



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

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LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

February 2005

The rise in coffee prices continued during February 2005, particularly in the Arabica market. Prices on the New York futures market, which reflects the situation of Arabicas, averaged 117.13 US cents/lb in February 2005 compared to 104.57 US cents/lb in January. This price rise is likely to continue since Arabica supplies remain tight. The situation was exacerbated by speculative activities, mainly on the part of investment funds, which accentuated the upward trend in prices. In the case of Robustas, prices showed some sign of improvement even though the Other Mild Arabica/Robusta differential continues to widen, with the level at 79.62 US cents/lb in February compared to 70.20 US cents/lb in January. In February 2004, this differential was 39.16 US cents/lb. It is becoming increasingly evident that the market is reacting to the shortfall of almost 8 million bags between supply and demand. This is confirmed by the evolution of the market in the first weeks of March with prices reaching even higher levels¹.

Price movements

The monthly average of the **ICO composite indicator price** showed a new rise in February with the average at 89.40 US cents/lb compared to 79.35 US cents/lb in January 2005, an increase of 12.67% in one month. The average for February was the highest since December 1999. In daily terms, the composite indicator price hovered between 82.34 US cents/lb and 94.31 US cents/lb in February 2005. Graph 1 shows daily movements in the ICO daily composite indicator price since 5 January 2004.

**Graph 1: Daily composite indicator price
5 January 2004 – 10 March 2005**



¹ The level of the composite indicator price recorded on 11 March 2005 was 107.36 US cents/lb.

Table 1 shows ICO indicator prices as well as averages on the **New York (NYBOT)** and **London (LIFFE) futures markets**. Price levels for the four groups of coffee increased by more than 11% compared to January and are also higher than the average levels for 2004. Graphs 2 to 5 show changes in the daily indicator prices for the four coffee groups since January 2004.

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

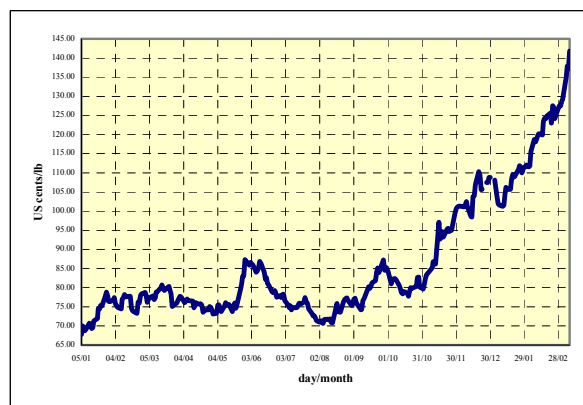
	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
2004							
January	58.69	73.76	72.73	62.06	39.84	74.86	35.95
February	59.87	76.53	76.21	65.52	37.05	75.75	34.68
March	60.80	77.97	78.06	66.97	36.70	76.67	33.54
April	58.80	75.22	75.44	63.70	36.37	73.51	33.57
May	59.91	77.17	76.99	65.16	36.56	75.62	33.31
June	64.28	82.51	82.21	69.61	39.87	81.48	35.92
July	58.46	76.13	74.94	62.89	36.02	73.40	32.18
August	56.98	75.35	73.61	61.75	33.91	72.73	30.88
September	61.47	81.02	80.47	68.90	34.24	80.37	30.62
October	61.10	83.02	80.55	69.91	31.67	79.79	28.23
November	67.74	92.83	90.27	79.39	32.71	87.98	29.94
December	77.72	105.75	104.12	91.76	36.92	102.18	35.29
2005							
January	79.35	108.22	107.16	93.63	36.96	104.57	34.13
February	89.40	121.56	120.86	105.58	41.24	117.13	39.05
% variation between Feb-05 and Jan-05							
	12.67	12.33	12.78	12.76	11.58	12.01	14.42
% variation between Feb-05 and Feb-04							
	49.32	58.85	58.59	61.14	11.30	54.63	12.60
% variation between Feb-05 and 2004 average							
	43.85	49.26	50.19	53.08	14.59	47.28	18.90
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

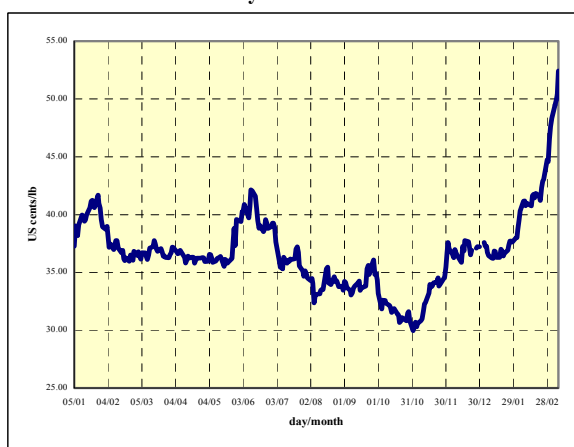
*Average of the 2nd and 3rd positions

**Graph 2: Daily indicator prices for Colombian Milds
5 January 2004 – 10 March 2005**



**Graph 3: Daily indicator prices for Other Milds
5 January 2004 – 10 March 2005**



**Graph 4: Daily indicator prices for Brazilian Naturals
5 January 2004 – 10 March 2005****Graph 5: Daily indicator prices for Robustas
5 January 2004 – 10 March 2005**

Market fundamentals

I am continuing to monitor the evolution of world production and to receive reports from Member countries. On the basis of the latest information received from a number of countries, my revised estimate of **total production** in crop year 2005/06 is 106 million bags. In many exporting countries, the lengthy crisis period of low coffee prices did not permit any renewal of investments in coffee production. In some Central American countries production was almost halved. In addition, certain countries are experiencing climatic difficulties which will affect their production. Production in Vietnam, which was estimated at 15 million bags, could be down by 1 to 1.5 million bags while production in Indonesia could also suffer a further reduction. It may be recalled that the first official estimates of Brazilian production indicate a figure of around 32 million bags.

Table 2: Production in selected exporting countries

Crop year commencing	2001	2002	2003	2004	% change 2003-04
TOTAL	109 675	121 924	103 059	113 104	9.75
<i>Africa</i>	<i>14 830</i>	<i>14 768</i>	<i>13 588</i>	<i>15 195</i>	<i>11.83</i>
Cameroon	686	801	900	1 100	22.22
Côte d'Ivoire	3 595	3 160	2 674	1 475	-44.84
Ethiopia	3 756	3 693	3 874	5 000	29.07
Kenya	991	945	666	917	37.69
Tanzania	624	824	608	750	23.36
Uganda	3 166	2 900	2 510	2 750	9.56
Others	2 012	2 445	2 356	3 203	35.95
<i>Arabicas</i>	<i>6 445</i>	<i>6 691</i>	<i>6 361</i>	<i>8 432</i>	<i>32.56</i>
<i>Robustas</i>	<i>8 385</i>	<i>8 077</i>	<i>7 227</i>	<i>6 763</i>	<i>-6.42</i>
<i>Asia & Oceania</i>	<i>27 316</i>	<i>25 634</i>	<i>28 260</i>	<i>27 334</i>	<i>-3.28</i>
India	4 970	4 676	4 508	4 850	7.59
Indonesia	6 833	6 785	6 464	5 750	-11.05
Papua New Guinea	1 041	1 108	1 147	1 200	4.62
Thailand	548	757	846	1 056	24.82
Vietnam	13 133	11 555	14 830	14 000	-5.60
Others	791	753	465	478	2.80
<i>Arabicas</i>	<i>4 444</i>	<i>4 278</i>	<i>4 122</i>	<i>3 662</i>	<i>-11.16</i>
<i>Robustas</i>	<i>22 872</i>	<i>21 356</i>	<i>24 138</i>	<i>24 229</i>	<i>0.38</i>
<i>Mexico & Central America</i>	<i>17 178</i>	<i>16 385</i>	<i>17 138</i>	<i>16 889</i>	<i>-1.45</i>
Costa Rica	2 166	1 938	1 802	1 924	6.77
El Salvador	1 667	1 438	1 485	1 430	-3.70
Guatemala	3 669	4 070	3 610	3 450	-4.43
Honduras	3 036	2 497	2 968	2 750	-7.35
Mexico	4 200	4 000	4 550	4 500	-1.10
Nicaragua	1 116	1 199	1 442	1 400	-2.91
Others	1 324	1 243	1 281	1 435	12.02
<i>Arabicas</i>	<i>17 145</i>	<i>16 348</i>	<i>17 098</i>	<i>16 845</i>	<i>-1.48</i>
<i>Robustas</i>	<i>33</i>	<i>37</i>	<i>40</i>	<i>44</i>	<i>10.00</i>
<i>South America</i>	<i>50 351</i>	<i>65 137</i>	<i>44 073</i>	<i>53 686</i>	<i>21.81</i>
Brazil	33 743	48 480	28 820	38 264	32.77
Colombia	11 999	11 889	11 000	10 500	-4.55
Ecuador	893	732	767	750	-2.22
Others	3 716	4 036	3 486	4 172	19.68
<i>Arabicas</i>	<i>44 072</i>	<i>53 565</i>	<i>39 887</i>	<i>45 808</i>	<i>14.84</i>
<i>Robustas</i>	<i>6 279</i>	<i>11 572</i>	<i>4 186</i>	<i>7 878</i>	<i>88.20</i>
TOTAL	109 675	121 924	103 059	113 104	9.75
Colombian Milds	13 400	13 381	12 146	11 882	-2.17
Other Milds	27 016	26 541	26 432	27 179	2.83
Brazilian Naturals	31 695	40 967	28 889	35 692	23.55
Robustas	37 564	41 035	35 592	38 351	7.75
Arabicas	72 111	80 889	67 467	74 753	10.80
Robustas	37 564	41 035	35 592	38 351	7.75
TOTAL	100.00	100.00	100.00	100.00	
Colombian Milds	12.22	10.97	11.79	10.51	
Other Milds	24.63	21.77	25.65	24.03	
Brazilian Naturals	28.90	33.60	28.03	31.56	
Robustas	34.25	33.66	34.54	33.91	
Arabicas	65.75	66.34	65.46	66.09	
Robustas	34.25	33.66	34.54	33.91	

In thousand bags

Total exports for the twelve-month period from February 2004 to January 2005 were 90.18 million bags, an increase of 5.80% compared to the total of 85.23 million during the period February 2003 – January 2004 (Table 3). Exports of Robustas and Brazilian and Other Naturals were up by 5.95% and 14.85% respectively. On the other hand, exports of Colombian Milds fell by 2.59%. Exports of Other Mild Arabicas remained relatively stable at 20.88 million bags during the period February 2004 – January 2005 compared to 20.84 million in the preceding period. At the regional level, there was an increase in exports from Asia & Oceania (+14.18%) and from South America (+5.79%). Exports from Africa increased slightly (0.52%) thanks to a strong performance by Ethiopia (+15.45%). Exports from the Mexico & Central America region were down by 3.22% compared to the preceding period.

**Table 3: Exports
2003/04 and 2004/05 (February – March)**

	2003/04	2004/05	% variation
TOTAL	85.23	90.18	5.80
Colombian Milds	11.90	11.59	-2.59
Other Milds	20.84	20.88	0.18
Brazilian Naturals	23.51	27.00	14.85
Robustas	28.98	30.71	5.95
Arabicas	56.25	59.47	5.73
Robustas	28.98	30.71	5.95
Africa	11.64	11.70	0.52
Cameroon	0.84	0.72	-13.72
Côte d'Ivoire	2.59	2.61	0.81
Ethiopia	2.20	2.54	15.45
Kenya	0.91	0.73	-19.48
Tanzania	0.81	0.57	-29.78
Uganda	2.52	2.54	1.08
Others	1.78	1.98	11.58
Asia & Oceania	21.53	24.59	14.18
India	3.76	3.55	-5.56
Indonesia	4.74	4.44	-6.49
Papua New Guinea	1.13	1.04	-7.61
Vietnam	11.66	15.08	29.34
Others	0.24	0.48	97.30
Mexico & Central America	13.12	12.70	-3.22
Costa Rica	1.67	1.44	-13.90
El Salvador	1.26	1.31	4.03
Guatemala	3.76	3.36	-10.55
Honduras	2.43	2.76	13.50
Mexico	2.65	2.29	-13.51
Nicaragua	1.01	1.33	31.77
Others	0.34	0.21	-39.21
South America	38.94	41.19	5.79
Brazil	25.21	26.72	6.01
Colombia	10.39	10.39	0.03
Ecuador	0.63	0.70	12.15
Others	2.72	3.38	24.33

In million bags

Recent data indicate that exports for the first four months of coffee year 2004/05 (October 2004 – January 2005) totalled 29.15 million bags compared to 26.58 million bags for the same period in coffee year 2003/04 (Table 4).

**Table 4: Exports
Coffee years 2003/04 and 2004/05
(October – January)**

	2003/04	2004/05	% variation
TOTAL	26.58	29.15	9.68
Colombian Milds	4.36	4.53	3.95
Other Milds	4.96	5.46	10.24
Brazilian Naturals	8.23	9.99	21.44
Robustas	9.04	9.17	1.43
Arabicas	17.54	19.98	13.93
Robustas	9.04	9.17	1.43

In million bags

The price recovery that began in 2004 is finally being reflected in the total value of exports for the year compared to the figures for previous years. (Table 5). Estimates indicate that exporting countries earned around US\$ 7 billion in 2004 for exports totalling 89.34 million bags.

Table 5:

Volume and value of exports

	2000	2001	2002	2003	2004 1/
Colombian Milds					
- Volume	11.16	11.67	11.37	11.77	11.36
- Value	1.42	1.02	0.98	1.04	1.24
Other Milds					
- Volume	27.10	22.88	21.41	20.92	20.83
- Value	3.21	1.83	1.70	1.72	2.10
Brazilian Naturals					
- Volume	18.30	22.08	24.65	23.75	26.60
- Value	1.88	1.42	1.31	1.48	2.31
Robustas					
- Volume	32.90	33.74	31.04	29.32	30.55
- Value	1.70	1.13	1.14	1.34	1.41
Total					
- Volume	89.47	90.37	88.47	85.76	89.34
- Value	8.20	5.39	5.13	5.57	7.05

Volume and value of re-exports

Total					
- Volume	22.06	24.78	26.35	27.64	28.71
- Value	3.37	3.25	3.38	4.19	4.36

Volume and value of world exports

Total					
- Volume	111.52	115.15	114.81	113.40	118.05
- Value	11.57	8.64	8.51	9.76	11.41

Percentage

Exporting countries					
- Volume	80.22	78.48	77.05	75.63	75.68
- Value	70.84	62.34	60.24	57.05	61.75
Importing countries					
- Volume	19.78	21.52	22.95	24.37	24.32
- Value	29.16	37.66	39.76	42.95	38.25

Volume in millions of bags – value in billion US\$
1/ January to November only

In the case of stocks, I note that a drawing down of stocks has already begun since the volume held by exporting countries is down from 22.05 million bags to 17.25 million, a fall of 21.80% (Table 6). This fall could continue since estimates of production for crop year 2005/06 indicate another year of shortfall.

Stocks of green coffee in importing countries, including free ports, totalled 20.8 million bags at the end of December 2004.

Table 6: Opening stocks in exporting countries (1990 – 2004)

Crop year commencing	Colombian		Other	Brazilian	Robustas
	Total	Milds	Milds	Naturals	
1990	55.66	7.14	5.37	28.89	14.27
1991	52.97	7.67	4.94	28.41	11.95
1992	54.57	8.99	4.95	26.58	14.05
1993	42.52	6.70	3.19	23.65	8.98
1994	40.35	3.66	3.20	25.67	7.81
1995	39.69	6.21	4.21	21.90	7.37
1996	33.52	6.53	3.02	19.14	4.83
1997	29.78	4.41	2.17	17.91	5.29
1998	25.80	4.14	2.42	13.88	5.37
1999	23.40	3.30	2.04	13.00	5.07
2000	21.81	2.59	2.41	11.17	5.64
2001	21.29	1.96	2.59	10.79	5.96
2002	19.47	2.05	3.17	8.54	5.71
2003	22.05	2.07	2.85	9.57	7.56
2004	17.25	1.32	3.12	7.98	4.82
% change 2003-2004	-21.80	-36.26	9.67	-16.63	-36.22

In million bags

Table 7 shows certified stocks in the London (LIFFE) and New York (NYBOT) futures markets at the end of each year since 2000.

Table 7: LIFFE and NYBOT certified stocks

End of	LIFFE	NYBOT
Dec-00	n.a.	3.67
Dec-01	n.a.	2.86
Dec-02	2.51	2.67
Dec-03	2.41	4.37
Dec-04	4.08	4.51
Jan-05	3.88	4.51
Feb-05	3.81	4.51

In million bags

World consumption was estimated at 113.4 million bags in 2004, of which 28.37 million bags is accounted for by exporting countries and 85.03 million bags by importing countries. However, independent estimates indicate world consumption is around 117 million bags. ICO figures are based on official information provided by Members and the traditional calculating method based on the concept of effective consumption. In this regard, I would like to state my intention of carrying out a detailed analysis of various calculation methods in order to agree on a methodology that can reconcile the different figures for world consumption.

Table 8 shows domestic consumption in selected exporting countries as well as the share of this consumption in the total production of the country. The growth rate of domestic consumption in exporting countries is low at 28.06 million bags in 2003/04 compared to 27.31 million in 2002/03. Table 9 shows consumption in selected importing countries. Table 10 shows per capita consumption in importing countries.

Table 8: Domestic consumption in selected exporting countries

Crop year commencing	2001	2002	2003	2004	2004 as % of production
TOTAL	27 206	27 314	28 067	28 373	24.86
Brazil	13 250	13 500	13 750	14 000	36.59
Indonesia	2 000	1 833	2 000	2 000	34.78
Ethiopia	1 833	1 833	1 833	1 833	36.66
Mexico	1 500	1 500	1 500	1 500	33.33
Colombia	1 400	1 400	1 400	1 400	13.33
India	1134	1134	1134	1134	23.38
Philippines	821	829	917	917	207.00
Venezuela	690	690	690	690	75.00
Thailand	500	500	500	500	47.35
Vietnam	500	500	500	500	3.33
Madagascar	128	217	333	433	68.40
Dominican Republic	340	340	378	378	68.11
Haiti	340	340	340	340	85.00
Côte d'Ivoire	317	317	317	317	21.49
Guatemala	300	300	300	300	8.70
Cuba	220	224	224	224	80.00
Congo, Dem. Rep. of	200	200	200	200	36.36
Honduras	200	200	200	200	7.27
Costa Rica	255	225	272	192	9.77
Nicaragua	181	185	190	190	13.57
Uganda	150	150	150	160	5.82
El Salvador	144	153	153	153	10.70
Ecuador	200	150	150	150	20.00
Others	603	594	636	662	6.99

In thousand bags

Table 9: Consumption in selected importing countries

Calendar year	2001	2002	2003	2004
TOTAL	61 214	61 142	63 018	63 255
U.S.A.	19 343	18 870	20 505	20 831
European Community	33 351	33 829	34 163	33 391
Austria	1 049	952	757	1 007
Belgium/Luxembourg	987	1 635	1 719	1 447
Denmark	863	806	728	839
Finland	952	974	973	973
France	5 241	5 492	5 428	4 937
Germany	9 468	9 064	9 133	9 441
Greece	579	865	1 003	923
Ireland	147	136	151	195
Italy	5 252	5 180	5 503	5 402
Netherlands	1 732	1 641	1 827	1 720
Portugal	768	739	745	762
Spain	2 869	2 908	2 826	2 754
Sweden	1 259	1 235	1 181	1 226
United Kingdom	2 185	2 202	2 189	2 305
Other importing countries	8 520	8 443	8 350	8 493
Cyprus	55	53	54	53
Japan	6 935	6 874	6 770	6 962
Norway	711	692	682	701
Switzerland	819	824	844	777

In thousand bags

Table 10: Per capita consumption in importing countries

Calendar year	2001	2002	2003	2004
TOTAL	4.55	4.53	4.65	4.65
U.S.A.	4.09	3.94	4.24	4.27
European Community	5.29	5.37	5.42	5.38
Austria	7.74	7.10	5.64	7.51
Belgium/Luxembourg	5.52	9.13	9.60	8.08
Denmark	9.66	9.02	8.10	9.34
Finland	11.01	11.22	11.21	11.21
France	5.31	5.54	5.48	4.98
Germany	6.90	6.59	6.64	6.86
Greece	3.47	5.18	6.01	5.53
Ireland	2.29	2.08	2.28	2.94
Italy	5.44	5.41	5.73	5.63
Netherlands	6.47	6.10	6.76	6.36
Portugal	4.47	4.30	4.34	4.44
Spain	4.27	4.33	4.21	4.10
Sweden	8.49	8.31	7.88	8.18
United Kingdom	2.19	2.21	2.20	2.31
Other importing countries	3.54	3.50	3.45	3.73
Cyprus	4.34	4.48	4.56	4.48
Japan	3.27	3.24	3.18	3.27
Norway	9.46	9.15	8.95	9.20
Switzerland	6.80	6.78	6.90	6.35

In kilogrammes

In conclusion, I would like to note that we are facing a very dynamic market that reflects supply shortfall in relation to demand. Investment funds, attracted by the commodity market, particularly coffee, have become very active which means that some price correction cannot be ruled out and should not cause any undue surprise.