

Coffee Market Report

October 2021



INTERNATIONAL
COFFEE
ORGANIZATION

Coffee price rise continues in October despite improved weather conditions in Brazil

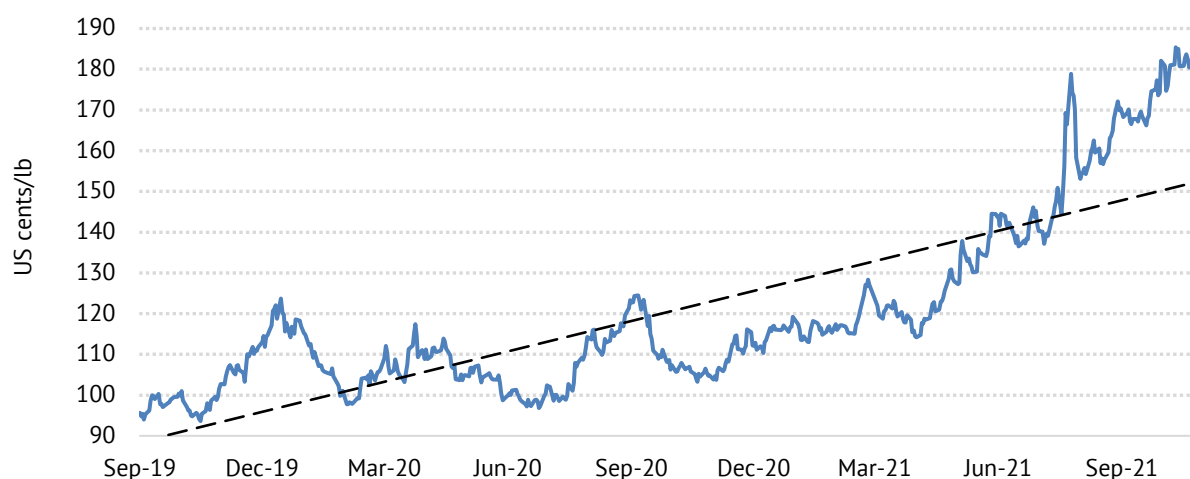
In October 2021, coffee prices reached new multi-year highs, as the monthly average of the ICO composite indicator price was 181.57 US cents/lb, an increase of 6.8% as compared to 170.02 US cents/lb in September 2021. These price levels during coffee year 2020/21 mark a significant recovery from the low levels experienced over the three preceding coffee years.

In terms of market fundamentals, exports of all forms of coffee by all exporting countries to all destinations totalled 10.07 million 60-kg bags in September 2021, 4.9% lower than in September 2020. Total shipments of all forms of coffee over coffee year 2020/21 (October 2020 – September 2021) amounted to 129.03 million bags, an increase of 1.3% compared with 127.36 million bags during coffee year 2019/20.

Global coffee consumption for coffee year 2020/21 is estimated at 167.15 million bags, an increase of 1.9% over 164.02 million bags recorded in coffee year 2019/20. The projection for total production in coffee year 2020/21 is 169.64 million bags, representing a marginal increase of 0.4% on the 168.98 million bags harvested in coffee year 2019/20. The projected total production of coffee year 2020/21 is 8.6% higher than the average of the last 10 coffee years. However, concerns over the supply from important origins still characterise market conditions, as climate-related shocks and covid-related disruptions continue to affect trade flows in many countries.

The monthly average of the ICO composite indicator rose by 6.8%, from 170.02 US cents/lb in September 2021 to 181.57 US cents/lb in October 2021. The level reached in October 2021 represents a 71.5% increase as compared to 105.85 US cents/lb recorded at the beginning of the last coffee year in October 2020. Moreover, the average price of October 2021 is the highest since the mark of 182.29 US cents/lb recorded in February 2012. The steady upward trend observed since the start of coffee year 2020/21 shows how the recovery of coffee prices, after three consecutive years of low-price levels, reflects a substantial change in overall market conditions, as shown in Figure 1.

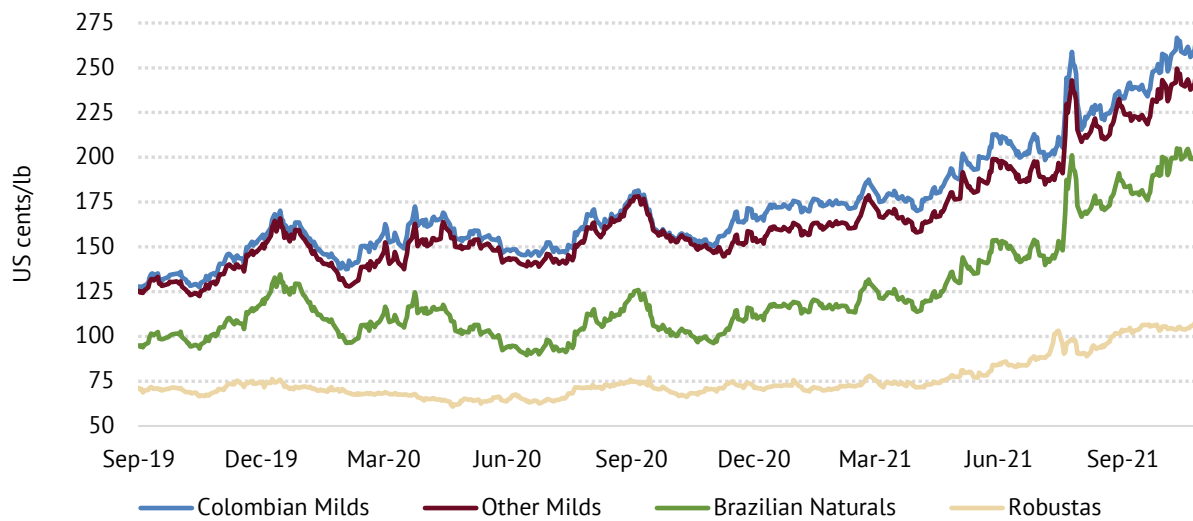
Figure 1: ICO composite indicator daily prices



Prices for all group indicators increased in October 2021 and reached their highest levels in several years.

The highest increase occurred in the Brazilian Naturals Group indicator price, which reached 199.98 US cents/lb, an increase of 8.9% as compared to 183.72 US cents/lb registered in the previous month and an increase of 99.2% from October 2020, and the highest level reached since 214.4 US cents/lb in February 2012. The price for the Colombian Milds increased by 7.7% to 258.87 US cents/lb in October 2021 as compared to 240.38 US cents/lb in September 2021. It also represents a rise of 67.8% from 154.28 cents/lb recorded in October 2020, and the highest level recorded since 287.54 US cents/lb in September 2011. Prices for the Other Milds increased by 6.9% to 241.06 US cents/lb in October 2021 as compared to 225.54 US cents/lb in September 2021. A higher level has not been since 245.09 US cents/lb in November 2011. Moreover, compared to its level of 152.06 US cents/lb in October 2020, the Other Milds indicator increased by 58.5%. Robustas, priced at 105.24 US cents/lb in October, showed steady growth and increased by 0.6% in between September 2021 and October 2021. It is the highest level since 105.55 US cents/lb was reached in April 2014.

Figure 2: ICO group indicator daily prices



The differential between the Colombian Milds and Other Milds increased substantially, rising by 20.0% from 14.84 US cents/lb in September 2021 to 17.81 US cents/lb in October 2021. The differential between the Colombian Milds and Brazilian Naturals increased by 3.9%, from 56.66 US cents/lb in September 2021 to 58.89 US cents/lb in October 2021. The differential between the Colombian Milds and Robustas increased by 13.1%, from 135.78 US cents/lb in September 2021 to 153.63 US cents/lb in October 2021. The differential between the Other Milds and Brazilian Naturals decreased by 1.8% to 41.08 US cents/lb in October 2021 from 41.82 US cents/lb in September 2021. The arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets, increased by 13.8% to 109.69 US cents/lb in October 2021, as compared with 96.39 US cents/lb in September 2021.

Although coffee prices continued to increase, volatility weakened in October 2021. Intra-day volatility of the ICO composite indicator price increased by 0.1 percentage points to 8.3% in October 2021. The Brazilian Naturals indicator showed a volatility of 10.7% in October 2021, as compared to 10.5% in September 2021. The Colombian Milds recorded a level of volatility at 8.6% in October 2021, as compared to 9.1% recorded in September 2021. Volatility for the Other Milds increased slightly from 9.1% in September 2021 to 9.5% in October 2021. Robusta price had the lowest volatility at 5.3% in October 2021, as compared to 7.5% in September 2021. The volatility of New York futures market was 11.1% in October 2021, as compared to 10.1% in September 2021. The volatility of London futures market decreased by 2.2 percentage points to 5.6%, as compared to 7.8% in September 2021.

Figure 3: Arbitrage between New York and

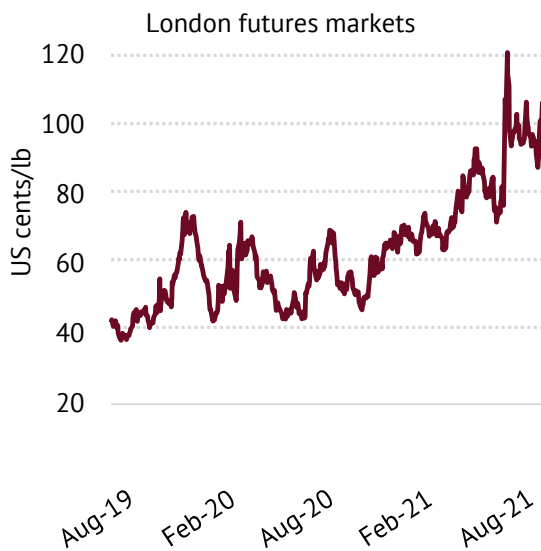
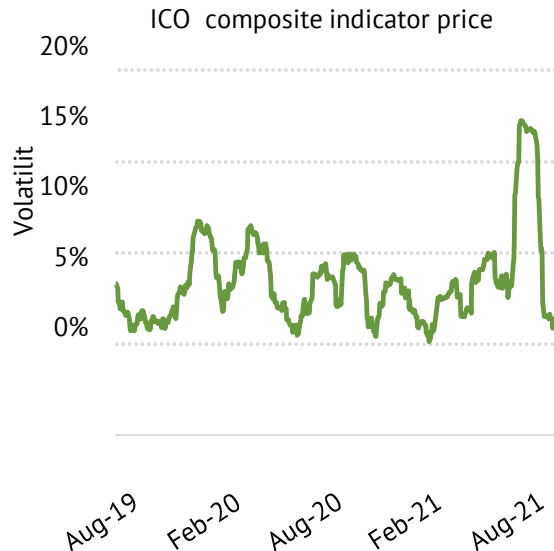
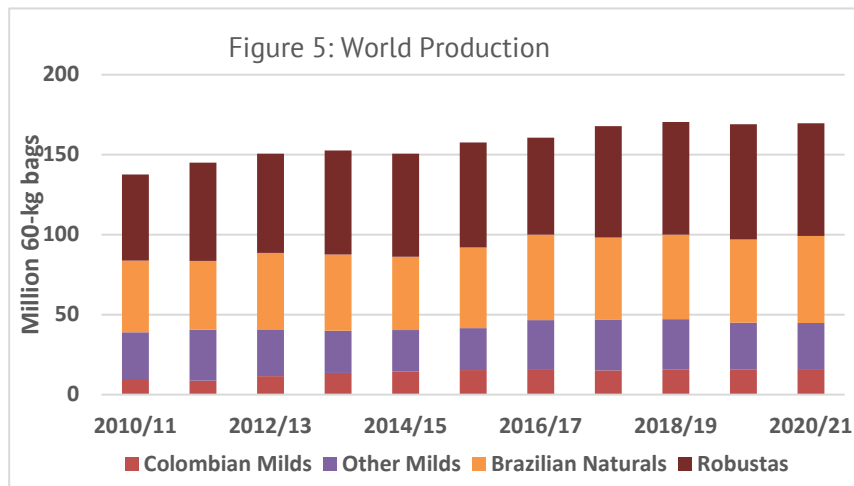


Figure 4: Rolling 30-day volatility of the



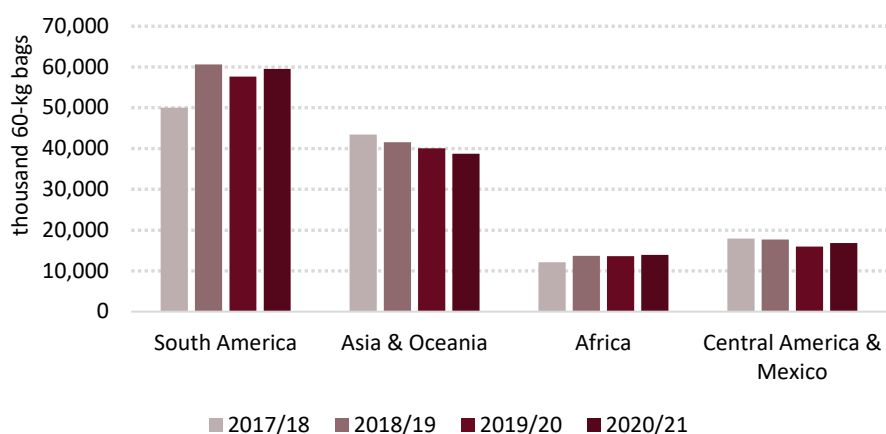
Estimates of total production for coffee year 2020/21 remain unchanged at 169.64 million 60-kg bags, representing a 0.4% increase as compared to 168.980 million bags during the previous coffee year. While Arabica production increased by 2.3% to 99.26 million bags, a 2.1% reduction has been recorded in the production of Robusta coffee to 70.38 million bags. At the regional level, African output will remain at the same level of 18.75 million bags recorded in previous coffee year. Production for Asia & Oceania is expected to fall by 1.1% from 49.45 million bags in 2019/20 to 48.91 million in 2020/21. Production in Central America and Mexico is provisionally set to decrease by 2.1% at 19.19 million bags against 19.60 million bags in coffee year 2019/20. An increase of 1.9% in production is expected from South America at 82.79 million bags, as compared to 81.21 million bags in 2019/20. Harvesting for crop year 2020/21 has been completed in all producing countries and the focus of the market is expected to turn to output from crop year 2021/22 as well as from 2022/23. The uncertainty created by weather-related shocks and potential disruptions in trade flows from stricter pandemic-related measures has become a serious threat to the regularity of green coffee supply. Moreover, increasing transaction and production costs, including fertilizers and labour costs, along with substantial increases in the transport costs are expected to reduce growers' current gains from increased prices and slow down investments in production.



World coffee consumption is resuming its steady growth of the last 10 years as before the outbreak of the covid-19 pandemic. It is projected to rise by 1.9% to 167.15 million bags in 2020/21 as compared to 164.02 million bags for coffee year 2019/20. With the prospect of further easing of pandemic restrictions related to covid-19 and subsequent expectations of economic recovery, world consumption is expected to continue growing. Over the last 10 coffee years the average growth of world consumption has been 1.9% per year boosted by significant increase in emerging markets versus more stable trends in traditional coffee consuming markets. The inelasticity of world consumption is expected to tighten the demand and supply ratio and increase the possibility of the current upward trends of coffee prices continuing.

Exports of all forms of coffee in September 2021 totalled 10.07 million bags, down 4.9% compared to 10.60 million bags in September 2020. The 8.4% decline in the shipments of Arabica from 6.03 million bags in September 2020 to 5.52 million bags in September 2021 was not offset by a 0.8% decline of the Robusta coffee exports from 3.50 million bags in September 2020 to 3.47 million bags in September 2021. The steepest decrease was recorded by Brazilian Naturals, down from 3.55 million bags in September 2020 to 2.77 million bags in September 2021. Over the same period, exports of the Other Milds and Colombian Milds increased by 5.8% and 22.8% respectively. Cumulative exports of all forms of coffee during the coffee year 2020/21 (October 2020 – September 2021) increased by 1.3% to 129.03 million bags, as compared to 127.36 million bags during coffee year 2019/20. Cumulative exports of green coffee amounted to 116.87 million bags in coffee year 2020/21, an increase of 1.8% as compared to 114.83 million bags for coffee year 2019/20. The pattern of total exports by exporting countries is still dominated by green coffee, which represented 90.6% and 90.2% of total exports, respectively, during coffee years 2020/21 and 2019/20.

Figure 6: Total Exports (October-September)



In terms of regional performance during the coffee year 2020/21, cumulative shipments of South America increased by 3.2% to 59.52 million bags as compared to 57.67 million bags in 2019/20. Exports by Brazil increased by 5.0% to 43.04 million bags from 41.01 million bags in 2019/20. Exports by Colombia remained relatively stable with a 1.5% from 12.64 million bags in the coffee year 2019/20 to 12.83 million bags for the 2020/21 coffee year. Total exports of Peru declined by 11.2% to 3.16 million in 2020/21 from 3.56 million in the same period in 2019/20. Exports of Asia & Oceania over the first twelve months of coffee year 2020/21 fell by 3.2% from 40.06 million bags in October 2019 to September 2020 to 38.76 million bags in 2020/21. Exports decreased by 7.5% in Vietnam from 26.54 million bags in 2019/20 to 25.56 million bags in 2020/21. Exports of India increased by 12.0% from 5.13 million bags in 2019/20 to 5.96 million bags in 2020/21. Cumulative exports from Central America and Mexico during the first twelve months of coffee year 2020/21 increased by 5.1% to 16.80 million bags, as compared to 15.98 million bags over the same period during coffee year 2019/20. Honduras is recovering steadily from two natural disasters caused by hurricanes Iota and Eta with its cumulative exports increasing by 6.7% to 5.87 million bags in 2020/21 as compared to 5.51 million bags in 2019/20. Nicaragua, which suffered the same climatic disasters as Honduras, has recorded a 4.5% decline of exports from 2.74 million bags in 2019/20 to 2.61 million bags in 2020/21. Export volume increases of 12.7% and 4.3% were observed in Guatemala and Mexico, respectively. Costa Rica's exports declined by 1.8%. An increase of 5.8% was also observed in El Salvador. Cumulative exports by Africa increased by 2.2% to 13.95 million bags as compared to 13.64 million bags in 2019/20. Exports rose in Uganda (21.4%), Tanzania (25.0%) and Kenya (5.9%). Over the same period exports decreased by 12.2% and 49.0% in Ethiopia and Côte d'Ivoire respectively.

Figure 7: Total Exports (October-September)

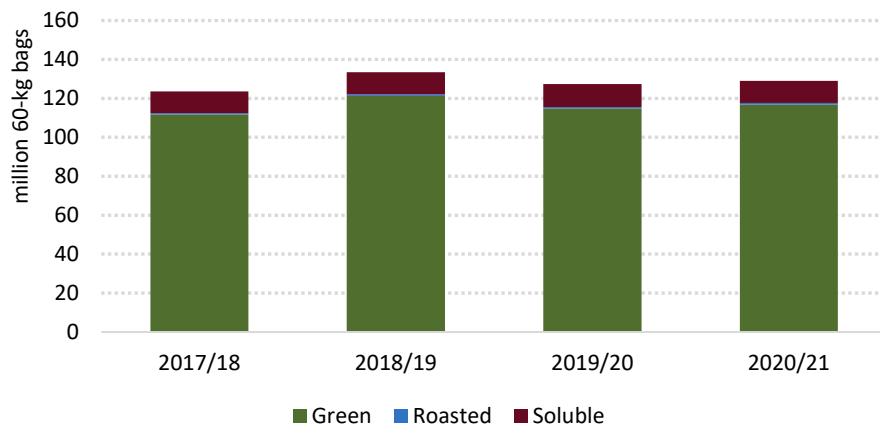


Table 1: ICO daily indicator prices and futures prices (US cents/lb)

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
Oct-20	105.85	154.28	152.06	100.37	68.36	110.70	59.14
Nov-20	109.70	161.21	150.73	106.41	72.38	115.48	62.82
Dec-20	114.74	170.44	157.81	114.96	72.04	124.46	62.41
Jan-21	115.73	173.42	160.69	116.69	70.71	127.59	60.54
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	104.6	191.3	94.91
Oct-21	181.57	258.87	241.06	199.98	105.24	206.05	96.36
% change between Sep-21 and Oct-21							
	6.8%	7.7%	6.9%	8.9%	0.6%	7.7%	1.5%
Volatility (%)							
Sep-21	8.2%	9.1%	9.1%	10.5%	7.5%	10.1%	7.8%
Oct-21	8.3%	8.6%	9.5%	10.7%	5.3%	11.1%	5.6%
Variation between Sep-21 and Oct-21							
	0.1	-0.5	0.4	0.2	-2.2	1.0	-2.2

* 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*
Oct-20	2.22	53.91	85.92	51.69	83.70	32.01	51.56
Nov-20	10.48	54.80	88.83	44.32	78.35	34.03	52.66
Dec-20	12.63	55.48	98.40	42.85	85.77	42.92	62.05
Jan-21	12.73	56.73	102.71	44.00	89.98	45.98	67.05
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
% change between Sep-21 and Oct-21							
	20.0%	3.9%	13.1%	-1.8%	12.3%	19.7%	13.8%

* 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	160,608	167,868	170,332	168,979	169,635	0.4%
Arabica	99,940	98,187	99,927	97,068	99,262	2.3%
Robusta	60,668	69,680	70,405	71,911	70,375	-2.1%
Africa	16,839	17,461	18,586	18,726	18,747	0.1%
Asia & Oceania	47,930	52,203	48,173	49,448	48,909	-1.1%
Mexico & Central America	20,322	21,752	21,640	19,598	19,194	-2.1%
South America	75,516	76,453	81,934	81,208	82,785	1.9%
CONSUMPTION	158,527	161,765	167,535	164,019	167,148	1.9%
Exporting countries	48,334	49,686	50,245	49,995	50,493	1.0%
Importing countries (Coffee Years)	110,193	112,079	117,290	114,024	116,655	2.3%
Africa	10,668	11,344	11,927	11,726	11,969	2.1%
Asia & Oceania	34,781	35,147	36,219	35,801	36,271	1.3%
Mexico & Central America	5,194	5,273	5,431	5,347	5,381	0.6%
Europe	52,203	53,142	55,053	53,566	54,504	1.8%
North America	29,559	29,941	31,779	30,628	31,768	3.7%
South America	26,123	26,918	27,126	26,951	27,255	1.1%
BALANCE	2,081	6,103	2,797	4,960	2,487	

*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

	Sep-20	Sep-21	% change	October-September		
	2019/20	2020/21	% change			
TOTAL	10,591	10,074	-4.9%	127,362	128,931	1.2%
Arabicas	6,572	6,097	-7.2%	78,661	81,886	4.1%
Colombian Milds	953	1,168	22.5%	13,897	14,144	1.8%
Other Milds	1,833	1,914	4.4%	25,052	25,785	2.9%
Brazilian Naturals	3,785	3,015	-20.4%	39,712	41,957	5.7%
Robustas	4,019	3,977	-1.0%	48,701	47,044	-3.4%

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

	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
New York	1.40	1.52	1.75	1.92	1.97	2.07	2.21	2.33	2.32	2.31	2.27	2.01
London	2.24	2.31	2.40	2.44	2.50	2.53	2.67	2.53	2.43	2.31	2.09	1.97

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.