

August 2017

Coffee prices climb to a 4-month high but subsequently fall in view of a well-supplied market

The ICO composite indicator rallied briefly to above 135 US cents/lb but quickly fell back to the level of June. This comes as cumulative exports in the current coffee year remain at very high levels, up 5.9% year on year, leading to higher inventories in importing countries. The outlook for the 2017/18 crop in Vietnam and the 2018/19 crop in Brazil is largely positive.

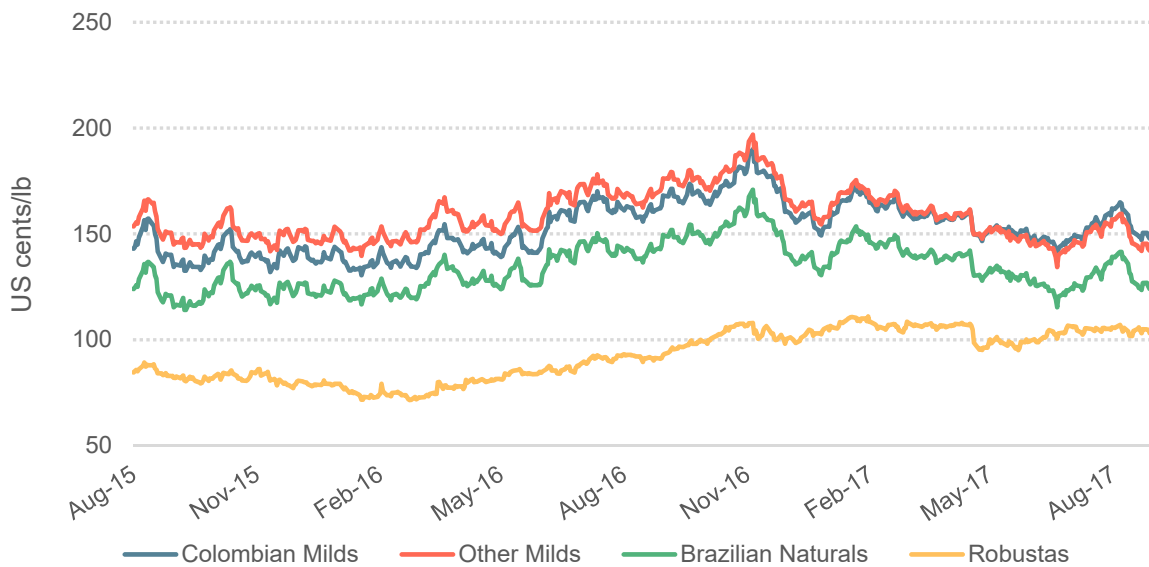
Figure 1: ICO composite indicator daily prices



© 2017 International Coffee Organization (www.ico.org)

Coffee prices in August initially continued the upward trend of the previous month. The ICO composite indicator price climbed to 135.23 US cents/lb on 8 August, a four-month high. Subsequently, coffee prices weakened significantly with the daily price falling to 122.59 US cents/lb on 24 August. The last week of the month was characterized by a sideward move as the indicator price closed on 31 August only marginally higher at 123.45 US cents/lb. As a result of these movements, the monthly average of the ICO composite indicator price rose by 0.8% to 128.24 US cents/lb.

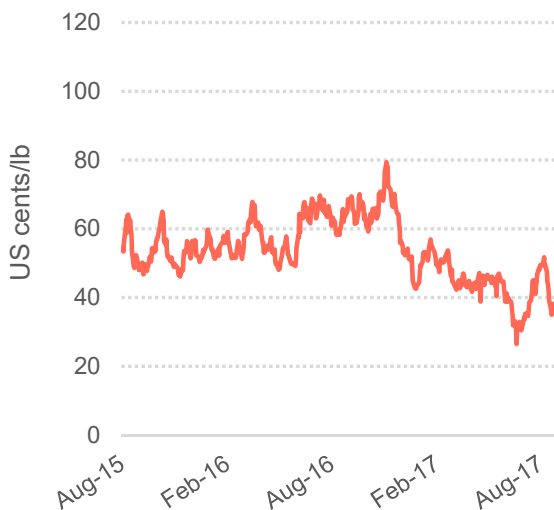
Figure 2: ICO group indicator daily prices



© 2017 International Coffee Organization (www.ico.org)

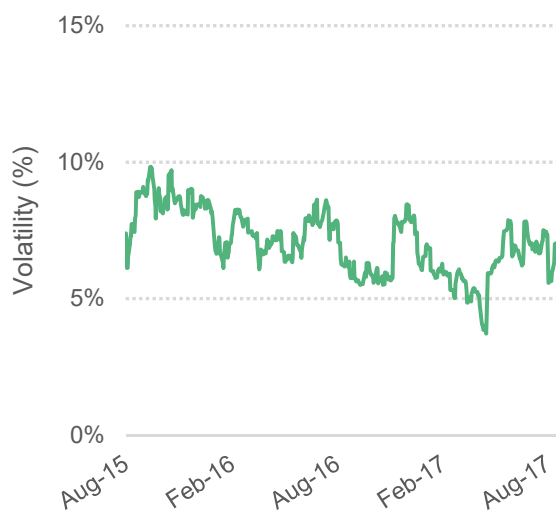
The group indicators showed opposite trends in August. While fluctuating extensively, all three Arabica groups registered increases as the average prices for Colombian Milds, Other Milds and Brazilian Naturals were up 1.7%, 0.1% and 2.1%, respectively. Conversely, Robusta showed less variation but instead followed a steady downward trend. As a result, the monthly average for the Robusta group was 1.9% lower than in July. The average arbitrage in August, as measured on the New York and London futures markets, increased further by 8.9% to 43.22 US cents/lb. Meanwhile intra-day volatility of the ICO composite indicator price decreased by 0.9 percentage points to 6.6%.

Figure 3: Arbitrage between New York and London futures markets



© 2017 International Coffee Organization (www.ico.org)

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



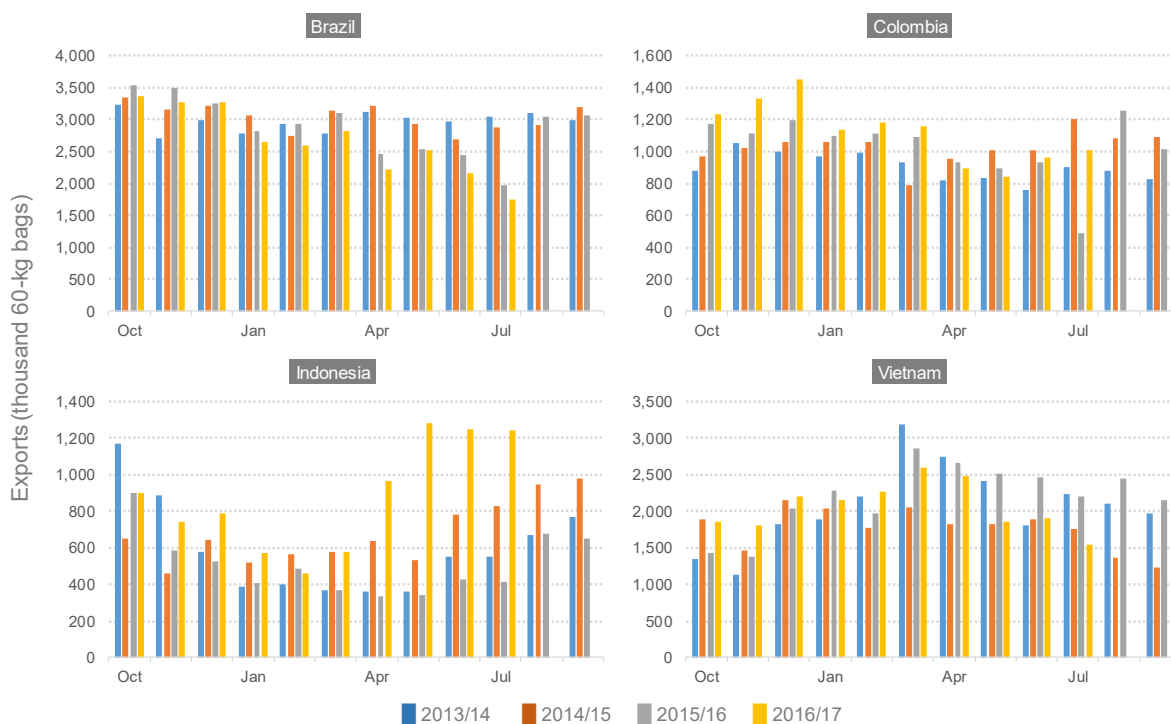
© 2017 International Coffee Organization (www.ico.org)

Export activity in July remained at a very high level. Shipments amounted to 9.4 million bags, 11% more than in July 2016. During the first ten months of coffee year 2016/17 total exports surpassed the 100 million bag mark and were 5.7 million bags higher than last year when 96.3 million bags were shipped. A detailed examination of the export data for major producing countries, however, shows a heterogeneous picture.

In Brazil, exports in the month of July were 11% lower compared to last year. In total, Brazil exported 1.75 million bags, of which 1.5 million bags were green coffee. Arabica coffee comprised 98.9% of all green coffee shipments. This is the lowest level of exports recorded since February 2004 and results from a combination of the previously poor harvest and an unfavourable USD exchange rate eroding the competitiveness of Brazilian coffee on the world market.

In Vietnam, the second largest producer, shipments in July were estimated to have reached 1.55 million bags, 29.6% lower than the previous year. Cumulative exports for the first 10 months of coffee year 2016/17, however, were only 5.4% lower compared to last year.

Figure 5: Monthly exports by selected countries



© 2017 International Coffee Organization (www.ico.org)

In Colombia on the other hand, significant increases in exports were recorded. Volumes shipped during the month of July have doubled compared to last year. However, it should be noted that 12 months ago, Colombia's trade was disrupted by a truckers' strike, leading to unexpectedly low exports. Nevertheless, the recent figures represent a continuation of this coffee year's strong export performance as Colombia's shipments amounted to 11.2 million bags since October 2016, up 11.6% compared to the same period during the previous coffee year.

Lastly, monthly exports from Indonesia are reported to have increased from just over 400,000 bags to more than 1,240,000 bags. The increase is mainly due to higher green Robusta shipments (+115.1%) and also to higher exports of Arabica (43.6%). Cumulative exports for the period October 2016 to July 2017 amounted to 6.5 million bags, up by 38% compared to the previous year.

Looking ahead, while the harvest of the Brazilian 2017/18 crop is almost complete amid concerns about relatively small bean size, prospects for the upcoming Vietnamese crop seem positive. Meanwhile, weather conditions in Brazil have been favourable with no incidences of frost and sufficient rainfall leading to ample flowering with a – at this stage – positive outlook for the 2018/19 crop.

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							
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
Jul-17	127.26	152.51	149.66	129.19	104.94	135.71	96.03
Aug-17	128.24	155.15	149.88	131.93	102.97	138.11	94.89
% change between Aug-17 and Jul-17							
	0.8%	1.7%	0.1%	2.1%	-1.9%	1.8%	-1.2%
Volatility (%)							
Jul-17	7.5%	8.3%	8.5%	9.2%	5.8%	10.4%	6.3%
Aug-17	6.6%	7.2%	7.4%	8.1%	5.6%	8.6%	6.4%
Variation between Aug-17 and Jul-17							
	-0.9%	-1.1%	-1.1%	-1.1%	-0.2%	-1.8%	0.1%

* 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*
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
Jul-17	2.85	23.32	47.57	20.47	44.72	24.25	39.68
Aug-17	5.27	23.22	52.18	17.95	46.91	28.96	43.22
% change between Aug-17 and Jul-17							
	84.8%	-0.4%	9.7%	-12.3%	4.9%	19.4%	8.9%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Crop year commencing	2013	2014	2015	2016*	% change 2015-16
PRODUCTION	152 228	148 738	151 565	153 869	1.5%
Arabica	90 281	86 152	88 252	97 269	10.2%
Robusta	61 947	62 586	63 314	56 600	-10.6%
Africa	16 244	16 013	16 338	16 426	0.5%
Asia & Oceania	46 449	45 659	49 012	44 830	-8.5%
Mexico & Central America	16 717	17 117	17 251	17 735	2.8%
South America	72 818	69 950	68 964	74 878	8.6%
CONSUMPTION	149 022	151 758	155 469	155 061	-0.3%
Exporting countries	46 109	47 245	48 244	48 298	0.1%
Importing countries (Coffee Years)	102 913	104 513	107 225	106 763	-0.4%
Africa	10 597	10 754	10 794	10 735	-0.5%
Asia & Oceania	30 701	32 550	33 611	33 669	0.2%
Mexico & Central America	5 156	5 235	5 306	5 237	-1.3%
Europe	50 179	50 912	51 590	51 544	-0.1%
North America	27 706	27 359	28 931	28 535	-1.4%
South America	24 682	24 949	25 237	25 341	0.4%
BALANCE	3 206	-3 020	-3 904	-1 192	-69.5%

In thousand bags

*Estimated

Table 4: Total exports by exporting countries

	July 2016	July 2017	% change	October - July		
				2015/16	2016/17	% change
TOTAL	8 451	9 381	11.0%	96 255	101 931	5.9%
Arabicas	4 798	5 864	22.2%	59 085	64 219	8.7%
Colombian Milds	572	1 078	88.3%	11 163	12 239	9.6%
Other Milds	2 139	2 603	21.7%	19 244	22 787	18.4%
Brazilian Naturals	2 087	2 183	4.6%	28 678	29 193	1.8%
Robustas	3 653	3 518	-3.7%	37 170	37 712	1.5%

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**

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
New York	1.45	1.42	1.44	1.42	1.40	1.45	1.49	1.53	1.58	1.65	1.70	1.73	1.86
London	2.37	2.32	2.28	2.38	2.39	2.73	2.80	2.85	2.87	2.87	2.81	2.63	2.52

In million bags