International Coffee Organization
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LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

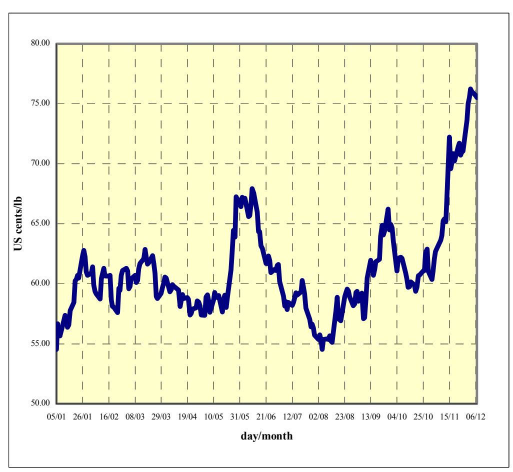
November 2004

The price increase recorded in the month of October was maintained during the month of November. The ICO composite indicator price rose from 60.35 US cents/lb at the beginning of the month to 75.01 cents at the end of the month. The increase of the composite indicator price to these levels was largely the result of the rise in Arabicas. For the first time since July 2000, Other Milds and Colombian Milds broke through the 1.00 US$/lb barrier. However, the depreciation of the United States dollar against other currencies had a negative impact on export revenues of several producing countries. The dollar has fallen by some 33% against the euro between January 2002 and November 2004. This depreciation has become more marked in recent months (in the last six months it has gone down by 9%) and has lessened the impact of the improvement in prices.

Price movements

Prices have reached levels that have not been recorded for several years. The monthly average of the **ICO composite indicator price** rose by 10.87% from 61.10 US cents/lb in October to 67.74 cents in November 2004. The September average was 61.47 cents/lb. The price rise has continued into the first week of December[1]. Graph 1 shows daily movements in the ICO composite indicator price throughout 2004.

Graph 1: Daily composite indicator price 5 January – 10 December 2004



[1] *The price level recorded on 10 December 2004 was 75.85 US cents/lb.*

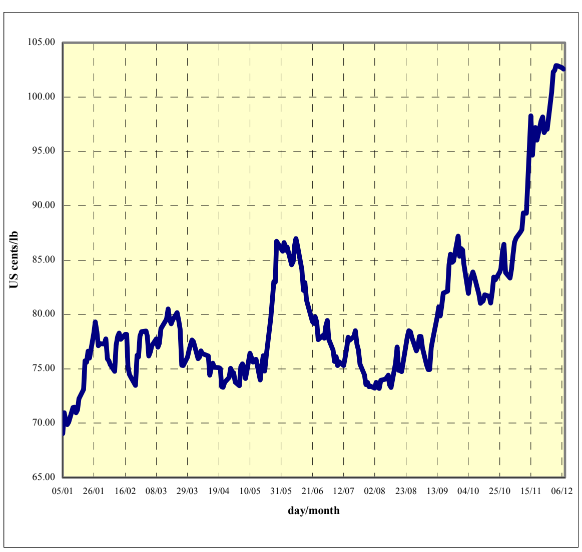
The prices of all four coffee groups recorded a rise in November, but the increase was more marked in the case of Arabicas than in that of Robustas. Robustas fell by 17.90% compared to their levels in January 2004, while the other groups rose (between 24.12 and 27.92%). Table 1 shows the ICO indicator prices as well as averages on the New York (NYBOT) and London (LIFFE) futures markets. Graphs 2 to 5 show movements in the daily indicator prices of the four groups in 2004.

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

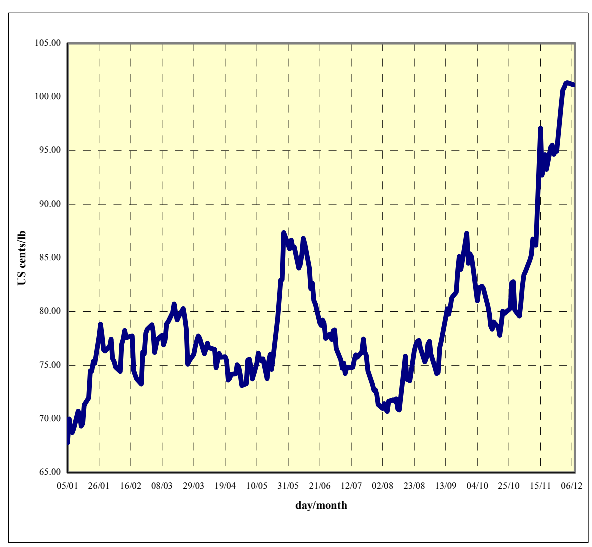
	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
2004							
January	58.69	73.76	72.73	62.06	39.84	74.86	35.95
February	59.87	76.53	76.21	65.52	37.05	75.75	34.68
March	60.80	77.97	78.06	66.97	36.70	76.67	33.54
April	58.80	75.22	75.44	63.70	36.37	73.51	33.57
May	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**
			% variation between Nov-04 and Oct-04				
	10.87	11.82	12.07	13.56	3.28	10.26	6.06
			% variation between Nov-04 and Jan-04				
	15.42	25.85	24.12	27.92	-17.90	17.53	-16.72

* Average of the 2nd and 3rd positions

Graph 2: Daily indicator prices for Colombian Milds 5 January – 10 December 2004



Graph 3: Daily indicator prices for Other Milds 5 January – 10 December 2004



Graph 4: Daily indicator prices for Brazilian Naturals 5 January – 10 December 2004

Graph 5: Daily indicator prices for Robustas 5 January – 10 December 2004

Market fundamentals

Factors linked to coffee supply seem to favour a continuation in the current price trend. The 2003/04 crop year ended with a **total production** of 100.76 million bags compared to 121.94 million in 2002/03, marking a break in the high levels of production of the last four years (Table 2).

Table 2: Production in selected exporting countries

Crop year commencing	2000	2001	2002	2003	% change 2002-2003
TOTAL	**112 679**	**109 675**	**121 944**	**100 761**	**-17.37**
Africa	***16 323***	***14 830***	***14 790***	***15 141***	***2.37***
Cameroon	1 113	686	801	1 150	43.57
Cote d'Ivoire	4 846	3 595	3 172	2 325	-26.70
Ethiopia	2 768	3 756	3 693	4 333	17.33
Kenya	988	991	945	1 000	5.82
Tanzania	821	624	824	608	-26.21
Uganda	3 205	3 166	2 910	3 100	6.53
Others	2 582	2 012	2 445	2 625	7.36
Arabicas	*5 810*	*6 445*	*6 692*	*7 293*	*8.98*
Robustas	*10 513*	*8 385*	*8 098*	*7 848*	*-3.09*
Asia&Oceania	***29 826***	***27 316***	***25 634***	***24 688***	***-3.69***
India	4 526	4 970	4 676	4 508	-3.59
Indonesia	6 974	6 833	6 785	6 464	-4.73
Papua New Guinea	1 041	1 041	1 108	1 147	3.52
Thailand	1 692	548	757	846	11.76
Vietnam	14 775	13 133	11 555	11 250	-2.64
Others	818	791	753	473	-37.18
Arabicas	*3 865*	*4 444*	*4 278*	*3 857*	*-9.84*
Robustas	*25 961*	*22 872*	*21 356*	*20 831*	*-2.46*
Mexico & Central America	***19 371***	***17 178***	***16 383***	***16 761***	***2.31***
Costa Rica	2 253	2 166	1 936	2 106	8.78
El Salvador	1 707	1 667	1 438	1 432	-0.42
Guatemala	4 940	3 669	4 070	2 970	-27.03
Honduras	2 667	3 036	2 497	2 968	18.86
Mexico	4 815	4 200	4 000	4 550	13.75
Nicaragua	1 595	1 116	1 199	1 395	16.35
Others	1 394	1 324	1 243	1 340	7.80
Arabicas	*19 345*	*17 145*	*16 346*	*16 719*	*2.28*
Robustas	*26*	*33*	*37*	*42*	*13.51*
South America	***47 159***	***50 351***	***65 137***	***44 171***	***-32.19***
Brazil	32 005	33 743	48 480	28 831	-40.53
Colombia	10 532	11 999	11 889	11 000	-7.48
Ecuador	872	893	732	804	9.84
Others	3 750	3 716	4 036	3 536	-12.39
Arabicas	*41 890*	*44 072*	*53 567*	*39 957*	*-25.41*
Robustas	*5 269*	*6 279*	*11 570*	*4 214*	*-63.58*
TOTAL	**112 679**	**109 675**	**121 944**	**100 761**	**-17.37**
Colombian Milds	12 182	13 400	13 381	12 480	-6.73
Other Milds	28 752	27 016	26 540	25 999	-2.04
Brazilian Naturals	29 981	31 695	40 969	29 353	-28.35
Robustas	41 764	37 564	41 054	32 929	-19.79
Arabicas	70 915	72 111	80 890	67 832	-16.14
Robustas	41 764	37 564	41 054	32 929	-19.79
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	
Colombian Milds	10.81	12.22	10.97	12.39	
Other Milds	25.52	24.63	21.76	25.80	
Brazilian Naturals	26.61	28.90	33.60	29.13	
Robustas	37.06	34.25	33.67	32.68	
Arabicas	62.94	65.75	66.33	67.32	
Robustas	37.06	34.25	33.67	32.68	

In thousand bags

The 2004/05 crop year has just commenced in many exporting countries although it is about to end in Brazil. Final official estimates from the Brazilian coffee authorities show a total production of 38.7 million bags. A fall in production is expected in many exporting countries in the current crop year 2004/05. Therefore, based on present information, I estimate that in crop year 2004/05 world production will total 114 million bags.

Initial official estimates of Brazilian production for crop year 2005/06 range between 30.7 and 33 million bags. I should point out that the technical agency of the Brazilian Ministry of Agriculture and Supplies, CONAB, has for the first time used satellite scanning technology in addition to its traditional techniques. Therefore, I fully trust that these estimates are more precise and reliable than those of other sources that do not have the same level of technical resources. This sizeable reduction in production is linked, *inter alia*, to the markedly biennial nature of the production cycle of Arabicas in Brazil where bushes need to recover after providing a large crop. The situation could be exacerbated by a cut back in the use of inputs. Moreover, continued difficulties are being experienced in the coffee industry in certain exporting countries, particularly Côte d'Ivoire, where internal troubles are hampering production. Other exporting countries will struggle to regain the production potential in evidence prior to the coffee industry crisis. These considerations lead me to predict that world production in crop year 2005/06 will be exceeded by demand. The ICO initial estimate of world production for crop year 2005/06 is between 106 and 108 million bags, which means that demand should outstrip supply by approximately seven million bags.

Total exports for the 12-month period from November 2003 to October 2004 are 88.05 million bags, compared to 87.11 million in the period November 2002 to October 2003, representing a slight increase of 1.07% (Table 3). During this period, exports of Robustas and Brazilian and Other Naturals have risen by 4% and 4.48% respectively. However, exports of Colombian and Other Milds have fallen by 4.92% and 3.53%. In regional terms, only Asia/Oceania increased, by 17.91%, over the previous period. Exports by the other regions fell. Overall, exports of Arabicas have decreased by 0.42%.

Table 3: Exports
2002/03 and 2003/04 (November – October)

	2002/03	2003/04	% variation
TOTAL	**87.11**	**88.05**	**1.07**
Colombian Milds	12.00	11.41	-4.92
Other Milds	21.22	20.47	-3.53
Brazilian Naturals	24.47	25.57	4.48
Robustas	29.42	30.60	4.00
Arabicas	57.69	57.45	-0.42
Robustas	29.42	30.60	4.00
Africa	***11.96***	***11.52***	***-3.69***
Cameroon	0.75	0.82	9.92
Côte d'Ivoire	2.63	2.59	-1.45
Ethiopia	2.29	2.37	3.69
Kenya	0.88	0.81	-8.10
Tanzania	0.86	0.55	-36.58
Uganda	2.72	2.58	-5.33
Others	1.83	1.80	34.14
Asia & Oceania	***20.88***	***24.62***	***17.91***
India	3.57	3.81	6.71
Indonesia	4.63	4.50	-2.76
Papua New Guinea	1.16	1.11	-4.89
Vietnam	11.26	14.82	31.66
Others	0.26	0.38	46.22
Mexico & Central America	***13.20***	***12.81***	***-2.96***
Costa Rica	1.67	1.49	-10.48
El Salvador	1.30	1.35	3.09
Guatemala	3.91	3.26	-16.52
Honduras	2.38	2.80	17.54
Mexico	2.58	2.41	-6.82
Nicaragua	1.00	1.28	27.97
Others	0.35	0.22	-37.69
South America	***41.08***	***39.11***	***-4.80***
Brazil	26.92	25.50	-5.28
Colombia	10.53	10.15	-3.63
Ecuador	0.66	0.64	-2.74
Others	2.96	2.81	-5.03

In million bags

Figures available at the end of November 2004 permit us to estimate that, in respect of total exports of all types of coffee of 85.76 million bags, in the year 2003, the exporting countries earned US$5.57 billion dollars (Table 4).

Table 4:

Volume and value of exports

	2000	2001	2002	2003	2004 1/
Colombian Milds					
- Volume	11.16	11.67	11.37	11.77	9.04
- Value	1.42	1.02	0.98	1.04	0.92
Other Milds					
- Volume	27.07	22.88	21.41	20.92	18.22
- Value	3.20	1.83	1.70	1.72	1.80
Brazilian Naturals					
- Volume	18.32	22.08	24.65	23.75	21.34
- Value	1.88	1.42	1.31	1.48	1.77
Robustas					
- Volume	32.88	33.74	31.04	29.32	25.82
- Value	1.70	1.13	1.14	1.34	1.22
Total					
- Volume	89.43	90.37	88.47	85.76	74.42
- Value	8.19	5.39	5.13	5.57	5.71

Volume and value of re-exports

Total					
- Volume	22.05	24.51	26.35	27.49	na
- Value	3.37	3.25	3.38	4.00	na

Volume and value of world exports

Total				
- Volume	111.48	114.88	114.81	113.25
- Value	11.56	8.64	8.51	9.57

Percentage

Exporting countries				
- Volume	80.22	78.66	77.05	75.73
- Value	70.82	62.34	60.26	58.20
Importing countries				
- Volume	19.78	21.34	22.95	24.27
- Value	29.18	37.66	39.74	41.80

Volume in million bags – value in US$ billion dollars
1/ January to October only

Stocks of **green coffee in importing countries**, including free ports, stood at 21.4 million bags at the end of September 2004. Regarding certified stocks on the London and New York futures markets, estimates for the end of each month since October 2003 are shown in Table 5.

Table 5: LIFFE and NYBOT certified stocks

End of	LIFFE	NYBOT
Oct-03	2.42	4.47
Nov-03	2.41	4.40
Dec-03	2.41	4.37
Jan-04	2.97	4.42
Feb-04	2.59	4.50
Mar-04	2.70	4.72
Apr-04	2.71	4.82
May-04	2.76	4.95
Jun-04	3.17	5.00
Jul-04	3.58	5.05
Aug-04	3.82	5.08
Sep-04	4.04	4.90
Oct-04	4.14	4.60
Nov-04	4.13	4.56

In million bags

I estimate that **opening stocks in exporting countries** in crop year 2004/05 will total 19.0 million bags. Stocks for crop year 2003/04 amounted to 22.06 million bags.

Table 6: Movements in opening stocks in exporting countries

Crop year commencing	Total	Colombian Milds	Other Milds	Brazilian Naturals	Robustas
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	22.06	2.07	2.86	9.57	7.56
% change 2002-2003	**13.31**	**0.98**	**-9.77**	**12.16**	**32.29**

In million bags

Having now received information from most countries, I can confirm that **world consumption** in 2003 was around 113 million bags. We do not yet have complete information for consumption in 2004 but reports from reputable sources suggest levels of around 114 million bags. Domestic consumption in exporting countries in crop year 2003/04 is estimated at 27.97 million bags, of which Brazil accounts for 13.75 million (Table 7).

Table 7: Domestic consumption in selected exporting countries

Crop year commencing	2000	2001	2002	2003	2003 as % of production
TOTAL	**25 940**	**27 206**	**27 314**	**27 967**	**27.76**
Brazil	13 000	13 250	13 500	13 750	47.69
Indonesia	1 667	2 000	1 833	2 000	30.94
Ethiopia	1 667	1 833	1 833	1 833	42.30
Mexico	1 305	1 500	1 500	1 500	32.97
Colombia	1400	1 400	1 400	1 300	11.82
India	917	1134	1134	1134	25.16
Philippines	820	821	829	917	211.78
Venezuela	690	690	690	690	80.23
Thailand	500	500	500	500	59.10
Vietnam	500	500	500	500	4.44
Dominican Rep.	325	340	340	378	83.26
Haiti	340	340	340	340	91.15
Madagascar	90	128	217	333	76.73
Côte d'Ivoire	317	317	317	317	13.63
Guatemala	300	300	300	300	10.00
Cuba	213	220	225	272	12.92
Costa Rica	249	255	224	224	88.19
Congo, Dem. Rep.	200	200	200	200	29.07
Honduras	230	200	200	200	6.74
Others	1 210	1 278	1 232	1 279	8.48

In thousand bags

I estimate that consumption in importing countries during calendar year 2003 totalled 85.0 million bags, and I am expecting levels of consumption in the year 2004 to remain unchanged. Table 8 shows consumption in selected importing countries.

Table 8: Consumption in selected importing countries (calendar years 2000 - 2003)

Calendar year	2000	2001	2002	2003
TOTAL	**60 421**	**61 212**	**61 165**	**63 018**
U.S.A.	18 558	19 343	18 870	20 505
European Community	***33 685***	***33 351***	***33 852***	***34 163***
Austria	888	1 049	952	757
Belgium/Luxembourg	1 304	987	1 635	1 719
Denmark	784	863	806	728
Finland	972	952	974	973
France	5 400	5 241	5 492	5 428
Germany	9 183	9 468	9 064	9 133
Greece	713	579	865	1 003
Ireland	83	147	136	151
Italy	5 163	5 252	5 180	5 503
Netherlands	1 911	1 732	1 641	1 827
Portugal	681	768	739	745
Spain	3 058	2 869	2 908	2 826
Sweden	1 182	1 259	1 235	1 181
United Kingdom	2 363	2 185	2 225	2 189
Other importing countries	***8 178***	***8 518***	***8 443***	***8 350***
Cyprus	68	55	53	54
Japan	6 626	6 933	6 874	6 770
Norway	658	711	692	682
Switzerland	826	819	824	844

In thousand bags

To conclude, the rise recorded in November leads me to reiterate my observation in last month's report that we are no longer in the eye of the storm. However, a beneficial impact on export earnings has been curbed, in part, by the depreciation of the dollar. The current rise in coffee prices is not yet sufficient to allow many exporting countries to meet their production costs, given that the bulk of their transactions are in United States dollars. Nevertheless, I should point out that coffee market fundamentals favour a continuation in the trend towards higher prices given that we can now predict that in 2005/06 demand will outstrip supply once again.