

MONTHLY COFFEE MARKET REPORT

September 2013

Coffee prices slipped further in September 2013, with the ICO composite indicator falling 4% to its lowest level since April 2009. The sharpest decline was observed in Robustas, which dropped by 6.6% to their lowest monthly average in nearly three years. At the end of coffee year 2012/13, total production is estimated at 145.2 million bags, 9.6% higher than the previous year. A decrease is estimated in the production of Other Milds, mostly due to damage from coffee leaf rust in Central America, although this has been more than compensated by increases in the other three coffee groups, especially Colombian Milds.

The ICO celebrated its 50th anniversary during its 111th Council Session, held in Belo Horizonte, Brazil, from 9 to 12 September 2013, where the 3rd Consultative Forum on Coffee Sector Finance also took place. It should also be noted that from 1 October 2013, the composition of market shares and their weightings in the calculation of the ICO composite indicator price and group indicator prices have been revised, as provided in document ICC-105-17, Add. 1, to reflect the patterns of trade over the last four years. Full details are available on the ICO website.

Graph 1: ICO composite indicator daily prices
(3 September 2012 to 3 October 2013)



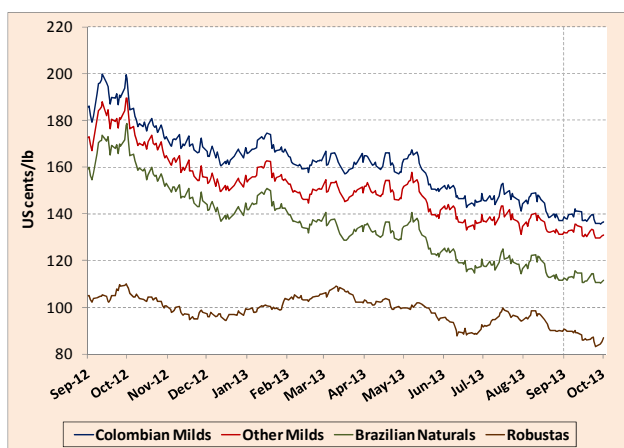
Price movements

Coffee prices fell across the board in September, with the monthly average of the **ICO composite indicator** dropping 4% to 111.82 US cents/lb, its lowest level since April 2009. The most significant decline was recorded in **Robustas**, which fell by 6.6% to 87.78 US cents/lb, their lowest average since October 2010. **Colombian Milds**, **Other Milds** and **Brazilian Naturals** all fell by 3.2%, 2.1% and 3.6%, respectively (Graph 2). As a result, the arbitrage between New York and London widened considerably over the course of the month, now standing at around the same level as September 2008 (Graph 3).

Graph 3: Arbitrage between New York and London futures markets (Monthly: September 2003 to September 2013)



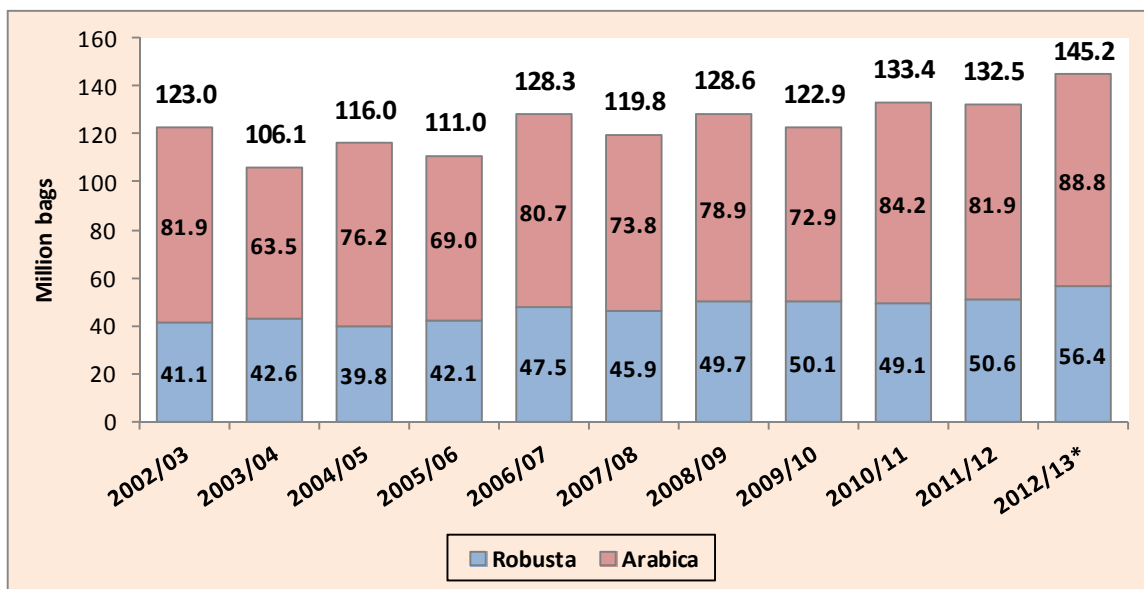
Graph 2: ICO group indicator daily prices (3 September 2012 to 3 October 2013)



Market fundamentals

Crop year 2012/13 has now finished in all exporting countries. On the basis of information currently available, total production is estimated at 145.2 million bags (all figures for 2012/13 are estimates). This is 12.8 million bags more than 2011/12, representing a 9.6% increase. Robustas jumped by 11.6% to 56.4 million bags, while Arabicas provisionally registered an 8.4% increase to reach 88.8 million bags. Graph 4 shows total production by all exporting countries since 2002/03.

Graph 4: Total production by all exporting countries (Crop years 2002/03 to 2012/13*)



*Estimated

Crop year 2012/13 was an on year in the Brazilian cycle of production, which increased by 16.9% to 50.83 million bags. Arabica production in Brazil increased by 19.1% to 38.34 million bags and Robustas by 10.5% to 12.48 million. According to CONAB, the Brazilian Government Agency responsible for crop forecasts, total production in 2013/14 will fall by 6.5% to 47.54 million bags, comprising 36.67 million bags of Arabica and 10.88 million of Robusta. Elsewhere in **South America**, Colombia is continuing its recovery following four years of below-average production, with a total crop in 2012/13 estimated at 10 million bags, 30.7% higher than the previous year. Production in Peru, however, fell by 17.2% to 4.5 million bags, with coffee leaf rust reportedly affecting up to 40% of the coffee area.

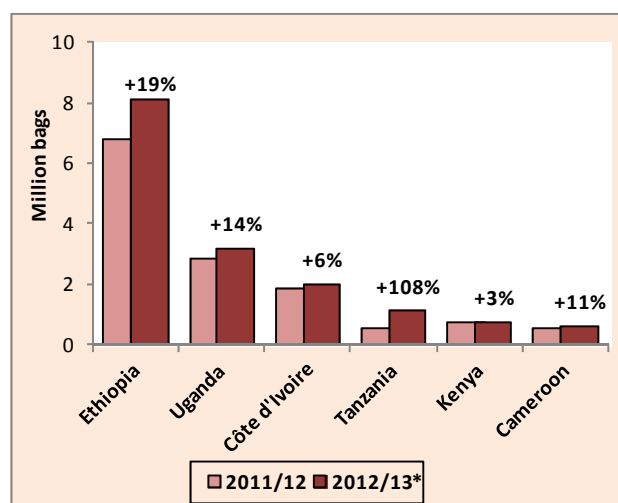
Damage from coffee leaf rust has also been a significant factor in **Mexico and Central America**, with total production in the region down 14.7% from 20.3 million bags in 2011/12 to an estimated 17.3 million in 2012/13. The biggest decline is provisionally expected in Nicaragua, down 39.3%, followed by Guatemala (-18.2%), Honduras (-17%) and Mexico (-14.5%). However, higher production is estimated in Costa Rica (+14.5%) and El Salvador (+7.9%).

In **Asia and Oceania**, total coffee production for 2012/13 is estimated at 42.3 million bags, an 11.3% increase on 2011/12. Production in Vietnam is expected to maintain a level of around 22 million bags. In Indonesia, on the other hand, production has soared by 74.7% to 12.7 million bags, compared to 7.3 million in 2011/12. Production in India is relatively unchanged, up from 5.2 to 5.3 million bags, but decreases are expected in Papua New Guinea (-49.3%) and Thailand (-39.9%).

Coffee production in **Africa** in 2012/13 increased in the majority of countries, with total production in the region up 16.6% to reach some 18.4 million bags, its highest level since 1999/2000. The region’s leading producer is Ethiopia, which increased by

19.1% in 2012/13 to 8.1 million bags. Uganda accounted for 3.2 million bags, up 13.6% on the previous year. Production in Côte d'Ivoire reached 2 million bags, up 6.1%, and Tanzania more than doubled from 534,000 bags in 2011/12 to 1.1 million in 2012/13. Graph 5 shows production in selected African countries in crop years 2011/12 and 2012/13. Full production data are available in Table 3.

Graph 5: Production in selected African countries (Crop years 2011/12 and 2012/13*)



*Estimated

Total exports in August 2013 were 8.6 million bags, 6.4% lower than August 2012. This decrease was mostly attributable to lower shipments of Washed Arabicas from Central America, as well as a slight drop in exports of Robustas. However, total exports for the first eleven months of coffee year 2012/13 (October to August) were 2.7% higher than the same period last year at 102.4 million bags.

Certified stocks at the end of September 2013 fell to 1.25 million bags on the London futures market, less than a fifth of their level two years ago. New York certified stocks were relatively unchanged at 3.13 million bags.

Finally, **world consumption** in calendar year 2012 is maintained at 142 million bags, representing an average annual growth rate of 2.4% over the last four years.

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

	ICO	Colombian		Brazilian		New York*	London*
	Composite	Milds	Other Milds	Naturals	Robustas		
Monthly averages							
Sep-12	151.28	190.10	178.98	166.53	104.95	175.36	94.65
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
% change between Sep-13 and Aug-13							
	-4.0	-3.2	-2.1	-3.6	-6.6	-2.3	-7.4
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 Sep-13 and 2012 average							
	-28.5	-31.4	-29.1	-35.6	-14.6	-33.3	-15.2
Volatility (%)							
Aug-13	6.0	6.3	6.0	7.6	5.1	6.9	5.3
Sep-13	5.2	5.1	5.3	6.0	5.0	7.2	6.2
Variation between Sep-13 and Aug-13							
	-0.7	-1.2	-0.7	-1.6	-0.2	0.3	0.9

* Average price for 2nd and 3rd positions

Table 2: Price differentials (US cents/lb)

	Colombian	Colombian	Colombian	Other Milds	Other Milds	Brazilian	New York*
	Milds	Milds	Milds	Other Milds	Other Milds	Naturals	London*
	Other Milds	Brazilian	Robustas	Brazilian	Robustas	Robustas	
		Naturals		Naturals			
Sep-12	11.12	23.57	85.15	12.45	74.03	61.58	80.71
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
% change between Sep-13 and Aug-13							
	-22.1	-1.9	3.2	7.0	8.2	9.1	9.0

* 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	122 941	133 358	132 483	145 241	9.6
Colombian Milds	9 160	9 722	8 705	11 488	32.0
Other Milds	26 526	28 873	32 082	28 276	-11.9
Brazilian Naturals	37 194	45 627	41 120	49 050	19.3
Robustas	50 061	49 135	50 576	56 427	11.6
Arabicas	72 879	84 223	81 907	88 814	8.4
Robustas	50 061	49 135	50 576	56 427	11.6
Africa	16 000	16 123	15 771	18 384	16.6
Cameroon	902	503	574	635	10.7
Côte d'Ivoire	1 795	982	1 886	2 000	6.1
Ethiopia	6 931	7 500	6 798	8 100	19.1
Kenya	630	658	747	767	2.7
Tanzania	675	846	534	1 109	107.6
Uganda	2 845	3 203	2 817	3 200	13.6
Others	2 222	2 429	2 414	2 572	6.5
Arabicas	9 153	10 142	9 068	11 062	22.0
Robustas	6 847	5 981	6 703	7 322	9.2
Asia & Oceania	37 211	36 321	38 012	42 300	11.3
India	4 794	5 033	5 233	5 303	1.3
Indonesia	11 380	9 129	7 287	12 730	74.7
Papua New Guinea	1 038	870	1 414	717	-49.3
Thailand	795	828	831	499	-39.9
Vietnam	17 825	19 467	22 289	22 000	-1.3
Others	1 379	994	959	1 050	9.5
Arabicas	5 185	5 315	6 087	6 398	5.1
Robustas	32 026	31 006	31 926	35 901	12.5
Mexico & Central America	16 685	18 021	20 298	17 312	-14.7
Costa Rica	1 304	1 392	1 462	1 674	14.5
El Salvador	1 065	1 814	1 152	1 242	7.9
Guatemala	3 835	3 950	3 840	3 143	-18.2
Honduras	3 603	4 331	5 903	4 900	-17.0
Mexico	4 109	4 001	4 563	3 900	-14.5
Nicaragua	1 871	1 634	2 210	1 342	-39.3
Others	899	899	1 168	1 111	-4.9
Arabicas	16 553	17 835	20 062	17 134	-14.6
Robustas	132	187	236	178	-24.6
South America	53 045	62 893	58 403	67 246	15.1
Brazil	39 470	48 095	43 484	50 826	16.9
Colombia	8 098	8 523	7 653	10 000	30.7
Ecuador	813	854	825	828	0.3
Peru	3 286	4 069	5 373	4 450	-17.2
Others	1 377	1 353	1 067	1 142	7.0
Arabicas	41 989	50 931	46 691	54 220	16.1
Robustas	11 056	11 962	11 712	13 026	11.2

In thousand bags

* Estimated

Table 4: Total exports of all forms of coffee by exporting countries

	August 2012	August 2013	% change	October - August		
				2011/12	2012/13	% change
TOTAL	9 221	8 630	-6.4	99 668	102 397	2.7
Colombian Milds	666	1 001	50.3	7 778	9 487	22.0
Other Milds	2 567	2 107	-17.9	25 464	23 599	-7.3
Brazilian Naturals	2 696	2 547	-5.5	28 448	30 485	7.2
Robustas	3 292	2 974	-9.7	37 978	38 826	2.2
Arabicas	5 929	5 655	-4.6	61 690	63 571	3.0
Robustas	3 292	2 974	-9.7	37 978	38 826	2.2

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**

	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
London	2.17	1.94	1.82	1.78	1.77	1.89	2.05	2.11	2.08	2.00	1.64	1.32	1.25
New York	2.43	2.72	2.82	2.90	2.96	3.03	3.09	3.10	3.11	3.09	3.11	3.15	3.13

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	132 270	137 025	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	23 449	25 111	25 936	27 129	5.0

In thousand bags

* Estimated