

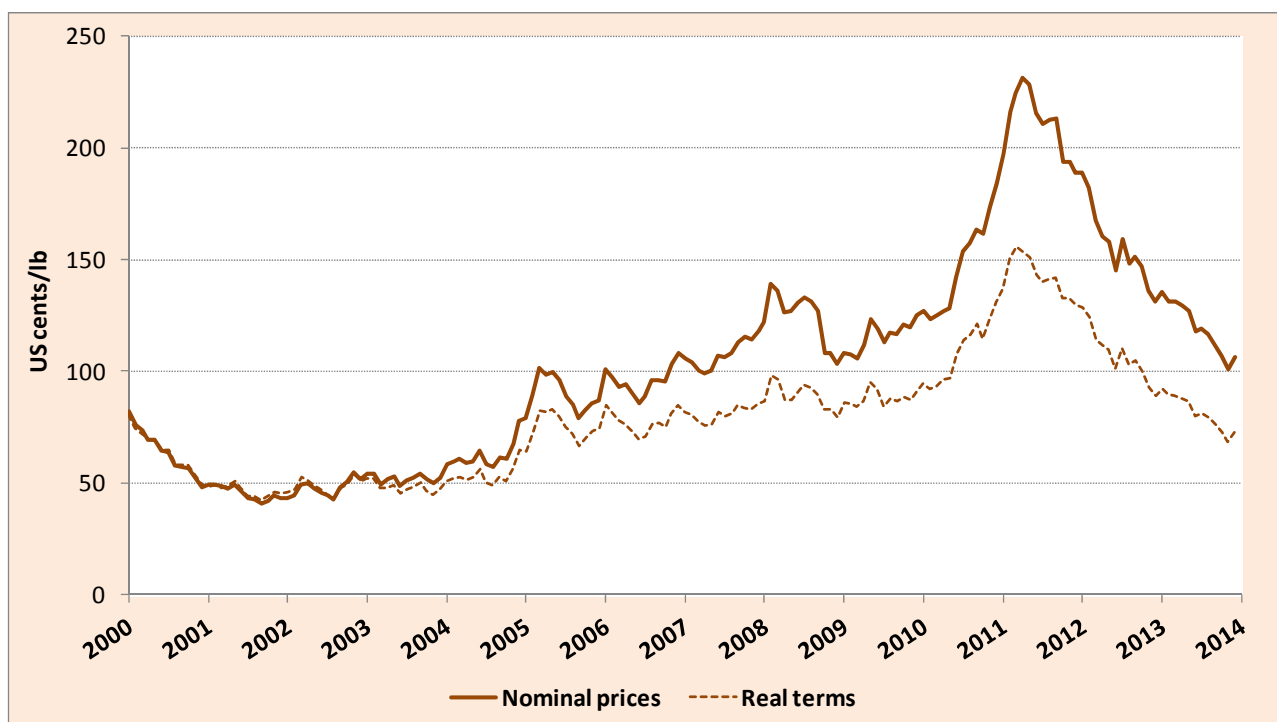
MONTHLY COFFEE MARKET REPORT

December 2013

Coffee prices have fallen consistently over the course of 2013, with decreases recorded in nine out of the last twelve months. Although prices in December rose slightly compared to November, the ICO composite indicator is still at its second-lowest level of the year, and 2013 recorded the lowest average annual price since 2009.

This price performance has been driven by a surplus of production over consumption, as high prices in 2011 encouraged producers to invest in and expand their output. That trend has now been reversed, as prices fall below the cost of production and deter further investment. Looking at 2013/14, Brazil is expecting a record off-year crop of 49.15 million bags, just 3.3% lower than 2012/13, with mixed prospects in other major exporting countries. In the short-term, this is likely to place continued downward pressure on the coffee market. However, with certified stocks on the London futures market approaching record lows, and consumption continuing to grow at around 2.4% per year, demand for coffee remains buoyant and should provide potential for further growth in the longer term.

Graph 1: ICO composite indicator price
(Monthly averages: January 2000 to December 2013)



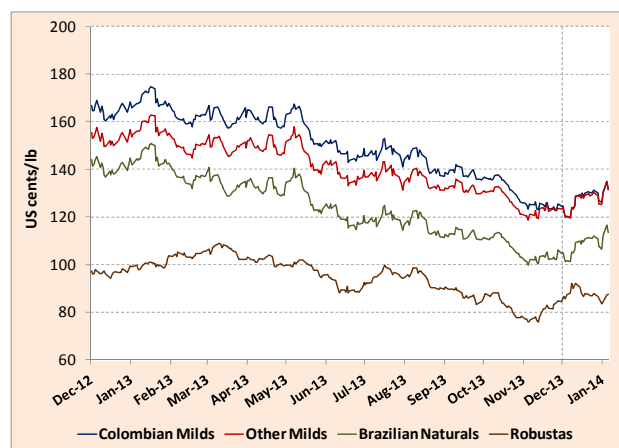
Price movements

The monthly average of the ICO composite indicator price increased in December by 5.5% to 106.56 US cents/lb. However, this is still its second-lowest level of the year. All four group indicators recorded higher monthly averages, with the most significant increase observed in Robustas, which rose by 10.3% to 87.89 US cents/lb, its highest average since August. The monthly average of Brazilian Naturals increased by 4.7% to 107.40 US cents/lb, while Other Milds increased by 3.2% to 125.97 cents and briefly traded above Colombian Milds, which averaged a level of 126.54 cents, 1.5% higher than November. Price volatility has also increased for almost all indicators since November.

In terms of price differentials, the most significant trend was the convergence of Colombian Milds and Other Milds, with the difference narrowing to an average of just 0.57 cents compared to 2.63 cents in November. This is the lowest gap since June 2005. As can be seen in Graph 3, the differential has narrowed considerably over the last year as exports of Colombian Milds have increased, mostly due to the recovery in production by Colombia, while shipments of Other Milds have slackened. All group indicators showed signs of convergence during

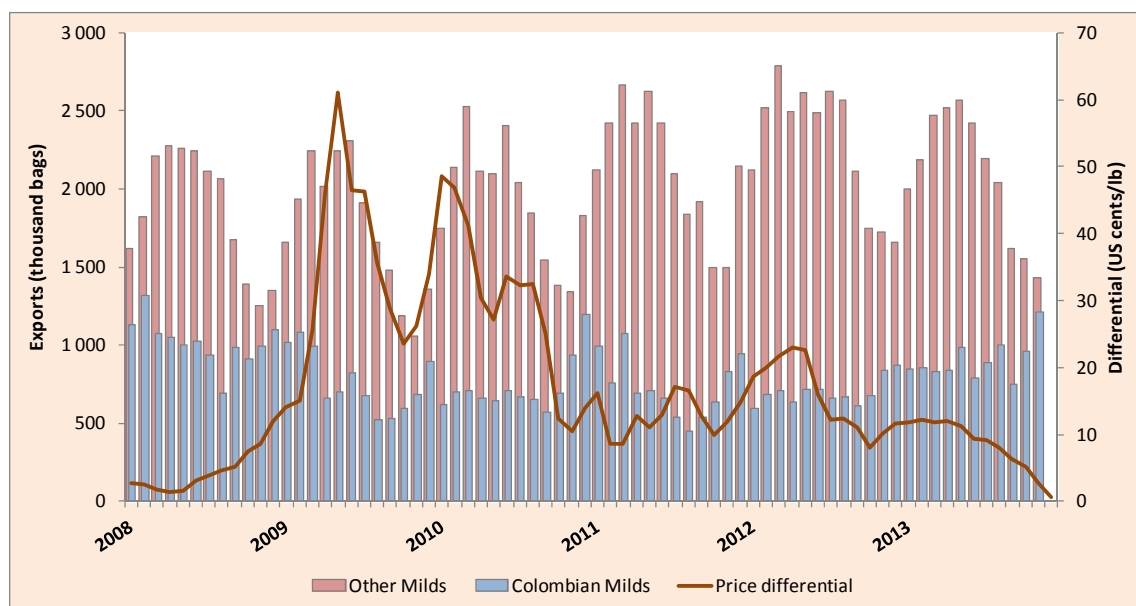
December, with the arbitrage between the New York and London futures markets down 6% to 37.38 cents, its lowest in five years.

**Graph 2: ICO group indicator daily prices
(3 December 2012 to 7 January 2014)**



These developments bring the annual average of the ICO composite indicator for 2013 to 119.51 US cents/lb, down 23.6% on 2012 and the lowest level since 2009. All four group indicators are down year-on-year, with the most significant decreases in Colombian Milds (down 26.8%) and Brazilian Naturals (-30.1%), followed by Other Milds (-25.2%) and Robustas (-8.4%). This confirms two consecutive years of lower prices for the first time since 2001.

**Graph 3: Price differential and exports of Colombian Milds and Other Milds
Monthly: 2008 to 2013**



Market fundamentals

The Brazilian agency responsible for crop forecasts, Conab, have increased their estimate of production in 2013/14 by 1.61 million bags to 49.15 million bags. This increase is mostly due to a jump in the estimate of the Arabica crop from 36.66 million bags in the September forecast to 38.29 million, just 50,000 bags less than the on-year Arabica crop in 2012/13. This convergence suggests that the biennial cycle which has historically characterized Brazilian Arabica production is becoming less significant, as shown in Graph 5. In terms of Robusta production, the 2013/14 crop is estimated at 10.86 million bags, down 13% on 2012/13.

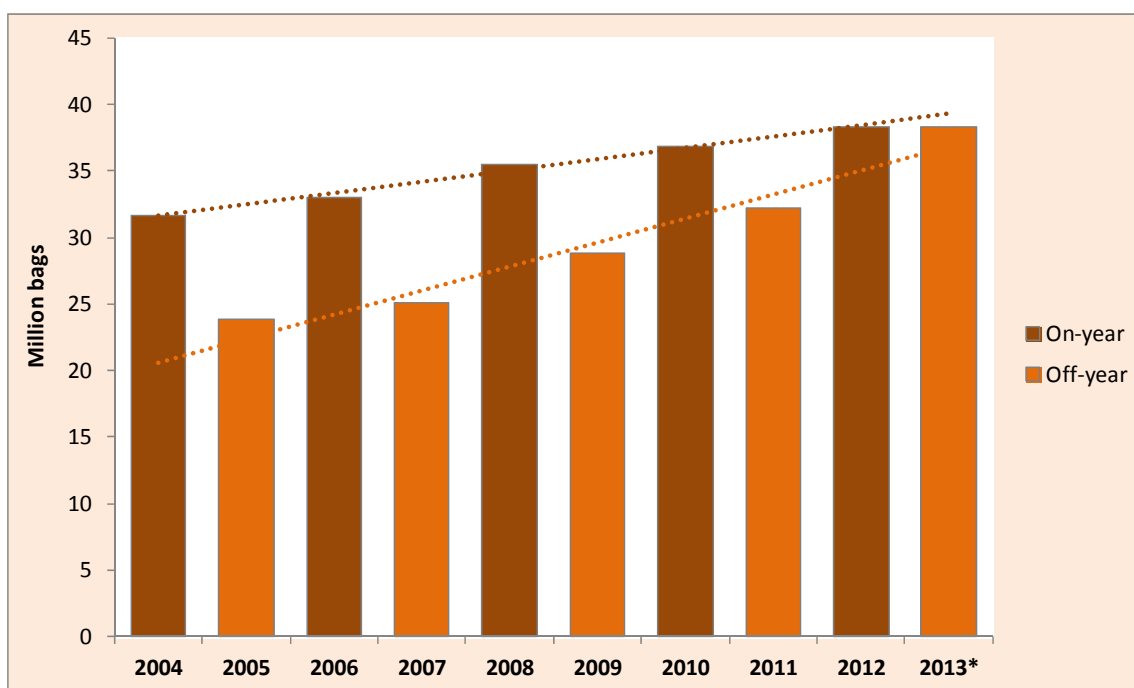
As a result, the total crop of 49.15 million bags is a record crop for a supposed off-year in Brazil, just 3.3% lower than 2012/13, and will significantly boost the supply outlook for 2013/14. Higher production is also anticipated in Colombia, where output in the first two months of 2013/14 is

significantly higher than the same period in 2012/13. On the other hand, coffee production in 2013/14 is likely to be hindered by the ongoing coffee leaf rust outbreak in Central America, as well as recent reports of coffee berry borer.

Total exports in November 2013 amounted to 7.8 million bags, down 14.4% compared to November 2012. Exports of Other Milds, Brazilian Naturals and Robustas were all lower year-on-year, but exports of Colombian Milds were significantly higher at 1.2 million bags, up from 843,000 bags last year.

Certified Robusta stocks on the London futures market fell further in December to just 501,000 bags, compared to 1.8 million in December 2012. Arabica stocks on the New York futures market registered a slight increase to 3.1 million bags.

Graph 5: Convergence in Brazilian Arabica production
Crop years 2004/05 – 2013/14*



* Estimated

Table 1: ICO indicator prices and futures prices (US cents/lb)

| | ICO Composite | Colombian Milds | Other Milds | Brazilian Naturals | Robustas | New York* | London* |
|--|---------------|-----------------|--------------|--------------------|-------------|--------------|-------------|
| Monthly averages | | | | | | | |
| Dec-12 | 131.31 | 164.40 | 152.74 | 140.69 | 96.59 | 149.58 | 85.94 |
| Jan-13 | 135.38 | 169.19 | 157.29 | 145.17 | 99.69 | 154.28 | 88.85 |
| Feb-13 | 131.51 | 161.70 | 149.46 | 136.63 | 104.03 | 144.89 | 94.41 |
| Mar-13 | 131.38 | 161.53 | 149.78 | 133.61 | 106.26 | 141.43 | 97.22 |
| Apr-13 | 129.55 | 161.76 | 149.81 | 132.62 | 101.68 | 139.91 | 93.15 |
| May-13 | 126.96 | 158.35 | 147.19 | 130.29 | 99.18 | 138.64 | 91.07 |
| Jun-13 | 117.58 | 147.55 | 138.26 | 120.01 | 90.79 | 126.37 | 81.82 |
| Jul-13 | 118.93 | 147.46 | 138.39 | 119.47 | 95.21 | 125.27 | 85.34 |
| Aug-13 | 116.45 | 143.26 | 135.15 | 116.81 | 94.01 | 122.31 | 84.10 |
| Sep-13 | 111.82 | 138.60 | 132.28 | 112.65 | 87.78 | 119.55 | 77.89 |
| Oct-13 | 107.03 | 133.83 | 128.70 | 109.57 | 83.70 | 117.05 | 73.47 |
| Nov-13 | 100.99 | 124.65 | 122.02 | 102.57 | 79.71 | 109.10 | 69.32 |
| Dec-13 | 106.56 | 126.54 | 125.97 | 107.40 | 87.89 | 114.12 | 76.74 |
| % change between Dec-13 and Nov-13 | | | | | | | |
| | 5.5 | 1.5 | 3.2 | 4.7 | 10.3 | 4.6 | 10.7 |
| Annual averages | | | | | | | |
| 2009 | 115.67 | 177.43 | 143.84 | 115.33 | 74.58 | 128.40 | 67.69 |
| 2010 | 147.24 | 225.46 | 195.96 | 153.68 | 78.74 | 165.20 | 71.98 |
| 2011 | 210.39 | 283.84 | 271.07 | 247.61 | 109.21 | 256.36 | 101.23 |
| 2012 | 156.34 | 202.08 | 186.47 | 174.97 | 102.82 | 179.22 | 91.87 |
| 2013 | 119.51 | 147.87 | 139.52 | 122.23 | 94.16 | 129.41 | 84.45 |
| % change between 2013 and 2012 | | | | | | | |
| | -23.6 | -26.8 | -25.2 | -30.1 | -8.4 | -27.8 | -8.1 |
| Volatility (%) | | | | | | | |
| Nov-13 | 6.2 | 5.5 | 6.6 | 7.5 | 7.0 | 7.8 | 7.3 |
| Dec-13 | 6.7 | 6.9 | 6.8 | 7.4 | 8.0 | 7.9 | 8.3 |
| Variation between Dec-13 and Nov-13 | | | | | | | |
| | 0.4 | 1.4 | 0.3 | -0.2 | 1.0 | 0.1 | 1.0 |

* Average price 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* |
|---|--------------------------------|---------------------------------------|-----------------------------|-----------------------------------|-------------------------|--------------------------------|----------------------|
| Dec-12 | 11.66 | 23.71 | 67.81 | 12.05 | 56.15 | 44.10 | 63.64 |
| Jan-13 | 11.90 | 24.02 | 69.50 | 12.12 | 57.60 | 45.48 | 65.43 |
| Feb-13 | 12.24 | 25.07 | 57.67 | 12.83 | 45.43 | 32.60 | 50.48 |
| Mar-13 | 11.75 | 27.92 | 55.27 | 16.17 | 43.52 | 27.35 | 44.21 |
| Apr-13 | 11.95 | 29.14 | 60.08 | 17.19 | 48.13 | 30.94 | 46.76 |
| May-13 | 11.16 | 28.06 | 59.17 | 16.90 | 48.01 | 31.11 | 47.57 |
| Jun-13 | 9.29 | 27.54 | 56.76 | 18.25 | 47.47 | 29.22 | 44.55 |
| Jul-13 | 9.07 | 27.99 | 52.25 | 18.92 | 43.18 | 24.26 | 39.93 |
| Aug-13 | 8.11 | 26.45 | 49.25 | 18.34 | 41.14 | 22.80 | 38.21 |
| Sep-13 | 6.32 | 25.95 | 50.82 | 19.63 | 44.50 | 24.87 | 41.66 |
| Oct-13 | 5.13 | 24.26 | 50.13 | 19.13 | 45.00 | 25.87 | 43.58 |
| Nov-13 | 2.63 | 22.08 | 44.94 | 19.45 | 42.31 | 22.86 | 39.78 |
| Dec-13 | 0.57 | 19.14 | 38.65 | 18.57 | 38.08 | 19.51 | 37.38 |
| % change between Dec-13 and Nov-13 | | | | | | | |
| | -78.3 | -13.3 | -14.0 | -4.5 | -10.0 | -14.7 | -6.0 |

* Average price for 2nd and 3rd positions

Table 3: Total production in exporting countries

| Crop year commencing | 2009 | 2010 | 2011 | 2012 | % change 2011-12 |
|----------------------|----------------|----------------|----------------|----------------|------------------|
| TOTAL | 122 952 | 132 983 | 132 304 | 145 241 | 9.8 |
| Arabicas | 72 883 | 84 108 | 81 880 | 88 814 | 8.5 |
| Colombian Milds | 9 160 | 9 705 | 8 715 | 11 488 | 31.8 |
| Other Milds | 26 529 | 28 793 | 32 051 | 28 276 | -11.8 |
| Brazilian Naturals | 37 195 | 45 610 | 41 114 | 49 050 | 19.3 |
| Robustas | 50 069 | 48 876 | 50 424 | 56 427 | 11.9 |

In thousand bags

Full production data are available on the ICO website at www.ico.org/prices/po.htm.**Table 4: Total exports of all forms of coffee by exporting countries**

| | November 2012 | November 2013 | % change | October - November | | |
|--------------------|---------------|---------------|--------------|--------------------|---------------|--------------|
| | | | | 2012 | 2013 | % change |
| TOTAL | 9 165 | 7 843 | -14.4 | 18 555 | 16 547 | -10.8 |
| Arabicas | 5 720 | 5 283 | -7.6 | 11 400 | 11 012 | -3.4 |
| Colombian Milds | 843 | 1 209 | 43.5 | 1 517 | 2 172 | 43.2 |
| Other Milds | 1 724 | 1 433 | -16.9 | 3 475 | 2 985 | -14.1 |
| Brazilian Naturals | 3 153 | 2 640 | -16.3 | 6 408 | 5 855 | -8.6 |
| Robustas | 3 445 | 2 560 | -25.7 | 7 155 | 5 535 | -22.6 |

In thousand bags

Full trade statistics for all exporting countries 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**

| | Dec-12 | Jan-13 | Feb-13 | Mar-13 | Apr-13 | May-13 | Jun-13 | Jul-13 | Aug-13 | Sep-13 | Oct-13 | Nov-13 | Dec-13 |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| London | 1.78 | 1.77 | 1.89 | 2.05 | 2.11 | 2.08 | 2.00 | 1.64 | 1.32 | 1.01 | 0.89 | 0.77 | 0.50 |
| New York | 2.90 | 2.96 | 3.03 | 3.09 | 3.10 | 3.11 | 3.09 | 3.11 | 3.15 | 3.13 | 3.07 | 3.02 | 3.06 |

In million bags

Table 6: Total coffee consumption in selected countries

| Calendar years | 2009 | 2010 | 2011 | 2012 | Average annual growth rate (2009 - 2012) |
|---------------------|----------------|----------------|----------------|----------------|--|
| World total | 132 240 | 136 973 | 139 050 | 142 000 | 2.4 |
| Exporting countries | 39 616 | 40 910 | 42 397 | 43 467 | 3.1 |
| Traditional markets | 69 204 | 71 004 | 70 717 | 71 404 | 1.0 |
| Emerging markets | 23 419 | 25 059 | 25 936 | 27 129 | 5.0 |

In thousand bags