



LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

October 2009

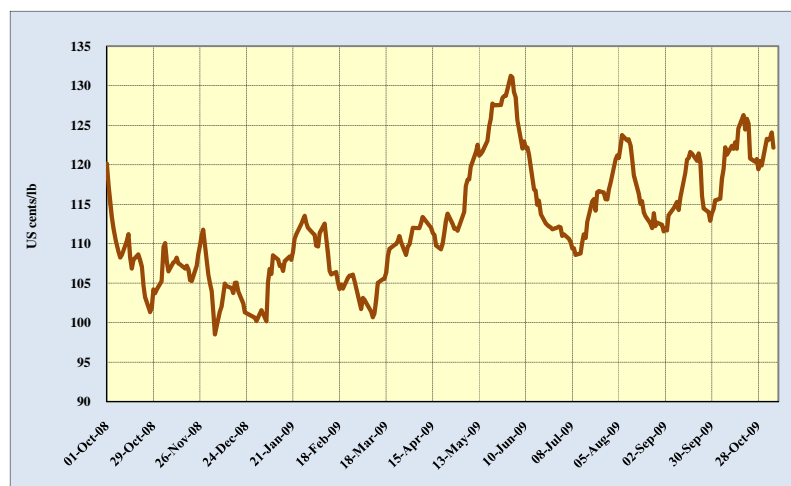
Coffee prices rose during October with the monthly average of the ICO composite indicator price at 121.09 US cents per lb compared to 116.40 US cents per lb in September. This increase relates particularly to Arabicas, whereas Robusta prices were slightly down. The difference between Colombian Milds and the other groups of coffee narrowed during this period.

The value of the US dollar fell against the currencies of some coffee exporting countries during October, particularly the Brazilian real, the Indian rupee and the Mexican peso, reducing the benefit of the increase in prices. In order to mitigate the impact of the appreciation of the real against the US dollar the Brazilian monetary authorities have introduced a special tax of 2% on capital inflows. Moreover, November 2009 is the first delivery month under the Brazilian programme of support for growers through the possible exercise of options covering a volume of 1 million bags. If growers deliver their coffee to the government, this would effectively mean the withdrawal of 1 million bags from the market.

Production in crop year 2009/10, which has begun in all exporting countries, could be below the level of 128.1 million bags recorded in crop year 2008/09. In Colombia, the latest official figures indicate that production for crop year 2008/09 was 8.7 million bags.

Exports by all exporting countries during September totalled 6.9 million bags, bringing the cumulative total for coffee year 2008/09 (October 2008 – September 2009) to 97.6 million bags compared to 96.1 million bags in coffee year 2007/08.

**Graph 1: Daily composite indicator price
1 October 2008 – 6 November 2009**

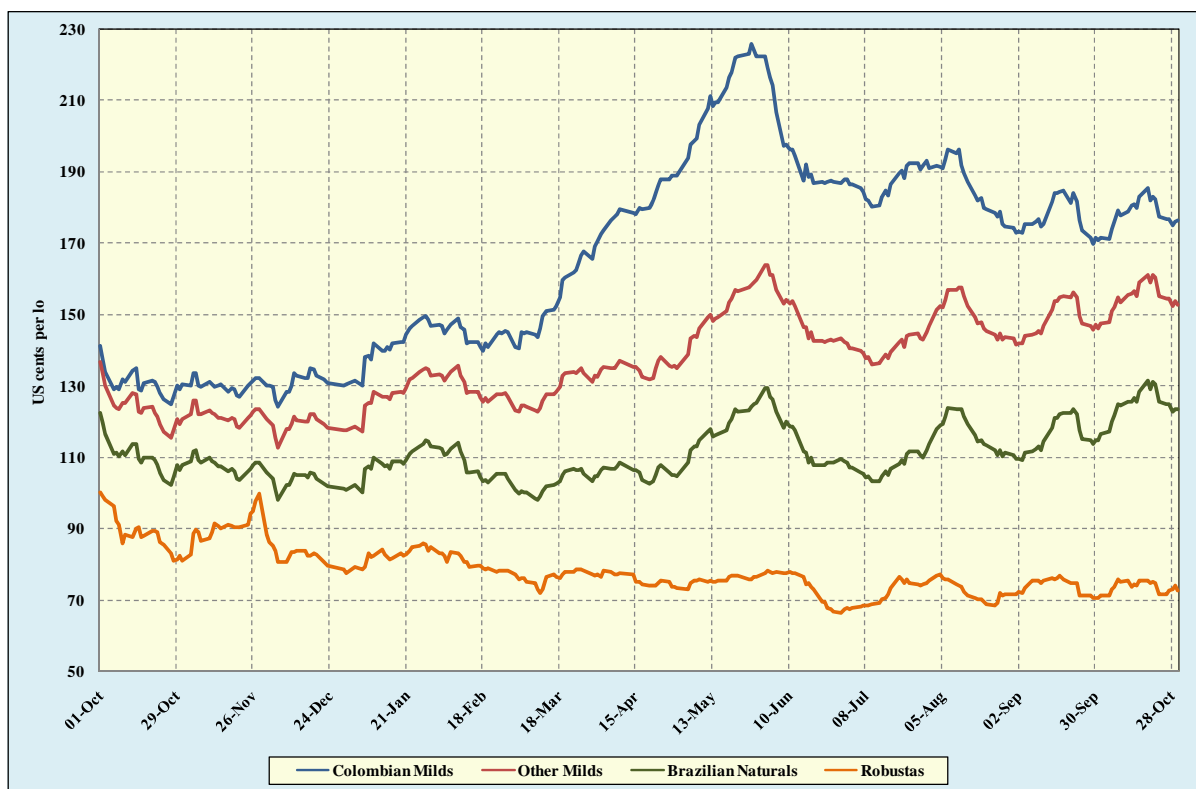


Price movements

The monthly average of the **ICO composite indicator price** was 121.09 US cents per lb in October compared to 116.40 US cents per lb in September, an increase of 4% (Table 1). Despite a downturn during the last week of October, the behaviour of prices during the first week of November indicates a certain firmness¹. Graph 1 shows changes in the ICO daily composite indicator price since 1 October 2008. Graph 2 shows changes in daily indicator prices for the

four groups of coffee since 1 October 2008. Prices for the **Robustas** group recorded a slight fall in October while prices for the other three groups recorded increases. The increase was less marked in the case of **Colombian Milds** than for the **Other Milds** and **Brazilian Naturals** groups. As a consequence, the difference between Colombian Milds and the other groups of Arabica coffee narrowed further (Table 2).

**Graph 2: Group indicator prices
1 October 2008 – 30 October 2009**



¹ On 6 November 2009, the indicator price was 122.15 US cents per lb compared to 119.90 US cents on 30 October.

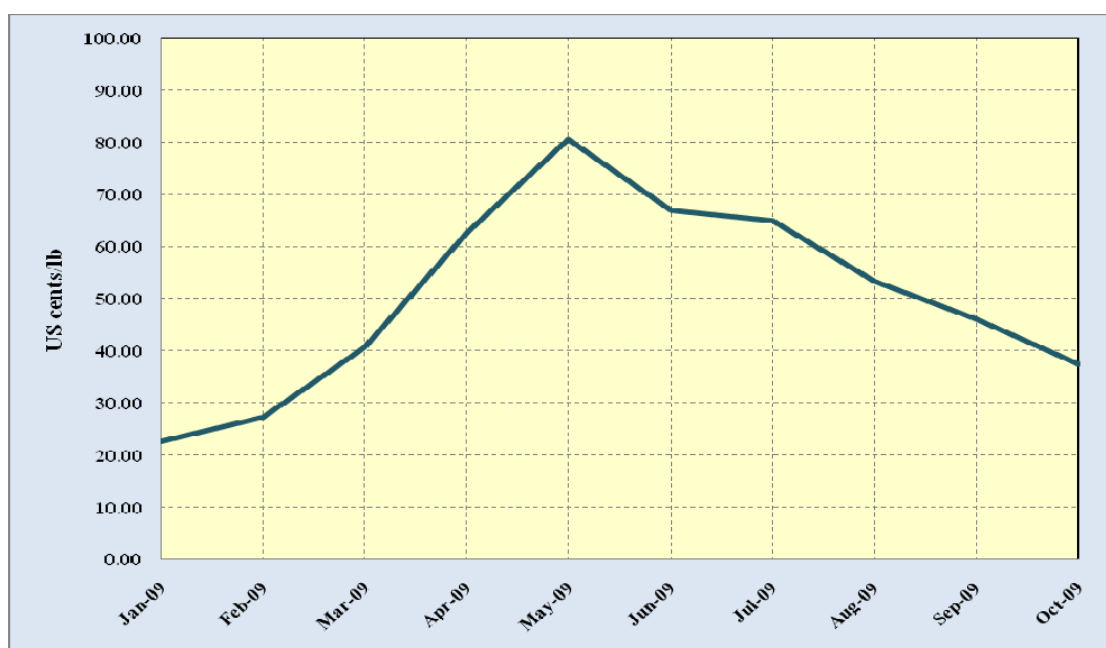
Table 1: ICO daily indicator prices and futures prices (US cents per lb): October 2009

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Oct-09							
01-Oct	114.37	171.10	146.26	115.07	70.47	130.55	63.71
02-Oct	115.49	171.56	147.66	116.61	71.30	133.60	64.50
05-Oct	115.70	171.45	147.85	117.42	71.11	133.42	64.27
06-Oct	118.22	174.10	151.09	120.09	72.96	137.45	66.18
07-Oct	119.48	176.37	151.92	121.74	73.79	138.05	67.04
08-Oct	122.19	179.31	154.95	125.02	75.70	141.52	68.86
09-Oct	121.28	178.01	153.30	124.57	75.02	139.20	67.93
12-Oct	122.37	179.11	155.58	125.76	75.21	141.80	68.61
13-Oct	122.00	180.58	155.74	125.73	73.49	142.25	66.90
14-Oct	122.83	181.11	156.53	126.75	74.31	142.97	67.74
15-Oct	122.02	180.12	155.30	125.71	74.03	141.53	67.70
16-Oct	124.59	183.19	159.04	128.48	75.44	146.30	68.58
19-Oct	126.28	185.71	161.17	131.63	75.23	147.72	68.58
20-Oct	124.46	182.03	159.17	129.25	74.73	145.30	67.95
21-Oct	125.79	183.08	161.24	131.24	75.10	147.72	68.22
22-Oct	125.19	182.48	160.57	130.55	74.63	147.22	67.83
23-Oct	120.80	177.76	155.24	125.67	71.43	140.95	64.68
26-Oct	120.37	176.79	154.65	125.18	71.37	140.40	64.77
27-Oct	120.71	176.80	154.32	125.12	72.64	140.25	65.98
28-Oct	119.43	175.13	152.43	122.83	72.80	138.47	65.91
29-Oct	120.47	176.30	153.78	123.62	73.80	140.70	66.70
30-Oct	119.90	176.68	152.80	123.69	72.59	139.50	65.70
Oct-09	121.09	178.13	154.57	124.62	73.51	140.77	66.74
2008							
October	108.31	130.99	123.59	110.27	88.77	121.11	81.49
November	107.88	130.45	121.89	107.96	90.76	117.23	81.07
December	103.07	130.89	118.97	103.46	82.51	111.91	74.71
2009							
January	108.39	142.32	128.30	109.18	82.74	119.75	75.88
February	107.60	144.55	129.48	107.69	80.22	117.29	73.26
March	105.87	154.16	128.52	102.81	76.31	113.47	69.39
April	111.61	181.10	134.88	105.95	75.53	118.48	68.59
May	123.05	212.05	150.99	118.40	75.62	131.43	69.00
June	119.05	196.32	149.79	115.42	73.79	129.39	66.58
July	112.90	187.29	140.90	107.80	71.68	122.42	64.98
August	117.45	185.39	149.76	116.86	72.35	132.05	65.47
September	116.40	177.45	148.53	116.16	73.82	131.33	66.77
October	121.09	178.13	154.57	124.62	73.51	140.77	66.74
% change between Oct-09 and Sep-09	4.03	0.38	4.07	7.29	-0.42	7.18	-0.04
% change between Oct-09 and Oct-08	11.80	35.98	25.07	13.02	-17.19	16.23	-18.10
% change between Oct-09 and 2008 average	-2.54	23.42	10.58	-1.55	-30.18	3.16	-31.32
volatility (%)							
Jan-09	6.50	8.00	7.45	8.67	6.95	10.50	9.16
Feb-09	4.55	5.35	5.25	6.13	5.28	7.27	6.57
Mar-09	4.64	5.47	4.60	4.99	7.00	6.77	8.33
Apr-09	3.66	2.77	4.54	5.51	4.39	7.11	5.32
May-09	3.86	4.69	4.32	5.05	3.76	5.58	3.67
Jun-09	5.19	7.44	6.09	7.82	6.71	9.21	9.15
Jul-09	4.75	4.68	5.12	5.76	6.23	7.27	6.29
Aug-09	4.56	4.78	4.84	5.54	5.93	7.51	6.93
Sep-09	6.18	6.64	6.12	7.33	6.81	9.00	7.61
Oct-09	6.43	5.34	6.48	7.49	7.72	8.61	8.22

*Average of the 2nd and 3rd positions

Graph 3 shows the difference between the monthly averages of Colombian Milds and the New York 'C' Contract since January 2009. The price difference between Colombian Milds and the New York 'C' Contract fell by 19% compared to its September level. The difference recorded in October represents a fall of 53.7% compared to the level in May 2009.

**Graph 3: Difference between the monthly averages of Colombian Milds and the New York 'C' Contract*
January – October 2009**



*Average of the 2nd and 3rd positions

Table 2: Difference between price groups

	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*
Jan-09	14.02	33.14	59.58	22.57	19.12	45.56	26.44	43.87
Feb-09	15.07	36.86	64.33	27.26	21.79	49.26	27.47	44.03
Mar-09	25.64	51.35	77.85	40.69	25.71	52.21	26.50	44.08
Apr-09	46.22	75.15	105.57	62.62	28.93	59.35	30.42	49.89
May-09	61.06	93.65	136.43	80.62	32.59	75.37	42.78	62.43
Jun-09	46.53	80.90	122.53	66.93	34.37	76.00	41.63	62.81
Jul-09	46.39	79.49	115.61	64.87	33.10	69.22	36.12	57.44
Aug-09	35.63	68.53	113.04	53.34	32.90	77.41	44.51	66.58
Sep-09	28.92	61.29	103.63	46.12	32.37	74.71	42.34	64.57
Oct-09	23.56	53.51	104.62	37.36	29.95	81.06	51.11	74.03
% change between Oct-09 and Sep-09	-18.53%	-12.69%	0.96%	-18.99%	-7.48%	8.50%	20.71%	14.66%

*Average of the 2nd and 3rd positions

Table 3: Production in selected exporting countries

Crop year commencing					% change
	2005	2006	2007	2008	2008&2007
TOTAL	110 417	128 380	118 327	128 073	8.24
Africa	13 026	15 385	14 810	15 493	4.61
Cameroon	849	836	795	833	4.78
Côte d'Ivoire	1 962	2 847	2 150	2 500	16.30
Ethiopia	4 003	4 636	4 906	4 350	-11.33
Kenya	660	826	652	883	35.41
Tanzania	804	822	810	1 186	46.49
Uganda	2 159	2 700	3 250	3 100	-4.62
Others	2 588	2 717	2 248	2 641	17.49
Arabicas	6 544	7 557	7 418	7 669	3.38
Robustas	6 481	7 828	7 392	7 825	5.86
Asia&Oceania	30 215	34 530	31 410	35 055	11.61
India	4 396	5 159	4 460	4 372	-1.98
Indonesia	9 159	7 483	7 777	9 350	20.23
Papua New Guinea	1 268	807	968	1 028	6.19
Thailand	999	766	653	825	26.26
Vietnam	13 542	19 340	16 467	18 500	12.35
Others	851	976	1 085	981	-9.59
Arabicas	4 223	3 836	4 249	4 468	5.15
Robustas	25 991	30 694	27 161	30 587	12.61
Mexico & Central America	17 118	16 937	18 294	17 305	-5.41
Costa Rica	1 778	1 580	1 791	1 580	-11.77
El Salvador	1 502	1 371	1 621	1 420	-12.41
Guatemala	3 676	3 950	4 100	3 730	-9.02
Honduras	3 204	3 461	3 842	2 978	-22.48
Mexico	4 225	4 200	4 150	4 650	12.04
Nicaragua	1 718	1 300	1 700	1 600	-5.88
Others	1 016	1 074	1 090	1 346	23.53
Arabicas	16 982	16 802	18 169	17 159	-5.56
Robustas	136	135	125	145	16.56
South America	50 058	61 529	53 813	60 220	11.91
Brazil	32 944	42 512	36 070	45 992	27.51
Colombia	12 564	12 541	12 504	8 664	-30.71
Ecuador	1 120	1 167	1 110	691	-37.80
Peru	2 489	4 319	3 063	3 872	26.42
Others	941	990	1 066	1 002	-6.06
Arabicas	40 396	51 721	42 559	49 303	15.85
Robustas	9 662	9 808	11 255	10 917	-3.00
TOTAL	110 417	128 380	118 327	128 073	8.24
Colombian Milds	13 723	13 876	13 674	10 306	-24.63
Other Milds	25 264	27 210	27 103	26 992	-0.41
Brazilian Naturals	29 159	38 830	31 618	41 300	30.62
Robustas	42 271	48 465	45 932	49 475	7.71
Arabicas	68 146	79 916	72 395	78 599	8.57
Robustas	42 271	48 465	45 932	49 475	7.71
TOTAL	100.00	100.00	100.00	100.00	
Colombian Milds	12.43	10.81	11.56	8.05	
Other Milds	22.88	21.19	22.91	21.08	
Brazilian Naturals	26.41	30.25	26.72	32.25	
Robustas	38.28	37.75	38.82	38.63	
Arabicas	61.72	62.25	61.18	61.37	
Robustas	38.28	37.75	38.82	38.63	

In thousand bags

Market fundamentals

Total production in crop year 2008/09 was 128.1 million bags compared to 118.3 million bags in 2007/08 (Table 3). Crop year 2009/10 is now underway in all exporting countries. The latest official estimate of the 2009/10 Brazilian crop, most of which has already been harvested, is 39 million bags, comprising 28.4 million bags of Arabicas and 10.6 million bags of Robustas. However, there is a risk that recent heavy rains may affect the quality of the crop as well as flowering in crop year 2010/11. Vietnam has also been affected by bad weather which could have an impact on the current crop. Colombia, which recorded its lowest production level in 2008/09 since 1973/74, does not yet seem to be in a position to return to its normal production level in crop year 2009/10. On the other hand, increased production is expected in Africa, Asia and Central America.

With regard to Brazilian coffee supplies it should be noted that, in accordance with the programme of government support for producers, the first delivery of one million bags could take place in November if current price levels remain below the minimum price of R\$303.50 per bag. Although relatively firm, current levels of market prices in terms of the *real* are not yet high enough to dissuade growers from delivering part of their coffee to the government despite the additional costs involved such as preparation for delivery and transportation. Further deliveries are due in January and February 2010 at a minimum guarantee price of R\$311.70 and R\$314.40 respectively.

Exports during September totalled 6.9 million bags, bringing the total volume exported during coffee year 2008/09 to 97.6 million bags as against 96.1 million bags in the previous coffee year, an increase of 1.57% (Table 4).

**Table 4: Total exports of all forms of coffee
(October – September 2007/08 and 2008/09)**

	2007/08	2008/09	% change
TOTAL	96 078	97 584	1.57
Colombian Milds	12 706	10 051	-20.90
Other Milds	22 193	20 986	-5.44
Brazilian Naturals	27 271	30 973	13.58
Robustas	33 908	35 574	4.91
Arabicas	62 170	62 010	1.55
Robustas	33 908	35 574	4.44
Angola	7	6	-19.93
Benin	0	0	
Bolivia	71	75	4.66
Brazil	27 970	31 552	12.81
Burundi	185	378	104.36
Cameroon	549	514	-6.38
Central African Republic	51	25	-50.00
Colombia	11 557	8 716	-24.58
Congo, Dem. Rep. of	216	146	-32.55
Congo, Rep. of	0	0	
Costa Rica	1 402	1 178	-16.00
Côte d'Ivoire	1 947	1 572	-19.25
Cuba	4	7	93.82
Dominican Republic	74	109	47.23
Ecuador	897	1 049	16.92
El Salvador	1 430	1 343	-6.08
Ethiopia	2 806	1 868	-33.42
Gabon	0	0	
Ghana	32	18	-41.92
Guatemala	3 822	3 456	-9.57
Guinea	276	285	3.27
Haiti	19	19	2.36
Honduras	3 395	3 021	-11.01
India	3 389	2 539	-25.08
Indonesia	5 511	7 573	37.43
Jamaica	24	26	6.98
Kenya	627	572	-8.82
Madagascar	216	114	-47.21
Malawi	28	15	-45.47
Mexico	2 555	2 775	8.58
Nicaragua	1 640	1 433	-12.65
Nigeria	2	2	-17.99
Panama	118	95	-19.02
Papua New Guinea	1 108	932	-15.90
Paraguay	3	3	5.22
Peru	3 234	3 433	6.17
Philippines	7	7	0.15
Rwanda	265	289	9.17
Tanzania	747	1 201	60.64
Thailand	153	181	17.86
Togo	134	141	5.31
Uganda	3 210	3 057	-4.76
Venezuela	147	35	-76.13
Vietnam	15 774	17 408	10.36
Zambia	53	31	-40.66
Zimbabwe	23	17	-24.53
Other exporting countries 1/	402	368	-8.40

In thousand bags

1/ Equatorial Guinea, Guyana, Lao (PDR), Liberia, Sierra Leone, Sri Lanka, Timor-Leste, Trinidad and Tobago and Yemen

Based on information received, my preliminary estimate of **opening stocks** in producing countries is around 16 million bags, which may be the lowest since records are held. **Inventories** in importing countries are currently estimated at around 26 million bags, the highest level recorded.

World consumption in recent years has been consistently buoyant. The total volume of consumption in calendar year 2008 is estimated at 130 million bags (Table 5). The growth in world consumption is largely attributable to increased domestic consumption in exporting countries and the growing demand in emerging markets. Consumption in the European Union seems to have stagnated over the last few years, accounting for only 31.3% of world consumption in 2008 compared to 27.6% for domestic consumption in exporting countries.

**Table 5: World consumption
(Calendar years 2004 – 2008)**

	2004	2005	2006	2007	2008*
WORLD TOTAL	118 478	119 005	122 579	127 203	130 004
Producing Countries	29 523	30 915	32 525	34 593	35 855
Brazil	14 760	15 390	16 133	16 927	17 526
Indonesia	1 958	2 375	2 750	3 208	3 333
Mexico	1 500	1 556	1 794	2 050	2 200
Ethiopia	1 833	1 833	1 833	1 833	1 833
India	1 188	1 272	1 357	1 438	1 518
Colombia	1 400	1 400	1 400	1 400	1 400
Philippines	917	917	917	989	1 070
Vietnam	500	500	604	938	1 021
Venezuela	700	703	723	760	760
Others	4 768	4 969	5 015	5 052	5 194
Importing Countries	88 955	88 090	90 054	92 610	94 149
European Community	42 706	40 524	42 609	41 775	40 722
Germany	10 445	8 665	9 151	8 627	9 554
Italy	5 469	5 552	5 593	5 821	5 937
France	4 929	4 787	5 278	5 628	5 154
Spain	2 705	3 007	3 017	3 198	3 485
United Kingdom	2 458	2 680	3 059	2 824	3 067
Netherlands	1 978	1 927	2 129	2 292	1 324
Sweden	1 234	1 170	1 315	1 244	1 272
Poland	2 281	2 267	1 953	1 531	1 190
Finland	1 034	1 102	1 047	1 057	1 115
Greece	871	870	857	1 015	978
Others	7 788	7 249	7 554	7 307	6 790
USA	20 973	20 998	20 667	21 033	21 652
Japan	7 117	7 128	7 268	7 282	7 065
Other Importing Countries	18 159	19 440	19 510	22 519	24 710
Russian Federation	3 086	3 212	3 263	4 055	3 716
Canada	2 747	2 794	3 098	3 245	3 214
Algeria	2 159	1 892	1 836	1 968	2 118
Ukraine	739	1 025	968	1 057	1 733
Korea, Republic of	1 401	1 394	1 437	1 425	1 665
Australia	864	1 039	992	1 031	1 145
Others	7 162	8 084	7 916	9 738	11 121

* Provisional

In thousand bags

Tables 6 and 7 show per capita consumption in selected exporting and importing countries. Table 8 shows retail prices in June 2007 to 2009. Retail prices fell in almost all importing countries in June 2009 compared to their levels in June 2008.

Table 6: Per capita consumption in selected exporting countries (Calendar years 2004 – 2008)

	2004	2005	2006	2007	2008
Brazil	4.82	4.96	5.14	5.34	5.48
Honduras	1.84	2.00	1.96	2.41	3.77
Costa Rica	4.16	5.04	4.77	4.19	3.54
Dominican Republic	2.29	2.38	2.35	2.31	2.28
El Salvador	1.48	1.78	2.05	2.20	2.25
Haiti	2.20	2.17	2.13	2.10	2.06
Nicaragua	2.12	2.09	2.06	2.04	2.01
Colombia	1.98	1.95	1.92	1.89	1.87
Venezuela	1.60	1.58	1.59	1.65	1.62
Madagascar	1.52	1.59	1.55	1.51	1.47
Ethiopia	1.51	1.47	1.44	1.40	1.36
Guatemala	1.45	1.42	1.38	1.35	1.31
Mexico	0.86	0.89	1.01	1.14	1.22
Panama	1.26	1.24	1.22	1.20	1.18
Cuba	1.20	1.20	1.20	1.20	1.16
Côte d'Ivoire	1.01	0.99	0.97	0.94	0.92
Indonesia	0.54	0.65	0.74	0.86	0.88
Philippines	0.66	0.64	0.63	0.67	0.71
Vietnam	0.36	0.36	0.43	0.65	0.70
Ecuador	0.70	0.69	0.68	0.67	0.67

In kilogrammes

Table 7: Per capita consumption in selected importing countries (Calendar years 2004 – 2008)

	2004	2005	2006	2007	2008
Algeria	4.00	3.46	3.30	3.49	3.70
Australia	2.57	3.06	2.88	2.97	3.26
Canada	5.15	5.19	5.70	5.91	5.80
<i>European Community</i>	5.06	4.81	5.00	4.93	4.83
Austria	7.30	5.63	4.44	6.11	6.53
Belgium	8.09	6.67	8.81	6.29	3.68
Bulgaria	2.81	3.33	3.28	2.86	3.52
Cyprus	4.32	4.97	3.92	4.89	5.39
Czech Republic	3.56	3.86	3.70	3.97	3.61
Denmark	9.43	8.80	9.09	8.52	7.71
Estonia	5.71	6.43	7.42	4.53	6.89
Finland	11.87	12.62	11.94	12.01	12.62
France	4.88	4.71	5.16	5.47	4.98
Germany	7.61	6.31	6.66	6.29	6.97
Greece	4.73	4.72	4.63	5.48	5.27
Hungary	4.21	3.39	3.57	3.12	2.96
Ireland	3.29	3.19	2.85	3.36	1.56
Italy	5.63	5.68	5.69	5.89	5.98
Latvia	4.03	3.78	4.76	3.46	3.06
Lithuania	3.44	3.39	3.78	4.11	3.68
Luxembourg	15.33	11.66	15.40	16.17	25.55
Malta	2.33	2.44	4.22	2.33	3.33
Netherlands	7.31	7.08	7.79	8.36	4.80
Poland	3.58	3.56	3.07	2.41	1.87
Portugal	3.92	3.73	3.80	4.07	4.14
Romania	2.26	2.38	2.33	2.30	2.27
Slovakia	3.16	3.26	3.13	3.97	3.79
Slovenia	5.55	5.44	5.24	5.82	5.77
Spain	3.82	4.19	4.15	4.36	4.70
Sweden	8.21	7.74	8.66	8.15	8.29
United Kingdom	2.46	2.67	3.03	2.78	3.01
Japan	3.35	3.36	3.42	3.43	3.33
Korea, Republic of		1.76	1.81	1.78	2.07
Norway	9.25	9.61	9.25	9.81	8.99
Russian Federation		1.35	1.37	1.71	1.58
Switzerland	5.86	8.87	7.48	7.90	9.15
Ukraine	0.94	1.31	1.25	1.37	2.26
USA	4.20	4.16	4.06	4.09	4.17

In kilogrammes

Table 8: Retail prices of roasted coffee in selected importing countries

	June			% change
	2007	2008	2009	2009-2008
<i>European Community</i>				
Austria	428.46	499.45	706.94 1/	41.54
Belgium	484.45	584.80	530.83	-9.23
Bulgaria	333.00	429.21	386.80	-9.88
Cyprus	562.96	652.53	588.06	-9.88
Denmark	471.08	580.47	537.16	-7.46
Finland	318.91	395.05	347.11	-12.13
France	333.52	403.51	378.90	-6.10
Germany	467.41	544.59	476.80	-12.45
Italy	686.51	831.70	771.77	-7.21
Latvia	470.91	644.26	607.51	-5.71
Luxembourg	654.86	809.84	732.37	-9.57
Malta 2/	1 185.21	1 395.36	1 303.26	-6.60
Netherlands	435.76	533.31		
Poland	330.31	490.94	335.27	-31.71
Portugal	498.45	610.20	537.19	-11.96
Slovakia	375.87	557.23	508.59	-8.73
Slovenia	447.93	548.83	484.43	-11.73
Spain	374.90	451.48	419.59	-7.06
Sweden	345.13	411.95	353.07	-14.29
United Kingdom 2/	1 783.40	1 719.25	1 669.27	-2.91
Japan	750.20	906.35	573.34 1/	-36.74
Norway	397.97	555.61	410.36	-26.14
USA	340.70			

In US cents per lb

1/ Change in type of coffee product

2/ Soluble coffee

In conclusion, it should be noted that market fundamentals continue to favour firm prices given the buoyant consumption that makes it possible to maintain a balance between supply and demand. Levels of opening stocks in exporting countries for crop year 2009/10 remain low while production falls are expected in Brazil and other important producing countries where the quality of the coffee crop may be affected by bad weather conditions. If these falls in production are confirmed, exports will be reduced in coffee year 2009/10.