

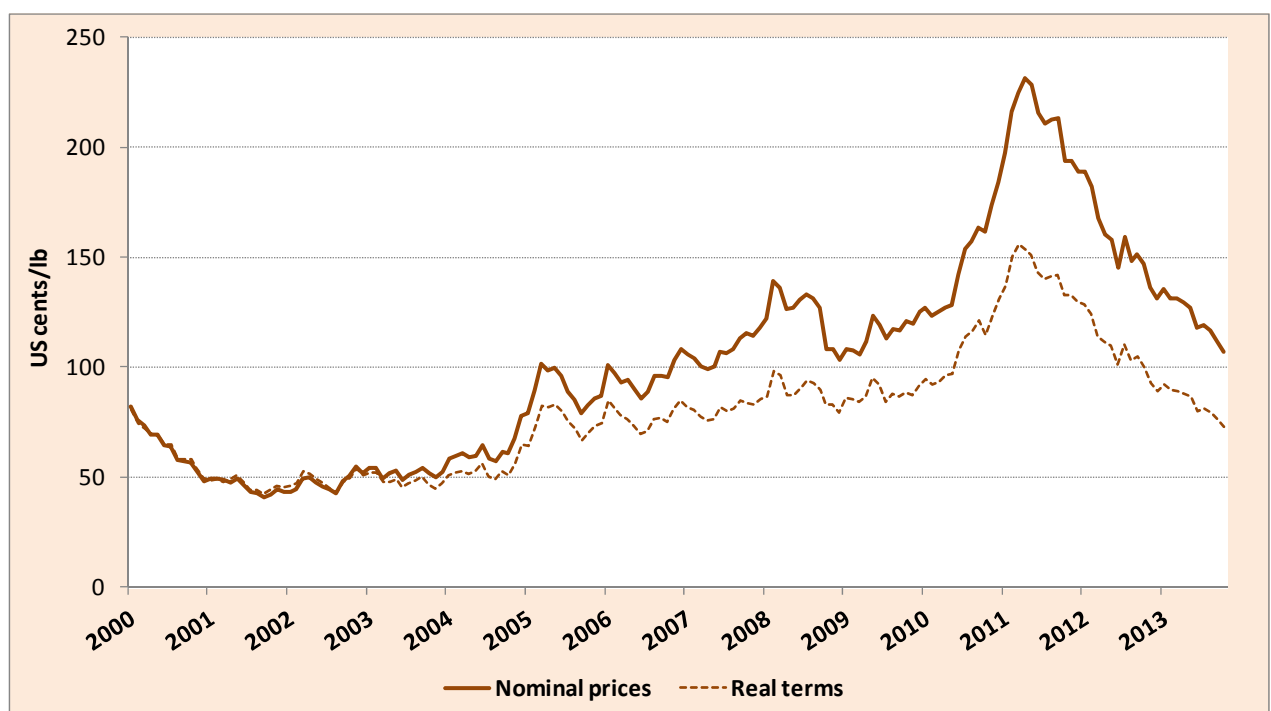
MONTHLY COFFEE MARKET REPORT

October 2013

Coffee prices suffered further declines in October 2013, with the prices of all four group indicators sliding rapidly over the course of the month. The monthly average of the ICO composite indicator price now stands at its lowest level since March 2009, and the severe downward trend observed over the last two years shows no sign of slowing. Despite a slight decrease in September, total exports for coffee year 2012/13 reached a record volume of 110.2 million bags, comprising 68.5 million bags of Arabica and 41.7 million of Robusta. Total production in 2012/13 is also estimated at a record volume of 145.2 million bags. World consumption is estimated at 142 million bags for calendar year 2012, and growing at around 2.4% per annum.

It is too early to provide an estimate of world production in 2013/14, which is now under way in all exporting countries, but early indications suggest potential decreases in some leading exporters. Brazil is in the off-year of its biennial cycle, and the damage from coffee leaf rust in Central America is expected to become more evident. Furthermore, it should be noted that the current low prices are likely to discourage farmers from investing and maintaining their crops, which may negatively affect future production levels.

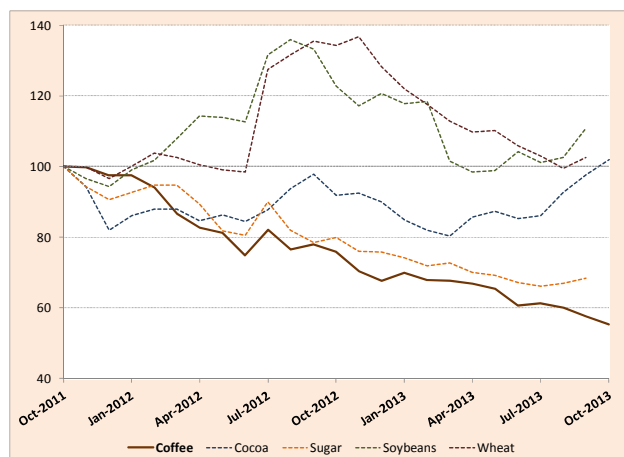
Graph 1: ICO composite indicator price
(Monthly averages: January 2000 to October 2013)



Price movements

The ICO composite indicator price averaged 107.03 US cents/lb in October 2013, a 4.3% decrease on September and its lowest level since March 2009. Furthermore, in real terms¹ the composite indicator is now below its level of January 2000 (see Graph 1), which marked the beginning of the period known as the ‘coffee crisis’. There can be no doubt that in many countries the prices received by coffee growers fail to cover the unit costs of production, while at the same time the prices of basic goods, such as food and energy, are rising. Indeed, coffee is the worst performing agricultural commodity of the last two years (see Graph 2), with a downward trend that has so far shown no sign of improving.

Graph 2: Monthly commodity prices²
(Index: October 2011=100)

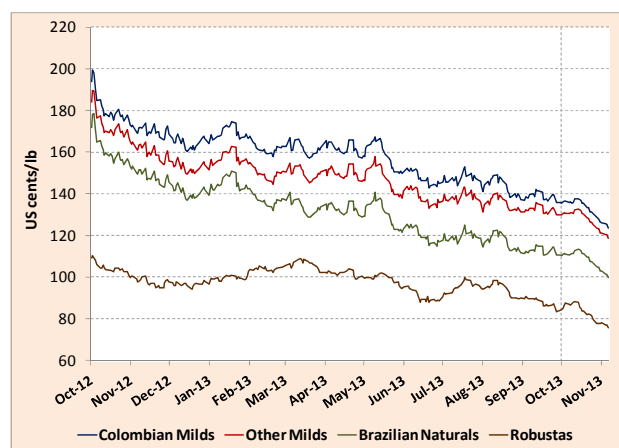


All four group indicators fell sharply over the course of the month, as shown in Graph 3. Colombian Milds dropped by 3.4%, Other Milds by 2.7% and Brazilian Naturals by 2.7%, to their lowest levels since December 2008, March 2009 and July 2009 respectively. The most significant decline was observed in Robustas, which fell by 4.6% to 83.70 US cents/lb, their lowest level in three years.

In terms of differentials, the most notable development was the change in the differential between Colombian Milds and Other Milds, which

fell by 18.8% to 5.13 US cents/lb, the narrowest gap in five years. This is indicative of the increased supplies coming out of Colombia compared to Central America. The arbitrage between the New York and London futures markets, on the other hand, widened by 4.6% to 43.58 US cents/lb, but is still relatively low compared to the last four years.

Graph 3: ICO group indicator daily prices
(1 October 2012 to 6 November 2013)



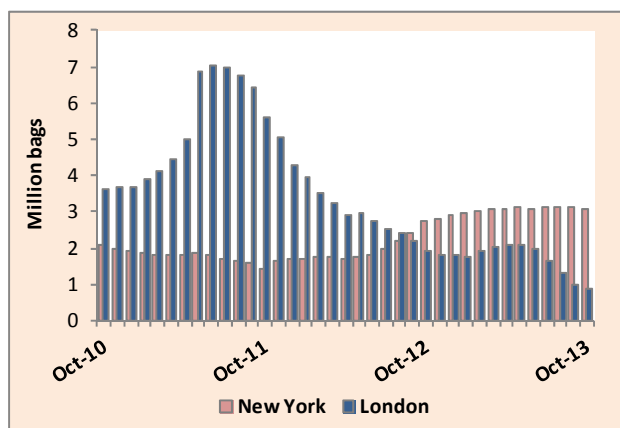
Market fundamentals

Total production by all exporting countries for crop year 2012/13 is maintained at around 145.2 million bags, a 9.8% increase on 2011/12. Looking ahead to 2013/14, it is too early to provide an estimate for world production, but the Brazilian authorities have provisionally forecast a 6.5% decrease in Brazil's off-year crop to 47.54 million bags. Furthermore, the Vietnam Coffee and Cocoa Association (Vicofa) have indicated that they are expecting a 15% decrease in production in 2013/14, attributed to dry conditions earlier in the harvest, exacerbated by the effects of Hurricane Nari at the beginning of October. Finally, it should be noted that the damage arising from the outbreak of coffee leaf rust in Central America, which resulted in the loss of 2.7 million bags of coffee in 2012/13, is expected to be more significant in the current crop year.

¹ Nominal prices deflated using the *UN Index for Manufactured Goods Exports by Developed Economies (2000=100)*

² Sources: World Bank Databank; ICO composite indicator price; International Cocoa Organization

Graph 4: Certified stocks in London and New York (October 2010 to October 2013)



Graph 4 shows certified stocks on the New York and London futures exchanges at the end of October 2013. Stocks in New York have maintained a level of around 3.1 million bags over the last six months, but those on the London market have fallen to the historically low level of just 0.9 million bags.

Total exports

Exports in September 2013 amounted to 7.8 million bags, compared to 8.2 million in September 2012. This brings total exports for coffee year 2012/13 to a record volume of 110.2 million bags, up 2.3% on 2011/12. The strongest increase was recorded in shipments of Colombian Milds, which jumped by 21.2% to 10.2 million bags, mostly as a result of the ongoing recovery in Colombia.

Exports of Other Milds, on the other hand, fell by 8.3% compared to 2011/12, as coffee leaf rust continued to exert a negative effect on production in Central America. Exports of Other Milds from Honduras fell by 20.7% and from Peru by 18.3%, while slight decreases of 1.6% and 1.5% were also recorded in Guatemala and Mexico. In terms of Brazilian Naturals, total exports for 2012/13 increased by 6.8% to 33.1 million bags, with most of this increase attributable to a strong increase in exports from Brazil, as well as a 5.1% increase by Ethiopia. Brazilian Naturals therefore accounted for some 30% of world exports, up from 28.8% in 2011/12.

Finally, the most dynamic growth over the last few years has been in exports of Robustas, which reached a record 41.7 million bags, accounting for 37.8% of the world total, and 2.1% higher than 2011/12. This increase was despite a decrease in exports from the largest origin of Robustas, Vietnam, which fell by 7.2% to an estimated 19.7 million bags. However, this was more than offset by a strong increase of Robusta exports from Indonesia, which rose by 40.2% to a record volume of 8.4 million bags. Uganda also registered a notable increase of 45.4% in its Robusta exports to 2.8 million bags, compared to 1.9 million in 2011/12.

Graph 5: Total exports by group of coffee (Coffee years 2002/03 to 2012/13)

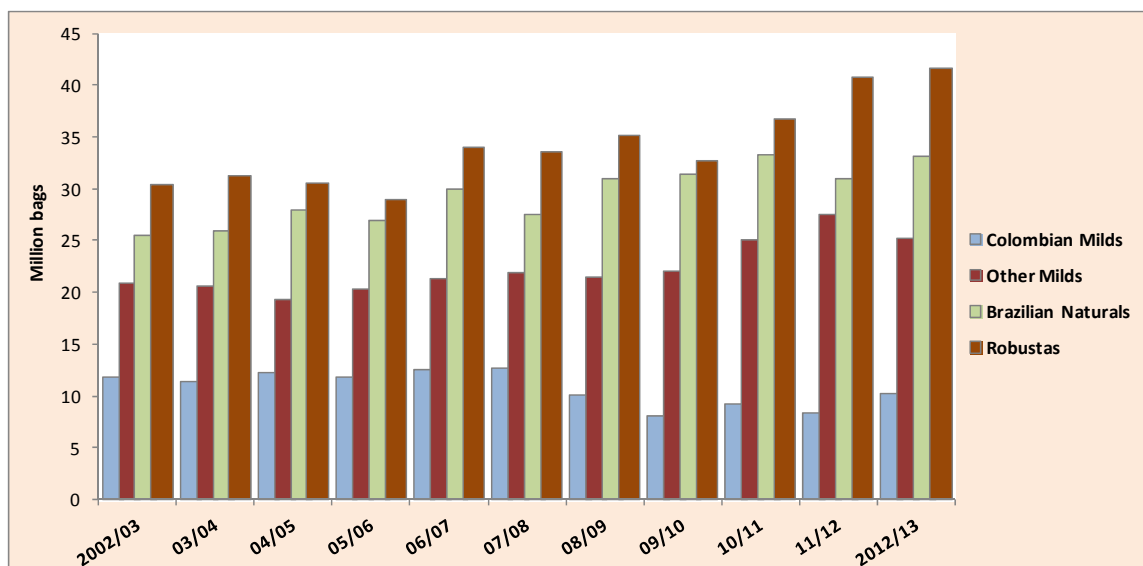


Table 1: ICO indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Colombian Other Milds	Brazilian Naturals	Brazilian Robustas	New York*	London*
Monthly averages							
Oct-12	147.12	181.39	173.32	161.20	104.47	170.43	94.66
Nov-12	136.35	170.08	159.91	148.25	97.67	155.72	87.32
Dec-12	131.31	164.40	152.74	140.69	96.59	149.58	85.94
Jan-13	135.38	169.19	157.29	145.17	99.69	154.28	88.85
Feb-13	131.51	161.70	149.46	136.63	104.03	144.89	94.41
Mar-13	131.38	161.53	149.78	133.61	106.26	141.43	97.22
Apr-13	129.55	161.76	149.81	132.62	101.68	139.91	93.15
May-13	126.96	158.35	147.19	130.29	99.18	138.64	91.07
Jun-13	117.58	147.55	138.26	120.01	90.79	126.37	81.82
Jul-13	118.93	147.46	138.39	119.47	95.21	125.27	85.34
Aug-13	116.45	143.26	135.15	116.81	94.01	122.31	84.10
Sep-13	111.82	138.60	132.28	112.65	87.78	119.55	77.89
Oct-13	107.03	133.83	128.70	109.57	83.70	117.05	73.47
% change between Oct-13 and Sep-13							
	-4.3	-3.4	-2.7	-2.7	-4.6	-2.1	-5.7
Annual averages							
2008	124.25	144.32	139.78	126.59	105.28	136.46	97.17
2009	115.67	177.43	143.84	115.33	74.58	128.40	67.69
2010	147.24	225.46	195.96	153.68	78.74	165.20	71.98
2011	210.39	283.84	271.07	247.61	109.21	256.36	101.23
2012	156.34	202.08	186.47	174.97	102.82	179.22	91.87
% change between Oct-13 and 2012 average							
	-31.5	-33.8	-31.0	-37.4	-18.6	-34.7	-20.0
Volatility (%)							
Sep-13	5.2	5.1	5.3	6.0	5.0	7.2	6.2
Oct-13	3.7	3.2	3.3	4.0	5.9	4.0	6.2
Variation between Oct-13 and Sep-13							
	-1.5	-2.0	-2.0	-2.0	0.9	-3.2	0.0

* Average price for 2nd and 3rd positions

Table 2: Price differentials (US cents/lb)

	Colombian Milds Other Milds	Colombian Milds Brazilian Naturals	Colombian Milds Robustas	Other Milds Brazilian Naturals	Other Milds Robustas	Brazilian Naturals Robustas	New York* London*
Oct-12	8.07	20.19	76.92	12.12	68.85	56.73	75.77
Nov-12	10.17	21.83	72.41	11.66	62.24	50.58	68.40
Dec-12	11.66	23.71	67.81	12.05	56.15	44.10	63.64
Jan-13	11.90	24.02	69.50	12.12	57.60	45.48	65.43
Feb-13	12.24	25.07	57.67	12.83	45.43	32.60	50.48
Mar-13	11.75	27.92	55.27	16.17	43.52	27.35	44.21
Apr-13	11.95	29.14	60.08	17.19	48.13	30.94	46.76
May-13	11.16	28.06	59.17	16.90	48.01	31.11	47.57
Jun-13	9.29	27.54	56.76	18.25	47.47	29.22	44.55
Jul-13	9.07	27.99	52.25	18.92	43.18	24.26	39.93
Aug-13	8.11	26.45	49.25	18.34	41.14	22.80	38.21
Sep-13	6.32	25.95	50.82	19.63	44.50	24.87	41.66
Oct-13	5.13	24.26	50.13	19.13	45.00	25.87	43.58
% change between Oct-13 and Sep-13							
	-18.8	-6.5	-1.4	-2.5	1.1	4.0	4.6

* Average price for 2nd and 3rd positions

Table 3: Total production in exporting countries

Crop year commencing	2009	2010	2011	2012	% change 2011-12
TOTAL	122 952	132 983	132 304	145 241	9.8
Arabicas	72 883	84 108	81 880	88 814	8.5
Colombian Milds	9 160	9 705	8 715	11 488	31.8
Other Milds	26 529	28 793	32 051	28 276	-11.8
Brazilian Naturals	37 195	45 610	41 114	49 050	19.3
Robustas	50 069	48 876	50 424	56 427	11.9

In thousand bags

Full production data are available on the ICO website at www.ico.org/prices/po.htm.**Table 4: Total exports of all forms of coffee by exporting countries**

	September 2012	September 2013	% change	October - September		
				2011/12	2012/13	% change
TOTAL	8 227	7 845	-4.6	107 716	110 175	2.3
Arabicas	5 237	4 987	-4.8	66 875	68 480	2.4
Colombian Milds	609	751	23.2	8 412	10 191	21.2
Other Milds	2 116	1 713	-19.1	27 482	25 193	-8.3
Brazilian Naturals	2 512	2 524	0.5	30 981	33 095	6.8
Robustas	2 990	2 858	-4.4	40 841	41 695	2.1

In thousand bags

Full trade statistics for all exporting countries 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-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13
London	1.94	1.82	1.78	1.77	1.89	2.05	2.11	2.08	2.00	1.64	1.32	1.01	0.89
New York	2.72	2.82	2.90	2.96	3.03	3.09	3.10	3.11	3.09	3.11	3.15	3.13	3.07

In million bags

Table 6: Total coffee consumption in selected countries

Calendar years	2009	2010	2011	2012	Average annual growth rate (2009 - 2012)
World total	132 240	136 973	139 050	142 000	2.4
Exporting countries	39 616	40 910	42 397	43 467	3.1
Traditional markets	69 204	71 004	70 717	71 404	1.0
Emerging markets	23 419	25 059	25 936	27 129	5.0

In thousand bags