



July 2020

Coffee prices rise in July after three months of decline

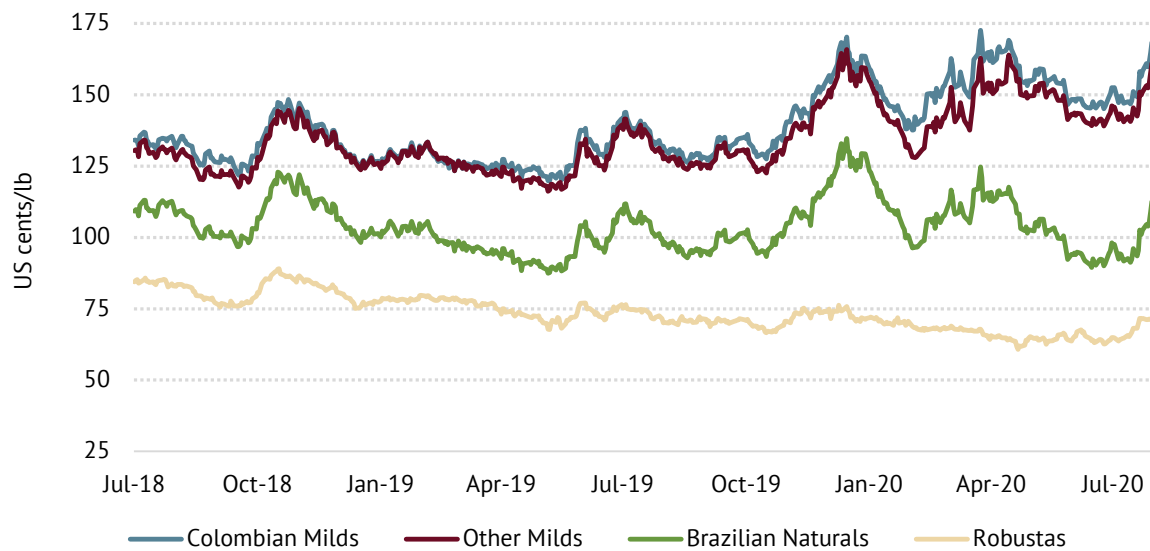
In July 2020, the ICO composite indicator increased by 4.7% to an average of 103.66 US cents/lb, following three months of declines. Prices for all coffee groups rose in July 2020, though the largest month-on-month increase occurred for Brazilian Naturals, which grew by 5.8% to 97.96 US cents/lb. Global exports in June 2020 amounted to 10.57 million bags, 5.3% lower than June 2019 while shipments in the first nine months of coffee year 2019/20 reached 95.36 million bags, 5.1% lower than the same period last year. The majority of coffee continues to be exported as green coffee, accounting for 90.4% of total coffee shipped between October 2019 and June 2020. Soluble coffee shipments accounted for 9.1%, of the total, an increase of 1 percentage point from one year ago, while roasted coffee shipments represented just 0.5%. A 2.9% decrease in global production to 168.01 million bags has contributed to the lower volume of shipments.

Figure 1: ICO composite indicator daily prices



After falling in each of the last three months, **the monthly average of the ICO composite indicator rose by 4.7% to 103.66 US cents/lb in July 2020**. The daily composite indicator reached a low of 98.59 US cents/lb on 10 July before climbing to 114.25 US cents/lb on the last day of the month. Strengthening of the Brazilian Real in the second half of the month supported prices in July as well as concerns over temporary tightness in supply.

Figure 2: ICO group indicator daily prices



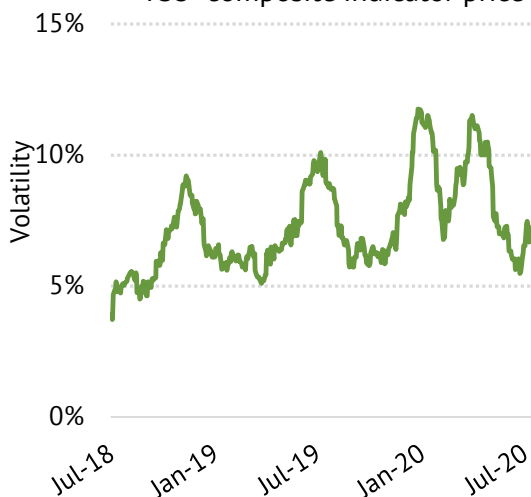
Prices for all group indicators rose in July 2020. The largest increase occurred in the average price for Brazilian Naturals, which grew by 5.8% to 97.96 US cents/lb. Colombian Milds increased by 4.2% to 153.38 US cents/lb while Other Milds rose by 3.7% to 146.78 US cents/lb. As a result, the differential between Colombia Milds and Other Milds increased by 17% to an average of 6.60 US cents/lb. The monthly average Robusta price increased by 4.8% to 67.69 US cents/lb.

The average arbitrage in July, as measured on the New York and London futures markets, rose by 7.9% to 48.28 US cents/lb. Additionally, volatility of the ICO composite indicator price increased by 1.5 percentage points to 7.6%. The volatility for Colombian Milds and Other Milds both increased by 1.1 percentage points to 6.7% and 6.9%, respectively. Brazilian Naturals volatility rose by 2.8 percentage points to 11.5%, while the volatility for Robustas decreased by 0.3 percentage point to 6.3%.

Figure 3: Arbitrage between New York and London futures markets



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



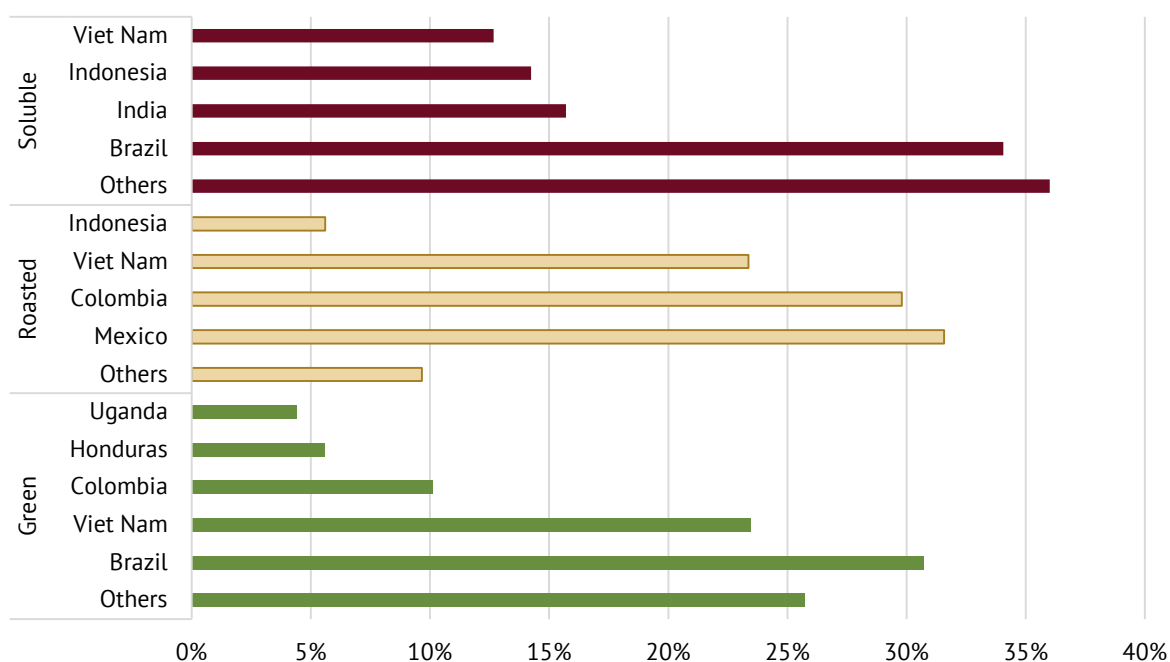
Global coffee production in coffee year 2019/20 is estimated at 168.01 million bags, a decrease of 2.9% from 2018/19. Arabica output is estimated to fall by 5.4% to 95.37 million bags, due to a decline in production in seven of the ten largest Arabica producers, while Robusta production is estimated to increase by 0.5% to 72.63 million bags. Global coffee consumption is estimated to rise by 0.3% to 168.49 million bags, which is below the average annual growth rate of 2.2% over the last two decades. Strong growth at the start of the season is expected to be offset by a global economic slowdown.

In June 2020, world coffee exports fell by 5.3% to 10.57 million bags compared to June 2019, due in part to lower production. Shipments of Arabica fell by 10% to 6.42 million bags, but Robusta exports increased by 3% to 4.15 million bags compared to June 2019. Global exports in the first nine months of coffee year 2019/20 decreased by 5.1% to 95.36 million bags. Shipments of Other Milds shrank by 8.2% to 19.11 million bags in October 2019 to June 2020. Brazilian Naturals decreased by 7.8% to 28.84 million bags while Colombian Milds exports fell by 7.2% to 10.53 million bags in the first nine months of the coffee year. Robusta shipments reached 36.88 million bags, 0.4% lower than in October 2018 to July 2019.

In the first nine months of coffee year 2019/20, green coffee exports represented 90.4% of total exports, amounting to 86.2 million bags. This current trend is only slightly lower than that observed three decades ago, when green exports accounted for around 95% of total exports, indicating that much of the value addition remains in importing countries. Soluble coffee shipments accounted for 9.1%, of the total, an increase of 1 percentage point from one year ago, while roasted coffee shipments represented just 0.5%. Total exports of soluble coffee reached 8.64 million bags and roasted coffee exports reached 509,000 bags in the first nine months of coffee year 2019/20.

In October 2019 to June 2020, Brazil shipped 26.48 million bags of green coffee, 9.5% lower than the same period one year ago, and accounted for around 30.7% of all green coffee shipments. Green coffee exports from Viet Nam reached 20.22 million bags in the first nine months of coffee year 2019/20, representing 23.5% of the total and making it the second largest exporter of green coffee. Colombia's green coffee exports fell by 7.4% to 8.72 million bags and shipments from Honduras declined by 14.1% to 4.81 million bags. However, green exports from both Uganda and Indonesia rose, increasing by 20.6% to 3.79 million bags and by 30.2% to 3.37 million bags, respectively. The main destinations for green coffee were the United States, Germany, Italy, Belgium, and Japan in October 2018 to July 2019.

Figure 5: Share of exports by origin



Mexico, Colombia, Viet Nam, Indonesia, and Brazil represent the five largest exporters of roasted coffee among coffee producing countries, accounting for 93.1% of total roasted coffee exports in the first nine months of coffee year 2019/20. Mexico shipped 161,000 bags of roasted coffee while Colombia exported 152,000 bags. Viet Nam's exports of roasted coffee declined by 52.3% to 119,000 bags, and Brazil's shipments of roasted coffee by 25.4% to 14,200 bags. However, Indonesia's exports of roasted coffee more than tripled to 28,600 bags. The United States was the main destination for shipments of roasted coffee, accounting for around 45.7% of the total during the first nine months of 2019/20.

Brazil was the largest exporter of soluble coffee in October 2019 to June 2020, with shipments reaching 2.94 million bags, 1.8% lower than the same period one year ago. India exported 1.36 million bags, 5.3% lower than the first nine months of coffee year 2018/19. Soluble exports from Indonesia rose by 47.3% to 1.23 million bags and Viet Nam's soluble shipments grew by

11% to 1.09 million bags. Mexico's soluble exports rose by 11.8% to 670,00 bags and Colombia's exports by 2.4% to 630,000 bags. These six countries accounted for 91.7% of total soluble shipments in the first nine months of coffee year 2019/20. The United States, the Philippines, the Russian Federation, Poland and Malaysia were the main destinations for soluble shipments in October 2019 to June 2020.

Table 1: ICO daily indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
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
Apr-20	108.91	161.92	154.52	111.22	63.97	115.55	54.40
May-20	104.45	154.96	149.84	101.69	64.53	107.54	54.67
Jun-20	99.05	147.16	141.52	92.56	64.62	99.50	54.77
Jul-20	103.66	153.38	146.78	97.96	67.69	106.20	57.92
% change between Jun-20 and Jul-20							
	4.7%	4.2%	3.7%	5.8%	4.8%	6.7%	5.8%
Volatility (%)							
Jul-20	7.6%	6.7%	6.9%	11.5%	6.3%	10.8%	7.5%
Jun-20	6.1%	5.6%	5.8%	8.7%	6.6%	8.5%	7.5%
Variation between Jun-20 and Jul-20							
	1.5	1.1	1.1	2.8	-0.3	2.3	0.0

* Average prices 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*
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
Apr-20	7.40	50.70	97.95	43.30	90.55	47.25	61.15
May-20	5.12	53.27	90.43	48.15	85.31	37.16	52.87
Jun-20	5.64	54.60	82.54	48.96	76.90	27.94	44.73
Jul-20	6.60	55.42	85.69	48.82	79.09	30.27	48.28
% change between Jun-20 and Jul-20							
	17.0%	1.5%	3.8%	-0.3%	2.8%	8.3%	7.9%

* Average prices for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Coffee year commencing	2015	2016	2017	2018	2019*	% change 2018/19
PRODUCTION	157 160	160 690	166 466	173 092	168 006	-2.9%
Arabica	91 083	100 686	97 461	100 852	95 371	-5.4%
Robusta	66 077	60 004	69 006	72 240	72 634	0.5%
Africa	15 567	16 516	17 299	18 928	18 536	-2.1%
Asia & Oceania	51 837	47 930	52 203	50 053	50 522	0.9%
Mexico & Central America	17 106	20 322	21 725	21 733	20 833	-4.1%
South America	72 651	75 921	75 240	82 379	78 115	-5.2%
CONSUMPTION	155 478	158 124	159 954	167 936	168 492	0.3%
Exporting countries	47 548	48 488	49 793	50 374	50 303	-0.1%
Importing countries (Coffee Years)	107 930	109 636	110 161	117 562	118 189	0.5%
Africa	10 938	10 843	9 808	11 062	11 135	0.7%
Asia & Oceania	32 863	34 395	34 832	36 566	36 642	0.2%
Mexico & Central America	5 295	5 172	5 252	5 321	5 326	0.1%
Europe	52 147	52 045	53 199	56 052	56 287	0.4%
North America	28 934	29 559	29 941	31 779	31 983	0.6%
South America	25 299	26 111	26 922	27 156	27 120	-0.1%
BALANCE	1 682	2 566	6 513	5 156	-486	

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 by exporting countries

	Jun-19	Jun-20	% change	October-June		
				2018/19	2019/20	% change
TOTAL	11 153	10 565	-5.3%	100 463	95 356	-5.1%
Arabicas	7 128	6 418	-10.0%	63 448	58 481	-7.8%
Colombian Milds	1 218	1 203	-1.3%	11 352	10 533	-7.2%
Other Milds	2 908	2 653	-8.8%	20 822	19 111	-8.2%
Brazilian Naturals	3 002	2 563	-14.6%	31 274	28 837	-7.8%
Robustas	4 025	4 147	3.0%	37 016	36 875	-0.4%

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

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
New York	2.66	2.60	2.55	2.42	2.32	2.49	2.45	2.29	2.11	2.01	1.90	1.83
London	2.60	2.62	2.69	2.64	2.54	2.45	2.57	2.44	2.31	2.18	1.99	1.90

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.