



September 2015

Coffee year 2014/15 ends with prices at 20-month low

The coffee market slumped further in September, following a slight rally in August, with the weakness of the Brazilian real and Colombian peso again proving the most influential factor, along with a general bearish trend across commodities. Conab released their third estimate of coffee production in Brazil in crop year 2015/16, which was reduced by over 2 million bags to 42.1 million bags, but this had little effect on the market. Looking ahead, as we go into coffee year 2015/16, it will be important to keep an eye on weather patterns, particularly given the ongoing dryness in Central America, and the potential impact of El Niño in coffee growing regions.

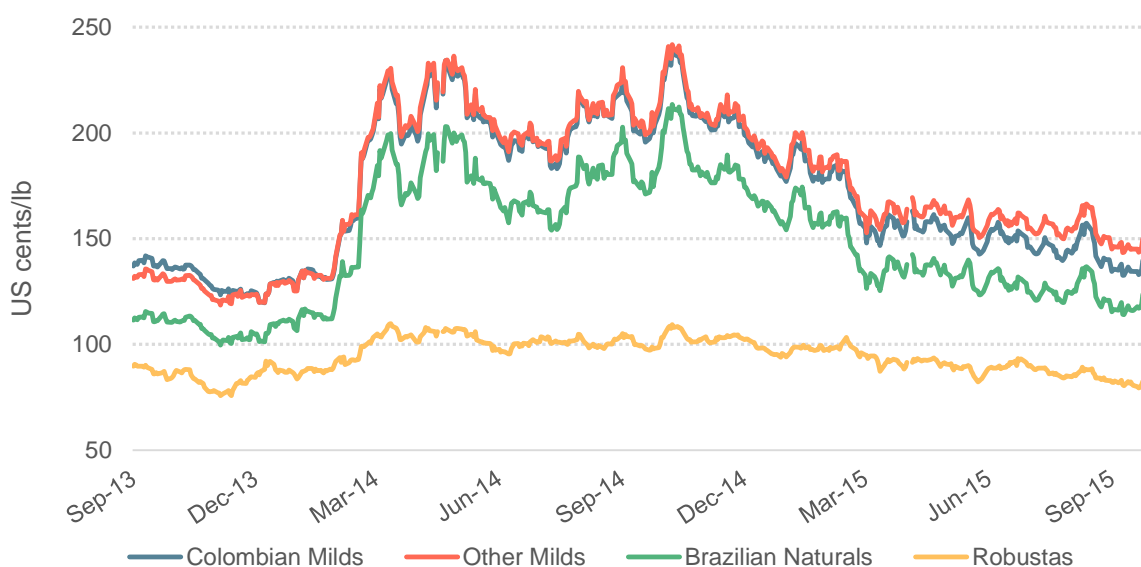
Graph 1: ICO composite indicator daily prices



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Coffee prices continued their downward trend in September, with the monthly average of the ICO composite indicator falling by 6.7%, the largest monthly decrease since March. This monthly value of 113.14 US cents/lb is the lowest level since January 2014, although the daily prices did recover slightly towards the end of the month.

Graph 2: ICO group indicator daily prices



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All four group indicators were lower compared to August, with the strongest decreases observed in the three Arabica groups. As a result, the arbitrage between Arabica and Robusta, as measured on the New York and London futures markets, fell to a twenty-month low of 50.13 cents, less than half its level of a year ago.

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

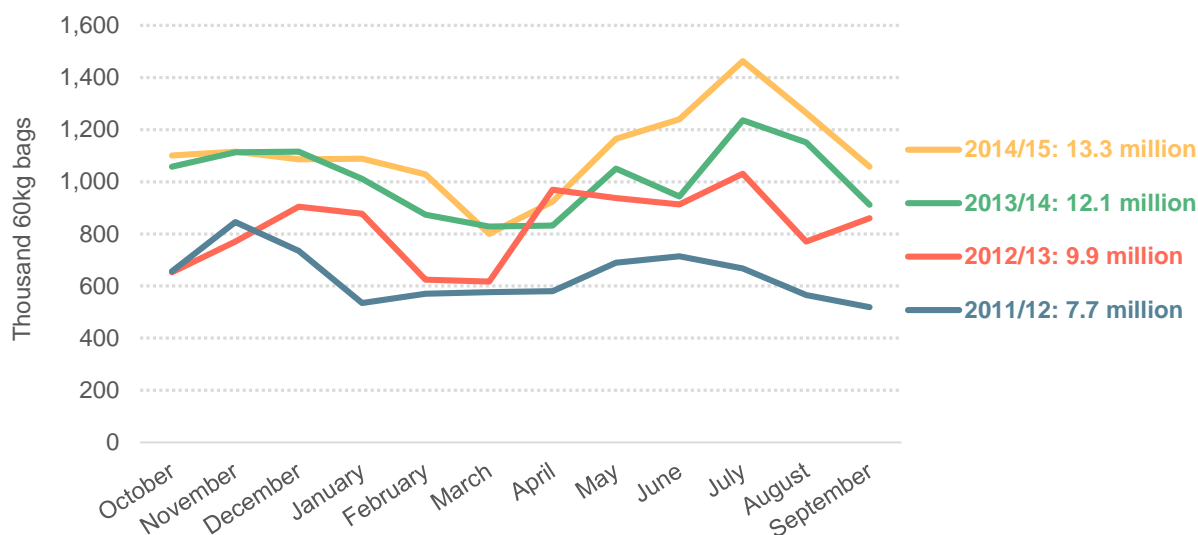


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Total exports in August 2015 came to 9.1 million bags, 2.6% less than August 2014. Exports for the first eleven months of coffee year 2014/15 (October to August) are also down from 104.8 million bags to 102.0 million bags, with shipments of Arabicas down 2.3% and Robustas down by 3.5%. Colombian Milds, however, registered an increase of 10.3% as availability from Colombia continued to increase.

Indeed, according to the National Federation of Coffee Growers of Colombia (FNC), production in 2014/15 increased to 13.3 million bags, which would be its highest volume since 1992/93. Graph 5 below shows monthly production levels by Colombia, which have been higher than last year since April. Annual production in Colombia has also now increased for 3 consecutive years.

Graph 5: Monthly production by Colombia (crop years 2011/12 - 2014/15)



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The Brazilian government agency Conab have also released an updated production report, reducing their estimate for output in 2015/16 from their previous figure of 44.3 million bags to 42.1 million. This is mostly due to a reduction in the Arabica estimate from 32.9 million to 31.3 million, while Robusta has also been reduced from 11.3 million to an estimated 10.9 million. This would be Brazil's lowest production level since 2009/10 and represents three consecutive years of decreased output.

Graph 6: Production by Brazil (Crop years 2009/10 - 2015/16)

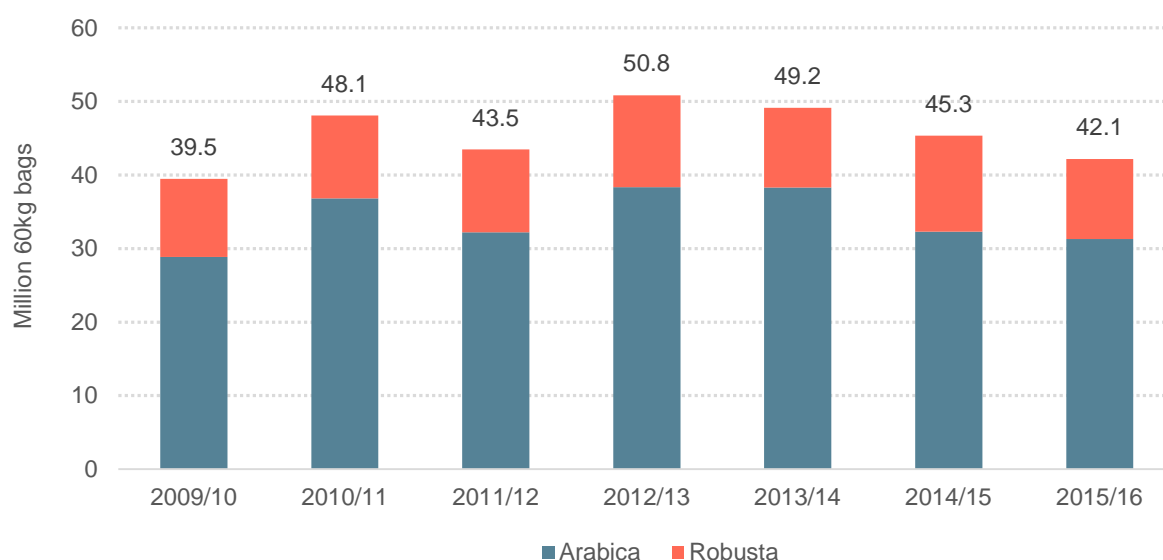


Table 1: ICO indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
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
Jul-15	119.77	144.52	154.45	123.64	87.12	128.59	77.16
Aug-15	121.21	146.96	156.92	127.24	85.78	132.42	76.25
Sep-15	113.14	135.55	146.15	117.83	81.50	121.66	71.53
% change between Sep-15 and Aug-15							
	-6.7%	-7.8%	-6.9%	-7.4%	-5.0%	-8.1%	-6.2%
Volatility (%)							
Aug-15	8.4	9.7	8.7	10.4	5.6	11.5	5.5
Sep-15	7.3	7.7	6.6	9.4	6.4	8.3	7.0
Variation between Sep-15 and Aug-15							
	-1.0	-2.1	-2.0	-1.1	0.8	-3.2	1.5

* Average price for 2nd and 3rd 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*
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
Jul-15	-9.93	20.88	57.40	30.81	67.33	36.52	51.43
Aug-15	-9.96	19.72	61.18	29.68	71.14	41.46	56.17
Sep-15	-10.60	17.72	54.05	28.32	64.65	36.33	50.13
% change between Sep-15 and Aug-15							
	6.4%	-10.1%	-11.7%	-4.6%	-9.1%	-12.4%	-10.8%

* Average price for 2nd and 3rd positions

Table 3: Total production in exporting countries

Crop year commencing	2011	2012	2013	2014	% change 2013-14
TOTAL	136 572	147 593	146 801	141 732	-3.5%
Arabicas	82 008	88 365	87 040	84 167	-3.3%
<i>Colombian Milds</i>	8 720	11 523	13 488	14 020	3.9%
<i>Other Milds</i>	31 965	28 927	26 816	26 549	-1.0%
<i>Brazilian Naturals</i>	41 323	47 914	46 736	43 599	-6.7%
Robustas	54 564	59 228	59 761	57 565	-3.7%
Africa	16 058	16 632	16 239	16 877	3.9%
Asia & Oceania	41 918	45 355	46 744	44 685	-4.4%
Mexico & Central America	20 194	18 481	16 585	18 013	8.6%
South America	58 402	67 125	67 233	62 156	-7.6%

In thousand bags

Full production data are available on the ICO website at www.ico.org/trade_statistics.asp

Table 4: Total exports by exporting countries

	August 2014	August 2015	% change	October - August		
				2013/14	2014/15	% change
TOTAL	9 346	9 103	-2.6%	104 839	101 951	-2.8%
Arabicas	5 411	5 472	1.1%	64 376	62 909	-2.3%
<i>Colombian Milds</i>	943	1 132	20.1%	11 141	12 286	10.3%
<i>Other Milds</i>	1 638	1 678	2.5%	21 201	20 424	-3.7%
<i>Brazilian Naturals</i>	2 830	2 661	-6.0%	32 034	30 199	-5.7%
Robustas	3 935	3 631	-7.7%	40 463	39 041	-3.5%

In thousand bags

Full trade statistics 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

	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
New York	2.68	2.67	2.63	2.60	2.55	2.56	2.60	2.56	2.41	2.43	2.38	2.36	2.28
London	1.88	2.02	2.08	2.12	2.35	2.55	2.84	2.93	3.02	3.12	3.35	3.43	3.43

In million bags

Table 6: World coffee consumption

Calendar years	2011	2012	2013	2014	CAGR (2011-2014)
World total	139 364	143 099	147 495	149 162	2.3%
Exporting countries	42 788	44 196	44 951	46 144	2.5%
Traditional markets	77 561	78 417	80 880	81 091	1.5%
Emerging markets	19 015	20 485	21 664	21 927	4.9%

CAGR: Compound Annual Growth Rate

In thousand bags

Full consumption statistics are available on the ICO website at www.ico.org/trade_statistics.asp