

Arabica Prices Rise in March While Robusta Falls

In March 2020, prices for all Arabica group indicators increased due to concerns over the availability of that type of coffee while Robusta prices fell by 0.9% to 67.46 US cents/lb. The ICO composite indicator reversed its downward trend, rising by 6.9% to 109.05 US cents/lb. Global exports in February 2020 totalled 11.11 million bags, compared with 10.83 million bags in February 2019, but shipments in the first five months of coffee year 2019/20 decreased by 3.4% to 50.97 million bags. In 2019/20, world coffee consumption is estimated at 169.34 million bags, 0.7% higher than in 2018/19 as Covid-19 presents considerable downside risk to global coffee consumption. Currently demand is estimated to exceed production, projected at 168.86 million bags, by 0.47 million bags in coffee year 2019/20. However, the situation is evolving quickly and impacting both supply and demand. The Secretariat is closely monitoring the situation and will keep its Members and the wider coffee sector informed as new information and analysis becomes available.

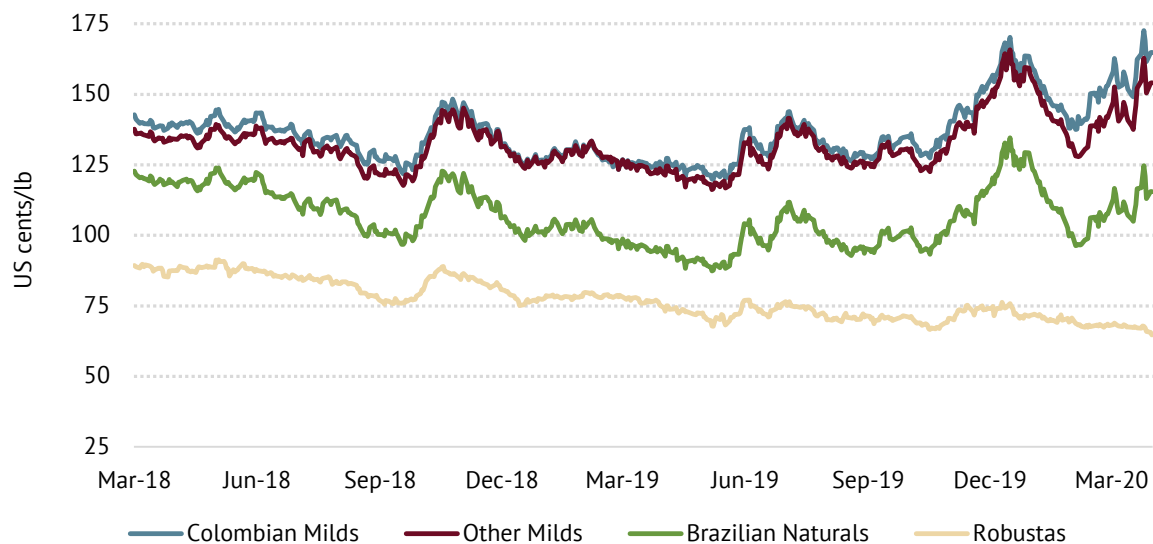
Figure 1: ICO composite indicator daily prices



After two months of decrease, the ICO composite indicator rose in March, averaging 109.05 US cents/lb, 6.9% higher than in February. This is the second highest monthly average in coffee year

2019/20. The daily price of the ICO Composite ranged between 103.22 US cents/lb on 17 March and 117.41 US cents/lb on 25 March. Concerns over disruptions to the supply chain – as March is usually a month of lower stock on-hand in countries with crop years commencing in April, particularly Brazil – pushed prices higher.

Figure 2: ICO group indicator daily prices



Prices for all Arabica group indicators rose in March 2020, while Robusta prices fell by 0.9% to 67.46 US cents/lb. Brazilian Naturals increased by 10% to 112.87 US cents/lb, Other Milds by 9.5% to 148.33 US cents/lb and Colombian Milds by 8.6% to 158.99 US cents/lb. The differential between Colombian Milds and Other Milds narrowed in March 2020, by 2.5% to 10.66 US cents/lb, after more than doubling in February 2020. Uncertainty about the immediate availability of washed Arabica kept prices firm for the Arabica group indicators.

Figure 3: Arbitrage between New York and London futures markets

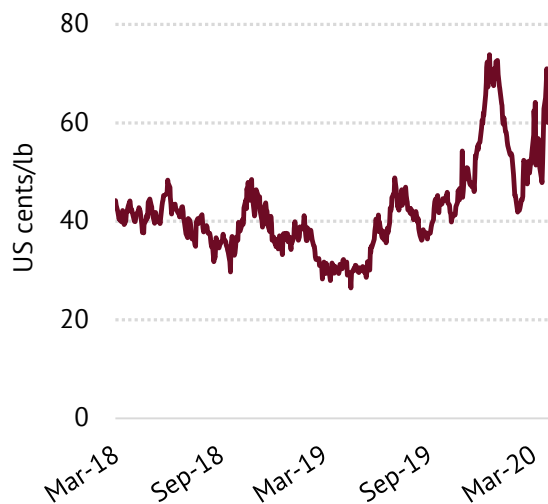
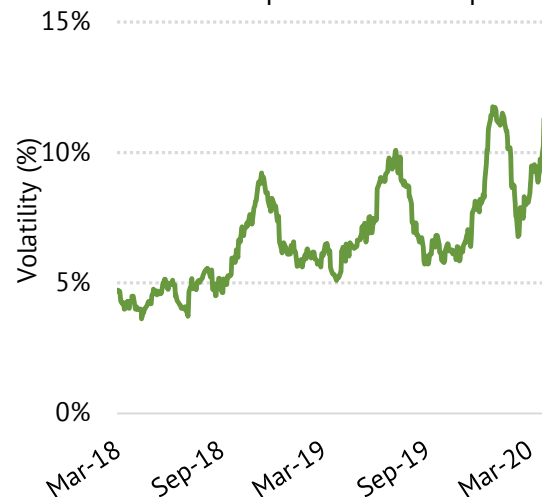


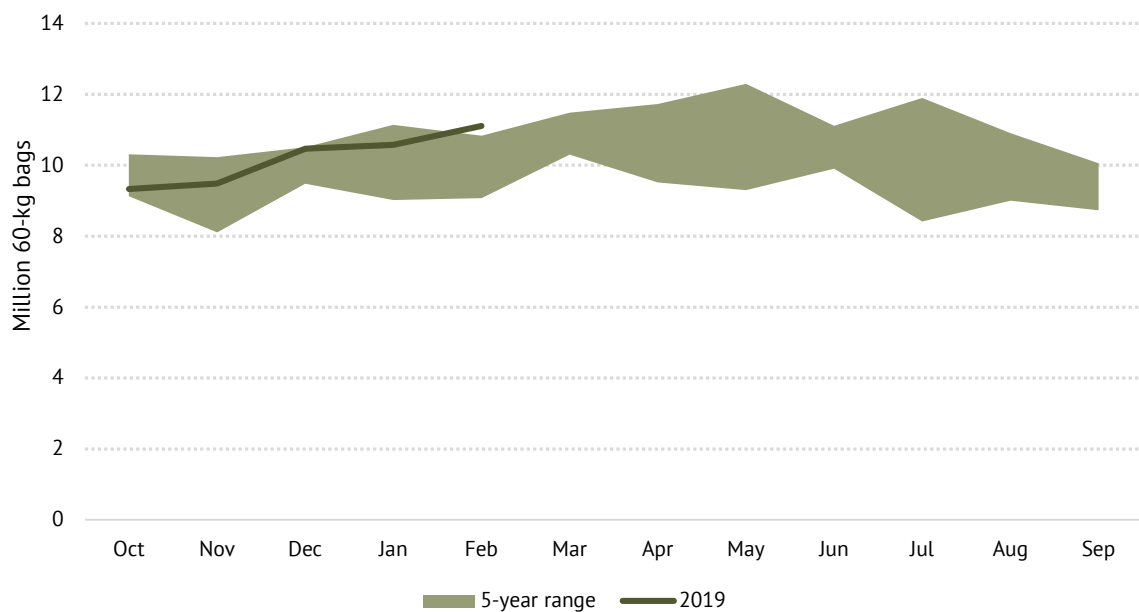
Figure 4: Rolling 30-day volatility of the ICO composite indicator price



The New York Arabica futures market rose by 8.8% to an average of 116.09 US cents/lb in March 2020, while the London Robusta futures market declined by 2.8% to 57.39 US cents/lb. As a result, the spread between Arabica and Robusta coffees, as measured on the New York and London futures markets, increased to 58.70 US cents/lb, which is 11.03 US cents/lb higher than in February. Certified Arabica stocks decreased by 6.1% month-on-month to 2.29 million bags in March 2020.

The volatility of the ICO composite indicator increased by 1.8 percentage points to 9.6% over the past month. The volatility of all Arabica indicators grew in March 2020. Other Milds rose by 3.5 percentage points to 11.5%, Brazilian Naturals by 2.6 percentage points to 13.1% and Colombian Milds by 2 percentage points to 10.5%. The Robusta group indicator volatility was 4.5%, a decrease of 2.3 percentage points from February 2020.

Figure 5: Global Exports



Global exports in February 2020 totalled 11.11 million bags, compared with 10.83 million in February 2019. Exports in the first five months of coffee year 2019/20 have decreased by 3.4% to 50.97 million bags compared to 52.78 million bags for the same period in 2018/19. Exports of Arabica decreased by 7.8% to 31.86 million bags in October 2019 through February 2020 while Robusta shipments increased by 4.8% to 19.1 million bags.

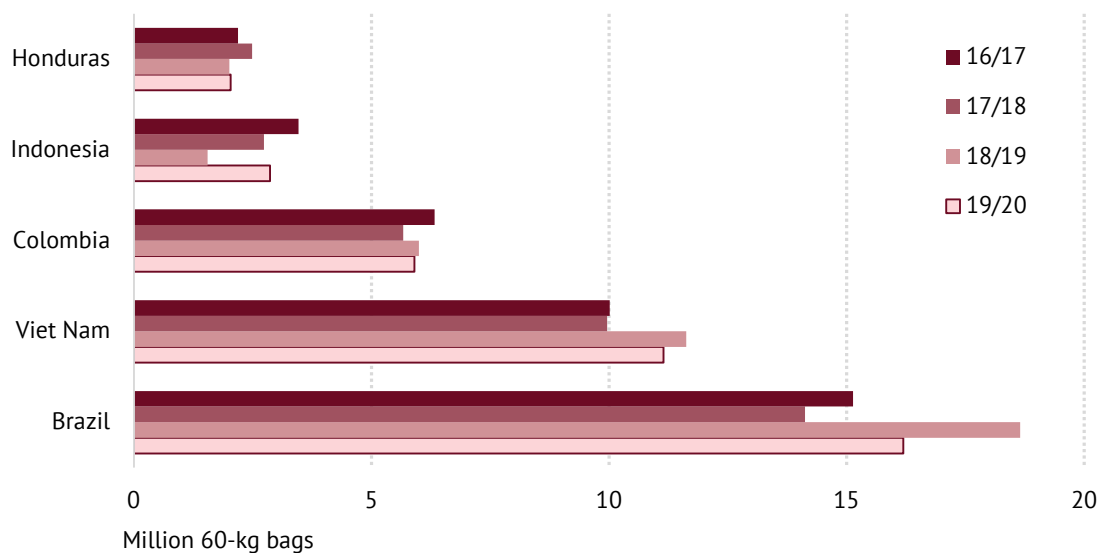
In February 2020, exports from Brazil decreased by 24.3% to 2.7 million bags compared to February 2019. Its shipments from October 2019 through February 2020 fell by 13.2% to 16.19 million bags compared to the same period in 2018/19. In 2019/20, Brazil's crop is estimated at 57 million bags, 12.2% lower than 2018/19. Arabica production, which typically accounts for around 65-70% of its total crop, is in the off-year of its biennial cycle for 2019/20,

leading to the downturn in total output this crop year. Typically harvesting of its new Robusta crop commences in April with Arabica activity beginning in June. However, delays may occur due to the spread of coronavirus making it more difficult to hire and manage labour for harvesting and transportation. This could result in lower shipments in the short-term, particularly since stocks are relatively low at the end of its 2019/20 crop year.

Viet Nam's exports in February 2020 rose by 51.4% to 2.8 million bags, though this compared with an exceptionally low volume in February 2019. Further, Viet Nam's exports in the first five months of the coffee year, however, are down 4.1% at 11.15 million bags. Since the start of the coffee year in October 2019, Robusta prices have fallen each month, except in November 2019, making it likely that farmers in Viet Nam are holding on to their coffee until prices rise. From 1 April, the Government of Viet Nam has implemented a social distancing policy to curb transmission of coronavirus. This is unlikely to have a large impact on production, estimated 4.4% higher at 31.2 million bags, as harvesting is mostly complete. However, this could impact shipments in the near-term.

In February 2020, shipments from Colombia declined by 13.4% to 1.08 million bags compared to February 2019. Its exports in the first five months of coffee year 2019/20 are 1.6% lower at 5.9 million bags. Production for Colombia is estimated 1.7% higher at 14.1 million bags in 2019/20. According to the National Federation of Coffee Growers of Colombia, 6.6 million bags were harvested through February, which is 8.8% higher than in the same period one year ago due to strong growth at the start of the season. There have been reports about lower availability of shipping containers passing through Colombia from China, which may have impacted exports in February. Additionally, its output was reported 9.5% lower at just over 1 million bags in February 2020 compared to February 2019. A country-wide 19-day lockdown was announced by Colombia's president from 25 March to slow the spread of coronavirus. Colombia's second *Mitaca* crop typically begins harvesting in April, which is likely to be impacted by the containment measures as well as fewer migrant labourers available from neighbouring countries.

Figure 6: Total Exports (October-February)



Indonesia's exports in February 2020 were 80.2% higher than one year ago, reaching 876,000 bags. Its shipments from October 2019 through February 2020 are 84.7% higher at 2.87 million bags. However, this follows exceptionally low volumes last year, when production fell by 13.2% to 9.42 million bags, the lowest output since 2011/12. Indonesian production is estimated 16.8% higher at 11 million bags in crop year 2019/20. At present, it is difficult to foresee how harvesting of the Robusta crop as well as exports may also be affected by Indonesia's policies related to the COVID-19 pandemic.

In February 2020, exports from Honduras declined by 2.8% to around 800,000 bags. Its shipments in the first five months of coffee year 2019/20 are estimated 1.6% higher at 2.04 million bags. Production in 2019/20 is estimated at 7.3 million bags, similar to the output in 2018/19, but 3.4% lower than the record volume of 7.56 million bags in 2017/18. Low prices have already had a negative impact on production in Honduras, but a nationwide curfew has been imposed since 20 March, which will have a negative impact on shipments. Harvesting for 2019/20 has already been completed by this time and will not begin again until much later in the year. In the near term, exports of coffee, particularly if there is a lower availability of shipping containers or fewer workers at ports, may be reduced.

In 2019/20, world coffee consumption is estimated at 169.34 million bags, 0.7% higher than in 2018/19 as Covid-19 presents considerable downside risk to global coffee consumption. Currently demand is estimated to exceed production, estimated at 168.86 million bags, by 0.47 million bags in 2019/20. However, the situation is evolving quickly impacting both supply and demand. On one hand, coffee consumption may contract as a result of the containment measures against the spread of coronavirus, particularly for out-of-home consumption.

Additionally, global economic growth in 2019 is expected to be much lower than initially forecast, accompanied by rising unemployment rates, further reducing demand and putting downward pressure on prices. On the other hand, disruptions to the supply chain both in shipping and harvesting could lead to temporary shortages in the supply, putting upward pressure on prices in the short term.

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							
Mar-19	97.50	125.23	123.89	95.81	76.96	98.84	68.61
Apr-19	94.42	124.42	121.13	92.47	73.28	95.31	65.06
May-19	93.33	124.40	120.55	91.95	71.12	94.86	62.45
Jun-19	99.97	133.49	129.73	100.69	74.02	104.44	65.41
Jul-19	103.01	137.63	135.47	105.43	73.93	109.01	64.83
Aug-19	96.07	129.20	126.23	95.85	70.78	99.87	60.90
Sep-19	97.74	131.90	128.89	98.73	70.64	102.81	60.31
Oct-19	97.35	132.09	126.99	98.10	68.63	102.41	58.34
Nov-19	107.23	146.12	140.98	109.94	73.28	113.31	63.00
Dec-19	117.37	161.50	157.11	126.36	73.22	131.44	63.87
Jan-20	106.89	147.52	142.19	110.73	70.55	117.05	61.03
Feb-20	102.00	146.43	135.50	102.62	68.07	106.69	59.02
Mar-20	109.05	158.99	148.33	112.87	67.46	116.09	57.39
% change between Feb-20 and Mar-20							
	6.9%	8.6%	9.5%	10.0%	-0.9%	8.8%	-2.8%
Volatility (%)							
Mar-20	9.6%	10.5%	11.5%	13.1%	4.5%	19.0%	7.5%
Feb-20	7.8%	8.5%	8.0%	10.5%	6.8%	10.5%	7.4%
Variation between Feb-20 and Mar-20							
	1.8	2.0	3.5	2.6	-2.3	8.5	0.1

* 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*
Mar-19	1.34	29.42	48.27	28.08	46.93	18.85	30.23
Apr-19	3.29	31.95	51.14	28.66	47.85	19.19	30.25
May-19	3.85	32.45	53.28	28.60	49.43	20.83	32.41
Jun-19	3.76	32.80	59.47	29.04	55.71	26.67	39.03
Jul-19	2.16	32.20	63.70	30.04	61.54	31.50	44.18
Aug-19	2.97	33.35	58.42	30.38	55.45	25.07	38.97
Sep-19	3.01	33.17	61.26	30.16	58.25	28.09	42.50
Oct-19	5.10	33.99	63.46	28.89	58.36	29.47	44.07
Nov-19	5.14	36.18	72.84	31.04	67.70	36.66	50.31
Dec-19	4.39	35.14	88.28	30.75	83.89	53.13	67.57
Jan-20	5.33	36.79	76.97	31.46	71.64	40.18	56.02
Feb-20	10.93	43.81	78.36	32.88	67.43	34.55	47.67
Mar-20	10.66	46.12	91.53	35.46	80.87	45.41	58.70
% change between Feb-20 and Mar-20							
	-2.5%	5.3%	16.8%	7.8%	19.9%	31.4%	23.1%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Coffee year commencing	2015	2016	2017	2018	2019*	% change 2018/19
PRODUCTION	154,797	158,471	162,570	169,988	168,864	-0.7%
Arabica	90,982	100,622	97,183	100,081	96,370	-3.7%
Robusta	63,815	57,849	65,386	69,906	72,494	3.7%
Africa	15,557	16,575	17,269	18,388	18,188	-1.1%
Asia & Oceania	49,484	45,652	48,408	48,064	50,649	5.4%
Mexico & Central America	17,106	20,322	21,725	21,345	21,694	1.6%
South America	72,651	75,921	75,167	82,191	78,333	-4.7%
CONSUMPTION	155 491	158 642	162 555	168 099	169 337	0.7%
Exporting countries	47 548	48 488	49 793	50 510	51 018	1.0%
Importing countries (Coffee Years)	107 943	110 154	112 763	117 589	118 319	0.6%
Africa	10 951	11 130	11 527	11 724	11 939	1.8%
Asia & Oceania	32 863	34 573	35 697	36 470	37 511	2.9%
Mexico & Central America	5 295	5 226	5 321	5 401	5 474	1.4%
Europe	52 147	52 045	53 148	55 731	55 395	-0.6%
North America	28 934	29 559	29 941	31 644	31 876	0.7%
South America	25 299	26 111	26 922	27 128	27 141	0.1%
BALANCE	-694	-172	14	1,889	-474	

In thousand 60-kg bags

*preliminary estimates

As the figures in this table are on a coffee year basis, these estimates will vary from the figures published in Table 1 of Coffee Production Report (<http://www.ico.org/prices/po-production.pdf>), which contains crop year data. For further details, see the explanatory note at the end of this report.

Table 4: Total exports from exporting countries

	Feb-19	Feb-20	% change	October-February		
				2018/19	2019/20	% change
TOTAL	10,835	11,110	2.5%	52,781	50,967	-3.4%
Arabicas	7,332	6,518	-11.1%	34,556	31,863	-7.8%
Colombian Milds	1,396	1,215	-12.9%	6,641	6,493	-2.2%
Other Milds	2,434	2,306	-5.3%	9,354	8,773	-6.2%
Brazilian Naturals	3,502	2,997	-14.4%	18,561	16,597	-10.6%
Robustas	3,503	4,592	31.1%	18,224	19,104	4.8%

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

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
New York	2.81	2.73	2.70	2.70	2.66	2.60	2.55	2.42	2.32	2.49	2.45	2.29
London	1.98	2.11	2.18	2.47	2.60	2.62	2.69	2.64	2.54	2.45	2.57	2.45

In million 60-kg bags

Explanatory Note for Table 3

For each year, the Secretariat uses statistics received from Members to provide estimates and forecasts for annual production, consumption, trade and stocks. As noted in paragraph 100 of document [ICC 120-16](#), these statistics can be supplemented and complemented by data from other sources when information received from Members is incomplete, delayed or inconsistent. The Secretariat also considers multiple sources for generating supply and demand balance sheets for non-Members.

The Secretariat uses the concept of the marketing year, that is the coffee year commencing on 1 October of each year, when looking at the global supply and demand balance. Coffee-producing countries are located in different regions around the world, with various crop years, i.e. the 12-month period from one harvest to the next. The crop years currently used by the Secretariat commence on 1 April, 1 July and 1 October. To maintain consistency, the Secretariat converts production data from a crop year basis to a marketing year basis depending on the harvest months for each country. Using a coffee year basis for the global coffee supply and demand, as well as prices ensures that analysis of the market situation occurs within the same time period.

For example, the 2014/15 coffee year began on 1 October 2014 and ended 30 September 2015. However, for producers with crop years commencing on 1 April, the crop year production occurs across two coffee years. Brazil's 2014/15 crop year began on 1 April 2014 and finished 31 March 2015, covering the first half of coffee year 2014/15. However, Brazil's 2015/16 crop year commenced 1 April 2015 and ended 31 March 2016, covering the latter half of coffee year 2014/15. In order to bring the crop year production into a single coffee year, the Secretariat would allocate a portion of the April-March 2014/15 crop year production and a portion of the April-March 2015/16 production into 2014/15 coffee year production.

It should be noted that while estimates for coffee year production are created for each individual country, these are made for the purpose of creating a consistent aggregated supply-demand balance for analytical purposes, and does not represent the production occurring on the ground within the individual countries.