



December 2015

## Coffee prices maintain downward trend as 2015/16 production estimates show slight recovery

*The coffee market fell again in December 2015, reaching its second lowest monthly average of the year. This decrease was entirely attributable to the drop in Robusta prices over the course of the month. Our first estimate of coffee production in crop year 2015/16 comes to 143.4 million bags, a slight 1.4% recovery compared to 2014/15, which has been revised lower to 141.4 million. Lower production in Brazil as estimated by Conab has been compensated by increases provisionally estimated in Vietnam, Colombia and Indonesia, among others.*

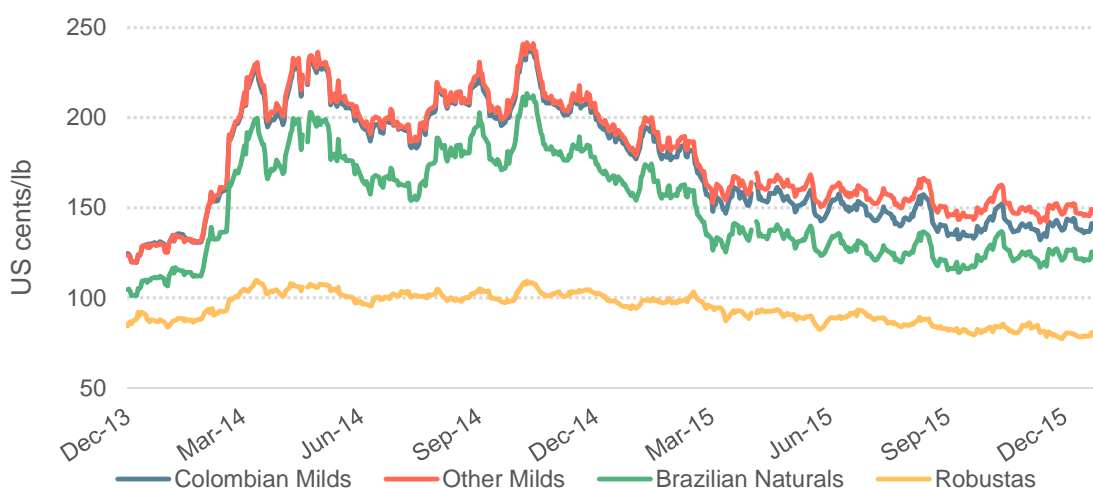
Graph 1: ICO composite indicator daily prices



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The downward trend in the coffee market over the last 15 months continued in December, although the rate of decline slowed. The monthly average of the ICO composite settled on 114.63 US cents/lb, down by 0.3% compared to November. This is nearly 24% lower than its level in December 2014, albeit 7.6% higher than December 2013. Over the last six months, coffee prices have remained in a relatively narrow range between 110 and 130 cents, whereas the first six months of 2015 saw a much greater range of 115 to 155 cents.

Graph 2: ICO group indicator daily prices



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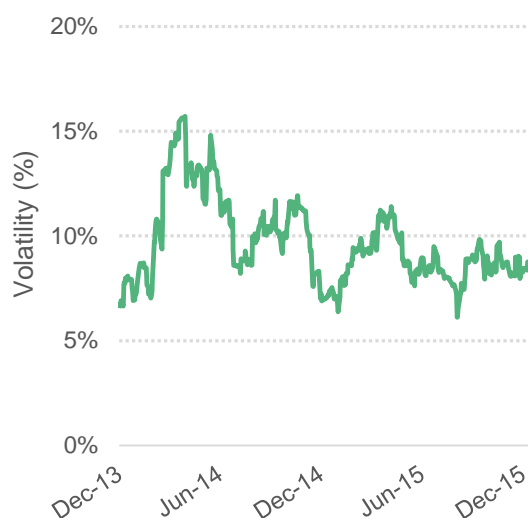
The performance of the four group indicator prices was quite different, as the three Arabica groups saw minor increases of between 0.5 and 0.9%, while Robusta was down by 3%. The monthly average of the Robustas indicator came to 79.28 US cents/lb, which is its lowest level since June 2010. As a result, the arbitrage between Arabica and Robusta has increased to 53.75 cents, up 6.8% compared to November.

Graph 3: Arbitrage between New York and London futures markets



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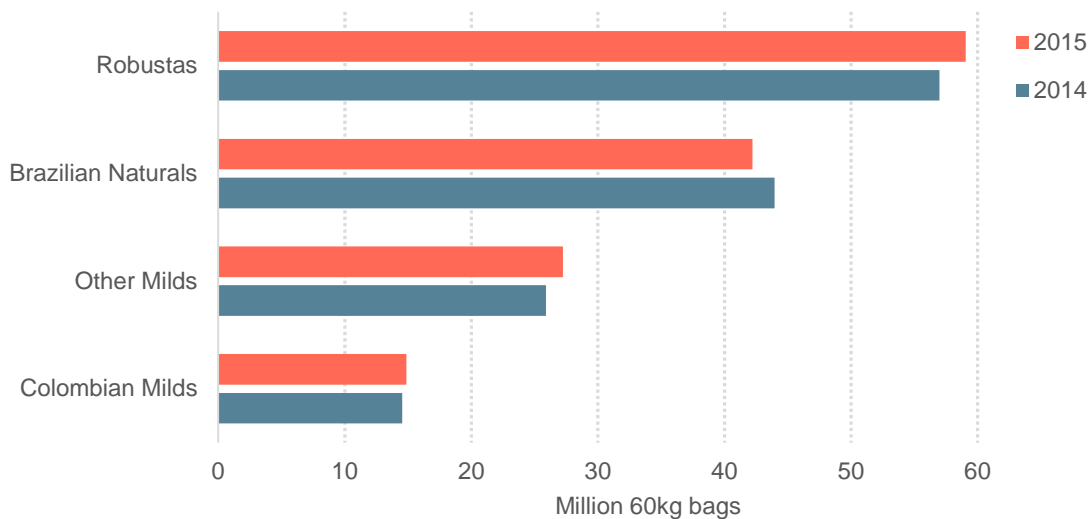
Graph 4: Rolling 30-day volatility of the ICO composite indicator price



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World coffee production in 2015/16 is provisionally estimated at around 143.4 million bags, representing a recovery of 1.4% compared to 2014/15, which has been revised down to 141.4 million bags. Total production of Arabica is relatively unchanged on 84.3 million bags compared to 84.4 million last year, as lower production of Brazilian Naturals is matched by increases in Colombian Milds and Other Milds. A significant increase of 3.7% is expected in Robustas, with both Vietnam and Indonesia provisionally estimated higher.

Graph 5: World coffee production by group



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The Brazilian coffee agency Conab has updated its estimate of output in 2015/16 from 42.1 million bags to 43.2 million, which is still down from the revised 2014/15 figure of 45.6 million bags. This would be Brazil's smallest crop since 2009/10. The Robusta crop is the most affected, down by 14.2% to 11.2 million bags, while Arabica is down by 1.7% to 32 million bags.

Production in Vietnam has been revised down to 26.5 million bags for 2014/15, given the low exports recorded over the course of the year, although this would still imply a significant stock build up. Output in the current crop year is provisionally estimated to increase to 27.5 million bags.

Output in Colombia continues to increase, with production in the first quarter of 2015/16 already 25.5% higher than the same period last year. Total production in 2015/16 is provisionally estimated at 13.5 million bags, although if the current trend continues this could be revised higher.

In Indonesia, an increase of 6.1% to 11 million bags is provisionally expected, while Ethiopia is estimated down 3.4% to 6.4 million bags. The Coffee Board of India has indicated in its post-monsoon forecast that it expects production to increase by 7% to 5.8 million bags, with a similar increase expected in Honduras to 5.8 million bags.

The Uganda Coffee Development Authority has reported that it is expecting a significant 27% increase in Ugandan coffee production in 2015/16 to 4.8 million bags due to increased planting. In Mexico, production is estimated at 3.9 million bags in 2015/16, while output in 2014/15 has been revised down to 3.6 million, and in Guatemala a slight increase is expected of 3.4% to 3.4 million bags. Finally, production in Peru is expected to start recovering in 2015/16 to 3.2 million bags, although export volumes so far this year are relatively similar to 2014/15.

Full production statistics for all countries are available on our website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

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

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
<b>Monthly averages</b>							
Dec-14	150.66	190.16	193.60	166.58	98.43	177.82	89.86
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
<b>% change between Dec-15 and Nov-15</b>							
	<b>-0.3%</b>	<b>0.9%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>-3.0%</b>	<b>1.2%</b>	<b>-2.8%</b>
<b>Volatility (%)</b>							
Nov-15	8.0	8.0	7.6	9.7	7.7	9.2	8.5
Dec-15	5.4	6.6	5.4	6.8	4.1	7.5	4.0
<b>Variation between Dec-15 and Nov-15</b>							
	<b>-2.6</b>	<b>-1.5</b>	<b>-2.1</b>	<b>-2.9</b>	<b>-3.6</b>	<b>-1.6</b>	<b>-4.5</b>

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> positions

**Table 2: Price differentials (US cents/lb)**

	Colombian Milds Other Milds	Colombian Milds Brazilian Naturals	Colombian Milds Robustas	Other Milds Brazilian Naturals	Other Milds Robustas	Brazilian Naturals Robustas	New York* London*
Dec-14	-3.44	23.58	91.73	27.02	95.17	68.15	87.96
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
<b>% change between Dec-15 and Nov-15</b>							
	<b>-6.2%</b>	<b>3.1%</b>	<b>6.5%</b>	<b>-0.4%</b>	<b>4.7%</b>	<b>7.9%</b>	<b>6.8%</b>

\* Average price for 2<sup>nd</sup> and 3<sup>rd</sup> positions

**Table 3: Total production in exporting countries**

Crop year commencing	2012	2013	2014	2015	% change 2014-15
<b>TOTAL</b>	<b>147 953</b>	<b>146 615</b>	<b>141 376</b>	<b>143 371</b>	<b>1.4%</b>
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](http://www.ico.org/trade_statistics.asp)

**Table 4: Total exports by exporting countries**

	November 2014	November 2015	% change	October - November		
				2013/14	2014/15	% change
<b>TOTAL</b>	<b>8 317</b>	<b>8 506</b>	<b>2.3%</b>	<b>17 341</b>	<b>17 195</b>	<b>-0.8%</b>
Arabicas	5 096	5 705	11.9%	10 542	11 203	6.3%
<i>Colombian Milds</i>	1 104	1 211	9.6%	2 164	2 479	14.6%
<i>Other Milds</i>	1 164	1 322	13.6%	2 348	2 481	5.6%
<i>Brazilian Naturals</i>	2 828	3 173	12.2%	6 029	6 243	3.5%
Robustas	3 220	2 801	-13.0%	6 799	5 992	-11.9%

In thousand bags

Full trade statistics are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)

**Table 5: Certified stocks on the New York and London futures markets**

	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
New York	2.60	2.55	2.56	2.60	2.56	2.41	2.43	2.38	2.36	2.28	2.15	2.08	1.95
London	2.12	2.35	2.55	2.84	2.93	3.02	3.12	3.35	3.43	3.43	3.37	3.35	3.31

In million bags

**Table 6: World coffee consumption**

Calendar years	2011	2012	2013	2014	CAGR (2011-2014)
<b>World total</b>	<b>139.5</b>	<b>143.1</b>	<b>147.1</b>	<b>149.8</b>	<b>2.4%</b>
Exporting countries	42.8	44.2	44.9	45.6	2.1%
Traditional markets	77.6	78.4	80.9	81.9	1.8%
Emerging markets	19.1	20.5	21.3	22.4	5.4%

CAGR: Compound Annual Growth Rate

In thousand bags

Full consumption statistics are available on the ICO website at [www.ico.org/trade\\_statistics.asp](http://www.ico.org/trade_statistics.asp)