



May 2020

Arabica Group Prices Fall in May While Volatility Subsides

The ICO composite indicator decreased by 4.1% to an average of 104.45 US cents/lb in May 2020, which is the second consecutive month of decrease. While all Arabica groups trended downward in May 2020, the Robusta group indicator rose by 0.9% to 64.53 US cents/lb. The volatility of the ICO composite indicator decreased by 2.9 percentage points to 7.7% over the past month. In April 2020, world exports reached 10.82 million bags, 3.1% lower than the 11.17 million bags exported in April 2019. Global shipments in the first seven months of coffee year 2019/20 fell by 3.8% to 72.78 million bags. Exports from Africa increased by 7% to 7.66 million and from Asia & Oceania rose by 0.6% to 23.62 million bags in October 2019 to April 2020. During the same period, shipments from Central America & Mexico declined by 4.9% to 8.77 million bags and from South America by 8.6% to 32.74 million bags.

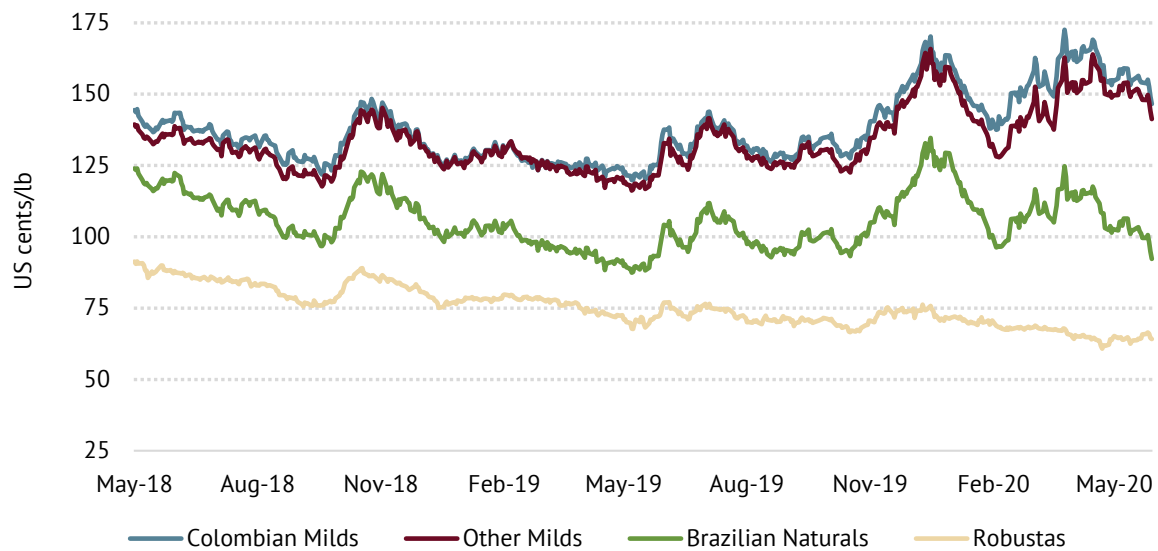
Figure 1: ICO composite indicator daily prices



In May 2020, the ICO composite indicator averaged 104.45 US cents/lb, 4.1% lower than in April and the second consecutive month of decrease. The daily price of the ICO composite indicator

reached a high of 107.29 US cents/lb on 11 May, and then declined over the next two weeks reaching a low of 98.68 US cents/lb on 29 May. Expectations of a larger output from Brazil's 2020/21 crop, the harvesting of which is underway, and the ongoing bearish expectations for demand put downward pressure on prices in May.

Figure 2: ICO group indicator daily prices



All Arabica group indicator prices presented a downward trend in May 2020. Colombian Milds fell by 4.3% to 154.96 US cents/lb, and Other Milds by 3% to 149.84 US cents/lb. As a result, the differential between Colombian Milds and Other Milds narrowed by 30.8% to 5.12 US cents/lb. Prices for Brazilian Naturals fell by 8.6% to 101.69 US cents/lb. In contrast, Robusta prices rose in May 2020, following five consecutive months of decline, and averaged 64.53 US cents/lb, 0.9% higher than the previous month.

Figure 3: Arbitrage between New York and London futures markets

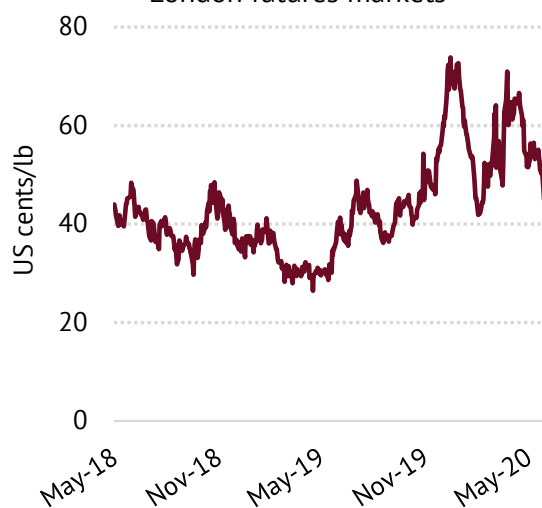
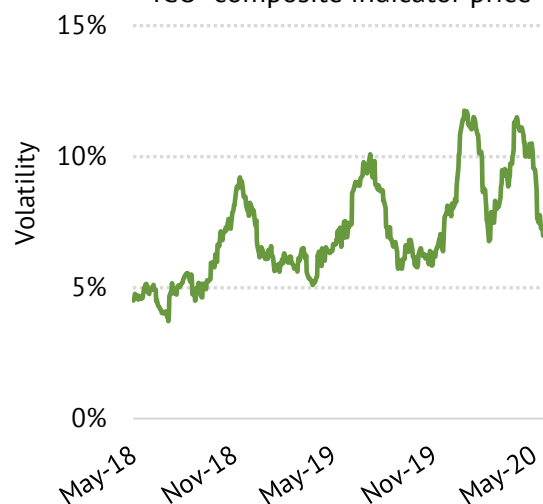


Figure 4: Rolling 30-day volatility of the ICO composite indicator price

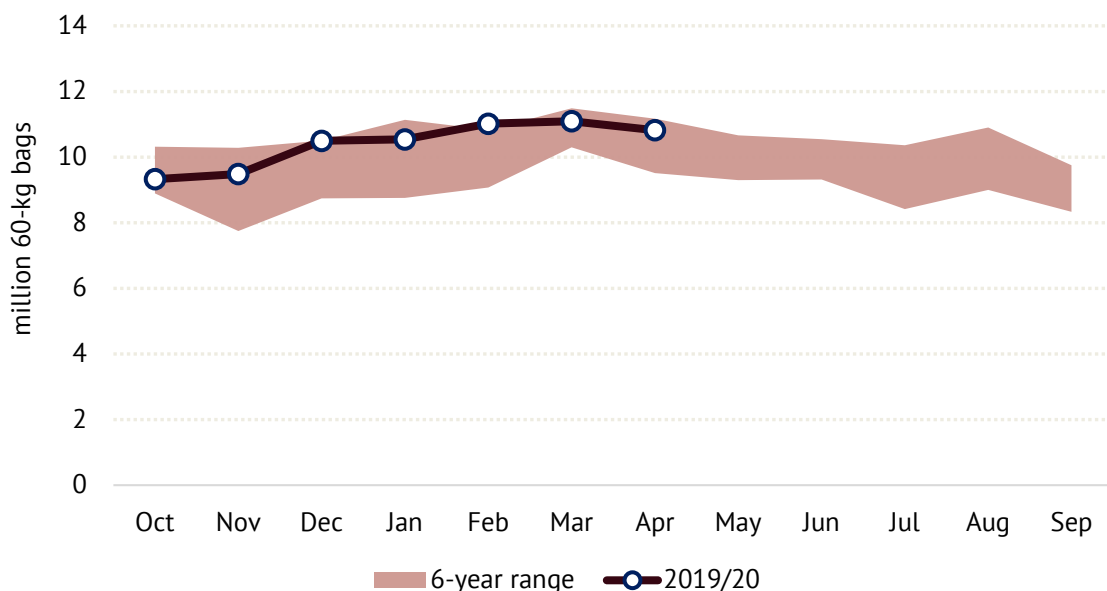


The New York Arabica futures market fell by 6.9% to an average of 107.54 US cents/lb in May 2020 while the London Robusta futures market rose by 0.5% to 54.67 US cents/lb. As a result, the spread between Arabica and Robusta coffees, as measured on the New York and London futures markets, decreased to 52.87 US cents/lb, which is 13.5% lower than in April. Certified Arabica stocks decreased by 2.8% month-on-month to 2.05 million bags in May 2020, which is the fourth consecutive month of decline.

The volatility of the ICO composite indicator decreased by 2.9 percentage points to 7.7% over the past month, after two months of increased volatility as highlighted in the [ICO Coffee Break No. 2](#). The volatility of all Arabica group indicators fell in May 2020. Other Milds decreased by 4.3 percentage points to 8.6%, Brazilian Naturals by 3.9 percentage points to 10.3% and Colombian Milds by 3.5 percentage points to 7.6%. However, the Robusta group indicator volatility was 6.8%, an increase of 2 percentage points from April 2020.

Global shipments in April 2020 totalled 10.82 million bags, 3.1% lower than the 11.17 million bags exported in April 2019. Exports in the first seven months of coffee year 2019/20 reached 72.78 million bags, down by 3.8% compared to 75.67 million bags for the same period in 2018/19. Shipments of Arabica fell by 7.7% to 45.27 million bags in October 2019 to April 2020 while Robusta shipments increased by 3.3% to 27.52 million bags.

Figure 5: World exports

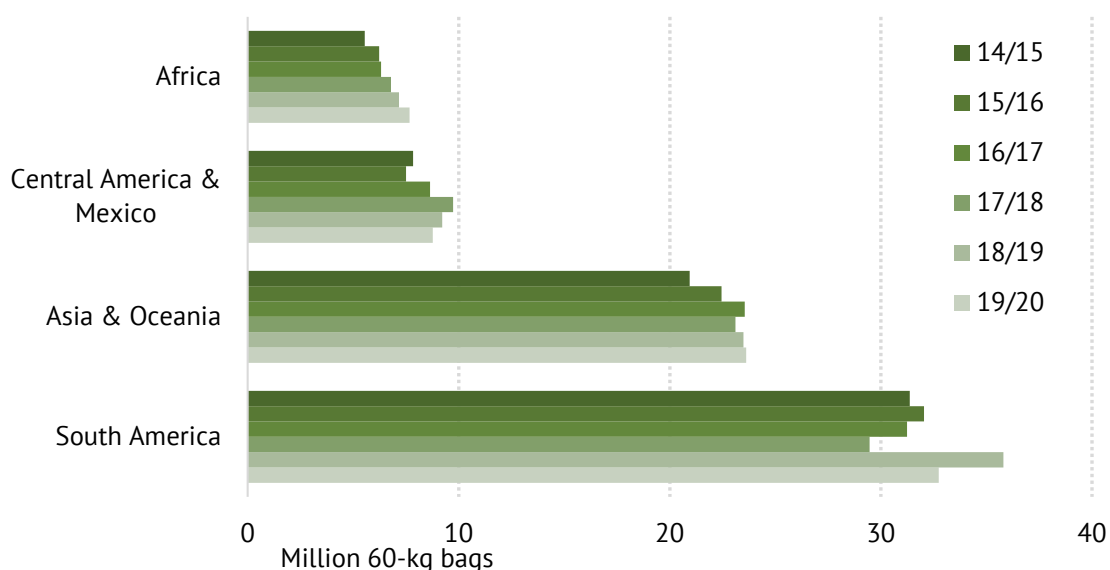


Exports from Africa increased by 7% to 7.66 million bags in the first seven months of coffee year 2019/20. Ethiopia’s shipments during this period increased by 19.2% to 2.04 million bags and its shipments in April 2020 rose by 20% to 374,000 bags due to a greater availability of coffee for export. Uganda’s exports grew by 19.6% to 2.93 million bags, reflecting greater output from newer trees coming into production. Its shipments in April 2020 rose by 17.5% to 360,000 bags. Shipments from Côte d’Ivoire declined by 3.8% to 953,000 bags in the first seven months of

coffee year 2019/20. However, much of this decline occurred in April when exports fell by 52.4% to a provisionally estimated 60,000 bags due to the lower availability of shipping containers.

Shipments from Asia & Oceania rose by 0.6% to 23.62 million bags in October 2019 to April 2020. Viet Nam’s exports in the first seven months of coffee year 2019/20 are estimated at 16.4 million bags, 1.1% lower than in the same period one year ago, due to lower demand and low prices discouraging farmers from selling their harvest. Indonesia’s shipments in October 2019 to April 2020 rose by 43.5% to 3.63 million bags and its exports in April 2020 reached 509,000 bags, up by 0.8% compared to April 2019. Exports from India in the first seven months of coffee year 2019/20 fell by 18% to 2.91 million bags and in April 2020, decreased by 41.3% to 351,000 bags. Strict measures against covid-19 in April contributed to the reduction in exports as well as lower prices and a smaller harvest.

Figure 6: Exports October to April



In the first seven months of coffee year 2019/20, exports from Central America & Mexico declined by 4.9% to 8.77 million bags. In October 2019 to April 2020, shipments from Honduras fell by 6.7% to 3.5 million bags and its exports in April 2020 decreased by 19.8% to 748,000 bags. Guatemala’s shipments in the first seven months of the coffee year fell by 3.1% to 1.66 million bags while Nicaragua’s exports during this period rose by 16.7% to 1.56 million bags.

Exports from South America from October 2019 to April 2020 fell by 8.6% to 32.74 million bags. Brazil’s exports in the first seven months of coffee year 2019/20 decreased by 8.6% to 23.11 million bags. However, its exports in April 2020 rose by 2.5% to 3.35 million bags. Part of the growth in April is attributed to an increase of 12.3% in shipments of soluble coffee, which reached 357,000 bags, Exports of green coffee grew by 1.5% to 2.99 million bags. A decline of 1.1% in green Arabica shipments to 2.68 million bags was offset by a rise of 30.3% to 313,000 bags for green Robusta. After strong growth in the first part of the coffee year,

Colombia's exports in October 2019 to April 2020 declined by 6.5% to 7.5 million bags and its shipments in April 2020 fell by 26.4% to 642,000 bags. According to the National Federation of Coffee Growers of Colombia, production in April 2020 decreased by 27.8% to 744,000 bags, which is the lowest volume in April since crop year 2011/12. Peru's shipments in the first seven months of the coffee year fell by 17.7% to 1.84 million bags, but its exports in April 2020, the start of its new crop year, rose by 13.5% to 67,000 bags.

In 2019/20, world coffee consumption is estimated at 166.06 million bags, 0.5% higher than in 2018/19. Although several countries have started to slowly reopen non-essential activities, out-of-home coffee consumption is anticipated to remain weak for some time. Additionally, job losses could lower demand, particularly for non-habitual consumers. Production in 2019/20 is estimated at 167.91 million bags, which could exceed consumption by 1.85 to 3.42 million bags, depending on impact of covid-19.

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 | | | | | | | |
| 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 |
| 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 |
| % change between Apr-20 and May-20 | | | | | | | |
| | -4.1% | -4.3% | -3.0% | -8.6% | 0.9% | -6.9% | 0.5% |
| Volatility (%) | | | | | | | |
| May-20 | 7.7% | 7.6% | 8.6% | 10.3% | 6.8% | 11.0% | 7.5% |
| Apr-20 | 10.6% | 11.1% | 12.9% | 14.2% | 4.8% | 18.7% | 7.8% |
| Variation between Apr-20 and May-20 | | | | | | | |
| | -2.9 | -3.5 | -4.3 | -3.9 | 2.0 | -7.7 | -0.3 |

* 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* |
| 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 |
| 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 |
| % change between Apr-20 and May-20 | | | | | | | |
| | -30.8% | 5.1% | -7.7% | 11.2% | -5.8% | -21.4% | -13.5% |

* 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 | 154,823 | 158,450 | 162,657 | 171,102 | 167,906 | -1.9% |
| Arabica | 90,982 | 100,611 | 97,229 | 100,653 | 95,271 | -5.3% |
| Robusta | 63,842 | 57,840 | 65,428 | 70,449 | 72,634 | 3.1% |
| Africa | 15,583 | 16,555 | 17,299 | 18,772 | 18,536 | -1.3% |
| Asia & Oceania | 49,484 | 45,652 | 48,458 | 48,394 | 50,522 | 4.4% |
| Mexico & Central America | 17,106 | 20,322 | 21,725 | 21,749 | 20,833 | -4.2% |
| South America | 72,651 | 75,921 | 75,176 | 82,187 | 78,015 | -5.1% |
| CONSUMPTION | 155,491 | 158,125 | 159,913 | 165,269 | 166,058 | 0.5% |
| Exporting countries | 47,548 | 48,488 | 49,793 | 50,374 | 50,288 | -0.2% |
| Importing countries (Coffee Years) | 107,943 | 109,637 | 110,120 | 114,895 | 115,770 | 0.8% |
| Africa | 10,951 | 10,843 | 9,808 | 9,890 | 9,970 | 0.8% |
| Asia & Oceania | 32,863 | 34,395 | 34,832 | 35,595 | 35,959 | 1.0% |
| Mexico & Central America | 5,295 | 5,173 | 5,252 | 5,322 | 5,327 | 0.1% |
| Europe | 52,147 | 52,045 | 53,158 | 55,741 | 55,930 | 0.3% |
| North America | 28,934 | 29,559 | 29,941 | 31,644 | 31,848 | 0.6% |
| South America | 25,299 | 26,111 | 26,922 | 27,077 | 27,024 | -0.2% |
| BALANCE | -668 | 325 | 2,744 | 5,832 | 1,848 | |

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

| | Apr-19 | Apr-20 | % change | October-April | | |
|--------------------|---------------|---------------|--------------|---------------|---------------|--------------|
| | | | | 2018/19 | 2019/20 | % change |
| TOTAL | 11,169 | 10,820 | -3.1% | 75,671 | 72,785 | -3.8% |
| Arabicas | 7,183 | 6,623 | -7.8% | 49,048 | 45,270 | -7.7% |
| Colombian Milds | 1,011 | 770 | -23.9% | 8,980 | 8,331 | -7.2% |
| Other Milds | 2,865 | 2,534 | -11.6% | 14,863 | 13,788 | -7.2% |
| Brazilian Naturals | 3,306 | 3,319 | 0.4% | 25,204 | 23,151 | -8.1% |
| Robustas | 3,986 | 4,197 | 5.3% | 26,623 | 27,515 | 3.3% |

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

| | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| New York | 2.70 | 2.70 | 2.66 | 2.60 | 2.55 | 2.42 | 2.32 | 2.49 | 2.45 | 2.29 | 2.11 | 2.05 |
| London | 2.18 | 2.47 | 2.60 | 2.62 | 2.69 | 2.64 | 2.54 | 2.45 | 2.57 | 2.44 | 2.31 | 2.21 |

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.