

Coffee Market Report

February 2022



INTERNATIONAL
COFFEE
ORGANIZATION

Despite conflict in Europe, the Composite Indicator Price increased for 17 straight months in February 2022.

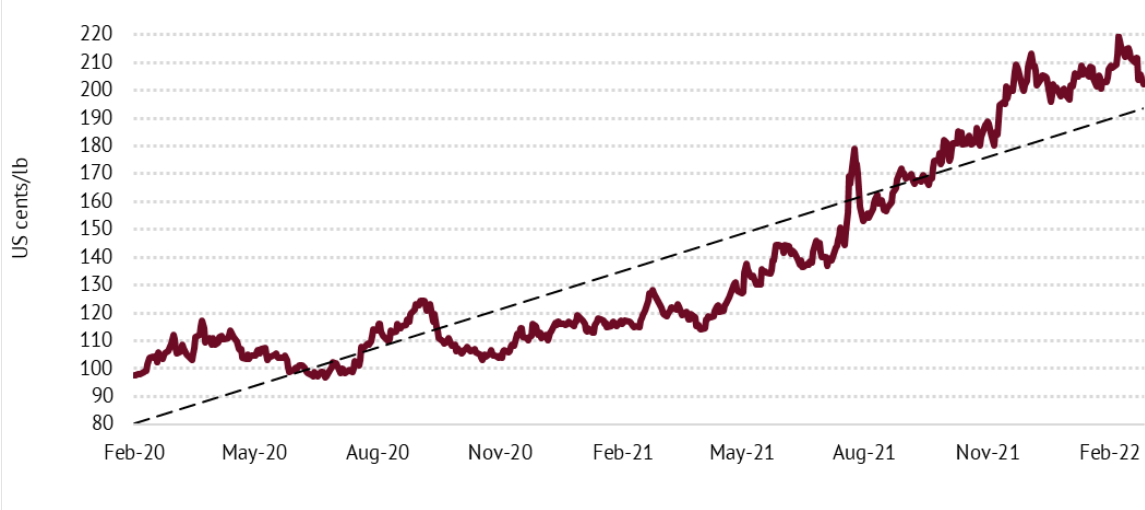
In response to the outbreak of a military conflict involving Russia and Ukraine on 24 February, the average New York and London futures market prices for coffee fell by 3.1%, the largest daily decrease since 30 July 2021, when it dropped by 6.9%. The ICO Composite Indicator Price also decreased, falling by 3.7%, the biggest downturn since 20 December 2021. However, the ICO Composite Indicator Price (CIP) rose to 210.89 US cents/lb, a 3.2%, increase month-on-month, in February 2022. This marks 17 consecutive months of increase.

In 2020, Russia and Ukraine consumed 6.26 million 60-kg bags of coffee, accounting for 3.8% of the global consumption. The conflict has driven the oil prices sharply upwards, with the Brent Crude price reaching US\$127.98/barrel on 8 March from US\$96.84/barrel on 23 February. More significantly, Russia supplies 20% of the global seaborne ammonia market and disrupted supplies could impact the price of fertilisers, which ultimately could determine higher input costs for coffee farmers from around the world, and to higher coffee prices. Coffee exporters are already starting to face logistical difficulties, with an exporter reported as having several containers of Honduran coffee stranded in international waters. Moreover, the global economic outlook for 2022 has already been cut by some public and private institutions, including the International Monetary Fund. However, it is too early to fully assess the impact of the conflict on the coffee markets of Russia and Ukraine, and on the global coffee industry.

Global exports in January 2022 totalled 10.86 million bags, as compared with 10.64 million bags in January 2021. Total exports of roasted coffee in coffee year 2021/22 grew by 18.8%, year-on-year, from 238,000 bags to 282,000 bags. Shipments of soluble coffee totalled 4.24 million bags, up from 3.81 million bags for the same time during the previous coffee year. The share of green exports lost 0.7 percentage point as the total share of roasted exports grew by 0.1 percentage point and the share of soluble grew 1.1 percentage point. Exports from Africa in the first four months of coffee year 2021/20 increased by 2.4% to 4.04 million bags, while it increased by 20.7% to 14.69 million bags in October 2021 to January 2022 for Asia & Oceania. Compared to the first four months of coffee year 2021/22, exports from Mexico & Central America grew by 24.1% to 3.11 million, when compared with 2.50 million bags for the same period in coffee year 2020/21. South America's exports decreased by 16.1% to 20.00 million bags in the four months of coffee year 2021/22.

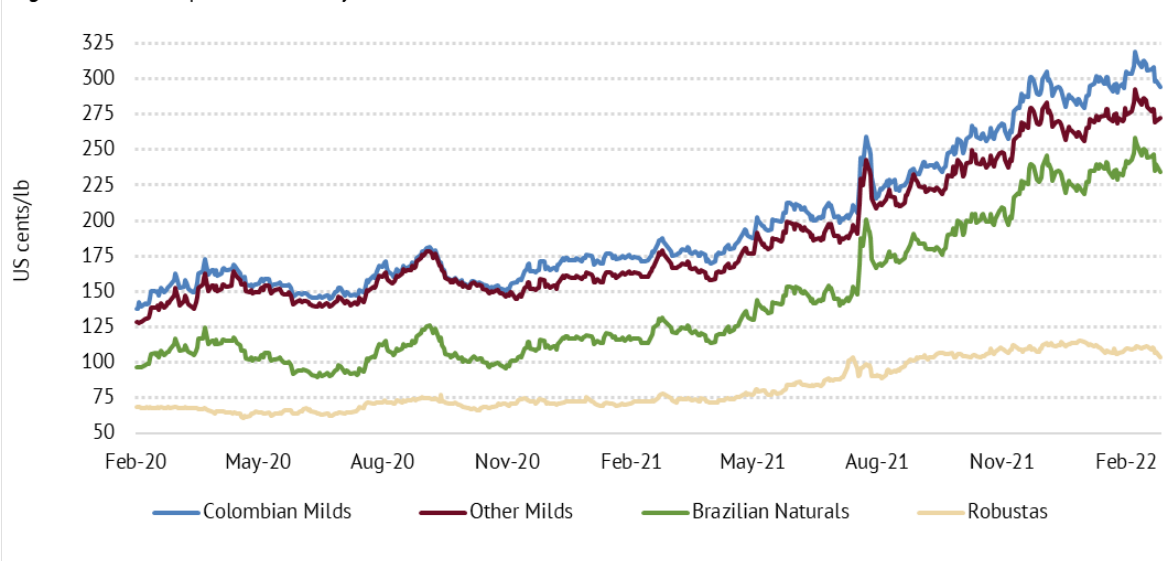
The ICO Composite Indicator Price (CIP) rose to 210.89 US cents/lb, a 3.2%, increase month-on-month, in February 2022. This marks 17 consecutive months of increase. Despite the increase in comparison with the previous month, market reaction to the conflict was apparent on the CIP, which suffered its largest daily drop on 24 February (3.7%), the biggest since the 4.2% fall on 20 December 2021. Since the start of the conflict, the CIP has fallen by 7.3%, dropping down below the 200 US cents/lb mark to US cents 196.07/lb on 10 March 2022.

Figure 1: ICO Composite Indicator Daily Prices



The highest increase of a group of coffee was the Brazilian Naturals at 4.8%, reaching 245.05 US cents/lb, from 233.80 US cents/lb. Prices for Colombian Milds increased by 3.9% to 306.36 US cents/lb from 294.93 US cents/lb in January 2022. The prices for the Other Milds increased by 3.2% to 279.83 US cents/lb in February 2022, up from 271.08 US cents/lb in January 2022. Robustas decreased by 0.2% from 109.71 US cents/lb to 109.44 US cents/lb in February 2022.

Figure 2: ICO Group Indicator Daily Prices



The average of 2nd and 3rd positions of the London futures market presented the weakest performance of all groups of coffee, decreasing by 0.5% from January to February 2022 to 100.58 US cents/lb, while the New York arabicas grew by 3.9% since January 2022, from 236.13 US cents/lb to 245.38 US cents/lb in February 2022.

The differential between the Colombian Milds and Other Milds increased by 11.2% in January 2022 to 26.52 US cents/lb in February 2022. The differential between Colombian Milds and Brazilian Naturals increased by 0.3%, to 61.30 US cents/lb in February 2022. The differential between Colombian Milds and Robustas increased by 6.3%, from 185.22 cents/lb in January 2022 to 196.92 US cents/lb in February 2022. The differential between Other Milds and Brazilian Naturals decreased by 6.7% to 34.78 US cents/lb in February 2022 from 37.28 US cents/lb in January 2022. The arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets, increased by 7.2% to 144.81 US cents/lb in February 2022, as compared with 135.07 US cents/lb in January 2022.

Figure 3: Arbitrage between New York and London futures markets

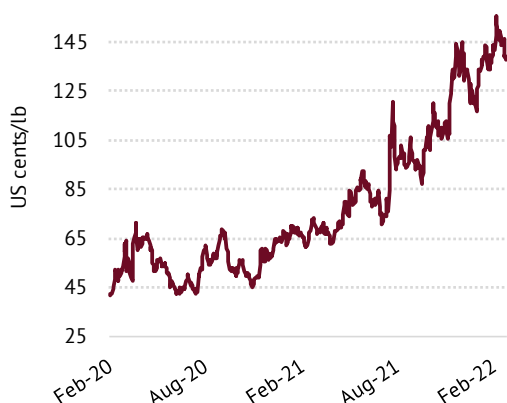
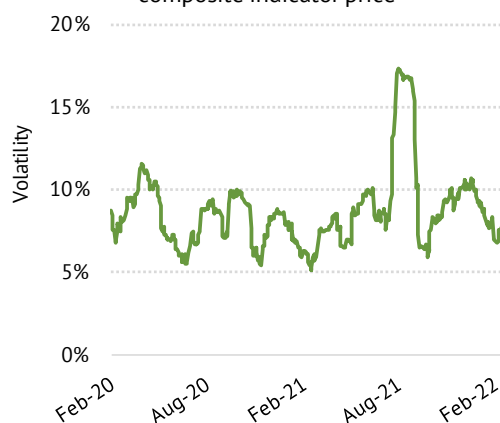


Figure 4: Rolling 30-day volatility of the ICO composite indicator price

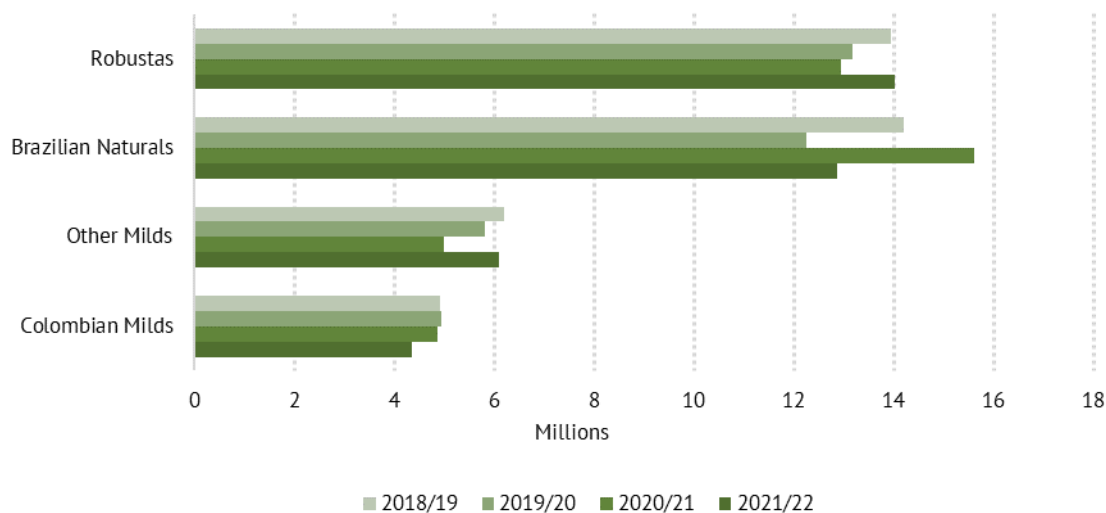


As coffee prices continued to increase, intra-day volatility in February 2022 of the ICO Composite Indicator Price decreased by 1.0 percentage points to 7.3%. The Brazilian Naturals indicator presented the largest reduction in volatility of 1.4 percentage points to 9.7% in February 2022, as compared to 11.1% in January 2022. The Colombian Milds recorded a volatility of 7.8% in February 2022, as compared with 8.3% recorded in the previous month. Volatility for the Other Milds decreased slightly from 8.7% in January 2022 to 8.4% in February 2022. The Robusta indicator showed the lowest volatility at 6.6% in February 2022. The volatility of the average of the 2nd and 3rd positions of the New York futures market was 9.0% in February 2022, as compared with 10.1% in January 2022. The London futures market had the lowest volatility, increasing by 0.3 percentage points to 5.2%.

Certified stock for February in New York decreased significantly by 22.9% to 1.08m bags from 1.4m bags in January, while LIFFE stocks decreased by 1.9 percentage points to 1.54 million bags from 1.57m bags, over the same period.

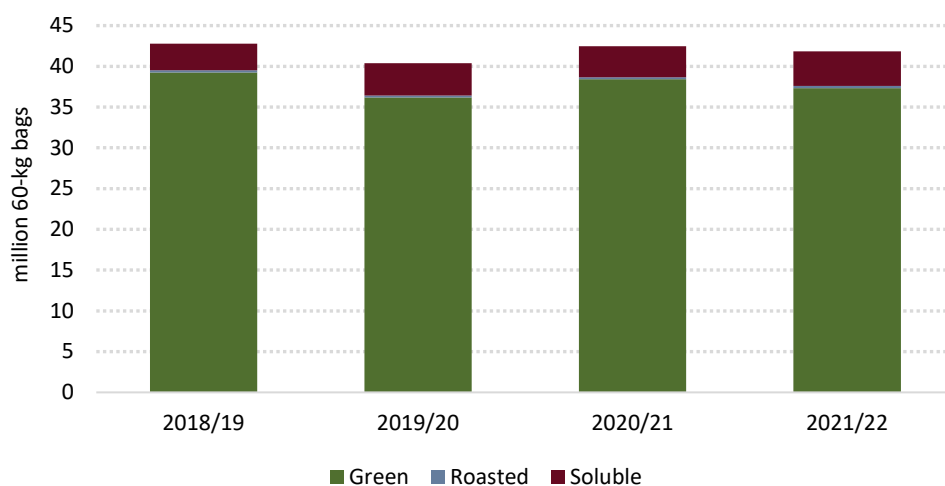
Global exports of green beans in January 2022 totalled 9.83 million bags, compared with 9.80 million bags in the same month of the previous year. Exports of green beans reached 37.32 million bags in the first four months of coffee year 2021/22, a decrease of 2.9% as compared with 38.41 million bags for the same period in coffee year 2020/21. In October 2021 to January 2022, shipments of Other Milds increased by 22.3% to 6.10 million bags and Robusta by 8.3% to 14.02 million bags. However, exports of Brazilian Naturals and Colombian Milds both decreased by 17.6% to 12.85 million bags and 10.9% to 4.35 million bags, respectively, over the same period.

Figure 5: Green Exports (October-January)



Total exports of roasted coffee in coffee year 2021/22 grew by 18.8% from 238,000 bags to 282,000 bags as compared with the same period in coffee year 2020/21. Meanwhile, exports of soluble coffee grew by 11.5% in the first four months of coffee year 2021/22. Shipments totalled 4.24 million bags, up from 3.81 million bags for the same period during the previous coffee year. The share of green exports lost 0.7 percentage point as the total share of roasted exports grew 0.1 percentage point and the share of soluble grew by 1.1 percentage point. This is a continuation of a recent trend of falling share of green beans of total coffee exports; since coffee year 2010/11 to coffee year 2020/21, the share of the green beans has decreased to 90.6% from 92%. The reduction in the share of green beans is due to an increase in shipments of soluble coffee, which increased its share of the total exports from 7.8% to 8.8% over the same period.

Figure 6: Total Exports (October-January)



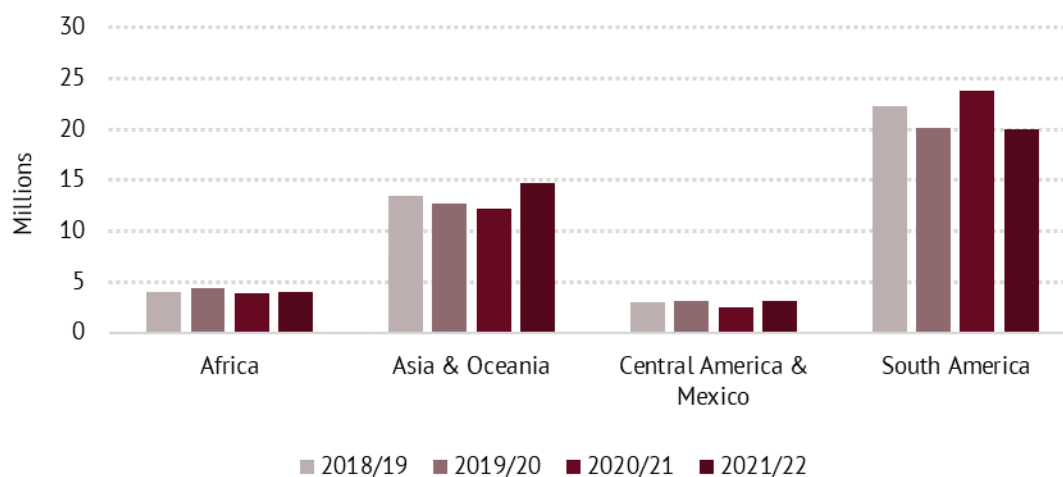
Exports from Africa in the first four months of coffee year 2020/21 increased by 2.4% to 4.04 million bags. Uganda was the largest regional exporter, shipping 1.95 million bags, an increase of 12.9% on the first four months of coffee year 2020/21 whilst Ethiopia also recorded an increase in shipments by 30.0% to 1.04 million bags for the first four months of coffee year 2021/22 when compared with the same period the previous year. In contrast, exports of Côte d'Ivoire decreased by 26.3% for the first four months of current coffee year to 180,000 bags, while there was a 56.8% fall to 130,000 bags for Kenya and 12.0% drop to 403,000 bags for Tanzania over the same period.

Asia & Oceania's coffee exports increased by 20.7% to 14.69 million bags in October 2021 to January 2022. Vietnam's exports, during this period, increased by 17.5% to 9.25 million bags, while Indonesia's shipments increased by 11.6% to 2.76 million bags. Exports from India, the region's third largest producer, increased by 65.1% to 2.17 million bags.

In the first four months of coffee year 2021/22, exports from Mexico & Central America grew by 24.1% to 3.11 million as compared with 2.50 million bags for the same period in coffee year 2020/21. Shipments from Honduras, the region's largest producer, increased by 32.7% to 987 thousand bags while those from Mexico grew by 15.5% to 898 thousand bags. Guatemala's exports increased by 22.3% to 512 thousand bags for the first four months of the 2021/22 coffee year. Additionally, Nicaragua's exports grew by 20.6% to 485 thousand bags, over the same period.

In October 2021 to January 2022, South America's exports decreased by 16.1% to 20.00 million bags. During this period, shipments from Brazil declined by 22.9% to 13.37 million bags while Colombian exports fell by 7.1% to 4.35 million bags.

Figure 7: Total Exports (October-January)



The latest provisional outlook for total production in coffee year 2021/22 is 167.2 million bags, a 2.1% decrease as compared to 170.83 million bags of the previous coffee year. One of the main contributing factors is Arabica production, which is expected to decline by 7.1% to 93.97 million bags, from 101.16 million bags in 2020/21, while the production of Robusta is gauged as to grow 5.1% to 73.2 million bags, up from 69.67 million bags in the previous year. Production in Asia and Oceania is estimated to grow by 7.1% in 2021/22, up from 48.0 million bags to 51.4 million bags. However, South America's production is estimated to be reduced by 7.6% to 77.5 million bags, from 83.8 million bags in for crop year 2020/21. In addition, Mexico and Central America's production is projected to decline by 3.5%, from 19.7 million bags to 19.0 million bags for the current coffee year. Lastly, Africa's production is estimated to decline by 0.3 percentage points from 19.33 million bags in 2020/21 to 19.27 million bags for the 2021/22 coffee year.

The world coffee consumption is projected to grow by 3.3%, to 170.3 million 60-kg bags in 2021/22 as compared to 164.9 million for coffee year 2020/21. North American consumption of coffee is estimated to grow by 5.4% from 30.3 million bags in 2020/21 to 31.9 million bags for the current coffee year. Europe's consumption is expected to bounce back, reaching 54.2 million bags, up from 52.0 million bags in 2020/21. Asia and Oceania's consumption continues a steady increase, from 39.7 million bags to 40.8 million bags for coffee year 2021/22. However, growth rates in Mexico & Central America and in South America will remain low at 0.3% and 0.5% respectively. Consumption in Africa is estimated to rise by 2.4 percentage points, from 11.4 million bags in 2020/21 to 11.7 million bags for the 2021/22 coffee year.

The production-consumption gap for 2021/22 is therefore estimated to be negative at 3.1 million bags. The balance has changed mainly due to a significant revision of Venezuela's consumption, but the overall trend might contribute to running down stocks, as consumption outpaces production for the 2021/22 coffee year.

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							
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	104.60	191.30	94.91
Oct-21	181.57	258.87	241.06	199.98	105.24	206.05	96.36
Nov-21	195.17	279.56	258.95	218.90	109.40	223.94	100.30
Dec-21	203.06	290.57	267.71	230.26	112.76	234.14	104.14
Jan-22	204.29	294.93	271.08	233.80	109.71	236.13	101.06
Feb-22	210.89	306.36	279.83	245.05	109.44	245.38	100.58
% change between Jan-22 and Feb-22							
	3.2%	3.9%	3.2%	4.8%	-0.2%	3.9%	-0.5%
Volatility (%)							
Jan-22	8.3%	8.3%	8.7%	11.1%	6.0%	10.1%	4.9%
Feb-22	7.3%	7.8%	8.4%	9.7%	6.6%	9.0%	5.2%
Variation between Jan-22 and Feb-22							
	-1.0	-0.5	-0.3	-1.4	0.6	-1.1	0.3

* 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*
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
Oct-21	17.81	58.89	153.63	41.08	135.82	94.74	109.69
Nov-21	20.60	60.66	170.16	40.06	149.55	109.50	123.64
Dec-21	22.86	60.31	177.81	37.45	154.95	117.50	130.00
Jan-22	23.85	61.13	185.22	37.28	161.37	124.09	135.07
Feb-22	26.52	61.30	196.92	34.78	170.39	135.61	144.81
% change between Jan-22 and Feb-22							
	11.2%	0.3%	6.3%	-6.7%	5.6%	9.3%	7.2%

* Average prices for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Coffee year commencing	2017	2018	2019	2020*	2021*	% change 2020/21
PRODUCTION	167,806	170,195	168,902	170,830	167,170	-2.1%
Arabica	98,128	99,855	97,014	101,157	93,970	-7.1%
Robusta	69,678	70,340	71,889	69,674	73,200	5.1%
Africa	17,404	18,510	18,666	19,331	19,270	-0.3%
Asia & Oceania	52,203	48,108	49,427	48,016	51,433	7.1%
Mexico & Central America	21,752	21,640	19,598	19,674	18,993	-3.5%
South America	76,453	81,934	81,214	83,812	77,473	-7.6%
CONSUMPTION	160,006	166,730	162,998	164,865	170,298	3.3%
Exporting countries	48,586	49,423	49,370	49,967	50,322	0.7%
Importing countries (Coffee Years)	111,421	117,307	113,629	114,898	119,975	4.4%
Africa	10,810	12,033	11,101	11,449	11,721	2.4%
Asia & Oceania	35,129	36,227	36,350	39,657	40,834	3.0%
Mexico & Central America	5,273	5,431	5,346	5,381	5,399	0.3%
Europe	53,527	55,452	53,949	51,983	54,206	4.3%
North America	29,939	31,789	30,581	30,292	31,913	5.4%
South America	25,829	26,324	26,321	26,603	26,724	0.5%
BALANCE	7,799	3,465	5,904	5,965	-3,128	

*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-21	Jan-22	% change	February-January		
				2020/21	2021/22	% change
TOTAL	10,645	10,863	2.0%	129,466	128,982	-0.4%
Arabicas	6,440	6,684	3.8%	81,168	80,667	-0.6%
Colombian Milds	1,181	1,165	-1.4%	13,835	13,646	-1.4%
Other Milds	1,657	2,102	26.9%	24,189	27,424	13.4%
Brazilian Naturals	3,602	3,418	-5.1%	43,144	39,597	-8.2%
Robustas	4,205	4,178	-0.6%	48,298	48,315	0.0%

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-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
New York	1.97	2.07	2.21	2.33	2.32	2.31	2.27	2.01	1.72	1.67	1.40	1.08
London	2.50	2.53	2.67	2.53	2.43	2.31	2.09	1.97	1.78	1.66	1.57	1.54

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.

Note:

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