



COFFEE MARKET OUTLOOK

**UNCTAD MULTI-STAKEHOLDER
CONSULTATION**

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Geneva, Switzerland

Néstor Osorio
Executive Director

International Coffee Organization - www.ico.org



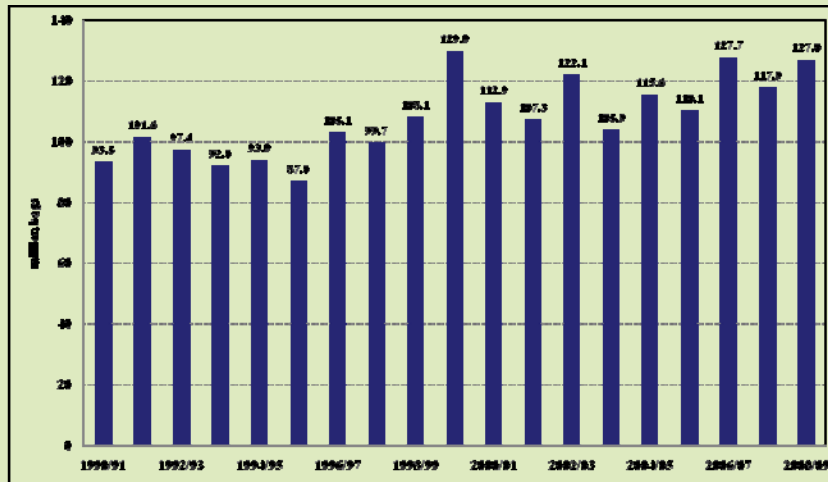
Summary

- Long-term trends 1990-2008
- Short-term trends and current economic crisis
- Conclusions

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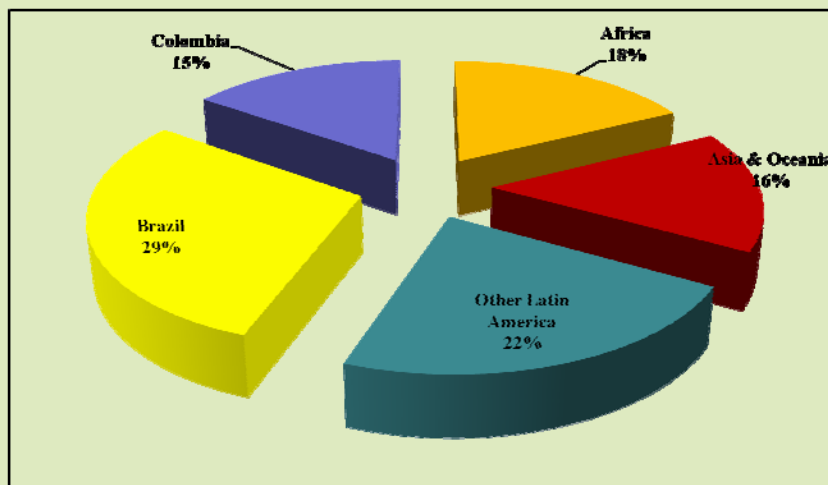
World production Crop years 1990/91 to 2008/09



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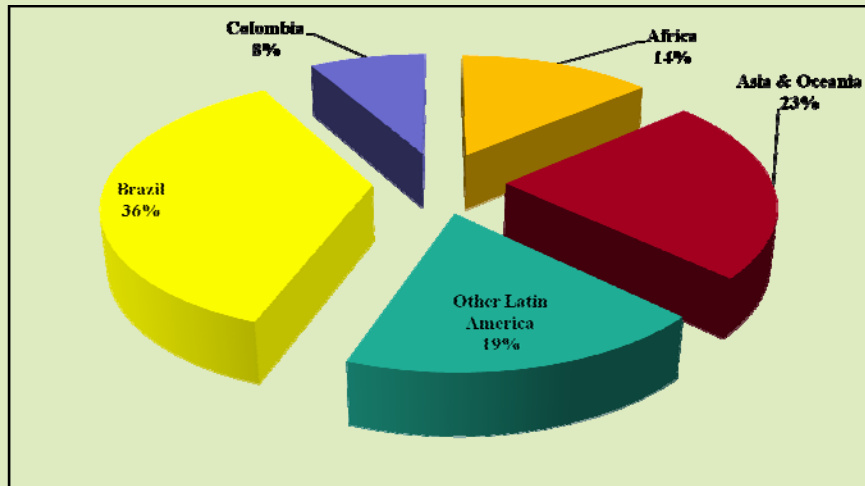
World production by region Crop year 1990/91



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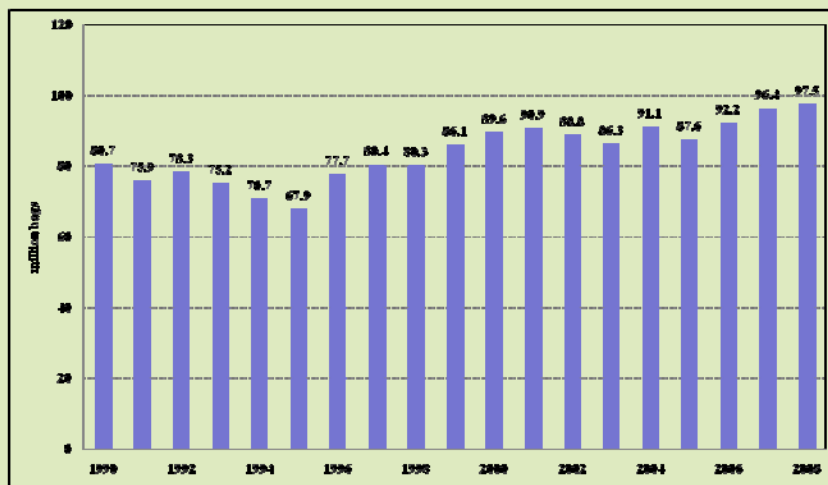
World production by region Crop year 2008/09



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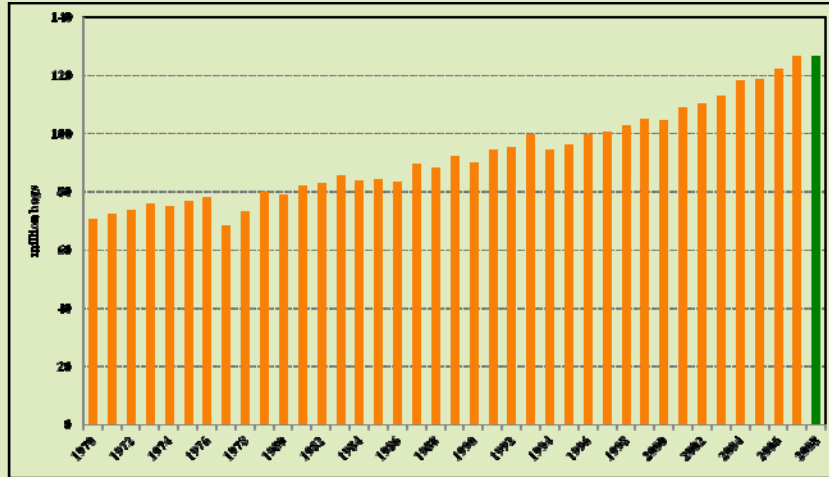
Total exports to all destinations Calendar years 1990 to 2008



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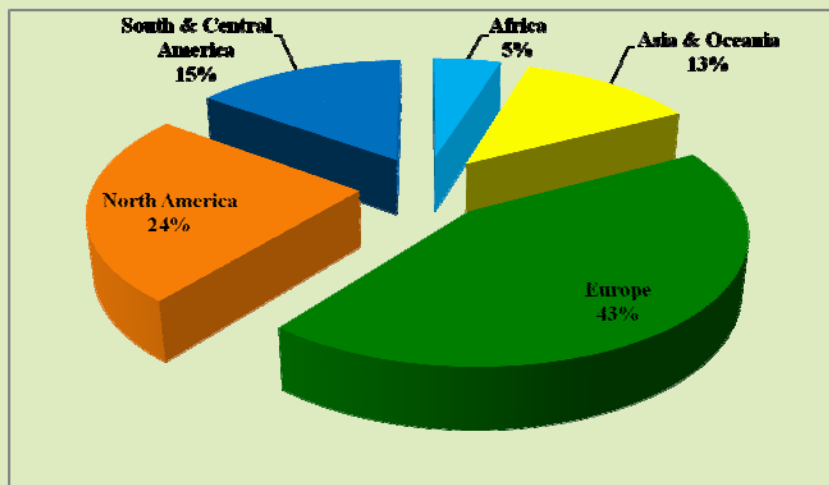
World consumption Calendar years 1970 to 2008



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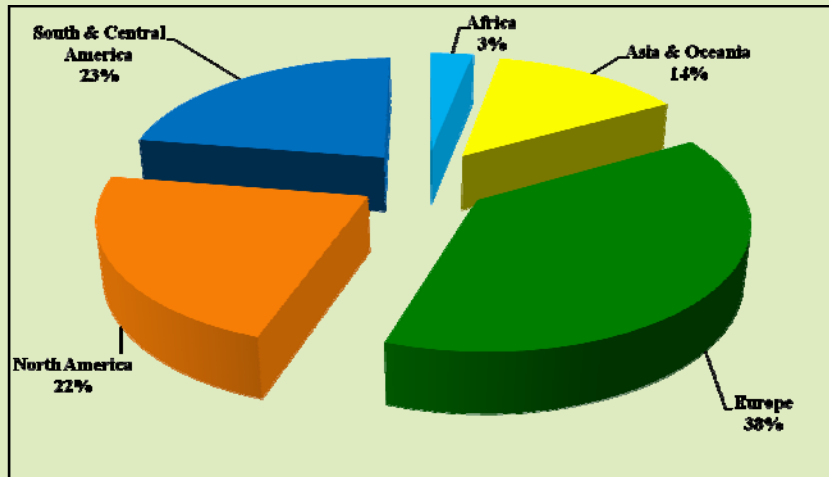
World consumption by region Calendar year 1990



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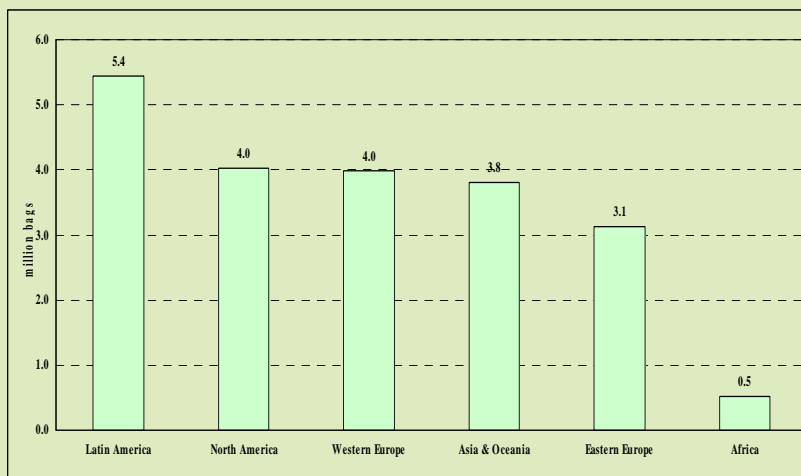
World consumption by region Calendar year 2008



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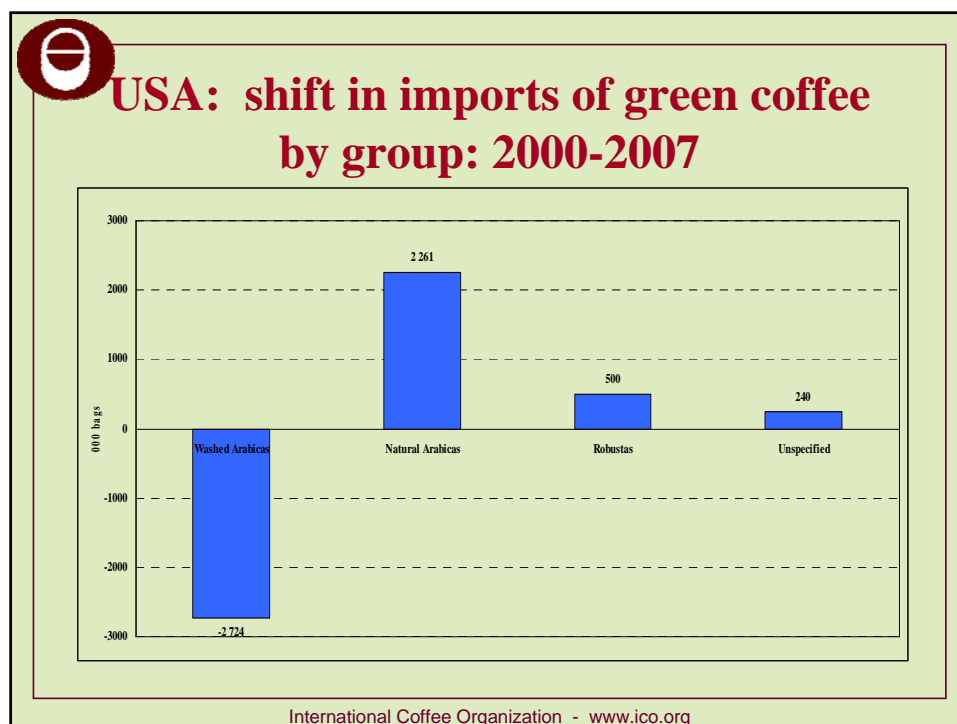
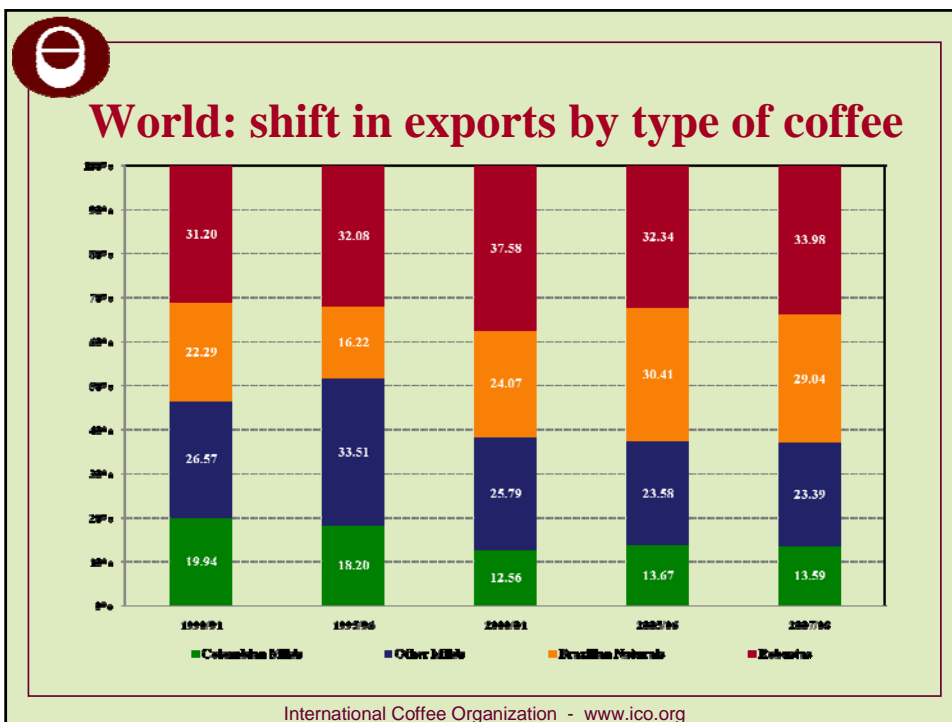


World: shift in consumption by area: 2000-2007



* Estimated

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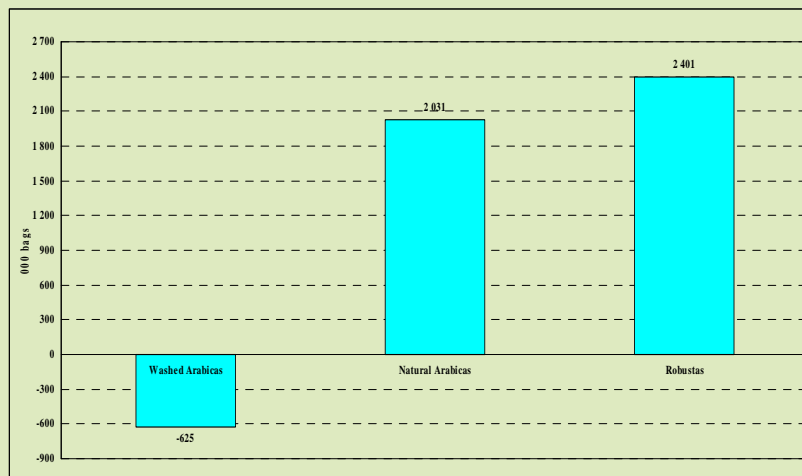
USA: shift in imports of green coffee by origin: 2000-2007



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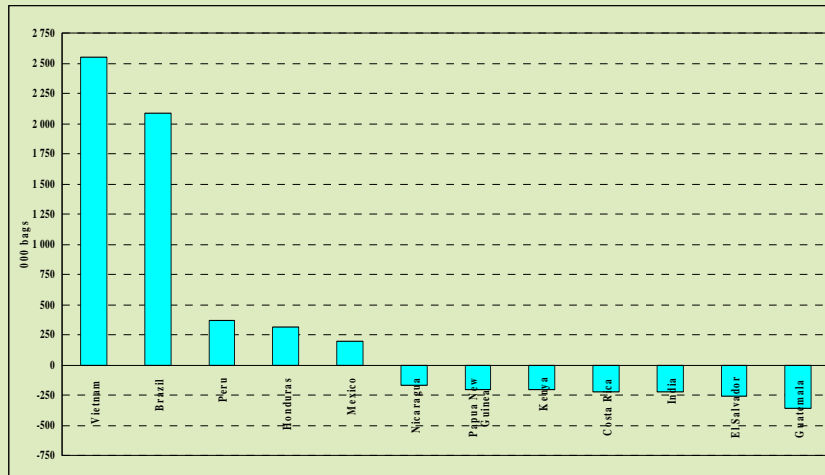
Germany: shift in imports of green coffee by group: 2000-2007



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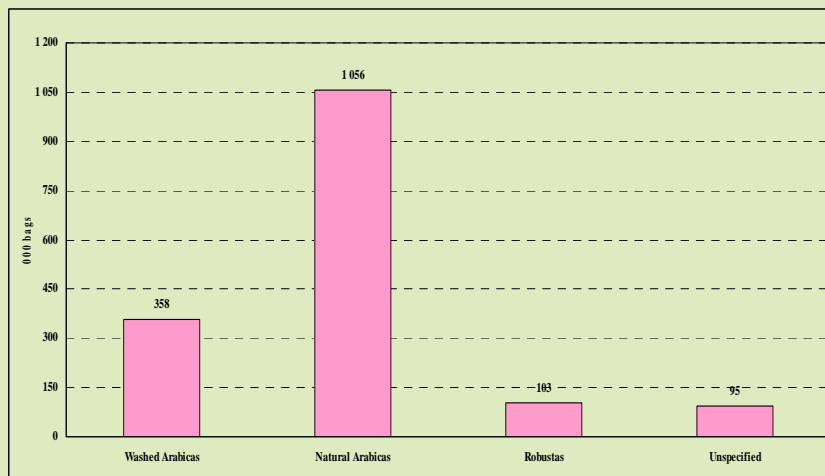
Germany: shift in imports of green coffee by origin: 2000-2007



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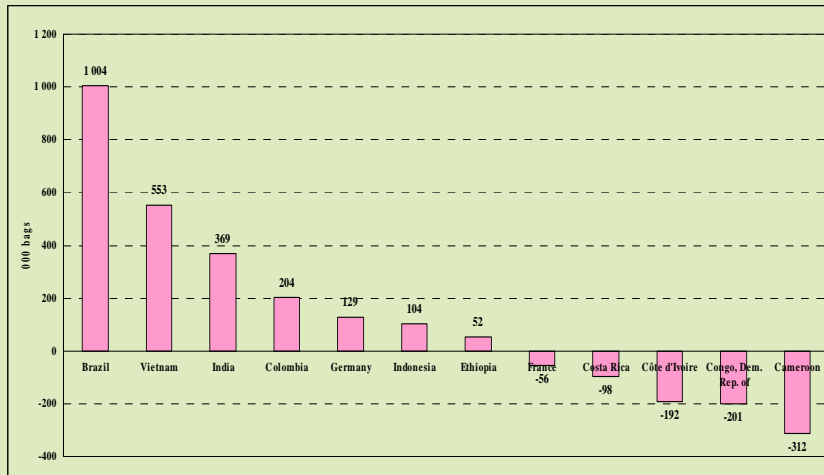
Italy: shift in imports of green coffee by group: 2000-2007



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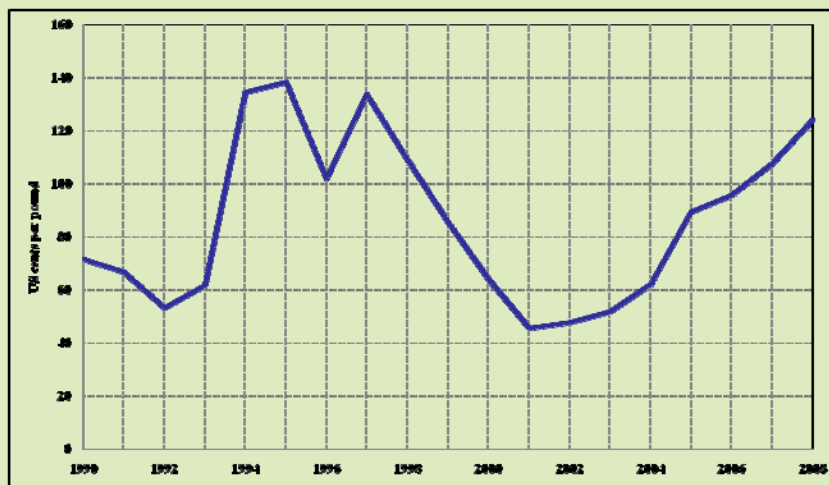
Italy: shift in imports of green coffee by origin: 2000-2007



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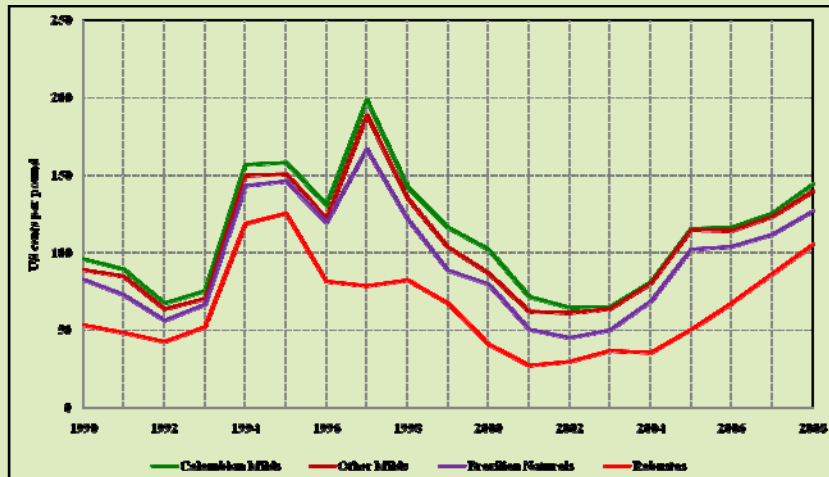
ICO composite indicator price Annual averages 1990 to 2008



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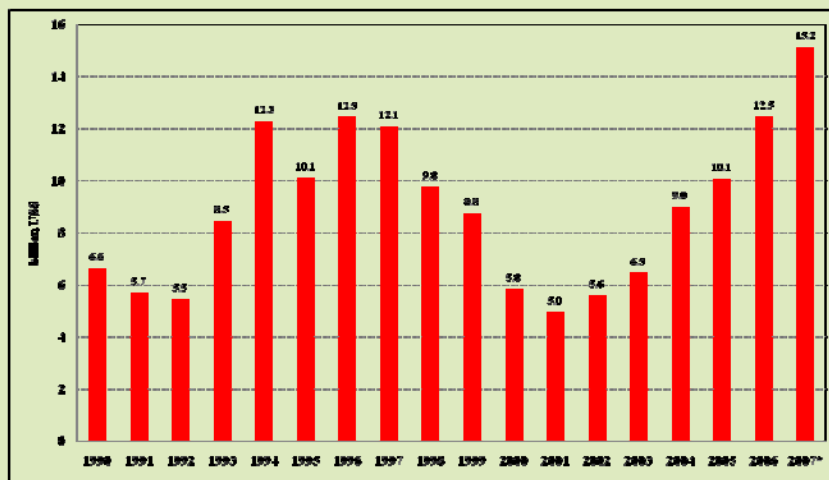
ICO group indicator prices Annual averages 1990 to 2008



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Value of exports of coffee Coffee years 1990/91 to 2007/08



* Estimated

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Impact of the financial crisis

- Coffee prices
- Supply
- Demand

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ICO composite indicator price Monthly averages: Jan-05 to Mar-09



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Impact on supply 1

- ▶ Production costs
 - Steadily rising in recent years
 - Prices of key inputs (fertilizers + oil) now declining
 - Price of labour not affected



Impact on 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 almost unchanged in local currency



Impact on supply 3

- Some production costs may fall in line with cheaper inputs.
- Scarcity of credit to farmers may reduce care of plantations
- Exchange rate movements will play an important role in determining attractiveness of investments in new plantings.
- Response will not be uniform, but vary from country to country.



Impact on supply 4

- Overall volume of supply tight in short-term
 - Short-term fall in production in Colombia and Central America
 - Off-year of biennial cycle in Brazil
- In long-term, current price levels do not stimulate new plantings, especially of Arabica coffee



Impact on demand 1

- In recent years, consumption has increased steadily at a rate of 2.5% p.a., from 104.6 million bags in 2000 to 128 million bags in 2008.
- This growth rate is not evenly distributed. Growth rates are more vigorous in emerging markets and in producing countries.
- Current crisis may decrease growth rate, but no significant adverse effect on overall level of demand is expected.



Impact on demand 2 Developed country markets

- 58% of world consumption
- Shift in types of coffee consumed (“downtrading”):
 - Out-of-home to in-home
 - Higher price to lower price, with possible impact on market for specialty coffee
- Overall volume of consumption not expected to be adversely affected



Impact on demand 3

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
- Overall volume of consumption unlikely to be adversely affected

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Impact on demand 4

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

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Impact on prices

- ▶ Coffee prices have recovered from the low levels recorded during the coffee crisis (2000-2004).
- ▶ After beginning of crisis in September/08, prices fell in line with other commodities and appreciation of US\$.
- ▶ Since January/09, prices have recovered in line with firm coffee fundamentals.



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
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