International Coffee Organization
Organización Internacional del Café
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LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

August 2008

Although most commodity prices were subject to a significant downward correction during the month of August, coffee prices proved somewhat more resistant, with the ICO composite indicator price only slightly down from 132.78 US cents per lb in July to 131.14 US cents per lb in August. The firmness in coffee prices has continued in spite of the recent appreciation in the exchange rate of the US dollar compared to other important currencies. These price levels reflect the importance of market fundamentals as opposed to factors solely related to speculative movements. A tight supply/demand balance remains the dominant factor in the coffee market.

In Brazil, CONAB published a revised estimate of the country's production for crop year 2008/09, indicating a figure of 45.85 million bags, comprising 35.27 million bags of Arabica and 10.58 million bags of Robusta. On this basis, Brazilian production for crop year 2008/09 will be the highest recorded since crop year 2002/03, when production totalled 48.48 million bags. Despite this, the combined effect of the low level of opening stocks in crop year 2008/09, the need to set aside coffee for export during the low year of the biennial cycle in 2009/10 and the producer support programme known as 'Pepro' are likely to restrict the flow of Brazilian exports. Moreover, Brazilian domestic consumption is likely to account for more than 18 million bags in 2008/09.

I have revised my estimate for world production in crop year 2008/09 to around 131 million bags in light of the new Brazilian estimate and other information recently received.

Exports by all exporting Members during July totalled 8 million bags, compared to 8.5 million bags in June. Total exports during the first seven months of calendar year 2008 fell by 2.8% compared to the same period in 2007. Similarly, exports during the first ten months of coffee year 2007/08 (October 2007 – July 2008) fell by 4.2% compared to the figure for the same period in coffee year 2006/07, down from 82.8 million bags to 79.3 million. This decrease in the flow of exports has helped to maintain a balance between supply and demand.

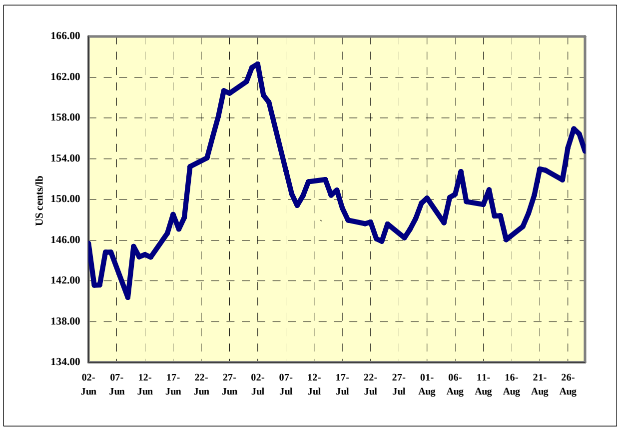
The month of August and the beginning of September were marked by the arrival of hurricanes in the Caribbean, affecting Cuba, Haiti and other countries in the region. Many casualties were reported, as well as damage to economic infrastructures. The impact on coffee plantations is still being assessed.

Price movements

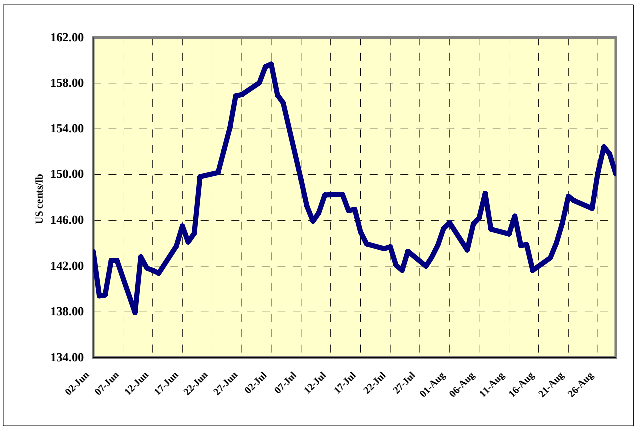
The monthly average of the **ICO composite indicator price** was slightly down from 132.78 US cents per lb in July to 131.14 US cents per lb in August (Table 1). Graph 1 shows changes in the ICO daily composite indicator price since 1 August 2007. Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 2 June 2008. The most marked fall in price was 2.32%, recorded in the case of Robustas.

Graph 1: Daily composite indicator price 1 August 2007 – 11 September 2008

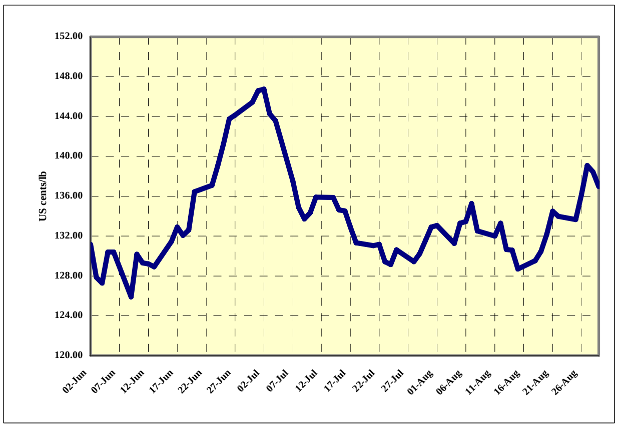
Graph 2: Daily indicator prices for Colombian Milds 2 June – 29 August 2008



Graph 3: Daily indicator prices for Other Milds 2 June – 29 August 2008



Graph 4: Daily indicator prices for Brazilian Naturals 2 June – 29 August 2008



Graph 5: Daily indicator prices for Robustas 2 June – 29 August 2008

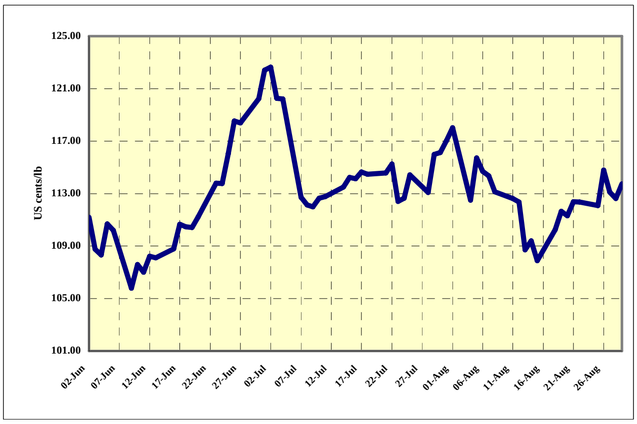


Table 1: ICO daily indicator prices and futures prices (US cents/lb) – August 2008

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Aug-08							
01-Aug	132.72	150.13	145.80	133.04	118.01	145.78	106.10
04-Aug	129.42	147.70	143.41	131.24	112.49	142.47	102.56
05-Aug	131.98	150.20	145.69	133.27	115.72	145.78	106.68
06-Aug	131.83	150.51	146.20	133.47	114.70	143.53	104.94
07-Aug	133.00	152.73	148.35	135.25	114.35	146.15	105.82
08-Aug	130.69	149.79	145.22	132.52	113.14	141.55	103.92
11-Aug	130.24	149.51	144.82	132.00	112.63	141.68	103.99
12-Aug	131.04	150.93	146.38	133.27	112.35	143.18	103.37
13-Aug	128.08	148.36	143.80	130.65	108.72	141.30	101.11
14-Aug	128.31	148.39	143.88	130.57	109.39	140.93	101.13
15-Aug	126.43	146.06	141.64	128.69	107.89	138.65	99.56
18-Aug	127.91	147.32	142.72	129.51	110.25	139.80	101.63
19-Aug	129.13	148.64	144.02	130.44	111.66	141.98	103.15
20-Aug	130.13	150.42	145.70	132.16	111.32	143.05	102.69
21-Aug	132.07	152.97	148.12	134.50	112.39	145.50	104.10
22-Aug	131.80	152.86	147.71	133.99	112.35	146.05	103.92
25-Aug	131.34	151.91	147.04	133.65	112.10	145.13	Holiday
26-Aug	134.13	155.09	150.16	136.17	114.78	149.78	106.55
27-Aug	135.16	156.93	152.45	139.09	113.10	149.93	105.28
28-Aug	134.60	156.42	151.80	138.44	112.63	149.63	104.71
29-Aug	133.95	154.75	150.08	136.95	113.75	147.57	105.87
Aug-08	**131.14**	**151.03**	**146.43**	**133.28**	**112.56**	**144.26**	**103.85**
2007							
August	107.98	125.22	123.19	111.73	87.44	121.64	79.91
September	113.20	130.37	128.04	117.14	92.78	127.74	83.27
October	115.71	136.49	134.29	122.12	91.10	134.36	81.67
November	114.43	133.32	131.00	119.87	92.59	127.80	84.28
December	118.16	140.12	137.58	125.93	91.39	135.08	84.62
2008							
January	122.33	142.66	139.86	127.93	99.21	138.52	91.70
February	138.82	159.90	157.29	143.78	115.45	155.83	108.17
March	136.17	151.64	149.89	136.41	121.92	146.75	113.77
April	126.55	142.04	140.70	127.67	111.29	136.23	103.48
May	126.76	143.60	141.95	129.52	108.88	137.03	100.89
June	130.51	149.15	146.15	133.65	111.34	143.59	102.98
July	132.78	151.18	147.36	134.88	115.23	144.31	106.49
August	131.14	151.03	146.43	133.28	112.56	144.26	103.85
annual averages							
2000	64.24	102.60	87.07	79.86	41.41	94.58	40.11
2001	45.59	72.05	62.28	50.70	27.55	58.86	23.92
2002	47.74	64.91	61.54	45.25	30.02	57.02	25.88
2003	51.91	65.33	64.20	50.31	36.95	65.24	34.11
2004	62.15	81.44	80.47	68.97	35.99	79.53	32.84
2005	89.36	115.73	114.86	102.29	50.55	111.38	46.80
2006	95.75	116.80	114.40	103.92	67.55	112.30	59.77
2007	107.68	125.57	123.55	111.79	86.60	121.83	78.56
% change between Aug-08 and Jul-08							
	-1.23	-0.10	-0.63	-1.18	-2.32	-0.03	-2.47
% change between Aug-08 and Aug-07							
	21.45	20.61	18.86	19.29	28.73	18.59	29.96
% change between Aug-08 and 2007 average							
	21.79	20.28	18.52	19.22	29.97	18.41	32.20
volatility (%)							
Jan-08	0.86	0.99	1.01	1.02	0.96	1.41	0.98
Feb-08	1.34	1.15	1.15	1.26	1.86	1.51	1.88
Mar-08	2.66	2.68	2.74	2.81	3.23	3.02	3.37
Apr-08	1.39	1.57	1.54	1.58	1.44	2.02	1.77
May-08	1.15	1.29	1.32	1.23	1.54	2.01	1.54
Jun-08	1.58	1.69	1.69	1.68	1.58	2.02	1.78
Jul-08	1.32	1.21	1.22	1.25	1.71	1.75	1.90
Aug-08	**1.31**	**1.27**	**1.31**	**1.30**	**1.79**	**1.64**	**1.82**

*Average of 2^{nd} and 3^{rd} positions

Table 2: Production in selected exporting countries

Crop year commencing	2004	2005	2006	2007	% change 2007&2006
TOTAL	**115 313**	**109 080**	**126 425**	**118 205**	**-6.50**
Africa	***14 347***	***12 920***	***15 039***	***14 467***	***-3.80***
Cameroon	727	849	827	795	-3.91
Côte d'Ivoire	2 301	1 962	2 847	1 500	-47.32
Ethiopia	4 568	4 003	4 636	5 733	23.67
Kenya	756	625	822	685	-16.67
Tanzania	763	721	750	833	11.10
Uganda	2 593	2 159	2 600	2 750	5.76
Others	2 639	2 601	2 557	2 171	-15.06
Arabicas	*7 675*	*6 469*	*7 345*	*8 185*	11.43
Robustas	*6 672*	*6 451*	*7 695*	*6 283*	-18.35
Asia & Oceania	***28 733***	***29 025***	***33 196***	***31 435***	***-5.30***
India	4 592	4 396	5 079	4 850	-4.51
Indonesia	7 536	8 659	6 650	6 446	-3.06
Papua New Guinea	998	1 268	807	972	20.38
Thailand	884	999	766	920	20.09
Vietnam	14 174	13 542	19 340	17 500	-9.51
Others	548	161	554	747	34.74
Arabicas	*3 542*	*3 661*	*3 246*	*3 396*	4.61
Robustas	*25 191*	*25 364*	*29 950*	*28 039*	-6.38
Mexico & Central America	***15 814***	***17 383***	***17 110***	***18 738***	***9.52***
Costa Rica	1 887	1 778	1 580	1 879	18.92
El Salvador	1 437	1 502	1 372	1 476	7.61
Guatemala	3 703	3 676	3 950	4 000	1.26
Honduras	2 575	3 204	3 461	3 833	10.75
Mexico	3 867	4 225	4 200	4 500	7.13
Nicaragua	1 130	1 718	1 300	1 750	34.63
Others	1 215	1 281	1 246	1 300	4.34
Arabicas	*15 799*	*17 247*	*16 975*	*18 593*	9.54
Robustas	*15*	*136*	*135*	*145*	7.68
South America	***56 419***	***49 751***	***61 080***	***53 564***	***-12.31***
Brazil	39 272	32 944	42 512	36 070	-15.15
Colombia	12 033	12 329	12 163	12 400	1.95
Ecuador	938	1 120	1 167	1 104	-5.34
Others	4 176	3 359	5 239	3 990	-23.84
Arabicas	*48 675*	*40 090*	*51 273*	*42 313*	-17.48
Robustas	*7 743*	*9 661*	*9 808*	*11 252*	14.72
TOTAL	**115 313**	**109 080**	**126 425**	**118 205**	**-6.50**
Colombian Milds	13 345	13 401	13 450	13 618	1.25
Other Milds	25 098	25 471	27 127	27 612	1.79
Brazilian Naturals	37 249	28 597	38 262	31 256	-18.31
Robustas	39 621	41 612	47 587	45 719	-3.93
Arabicas	75 692	67 468	78 838	72 486	-8.06
Robustas	39 621	41 612	47 587	45 719	-3.93
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	
Colombian Milds	11.57	12.29	10.64	11.52	
Other Milds	21.77	23.35	21.46	23.36	
Brazilian Naturals	32.30	26.22	30.26	26.44	
Robustas	34.36	38.15	37.64	38.68	
Arabicas	65.64	61.85	62.36	61.32	
Robustas	34.36	38.15	37.64	38.68	

In thousand bags

Market fundamentals

In August the Brazilian authority CONAB revised its estimate of production in crop year 2008/09 to 45.85 million bags, representing a slight increase of 0.67% in relation to the estimate previously published in May 2008. Production in crop year 2008/09 will be the largest since the crop of 48.48 million bags recorded in 2002/03. Although crop year 2008/09 is a year of high production in Brazil’s two-year cycle, the production prospects for crop year 2009/10 will be much lower. Export commitments in 2008 and 2009 will need to be planned with some caution. My estimate of **world production** for crop year 2008/09 is now around 131 million bags.

With regard to crop year 2007/08, world production remains unchanged at 118.2 million bags, a fall of 6.5% compared to production in crop year 2006/07 (Table 2).

The total volume of **exports** in July was 7.97 million bags, representing a fall of 5.76% compared to 8.46 million bags in June 2008 (Table 3). Exports during the first seven months of calendar year 2008 totalled 57.6 million bags compared to 59.3 million bags for the same period in 2007, representing a fall of 2.81% (Table 4).

Table 3: Total exports of all forms of coffee by month (April – July 2008)

	Apr	May	Jun	Jul
TOTAL	**8.78**	**8.09**	**8.46**	**7.97**
Colombian Milds	1.07	0.99	1.06	0.97
Other Milds	2.26	2.31	2.53	2.11
Brazilian Naturals	2.50	2.04	1.96	1.99
Robustas	2.94	2.75	2.90	2.90
Arabicas	5.84	5.34	5.56	5.07
Robustas	2.94	2.75	2.90	2.90

In million bags

Table 4: Total exports of all forms of coffee (January – July 2007 and 2008)

Country of origin	2007	2008	% change
TOTAL	**59 266**	**57 598**	**-2.81**
Colombian Milds	***7 035***	***7 569***	***7.59***
Other Milds	***13 832***	***14 809***	***7.07***
Brazilian Naturals	***16 996***	***15 220***	***-10.44***
Robustas	***21 403***	***20 000***	***-6.56***
Angola	3	4	59.86
Benin	0	0	
Bolivia	52	29	-43.03
Brazil	15 924	14 873	-6.60
Burundi	252	81	-67.79
Cameroon	543	385	-29.12
Central African Republic	69	42	-39.19
Colombia	6 149	6 743	9.65
Congo, Dem. Rep. of	118	121	2.23
Congo, Rep. of	0	0	
Costa Rica	1 092	1 007	-7.77
Côte d'Ivoire	1 609	1 098	-31.74
Cuba	14	4	-73.26
Dominican Republic	50	53	4.84
Ecuador	479	446	-6.94
El Salvador	901	1 132	25.69
Ethiopia	1 877	1 993	6.22
Gabon	-	0	-100.00
Ghana	25	8	-69.49
Guatemala	2 809	3 029	7.84
Guinea	245	249	1.49
Haiti	12	11	-11.52
Honduras	2 684	2 851	6.21
India	2 201	2 042	-7.26
Indonesia	1 972	2 894	46.73
Jamaica	14	14	-0.23
Kenya	482	398	-17.56
Madagascar	36	57	59.00
Malawi	3	7	167.66
Mexico	2 010	1 715	-14.67
Nicaragua	838	1 065	27.16
Nigeria	5	4	-17.01
Panama	78	73	-6.64
Papua New Guinea	397	567	42.75
Paraguay	12	5	-58.67
Peru	1 163	1 425	22.51
Philippines	23	11	-54.63
Rwanda	70	127	81.43
Sierra Leone	13	16	18.93
Sri Lanka	1	0	-100.00
Tanzania	562	534	-4.91
Thailand	264	108	-58.98
Togo	118	100	-14.85
Trinidad and Tobago	-	0	-100.00
Uganda	1 639	2 030	23.86
Venezuela	39	25	-35.48
Vietnam	12 374	10 170	-17.81
Zambia	26	30	16.74
Zimbabwe	17	22	29.38

In thousand bags

Exports for the first ten months of coffee year 2007/08 (October 2007 – July 2008) totalled 79.34 million bags compared to 82.83 million bags for the same period in coffee year 2006/07, representing a fall of 4.21% (Table 5).

Table 5: Total exports of all forms of coffee (October – July 2006/07 and 2007/08)

	2006/07	2007/08	% change
TOTAL	**82.83**	**79.34**	**-4.21**
Colombian Milds	10.34	11.06	6.97
Other Milds	17.96	18.50	2.98
Brazilian Naturals	25.25	22.50	-10.90
Robustas	29.29	27.29	-6.80
Arabicas	53.55	52.05	-2.80
Robustas	29.29	27.29	-6.80

In million bags

The value of exports in calendar year 2007 is estimated at US$12.7 billion for a volume of exports totalling 96 million bags compared to US$10.8 billion for a volume of 92 million bags in 2006.

The preliminary estimate of **world consumption** in calendar year 2007 is around 124.7 million bags compared to 121.1 million bags in 2006, an increase of 2.93% (Graph 6 and Table 6). If current growth rates continue, world consumption could increase to around 128 million bags in 2008.

Graph 6: World consumption (Calendar years 2003 – 2007)

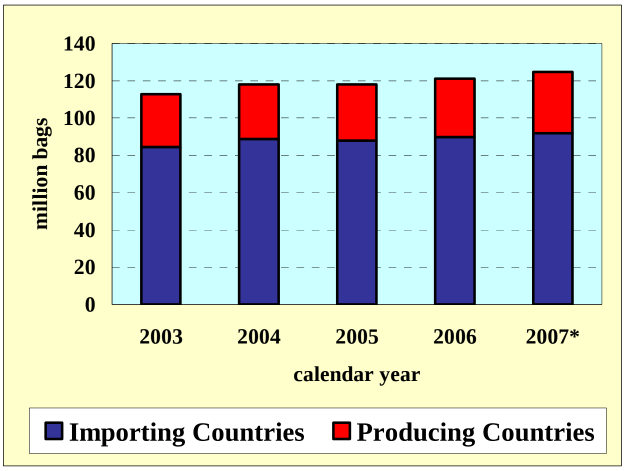


Table 6: World consumption (Calendar years 2003-2007)

	2003	2004	2005	2006	2007*
WORLD TOTAL	**112 727**	**118 063**	**118 113**	**121 147**	**124 699**
Producing Countries	***28 189***	***29 238***	***30 164***	***31 370***	***32 900***
Brazil	14 088	14 763	15 363	16 100	16 900
Mexico	1 500	1 500	1 556	1 794	2 050
Indonesia	1 958	2 000	2 000	2 000	2 000
Ethiopia	1 833	1 833	1 833	1 833	1 833
Colombia	1 400	1 400	1 400	1 400	1 400
India	1 142	1 188	1 272	1 337	1 360
Philippines	873	917	917	917	989
Vietnam	500	500	500	604	938
Venezuela	693	700	703	723	760
Others	4 203	4 438	4 621	4 662	4 671
Importing Countries	***84 539***	***88 824***	***87 949***	***89 777***	***91 799***
European Community	***39 732***	***41 073***	***39 276***	***40 941***	***40 610***
Germany	9 499	10 445	8 665	9 151	8 624
Italy	5 507	5 469	5 552	5 593	5 799
France	5 394	4 929	4 787	5 278	5 601
Spain	2 740	2 705	3 007	3 017	3 198
United Kingdom	2 236	2 458	2 680	3 059	2 824
Netherlands	1 743	1 978	1 927	2 129	2 360
Poland	2 242	2 281	2 267	1 953	1 531
Sweden	1 178	1 234	1 170	1 315	1 244
Belgium	1 575	1 281	1 158	1 537	1 103
Finland	966	1 034	1 102	1 047	1 057
Greece	929	871	870	857	1 015
Others	5 724	6 387	6 091	6 007	6 255
USA	20 193	20 973	20 998	20 667	21 046
Japan	6 770	7 117	7 128	7 268	7 282
Other Importing Countries	***17 844***	***19 661***	***20 547***	***20 900***	***22 860***
Russian Federation	3 582	3 086	3 212	3 263	4 055
Canada	2 146	2 747	2 794	3 098	3 535
Algeria	1 752	2 159	1 892	1 836	1 968
Korea, Republic of	1 305	1 401	1 394	1 437	1 425
Ukraine	647	739	1 025	968	1 057
Australia	873	864	1 039	992	1 031
Others	7 538	8 664	9 190	9 306	9 790

* Preliminary
In thousand bags

Tables 7 and 8 show per capita consumption in selected exporting and importing countries. Retail prices in selected importing countries are shown in Table 9. Given the firmness of green coffee prices on the one hand and inflation caused by increases in energy prices on the other, it is likely that we will continue to see further increases in retail prices in most importing countries.

Table 7: Per capita consumption in selected exporting countries (Calendar years 2003 –2007)

	2003	2004	2005	2006	2007
Brazil	4.65	4.81	4.93	5.10	5.29
Costa Rica	3.40	4.17	5.04	4.77	4.21
Honduras	1.83	1.86	2.02	1.98	2.43
Dominican Republic	2.22	2.31	2.39	2.36	2.32
Haiti	2.27	2.23	2.19	2.16	2.13
Nicaragua	2.10	2.12	2.09	2.06	2.06
El Salvador	1.42	1.44	1.62	1.85	1.94
Colombia	1.92	1.90	1.87	1.84	1.82
Venezuela	1.61	1.60	1.58	1.59	1.68
Madagascar	1.03	1.43	1.50	1.46	1.46
Guatemala	1.49	1.45	1.42	1.38	1.35
Ethiopia	1.47	1.43	1.39	1.36	1.32
Panama	1.29	1.26	1.24	1.22	1.22
Cuba	1.20	1.20	1.20	1.20	1.20
Mexico	0.88	0.87	0.90	1.02	1.17
Côte d'Ivoire	1.06	1.04	1.02	1.00	0.99
Philippines	0.65	0.66	0.65	0.64	0.69
Ecuador	0.70	0.70	0.69	0.68	0.67
Vietnam	0.37	0.37	0.36	0.43	0.67
Indonesia	0.53	0.54	0.53	0.52	0.52

In kilogrammes

Table 8: Per capita consumption in selected importing countries (Calendar years 2003 – 2007)

	2003	2004	2005	2006	2007
Algeria	3.30	4.00	3.46	3.30	3.49
Australia	2.64	2.58	3.07	2.90	2.98
Canada	4.07	5.16	5.20	5.71	6.45
European Community	**4.89**	**5.04**	**4.81**	**5.00**	**4.94**
Austria	5.26	7.24	5.59	4.41	6.08
Belgium	9.16	7.42	6.68	8.84	6.33
Bulgaria	3.04	2.81	3.33	3.28	2.86
Cyprus	3.89	4.32	4.97	3.92	4.89
Czech Republic	3.66	3.56	3.87	3.72	4.00
Denmark	8.06	9.43	8.80	9.09	8.75
Estonia	5.08	5.71	6.48	7.48	4.53
Finland	11.10	11.87	12.60	11.94	12.01
France	5.37	4.88	4.71	5.16	5.45
Germany	6.90	7.58	6.29	6.64	6.26
Greece	5.04	4.72	4.70	4.62	5.46
Hungary	3.82	4.20	3.39	3.57	3.09
Ireland	2.27	3.31	3.23	2.88	3.41
Italy	5.67	5.61	5.68	5.71	5.91
Latvia	4.08	4.03	3.76	4.74	3.44
Lithuania	3.01	3.44	3.38	3.76	4.07
Luxembourg	12.07	15.67	11.66	13.49	16.65
Malta	1.58	2.33	2.44	4.32	2.33
Netherlands	6.46	7.30	7.08	7.80	8.62
Poland	3.51	3.58	3.56	3.07	2.41
Portugal	3.78	3.90	3.74	3.85	4.30
Romania	2.08	2.26	2.38	2.33	2.30
Slovakia	3.18	3.15	3.26	3.13	3.97
Slovenia	5.02	5.55	5.44	5.27	5.85
Spain	3.91	3.79	4.16	4.12	4.33
Sweden	7.89	8.22	7.76	8.69	8.19
United Kingdom	2.25	2.46	2.67	3.03	2.79
Japan	3.18	3.34	3.34	3.41	3.41
Korea, Republic of	1.65	1.76	1.75	1.79	1.77
Norway	8.95	9.23	9.61	9.27	9.85
Russian Federation	1.48	1.28	1.34	1.37	
Switzerland	6.95	5.86	8.89	7.51	7.93
Ukraine	0.82	0.94	1.31	1.25	
USA	4.12	4.24	4.20	4.09	4.13

In kilogrammes

Table 9: Retail price of roasted coffee in selected importing countries

	December			% change
	2005	**2006**	**2007**	**2007&2006**
European Community				
Austria	379.65	414.70	454.99	**9.71%**
Belgium	399.01	460.24	523.76	**13.80%**
Cyprus	506.70	559.86	609.16	**8.80%**
Denmark	420.68	463.80	512.24	**10.44%**
Finland	281.78	306.83	345.21	**12.51%**
France	271.03	326.01	375.63	**15.22%**
Germany	405.46	443.46	474.82	**7.07%**
Italy	590.99	664.00	759.18	**14.34%**
Latvia	390.87	445.92	536.41	**20.29%**
Luxembourg	587.22	743.10	719.51	**-3.17%**
Malta 1/	986.41	1 157.65	1295.77	**11.93%**
Netherlands	357.07	417.10		
Poland	260.01	304.20	419.99	**38.06%**
Portugal	458.16	485.41	541.61	**11.58%**
Slovakia	272.74	344.51	430.17	**24.86%**
Slovenia	371.18	429.74	495.98	**15.42%**
Spain	314.05	371.55	415.31	**11.78%**
Sweden	285.20	352.78	370.07	**4.90%**
United Kingdom 1/	1 448.91	1 781.61	1 808.51	**1.51%**
Japan	732.16	865.52	872.85	**0.85%**
Norway	369.34	396.25	478.99	**20.88%**
Switzerland	561.22			
USA	323.50	311.30	368.50	**18.37%**

In US cents per lb
1/ Soluble coffee

In conclusion, it should be noted that, despite the large volume of total production in crop year 2008/09, the growth of consumption and restrictions in the flow of exports continue to support firm prices. It will be important to monitor the US dollar exchange rate in coming months. If the recent trend in appreciation in the dollar is maintained, pressure on costs of production and farm upkeep will be reduced in the medium term.