



November 2018

## Prices fall in November following increased October exports

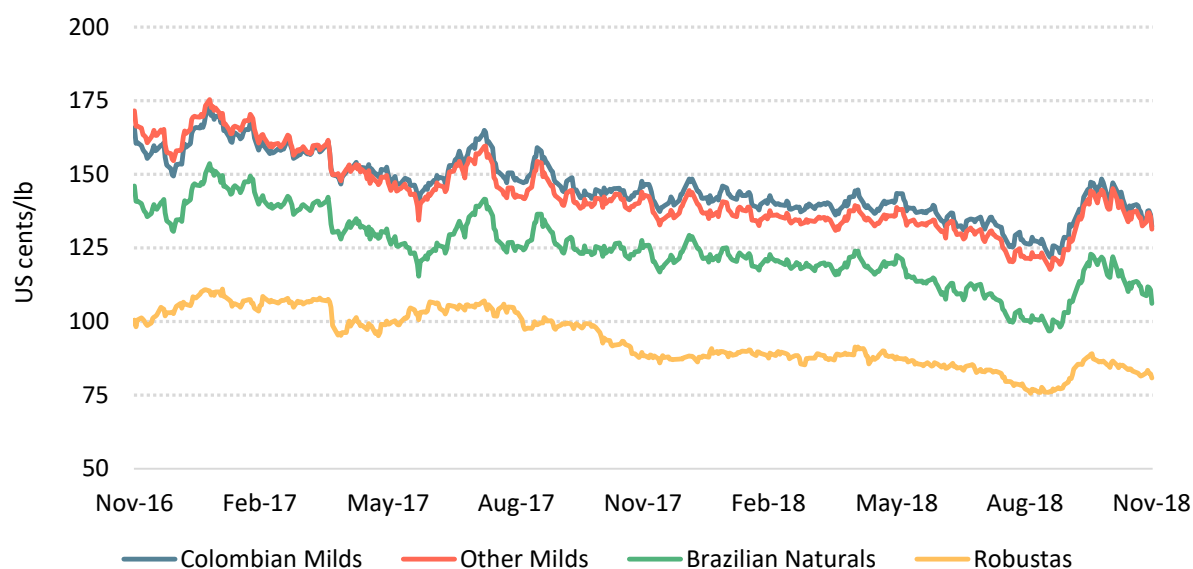
*The monthly average of the ICO composite indicator decreased by 1.5% to 109.59 US cents/lb in November 2018 following the 13.3% increase to 111.21 US cents/lb last month, reflecting the fall in prices for all group indicators. The price for Robusta fell 2.1% to 83.52 US cents/lb, while Brazilian Naturals fell 2% to 113.27 US cents/lb. The differential between Colombian Milds and Other Milds decreased 38.1% to 2.16 US cents/lb, as the monthly average for Colombian Milds fell by 1.1% to 139.27 US cents/lb, compared to a decrease of 0.2% to 137.11 US cents/lb for Other Milds. In coffee year 2017/18, global output, estimated at 163.51 million bags, exceeded world consumption, estimated at 161.93 million bags, by 1.59 million bags. This excess in supply has put downward pressure on prices that may continue over the next few months. The increase in supply is also reflected in the export data. World coffee exports increased by 17% to 10.41 million bags in October 2018, compared with 8.89 million in October 2017. In the twelve months ending October 2018, global shipments amounted to 123.5 million bags, 4.2% higher than last year.*

Figure 1: ICO composite indicator daily prices



After increasing 13.3% last month, the **monthly average of the ICO composite indicator fell by 1.5% to 109.59 US cents/lb in November 2018**. The daily composite indicator declined over the first two weeks before levelling off in third week, and then fell by 3.26 US cents/lb on the last day of the month. While prices have decreased, the daily composite indicator remained above 100 US cents/lb throughout November 2018, ranging between 104.40 US cents/lb and 115.90 US cents/lb. Ample supplies on the market and a weakening of the Brazilian Real have contributed to the decrease.

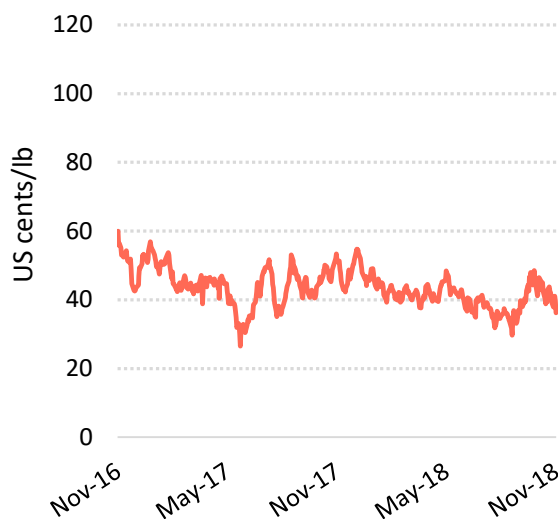
Figure 2: ICO group indicator daily prices



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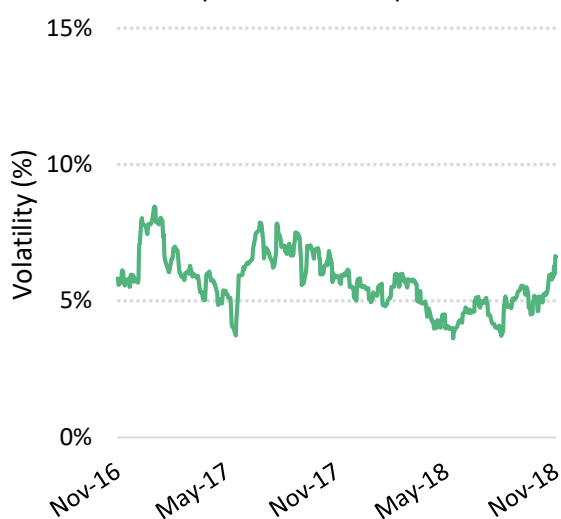
**Prices for all group indicators fell in November 2018 compared to the previous month.** The largest decreases occurred in the average price for Robustas and Brazilian Naturals, which fell by 2.1% to 83.52 US cents/lb and by 2.0% to 113.27 US cents/lb, respectively. Colombian Milds declined by 1.1% to 139.27 US cents/lb while Other Milds fell by 0.2% to 137.11 US cents/lb. As a result of the larger decrease in the monthly average for Colombia Milds compared to Other Milds, the differential fell by 38.1% to 2.16 US cents/lb. In 2018, the Colombian peso appreciated more sharply against the US dollar than the currencies of producers of Other Milds, allowing Colombian exporters to sell at a lower price. This has contributed to the decline in the differential between Colombian Milds and Other Milds. In November, the average arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets, declined by 1.7% to 41.83 US cents/lb, following a significant increase last month. However, intra-day volatility of the ICO composite indicator price rose by 1.3 percentage points to 8.5%, as the intra-day volatility of all Arabica indicators increased.

Figure 3: Arbitrage between New York and London futures markets



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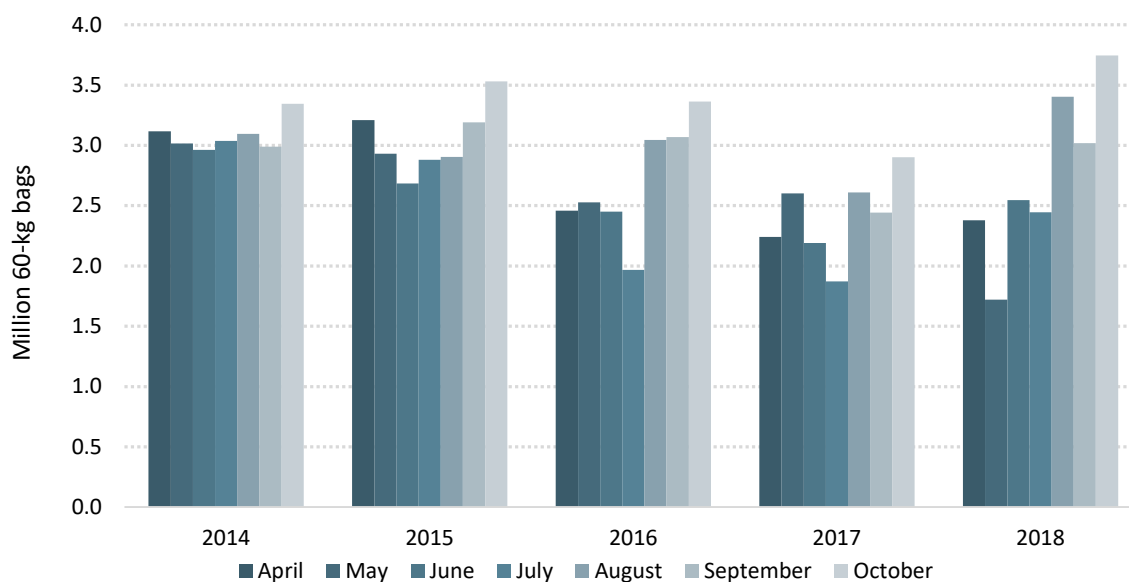
Figure 4: Rolling 30-day volatility of the ICO composite indicator price



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**World coffee exports reached 10.41 million bags in October 2018, compared with 8.89 million in October 2017.** This is an increase of 17% and is the largest volume on record shipped in October. In the twelve months ending October 2018, exports of Arabica totalled 77.56 million bags, compared to 75.74 million bags last year. Meanwhile, Robusta exports amounted to 45.95 million bags compared to 42.77 million bags.

Figure 5: Brazil monthly exports



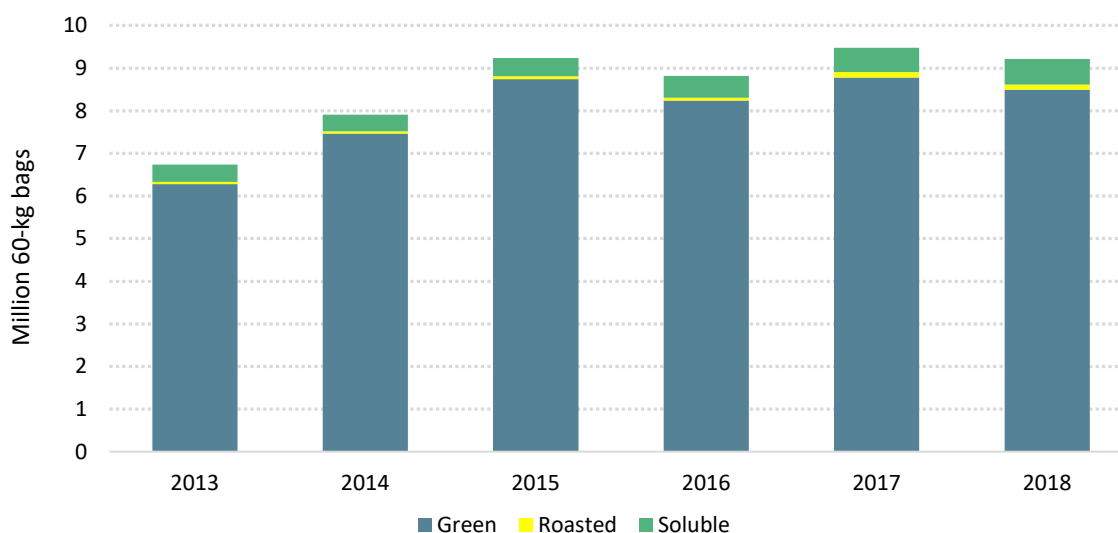
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**Brazil's exports in October 2018 increased by 29.1% to 3.75 million bags, which is the largest volume on record for October shipments.** This rise was driven by shipments of green coffee. In October 2018, Brazil exported 3.46 million bags of green coffee, which was the largest monthly volume of green

coffee in crop year 2018/19. It was also the largest October shipment in the last five years. Shipments of green Robusta reached 364,715 bags in October 2018 and shipments for April 2018 to October 2018 amounted to 1.95 million bags, which compares to just 159,818 bags exported in the same period one year ago. This indicates that Brazil’s Robusta crop has recovered from drought in previous years. Exports of green Arabica reached 15.27 million bags in the first seven months of Brazil’s 2018/19 crop year, 4.1% higher than last year. However, this is lower than the 16.24 million bags shipped in April 2016 to October 2016, which is the previous on-year for Arabica production. Total coffee shipments in the 12 months ending October 2018 rose by 5.4% to 33.18 million bags.

Vietnam’s exports are estimated at 2.1 million bags in October 2018 compared with 1.38 million bags in October 2017. Exports for the year ending October 2018 are estimated at 29.37 million bags, 28% higher than in the same period last year, reflecting the larger harvest in crop year 2017/18. Growing global demand for soluble coffee has greatly encouraged demand for Robusta and in turn, increased Vietnam’s exports as it is the largest producer of this type. While the majority of Vietnam’s exports are unprocessed coffee, the share of soluble coffee has been increasing. In January to October 2013, Vietnam exported 175,460 bags of soluble coffee, accounting for 1% of its total exports during that period. In January to October 2018, Vietnam is estimated to have shipped 1.52 million bags of soluble coffee, representing 6.1% of total exports.

Figure 6: Colombia exports (January to September)



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In October 2018, Colombia’s exports are estimated at one million bags, 11% lower than October 2017, due to the smaller volume of production this past year. In the year ending October 2018, Colombia exported 12.6 million bags, compared to 13.38 million bags one year ago. Colombia primarily exports unprocessed coffee; though soluble coffee has accounted for around 5.7% of shipments in the last five years. In January to September 2018, Colombia exported 605,263 bags. While still relatively small, exports of roasted coffee have also gained ground. In January to September 2013, Colombia exported 51,833 bags of roasted coffee, representing 0.8% of total exports while in January to September 2018, it shipped 118,775 bags, accounting for 1.3% of the total.

Global consumption for October 2017 to September 2018 is estimated at 161.93 million bags, 1.8% higher than last year. World production increased by 4.8% to an estimated at 163.51 million bags, exceeding consumption by 1.59 million bags. This excess in supply and the strong pace of exports has put downward pressure on global coffee prices. Prices may remain low over the next few months as output from October to September harvests is coming to market at levels similar to or greater than last year. Output from the largest producing countries is anticipated to remain stable or increase in coffee year 2018/19. Global economic growth is not expected to surpass 2017, which could limit growth in global coffee consumption.

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

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
<b>Monthly averages</b>							
Nov-17	117.26	144.09	140.90	124.28	91.33	129.96	81.46
Dec-17	114.00	141.62	137.42	121.47	87.59	125.25	78.30
Jan-18	115.60	143.77	138.81	123.67	88.65	127.65	78.90
Feb-18	114.19	141.50	136.28	120.83	89.24	123.82	80.38
Mar-18	112.99	139.45	135.03	119.80	88.18	121.66	79.86
Apr-18	112.56	139.29	134.34	118.76	88.31	120.17	79.36
May-18	113.34	140.26	135.61	119.57	88.74	122.50	79.85
Jun-18	110.44	138.55	134.03	115.10	86.07	120.19	77.40
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
<b>% change between Oct-18 and Nov-18</b>							
	-1.5%	-1.1%	-0.2%	-2.0%	-2.1%	-2.2%	-2.5%
<b>Volatility (%)</b>							
Nov-18	8.5%	9.0%	10.0%	11.2%	5.6%	12.3%	6.8%
Oct-18	7.2%	7.8%	8.0%	9.2%	5.8%	10.7%	6.5%
<b>Variation between Oct-18 and Nov-18</b>							
	1.3	1.2	2.0	2.0	-0.2	1.6	0.3

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> 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*
Nov-17	3.19	19.81	52.76	16.62	49.57	32.95	48.50
Dec-17	4.20	20.15	54.03	15.95	49.83	33.88	46.95
Jan-18	4.96	20.10	55.12	15.14	50.16	35.02	48.75
Feb-18	5.22	20.67	52.26	15.45	47.04	31.59	43.44
Mar-18	4.42	19.65	51.27	15.23	46.85	31.62	41.80
Apr-18	4.95	20.53	50.98	15.58	46.03	30.45	40.81
May-18	4.65	20.69	51.52	16.04	46.87	30.83	42.65
Jun-18	4.52	23.45	52.48	18.93	47.96	29.03	42.79
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
<b>% change between Oct-18 and Nov-18</b>							
	-38.1%	3.0%	0.4%	9.6%	3.0%	-1.7%	-1.7%

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> positions

**Table 3: World supply/demand balance**

Coffee year commencing	2014	2015	2016	2017	% change 2016-17
<b>PRODUCTION</b>	<b>149 844</b>	<b>156 332</b>	<b>155 958</b>	<b>163 512</b>	<b>4.8%</b>
Arabica	88 148	96 017	99 589	101 311	1.7%
Robusta	61 695	60 314	56 368	62 276	10.5%
Africa	15 983	15 725	16 685	17 249	3.4%
Asia & Oceania	46 403	49 202	44 290	47 948	8.3%
Mexico & Central America	17 188	17 237	20 465	21 336	4.3%
South America	70 270	74 167	74 518	76 979	3.3%
<b>CONSUMPTION</b>	<b>152 168</b>	<b>156 284</b>	<b>159 057</b>	<b>161 926</b>	<b>1.8%</b>
Exporting countries	47 417	48 673	49 732	50 547	1.6%
Importing countries	104 750	107 611	109 325	111 379	1.9%
Africa	10 709	10 933	10 901	11 084	1.7%
Asia & Oceania	32 775	33 678	34 811	35 904	3.1%
Mexico & Central America	5 230	5 296	5 212	5 302	1.7%
Europe	51 043	51 828	52 070	52 322	0.5%
North America	27 363	28 934	29 559	30 339	2.6%
South America	25 048	25 614	26 505	26 974	1.8%
<b>BALANCE</b>	<b>-2 324</b>	<b>48</b>	<b>-3 099</b>	<b>1 586</b>	

In thousand 60-kg bags

**Table 4: Total exports by exporting countries**

	October 2017	October 2018	% change	November-October 2016/17	November-October 2017/18	% change
<b>TOTAL</b>	<b>8 890</b>	<b>10 406</b>	<b>17.0%</b>	<b>118 502</b>	<b>123 503</b>	<b>4.2%</b>
Arabicas	5 981	6 762	13.1%	75 736	77 556	2.4%
<i>Colombian Milds</i>	1 202	1 085	-9.7%	14 561	13 852	-4.9%
<i>Other Milds</i>	1 680	1 845	9.8%	27 360	28 481	4.1%
<i>Brazilian Naturals</i>	3 099	3 831	23.6%	33 815	35 223	4.2%
Robustas	2 909	3 644	25.3%	42 767	45 947	7.4%

In thousand 60-kg bags

Monthly trade statistics are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

**Table 5: Certified stocks on the New York and London futures markets**

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
New York	2.17	2.23	2.24	2.14	2.21	2.26	2.28	2.33	2.33	2.51	2.70	2.78	2.79
London	2.20	2.09	1.79	1.52	1.37	1.32	1.34	1.14	1.28	1.26	1.51	1.58	1.77

In million 60-kg bags