



June 2015

## Lower coffee exports lend support to Robusta prices

*The coffee market rallied slightly in June, led in most part by a recovery in Robusta prices. For the sixth month in a row exports were lower than last year, yet the market seems to have no immediate supply concerns, particularly as recent reports suggest an optimistic view of coffee production. The continued weakness of the Brazilian real is also affecting prices, with the new 2015/16 crop expected to come to market in the near future. Nevertheless, in the longer term, the low prices recorded over the last quarter, though not yet reaching crisis levels, will not encourage investment in the sector, and could result in reduced supply as producers withdraw from the market.*

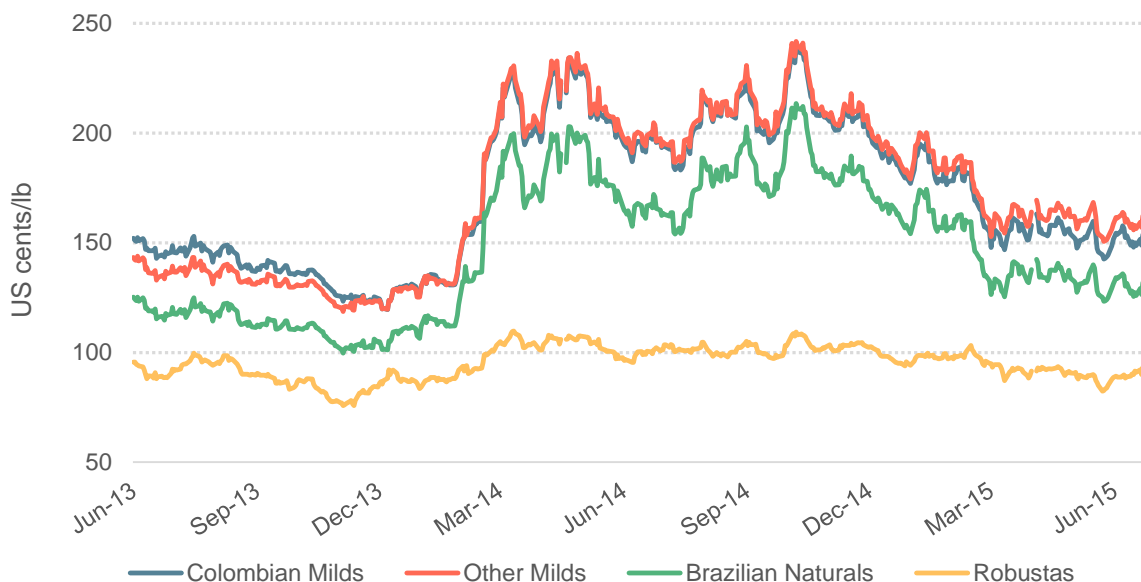
**Graph 1: ICO composite indicator daily prices**



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The daily price of the ICO composite indicator ranged from a high of 127.83 cents/lb to a low of 122.05 cents over the course of June, with the monthly average settling on 124.97 cents, 1.2% higher than May. However, this is still the second-lowest monthly average in the 17 months, with further depreciation of the Brazilian real keeping prices depressed. This bearish market sentiment was exacerbated by the release of the US Department of Agriculture's biannual coffee report, which forecast a significant surplus of 5 million bags in 2015/16, on top of a slight surplus of 290,000 bags in 2014/15.

**Graph 2: ICO group indicator daily prices**



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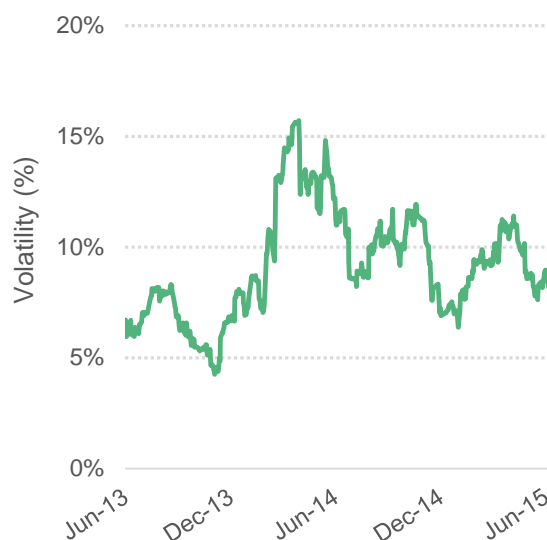
Looking at the group indicators shows a slightly different dynamic. The three Arabica groups all recorded minor increases month-on-month, with Colombian Milds, Other Milds and Brazilian Naturals up 1.2%, 0.8% and 0.1% respectively. Robustas, on the other hand, rose by 3.1%, which can be attributed to concerns over availability as supply from Vietnam continues to be limited. Exports from Vietnam were estimated significantly lower in May compared to last year, down 40.4% on 1.5 million bags. It is difficult at this point to tell if these lower export volumes are due to reduced production or the accumulation of stocks, but this should become clearer towards the end of the coffee year.

**Graph 3: Arbitrage between New York and London futures markets**



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**Graph 4: Rolling 30-day volatility of the ICO composite indicator price**



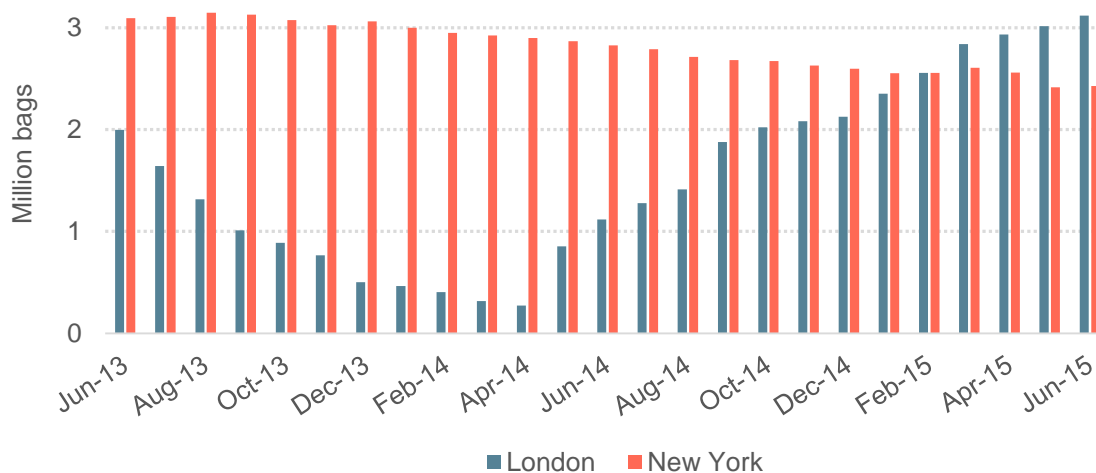
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As a result, the arbitrage between Arabica and Robusta on the New York and London futures markets narrowed in June by 2.8% to just 55.61 cents, the lowest since January 2014. This could potentially encourage roasters to adjust their blends to increase the proportion of Arabica coffee. Physical prices of Other Milds (mostly washed Arabicas from Central America) continue to trade above Colombian Milds, due to the difference in availability of the two.

Total exports in May 2015 are estimated at 9.3 million bags, 12% lower than May 2014. This is mostly due to the lower shipments from Vietnam, which are estimated down by nearly 1 million bags, as well as slightly reduced volumes from Brazil and Indonesia. So far in coffee year 2014/15 (October to May), exports came to 72.3 million bags, 4.6% less than the 75.8 million bags shipped in 2013/14, with Colombian Milds the only group registering an increase.

In terms of the fundamentals, world production for crop year 2014/15 is currently estimated at some 141.9 million bags, significantly less than world consumption, which is estimated at 149.3 million bags in calendar year 2014. Finally, certified stocks of Arabica on the New York exchange climbed slightly in June to 2.4 million bags, but remain at relatively low levels. Robusta stocks on the London market, on the other hand, have been rapidly reconstituted over the last 15 months, from a low of just 274,000 bags in April 2014 to 3.1 million bags in June 2015.

**Graph 5: Certified stocks on the New York and London futures markets**



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

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
<b>Monthly averages</b>							
Jun-14	151.92	195.17	197.89	165.34	98.91	175.81	89.40
Jul-14	152.50	194.21	196.90	164.92	101.79	175.74	91.83
Aug-14	163.08	211.60	212.97	183.32	100.25	193.98	90.64
Sep-14	161.79	206.78	210.53	182.15	100.52	192.09	91.24
Oct-14	172.88	222.59	225.29	197.05	104.70	210.12	95.51
Nov-14	162.17	206.41	209.38	181.43	103.06	192.33	93.60
Dec-14	150.66	190.16	193.60	166.58	98.43	177.82	89.86
Jan-15	148.24	185.26	190.00	163.50	98.01	173.19	89.33
Feb-15	141.10	174.11	178.89	151.90	98.36	159.55	89.76
Mar-15	127.04	154.29	160.74	133.55	92.16	139.70	82.94
Apr-15	129.02	157.06	164.00	136.70	92.06	141.79	82.71
May-15	123.49	150.19	158.48	130.38	87.56	135.22	78.03
Jun-15	124.97	152.02	159.76	130.51	90.25	135.86	80.25
<b>% change between Jun-15 and May-15</b>							
	<b>1.2%</b>	<b>1.2%</b>	<b>0.8%</b>	<b>0.1%</b>	<b>3.1%</b>	<b>0.5%</b>	<b>2.8%</b>
<b>Volatility (%)</b>							
May-15	6.9	7.5	7.4	8.5	6.2	8.9	7.5
Jun-15	7.1	7.5	6.8	8.9	6.0	8.3	6.2
<b>Variation between Jun-15 and May-15</b>							
	<b>0.2</b>	<b>0.0</b>	<b>-0.6</b>	<b>0.4</b>	<b>-0.1</b>	<b>-0.6</b>	<b>-1.4</b>

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> positions

**Table 2: Price differentials (US cents/lb)**

	Colombian Milds	Colombian Milds	Colombian Milds	Other Milds	Other Milds	Brazilian Naturals	New York*
	Other Milds	Brazilian Naturals	Robustas	Brazilian Naturals	Robustas	Robustas	London*
Jun-14	-2.72	29.83	96.26	32.55	98.98	66.43	86.41
Jul-14	-2.69	29.29	92.42	31.98	95.11	63.13	83.91
Aug-14	-1.37	28.28	111.35	29.65	112.72	83.07	103.34
Sep-14	-3.75	24.63	106.26	28.38	110.01	81.63	100.85
Oct-14	-2.70	25.54	117.89	28.24	120.59	92.35	114.61
Nov-14	-2.97	24.98	103.35	27.95	106.32	78.37	98.73
Dec-14	-3.44	23.58	91.73	27.02	95.17	68.15	87.96
Jan-15	-4.74	21.76	87.25	26.50	91.99	65.49	83.86
Feb-15	-4.78	22.21	75.75	26.99	80.53	53.54	69.79
Mar-15	-6.45	20.74	62.13	27.19	68.58	41.39	56.76
Apr-15	-6.94	20.36	65.00	27.30	71.94	44.64	59.08
May-15	-8.29	19.81	62.63	28.10	70.92	42.82	57.19
Jun-15	-7.74	21.51	61.77	29.25	69.51	40.26	55.61
<b>% change between Jun-15 and May-15</b>							
	<b>-6.6%</b>	<b>8.6%</b>	<b>-1.4%</b>	<b>4.1%</b>	<b>-2.0%</b>	<b>-6.0%</b>	<b>-2.8%</b>

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> positions

**Table 3: Total production in exporting countries**

Crop year commencing	2011	2012	2013	2014	% change 2013-14
<b>TOTAL</b>	<b>136 583</b>	<b>147 562</b>	<b>146 745</b>	<b>141 850</b>	<b>-3.3%</b>
Arabicas	82 007	88 264	87 116	84 638	-2.8%
<i>Colombian Milds</i>	8 720	11 523	13 488	14 020	3.9%
<i>Other Milds</i>	31 965	28 828	26 891	27 131	0.9%
<i>Brazilian Naturals</i>	41 322	47 913	46 737	43 488	-7.0%
Robustas	54 576	59 298	59 630	57 212	-4.1%
Africa	16 070	16 702	16 108	16 860	4.7%
Asia & Oceania	41 918	45 355	46 744	44 334	-5.2%
Mexico & Central America	20 194	18 381	16 661	17 963	7.8%
South America	58 401	67 125	67 233	62 693	-6.8%

In thousand bags

Full production data are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

**Table 4: Total exports by exporting countries**

	May 2014	May 2015	% change	October - May		
				2013/14	2014/15	% change
<b>TOTAL</b>	<b>10 542</b>	<b>9 277</b>	<b>-12.0%</b>	<b>75 785</b>	<b>72 311</b>	<b>-4.6%</b>
Arabicas	6 330	6 049	-4.4%	46 657	44 973	-3.6%
<i>Colombian Milds</i>	914	1 120	22.5%	8 316	8 768	5.4%
<i>Other Milds</i>	2 501	2 450	-2.0%	15 358	14 442	-6.0%
<i>Brazilian Naturals</i>	2 915	2 480	-14.9%	22 984	21 763	-5.3%
Robustas	4 212	3 228	-23.4%	29 127	27 338	-6.1%

In thousand bags

Full trade statistics are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

**Table 5: Certified stocks on the New York and London futures markets**

	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
New York	2.83	2.79	2.71	2.68	2.67	2.63	2.60	2.55	2.56	2.60	2.56	2.41	2.43
London	1.12	1.28	1.41	1.88	2.02	2.08	2.12	2.35	2.55	2.84	2.93	3.02	3.12

In million bags

**Table 6: World coffee consumption**

Calendar years	2011	2012	2013	2014	CAGR (2011-2014)
<b>World total</b>	<b>139 415</b>	<b>143 004</b>	<b>147 339</b>	<b>149 265</b>	<b>2.3%</b>
Exporting countries	42 794	44 222	44 992	46 201	2.6%
Traditional markets	75 910	76 509	79 026	79 387	1.5%
Emerging markets	20 711	22 273	23 320	23 677	4.6%

CAGR: Compound Annual Growth Rate

In thousand bags

Full consumption statistics are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)