

Coffee Market Report

February 2021

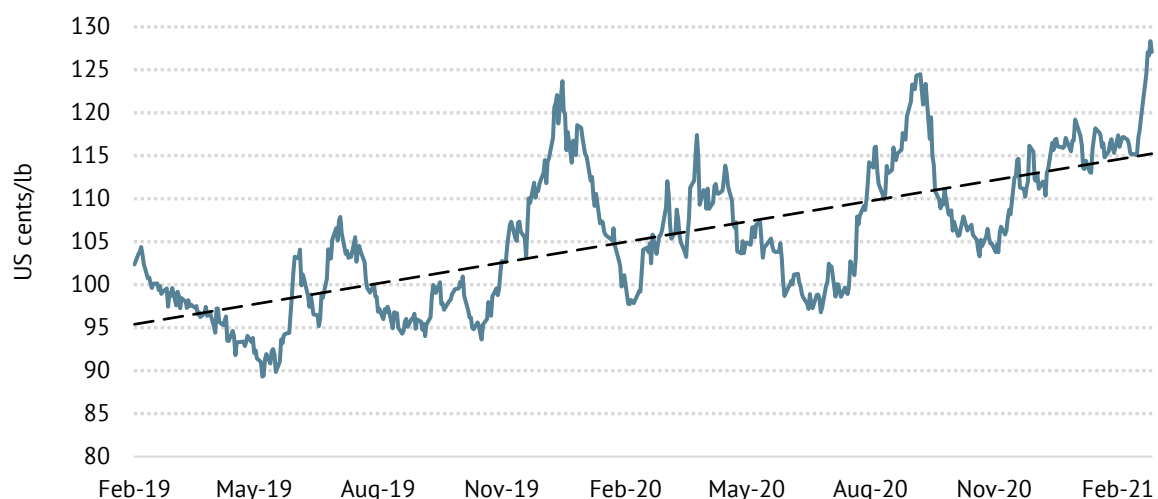


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ICO composite indicator increases for the 4th consecutive month

In February 2021, the ICO composite indicator continued its upward trend, averaging 119.35 US cents/lb as prices for all group indicators rose. This is the highest monthly average since October 2017 when the ICO composite indicator reached 120.01 US cents/lb. Global exports in January 2021 totaled 10.21 million bags, compared with 10.59 million bags in January 2020, and shipments in the first four months of coffee year 2020/21 increased by 3.7% to 41.88 million bags. Exports from the world's largest coffee-producing region, South America, increased by 15.5% to 23.26 million bags as shipments from Brazil grew by 24.3% to 16.77 million bags. However, exports from the other three regions declined in October 2020 to January 2021. Shipments from Asia & Oceania decreased by 3.9% to 12.19 million bags. Africa's exports decreased 13% to 3.81 million bags as shipments from three of the region's five largest producers declined. Shipments from Central America & Mexico fell by 17.5% to 2.62 million bags as parts of the region were severely affected by hurricanes Iota and Eta.

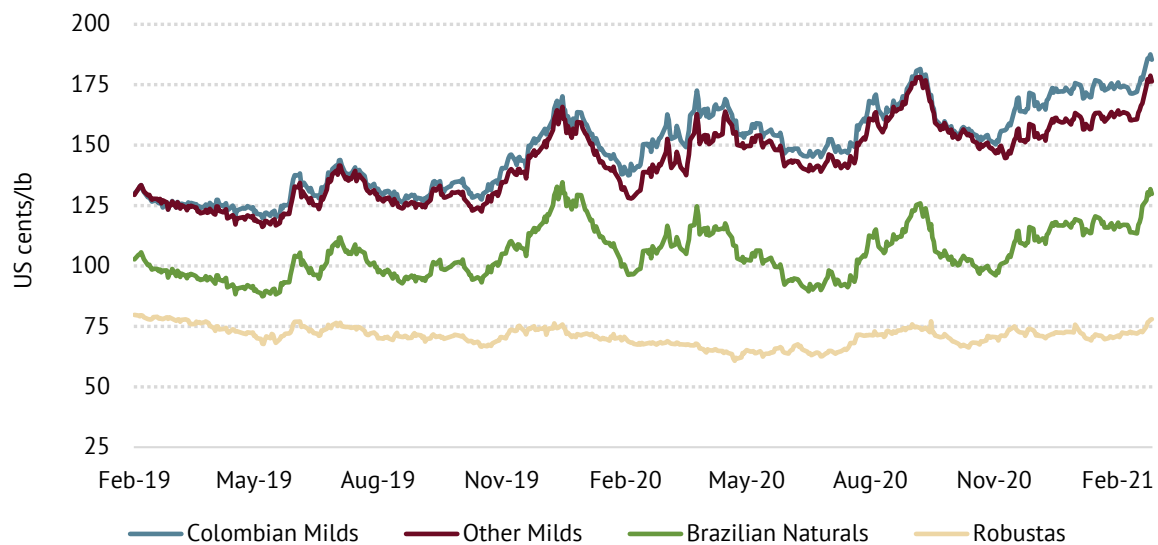
Figure 1: ICO composite indicator daily prices



The monthly average of the ICO composite indicator rose by 3.1% to 119.35 US cents/lb in February 2021, representing the fourth consecutive month of increase. The daily composite indicator remained stable in the first half of the month, reaching a low of 115.07 US cents/lb on 15 February. However, in the final week of the month, prices rose sharply and reached a high of 128.34 US cents/lb on 25 February. Prices in February were supported by tightening supplies, as

well as expectations of a deficit in the next season due to high temperatures and low rainfall in Brazil. Commodities, by and large, have been rallying as markets continue to factor in vaccine-related optimism and recent container shortages.

Figure 2: ICO group indicator daily prices



Prices for all group indicators rose in February 2021. Prices for Robusta coffee experienced the largest increase, rising by 3.8% to 73.37 US cents/lb, which is the highest monthly average since July 2019. The average price for Colombian Milds rose by 2% to 176.96 US cents/lb, and the average price for Other Milds grew by 3.6% to 166.43 US cents/lb. As a result, the differential between Colombian Milds and Other Milds fell by 17.3% to 10.53 US cents/lb. The average price for Brazilian Naturals reached 120.06 US cents/lb, 2.9% higher than in January 2021.

The average arbitrage in February, as measured on the New York and London futures markets, decreased by 0.6% to 66.62 US cents/lb. Stocks of certified Arabica declined by 3.4% to 1.69 million bags in February 2021, after increasing in the previous four months. Certified Robusta stocks amounted to 2.41 million bags, 0.4% higher than in January 2021.

The volatility of the ICO composite indicator price decreased by 1.2 percentage points to 5.8% as the volatility for all indicators decreased, a further reduction from January 2021 when volatility was 7%. In February 2021, the volatility for Colombian Milds and Other Milds both fell by 1.2 percentage points to 5.5% and 5.9%, respectively. The volatility for Brazilian Naturals decreased by 1.3 percentage points to 8% while the volatility for Robusta prices was 6.4%, 1.3 percentage points lower than in January 2021.

Figure 3: Arbitrage between New York and London futures markets

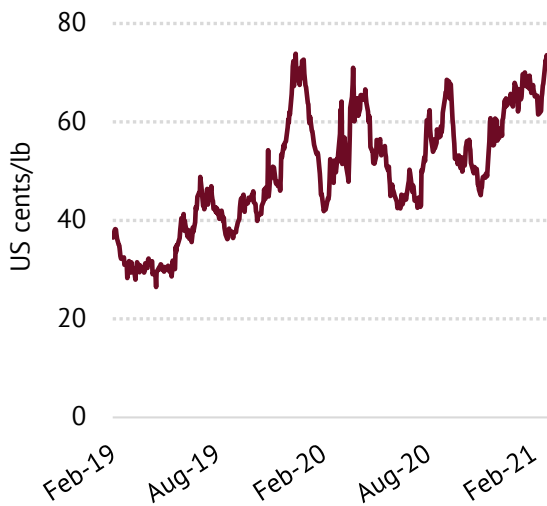
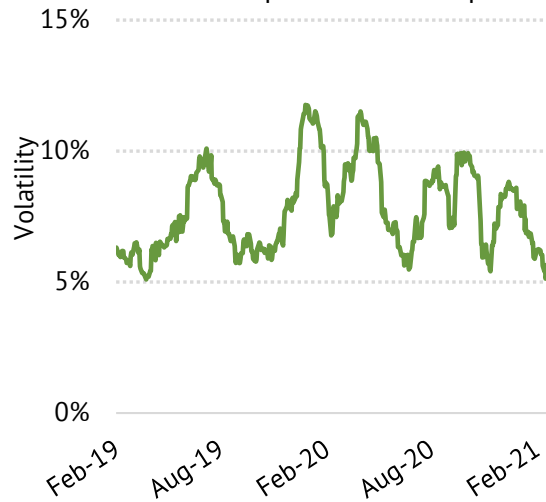


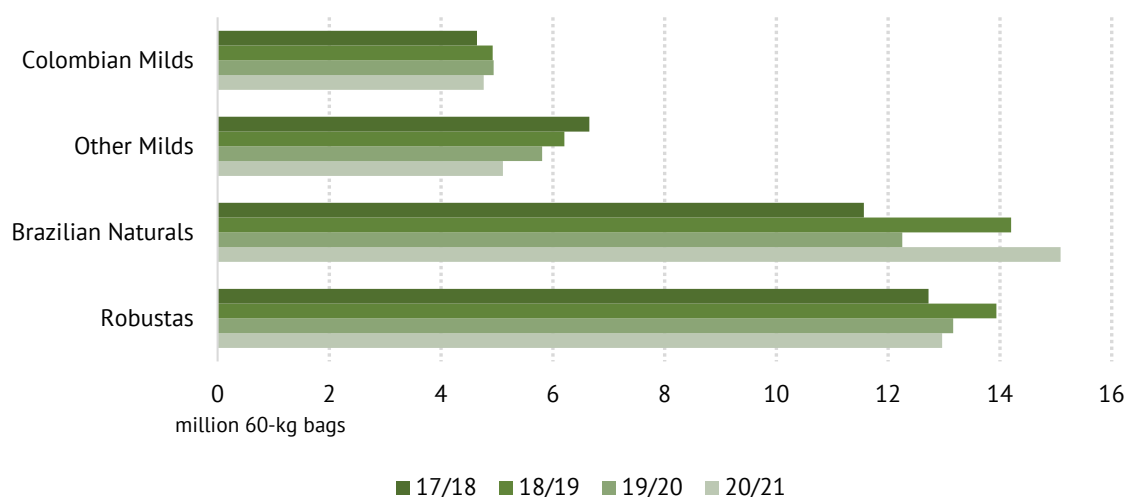
Figure 4: Rolling 30-day volatility of the ICO composite indicator price



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 recovers at a slow pace. Coffee year 2020/21 is projected to end with a surplus of 5.27 million bags as growth in supply outpaces demand.

Global exports in January 2021 totalled 10.21 million bags, compared with 10.59 million bags in January 2020. Exports in the first four months of coffee year 2020/21 increased by 3.7% to 41.88 million bags compared to 40.38 million bags during the same period in 2019/20. In October 2020 to January 2021, shipments of Other Milds decreased by 11.9% to 5.84 million bags, Colombian Milds by 3.4% to 5.1 million bags, and Robusta by 2.6% to 14.88 million bags. However, exports of Brazilian Naturals grew by 21.8% to 16.06 million bags during this period.

Figure 5: Green Exports (October-January)



Exports from Africa in the first four months of coffee year 2020/21 decreased by 13% to 3.81 million bags as shipments from three of the region’s five largest producers declined. Uganda was the largest regional exporter, shipping 1.73 million bags, an increase of 6.8% on the first four months of coffee year 2019/20, as an increase of green Robusta shipments offset reduced exports of Arabica coffee, which is in the off-year of its biennial cycle. In contrast, shipments from Ethiopia fell by 31.6% to 798,000 bags, from Côte d’Ivoire by 56.2% to 245,000 bags and from Kenya by 13.1% to 185,000 bags, due in part to the lower prices in the past few years. However, Tanzania’s exports increased by 16.5% to 458,000 bags due to improved export procedures.

Asia & Oceania’s coffee exports declined by 3.9% to 12.19 million bags in October 2020 to January 2021. Viet Nam’s exports during this period declined by 10.4% to 7.88 million bags, due to delays in the current crop’s harvest and competition from other Robusta producers. However, Indonesia’s shipments increased by 24.2% to 2.47 million bags, as a 39.7% increase in its shipments of green Robusta offset losses in green Arabica. Additionally, its exports of soluble coffee rose by 13.8% to 623,000 bags during the first four months of the coffee year. Exports from India, the region’s third largest producer, decreased by 7.1% to 1.31 million bags. Much of this decline was due to a decrease of 13.9%, to 591,000 bags, in its shipments of processed coffee.

Figure 6: Total Export Volume (October-January)

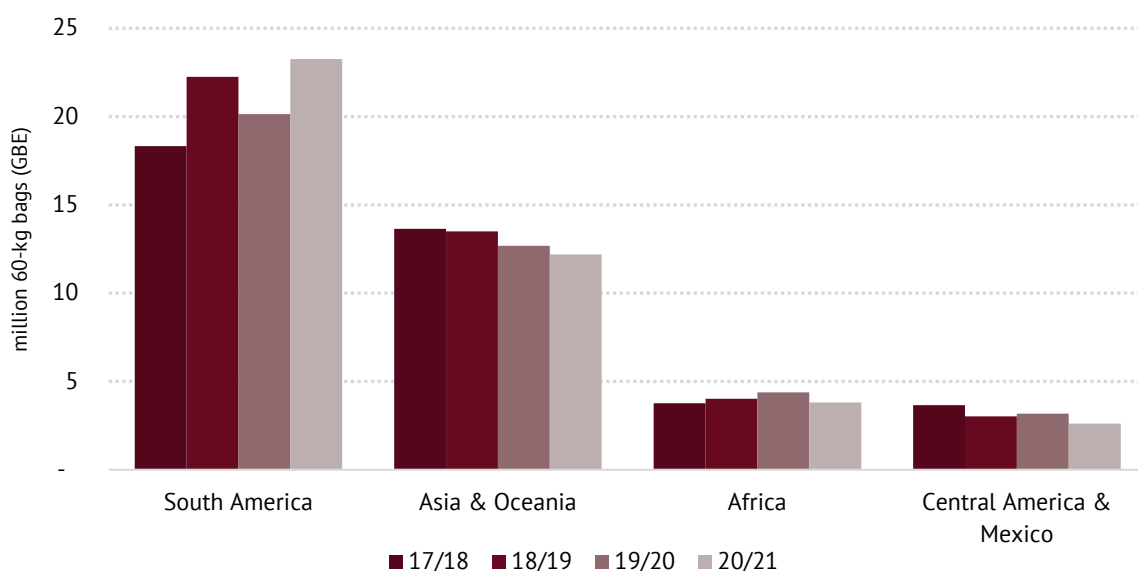
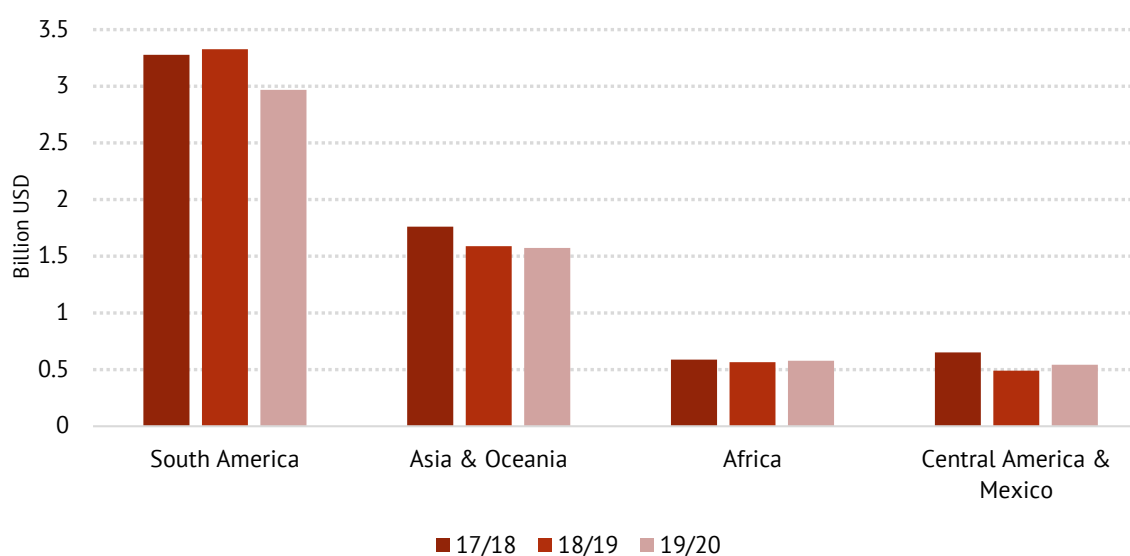


Figure 6: Total Export Value (October-January)



Compared to the first four months of coffee year 2019/20, exports from Mexico & Central America fell by 17.5% to 2.62 million bags as parts of the region were severely affected by hurricanes Iota and Eta. Notably, shipments from Honduras, the region’s largest producer, decreased by 40% to 744,000 bags while those from Nicaragua fell by 20.2% to 450,000 bags. Guatemala’s exports declined by 15.7% to 461,000 bags. In contrast, Mexico’s exports between October 2020 and January 2021 increased by 22.8% to 798,000 bags, partially in response to the greater availability of coffee compared to other countries in the region. While Mexico’s shipments of processed coffee remained stable at 347,000 bags, its exports of green Arabica coffee grew by 61.5% to 415,000 bags.

In October 2020 to January 2021, South America's exports increased by 15.5% to 23.26 million bags. During this period, shipments from Brazil rose by 24.3% to 16.77 million bags. Brazil is nearing the end of its 2020/21 crop year, which was an on-year for its Arabica production. Brazil's exports of green Arabica increased by 26.9% to 14.03 million bags, and its green Robusta shipments grew by 26.1% to 1.43 million bags. Exports from Colombia fell by 2.9% to 4.69 million bags while its output, as estimated by the National Federation of Coffee Growers of Colombia, has decreased by 3.2% to around 5.43 million bags during the first four months of coffee year 2020/21. Although its shipments of green Arabica coffee decreased by 3.2% to 4.35 million bags, its exports of processed coffee rose by 1.1% to 332,000 bags.

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*
Monthly averages							
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
Feb-21	119.35	176.96	166.43	120.06	73.37	129.69	63.07
% change between Jan-21 and Feb-21							
	3.1%	2.0%	3.6%	2.9%	3.8%	1.6%	4.2%
Volatility (%)							
Feb-21	5.8%	5.5%	5.9%	8.0%	6.4%	7.6%	7.2%
Jan-21	7.0%	6.7%	7.1%	9.3%	7.7%	9.5%	5.1%
Variation between Jan-21 and Feb-21							
	-1.2	-1.2	-1.2	-1.3	-1.3	-1.9	2.1

* 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*
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
Feb-21	10.53	56.90	103.59	46.37	93.06	46.69	66.62
% change between Jan-21 and Feb-21							
	-17.3%	0.3%	0.9%	5.4%	3.4%	1.5%	-0.6%

* Average prices for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Coffee year commencing	2016	2017	2018	2019	2020*	% change 2019/20
PRODUCTION	160 608	167 868	170 242	168 678	171 896	1.9%
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%
CONSUMPTION	158 781	161 377	168 491	164 530	166 628	1.3%
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%
BALANCE	1 827	6 491	1 750	4 148	5 268	

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

	Jan-20	Jan-21	% change	October-January		
				2019/20	2020/21	% change
TOTAL	10 592	10 205	-3.6%	40 376	41 876	3.7%
Arabicas	6 729	5 983	-11.1%	25 096	27 001	7.6%
Colombian Milds	1 169	1 181	1.1%	5 277	5 100	-3.4%
Other Milds	2 016	1 695	-15.9%	6 630	5 839	-11.9%
Brazilian Naturals	3 544	3 107	-12.3%	13 188	16 062	21.8%
Robustas	3 863	4 222	9.3%	15 281	14 876	-2.6%

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-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
New York	2.29	2.11	2.01	1.90	1.82	1.45	1.26	1.30	1.40	1.52	1.75	1.69
London	2.44	2.31	2.18	1.99	1.90	1.85	1.85	2.04	2.24	2.31	2.40	2.41

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.