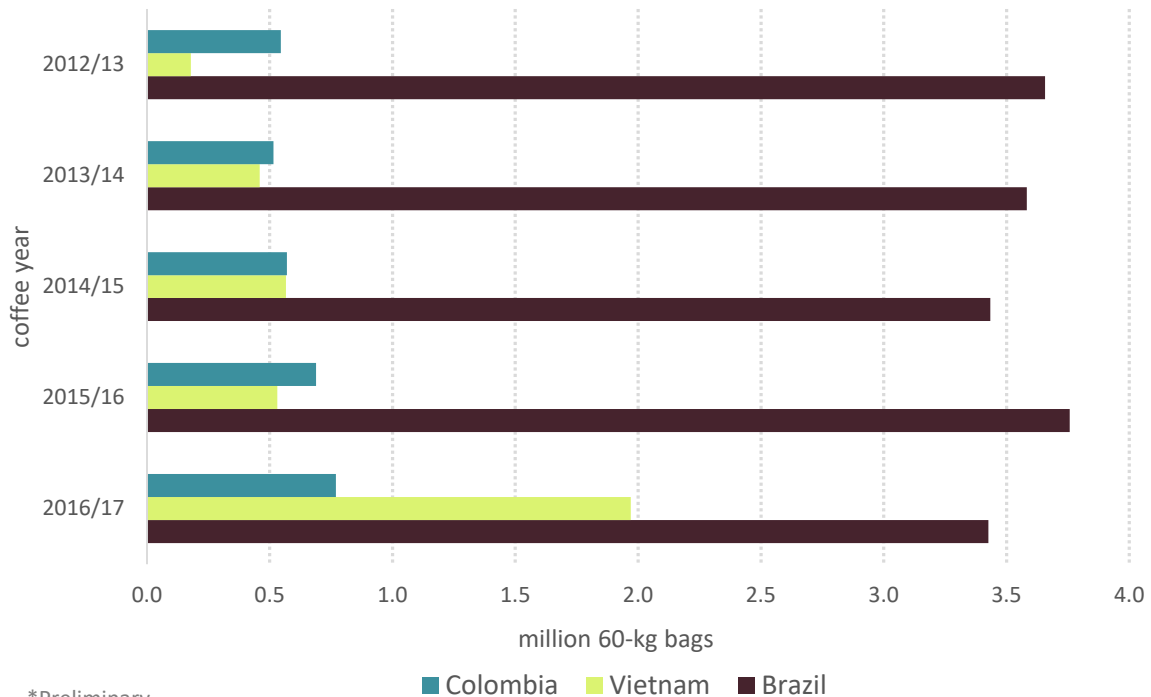
While Brazil's exports declined by 8.8% to 31.58 million bags in coffee year 2016/17, its production increased by 9.2% to 55 million bags in crop year 2016/17. Compared to coffee year 2015/16, preliminary figures for exports of green and soluble coffee from Brazil suggest that exports of both

forms of coffee fell by 8.8% in coffee year 2016/17 to 28.13 million bags and 3.43 million bags, respectively. Shipments of roasted coffee are also estimated to have declined, but accounted for less than 1% of total exports.

Exports from Vietnam have grown by 5.5% per annum in the last 15 years, though often with alternating years of growth and contraction. Total exports in coffee year 2016/17 are estimated to have decreased by 6.4% to 24.76 million bags following a year of record exports but this is still the third highest volume on record. Shipments of green coffee are estimated to have decreased by 12% to 22.79 million bags, and accounted for 92% of total exports in coffee year 2016/17. However, estimated exports of soluble coffee more than tripled to 1.97 million bags. Vietnam’s production for crop year 2016/17 is estimated at 25.5 million bags, down 11.3% compared to last year, and the lowest volume of production since crop year 2012/13.

In crop year 2016/17, Colombia is currently estimated to have produced 14.5 million bags, up 3.5% on 2015/16, and is the fifth consecutive season of growth. Increases in exports have followed the same pattern as production, aside from 2015/16 when a strike at the ports hindered shipments. Colombia’s total shipments increased by 9.6% to 13.49 million bags as gains in production have provided ample supplies. Green coffee exports, which account for 93% of total exports, have increased to 12.57 million bags. Shipments of soluble coffee have increased to 0.77 million bags, representing 6% of total shipments in coffee year 2016/17.

Figure 6: Soluble Coffee Exports*



Indonesia’s exports of coffee increased from 6.12 million bags in coffee year 2015/16 to 11.1 million bags in coffee year 2016/17. Preliminary figures suggest that green coffee exports, which represent around 72% of total exports, rose by 32.6% to 8 million bags.

Exports of green coffee from Honduras rose by 41.8% to a record 7.29 million bags in coffee year 2016/17. This represents the third consecutive season of growth and makes Honduras the fifth largest exporter in coffee year 2016/17. Beneficial weather and improved yields, resulting in part from tree renewal projects, have contributed to the boost in production and exports.

After increasing for two consecutive years, world coffee consumption is estimated to have remained stable at 155.06 million bags, based on provisional figures for coffee year 2016/17. Given the rise in global coffee output against stable consumption, coffee year 2016/17 is now seen in surplus after two consecutive years of deficit, with production exceeding consumption by 2.38 million bags. The market is well supplied at the start of coffee year 2017/18 by the replenishment of stocks over this past year.

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							
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
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
% change between Oct-17 and Sep-17							
	-3.6%	-4.8%	-4.0%	-3.9%	-0.8%	-3.6%	-1.5%
Volatility (%)							
Sep-17	6.3%	6.6%	7.0%	7.7%	6.5%	8.3%	6.9%
Oct-17	5.8%	6.5%	6.8%	7.5%	5.0%	8.5%	6.0%
Variation between Oct-17 and Sep-17							
	-0.5	-0.1	-0.2	-0.2	-1.5	0.2	-0.9

* Average price for 2nd and 3rd positions

Table 2: Price differentials (US cents/lb)

	Colombian Milds	Colombian Milds	Colombian Milds	Other Milds	Other Milds	Brazilian Naturals	New York*
	Other Milds	Brazilian Naturals	Robustas	Brazilian Naturals	Robustas	Robustas	London*
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	43.92
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	52.18	17.95	46.91	28.96	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
% change between Oct-17 and Sep-17							
	-27.8%	-9.6%	-12.3%	-4.3%	-10.7%	-14.2%	-7.9%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Crop year commencing	2013	2014	2015	2016*	% change 2015-16
PRODUCTION	152 232	149 053	152 253	157 437	3.4%
Arabica	90 284	86 257	88 568	101 552	14.7%
Robusta	61 948	62 796	63 686	55 885	-12.2%
Africa	16 244	16 014	16 349	17 208	5.3%
Asia & Oceania	46 453	45 974	49 566	45 083	-9.0%
Mexico & Central America	16 717	17 115	17 423	20 269	16.3%
South America	72 818	69 951	68 966	74 877	8.6%
CONSUMPTION	149 022	151 758	155 469	155 061	-0.3%
Exporting countries	46 109	47 245	48 244	48 298	0.1%
Importing countries (Coffee Years)	102 913	104 513	107 225	106 763	-0.4%
Africa	10 597	10 754	10 794	10 735	-0.5%
Asia & Oceania	30 701	32 550	33 611	33 669	0.2%
Mexico & Central America	5 156	5 235	5 306	5 237	-1.3%
Europe	50 179	50 912	51 590	51 544	-0.1%
North America	27 706	27 359	28 931	28 535	-1.4%
South America	24 682	24 949	25 237	25 341	0.4%
BALANCE	3 210	-2 705	-3 216	2 376	P

In thousand bags
P = positive change
*Estimated

Table 4: Total exports by exporting countries

	September	September	% change	October – September		
	2016	2017		2015/16	2016/17	% change
TOTAL	9 791	8 340	-14.8%	116 890	122 449	4.8%
Arabicas	6 035	5 482	-9.2%	71 873	77 516	7.9%
<i>Colombian Milds</i>	1 077	1 175	9.2%	13 576	14 657	8.0%
<i>Other Milds</i>	1 837	1 793	-2.4%	23 364	27 019	15.6%
<i>Brazilian Naturals</i>	3 121	2 514	-19.4%	34 933	35 839	2.6%
Robustas	3 756	2 858	-23.9%	45 017	44 934	-0.2%

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

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
New York	1.44	1.42	1.40	1.45	1.49	1.53	1.58	1.65	1.70	1.73	1.86	2.03	2.15
London	2.28	2.38	2.39	2.73	2.80	2.85	2.87	2.87	2.81	2.63	2.52	2.52	2.19

In million bags