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**ICC-115-6**

**The impact of the price of oil  
and the US dollar exchange rate  
on coffee prices**

Denis Seudieu

Chief Economist

International Coffee Organization

# Introduction

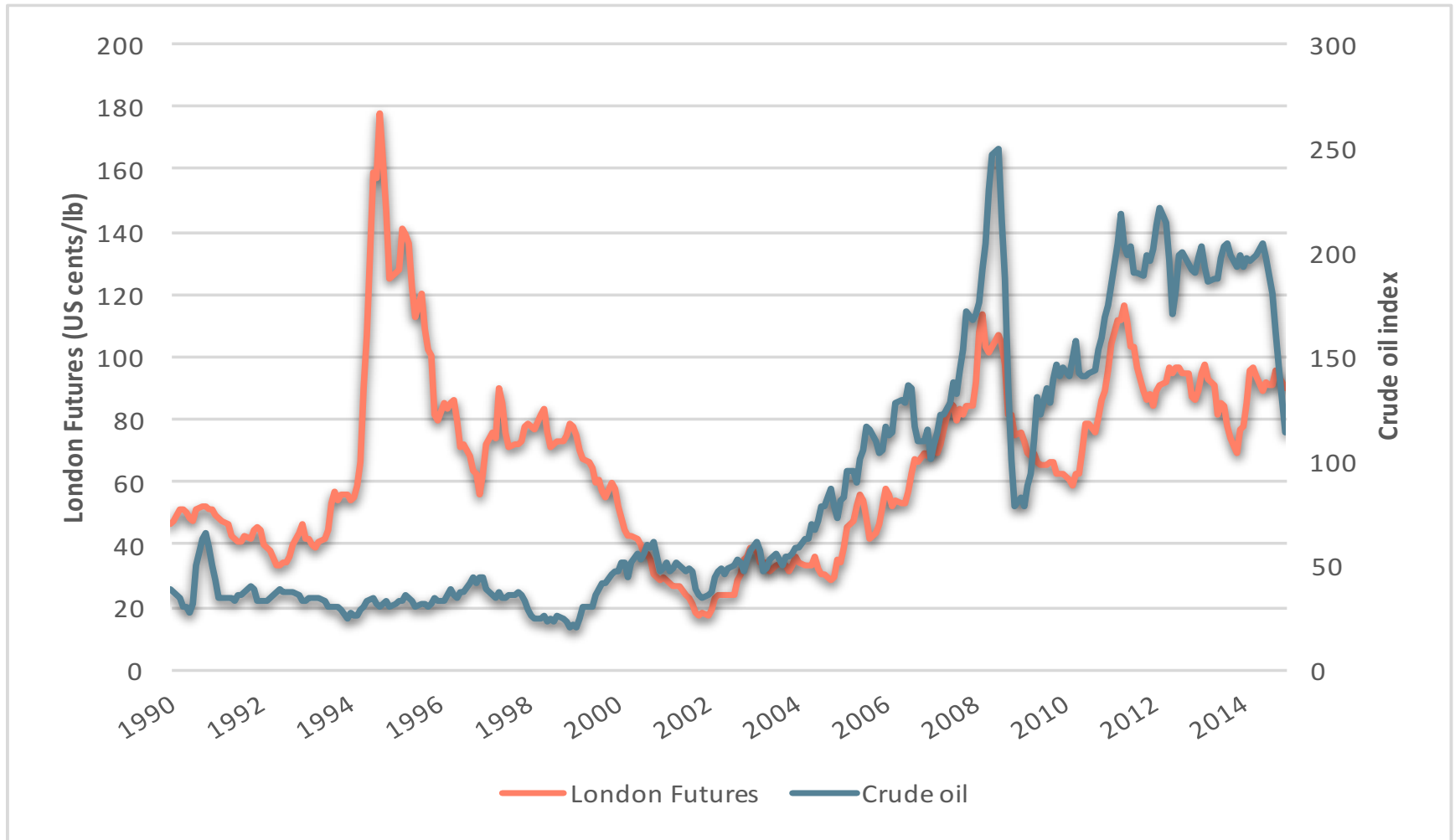
- ❖ Coffee price & Oil price index
- ❖ Coffee price & US dollar exchange rate
- ❖ Period covered: January 1990 – Dec 2014
- ❖ Reference price for coffee: Futures price (London & New York)



# Graph 1: Crude oil price index and New York futures price (January 1990 – December 2014)



# Graph 2: Crude oil price index and London futures price (January 1990 – December 2014)



# Correlation coefficients

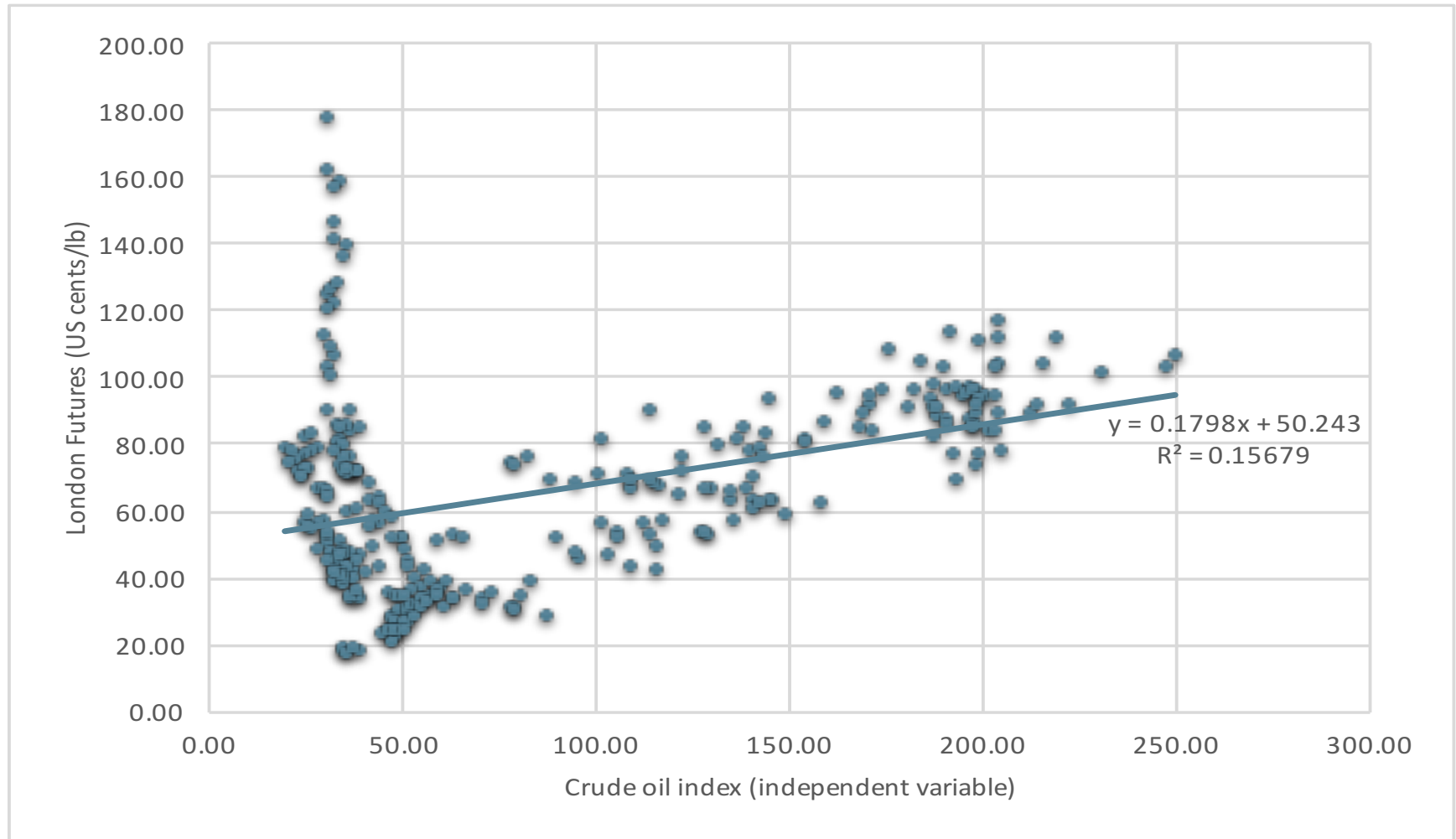
	Crude oil index	New York	London	ICO	CM	OM	BAN	ROB
<b>Crude oil index</b>	1							
<b>New York Futures</b>	0.59	1						
<b>London Futures</b>	0.40	0.81	1					
<b>ICO Comp</b>	0.60	0.98	0.87	1				
<b>Colombian Milds</b>	0.58	0.97	0.75	0.97	1			
<b>Other Milds</b>	0.59	0.99	0.78	0.98	0.99	1		
<b>Brazilian naturals</b>	0.55	0.99	0.82	0.98	0.96	0.98	1	
<b>Robustas</b>	0.43	0.81	1.00	0.88	0.76	0.78	0.82	1



# Graph 3: Regression chart for crude oil price index and New York futures price (January 1990 – December 2014)



# Graph 4: Regression chart for crude oil price index and the London futures price (January 1990 – December 2014)



# Correlation: Coffee price & Exchange rates

	New York futures	London futures
New York futures	1.00	
London futures	0.81	1.00
Brazilian real/US dollar	-4.49	-0.66
Colombian peso/US dollar	-0.08	-0.28
Ethiopian birr/US dollar	0.58	0.32
Guatemalan quetzal/US dollar	0.17	-0.05
Indian rupee/US dollar	0.26	0.09
Indonesian rupee/US dollar	0.15	-0.05
Mexican peso/US dollar	0.29	-0.03
Ugandan shilling/US dollar	0.38	0.11
Vietnamese dong/US dollar	0.46	0.21





# Correlation coefficients: Coffee price & Oil Price index

	Crude oil	New York futures	London futures
Crude oil	1		
New York futures	0.78	1	
London futures	0.90	0.83	1
ICO Composite	0.83	0.99	0.88
Colombian Milds	0.74	0.96	0.79
Other Milds	0.77	0.99	0.82
Brazilian Naturals	0.79	1.00	0.84
Robustas	0.91	0.83	1.00



# Regression: Coffee price & Oil price index

	Crude oil index & New York futures price	Crude oil index & London futures price
Multiple R	0.78	0.90
R Square	0.60	0.81
a	0.75	0.41
b	32.70	12.50



## Correlation: Coffee price & Exchange rates

	New York futures	London futures
New York futures	1.00	
London futures	0.83	1.00
Euro to US dollar	-0.60	-0.73
Brazilian real/US dollar	-0.70	-0.76
Colombian peso/US dollar	-0.75	-0.84
Ethiopian birr/US dollar	0.76	0.67
Guatemalan quetzal/US dollar	-0.09	-0.26
Indian rupee/US dollar	0.19	0.24
Indonesian rupee/US dollar	0.11	0.25
Mexican peso/US dollar	0.57	0.54
Ugandan shilling/US dollar	0.65	0.55
Vietnamese dong/US dollar	0.76	0.71



# Conclusion

- ❖ The relationship, which exist between the development of the price of coffee and the price index of crude oil, is less marked as a whole during the period of 1990 to 2014.
- ❖ Significant from 2002.
- ❖ As regards the exchange rates of certain currencies in relation to the US dollar, the only significant relationship is between the world coffee price and the Brazilian real/US dollar exchange rate. However, recent developments since the introduction of the euro provide significant results.
- ❖ The exchange rate of the Brazilian real has become good indicator of the price of coffee.





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**Thank you**