



November 2017

Market turns negative as Robusta prices decline

The ICO composite indicator price averaged 117.26 US cents/lb in November 2017, down 2.3% from October 2017. However, nearly all of the decrease occurred in prices for Robusta, which decreased by 7.2% to an average of 91.33 US cents/lb in November 2017. Exports in October 2017 were 11.4% lower than the same month last year on 8.8 million bags. Shipments of Arabica were 9.9% lower at 5.7 million bags. As discussed later in this report, production in some countries in Central America & Mexico has partially recovered from the outbreak of leaf rust a few years ago. In crop year 2016/17, Honduras and Nicaragua surpassed the volume of output achieved before the outbreak. However, output from Guatemala and El Salvador has recovered from the low volumes in crop years 2012/13 and 2013/14, but remains below the average volume of production from before the outbreak.

Figure 1: ICO composite indicator daily prices

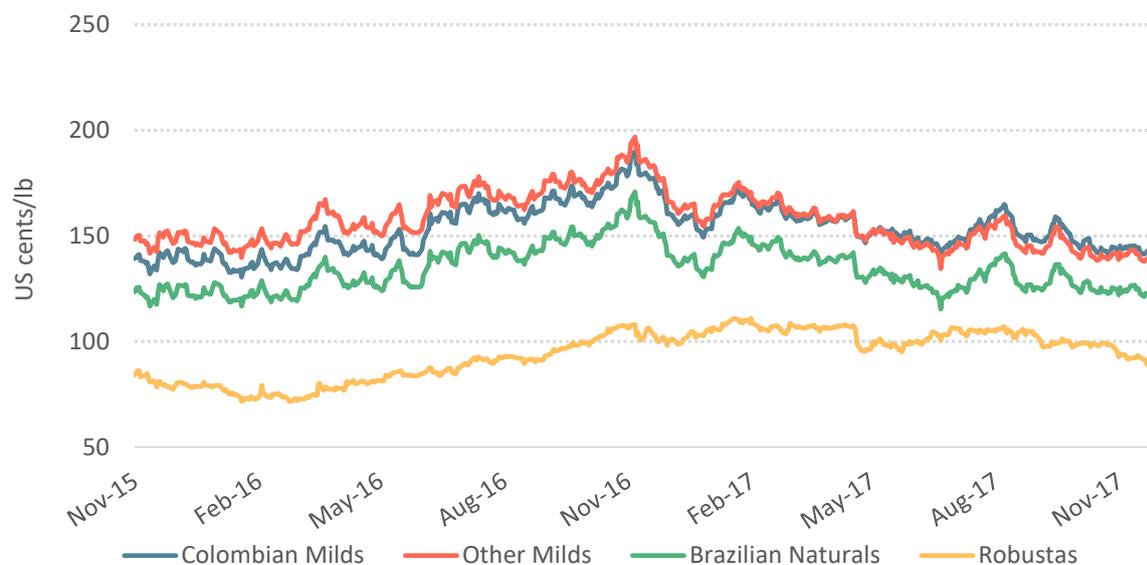


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The ICO composite indicator price continued to decline in November 2017, though nearly all of the decrease occurred in prices for Robusta. The indicator price averaged 117.26 US cents/lb, down 2.3%

from the average price in October. Compared to the average price in November since 2010, the average ICO composite indicator price in November 2017 was lower only in November 2015 (115.03 US cents/lb) and November 2013 (100.99 US cents/lb).

Figure 2: ICO group indicator daily prices



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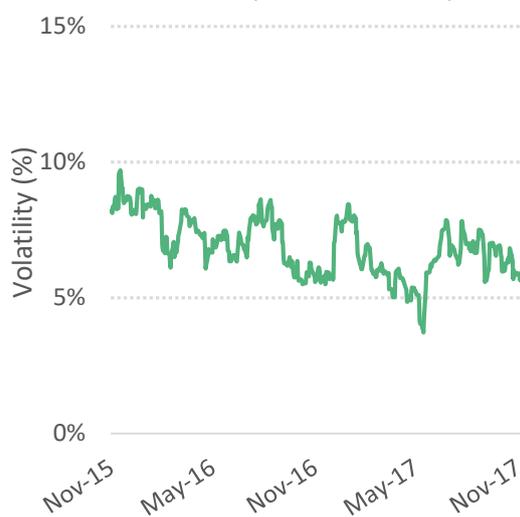
The Arabica group indicators were generally stable in November. The difference in the average price for all three Arabica groups in November 2017 compared to October amounted to less than half a percent. However, the monthly average for the Robusta group decreased by 7.2% to an average of 91.33 US cents/lb. The average arbitrage in November, as measured on the New York and London futures markets, increased by 13.8% to 48.50 US cents/lb. Meanwhile intra-day volatility of the ICO composite indicator price decreased further by 0.4 percentage points to 5.4%.

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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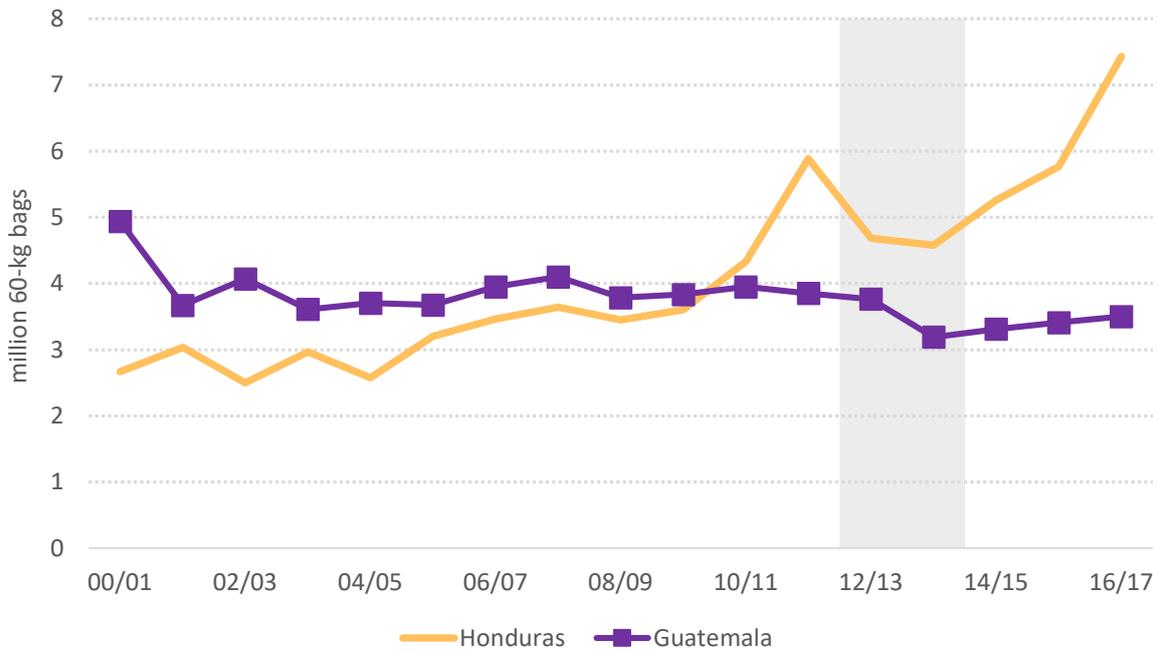
Exports for the first month of the new coffee year were 11.4% lower than the same month last year on 8.8 million bags. Shipments of Arabica were 9.9% lower at 5.7 million bags. Robustas declined to 3.10 million bags, 14% lower than last year, due largely to an estimated 30.3% decrease in exports from Vietnam. Despite the downturn in global exports in October 2017, world exports during the previous twelve months (November 2016 to October 2017) increased by 2.4% compared to the same period one year ago.

Exports from most regions declined in October 2017 compared to one year ago. Asia & Oceania shipped 2.87 million bags in October 2017, 18.7% lower than last year while exports from South America decreased by 14% to 4.55 million bags. This was a result of lower exports from Brazil (-18.3%) and Colombia (-8.7%). Reduced output from Brazil in crop year 2017/18, due to the biennial crop cycle, decreased the availability for export while heavy rains in Colombia have delayed harvesting of its 2017/18 crop. Exports from Central America & Mexico were 3.2% lower compared with exports in October 2016. This is largely accounted by a 67.1% decrease from Costa Rica and a 20.2% decrease from Honduras. However, exports from Honduras in October 2017 remain well above the five-year average volume of October shipments. In contrast, exports from Africa rose by 0.28% to 0.98 million bags in October 2017, led by increases in Uganda (82.5%) and Ethiopia (31.8%).

Exports may pick up later in the coffee year as world coffee production for crop year 2017/18 is preliminarily projected to increase by 0.8% to 158.69 million bags. Production in South America is projected to decrease by 3.1% due in part to the lower than expected output in Brazil during crop year 2017/18. Africa's output could increase by 4.1%, led by ongoing growth in Uganda where its replanting efforts in recent years are beginning to bear fruit. Production in Asia & Oceania is also expected to grow by 4.4% as beneficial weather and adequate water supplies during the initial stages of growth are expected to boost yields in Vietnam, the largest regional producer and second largest globally. Production in Central America & Mexico is expected to expand by 4.3%, following an increase of 16.3% in crop year 2016/17 as some of these countries have recovered from the outbreak of coffee leaf rust several years ago.

Before the outbreak of coffee leaf rust, production in Honduras grew at around 6.8% per annum, reaching 5.89 million bags in crop year 2011/12. However, its production fell by 22.2% over the next two crop years. Efforts were undertaken to combat this disease such as replanting with rust-resistant coffee trees and the provision of technical training to farmers. Since 2014/15, its production has grown at around 12.2% a year, reaching a new record of 7.43 million bags in 2016/17. In 2017/18, it is estimated to be 8.35 million bags.

Figure 5: Coffee production (crop year)

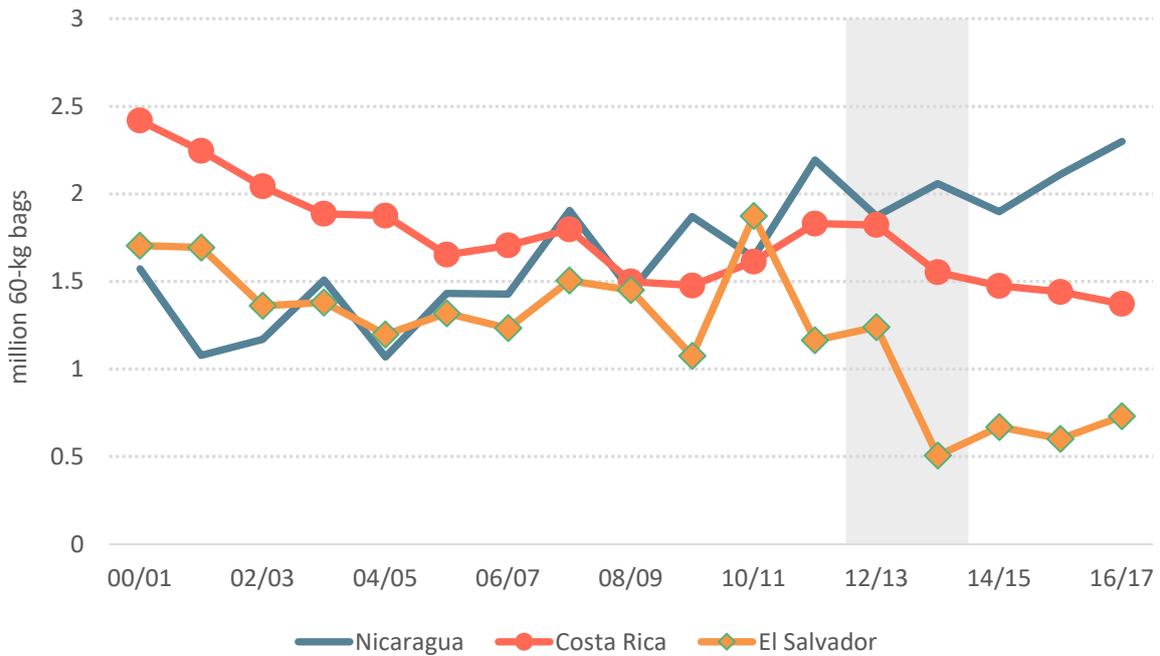


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Guatemala’s production was in decline between crop year 2000/01 and 2012/13 by an average of 2.1% per year. Between 2011/12 and 2013/14, its output fell by 17.2% to 3.19 million bags, which is the lowest level since 1988/89. In response to the outbreak, Guatemalan farmers replanted and pruned their trees, employed better crop management, and expanded the use of fumigation. As a result of these efforts, production increased to 3.31 million bags in 2014/15 and has continued to grow in the last two crop years.

Production in both Costa Rica and El Salvador were on a downward trend since 2000/01, as annual production fell by 2.3% and 3.1%, respectively. The coffee leaf rust outbreak caused a further decline in output of 15.2% in Costa Rica and 56.5% in El Salvador from 2011/12 to 2013/14. While El Salvador’s production has generally increased since the 0.51 million bags produced in 2013, output remains well-below the average volume achieved before the outbreak. On the other hand, Costa Rica’s output has not grown since the outbreak, though the annual decline in the last three years has returned to the same level as before the outbreak. However, its production is preliminarily estimated to rise to 1.56 million bags in 2017/18.

Figure 6: Coffee production (crop year)



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Nicaragua’s production grew at an annual average rate of 2.8% per year between 2000/01 and 2011/12. After reaching 2.19 million bags in 2011/12, its output fell to 1.87 million bags in crop year 2012/13. However, unlike other countries in the region, its production rebounded to 2.06 million bags in 2013/14 though it fell to 1.90 million bags in the following crop year. Since then its production has grown about 6.6% a year and is estimated at 2.3 million bags in 2016/17.

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							
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
Nov-17	117.26	144.09	140.90	124.28	91.33	129.96	81.46
% change between Nov-17 and Oct-17							
	-2.3%	-0.1%	0.1%	-0.2%	-7.2%	-0.8%	-7.8%
Volatility (%)							
Oct-17	5.8%	6.5%	6.8%	7.5%	5.0%	8.5%	6.0%
Nov-17	5.4%	5.8%	6.0%	6.9%	5.1%	6.8%	5.7%
Variation between Nov-17 and Oct-17							
	-0.4	-0.7	-0.8	-0.6	0.1	-1.7	-0.3

* 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*
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	19.70	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
% change between Oct-17 and Sep-17							
	-10.1%	0.6%	15.0%	2.8%	17.1%	26.0%	13.8%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Crop year commencing	2013	2014	2015	2016 ^{1/}	2017 ^{2/}	% change 2015-16	% change 2016-17
PRODUCTION	152 232	149 053	152 253	157 437	158 686	3.4%	0.8%
Arabica	90 284	86 257	88 568	101 552	97 533	14.7%	-4.0%
Robusta	61 948	62 796	63 686	55 885	61 153	-12.2%	9.4%
Africa	16 244	16 014	16 349	17 208	17 918	5.3%	4.1%
Asia & Oceania	46 453	45 974	49 566	45 083	47 081	-9.0%	4.4%
Mexico & Central America	16 717	17 115	17 423	20 269	21 147	16.3%	4.3%
South America	72 818	69 951	68 966	74 877	72 541	8.6%	-3.1%
CONSUMPTION	149 022	151 758	155 469	155 061	157 597	-0.3%	1.6%
Exporting countries	46 109	47 245	48 244	48 298	49 088	0.1%	1.6%
Importing countries ^{3/}	102 913	104 513	107 225	106 763	108 509	-0.4%	1.6%
Africa	10 597	10 754	10 794	10 735	10 801	-0.5%	0.6%
Asia & Oceania	30 701	32 550	33 611	33 669	34 701	0.2%	3.1%
Mexico & Central America	5 156	5 235	5 306	5 237	5 340	-1.3%	2.0%
Europe	50 179	50 912	51 590	51 544	52 023	-0.1%	0.9%
North America	27 706	27 359	28 931	28 535	28 949	-1.4%	1.5%
South America	24 682	24 949	25 237	25 341	25 784	0.4%	1.7%
BALANCE	3 210	-2 705	-3 216	2 376	1 089		

In thousand bags

1/ Estimated

2/ Projected

3/ Coffee years

Table 4: Total exports by exporting countries

	October 2016	October 2017	% change	November - October		
				2015/16	2016/17	% change
TOTAL	9 928	8 800	-11.4%	117 498	120 355	2.4%
Arabicas	6 322	5 698	-9.9%	72 354	76 234	5.4%
<i>Colombian Milds</i>	1 315	1 210	-8.0%	13 588	14 552	7.1%
<i>Other Milds</i>	1 564	1 508	-3.6%	23 692	27 121	14.5%
<i>Brazilian Naturals</i>	3 443	2 980	-13.4%	35 075	34 561	-1.5%
Robustas	3 607	3 102	-14.0%	45 144	44 121	-2.3%

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**

	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
New York	1.42	1.40	1.45	1.49	1.53	1.58	1.65	1.70	1.73	1.86	2.03	2.15	2.17
London	2.38	2.39	2.73	2.80	2.85	2.87	2.87	2.81	2.63	2.52	2.52	2.19	2.20

In million bags