



January 2020

## Prices for all group indicators fall in January

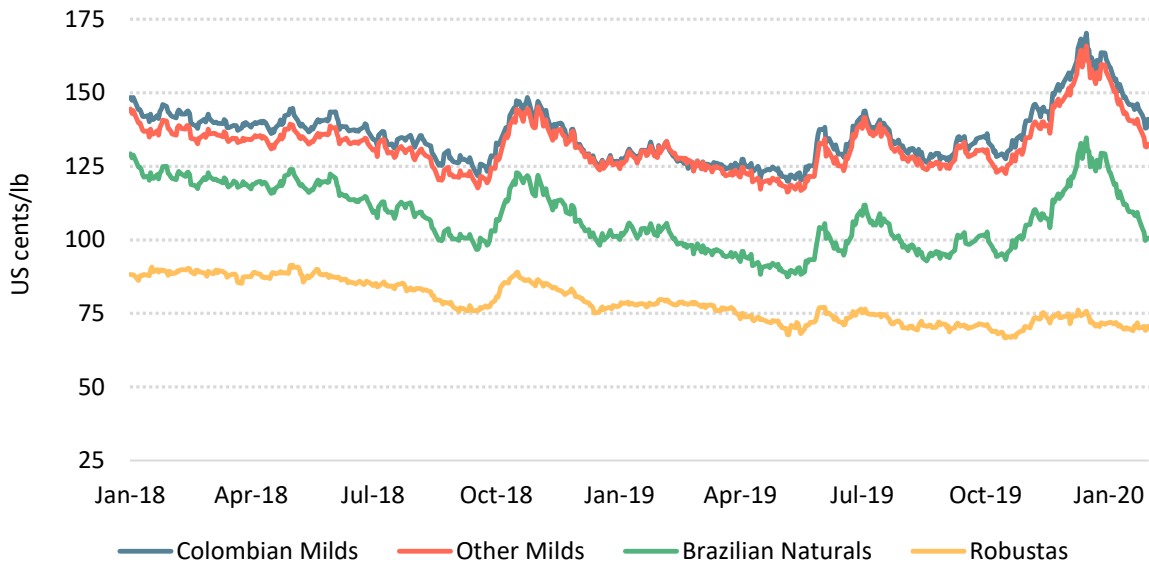
*In January 2020, the ICO composite indicator reversed its gains from December, averaging 106.89 US cents/lb as prices for all group indicators fell. Exports in the first three months of coffee year 2019/20 decreased by 5.8% to 29.01 million bags compared to 30.78 million bags in 2018/19. During this period, shipments of Arabica fell 10.1% to 18.28 million bags, but Robustas increased by 2.7% to 10.73 million bags. The decline in Arabica exports was driven largely by a fall in shipments of Other Milds and Brazilian Naturals, of 13.8% to 4.22 million bags and of 13.3% to 9.95 million bags, respectively. However, exports of Colombian Milds rose by 3.7% to 4.12 million bags. While global production is expected to fall by 0.9% to 168.71 million bags, total consumption is projected at 169.34 million bags in 2019/20. This would result in a projected deficit of 0.63 million bags for 2019/20.*

Figure 1: ICO composite indicator daily prices



After two months of increases, the ICO composite indicator fell by 8.9% to 106.89 US cents/lb in January 2020. The daily price of the ICO Composite ranged between 99.78 US cents/lb on 29 January and 115.18 US cents/lb on 2 January. The 2020/21 Brazilian crop, which would be an on-year of its biennial Arabica cycle, and broader macroeconomic uncertainty exerted negative pressure on the market.

Figure 2: ICO group indicator daily prices



Prices for all group indicators fell in January 2020, reversing the gains made in December. Brazilian Naturals saw the largest decrease, of 12.4%, to 110.73 US cents/lb. Other Milds fell by 9.5% to 142.19 US cents/lb, while Colombian Milds decreased 8.7% to 147.52 US cents/lb. As a result, the differential between Colombian Milds and Other Milds widened in January 2020, rising by 21.4% to 5.33 US cents/lb. Prices for Robustas decreased by 3.7% month-on-month to 70.55 US cents/lb, partly in response to increased shipments of Robusta from Viet Nam and Indonesia.

Figure 3: Arbitrage between New York and London futures markets

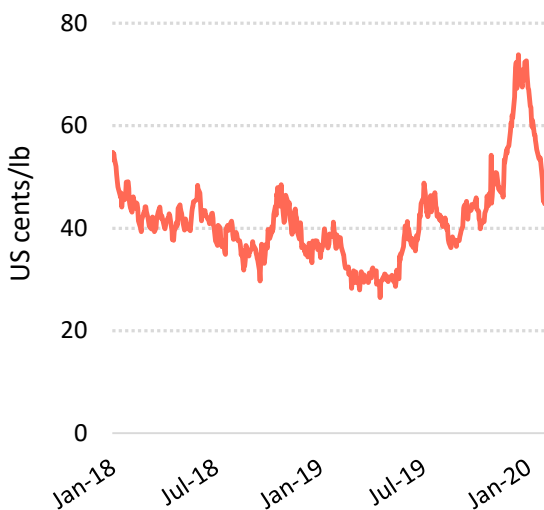
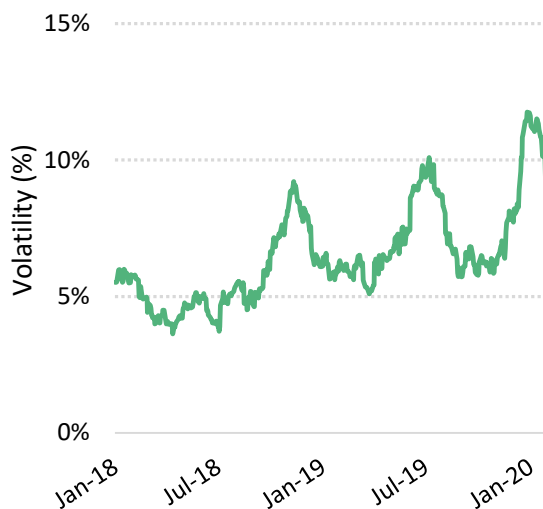


Figure 4: Rolling 30-day volatility of the ICO composite indicator price



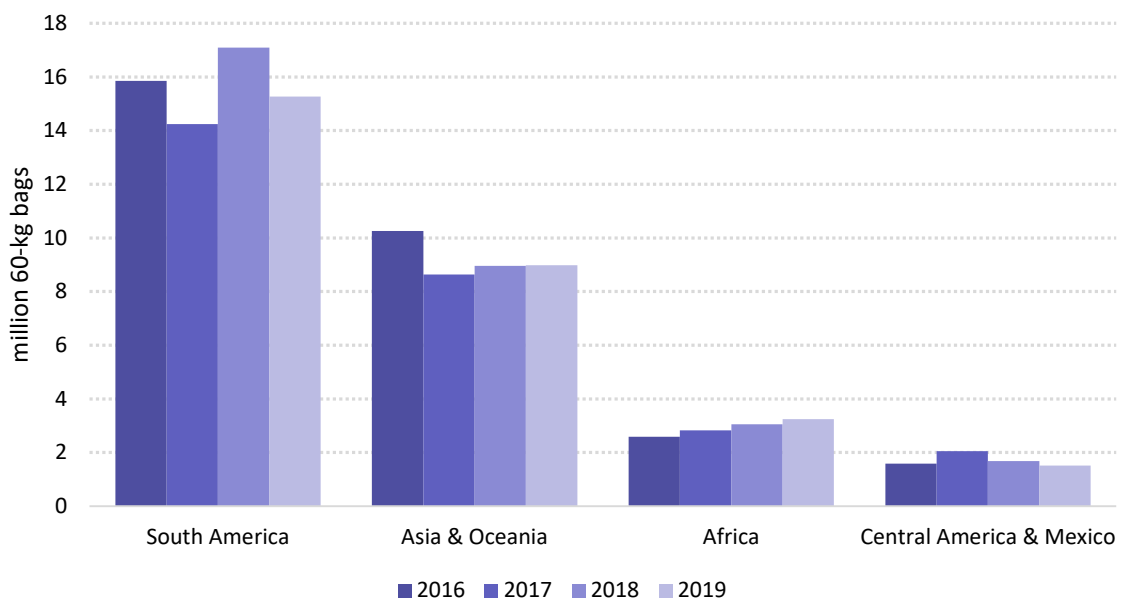
The spread between Arabica and Robusta coffees, as measured on the New York and London futures markets, decreased to 56.02 US cents/lb, following four months of increase. The New York Arabica futures market fell by 10.9% to an average of 117.05 US cents/lb in January 2020, the second highest monthly average in the last twelve months, while the London Robusta futures market declined by 4.5% to 61.03 US cents/lb. Certified Arabica stocks increased by 7.2% month-on-month to 2.49 million bags while certified Robusta stocks fell by 3.4% to 2.45 million bags in January 2020.

**The volatility of the ICO composite indicator increased by 0.9 percentage points to 10.6% over the past month.** The volatility of all Arabica indicators rose in January 2020: Brazilian Naturals by 1.7 percentage points to 13.8%, Other Milds by 1.5 percentage points to 11.1% and Colombian Milds by 1.2 percentage points to 10.7%. The Robustas group indicator volatility was 8.1%, a decrease of 0.7 percentage points from December 2019.

**Global exports in December 2019 totalled 10.3 million bags, compared with 10.27 million bags in December 2018.** Exports in the first three months of coffee year 2019/20 decreased by 5.8% to 29.01 million bags compared to 30.78 million bags in 2018/19. During this period, shipments of Arabica fell by 10.1% to 18.28 million bags, but Robustas increased by 2.7% to 10.73 million bags. The decline in Arabica exports has been driven largely by a fall in shipments of Other Milds and Brazilian Naturals, which declined by 13.8% to 4.22 million bags and by 13.3% to 9.95 million bags, respectively. However, exports of Colombian Milds rose by 3.7% to 4.12 million bags and Robustas by 2.7% to 10.73 million bags.

**Total exports by Africa in the first three months of 2019/20 increased by 6.3% compared to the previous year to reach 3.25 million bags.** Uganda was the largest exporter in Africa, at 1.15 million bags, followed by Ethiopia at 927,000 bags. As a result, Africa has increased its share of world exports to 11.2% compared with 9.9% for the first three months of 2018/19.

Figure 5: Total exports (October-December)



**In Asia & Oceania, exports increased by 0.3% to 8.98 million bags, but are below the record of 10.26 million bags achieved in the first three months of 2016.** Viet Nam was the leading exporter in the region, with shipments of 6.05 million bags, a 10.7% decrease on October to December 2018. During this period, exports contained mostly last season's crop as harvesting of the new crop was still underway. However, Indonesia recorded a strong increase as it more than doubled its volume to 1.48 million bags while shipments from India rose by 0.5% to 1.07 million bags. Asia & Oceania accounted for 31% of total exports during the first three months of coffee year 2019/20.

**A decrease of 9.9% was recorded in Mexico & Central America, with exports of 1.51 million bags representing their lowest level since 2015/16.** Shipments from the region's two largest producers fell in the first three months of the coffee year. Exports from Honduras decreased by 8.3% to 522,000 bags, and from Mexico by 15.3% to 427,000 bags. However, shipments from Guatemala rose by 9.7% to 302,000 bags, and from Nicaragua by 7.1% to 170,000 bags. As a result, Mexico & Central America accounted for some 5.2% of world exports, slightly less than in 2018/19.

**In South America, exports fell by 10.7% to 15.27 million bags in October to December 2019.** Brazil exported 9.94 million bags, 14.4% less than in 2018/19, reflecting the smaller harvest from its off-year crop in 2019/20. Colombia's shipments increased by 4.8% to 3.76 million bags as exports of green coffee rose by 5.3% to 3.5 million bags and those of roasted coffee increased by nearly 50% to about 46,000 bags. While its soluble exports fell by 8.4% to 211,000 bags compared to the first three months of coffee year 2018/19, the volume is the second highest on record. Peru's exports declined by 19.7% to 1.41 million. Despite the large drop, South America is still by far the largest source of coffee exports, accounting for 52.6% of the world total, down from 55.5% in 2018/19.

**Total production in coffee year 2019/20 is estimated at 168.71 million bags, a 0.9% decrease on the previous year.** Smaller harvests are provisionally forecast for Africa and South America, by 2.3% to 18.19 million bags and by 4.7% to 78.33 million bags, respectively. In Asia & Oceania however, production is estimated at 50.65 million bags, a 5.4% increase from 2018/19 while output from Mexico & Central America is provisionally estimated to rise by 0.9% to 21.54 million bags. Total consumption is estimated at 169.34 million bags in 2019/20, which would lead to a projected deficit of 0.63 million bags. This may put upward pressure on prices during the coffee year, but price increases will be tempered by Brazil's upcoming crop in 2020/21, which is another on-year for its Arabica harvest.

**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>							
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
Aug-19	96.07	129.20	126.23	95.85	70.78	99.87	60.90
Sep-19	97.74	131.90	128.89	98.73	70.64	102.81	60.31
Oct-19	97.35	132.09	126.99	98.10	68.63	102.41	58.34
Nov-19	107.23	146.12	140.98	109.94	73.28	113.31	63.00
Dec-19	117.37	161.50	157.11	126.36	73.22	131.44	63.87
Jan-20	106.89	147.52	142.19	110.73	70.55	117.05	61.03
<b>% change between Dec-19 and Jan-20</b>							
	-8.9%	-8.7%	-9.5%	-12.4%	-3.7%	-10.9%	-4.5%
<b>Volatility (%)</b>							
Jan-20	10.6%	10.7%	11.1%	13.8%	8.1%	13.4%	9.5%
Dec-19	9.7%	9.5%	9.6%	12.1%	8.8%	14.1%	9.4%
<b>Variation between Dec-19 and Jan-20</b>							
	0.9	1.2	1.5	1.7	-0.7	-0.7	0.1

\* 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*
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
Aug-19	2.97	33.35	58.42	30.38	55.45	25.07	38.97
Sep-19	3.01	33.17	61.26	30.16	58.25	28.09	42.50
Oct-19	5.10	33.99	63.46	28.89	58.36	29.47	44.07
Nov-19	5.14	36.18	72.84	31.04	67.70	36.66	50.31
Dec-19	4.39	35.14	88.28	30.75	83.89	53.13	67.57
Jan-20	5.33	36.79	76.97	31.46	71.64	40.18	56.02
<b>% change between Dec-19 and Jan-20</b>							
	21.4%	4.7%	-12.8%	2.3%	-14.6%	-24.4%	-17.1%

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

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

Coffee year commencing	2015	2016	2017	2018	2019*	% change 2018/19
<b>PRODUCTION</b>	<b>154 996</b>	<b>158 625</b>	<b>162 676</b>	<b>170 223</b>	<b>168 711</b>	<b>-0.9%</b>
Arabica	91 181	100 776	97 290	100 317	96 215	-4.1%
Robusta	63 815	57 849	65 386	69 906	72 496	3.7%
Africa	15 756	16 729	17 376	18 623	18 190	-2.3%
Asia & Oceania	49 484	45 652	48 408	48 064	50 652	5.4%
Mexico & Central America	17 106	20 322	21 725	21 345	21 542	0.9%
South America	72 651	75 921	75 167	82 191	78 328	-4.7%
<b>CONSUMPTION</b>	<b>155 491</b>	<b>158 642</b>	<b>162 555</b>	<b>168 099</b>	<b>169 337</b>	<b>0.7%</b>
Exporting countries	47 548	48 488	49 793	50 510	51 018	1.0%
Importing countries (Coffee Years)	107 943	110 154	112 763	117 589	118 319	0.6%
Africa	10 951	11 130	11 527	11 724	11 939	1.8%
Asia & Oceania	32 863	34 573	35 697	36 470	37 511	2.9%
Mexico & Central America	5 295	5 226	5 321	5 401	5 474	1.4%
Europe	52 147	52 045	53 148	55 731	55 395	-0.6%
North America	28 934	29 559	29 941	31 644	31 876	0.7%
South America	25 299	26 111	26 922	27 128	27 141	0.1%
<b>BALANCE</b>	<b>-495</b>	<b>-18</b>	<b>121</b>	<b>2 124</b>	<b>-626</b>	

In thousand 60-kg bags

\*preliminary estimates

As the figures in this table are on a coffee year basis, these estimates will vary from the figures published in Table 1 of Coffee Production Report (<http://www.ico.org/prices/po-production.pdf>), which contains crop year data. For further details, see the explanatory note at the end of this report.

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

	Dec-18	Dec-19	% change	October-December		
				2018/19	2019/20	% change
<b>TOTAL</b>	<b>10 269</b>	<b>10 296</b>	<b>0.3%</b>	<b>30 784</b>	<b>29 012</b>	<b>-5.8%</b>
Arabicas	6 937	6 038	-13.0%	20 336	18 283	-10.1%
Colombian Milds	1 426	1 513	6.1%	3 971	4 119	3.7%
Other Milds	1 671	1 557	-6.8%	4 894	4 219	-13.8%
Brazilian Naturals	3 841	2 969	-22.7%	11 471	9 945	-13.3%
Robustas	3 332	4 258	27.8%	10 448	10 729	2.7%

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**

	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
New York	2.83	2.84	2.81	2.73	2.70	2.70	2.66	2.60	2.55	2.42	2.32	2.49
London	2.01	1.97	1.98	2.11	2.18	2.47	2.60	2.62	2.69	2.64	2.54	2.45

In million 60-kg bags

### **Explanatory Note for Table 3**

For each year, the Secretariat uses statistics received from Members to provide estimates and forecasts for annual production, consumption, trade and stocks. As noted in paragraph 100 of document [ICC 120-16](#), these statistics can be supplemented and complemented by data from other sources when information received from Members is incomplete, delayed or inconsistent. The Secretariat also considers multiple sources for generating supply and demand balance sheets for non-Members.

The Secretariat uses the concept of the marketing year, that is the coffee year commencing on 1 October of each year, when looking at the global supply and demand balance. Coffee-producing countries are located in different regions around the world, with various crop years, i.e. the 12-month period from one harvest to the next. The crop years currently used by the Secretariat commence on 1 April, 1 July and 1 October. To maintain consistency, the Secretariat converts production data from a crop year basis to a marketing year basis depending on the harvest months for each country. Using a coffee year basis for the global coffee supply and demand, as well as prices ensures that analysis of the market situation occurs within the same time period.

For example, the 2014/15 coffee year began on 1 October 2014 and ended 30 September 2015. However, for producers with crop years commencing on 1 April, the crop year production occurs across two coffee years. Brazil's 2014/15 crop year began on 1 April 2014 and finished 31 March 2015, covering the first half of coffee year 2014/15. However, Brazil's 2015/16 crop year commenced 1 April 2015 and ended 31 March 2016, covering the latter half of coffee year 2014/15. In order to bring the crop year production into a single coffee year, the Secretariat would allocate a portion of the April-March 2014/15 crop year production and a portion of the April-March 2015/16 production into 2014/15 coffee year production.

It should be noted that while estimates for coffee year production are created for each individual country, these are made for the purpose of creating a consistent aggregated supply-demand balance for analytical purposes, and does not represent the production occurring on the ground within the individual countries.