



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
ORGANISATION INTERNATIONALE DU CAFÉ

E

MONTHLY COFFEE MARKET REPORT

December 2011

In December 2011 Arabica prices underwent significant downward corrections while Robusta prices increased slightly. The average of the 2nd and 3rd positions on the New York futures market fell by 3.4% from 235.25 to 227.23 US cents/lb, causing its differential with the London futures market to narrow by 6.6%. The fall in Arabica prices resulted in a drop in the ICO composite indicator price: the monthly average was down from 193.66 in November to 189.02 US cents/lb, a fall of 2.4%. Speculation on the size of the Brazilian crop in crop year 2012/13, which begins in April 2012, and the prospect of good harvests in other exporting countries in the current crop year have contributed to the downward pressure on Arabica prices and an increase in their volatility. Nonetheless, prices continue to be relatively high compared with their levels in 2010. The annual average of the ICO composite indicator price was 210.39 US cents/lb in 2011 compared with 147.24 in 2010.

In terms of market fundamentals, total production in crop year 2011/12, which is under way in all exporting countries, is estimated at 132.4 million bags compared with 134.2 million bags in 2010/11. In Brazil, crop year 2012/13 will begin in three months' time, and initial estimates published by CONAB indicate a total production of 50.6 million bags, comprising 37.7 million bags of Arabica and 12.9 million bags of Robusta. A brief analysis of production estimates for selected exporting countries is included in this report.

Exports by all exporting countries during November 2011 totalled 7.8 million bags, bringing the cumulative total for exports during the first 11 months of the calendar year (January to November 2011) to 94.7 million bags compared with 87.6 million bags for the same period in 2010, an increase of 8.1%. Exports in coffee year 2010/11 totalled 104.5 million bags, the highest level on record.

Graph 1: Composite indicator prices
Daily: 1 December 2010 – 13 January 2012



Price movements

The monthly average of the **ICO composite indicator price** fell by 2.4% from 193.66 in November to 189.02 US cents/lb in December, the lowest since 184.26 in December 2010 (Table 1). This decline is attributable to the downward correction in Arabica prices. Graphs 1 and 2 show ICO daily composite indicator prices and group indicator prices since 1 December 2010. Prices of **Colombian Milds** fell by 2.1% while prices of **Other Milds** and **Brazilian Naturals** both dropped by 3.4%

compared with their November levels. Prices of **Robustas** rose from 97.24 US cents/lb in November to 98.41 US cents/lb, an increase of 1.2%. The average of the 2nd and 3rd positions on the London futures market increased by 2.2%. The decline in Arabica prices led to a narrowing in their differentials with Robusta, but since the fall in prices of Colombian Milds was less marked its differentials with the other two Arabica groups widened (Table 2 and Graph 3).

Graph 2: Group indicator prices
Daily: 1 December 2010 – 13 January 2012

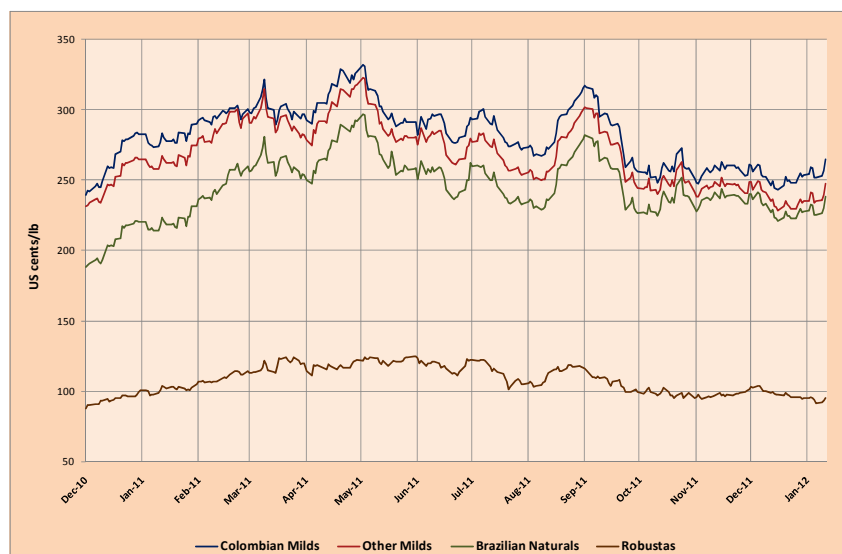


Table 1: ICO indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
2010							
December	184.26	261.97	248.17	204.25	94.09	221.51	88.70
2011							
January	197.35	279.88	263.77	219.77	101.09	238.05	96.02
February	216.03	296.44	287.89	247.00	109.35	261.41	104.53
March	224.33	300.68	292.07	260.98	118.13	274.10	111.36
April	231.24	312.95	300.12	273.40	117.37	285.58	111.34
May	227.97	302.17	291.09	268.66	121.98	277.72	116.76
June	215.58	287.95	274.98	250.59	117.95	262.52	110.51
July	210.36	285.21	268.02	245.69	112.73	255.90	103.36
August	212.19	286.97	270.44	249.83	112.07	260.39	102.71
September	213.04	287.54	274.88	255.64	106.06	261.39	96.10
October	193.90	257.66	247.82	234.28	98.10	236.74	88.64
November	193.66	256.99	245.09	236.75	97.24	235.25	85.78
December	189.02	251.60	236.71	228.79	98.41	227.23	87.65
Annual averages							
2001	45.59	72.05	62.28	50.70	27.54	58.86	23.92
2002	47.74	64.90	61.52	45.23	30.01	57.02	25.88
2003	51.90	65.33	64.20	50.31	36.95	65.24	34.11
2004	62.15	81.44	80.47	68.97	35.99	79.53	32.85
2005	89.36	115.73	114.86	102.29	50.55	111.38	46.80
2006	95.75	116.80	114.40	103.92	67.55	112.30	59.77
2007	107.68	125.57	123.55	111.79	86.60	121.83	78.56
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
% change between Dec-11 and Nov-11							
	-2.4	-2.1	-3.4	-3.4	1.2	-3.4	2.2
% change between Dec-11 and Dec-10							
	2.6	-4.0	-4.6	12.0	4.6	2.6	-1.2
% change between Dec-11 and 2011 average							
	-10.2	-11.4	-12.7	-7.6	-9.9	-11.4	-13.4
Volatility (%)							
Dec-10	5.7	6.5	5.9	7.3	5.2	4.0	8.1
Jan-11	6.7	6.2	6.7	8.0	7.0	7.3	7.6
Feb-11	5.2	4.6	6.3	5.8	4.9	4.6	6.0
Mar-11	8.9	8.6	8.8	9.7	10.3	9.8	8.3
Apr-11	6.6	6.6	6.6	6.5	8.8	7.7	7.2
May-11	6.3	5.6	6.4	8.5	5.7	7.1	4.8
Jun-11	7.8	7.3	7.8	9.6	9.6	9.2	11.2
Jul-11	5.8	5.4	5.5	5.8	9.9	6.3	10.3
Aug-11	5.7	5.3	6.0	6.5	7.2	6.8	7.5
Sep-11	7.7	8.0	8.2	9.0	8.2	9.2	9.0
Oct-11	10.6	10.4	10.9	11.4	10.0	12.4	11.2
Nov-11	4.7	5.7	6.0	6.1	4.9	7.5	4.9
Dec-11	6.1	6.6	6.8	6.7	4.7	8.0	5.5
Variation between Dec-11 and Nov-11							
	1.4	0.9	0.8	0.6	-0.2	0.5	0.6

*Average of the 2nd and 3rd positions

Table 2: Price differentials (US cents/lb)

	Colombian Milds Other Milds	Colombian Milds Brazilian Naturals	Colombian Milds Robustas	Colombian Milds New York*	Other Milds Brazilian Naturals	Other Milds Robustas	Brazilian Naturals Robustas	New York* London*
Dec-10	16.11	60.11	178.79	41.83	44.00	162.68	118.68	142.03
Jan-11	8.55	49.44	187.09	35.03	40.89	178.54	137.65	156.88
Feb-11	8.61	39.70	182.55	26.58	31.09	173.94	142.85	162.74
Mar-11	12.83	39.55	195.58	27.37	26.72	182.75	156.03	174.24
Apr-11	11.08	33.51	180.19	24.45	22.43	169.11	146.68	160.96
May-11	12.97	37.36	170.00	25.44	24.39	157.03	132.63	152.00
Jun-11	17.19	39.52	172.48	29.30	22.33	155.29	132.96	152.55
Jul-11	16.53	37.14	174.90	26.58	20.61	158.37	137.77	157.68
Aug-11	12.66	31.90	181.48	26.14	19.24	168.82	149.58	165.29
Sep-11	12.66	31.90	181.48	26.14	19.24	168.82	149.58	165.29
Oct-11	9.83	23.37	159.55	20.91	13.54	149.72	136.18	148.10
Nov-11	11.91	20.25	159.75	21.74	8.34	147.85	139.50	149.47
Dec-11	14.89	22.81	153.19	24.37	7.92	138.30	130.38	139.58
Absolute change between Dec-11 and Nov-11								
	2.98	2.56	-6.57	2.62	-0.42	-9.55	-9.13	-9.89
% change between Dec-11 and Nov-11								
	25.0	12.6	-4.1	12.1	-5.0	-6.5	-6.5	-6.6

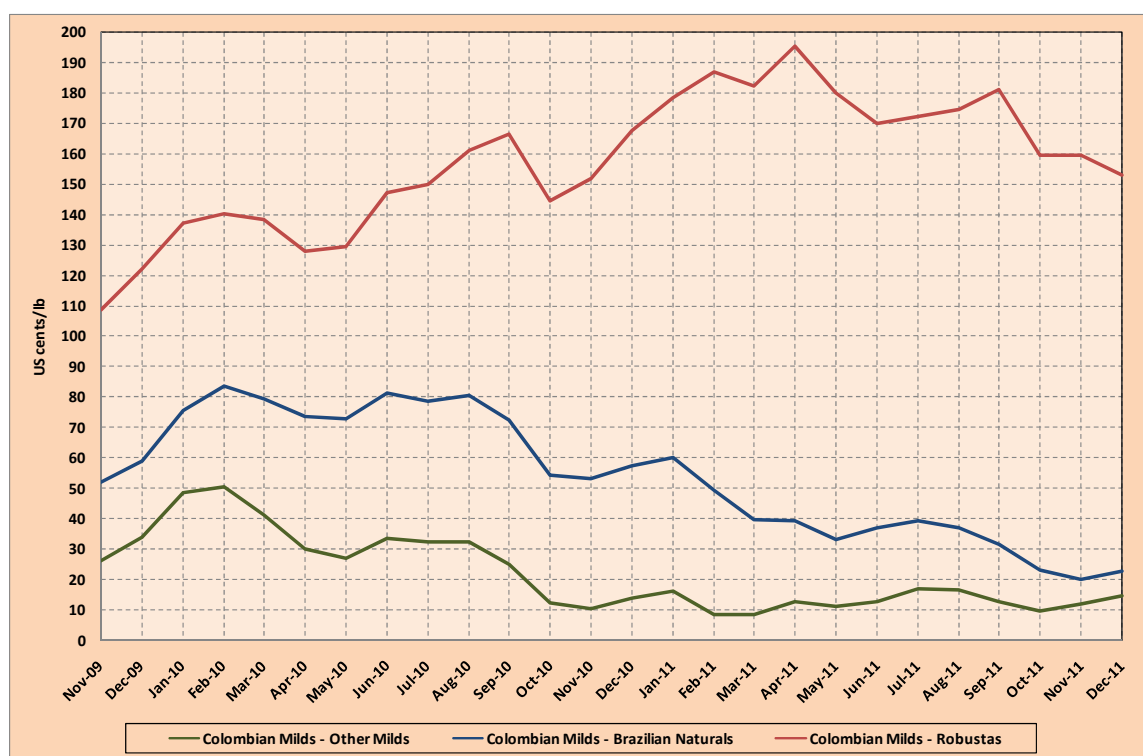
*Average of the 2nd and 3rd positionsGraph 3: Differentials between prices of Colombian Milds and the other three coffee groups
November 2009 – December 2011

Table 3: Production in selected exporting countries

Crop year commencing	2008	2009	2010	2011	% change 2010-2011
TOTAL	128 293	122 936	134 161	132 405	-1.3
Africa	15 950	15 830	16 131	19 512	21.0
Cameroon	750	750	600	700	16.6
Côte d'Ivoire	2 397	1 795	999	1 600	60.2
Ethiopia	4 949	6 931	7 500	9 804	30.7
Kenya	541	630	658	750	13.9
Tanzania	1 186	709	800	750	-6.2
Uganda	3 197	2 797	3 290	3 300	0.3
Others	2 931	2 220	2 284	2 608	14.2
<i>Arabicas</i>	<i>7 894</i>	<i>9 147</i>	<i>10 133</i>	<i>12 520</i>	<i>23.6</i>
<i>Robustas</i>	<i>8 056</i>	<i>6 684</i>	<i>5 998</i>	<i>6 992</i>	<i>16.6</i>
Asia & Oceania	34 727	37 207	35 956	35 668	-0.8
India	3 950	4 764	5 033	5 370	6.7
Indonesia	9 612	11 380	9 129	8 750	-4.2
Papua New Guinea	1 028	1 038	867	1 000	15.3
Thailand	376	470	579	850	46.9
Vietnam	18 500	18 200	19 467	18 500	-5.0
Others	1 261	1 356	882	1 198	35.9
<i>Arabicas</i>	<i>4 389</i>	<i>5 071</i>	<i>5 199</i>	<i>5 825</i>	<i>12.0</i>
<i>Robustas</i>	<i>30 338</i>	<i>32 136</i>	<i>30 758</i>	<i>29 843</i>	<i>-3.0</i>
Mexico & Central America	17 307	16 854	19 270	18 194	-5.6
Costa Rica	1 320	1 450	1 588	1 576	-0.8
El Salvador	1 450	1 065	1 859	1 450	-22.0
Guatemala	3 785	3 835	3 950	3 450	-12.7
Honduras	3 450	3 575	4 326	4 300	-0.6
Mexico	4 651	4 200	4 850	4 500	-7.2
Nicaragua	1 442	1 831	1 804	1 850	2.6
Others	1 209	899	893	1 068	19.6
<i>Arabicas</i>	<i>17 165</i>	<i>16 721</i>	<i>19 067</i>	<i>17 985</i>	<i>-5.7</i>
<i>Robustas</i>	<i>142</i>	<i>133</i>	<i>203</i>	<i>210</i>	<i>3.0</i>
South America	60 309	53 044	62 803	59 030	-6.0
Brazil	45 992	39 470	48 095	43 484	-9.6
Colombia	8 664	8 098	8 523	8 500	-0.3
Ecuador	691	813	854	875	2.5
Peru	3 872	3 286	3 976	5 000	25.7
Others	1 090	1 377	1 355	1 171	-13.5
<i>Arabicas</i>	<i>49 391</i>	<i>41 988</i>	<i>50 841</i>	<i>47 295</i>	<i>-7.0</i>
<i>Robustas</i>	<i>10 918</i>	<i>11 056</i>	<i>11 962</i>	<i>11 736</i>	<i>-1.9</i>
TOTAL	128 293	122 936	134 161	132 405	-1.3
Colombian Milds	9 964	9 181	9 693	9 730	0.4
Other Milds	27 052	26 582	29 922	30 491	1.9
Brazilian Naturals	41 822	37 164	45 624	43 404	-4.9
Robustas	49 455	50 010	48 921	48 780	-0.3
<i>Arabicas</i>	<i>78 838</i>	<i>72 926</i>	<i>85 239</i>	<i>83 625</i>	<i>-1.9</i>
<i>Robustas</i>	<i>49 455</i>	<i>50 010</i>	<i>48 921</i>	<i>48 780</i>	<i>-0.3</i>
TOTAL	100.0	100.0	100.0	100.0	
Colombian Milds	7.8	7.5	7.2	7.3	
Other Milds	21.1	21.6	22.3	23.0	
Brazilian Naturals	32.6	30.2	34.0	32.8	
Robustas	38.5	40.7	36.5	36.8	
<i>Arabicas</i>	<i>61.5</i>	<i>59.3</i>	<i>63.5</i>	<i>63.2</i>	
<i>Robustas</i>	<i>38.5</i>	<i>40.7</i>	<i>36.5</i>	<i>36.8</i>	

In thousand bags

Market fundamentals

Crop year 2011/12 is under way in most exporting countries. In Brazil, Indonesia and a few other producing countries, crop year 2012/13 will commence in the very near future. On the basis of the latest information received from Member countries, **total production** in crop year 2011/12 is estimated at around 132.4 million bags compared with 134.2 million bags in 2010/11, a fall of 1.3% (Table 3). Adverse weather conditions during crop year 2011/12, which could have negative impacts on production or post-harvest activities, were recorded in many exporting countries, particularly in Central America, Colombia and Indonesia. Speculation on estimated production for crop year 2011/12 continues to put pressure on coffee prices.

Estimates of production in selected exporting countries

Production in Brazil

Harvesting in crop year 2011/12 is almost complete. The latest official estimates for this crop year indicate a total production of 43.5 million bags, comprising 32.2 million bags of Arabicas and 11.3 million bags of Robustas. This was an off year in the biennial cycle characterising Arabica production in Brazil while crop year 2012/13, beginning in April 2012, is a year of high Arabica production. Initial estimates recently published by CONAB indicate a volume averaging 50.6 million bags, comprising 37.7 bags of Arabica and 12.9 million bags of Robusta. Some independent sources indicate higher figures. It should be borne in mind, however, that Brazil's domestic consumption is very buoyant, a factor that may well reduce the volume of coffee available for export.

Production in Vietnam

Although Vietnam is the world's second largest producing country after Brazil and the leading producer of Robustas, there are differing estimates of its production. For crop year 2011/12, which is now in progress, official sources indicate a production level of 18.5 million bags while some sources indicate production of over 20.5 million

bags. Vietnamese production is, however, heavily dependent on intensive irrigation and a massive use of inputs and fertilisers.

Production in other exporting countries

Ethiopia has an estimated production of 9.8 million bags in crop year 2011/12, which would rank it as the world's third-largest producer after Brazil and Vietnam. If these estimates are confirmed, Ethiopia will have outstripped Colombia, where production has not yet recovered its level prior to the lower levels of the last four crop years. Production in **Africa** will be approaching 20 million bags in crop year 2011/12.

In **Asia**, floods affected Indonesia at the beginning of crop year 2011/12; the country's production could fall by 4.2% to 8.8 million bags. In India production is estimated at 5.4 million bags for crop year 2011/12.

In **Mexico & Central America** lower production is anticipated in most countries and the region's estimated production for crop year 2011/12 will total 18.2 million bags compared with 19.3 million bags in 2010/11.

In **South America**, Colombia could produce 8.5 million bags of coffee in crop year 2011/12 while Peru is expected to increase its production to a level of 5 million bags. In Brazil, however, which recorded an estimated total production of 43.5 million bags in crop year 2011/12, an abundant crop is predicted for 2012/13, which begins soon.

Total **Arabica** production for crop year 2011/12 is estimated at 83.6 million bags compared with 48.8 million bags for **Robusta**.

Exports during November registered 7.8 million bags, bringing the total volume in the first eleven months of calendar year 2011 to 94.7 million bags, an increase of 8.1% compared with the total of 87.6 million bags for the same period in the previous calendar year (Table 4). Exports in coffee year 2010/11 totalled 104.5 million bags, the highest level ever recorded.

Table 4: Total exports of all forms of coffee 2010 and 2011 (January to November)

	2010	2011	% change
TOTAL	87 648	94 741	8.1
Colombian Milds	7 572	7 898	4.3
Other Milds	21 371	23 600	10.4
Brazilian Naturals	29 674	29 098	-1.9
Robustas	29 032	34 145	17.6
Arabicas	58 616	60 596	3.4
Robustas	29 032	34 145	17.6
Angola	3	7	109.7
Benin	0	0	
Bolivia	70	62	-12.6
Brazil	29 603	30 444	2.8
Burundi	271	246	-9.3
Cameroon	739	464	-37.3
Central African Republic	89	80	-10.1
Colombia	6 716	6 876	2.4
Congo, Dem. Rep. of	157	126	-19.4
Congo, Rep. of	0	0	
Costa Rica	1 127	1 163	3.2
Côte d'Ivoire	1 801	757	-58.0
Cuba	5	7	34.1
Dominican Republic	34	83	142.3
Ecuador	1 088	1 370	26.0
El Salvador	901	1 744	93.6
Ethiopia	3 072	2 581	-16.0
Gabon	1	1	-7.1
Ghana	28	29	0.7
Guatemala	3 287	3 518	7.0
Guinea	390	324	-16.9
Haiti	9	8	-8.4
Honduras	3 033	3 583	18.2
India	4 219	5 635	33.6
Indonesia	4 989	5 690	14.0
Jamaica	15	15	1.4
Kenya	483	627	29.7
Liberia	2	2	3.6
Madagascar	66	81	22.5
Malawi	6	16	154.1
Mexico	2 364	2 732	15.6
Nicaragua	1 613	1 405	-12.9
Nigeria	3	2	-36.9
Panama	63	48	-23.9
Papua New Guinea	879	1 089	23.8
Paraguay	0	0	-86.6
Peru	3 437	3 647	6.1
Philippines	6	9	59.6
Rwanda	265	187	-29.4
Sierra Leone	57	23	-59.4
Tanzania	498	664	33.2
Thailand	314	237	-24.5
Timor-Leste	61	44	-27.3
Togo	196	157	-19.9
Uganda	2 418	2 900	19.9
Venezuela	19	5	-75.3
Vietnam	12 929	15 725	21.6
Yemen	18	18	-2.4
Zambia	16	10	-41.0
Zimbabwe	7	11	50.9
Other exporting countries 1/	277	289	4.1

In thousand bags

1/ Equatorial Guinea, Guyana, Lao (PDR), Nepal, Sri Lanka and Trinidad and Tobago

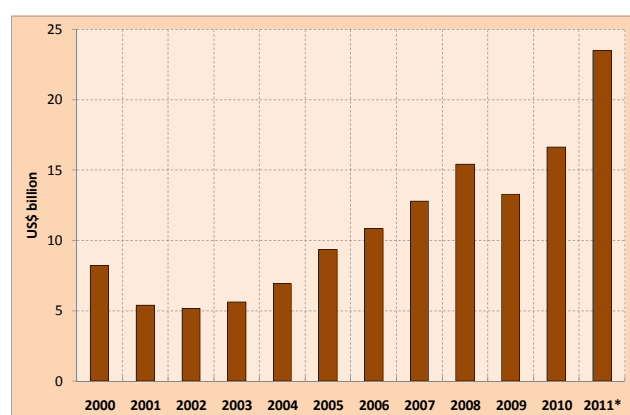
The value of total exports in calendar year 2011 is estimated at US\$23.5 billion for a volume totalling 104 million bags compared with US\$16.7 billion for a volume of 96.8 million bags in 2010 (Table 5 and Graph 4).

**Table 5: Volume and value of total exports
(Calendar years 2009 to 2011)**

	2009	2010	2011*	% change 2010-2011
Volume (million bags)	96.2	96.8	104.0	7.4
Value (US\$ billion)	13.3	16.7	23.5	40.7

*Estimated

**Graph 4: Value of total exports
(Calendar years 2000 to 2011)**



*Estimated

Preliminary information on **world consumption** in calendar year 2011 indicates that it has remained resilient to the economic turbulence seen in many importing countries. Total consumption in calendar year 2010 reached 135 million bags, with the most dynamic growth coming from domestic consumption in exporting countries (Table 6).

**Table 6: World Consumption
(Calendar years 2008 to 2010)**

	2008	2009	2010	2009-2010	
				Difference	% change
WORLD TOTAL	132 917	131 828	135 040	3 212	2.4
Exporting countries	38 119	39 675	41 331	1 656	4.2
Brazil	17 526	18 208	18 945	738	4.1
Indonesia	3 333	3 333	3 333	0	0
Ethiopia	2 933	3 089	3 253	165	5.3
Mexico	2 200	2 200	2 239	39	1.8
Venezuela, B.R.	1 599	1 649	1 650	1	0
Vietnam	1 021	1 208	1 583	375	31.0
India	1 518	1 605	1 725	120	7.5
Colombia	1 400	1 400	1 400	0	0
Philippines	1 390	1 770	1 973	203	11
Others	5 199	5 214	5 231	17	0.3
Importing countries	94 798	92 152	93 708	1 556	1.7
European Union	40 230	39 652	40 794	1 142	2.9
Germany	9 535	8 897	9 292	395	4.4
France	5 152	5 677	5 711	35	0.6
Italy	5 892	5 806	5 781	-25	-0.4
Spain	3 485	3 352	3 232	-120	-3.6
United Kingdom	3 067	3 220	3 134	-86	-2.7
Poland	1 681	2 001	2 156	155	7.7
Netherlands	1 324	898	1 347	449	50.0
Sweden	1 272	1 133	1 221	89	7.8
Finland	1 115	1 058	1 080	22	2.1
Others	7 707	7 610	7 839	229	3.0
Japan	7 065	7 130	7 192	62	0.9
Norway	715	715	746	30	4.3
Switzerland	1 149	966	1 012	46	4.8
Tunisia	317	289	301	13	4.4
Turkey	484	521	610	89	17.0
USA	21 652	21 436	21 783	347	1.6
Other importing countries	23 185	21 443	21 270	-174	-0.8
Russian Federation	3 716	3 131	3 661	530	16.9
Canada	3 210	3 292	3 586	294	8.9
Algeria	2 118	2 066	2 021	-45	-2.2
Korea, Rep. Of	1 665	1 551	1 666	115	7.4
Ukraine	1 733	1 460	1 485	25	1.7
Australia	1 145	1 223	1 370	148	12.1

In thousand bags

In conclusion, it seems that speculation regarding estimates of Brazilian production in crop year 2011/12 as well as in 2012/13 has fuelled the downward corrections to Arabica prices recorded in December. Despite these corrections, market fundamentals continue to favour firm prices, particularly in view of buoyant world consumption.