

Coffee Market Report



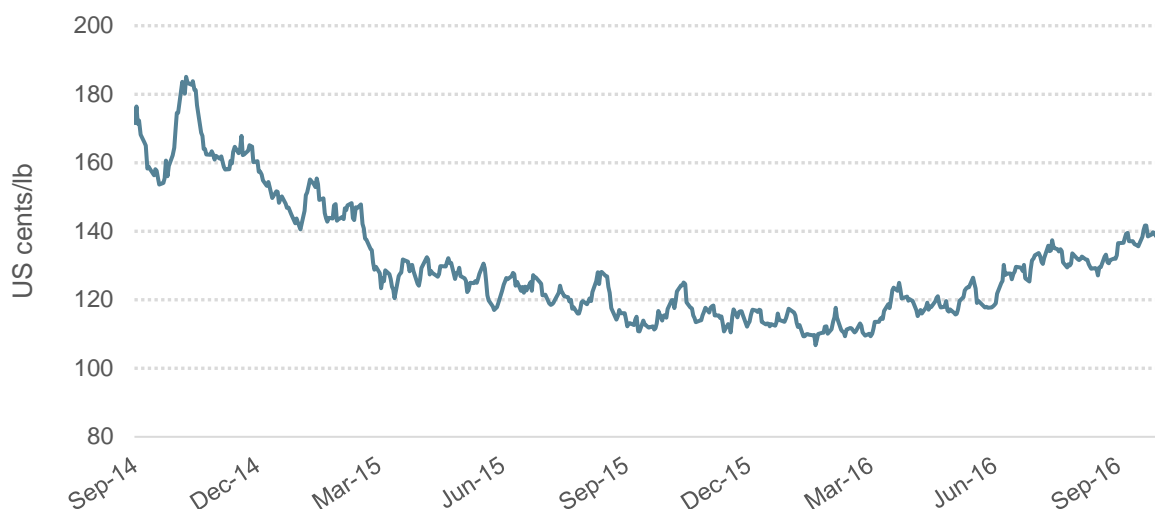
INTERNATIONAL
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September 2016

Coffee market ends 2015/16 in deficit for the second consecutive year

The coffee market settled up by 5.5% in September, mostly driven by a steady increase in Robusta prices supported by concerns over future supply. This brings coffee year 2015/16 to an end, and we have revised our production estimate up to 148 million bags. With world consumption revised slightly lower to 151.3 million bags, this gives a global deficit of 3.3 million bags. This revision is part of an in-depth review of the statistical data published by the ICO, following the discussions during the 117th Session of the Council held in London in September 2016. This process is beginning immediately and results will be published as they become available.

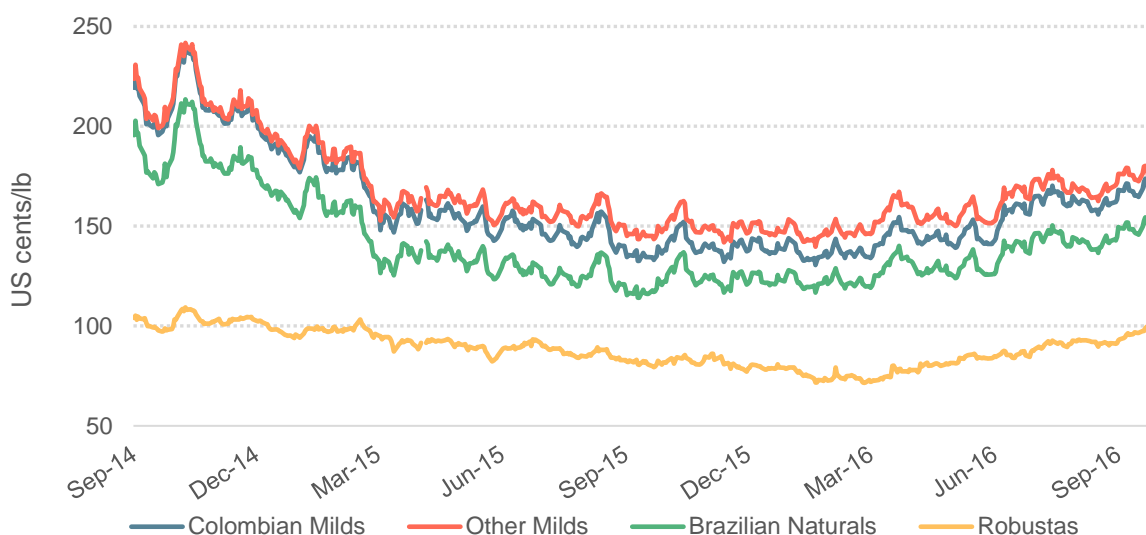
Graph 1: ICO composite indicator daily prices



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The daily price of the ICO composite indicator rose modestly over the course of the month, increasing from 136.56 cents on 1 September to 138.69 cents, despite briefly touching a 19 month high of 141.69 cents. This brings the monthly average to 138.22 cents, 5.5% higher than August and the highest monthly average since February 2015.

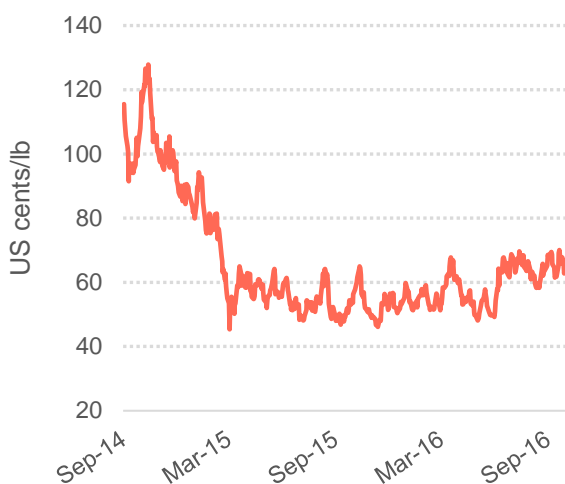
Graph 2: ICO group indicator daily prices



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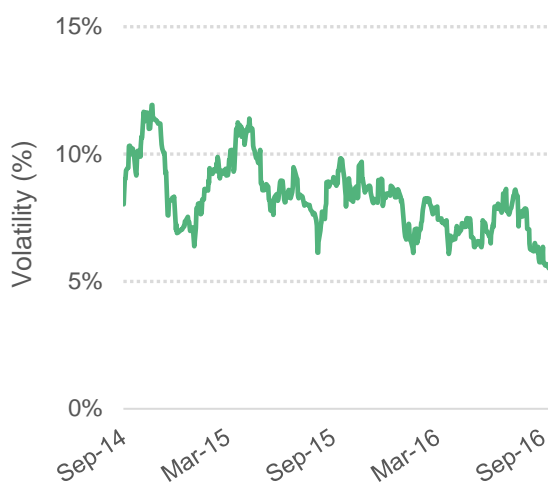
The Robusta market saw the most consistent increases during September, with the group indicator rising from a low of 92.79 at the beginning of the month to nearly 100 cents by the end. The three Arabica groups were less steady, but still recorded strong increases of at least 5% compared to the previous month.

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 came to 9.8 million bags, up 9.5% on the same month last year. Shipments from Colombia increased by 16.7% following the resolution of the truckers strike, with Vietnam also estimated 32.3% higher as farmers take advantage of higher prices. Exports from Brazil were 7.4% lower but still relatively high on 2.7 million bags, while Indonesia continued to register lower exports, down 28.4% compared to last year.

As a result, total exports for the first eleven months of the coffee year (October to August) are estimated 1% lower than the same period last year on 102.8 million bags, with shipments of Arabica up 3.4% and Robusta down 7.7%.

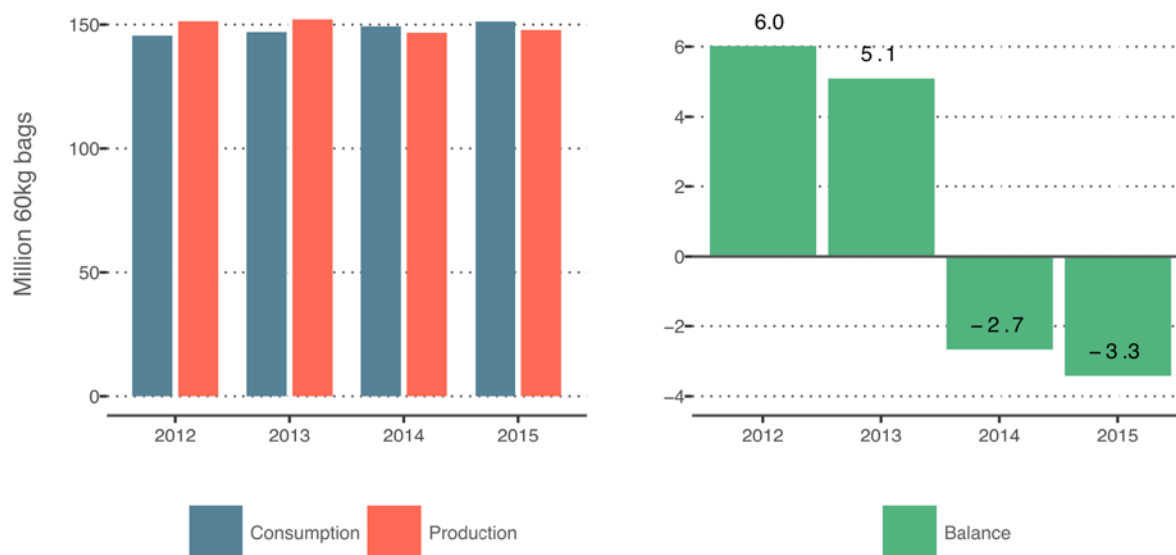
Finally, we have revised our production and consumption numbers for the last four crop years (2012/13 to 2015/16), which can be found in Table 3 at the end of this report. This is part of an ongoing review of ICO statistics, which will be continued over the course of the next year. Production in 2015/16 has been revised up to 148 million bags, a 0.9% increase on 2014/15. Arabica production is up by 0.7% to 85.8 million bags, while Robustas are estimated up 1.3% to 62.2 million bags.

In Brazil, production for 2015/16 is estimated at 48.4 million bags, down 5.3% compared to the previous year as the drought in 2014 reduced output, particularly of Robusta. Nevertheless, Brazil recorded a record export performance of 36.9 million bags from April 2015 to March 2016, which given a domestic consumption of 20.5 million bags suggests a significant stock drawdown of nearly 9 million bags.

Production in Vietnam is maintained at 27.5 million bags, up 3.8% on last year, but dry weather at the beginning of this year is likely to reduce output in 2016/17. Colombia has ended 2015/16 with a total production of 14 million bags, its highest volume since 1992/93, although the potential development of La Niña could affect the 2016/17 crop. 2015/16 was also a good year for Indonesian production, estimated at 11.5 million bags, although again the outlook for 2016/17 is less positive following adverse weather conditions earlier this year.

Graph 5: World consumption, production and stock change (2012/13 - 2015/16)

The coffee market ends 2015/16 in deficit for the second consecutive year, but stocks accumulated in 2012/13 and 2013/14 have allowed the market to remain well supplied.



As a result, 2015/16 is seen in deficit for the second consecutive year, with consumption exceeding production by 3.3 million bags. However, the market has remained well supplied by stocks accumulated during surplus years in 2012/13 and 2013/14. Stocks in importing countries reached 24.2 million bags at the end of June 2016, their highest level since September 2009, which will give a buffer against any short-term supply concerns.

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-15	113.14	135.55	146.15	117.83	81.50	121.66	71.53
Oct-15	118.43	143.10	153.25	127.47	82.78	129.45	72.89
Nov-15	115.03	138.63	147.98	122.95	81.74	122.35	72.04
Dec-15	114.63	139.89	148.66	123.73	79.28	123.77	70.02
Jan-16	110.89	135.21	145.03	121.21	74.71	120.20	65.67
Feb-16	111.75	137.17	147.70	122.24	74.04	119.25	64.96
Mar-16	117.83	145.20	157.50	130.38	75.60	127.33	66.17
Apr-16	117.93	143.66	154.22	128.10	80.18	125.34	70.90
May-16	119.91	144.49	155.19	129.05	83.93	126.80	75.11
Jun-16	127.05	156.86	165.45	138.38	85.94	139.10	76.87
Jul-16	132.98	164.46	171.76	144.76	90.82	148.16	82.09
Aug-16	131.00	160.78	167.54	141.41	91.79	145.37	83.47
Sep-16	138.22	168.85	176.30	149.80	96.88	154.87	88.63
% change between Sep-16 and Aug-16							
	5.5%	5.0%	5.2%	5.9%	5.5%	6.5%	6.2%
Volatility (%)							
Aug-16	4.4%	5.1%	5.1%	5.7%	3.7%	6.6%	3.7%
Sep-16	4.5%	5.5%	5.1%	5.8%	3.3%	6.8%	3.6%
Variation between Sep-16 and Aug-16							
	0.1%	0.5%	0.0%	0.1%	-0.4%	0.1%	0.0%

* Average price for 2nd and 3rd positions

Table 2: Price differentials (US cents/lb)

	Colombian Milds Other Milds	Colombian Milds Brazilian Naturals	Colombian Milds Robustas	Other Milds Brazilian Naturals	Other Milds Robustas	Brazilian Naturals Robustas	New York* London*
Sep-15	-10.60	17.72	54.05	28.32	64.65	36.33	50.13
Oct-15	-10.15	15.63	60.32	25.78	70.47	44.69	56.56
Nov-15	-9.35	15.68	56.89	25.03	66.24	41.21	50.31
Dec-15	-8.77	16.16	60.61	24.93	69.38	44.45	53.75
Jan-16	-9.82	14.00	60.50	23.82	70.32	46.50	54.53
Feb-16	-10.53	14.93	63.13	25.46	73.66	48.20	54.29
Mar-16	-12.30	14.82	69.60	27.12	81.90	54.78	61.16
Apr-16	-10.56	15.56	63.48	26.12	74.04	47.92	54.44
May-16	-10.70	15.44	60.56	26.14	71.26	45.12	51.69
Jun-16	-8.59	18.48	70.92	27.07	79.51	52.44	62.23
Jul-16	-7.30	19.70	73.64	27.00	80.94	53.94	66.07
Aug-16	-6.76	19.37	68.99	26.13	75.75	49.62	61.90
Sep-16	-7.45	19.05	71.97	26.50	79.42	52.92	66.24
% change between Sep-16 and Aug-16							
	10.2%	-1.7%	4.3%	1.4%	4.8%	6.7%	7.0%

* Average price for 2nd and 3rd positions

Table 3: World Supply/Demand Balance*

Crop year commencing	2012	2013	2014	2015	% change 2014-15
PRODUCTION	151 358	152 105	146 645	147 994	0.9%
Arabica	91 511	90 540	85 239	85 814	0.7%
Robusta	59 346	61 564	61 410	62 179	1.3%
Africa	16 673	16 205	16 005	16 831	5.2%
Asia & Oceania	42 681	45 903	44 592	47 428	6.4%
Mexico & Central America	18 773	16 856	17 284	16 739	-3.2%
South America	73 230	73 141	68 764	66 997	-2.6%
CONSUMPTION	145 367	147 017	149 395	151 303	1.3%
Exporting countries	44 350	44 209	45 374	46 369	2.2%
Importing countries	101 018	102 808	104 021	104 933	0.9%
Africa	10 447	10 571	10 704	10 815	1.0%
Asia & Oceania	28 329	28 745	30 516	31 609	3.6%
Mexico & Central America	5 135	5 198	5 239	5 257	0.4%
Europe	50 239	50 845	50 608	50 870	0.5%
North America	26 631	27 492	27 901	28 035	0.5%
South America	24 587	24 167	24 426	24 717	1.2%
BALANCE	5 997	5 093	-2 746	-3 305	20.4%

In thousand bags

* Under review

Table 4: Total exports by exporting countries

	August 2015	August 2016	% change	October - August		
				2014/15	2015/16	% change
TOTAL	8 909	9 757	9.5%	103 744	102 752	-1.0%
Arabicas	5 413	6 346	17.3%	63 183	65 327	3.4%
<i>Colombian Milds</i>	1 134	1 331	17.4%	12 287	12 502	1.7%
<i>Other Milds</i>	1 621	2 129	31.3%	20 338	21 351	5.0%
<i>Brazilian Naturals</i>	2 658	2 886	8.6%	30 558	31 474	3.0%
Robustas	3 496	3 410	-2.4%	40 561	37 425	-7.7%

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-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
New York	2.28	2.15	2.08	1.95	1.82	1.76	1.62	1.58	1.53	1.48	1.45	1.45	1.42
London	3.43	3.37	3.35	3.31	3.23	3.04	2.92	2.78	2.64	2.53	2.45	2.37	2.32

In million bags