



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

E

LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

June 2008

Coffee prices remained firm during the month of June, with a steep hike during the second half of the month. The ICO composite indicator price registered daily increases from 18 June till the end of the month, rising from 129,02 US cents per lb to 141,39 US cents per lb during this period. The increase was more marked in the case of Arabica prices, with the monthly average of the 2nd and 3rd positions on the New York futures market up from 137.03 US cents per lb in May to 143.59 US cents per lb in June. In the case of Robustas, following an upward correction in May, prices rose slightly in June, with the monthly average of the 2nd and 3rd positions on the London futures market up from 100.89 US cents per lb in May to 102.98 US cents per lb in June. In addition, there has been an increase in price volatility, particularly in the case of Arabicas.

Exports during May totalled 8.1 million bags, representing a fall of 8.9% compared to April. Exports during the first eight months of coffee year 2007/08 (October 2007 – May 2008) fell by 4.6% compared to the figure for the same period in coffee year 2006/07, down from 66.2 million bags to 63.1 million. During the first eight months of coffee year 2007/08, exports of Colombian Milds increased by 10% while exports of Brazilian Naturals and Robustas were down by 10% and 8%, respectively.

Lastly, I have received official information from Brazil indicating that production for crop year 2007/08, initially estimated at 33.7 million bags, has been revised upward to a level of 36 million bags. This means that total world production for 2007/08 is now revised to 118 million bags compared to 125.5 million bags in 2006/07.

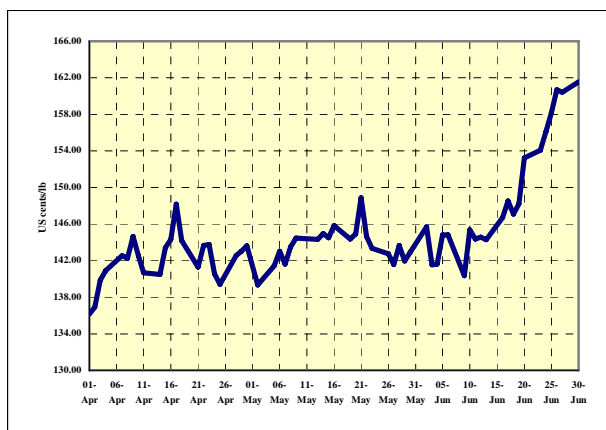
Price movements

Prices of all four groups of coffee increased during June. The monthly average of the **ICO composite indicator price** was 130.51 US cents per lb in June compared to 126.76 US cents per lb in May (Table 1). Graph 1 shows changes in the ICO daily composite indicator price since 1 June 2007. Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 1 April 2008.

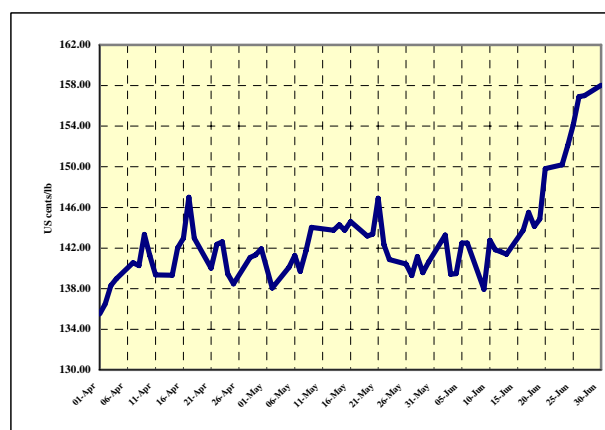
**Graph 1: Daily composite indicator price
1 June 2007 – 8 July 2008**



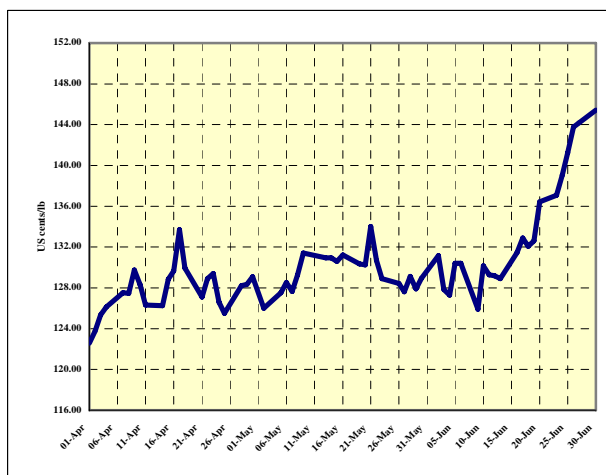
**Graph 2: Daily indicator prices
for Colombian Milds
1 April – 30 June 2008**



**Graph 3: Daily indicator prices
for Other Milds
1 April – 30 June 2008**



**Graph 4: Daily indicator prices
for Brazilian Naturals
1 April – 30 June 2008**



**Graph 5: Daily indicator prices
for Robustas
1 April – 30 June 2008**

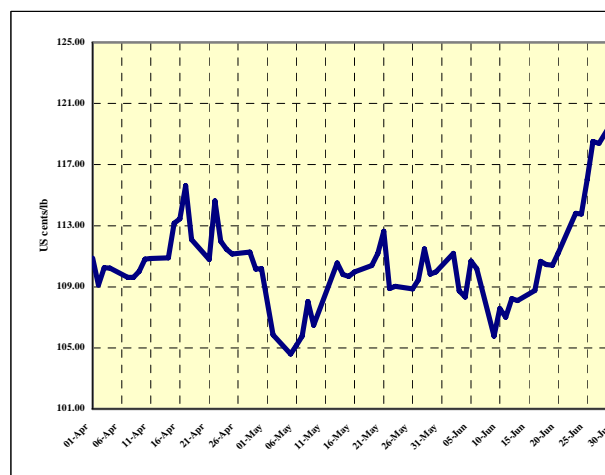


Table 1: ICO daily indicator prices and futures prices (US cents per lb) – June 2008

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Jun-08							
02-Jun	128.64	145.69	143.28	131.17	111.20	141.50	102.94
03-Jun	125.39	141.55	139.40	127.84	108.75	136.67	100.70
04-Jun	125.08	141.59	139.48	127.27	108.32	136.92	100.18
05-Jun	127.94	144.81	142.50	130.40	110.68	139.95	102.53
06-Jun	127.76	144.81	142.50	130.40	110.19	140.03	100.54
09-Jun	123.29	140.36	137.93	125.89	105.78	135.22	97.66
10-Jun	126.91	145.38	142.79	130.16	107.58	139.22	99.20
11-Jun	126.11	144.36	141.82	129.29	107.01	137.78	98.72
12-Jun	126.50	144.58	141.63	129.20	108.22	138.78	99.86
13-Jun	126.28	144.31	141.39	128.92	108.10	138.58	99.74
16-Jun	128.11	146.69	143.76	131.46	108.77	140.53	100.49
17-Jun	129.83	148.54	145.52	132.88	110.66	143.60	102.35
18-Jun	129.02	147.09	144.12	132.06	110.46	141.18	102.06
19-Jun	129.47	148.20	144.86	132.60	110.42	141.50	101.85
20-Jun	132.64	153.23	149.82	136.44	111.22	148.55	106.25
23-Jun	133.93	154.07	150.19	137.08	113.80	148.28	105.28
24-Jun	135.20	156.11	152.11	139.05	113.77	150.18	105.32
25-Jun	137.37	158.17	154.13	141.26	116.02	152.13	107.27
26-Jun	139.92	160.67	156.89	143.75	118.52	155.45	109.91
27-Jun	139.98	160.40	156.99	144.16	118.38	154.33	108.98
30-Jun	141.39	161.57	158.03	145.42	120.23	154.97	110.81
Jun-08	130.51	149.15	146.15	133.65	111.34	143.59	102.98
2007							
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
June	130.51	149.15	146.15	133.65	111.34	143.59	102.98
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 Jun-08 and May-08							
	2.96	3.87	2.96	3.19	2.25	4.78	2.07
% change between Jun-08 and Jun-07							
	21.94	23.06	22.48	24.54	20.13	21.46	21.41
% change between Jun-08 and 2007 average							
	21.20	18.78	18.29	19.56	28.56	17.86	31.09
volatility (%)							
Dec-07	0.87	0.76	0.86	0.79	1.40	1.04	1.15
Jan-08	0.86	0.99	1.01	1.02	0.96	1.41	0.98
Feb-08	1.34	1.15	1.15	1.26	1.86	1.51	1.88
Mar-08	2.66	2.68	2.74	2.81	3.23	3.02	3.37
Apr-08	1.39	1.57	1.54	1.58	1.44	2.02	1.77
May-08	1.15	1.29	1.32	1.23	1.54	2.01	1.54
Jun-08	1.58	1.69	1.69	1.68	1.58	2.02	1.78

*Average of 2nd and 3rd positions

Table 2: Production in selected exporting countries

Crop year commencing					% change
	2004	2005	2006	2007	2007 & 2006
TOTAL	115 314	109 135	125 540	118 155	-5.88
<i>Africa</i>	<i>14 347</i>	<i>12 920</i>	<i>15 039</i>	<i>14 507</i>	<i>-3.54</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	2 639	2 601	2 557	2 171	-15.10
<i>Arabicas</i>	<i>7 675</i>	<i>6 469</i>	<i>7 345</i>	<i>8 224</i>	<i>11.97</i>
<i>Robustas</i>	<i>6 672</i>	<i>6 451</i>	<i>7 695</i>	<i>6 283</i>	<i>-18.35</i>
<i>Asia & Oceania</i>	<i>28 733</i>	<i>29 078</i>	<i>32 311</i>	<i>31 435</i>	<i>-2.71</i>
India	4 592	4 396	5 079	4 850	-4.51
Indonesia	7 536	8 659	6 650	6 446	-3.06
Papua New Guinea	998	1 268	807	972	20.38
Thailand	884	999	766	920	20.09
Vietnam	14 174	13 595	18 455	17 500	-5.17
Others	548	161	554	747	34.74
<i>Arabicas</i>	<i>3 542</i>	<i>3 661</i>	<i>3 246</i>	<i>3 396</i>	<i>4.61</i>
<i>Robustas</i>	<i>25 191</i>	<i>25 417</i>	<i>29 065</i>	<i>28 039</i>	<i>-3.53</i>
<i>Mexico & Central America</i>	<i>15 814</i>	<i>17 383</i>	<i>17 110</i>	<i>18 741</i>	<i>9.54</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	1 215	1 281	1 246	1 300	4.34
<i>Arabicas</i>	<i>15 799</i>	<i>17 247</i>	<i>16 975</i>	<i>18 596</i>	<i>9.55</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>56 419</i>	<i>49 753</i>	<i>61 080</i>	<i>53 472</i>	<i>-12.46</i>
Brazil	39 272	32 945	42 513	36 070	-15.16
Colombia	12 033	12 329	12 163	12 400	1.95
Ecuador	938	1 120	1 167	1 105	-5.26
Others	4 176	3 359	5 239	3 897	-25.62
<i>Arabicas</i>	<i>48 676</i>	<i>40 091</i>	<i>51 273</i>	<i>42 220</i>	<i>-17.66</i>
<i>Robustas</i>	<i>7 743</i>	<i>9 661</i>	<i>9 808</i>	<i>11 252</i>	<i>14.73</i>
TOTAL	115 314	109 135	125 540	118 155	-5.88
Colombian Milds	13 345	13 401	13 450	13 658	1.55
Other Milds	25 098	25 471	27 127	27 521	1.45
Brazilian Naturals	37 249	28 598	38 262	31 257	-18.31
Robustas	39 621	41 666	46 702	45 719	-2.10
Arabicas	75 693	67 469	78 838	72 435	-8.12
Robustas	39 621	41 666	46 702	45 719	-2.10
TOTAL	100.00	100.00	100.00	100.00	
Colombian Milds	11.57	12.28	10.71	11.56	
Other Milds	21.76	23.34	21.61	23.29	
Brazilian Naturals	32.30	26.20	30.48	26.45	
Robustas	34.36	38.18	37.20	38.69	
Arabicas	65.64	61.82	62.80	61.31	
Robustas	34.36	38.18	37.20	38.69	

In thousand bags

Market fundamentals

As a result of the revised level of production in Brazil and other exporting countries in crop year 2007/08, the level of total production for that year has been adjusted to 118 million bags compared to 125.5 million bags in crop year 2006/07. The revised figure for Brazilian production in 2007/08 shows an increase of 2.3 million bags, and the revised production of Ecuador, Indonesia, Papua New Guinea and other exporting countries whose crop year also ended in March 2008, have contributed to a total upward adjustment of around 1.3 million bags (Table 2). Following heavy rainfall in Brazil, harvesting of the 2008/09 crop has begun later than normal. The Brazilian authorities have indicated an estimated total production of 45.5 million bags compared to 36 million bags in 2007/08. Prices of oil products continue to soar, provoking serious inflation in many exporting countries. At the same time the depreciation of the US dollar against some currencies contributes to a reduction in the purchasing power of producers. This is particularly the case in Brazil and Colombia, where exchange rates for the US dollar have reached their lowest levels for many years. My estimate of **world production** for crop year 2008/09 has been revised upward to a level close to 128 million bags.

The total volume of **exports** was 8.1 million bags in May, representing a fall of 8.9% compared to April 2008 (Table 3). Exports during the first five months of calendar year 2008 totalled 41.4 million bags compared to 42.6 million bags for the same period in 2007.

Table 3: Total exports of all forms of coffee (January – May 2008)

	Jan	Feb	Mar	Apr	May
TOTAL	7.97	7.69	8.73	8.89	8.10
Colombian Milds	1.13	1.28	1.05	1.07	1.00
Other Milds	1.65	1.84	2.19	2.31	2.34
Brazilian Naturals	2.22	2.16	2.34	2.50	2.00
Robustas	2.96	2.41	3.15	3.01	2.77
Arabicas	5.01	5.28	5.59	5.88	5.34
Robustas	2.96	2.41	3.15	3.01	2.77

In million bags

Exports for the first eight months of coffee year 2007/08 (October 2007 – May 2008) totalled 63.1 million bags compared to 66.2 million bags for the same period in coffee year 2006/07, representing a fall of 4.6% (Table 4).

Table 4: Total exports of all forms of coffee (October – May 2006/07 and 2007/08)

	2006/07	2007/08	% change
TOTAL	66.16	63.12	-4.60
Colombian Milds	8.21	9.03	9.98
Other Milds	13.84	14.02	1.25
Brazilian Naturals	20.59	18.48	-10.24
Robustas	23.51	21.58	-8.20
Arabicas	42.65	41.53	-2.62
Robustas	23.51	21.58	-8.20

In million bags

The value of exports during calendar year 2007 is estimated at US\$12.7 billion for a volume of exports totalling 96 million bags compared to US\$10.9 billion for a volume of 92 million bags in 2006 (Table 5). If prices continue at their present levels, the value of exports will be even higher in 2008.

Table 5: Volume and value of annual exports (Calendar years 2004 – 2007)

	2004	2005	2006	2007 1/
Colombian Milds				
- Volume	11.39	12.02	11.95	12.65
- Value	1.22	1.79	1.87	2.12
Other Milds				
- Volume	21.09	18.63	21.33	20.92
- Value	2.05	2.55	3.02	3.20
Brazilian Naturals				
- Volume	27.24	26.42	28.39	28.66
- Value	2.15	3.11	3.57	4.05
Robustas				
- Volume	31.02	30.17	30.33	33.74
- Value	1.47	1.81	2.41	3.32
Total				
- Volume	90.74	87.24	92.00	95.97
- Value	6.88	9.25	10.87	12.69

Volume in million bags – Value in billion US\$

1/ Estimated

World consumption continues to be an important factor in maintaining the current firmness of prices. Although consumption has stagnated in some traditional consuming countries, it is steadily increasing in other countries, particularly in new European Union Member countries and exporting countries. Consumption in calendar year 2007 is estimated at around 122.7 million bags (Table 6).

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

	2003	2004	2005	2006	2007*
WORLD TOTAL	112 730	118 066	118 114	121 087	122 726
Producing Countries	28 189	29 238	30 164	31 309	32 649
Brazil	14 088	14 763	15 363	16 100	16 900
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
Importing Countries	84 541	88 827	87 950	89 778	90 077
European Community	39 732	41 073	39 276	40 941	40 688
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	5 594
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	1 103
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
Other Importing Countries	17 847	19 664	20 548	20 901	21 060
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
Ukraine	647	739	1 025	968	1 057
Australia	873	864	1 039	992	1 031
Others	7 541	8 667	9 191	9 307	7 990

*Preliminary

In thousand bags

Tables 7 and 8 show per capita consumption in selected exporting and importing countries. Table 9 shows retail prices in selected importing countries. As a result of firm prices of coffee on the world market on the one hand and the inflation caused by rising energy prices on the other, retail prices have increased substantially in many importing countries.

Table 7: 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	5.36
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 8: 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	6.35
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	5.06	4.73	4.70	4.61	5.46
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	13.20	17.35
Malta	1.58	2.33	2.44	4.22	2.33
Netherlands	6.45	7.29	7.08	7.82	8.66
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	2.27	2.38	2.32	2.29
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	8.99	9.27	9.65	9.29	9.93
Russian Federation	1.48	1.28	1.34	1.37	
Switzerland	6.95	5.86	8.89	7.51	7.96
Ukraine	0.82	0.94	1.31	1.25	
USA	4.12	4.24	4.20	4.09	4.17

In kilogrammes

Table 9: Retail price of roasted coffee in selected importing countries

	December			% change 2007&2006
	2005	2006	2007	
<i>European Community</i>				
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	1295.77	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	430.17	24.86%
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 prices have remained firm despite speculation on the size of Brazilian and Vietnamese production in crop year 2008/09, and the possibility of climatic problems in the main producing areas. The improvement in export earnings has, however, been somewhat offset by the weakness of the US dollar and the rocketing price of oil products. These factors contribute to feeding overall inflation and increasing the maintenance costs of coffee farming.