The outlook for coffee in the context of the world economic crisis

Green Coffee Association Convention
4 June 2009
New York City
ICO composite indicator price
Daily: 3 March 2008 to 22 May 2009

Differentials between Colombian Milds, Other Milds and the New York futures market
Daily: 1 October 2008 to 21 May 2009
Total production in 2008/09

- Colombia: 13%
- Vietnam: 14%
- Asia & Oceania: 10%
- South America: 8%
- Central America + Mexico: 7%
- Brazil: 36%
- Africa: 14%
- International Coffee Organization - www.ico.org

Production by type of coffee
Crop year 2008/09

- Robusta: 44.5%
- Arabica: 55.5%
### Production: top 10 producers in 2008/09
(Volume in 000 bags - % share in production)

<table>
<thead>
<tr>
<th>Country</th>
<th>Volume (000 bags)</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>45 992</td>
<td>36.5%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>16 000</td>
<td>12.7%</td>
</tr>
<tr>
<td>Colombia</td>
<td>10 500</td>
<td>8.3%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>6 133</td>
<td>4.9%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5 833</td>
<td>4.6%</td>
</tr>
<tr>
<td>Mexico</td>
<td>4 650</td>
<td>3.7%</td>
</tr>
<tr>
<td>India</td>
<td>4 372</td>
<td>3.5%</td>
</tr>
<tr>
<td>Peru</td>
<td>4 102</td>
<td>3.3%</td>
</tr>
<tr>
<td>Honduras</td>
<td>3 373</td>
<td>2.7%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>3 370</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

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### Total exports to all destinations
(Calendar years 1989 to 2008)

- Calendar years: 1989 to 2008
- Data includes exports to all destinations.
- Exports range from 75.0 million bags in 1989 to 97.5 million bags in 2008.

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International Coffee Organization - www.ico.org
Colombia: exports to all destinations
Crop (coffee) years 1989 to 2008

Value of exports of coffee
Calendar years 1989 to 2008

International Coffee Organization - www.ico.org
World consumption
Calendar years 1989 to 2008

Estimated world consumption for 2009
(million 60-kg bags)
### Estimated consumption in 2009: top 10 countries in volume

<table>
<thead>
<tr>
<th>Country</th>
<th>(million bags)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>21.9</td>
</tr>
<tr>
<td>Brazil</td>
<td>18.8</td>
</tr>
<tr>
<td>Germany</td>
<td>9.7</td>
</tr>
<tr>
<td>Japan</td>
<td>7.2</td>
</tr>
<tr>
<td>Italy</td>
<td>6.0</td>
</tr>
<tr>
<td>France</td>
<td>5.2</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>3.7</td>
</tr>
<tr>
<td>Spain</td>
<td>3.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.1</td>
</tr>
</tbody>
</table>

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### World: imports of green coffee by group

#### Period average: 1966-68; 1988-90 and 2006-08

<table>
<thead>
<tr>
<th>Year</th>
<th>Colombian Milds</th>
<th>Other Milds</th>
<th>Brazilian Naturals</th>
<th>Robustas</th>
<th>Importing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-68</td>
<td>7.2</td>
<td>10.2</td>
<td>15.9</td>
<td>13.4</td>
<td>19.4</td>
</tr>
<tr>
<td>1988-90</td>
<td>19.1</td>
<td>19.3</td>
<td>19.3</td>
<td>29.3</td>
<td>28.9</td>
</tr>
<tr>
<td>2006-08</td>
<td>23.7</td>
<td>20.9</td>
<td>15.7</td>
<td>13.8</td>
<td>6.8</td>
</tr>
</tbody>
</table>

International Coffee Organization - www.ico.org
World: shift in consumption by area
2000-2007

USA: imports of green coffee by group
Period average: 1966-68; 1988-90 and 2006-08
USA: historical consumption and per capita consumption

Outlook 2009: Supply 1

- Production costs
  - Steadily rising in recent years
  - Prices of key inputs (fertilizers + oil) now declining
  - Labor costs remain at high levels
Outlook 2009: Supply 2

- Influence of exchange rates:
  - In countries with exchange rate linked to the US$, coffee prices have fallen in local currency and production has become less attractive
  - In countries with flexible exchange rates, coffee prices in local currency show little change

Outlook 2009: Demand 1
Developed country markets

- 58% of world consumption
- Shift in types of coffee consumed ("dowtrading"): 
  - Out-of-home to in-home
  - Higher price to lower price with possible impact on market for specialty coffee
- Effect on overall volume of consumption expected to be limited
Outlook 2009: Demand 2
Producing country markets

- 26% of world consumption
- Influence of exchange rates:
  - In countries with exchange rate linked to the US$, coffee prices have fallen in local currency and internal consumption may be stimulated
  - In countries with flexible exchange rates, prices almost unchanged in local currency
- Effect on overall volume of consumption likely to be limited

Outlook 2009: Demand 3
Emerging markets

- 18% of world consumption
- Vulnerabilities:
  - Coffee still a “luxury” good
  - Possible devaluations of local currencies vs. US$ may increase coffee prices to consumers
  - Macroeconomic dislocations (unemployment, lack of credit) may reduce demand
- Effect on consumption still uncertain
Outlook 2009: Prices

- Short-term:
  - Low production in Colombia and Central America raises differentials of washed Arabicas
  - Market heavily influenced by exogenous factors (stock exchanges, exchange rates)

- Medium-term:
  - Low 2009/10 Brazil crop tends to support prices

International Coffee Organization - www.ico.org

Thank you

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