



January 2016

Robusta prices fall to five and a half year low

The coffee market dropped to a two-year low in January, primarily driven by falling Robusta prices. Exports for the first quarter of coffee year 2015/16 were 2.6% higher than last year on 26.9 million bags, with minimal supply concerns at this time. Conab have released their first estimate of coffee production in Brazil for the upcoming crop year 2016/17, which is provisionally expected to recover to the record volumes of 2012/13 and 2013/14, following two years of lower output. This may also be putting downward pressure on prices.

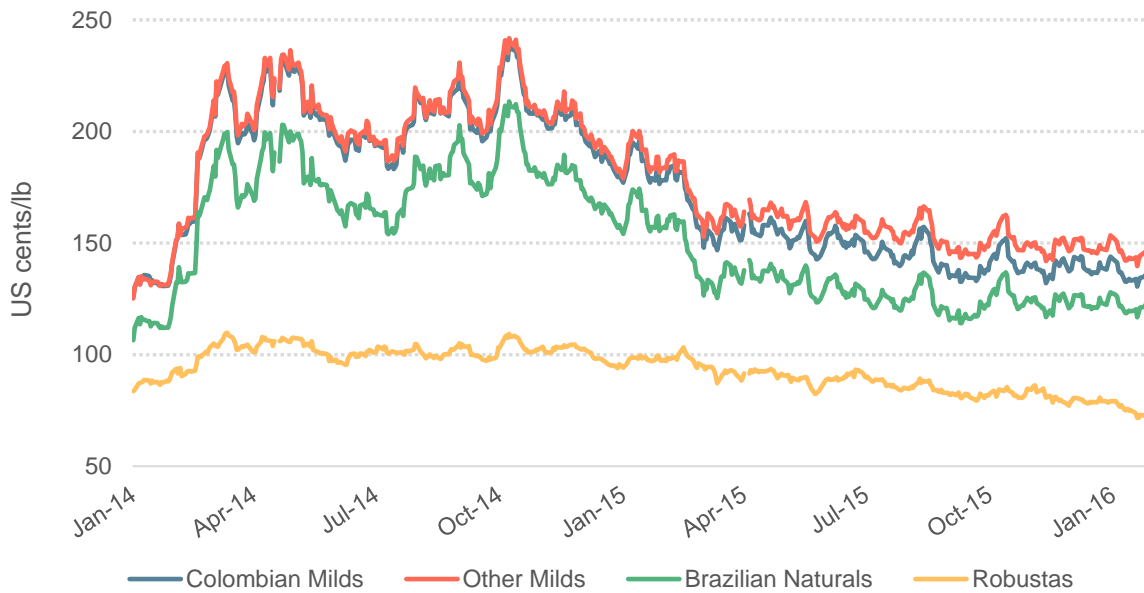
Graph 1: ICO composite indicator daily prices



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Coffee prices fell further in January, with the monthly average of the ICO composite indicator down by 3.3% to 110.89 cents, its lowest level since January 2014. The daily price dropped to a minimum of 106.74 cents on the 20th January, which is the lowest daily level since the 2nd January 2014. This dip coincided with a broader rout in commodity prices, led by the collapse in oil prices. Coffee prices recovered slightly towards the end of the month, but remain at very low levels.

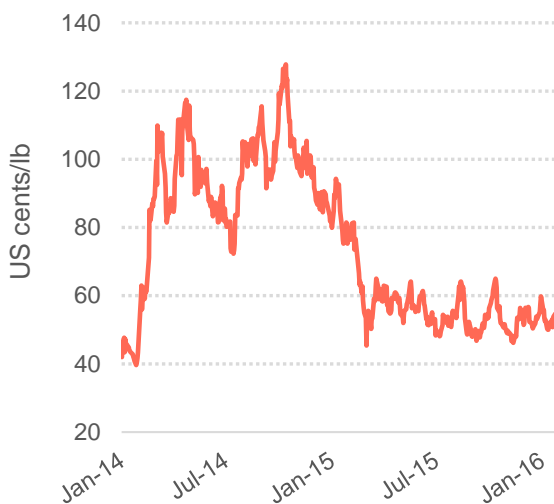
Graph 2: ICO group indicator daily prices



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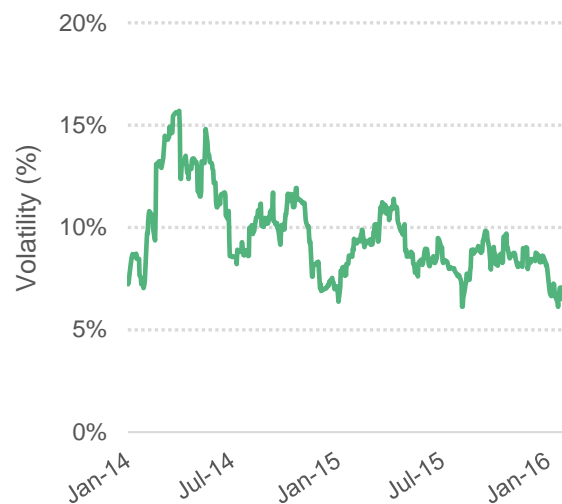
This decline in the market was most pronounced in the Robusta group, which fell by 5.8% to 74.71 cents, its lowest monthly level since May 2010. This has been attributed to higher supply anticipated from Vietnam, with the new crop shortly to come to market and significant carryover stocks expected from last year's crop. The three Arabica groups also fell, with Colombian Milds, Other Milds and Brazilian Naturals down by 3.3%, 2.4% and 2% respectively, with the supply outlook also looking positive.

Graph 3: Arbitrage between New York and London futures markets



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

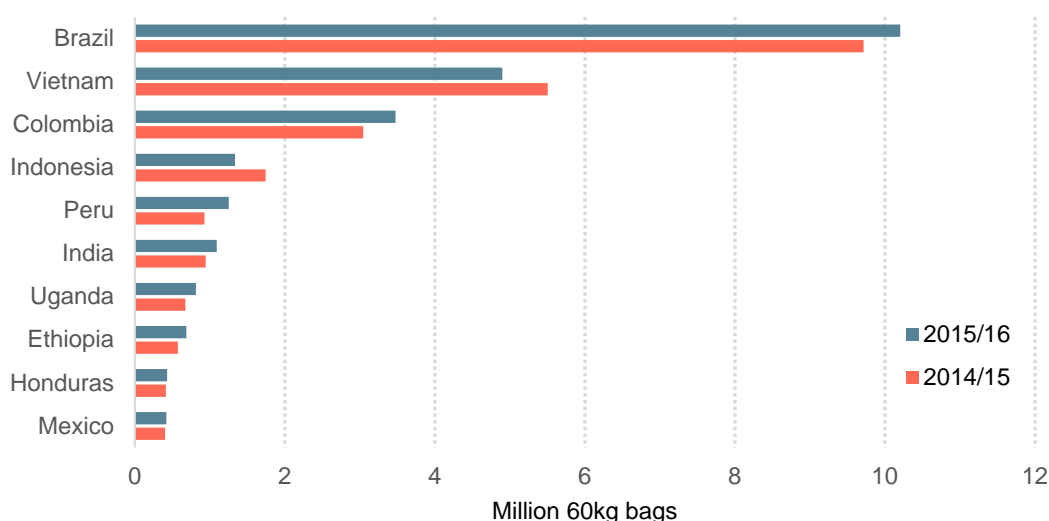


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Total exports in December 2015 came to 9.3 million bags, 1.3% more than December 2014. This brings exports for the first quarter of coffee year 2015/16 (October to December) to 26.9 million bags, up 2.6% compared to the same period last year. Shipments of Arabica coffee were up by 11% to 17.6 million, with the biggest increase found in Colombian Milds, as Colombia shipped 3.5 million bags of coffee, its highest volume for the quarter since 2001/02. Other Milds were also up by 11.7% and Brazilian Naturals by 9.6%.

Exports of Robusta, on the other hand, are estimated lower by 10.1% compared to last year, with exports from the two largest origins, Vietnam and Indonesia, estimated down by 11% and 23.4% respectively. However, exports from Vietnam have started to pick up, with the 2 million bags estimated in December the highest monthly volume since March 2015.

Graph 5: October to December exports by selected countries



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In terms of production, the Brazilian coffee authorities Conab have released their first forecast of coffee production for crop year 2016/17, which starts in April. According to this initial estimate, output could recover strongly from 43.2 million bags in 2015/16 to between 49.1 million and 51.9 million bags. The upper end of this range would represent a record crop for Brazil, higher than the 50.8 million produced in 2012/13. Arabica production is provisionally up by between 17.8% and 24.4%, which has been attributed to favourable climatic conditions, and the fact that 2016/17 is an on-year in Brazil's biennial production cycle. Robusta is up more modestly by between 1.8% and 8%, which would still be lower than the level in 2012/13.

Finally, world consumption in calendar year 2014 has been revised up slightly to 150.2 million bags, as domestic consumption in some exporting countries, particularly those in Asia, was adjusted higher.

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							
Jan-15	148.24	185.26	190.00	163.50	98.01	173.19	89.33
Feb-15	141.10	174.11	178.89	151.90	98.36	159.55	89.76
Mar-15	127.04	154.29	160.74	133.55	92.16	139.70	82.94
Apr-15	129.02	157.06	164.00	136.70	92.06	141.79	82.71
May-15	123.49	150.19	158.48	130.38	87.56	135.22	78.03
Jun-15	124.97	152.02	159.76	130.51	90.25	135.86	80.25
Jul-15	119.77	144.52	154.45	123.64	87.12	128.59	77.16
Aug-15	121.21	146.96	156.92	127.24	85.78	132.42	76.25
Sep-15	113.14	135.55	146.15	117.83	81.50	121.66	71.53
Oct-15	118.43	143.10	153.25	127.47	82.78	129.45	72.89
Nov-15	115.03	138.63	147.98	122.95	81.74	122.35	72.04
Dec-15	114.63	139.89	148.66	123.73	79.28	123.77	70.02
Jan-16	110.89	135.21	145.03	121.21	74.71	120.20	65.67
% change between Jan-16 and Dec-15							
	-3.3%	-3.3%	-2.4%	-2.0%	-5.8%	-2.9%	-6.2%
Volatility (%)							
Dec-15	5.4	6.6	5.4	6.8	4.1	7.5	4.0
Jan-16	5.9	6.2	6.2	6.8	5.7	7.3	5.7
Variation between Jan-16 and Dec-15							
	0.6	-0.4	0.7	-0.1	1.6	-0.3	1.7

* 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*
Jan-15	-4.74	21.76	87.25	26.50	91.99	65.49	83.86
Feb-15	-4.78	22.21	75.75	26.99	80.53	53.54	69.79
Mar-15	-6.45	20.74	62.13	27.19	68.58	41.39	56.76
Apr-15	-6.94	20.36	65.00	27.30	71.94	44.64	59.08
May-15	-8.29	19.81	62.63	28.10	70.92	42.82	57.19
Jun-15	-7.74	21.51	61.77	29.25	69.51	40.26	55.61
Jul-15	-9.93	20.88	57.40	30.81	67.33	36.52	51.43
Aug-15	-9.96	19.72	61.18	29.68	71.14	41.46	56.17
Sep-15	-10.60	17.72	54.05	28.32	64.65	36.33	50.13
Oct-15	-10.15	15.63	60.32	25.78	70.47	44.69	56.56
Nov-15	-9.35	15.68	56.89	25.03	66.24	41.21	50.31
Dec-15	-8.77	16.16	60.61	24.93	69.38	44.45	53.75
Jan-16	-9.82	14.00	60.50	23.82	70.32	46.50	54.53
% change between Jan-16 and Dec-15							
	12.0%	-13.4%	-0.2%	-4.5%	1.4%	4.6%	1.5%

* Average price for 2nd and 3rd positions

Table 3: Total production in exporting countries

Crop year commencing	2012	2013	2014	2015	% change 2014-15
TOTAL	147 953	146 615	141 376	143 371	1.4%
Arabicas	88 471	87 001	84 397	84 309	-0.1%
<i>Colombian Milds</i>	11 523	13 488	14 549	14 853	2.1%
<i>Other Milds</i>	29 017	26 822	25 896	27 244	5.2%
<i>Brazilian Naturals</i>	47 930	46 690	43 953	42 211	-4.0%
Robustas	59 482	59 614	56 978	59 062	3.7%
Africa	16 668	16 271	16 085	17 074	6.1%
Asia & Oceania	45 681	46 527	44 623	46 589	4.4%
Mexico & Central America	18 481	16 585	17 390	18 462	6.2%
South America	67 122	67 233	63 278	61 246	-3.2%

In thousand bags

Full production data are available on the ICO website at www.ico.org/trade_statistics.asp

Table 4: Total exports by exporting countries

	December 2014	December 2015	% change	October - December		
				2014/15	2015/16	% change
TOTAL	9 184	9 307	1.3%	26 207	26 895	2.6%
Arabicas	5 283	5 980	13.2%	15 842	17 578	11.0%
<i>Colombian Milds</i>	1 164	1 303	11.9%	3 328	3 782	13.6%
<i>Other Milds</i>	1 217	1 500	23.3%	3 566	3 984	11.7%
<i>Brazilian Naturals</i>	2 902	3 177	9.5%	8 949	9 812	9.6%
Robustas	3 900	3 327	-14.7%	10 365	9 317	-10.1%

In thousand bags

Full 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

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
New York	2.55	2.56	2.60	2.56	2.41	2.43	2.38	2.36	2.28	2.15	2.08	1.95	1.82
London	2.35	2.55	2.84	2.93	3.02	3.12	3.35	3.43	3.43	3.37	3.35	3.31	3.23

In million bags

Table 6: World coffee consumption

Calendar years	2011	2012	2013	2014	CAGR (2011-2014)
World total	139.4	143.2	147.9	150.2	2.5%
Exporting countries	42.8	44.3	45.3	46.3	2.6%
Traditional markets	77.6	78.4	80.9	81.9	1.8%
Emerging markets	19.0	20.5	21.7	22.0	4.9%

CAGR: Compound Annual Growth Rate

In thousand bags

Full consumption statistics are available on the ICO website at www.ico.org/trade_statistics.asp