



International Coffee Organization  
Organización Internacional del Café  
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Organisation Internationale du Café

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## LETTER FROM THE EXECUTIVE DIRECTOR

### COFFEE MARKET REPORT

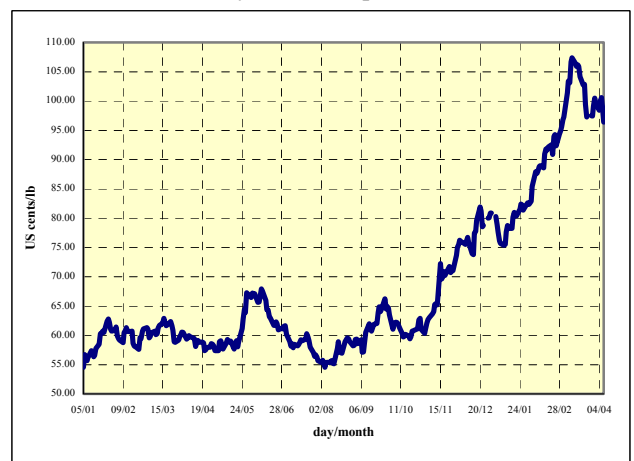
March 2005

*The price recovery observed in January and February has continued in March with New York price levels reaching around US\$1.40. Nevertheless, following the intervention of investment funds, the expected correction took place and the market receded. The composite indicator price is now around US\$1.00, with Colombian and Other Milds at US\$1.30, Brazilian Naturals at US\$1.15, and Robustas at US\$0.50. Other factors, such as the situation in Vietnam where it has been very dry, may affect the market. However, we have to wait until the end of May to assess the situation and establish if there has been a drought and, if so, its impact on coffee.*

#### Price movements

The monthly average of the **ICO composite indicator price** in March was 101.44 US cents/lb compared to 89.40 US cents/lb in February 2005, an increase of 13.47% in one month. In daily terms, the composite indicator price rose to 107.36 US cents/lb on 11 March before falling back to 100.47 US cents/lb on 31 March 2005. Price movements in the first week of April indicate a drop attributable mainly to profit taking by investment funds. Graph 1 shows daily movements in the ICO<sup>1</sup> daily composite indicator price since 5 January 2004.

**Graph 1: Daily composite indicator price  
5 January 2004 – 8 April 2005**



<sup>1</sup> The level recorded on 12 April was 94.15 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 increased for all four groups of coffee but Robusta prices showed the sharpest rise (+27.98%). 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)**

	<b>ICO composite</b>	<b>Colombian Milds</b>	<b>Other Milds</b>	<b>Brazilian Naturals</b>	<b>Robustas</b>	<b>New York*</b>	<b>London*</b>
<b>2004</b>	<b>62.15</b>	<b>81.44</b>	<b>80.47</b>	<b>68.97</b>	<b>35.99</b>	<b>79.53</b>	<b>32.84</b>
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
<b>2005</b>							
January	79.35	108.22	107.16	93.63	36.96	104.57	34.13
February	89.40	121.56	120.86	106.11	41.24	117.13	39.05
<b>March</b>	<b>101.44</b>	<b>135.54</b>	<b>135.03</b>	<b>120.12</b>	<b>52.78</b>	<b>131.04</b>	<b>45.44</b>
		<b>% variation between Mar-05 and Feb-05</b>					
	13.47	11.50	11.72	13.20	27.98	11.88	16.36
		<b>% variation between Mar-05 and Mar-04</b>					
	66.84	73.84	72.98	79.36	43.81	70.91	35.48
		<b>% variation between Mar-05 and 2004 average</b>					
	63.22	66.43	67.80	74.16	46.65	64.77	38.36
<b>annual averages</b>							
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
<b>2004</b>	<b>62.15</b>	<b>81.44</b>	<b>80.47</b>	<b>68.97</b>	<b>35.99</b>	<b>79.53</b>	<b>32.84</b>

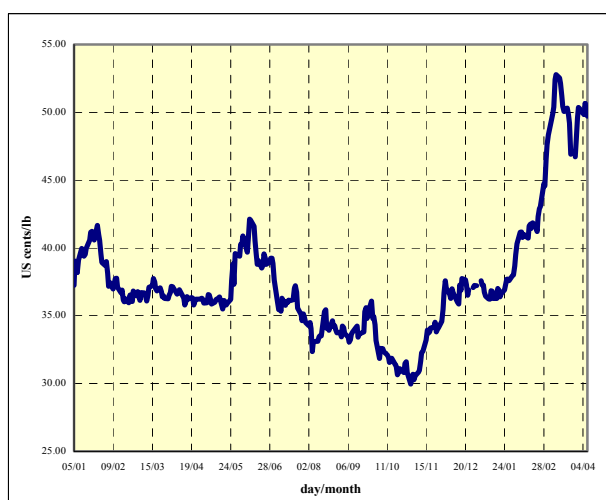
\*Average of the 2<sup>nd</sup> and 3<sup>rd</sup> positions

**Graph 2: Daily indicator prices for Colombian Milds, 5 January 2004 – 8 April 2005**



**Graph 3: Daily indicator prices for Other Milds, 5 January 2004 – 8 April 2005**



**Graph 4: Daily indicator prices for Brazilian Naturals  
5 January 2004 – 8 April 2005****Graph 5: Daily indicator prices for Robustas  
5 January 2004 – 8 April 2005**

### Market fundamentals

As indicated in my previous report, dry weather in Vietnam has fuelled uncertainties regarding the size of the 2005/06 crop. The scale of the impact of these conditions, which are affecting Vietnam's most important producing area, has been variously interpreted with estimates ranging from 11 to 12.5 million bags for 2005/06. However, further time is needed before we can assess the impact on coffee. It should also be noted that despite the significant current recovery in coffee prices, the coffee industry, which seems to be emerging from a lengthy crisis period, will need time to recover in some countries. For these reasons, I am maintaining my estimate of **total production** at around 106 million bags for crop year 2005/06.

**Table 2: Production in selected exporting countries**

Crop year commencing	2001	2002	2003	2004	% change 2003-2004
<b>TOTAL</b>	<b>109 675</b>	<b>121 924</b>	<b>103 110</b>	<b>112 673</b>	<b>9.27</b>
<i>Africa</i>	<i>14 830</i>	<i>14 768</i>	<i>13 670</i>	<i>15 264</i>	<i>11.66</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	673	917	36.26
Tanzania	624	824	608	750	23.36
Uganda	3 166	2 900	2 510	2 750	9.56
Others	2 012	2 445	2 431	3 272	34.59
<i>Arabicas</i>	<i>6 445</i>	<i>6 691</i>	<i>6 402</i>	<i>8 459</i>	<i>32.13</i>
<i>Robustas</i>	<i>8 385</i>	<i>8 077</i>	<i>7 268</i>	<i>6 805</i>	<i>-6.37</i>
<i>Asia &amp; Oceania</i>	<i>27 316</i>	<i>25 634</i>	<i>28 197</i>	<i>27 334</i>	<i>-3.06</i>
India	4 970	4 676	4 445	4 850	9.11
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>4 088</i>	<i>3 662</i>	<i>-10.42</i>
<i>Robustas</i>	<i>22 872</i>	<i>21 356</i>	<i>24 109</i>	<i>24 229</i>	<i>0.50</i>
<i>Mexico &amp; Central America</i>	<i>17 178</i>	<i>16 385</i>	<i>17 141</i>	<i>16 389</i>	<i>-4.39</i>
Costa Rica	2 166	1 938	1 802	1 924	6.77
El Salvador	1 667	1 438	1 488	1 430	-3.90
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	900	-37.59
Others	1 324	1 243	1 281	1 435	12.02
<i>Arabicas</i>	<i>17 145</i>	<i>16 348</i>	<i>17 102</i>	<i>16 345</i>	<i>-4.43</i>
<i>Robustas</i>	<i>33</i>	<i>37</i>	<i>39</i>	<i>44</i>	<i>12.82</i>
<i>South America</i>	<i>50 351</i>	<i>65 137</i>	<i>44 102</i>	<i>53 686</i>	<i>21.73</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	3 515	4 172	18.69
<i>Arabicas</i>	<i>44 072</i>	<i>53 565</i>	<i>39 916</i>	<i>45 808</i>	<i>14.76</i>
<i>Robustas</i>	<i>6 279</i>	<i>11 572</i>	<i>4 186</i>	<i>7 878</i>	<i>88.20</i>
<b>TOTAL</b>	<b>109 675</b>	<b>121 924</b>	<b>103 110</b>	<b>112 673</b>	<b>9.27</b>
Colombian Milds	13 400	13 381	12 153	11 882	-2.23
Other Milds	27 016	26 541	26 471	26 706	0.89
Brazilian Naturals	31 695	40 967	28 889	35 692	23.55
Robustas	37 564	41 035	35 597	38 393	7.85
<b>Arabicas</b>	<b>72 111</b>	<b>80 889</b>	<b>67 513</b>	<b>74 280</b>	<b>10.02</b>
<b>Robustas</b>	<b>37 564</b>	<b>41 035</b>	<b>35 597</b>	<b>38 393</b>	<b>7.85</b>
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	
Colombian Milds	12.22	10.97	11.79	10.55	
Other Milds	24.63	21.77	25.67	23.70	
Brazilian Naturals	28.90	33.60	28.02	31.68	
Robustas	34.25	33.66	34.52	34.07	
<b>Arabicas</b>	<b>65.75</b>	<b>66.34</b>	<b>65.48</b>	<b>65.93</b>	
<b>Robustas</b>	<b>34.25</b>	<b>33.66</b>	<b>34.52</b>	<b>34.07</b>	

In thousand bags

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

	2003/04	2004/05	% variation
<b>TOTAL</b>	<b>84.89</b>	<b>90.13</b>	<b>6.18</b>
Colombian Milds	11.96	11.81	-1.28
Other Milds	20.87	20.78	-0.42
Brazilian Naturals	23.02	27.27	18.43
Robustas	29.03	30.27	4.28
Arabicas	55.86	59.86	7.17
Robustas	29.03	30.27	4.28
<b>Africa</b>	<b>11.46</b>	<b>11.71</b>	<b>2.17</b>
Cameroon	0.83	0.64	-22.66
Côte d'Ivoire	2.45	2.59	5.84
Ethiopia	2.18	2.62	20.17
Kenya	0.91	0.72	-19.94
Tanzania	0.78	0.61	-21.91
Uganda	2.52	2.52	0.11
Others	1.79	1.99	11.33
<b>Asia &amp; Oceania</b>	<b>22.06</b>	<b>24.11</b>	<b>9.27</b>
India	3.76	3.46	-8.11
Indonesia	4.71	4.45	-5.58
Papua New Guinea	1.13	1.03	-9.49
Vietnam	12.19	14.70	20.53
Others	0.26	0.47	83.85
<b>Mexico &amp; Central America</b>	<b>13.18</b>	<b>12.56</b>	<b>-4.74</b>
Costa Rica	1.68	1.44	-14.46
El Salvador	1.25	1.32	5.99
Guatemala	3.72	3.38	-9.05
Honduras	2.52	2.69	6.48
Mexico	2.64	2.24	-15.28
Nicaragua	1.04	1.29	23.79
Others	0.33	0.20	-38.42
<b>South America</b>	<b>38.18</b>	<b>41.76</b>	<b>9.37</b>
Brazil	24.40	26.96	10.49
Colombia	10.47	10.58	1.08
Ecuador	0.62	0.73	17.20
Others	2.69	3.48	29.68

In million bags

**Total exports** for the twelve-month period from March 2004 to February 2005 increased by 6.18%, totalling 90.13 million bags compared to 84.89 million for the preceding period (Table 3). There was a significant increase in exports of Brazilian and Other Naturals (+18.43%) and Robusta exports were also up (+4.28%). On the other hand, exports of Colombian Milds and of Other Milds fell by 1.28% and 0.42% respectively. At the regional level, exports from South America, Asia & Oceania and Africa increased by 9.37%, 9.27% and 2.17% respectively while exports from the Mexico & Central America region were down by 4.74%.

Recent data indicate an increase of 7.33% in exports during the first five months of coffee year 2004/05 (October 2004 – February 2005) compared to the same period in 2003/04, attributable mainly to the improved behaviour of prices since September 2004 (Table 4).

**Table 4: Exports  
2003/04 and 2004/05  
(October – February)**

	2003/04	2004/05	% variation
<b>TOTAL</b>	<b>33.65</b>	<b>36.12</b>	<b>7.33</b>
Colombian Milds	5.45	5.83	7.07
Other Milds	6.89	7.28	5.62
Brazilian Naturals	9.78	11.81	20.72
Robustas	11.54	11.20	-2.88
Arabicas	22.12	24.92	12.66
Robustas	11.54	11.20	-2.88

In million bags

Preliminary estimates indicate an increase of 26.80% in the value of total exports for 2004, which rose to US\$7.05 billion from US\$5.56 billion in 2003 (Table 5). Although these total earnings are still inadequate, they are a positive sign that exporting countries are beginning to emerge from the crisis in the coffee economy.

**Table 5:****Volume and value exports**

	2000	2001	2002	2003	2004
<b>Colombian Milds</b>					
- Volume	11.16	11.67	11.37	11.77	11.38
- Value	1.42	1.02	0.98	1.04	1.25
<b>Other Milds</b>					
- Volume	27.10	22.88	21.41	20.92	20.83
- Value	3.21	1.83	1.70	1.71	2.12
<b>Brazilian Naturals</b>					
- Volume	18.30	22.08	24.65	23.75	26.60
- Value	1.88	1.42	1.31	1.48	2.26
<b>Robustas</b>					
- Volume	32.89	33.74	31.04	29.32	30.55
- Value	1.70	1.13	1.14	1.33	1.42
<b>Total</b>					
- Volume	89.46	90.37	88.47	85.76	89.36
- Value	8.20	5.39	5.13	5.56	7.05

**Volume and value of re-exports**

<b>Total</b>					
- Volume	22.06	24.51	26.35	27.64	28.71
- Value	3.37	3.25	3.38	4.19	4.36

**Volume and value of world exports**

<b>Total</b>					
- Volume	111.52	114.88	114.81	113.40	118.08
- Value	11.57	8.64	8.51	9.75	11.41

**Percentage**

<b>Exporting countries</b>					
- Volume	80.22	78.66	77.05	75.63	75.68
- Value	70.84	62.34	60.27	57.01	61.76
<b>Importing countries</b>					
- Volume	19.78	21.34	22.95	24.37	24.32
- Value	29.16	37.66	39.73	42.99	38.24

Volume in millions of bags – value in billion US\$

Taking into account the anticipated cutback in production in crop year 2005/06, the level of **opening stocks in exporting countries** will be lower than in 2004/05, which was already considered the lowest in more than a decade (Table 6).

**Stocks of green coffee in importing countries**, including free ports, totalled 21.5 million bags at the end of September 2004. Table 7 shows certified stocks in the London (LIFFE) and New York (NYBOT) futures markets.

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

Crop year commencing	Colombian				Brazilian	Robustas
	Total	Milds	Other 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	17.22	1.32	3.12	7.98	4.81	
<b>% change 2003-2004</b>	<b>-21.90</b>	<b>-36.26</b>	<b>9.56</b>	<b>-16.63</b>	<b>-36.48</b>	

In million bags

**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
Mar-05	3.80	4.50

In million bags

I have estimated **world consumption** at 113.4 million bags for 2004, of which 28.4 million bags is accounted for by exporting countries and 85.0 million bags by importing countries. Domestic and per capita consumption in some exporting countries is still well below its potential level (Tables 8 and 9). Efforts to develop the domestic market in these countries would help to improve this situation. Table 10 shows consumption in selected importing countries and Table 11 shows their per capita consumption. On the basis of estimates for

calendar year 2004, the following countries still have high per capita consumption: Finland (11.99 kg), Denmark (9.46 kg), Norway (9.31 kg), Belgium/Luxembourg (8.15 kg), Sweden (8.06 kg), Austria (7.64 kg) and Germany (7.01 kg). Among the new European Union Members, Slovenia and Estonia have per capita consumption of 5.91 kg and 5.47 kg respectively.

**Table 8: Domestic consumption in selected exporting countries**

Crop year commencing	2004 as % of production				
	2001	2002	2003	2004	
<b>TOTAL</b>	<b>27 206</b>	<b>27 314</b>	<b>28 067</b>	<b>28 623</b>	<b>25.40</b>
Brazil	13 250	13 500	13 750	14 250	37.24
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	1 134	1 134	1 134	1 134	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	3.57
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.	200	200	200	200	32.31
Honduras	200	200	200	200	7.27
Costa Rica	255	225	272	192	9.98
Nicaragua	181	185	190	190	21.11
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: Per capita consumption in selected exporting countries**

Calendar year	2001	2002	2003	2004
<b>TOTAL</b>	<b>0.66</b>	<b>0.66</b>	<b>0.68</b>	<b>0.69</b>
Brazil	4.59	4.62	4.70	4.85
Costa Rica	3.86	3.65	3.46	3.70
Dominican Republic	2.34	2.37	2.51	2.63
Haiti	2.51	2.48	2.48	2.48
Nicaragua	2.05	2.04	2.07	2.13
Colombia	1.95	1.93	1.93	1.93
Honduras	2.02	1.77	1.77	1.77
Ethiopia	1.57	1.64	1.64	1.64
Venezuela	1.68	1.64	1.64	1.64
Guatemala	1.54	1.50	1.50	1.50
Madagascar	0.43	0.69	1.08	1.45
El Salvador	1.04	1.37	1.43	1.43
Panama	1.39	1.31	1.31	1.31
Cuba	1.15	1.18	1.19	1.19
Côte d'Ivoire	1.12	1.16	1.16	1.16
Mexico	0.80	0.87	0.87	0.87
Ecuador	0.93	0.76	0.70	0.70
Philippines	0.64	0.62	0.66	0.69
Trinidad and Tobago	0.65	0.66	0.66	0.66
Indonesia	0.54	0.52	0.54	0.55

In kilogrammes

**Table 10: Consumption in selected importing countries**

Calendar year	2001	2002	2003	2004
<b>TOTAL</b>	<b>65 552</b>	<b>65 446</b>	<b>67 264</b>	<b>68 114</b>
U.S.A.	19 343	18 870	20 505	20 783
<b>European Community</b>	<b>37 744</b>	<b>38 186</b>	<b>38 463</b>	<b>38 702</b>
Austria	1 049	952	757	1 025
Belgium/Luxembourg	987	1 635	1 719	1 458
Cyprus	55	53	54	60
Czech Republic	655	646	556	545
Denmark	863	806	728	850
Estonia	110	112	118	124
Finland	952	974	971	1 041
France	5 241	5 492	5 428	4 959
Germany	9 468	9 064	9 133	9 635
Greece	579	865	1 003	927
Hungary	739	710	612	595
Ireland	147	136	151	200
Italy	5 252	5 180	5 503	5 405
Latvia	156	151	170	165
Lithuania	203	208	176	188
Malta	15	26	20	22
Netherlands	1 732	1 641	1 827	1 720
Poland	1 958	1 952	2 096	2 103
Portugal	768	739	745	779
Slovakia	309	298	318	319
Slovenia	193	201	182	197
Spain	2 869	2 908	2 826	2 790
Sweden	1 259	1 235	1 181	1 208
United Kingdom	2 185	2 202	2 189	2 387
<b>Other importing countries</b>	<b>8 465</b>	<b>8 390</b>	<b>8 296</b>	<b>8 629</b>
Japan	6 935	6 874	6 770	7 142
Norway	711	692	682	709
Switzerland	819	824	844	777

In thousand bags

**Table 11: Per capita consumption in selected importing countries**

Calendar year	2001	2002	2003	2004
<b>TOTAL</b>	<b>4.49</b>	<b>4.47</b>	<b>4.57</b>	<b>4.62</b>
U.S.A.	4.09	3.95	4.25	4.26
<b>European Community</b>	<b>5.00</b>	<b>5.06</b>	<b>5.09</b>	<b>5.12</b>
Austria	7.74	7.10	5.64	7.64
Belgium/Luxembourg	5.52	9.13	9.60	8.15
Cyprus	4.18	3.98	4.00	4.44
Czech Republic	3.85	3.80	3.27	3.21
Denmark	9.66	8.97	8.10	9.46
Estonia	4.85	4.94	5.21	5.47
Finland	11.01	11.22	11.18	11.99
France	5.31	5.54	5.48	5.00
Germany	6.90	6.59	6.64	7.01
Greece	3.47	5.18	6.01	5.55
Hungary	4.35	4.19	3.64	3.53
Ireland	2.29	2.08	2.28	3.02
Italy	5.44	5.41	5.73	5.63
Latvia	3.97	3.87	4.38	4.25
Lithuania	3.50	3.60	3.05	3.26
Malta	2.31	3.90	3.00	3.30
Netherlands	6.47	6.10	6.76	6.36
Poland	3.04	3.03	3.29	3.30
Portugal	4.47	4.28	4.29	4.49
Slovakia	3.45	3.32	3.55	3.56
Slovenia	5.82	6.03	5.46	5.91
Spain	4.27	4.27	4.08	4.03
Sweden	8.49	8.31	7.88	8.06
United Kingdom	2.19	2.23	2.23	2.43
<b>Other importing countries</b>	<b>3.66</b>	<b>3.62</b>	<b>3.57</b>	<b>3.71</b>
Japan	3.27	3.24	3.18	3.36
Norway	9.46	9.15	8.95	9.31
Switzerland	6.80	6.78	6.90	6.35

In kilogrammes

*There are reasons to believe that current price levels could be maintained throughout the year although some volatility will prevail as has been registered during recent weeks. Levels of Robustas prices will depend very much on weather conditions in Vietnam.*