

Coffee Market Report

October 2020



INTERNATIONAL
COFFEE
ORGANIZATION

September 2020 coffee exports rise, but 2019/20 shipments fell 4.9%

The ICO composite indicator in October decreased by 8.9% to 105.85 US cents/lb as prices for all group indicators declined, though the largest decrease was for Brazilian Naturals. Global shipments in September increased by 0.9% to 10.16 million bags as increased Robusta exports offset a decline in Arabica exports. Exports in coffee year 2019/20 fell 4.9% to 126.9 million bags, and the value of these shipments decreased by 3.6% to 17.87 billion USD compared to coffee year 2018/19. Global coffee production in 2019/20 is estimated at 168.84 million bags, 2.5% lower than last year, while world coffee consumption is estimated to decrease by 0.9% to 167.59 million bags, resulting in a surplus of 1.24 million bags.

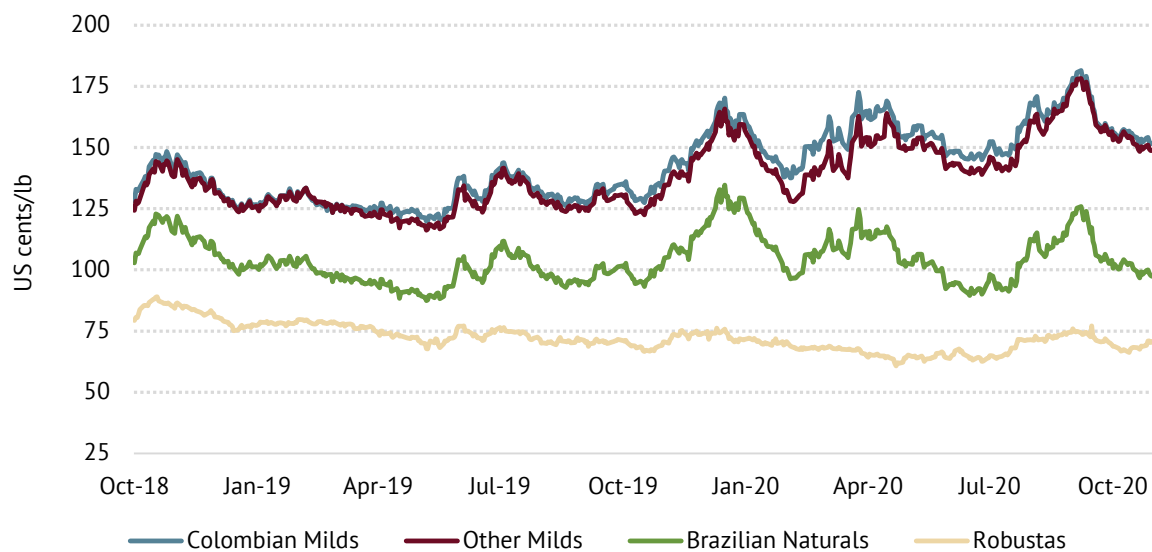
Figure 1: ICO composite indicator daily prices



The monthly average of the ICO composite indicator fell by 8.9% to 105.85 US cents/lb in October 2020, nearly reversing the gains made in the last two months. The daily composite indicator continued the descent that began in mid-September, going from a high of 107.94 US cents/lb on 9 October 2020 to a low of 103.3 US cents/lb on 21 October. In the last seven days of the month

it ranged between 104.49 US cents/lb and 106.5 US cents/lb. Increased exports in September, signalling availability of supplies at the end of the crop year, and the larger crop from Brazil are weighing on prices.

Figure 2: ICO group indicator daily prices



Prices for all group indicators declined in September 2020 after three months of increase. The largest decrease occurred in the average price for Brazilian Naturals which fell by 11.8% to 100.37 US cents/lb. The average price for Other Milds decreased by 8.7% to 152.06 US cents/lb while the price for Colombian Milds fell by 8.4% to 154.28 US cents/lb. As a result, the differential between Colombia Milds and Other Milds grew by 23.3% to an average of 2.22 US cents/lb as the supply of Colombian Milds became relatively scarcer. Robusta prices averaged 68.36 US cents/lb, 6.1% lower than in September 2020.

The average arbitrage in October, as measured on the New York and London futures markets, fell by 12.2% to 51.56 US cents/lb. After falling for eight consecutive months, stocks of certified Arabica increased by 3.2% to 1.3 million bags in October 2020. Certified Robusta stocks amounted to 2.04 million bags, 10.3% higher than in September 2020.

The volatility of the ICO composite indicator price increased by 0.1 percentage points to 8.8% as the volatility for Robusta prices rose by 1.1 percentage points to 9.5%. The volatility for Colombian Milds declined by 0.3 percentage points to 8.2%, and the volatility for Other Milds fell by 0.2 percentage points to 7.8%. Brazilian Naturals volatility declined by 0.1 percentage points to 12.2%.

Figure 3: Arbitrage between New York and London futures markets

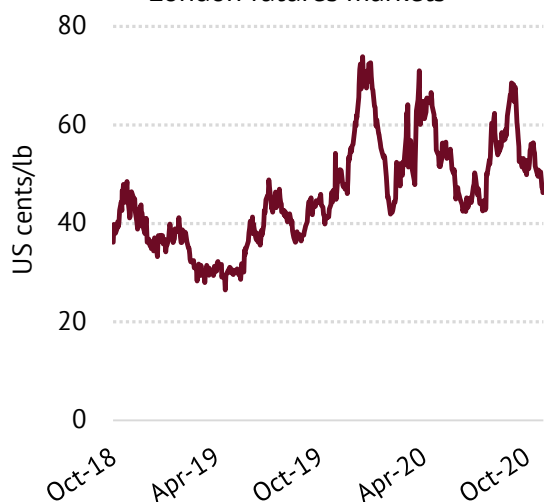
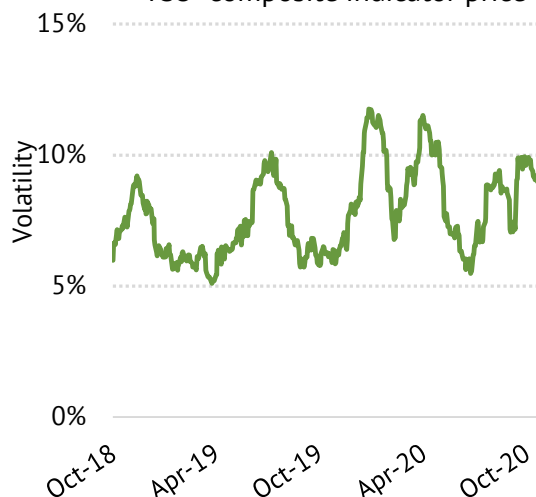


Figure 4: Rolling 30-day volatility of the ICO composite indicator price



Global output in 2019/20 is estimated at 168.84 million bags, 2.5% lower than in 2018/19. Arabica output is estimated to decrease by 5% to 96.05 million bags while Robusta output is expected to rise by 1.1% to 72.78 million bags. The decrease in output is attributed primarily to the reduction in Brazil as it was an off-year for its Arabica production. Additionally, the ongoing low prices as well as the effects of covid-19 on labour supply have also contributed to the lower output.

In 2019/20, global coffee consumption is estimated to fall by 0.9% to 167.59 million bags following an increase of 4.6% in 2018/19 to 169.11 million bags. Demand is estimated downwards due to ongoing pressure from a global economic downturn and limited recovery in out-of-home consumption as social distancing measures remain in place globally.

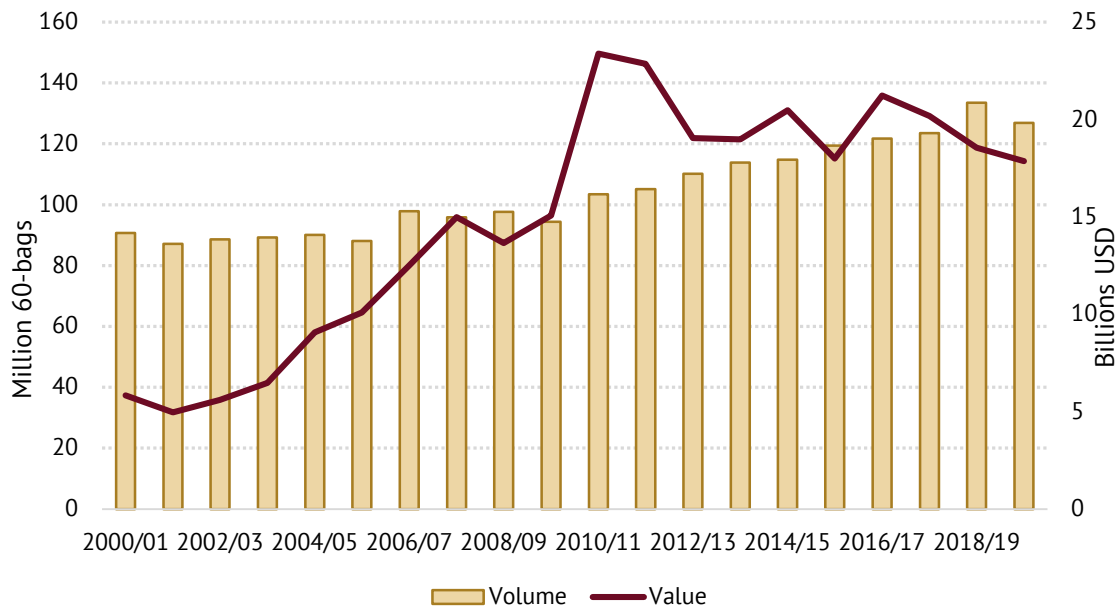
Although both production and consumption decreased, **2019/20 is seen in surplus, with global output exceeding consumption by 1.24 million bags.** The ICO composite indicator reached 107.25 US cents/lb in coffee year 2019/20. This compares to an average of 100.47 US cents/lb in 2018/19 when the surplus reached nearly 4 million bags. Further recovery in prices over the next few months will likely be limited by this surplus and the prospects of more coffee reaching the market, particularly Brazil's 2020/21 crop, an on-year of the biennial Arabica production cycle.

In September 2020, world coffee exports rose by 0.9% to 10.16 million bags compared to September 2019. Shipments of Arabica fell by 4.1% to 6.17 million bags, but Robusta exports offset this fall, rising by 9.6% to 4 million bags. Colombian Milds recorded the largest decrease in September, falling by 12.5% to 953,000 bags. Exports of Other Milds fell by 6.9% to 1.82 million bags, while Brazilian Naturals rose by 0.2% to 3.39 million bags.

In coffee year 2019/20, global coffee shipments fell by 4.9% to 126.9 million bags compared with coffee year 2018/19. In October 2019 to September 2020, Robusta exports recorded the

smallest decrease, declining by 1.4% to 48.68 million bags. Shipments of Other Milds fell by 9.8% to 25.15 million bags, Colombian Milds by 7.2% to 13.88 million bags and Brazilian Naturals by 4.9% to 39.18 million bags. The total value of coffee exports fell by 3.6% to 17.87 billion USD compared to coffee year 2018/19 while the average unit value per pound of green bean equivalent decreased to 148.66 US cents compared to 177.50 US cents in 2018/19.

Figure 5: Coffee year exports



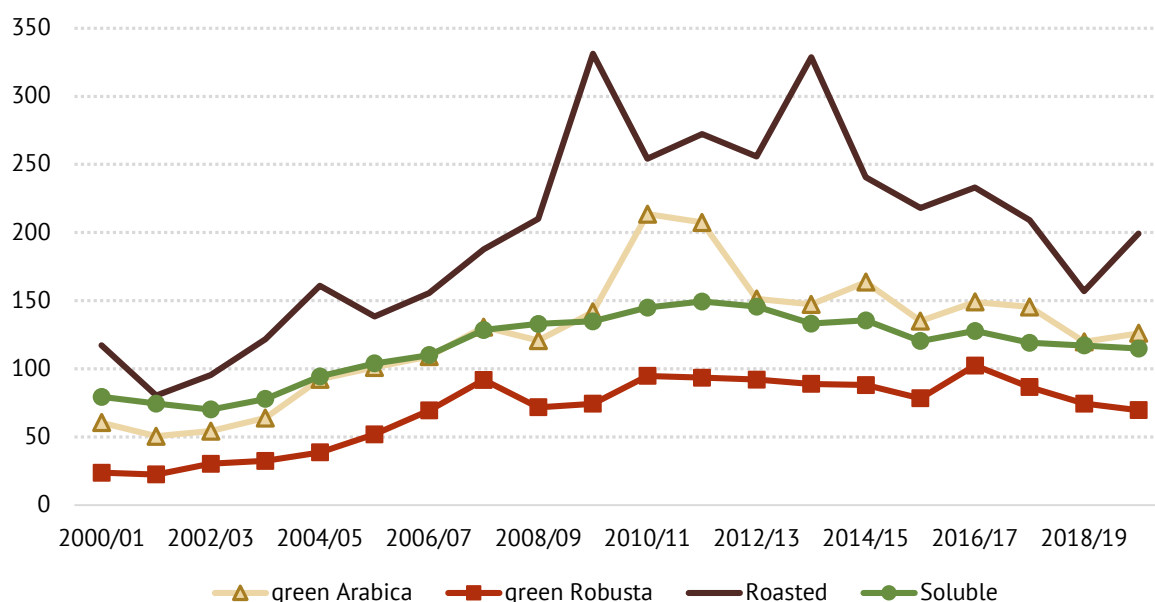
Green Arabica exports fell by 7.7% to 71.98 million bags in 2019/20. Shipments from four of the five largest green Arabica exporters, which represent 78% of total green Arabica exports, fell in 2019/20. Brazil’s exports of green Arabica declined by 8.1% to 31.84 million bags, Colombia’s by 7.2% to 11.59 million bags, and Honduras’ by 19.1% to 5.51 million bags. However, Ethiopia’s shipments of green Arabica rose by 1.3% to 3.85 million bags while Peru’s exports decreased by 9.5% to 3.63 million bags. The total value of green Arabica exports fell by 2.8% to 12 billion USD from 12.35 billion USD in 2018/19 and 13.48 billion USD in 2017/18. The average unit value grew by 5.3% to 126.07 US cents/lb.

In 2019/20, green Robusta shipments fell by 1.6% to 42.65 million bags, due largely to the decrease in exports from Viet Nam, which accounts for 56% of all green Robusta exports. Viet Nam’s shipments fell by 8.6% to 24.05 million bags. However, Brazil’s green Robusta exports rose by 21.2% to 4.63 million bags, Uganda’s by 25.9% to 4.39 million bags, and Indonesia’s by 31% to 3.93 million bags. On the other hand, India’s shipments of green Robusta fell by 14.3% to 2.78 million bags. The total value of green Robusta exports declined by 8% to 3.93 billion USD from 4.27 billion USD in 2018/19 and 4.77 billion USD in 2017/18. The average unit value fell by 6.5% to 69.6 US cents/lb.

Shipments of roasted coffee have grown in each consecutive year from 370,000 bags in 2014/15 to 788,000 bags in 2018/19. **However, roasted coffee exports fell by 15% to 669,000 bags in**

2019/20. Colombia is the largest exporter of roasted coffee, and its shipments grew by 15% to 198,000 bags. However, Mexico’s exports fell by 12.7% to 194,000 bags. Indonesia’s roasted shipments more than doubled to 48,500 bags while Brazil’s shipments fell by 11.2% to 23,000 bags. While the volume of roasted coffee exports declined in 2019/20, the total value rose by 7.8% to 176.36 million USD. Additionally, the average unit value of roasted coffee increased by 26.8% to 199.18 US cents/lb.

Figure 6: Average export unit values



In the previous five years, soluble coffee exports have grown by an annual average rate of 5% from 9.01 million bags in 2014/15 to 11.34 million bags in 2018/19. **In coffee year 2019/20, shipments of soluble coffee rose by 2.3% 11.60 million bags.** Brazil is the largest exporter of soluble coffee, and in 2019/20, Brazil shipped 3.94 million bags, 2.1% lower than in 2018/19. Indonesia’s exports of soluble coffee rose by 36.1% to 1.81 million bags while India’s fell by 7.8% to 1.8 million bags, which is the third year of decrease for India. Viet Nam’s shipment of soluble coffee decreased by 3.2% to 1.32 million bags. However, Mexico’s soluble coffee exports grew by 8.8% to 861,000 bags. The total value of soluble coffee exports rose by 0.3% to 1.76 million USD in 2019/20, and the average unit value decreased by 2% 114.81 US cents/lb.

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							
Oct-19	97.35	132.09	126.99	98.10	68.63	102.41	58.34
Nov-19	107.23	146.12	140.98	109.94	73.28	113.31	63.00
Dec-19	117.37	161.50	157.11	126.36	73.22	131.44	63.87
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
% change between Sep-20 and Oct-20							
	-8.9%	-8.4%	-8.7%	-11.8%	-6.1%	-9.3%	-6.6%
Volatility (%)							
Oct-20	8.8%	8.2%	7.8%	12.2%	9.5%	10.8%	6.5%
Sep-20	8.7%	8.5%	8.0%	12.3%	8.4%	11.1%	6.8%
Variation between Sep-20 and Oct-20							
	0.1	-0.3	-0.2	-0.1	1.1	-0.3	-0.3

* 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*
Oct-19	5.10	33.99	63.46	28.89	58.36	29.47	44.07
Nov-19	5.14	36.18	72.84	31.04	67.70	36.66	50.31
Dec-19	4.39	35.14	88.28	30.75	83.89	53.13	67.57
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
% change between Sep-20 and Oct-20							
	23.3%	-1.2%	-10.1%	-2.0%	-10.8%	-22.0%	-12.2%

* Average prices for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Coffee year commencing	2015	2016	2017	2018	2019*	% change 2018/19
PRODUCTION	157 160	160 713	166 476	173 088	168 836	-2.5%
Arabica	91 083	100 686	97 478	101 083	96 054	-5.0%
Robusta	66 077	60 027	68 998	72 005	72 783	1.1%
Africa	15 566	16 539	17 307	18 858	18 855	0.0%
Asia & Oceania	51 837	47 930	52 203	49 806	50 357	1.1%
Mexico & Central America	17 106	20 322	21 727	21 742	20 760	-4.5%
South America	72 651	75 921	75 240	82 682	78 865	-4.6%
CONSUMPTION	155 672	158 771	161 608	169 113	167 592	-0.9%
Exporting countries	47 349	48 334	49 686	50 275	50 003	-0.5%
Importing countries (Coffee Years)	108 323	110 437	111 922	118 838	117 589	-1.1%
Africa	10 768	10 702	11 087	11 734	11 671	-0.5%
Asia & Oceania	32 964	35 059	35 124	37 396	37 067	-0.9%
Mexico & Central America	5 309	5 193	5 273	5 433	5 426	-0.1%
Europe	52 398	52 147	53 262	55 614	55 089	-0.9%
North America	28 934	29 559	29 941	31 779	31 434	-1.1%
South America	25 299	26 111	26 922	27 156	26 905	-0.9%
BALANCE	1 488	1 942	4 868	3 975	1 244	

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

	Sep-19	Sep-20	% change	October-September		
				2018/19	2019/20	% change
TOTAL	10 076	10 162	0.9%	133 448	126 898	-4.9%
Arabicas	6 428	6 165	-4.1%	84 072	78 210	-7.0%
Colombian Milds	1 089	953	-12.5%	14 961	13 879	-7.2%
Other Milds	1 952	1 817	-6.9%	27 896	25 148	-9.8%
Brazilian Naturals	3 386	3 394	0.2%	41 216	39 183	-4.9%
Robustas	3 649	3 997	9.6%	49 375	48 688	-1.4%

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

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
New York	2.42	2.32	2.49	2.45	2.29	2.11	2.01	1.90	1.82	1.45	1.26	1.30
London	2.64	2.54	2.45	2.57	2.44	2.31	2.18	1.99	1.90	1.85	1.85	2.04

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.