



November coffee prices rise on concerns over 2021 production

In November, the ICO composite indicator rose by 3.6% to 109.70 US cents/lb as prices for all group indicators increased, except Other Milds, which fell by 0.9% to 150.73 US cents/lb. World coffee production in coffee year 2019/20 decreased by 1.6% to 168.55 million bags as a consequence a 5.1% decline in Arabica output to 95.73 million bags, while Robusta production rose by 3.2% to 72.82 million bags. South America's production fell by 4.6% to 78.87 million bags, due largely to the decline in Brazil's Arabica output in the off-year of the biennial crop cycle. Production from Asia & Oceania grew by 4.1% to 50.07 million bags, due largely to the recovery of output in Indonesia and Viet Nam. Production in Central America & Mexico declined by 4.5% to 20.76 million bags, while Africa's output remained stable at 18.86 million bags. World coffee production exceeded global consumption by 961,000 bags as world coffee demand decreased by 0.9% to 167.59 million bags.

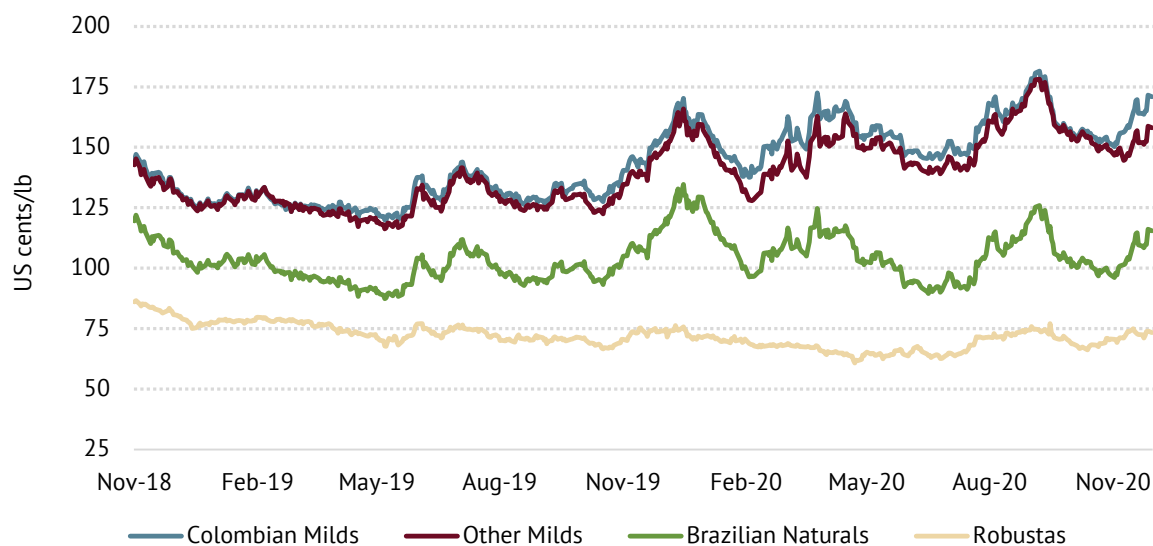
Figure 1: ICO composite indicator daily prices



After falling by 8.9% in October, the monthly average of the ICO composite indicator rose by 3.6% to 109.70 US cents/lb in November 2020. The daily composite indicator ranged between 103.77 US cents/lb and 108.72 US cents/lb in the first two weeks of the month. In the second

half of the month, however, it reached a low of 110.22 US cents/lb on 24 November and a high of 116.17 US cents/lb on 27 November. A delayed start to Viet Nam’s harvest, concerns over the prolonged drought in Brazil, and the damage caused by hurricanes Iota and Eta in Central America boosted prices in November, though the bearish outlook for the global economy limited further recovery.

Figure 2: ICO group indicator daily prices



Prices for all group indicators rose in November 2020, except Other Milds, which fell by 0.9% to 150.73 US cents/lb. The average price for Colombian Milds rose by 4.5% to 161.21 US cents/lb. As a result, the differential between Colombia Milds and Other Milds more than quadrupled from an average of 2.22 US cents/lb in October to 10.48 US cents/lb in November 2020. The average price for Brazilian Naturals grew by 6% to 106.41 US cents/lb while Robusta prices averaged 72.38 US cents/lb, 5.9% higher than in October 2020.

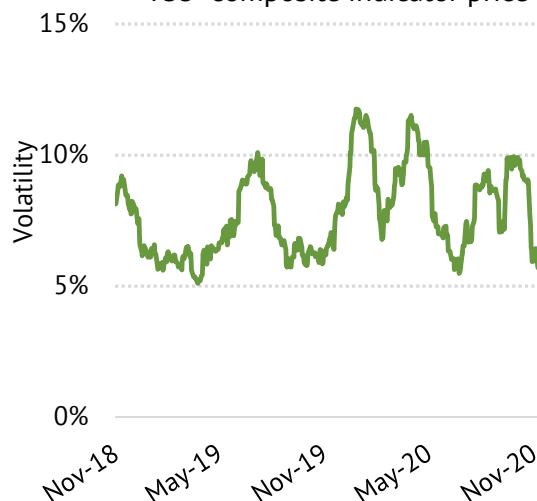
The average arbitrage in November, as measured on the New York and London futures markets, rose by 2.1% to 52.66 US cents/lb. Stocks of certified Arabica increased by 7.7% to 1.4 million bags in November 2020, which is the second consecutive month of increase. Certified Robusta stocks amounted to 2.25 million bags, 10.3% higher than in October 2020.

The volatility of the ICO composite indicator price decreased by 2.3 percentage points to 6.5% as the volatility of all group indicators decreased. The volatility for Colombian Milds declined by 2 percentage points to 6.2%, for Other Milds by 0.8 percentage points to 7%, and for Brazilian Naturals by 2.8 percentage points to 9.4% in November 2020. The volatility for Robusta prices reached 6.1%, 3.4 percentage points lower than in October 2020.

Figure 3: Arbitrage between New York and London futures markets



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

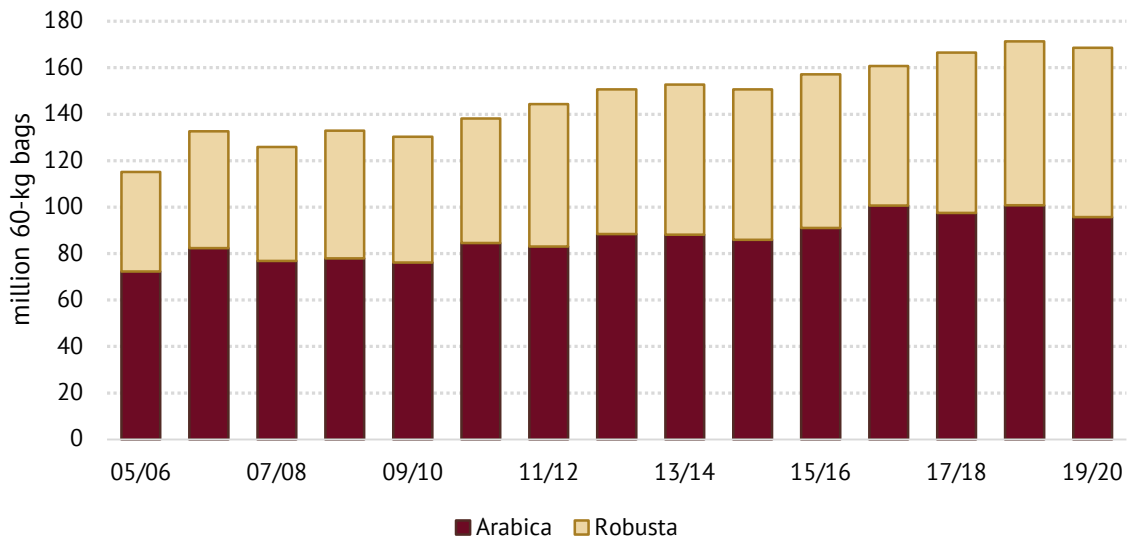


Global exports in October 2020, the first month of coffee year 2020/21, totalled 9.67 million bags, which represents an increase of 3.2% compared to October 2019. Shipments of Robustas rose by 10.4% to 3.34 million bags and Arabicas fell by 0.3% to 6.33 million bags. Colombian Milds saw the largest decline, falling 12.3% to 1.16 million bags, while Other Milds declined by 6% to 1.43 million bags. Brazilian Naturals, conversely, saw an increase of 6.7% to 3.74 million bags compared to October 2019. The depreciation of the Brazilian Real against the US Dollar is a contributing factor for higher shipments of Brazilian Naturals while Robusta shipments are bolstered by sustained demand for soluble coffee.

For the first ten months of 2020, total exports are 3.8% lower at 107.08 million bags, compared to 111.28 million for the same period last year. Shipments for all groups declined, with the exception of Brazilian Naturals, which rose by 1% to 33.65 million bags. In January to October 2020, exports of Colombian Milds decreased by 11.2% to 10.93 million bags, while shipments of Other Milds fell by 10.8% to 21.86 million bags and those of Robusta dropped by 1.3% to 40.65 million bags.

World production in coffee year 2019/20 is estimated at 168.55 million bags, which is 1.6% lower than in 2018/19. Production of Robusta increased by 3.2% to 72.82 million bags with the largest increases in Viet Nam, Indonesia, and Uganda. Arabica production fell by 5.1% to 95.73 million bags, as increases in Colombia, Ethiopia, Indonesia, and Mexico could not offset losses in output from Brazil and Honduras.

Figure 5: Coffee year production

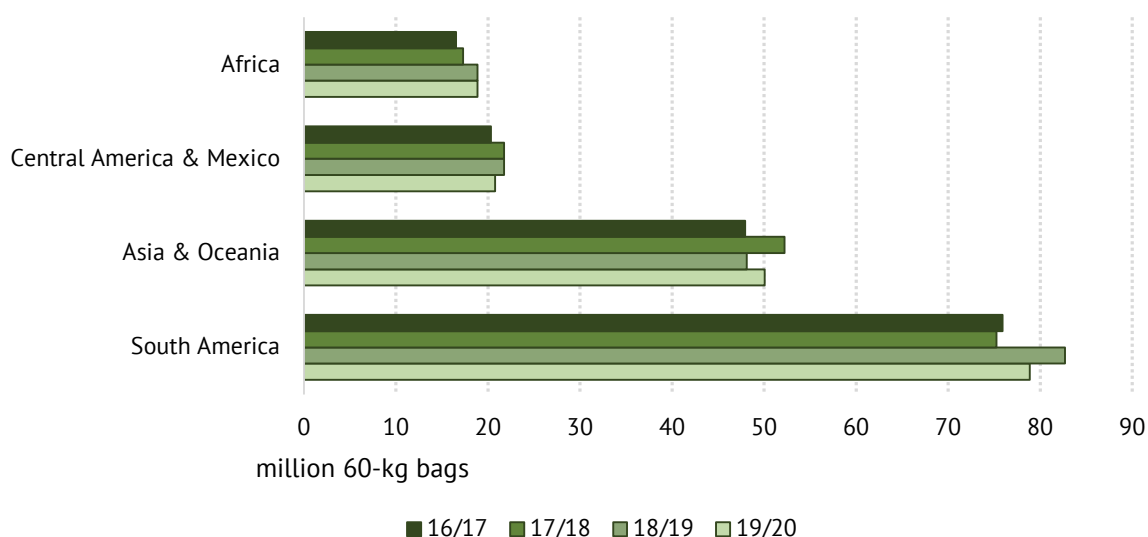


Production in South America fell by 4.6% to 78.87 million bags and accounted for 46.8% of global output. The regional decline is largely due to the decrease in Brazil’s output, which fell by 6.1% to 59.5 million bags in 2019/20. Brazil’s Arabica output declined by 9.9% to 38.7 million bags, while Robusta rose by 2% to 20.8 million bags. Production in Colombia rose by 1.7% to 14.1 million bags, as replanted trees came into production and higher prices in several months encouraged farmers to harvest coffee. Peru’s output in 2019/20 declined by 4% to 4 million bags due to adverse weather and low prices leading farmers to turn to other crops with better returns.

Output from Asia & Oceania rose by 4.1% to 50.07 million bags. Viet Nam’s production increased by 4% to 31.5 million bags in 2019/20, of which around 5% is Arabica coffee. Indonesia’s production increased by 11.7% to 11.19 million bags in 2019/20, after three years of falling output. India experienced another fall in production in 2019/20 due to unfavourable weather, reaching 4.97 million bags, which is 6.7% lower than in 2018/19 and the third consecutive year of decrease.

Central America & Mexico’s harvest declined by 4.5% to 20.76 million bags. Production from Honduras dropped by 15.4% to 6.2 million bags in the 2019/20 as a result of falling prices, adverse weather, and an outbreak of coffee leaf rust. Mexico’s output increased by 8% to 4.7 million with support from the Mexican government to promote coffee plantation renewal, value addition and biodiversity conservation. Meanwhile, Guatemala’s production decreased by 6.4% to 3.75 million bags.

Figure 6: regional coffee production



Africa’s output remained stable at 18.86 million bags in 2019/20. Increases in production from Ethiopia and from Uganda were offset by declines in the region’s next three largest producers. Ethiopia harvested 7.7 million bags, 2.1% more than in 2018/19, due to beneficial weather and adequate rain. Uganda’s production increased by 11.6% to 5.25 million bags as result of good weather and higher yields from new trees coming into production. Côte d’Ivoire’s output decreased by 18.4% to 2 million bags, Tanzania’s by 17.3% to 926,000 bags, and Kenya’s by 8.6% to 850,000 bags.

Global consumption from October 2019 to September 2020 is estimated to have fallen by 0.9% to 167.59 million bags, following an increase of 4.6% in 2018/19 to 169.11 million bags. As a result, a surplus of 961,000 bags is estimated for coffee year 2019/20, which limited recovery in the ICO indicator price for 2019/20 to an average of 107.25 US cents/lb, 6.7% higher than in 2018/19.

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							
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
May-20	104.45	154.96	149.84	101.69	64.53	107.54	54.67
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
% change between Oct-20 and Nov-20							
	3.6%	4.5%	-0.9%	6.0%	5.9%	4.3%	6.2%
Volatility (%)							
Nov-20	6.5%	6.2%	7.0%	9.4%	6.1%	8.6%	6.7%
Oct-20	8.8%	8.2%	7.8%	12.2%	9.5%	10.8%	6.5%
Variation between Oct-20 and Nov-20							
	-2.3	-2.0	-0.8	-2.8	-3.4	-2.2	0.2

* 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*
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
May-20	5.12	53.27	90.43	48.15	85.31	37.16	52.87
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
% change between Oct-20 and Nov-20							
	372.1%	1.7%	3.4%	-14.3%	-6.4%	6.3%	2.1%

* Average prices for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Coffee year commencing	2015	2016	2017	2018	2019*	% change
						2018/19
PRODUCTION	157 160	160 713	166 476	171 378	168 553	-1.6%
Arabica	91 083	100 686	97 478	100 827	95 732	-5.1%
Robusta	66 077	60 027	68 998	70 551	72 822	3.2%
Africa	15 566	16 539	17 307	18 858	18 855	0.0%
Asia & Oceania	51 837	47 930	52 203	48 098	50 074	4.1%
Mexico & Central America	17 106	20 322	21 727	21 739	20 760	-4.5%
South America	72 651	75 921	75 240	82 682	78 865	-4.6%
CONSUMPTION	155 672	158 771	161 608	169 113	167 592	-0.9%
Exporting countries	47 349	48 334	49 686	50 275	50 003	-0.5%
Importing countries (Coffee Years)	108 323	110 437	111 922	118 838	117 589	-1.1%
Africa	10 768	10 702	11 087	11 734	11 671	-0.5%
Asia & Oceania	32 964	35 059	35 124	37 396	37 067	-0.9%
Mexico & Central America	5 309	5 193	5 273	5 433	5 426	-0.1%
Europe	52 398	52 147	53 262	55 614	55 089	-0.9%
North America	28 934	29 559	29 941	31 779	31 434	-1.1%
South America	25 299	26 111	26 922	27 156	26 905	-0.9%
BALANCE	1 488	1 942	4 868	2 265	961	

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

	Oct-19	Oct-20	% change	November-October		
				2018/19	2019/20	% change
TOTAL	9 373	9 672	3.2%	132 450	127 495	-3.7%
Arabicas	6 346	6 329	-0.3%	83 800	78 457	-6.4%
Colombian Milds	1 318	1 156	-12.3%	15 125	13 717	-9.3%
Other Milds	1 521	1 430	-6.0%	27 669	24 955	-9.8%
Brazilian Naturals	3 507	3 743	6.7%	41 006	39 786	-3.0%
Robustas	3 027	3 343	10.4%	48 650	49 038	0.8%

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

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
New York	2.32	2.49	2.45	2.29	2.11	2.01	1.90	1.82	1.45	1.26	1.30	1.40
London	2.54	2.45	2.57	2.44	2.31	2.18	1.99	1.90	1.85	1.85	2.04	2.25

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.