

Coffee Market Report

September 2021



INTERNATIONAL
COFFEE
ORGANIZATION

Coffee prices underwent further increases in September 2021 but volatility lessened substantially while the market continues to be driven by weather in Brazil and by covid-related disruption affecting trade in Asia.

In September 2021, coffee prices reached new record highs as the monthly average of the ICO composite indicator price was 170.02 US cents/lb, an increase of 6.2% as compared to 160.14 US cents/lb in August 2021. These price levels during coffee year 2020/21 confirmed a net recovery from the low levels experienced over the last three coffee years. The coffee market continued to be driven by weather in Brazil and by covid-related disruptions affecting trade in Asia.

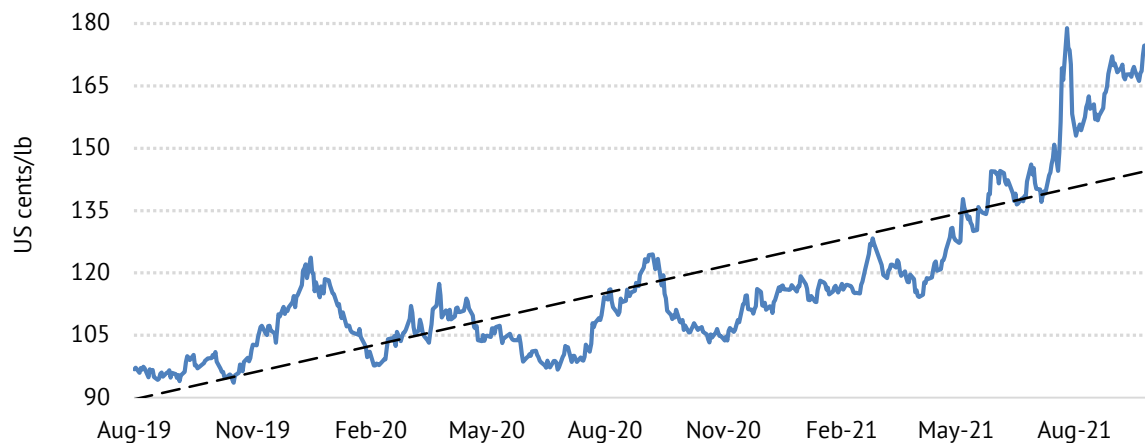
In terms of market fundamentals, exports of all forms of coffee by all exporting countries to all destinations totalled 10.1 million 60-kg bags in August 2021, the same level as in August 2020. Total exports of all forms of coffee over the first 11 months of coffee year 2020/21 (October 2020 – August 2021) amounted to 118.96 million bags, an increase of 1.9% compared with 116.77 million bags during the same period in coffee year 2019/20.

Cumulative exports from September 2020 to August 2021 are estimated at 129.55 million 60-kg bags, an increase of 2.1% compared with the 126.85 million bags recorded from September 2019 to August 2020. Global coffee consumption for coffee year 2020/21 is estimated at 167.26 million bags, an increase of 1.9% over 164.13 million bags recorded in coffee year 2019/20. 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. The projected total production of coffee year 2020/21 is 8.6% above the average of the last 10 coffee years. However, concerns over the supply from main origins still remain as climate-related shocks and covid-related disruptions continue to affect trade flows in many countries.

The monthly average of the ICO composite indicator rose by 6.2%, from 160.14 US cents/lb in August 2021 to 170.02 US cents/lb in September 2021. The level reached in September 2021 represents a 60.6% increase as compared to 105.85 US cents/lb recorded at the beginning of the current coffee year, October 2020. Moreover, the average price of September 2021 is the highest

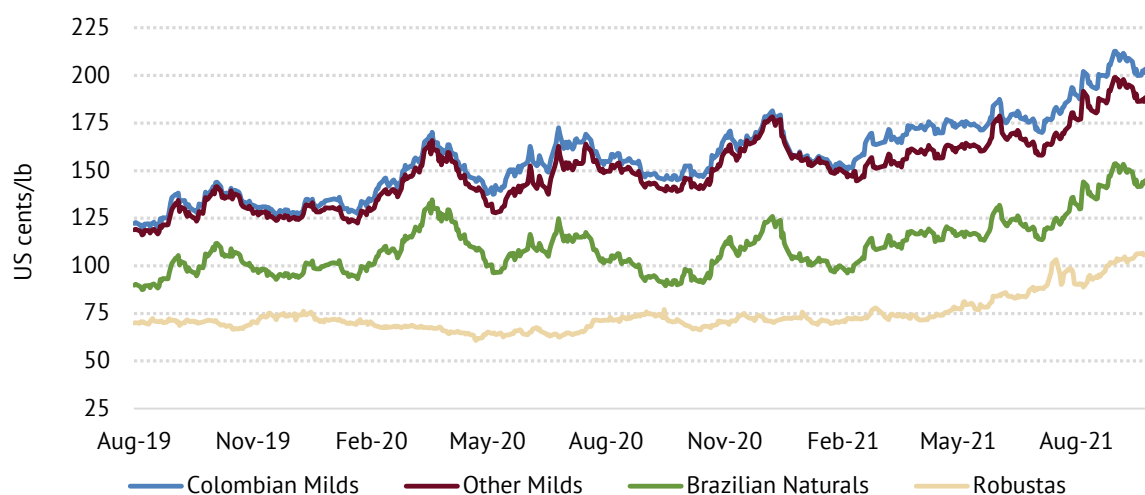
since the mark of 182.29 US cents/lb recorded in February 2012. The steady upward trend observed since the start of coffee year 2020/21 seems to confirm the recovery of coffee prices after three consecutive years of low-price levels, as shown in Figure 1.

Figure 1: ICO composite indicator daily prices



Prices for all group indicators increased in September 2021 and reached their highest levels in several years. The highest increase occurred in the Robusta Group indicator price, which reached 104.6 US cents/lb, an increase of 9.9% as compared to 95.18 US cents/lb in August 2021, breaching the 100 US cents/lb ceiling for the first time since August 2017. The level in September 2021 represents an increase of 53% from October 2020. The price for the Colombian Milds increased by 6.6% to 240.38 US cents/lb in September 2021 as compared to 225.40 US cents/lb in August 2021. Moreover, the price level reached by the Colombian Milds in September 2021 is the highest monthly average since 244.14 US cents/lb recorded in February 2012. It also represents a rise of 55.8% from 154.28 cents/lb recorded in October 2020. Prices for the Other Milds increased by 4.3% to 225.54 US cents/lb in September 2021 as compared to 216.24 US cents/lb in August 2021, which is the highest monthly average since 237.21 US cents/lb registered in January 2012. Moreover, compared to its level of 152.06 US cents/lb in October 2020, the Other Milds indicator increased by 48.3%. The monthly average price of the Brazilian Naturals reached 183.72 US cents/lb in September 2021; a 5% increase as compared to 174.89 US cents/lb in August 2021. The average monthly price for Brazilian Naturals in September 2021, which represents an increase of 83% from October 2020, is the highest since 197.05 US cents/lb recorded in October 2014.

Figure 2: ICO group indicator daily prices



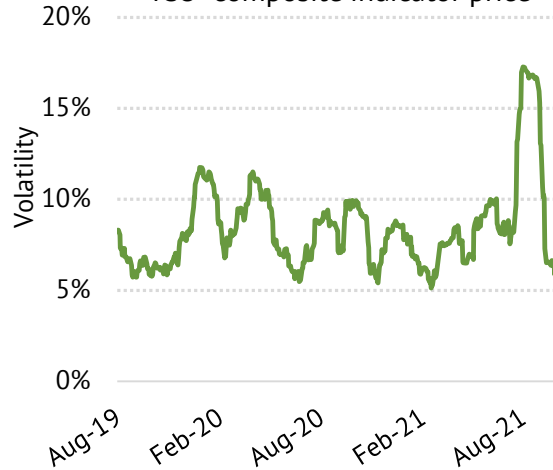
The differential between Colombian Milds and Other Milds increased substantially, rising by 62% from 9.16 US cents/lb in August 2021 to 14.84 US cents/lb in September 2021. The differential between Colombian Milds and Brazilian Naturals increased by 12.2%, from 50.51 US cents/lb in August 2021 to 56.66 US cents/lb in September 2021. The differential between Colombian Milds and Robustas increased by 4.3%, from 130.22 cents/lb in August 2021 to 135.78 US cents/lb in September 2021. The differential between Other Milds and Brazilian Naturals increased by 1.1% to 41.82 US cents/lb in September 2021 from 41.35 US cents/lb in August 2021. As the increase in Robusta price was higher than that of prices of Other Milds and Brazilian Naturals, the differentials between the two Arabica groups decreased by 0.1% and 0.7%. This was reflected in the behaviour of futures markets. The arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets, decreased by 0.8% at 96.39 US cents/lb in September 2021, as compared with 97.20 US cents/lb in August 2021.

Although coffee prices continued to increase, volatility weakened in September 2021. Intra-day volatility of the ICO composite indicator price fell by 8.6 percentage points to 8.2% in September 2021. The Brazilian Naturals indicator showed a volatility of 10.5% in September 2021, as compared to 21.8% in August 2021. The Colombian Milds and Other Milds recorded the same level of volatility at 9.1% in September 2021, as compared to 18.4% and 17.5% recorded respectively in August 2021. Robusta price had the lowest volatility at 7.5% in September 2021, as compared to 15.8% in August 2021. The volatility of New York futures market was 10.1% in September 2021, as compared to 21.1% in August 2021. The volatility of London futures market decreased by 3 percentage points to 7.8%, as compared to 10.8% in August 2021.

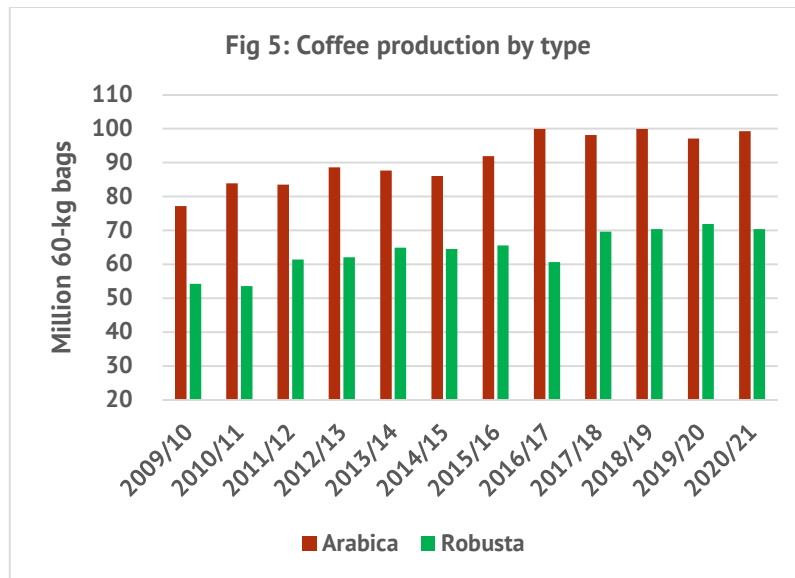
Figure 3: Arbitrage between New York and London futures markets



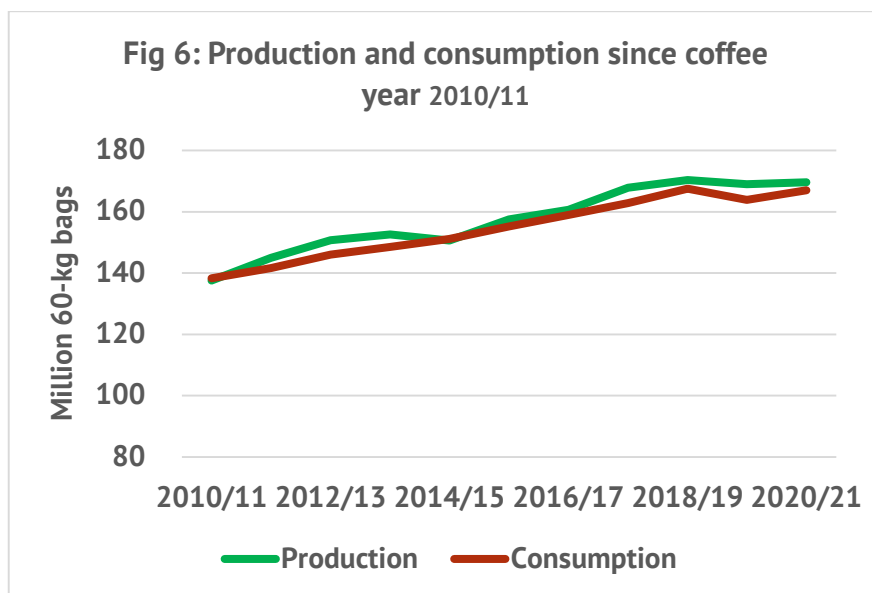
Figure 4: Rolling 30-day volatility of the ICO composite indicator price



Estimates of total production for coffee year 2020/21 remain unchanged at 169.6 million 60-kg bags, representing a 0.4% increase as compared to 169.0 million bags during the previous coffee year. While Arabica production increased by 2.3% to 99.3 million bags, a 2.1% reduction has been recorded in the production of Robusta coffee to 70.4 million bags. At the regional level, African output will remain at the same level of 18.7 million bags recorded in previous coffee year. Production for Asia & Oceania will fall by 1.1% from 49.5 million bags in 2019/20 to 48.9 million in 2020/21. Production in Central America and Mexico is expected to decrease by 2.1% at 19.2 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 82.8 million bags, as compared to 81.2 million bags in 2019/20. Harvesting for crop year 2020/21 has been completed in all producing countries and the focus of the market is expected to turn to output from crop year 2021/22 as well as from 2022/23. The uncertainty created by weather-related shocks and potential disruptions in trade flows from stricter pandemic-related measures has become a serious threat to the regularity of green coffee supply. Moreover, increasing production costs, including fertilizers and labour costs are expecting to reduce growers' current gains from increased prices and slow down investments in production.



World coffee consumption is resuming its steady growth of the last 10 years, before the outbreak of the covid-19 pandemic. It is projected to rise by 1.9% to 167.26 million bags in 2020/21 as compared to 164.13 million bags for coffee year 2019/20. With the prospect of further 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. The inelasticity of world consumption is expected to tighten the demand and supply ratio and increase the possibility of the current upward trends of coffee prices continuing.



Exports of all forms of coffee in August 2021 totalled 10.12 million bags, marginally down compared to 10.13 million bags in August 2020. The 2.2% decline in the exports of Arabica from 6.4 million bags in August 2020 to 6.3 million bags in August 2021 was offset by an increase by

3.6% of Robusta coffee exports from 3.69 million bags in August 2020 to 3.8 million bags in August 2021. The steepest decrease was recorded by Brazilian Naturals, down from 3.4 million bags in August 2020 to 2.8 million bags in August 2021. Over the same period, exports of Other Milds and Colombian Milds increased by 27.5% and 1.8% respectively. Cumulative exports of all forms of coffee during the first eleven months of coffee year 2020/21 (October 2020 – August 2021) increased by 1.9% to 118.96 million bags, as compared to 116.77 million bags during the same period in coffee year 2019/20. Cumulative exports of green coffee amounted to 107.85 million bags in the first eleven months of coffee year 2020/21, an increase of 2.5% as compared to 105.25 million bags for the same period in coffee year 2019/20. The pattern of total exports by exporting countries is still dominated by green coffee, which represented 90.7% and 90.1% of total exports, respectively, during coffee years 2020/21 and 2019/20.

Fig 7 : Green coffee exports (October - August)

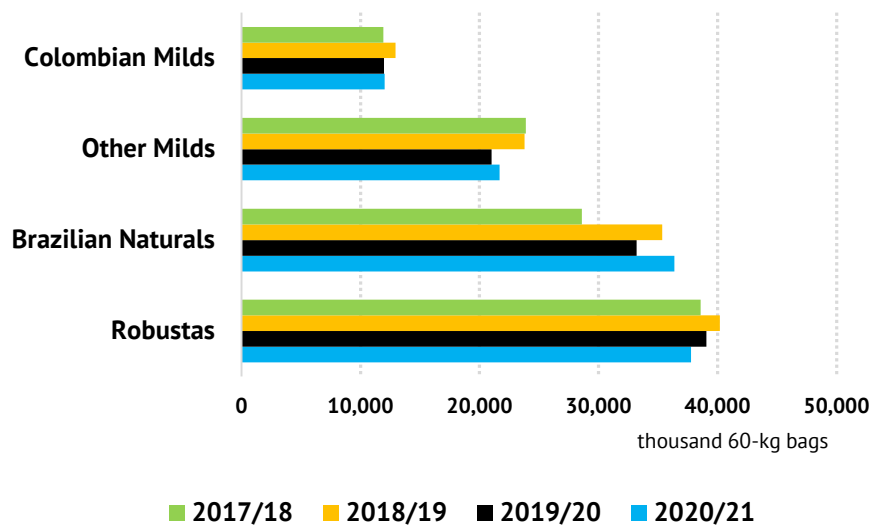
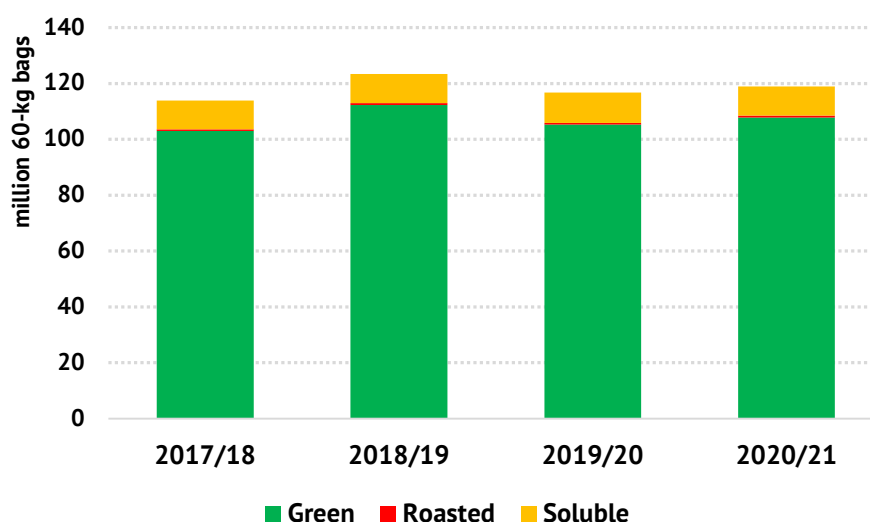


Fig 8: Total exports by form of coffee (October - August)



In terms of regional performance during the first eleven months of coffee year 2020/21, cumulative exports of South America increased by 5.5% to 54.74 million bags as compared to 51.87 million bags in 2019/20. Exports by Brazil increased by 8.5% to 39.89 million bags from 36.77 million bags in 2019/20. Exports by Colombia remained stable at 11.75 million bags. Total exports of Peru declined by 9% to 2.66 million in 2020/21 from 2.92 million in the same period in 2019/20. Exports of Asia & Oceania over the first eleven months of coffee year 2020/21 fell by 4.2% from 37.11 million bags in October 2019 to August 2020 to 35.55 million bags in 2020/21. Exports decreased in Vietnam from 24.88 million bags in 2019/20 to 22.84 million bags in 2020/21. Exports of India increased by 8.1% from 4.91 million bags in 2019/20 to 5.31 million bags in 2020/21. Cumulative exports from Central America and Mexico during the first eleven months of coffee year 2020/21 increased by 4.1% to 15.89 million bags, as compared to 15.26 million bags over the same period during coffee year 2019/20. Honduras is slowly recovering from two natural disasters caused by hurricanes Iota and Eta with its cumulative exports increasing by 5% to 5.63 million bags in 2020/21 as compared to 5.37 million bags in 2019/20. Nicaragua, which suffered the same climatic disasters as Honduras, has recorded a 5.9% decline of exports from 2.65 million bags in 2019/20 to 2.50 million bags in 2020/21. Export volume increases of 12.2%, 4.5% and 2.5% were observed in Guatemala, Mexico and Costa Rica, respectively. An increase of 3.3% was also observed in El Salvador. Cumulative exports by Africa increased by 2% to 12.78 million bags as compared to 12.53 million bags in 2019/20. Exports rose in Uganda (22%), Tanzania (22.2%) and Kenya (10.7%). Over the same period exports decreased by 13.5% and 47.2% in Ethiopia and Côte d'Ivoire respectively.

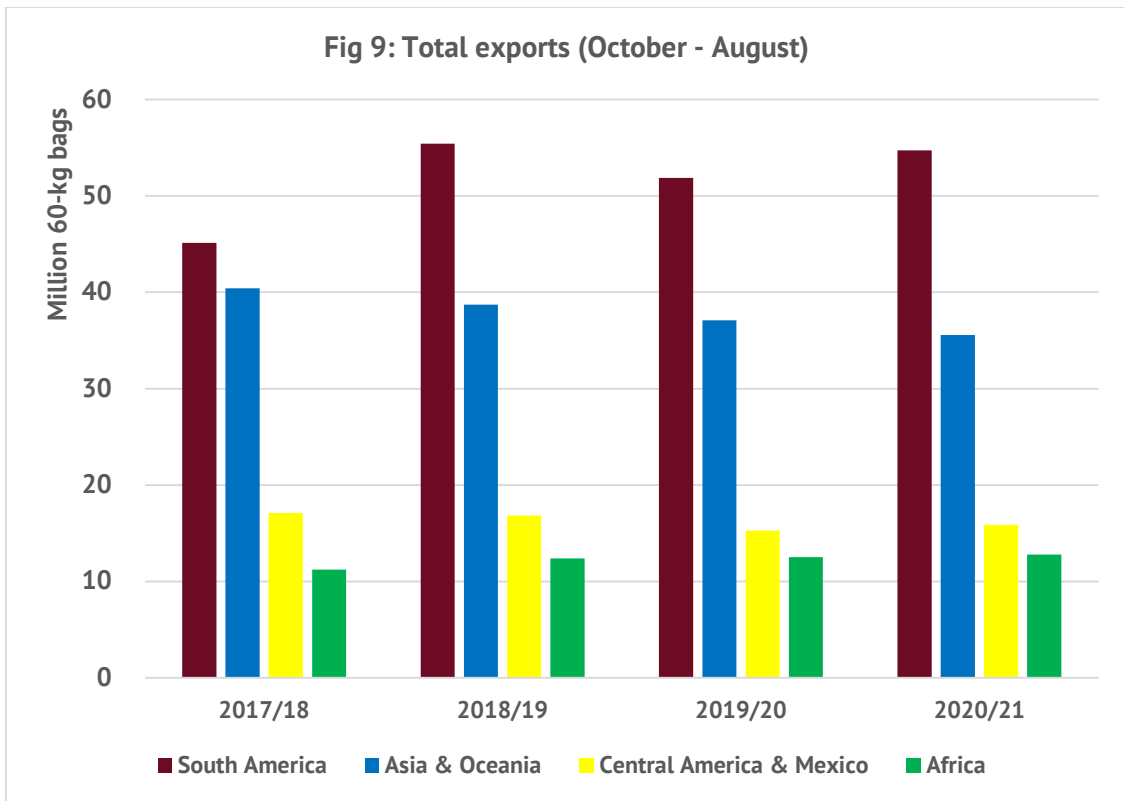


Table 1: ICO daily indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
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
Sep-21	170.02	240.38	225.54	183.72	104.6	191.3	94.91
% change between Aug-21 and Sep-21							
	6.2%	6.6%	4.3%	5.0%	9.9%	5.2%	12.0%
Volatility (%)							
Aug-21	16.8%	18.4%	17.5%	21.8%	15.8%	21.1%	10.8%
Sep-21	8.2%	9.1%	9.1%	10.5%	7.5%	10.1%	7.8%
Variation between Aug-21 and Sep-21							
	-8.6	-9.3	-8.4	-11.3	-8.3	-11.0	-3.0

* 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*
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
Sep-21	14.84	56.66	135.78	41.82	120.94	79.12	96.39
% change between Aug-21 and Sep-21							
	62.0%	12.2%	4.3%	1.1%	-0.1%	-0.7%	-0.8%

* 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	159,512	161,444	167,535	164,134	167,258	1.9%
Exporting countries	48,334	49,686	50,245	49,995	50,493	1.0%
Importing countries (Coffee Years)	111,178	111,758	117,290	114,139	116,765	2.3%
Africa	10,668	11,344	11,927	11,726	11,969	2.1%
Asia & Oceania	35,766	34,827	36,219	35,893	36,357	1.3%
Mexico & Central America	5,193	5,273	5,431	5,347	5,381	0.6%
Europe	52,203	53,142	55,053	53,589	54,528	1.8%
North America	29,559	29,941	31,779	30,628	31,768	3.7%
South America	26,123	26,918	27,126	26,951	27,255	1.1%
BALANCE	1,095	6,424	2,796	4,846	2,386	

*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

	Aug-20	Aug-21	% change	October-August		
				2019/20	2020/21	% change
TOTAL	10,128	10,117	-0.1%	116,771	118,959	1.9%
Arabicas	6,439	6,295	-2.2%	72,089	75,869	5.2%
Colombian Milds	1,182	1,203	1.8%	12,944	13,005	0.5%
Other Milds	1,826	2,328	27.5%	23,219	23,924	3.0%
Brazilian Naturals	3,431	2,763	-19.4%	35,926	38,941	8.4%
Robustas	3,689	3,822	3.6%	44,682	43,090	-3.6%

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

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
New York	1.30	1.40	1.52	1.75	1.92	1.97	2.07	2.21	2.33	2.32	2.31	2.27
London	2.04	2.24	2.31	2.40	2.44	2.50	2.53	2.67	2.53	2.43	2.31	2.10

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 2018/19 coffee year began on 1 October 2018 and ended 30 September 2019. However, for producers with crop years commencing on 1 April, the crop year production occurs across two coffee years. Brazil's 2018/19 crop year began on 1 April 2018 and finished 31 March 2019, covering the first half of coffee year 2018/19. However, Brazil's 2019/20 crop year commenced 1 April 2019 and ended 31 March 2020, covering the latter half of coffee year 2019/20. In order to bring the crop year production into a single coffee year, the Secretariat would allocate a portion of the April-March 2018/19 crop year production and a portion of the April-March 2019/20 production into 2018/19 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.