Coffee Market Report

INTERNATIONAL COFFEE ORGANIZATION

January 2022

Coffee prices stabilize above the 200 US cents/lb mark.

Coffee prices climbed higher in January 2022, reaching 204.29 US cents/lb, as the consistent rise observed in 2021 continues. The ICO Composite price has shown a continuous month on month increase for 16 months in a row. The intra-day volatility of the ICO composite indicator price decreased by 1.8 percentage points to 8.3% in January 2022. The arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets, increased by 3.9% to 135.07 US cents/lb in January 2022. Within the space of a year arbitrage between the two futures markets has doubled, from 67.05 US cents/lb in January 2021 to 135.07 in January 2022. Certified stocks on major coffee exchanges continued to decline in January 2022, falling by 16.2% and 5.4% in New York and London, respectively.

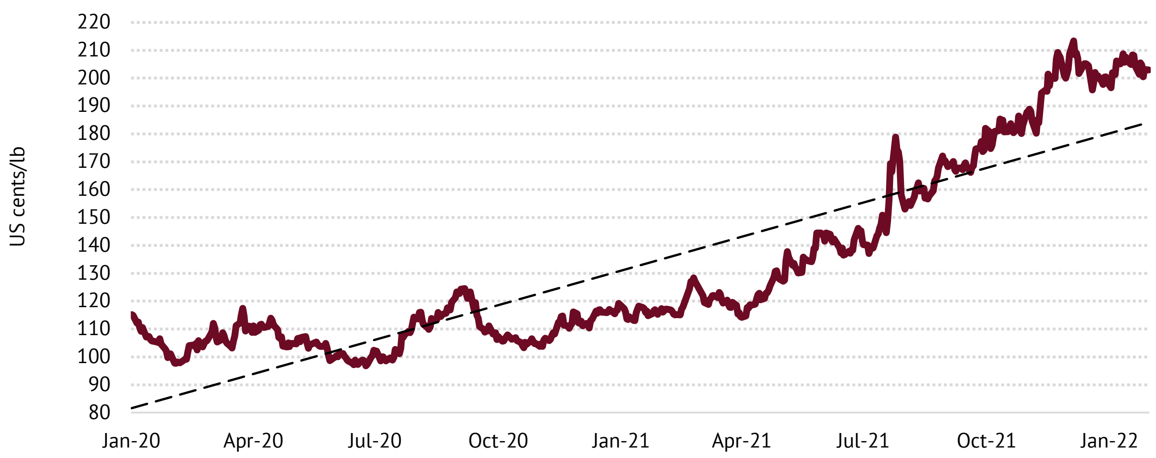
Exports of all forms of coffee in December 2021 totalled 12.12 million 60-kg bags, up 8.9% in comparison to 11.12 million bags in December 2020. The increase was driven by Asia & Oceania, up 37.4% at 4.71 million bags, outweighing the 8.5% decrease, at 5.61 million bags, seen in South America. As a result, exports in October-December 2021 saw a 29.7% increase to 11.04 million bags for Asia & Oceania, but down 19.2% for South America at 15.28 million bags in the same period. Exports from Central America and Mexico were 1.78 million bags in October-December 2021, as compared to 1.38 million bags over the same period in the previous year. Shipments from Africa were 3.19 million bags in October-December 2021, as compared to 3.00 million bags in the same period of 2020/21.

Exports of Arabica fell slightly in December 2021 to 7.13 million bags from 7.16 million bags in December 2020, while exports of Robusta increased by 25.8% to 4.99 million bags as compared with 3.97 million bags, over the same period, showing some re-balancing of sourcing to offset price rises and low availability of Arabica. Shipment of green coffee reached 27.54 million bags in October-December 2021 as compared with 28.62 million bags for the same period in coffee year 2020/21.

Estimates of total production for coffee year 2020/21 have been revised slightly downwards to 168.88 million bags. Meanwhile, world coffee consumption has been revised upwards, now estimated to have increased to 167.68 million bags in 2020/21 as compared to 164.46 million for coffee year 2019/20, an increase of 2.0%. The production-consumption gap for 2020/21 is therefore reduced to 1.20 million bags, now more comparable to pre-pandemic gap of 1.95 million bags.

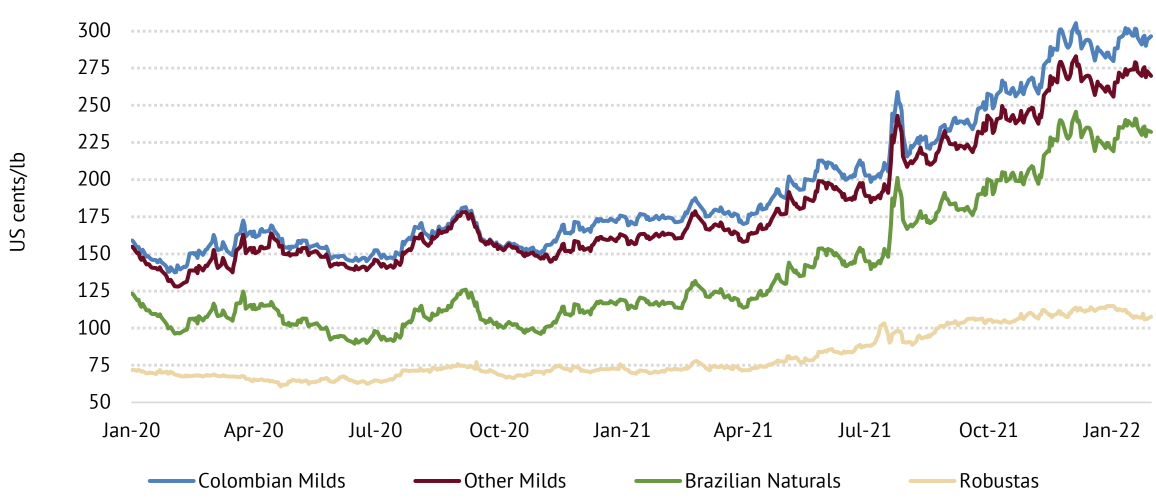
2021 witnessed a consistent rise in the ICO Composite Indicator, which continued in January 2022, when it reached 204.29 US cents/lb. The yearly average of 152.16 US cents/lb in 2021 constitutes an annual rise of 41% from 2020, when the Composite averaged 107.95 US cents/lb. From December 2021 to January 2022, the Composite grew further by 0.6%. The Composite appears to be stabilizing—at least for the moment—above the 200 US cents/lb threshold. Certified stocks on major coffee exchanges continued to decline in January 2022, with New York and London declining by 16.2% and 5.4%, respectively.

Figure 1: ICO Composite Indicator Daily Prices



From December 2021 to January 2022, the highest increase occurred within the Colombian Milds and Brazilian Naturals groups, which averaged 294.93 US cents/lb and 233.80 US cents/lb, respectively. This represents, for both groups, an increase of 1.5% each as compared to 290.57 US cents/lb and 230.26 US cents/lb registered in the previous month. Prices for the Other Milds increased by 1.3% to 271.08 US cents/lb in January 2022, as compared to 267.71 US cents/lb in the previous month. Robusta, priced at 109.71 US cents/lb in January 2022, decreased by 2.7% during the past month.

Figure 2: ICO Group Indicator Daily Prices



The differential between the Colombian Milds and Other Milds increased by 4.3% from December 2021 to January 2022, while it increased by 1.4%, to 61.13 US cents/lb in January 2022 in relation to Brazilian Naturals. The differential between Colombian Milds and Robustas increased by 4.2%, from 177.81 US cents/lb in December 2021 to 185.22 US cents/lb. The differential between the Other Milds and Brazilian Naturals decreased by 0.4% to 37.28 US cents/lb in January 2022.

Despite the continuing increase of coffee prices, the intra-day volatility of the ICO composite indicator price decreased by 1.8 percentage points to 8.3% in January 2022. The Brazilian Naturals indicator presented volatility of 11.1% in January 2022, as compared to 12.9% in December 2021 and was the highest among all the groups. The Colombian Milds recorded a volatility of 8.3% in January 2022, as compared to 9.8% recorded in December 2021. Volatility for the Other Milds decreased from 10.4% in December 2021 to 8.7% in January 2022. The Robusta indicator showed the lowest volatility at 6.0% in January 2022. The volatility of the average of the 2nd and 3rd positions of the New York futures market was 10.1% in January 2022, as compared to 12.3% in December 2021. The volatility of London futures market decreased by 2.1 percentage points to 4.9%. Pressure on the arbitrage between the London and New York exchange is increasing as demand for Arabicas outpaces supply. This trend reflects the supply chain issues and a smaller 2021/22 crop of Brazilian Naturals and Colombian Milds.

Figure 3: Arbitrage between New York and London futures markets

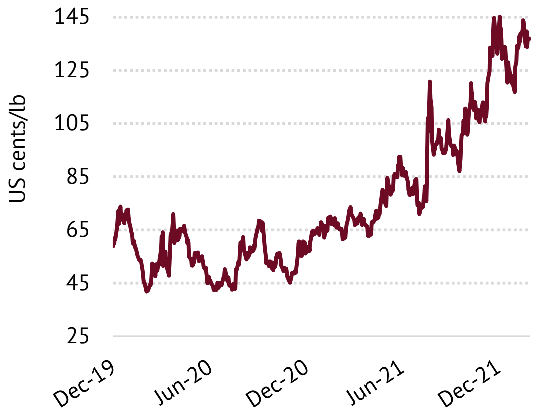


Figure 4: Rolling 30-day volatility of the ICO composite indicator price

Exports of all forms of coffee in December 2021 totalled 12.12 million 60-kg bags up, up 8.9% in comparison to 11.12 million bags in December 2020. As a result, 31.29 million bags of coffee were exported in the first quarter of coffee year 2020/21, up 5.0% over the pre-pandemic October-December 2019 at 29.79 million bags, although down 1.6% as compared with the same period last coffee year.

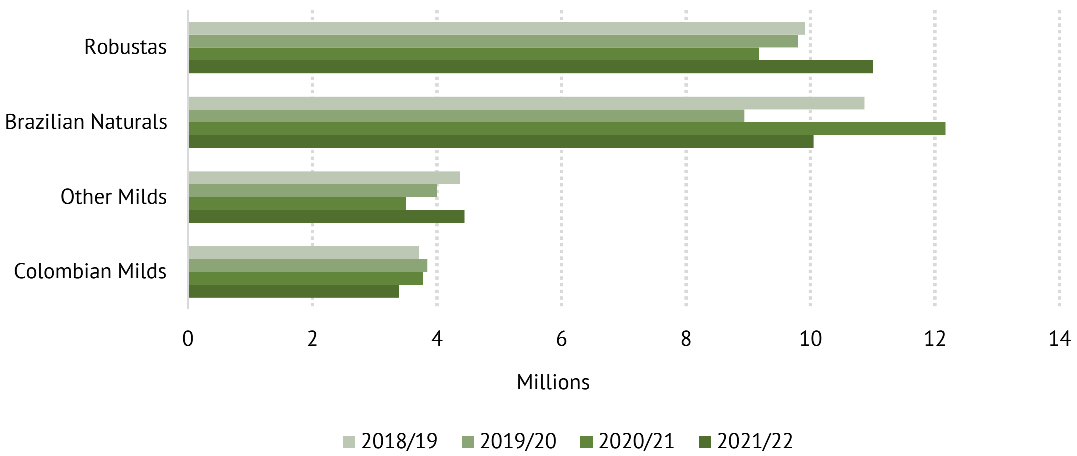
The total export increase in December 2021 was driven by Asia & Oceania, up 37.4% at 4.71 million bags. As a result, the exports in the first quarter of coffee year 2021/22 increased to 11.04 million bags as compared with 8.51 million bags at the same period a year ago for Asia & Oceania. The three largest exporters of Asia & Oceania (India, Indonesia and Vietnam), combined to account for 50.8% of the absolute growth for the quarter as the three countries increased their exports by an additional 1.32 million bags to 10.62 million bags, as compared with 8.06 million bags in the first quarter of coffee year 2020/2021.

Meanwhile, shipments from South America decreased by 19.2% in the first quarter of coffee year 2021/22 to 15.28 million bags, as compared with 18.92 million bags in October-December 2020. Exports from the two largest producers in the region, Brazil and Colombia, decreased by 25.8% and 8.4%, respectively, in the first quarter of the current coffee year to 10.15 million bags from 13.68 million bags and 3.31 million bags and 3.61 million bags, respectively, in the same period a year ago. Bolivia, Ecuador and Peru combined to increase their exports to 1.82 million bags in October-December 2021, from 1.62 million bags in October-December 2020.

Shipments from Central America and Mexico were 1.78 million bags in October-December 2021, as compared to 1.38 million bags over the same period during coffee year 2020/21. Guatemala, Honduras, Mexico and Nicaragua are the main countries behind the growth in exports of the region, together accounting for 91.9% of the variation (year-on-year) between two quarters, having exported 1.63 million bags in the first quarter of the coffee year 2020/21.

Exports by Africa increased to 3.19 million bags in the first quarter of coffee year 2020/21 as compared to 3.00 million bags in the same period of 2020/21. The two largest exporters in the region, Ethiopia and Uganda, were the two main drivers of the expansion, exporting 0.89 million bags and 1.55 million bags, respectively, in October-December 2021.

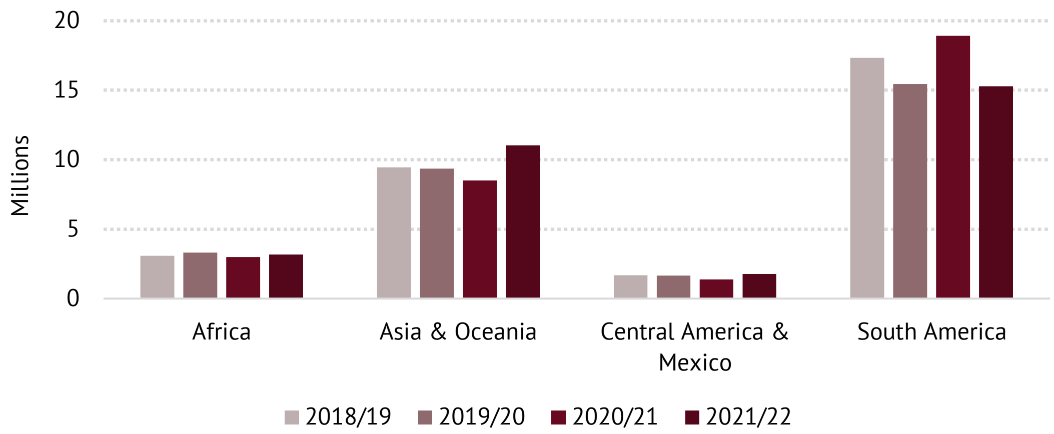
Figure 5: Green Exports (October-December)



In terms of exports of green beans, Arabica fell in December 2021, dropping down 2.8% to 6.36 million bags from 6.54 million bags in December 2020. The growth rates among the Arabica, however, was not uniform; the Other Milds enjoyed a 27.7% increase to 1.60 million bags, while the Colombian Milds and Brazilian Naturals fell by 15.2% and 8.0% to 1.16 million bags and 3.61 million bags, respectively.

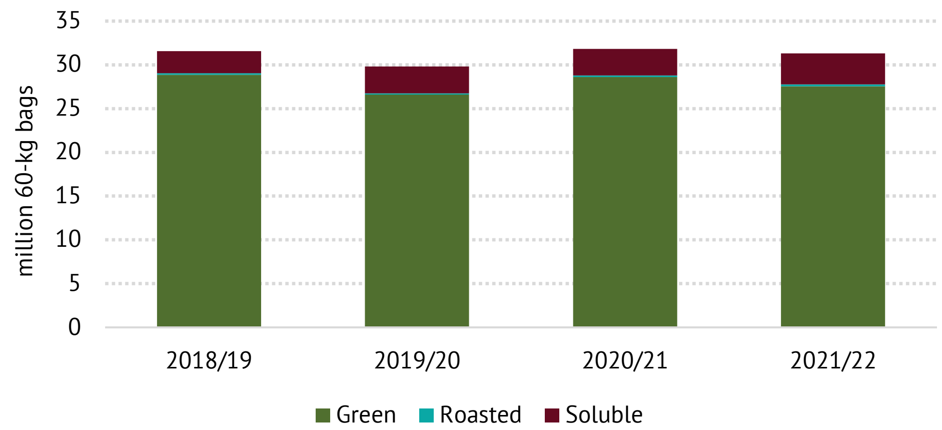
Shipments of Robusta, however, increased by 25.1% in December 2021 to 4.22 million bags when compared to 3.37 million bags in the same period a year ago. As a result, Robusta share of the total green beans exports increased to 37.5% in the first three months of coffee year 2021/22 as compared with 32.1% in the same period a year ago, showing some re-balancing of sourcing to offset price rises and low availability of Arabica.

Figure 6: Total Exports (October-December)



Exports of green beans reached 27.54 million bags in the first three months of coffee year 2021/22, a decrease of 3.8% as compared to 28.62 million bags for the same period in coffee year 2020/21. This is a continuation of an established trend of falling share of green beans of total coffee exports; since coffee year 2010/11 to coffee year 2020/21, the share of the green beans has decreased to 90.6% from 92%. The reduction in the share of green beans is due to an increase in shipments of soluble coffee, which increased its share of the total exports from 7.8% to 8.8% over the same period.

Figure 7: Total Exports (December)



Estimates of total production for coffee year 2020/21 has been revised marginally downwards to

168.88 million bags, a 0.1% decrease as compared to 169.02 million bags of the previous coffee year. Arabica production is assessed to have grown by 2.2% to 99.26 million bags, from 97.09 million bags in 2019/20, while the production of Robusta is gauged as 69.62 million bags, down from 71.92 million bags in the previous year. **World coffee consumption has been revised upwards to 167.68 million bags in 2020/21 as compared to 164.46 million for coffee year 2019/20.** However, consumption still remains down when compared with the pre-pandemic level of 170.33 million bags. The production-consumption gap for 2020/21 is therefore reduced to 1.20 million bags. This level is more comparable to pre-pandemic gap of 1.95 million bags.

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

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
Feb-21	119.35	176.96	166.43	120.06	73.37	129.69	63.07
Mar-21	120.36	177.49	167.05	122.16	73.86	131.72	63.90
Apr-21	122.03	181.70	168.65	124.18	74.47	134.77	63.76
May-21	134.78	199.02	186.46	140.85	79.68	152.42	69.15
Jun-21	141.03	206.53	192.45	148.12	84.85	156.43	73.16
Jul-21	152.24	218.66	204.29	160.62	94.37	168.55	81.17
Aug-21	160.14	225.40	216.24	174.89	95.18	181.93	84.72
Sep-21	170.02	240.38	225.54	183.72	104.60	191.30	94.91
Oct-21	181.57	258.87	241.06	199.98	105.24	206.05	96.36
Nov-21	195.17	279.56	258.95	218.90	109.40	223.94	100.30
Dec-21	203.06	290.57	267.71	230.26	112.76	234.14	104.14
Jan-22	204.29	294.93	271.08	233.80	109.71	236.13	101.06
% change between Dec-21 and Jan-22							
	0.6%	1.5%	1.3%	1.5%	-2.7%	0.9%	-3.0%
Volatility (%)							
Dec-21	10.1%	9.8%	10.4%	12.9%	7.8%	12.3%	7.0%
Jan-22	8.3%	8.3%	8.7%	11.1%	6.0%	10.1%	4.9%
Variation between Dec-21 and Jan-22							
	-1.8	-1.5	-1.7	-1.8	-1.8	-2.2	-2.1

* Average prices 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*
Feb-21	10.53	56.90	103.59	46.37	93.06	46.69	66.62
Mar-21	10.44	55.33	103.63	44.89	93.19	48.30	67.82
Apr-21	13.05	57.52	107.23	44.47	94.18	49.71	71.01
May-21	12.56	58.17	119.34	45.61	106.78	61.17	83.27
Jun-21	14.09	58.41	121.68	44.32	107.59	63.27	83.26
Jul-21	14.36	58.03	124.29	43.67	109.93	66.26	87.39
Aug-21	9.16	50.51	130.22	41.35	121.06	79.71	97.20
Sep-21	14.84	56.66	135.78	41.82	120.94	79.12	96.39
Oct-21	17.81	58.89	153.63	41.08	135.82	94.74	109.69
Nov-21	20.60	60.66	170.16	40.06	149.55	109.50	123.64
Dec-21	22.86	60.31	177.81	37.45	154.95	117.50	130.00
Jan-22	23.85	61.13	185.22	37.28	161.37	124.09	135.07
% change between Dec-21 and Jan-22							
	4.3%	1.4%	4.2%	-0.4%	4.1%	5.6%	3.9%

* Average prices for 2nd and 3rd positions

Table 3: World Supply/Demand Balance

Coffee year commencing	2016	2017	2018	2019	*2020**	% change 2019/20
PRODUCTION	**160,605**	**167,866**	**170,331**	**169,017**	**168,879**	**-0.1%**
Arabica	99,940	98,188	99,926	97,093	99,264	**2.2%**
Robusta	60,664	69,678	70,405	71,924	69,615	**-3.2%**
Africa	16,836	17,459	18,584	18,744	19,217	**2.5%**
Asia & Oceania	47,930	52,203	48,173	49,462	47,976	**-3.0%**
Mexico & Central America	20,322	21,752	21,640	19,598	19,994	**2.0%**
South America	75,516	76,453	81,934	81,214	81,692	**0.6%**
CONSUMPTION	**161,200**	**161,948**	**168,381**	**164,456**	**167,683**	**2.0%**
Exporting countries	48,330	49,682	50,444	49,991	50,563	**1.1%**
Importing countries (Coffee Years)	112,870	112,266	117,937	114,465	117,120	**2.3%**
Africa	10,618	10,806	12,029	11,520	11,762	**2.1%**
Asia & Oceania	37,558	35,835	36,716	36,473	36,969	**1.4%**
Mexico & Central America	5,193	5,273	5,431	5,349	5,384	**0.6%**
Europe	52,225	53,167	55,068	53,580	54,518	**1.8%**
North America	29,510	29,939	31,789	30,581	31,719	**3.7%**
South America	26,096	26,929	27,349	26,953	27,331	**1.4%**
BALANCE	**-595**	**5,918**	**1,950**	**4,561**	**1,196**	

*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 by exporting countries

	Dec-20	Dec-21	% change	December- November 2019/20	2020/21	% change
TOTAL	**11,122**	**12,116**	**8.9%**	**129,416**	**128,924**	**-0.4%**
Arabicas	7,158	7,128	-0.4%	81,458	80,448	-1.2%
Colombian Milds	*1,455*	*1,252*	-13.9%	*13,823*	*13,664*	-1.1%
Other Milds	*1,449*	*1,848*	27.6%	*24,543*	*26,822*	9.3%
Brazilian Naturals	*4,255*	*4,027*	-5.4%	*43,093*	*39,961*	-7.3%
Robustas	*3,964*	*4,988*	25.8%	*47,957*	*48,476*	1.1%

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

	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
New York	1.92	1.97	2.07	2.21	2.33	2.32	2.31	2.27	2.01	1.72	1.67	1.40
London	2.44	2.50	2.53	2.67	2.53	2.43	2.31	2.09	1.97	1.78	1.66	1.57

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 2018/19 coffee year began on 1 October 2018 and ended 30 September 2019. However, for producers with crop years commencing on 1 April, the crop year production occurs across two coffee years. Brazil's 2018/19 crop year began on 1 April 2018 and finished 31 March 2019, covering the first half of coffee year 2018/19. However, Brazil's 2019/20 crop year commenced 1 April 2019 and ended 31 March 2020, covering the latter half of coffee year 2019/20. In order to bring the crop year production into a single coffee year, the Secretariat would allocate a portion of the April-March 2018/19 crop year production and a portion of the April-March 2019/20 production into 2018/19 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.