



April 2020

Coffee Group Prices Diverge in April While Volatility Increases

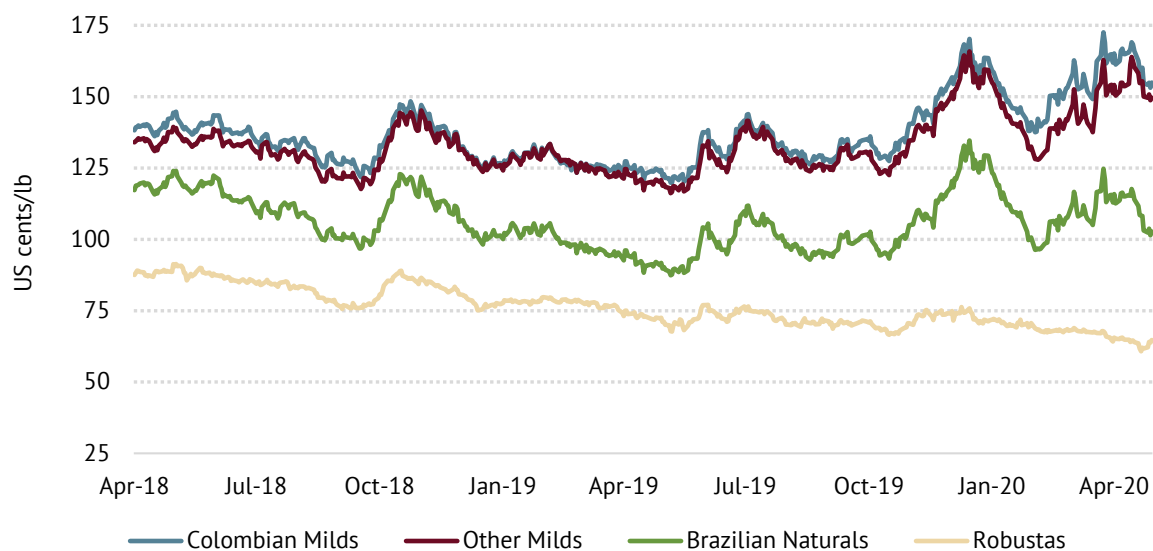
In April 2020, the ICO composite indicator decreased by 0.1% to 108.91 US cents/lb as prices for the Mild Arabica indicators rose while prices of Robusta and Brazilian Naturals fell. The volatility of the ICO composite indicator increased by 1 percentage point to 10.6% as the volatility of all group indicators grew in April 2020. Global exports fell by 3.7% to 11.06 million bags in March 2020 and shipments in the first six months of coffee year 2019/20 decreased by 3.9% to 61.96 million bags. In coffee year 2019/20, our estimate of global coffee consumption has been revised to 166.06 million bags, which represents an increase of 0.5% compared to 165.27 million bags in 2018/19. As a result, production is expected to exceed consumption by 1.95 million bags.

Figure 1: ICO composite indicator daily prices



In April 2020, the ICO composite indicator averaged 108.91 US cents/lb, 0.1% lower than in March. After reaching a high of 113.86 US cents/lb on 15 April, the daily indicator price declined over the next two weeks and reached a low of 103.63 US cents/lb on 27 April. Concerns over disruptions to the supply chain are being weighed against the uncertainty over the future of demand in this unprecedented situation.

Figure 2: ICO group indicator daily prices



Prices for both Mild Arabica group indicators trended upwards in April 2020. Other Milds rose by 4.2% to 154.52 US cents/lb, and Colombian Milds by 1.8% to 161.92 US cents/lb. As a result, the differential between Colombian Milds and Other Milds narrowed by 30.6% to 7.40 US cents/lb. In contrast, prices for Brazilian Naturals fell by 1.5% to 111.22 US cents/lb, resulting in a price differential of 50.70 US cents/lb from Colombian Milds and 43.30 US cents/lb from Other Milds. Robusta prices also fell in April 2020, averaging 63.97 US cents/lb, 5.2% lower than in the previous month. This also represents the lowest monthly average for Robusta prices since June 2006 when it reached 60.23 US cents/lb.

Figure 3: Arbitrage between New York and London futures markets

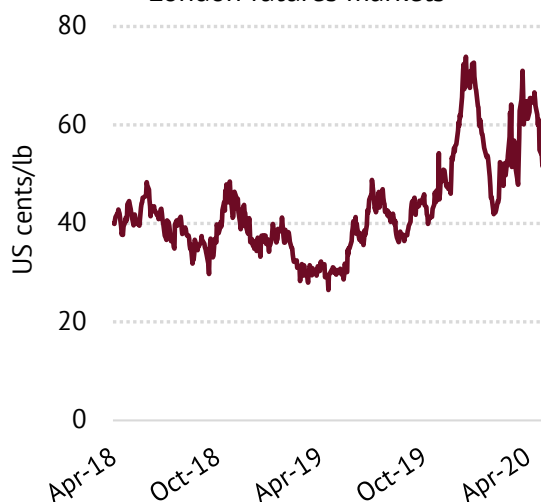
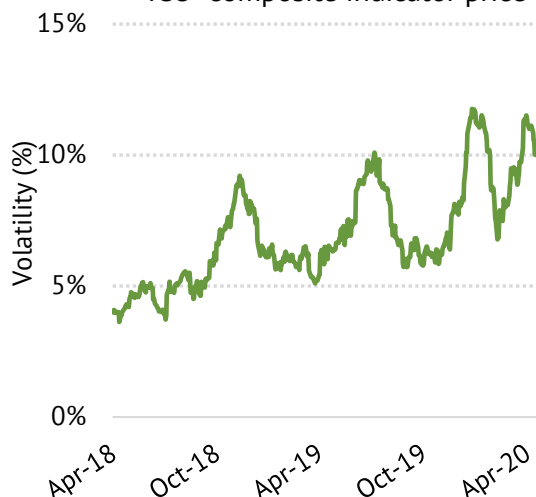


Figure 4: Rolling 30-day volatility of the ICO composite indicator price

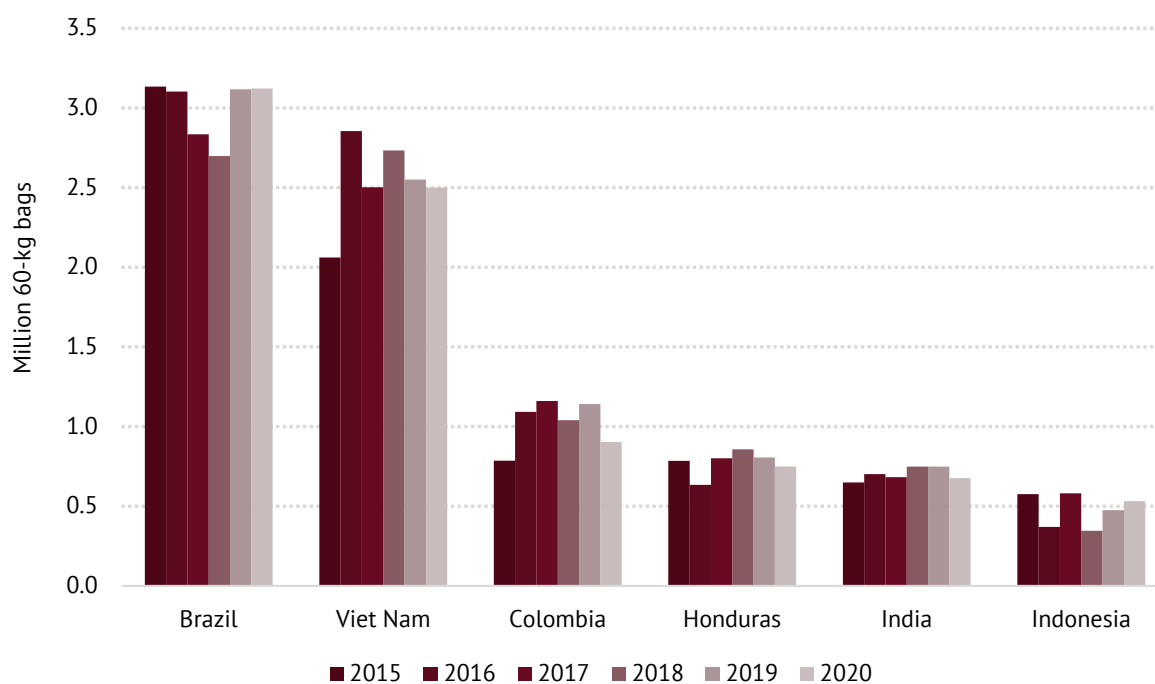


The New York Arabica futures market fell by 0.5% to an average of 115.55 US cents/lb in April 2020, while the London Robusta futures market declined by 5.2% to 54.4 US cents/lb. As a result, the spread between Arabica and Robusta coffees, as measured on the New York and London futures markets, increased to 61.15 US cents/lb, which is 4.2% higher than in March. Certified Arabica stocks decreased by 7.9% month-on-month to 2.11 million bags in April 2020, which is the third consecutive month of decline.

The volatility of the ICO composite indicator increased by 1 percentage point to 10.6% over the past month, marking a second consecutive month of increased volatility. The volatility of all group indicators grew in April 2020. Other Milds rose by 1.4 percentage points to 12.9%, Brazilian Naturals by 1.1 percentage points to 14.2% and Colombian Milds by 0.6 percentage points to 11.1%. The Robusta group indicator volatility was 4.8%, an increase of 0.3 percentage points from March 2020.

Global exports in March 2020 totalled 11.06 million bags, 3.7% lower than the 11.49 million bags shipped in March 2019. Exports in the first half of coffee year 2019/20 reached 61.96 million bags, down by 3.9% compared to 64.5 million bags for the same period in 2018/19. In October 2019 through March 2020, shipments of Arabica fell by 7.8% to 38.6 million bags while Robusta shipments increased by 3.2% to 23.36 million bags.

Figure 5: Total Exports (March)



Shipments from Brazil in March 2020 rose by 0.2% to 3.12 million bags, due to the sharp rise in prices for Brazilian Naturals that month as well as the depreciation of the Brazilian real against the US dollar. Its exports in the first six months of coffee year 2019/20 fell by 10.9% to 19.6 million bags, due largely to a smaller output of Arabica, which is in the off-year of its biennial cycle. However, its shipments in crop year 2019/20, which ended in March 2020, reached 40.11 million bags, 6% higher than in 2018/19. Much of the growth in exports occurred in the first half of its crop year from sales of stock from its record harvest in 2018/19. Additionally, shipments of green Robusta grew by 40.5% to 4.1 million bags while exports of Arabica rose by 2.8% to 31.97 million bags. After a decline in 2017/18, shipments of soluble coffee have grown over the past two crop years, increasing by 5.5% to 4.01 million bags in crop year 2019/20.

In March 2020, Viet Nam's exports fell by 2% to an estimated 2.5 million bags. Its shipments in October 2019 to March 2020 declined by 3.7% to 13.65 million bags compared to the same period one year ago. The sustained losses in Robusta prices this season has likely discouraged farmers from selling their coffee.

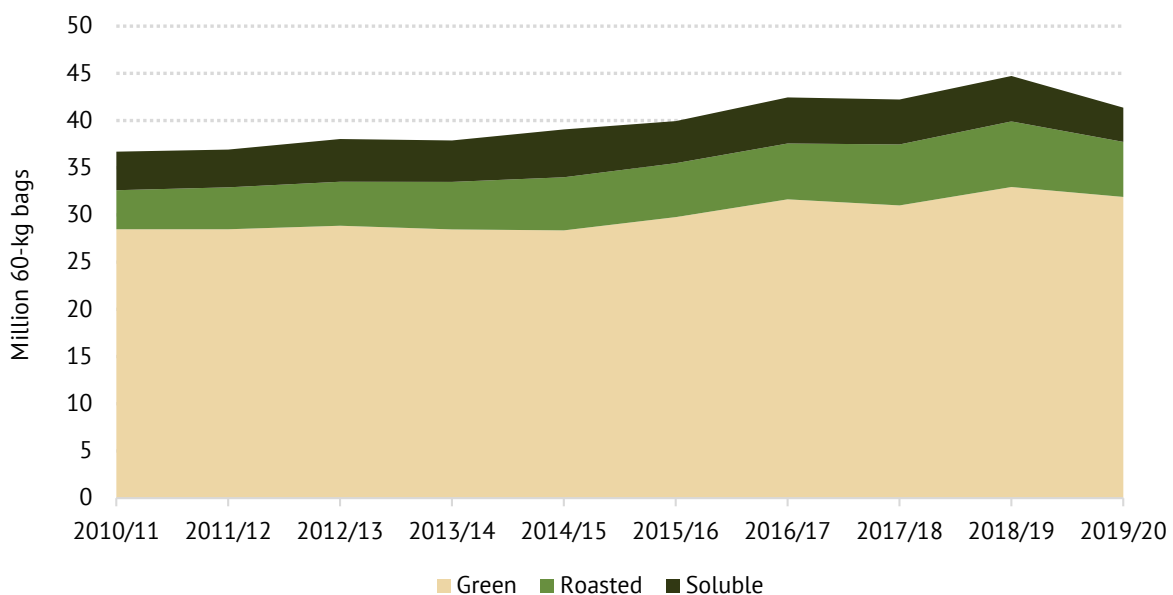
Colombia's exports in March 2020 fell by 20.9% to 903,000 bags. Their exports in the first six months of coffee year reached 6.81 million bags, 4.7% lower than in the first half of coffee year 2018/19. The decline in exports is attributed mostly to the fall in output in the second quarter of coffee year 2019/20. Production in the first six months of 2019/20 is estimated at 7.41 million bags according to the National Federation of Coffee Growers in Colombia (FNC), which is 6.1% higher than in the same period for 2018/19. However, this growth occurred in the first quarter of

coffee year 2019/20, when output increased by 24.1% to 4.56 million bags while production in the second quarter decreased by 13.8% to 2.86 million bags. The lower volumes of Colombian coffee supported higher prices for Colombian Milds in March 2020, despite the depreciation of the Colombian peso against the US dollar.

Indonesia’s exports were 11.9% higher in March 2020 at 532,000 bags. Its shipments in the first six months of coffee year 2019/20 reached 3.12 million bags, 54.1% higher than in the same period for 2018/19, though output was significantly lower that season. Indonesia’s exports for crop year 2019/20 (April-March) are 60% higher, reaching 7.55 million bags, compared to 4.72 million bags last year. Compared to the previous two crop years, exports of soluble coffee more than doubled to 2.78 million bags.

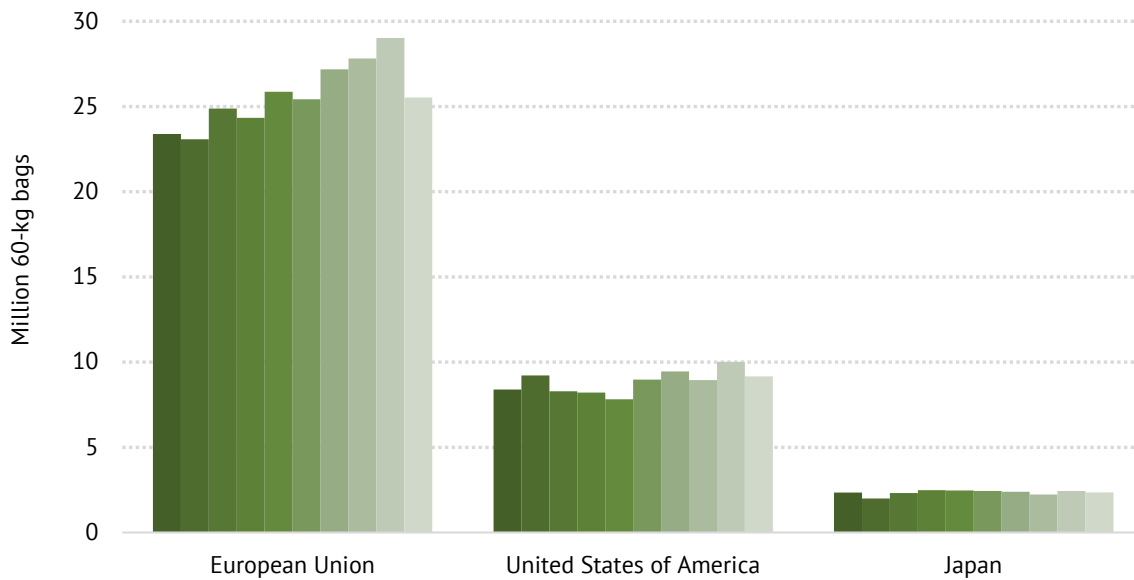
Shipments from Honduras declined by an estimated 7% to 750,000 bags in March 2020. Its exports in October 2019 to March 2020 decreased by 2.3% to 2.75 million bags. In coffee year 2019/20, January was the only month in which its exports were higher than the previous year. Continued low prices, and for some farmers below the cost of production, as well as drought on some farms have impacted output this season after several years of strong growth.

Figure 6: Imports in major importing countries (Oct-Jan)



Imports by major importing countries totalled 40.56 million bags in the first four months of coffee year 2019/20, which is 9.4% lower than in October 2018 to January 2019. Imports of all forms of coffee by major importing countries fell during this period. Green coffee imports fell by 3.7% to 31.73 million bags. Processed coffee imports, which accounted for 21.8% of the total also decreased. Roasted coffee fell by 22.5% to 5.39 million bags and soluble coffee by 28.8% to 3.44 million bags.

Figure 7: Total Imports, Oct-Jan 2010/11 to Oct-Jan 2019/20



In January 2020, imports for the major importing countries decreased by 25.2% to 8.71 million bags compared to their imports in January 2019. This follows larger than expected imports by the European Union and the United States in coffee year 2018/19. Additionally, the sudden rise in prices from late November through December 2019 is likely to have encouraged importers to delay further purchases. While consumption in 2018/19 rose by 4.9% for Europe and 5.7% for North America, imports in the first four months of coffee year 2019/20 indicate that demand growth is not likely to continue at this rate, but instead would have been closer to the long-term average. However, the import data covers the period just prior to the spread of covid-19, and the impact of the pandemic now presents considerable downside risk to consumption growth in 2019/20.

In 2019/20, world coffee consumption is estimated at 166.06 million bags, an increase of 0.5% on 2018/19. Many countries have suspended non-essential activities and instituted social distancing measures, which have negatively impacted out-of-home coffee consumption. Additionally, job losses could lower demand, particularly for non-habitual consumers. As a result of the revision, production is now estimated to exceed consumption by 1.95 million bags in 2019/20. Output from 2019/20 is unchanged as much of the harvesting occurred before the global pandemic. Instead, the impact on production is more likely to be seen in the 2020/21 coffee year, for which harvesting has already begun for countries like Brazil where the crop year begins in April.

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							
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
Feb-20	102.00	146.43	135.50	102.62	68.07	106.69	59.02
Mar-20	109.05	158.99	148.33	112.87	67.46	116.09	57.39
Apr-20	108.91	161.92	154.52	111.22	63.97	115.55	54.40
% change between Mar-20 and Apr-20							
	-0.1%	1.8%	4.2%	-1.5%	-5.2%	-0.5%	-5.2%
Volatility (%)							
Apr-20	10.6%	11.1%	12.9%	14.2%	4.8%	18.7%	7.8%
Mar-20	9.6%	10.5%	11.5%	13.1%	4.5%	19.0%	7.5%
Variation between Mar-20 and Apr-20							
	1.0	0.6	1.4	1.1	0.3	-0.3	0.3

* 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*
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
Feb-20	10.93	43.81	78.36	32.88	67.43	34.55	47.67
Mar-20	10.66	46.12	91.53	35.46	80.87	45.41	58.70
Apr-20	7.40	50.70	97.95	43.30	90.55	47.25	61.15
% change between Mar-20 and Apr-20							
	-30.6%	9.9%	7.0%	22.1%	12.0%	4.1%	4.2%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Coffee year commencing	2015	2016	2017	2018	2019*	% change 2018/19
PRODUCTION	154,823	158,450	162,657	171,102	168,006	-1.8%
Arabica	90,982	100,611	97,229	100,653	95,371	-5.2%
Robusta	63,842	57,840	65,428	70,449	72,634	3.1%
Africa	15,583	16,555	17,299	18,772	18,536	-1.3%
Asia & Oceania	49,484	45,652	48,458	48,394	50,522	4.4%
Mexico & Central America	17,106	20,322	21,725	21,749	20,833	-4.2%
South America	72,651	75,921	75,176	82,187	78,115	-5.0%
CONSUMPTION	155,491	158,125	159,913	165,269	166,058	0.5%
Exporting countries	47,548	48,488	49,793	50,374	50,288	-0.2%
Importing countries (Coffee Years)	107,943	109,637	110,120	114,895	115,770	0.8%
Africa	10,951	10,843	9,808	9,890	9,970	0.8%
Asia & Oceania	32,863	34,395	34,832	35,595	35,959	1.0%
Mexico & Central America	5,295	5,173	5,252	5,322	5,327	0.1%
Europe	52,147	52,045	53,158	55,741	55,930	0.3%
North America	28,934	29,559	29,941	31,644	31,848	0.6%
South America	25,299	26,111	26,922	27,077	27,024	-0.2%
BALANCE	-668	325	2,744	5,832	1,948	

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

	Mar-19	Mar-20	% change	October-March		
				2018/19	2019/20	% change
TOTAL	11,486	11,056	-3.7%	64,502	61,959	-3.9%
Arabicas	7,092	6,681	-5.8%	41,864	38,602	-7.8%
Colombian Milds	1,327	1,019	-23.3%	7,969	7,511	-5.7%
Other Milds	2,643	2,518	-4.7%	11,998	11,434	-4.7%
Brazilian Naturals	3,121	3,145	0.7%	21,898	19,657	-10.2%
Robustas	4,394	4,375	-0.4%	22,637	23,357	3.2%

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

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
New York	2.73	2.70	2.70	2.66	2.60	2.55	2.42	2.32	2.49	2.45	2.29	2.11
London	2.11	2.18	2.47	2.60	2.62	2.69	2.64	2.54	2.45	2.57	2.44	2.31

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.