

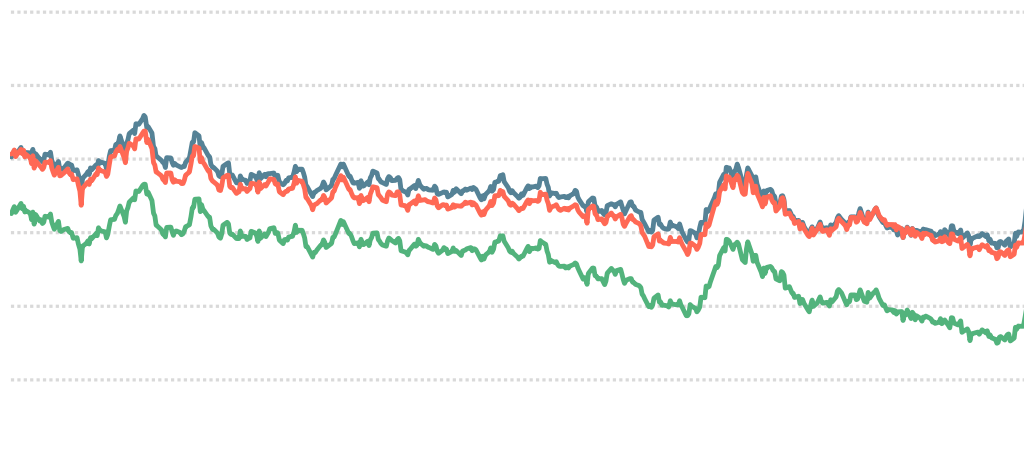


Despite upturn at the end, global coffee prices remain the lowest monthly average of the coffee year

Figure 1: ICO composite indicator daily prices



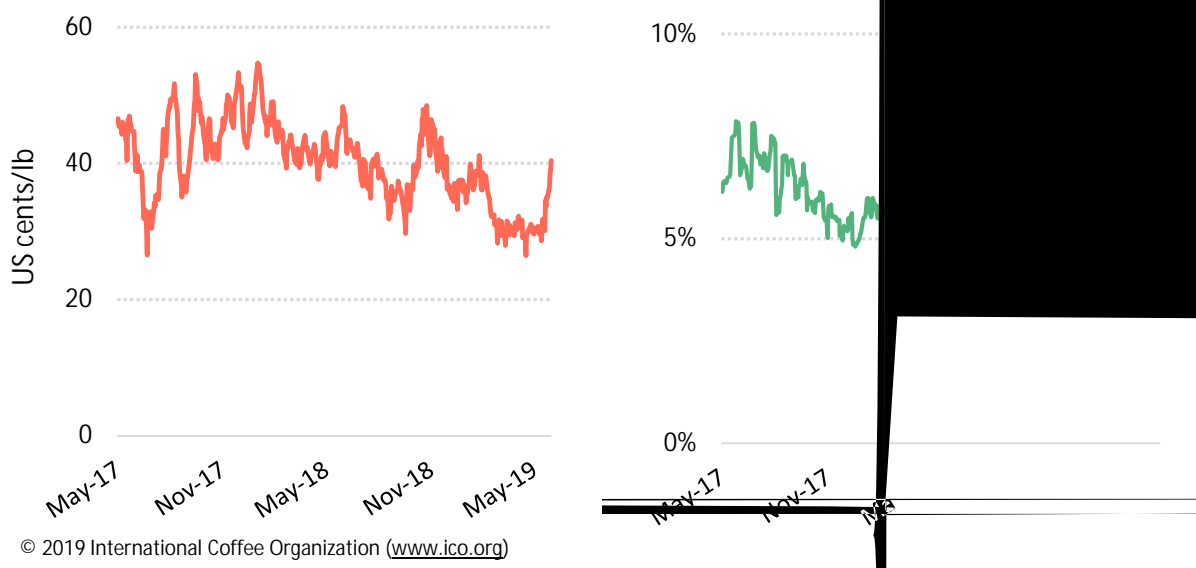
Although the monthly average of the ICO composite indicator fell to 93.33 US cents/lb in May 2019, 1.2% lower than in April 2019, the last two weeks of the month saw a sharp reversal in the downward trend. The daily composite indicator reached its lowest point on 7 May, when it fell to 89.31 US cents/lb. However, on 30 and 31 May, it reached 101.17 US cents/lb and 103.25 US cents/lb, respectively. This is the first time since 18 February 2019 when the daily composite indicator was over 100 US cents/lb. Market fundamentals, including reports of adverse weather negatively affecting Brazil's new crop, and a strengthening of the Brazilian real in the second half of May are the main drivers of the daily composite price in May.



Average prices for all group indicators fell in May 2019, except for Colombian Milds, which remained stable at 124.40 US cents/lb. Robusta prices experienced the largest decline, averaging 71.12 US cents/lb, 2.9% lower than in April 2019. Brazilian Naturals fell by 0.6% to 91.95 US cents/lb, while Other Milds fell by 0.5% to 120.55 US cents/lb. The decrease in Other Milds widened the differential between Colombian Milds and Other Milds in May 2019 to 3.85 US cents/lb, 17% higher than in April 2019.

In May, the arbitrage between Arabica and Robusta coffees, as measured on the New York and London futures markets rose by 7.1% to 32.41 US cents/lb, though it still remains below the five-year average of 54.76 US cents/lb. Intra-day volatility of the ICO composite indicator price increased by 0.8 percentage points to 7.1% as the intra-day volatility of all group indicators rose. Intra-day volatility of Colombian Milds and Other Milds both rose by 0.3 percentage points to 6.6% and 6.8%, respectively. The intra-day volatility of Brazilian Natural increased by 0.4 percentage points to 8.9% while Robustas rose to 7.4%, 2 percentage points higher than last month.

Figure 3: Arbitrage between New York and London futures markets



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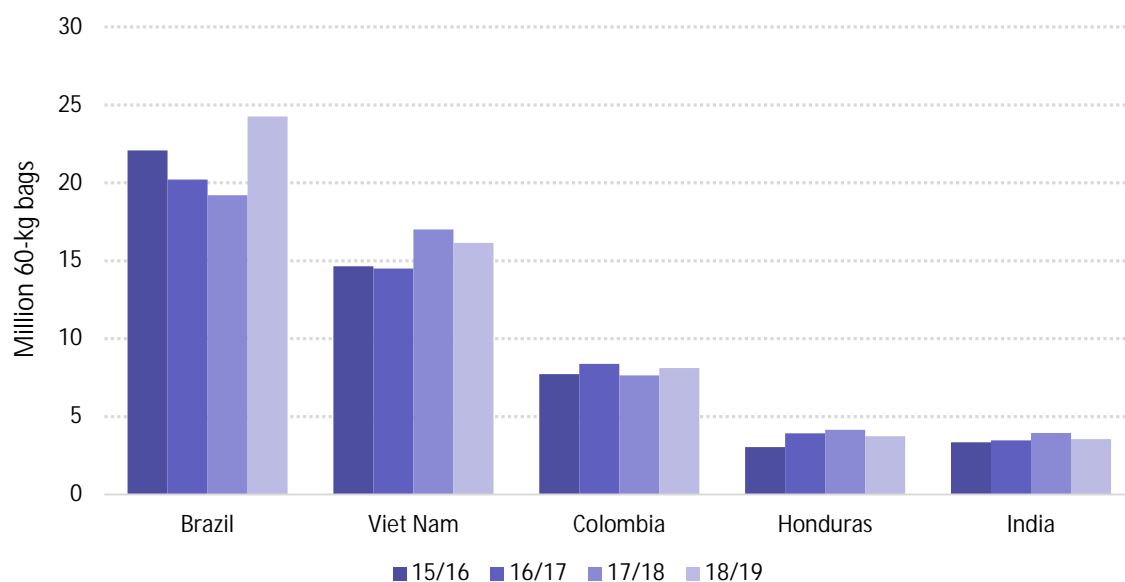
In April 2019, world coffee exports rose by 4.6% to 10.73 million bags compared to the same month of the previous year. Shipments of Brazilian Naturals grew by 17.7% to 3.14 million bags, due to a 24.6% increase to 2.98 million bags of Brazil's exports in April 2019. Colombian Milds amounted to 1.11 million bags while Robustas reached 3.91 million bags, a growth of 2.1% and 0.5%, respectively. However, Other Milds declined by 1.6% to 2.57 million bags.

Global exports in the first seven months of coffee year 2018/19 reached 74.01 million bags compared to 70.89 million bags in 2017/18. For October 2018 to April 2019, shipments of Brazilian Naturals increased by 18.5% by 24.86 million bags, and exports of Colombian Milds grew by 8% to 9.07 million bags. However, Robusta shipments fell by 0.3% to 26.09 million bags while exports of Other Milds decreased by 8.9% to 13.97 million bags in the first seven months of coffee year 2018/19.

In April 2019, Brazil exported 2.98 million bags compared to 2.39 million bags in the same month in 2018. In the first seven months of coffee year 2018/19, its shipments rose by 26.3% to 24.26 million bags, of which green Arabica amounted to 2.52 million bags and green Robusta to around 197,000 bags. Brazil's output increased 18.5% to 62.5 million bags in crop year 2018/19, which provided ample supplies as the new crop year started in April. Crop year 2019/20 is anticipated to be a large off-year crop, though recent reports of adverse weather have tempered these expectations.

Viet Nam's exports are estimated at 2.4 million bags in April 2019, 5.9% lower than April 2018. Shipments for the first seven months of coffee year 2018/19 are estimated at 16.15 million bags, which is 5% lower than the same period in 2017/18. Viet Nam's output is estimated 3.4% lower at 29.5 million bags in coffee year 2018/19. Productivity has been affected by low water levels for irrigation and low prices that have discouraged farmers from investing in their coffee trees. The reduced volume in its harvest, as well as competition from other significant Robusta exporters, has led to lower exports from Viet Nam in coffee year 2018/19.

Figure 5: Total exports in October to May



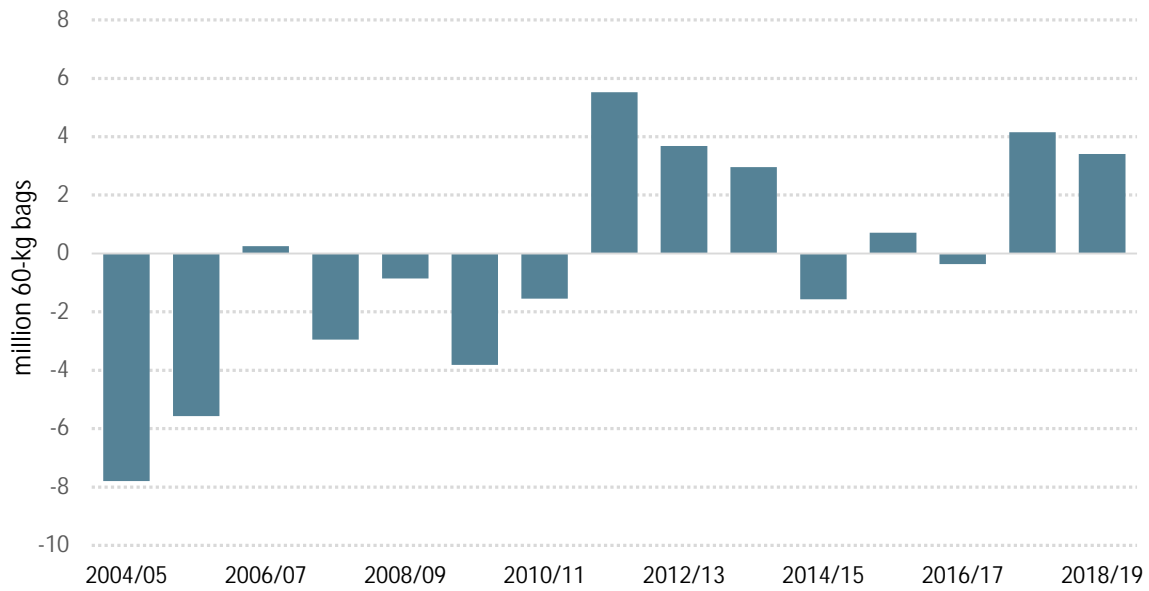
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Colombia shipped 967,000 bags in April 2019, 4% higher than one year ago. Its exports between October 2018 and April 2019 grew by 6.2% to 8.11 million bags compared to the first seven months of coffee year 2017/18. The United States accounts for 46.5% of Colombia's shipments thus far in coffee year 2018/19, followed by Japan and Germany at 7.5% and 7.4%, respectively. Production in Colombia is estimated at 8.02 million bags for October 2018 to April 2019, according to the National Federation of Coffee Growers of Colombia. This compares to 8.19 million bags in the same period last year. Its total output for crop year 2018/19 is estimated at 14.2 million bags, 2.7% higher than last year when the weather was overly cloudy and rainy.

After five months of decline compared to the previous year, exports from Honduras rose by 16% to 933,537 bags in April 2019. Germany and the United States accounted for 50.6% of its shipments in April 2019. However, Honduran shipments in the first seven months of coffee year 2018/19 declined by 9.7% to 3.75 million bags compared to 4.15 million bags in coffee year 2017/18. After four years of increase, output in Honduras is estimated 1.5% lower at 7.45 million bags as farmers cannot easily afford the labour costs associated with harvesting due to the lower prices this season.

India's coffee shipments fell by 10.7% to 598,240 bags in April 2019, while its exports in the first seven months decreased by 9.9% to 3.55 million bags. Italy, Germany and the Russian Federation were the main destinations for India's exports in April 2019. India's production for crop year 2018/19 is estimated at 5.2 million bags, which is 10.5% lower than in 2017/18, and is the lowest volume harvested in the last five years. Heavy rains and flooding at the end of last summer negatively affected the development of the 2018/19 crop. Lower production coupled with rising domestic consumption has led to a decrease in coffee available for export.

Figure 6: Global coffee balance



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World coffee production is estimated at 168.05 million bags in coffee year 2018/19, 1.5% higher than in 2017/18. Consumption is estimated to rise by 2% to 164.64 million bags, with consumption in exporting countries growing by 1.3% to 50.26 million bags. While demand has grown at an average annual rate of 2.2% in the last five years, global output is expected to exceed it by 3.41 million bags in coffee year 2018/19, making this the second consecutive year of surplus.

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

	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Monthly averages							
May-18	113.34	140.26	135.61	119.57	88.74	122.50	79.85
Jun-18	110.44	138.55	134.03	115.10	86.07	120.19	77.40
Jul-18	107.20	133.92	130.60	110.54	84.42	114.06	75.56
Aug-18	102.41	129.99	125.21	104.46	80.74	108.12	71.94
Sep-18	98.17	125.74	121.18	99.87	76.70	102.83	68.03
Oct-18	111.21	140.83	137.34	115.59	85.32	119.73	77.16
Nov-18	109.59	139.27	137.11	113.27	83.52	117.06	75.23
Dec-18	100.61	127.86	127.10	102.10	77.57	105.79	69.59
Jan-19	101.56	129.28	128.46	102.94	78.24	107.93	70.32
Feb-19	100.67	127.93	128.45	100.06	78.65	104.12	70.52
Mar-19	97.50	125.23	123.89	95.81	76.96	98.84	68.61
Apr-19	94.42	124.42	121.13	92.47	73.28	95.31	65.06
May-19	93.33	124.40	120.55	91.95	71.12	94.86	62.45
% change between Apr-19 and May-19							
	-1.2%	0.0%	-0.5%	-0.6%			

Table 3: World supply/demand balance

Coffee year (October to September)	2014	2015	2016	2017	2018*	% change 17/18 to 18/19
PRODUCTION	149 932	156 153	157 402	165 540	168 047	1.5%
Arabica	87 064	93 402	99 676	101 032	103 714	2.7%
Robusta	62 902	62 751				-0.2%
Africa	15 983	15 734				1.4%
Asia & Oceania	46 274	49 323				-2.0%
Mexico & Central America	17 188	17 237				-0.5%
South America	70 486	73 859				4.4%
CONSUMPTION	151 505	155 443	157 768	161 381	164 636	2.0%
Exporting countries	46 505	47 500	48 458			1.3%
Importing countries	105 000	107 943	109 310			2.3%
Africa	10 802	11 103	10 767			2.1%
Asia & Oceania	31 950	32 863	34 114			4.3%
Mexico & Central America	5 146	5 144	5 174			-0.9%
Europe	51 008	52 147	52 043			1.0%
North America	27 645	28 934	29 559			2.5%
South America	24 954	25 251	26 111			0.9%
BALANCE	-1 573	711	-366	4 159	3 411	

In thousand 60-kg bags

*preliminary estimates

Note: Data on crop year production can be found at www.ico.org/trade_statistics.asp

Table 4: Total exports from exporting countries

	Apr-18	Apr-19	% change	October-April		
				2017/18	2018/19	% change
TOTAL	10 253	10 726	4.6%	70 891	74 007	4.4%
Arabicas	6 364	6 817	7.1%	44 728	47 913	7.1%
			2.1%			8.0%
			-1.6%			-8.9%
			17.7%			18.5%
Robustas	3 889	3 909	0.5%	26 163	26 094	-0.3%

In thousand 60-kg bags

Table 5: Certified stocks on the New York and London futures markets

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
New York	2.28	2.33	2.33	2.51	2.70	2.78	2.79	2.80	2.82	2.83	2.84	2.81	2.75
London	1.34	1.14	1.28	1.26	1.51	1.58	1.77	1.88	2.08	2.01	1.97	1.98	2.11

In million 60-kg bags