



EVOLUTION OF THE WORLD COFFEE MARKET

Report to the International Coffee Council
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International Coffee Organization - www.ico.org



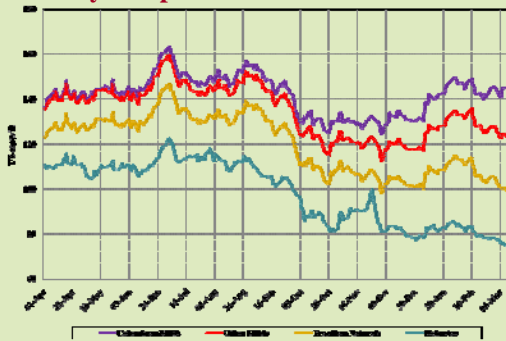
ICO composite indicator price Monthly averages: Jan-00 to Feb-09



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Group indicator prices Daily: 1 April 2008 to 13 March 2009



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Total production Crop years 2000/01 to 2008/09



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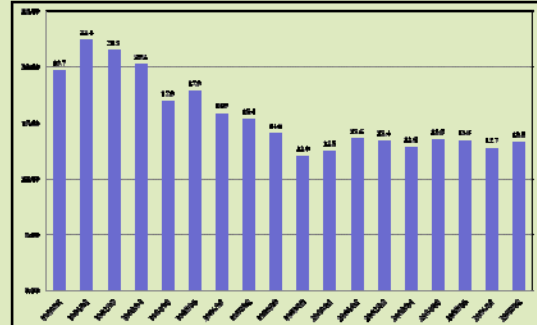
Exports to all destinations Coffee years 2000/01 to 2007/08



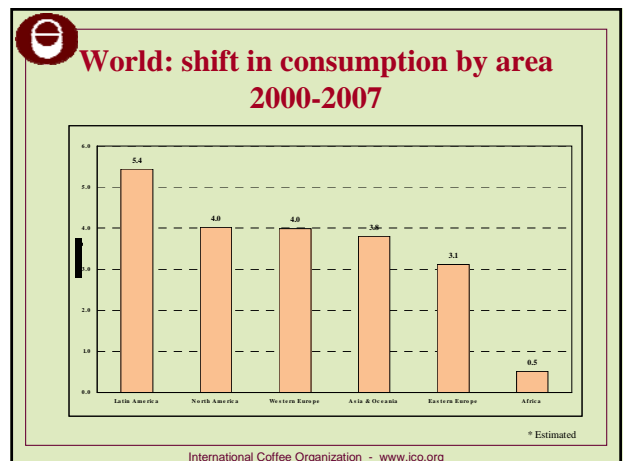
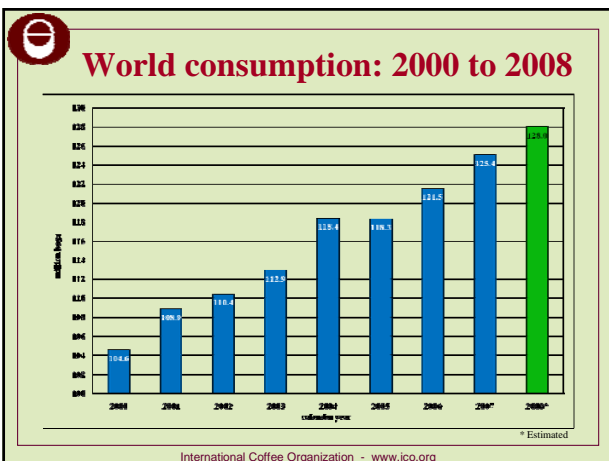
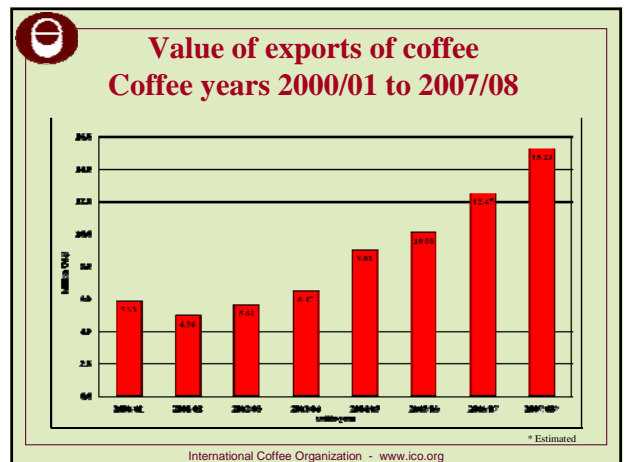
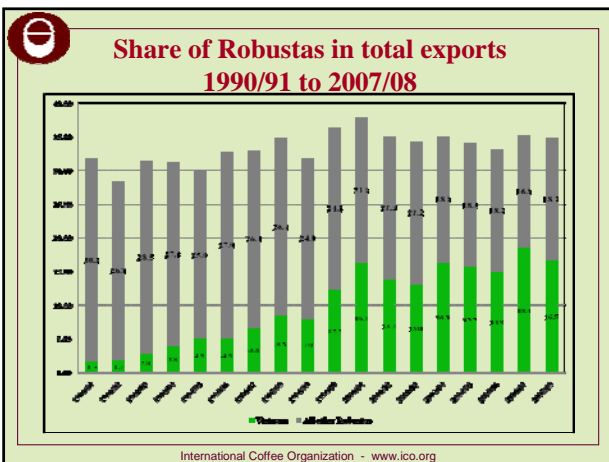
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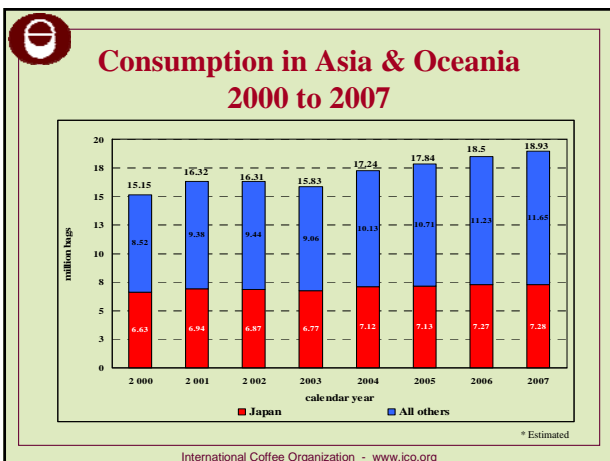
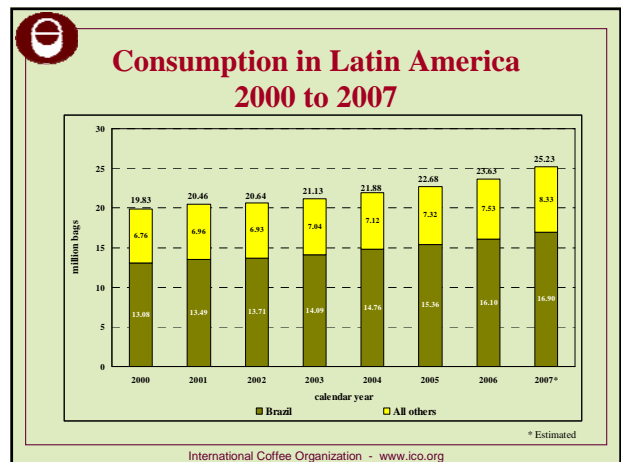
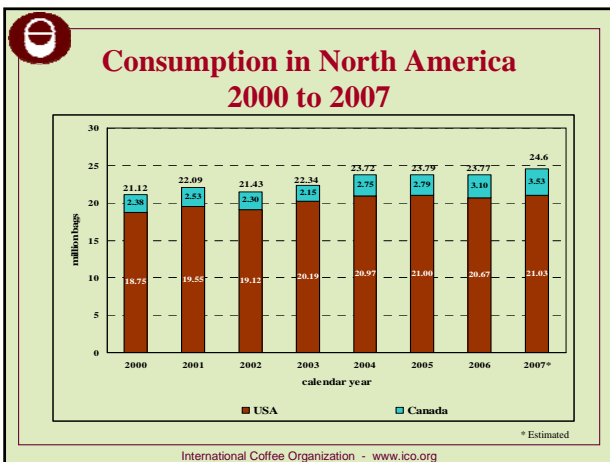
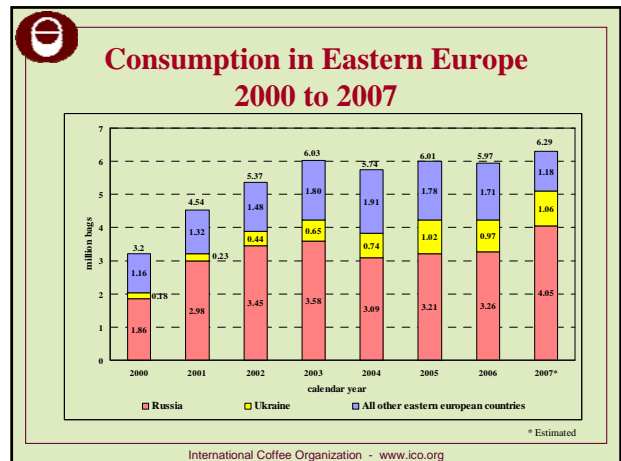
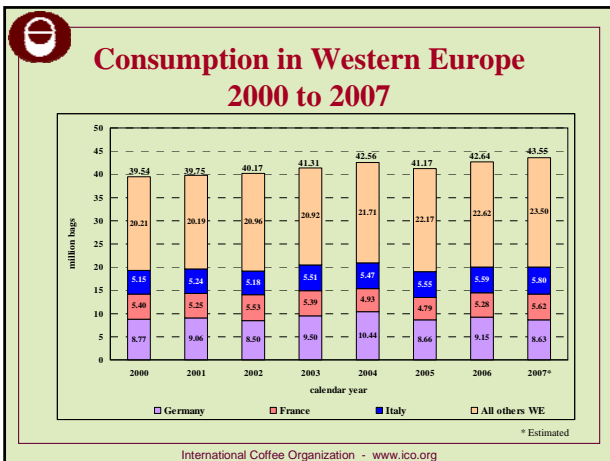


Share of Colombian Mils in total exports 1990/91 to 2007/08



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Outlook 2009: Supply 1

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

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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 almost unchanged in local currency



Outlook 2009: Demand 1 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
- ▶ 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 to prices
- ▶ Long-term: current price levels do not stimulate new plantings, especially of Arabica coffee



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