



February 2020

Prices decline further in February

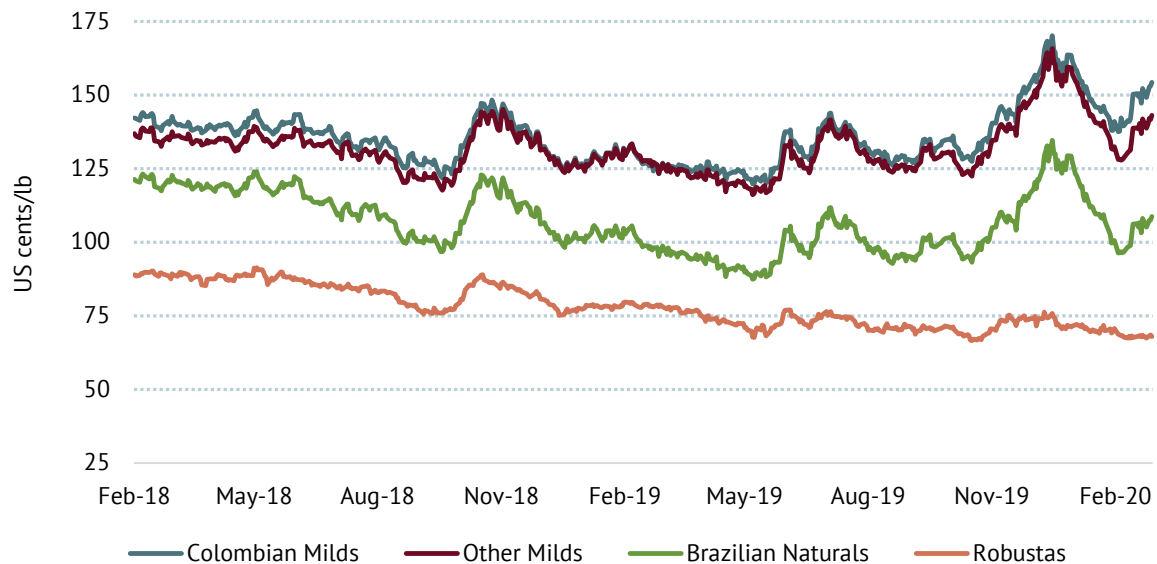
In February 2020, the ICO composite indicator continued its downward trend, averaging 102 US cents/lb as prices for all group indicators fell. However, the differential between Colombian Milds and Other Milds more than doubled to 10.93 US cents/lb. Global exports in January 2020 totalled 10.29 million bags, compared with 11.14 million bags in January 2019, and shipments in the first four months of coffee year 2019/20 decreased by 5.8% to 39.53 million bags. Exports from the world's two largest coffee-producing regions declined in the period October 2019 to January 2020. Shipments from South America decreased by 9.8% to 19.86 million bags and from Asia & Oceania by 5.4% to 12.21 million bags. However, exports from Africa grew by 9.5% to 4.38 million bags, as shipments from the region's three largest producers all increased, and shipments from Central America & Mexico rose by 1.7% to 3.07 million bags. In 2019/20, world coffee consumption is estimated to exceed global output by 0.48 million bags, but Covid-19 presents considerable downside risk to global coffee consumption.

Figure 1: ICO composite indicator daily prices



The ICO composite indicator fell again in February, averaging 102 US cents/lb, 4.6% lower than in January. The daily price of the ICO Composite ranged between 97.73 US cents/lb on 4 February and 106.34 US cents/lb on 28 February. Fears over the effect Covid-19 might have on demand, particularly for out-of-home consumption, as well as ample supplies for the remainder of the year, given that Brazil's 2020/21 crop is in the on-year of its biennial Arabica cycle, exerted downward pressure on the market.

Figure 2: ICO group indicator daily prices



There was a similar downward trend for prices for all group indicators in February 2020, although this was relatively more marked in the case of Brazilian Naturals, which decreased by 7.3% to 102.62 US cents/lb. Other Milds fell by 4.7% to 135.5 US cents/lb, while Colombian Milds decreased 0.7% to 146.43 US cents/lb. As a result, the differential between Colombian Milds and Other Milds widened in February 2020, more than doubling to 10.93 US cents/lb. While sufficient coffee exists to meet existing levels of demand, concern has been growing about the immediate availability of quality Arabica. Prices for Robustas decreased by 3.5% month-on-month to 68.07 US cents/lb.

Figure 3: Arbitrage between New York and London futures markets

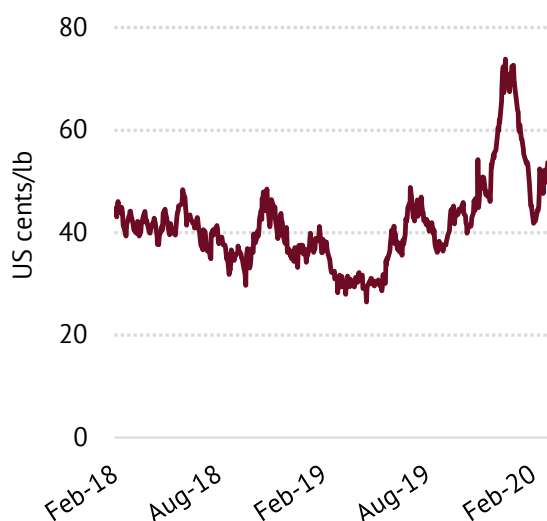
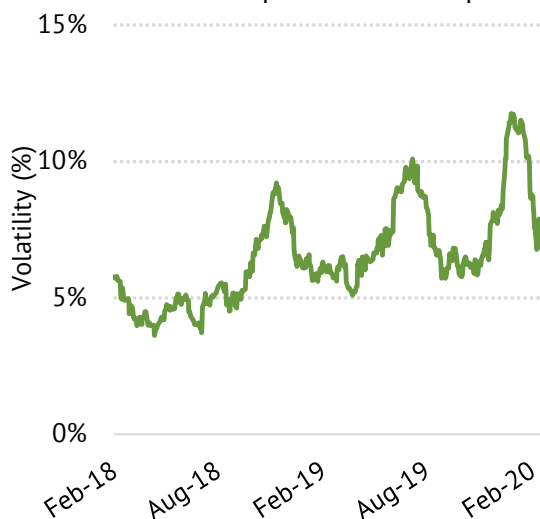


Figure 4: Rolling 30-day volatility of the ICO composite indicator price

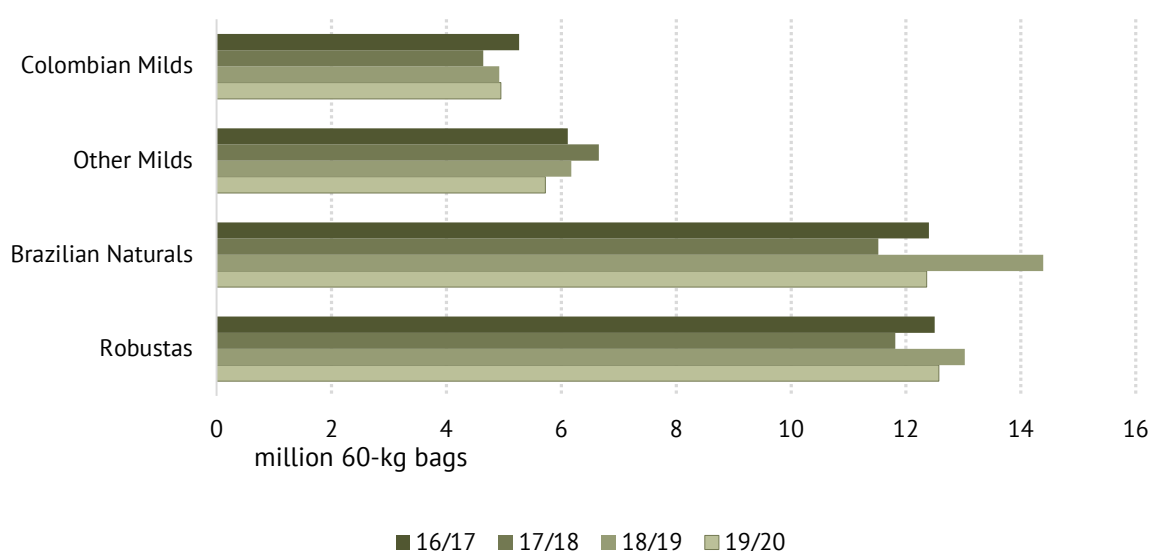


The New York Arabica futures market fell by 8.9% to an average of 106.69 US cents/lb in February 2020, while the London Robusta futures market declined by 3.3% to 59.02 US cents/lb. As a result, the spread between Arabica and Robusta coffees, as measured on the New York and London futures markets, decreased to 47.67 US cents/lb, for the second consecutive month. Certified Arabica stocks decreased by 0.5% month-on-month to 2.47 million bags while certified Robusta stocks rose by 4.6% to 2.57 million bags in January 2020.

The volatility of the ICO composite indicator decreased by 2.8 percentage points to 7.8% over the past month. The volatility of all indicators fell in February 2020. Among the Arabica group indicators, Brazilian Naturals fell by 3.3 percentage points to 10.5%, Other Milds by 3.1 percentage points to 8% and Colombian Milds by 2.2 percentage points to 8.5%. The Robustas group indicator volatility was 6.8%, a decrease of 1.3 percentage points from January 2020.

Global exports in January 2020 totalled 10.29 million bags, compared with 11.14 million bags in January 2019. Exports in the first four months of coffee year 2019/20 decreased by 5.8% to 39.53 million bags compared to 41.95 million bags in 2018/19. During this period, shipments of Brazilian Naturals declined by 11.8% to 13.28 million bags and Other Milds decreased by 6.6% to 6.46 million bags. However, exports of Colombian Milds have increased by 0.6% to 5.27 million bags in October 2019 to January 2020. Robusta shipments fell 1.4% to 14.51 million bags.

Figure 5: Green Exports (October -January)



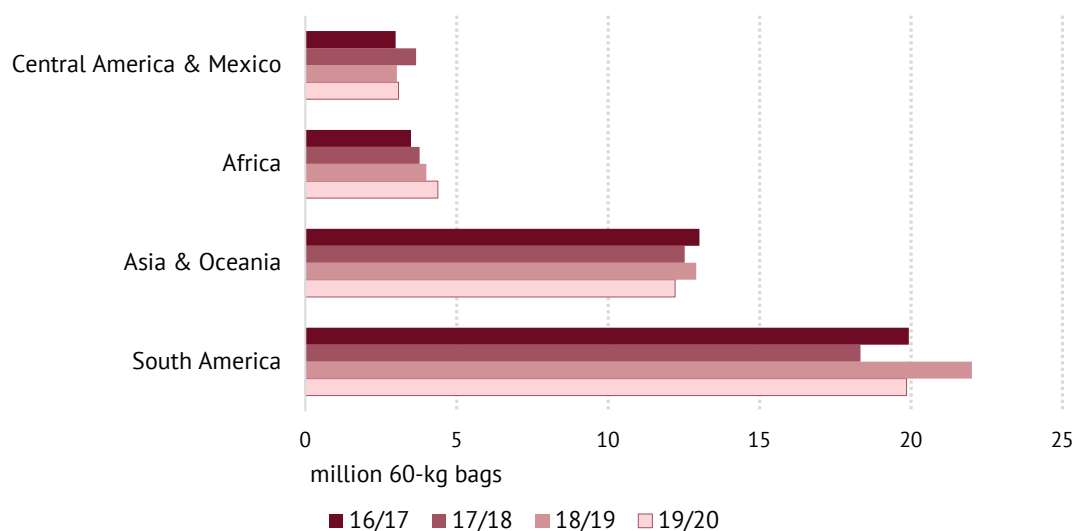
Exports from Africa in the first four months of coffee year 2019/20 increased 9.5% to 4.38 million bags as shipments from the region’s three largest producers all increased. Uganda was the largest regional exporter, shipping 1.62 million bags, an increase of 10% on the first four months of coffee year 2018/19 due to higher prices in December and the greater availability of coffee this season. Uganda’s output in 2019/20 increased due to new trees planted several years ago coming into production and favourable weather. Shipments from Ethiopia grew by 18.2% to 1.17 million bags, and from Côte d’Ivoire by 5.6% to 558,000 bags, as improvements in productivity were reported for both countries. However, Tanzania’s exports decreased by 1.6% to 393,000 bags.

Asia & Oceania’s coffee exports declined by 5.4% to 12.21 million bags in October 2019 to January 2020. Viet Nam’s exports during this period declined by 14.6% to 8.35 million bags, as low coffee prices discouraged farmers from selling their coffee, particularly with abundant supply from other Robusta producers. India’s exports declined 8.4% to 1.41 million bags with green exports falling by 22.6% to 726,000 bags, however, its shipments of higher-valued soluble coffee during this period have increased by 13.9% to 687,000 bags. Indonesia’s shipments increased 86.8% to 1.99 million bags as its production recovered 16.8% from the previous year when output fell by 13.2% to 9.42 million bags.

Compared to the first four months of coffee year 2018/19, exports from Mexico & Central America rose by 1.7% to 3.07 million bags. This growth was led by Honduras where shipments grew by 2.6% to 1.22 million bags. Higher prices in December 2019 and January 2020 boosted exports from Honduras in January, which rose by 12.6% to 694,000 bags, offsetting lower shipments in October to December. In contrast, Mexico’s exports between October 2019 and January 2020 have declined by 13.1% to 652,000 bags, partially in response to low prices, but also due to rising domestic consumption that reduces the availability of coffee for export. Both

Nicaragua and Guatemala recorded increases in exports of 63.5% to 525,000 bags and 1.6% to 507,000 bags, respectively. The recent rise in prices as well as higher production than initially estimated may have boosted exports from these two countries.

Figure 6: Total Exports (October-January)



In October 2019 to January 2020, South America’s exports declined by 9.8% to 19.86 million bags. During this period, shipments from Brazil fell by 12.7% to 13.16 million bags. Brazil is nearing the end of its 2019/20 crop year, which was an off-year for its Arabica production. Brazil’s exports of Arabica decreased by 17% to 10.74 million bags, but its Robusta shipments grew by 22.4% to 1.13 million bags. Exports from Colombia rose by 1.5% to 4.83 million bags while its output, as estimated by the National Federation of Coffee Growers of Colombia, has increased 12.9% to around 5.61 million bags. In February, Colombia launched the Coffee Price Stabilization Fund to protect farmers against price fluctuations. The goal of this new fund is to further improve the quality of Colombian coffee over time, but the full impact will likely be seen in the medium term.

In 2019/20 world coffee production is estimated at 168.86 million bags, a decrease of 0.8% on 2018/19. Arabica production is estimated 3.9% lower at 96.37 million bags while Robusta output is estimated 3.7% higher at 72.5 million bags. World coffee consumption is estimated 169.34 million bags, 0.7% greater than in 2018/19, following a year of exceptional consumption growth in Europe and North America. In coffee year 2019/20, a deficit of 0.48 million bags is currently estimated, however Covid-19 presents considerable downside risk to global coffee consumption.

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							
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
Dec-19	117.37	161.50	157.11	126.36	73.22	131.44	63.87
Jan-20	106.89	147.52	142.19	110.73	70.55	117.05	61.03
Feb-20	102.00	146.43	135.50	102.62	68.07	106.69	59.02
% change between Jan-20 and Feb-20							
	-4.6%	-0.7%	-4.7%	-7.3%	-3.5%	-8.9%	-3.3%
Volatility (%)							
Feb-20	7.8%	8.5%	8.0%	10.5%	6.8%	10.5%	7.4%
Jan-20	10.6%	10.7%	11.1%	13.8%	8.1%	13.4%	9.5%
Variation between Jan-20 and Feb-20							
	-2.8	-2.2	-3.1	-3.3	-1.3	-2.9	-2.1

* Average price for 2nd and 3rd positions**Table 2: Price differentials (US cents/lb)**

	Colombian Milds	Colombian Milds	Colombian Milds	Other Milds	Other Milds	Brazilian Naturals	New York*
	Other Milds	Brazilian Naturals	Robustas	Brazilian Naturals	Robustas	Robustas	London*
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
Dec-19	4.39	35.14	88.28	30.75	83.89	53.13	67.57
Jan-20	5.33	36.79	76.97	31.46	71.64	40.18	56.02
Feb-20	10.93	43.81	78.36	32.88	67.43	34.55	47.67
% change between Jan-20 and Feb-20							
	105.1%	19.1%	1.8%	4.5%	-5.9%	-14.0%	-14.9%

* 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	162 676	170 223	168 861	-0.8%
Arabica	91 181	100 776	97 290	100 317	96 365	-3.9%
Robusta	63 815	57 849	65 386	69 906	72 496	3.7%
Africa	15 756	16 729	17 376	18 623	18 190	-2.3%
Asia & Oceania	49 484	45 652	48 408	48 064	50 652	5.4%
Mexico & Central America	17 106	20 322	21 725	21 345	21 692	1.6%
South America	72 651	75 921	75 167	82 191	78 328	-4.7%
CONSUMPTION	155 491	158 642	162 555	168 099	169 337	0.7%
Exporting countries	47 548	48 488	49 793	50 510	51 018	1.0%
Importing countries (Coffee Years)	107 943	110 154	112 763	117 589	118 319	0.6%
Africa	10 951	11 130	11 527	11 724	11 939	1.8%
Asia & Oceania	32 863	34 573	35 697	36 470	37 511	2.9%
Mexico & Central America	5 295	5 226	5 321	5 401	5 474	1.4%
Europe	52 147	52 045	53 148	55 731	55 395	-0.6%
North America	28 934	29 559	29 941	31 644	31 876	0.7%
South America	25 299	26 111	26 922	27 128	27 141	0.1%
BALANCE	-495	-18	121	2 124	-476	

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

	Jan-19	Jan-20	% change	October-January		
				2018/19	2019/20	% change
TOTAL	11 140	10 290	-7.6%	41 946	39 527	-5.8%
Arabicas	6 867	6 531	-4.9%	27 224	25 018	-8.1%
Colombian Milds	1 275	1 171	-8.1%	5 246	5 274	0.6%
Other Milds	2 005	2 024	0.9%	6 921	6 463	-6.6%
Brazilian Naturals	3 587	3 336	-7.0%	15 058	13 281	-11.8%
Robustas	4 274	3 759	-12.0%	14 722	14 509	-1.4%

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

	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
New York	2.84	2.81	2.73	2.70	2.70	2.66	2.60	2.55	2.42	2.32	2.49	2.47
London	1.97	1.98	2.11	2.18	2.47	2.60	2.62	2.69	2.64	2.54	2.45	2.57

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.