



October 2018

Record exports in coffee year 2017/18

Total coffee exports increased each year since 2010/11 with a new record reached in 2017/18 at 121.86 million bags, 2% higher than 2016/17. In the twelve months ending September 2018, exports of green Arabica totalled 70.95 million bags compared to 70.51 million bags last year; whereas green Robusta exports amounted to 39.24 million bags compared to 38.87 million bags. Total shipments of all forms of coffee increased in four out of the ten largest exporters for coffee year 2017/18, including the two largest, Brazil and Vietnam. World coffee consumption is provisionally estimated at 161.93 million bags in coffee year 2017/18, led by an increase of 3.1% to 35.9 million bags in Asia & Oceania's consumption. While coffee consumption is estimated 1.8% higher in coffee year 2017/18, coffee production exceeded this by 1.59 million bags. This surplus and the higher volume of shipments contributed to the low prices in 2017/18.

Figure 1: ICO composite indicator daily prices

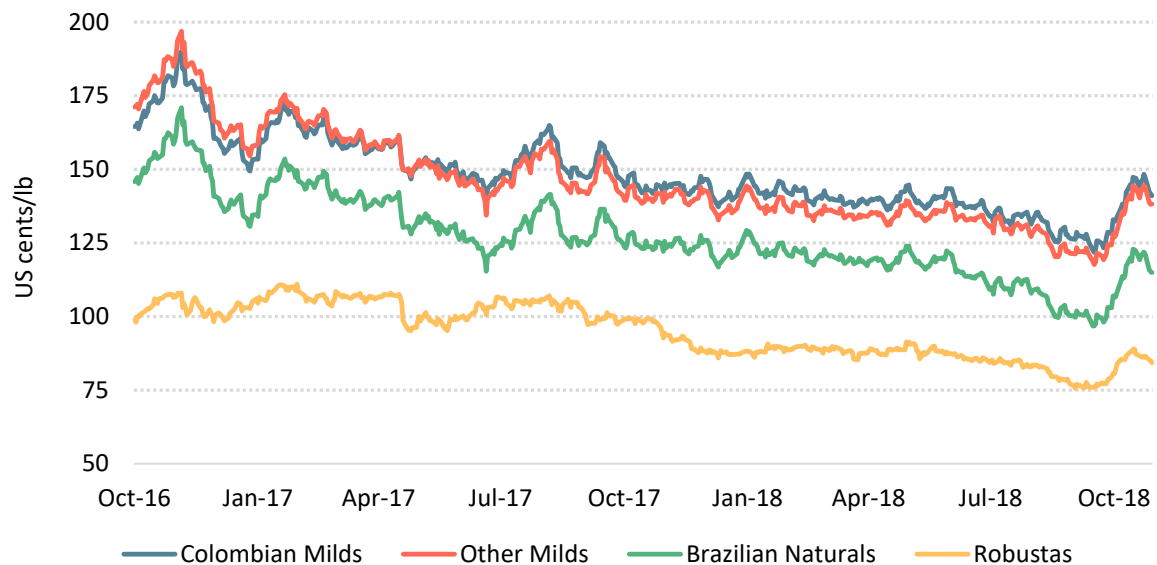


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Coffee prices reversed their four-month downward trend as the **monthly average of the ICO composite indicator increased to 111.21 US cents/lb in October 2018**, 13.3% higher than in September 2018. While prices have increased, they remain below the average for January 2008 to

September 2018 of 138.56 US cents/lb. In contrast to September 2018, the daily composite indicator remained above 100 US cents/lb throughout October 2018, ranging between 101.04 US cents/lb and 116.93 US cents/lb.

Figure 2: ICO group indicator daily prices

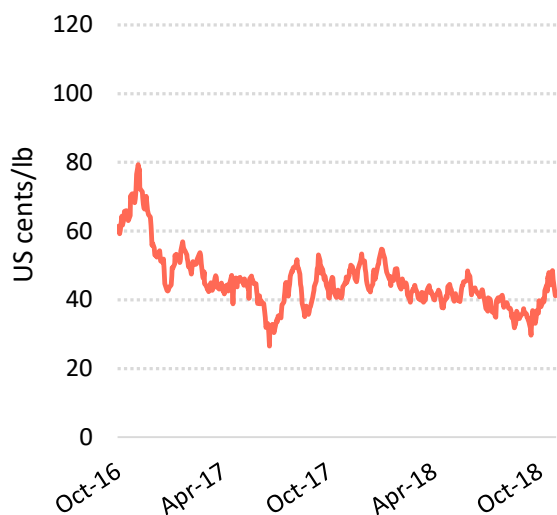


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Prices for all group indicators rose significantly in October 2018 compared to the previous month.

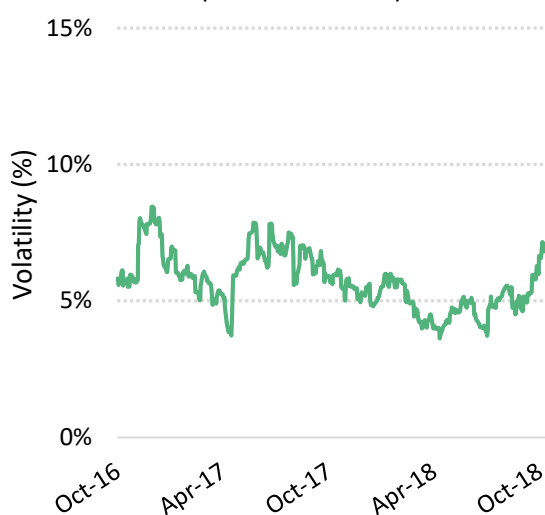
The largest increase occurred in the average price for Brazilian Naturals, which rose by 15.7% to 115.59 US cents/lb followed by a gain of 13.3% to 137.34 US cents/lb for Other Milds. Colombian Milds grew by 12% to 140.83 US cents/lb. As a result of the larger increase in the monthly average for Other Milds compared to Colombia Milds, the differential fell by 23.5% to 3.49 US cents/lb. Robusta prices increased by 8.62 US cents/lb in October 2018 to an average of 85.32 US cents/lb. The appreciation of the Brazilian Real contributed to the rise in prices for Brazilian Natural coffee while tight supplies at the start of the new crop year for many producing countries have impacted the other indicators. The average arbitrage in October, as measured on the New York and London futures markets, grew by 22.3% to 42.57 US cents/lb, reversing three months of decrease. This compares with a monthly average of 59.87 US cents/lb in the last five years. Further, intra-day volatility of the ICO composite indicator price rose by 1.8 percentage points to 7.2% as the intra-day volatility of all group indicators increased.

Figure 3: Arbitrage between New York and London futures markets



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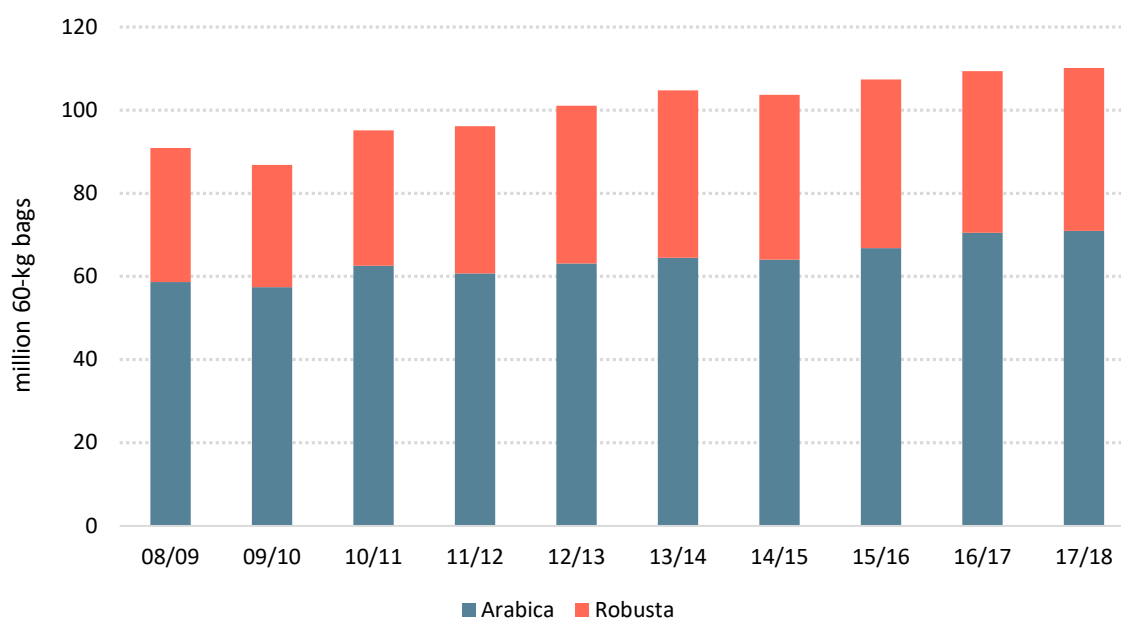
Figure 4: Rolling 30-day volatility of the ICO composite indicator price



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World coffee exports amounted to 9.43 million bags in September 2018, compared with 8.75 million in September 2017. Exports in coffee year 2017/18 increased by 2% to 121.86 million bags compared to 119.52 million bags in the last coffee year. In the twelve months ending September 2018, exports of green Arabica totalled 70.95 million bags compared to 70.51 million bags last year; whereas green Robusta exports amounted to 39.24 million bags compared to 38.87 million bags. In September 2018, Brazil and Colombia represented 60.4% of total green Arabica exports whereas Vietnam accounted for 60% of total green Robusta exports.

Figure 5: Exports of green coffee



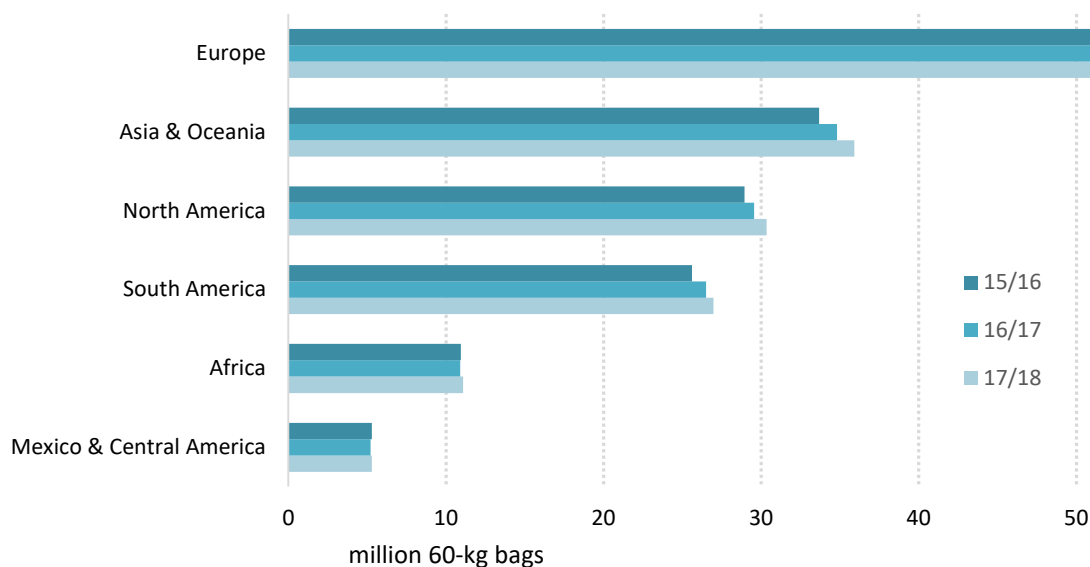
Total shipments of all forms of coffee increased in four out of the ten largest exporters for coffee year 2017/18. Brazil exported 32.34 million bags of coffee in 2017/18 compared to 31.93 million bags

in 2016/17. However, Brazil's coffee year production is split across two crop years so that 2017/18 shipments reflect both the smaller output produced in crop year April 2016 to March 2017 and the 14.7% increase in production for crop year 2017/18. Brazil's exports for April to September 2018 reached 15.52 million bags, which is 11.2% greater than the volume shipped from April to September 2017. Vietnam saw a 21.7% increase, shipping 28.64 million bags in coffee year 2017/18 compared to 23.54 million bags in 2016/17. This reflects the growth in production that benefited from favourable weather. In contrast, Colombia's exports for coffee year 2017/18 decreased by 5.7% to 12.72 million bags as decreased output limited the volume available for shipment. After achieving a record of 7.29 million bags, exports from Honduras fell in 2017/18 to 7.14 million bags, due in part to a shortage of labour for harvesting. India was the fifth largest exporter in 2017/18, and its exports declined by 1.4% to 6.28 million bags. Indonesia saw the largest decrease in exports as shipments fell from 8.72 million bags in 2016/17 to 5.64 million bags in 2017/18. A shortfall in production coupled with increasing domestic demand led to this decline. Like Honduras, Uganda's exports decreased following a year of record exports. Uganda shipped 4.36 million bags in 2017/18 compared to 4.61 million bags in 2016/17. Peru's exports remained stable at 3.96 million bags while exports from Ethiopia and Guatemala increased by 4.5% to 3.65 million bags and 5.4% to 3.47 million bags, respectively.

In coffee year 2017/18, global coffee output is estimated 4.8% higher at 163.51 million bags compared with coffee year 2016/17. Arabica production increased by 1.7% to 101.23 million bags whereas Robusta grew by 10.5% to 62.28 million bags. While output expanded in all coffee-producing regions, Asia & Oceania experienced the most growth as production increased 8.3% to 47.95 million bags. This is followed by Mexico & Central America where output rose by 4.3% to 21.34 million bags. South America is the largest producing region, and its production grew by 3.3% to 76.98 million bags while Africa's increased by 3.4% to 17.25 million bags.

World coffee consumption is provisionally estimated at 161.93 million bags in coffee year 2017/18, 1.8% higher than coffee year 2016/17. The fastest growing region is Asia & Oceania where consumption in coffee year 2017/18 is estimated at 35.9 million bags, up 3.1% from last year. This is followed by North America, which is estimated to grow 2.6% to 30.34 million bags in coffee year 2017/18. Both Africa and Mexico & Central America are expected to reverse the declines in coffee consumption in 2016/17 to grow by 1.7% to 11.08 million bags and 1.7% to 5.3 million bags in coffee year 2017/18, respectively. Europe is provisionally estimated to maintain its growth rate of 0.5% with consumption estimated at 52.32 million bags in 2017/18. After increasing by 3.5% in 2016/17, coffee consumption in South America is provisionally estimated to rise by 1.8% to 26.97 million bags.

Figure 6: Coffee Consumption



While coffee consumption is estimated 1.8% higher in coffee year 2017/18, coffee production exceeds this by 1.59 million bags. This surplus has contributed to the low prices this season, with the composite indicator averaging 111.51 US cents/lb for October 2017 to September 2018. In comparison, the average for the composite indicator in 2016/17 was 132.43 US cents/lb, reflecting the 3.1 million bag deficit that coffee year. Additionally, exports in coffee year 2017/18, have set a new record, which has put further pressure on prices as the market was well-supplied at the start of 2017/18 even with growing consumption. Inventories in September 2017 reached 25.8 million bags, which is the largest volume on record for September.

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-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
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
% change between Oct-18 and Sep-18							
	13.3%	12.0%	13.3%	15.7%	11.2%	16.4%	13.4%
Volatility (%)							
Oct-18	7.2%	7.8%	8.0%	9.2%	5.8%	10.7%	6.5%
Sep-18	5.4%	6.3%	6.3%	6.9%	4.9%	8.1%	5.2%
Variation between Oct-18 and Sep-18							
	1.8	1.5	1.7	2.4	1.0	2.7	1.3

* 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-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
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
% change between Oct-18 and Sep-18							
	-23.5%	-2.4%	13.2%	2.1%	17.0%	30.6%	22.3%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Coffee year commencing	2014	2015	2016	2017	% change 2016-17
PRODUCTION	149 844	156 332	155 958	163 512	4.8%
Arabica	88 148	96 017	99 589	101 234	1.7%
Robusta	61 695	60 314	56 368	62 276	10.5%
Africa	15 983	15 725	16 685	17 249	3.4%
Asia & Oceania	46 403	49 202	44 290	47 948	8.3%
Mexico & Central America	17 188	17 237	20 465	21 336	4.3%
South America	70 270	74 167	74 518	76 978	3.3%
CONSUMPTION	152 168	156 284	159 057	161 926	1.8%
Exporting countries	47 417	48 673	49 732	50 547	1.6%
Importing countries	104 750	107 611	109 325	111 379	1.9%
Africa	10 709	10 933	10 901	11 084	1.7%
Asia & Oceania	32 775	33 678	34 811	35 904	3.1%
Mexico & Central America	5 230	5 296	5 212	5 302	1.7%
Europe	51 043	51 828	52 070	52 322	0.5%
North America	27 363	28 934	29 559	30 339	2.6%
South America	25 048	25 614	26 505	26 974	1.8%
BALANCE	-2 324	48	-3 099	1 586	

In thousand 60-kg bags

Table 4: Total exports by exporting countries

	September 2017	September 2018	% change	October-September 2016/17	October-September 2017/18	% change
TOTAL	8 746	9 427	7.8%	119 520	121 856	2.0%
Arabicas	5 724	6 109	6.7%	76 080	76 664	0.8%
<i>Colombian Milds</i>	1 170	1 181	0.9%	14 674	13 969	-4.8%
<i>Other Milds</i>	1 971	1 931	-2.0%	27 246	28 181	3.5%
<i>Brazilian Naturals</i>	2 583	2 997	16.0%	34 159	34 492	1.0%
Robustas	3 022	3 317	9.8%	43 440	45 215	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

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
New York	2.15	2.17	2.23	2.24	2.14	2.21	2.26	2.28	2.33	2.33	2.51	2.70	2.78
London	2.19	2.20	2.09	1.79	1.52	1.37	1.32	1.34	1.14	1.28	1.26	1.51	1.58

In million 60-kg bags