



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFÉ

WP Statistics 146/10

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**Technical considerations concerning
revisions to the Rules on Indicator prices**

1. This documents sets out the technical recommendations arising from the meeting with the three agents (from the United States of America, France and Germany) responsible for collection and transmission of coffee prices to the Organization that was held on 8 June 2010 (see report contained in document WP-Statistics 145/10).
2. In order to facilitate the understanding of the proposals put forward by the agents, a separate analysis detailing the changes in procedures for the calculations of each group indicator and, ultimately, of the composite indicator is provided herein.
3. The changes proposed seek to maintain the representative nature of the ICO indicator prices by reflecting changes in the demand for coffees from particular origins since the current Rules were approved. Furthermore, the proposed changes are intended to enhance the coverage of group and composite prices by ensuring that daily quotations will be available for the greatest number possible of days.

Action

The Statistics Committee is requested to take note of this document.

TECHNICAL CONSIDERATIONS CONCERNING REVISIONS TO THE RULES ON INDICATOR PRICES

Introduction

1. The procedures for the collection, transmission, calculation and publication of group and composite prices are set out in document EB-3776/01 Rev. 1 and have been in effect since 1 October 2001. As part of the preparations for the entry into force of the International Coffee Agreement 2007, these procedures have been reviewed by the Secretariat and the agents responsible for collection and transmission of coffee prices to the Organization. The results of this review are presented below.

I. Colombian Mild Arabicas

2. The indicator price for the Colombian Mild group currently comprises:

Market	Growth of coffee
New York	Colombian Excelso UGQ screen size 14
Bremen/Hamburg	Colombian Excelso European preparation screen size 15

3. It is proposed to include prices of Colombian Excelso European preparation screen size 15 from France, enabling the creation of a **European average** for this group based on daily quotations from Germany and France. This would reduce the number of days when quotations are not available in one of the three markets due to a public holiday, thus decreasing the volatility of the group indicator price.

4. According to the proposal, the indicator price for the Colombian Mild group would then be based on:

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

5. A summary of the proposed changes in the growths collected for the Colombian Mild group is presented in Table 1.

Table 1: Proposed changes in the growths collected for the Colombian Mild Arabicas group

Group	Market	Keep	Include	Exclude
Colombian Milds	USA	Colombian Excelso UGQ screen size 14	None	None
	Germany	Colombian Excelso European preparation screen size 15	None	None
	France		Colombian Excelso European preparation screen size 15	

II. Other Mild Arabicas

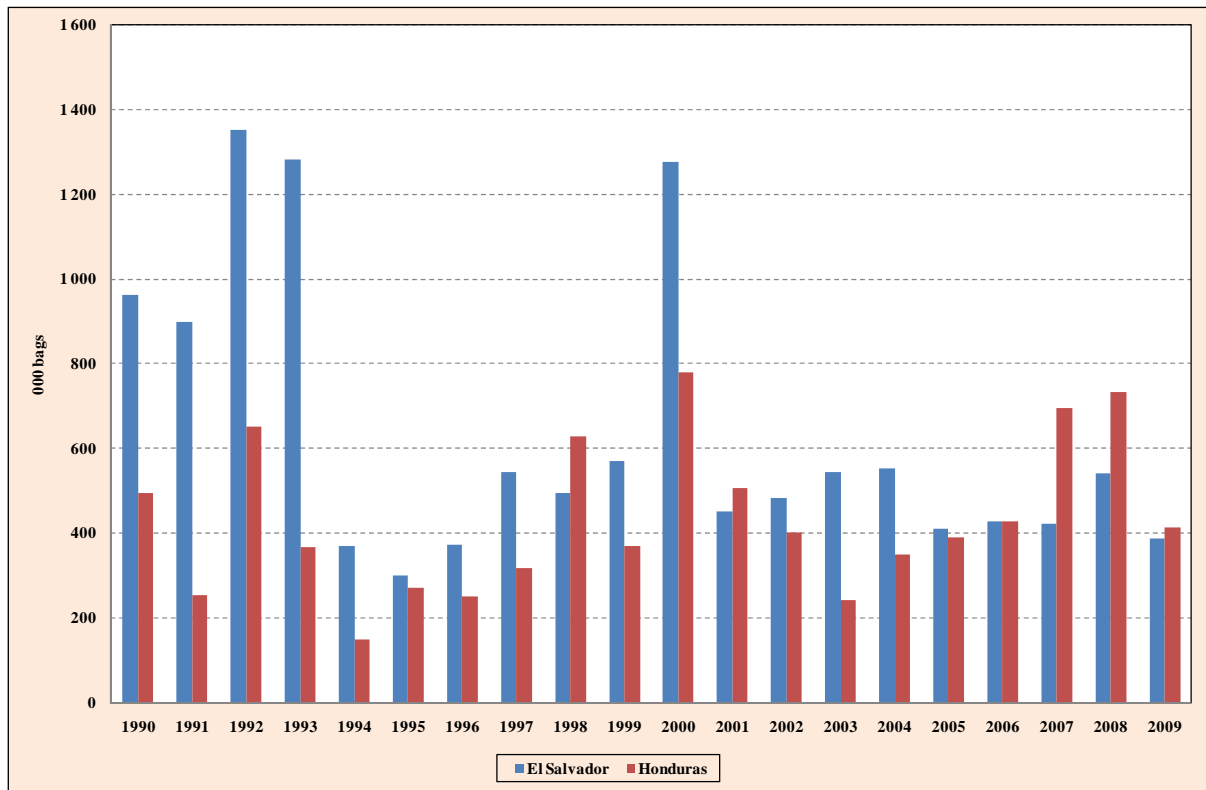
6. The indicator price for the Other Mild Arabicas group currently comprises:

Market	Growth of coffee
New York	Costa Rica Hard Bean
	El Salvador Central Standard
	Guatemala Prime Washed
	Mexico Prime Washed
Bremen/Hamburg	Costa Rica Hard Bean
	El Salvador Strictly High Grown
	Guatemala Hard Bean
	Nicaragua Strictly High Grown

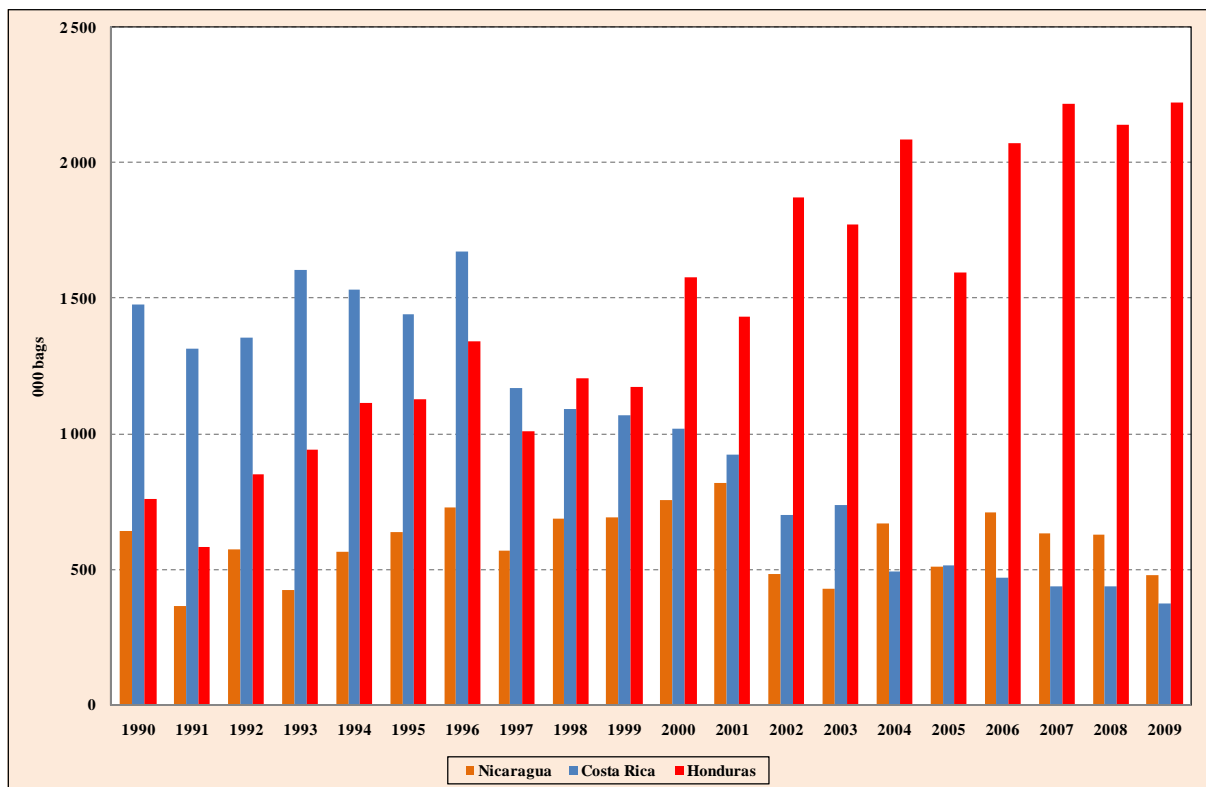
7. The agent in the USA has recommended the replacement of quotations of *El Salvador Central Standard* by *Honduras High Grown* due to difficulties in obtaining quotations traded in significant volumes on a daily basis for the former. As can be seen in Graph 1, exports from El Salvador to the USA have decreased considerably since the 1990s, while exports from Honduras have risen significantly.

8. The agent in Germany has recommended the replacement of quotations of *Costa Rica Hard Bean* and *Nicaragua Strictly High Grown* by *Honduras High Grown European preparation* due to difficulties in obtaining quotations traded in significant volumes on a daily basis for the first two growths. As shown in Graph 2, exports from Costa Rica and Nicaragua to the EU have decreased considerably since the 1990s, while exports from Honduras have risen significantly.

Graph 1: Volume of exports of green coffee from El Salvador and Honduras to the USA



Graph 2: Volume of exports of green coffee from Costa Rica, Honduras and Nicaragua to the European Union



9. It is also proposed to include prices of *Honduras High Grown European preparation* from France, enabling the creation of a **European average** for this group based on daily quotations from Germany and France. This would reduce the number of days when quotations are not available in one of the three markets due to a public holiday, thus decreasing the volatility of the group indicator price.

10. According to the proposal, the indicator price for the Other Mild Arabicas group would then be based on:

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

11. A summary of the proposed changes in the growths collected for the Other Mild Arabicas group is presented in Table 2.

Table 2: Proposed changes in the growths collected for the Other Mild Arabicas group

Group	Market	Keep	Include	Exclude
Other Milds	USA	Costa Rica Hard Bean	Honduras High Grown	El Salvador Central Standard
		Guatemala Prime Washed		
		Mexico Prime Washed		
	Germany	Guatemala Hard Bean	Honduras High Grown European preparation	Costa Rica Hard Bean
		El Salvador Strictly High Grown		Nicaragua Strictly High Grown
	France		Honduras High Grown European preparation	

III. Brazilian and Other Natural Arabicas

12. The indicator price for the Brazilian and Other Natural Arabicas group currently comprises:

Market	Growth of coffee
New York	Brasil Santos 4
Bremen/Hamburg	Brasil Santos 2/3 screen size 17/18

13. The agent in the USA has recommended the replacement of quotations of *Brasil Santos 4* by *Brasil Santos 3/4 screen size 14/16* because the latter is more widely traded.

14. It is also proposed to include prices of *Brasil Santos 3/4 screen size 14/16* from France, enabling the creation of a **European average** for this group based on daily quotations from Germany and France. This would reduce the number of days when quotations are not available in one of the three markets due to a public holiday, thus decreasing the volatility of the group indicator price.

15. According to the proposal, the indicator price for the Brazilian and Other Natural Arabicas group would then be based on:

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

16. A summary of the proposed changes in the growths collected for the Brazilian and Other Natural Arabicas group is presented in Table 3.

Table 3: Proposed changes in the growths collected for the Brazilian and Other Natural Arabicas group

Group	Market	Keep	Include	Exclude
Brazilian Naturals	USA		Brasil Santos 3/4 screen size 14/16	Brasil Santos 4
	Germany	Brasil Santos 2/3 screen size 17/18	None	None
	France		Brasil Santos 3/4 screen size 14/16	

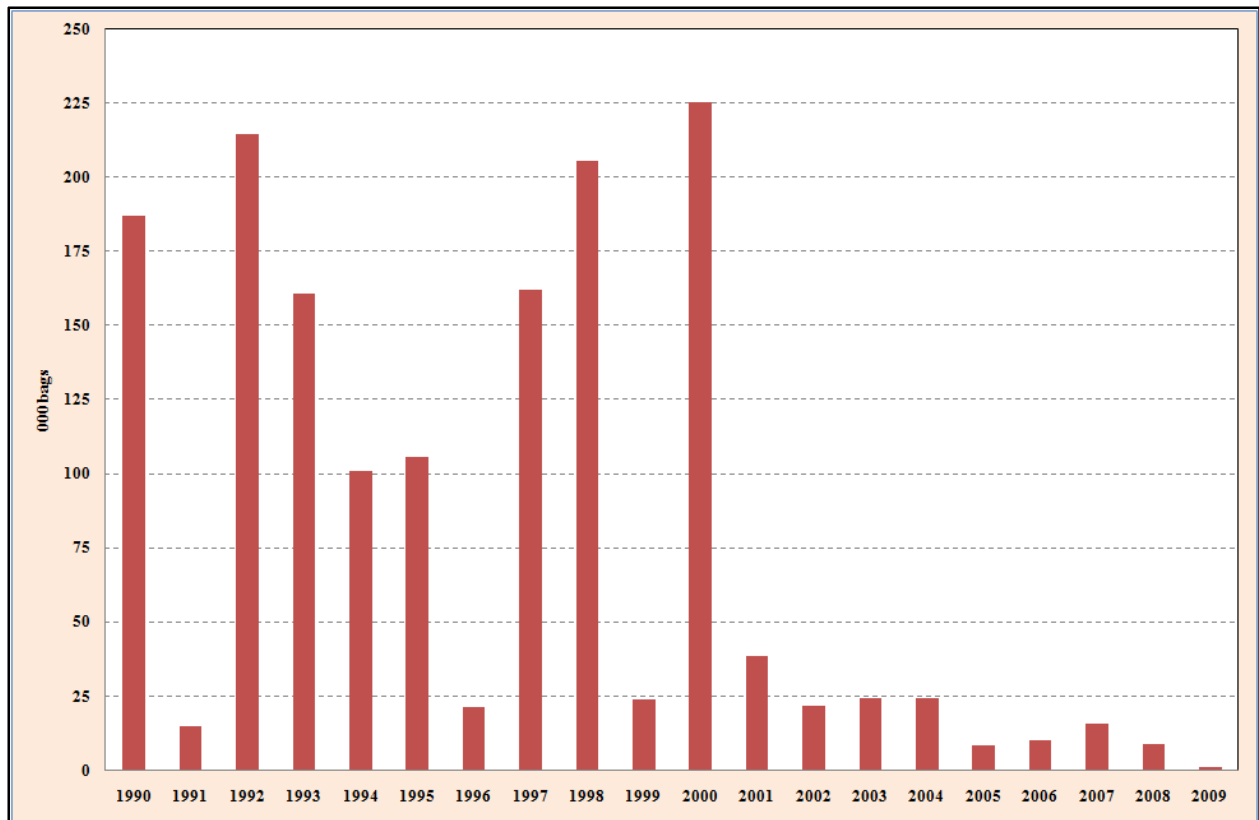
IV. Robustas

17. The indicator price for the Robustas group currently comprises:

Market	Growth of coffee
New York	Côte d'Ivoire Grade 2
	Indonesia EK Grade 4
	Uganda Standard
	Vietnam Grade 2
Le Havre/Marseille	Cameroon Grade 1
	Côte d'Ivoire Grade 2
	Indonesia EK Grade 4
	Uganda Standard
	Vietnam Grade 2

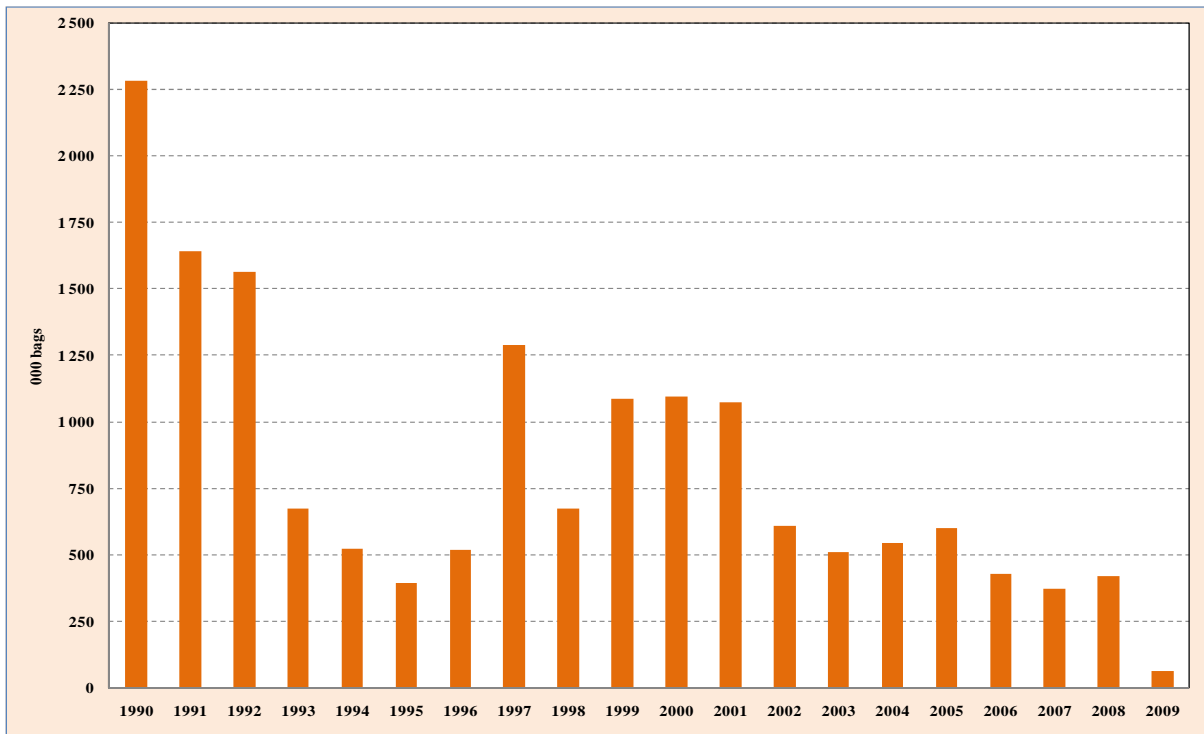
18. The agent in the USA has suggested dropping the collection of *Côte d'Ivoire Grade 2* in the US market given the difficulty in obtaining quotations due to decreasing volumes of trade (see Graph 3). The agent has not suggested replacing the coffee from this origin with any other Robusta growth.

Graph 3: Côte d'Ivoire: Volume of exports of green coffee to the USA



19. The agent in France has recommended dropping the collection of daily quotations of *Cameroon Grade 1* due to the decreasing volumes of trade of green coffee from Cameroon (see Graph 4).

Graph 4: Volume of exports of green coffee from Cameroon to the European Union



20. It is also proposed to include prices of *Vietnam Grade 2* from Germany, enabling the creation of a **European average** for this group based on daily quotations from Germany and France. This would reduce the number of days when quotations are not available in one of the three markets due to a public holiday, thus decreasing the volatility of the group indicator price.

21. According to the proposal, the indicator price for the Robustas group would then be based on:

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

22. A summary of the proposed changes in the growths collected for the Robustas group is presented in Table 4.

Table 4: Proposed changes in the growths collected for the Robustas group

Group	Market	Keep	Include	Exclude
Robustas	New York	Indonesia EK Grade 4	None	Cote d'Ivoire Grade 2
		Uganda Standard		
		Vietnam Grade 2		
	Germany		Vietnam Grade 2	
	France	Cote d'Ivoire Grade 2	None	Cameroon Grade 1
		Indonesia EK Grade 4		
		Uganda Standard		
Vietnam Grade 2				

V. Group indicator prices for the US and European markets

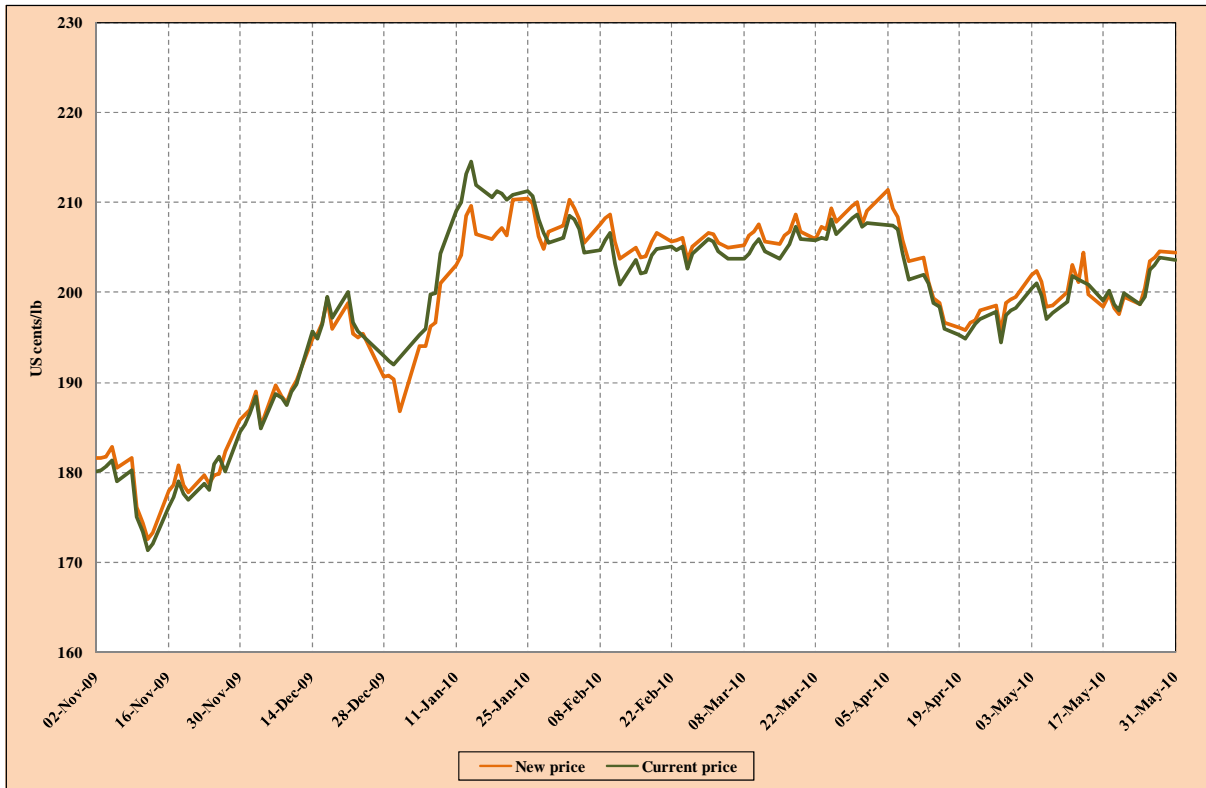
23. With the exception of the differences in underlying growths, it is proposed that calculation of the group indicator prices for the US and European markets would remain unchanged, i.e. an arithmetical mean of the origins collected in each market weighted by the exports to each market in the four preceding calendar years.

VI. ICO composite indicator

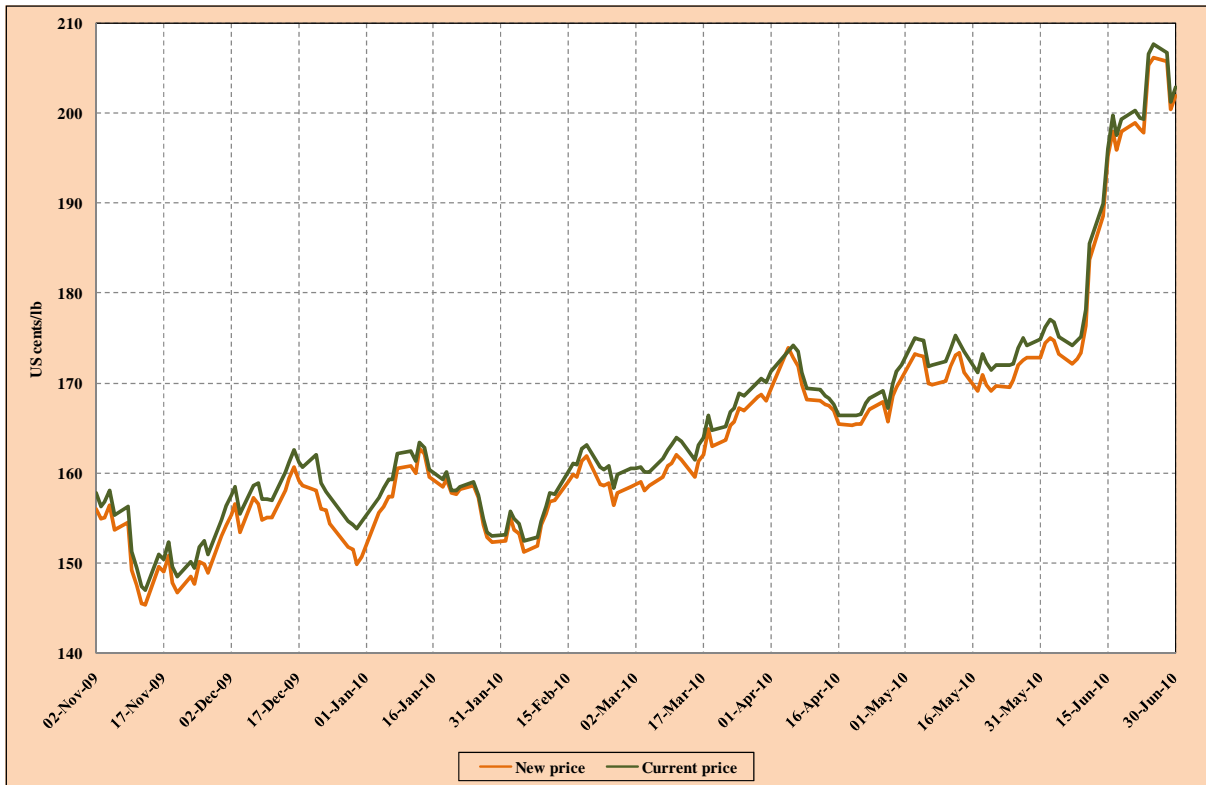
24. It is proposed that procedures for ascertaining the share of the markets in each group of coffee and their weighting in the calculation of the ICO composite indicator price would remain unchanged, with the exception of the changes in underlying growths outlined above and the proposals set out in document WP-Statistics 145/10. The share of the markets in the USA and Europe in the calculation of each group indicator and the weightings of each group in the calculation of the ICO composite indicator would continue to be reviewed every two years.

25. Graphs 5 to 9 show the behaviour of each group indicator and the ICO composite indicator prices calculated using the current procedures and the proposed procedures as set out in this document.

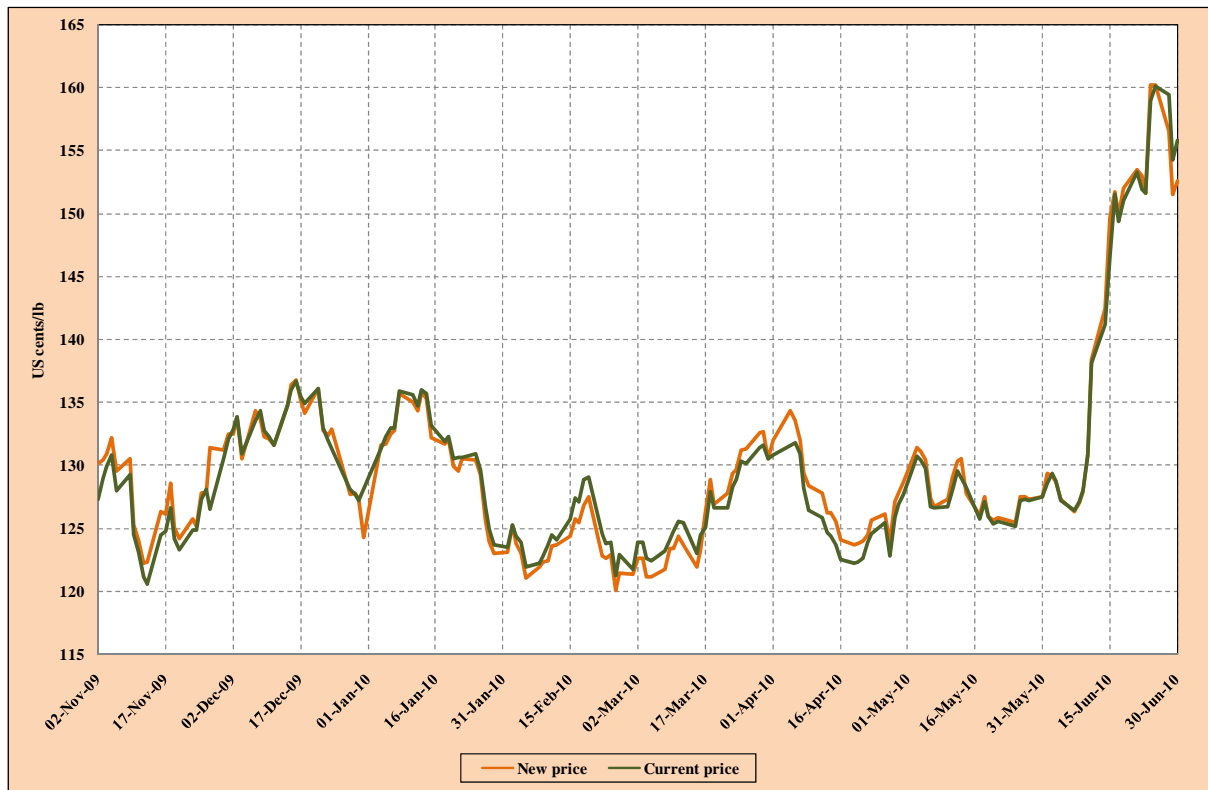
Graph 5: Colombian Milds: group indicator price



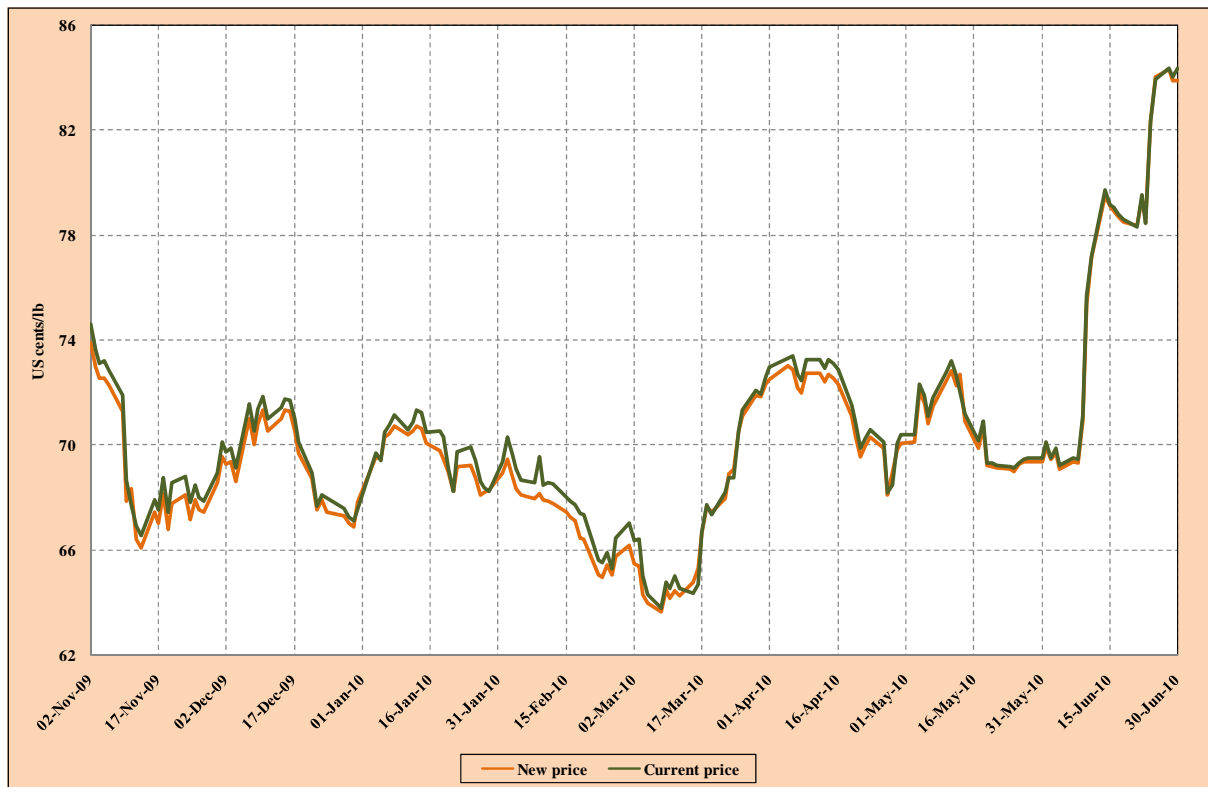
Graph 6: Other Milds: group indicator price



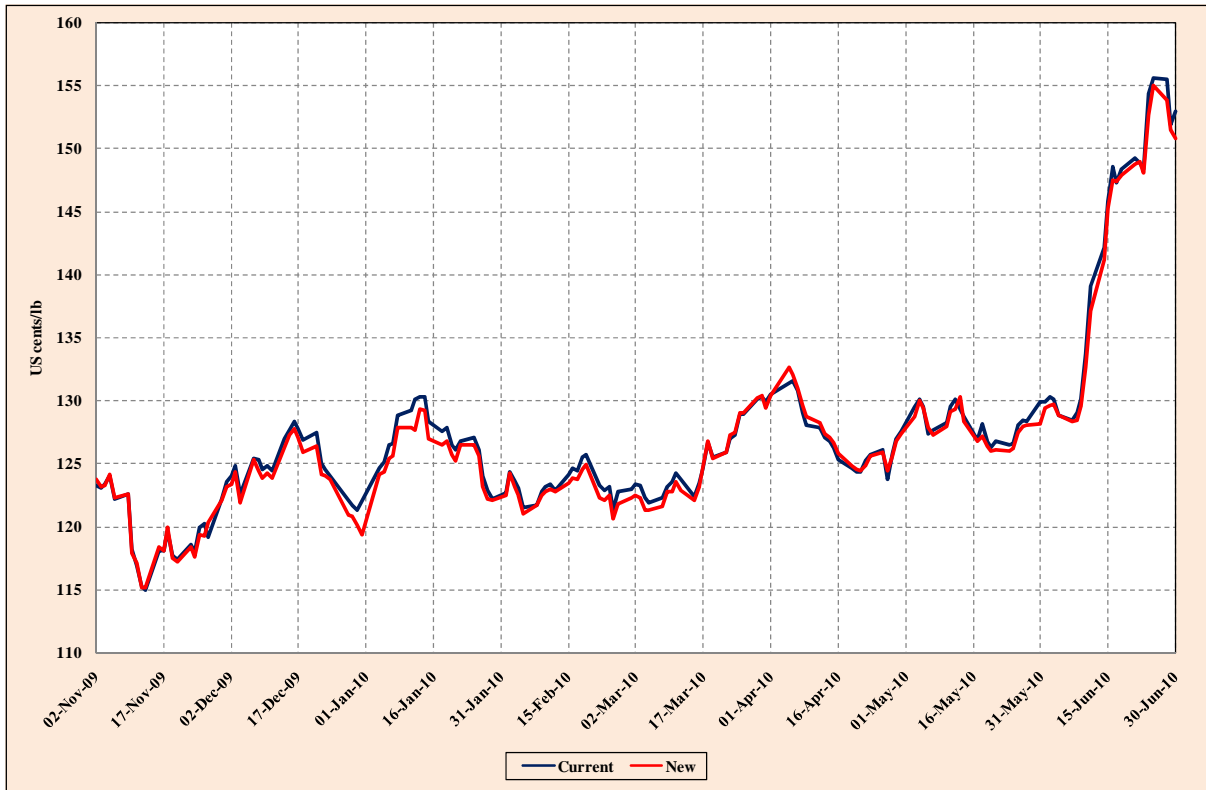
Graph 7: Brazilian Naturals: group indicator price



Graph 8: Robustas: group indicator price



Graph 9: ICO composite indicator price



VII. Entry into force

26. It is proposed that the new Rules on Indicator prices come into effect on the first day of the calendar year beginning after the entry into force of the International Coffee Agreement 2007. These Rules would be applied for the duration of the ICA 2007, subject to periodic reviews of the pattern of trade in consultation with the agents of the Executive Director in France, Germany and the USA. In light of the ten-year duration of the ICA 2007, it is recommended that this review takes place every five years.