



Coffee Year 2019/20 Ends in Surplus

Global coffee production in 2019/20 is estimated at 169.34 million bags, 2.2% lower than last year, as output of Arabica decreased by 5% to 95.99 million bags, while that of Robusta rose by 1.9% to 73.36 million bags. World coffee consumption is expected to decrease by 0.5% to 167.81 million bags as the covid-19 pandemic continues to put pressure on the global economy and greatly limits out-of-home coffee consumption. As a result, coffee year 2019/20 is seen ending in a surplus of 1.54 million bags. This compares to a surplus of 4.4 million bags in 2018/19. The two consecutive surpluses have limited a recovery in prices, which remain below the long-term average of 135.34 US cents/lb between 2007 and 2018. The ICO composite indicator in September rose by 1.3% to 116.25 US cents/lb. It averaged 107.25 US cents/lb in coffee year 2019/20, 6.7% higher compared to 2018/19. All group indicator prices rose in September 2020 for the third consecutive month, with the largest increase occurring for Other Milds.

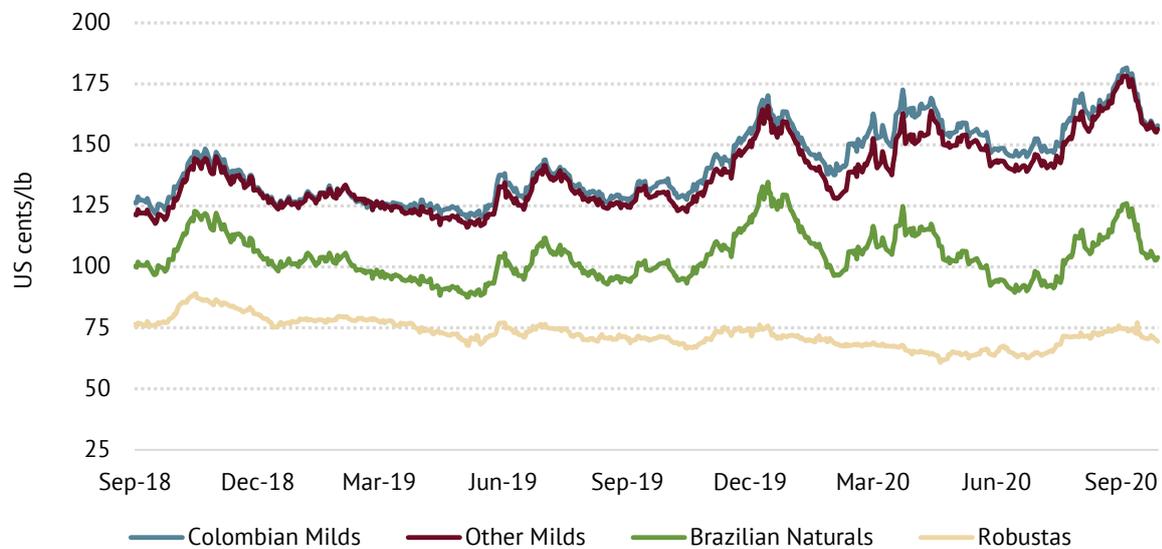
Figure 1: ICO composite indicator daily prices



The monthly average of the ICO composite indicator rose by 1.3% to 116.25 US cents/lb in September 2020. While prices have increased, they remain low compared to the long-term average of 135.34 US cents/lb between 2007 and 2018. The daily composite indicator started on

a high note, remaining above 120 US cents/lb until 14 September, when it fell to 116.97 US cents/lb. It continued to fall during the rest of the month, reaching a low of 108.09 US cents/lb on 29 September. The Brazilian real also fell from mid- to late-September, erasing the gains made over the preceding three weeks.

Figure 2: ICO group indicator daily prices



Prices for all group indicators rose in September 2020 for the third consecutive month, though at a much slower rate compared to August. The largest increase occurred in the average price for Other Milds which grew by 2% to 166.56 US cents/lb. Colombian Milds increased by 0.7% to 168.36 US cents/lb. As a result, the differential between Colombia Milds and Other Milds decreased by 54.7% to an average of 1.80 US cents/lb due to tightness in supply of Other Milds compared to Colombian Milds. Brazilian Naturals rose by 1.8% to 113.81 US cents/lb, and Robustas by 0.1% to 72.77 US cents/lb.

The average arbitrage in September, as measured on the New York and London futures markets, rose by 1.1% to 58.73 US cents/lb. After falling for seven consecutive months, stocks of certified Arabica increased by 68.7% to 2.45 million bags in September 2020 compared to August 2020. Certified Robusta stocks amounted to 1.85 million bags, unchanged from August 2020. Additionally, the volatility of the ICO composite indicator price decreased by 0.2 percentage points to 8.7%. The volatility for Colombian Milds remained unchanged at 8.5%, but the volatility for Other Milds fell by 0.5 percentage points to 8%. Brazilian Naturals volatility declined by 1.2 percentage points to 12.3%, while the volatility for Robusta prices increased by 2.1 percentage points to 8.4%.

Figure 3: Arbitrage between New York and London futures markets

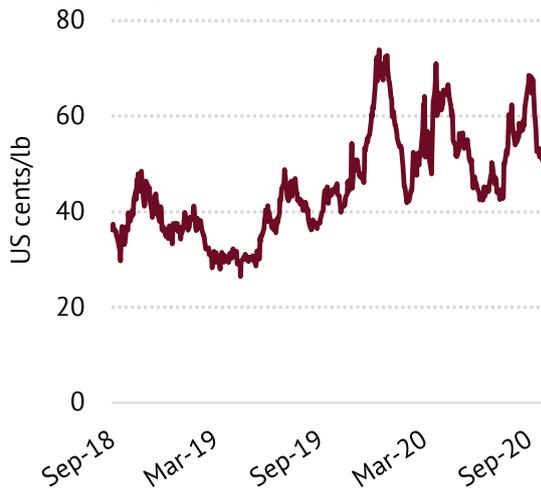
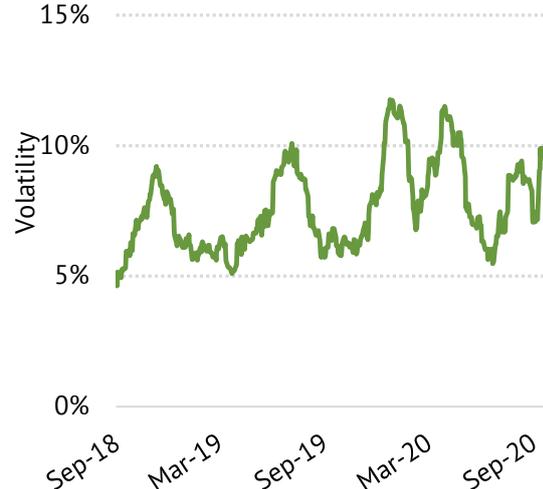


Figure 4: Rolling 30-day volatility of the ICO composite indicator price

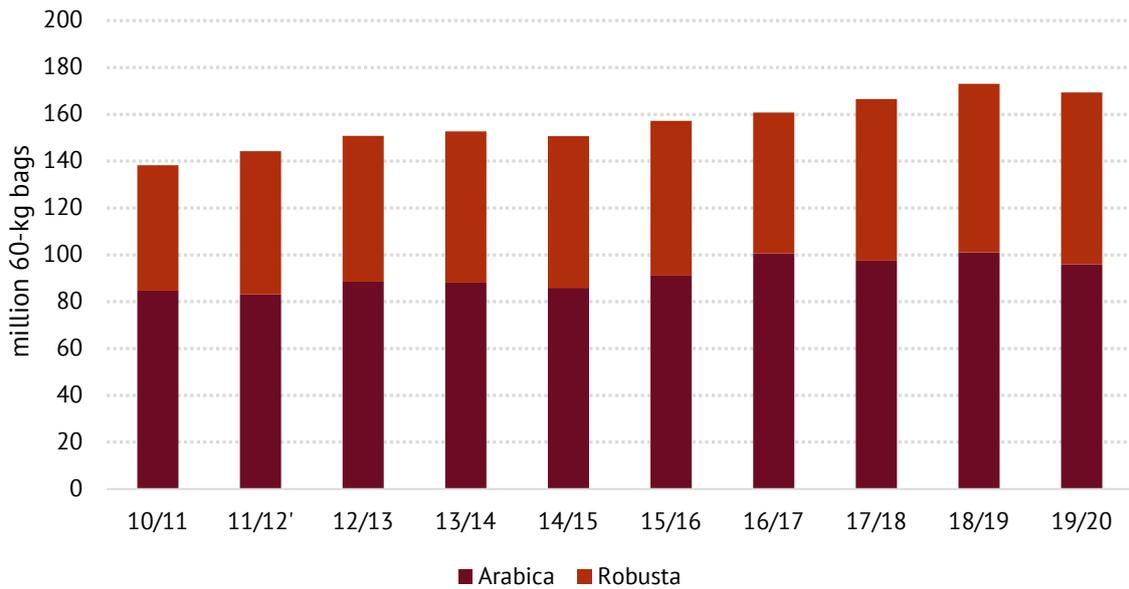


In August 2020, world coffee exports fell by 7.5% to 10.04 million bags compared to August 2019. This was the lowest volume of shipments in August since 2015 when exports totalled 9.14 million bags, and may indicate a decline in demand, particularly as prices have increased in recent months while the outlook for global economic growth remains bearish. Shipments of Arabica fell by 6.7% to 6.35 million bags, and Robusta exports decreased by 9% to 3.69 million bags. Other Milds recorded the largest decrease in August, falling by 10.2% to 2 million bags. Exports of Colombian Milds fell by 8.4% to 1.19 million bags, and Brazilian Naturals declined by 3.6% to 3.16 million bags.

From October 2019 to August 2020, global coffee shipments fell by 5.6% to 116.54 million bags compared with the same period in coffee year 2018/19. In the first eleven months of coffee year 2019/20, Robusta exports recorded the smallest decrease, declining by 2.6% to 44.61 million bags. Shipments of Other Milds fell by 9.7% to 23.42 million bags, Colombian Milds by 6.8% to 12.93 million bags and Brazilian Naturals by 6% to 35.58 million bags.

Global output in 2019/20 is estimated at 169.34 million bags, 2.2% lower than in 2018/19. Arabica output is estimated to decrease by 5% to 95.99 million bags, while Robusta output is expected to rise by 1.9% to 73.36 million bags. The decrease in output is attributed primarily to the reduction in Brazil, as this was an off-year for its Arabica production, as well as to the ongoing low prices. Harvesting in most countries had already concluded by the time the pandemic occurred.

Figure 5: Global Coffee Production by Coffee Year



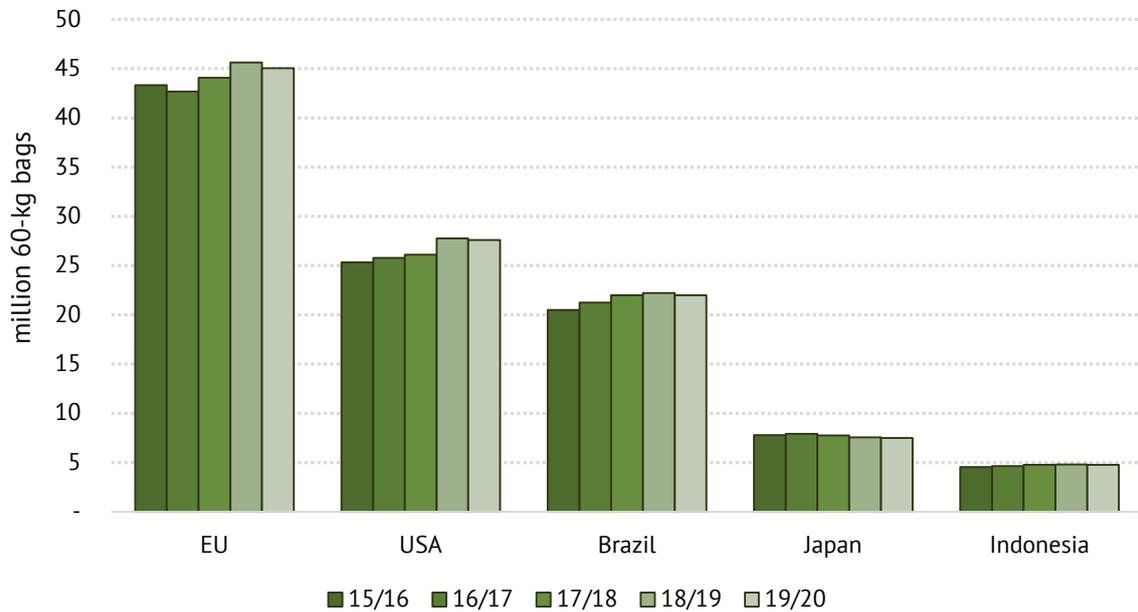
Production in the five largest producing countries increased in 2019/20, except for Brazil, which accounts for around 35% of global output. In 2019/20, Brazil's Arabica crop was in the off year of its biennial cycle, and the total harvest is estimated at 58 million bags, 10.9% less than in 2018/19. Brazil's Arabica output declined by 17.4% to 37 million bags while its Robusta output rose by 3.4% to 21 million bags. Viet Nam's harvest is estimated at 31.5 million bags in 2019/20, 0.7% higher than last year. Colombia's total production in 2019/20 is estimated at 14.1 million bags, 1.7% higher than in 2018/19, as strong growth in the first three months of the coffee year was followed by falling prices and adverse weather. After three years of decline, production in Indonesia is estimated to rise by 16.5% to an estimated 11.2 million bags in 2019/20 due to beneficial weather. Output in Ethiopia has grown steadily after falling by 19% to 5.56 million bags in 2010/11, and in 2019/20 is estimated to increase by 2.1% to 7.7 million bags due to beneficial weather and adequate rain.

Heading into 2019/20, global demand for coffee seemed strong following coffee year 2018/19 when world consumption grew by 4.3% to 168.7 million bags, which was well-above the long-term average of around 2%. **However, in 2019/20, global coffee consumption is estimated at 167.81 million bags, 0.5% lower than last year.** While there was a surge in demand at the start of the pandemic from panic-buying and stockpiling, consumption in the remaining months of the coffee year is estimated downwards due to ongoing pressure from a global economic downturn and limited recovery in out-of-home consumption, particularly as many countries are starting to experience a second wave of covid-19 at the end of the coffee year.

Compared to the previous year, demand in the top five consumers, which represent 63.7% of global consumption, slowed considerably in 2019/20. After two years of strong growth, consumption in the European Union is estimated at 45.04 million bags, 1.3% lower than last year.

In the United States, the world's second largest consumer, demand is estimated to fall by 0.6% to 27.58 million bags while consumption in Brazil, the third largest, is estimated to decrease by 0.9% to 22 million bags. Demand in Japan is estimated at 7.5 million bags, 0.8% lower than in 2018/19, while consumption in Indonesia is estimated to fall by 1% to 4.75 million bags.

Figure 6: Demand in Top 5 Consumers



Although both production and consumption decreased, **2019/20 is seen in surplus, with global output exceeding consumption by 1.54 million bags.** The ICO composite indicator reached 107.25 US cents/lb in coffee year 2019/20. This compares to an average of 100.47 US cents/lb in 2018/19 when the surplus reached 4.4 million bags. This surplus, coupled with the majority of Brazil's 2020/21 crop, an on-year in the biennial Arabica production cycle, reaching the market in the next few months, will limit further recovery in prices.

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

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
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
Mar-20	109.05	158.99	148.33	112.87	67.46	116.09	57.39
Apr-20	108.91	161.92	154.52	111.22	63.97	115.55	54.40
May-20	104.45	154.96	149.84	101.69	64.53	107.54	54.67
Jun-20	99.05	147.16	141.52	92.56	64.62	99.50	54.77
Jul-20	103.66	153.38	146.78	97.96	67.69	106.20	57.92
Aug-20	114.78	167.22	163.25	111.79	72.68	120.98	62.89
Sep-20	116.25	168.36	166.56	113.81	72.77	122.08	63.35
% change between Aug-20 and Sep-20							
	1.3%	0.7%	2.0%	1.8%	0.1%	0.9%	0.7%
Volatility (%)							
Sep-20	8.7%	8.5%	8.0%	12.3%	8.4%	11.1%	6.8%
Aug-20	8.9%	8.5%	8.5%	13.5%	6.3%	13.2%	7.7%
Variation between Aug-20 and Sep-20							
	-0.2	0.0	-0.5	-1.2	2.1	-2.1	-0.9

* Average prices 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*
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
Mar-20	10.66	46.12	91.53	35.46	80.87	45.41	58.70
Apr-20	7.40	50.70	97.95	43.30	90.55	47.25	61.15
May-20	5.12	53.27	90.43	48.15	85.31	37.16	52.87
Jun-20	5.64	54.60	82.54	48.96	76.90	27.94	44.73
Jul-20	6.60	55.42	85.69	48.82	79.09	30.27	48.28
Aug-20	3.97	55.43	94.54	51.46	90.57	39.11	58.09
Sep-20	1.80	54.55	95.59	52.75	93.79	41.04	58.73
% change between Aug-20 and Sep-20							
	-54.7%	-1.6%	1.1%	2.5%	3.6%	4.9%	1.1%

* Average prices for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Coffee year commencing	2015	2016	2017	2018	2019*	% change 2018/19
PRODUCTION	157 160	160 713	166 476	173 096	169 344	-2.2%
Arabica	91 083	100 686	97 478	101 085	95 987	-5.0%
Robusta	66 077	60 027	68 998	72 011	73 357	1.9%
Africa	15 566	16 539	17 307	18 866	18 825	-0.2%
Asia & Oceania	51 837	47 930	52 203	49 806	50 922	2.2%
Mexico & Central America	17 106	20 322	21 727	21 742	20 733	-4.6%
South America	72 651	75 921	75 240	82 682	78 865	-4.6%
CONSUMPTION	155 536	158 074	161 682	168 693	167 807	-0.5%
Exporting countries	47 349	48 334	49 686	50 275	49 818	-0.9%
Importing countries (Coffee Years)	108 187	109 740	111 996	118 418	117 989	-0.4%
Africa	10 739	10 689	11 079	11 665	11 775	0.9%
Asia & Oceania	32 863	34 395	35 236	37 055	37 188	0.4%
Mexico & Central America	5 295	5 172	5 252	5 415	5 378	-0.7%
Europe	52 405	52 148	53 252	55 622	55 033	-1.1%
North America	28 934	29 559	29 941	31 779	31 512	-0.8%
South America	25 299	26 111	26 922	27 156	26 920	-0.9%
BALANCE	1 624	2 639	4 794	4 403	1 538	

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 by exporting countries

	Aug-19	Aug-20	% change	October-August		
				2018/19	2019/20	% change
TOTAL	10 862	10 044	-7.5%	123 436	116 537	-5.6%
Arabicas	6 804	6 350	-6.7%	77 636	71 931	-7.3%
Colombian Milds	1 295	1 187	-8.4%	13 872	12 929	-6.8%
Other Milds	2 227	1 999	-10.2%	25 934	23 425	-9.7%
Brazilian Naturals	3 282	3 164	-3.6%	37 829	35 577	-6.0%
Robustas	4 058	3 694	-9.0%	45 801	44 606	-2.6%

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

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
New York	2.55	2.42	2.32	2.49	2.45	2.29	2.11	2.01	1.90	1.82	1.45	2.45
London	2.69	2.64	2.54	2.45	2.57	2.44	2.31	2.18	1.99	1.90	1.85	1.85

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.