

Coffee Market Report

June 2021



INTERNATIONAL
COFFEE
ORGANIZATION

The upward trend in coffee prices continued in June 2021 as concerns about supply from major origins remained the key factor in the market.

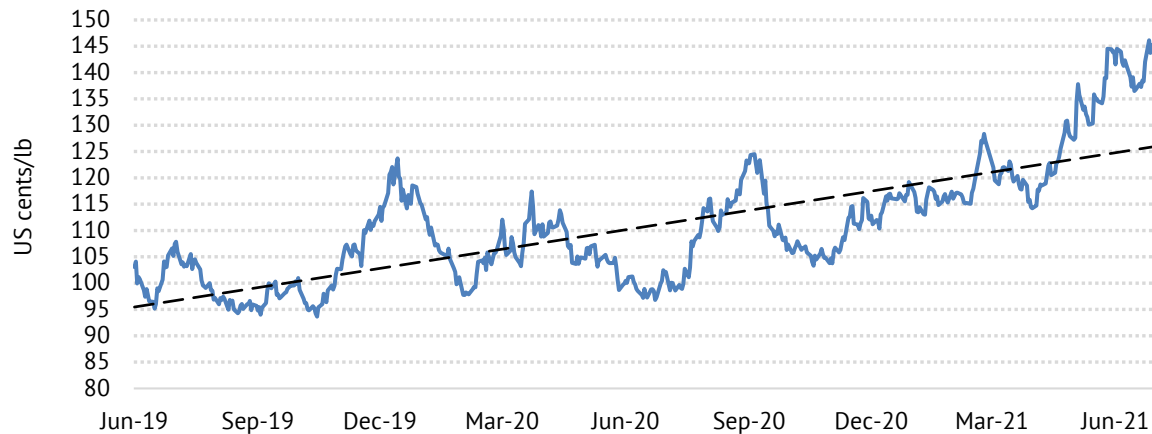
In June 2021, coffee prices recorded the eighth consecutive month of increase, triggered by the expectations of reduced supply from some origins in addition to disruptions in trade flows. The monthly average of the ICO composite indicator reached 141.03 US cents/lb in June 2021, representing an increase of 33.2% from the level of 105.85 US cents/lb recorded in October 2020. This is also the highest monthly average since the level of 145.82 US Cents/lb registered in November 2016. Prices of all four groups of coffee have recorded a substantial increase. Increased activities of non-commercial speculative sector were also recorded in June 2021, as growing net long positions supported price trends upward.

In terms of market fundamentals, exports by all exporting countries to all destinations totalled 9.8 million 60-kg bags in May 2021, a drop of 10.1% compared with 10.9 million bags in May 2020. The level of total exports in May 2021 represented a 21.5% reduction of the volume recorded in May 2019, before the pandemic. The availability of containers for shipments continue to be a major constraint to trade flows. However, total exports over the first eight months of coffee year 2020/21 amounted to 87.3 million bags, compared with 85.4 million bags during the same period in coffee year 2019/20. Cumulative exports from June 2020 to May 2021 are estimated at 129.2 million bags, a relatively stable level compared with the 129.4 million bags recorded from June 2019 to May 2020. World consumption for coffee year 2020/21 is projected at 167.23 million bags, an increase of 1.9% on its level of 164.01 million bags in coffee year 2019/20. Total production for coffee year 2020/21 is estimated at 169.50 million bags, representing a 0.3% increase on 168.94 million bags in coffee year 2019/20. Although world consumption is increasing, it remains 1.4% below world production. Moreover, in coffee year 2021/22 the supply/demand ratio is expected to reverse as world production will barely meet world demand.

The monthly average of the ICO composite indicator rose by 4.6% from 134,78 US cents/lb in May 2021 to 141.03 US cents/lb in June 2021. This level reached in June 2021 is 42.4% higher than June 2020 and represents the eighth consecutive month of increase and the highest monthly

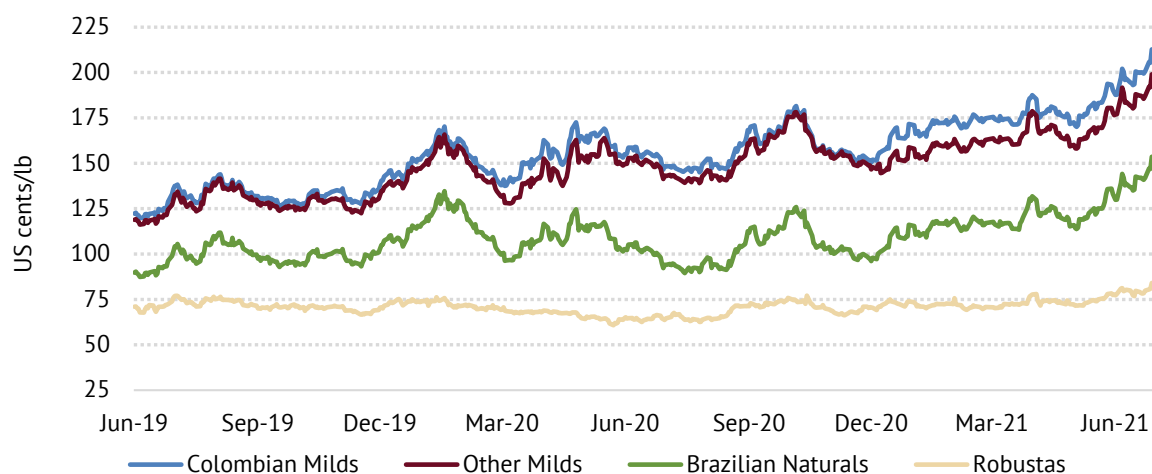
average since 145.82 US cents/lb recorded in November 2016. Compared to the monthly average of 99.05 US cents/lb recorded in October 2020, the level of June 2021 represents a 33.2% increase. The linear trend observed in Figure 1 shows a continuous and steady increase in coffee prices over the first nine months of coffee year 2020/21.

Figure 1: ICO composite indicator daily prices



Prices for all group indicators increased in June 2021 and achieved their highest records over many years. The price of 206.53 US cents/lb for Colombian Milds reached in June 2021 is the highest monthly average since the level of 222.59 US cents/lb recorded in October 2014. It also represents a rise of 40.3% from the level of 147.16 US cents/lb recorded in June 2020. Price for Other Milds increased by 3.2% to 192.45 US cents/lb compared to 186.46 US cents/lb in May, which is the highest monthly average since 193.60 US cents/lb in December 2014. The average price for Brazilian Naturals, which rose by 5.2% to 148.12 US cents/lb, is the highest monthly average since 157.12 US cents/lb in November 2016. Moreover, compared to its level of 92.56 US cents/lb in June 2020, the Brazilian Naturals indicator increased by 60% in June 2021. The Robusta indicator price recorded a 6.5% increase to 84.85 US cents/lb compared to 79.68 US cents/lb in May 2021. The Robusta price in June 2021 is also the highest monthly average since 85.32 US cents/lb recorded in October 2018.

Figure 2: ICO group indicator daily prices



The continued price firmness is confirmed by the behaviour of the futures markets. The monthly average of the 2nd and 3rd positions in the New York Futures market rose by 2.6%, to 156.43 US cents/lb, in June 2021 from 152.42 US cents/lb in May 2021, the highest level since November 2016. In the case of the London futures market, the monthly average of the 2nd and 3rd positions rose by 5.8%, to 73.16 US cents/lb, in June 2021 compared with 69.15 US cents/lb in May 2021. The level of June 2021 for the London futures market is the highest since 75.23 US cents/lb recorded in November 2018.

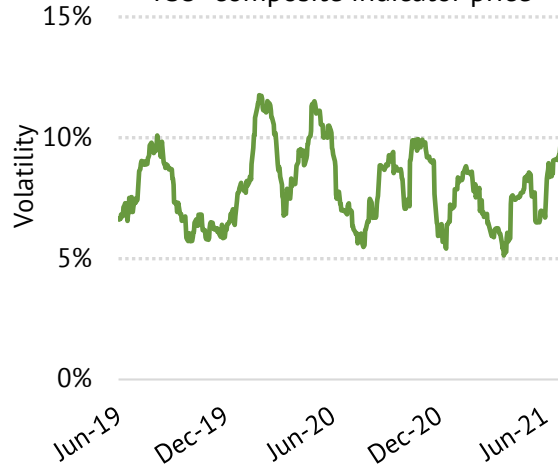
The differential between Colombian Milds and Other Milds increased by 12.2% to 14.09 US cents/lb and the differential between Colombian Milds and Brazilian Naturals increased by 0.4%. The differentials between Other Milds and Brazilian Naturals decreased by 2.8% to 44.32 US cents/lb in June 2021. As the price increase for Robusta group was the highest of the four groups in June 2021, the differentials between the Arabica groups and the Robusta group widened by only 2%, 0.8% and 3.4% by Colombian Milds, Other Milds and Brazilian Naturals respectively. The arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets, remained almost unchanged at 83.26 US cents/lb in June 2021 compared with 83.27 US cents/lb in May 2021.

Although activities of the non-commercial speculative sector increased in June 2021, price volatility was limited. **Intra-day volatility of the ICO composite indicator price increased by 0.4 percentage point to 9.1% in June 2021.** The volatility for the Brazilian Naturals remained unchanged at 11.6%, while the volatility of the Colombian Milds and Other Milds both increased slightly by 0.1 and 0.2 percentage point to 8.2% and 9.0% respectively. The volatility of the Robusta group price increased from 6.7% in May 2021 to 7.7% in June 2021. The volatility of the London Futures market has increased from 7% in May 2021 to 8.7% in June 2021. It has increased from 11% in May 2021 to 11.5% in June 2021 in the New York futures market.

Figure 3: Arbitrage between New York and London futures markets

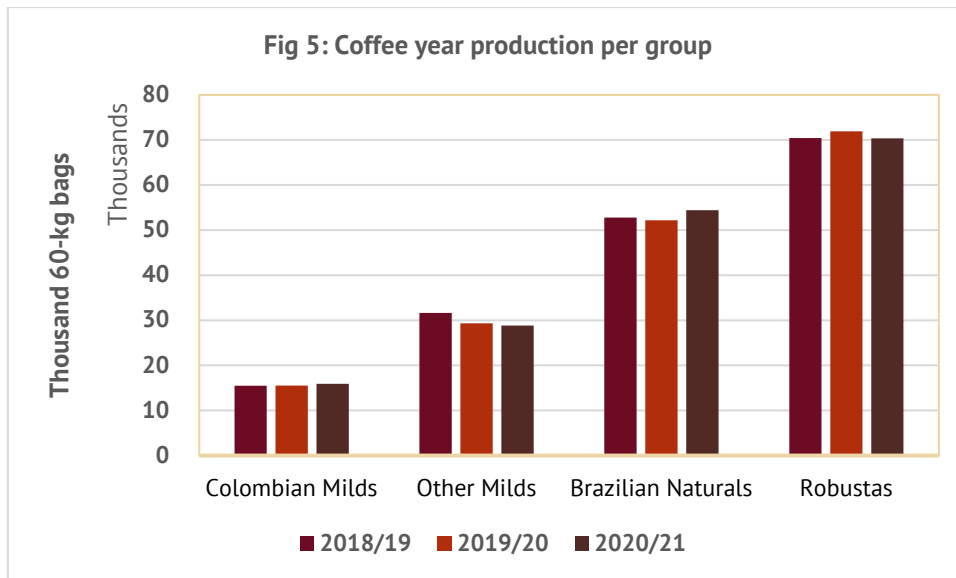


Figure 4: Rolling 30-day volatility of the ICO composite indicator price



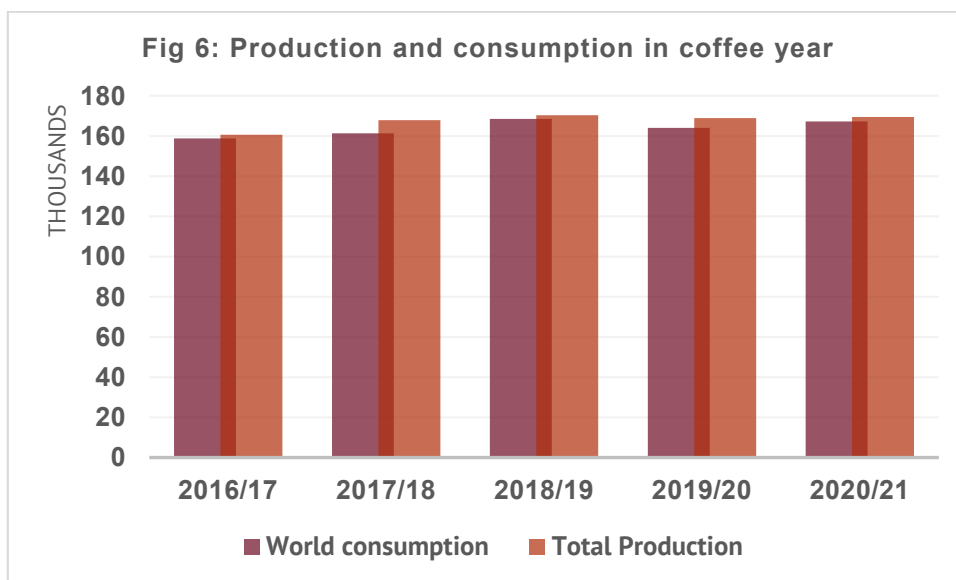
Total production in coffee year 2020/21 is estimated to rise by 0.3% to 169.50 million bags.

Arabica production is expected to increase by 2.2% to 99.1 million bags while the production of Robusta coffee is expected to decrease by 2.1% to 70.4 million bags. At the regional level, African output is expected to remain unchanged at 18.68 million bags in coffee year 2020/21 in comparison with the previous coffee year. Production for Asia & Oceania is forecast to fall by 1.1% from 49.45 million bags in 2019/20 to 48.93 million in 2020/21. Production for Mexico & Central America is expected to decrease by 2.6% at 19.01 million bags against 19.60 million bags in coffee year 2019/20. An increase of 2% in production is expected from South America at 82.8 million bags, compared with 81.2 million bags in 2019/20. However, Brazilian production for the next crop year 2021/22, which has already started, is expected to decrease significantly as it is the off-year production cycle of Arabica coffee and was substantially affected by below-average rainfall. Regarding performance expected from groups, production of Colombian Milds and Brazilian Naturals will increase by 2.4% and 4.3% to 15.9 million bags and 54.4 million bags respectively. The production of Other Milds and Robusta will decrease by 1.8% and 2.1% to 28.8 million and 70.36 million bags respectively.



World coffee consumption is projected to increase by 1.9% to 167.2 million bags in 2020/21 compared to 164.1 million bags for coffee year 2019/20, but still 0.8% below the level of 168.5 million bags before the outbreak of the pandemic. With the easing of pandemic restrictions related to covid-19 and the subsequent prospects of economic recovery, world consumption is expected to continue growing. Consumption in importing countries is anticipated to increase by 2.3%, to 116.7 million bags, while domestic consumption in coffee-exporting countries is expected to increase by 1% at 50.5 million bags.

The **supply/demand** ratio is expected to tighten as total supply is forecast 1.4% higher than demand in coffee year 2020/21 as compared to 3.2% in 2019/20. With the expected reduction in outputs from many exporting countries in coffee year 2021/22, total supply is likely to fall below world consumption.



Exports of all forms of coffee in May 2021 totalled 9.78 million bags, representing a 10.1% decrease compared with 10.9 million bags in May 2020. Exports of green coffee in May 2021 declined by 12.3% on May 2020 while exports of roasted and soluble coffee increased by 20.1% and 9.7% respectively. The decline in green coffee exports was significant for Colombian Milds, as shipments in May 2021 were 55.2% lower than in May 2020. Green coffee exports of Other Milds and Robusta declined by 3.9% and 6.5% respectively in May 2021 compared with their levels of May 2020. The decline in the exports of the Colombian Milds was due largely to the social unrest throughout Colombia, the main origin of this group, which hampered the normal flow of exports. Nevertheless, cumulative green coffee exports of the four groups over the first eight months of coffee year 2020/21 increased by 3.1%, to 79.53 million bags, compared with 77.06 million bags during the same period in coffee year 2019/20.

Figure 7: Green Exports (October-May)

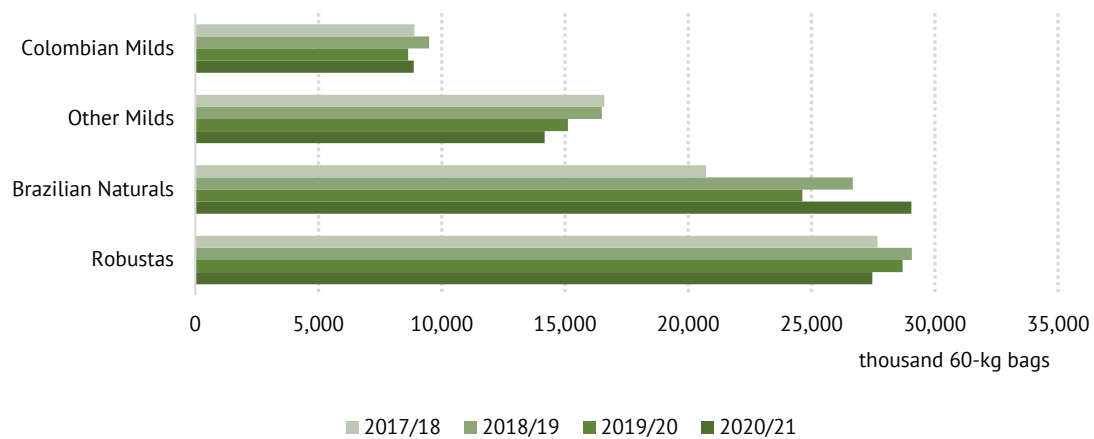
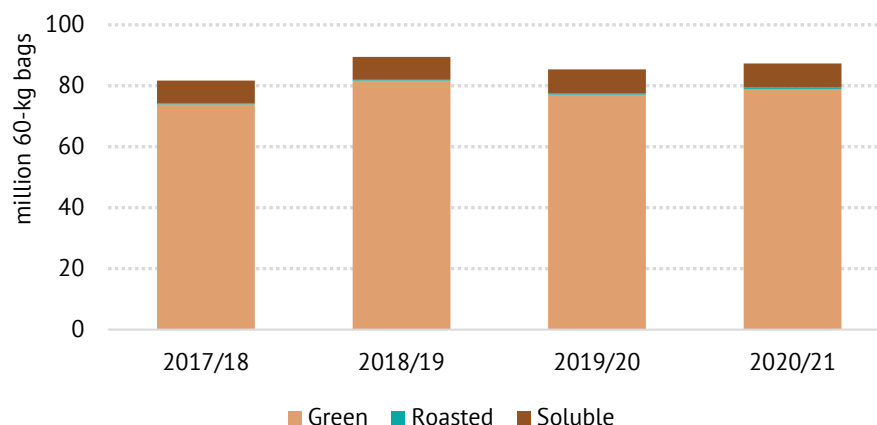
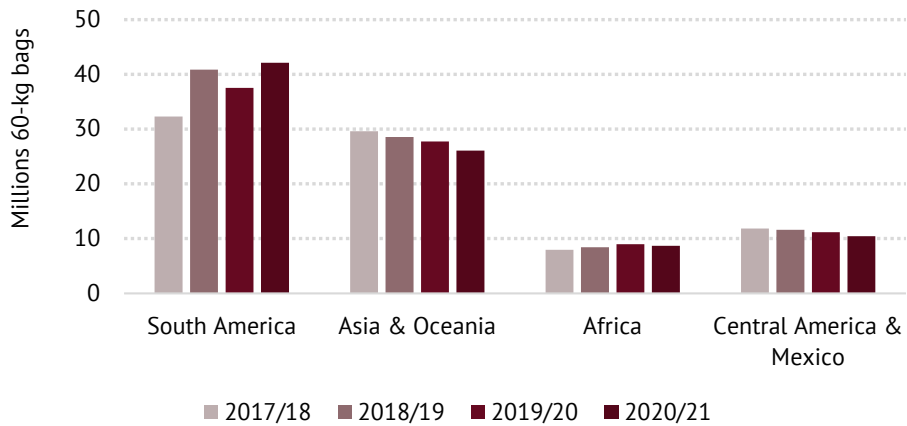


Figure 8: Total Exports (October-May)



In regional terms, exports of all forms of coffee from Africa decreased by 3.2% to 8.68 million bags in the first eight months of coffee year 2020/21. Asia & Oceania's coffee exports declined by 6.0% to 26.06 million bags in October 2020 to May 2021.

Figure 9: Total Exports (October-May)



Exports from Mexico & Central America fell by 6.5%, to 10.43 million bags, compared with 11.16 million bags exported over the same period during coffee year 2019/20. From October 2020 to May 2021, South America's exports increased by 12.3%, to 42.11 million bags.

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

	ICO Composite	Colombian Milds	Colombian Other Milds	Brazilian Naturals	Brazilian Robustas	New York*	London*
Monthly averages							
Jun-20	99.05	147.16	141.52	92.56	64.62	99.50	54.77
Jul-20	103.66	153.38	146.78	97.96	67.69	106.20	57.92
Aug-20	114.78	167.22	163.25	111.79	72.68	120.98	62.89
Sep-20	116.25	168.36	166.56	113.81	72.77	122.08	63.35
Oct-20	105.85	154.28	152.06	100.37	68.36	110.70	59.14
Nov-20	109.70	161.21	150.73	106.41	72.38	115.48	62.82
Dec-20	114.74	170.44	157.81	114.96	72.04	124.46	62.41
Jan-21	115.73	173.42	160.69	116.69	70.71	127.59	60.54
Feb-21	119.35	176.96	166.43	120.06	73.37	129.69	63.07
Mar-21	120.36	177.49	167.05	122.16	73.86	131.72	63.90
Apr-21	122.03	181.70	168.65	124.18	74.47	134.77	63.76
May-21	134.78	199.02	186.46	140.85	79.68	152.42	69.15
Jun-21	141.03	206.53	192.45	148.12	84.85	156.43	73.16
% change between May-21 and Jun-21							
	4.6%	3.8%	3.2%	5.2%	6.5%	2.6%	5.8%
Volatility (%)							
May-21	8.7%	8.1%	8.8%	11.6%	6.7%	11.0%	7.0%
Jun-21	9.1%	8.2%	9.0%	11.6%	7.7%	11.5%	8.7%
Variation between Jun-21 and May-21							
	-0.4	-0.1	-0.2	0.0	-1.0	-0.5	-1.7

* Average prices 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*
Jun-20	5.64	54.60	82.54	48.96	76.90	27.94	44.73
Jul-20	6.60	55.42	85.69	48.82	79.09	30.27	48.28
Aug-20	3.97	55.43	94.54	51.46	90.57	39.11	58.09
Sep-20	1.80	54.55	95.59	52.75	93.79	41.04	58.73
Oct-20	2.22	53.91	85.92	51.69	83.70	32.01	51.56
Nov-20	10.48	54.80	88.83	44.32	78.35	34.03	52.66
Dec-20	12.63	55.48	98.40	42.85	85.77	42.92	62.05
Jan-21	12.73	56.73	102.71	44.00	89.98	45.98	67.05
Feb-21	10.53	56.90	103.59	46.37	93.06	46.69	66.62
Mar-21	10.44	55.33	103.63	44.89	93.19	48.30	67.82
Apr-21	13.05	57.52	107.23	44.47	94.18	49.71	71.01
May-21	12.56	58.17	119.34	45.61	106.78	61.17	83.27
Jun-21	14.09	58.41	121.68	44.32	107.59	63.27	83.26
% change between May-21 and Jun-21							
	12.2%	0.4%	2.0%	-2.8%	0.8%	3.4%	0.0%

* Average prices for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Coffee year commencing	2016	2017	2018	2019	2020*	% change 2019/20
PRODUCTION	160,608	167,868	170,322	168,942	169,496	0.3%
Arabica	99,940	98,187	99,919	97,041	99,137	2.2%
Robusta	60,668	69,680	70,403	71,901	70,360	-2.1%
Africa	16,839	17,461	18,579	18,684	18,679	0.0%
Asia & Oceania	47,930	52,203	48,173	49,452	48,930	-1.1%
Mexico & Central America	20,322	21,752	21,636	19,598	19,086	-2.6%
South America	75,516	76,453	81,934	81,208	82,802	2.0%
CONSUMPTION	158,781	161,377	168,509	164,099	167,235	1.9%
Exporting countries	48,334	49,686	50,245	49,982	50,497	1.0%
Importing countries (Coffee Years)	110,447	111,691	118,265	114,117	116,738	2.3%
Africa	10,702	11,087	12,017	11,640	11,882	2.1%
Asia & Oceania	35,068	34,903	36,476	36,297	36,762	1.3%
Mexico & Central America	5,193	5,273	5,431	5,321	5,356	0.7%
Europe	52,148	53,251	55,637	53,311	54,245	1.8%
North America	29,559	29,941	31,779	30,628	31,768	3.7%
South America	26,111	26,922	27,170	26,903	27,223	1.2%
BALANCE	1,827	6,491	1,812	4,843	2,260	

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 by exporting countries

	May-20	May-21	% change	October-May		
				2019/20	2020/21	% change
TOTAL	10,891	9,786	-10.1%	85,383	87,299	2.2%
Arabicas	6,796	5,916	-12.9%	52,564	55,864	6.3%
Colombian Milds	1,001	562	-43.8%	9,336	9,632	3.2%
Other Milds	2,677	2,616	-2.3%	16,704	15,792	-5.5%
Brazilian Naturals	3,118	2,737	-12.2%	26,524	30,440	14.8%
Robustas	4,095	3,870	-5.5%	32,819	31,435	-4.2%

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

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
New York	1.82	1.45	1.26	1.30	1.40	1.52	1.75	1.92	1.97	2.07	2.21	2.18
London	1.90	1.85	1.85	2.04	2.24	2.31	2.40	2.44	2.50	2.53	2.67	2.51

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.