



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

E

LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

October 2007

During the month of October coffee prices recorded a further increase, with the ICO composite indicator price at 115.71 US cents/lb. Market fundamentals remain favourable to the continuation of this firm price trend. October was also marked by the beginning of the crop year in many exporting countries. Adverse weather conditions have continued to affect most of these countries, particularly in Mexico, where floods have caused serious damage to infrastructures and loss of human life. If bad weather continues, it could affect production and quality potential for crop year 2007/08. On the other hand, coffee-producing areas in Brazil benefited from significant rainfall, alleviating concerns about the effects of drought on the 2008/09 crop. These developments have maintained price volatility of Arabica coffee at a relatively high level in comparison with the first semester of 2007. Total exports for coffee year 2006/07 (October – September) amounted to 96.74 million bags, an increase of 9.70% compared to coffee year 2005/06. The rate of exports slackened slightly, however, with exports for September 2007 at 6.99 million bags compared to 7.37 million in September 2006.

Price movements

The monthly average of the **ICO composite indicator price** was 115.71 US cents/lb in October compared to 113.20 US cents/lb in September and 107.98 US cents/lb in August (Table 1). The monthly average for October confirms the firm upward trend in prices since the beginning of coffee year 2006/07. Graph 1 shows changes in the ICO daily composite indicator price since 1 October 2006¹.

Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 1 August 2007. Robustas was the only group to record a slight fall in prices during October compared to the previous month.

**Graph 1: Daily composite indicator price
1 October 2006 – 8 November 2007**



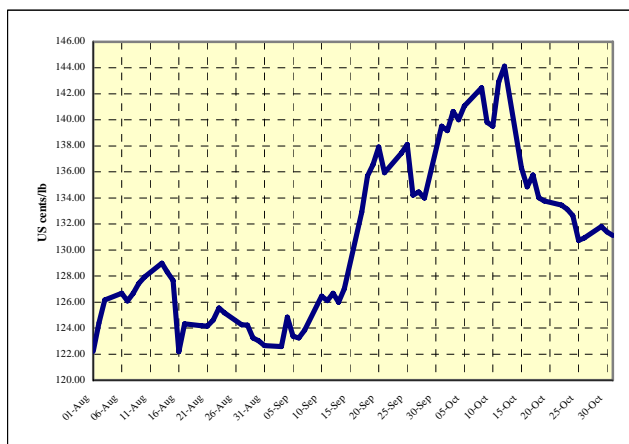
¹ The price recorded on 8 November was 114.52 US cents/lb.

Table 1: ICO daily indicator prices and futures prices (US cents/lb) – October 2007

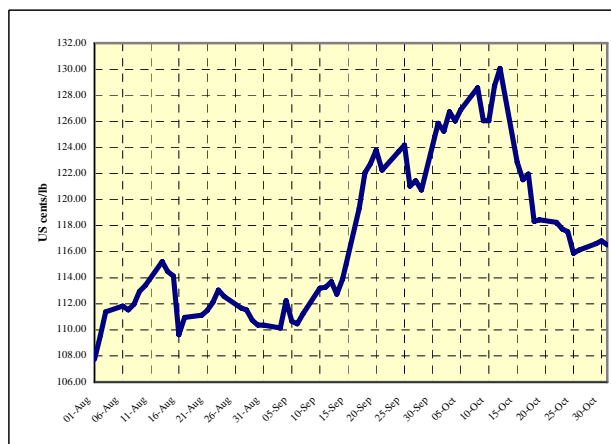
	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Oct-07							
01-Oct	118.27	139.52	138.16	125.86	91.67	139.30	82.60
02-Oct	117.69	139.17	137.52	125.24	91.08	138.78	81.96
03-Oct	118.83	140.66	139.24	126.74	91.43	140.53	82.46
04-Oct	118.11	140.00	138.36	126.03	90.76	139.78	82.03
05-Oct	118.57	141.07	139.42	126.89	90.29	141.20	81.51
08-Oct	120.10	142.47	141.23	128.56	91.59	143.45	82.28
09-Oct	117.99	139.82	138.04	126.05	90.66	138.53	81.56
10-Oct	117.95	139.53	137.65	126.04	90.89	138.15	81.44
11-Oct	120.55	142.92	140.87	128.74	92.75	142.98	82.51
12-Oct	121.69	144.14	141.62	130.06	93.90	144.13	83.32
15-Oct	115.99	136.29	134.31	122.85	91.33	135.00	81.37
16-Oct	114.54	134.85	134.17	121.52	89.01	133.23	79.90
17-Oct	115.77	135.76	135.23	121.95	91.19	134.60	80.85
18-Oct	113.53	134.01	130.99	118.33	91.11	130.55	80.26
19-Oct	113.57	133.77	130.75	118.45	91.35	130.05	80.06
22-Oct	113.05	133.46	130.12	118.25	90.53	128.65	79.85
23-Oct	112.85	133.14	130.04	117.75	90.58	129.02	80.01
24-Oct	112.99	132.65	129.83	117.55	91.46	128.65	80.72
25-Oct	110.79	130.73	127.54	115.88	88.73	125.80	80.44
26-Oct	111.09	130.92	128.08	116.13	88.99	126.63	82.15
29-Oct	112.30	131.80	128.88	116.60	91.21	127.65	82.40
30-Oct	112.61	131.40	128.44	116.84	92.29	127.07	83.91
31-Oct	112.51	131.11	128.20	116.51	92.56	126.60	84.91
Oct-07	115.71	136.49	134.29	122.12	91.10	134.36	81.67
2006							
October	95.53	112.67	110.63	99.23	75.17	109.74	66.81
November	103.48	123.95	122.27	110.04	76.79	120.99	69.02
December	108.01	131.41	128.44	117.36	76.67	128.96	68.60
2007							
January	105.81	126.07	124.53	112.50	79.13	123.76	71.10
February	104.18	123.82	122.03	110.03	79.08	119.74	71.09
March	100.09	118.33	117.08	104.91	77.00	114.38	69.16
April	99.30	116.11	114.60	102.22	79.58	112.29	72.03
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
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
% variation between Oct-07 and Sep-07	2.22	4.69	4.88	4.26	-1.81	5.19	-1.92
% variation between Oct-07 and Oct-06	21.12	21.14	21.39	23.07	21.20	22.44	22.25
% variation between Oct-07 and 2006 average	20.85	16.85	17.39	17.52	34.87	19.65	36.65
volatility (%)							
Oct-06	0.87	1.00	0.97	1.07	1.09	1.14	1.27
Nov-06	1.28	1.23	1.26	1.26	1.78	1.56	1.87
Dec-06	0.92	1.05	1.03	1.13	0.99	1.74	1.23
Jan-07	0.83	0.75	0.77	0.76	1.32	1.27	1.36
Feb-07	0.84	0.89	0.89	0.98	1.04	1.05	1.07
Mar-07	1.11	0.97	1.08	1.07	1.59	1.72	1.39
Apr-07	0.98	1.01	1.08	1.19	1.14	1.18	1.27
May-07	0.73	0.74	0.77	0.85	0.95	1.25	0.86
Jun-07	0.90	0.79	0.81	0.79	1.64	1.17	1.28
Jul-07	0.76	0.91	0.84	0.85	1.10	1.44	1.40
Aug-07	1.17	1.22	1.26	1.18	1.32	1.89	1.14
Sep-07	1.48	1.59	1.63	1.59	1.70	1.98	1.28
Oct-07	1.46	1.50	1.61	1.61	1.52	2.03	1.13

*Averages of 2nd and 3rd positions

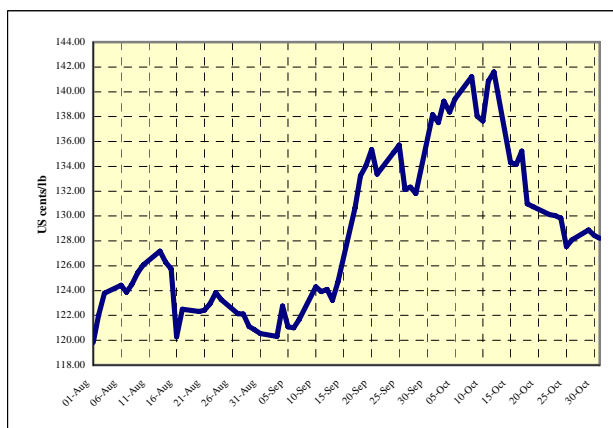
Graph 2: Daily indicator prices for Colombian Milds 1 August – 31 October 2007



Graph 4: Daily indicator prices for Brazilian Naturals 1 August – 31 October 2007



Graph 3: Daily indicator prices for Other Milds 1 August – 31 October 2007



Graph 5: Daily indicator prices for Robustas 1 August – 31 October 2007



Market fundamentals

Crop year 2007/08 has now begun in all exporting countries. On the basis of information provided by Members, **world production** for this crop year could be around 114 million bags. This fall in production compared to the previous crop year is attributable to the reduction in Brazilian production, although an increase in Vietnamese output is anticipated. World production for crop year 2006/07 amounted to 121.65 million bags (Table 2).

Exports during September 2007 totalled 6.99 million bags, representing a fall of 9.37% compared to exports of 7.71 million bags in August. Cumulative exports for coffee year 2006/07 (October 2006 – September 2007) totalled 96.74 million bags, an increase of 9.70% compared with the figure of 88.19 million bags for coffee year 2005/06 (Table 3). Vietnam exported around 18 million bags in coffee year 2006/07.

Table 2: Production in selected exporting countries

Crop year commencing					% change
	2003	2004	2005	2006	2005-2006
TOTAL	103 726	114 980	110 055	121 653	10.54
<i>Africa</i>	<i>13 875</i>	<i>13 917</i>	<i>13 830</i>	<i>14 827</i>	<i>7.20</i>
Cameroon	900	727	849	750	-11.62
Côte d'Ivoire	2 689	2 301	2 396	2 482	3.60
Ethiopia	3 874	4 069	4 602	5 350	16.24
Kenya	673	756	685	817	19.13
Tanzania	612	763	721	750	4.04
Uganda	2 599	2 593	2 159	2 350	8.86
Others	2 528	2 708	2 419	2 328	-3.74
<i>Arabicas</i>	<i>6 468</i>	<i>7 240</i>	<i>6 950</i>	<i>7 962</i>	<i>14.55</i>
<i>Robustas</i>	<i>7 407</i>	<i>6 677</i>	<i>6 880</i>	<i>6 865</i>	<i>-0.22</i>
<i>Asia & Oceania</i>	<i>28 761</i>	<i>28 813</i>	<i>29 299</i>	<i>29 332</i>	<i>0.11</i>
India	4 508	4 672	4 617	4 750	2.87
Indonesia	6 571	7 536	8 659	6 770	-21.82
Papua New Guinea	1 155	998	1 268	781	-38.45
Thailand	827	884	999	975	-2.44
Vietnam	15 231	14 174	13 595	15 500	14.01
Others	470	548	160	557	247.70
<i>Arabicas</i>	<i>3 618</i>	<i>3 573</i>	<i>3 736</i>	<i>3 122</i>	<i>-16.43</i>
<i>Robustas</i>	<i>25 144</i>	<i>25 240</i>	<i>25 563</i>	<i>26 210</i>	<i>2.53</i>
<i>Mexico & Central America</i>	<i>16 768</i>	<i>15 814</i>	<i>17 154</i>	<i>16 338</i>	<i>-4.76</i>
Costa Rica	1 783	1 887	1 778	1 799	1.21
El Salvador	1 477	1 437	1 502	1 373	-8.62
Guatemala	3 610	3 703	3 676	3 817	3.85
Honduras	2 968	2 575	3 204	2 700	-15.74
Mexico	4 200	3 867	4 000	4 200	5.01
Nicaragua	1 547	1 130	1 718	1 275	-25.79
Others	1 183	1 214	1 277	1 174	-8.04
<i>Arabicas</i>	<i>16 753</i>	<i>15 799</i>	<i>17 023</i>	<i>16 205</i>	<i>-4.81</i>
<i>Robustas</i>	<i>16</i>	<i>15</i>	<i>132</i>	<i>133</i>	<i>1.24</i>
<i>South America</i>	<i>44 322</i>	<i>56 436</i>	<i>49 771</i>	<i>61 156</i>	<i>22.87</i>
Brazil	28 820	39 274	32 944	42 512	29.04
Colombia	11 197	12 033	12 329	12 200	-1.04
Ecuador	766	938	1 138	1 172	2.96
Others	3 539	4 191	3 361	5 271	56.87
<i>Arabicas</i>	<i>35 446</i>	<i>48 692</i>	<i>40 103</i>	<i>51 346</i>	<i>28.04</i>
<i>Robustas</i>	<i>8 876</i>	<i>7 744</i>	<i>9 668</i>	<i>9 810</i>	<i>1.46</i>
TOTAL	103 726	114 980	110 055	121 653	10.54
Colombian Milds	12 250	13 345	13 461	13 481	0.15
Other Milds	25 134	25 207	25 290	26 459	4.62
Brazilian Naturals	24 901	36 752	29 061	38 694	33.15
Robustas	41 442	39 675	42 243	43 018	1.83
Arabicas	62 284	75 304	67 812	78 635	15.96
Robustas	41 442	39 675	42 243	43 018	1.83
TOTAL	100.00	100.00	100.00	100.00	
Colombian Milds	11.81	11.61	12.23	11.08	
Other Milds	24.23	21.92	22.98	21.75	
Brazilian Naturals	24.01	31.96	26.41	31.81	
Robustas	39.95	34.51	38.38	35.36	
Arabicas	60.05	65.49	61.62	64.64	
Robustas	39.95	34.51	38.38	35.36	

In thousand bags

**Table 3: Exports
Coffee years 2005/06 and 2006/07**

			%
	2005/06	2006/07	variation
TOTAL	88.19	96.74	9.70
Colombian Milds	11.83	12.38	4.68
Other Milds	20.51	21.16	3.15
Brazilian Naturals	26.56	29.69	11.77
Robustas	29.29	33.51	14.43
Arabicas	58.91	63.23	7.34
Robustas	29.29	33.51	14.43
<i>Africa</i>	<i>10.54</i>	<i>11.82</i>	<i>12.19</i>
Cameroon	0.76	0.73	-3.96
Côte d'Ivoire	2.08	2.48	19.17
Ethiopia	2.70	2.93	8.54
Kenya	0.64	0.72	13.21
Tanzania	0.66	0.72	9.41
Uganda	2.00	2.70	35.08
Others	1.70	1.54	-9.62
<i>Asia & Oceania</i>	<i>24.14</i>	<i>26.46</i>	<i>9.61</i>
India	3.58	3.07	-14.26
Indonesia	5.74	4.12	-28.26
Papua New Guinea	0.99	0.78	-21.67
Thailand	0.56	0.29	-47.30
Vietnam	13.22	18.15	37.34
Others	0.04	0.04	-3.91
<i>Mexico & Central America</i>	<i>13.09</i>	<i>13.82</i>	<i>5.61</i>
Costa Rica	1.32	1.34	1.51
El Salvador	1.27	1.19	-5.83
Guatemala	3.35	3.75	11.92
Honduras	2.93	3.22	9.80
Mexico	2.51	2.89	15.38
Nicaragua	1.43	1.21	-15.03
Others	0.29	0.22	-23.72
<i>South America</i>	<i>40.42</i>	<i>44.64</i>	<i>10.42</i>
Brazil	25.50	28.72	12.63
Colombia	10.74	11.18	4.04
Ecuador	0.94	1.05	11.23
Others	3.24	3.69	13.94

In million bags

Estimates of opening stocks in exporting countries in crop year 2007/08 are not yet available. However, inventories of green coffee in importing countries, totalled 20.35 million bags at the end of March 2007. Certified stocks of the New York (ICE) and London (LIFFE) futures markets recorded a slight increase during the month of October (Table 4).

Table 4: ICE and LIFFE certified stocks

End of	ICE	LIFFE
Oct-02	2.75	2.10
Oct-03	5.09	2.42
Oct-04	5.22	4.14
Oct-05	4.77	3.85
Jan-06	4.19	3.51
Feb-06	4.09	3.26
Mar-06	3.96	3.01
Apr-06	3.81	2.77
May-06	3.80	2.54
Jun-06	3.74	2.23
Jul-06	3.82	1.79
Aug-06	3.93	1.46
Sep-06	4.09	1.82
Oct-06	4.16	1.97
Nov-06	4.12	1.88
Dec-06	4.21	1.61
Jan-07	4.23	1.33
Feb-07	4.26	1.30
Mar-07	4.44	1.33
Apr-07	4.52	1.32
May-07	5.45	1.35
Jun-07	4.75	1.32
Jul-07	4.87	1.48
Aug-07	4.97	1.47
Sep-07	5.04	1.51
Oct-07	5.14	1.61

In million 60-kg bags

Buoyant **world consumption** is a significant factor in supporting prices. It is estimated at 120.39 million bags in 2006 compared to 117.99 million bags in 2005, an increase of 2.03% (Table 5). If the current rate of growth continues we can expect world consumption totalling more than 122 million bags in 2007. On the same basis an estimate for 2008 indicates that total consumption could be more than 125 million bags. **Domestic consumption in exporting Member countries** is estimated at 31.38 million bags. In importing countries as a whole, consumption is estimated to have totalled 89.01 million bags in calendar year 2006. Table 6 shows per capita consumption in selected importing countries. Retail price figures for March 2007 indicate increases ranging from 1.61% to 27.85% in importing countries (Table 7).

**Table 5: World consumption *
(Calendar years 2002 – 2006)**

	2002	2003	2004	2005	2006 1/
WORLD TOTAL	109 900	112 187	117 811	117 993	120 385
<i>Producing countries</i>	<i>27 549</i>	<i>28 493</i>	<i>29 657</i>	<i>30 452</i>	<i>31 375</i>
Brazil	13 750	14 200	14 950	15 600	16 300
Indonesia	1 833	2 000	2 000	2 000	2 000
Ethiopia	1 833	1 833	1 833	1 833	1 833
Mexico	1 500	1 500	1 500	1 500	1 500
Colombia	1 400	1 400	1 400	1 400	1 400
India	1 133	1 167	1 250	1 337	1 337
Philippines	829	917	917	917	917
Venezuela	690	700	700	710	760
Others	4 581	4 776	5 107	5 155	5 328
<i>Importing countries</i>	<i>82 352</i>	<i>83 694</i>	<i>88 154</i>	<i>87 542</i>	<i>89 010</i>
<i>European Community</i>	<i>38 637</i>	<i>39 764</i>	<i>41 083</i>	<i>39 374</i>	<i>40 921</i>
Germany	8 498	9 499	10 445	8 665	9 088
Italy	5 182	5 507	5 469	5 552	5 593
France	5 526	5 394	4 929	4 787	5 269
United Kingdom	2 260	2 236	2 458	2 680	3 057
Spain	2 833	2 740	2 705	3 007	3 017
Netherlands	1 574	1 743	1 978	1 927	2 129
Poland	2 201	2 242	2 281	2 267	1 953
Belgium	1 484	1 575	1 281	1 158	1 537
Sweden	1 224	1 178	1 234	1 170	1 315
Finland	970	966	1 034	1 102	1 047
Others	6 884	6 685	7 268	7 058	6 917
USA	19 125	20 193	20 973	20 998	20 667
Japan	6 875	6 770	7 117	7 224	7 268
<i>Other importing countries</i>	<i>17 716</i>	<i>16 967</i>	<i>18 982</i>	<i>19 946</i>	<i>20 153</i>
Canada	2 302	2 133	2 776	2 945	3 472
Russian Federation	3 301	3 409	2 877	3 040	3 177
Algeria	1 852	1 752	2 159	1 899	1 844
Korea, Republic of	1 306	1 305	1 401	1 394	1 437
Australia	976	873	873	1 098	1 144
Ukraine	431	637	724	977	889
Others	7 547	6 858	8 171	8 593	8 190

In thousand bags

1/ Estimated

* Data on imports of soluble coffee were revised in accordance with the Decision adopted by the Council in September 2006.

Table 6: Per capita consumption in selected importing countries * (Calendar years 2002 – 2006)

	2002	2003	2004	2005	2006
Algeria	3.54	3.30	4.00	3.47	3.32
Australia	2.99	2.64	2.61	3.24	3.34
Canada	4.41	4.05	5.21	5.48	6.39
European Community	4.78	4.90	5.04	4.82	4.99
Austria	6.80	5.26	7.24	5.59	4.41
Belgium	8.67	9.16	7.42	6.68	8.84
Bulgaria	2.59	3.04	2.81	3.33	3.28
Cyprus	3.81	3.89	4.32	4.97	3.92
Czech Republic	3.78	3.66	3.62	3.87	3.58
Denmark	8.99	8.06	9.43	8.80	9.19
Estonia	4.89	5.08	5.71	6.48	7.48
Finland	11.19	11.10	11.87	12.60	11.92
France	5.54	5.37	4.88	4.71	5.15
Germany	6.18	6.90	7.58	6.29	6.60
Greece	4.49	5.04	4.72	4.70	4.62
Hungary	3.76	3.82	4.20	3.39	3.56
Ireland	2.08	2.27	3.31	3.23	2.88
Italy	5.36	5.67	5.61	5.68	5.71
Latvia	3.70	4.08	4.01	3.76	4.74
Lithuania	3.60	3.01	3.44	3.38	3.76
Luxembourg	13.22	12.07	15.67	11.66	13.49
Malta	1.36	1.58	2.33	2.44	4.32
Netherlands	5.87	6.46	7.30	7.08	7.80
Poland	3.44	3.51	3.58	3.56	3.07
Portugal	4.17	3.78	3.90	4.29	4.24
Romania	2.02	2.08	2.26	2.38	2.33
Slovakia	3.36	3.54	3.15	3.26	3.13
Slovenia	5.68	5.02	5.55	5.44	5.27
Spain	4.11	3.91	3.79	4.16	4.12
Sweden	8.24	7.89	8.22	7.76	8.69
United Kingdom	2.28	2.25	2.46	2.67	3.03
Japan	3.24	3.18	3.34	3.39	3.41
Korea, Republic of	1.66	1.65	1.76	1.75	1.79
Norway	9.13	8.95	9.23	9.61	9.27
Russian Federation	1.36	1.41	1.19	1.27	1.33
Switzerland	6.73	6.95	5.86	8.89	7.51
Ukraine	0.54	0.80	0.92	1.25	1.15
USA	3.95	4.12	4.24	4.20	4.09

In kilogrammes

* Data on imports of soluble coffee were revised in accordance with the Decision adopted by the Council in September 2006.

Table 7: Retail prices of roasted coffee in selected importing countries

	March			% variation 2007-2006
	2005	2006	2007	
European Community				
Austria	373.31	406.71	413.23	1.61
Belgium	427.15	399.62	466.09	16.63
Cyprus	553.54	511.78	559.23	9.27
Denmark	438.55	421.08	472.38	12.18
Finland	290.75	275.86	307.52	11.48
France	284.77	274.77	326.74	18.91
Germany	405.61	412.16	440.86	6.96
Italy	642.52	601.34	668.50	11.17
Latvia	391.35	393.99	453.59	15.13
Luxembourg	618.59	597.52	677.51	13.39
Malta 1/	1085.08	1029.86	1169.17	13.53
Netherlands	397.24	379.45		
Poland	268.96	257.28	306.53	19.14
Portugal	503.73	461.23	496.12	7.57
Slovakia	297.43	285.95	365.60	27.85
Slovenia	397.32	373.33	420.44	12.62
Spain	335.02	322.75	372.39	15.38
Sweden	315.39	294.69	339.09	15.07
United Kingdom 1/	1,478.28	1,439.24	1,757.85	22.14
Japan	872.22	761.73	847.79	11.30
Norway	432.23	372.30	435.94	17.09
Switzerland	620.10			
USA	300.90	330.10	347.50	5.27

In US cents/lb

1/ Soluble coffee

In conclusion, I would like to note that market fundamentals continue to be favourable to the continuation of firm coffee prices, a situation, which would seem to be attributable to the current buoyancy of world consumption. It should be noted, however, that Robusta prices were slightly down in October, mainly in response to the flow of exports from Vietnam, totalling about 18 million bags in coffee year 2006/07, an increase of over 37% in relation to the country's total exports for 2005/06, which amounted to 13.22 million bags.