

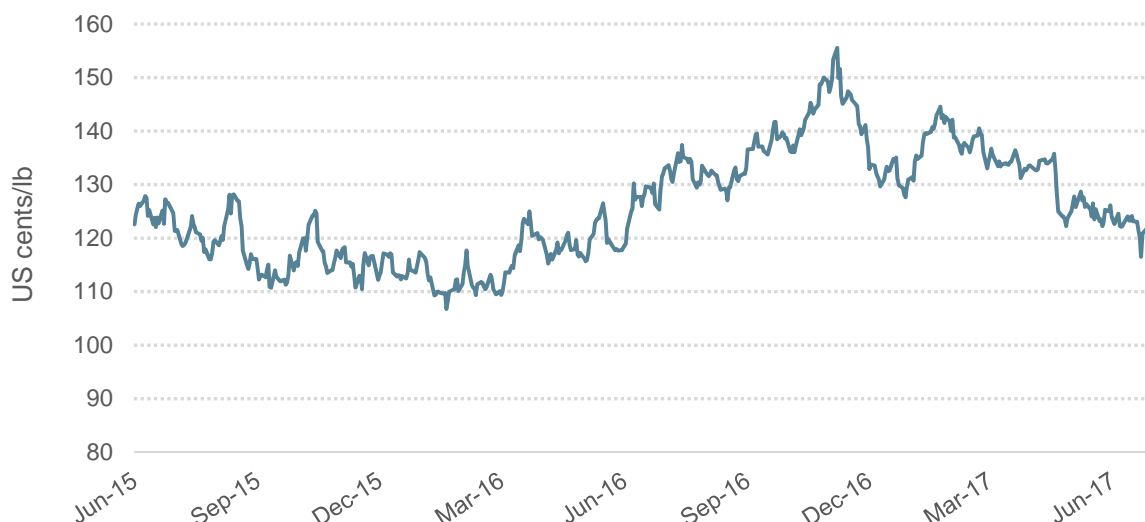


June 2017

Arabica prices temporarily under pressure while Robusta gains

The coffee market was volatile with Arabica prices tumbling and subsequently recovering to previous levels while Robusta closed higher. Exports in June remained strong at 10.9 million bags, 8.8% higher than last year, leading to large inventories in importing countries. Hence, the coffee market is well supplied going into the critical month of July when frosts remain possible in Brazil.

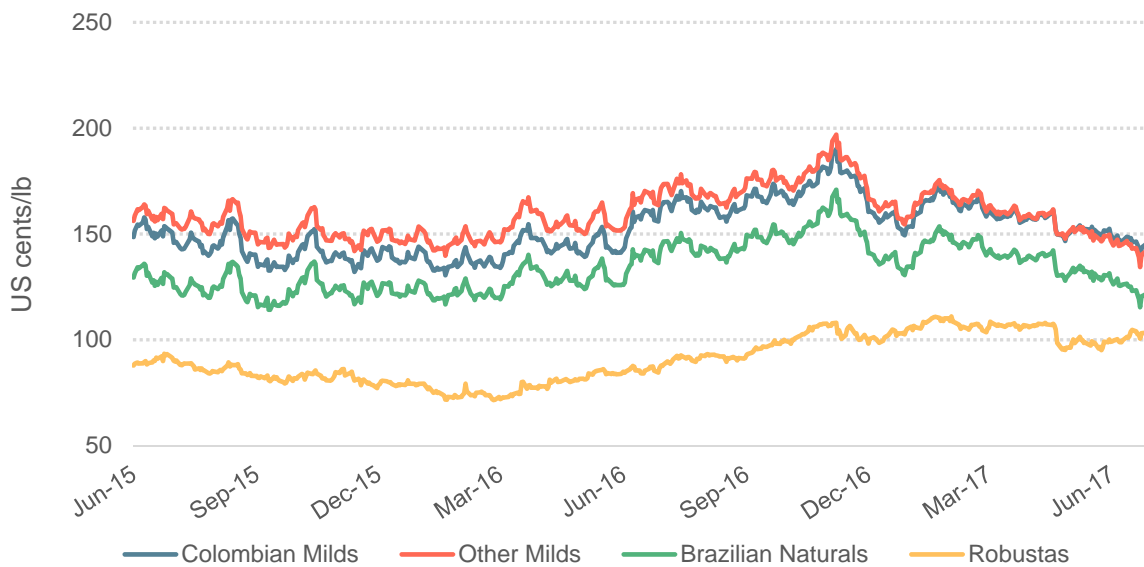
Graph 1: ICO composite indicator daily prices



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The coffee market in June was characterised by high volatility ultimately resulting in a sideways move of coffee prices. While the monthly average of the ICO composite indicator prices was down 2.4% to 122.39 US cents/lb, the difference in price between the opening and the end of the month was minimal. In the first two weeks of June, the daily price of the composite indicator remained in a relatively narrow band of 122.11 to 124.55 US cents/lb. Subsequently prices dropped significantly, with the indicator price reaching its low of 116.51 US cent/lb on 22 June. The price recovered, making up for virtually all the losses and recorded 123.83 US cents/lb on 30 June, marginally higher than at the beginning of the month.

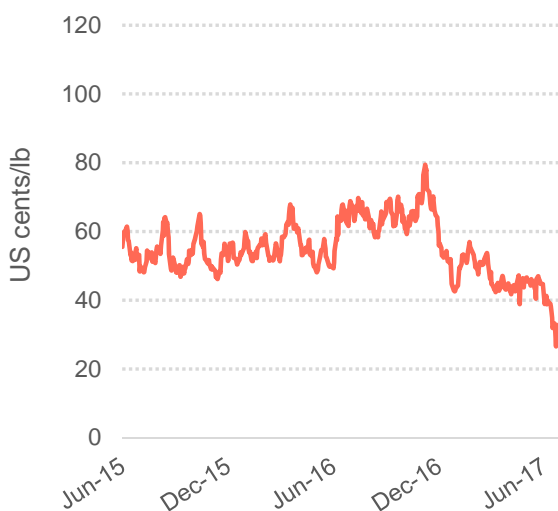
Graph 2: ICO group indicator daily prices



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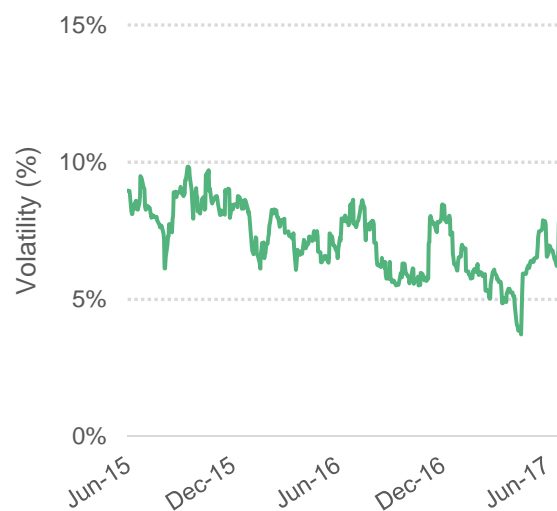
The breakdown by group indicators reveals that an increase in Robusta prices, especially in the second half of June, buffered a drop in prices of the Arabica Groups, preventing the composite indicator price from turning even more negative. Robustas recorded a strong increase, up by 3.6% compared to the previous month and returning above the 100 US cents/lb mark, following reports about thinning exports from Vietnam. All three Arabica groups in turn registered significant drops as the average prices for Colombian Milds, Other Milds and Brazilian Naturals were down 3.5%, 4.5% and 5.7%, respectively. As a result of the opposing trends in Arabica and Robusta quotations, the arbitrage, as measured on the New York and London futures markets, decreased significantly by 22.2% to 35.07 US cents/lb, the narrowest level since April 2008. Meanwhile intra-day volatility of the ICO composite indicator price has remained unchanged at 6.9%.

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

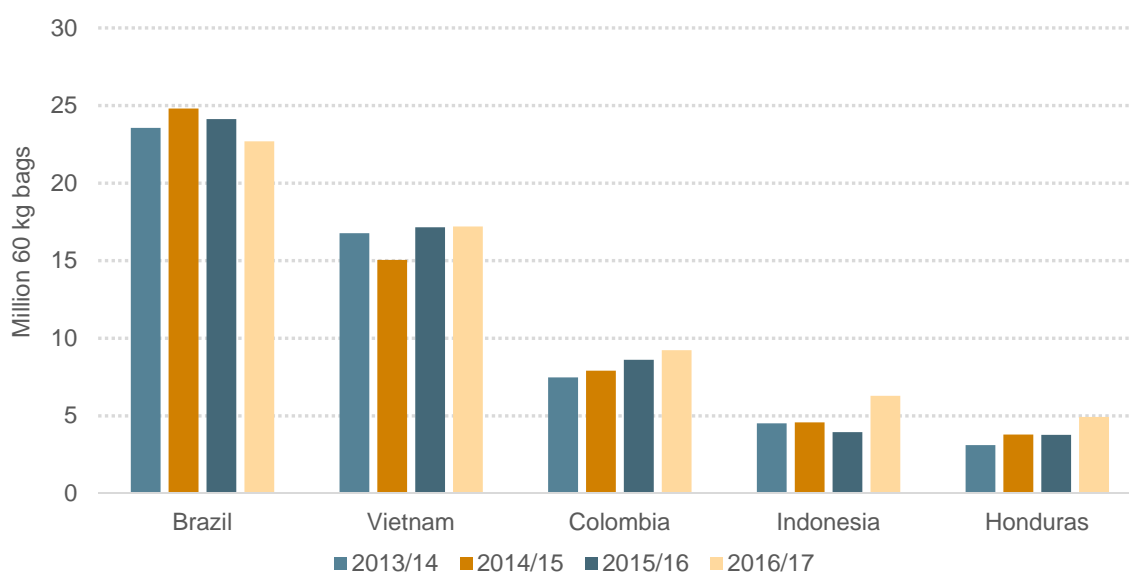


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Total exports in May came to 10.9 million bags, 8.8% higher than May 2016. During the first eight months of coffee year 2016/17 total exports are 3.9 million bags higher than last year, when shipments amounted to 77.4 million bags. Exports by Brazil have declined for two consecutive years and are 22.7 million bags in 2016/17, down 5.9% compared to the previous year. However, the decrease was lower than expected despite the relatively poor harvest, as exporters drew heavily on existing stocks. Furthermore, the reduced Brazilian export volume could be compensated by shipments from other origins. Notably, Colombia, Ethiopia, Honduras, Indonesia, Peru and Uganda are positioned to potential supply gap.

As the national authorities' renovation programmes continue to bear fruit, Colombia has increased exports up to 9.2 million bags, 7.2 % more than in the October-May period last year. Indonesia recorded an impressive 2.3 million bag increase (+60%) compared to the previous year, while Honduras' exports were 30% higher than in 2015/16. Shipments from Vietnam are estimated to have decreased by more than a quarter from 2.5 million bags in April 2017 to 1.9 million bags in May. Reports suggest that coffee exporters now see their local supply increasingly squeezed due to the previous small crop. Nevertheless, the October-May exports are estimated at slightly above 17 million bags, similar to the previous year.

Graph 5: Exports of Top-5 producing countries (October to May)



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As a result of high export volumes so far during this coffee year and the build-up of large inventories in importing countries, the market remains well supplied. The sudden drop in prices during the third week of June seems to have been triggered by co-movement of coffee and other soft commodities, as some reports about technical selling suggest.

However, moving into the month of July, there is still a residual risk of frost in Brazil potentially affecting the outlook for the next crop. Similarly, possible outbreaks of coffee leaf rust in countries such as Honduras may raise supply concerns in the market.

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							
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
Oct-16	142.68	172.28	178.96	153.15	103.65	160.07	95.30
Nov-16	145.82	177.85	184.12	157.72	103.72	165.24	95.40
Dec-16	131.70	156.64	161.78	137.14	101.85	143.04	93.66
Jan-17	139.07	164.96	168.61	145.70	108.32	152.24	100.24
Feb-17	137.68	163.67	166.35	145.50	106.49	148.64	98.46
Mar-17	134.07	158.40	160.15	139.67	106.73	143.38	99.01
Apr-17	130.39	154.97	155.40	136.09	103.58	139.25	95.34
May-17	125.40	151.41	150.00	131.21	98.36	135.45	90.35
Jun-17	122.39	146.12	143.22	123.71	101.95	128.18	93.11
% change between Jun-17 and May-17							
	-2.4%	-3.5%	-4.5%	-5.7%	3.6%	-5.4%	3.0%
Volatility (%)							
May-17	6.9%	6.8%	7.0%	7.8%	8.9%	9.2%	9.5%
Jun-17	6.9%	6.7%	7.0%	8.1%	7.3%	9.3%	7.1%
Variation between Jun-17 and May-17							
	0.0%	0.1%	-0.1%	-0.4%	1.6%	-0.2%	2.4%

* 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*
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
Oct-16	-6.68	19.13	68.63	25.81	75.31	49.50	64.77
Nov-16	-6.27	20.13	74.13	26.40	80.40	54.00	69.84
Dec-16	-5.14	19.50	54.79	24.64	59.93	35.29	49.38
Jan-17	-3.65	19.26	56.64	22.91	60.29	37.38	52.00
Feb-17	-2.68	18.17	57.18	20.85	59.86	39.01	50.18
Mar-17	-1.75	18.72	51.66	20.48	53.42	32.94	44.37
Apr-17	-0.43	18.88	51.40	19.31	51.82	32.51	43.92
May-17	1.41	20.20	53.05	18.79	51.64	32.85	45.09
Jun-17	2.89	22.41	44.17	19.51	41.28	21.76	35.07
% change between Jun-17 and May-17							
	105.3%	10.9%	-16.7%	3.8%	-20.1%	-33.7%	-22.2%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Crop year commencing	2013	2014	2015	2016*	% change 2015-16
PRODUCTION	152 130	148 724	151 438	151 624	0.1%
Arabica	90 163	86 151	88 273	95 204	7.9%
Robusta	61 967	62 572	63 165	56 419	-10.7%
Africa	16 243	15 987	16 229	16 353	0.8%
Asia & Oceania	46 461	45 666	48 967	43 110	-12.0%
Mexico & Central America	16 598	17 116	17 291	17 740	2.6%
South America	72 828	69 954	68 951	74 420	7.9%
CONSUMPTION	149 032	151 822	155 712	155 100	-0.4%
Exporting countries	46 109	47 245	48 262	48 337	0.2%
Importing countries (Coffee Years)	102 931	104 577	107 450	106 763	-0.6%
Africa	10 595	10 739	10 745	10 774	0.3%
Asia & Oceania	30 714	32 602	33 665	33 669	0.0%
Mexico & Central America	5 158	5 240	5 311	5 237	-1.4%
Europe	50 169	50 907	51 802	51 544	-0.5%
North America	27 714	27 372	28 875	28 535	-1.2%
South America	24 682	24 962	25 313	25 341	0.1%
BALANCE	3 098	-3 098	-4 274	-3 476	-18.7%

In thousand bags

*Estimated

Table 4: Total exports by exporting countries

	May 2016	May 2017	% change	October - May		
				2015/16	2016/17	% change
TOTAL	10 002	10 878	8.8%	77 440	81 316	5.0%
Arabicas	6 004	6 915	15.2%	48 362	51 110	5.7%
<i>Colombian Milds</i>	1 010	967	-4.2%	9 540	10 127	6.2%
<i>Other Milds</i>	2 371	2 833	19.5%	14 837	16 798	13.2%
<i>Brazilian Naturals</i>	2 623	3 115	18.7%	23 985	24 185	8.0%
Robustas	3 998	3 963	-0.9%	29 078	30 206	3.9%

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**

	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
New York	1.48	1.45	1.45	1.42	1.44	1.42	1.40	1.45	1.49	1.53	1.58	1.65	1.70
London	2.53	2.45	2.37	2.32	2.28	2.38	2.39	2.73	2.80	2.85	2.87	2.87	2.81

In million bags