

MONTHLY COFFEE MARKET REPORT

July 2013

Coffee prices rallied slightly in July, supported by the possibility of frost in Brazil's coffee-growing regions, before falling back down by the end of the month. The average of the ICO composite indicator increased by 1.2% compared to the previous month, but is still at its second-lowest level since September 2009. The arbitrage between Arabicas and Robustas has also narrowed further, with the price differentials between the three Arabica group indicators and the Robustas group indicator all at their lowest level since December 2008. Furthermore, certified stocks on the London futures market have fallen to their lowest level since October 2007, indicating a sustained appetite for Robusta coffee. Finally, total exports by all exporting countries for the first nine months of coffee year 2012/13 amounted to 84.3 million bags, a 3.4% increase on the same period last year.

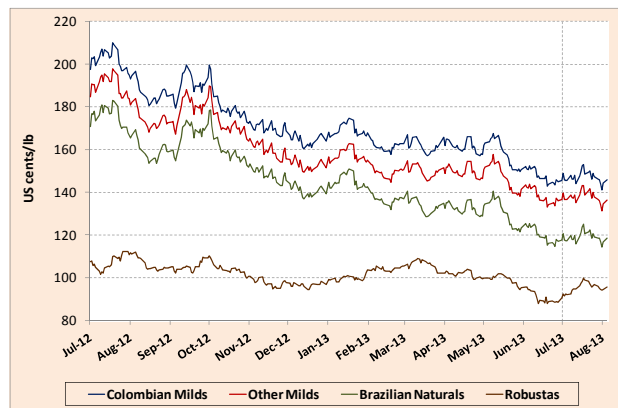
Graph 1: ICO composite indicator daily prices
(2 July 2012 to 5 August 2013)



Price movements

The monthly average of the **ICO composite indicator** increased by 1.2% in July, to a level of 118.93 US cents/lb. This was mostly due to the performance of **Robustas**, which increased by 4.9% compared to June, averaging 95.21 US cents/lb. **Colombian Milds, Other Milds** and **Brazilian Naturals**, on the other hand, recorded mixed results, climbing briefly in the middle of the month due to the threat of frost in Brazil, but subsequently losing value towards the end of July. All three Arabica indicators ended the month at lower daily levels than they started (Graph 2).

Graph 2: ICO group indicator daily prices (2 July 2012 to 5 August 2013)

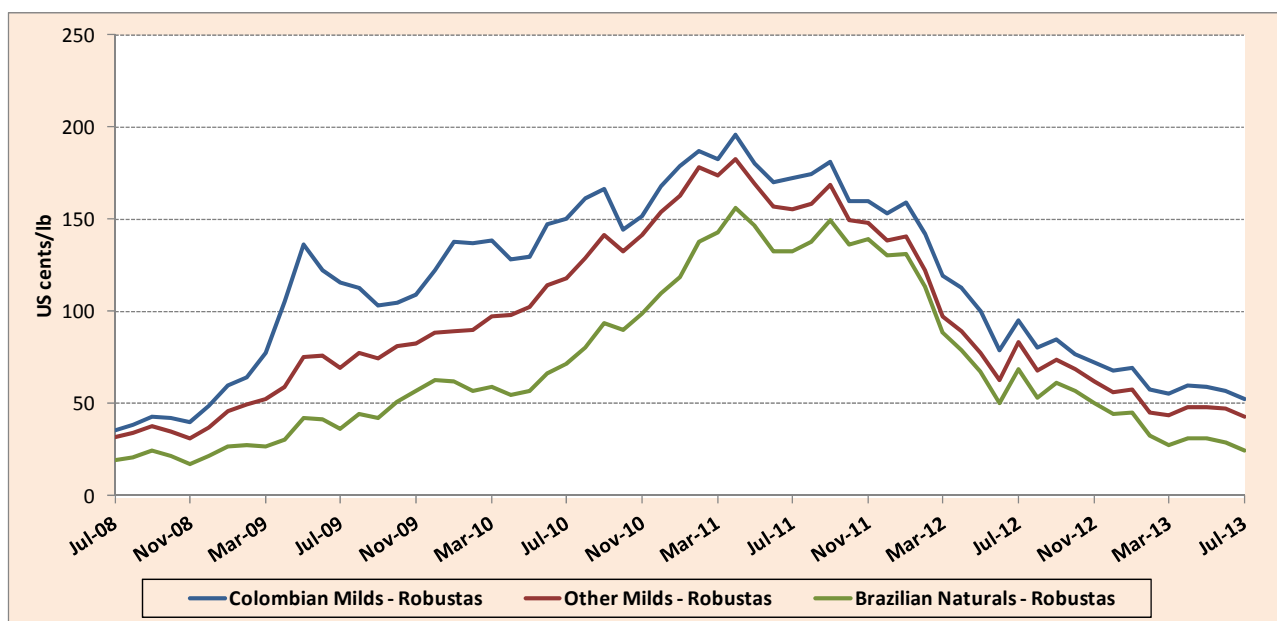


As a result of these price developments, the arbitrage between Arabicas and Robustas narrowed sharply. Graph 3 shows the arbitrage between the New York and London futures markets (average of 2nd and 3rd positions) since July 2012, which fell by 10.4% to 39.93 US cents/lb compared to June. Furthermore, the price differentials between the three Arabica indicators and Robustas also decreased significantly to their lowest levels since December 2008, as shown in Graph 4. This reduction in the differential could help encourage a shift in demand back towards Arabica coffee.

Graph 3: Arbitrage between New York and London futures markets (2 July 2012 to 5 August 2013)



Graph 4: Price differentials between Arabica and Robusta indicators (July 2008 – July 2013)



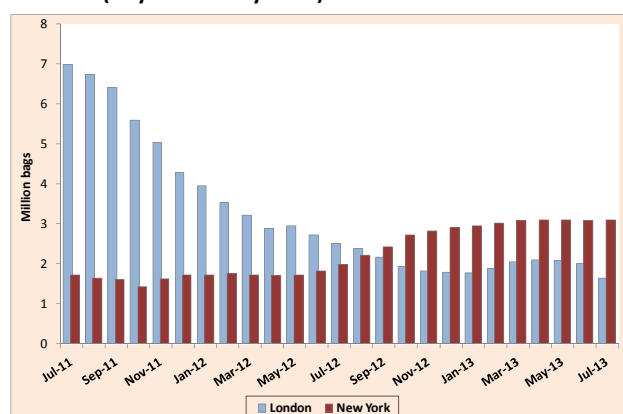
Market fundamentals

Total production in crop year 2012/13 is currently estimated at around 144.5 million bags, a 7.7% increase on 2011/12. Higher levels of production are expected in most exporting countries, with the exception of several countries in Central America which have been adversely affected by the outbreak of coffee leaf rust in the region.

There have been reports of frost in some coffee-growing areas of Brazil. Frost damage was recorded in the state of Parana, which was initially forecast a production level of 1.7 million bags. However, the larger production areas of Minas Gerais and Espírito Santo were unaffected.

Certified stocks on the London futures market, which trades Robusta coffee, fell to 1.64 million bags in July, its lowest level since October 2007. The persistent drawdown in certified stocks of Robusta suggests a strong absorptive capacity for this type of coffee (Graph 5). On the New York market, certified stocks maintained a level of around 3.1 million bags, although there has been some damage sustained to ICE certified stocks in a warehouse in Antwerp following heavy rain.

Graph 5: Certified stocks on the New York and London futures markets (July 2011 – July 2013)



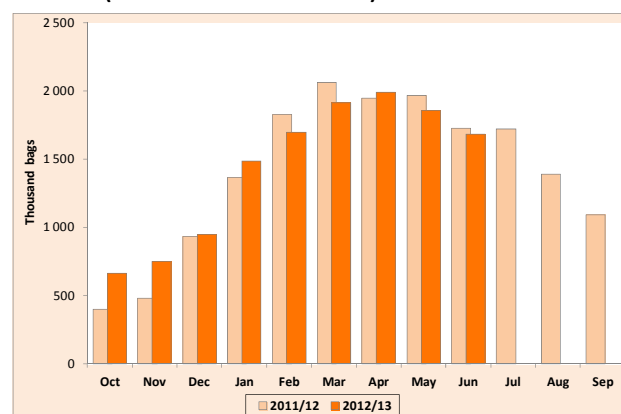
Total coffee consumption in calendar year 2012 is estimated at around 142 million bags, which represents an average annual growth rate of 2.4% over the last four years.

Total exports in June 2013 amounted to 8.6 million bags, 9.5% less than in June 2012. Exports of Robustas, particularly from Vietnam and Indonesia, were estimated to be significantly lower, down 35.2% and 54.8%, respectively.

Total exports for the first nine months of the coffee year (October to June) amounted to 84.3 million bags in 2012/13, 3.4% higher than the same period last year. In terms of the four coffee groups, the strongest increase was recorded in Colombian Milds, which registered a volume of 7.5 million bags, 17% more than the 6.5 million exported between October and June 2011/12. This can be attributed to the ongoing recovery in production by Colombia, who exported 6.5 million bags during the time period, 14.5% more than the previous year, as well as a 91.8% increase in exports by Tanzania to 961,000 bags.

Exports of Other Milds, on the other hand, fell by 5.4% compared to 2011/12 to a volume of 19.2 million bags. This is mostly the result of a decrease in Peru of 25.8% from 3 million bags to 2.2 million, which can be attributed at least in part to Peru's biennial production cycle. Exports from Central America have started to slow in the last couple of months, but are still 2.2% up on the previous time period (Graph 6).

Graph 6: Monthly exports by Mexico & Central America (October 2011 – June 2013)

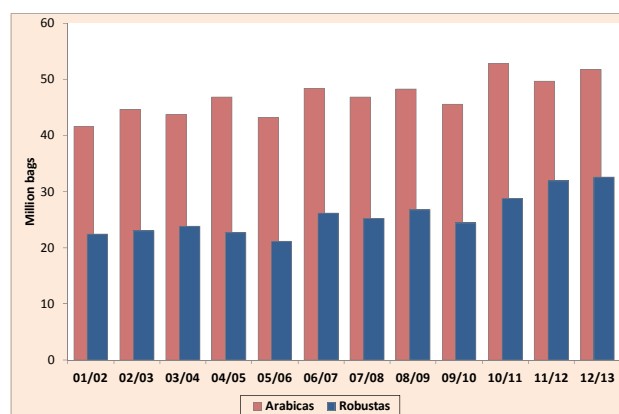


Brazilian Naturals increased by 9.2% from 23 million bags in 2011/12 to 25.1 million bags. The bulk of this increase was accounted for by Brazil, which jumped by 7.7% to 23.6 million bags, although this is less than the 26.5 million bags exported between October and June 2010/11.

Finally, Robusta shipments increased slightly from 31.8 million bags to 32.5 million. Exports from the largest source of Robusta, Vietnam, fell by 5.5% to an estimated 17.3 million bags. However, this gap was more than offset by exports of green Robusta coffee by Indonesia, which jumped from 1.9 million bags to 4.6 million. As a result, total Robusta exports accounted for an estimated 38.6% of the total so far in coffee year 2012/13, slightly less than the 39.1% in the same period in

2011/12. Graph 7 shows exports of Arabicas and Robustas over the first nine months of the coffee year since 2001/02.

Graph 7: Total exports of Arabicas and Robustas (October to June 2001/12 – 2012/13)



The high price levels reached in 2011 have encouraged increased supply from the major coffee producers, mainly through higher productivity and the selling of stocks. As a result, the Arabica market is now looking well supplied. The subsequent downward spiral in prices, which may now have fallen below the cost of production in many countries, risks making coffee production unviable without support from national governments where that is the case. In addition, roasters seem to be in no rush to switch back to the milder variety, despite arbitrage levels not seen since the end of 2008. The socioeconomic importance of coffee as a key source of income, particularly in rural areas, means that every effort should be made by governments to support their growers and promote a sustainable coffee supply chain. Hard decisions lie ahead for producing countries.

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							
Jul-12	159.07	202.56	190.45	175.98	107.06	183.20	96.14
Aug-12	148.50	187.14	174.82	160.05	106.52	169.77	96.12
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
% change between Jul-13 and Jun-13							
	1.2	-0.1	0.1	-0.4	4.9	-0.9	4.3
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 Jul-13 and 2012 average							
	-23.9	-27.0	-25.8	-31.7	-7.4	-30.1	-7.1
Volatility (%)							
Jun-13	5.7	5.4	6.7	6.7	6.1	8.3	6.5
Jul-13	7.1	7.8	8.4	9.2	5.1	10.7	5.3
Variation between Jul-13 and Jun-13							
	1.4	2.4	1.7	2.5	-1.1	2.4	-1.3

* 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*
Jul-12	12.11	26.58	95.50	14.47	83.39	68.92	87.06
Aug-12	12.32	27.09	80.62	14.77	68.30	53.53	73.65
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
% change between Jul-13 and Jun-13							
	-2.4	1.6	-7.9	3.7	-9.0	-17.0	-10.4

* 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	133 355	134 207	144 518	7.7
Colombian Milds	9 160	9 722	8 706	10 928	25.5
Other Milds	26 526	28 873	32 113	28 197	-12.2
Brazilian Naturals	37 194	45 627	41 192	49 048	19.1
Robustas	50 061	49 132	52 197	56 345	7.9
Arabicas	72 880	84 223	82 010	88 173	7.5
Robustas	50 061	49 132	52 197	56 345	7.9

In thousand bags

* Estimated

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

	June 2012	June 2013	% change	October - June		
				2011/12	2012/13	% change
TOTAL	9 555	8 644	-9.5	81 512	84 311	3.4
Colombian Milds	715	771	7.7	6 448	7 542	17.0
Other Milds	2 490	2 431	-2.4	20 270	19 167	-5.4
Brazilian Naturals	2 208	2 360	6.9	22 954	25 061	9.2
Robustas	4 141	3 082	-25.6	31 840	32 542	2.2
Arabicas	5 414	5 561	2.7	49 672	51 770	4.2
Robustas	4 141	3 082	-25.6	31 840	32 542	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: World coffee consumption**

Calendar years	2009	2010	2011	2012*	Average annual growth rate (2009 - 2012*)
World total	132 270	137 025	138 971	142 000	2.4
Exporting countries	39 616	40 910	42 397	43 453	3.1
Traditional markets	69 204	71 004	70 717	71 388	1.0
Emerging markets	23 449	25 111	25 857	27 158	5.0

In thousand bags

* Estimated

Table 6: Certified stocks on the New York and London futures markets

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
London	2.51	2.39	2.17	1.94	1.82	1.78	1.77	1.89	2.05	2.11	2.08	2.00	1.64
New York	1.99	2.22	2.43	2.72	2.82	2.90	2.96	3.03	3.09	3.10	3.11	3.09	3.11

In million bags