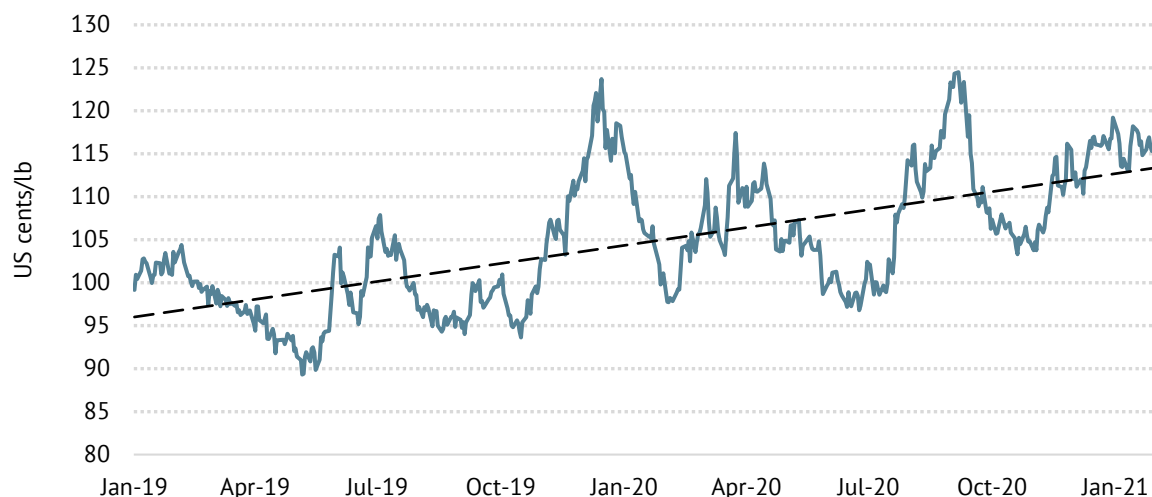


## Arabica prices continue to rise in January while Robusta falls

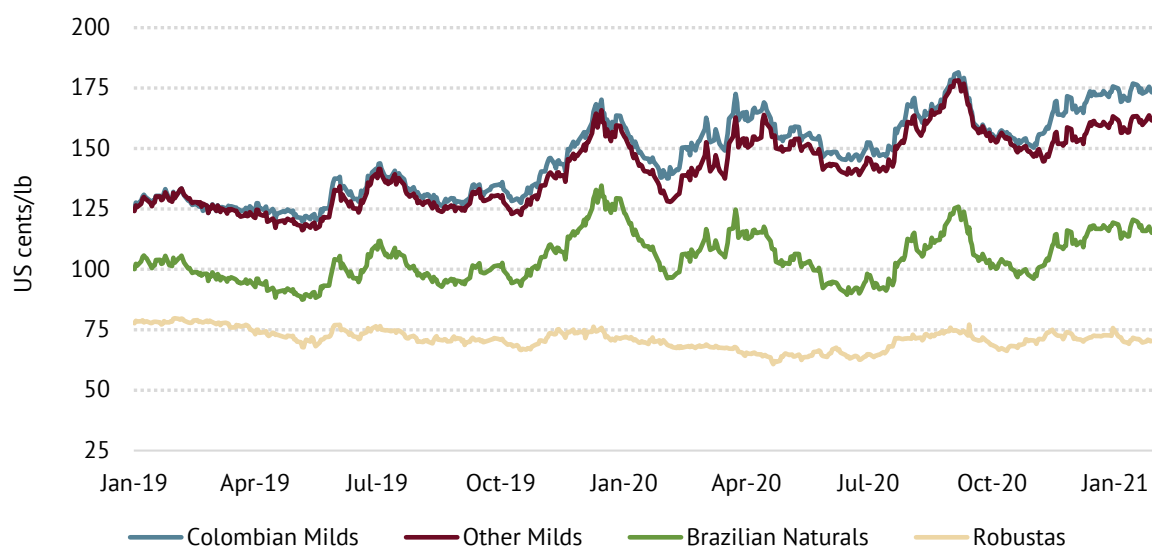
*The ICO composite indicator continued to climb in January 2021, averaging 115.73 US cents/lb, 0.9% higher than last month. Prices for all Arabica indicators rose in January, while Robusta prices decreased by 1.8% to 70.71 US cents/lb. Exports in the first three months of coffee year 2020/21 were 31.59 million bags, 6.1% higher than in October to December 2019. In coffee year 2020/21, global production is estimated to rise by 1.9% to 171.9 million bags with Arabica production growing by 5.2% to 101.88 million bags. World coffee consumption is projected to increase by 1.3% to 166.63 million bags in 2020/21 as social distancing measures remain in place, limiting out-of-home consumption, and the global economy slowly recovers. While demand is expected to recover, the expected increase in global production could lead to a projected surplus of 5.27 million bags at the end of coffee year 2020/21. While current projections would negatively impact prices this year, the covid-19 pandemic remains an unprecedented and swiftly evolving situation.*

Figure 1: ICO composite indicator daily prices



**The monthly average of the ICO composite indicator rose by 0.9% to 115.73 US cents/lb in January 2021.** The daily composite indicator fell to a low of 113.01 US cents/lb on 12 January before rebounding to a high of 118.19 US cents/lb on 15 January. The daily price remained at a similar level in the second half of the month, ranging between 114.82 and 117.71 US cents/lb. Prices in January were supported by weather concerns over Brazil's next off-year Arabica crop in 2021/22 and the impact of the hurricanes in Central America.

Figure 2: ICO group indicator daily prices



**Prices for all Arabica group indicators rose in January 2021.** The average price for Colombian Milds rose by 1.7% to 173.42 US cents/lb. The average price for Other Milds rose by 1.8% to 160.69 US cents/lb. As a result, the differential between Colombia Milds and Other Milds widened by 0.8% to 12.73 US cents/lb, which is the largest difference since June 2012 when it reached 15.98 US cents/lb. The average price for Brazilian Naturals grew by 1.5% to 116.69 US cents/lb, while Robusta prices averaged 70.71 US cents/lb, 1.8% lower than in December 2020.

**The average arbitrage in January, as measured on the New York and London futures markets, rose by 8.1% to 67.05 US cents/lb.** Stocks of certified Arabica increased by 15.1% to 1.75 million bags in January 2021, which is the fourth consecutive month of increase. Certified Robusta stocks amounted to 2.4 million bags, 3.9% higher than in December 2020.

**The volatility of the ICO composite indicator price decreased by 1.4 percentage points to 7%** as the volatility for all Arabica indicators decreased, while the volatility for Robusta prices was 7.7%, 1.6 percentage points higher than in December 2020. The volatility for Colombian Milds fell by 1.9 percentage points to 6.7%, for Other Milds by 2.1 percentage points to 7.1%. and for Brazilian Naturals by 2.9 percentage points to 9.3% in January 2021.

Figure 3: Arbitrage between New York and London futures markets

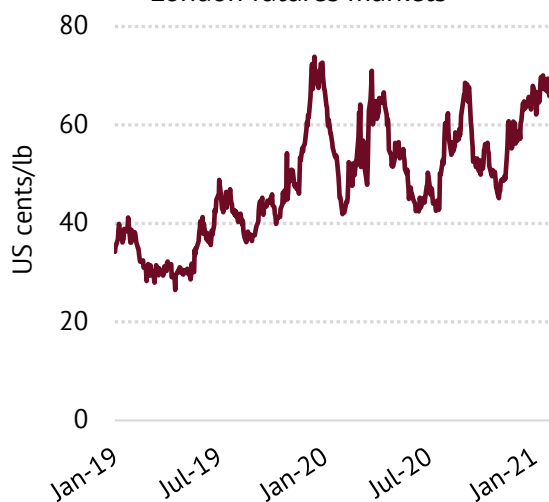
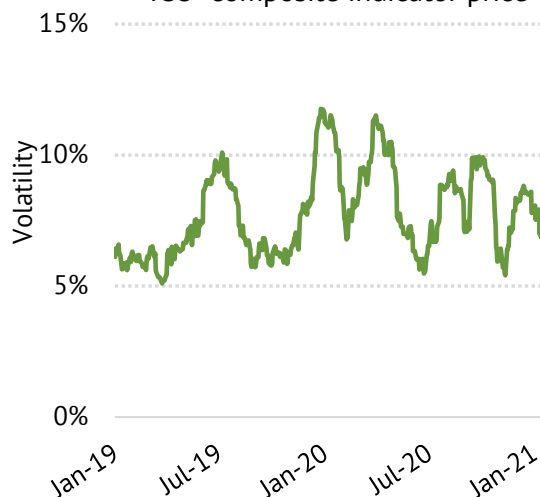


Figure 4: Rolling 30-day volatility of the ICO composite indicator price

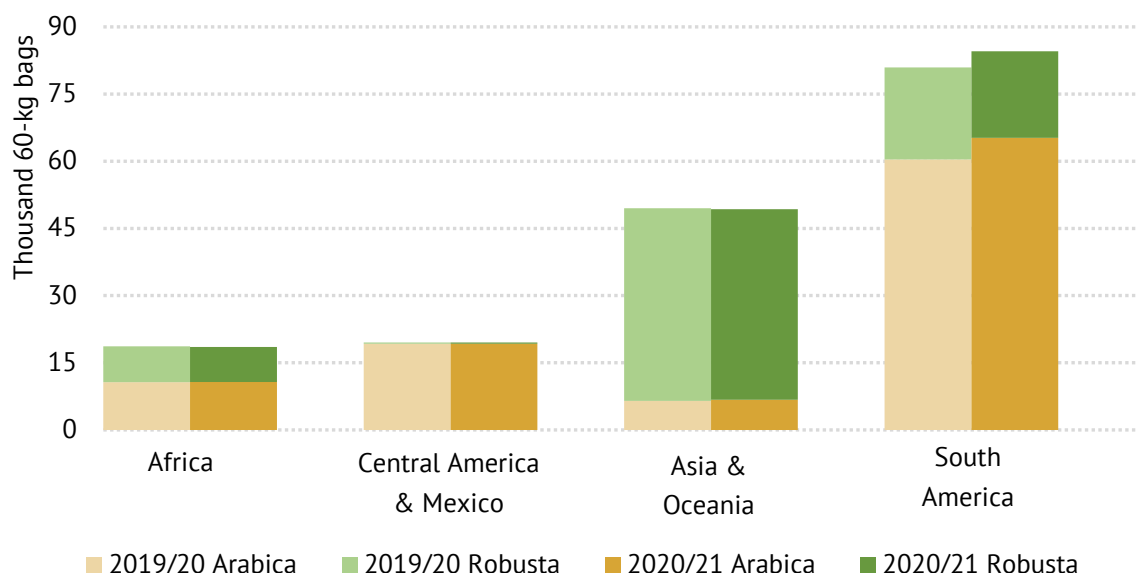


**Global exports in December 2020 reached 10.97 million bags, which represents an increase of 1.5% compared to December 2019.** Shipments in the first three months of coffee year 2020/21 were 31.59 million bags, 6.1% higher than in October to December 2019. During this period, exports of Arabica rose by 14.1% to 20.95 million bags and Robusta shipments declined by 6.8% to 10.64 million bags.

In 2019/20 global coffee production is estimated at 168.68 million bags, 0.9% lower than the previous year due largely to the decline in Arabica production from Brazil. **In 2020/21, world coffee production is projected to rise by 1.9% to 171.9 million bags.** Arabica production in 2020/21 is estimated to grow by 5.2% to 101.88 million bags, reflecting the increase in Brazil's Arabica production, which is in the on-year of the biennial cycle, as well as expected growth from other major Arabica producers, such as Colombia. However, Robusta production is projected to decline by 2.6% to 70.02 million bags, due largely to a decrease in Viet Nam's output.

**After rising by 0.5% to 18.68 million bags in 2019/20, Africa's output in 2020/21 is projected to fall by 0.8% to 18.54 million bags.** Ethiopia is the world's fifth largest and Africa's largest producer of coffee. In coffee year 2020/21, its output is projected to increase by 0.4% to 7.38 million bags due to improved rainfall and newer trees coming into production. Uganda is the region's second largest producer, and its harvest is forecast to rise by 2% to 5.62 million bags, which would be the third consecutive year of increase. New trees coming into production continue to boost Uganda's overall output and the beneficial weather during the growing season is contributing to the larger harvest in 2020/21. Production in Côte d'Ivoire, the region's third largest producer, is estimated to fall by 8% to 1.78 million bags.

Figure 5: Production in coffee year by type



**Output from Asia & Oceania is estimated to contract by 0.4% to 49.27 million bags in 2020/21.**

The harvest in Viet Nam, the world’s second largest and the region’s largest producer, is projected to fall by 4.9% to 29 million bags. Insufficient rainfall and low prices, which discouraged farmers from investing in coffee, are contributing to the lower production. However, output from Indonesia is estimated to increase by 5.1% to 12.27 million bags, and its exports during the first nine months of its 2020/21 crop year increased 11.2% to 5.54 million bags. After decreasing by 19.4% over the last three years, output from India is expected to grow by 14.7% to 5.7 million bags as a result of sufficient rainfall compared to droughts in previous years, though the impact of heavy rains during the monsoon season may affect the yield or quality of the crop.

**After declining in the previous two years, production in Central America & Mexico is projected to remain stable at 19.54 million bags in 2020/21.**

At the start of the year, parts of the region were severely affected by hurricanes Iota and Eta, which will likely impact production in the region as it recovers. Honduras is the region’s largest producer, and its output is estimated to rise by 2.8% to 6.1 million bags, following a 21.5% decrease in the last two seasons. To encourage production, the Government of Honduras provided fertilizer to farmers, and beneficial weather during the growing seasons should help yields. While the full impact of the hurricanes is still being assessed, the initial evaluation noted that around 3% of producing areas were totally or partially affected, and that destruction of infrastructure also increased risk of loss. Mexico’s harvest could increase by 0.8% to 4 million bags. Production in Guatemala is estimated to grow by 4% to 3.75 million bags.

**Offsetting losses in other regions, production in South America is anticipated to grow by 4.4% to 84.54 million bags in 2020/21, accounting for 49.2% of global production.**

Brazil’s output is estimated to grow by 12.5% in the current crop year to 69.58 million bags. Its Arabica crop is in

an on-year of the biennial cycle and good weather has further boosted yields. Its exports in the first nine months of its crop year reached 34.53 million bags, 13.1% higher than in 2019/20 and 24.6% higher compared to 2018/19. Colombia's output is projected to grow by 1.4% to 14.3 million bags. There were concerns that La Niña would negatively impact production, particularly for the *mitaca* crop, which have not come to fruition. Further, higher domestic prices, particularly as the Colombian peso has depreciated against the US dollar has encouraged farmers to harvest their coffee, and recently renovated plantations coming into production has improved yields.

After rising by 4.4% to 168.49 million bags in 2018/19, **global coffee consumption is estimated to have decreased by 2.4% to 164.53 million bags in 2019/20**. The decline in global coffee demand stemmed from the downturn in the global economy coupled with losses in out-of-home consumption as social distancing measures and lockdowns were in place throughout much of the coffee year.

In 2020/21, global demand for coffee is expected to stage a limited recovery as social distancing measures remain in place and the global economy slowly picks up. **World coffee consumption is projected to increase by 1.3% to 166.63 million bags**. Consumption in Africa is estimated to grow by 1.8% to 12.24 million bags, in Asia & Oceania, by 1.4% to 36.5 million bags and in Central America & Mexico, by 0.2% to 5.36 million bags. Coffee demand in Europe is projected to grow by 1.2% to 54.35 million bags. North America's coffee consumption is estimated to rise by 1.4% to 30.99 million bags, while consumption in South America is projected to increase by 1% to 27.18 million bags.

**The larger increase in global production against the limited recovery in consumption leads to a projected surplus of 5.27 million bags at the end of coffee year 2020/21.** Tightness in supplies at the start of the year, due in part to delays in harvesting as well as concerns over the impact from hurricanes Eta and Iota have helped to push up prices in the short-term. However, this is unlikely to last throughout the year as more of the current crop as well as ample supplies from Brazil's on-year crop in 2020/21 reach the market. This could limit further increases in coffee prices later in the coffee year unless demand recovers more quickly than currently anticipated.

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

	ICO Composite	Colombian Milds	Colombian Other Milds	Brazilian Naturals	Brazilian Robustas	New York*	London*
<b>Monthly averages</b>							
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
Aug-20	114.78	167.22	163.25	111.79	72.68	120.98	62.89
Sep-20	116.25	168.36	166.56	113.81	72.77	122.08	63.35
Oct-20	105.85	154.28	152.06	100.37	68.36	110.70	59.14
Nov-20	109.70	161.21	150.73	106.41	72.38	115.48	62.82
Dec-20	114.74	170.44	157.81	114.96	72.04	124.46	62.41
Jan-21	115.73	173.42	160.69	116.69	70.71	127.59	60.54
<b>% change between Dec-20 and Jan-21</b>							
	0.9%	1.7%	1.8%	1.5%	-1.8%	2.5%	-3.0%
<b>Volatility (%)</b>							
Jan-21	7.0%	6.7%	7.1%	9.3%	7.7%	9.5%	5.1%
Dec-20	8.4%	8.6%	9.2%	12.2%	6.1%	11.9%	6.5%
<b>Variation between Dec-20 and Jan-21</b>							
	-1.4	-1.9	-2.1	-2.9	1.6	-2.4	-1.4

\* 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*
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
Aug-20	3.97	55.43	94.54	51.46	90.57	39.11	58.09
Sep-20	1.80	54.55	95.59	52.75	93.79	41.04	58.73
Oct-20	2.22	53.91	85.92	51.69	83.70	32.01	51.56
Nov-20	10.48	54.80	88.83	44.32	78.35	34.03	52.66
Dec-20	12.63	55.48	98.40	42.85	85.77	42.92	62.05
Jan-21	12.73	56.73	102.71	44.00	89.98	45.98	67.05
<b>% change between Dec-20 and Jan-21</b>							
	0.8%	2.3%	4.4%	2.7%	4.9%	7.1%	8.1%

\* Average prices for 2nd and 3rd positions

**Table 3: World Supply/Demand Balance**

Coffee year commencing	2016	2017	2018	2019	2020*	% change 2019/20
<b>PRODUCTION</b>	<b>160 608</b>	<b>167 868</b>	<b>170 242</b>	<b>168 678</b>	<b>171 896</b>	<b>1.9%</b>
Arabica	99 940	98 187	99 873	96 816	101 875	5.2%
Robusta	60 668	69 680	70 368	71 862	70 021	-2.6%
Africa	16 839	17 461	18 579	18 681	18 539	-0.8%
Asia & Oceania	47 930	52 203	48 163	49 493	49 274	-0.4%
Mexico & Central America	20 322	21 752	21 636	19 542	19 544	0.0%
South America	75 516	76 453	81 864	80 963	84 539	4.4%
<b>CONSUMPTION</b>	<b>158 781</b>	<b>161 377</b>	<b>168 491</b>	<b>164 530</b>	<b>166 628</b>	<b>1.3%</b>
Exporting countries	48 334	49 686	50 244	50 002	50 664	1.3%
Importing countries (Coffee Years)	110 447	111 691	118 247	114 528	115 964	1.3%
Africa	10 702	11 087	12 017	12 020	12 240	1.8%
Asia & Oceania	35 068	34 903	36 472	36 002	36 503	1.4%
Mexico & Central America	5 193	5 273	5 431	5 352	5 364	0.2%
Europe	52 148	53 251	55 637	53 680	54 349	1.2%
North America	29 559	29 941	31 779	30 580	30 993	1.4%
South America	26 111	26 922	27 156	26 898	27 180	1.0%
<b>BALANCE</b>	<b>1 827</b>	<b>6 491</b>	<b>1 750</b>	<b>4 148</b>	<b>5 268</b>	

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**

	Dec-19	Dec-20	% change	October-December		
				2019/20	2020/21	% change
<b>TOTAL</b>	<b>10 812</b>	<b>10 970</b>	<b>1.5%</b>	<b>29 785</b>	<b>31 594</b>	<b>6.1%</b>
Arabicas	6 125	7 031	14.8%	18 367	20 955	14.1%
Colombian Milds	1 512	1 460	-3.4%	4 108	3 940	-4.1%
Other Milds	1 719	1 445	-16.0%	4 614	4 176	-9.5%
Brazilian Naturals	2 894	4 126	42.6%	9 644	12 839	33.1%
Robustas	4 687	3 939	-15.9%	11 418	10 640	-6.8%

In thousand 60-kg bags

Monthly trade statistics are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

**Table 5: Certified stocks on the New York and London futures markets**

	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
New York	2.45	2.29	2.11	2.01	1.90	1.82	1.45	1.26	1.30	1.40	1.52	1.75
London	2.57	2.44	2.31	2.18	1.99	1.90	1.85	1.85	2.04	2.24	2.31	2.40

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.