

Coffee Market Report

August 2021



INTERNATIONAL
COFFEE
ORGANIZATION

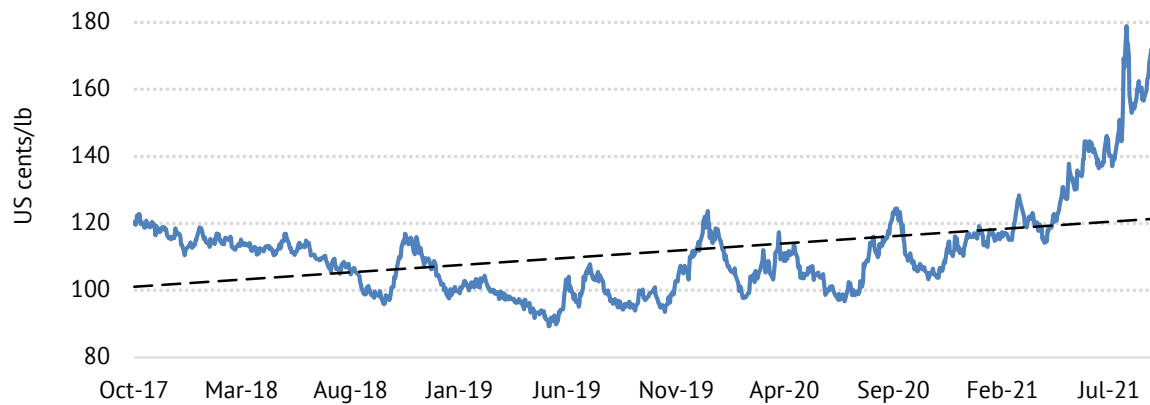
Coffee prices reached new highs in August 2021 as concerns about future supply and increasing freight costs remain the key drivers of the market

In August 2021, coffee prices recorded the tenth consecutive month of increase, sparked by the concerns over supply, due to climate adverse conditions in major producing countries and increasing freight costs coupled with covid-19 lockdown restrictions disrupting trade flows in Asia. The monthly average of the ICO composite indicator increased by 5.2% to 160.14 US cents/lb in August 2021 from 152.24 US cents in July 2021. The level reached in August 2021 represented an increase of 51.3% since the start of the current coffee year. Prices of Arabica coffee have recorded substantial increases while those of Robusta coffee registered a moderate upturn. Concerns over the size of the next Brazilian crop, exacerbated by the recent frost, have led to record high volatility of the spot and futures prices.

In terms of market fundamentals, exports of all forms of coffee by all exporting countries to all destinations totalled 10.7 million 60-kg bags in July 2021, an increase of 1.7% compared with 10.5 million bags in July 2020. The level of total exports in July 2021 is 4.4% below the volume of 11.9 million bags recorded in July 2019, before the pandemic. Total exports of all forms of coffee over the first 10 months of coffee year 2020/21 (October 2020 – July 2021) amounted to 108.96 million bags, an increase of 2.2% compared with 106.63 million bags during the same period in coffee year 2019/20. Cumulative exports from August 2020 to July 2021 are estimated at 129.7 million bags, an increase of 1.6% compared with the 127.6 million bags recorded from August 2019 to July 2020. World consumption for coffee year 2020/21 is projected at 167.01 million bags, an increase of 1.9% over the level of 163.9 million bags recorded in coffee year 2019/20 and 0.3% lower than the 167.6 million bags observed in coffee year 2018/19 before the pandemic. Domestic consumption in producing countries represented 30.2% of the total volume of world consumption, with the remaining 69.8% being consumed in non-producing countries. The projection for total production in coffee year 2020/21 is 169.64 million bags, representing a marginal increase of 0.4% on the 169.0 million bags harvested in coffee year 2019/20. However, a substantial reduction of world production is expected in coffee year 2021/22 as some important origins have been affected by climate-related shocks.

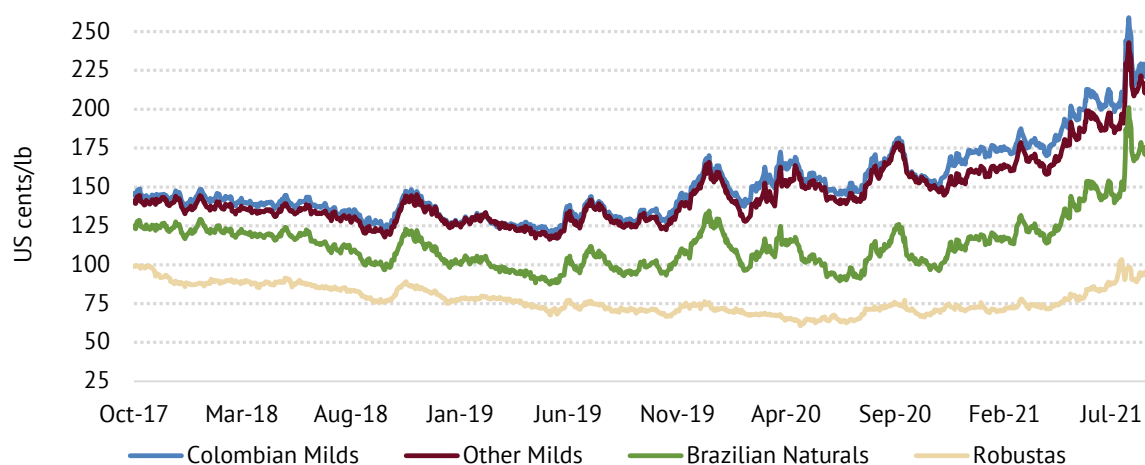
The monthly average of the ICO composite indicator rose by 5.2%, from 152.24 US cents/lb in July 2021 to 160.14 US cents/lb in August 2021. The level reached in August 2021 represents a 51.3% increase compared to 105.85 US cents/lb recorded in October 2020. The steady upward trend observed since the start of coffee year 2020/21 seems to confirm the recovery of coffee prices after three previous years of low-price levels, as shown in Figure 1. The monthly average of the ICO composite indicator reached in August 2021 is the highest level since 162.17 cents/lb recorded in November 2014.

Figure 1: ICO composite indicator daily prices



Prices for all group indicators increased in August 2021 and achieved their highest levels in several years. The highest price increase was recorded by the Brazilian naturals indicator, which reached 174.89 US cents/lb in August 2021, an 8.9% increase compared to 160.62 US cents/lb in July 2021. The average monthly price for Brazilian Naturals is the highest since 181.43 US cents/lb in November 2014. The price for the Colombian Milds increased by 3.1% to 225.40 US cents/lb in August, compared with 218.66 US cents/lb in July 2021. However, the price level reached by the Colombian Milds in August 2021 is the highest monthly average since the level of 244.14 US cents/lb recorded in February 2012. It also represents a rise of 46.1% from the level of 154.28 cents/lb recorded in October 2020. Prices for Other Milds increased by 5.8% to 216.24 US cents/lb in August 2021, compared to 204.29 US cents/lb in July 2021, which is the highest monthly average since 222.29 US cents/lb registered in October 2014. Moreover, compared to its level of 152.06 US cents/lb in October 2020, the Other Milds indicator increased by 42.2%. The Robusta price in August 2021 increased by 0.9% to 95.18 US cents/lb compared to 94.37 US cents/lb in July 2021. This level of Robusta indicator price recorded in August 2021 is an increase of 39.2% from the monthly average of October 2020 and is also the highest monthly average since 98.39 US cents/lb recorded in October 2017.

Figure 2: ICO group indicator daily prices



As the price increase of Brazilian Naturals was the highest among the Arabica groups, the differentials between Colombian Milds and Brazilian Naturals and between Other Milds and Brazilian Naturals shrank by 13% and 5.3% respectively. Moreover, the differential between Colombian Milds and Other Milds decreased by 36.2% to 9.16 US cents/lb in August 2021. The differentials between the Arabica groups (Colombian Milds, Other Milds and Brazilian Naturals) and the Robusta group widened by 4.8%, 10.1% and 20.3%, respectively. The arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets, increased by 11.2% at 97.20 US cents/lb in August 2021 compared with 87.39 US cents/lb in July 2021.

Intra-day volatility of the ICO composite indicator price rose by 6.2 percentage points to 16.8% in August 2021. Coffee prices recorded high volatility in August 2021 as the recent frost that hit the Brazilian coffee belt and the threat to trade flows due to stricter covid-19 lockdowns in Asia have raised concerns, contributing to increased anxiety in the market. The Brazilian Naturals indicator observed a volatility of 21.8% in August 2021 compared to 13.8% in July 2021. The volatility of Colombian Milds, Other Milds and Robusta was 18.4%, 17.5% and 15.8%, respectively. The volatility of New York futures market was 21.1% in August 2021 compared with 13.6% in July 2021. The volatility of London futures market increased by 2.2 percentage points to 10.8% compared to 8.6% in July 2021.

Figure 3: Arbitrage between New York and London futures markets

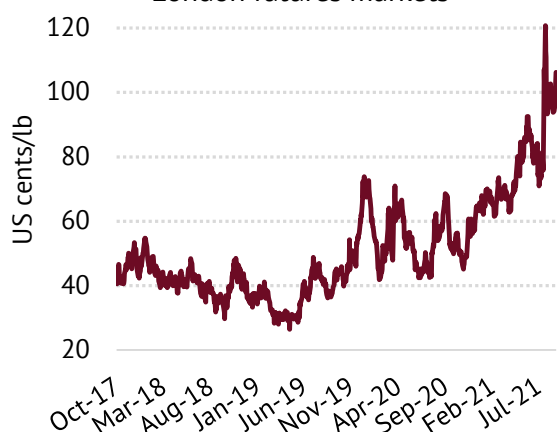
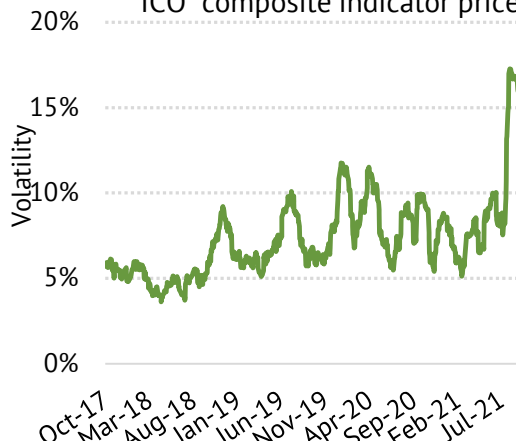


Figure 4: Rolling 30-day volatility of the ICO composite indicator price

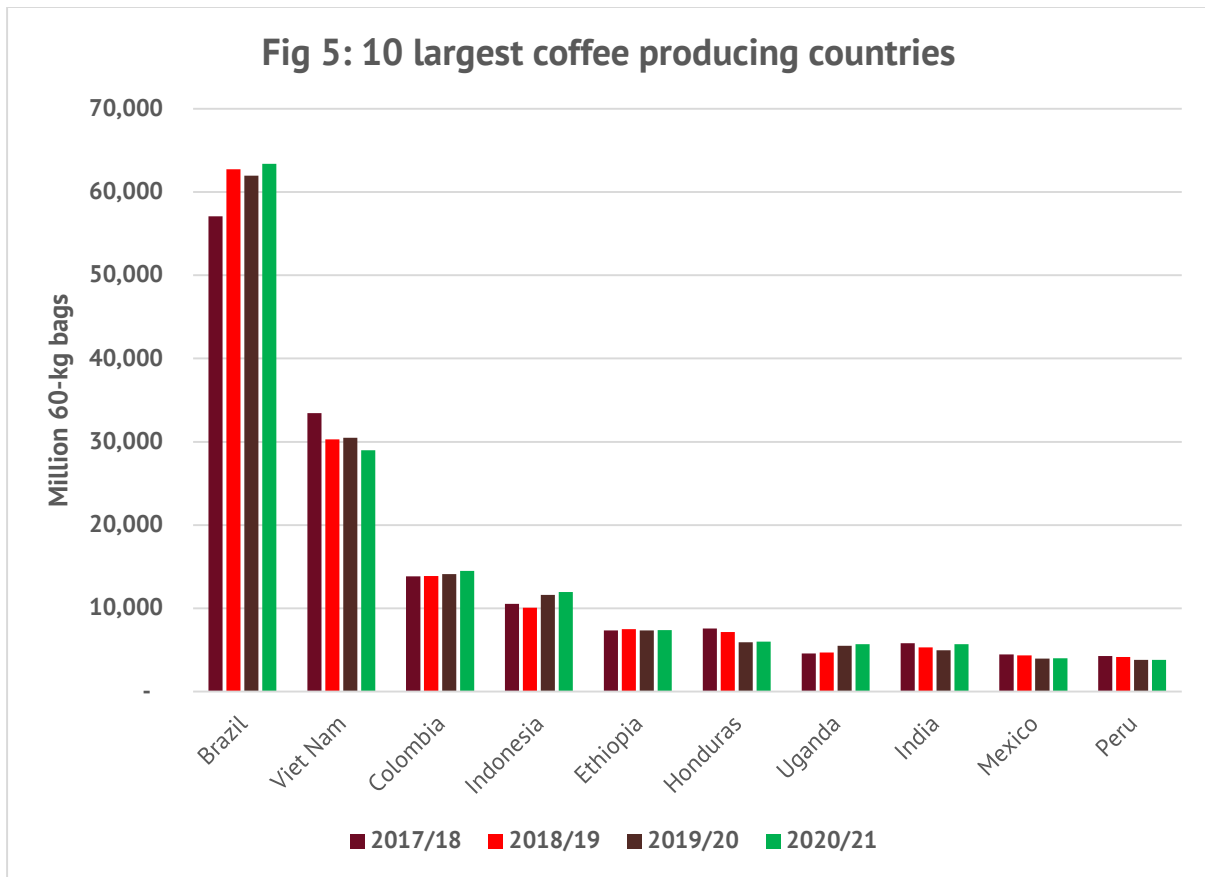


Estimates of total production for coffee year 2020/21 increased slightly by 0.4% to 169.6 million 60-kg bags, compared with 169.0 million bags during the previous coffee year. While Arabica production is expected to increase by 2.3% to 99.3 million bags, a 2.1% reduction is expected in the production of Robusta coffee to 70.4 million bags. At the regional level, African output is expected to increase slightly by 0.1% to 18.72 million bags, compared with 18.59 million bags in 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 in Central America and Mexico is expected to decrease by 2.1% at 19.19 million bags against 19.60 million bags in coffee year 2019/20. An increase of 1.9% in production is expected from South America at 82.79 million bags, compared with 81.21 million bags in 2019/20.

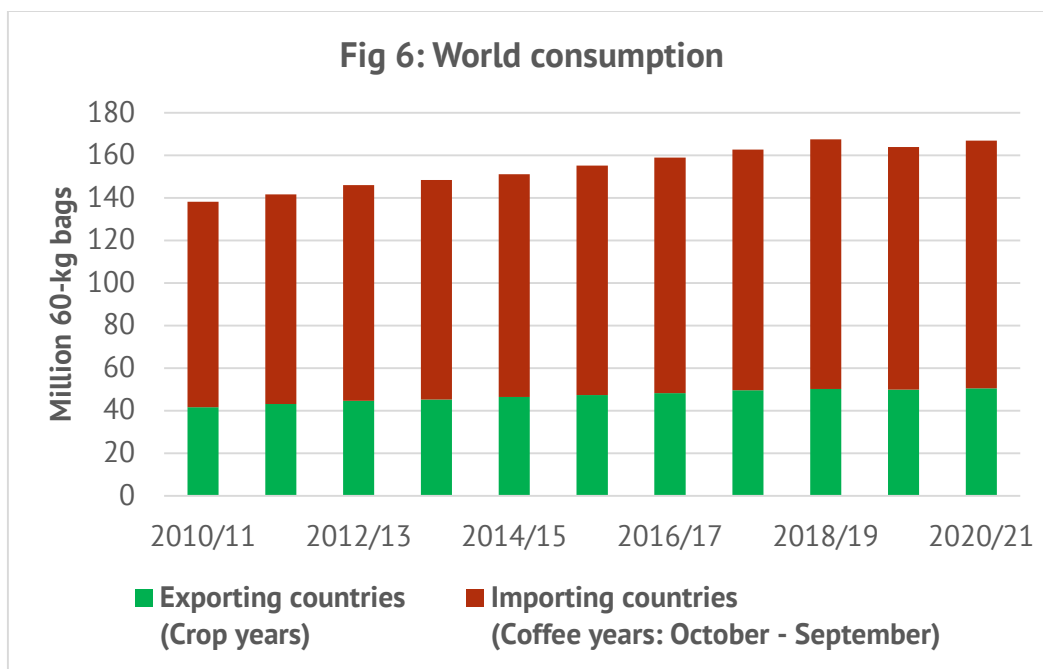
Meanwhile, the situation in Brazil has become a matter of serious concern, although the exact impact on expected output is still uncertain. Its production for crop year 2021/22, which started last April, had already been expected to fall significantly, since this is the off year in the production cycle of Arabica coffee and coffee-growing regions were affected by drought in 2020. On top of this, the recent frost is expected to damage a substantial number of trees, with eventual negative effects on production from crop year 2022/23 onwards. Coffee authorities in Brazil are still evaluating the magnitude of one of the most intense frosts in living memory.

Regarding performance expected from individual countries, production of the 10 largest producing countries, representing over 89% of the world production, is expected to increase by 1.1% from 149.73 million bags to 151.41 million bags. Vietnam and Peru are among the 10 largest producing countries to have their production lower by 4.9% and 0.8% respectively during coffee year 2020/21.

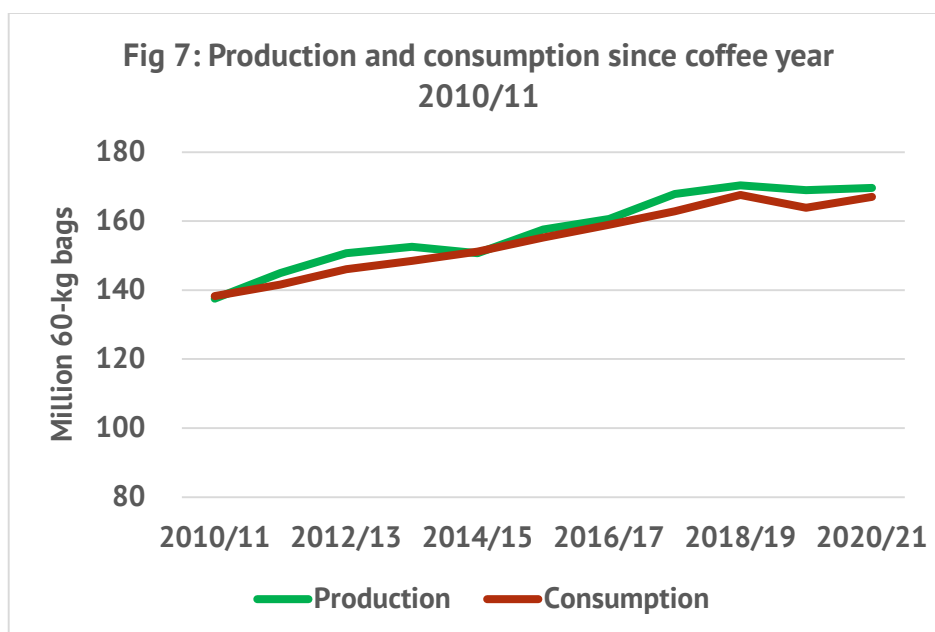
Fig 5: 10 largest coffee producing countries



World coffee consumption is projected to rise by 1.9% to 167.01 million bags in 2020/21 compared to 163.9 million bags for coffee year 2019/20, although this figure is still 0.3% lower than the level of 167.6 million bags prevailing before the outbreak of the pandemic. With the easing of pandemic restrictions related to covid-19 and subsequent prospects of economic recovery, world consumption is expected to continue growing. Over the last 10 coffee years the average growth of world consumption has been 1.9% per year. For coffee year 2020/21, consumption in importing countries is expected to grow by 2.3%, to 116.5 million bags, while domestic consumption in coffee-producing countries is expected to rise by 1% to 50.5 million bags. The share of domestic consumption in coffee-producing countries, which represents 30.2% of world consumption in coffee year 2020/21, is expected to increase further as a result of improvements in the standard of living of their growing populations.

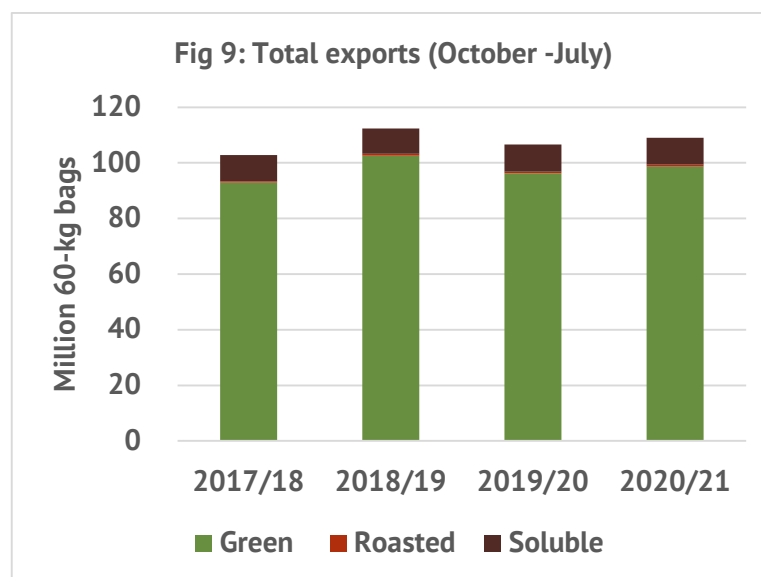
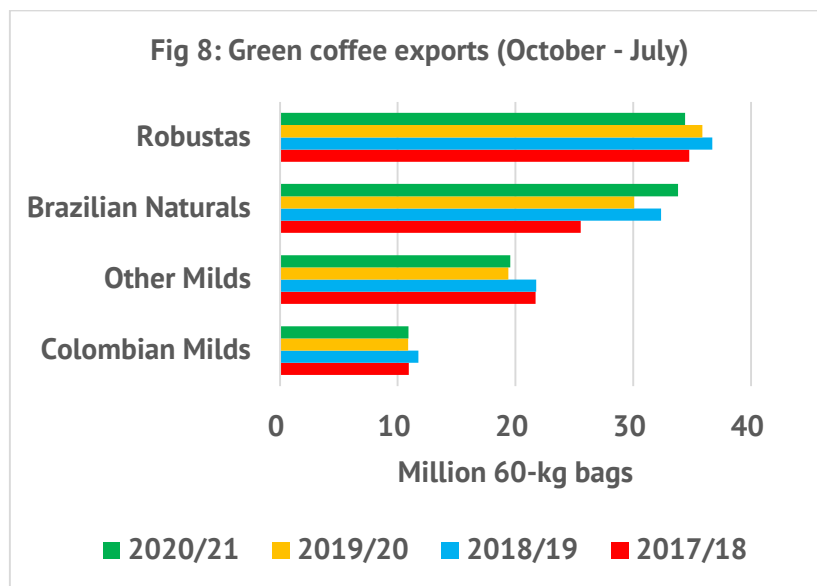


The supply/demand ratio is expected to tighten, as total supply is forecast to be only 1.6% higher than demand in coffee year 2020/21, as compared to 3.1% in 2019/20. With the expected substantial reduction in output from Brazil as a result of the recent frost and climate-related issues in many other exporting countries, total supply is expected to fall below world consumption. The dynamic of the two market fundamentals since coffee year 2010/11 is shown in figure 7.



Exports of all forms of coffee in July 2021 totalled 10.7 million bags, representing a 1.7% increase compared with 10.5 million bags in July 2020. Exports of green coffee in July 2021

increased by 3.3% to 9.7 million bags compared to 9.4 million in July 2020 as the increase of green exports of Other Milds, Colombian Milds and Robustas was offset by the decline in green exports of Brazilian Naturals. Green coffee exports of Colombian Milds, Other Milds and Robusta grew by 7.2%, 20.3% and 3.5% respectively in July 2021 compared with their levels of July 2020. However, the pattern of total exports by exporting countries is still dominated by green coffee, which represented 91.2% of total exports in July 2021 and 89.8% in July 2020. Exports of roasted coffee increased by 18.3% to 64,000 bags in July 2021, compared with 54,000 bags in July 2021 but remains tiny compared to 9.7 million bags of green coffee exports. Exports of soluble coffee decreased by 14% to 870,000 bags in July 2021 compared to 1.01 million bags in July 2020. Nevertheless, cumulative green coffee exports of the four groups over the first ten months of coffee year 2020/21 increased by 2.6%, to 98.7 million bags, compared with 96.2 million bags during the same period in coffee year 2019/20.



Cumulative exports of Arabica for the first ten months of coffee year 2020/21 increased by 6.1% to 69.7 million bags while exports of Robusta decreased by 4.2% to 39.3 million bags. In regional terms, exports of all forms of coffee from Africa fell by 0.3% to 11.5 million bags in the first ten months of coffee year 2020/21. Cumulative exports rose in Uganda (20.5%), Tanzania (22.7%) and Kenya (11.6%). Over the same period exports decreased by 15.9% and 48.1% in Ethiopia and Côte d'Ivoire respectively. Exports of Asia & Oceania declined by 5.2% to 32.4 million bags in October 2020 to July 2021, compared with 34.2 million bags in October 2019 to July 2020. Exports of Vietnam shrank by 9.8%, while India and Indonesia recorded increases of 4.5% and 4.9% respectively. Recent covid-19 pandemic stricter lockdown measures are expected to slow down Vietnam's production and export. Cumulative exports from Central America and Mexico during the first ten months of coffee year 2020/21 increased by 1.4% to 14.6 million bags, compared with 14.4 million bags over the same period during coffee year 2019/20. Nicaragua recorded 7.8% reduction of export volume while increases of 7.5%, 5.3% and 2.5% were observed in Mexico, Guatemala and Costa Rica respectively. A small increase of 0.7% was recorded by Honduras.

Cumulative exports of the first 10 months of coffee year 2020/21 of South America increased by 8.3% from 46.6 million bags to 50.5 million bags. Brazil's exports increased by 12.1%, to 37.2 million bags while a decline of 0.4% was recorded in Colombia.

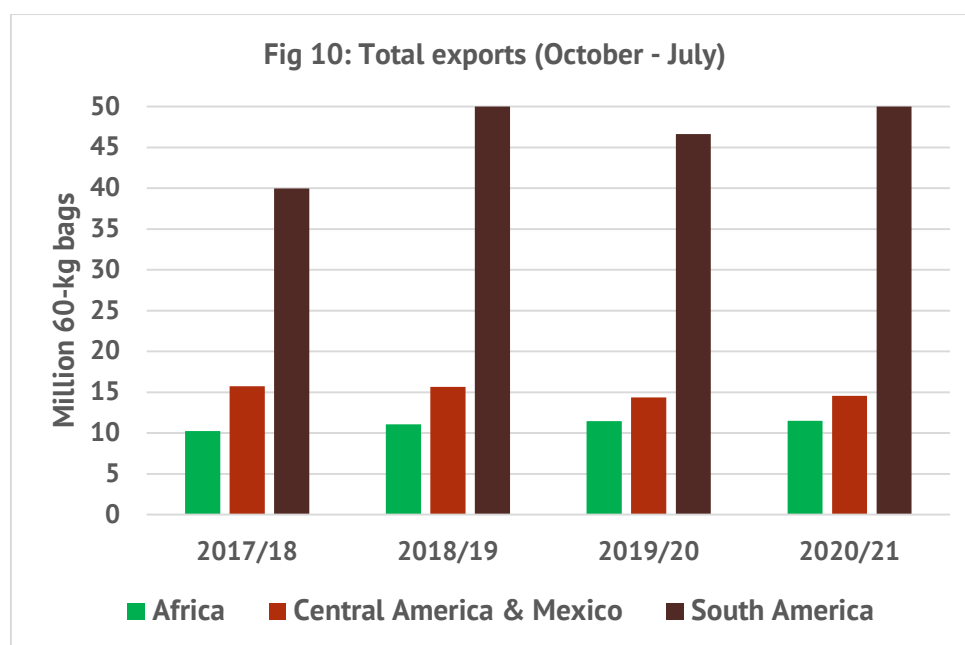


Table 1: ICO daily indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
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
Jun-21	141.03	206.53	192.45	148.12	84.85	156.43	73.16
Jul-21	152.24	218.66	204.29	160.62	94.37	168.55	81.17
Aug-21	160.14	225.40	216.24	174.89	95.18	181.93	84.72
% change between Jul-21 and Aug-21							
	5.2%	3.1%	5.8%	8.9%	0.9%	7.9%	4.4%
Volatility (%)							
Jul-21	10.6%	10.2%	10.9%	13.8%	11.0%	13.6%	8.6%
Aug-21	16.8%	18.4%	17.5%	21.8%	15.8%	21.1%	10.8%
Variation between Jul-21 and Aug-21							
	6.2	8.2	6.6	8.0	4.8	7.5	2.2

* Average prices for 2nd and 3rd positions**Table 2: Price differentials (US cents/lb)**

	Colombian Milds Other Milds	Colombian Milds Brazilian Naturals	Colombian Milds Robustas	Other Milds Brazilian Naturals	Other Milds Robustas	Brazilian Naturals Robustas	New York* London*
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
Jun-21	14.09	58.41	121.68	44.32	107.59	63.27	83.26
Jul-21	14.36	58.03	124.29	43.67	109.93	66.26	87.39
Aug-21	9.16	50.51	130.22	41.35	121.06	79.71	97.20
% change between Jul-21 and Aug-21							
	-36.2%	-13.0%	4.8%	-5.3%	10.1%	20.3%	11.2%

* 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	170,332	168,980	169,644	0.4%
Arabica	99,940	98,187	99,927	97,072	99,280	2.3%
Robusta	60,668	69,680	70,404	71,907	70,365	-2.1%
Africa	16,839	17,461	18,585	18,721	18,735	0.1%
Asia & Oceania	47,930	52,203	48,173	49,452	48,930	-1.1%
Mexico & Central America	20,322	21,752	21,640	19,598	19,194	-2.1%
South America	75,516	76,453	81,934	81,208	82,785	1.9%
CONSUMPTION	158,965	162,828	167,575	163,894	167,011	1.9%
Exporting countries	48,334	49,686	50,245	49,995	50,493	1.0%
Importing countries (Coffee Years)	110,631	113,142	117,330	113,899	116,518	2.3%
Africa	10,702	12,710	12,079	11,871	12,115	2.1%
Asia & Oceania	35,431	34,896	36,226	35,783	36,240	1.3%
Mexico & Central America	5,193	5,273	5,431	5,347	5,381	0.6%
Europe	51,971	53,082	54,887	53,347	54,286	1.8%
North America	29,559	29,941	31,779	30,628	31,768	3.7%
South America	26,110	26,926	27,175	26,918	27,221	1.1%
BALANCE	1,643	5,039	2,757	5,086	2,633	

*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

	Jul-20	Jul-21	% change	October-July		
	2019/20	2020/21	% change			
TOTAL	10,471	10,653	1.7%	106,632	108,962	2.2%
Arabicas	6,485	6,604	1.8%	65,650	69,647	6.1%
Colombian Milds	1,206	1,288	6.8%	11,762	11,800	0.3%
Other Milds	2,154	2,585	20.0%	21,393	21,674	1.3%
Brazilian Naturals	3,125	2,731	-12.6%	32,496	36,174	11.3%
Robustas	3,985	4,049	1.6%	40,982	39,315	-4.1%

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

	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
New York	1.26	1.30	1.40	1.52	1.75	1.92	1.97	2.07	2.21	2.33	2.32	2.31
London	1.85	2.04	2.24	2.31	2.40	2.44	2.50	2.53	2.67	2.53	2.43	2.31

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.