

Coffee Market Report

May 2021



INTERNATIONAL
COFFEE
ORGANIZATION

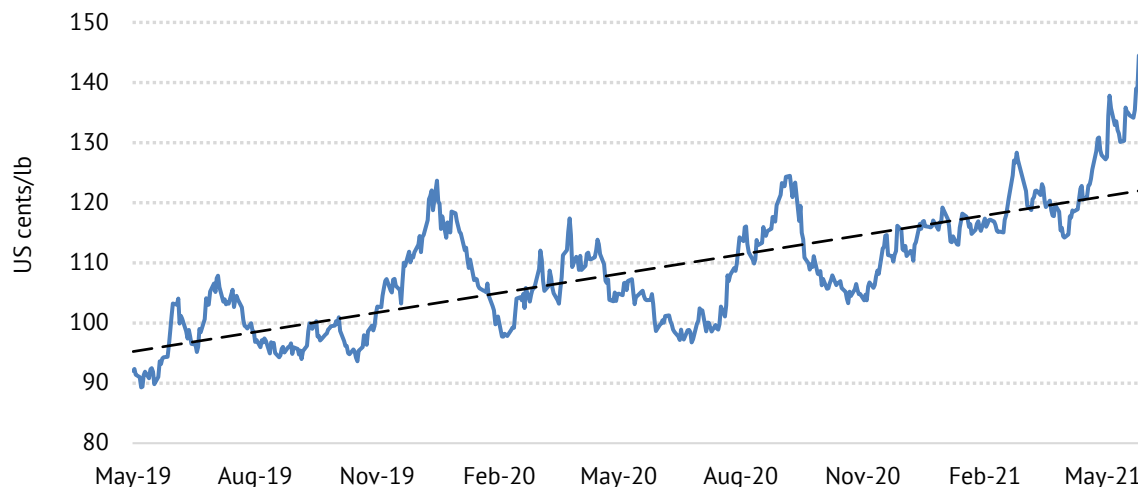
Coffee prices surged higher in May 2021 showing signs of progressive recovery with revival in demand and renewed concern over Brazil 2021/22 crop

In May 2021, the ICO composite indicator rose by 10.4% to 134.78 US cents/lb, the highest monthly average since the level of 137.68 US Cents/lb registered in February 2017. A firm upward trend of coffee prices over the first eight months of coffee year 2020/21 seems to confirm a net recovery from the low price levels that began in coffee year 2017/18. The price performance has been driven by an expected reduction in production in key exporting countries like Brazil for the 2021/22 season. Moreover, the brighter prospects for demand as the covid-19 pandemic-related lockdown measures are being removed in major consuming markets with the covid-19 vaccine programmes is generating greater confidence of consumers in an economic recovery and return to normal. Prices of all four groups of coffee have recorded a substantial increase, particularly the groups of Arabica coffee. In terms of market fundamentals, shipments by exporting countries to all destinations totalled 11.40 million 60-kg bags in April 2021, compared with 11.29 million bags in April 2020. As a result, total exports over the first 7 months of coffee year 2020/21 amounted to 77.52 million bags compared to 74.49 million bags over the same period in coffee year 2019/20. Cumulative exports from May 2020 to April 2021 are estimated at 130.40 million bags, a small decrease of 0.48% compared with the 130.97 million bags recorded from May 2019 to April 2020. World consumption for coffee year 2020/21 is projected at 167.58 million bags, an increase of 1.9% on its level of 164.43 million bags in coffee year 2019/20. Total production for coffee year 2020/21 is estimated at 169.60 million bags, representing a 0.4% increase on 168.94 million bags in coffee year 2019/20. Although world consumption is increasing, it remains 1.2% below world production. However, with prospects of lower production in Brazil for coffee year 2021/22 and the reductions in other countries, world consumption is likely to exceed world production in coffee year 2021/22.

The monthly average of the ICO composite indicator rose by 10.4% from 122.03 US cents/lb in April 2021 to 134.78 US cents/lb in May 2021. This level reached in May 2021 is 29% higher than May 2020 and represents the seventh consecutive month of increase and the highest monthly average since 137.68 US cents/lb recorded in February 2017. In May 2021, the ICO composite increased consistently over the course of the month, starting at 127.21 US cents/lb and finishing

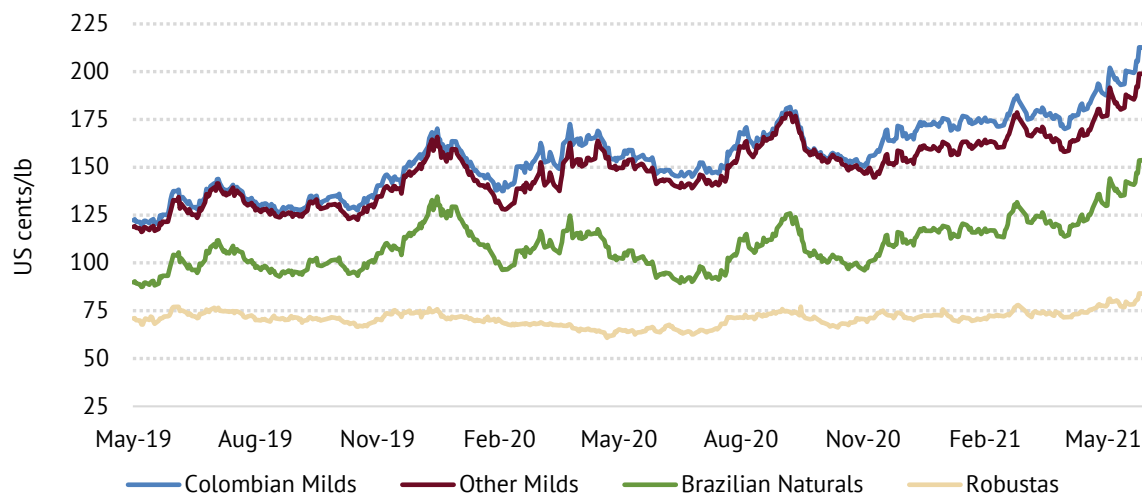
on a high of 144.43 US cents/lb, an increase of 13.5%. The linear trend observed in Figure 1 shows a continuous and steady increase in coffee prices over the first eight months of coffee year 2020/21 and appears to presage a return to more remunerative levels for coffee growers.

Figure 1: ICO composite indicator daily prices



Prices for all group indicators increased in May 2021 compared to April 2021. The largest increase occurred in the average price for Brazilian Naturals, which rose by 13.4% to 140.85 US cents/lb, the highest monthly average since February 2017. Price for Other Milds increased by 10.6% to 186.46 US cents/lb compared to 168.65 US cents/lb in April and it is the highest monthly average since 190.0 US cents/lb in January 2015. Prices for Colombian Milds increased by 9.5% to 199.02 US cents/lb in May 2021 compared to 181.70 US cents/lb in April 2021 and the highest since November 2014 when it was 206.41 US cents/lb. The Robusta indicator recorded a 7% increase to 79.68 US cents/lb compared to 74.47 US cents/lb in April 2021. The Robusta price in May 2021 is also the highest monthly average since 83.52 US cents/lb recorded in November 2018.

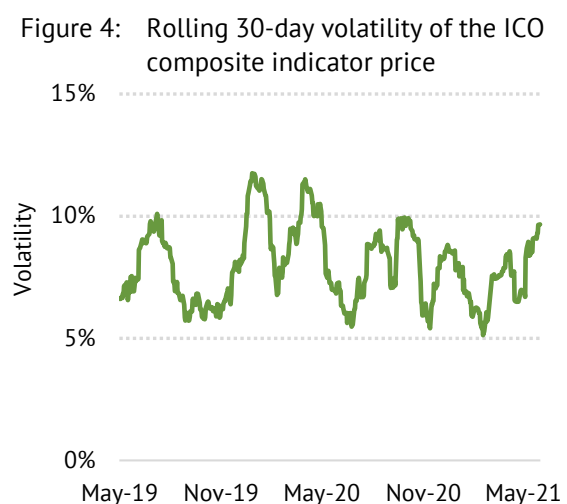
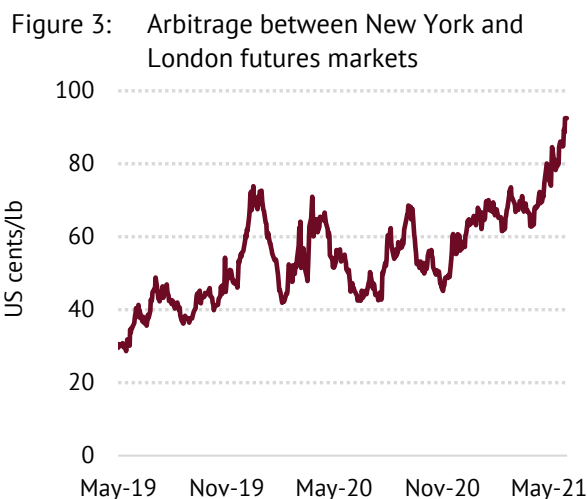
Figure 2: ICO group indicator daily prices



On the New York Futures market, which reflects the situation of Arabicas, the average of the 2nd and 3rd positions increased by 13.1% to 152.42 US cents/lb in May 2021 compared with 134.77 US cents/lb in April 2021. As for the London Futures market, which refers to the availability of Robusta coffee, the average 2nd and 3rd positions rose by 8.5% to 69.15 US cents/lb in May 2021 from 63.76 US cents/lb in April 2021.

The differential between Colombian Milds and Other Milds decreased by 3.8% to 12.56 US cents/lb and the differential between Colombian Milds and Brazilian Naturals increased by 1.1%. The differentials between Other Milds and Brazilian Naturals increased by 2.6% to 45.61 US cents/lb. The differentials between the Arabica groups and the Robusta group have widened as increases of 11.3%, 13.4% and 23.1% were recorded by Colombian Milds, Other Milds and Brazilian Naturals respectively. The arbitrage between Arabica and Robusta coffees, as measured on the New York and London Futures markets, increased by 17.3% to 83.27 US cents/lb.

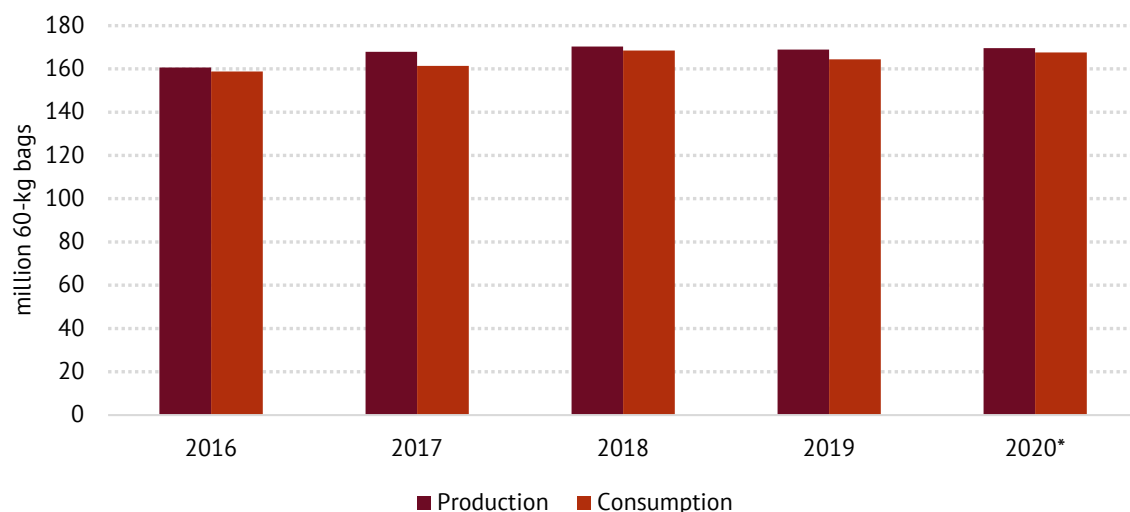
Intra-day volatility of the ICO composite indicator price increased from 7.3% in April 2021 to 8.7% in May. The volatility for all Arabica groups indicators increased in May, with the highest increase of 11.6% recorded by Brazilian Naturals. Robusta experienced a decrease of 0.4% to 6.7%. While the volatility of the London Futures market has decreased by 0.6% to 7% in May 2021, it has increased by 1.7% in the New York Futures market at 11%, compared with 9.3% in April 2021. Prospects of lower production in Brazil during coffee year 2021/22 and significant decreases expected from other Arabica coffee-producing countries affected by climate-related disasters are increasing the price volatility of the Arabica groups.



In May 2021, the certified washed Arabica stocks held against the New York Futures Exchange were 2.21 million bags and certified stocks of Robusta coffee for the London Futures Exchange were 2.67 million bags, representing an increase of 7% and 6% respectively.

Total production in coffee year 2020/21 is estimated to rise by 0.4% to 169.60 million bags, with Arabica production increasing by 2.3% to 99.24 million bags. The production of Robusta coffee is expected to decrease by 2.1% to 70.36 million bags. At the regional level, African output is expected to remain unchanged at 18.68 million bags in coffee year 2020/21 in comparison with the previous coffee year. Production for Asia & Oceania is forecast to fall by 1.1% from 49.45 million bags in 2019/20 to 48.93 million in 2020/21. Production for Mexico & Central America is expected to decrease by 2.1% at 19.19 million bags against 19.60 million bags in coffee year 2019/20. The decrease is likely to be significant as some countries in the region have been affected by hurricanes Eta and Iota earlier in this current coffee year as they are still struggling to recover from the damages caused to production and marketing infrastructure. An increase of 2% in production is expected from South America at 82.8 million bags, compared with 81.2 million bags in 2019/20. However, Brazilian production for the next crop year 2021/22, which has already started, is expected to decrease significantly as it is the off-year production cycle of Arabica coffee and was substantially affected by below-average rainfall.

Figure 5: Production and consumption in coffee year

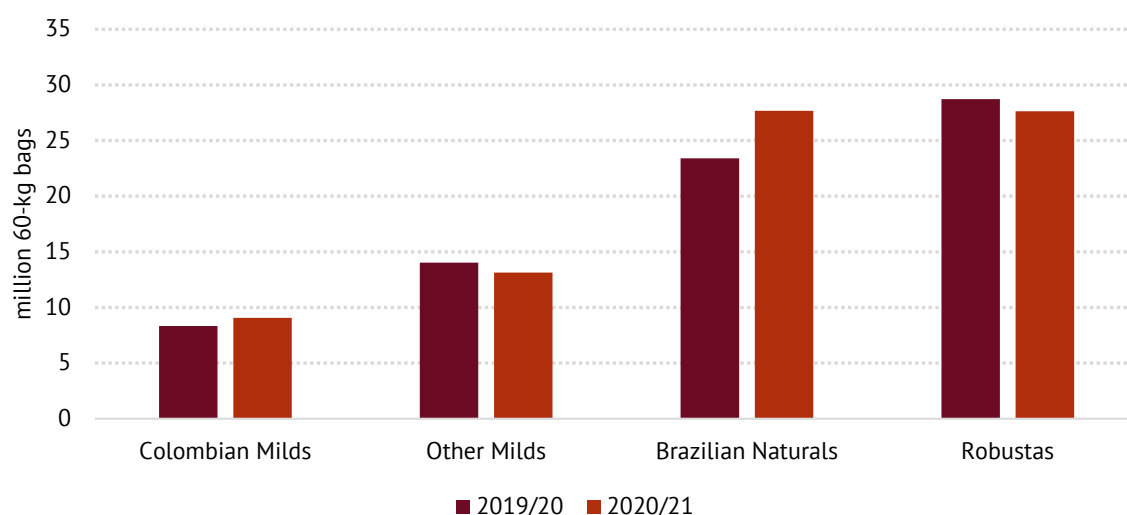


World coffee consumption is projected to increase by 1.9% to 167.58 million bags in 2020/21 compared to 164.43 million bags for coffee year 2019/20. With the easing of covid-19 pandemic related restrictions and the subsequent prospects of economic recovery, consumers are regaining confidence leading to a positive trend of world coffee consumption. Consumption in importing countries and domestic consumption in exporting countries is expected to grow by 2.3% and 1.0%, respectively. Consumption in Africa is expected to increase by 2.1% at 12.27 million bags. Consumption in Asia & Oceania is forecast to increase by 1.3% at 36.70 million bags. In the region of Mexico and Central America, consumption is expected to increase by 0.7% at 5.36 million bags. Consumption in Europe and North America will increase by 1.8% and 3.7%, respectively. Consumption of South America is expected to increase by 1.2%. As a result, the surplus of total production over world consumption is expected to be reduced at 2.02 million bags, compared with 4.50 million bags in the previous coffee year. With the current development of the market

fundamentals and the expected yield reductions in many exporting countries as well as reduced investments in coffee farms due to limited access to credit a tight supply/demand balance is expected in coffee year 2021/22.

Exports in April 2021 totalled 11.40 million bags, representing a 1% increase compared with 11.29 million bags in April 2020. Exports in the first seven months of coffee year 2020/21 reached 77.52 million bags, an increase of 4.1% compared to 74.49 million bags during the same period in coffee year 2019/20. Cumulative exports of Colombian Milds and Brazilian Naturals over the first seven months of coffee year 2020/21 increased by 8.8% to 9.07 million bags and 18.3% to 27.68 million bags, respectively. Cumulative exports of Other Milds decreased by 6.4% to 13.14 million bags from 14.03 million bags in 2019/20. Shipments of Robusta over the same period of coffee year 2020/21 fell by 3.8% to 27.64 million bags.

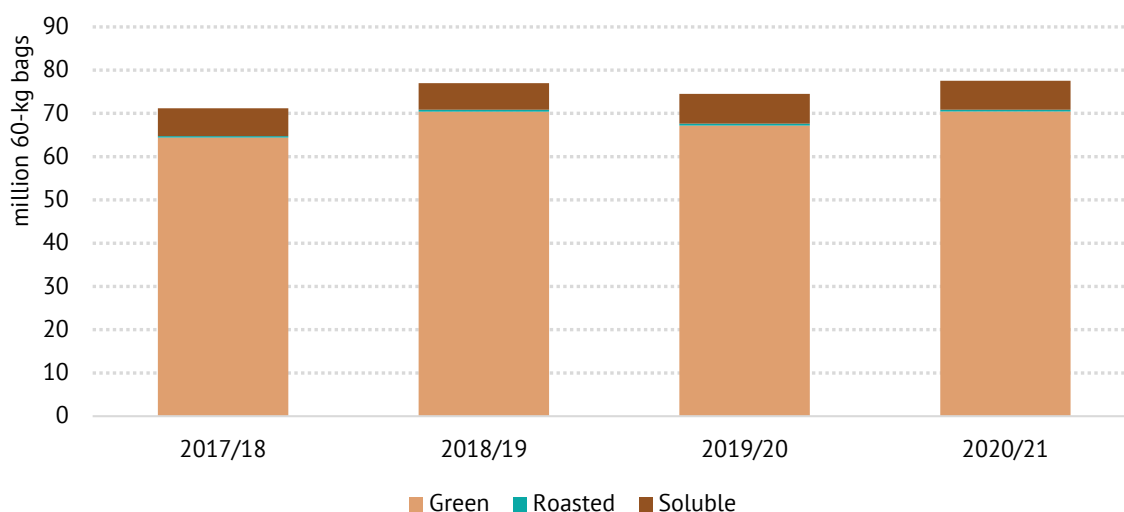
Figure 6: Total exports by group of coffee (October 2020-April 2021)



The increase in exports was primarily driven by relatively high price levels and the ease of movement restrictions due to the covid-19 pandemic. However, concerns about the availability of containers for shipments remain a major concern to trade. Exports of green coffee increased by 4.8% to 70.42 million bags in the first seven months of coffee years 2020/21 compared to 67.2 million bags of the same period in the previous coffee year. Exports of roasted coffee fell by an estimated 6.3% to 403,767 bags, while those of soluble coffee fell by 2.4% to 6.68 million bags from 6.86 million bags over the seven months of coffee year 2019/20.

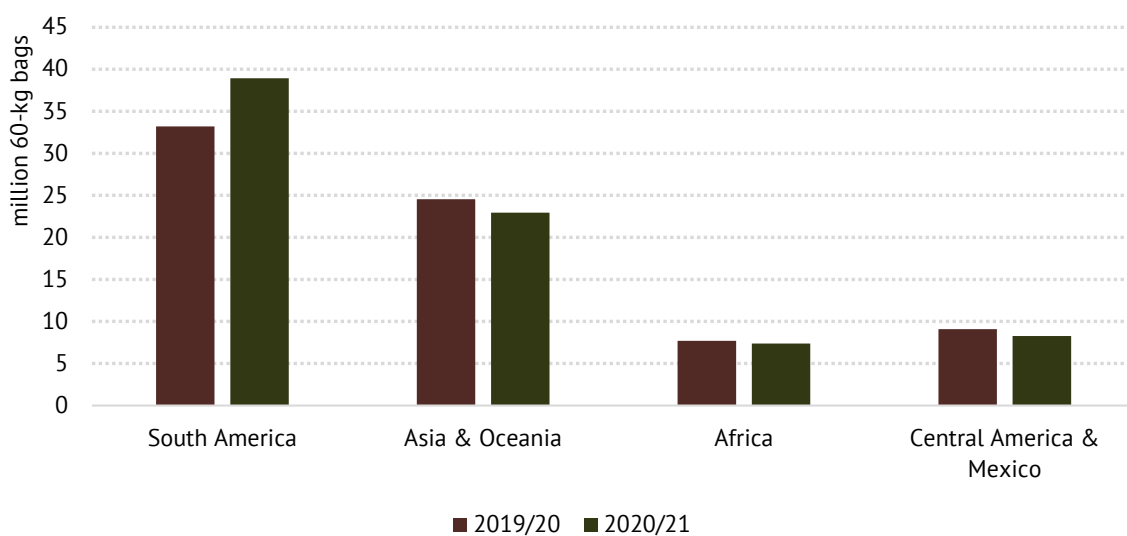
In regional terms, **exports of all forms of coffee from Africa in the first seven months of coffee year 2020/21 decreased by 4.1% to 7.37 million bags**, as shipments from Ethiopia, Côte d'Ivoire and Madagascar declined by 25.6%, 46.3% and 55.7% respectively. Uganda, the largest regional exporter, has recorded an increase of 16.2% to 3.4 million bags.

Figure 7: Total Exports by forms of coffee (October-April)



Asia & Oceania’s coffee exports declined by 6.5% to 22.94 million bags in October 2020 to April 2021. Viet Nam’s exports during this period declined by 14.3% to 14.76 million bags, while Indonesia’s shipments increased by 17.10% to 4.25 million bags. Exports from India, the region’s third largest producer, recorded an increase of 6.43% to 3.01 million bags compared to 2.91 million bags in 2019/20.

Figure 8: Total Exports (October-April)



Compared to the first seven months of coffee year 2019/20, exports from Mexico & Central America fell by 8.9% to 8.27 million bags as parts of the region have not yet recovered from the severe impact of hurricanes Iota and Eta. Notably, shipments from Honduras, the region’s largest producer, decreased by 14.2% to 2.94 million bags while those from Nicaragua fell by 14.3% to 1.4 million bags. Guatemala’s exports declined by 9.41% to 1.59 million bags. Total exports of El Salvador and Panama also declined by 18.8% and 34.4%, respectively.

From October 2020 to April 2021, South America's exports increased by 17.3% to 38.93 million bags. During this period, exports of all forms of coffee from Brazil rose by 21.7% to 28.72 million bags. Exports from Colombia increased by 8.6% to 8.14 million bags. Peru recorded a relatively stable level of its exports at 1.8 million bags while Ecuador's exports declined by 4.7% to 257,383 bags compared with 270,009 bags in October 2020 to April 2021.

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							
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
Mar-21	120.36	177.49	167.05	122.16	73.86	131.72	63.90
Apr-21	122.03	181.70	168.65	124.18	74.47	134.77	63.76
May-21	134.78	199.02	186.46	140.85	79.68	152.42	69.15
% change between Apr-21 and May-21							
	10.4%	9.5%	10.6%	13.4%	7.0%	13.1%	8.5%
Volatility (%)							
May-21	8.7%	8.1%	8.8%	11.6%	6.7%	11.0%	7.0%
Apr-21	7.3%	6.9%	7.2%	9.3%	7.1%	9.3%	7.6%
Variation between Apr-21 and May-21							
	1.4	1.2	1.6	2.3	-0.4	1.7	-0.6

* 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*
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
Mar-21	10.44	55.33	103.63	44.89	93.19	48.30	67.82
Apr-21	13.05	57.52	107.23	44.47	94.18	49.71	71.01
May-21	12.56	58.17	119.34	45.61	106.78	61.17	83.27
% change between Apr-21 and May-21							
	-3.8%	1.1%	11.3%	2.6%	13.4%	23.1%	17.3%

* 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	170 322	168 942	169 604	0.4%
Arabica	99 940	98 187	99 919	97 041	99 245	2.3%
Robusta	60 668	69 680	70 403	71 901	70 360	-2.1%
Africa	16 839	17 461	18 579	18 684	18 679	0.0%
Asia & Oceania	47 930	52 203	48 173	49 452	48 930	-1.1%
Mexico & Central America	20 322	21 752	21 636	19 598	19 194	-2.1%
South America	75 516	76 453	81 934	81 208	82 802	2.0%
CONSUMPTION	158 781	161 377	168 492	164 436	167 584	1.9%
Exporting countries	48 334	49 686	50 245	49 982	50 497	1.0%
Importing countries (Coffee Years)	110 447	111 691	118 247	114 455	117 087	2.3%
Africa	10 702	11 087	12 017	12 019	12 273	2.1%
Asia & Oceania	35 068	34 903	36 472	36 241	36 706	1.3%
Mexico & Central America	5 193	5 273	5 431	5 321	5 356	0.7%
Europe	52 148	53 251	55 637	53 316	54 250	1.8%
North America	29 559	29 941	31 779	30 628	31 768	3.7%
South America	26 111	26 922	27 156	26 912	27 232	1.2%
BALANCE	1 827	6 491	1 830	4 506	2 019	

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

	Apr-20	Apr-21	% change	October-April		
				2019/20	2020/21	% change
TOTAL	11 293	11 405	1.0%	74 493	77 521	4.1%
Arabicas	7 017	7 385	5.2%	45 768	49 883	9.0%
Colombian Milds	776	1 155	48.9%	8 335	9 069	8.8%
Other Milds	2 673	2 684	0.4%	14 026	13 136	-6.4%
Brazilian Naturals	3 569	3 545	-0.7%	23 406	27 679	18.3%
Robustas	4 275	4 020	-6.0%	28 725	27 637	-3.8%

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

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
New York	1.90	1.82	1.45	1.26	1.30	1.40	1.52	1.75	1.92	1.97	2.07	2.21
London	1.99	1.90	1.85	1.85	2.04	2.24	2.31	2.40	2.44	2.50	2.53	2.67

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.