



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

E

LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

May 2008

There was a slight rally in Arabica prices during the month of May, with the monthly average of the 2nd and 3rd positions on the New York futures market up from 136.23 US cents per lb in April to 137.03 US cents per lb in May. However, in the case of Robusta, the monthly average on the London futures market fell by 2.5%, with the price down to 100.89 US cents per lb in May compared to 103.48 US cents per lb in April. As with other agricultural commodity prices, coffee prices remain firm, even though fluctuations in exchange rates for the US dollar continue to reduce profitability. Since prices of oil and oil products are reaching new record levels, with consequent increases in the investment costs of coffee growing, the supply of coffee will only be sufficient to meet demand if price levels remain firm. My preliminary estimate of world production for crop year 2008/09 remains unchanged in relation to the level of 127 million bags indicated previously (Letter from the Executive Director – April 2008).

Exports during April totalled 8.8 million bags, the same level as that recorded in March. However, exports during the first seven months of coffee year 2007/08 (October 2007 – April 2008) fell by 4% compared to the total for the same period in coffee year 2006/07. During the first seven months of coffee year 2007/08 Robusta exports were down by 8.6% compared to coffee year 2006/07, while Arabica exports fell by only 1.5%.

Lastly, the International Coffee Council held its 100th Session during May. At this regular session, a number of countries signed the International Coffee Agreement 2007. The Council also considered preparatory documents, including the revision of ICO rules and regulations and terms of reference for committees and other bodies to be established under the provisions of the new Agreement. It should be noted that in addition to these meetings, the ICO organized a very successful Seminar on Geographical Indications (GIs) for Coffee on 20 May 2008, which enabled countries to share their practical experiences with GIs and other intellectual property tools, as well as to receive information on the current legal status of GIs in major consuming markets.

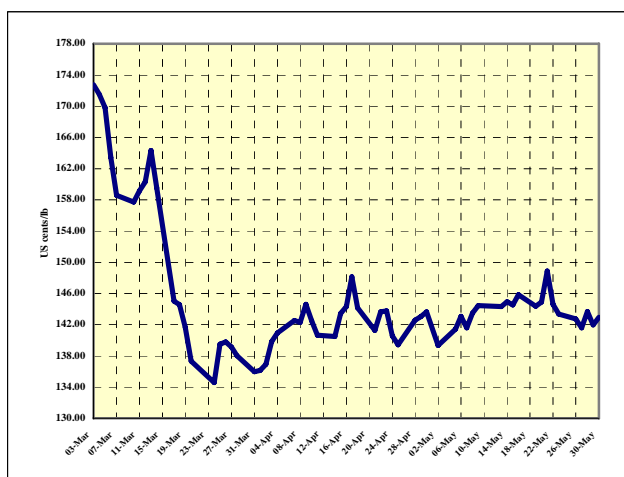
Price movements

The monthly average of the **ICO composite indicator price** for May showed only a very small variation in relation to April, at 126.76 US cents per lb in May compared to 126.55 US cents per lb in April. Arabica prices increased slightly during May while Robusta prices fell by more than 2% compared to the average for April (Table 1). Graph 1 shows changes in the ICO daily composite indicator price since 2 May 2007. Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 3 March 2008.

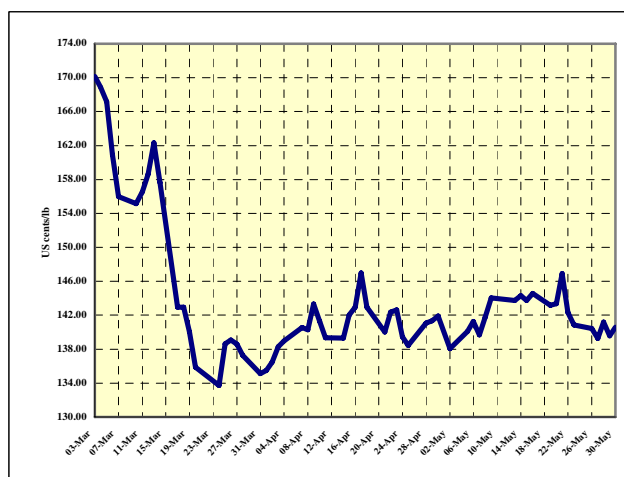
**Graph 1: Daily composite indicator price
2 May 2007 – 11 June 2008**



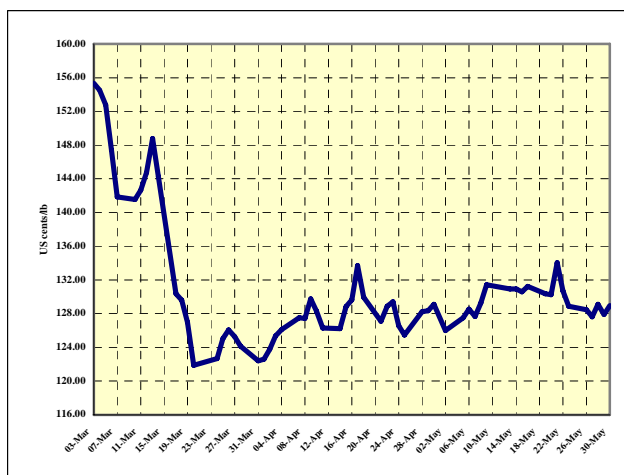
**Graph 2: Daily indicator prices
for Colombian Milds
3 March – 30 May 2008**



**Graph 3: Daily indicator prices
for Other Milds
3 March – 30 May 2008**



**Graph 4: Daily indicator prices
for Brazilian Naturals
3 March – 30 May 2008**



**Graph 5: Daily indicator prices
for Robustas
3 March – 30 May 2008**

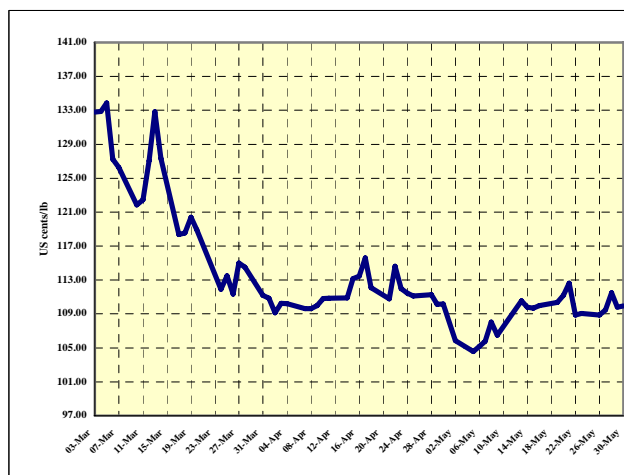


Table 1: ICO daily indicator prices and futures prices (US cents per lb) – May 2008

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
May-08							
01-May	Holiday	Holiday	Holiday	Holiday	Holiday	130.45	97.25
02-May	123.23	139.32	138.07	126.00	105.86	130.63	96.52
05-May	123.96	141.43	140.10	127.54	104.59	133.80	Holiday
06-May	124.93	143.05	141.28	128.53	105.16	134.80	97.14
07-May	124.36	141.59	139.70	127.67	105.77	132.33	96.09
08-May	126.33	143.49	141.75	129.28	108.03	135.72	98.11
09-May	127.05	144.47	144.04	131.43	106.49	137.72	100.63
12-May	Holiday	Holiday	Holiday	Holiday	Holiday	139.72	102.76
13-May	128.24	144.32	143.75	130.94	110.56	138.40	102.38
14-May	128.18	144.96	144.30	130.95	109.81	138.82	101.72
15-May	127.86	144.52	143.75	130.60	109.68	137.93	101.58
16-May	128.51	145.84	144.59	131.22	109.98	139.15	103.03
19-May	127.89	144.37	143.17	130.36	110.39	136.35	102.10
20-May	128.26	144.91	143.38	130.25	111.19	140.82	103.01
21-May	131.20	148.88	146.90	134.03	112.64	144.55	104.60
22-May	127.34	144.64	142.33	130.70	108.88	138.28	100.90
23-May	126.36	143.34	140.86	128.90	109.04	137.97	101.42
26-May	125.99	142.75	140.42	128.45	108.87	Holiday	Holiday
27-May	125.55	141.57	139.28	127.62	109.46	136.05	100.97
28-May	127.40	143.66	141.17	129.12	111.49	139.65	103.19
29-May	125.88	141.96	139.57	127.91	109.82	136.58	101.85
30-May	126.60	142.93	140.60	128.95	109.97	137.95	102.56
May-08	126.76	143.60	141.95	129.52	108.88	137.03	100.89
2007							
May	100.09	115.01	113.24	101.49	83.91	111.28	76.26
June	107.03	121.20	119.33	107.32	92.68	118.22	84.82
July	106.20	120.78	117.63	106.24	92.51	115.61	84.50
August	107.98	125.22	123.19	111.73	87.44	121.64	79.91
September	113.20	130.37	128.04	117.14	92.78	127.74	83.27
October	115.71	136.49	134.29	122.12	91.10	134.36	81.67
November	114.43	133.32	131.00	119.87	92.59	127.80	84.28
December	118.16	140.12	137.58	125.93	91.39	135.08	84.62
2008							
January	122.33	142.66	139.86	127.93	99.21	138.52	91.70
February	138.82	159.90	157.29	143.78	115.45	155.83	108.17
March	136.17	151.64	149.89	136.41	121.92	146.75	113.77
April	126.55	142.04	140.70	127.67	111.29	136.23	103.48
May	126.76	143.60	141.95	129.52	108.88	137.03	100.89
annual averages							
2000	64.24	102.60	87.07	79.86	41.41	94.58	40.11
2001	45.59	72.05	62.28	50.70	27.55	58.86	23.92
2002	47.74	64.91	61.54	45.25	30.02	57.02	25.88
2003	51.91	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	32.84
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
% change between May-08 and Apr-08	0.16	1.10	0.89	1.45	-2.16	0.59	-2.50
% change between May-08 and May-07	26.64	24.86	25.35	27.62	29.76	23.14	32.30
% change between May-08 and 2007 average	17.72	14.36	14.89	15.86	25.73	12.48	28.42

*Averages of 2nd and 3rd positions

Table 2: Production in selected exporting countries

Crop year commencing	2004	2005	2006	2007	% change 2007 & 2006
TOTAL	115 330	109 131	125 359	116 894	-6.75
<i>Africa</i>	<i>14 349</i>	<i>12 921</i>	<i>14 883</i>	<i>14 772</i>	<i>-0.75</i>
Cameroon	727	849	827	795	-3.91
Côte d'Ivoire	2 301	1 962	2 847	1 500	-47.32
Ethiopia	4 568	4 003	4 636	5 733	23.67
Kenya	756	625	822	725	-11.81
Tanzania	763	721	750	833	11.10
Uganda	2 593	2 159	2 600	2 750	5.76
Others	2 640	2 602	2 401	2 436	1.49
<i>Arabicas</i>	<i>7 675</i>	<i>6 469</i>	<i>7 344</i>	<i>8 292</i>	<i>12.91</i>
<i>Robustas</i>	<i>6 674</i>	<i>6 452</i>	<i>7 539</i>	<i>6 480</i>	<i>-14.05</i>
<i>Asia & Oceania</i>	<i>28 733</i>	<i>29 077</i>	<i>32 311</i>	<i>32 060</i>	<i>-0.78</i>
India	4 592	4 396	5 079	4 850	-4.51
Indonesia	7 536	8 659	6 650	7 000	5.27
Papua New Guinea	998	1 268	807	1 043	29.21
Thailand	884	999	766	920	20.09
Vietnam	14 174	13 595	18 455	17 500	-5.17
Others	548	160	554	747	34.80
<i>Arabicas</i>	<i>3 542</i>	<i>3 661</i>	<i>3 246</i>	<i>3 527</i>	<i>8.66</i>
<i>Robustas</i>	<i>25 191</i>	<i>25 416</i>	<i>29 065</i>	<i>28 533</i>	<i>-1.83</i>
<i>Mexico & Central America</i>	<i>15 814</i>	<i>17 379</i>	<i>17 098</i>	<i>18 741</i>	<i>9.61</i>
Costa Rica	1 887	1 778	1 580	1 882	19.11
El Salvador	1 437	1 502	1 372	1 476	7.61
Guatemala	3 703	3 676	3 950	4 000	1.26
Honduras	2 575	3 204	3 461	3 833	10.75
Mexico	3 867	4 225	4 200	4 500	7.13
Nicaragua	1 130	1 718	1 300	1 750	34.63
Others	1 214	1 277	1 234	1 300	5.36
<i>Arabicas</i>	<i>15 799</i>	<i>17 243</i>	<i>16 963</i>	<i>18 596</i>	<i>9.63</i>
<i>Robustas</i>	<i>15</i>	<i>136</i>	<i>135</i>	<i>145</i>	<i>7.68</i>
<i>South America</i>	<i>56 434</i>	<i>49 754</i>	<i>61 067</i>	<i>51 320</i>	<i>-15.96</i>
Brazil	39 272	32 944	42 512	33 740	-20.63
Colombia	12 033	12 329	12 163	12 400	1.95
Ecuador	938	1 120	1 167	950	-18.56
Others	4 191	3 361	5 226	4 230	-19.06
<i>Arabicas</i>	<i>48 691</i>	<i>40 092</i>	<i>51 260</i>	<i>40 828</i>	<i>-20.35</i>
<i>Robustas</i>	<i>7 743</i>	<i>9 661</i>	<i>9 808</i>	<i>10 493</i>	<i>6.98</i>
TOTAL	115 330	109 131	125 359	116 894	-6.75
Colombian Milds	13 345	13 401	13 450	13 658	1.55
Other Milds	25 113	25 468	27 101	27 933	3.07
Brazilian Naturals	37 249	28 597	38 262	29 652	-22.50
Robustas	39 622	41 666	46 546	45 650	-1.92
Arabicas	75 708	67 466	78 813	71 243	-9.60
Robustas	39 622	41 666	46 546	45 650	-1.92
TOTAL	100.00	100.00	100.00	100.00	
Colombian Milds	11.57	12.28	10.73	11.68	
Other Milds	21.77	23.34	21.62	23.90	
Brazilian Naturals	32.30	26.20	30.52	25.37	
Robustas	34.36	38.18	37.13	39.05	
Arabicas	65.64	61.82	62.87	60.95	
Robustas	34.36	38.18	37.13	39.05	

In thousand bags

Market fundamentals

The level of total production for crop year 2007/08 remains unchanged at around 117 million bags (Table 2). In Brazil, where crop year 2008/09 has recently commenced, the authorities announced an estimated total production of 45.5 million bags compared to 33.7 million bags in 2007/08 (Letter from the Executive Director – April 2008). Market fundamentals will continue to favour firm prices since Brazilian production for crop year 2008/09 must cover both the country's sizeable domestic consumption and its export requirements, while taking into account the need to maintain a sufficient level of stocks to cushion against the anticipated fall in production for 2009/10. Production by other countries can only contribute towards maintaining a supply balance if price levels permit investment in the upkeep of coffee farms. Meanwhile, in exporting countries, prices of agricultural inputs continue to soar and labour recruitment becomes increasingly scarce and costly. My estimate of **world production** for crop year 2008/09 remains unchanged at around 127 million bags.

On the basis of provisional data, the flow of **exports** has hardly changed over the last two months with a figure of 8.8 million bags for both March and April (Table 3).

Table 3: Exports of all forms of coffee (January – April 2008)

	Jan	Feb	Mar	Apr
TOTAL	7.96	7.68	8.79	8.76
Colombian Milds	1.13	1.28	1.05	1.07
Other Milds	1.65	1.83	2.27	2.30
Brazilian Naturals	2.22	2.16	2.34	2.49
Robustas	2.96	2.41	3.13	2.90
Arabicas	5.01	5.27	5.66	5.86
Robustas	2.96	2.41	3.13	2.90

In million bags

Exports for the first seven months of coffee year 2007/08 fell by 4%, totalling 54.9 million bags compared to 57.2 million bags for the same period in coffee year 2006/07 (Table 4).

Table 4: Exports of all forms of coffee (October – April 2006/07 and 2007/08)

	2006/07	2007/08	% change
TOTAL	57.23	54.90	-4.06
Colombian Milds	7.27	8.03	10.38
Other Milds	11.69	11.74	0.42
Brazilian Naturals	17.84	16.47	-7.69
Robustas	20.42	18.66	-8.61
Arabicas	36.81	36.24	-1.54
Robustas	20.42	18.66	-8.61

In million bags

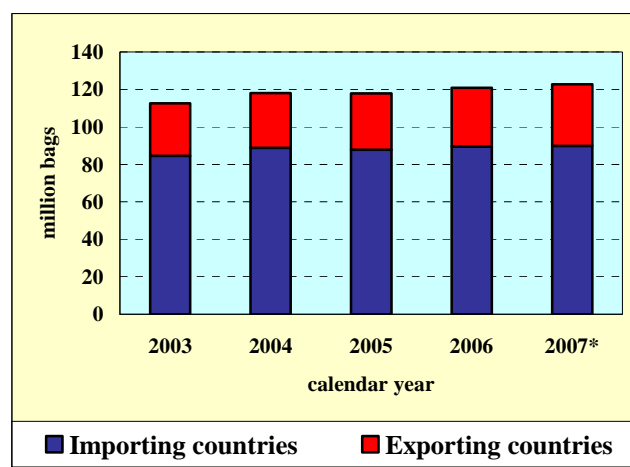
World consumption in calendar year 2007 is estimated at over 122 million bags (Table 5). The figures in Table 5, which are shown by descending volume, show that the world's four leading consuming countries are the United States, Brazil, Germany and Japan. Recent annual increases of about 2% suggest that world consumption could be around 125 million bags in 2008 and at least 127 million bags in 2009.

Table 5: World consumption (Calendar years 2003 – 2007)

	2003	2004	2005	2006	2007*
WORLD TOTAL	112 664	118 035	117 992	120 839	122 643
<i>Producing Countries</i>	<i>28 189</i>	<i>29 238</i>	<i>30 164</i>	<i>31 309</i>	<i>32 874</i>
Brazil	14 088	14 763	15 363	16 100	17 125
Mexico	1 500	1 500	1 556	1 794	2 050
Indonesia	1 958	2 000	2 000	2 000	2 000
Ethiopia	1 833	1 833	1 833	1 833	1 833
Colombia	1 400	1 400	1 400	1 400	1 400
India	1 142	1 188	1 272	1 337	1 360
Philippines	873	917	917	917	989
Venezuela	693	700	703	723	760
Others	4 703	4 938	5 121	5 205	5 357
<i>Importing Countries</i>	<i>84 475</i>	<i>88 797</i>	<i>87 827</i>	<i>89 530</i>	<i>89 770</i>
<i>European Community</i>	<i>39 732</i>	<i>41 073</i>	<i>39 276</i>	<i>40 941</i>	<i>40 681</i>
Germany	9 499	10 445	8 665	9 151	8 624
Italy	5 507	5 469	5 552	5 593	5 799
France	5 394	4 929	4 787	5 278	5 589
Spain	2 740	2 705	3 007	3 017	3 248
United Kingdom	2 236	2 458	2 680	3 059	2 824
Netherlands	1 743	1 978	1 927	2 129	2 360
Poland	2 242	2 281	2 267	1 953	1 531
Sweden	1 178	1 234	1 170	1 315	1 244
Belgium	1 575	1 281	1 158	1 537	1 100
Finland	966	1 034	1 102	1 047	1 057
Greece	929	871	870	857	1 015
Others	5 724	6 387	6 091	6 007	6 290
USA	20 193	20 973	20 998	20 667	21 046
Japan	6 770	7 117	7 128	7 268	7 282
<i>Other Importing Countries</i>	<i>17 781</i>	<i>19 634</i>	<i>20 426</i>	<i>20 653</i>	<i>20 760</i>
Russian Federation	3 582	3 086	3 212	3 263	4 055
Canada	2 146	2 747	2 794	3 098	3 535
Algeria	1 752	2 159	1 892	1 836	1 968
Korea, Republic of	1 305	1 401	1 394	1 437	1 425
Australia	873	864	1 039	992	1 031
Ukraine	637	724	977	752	
Others	7 485	8 652	9 116	9 275	8 746

* Preliminary
In thousand bags

Graph 6: World consumption (Calendar years 2003 – 2007)



Tables 6 and 7 show per capita consumption in selected exporting and importing countries. Table 8 shows retail prices in selected importing countries. An increase in retail prices has been observed in almost all importing countries

Table 6: Per capita consumption in selected exporting countries (Calendar years 2003 – 2007)

	2003	2004	2005	2006	2007
Brazil	4.65	4.81	4.93	5.10	5.43
Costa Rica	3.40	4.17	5.04	4.77	4.47
Honduras	1.83	1.86	2.02	1.98	2.47
Dominican Republic	2.22	2.31	2.39	2.36	2.36
Haiti	2.27	2.23	2.19	2.16	2.16
Nicaragua	2.10	2.12	2.09	2.06	2.06
El Salvador	1.42	1.44	1.62	1.85	1.97
Colombia	1.92	1.90	1.87	1.84	1.84
Venezuela	1.61	1.60	1.58	1.59	1.68
Madagascar	1.03	1.43	1.50	1.46	1.46
Guatemala	1.49	1.45	1.42	1.38	1.38
Ethiopia	1.47	1.43	1.39	1.36	1.36
Panama	1.29	1.26	1.24	1.22	1.22
Cuba	1.20	1.20	1.20	1.20	1.20
Mexico	0.88	0.87	0.90	1.02	1.17
Côte d'Ivoire	1.06	1.04	1.02	1.00	1.01
Philippines	0.65	0.66	0.65	0.64	0.69
Ecuador	0.70	0.70	0.69	0.68	0.68
Indonesia	0.53	0.54	0.53	0.52	0.52

In kilogrammes

Table 7: Per capita consumption in selected importing countries (Calendar years 2003 – 2007)

	2003	2004	2005	2006	2007
Algeria	3.30	4.00	3.46	3.30	
Australia	2.64	2.58	3.07	2.90	
Canada	4.07	5.16	5.20	5.71	6.51
European Community	4.90	5.04	4.81	4.99	4.96
Austria	5.26	7.24	5.59	4.41	6.10
Belgium	9.16	7.42	6.68	8.84	6.33
Bulgaria	3.04	2.81	3.33	3.28	2.84
Cyprus	3.89	4.32	4.97	3.92	4.89
Czech Republic	3.66	3.56	3.87	3.72	4.00
Denmark	8.06	9.43	8.80	9.09	8.76
Estonia	5.08	5.71	6.48	7.48	4.53
Finland	11.10	11.87	12.60	11.92	12.03
France	5.37	4.88	4.71	5.16	5.47
Germany	6.90	7.58	6.29	6.64	6.26
Greece	5.04	4.72	4.70	4.62	5.47
Hungary	3.82	4.20	3.39	3.57	3.08
Ireland	2.27	3.31	3.23	2.88	3.47
Italy	5.74	5.64	5.68	5.70	5.91
Latvia	4.08	4.03	3.76	4.74	4.19
Lithuania	3.01	3.44	3.40	3.78	4.07
Luxembourg	12.07	15.67	11.66	13.49	17.72
Malta	1.58	2.33	2.44	4.32	2.39
Netherlands	6.46	7.30	7.08	7.80	8.64
Poland	3.51	3.58	3.56	3.07	2.41
Portugal	3.78	3.90	3.74	3.85	4.30
Romania	2.08	2.26	2.38	2.33	2.30
Slovakia	3.18	3.15	3.26	3.13	3.97
Slovenia	5.02	5.55	5.44	5.27	5.85
Spain	3.91	3.79	4.16	4.12	4.44
Sweden	7.89	8.22	7.76	8.69	8.22
United Kingdom	2.25	2.46	2.67	3.03	2.80
Japan	3.18	3.34	3.34	3.41	3.41
Korea, Republic of	1.65	1.76	1.75	1.79	
Norway	8.95	9.23	9.61	9.27	9.91
Russian Federation	1.48	1.28	1.34	1.37	
Switzerland	6.95	5.86	8.89	7.51	7.96
Ukraine	0.80	0.92	1.25	0.97	
USA	4.12	4.24	4.20	4.09	4.17

In kilogrammes

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

	December			% change 2007 & 2006
	2005	2006	2007	
European Community				
Austria	379.65	414.70	454.99	9.71%
Belgium	399.01	460.24	523.76	13.80%
Cyprus	506.70	559.86	609.16	8.80%
Denmark	420.68	463.80	512.24	10.44%
Finland	281.78	306.83	345.21	12.51%
France	271.03	326.01	375.63	15.22%
Germany	405.46	443.46	474.82	7.07%
Italy	590.99	664.00	759.18	14.34%
Latvia	390.87	445.92	536.41	20.29%
Luxembourg	587.22	743.10	719.51	-3.17%
Malta 1/	986.41	1 157.65	1 295.77	11.93%
Netherlands	357.07	417.10		
Poland	260.01	304.20	419.99	38.06%
Portugal	458.16	485.41	541.61	11.58%
Slovakia	272.74	344.51		
Slovenia	371.18	429.74	495.98	15.42%
Spain	314.05	371.55	415.31	11.78%
Sweden	285.20	352.78	370.07	4.90%
United Kingdom 1/	1 448.91	1 781.61	1 808.51	1.51%
Japan	732.16	865.52	872.85	0.85%
Norway	369.34	396.25	478.99	20.88%
Switzerland	561.22			
USA	323.50	311.30	368.50	18.37%

In US cents per lb
1/ Soluble coffee

In conclusion, it should be noted that whatever the eventual production figure for Brazil in crop year 2008/09 may be, it is unlikely to create a surplus on the world market as that country will need to maintain a sufficient level of coffee stocks to meet demand in 2009/2010. Moreover, other exporting countries will only be able to keep up their investment in management and renewal of their coffee farms if coffee prices remain firm.