



Coffee Market Rallies to a 12-month High

November 2019 marked the first time in the last 12 months when the ICO Composite Indicator consistently stayed over 100 US cents/lb. The monthly average of the Indicator rose 10.1% to 107.23 US cents/lb amid expectations of a global deficit in coffee year 2019/20, estimated at 502,000 bags. Global exports of coffee in October 2019 fell by 13.4%, to 8.91 million bags, compared to the same month in the previous year. A mix of factors, including unfavourable weather patterns and prolonged low international prices, have contributed to a decline in shipments across all regions.

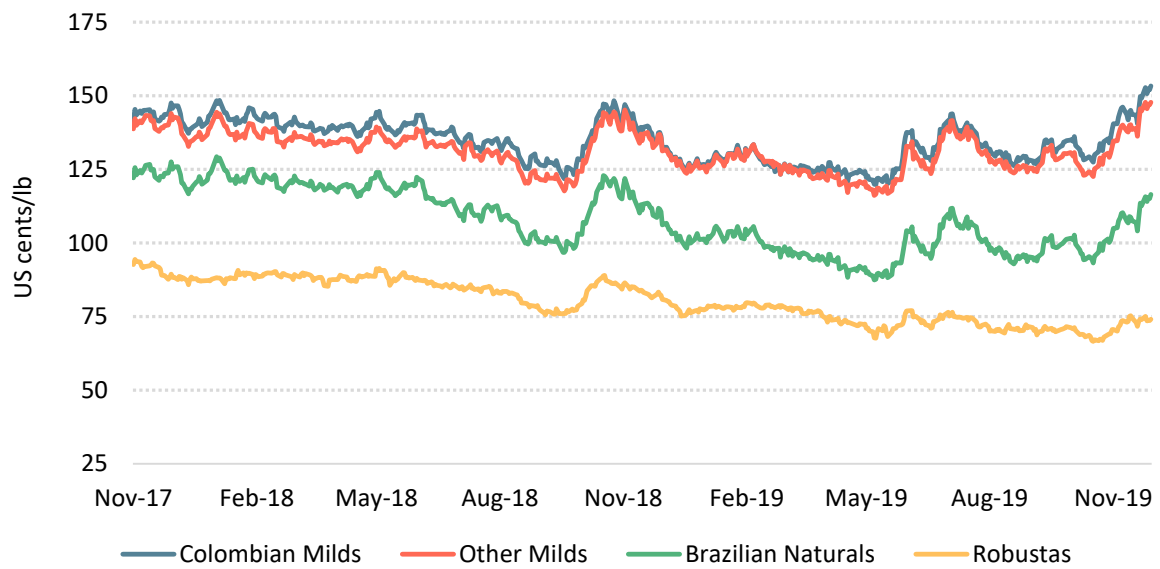
Figure 1: ICO composite indicator daily prices



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The ICO composite indicator rallied in November 2019, reaching a 12-month high, even as the Brazilian Real slumped to a record low against the US Dollar. The daily price of the ICO composite rose from 102.74 US cents/lb at the beginning of November to a high of 111.86 on 25 November 2019, before closing the month at 111.77 US cents/lb. While the daily price has been on an upward trend since mid-October 2019, the November average of 107.23 US cents/lb was 10.1% higher than last month.

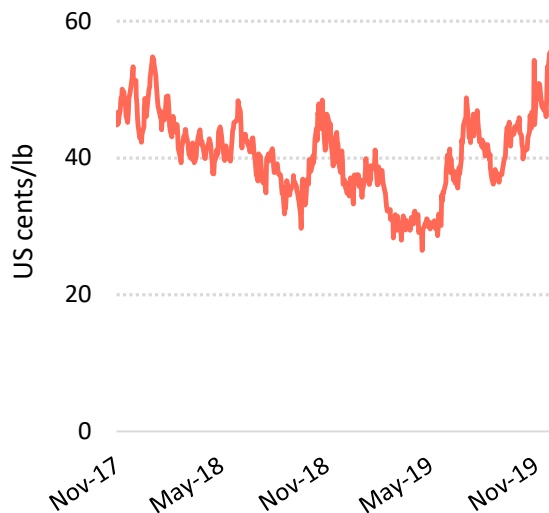
Figure 2: ICO group indicator daily prices



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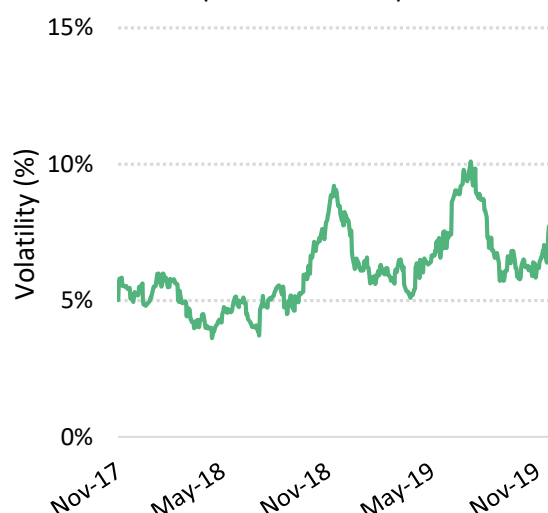
Prices for all group indicators rose in November 2019. Brazilian Naturals saw the largest increase, of 12.1%, to 109.94 US cents/lb, reflecting in part the biennial decline in the production of Brazilian Arabica as well as the weakness of the Brazilian currency. Other Milds rose 11% to 140.98 US cents/lb, while Colombian Milds rose 10.6% to 146.12 US cents/lb. The differential between Colombian Milds and Other Milds continued its ascent in November 2019, rising 0.8% to 5.14 US cents/lb. Prices for Robustas increased 6.8% month-on-month to 73.28 US cents/lb.

Figure 3: Arbitrage between New York and London futures markets



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



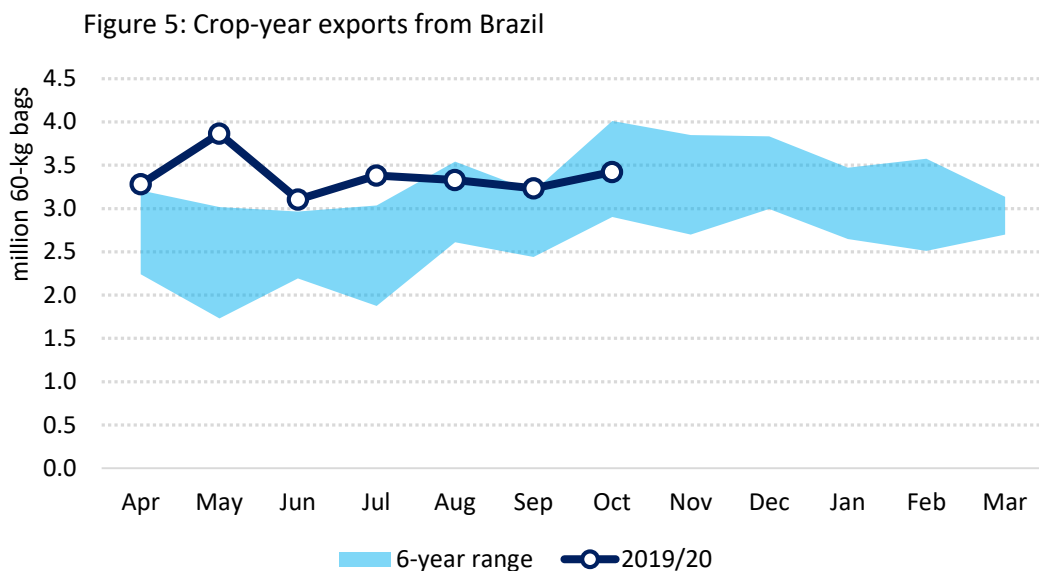
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Arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets, increased sharply to 50.31 US cents/lb, its highest level since January 2017. The New York futures market rose 10.6%, to an average of 113.31 US cents/lb in November 2019, as certified stocks fell to their lowest level since June 2018, while the London futures market climbed 8% to 63 US cents/lb.

The volatility of the ICO composite indicator increased by 0.9 percentage points to 7.1% over the past month. Amongst the Arabica group indicators, the volatility of Colombian Milds saw the biggest increase—of 1.2 percentage points—to 7.2%, while the Other Milds’ and Brazilian Naturals’ volatility increased 0.8 percentage points to 6.9% and 1.1 percentage points to 9.2%, respectively. The Robustas group indicator registered an increase of one percentage point in its volatility, to 6.2%, due to uncertainties over the October-September crop and Brazil’s upcoming 2020/21 crop.

Global exports in October 2019 totalled 8.91 million bags, their lowest monthly level since September 2017. This represents a drop of 13.4% compared to the same period in the previous year, and of 2.4% compared to October 2017. Shipments of Robustas fell 21.6% to 2.82 million bags and Arabicas fell 9% to 6.08 million bags. Other Mild Arabicas saw the largest decline, falling 23.2% to 1.33 million bags, while Brazilian Naturals fell 9.5% to 3.44 million bags. Colombian Milds, conversely, saw an increase of 13.5% to 1.31 million bags compared to October 2018. The depreciation of the Colombian Peso against the US Dollar for much of 2019 could be a contributing factor for higher shipments of Colombian Milds.

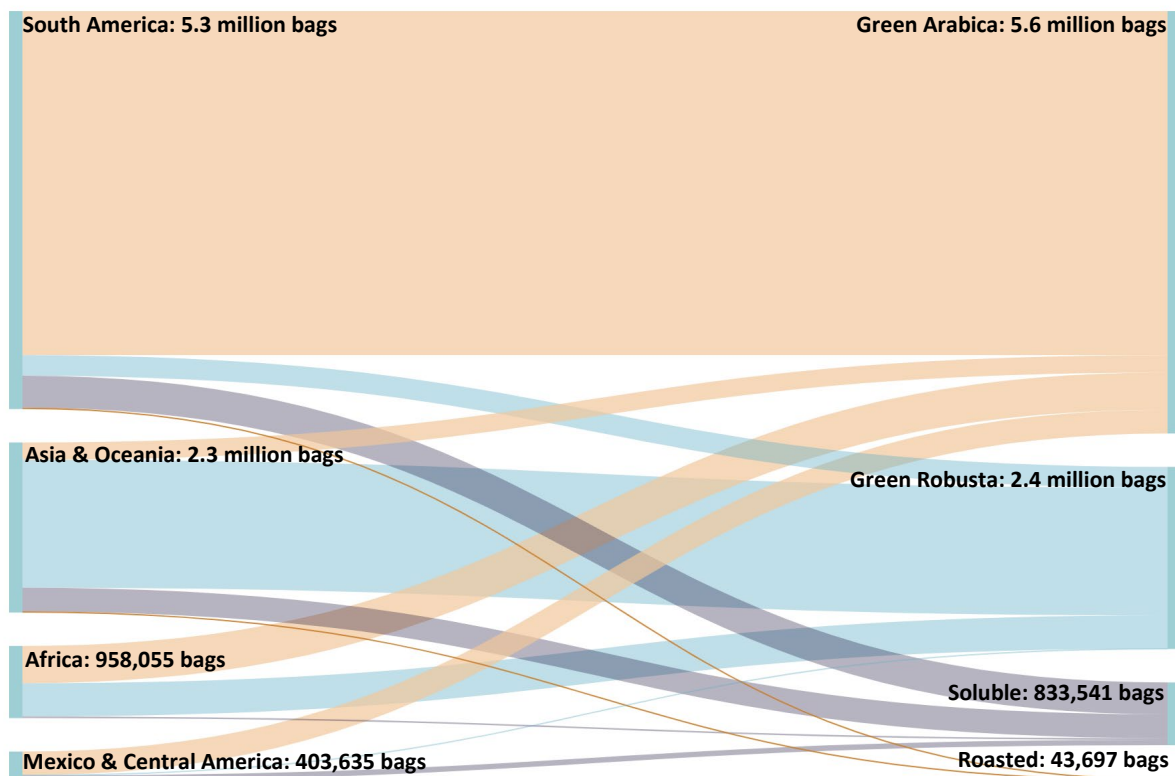
Exports from South America amounted to 5.29 million bags in October 2019, led by 3.42 million bags from Brazil. Brazil’s exports—which accounted for 38.4% of the total coffee exports in October 2019—fell 12.9% compared to October 2018, owing to its smaller 2019/20 off-year crop. Despite the monthly fall in shipments compared to 2018, Brazil’s export total to date for its 2019/20 crop year is at a record level of 23.62 million bags. This is 7.2% greater than its next highest level of 22.04 million bags, reached in April–October 2014.



At 1.21 million bags, Colombian exports grew 13.9% in October 2019 compared to the same month in 2018. Green coffee exports rose 15.5% as the main harvest began, while the small but steadily growing volumes of roasted coffee exports grew 41.4% to 16,934 bags. Exports of soluble coffee fell 9.2% compared to October 2018. However, the year-to-date total of 672,791 bags was the second highest total of soluble exports for Colombia for the period. The United States continues to be the major destination for Colombian coffee, accounting for 44.8% of its October 2019 exports. It was followed by Germany, which accounted for 9.2% of the total coffee exports in the month.

Exports from Asia & Oceania fell by 23.5% to 2.26 million bags in October 2019. The decline chiefly reflects smaller shipments from Viet Nam, whose Ministry of Agriculture and Rural Development estimated exports of 1.45 million bags for the month. The sharp fall in exports was accompanied by reports of farmers delaying sales of their beans due to low domestic prices for coffee. A decline in shipments was also observed in India, where production has been affected by erratic weather patterns, heavy rains and flooding for the past two years. Local reports have additionally attributed lower harvests to an increased incidence of the white stem borer earlier in the year. Exports from India were estimated at 350,000 bags in October 2019, 2.5% below the same period a year earlier and 22% below the same period in 2017. Meanwhile, exports from Indonesia—which had fallen in coffee year 2018/19 amid tightening supplies from Sumatra—more than doubled to 342,464 bags in October 2019.

Figure 6: Coffee exports by region and form, October 2019



Uganda's exports of 378,238 bags led shipments from African countries, followed by Ethiopia. The total volume of exports from the region was 958,055 bags. In comparison with the same month in the previous year, Arabica exports from Uganda fell 30% to 75,501 bags, while Robusta exports rose by 24.6% to 302,737 bags. Exports of Arabica from Uganda have declined for most of 2019, dropping 16.6% in the first ten months compared to the same period in 2018. However, the increase in Robusta exports have more than offset the fall, and as a result total exports from the country increased 7.4% for the same period. The Uganda Coffee Development Authority attributed this increase to good main and secondary harvests on account of favourable weather in 2019.

With an export volume of 403,635 bags, Mexico & Central America started the coffee year with a 17.3% decline in shipments compared to October 2018. The region's total exports were dragged down by falling shipments from Costa Rica, Honduras and Mexico. Honduras—which is Central America's largest Arabica producer, and the world's fourth largest—saw its shipments fall by 25.8% to 74,980 bags. Besides falling prices, harvests in the country are reported to have been affected by an increased incidence of pests and diseases, as well as an ongoing drought that led to the declaration of a national emergency in September. Elsewhere in the region, Costa Rica's shipments dropped by 66.2%, to 11,853 bags, which was its lowest monthly export volume since August 1980. The fall is expected to continue into November 2019 as the country reels from a recent outbreak of coffee leaf rust.

The ICO maintains its preliminary forecast of a small global deficit of about 502,000 bags in coffee year 2019/20. Despite a slowdown in growth, consumption is predicted to overtake production during the course of the year. Most of the growth in consumption, in both absolute and relative terms, is expected to come from Asia & Oceania. On the production side, Brazil's smaller off-year Arabica crop and adverse weather in parts of Central America and Asia could continue to affect prices in the coming weeks. However, the impact of these factors may be muted due to the recent weakness of the Brazilian Real as well as the upcoming on-year crop in Brazil.

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							
Nov-18	109.59	139.27	137.11	113.27	83.52	117.06	75.23
Dec-18	100.61	127.86	127.10	102.10	77.57	105.79	69.59
Jan-19	101.56	129.28	128.46	102.94	78.24	107.93	70.32
Feb-19	100.67	127.93	128.45	100.06	78.65	104.12	70.52
Mar-19	97.50	125.23	123.89	95.81	76.96	98.84	68.61
Apr-19	94.42	124.42	121.13	92.47	73.28	95.31	65.06
May-19	93.33	124.40	120.55	91.95	71.12	94.86	62.45
Jun-19	99.97	133.49	129.73	100.69	74.02	104.44	65.41
Jul-19	103.01	137.63	135.47	105.43	73.93	109.01	64.83
Aug-19	96.07	129.20	126.23	95.85	70.78	99.87	60.90
Sep-19	97.74	131.90	128.89	98.73	70.64	102.81	60.31
Oct-19	97.35	132.09	126.99	98.10	68.63	102.41	58.34
Nov-19	107.23	146.12	140.98	109.94	73.28	113.31	63.00
% change between Oct-19 and Nov-19							
	10.1%	10.6%	11.0%	12.1%	6.8%	10.6%	8.0%
Volatility (%)							
Nov-19	7.1%	7.2%	6.9%	9.2%	6.2%	14.3%	7.3%
Oct-19	6.2%	6.0%	6.1%	8.1%	5.2%	8.6%	6.1%
Variation between Oct-19 and Nov-19							
	0.9	1.2	0.8	1.1	1.0	5.7	1.2

* Average price for 2nd and 3rd 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*
Nov-18	2.16	26.00	55.75	23.84	53.59	29.75	41.83
Dec-18	0.76	25.76	50.29	25.00	49.53	24.53	36.20
Jan-19	0.82	26.34	51.04	25.52	50.22	24.70	37.61
Feb-19	-0.52	27.87	49.28	28.39	49.80	21.41	33.60
Mar-19	1.34	29.42	48.27	28.08	46.93	18.85	30.23
Apr-19	3.29	31.95	51.14	28.66	47.85	19.19	30.25
May-19	3.85	32.45	53.28	28.60	49.43	20.83	32.41
Jun-19	3.76	32.80	59.47	29.04	55.71	26.67	39.03
Jul-19	2.16	32.20	63.70	30.04	61.54	31.50	44.18
Aug-19	2.97	33.35	58.42	30.38	55.45	25.07	38.97
Sep-19	3.01	33.17	61.26	30.16	58.25	28.09	42.50
Oct-19	5.10	33.99	63.46	28.89	58.36	29.47	44.07
Nov-19	5.14	36.18	72.84	31.04	67.70	36.66	50.31
% change between Oct-19 and Nov-19							
	0.8%	6.4%	14.8%	7.4%	16.0%	24.4%	14.2%

* Average price for 2nd and 3rd positions

Table 3: World supply/demand balance

Coffee year commencing	2015	2016	2017	2018	2019*	% change 2018/19
PRODUCTION	154 996	158 625	160 376	169 001	167 399	-0.9%
Arabica	91 181	100 776	96 698	98 328	95 680	-2.7%
Robusta	63 815	57 849	63 678	70 673	71 718	1.5%
Africa	15 756	16 729	17 376	18 304	18 201	-0.6%
Asia & Oceania	49 484	45 652	46 608	48 662	49 577	1.9%
Mexico & Central America	17 106	20 322	21 725	21 345	21 544	0.9%
South America	72 651	75 921	74 667	80 691	78 078	-3.2%
CONSUMPTION	155 491	158 642	162 555	165 345	167 901	1.5%
Exporting countries	47 548	48 488	49 793	50 510	51 018	1.0%
Importing countries (Coffee Years)	107 943	110 154	112 763	114 835	116 882	1.8%
Africa	10 951	11 130	11 527	11 724	11 939	1.8%
Asia & Oceania	32 863	34 573	35 697	36 742	37 838	3.0%
Mexico & Central America	5 295	5 226	5 321	5 401	5 474	1.4%
Europe	52 147	52 045	53 148	53 896	54 542	1.2%
North America	28 934	29 559	29 941	30 454	30 965	1.7%
South America	25 299	26 111	26 922	27 128	27 141	0.1%
BALANCE	-495	-18	-2 179	3 657	-502	

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 from exporting countries

	Oct-18	Oct-19	% change	November - October		
				2017/18	2018/19	% change
TOTAL	10 290	8 907	-13.4%	120 904	129 550	7.2%
Arabicas	6 686	6 083	-9.0%	76 506	83 835	9.6%
Colombian Milds	1 154	1 310	13.5%	13 921	15 116	8.6%
Other Milds	1 729	1 329	-23.2%	28 012	26 855	-4.1%
Brazilian Naturals	3 804	3 444	-9.5%	34 573	41 864	21.1%
Robustas	3 603	2 824	-21.6%	44 398	45 715	3.0%

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

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
New York	2.79	2.80	2.82	2.83	2.84	2.81	2.73	2.70	2.70	2.66	2.60	2.55	2.42
London	1.77	1.88	2.08	2.01	1.97	1.98	2.11	2.18	2.47	2.60	2.62	2.69	2.64

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.