

Global coffee prices drift downwards in July 2019

The monthly average of the ICO composite indicator rose by 3% to 103.01 US cents/lb in July 2019, which is the highest monthly average since November 2018. However, the daily composite indicator started at a high of 107.87 US cents/lb on 4 July and fell to 98.57 US cents/lb by the end of the month. In June 2019, world coffee exports rose by 2.8% to 10.94 million bags compared to June 2018, while exports in the first nine months of coffee year 2018/19 rose by 6.5% to 97.28 million bags. World production in coffee year 2018/19 increased by an estimated 1.9% to 168.77 million bags, led by a 18.5% increase in Brazil's production for the crop year ending March 2019. Global consumption in 2018/19 grew by an estimated 2.1% to 164.84 million bags. Although consumption growth outpaced production, the cumulative surplus over the last two seasons rose to 8 million bags.

Figure 1: ICO composite indicator daily prices

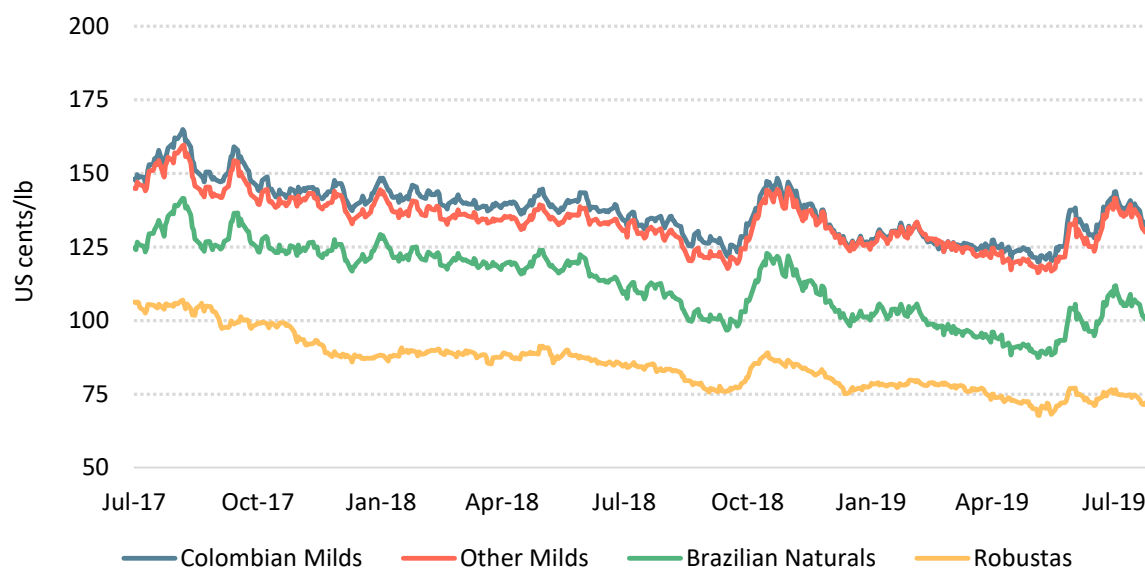


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The **ICO composite indicator averaged 103.01 US cents/lb in July 2019**, 3% higher than in June 2019. This marks the first time the average price reached over 100 US cents/lb since February 2019 when the price averaged 100.67 US cents/lb. The daily composite indicator arrived at its highest point, 107.87 US cents/lb, on 4 July, but slowly declined over the next few weeks. It reached 98.57 US

cents/lb on 31 July. Concerns over frost that supported prices in late June and early July dissipated by the end of the month.

Figure 2: ICO group indicator daily prices

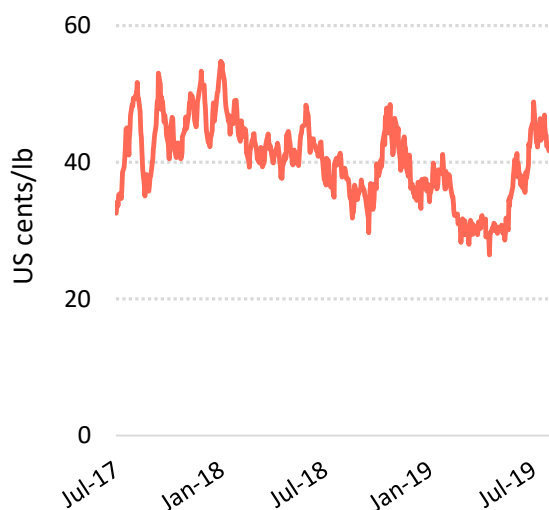


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Average prices for the Arabica group indicators rose in July 2019. Prices for Brazilian Naturals experienced the largest increase, averaging 105.43 US cents/lb, 4.7% higher than in June 2019. Other Milds increased by 4.4% to 135.47 US cents/lb while Colombian Milds rose 3.1% to 137.63 US cents/lb. Given the larger increase in Other Milds prices, the differential between Colombian Milds and Other Milds fell by 42.6% to 2.16 US cents/lb. In contrast to the Arabica group indicator prices, Robusta prices decreased by 0.1% to 73.93 US cents/lb, which is 13.3% lower than the start of the coffee year.

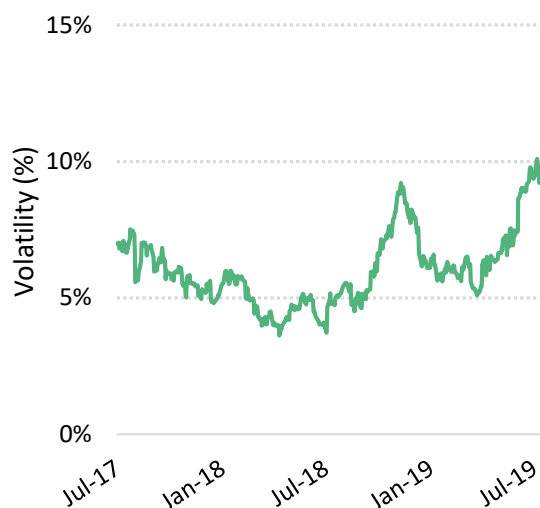
In July, the arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets increased for the fourth consecutive month to 44.18 US cents/lb, 13.2% than in June 2019. **Intra-day volatility of the ICO composite indicator price rose by 0.3 percentage points to 9.2% as the intra-day volatility of the Arabica group indicators rose.** Amongst the Arabica group indicators, the intra-day volatility of Brazilian Naturals rose by 1 percentage point to 12%, of Other Milds by 0.7 percentage points to 9.7%, and of Colombian Milds by 0.2 percentage points to 8.7%. However, the intra-day volatility of Robusta declined to 6.9%, 1.7 percentage points lower than last month.

Figure 3: Arbitrage between New York and London futures markets



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



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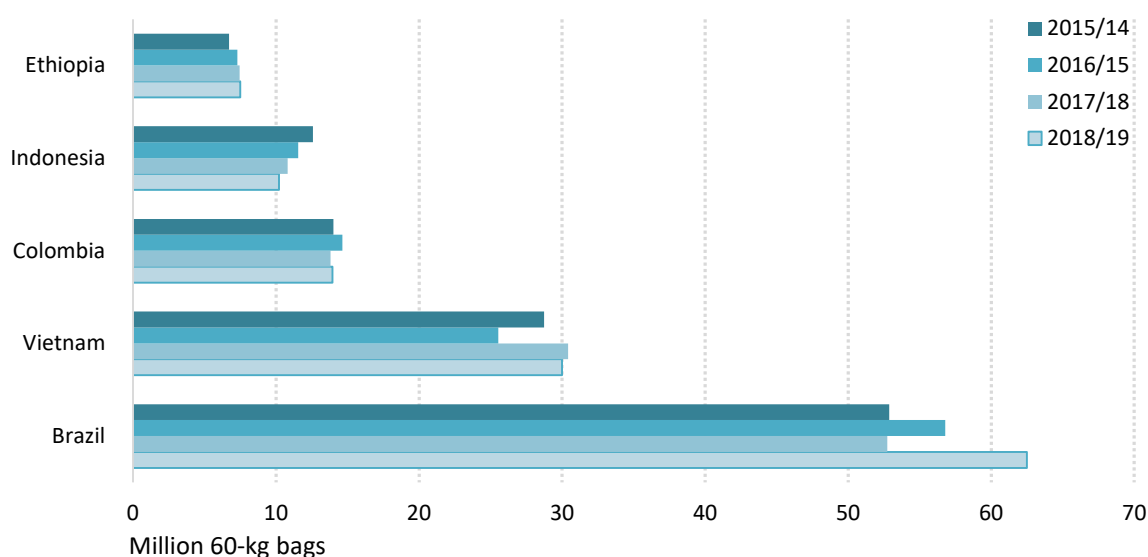
In June 2019, world coffee exports rose by 2.8% to 10.94 million bags compared to June 2018. This growth was led by shipments of Colombian Milds, which grew by 19.9% to 1.23 million bags. Exports of Brazilian Naturals grew by 8.8% to 2.91 million bags in June 2019 compared to the same month one year ago. Exports of Other Milds rose by 0.6% to 2.93 million bags. Robusta exports decreased by 4% to 3.86 million bags in June 2019.

Global exports in the first nine months of coffee year 2018/19 reached 97.28 million bags, an increase of 6.5% compared to the same period one year ago. Shipments of Brazilian Naturals rose by 20.6% to 31.12 million bags while Colombian Milds increased by 8.1% to 11.36 million bags. Robusta exports increased by 1.4% to 34.45 million bags in October 2018 to June 2019 while Other Milds fell by 3.3% to 20.35 million bags. The decrease in Other Milds is driven by India, Mexico, and Costa Rica where exports decreased by 9.2% to 4.69 million bags, by 11.8% to 2.11 million bags, and by 12.3% to 785,601 bags, respectively.

In coffee year 2018/19, world production is estimated at 168.77 million bags, with Arabica output, estimated at 103.79 million bags, accounting for 61% and Robusta, estimated at 64.98 million bags, representing 39% of the total. Output in the five largest producers this coffee year would account for 73% of world production.

Brazil's production in crop year ending March 2019 increased by 18.5% to 62.5 million bags, which is reflected in the 20.6% increase in its exports this period, reaching 37.13 million bags. Brazil's Robusta production has recovered from the previous drought as evidenced by the growth in green Robusta exports. After declining by 72% to 119,146 bags in the first six months of 2017, exports more than tripled to 505,912 bags in January to June 2018 and increased to 1.46 million bags in the first six months of 2019. Brazil's exports of green Arabica in the first half of 2019 reached 15.86 million bags compared to 12.42 million bags last year.

Figure 5: Total crop year production by producing country



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Vietnam's production is estimated 1.3% lower at 30 million bags as adverse weather conditions affected the yield in crop year 2018/19. Despite the reduction, output in 2018/19 would be the second largest volume on record for Vietnam following 2017/18. Its exports in the first nine months of the year declined by 3.9% to 21.1 million bags.

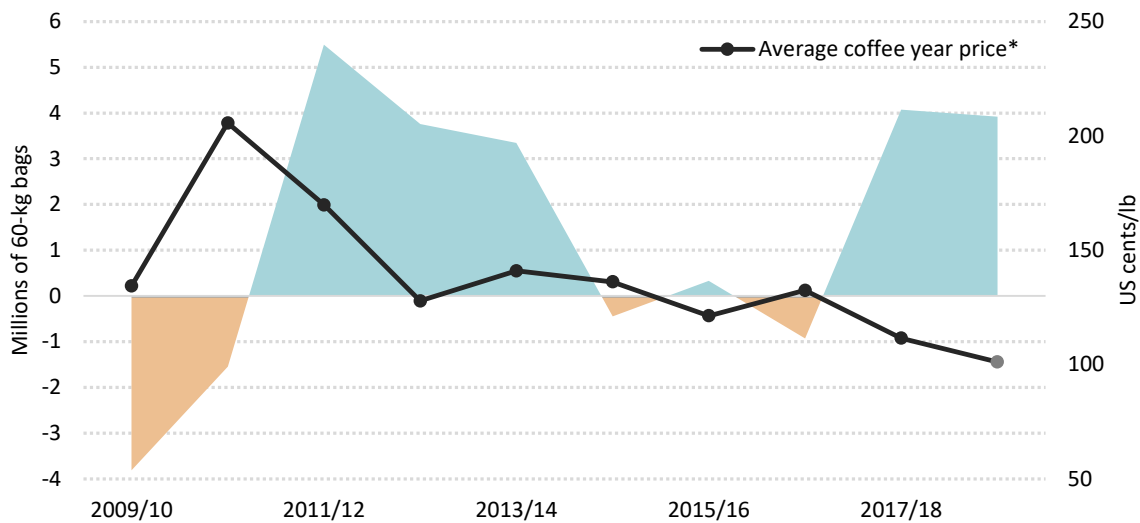
Output from Colombia is estimated at 13.95 million bags in 2018/19, 1% higher than last year. According to the National Federation of Coffee Growers, production from October 2018 to June 2019 reached 10.34 million bags, 1.1% lower than the same period in 2017/18. However, exports from Colombia in the first nine months of coffee year 2018/19 amounted to 10.17 million bags, an increase of 7% from last year. Its shipments of soluble exports have grown steadily in recent years. In 2015/16, soluble exports represented around 5% of total exports, while in 2018/19 they represent around 6%. Colombia's imports in the first half of coffee year 2018/19 increased to 865,024 bags from 288,115 bags during the same period in 2017/18, with imports of green coffee accounting for 95.8% of total imports this year.

Indonesia's production declined by 5.6% to 10.2 million bags in its crop year ending March 2019. Shipments during crop year 2018/19 declined by 33.7% to 5.15 million bags. In addition to the decline in output, steadily increasing consumption has reduced the availability of coffee for exports. Around 75% of Indonesia's green coffee exports are shipments of green Robusta, which reached 2.06 million bags in the first nine months of the coffee year compared to 2.44 million bags last year. The share of soluble in the total exports has increased from 5.9% in 2010/11 to 20.7% in 2018/19. Total soluble shipments in the first nine months amounted to 749,372 bags.

Production in Ethiopia is estimated at 7.5 million bags, 0.6% higher than in crop year 2017/18. While Ethiopia is the world's fifth largest producer, it is the ninth largest exporter given the high rate of domestic consumption. In 2018/19, Ethiopia's consumption is estimated at 3.8 million bags, which

represents 50.7% of its expected output. Exports in the first nine months of coffee year 2018/19 amounted to 2.47 million bags compared to 2.65 million bags in 2017/18.

Figure 6: World Coffee Prices and Balance



* 2018/19 price for October 2018 to July 2019

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World coffee consumption is estimated 2.1% higher in coffee year 2018/19 at 164.84 million bags with the largest growth in Asia & Oceania where demand rose by 3.6% to 35.91 million bags. Consumption in Europe has slowed, increasing by 1.5% to 53.97 million bags compared to an increase of 2.1% in 2017/18. However, demand in North America grew by 2.2% to 30.61 million bags. Consumption in South America increased by 1.1% to 27.27 million bags, in Africa by 3% to 11.88 million bags, and in Central America & Mexico by 0.2% to 5.21 million bags. Despite this growth, world production is expected to exceed consumption by 3.92 million bags, resulting in a cumulative surplus of 8 million bags over the last two seasons.

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							
Jul-18	107.20	133.92	130.60	110.54	84.42	114.06	75.56
Aug-18	102.41	129.99	125.21	104.46	80.74	108.12	71.94
Sep-18	98.17	125.74	121.18	99.87	76.70	102.83	68.03
Oct-18	111.21	140.83	137.34	115.59	85.32	119.73	77.16
Nov-18	109.59	139.27	137.11	113.27	83.52	117.06	75.23
Dec-18	100.61	127.86	127.10	102.10	77.57	105.79	69.59
Jan-19	101.56	129.28	128.46	102.94	78.24	107.93	70.32
Feb-19	100.67	127.93	128.45	100.06	78.65	104.12	70.52
Mar-19	97.50	125.23	123.89	95.81	76.96	98.84	68.61
Apr-19	94.42	124.42	121.13	92.47	73.28	95.31	65.06
May-19	93.33	124.40	120.55	91.95	71.12	94.86	62.45
Jun-19	99.97	133.49	129.73	100.69	74.02	104.44	65.41
Jul-19	103.01	137.63	135.47	105.43	73.93	109.01	64.83
% change between Jun-19 and Jul-19							
	3.0%	3.1%	4.4%	4.7%	-0.1%	4.4%	-0.9%
Volatility (%)							
Jul-19	9.2%	8.7%	9.7%	12.0%	6.9%	12.7%	8.2%
Jun-19	8.9%	8.5%	9.0%	11.0%	8.6%	12.8%	10.8%
Variation between Jun-19 and Jul-19							
	0.3	0.2	0.7	1.0	-1.7	-0.1	-2.6

* 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*
Jul-18	3.32	23.38	49.50	20.06	46.18	26.12	38.50
Aug-18	4.78	25.53	49.25	20.75	44.47	23.72	36.18
Sep-18	4.56	25.87	49.04	21.31	44.48	23.17	34.80
Oct-18	3.49	25.24	55.51	21.75	52.02	30.27	42.57
Nov-18	2.16	26.00	55.75	23.84	53.59	29.75	41.83
Dec-18	0.76	25.76	50.29	25.00	49.53	24.53	36.20
Jan-19	0.82	26.34	51.04	25.52	50.22	24.70	37.61
Feb-19	-0.52	27.87	49.28	28.39	49.80	21.41	33.60
Mar-19	1.34	29.42	48.27	28.08	46.93	18.85	30.23
Apr-19	3.29	31.95	51.14	28.66	47.85	19.19	30.25
May-19	3.85	32.45	53.28	28.60	49.43	20.83	32.41
Jun-19	3.76	32.80	59.47	29.04	55.71	26.67	39.03
Jul-19	2.16	32.20	63.70	30.04	61.54	31.50	44.18
% change between Jun-19 and Jul-19							
	-42.6%	-1.8%	7.1%	3.4%	10.5%	18.1%	13.2%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Coffee year (October to September)	2014	2015	2016	2017	2018*	% change 17/18 to 18/19
PRODUCTION	150 457	156 022	157 248	165 540	168 766	1.9%
Arabica	87 516	93 273	99 525	101 004	103 790	2.8%
Robusta	62 879	62 749	57 723	64 536	64 975	0.7%
Africa	15 730	15 885	17 263	17 711	18 206	2.8%
Asia & Oceania	46 311	49 323	45 299	49 150	48 677	-1.0%
Mexico & Central America	17 486	16 955	19 766	21 627	21 718	0.4%
South America	70 930	73 858	74 920	77 052	80 165	4.0%
CONSUMPTION	150 841	155 690	158 178	161 465	164 843	2.1%
Exporting countries	46 505	47 548	48 457	49 598	50 256	1.3%
Importing countries	104 336	108 142	109 721	111 867	114 587	2.4%
Africa	10 706	11 014	11 179	11 533	11 876	3.0%
Asia & Oceania	31 596	33 149	34 140	34 663	35 914	3.6%
Mexico & Central America	5 230	5 153	5 142	5 197	5 206	0.2%
Europe	50 991	52 140	52 043	53 155	53 967	1.5%
North America	27 363	28 934	29 559	29 941	30 606	2.2%
South America	24 955	25 299	26 115	26 976	27 274	1.1%
BALANCE	-384	332	-930	4 075	3 922	

In thousand 60-kg bags

*preliminary estimates

Note: Data on crop year production can be found at www.ico.org/trade_statistics.asp

Table 4: Total exports from exporting countries

	Jun-18	Jun-19	% change	October-May		
				2017/18	2018/19	% change
TOTAL	10 638	10 937	2.8%	91 344	97 282	6.5%
Arabicas	6 615	7 074	6.9%	57 360	62 829	9.5%
<i>Colombian Milds</i>	1 029	1 234	19.9%	10 514	11 362	8.1%
<i>Other Milds</i>	2 916	2 935	0.6%	21 036	20 346	-3.3%
<i>Brazilian Naturals</i>	2 670	2 905	8.8%	25 810	31 120	20.6%
Robustas	4 023	3 863	-4.0%	33 984	34 453	1.4%

In thousand 60-kg bags

Monthly 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

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
New York	2.33	2.51	2.70	2.78	2.79	2.80	2.82	2.83	2.84	2.81	2.75	2.70	2.70
London	1.28	1.26	1.51	1.58	1.77	1.88	2.08	2.01	1.97	1.98	2.11	2.18	2.47

In million 60-kg bags