

Coffee prices diverge in February 2019

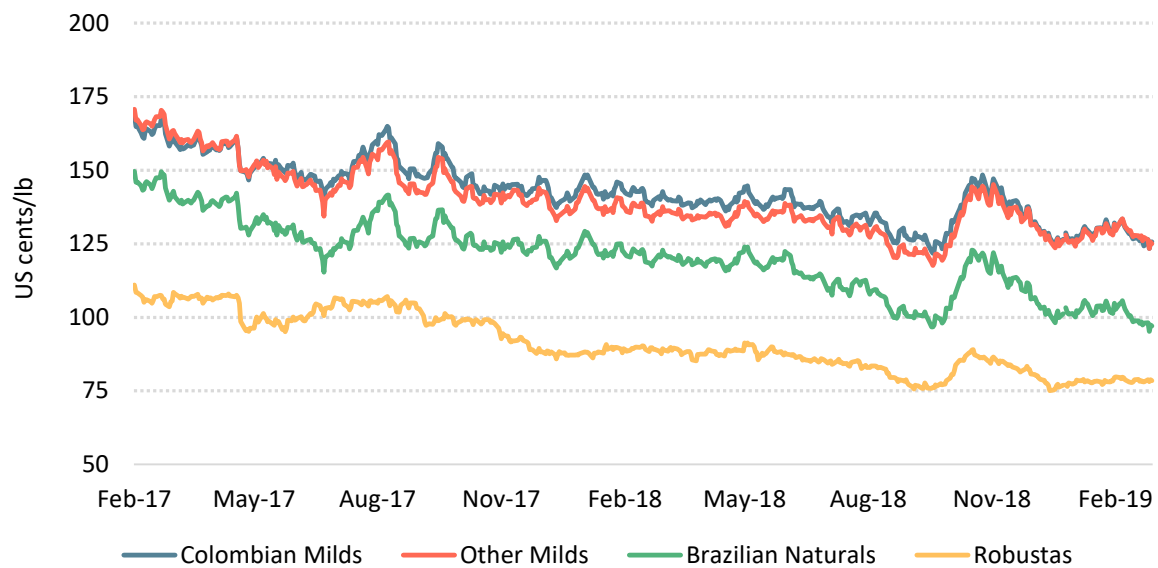
In February 2019, the ICO composite indicator fell by 0.9% to 100.67 US cents/lb, similar to the level in December 2018. The daily composite indicator reversed the gains made in January, falling from an average of 103.32 US cents/lb in the first week of February to a low of 97.44 US cents/lb on 26 February. Prices for Brazilian Naturals and Colombian Milds registered decreases in February, while Other Milds remained unchanged, and Robusta prices increased 0.5% to 78.65 US cents/lb. Shipments in the first four months of coffee year 2018/19 increased by 6.6% to 41.96 million bags, reflecting the ample supply of coffee on the international market. Exports of all types, except for Other Milds, increased in comparison to the first four months of 2017/18. The difference in the availability of Colombian Mild coffee to Other Milds has resulted in a negative differential of 0.52 US cents/lb for February.

Figure 1: ICO composite indicator daily prices



The **monthly average of the ICO composite indicator fell by 0.9% to 100.67 US cents/lb in February 2019**, which is slightly higher than the lowest monthly average of 100.61 US cents/lb reached in coffee year 2018/19 for December 2018. However, it is 27.5% below the 10-year average of 138.84 US cents/lb. Following on from the increase in January 2019, the daily composite indicator started above 100 US cents/lb, averaging 103.32 US cents/lb in the first week. However, prices declined during the remainder of the month, reaching a low of 97.44 US cents/lb on 26 February. Sustained growth in exports during the first four months of coffee year 2018/19 compared to last year and prospects of a large off-year crop from Brazil for crop year 2019/20 are contributing to the low prices this coffee year.

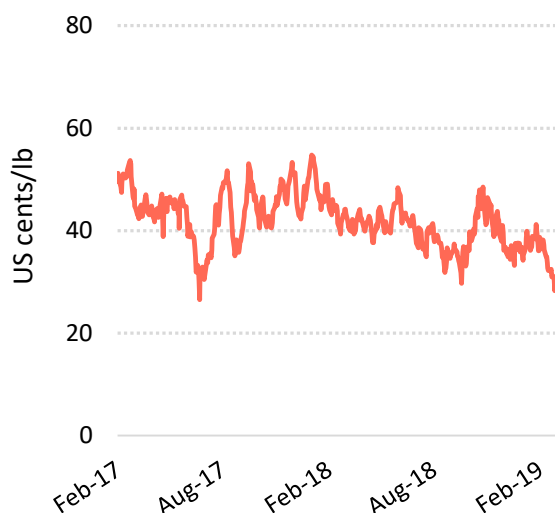
Figure 2: ICO group indicator daily prices



© 2019 International Coffee Organization (www.ico.org)

Price movements for the group indicators diverged in February 2019. Prices for Brazilian Naturals fell by 2.8% to 100.06 US cents/lb, and prices for Colombian Milds decreased by 1% to 127.93 US cents/lb, while Other Milds remained unchanged at 128.45 US cents/lb. In terms of differentials, the daily price of Other Milds frequently traded above Colombian Milds in February, resulting in a negative differential of 0.52 US cents/lb for the month. These price developments reflect the contrasting availability of Central American origins compared to Colombian Mild origins. Prices for Robusta rose by 0.5% to 78.65 US cents/lb, which is the second consecutive month of increase. The decrease in Arabica prices coupled with a rise in Robusta prices narrowed the arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets. In February, the average arbitrage decreased by 10.7% to 33.60 US cents/lb. The last time arbitrage had reached this level was in April 2008, with a difference of just 32.75 US cent/lb between the New York and London futures prices. Intra-day volatility of the ICO composite indicator price remained unchanged at 6% as the intra-day volatility of Robusta decreased by one percentage point, while increasing for all Arabica indicators.

Figure 3: Arbitrage between New York and London futures markets



© 2019 International Coffee Organization (www.ico.org)

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

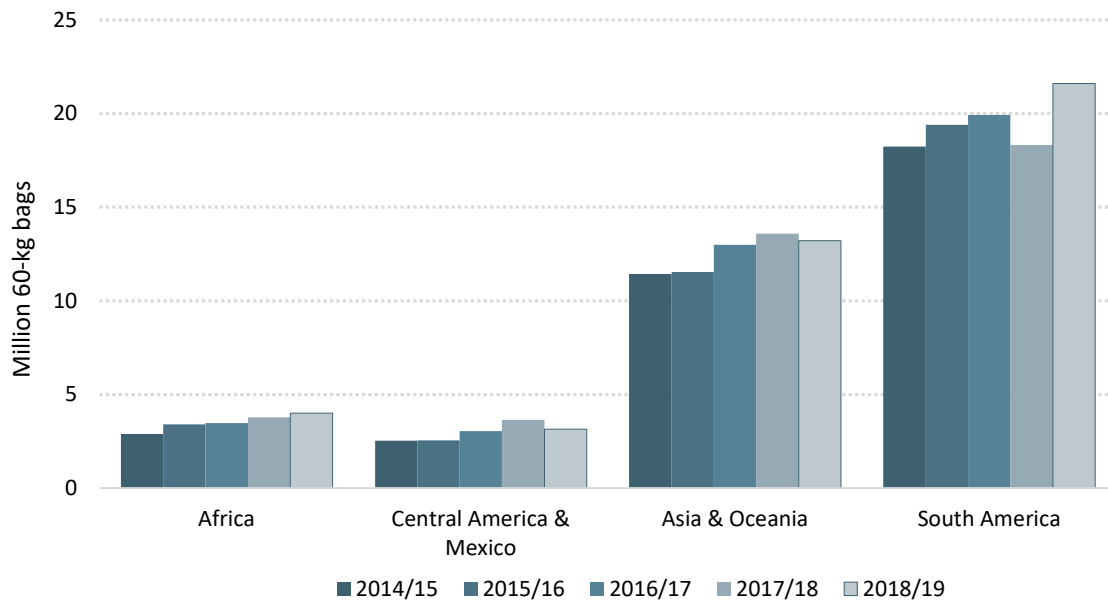


© 2019 International Coffee Organization (www.ico.org)

In January 2019, world coffee exports amounted to 11.06 million bags (184,314 metric tons), 2.6% higher than in January 2018. Shipments of Brazilian Naturals, Colombian Milds and Robusta rose by 12.8% to 3.51 million bags, 14.5% to 1.31 million bags and 3.2% to 4.43 million bags, respectively. However, exports of Other Milds fell by 18.9% to 1.81 million bags. In the first four months of 2018/19, total exports grew by 6.6% to 41.96 million bags. Exports of all types, except for Other Milds, increased compared to the first four months of 2017/18. Shipments of Brazilian Naturals rose by 19% to 15.21 million bags, while Colombian Milds grew by 7.3% to 5.28 million bags. Robusta exports increased by 4.1% to 14.7 million bags. In contrast, shipments of Other Milds fell by 10.1% to 6.77 million bags.

Exports from Africa rose by 1.2% to 948,870 bags in January 2019 and by 5.8% to 4 million bags in the first four months of coffee year 2018/19. Uganda is the largest exporter in the region, though its shipments declined by 8.8% to 1.47 million bags in October 2018 to January 2019. Ethiopia is the region's largest producer, but second largest exporter due to significant domestic consumption of coffee. In the first four months of 2018/19, its exports decreased by 8.9% to 1 million bags. However, growth in exports from Côte d'Ivoire and Tanzania have offset these declines. Shipments from Côte d'Ivoire more than doubled in the first four months of 2018/19, amounting to 502,623 bags. Exports from Tanzania increased by 55.7% to 399,540 bags. Coffee production in Africa is estimated 1.8% higher at 17.8 million bags in 2018/19. Ethiopia's production is estimated to remain stable at 7.5 million bags, while Uganda's production is estimated to rise 2.2% to 4.9 million bags. Output from Côte d'Ivoire and Tanzania is estimated at 1.6 million bags and 827,000 bags, respectively.

Figure 5: Exports by region (Oct-Jan)

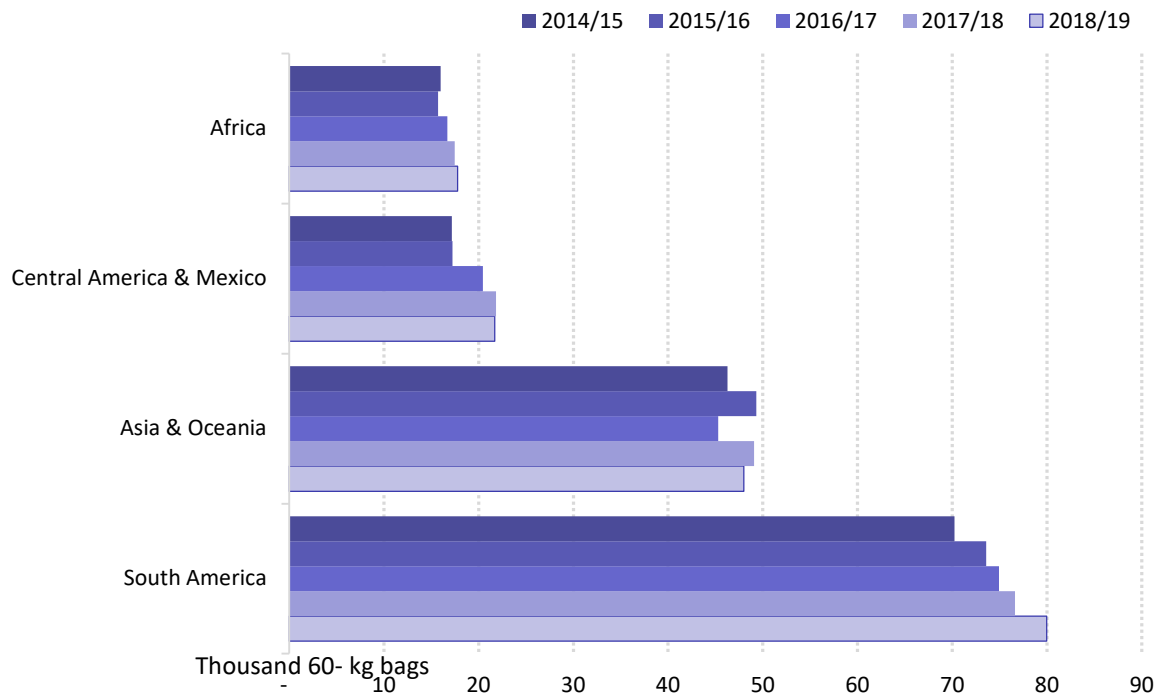


© 2019 International Coffee Organization (www.ico.org)

Shipments from Asia & Oceania decreased by 0.9% to 4.17 million bags in January 2019 and by 2.8% to 13.21 million bags in the first four months of coffee year 2018/19. Vietnam is the region's largest exporter and the world's second largest. Its exports in the first four months of 2018/19 are estimated 6.1% higher at 9.5 million bags. However, shipments from Indonesia and India decreased by 27.6% to 1.7 million and by 19% to 1.54 million bags, respectively. Papua New Guinea is the region's fourth largest exporter, and its shipments increased by 33.4% to 317,030 bags. Regional output is estimated at 48.01 million bags, 2.1% lower than last year. Vietnam's production is estimated to decline by 3.4% to 29.5 million bags due to poor weather, while Indonesia's output is estimated 5.7% higher at 11.1 million bags. India's output is estimated to decline 10.5% to 5.2 million bags as a result of the flooding at the end of last summer. However, the growth in Papua New Guinea's exports is supported by a larger harvest in 2018/19, which increased by 6.5% to 817,000 bags.

Exports from Central America & Mexico fell by 23.7% to 1.18 million bags in January 2019 and by 13.7% to 3.15 million bags in the first four months of coffee year 2018/19. Honduras is the region's largest exporter and the world's 8th largest. In October 2018 to January 2019, it shipped 1.19 million bags, a decrease of 22.4% compared to last year. Exports from Mexico are estimated to have decreased by 7.7% to 850,000 bags. Shipments from Costa Rica fell by 5.3% to 148,068 million bags, following three consecutive years of growth. In contrast, El Salvador's exports have increased by 15.9% to 81,298 bags. Output in the region is estimated at 21.72 million bags, 0.5% lower than last year. Production in Honduras is estimated down 1.5% to 7.45 million bags, while output in Mexico, is estimated to rise by 2.5% to 4.5 million bags. Costa Rica's production is estimated to grow by 34,000 bags to 1.6 million bags, while El Salvador's output is unchanged from last year.

Figure 6: Coffee production by region



© 2019 International Coffee Organization (www.ico.org)

Shipments from South America grew by 16.4% to 4.76 million bags in January 2019 and by 17.9% to 21.6 million bags in the first four months of coffee year 2018/19. Brazil's exports are 26.8% higher at 14.73 million bags in October 2018 to January 2019. However, shipments are slowing as Brazil nears the end of its 2018/19 crop year with exports reaching 3.29 million bags in January 2019 compared to an average of 3.81 million bags in October to December 2018. Colombia's exports amounted to 4.79 million bags in the first four months of coffee year 2018/19, 5% higher than last year. Peru's shipments rose by 1.3% to 1.92 million bags. Production in South America, which accounts for 47.7% of global output in 2018/19, is estimated to grow 4.3% to 79.94 million bags. Brazil's production in coffee year 2018/19 amounted to a record 60.1 million bags, which has contributed to the oversupply of coffee this year. Colombia is estimated to harvest 14.2 million bags, an increase of 2.7% compared to last year, and Peru's output is estimated to rise by 1.7% to 4.36 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							
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
Jul-18	107.20	133.92	130.60	110.54	84.42	114.06	75.56
Aug-18	102.41	129.99	125.21	104.46	80.74	108.12	71.94
Sep-18	98.17	125.74	121.18	99.87	76.70	102.83	68.03
Oct-18	111.21	140.83	137.34	115.59	85.32	119.73	77.16
Nov-18	109.59	139.27	137.11	113.27	83.52	117.06	75.23
Dec-18	100.61	127.86	127.10	102.10	77.57	105.79	69.59
Jan-19	101.56	129.28	128.46	102.94	78.24	107.93	70.32
Feb-19	100.67	127.93	128.45	100.06	78.65	104.12	70.52
% change between Jan-19 and Feb-19							
	-0.9%	-1.0%	0.0%	-2.8%	0.5%	-3.5%	0.3%
Volatility (%)							
Jan-19	6.0%	7.0%	6.9%	8.7%	3.7%	8.5%	4.8%
Dec-18	6.0%	6.2%	6.7%	8.4%	4.8%	9.6%	5.6%
Variation between Jan-19 and Feb-19							
	0.0	0.8	0.2	0.3	-1.1	-1.1	-0.8

* 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*
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
Jul-18	3.32	23.38	49.50	20.06	46.18	26.12	38.50
Aug-18	4.78	25.53	49.25	20.75	44.47	23.72	36.18
Sep-18	4.56	25.87	49.04	21.31	44.48	23.17	34.80
Oct-18	3.49	25.24	55.51	21.75	52.02	30.27	42.57
Nov-18	2.16	26.00	55.75	23.84	53.59	29.75	41.83
Dec-18	0.76	25.76	50.29	25.00	49.53	24.53	36.20
Jan-19	0.82	26.34	51.04	25.52	50.22	24.70	37.61
Feb-19	-0.52	27.87	49.28	28.39	49.80	21.41	33.60
% change between Jan-19 and Feb-19							
	-163.4%	5.8%	-3.4%	11.2%	-0.8%	-13.3%	-10.7%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Coffee year (October to September)	2014	2015	2016	2017	2018*	% change 2017-18
PRODUCTION	149 609	155 880	157 399	164 994	167 472	1.5%
Arabica	87 828	95 087	100 590	101 442	104 009	2.5%
Robusta	61 865	60 843	56 810	63 551	63 500	-0.1%
Africa	15 983	15 734	16 718	17 484	17 799	1.8%
Asia & Oceania	46 274	49 323	45 299	49 059	48 009	-2.1%
Mexico & Central America	17 188	17 237	20 466	21 829	21 720	-0.5%
South America	70 164	73 586	74 916	76 622	79 944	4.3%
CONSUMPTION	151 223	155 443	158 231	161 715	165 185	2.1%
Exporting countries	46 505	47 500	48 458	49 605	50 301	1.4%
Importing countries	104 718	107 943	109 773	112 110	114 883	2.5%
Africa	10 719	10 951	11 367	11 752	12 234	4.1%
Asia & Oceania	31 950	32 863	33 978	34 815	36 251	4.1%
Mexico & Central America	5 230	5 295	5 169	5 231	5 233	0.1%
Europe	51 008	52 147	52 043	52 959	53 510	1.0%
North America	27 363	28 934	29 559	29 981	30 734	2.5%
South America	24 954	25 251	26 115	26 976	27 223	0.9%
BALANCE	-1 613	438	-831	3 279	2 287	

In thousand 60-kg bags

*preliminary estimates

Note: Data on crop year can be found at: www.ico.org/trade_statistics.asp

Table 4: Total exports from exporting countries

	January 2017	January 2018	% change	October-January		
				2017/18	2018/19	% change
TOTAL	10 778	11 059	2.6%	39 359	41 964	6.6%
Arabicas	6 490	6 633	2.2%	25 234	27 261	8.0%
<i>Colombian Milds</i>	1 146	1 312	14.5%	4 925	5 283	7.3%
<i>Other Milds</i>	2 231	1 808	-18.9%	7 529	6 768	-10.1%
<i>Brazilian Naturals</i>	3 113	3 513	12.8%	12 780	15 210	19.0%
Robustas	4 289	4 426	3.2%	14 126	14 703	4.1%

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

	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19
New York	2.14	2.21	2.26	2.28	2.33	2.33	2.51	2.70	2.78	2.79	2.80	2.82	2.83
London	1.52	1.37	1.32	1.34	1.14	1.28	1.26	1.51	1.58	1.77	1.88	2.08	2.01

In million 60-kg bags