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Indicator prices

Draft procedures for the collection, transmission, calculation and publication of group and composite indicator prices effective from [date]

Background

1. At the meeting of the Statistics Committee in September 2009, discussions were held on the methodology used for the calculation of the ICO composite indicator price. After a meeting held between the ICO Secretariat and the three agents of the Executive Director, who carry out the daily collection and transmission of prices in the USA, Germany and France, to discuss the technical considerations on these tasks, new procedures were proposed for the calculation of the ICO composite and group indicator prices which, subject to approval, are due to come into effect on the first day of the calendar year beginning after the entry into force of the International Coffee Agreement 2007.
2. It is assumed that the costs for the collection and transmission by the agents will remain unchanged, and that the weightings of the groups are based on the average export performance to the USA and to the European Union in the four full calendar years preceding the entry into force of these Rules.
3. These draft Rules are based on the current procedures for the collection, transmission, calculation and publication of group and composite indicator prices contained in document EB-3776/01 Rev. 1 which were approved by the Council in May 2001. The changes in this document will be presented to the Statistics Committee and the Council in September 2010.
4. It should be noted that the new procedures for the calculation of the ICO composite price will continue to take into account the four groups of coffee traded in the three main markets: USA, Germany and France. The weighting of each group will continue to be reviewed every two years and the system would be maintained for the life of the new Agreement subject to revisions every five years.

Action

The Council is requested to approve the draft procedures for the collection, transmission, calculation and publication of group and composite prices presented in this document so that they may come into effect from [date].

FOREWORD

1. The procedures for the collection, transmission, calculation and publication of group and composite prices contained in this document were approved by the International Coffee Council at its [session] on [date]. They supersede the previous procedures contained in document EB-3776/01 Rev. 1.
2. These procedures provide for the calculation of indicator prices for the four groups of coffee and a composite price of the four groups calculated by applying the latest weighting based on patterns of trade. These are detailed in Annex I.
3. These procedures shall be applied for the duration of the International Coffee Agreement 2007 subject to periodic reviews of the pattern of trade. In addition, in light of the ten-year duration of the ICA 2007, it is recommended that this review takes place every five years.



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INDICATOR PRICES

PROCEDURES FOR THE COLLECTION, TRANSMISSION, CALCULATION AND PUBLICATION OF GROUP AND COMPOSITE INDICATOR PRICES EFFECTIVE FROM [date]

1. This document contains the procedures to be followed by:
 - (a) the agents of the Executive Director in the USA, Germany and France for the collection and transmission to the International Coffee Organization of information relating to the prices of coffee on the markets of the USA, Germany and France; and
 - (b) the Organization for the calculation and publication of daily group and composite indicator prices.

2. The subject matter is dealt with in four sections divided as follows:

Section 1:	Procedures to be followed by the agent in the USA
Section 2:	Procedures to be followed by the agent in Germany
Section 3:	Procedures to be followed by the agent in France
Section 4:	Procedures for the calculation of daily group and composite indicator prices

SECTION 1

PROCEDURES TO BE FOLLOWED BY THE AGENT IN THE USA

Function of the agent of the Executive Director

1. The agent shall collect and transmit direct to the Organization information on the daily prices of green coffee on the physicals market in the USA for the following growths of coffee:

Group	Growth of coffee
Colombian Mild Arabicas	Colombian Excelso UGQ screen size 14
Other Mild Arabicas	Costa Rica Hard Bean
	Guatemala Prime Washed
	Honduras High Grown
	Mexico Prime Washed
Brazilian & Other Natural Arabicas	Brasil Santos 3/4 screen size 14/16
Robustas	Indonesia EK Grade 4
	Uganda Standard
	Vietnam Grade 2

Basis for collection of the information

2. Prices shall be expressed in US cents per pound of green coffee.
3. Prices shall relate to:
 - (a) ex-dock quotations for prompt shipment in the USA physicals market. If ex-dock prices are not available, FOB or CIF prices may be used, adjusted to an ex-dock basis by applying the differentials prevailing at the time the quotations are obtained;
 - (b) trading in the late afternoon (New York time); and
 - (c) sales from origin. In the absence of a significant volume of sales from origin, prices related to second-hand sales shall be taken into account. In the absence of a significant volume of sales from origin, or second hand, offers from origin and second hand, in that order, shall be taken into account.

4. The agent shall endeavour to obtain information on the quantities traded at each of the prices collected for each growth specified in paragraph 1 and, on the basis of the information so obtained, shall apply the appropriate weighting in order to arrive at an ex-dock price which is representative for each growth on each market day. Prices quoted for insignificant quantities of coffee shall not be taken into account for the purpose of assessing the representative price for any of the growths specified in paragraph 1. It shall be left to the discretion of the agent to decide on the volume of coffee which may be considered to be insignificant.

5. In the case of growths in the group of Other Mild Arabicas, when there are transactions in both past and new crop coffees at any time, the average prices relating to each growth shall be recorded daily, where relevant.

Sources of daily information

6. Quotations shall be sought from at least five traders and brokers in the USA for each of the growths specified in paragraph 1.

Transmission of the information

7. The daily price for each growth obtained in the manner described in paragraphs 3 to 6 shall be transmitted by the agent daily by email or fax to reach the Organization by 10 a.m. (London time) on the working day following each market day.

SECTION 2

PROCEDURES TO BE FOLLOWED BY THE AGENT IN GERMANY

Function of the agent of the Executive Director

1. The agent shall collect and transmit direct to the Organization information on the daily prices of green coffee on the German physicals market for the following growths of coffee:

Group	Growth of coffee
Colombian Mild Arabicas	Colombian Excelso European preparation screen size 15
Other Mild Arabicas	El Salvador Strictly High Grown
	Guatemala Hard Bean
	Honduras High Grown European preparation
Brazilian & Other Natural Arabicas	Brasil Santos 2/3 screen size 17/18
Robustas	Vietnam Grade 2

Basis for collection of the information

2. Prices shall be expressed in US dollars per 50 kilogrammes of green coffee.
3. Prices shall relate to:
 - (a) ex-dock quotations for prompt shipment on the physicals markets in Germany. If ex-dock prices are not available, FOB, CIF or C. & F. prices may be used, adjusted to an ex-dock basis by applying the differentials prevailing at the time the quotations are obtained;
 - (b) trading in the late afternoon (German time); and
 - (c) sales from origin. In the absence of a significant volume of sales from origin, prices related to second-hand sales shall be taken into account. In the absence of a significant volume of sales from origin, or second hand, offers from origin and second hand, in that order, shall be taken into account.

4. The agent shall endeavour to obtain information on the quantities traded at each of the prices collected for each growth specified in paragraph 1 and, on the basis of the information so obtained, shall apply the appropriate weighting in order to arrive at an ex-dock price which is representative for each growth on each market day. Prices quoted for insignificant quantities of coffee shall not be taken into account for the purpose of assessing the representative price for any of the growths specified in paragraph 1. It shall be left to the discretion of the agent to decide on the volume of coffee which may be considered to be insignificant.

5. In the case of growths in the group of Other Mild Arabicas, when there are transactions in both past and new crop coffee at any time, the average prices relating to each growth shall be recorded daily, where relevant.

Sources of daily information

6. Quotations shall be sought from at least five traders and brokers in Germany for each of the growths specified in paragraph 1.

Transmission of the information

7. The daily price for each growth obtained in the manner described in paragraphs 3 to 6 shall be transmitted by the agent daily by email or fax to reach the Organization by 10 a.m. (London time) on the working day following each market day.

SECTION 3

PROCEDURES TO BE FOLLOWED BY THE AGENT IN FRANCE

Function of the agent of the Executive Director

1. The agent shall collect and transmit direct to the Organization information on the daily prices of green coffee on the French physicals market for the following growths of coffee:

Group	Growth of coffee
Colombian Mild Arabicas	Colombian Excelso European preparation screen size 15
Other Mild Arabicas	Honduras High Grown European preparation
Brazilian & Other Natural Arabicas	Brasil Santos 3/4 screen size 14/16
Robustas	Côte d'Ivoire Grade 2
	Indonesia EK Grade 4
	Uganda Standard
	Vietnam Grade 2

Basis for collection of the information

2. Prices shall be expressed in € (Euro) per metric tonne of green coffee.
3. Prices shall relate to:
 - (a) ex-dock quotations for prompt shipment on the physicals markets in France. If ex-dock prices are not available FOB or CIF prices may be used, adjusted to an ex-dock basis by applying the differentials prevailing at the time the quotations are obtained;
 - (b) trading in the late afternoon (French time); and
 - (c) sales from origin. In the absence of a significant volume of sales from origin, prices related to second-hand sales shall be taken into account. In the absence of a significant volume of sales from origin, or second hand, offers from origin and second hand, in that order, shall be taken into account.

4. The agent shall endeavour to obtain information on the quantities traded at each of the prices collected for each growth specified in paragraph 1 and, on the basis of the information so obtained, shall apply the appropriate weighting in order to arrive at an ex-dock price which is representative for each growth on each market day. Prices quoted for insignificant quantities of coffee shall not be taken into account for the purpose of assessing the representative price for any of the growths specified in paragraph 1. It shall be left to the discretion of the agent to decide on the volume of coffee which may be considered to be insignificant.

5. In the case of growths in the group of Other Mild Arabicas, when there are transactions in both past and new crop coffee at any time, the average prices relating to each growth shall be recorded daily, where relevant.

Sources of daily information

6. Quotations shall be sought from at least four traders and/or brokers in France for each of the growths specified in paragraph 1.

Transmission of the information

7. The daily price for each growth obtained in the manner described in paragraphs 3 to 6 shall be transmitted by the agent daily by email or fax to reach the Organization by 10 a.m. (London time) on the working day following each market day.

SECTION 4

PROCEDURES FOR THE CALCULATION OF DAILY GROUP AND COMPOSITE INDICATOR PRICES

1. For the purposes of these procedures, ‘market day’ shall be deemed to mean a day when at least two markets are open for business and operative.

Colombian Mild Arabicas

2. Each market day the Executive Director shall take the ex-dock prompt shipment prices of the following growths of coffee of the Colombian Mild Arabicas group in each of the markets indicated:

Market	Growth of coffee
USA	Colombian Excelso UGQ screen size 14
Germany	Colombian Excelso European preparation screen size 15
France	Colombian Excelso European preparation screen size 15

3. The arithmetical mean of the prices for the growths in Germany and France shall be calculated on a daily basis. This mean shall constitute the price of the group in the European market. If the price is not quoted in either one of these markets, the price for the growth on the market concerned shall be calculated by applying the percentage change in the price of the other market on the preceding market day.

4. If the price of the growth referred to in paragraph 2 for the USA is not quoted or if the price of the growth for the European market is not quoted, the daily indicator price for the group of Colombian Mild Arabicas shall be calculated as follows:

- (a) if the price in the US market is not available, the indicator price of the group shall be calculated by applying the percentage change in the price of the European market to the indicator price for the group on the preceding market day; and
- (b) if the price for the European market is not available, the indicator price of the group shall be calculated by applying the percentage change in the US market to the indicator price for the group on the preceding market day.

If after five consecutive market days there continues to be no price for the US market or no price for the European market, as the case may be, the Executive Director shall, in consultation with the Statistics Committee, consider appropriate actions to be taken.

5. Subject to the provisions of paragraph 4, the Executive Director shall calculate for each market day the indicator price for the group of Colombian Mild Arabicas by applying the weightings set out in Annex I.

Other Mild Arabicas

6. Each market day the Executive Director shall take the ex-dock prompt shipment prices of the following growths of coffee of the Other Mild Arabicas group in each of the markets indicated and calculate the arithmetical mean of these prices in each of the markets separately, where relevant:

Market	Growth of coffee
USA	Costa Rica Hard Bean
	Guatemala Prime Washed
	Honduras High Grown
	Mexico Prime Washed
Germany	El Salvador Strictly High Grown
	Guatemala Hard Bean
	Honduras High Grown European preparation
France	Honduras High Grown European preparation

7. The arithmetical mean of a growth from the same origin in Germany and France shall be calculated on a daily basis. This mean will be the price for the growth under reference in the European market. If the price of the growths from the same origin referred to in paragraph 6 is not quoted in either one of the markets, the average price for the growth on the market concerned shall be calculated by applying the percentage change in the price of the other market on the preceding market day.

8. If the price of one or more of the growths referred to in paragraph 6 is not quoted in either one of the markets, the average price for Other Mild Arabicas on the market concerned shall be calculated by applying the percentage change in the prices of the remaining growths to the average price for Other Mild Arabicas on that market on the preceding market day. This procedure shall be followed for up to five consecutive market days. If after five

consecutive market days the prices of one or more growths on a market continue not to be quoted, the mean of the price of the remaining growths shall be taken thereafter as the price of Other Mild Arabicas on the market concerned.

9. If the prices of none of the growths mentioned in paragraph 6 are quoted in the US market or if the prices of none of the growths are quoted in the European market, the daily indicator price for the group of Other Mild Arabicas shall be calculated as follows:

- (a) if the average price of the US market is not available, the indicator price of the group shall be calculated by applying the percentage change in the average price of the European market to the indicator price for the group on the preceding market day; and
- (b) if the average price of the European market is not available, the indicator price of the group shall be calculated by applying the percentage change in the average price of the US market to the indicator price for the group on the preceding market day.

If after five consecutive market days there continues to be no average price for the US market or no average price for the European market, as the case may be, the Executive Director shall, in consultation with the Statistics Committee, consider the appropriate actions to be taken.

10. Subject to the provisions of paragraphs 7 to 9, the Executive Director shall calculate for each market day the indicator price for the group of Other Mild Arabicas by applying the weightings set out in Annex I.

Brazilian & Other Natural Arabicas (Brazilian Naturals)

11. Each market day the Executive Director shall take the ex-dock prompt shipment prices of the following growths of coffee of the Brazilian Naturals group in each of the markets indicated:

Market	Growth of coffee
USA	Brasil Santos 3/4 screen size 14/16
Germany	Brasil Santos 2/3 screen size 17/18
France	Brasil Santos 3/4 screen size 14/16

12. The arithmetical mean of the growths in Germany and France shall be calculated on a daily basis. This mean shall constitute the price of the group in the European market. If the price is not quoted in either one of the markets, the average price for the growth on the market concerned shall be calculated by applying the mean percentage change in the prices of the other market on the preceding market day.

13. If the price of the growths referred to in paragraph 11 for the USA is not quoted or if the price of the growth for the European market is not quoted, the daily indicator price for the group of Brazilian Naturals shall be calculated as follows:

- (a) if the price in the US market is not available, the indicator price of the group shall be calculated by applying the percentage change in the average price of the European market to the indicator price for the group on the preceding market day; and
- (b) if the average price for the European market is not available, the indicator price of the group shall be calculated by applying the percentage change in the US market to the indicator price for the group on the preceding market day.

If after five consecutive market days there continues to be no price for the US market or no average price for the European market, as the case may be, the Executive Director shall, in consultation with the Statistics Committee, consider the appropriate actions to be taken.

14. Subject to the provisions of paragraphs 12 and 13, the Executive Director shall calculate for each market day the indicator price for the group of Brazilian Naturals by applying the weightings set out in Annex I.

Robustas

15. Each market day the Executive Director shall take the ex-dock prompt shipment prices of the following growths of coffee of the Robusta group in each of the markets indicated and calculate the arithmetical mean of these prices in each of the markets separately, where relevant:

Market	Growth of coffee
USA	Indonesia EK Grade 4
	Uganda Standard
	Vietnam Grade 2
Germany	Vietnam Grade 2
France	Côte d'Ivoire Grade 2
	Indonesia EK Grade 4
	Uganda Standard
	Vietnam Grade 2

16. The arithmetical mean of a growth from the same origin in Germany and France shall be calculated on a daily basis. This mean shall constitute the price for the growth under reference in the European market. If the price of the growths from the same origin referred to in paragraph 15 is not quoted in either one of the markets, the average price for the growth on the market concerned shall be calculated by applying the percentage change in the price of the other market on the preceding market day.

17. If the price of one or more of the growths referred to in paragraph 15 is not quoted in either one of the markets, the price for the Robustas group on the market concerned shall be calculated by applying the mean percentage change in the prices of the remaining growths to the price for Robustas on that market on the preceding market day. This procedure shall be followed for up to five consecutive market days. If after five consecutive market days the prices of one or more growths on a market continue not to be quoted, the mean of the price of the remaining growths shall be taken thereafter as the price of Robustas on the market concerned.

18. If the prices of none of the growths mentioned in paragraph 15 are quoted for the US market or if the prices of none of the growths are quoted for the European market, the daily indicator price for the group of Robustas shall be calculated as follows:

- (a) if the average price in the US market is not available, the indicator price of the group shall be calculated by applying the percentage change in the average price of the European market to the indicator price for the group on the preceding market day; and
- (b) if the average price of the European market is not available, the indicator price of the group shall be calculated by applying the percentage change in the average price of the US market to the indicator price for the group on the preceding market day.

If after five consecutive market days there continues to be no average price for the market in the USA or no average price for the European market, as the case may be, the Executive Director shall, in consultation with the Statistics Committee, consider the appropriate actions to be taken.

19. Subject to the provisions of paragraphs 16 to 18, the Executive Director shall calculate for each market day the indicator price for the group of Robustas by applying the weightings set out in Annex I.

Composite indicator price

20. For each market day the Executive Director shall calculate the composite indicator price in the manner described in paragraphs 1 to 19 by applying the weightings set out in Annex I.

21. As soon as all the data are received, verified and validated the composite and group indicator prices shall be posted on the Organization's website.

**SHARE OF THE MARKETS IN EACH GROUP OF COFFEE
AND THEIR WEIGHTING IN THE CALCULATION
OF THE ICO COMPOSITE INDICATOR PRICE
FROM [date]**

The procedures set out in these Rules take into account the following principles:

- (a) the procedures followed by the agents in the two main markets (the European market – comprising France and Germany – and the market in the USA);
- (b) the share of each group is based on the average export performance to the USA and to the European Union in the four preceding calendar years; and
- (c) the weighting of each group is to be reviewed every two years.

The share of each market in the four groups is as follows:

- Colombian Milds: xx% USA – yy% EU
- Other Milds: xx% USA – yy% EU
- Brazilian Naturals: xx% USA – yy% EU
- Robustas: xx% USA – yy% EU

The calculation of the ICO composite indicator price is weighted as follows:

- Colombian Milds: xx%
- Other Milds: yy%
- Brazilian Naturals: ww%
- Robustas: zz%