



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

E

LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

February 2008

Coffee prices recorded further rises during the month of February, with the monthly average of the ICO composite indicator price at 138.82 US cents per lb, an increase of 13.5% compared to the January average of 122.33 US cents per lb. In the case of Robustas the indicator price exceeded the mark of 115 US cents per lb, the highest level recorded since August 1995. There was intense activity on both the New York futures market for Arabicas and the London futures market for Robustas, which led to increased price volatility on these two exchanges. During the first two months of 2008, the volume of transactions for the first five positions on the New York futures market was equivalent to 117.4 million bags in January and 202 million bags in February. In 2007, the corresponding figures were 89.7 million bags in January and 129 million bags in February. The volume of transactions for the first six positions on the London futures market totalled some 28.9 million bags in January and 45.1 million bags in February 2008. In 2007 transactions in January totalled 24.3 million bags while the figure for February was 32.1 million bags.

It should be noted, however, that prices of the fertilizers most commonly used in coffee growing, namely phosphate, potash and urea have risen steeply on account of the sharp increase in the prices for oil-based products. One of the consequences of this is that coffee farmers are cutting down on their use of these inputs, which are needed to compensate for the poor quality of soils, particularly in Africa, where soil impoverishment is already affecting productivity.

The volume of exports in January 2008 was 7.5 million bags, bringing the total for the first four months of coffee year 2007/08 (October 2007 – January 2008) to 29.1 million bags, a fall of 8.1% compared to the figure of 31.7 million bags for the same period in coffee year 2006/07.

Price movements

With a further increase in the monthly average of the **ICO composite indicator price**, the upward trend in prices for the four groups of coffee has consolidated, reaching a level of 138.82 US cents per lb in February compared to 122.33 US cents per lb in January 2008 (Table 1). Once again, the steepest rise was recorded for Robustas, with the ICO indicator price up from 99.21 US cents per lb in January to 115.45 US cents per lb in February 2008. Coffee prices have been subject to substantial volatility in the first days of March, in part due to the continuing movement of money from investment funds in the coffee market. The ICO composite indicator price recorded on 10 March was 139.65 US cents per lb.

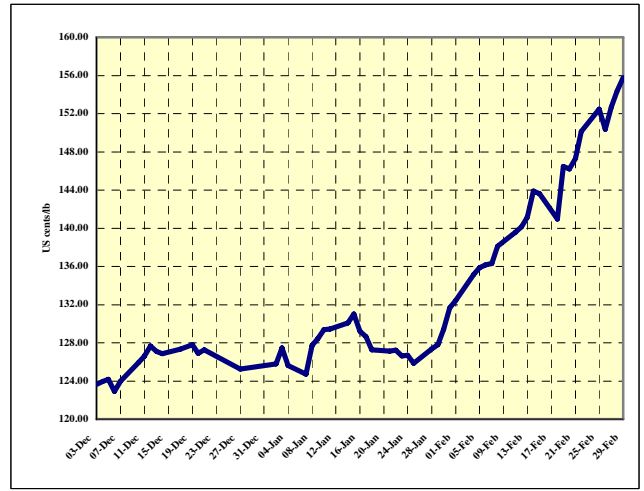
Graph 1 shows changes in the ICO daily composite indicator price since 1 February 2007. Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 3 December 2007.

In addition to the adverse effects of the decline of the US dollar (as demonstrated in the January edition of this report), it should be noted that the impact of higher prices on the incomes of coffee farmers has been somewhat offset by the increased price of fertilizers, particularly those derived from oil. Graph 6 shows changes in the prices of some important fertilizers used in the cultivation of coffee since December 2006.

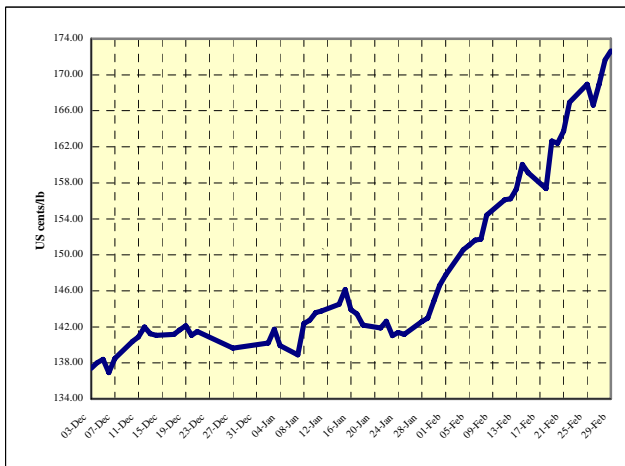
**Graph 1: Daily composite indicator price
1 February 2007 – 10 March 2008**



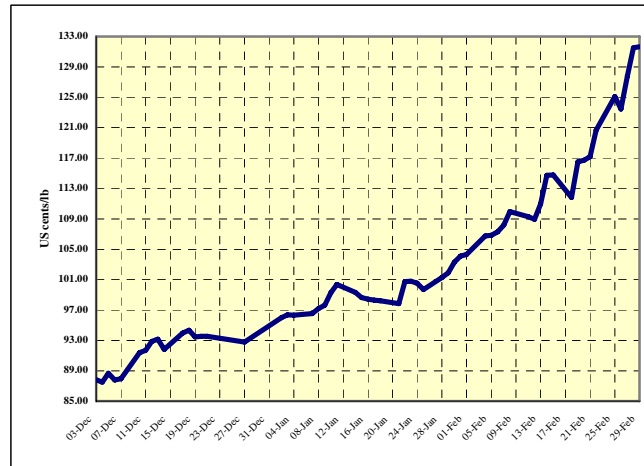
**Graph 4: Daily indicator prices
for Brazilian Naturals
3 December 2007 – 29 February 2008**



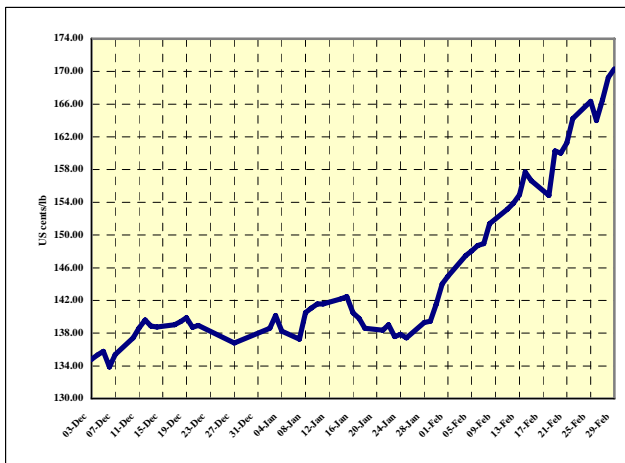
**Graph 2: Daily indicator prices
for Colombian Milds
3 December 2007 – 29 February 2008**



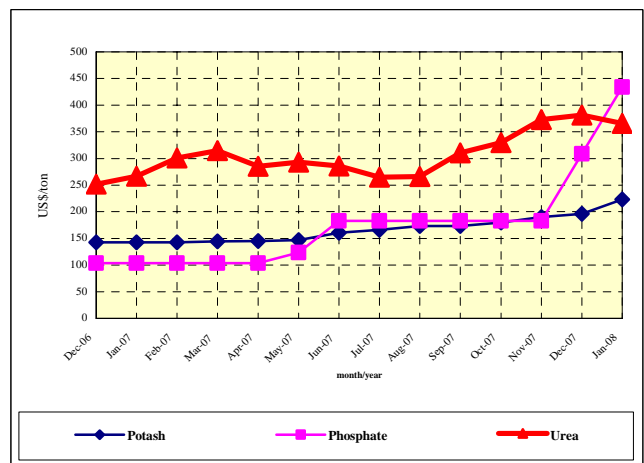
**Graph 5: Daily indicator prices
for Robustas
3 December 2007 – 29 February 2008**



**Graph 3: Daily indicator prices
for Other Milds
3 December 2007 – 29 February 2008**



**Graph 6: Monthly prices of
selected fertilizers
December 2006 to January 2008**



Source: International Monetary Fund

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

	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Feb-08							
01-Feb	127.25	147.77	144.97	132.45	104.31	142.90	97.98
04-Feb	129.86	150.56	147.52	135.17	106.77	146.55	99.38
05-Feb	130.27	151.07	148.04	135.87	106.83	146.15	99.50
06-Feb	130.73	151.64	148.73	136.16	107.28	146.88	99.86
07-Feb	131.15	151.75	148.94	136.30	108.17	147.00	100.90
08-Feb	133.19	154.42	151.37	138.12	109.93	150.80	102.56
11-Feb	134.01	156.10	153.19	139.59	109.29	151.53	101.90
12-Feb	134.22	156.21	153.88	140.16	108.93	151.57	101.38
13-Feb	135.60	157.28	154.95	141.14	110.95	152.97	103.51
14-Feb	138.72	160.05	157.70	143.90	114.75	156.38	107.25
15-Feb	138.30	159.12	156.65	143.63	114.77	153.48	107.39
18-Feb	135.83	157.35	154.85	140.97	111.81	Holiday	104.35
19-Feb	141.02	162.66	160.28	146.49	116.52	158.85	108.98
20-Feb	140.92	162.39	160.02	146.22	116.71	168.50	109.11
21-Feb	141.86	163.74	161.28	147.32	117.18	160.22	111.33
22-Feb	145.00	166.95	164.25	150.11	120.69	163.50	113.97
25-Feb	147.98	168.95	166.35	152.48	125.09	165.30	117.55
26-Feb	145.96	166.62	164.01	150.37	123.47	161.15	115.94
27-Feb	149.01	168.94	166.53	152.69	127.78	165.25	120.25
28-Feb	151.78	171.66	169.26	154.36	131.54	168.55	123.97
29-Feb	152.60	172.65	170.31	155.78	131.64	166.95	124.56
Feb-08	138.82	159.90	157.29	143.78	115.45	156.22	108.17
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
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	138.47	91.70
February	138.82	159.90	157.29	143.78	115.45	156.22	108.17
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 Feb-08 and Jan-08	13.48	12.08	12.46	12.39	16.37	12.82	17.96
% change between Feb-08 and Feb-07	33.25	29.14	28.89	30.67	45.99	30.47	52.16
% change between Feb-08 and 2007 average	28.92	27.34	27.31	28.61	33.31	28.23	37.69
volatility (%)							
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
Nov-07	0.91	1.15	1.12	1.21	0.92	1.29	1.00
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	1.43	0.98
Feb-08	1.34	1.15	1.15	1.26	1.86	2.42	1.88

*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	109 369	125 611	117 830	-6.19
<i>Africa</i>	<i>14 349</i>	<i>12 935</i>	<i>14 796</i>	<i>15 663</i>	<i>5.86</i>
Cameroon	727	849	827	795	-3.91
Cote d'Ivoire	2 301	1 962	2 847	2 350	-17.47
Ethiopia	4 568	4 003	4 636	5 733	23.67
Kenya	756	640	750	725	-3.37
Tanzania	763	721	750	867	15.63
Uganda	2 593	2 159	2 600	2 750	5.76
Others	2 640	2 601	2 385	2 443	2.43
<i>Arabicas</i>	<i>7 675</i>	<i>6 484</i>	<i>7 270</i>	<i>8 304</i>	<i>14.22</i>
<i>Robustas</i>	<i>6 674</i>	<i>6 451</i>	<i>7 526</i>	<i>7 359</i>	<i>-2.21</i>
<i>Asia & Oceania</i>	<i>28 733</i>	<i>29 249</i>	<i>31 982</i>	<i>32 075</i>	<i>0.29</i>
India	4 592	4 567	4 750	4 850	2.10
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	935	22.05
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>3 719</i>	<i>3 134</i>	<i>3 527</i>	<i>12.54</i>
<i>Robustas</i>	<i>25 191</i>	<i>25 530</i>	<i>28 848</i>	<i>28 548</i>	<i>-1.04</i>
<i>Mexico & Central America</i>	<i>15 814</i>	<i>17 379</i>	<i>17 098</i>	<i>18 771</i>	<i>9.79</i>
Costa Rica	1 887	1 778	1 580	1 912	21.01
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	1 235	1 300	5.29
<i>Arabicas</i>	<i>15 799</i>	<i>17 243</i>	<i>16 964</i>	<i>18 626</i>	<i>9.80</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>49 805</i>	<i>61 735</i>	<i>51 320</i>	<i>-16.87</i>
Brazil	39 272	32 977	42 544	33 740	-20.69
Colombia	12 033	12 329	12 789	12 400	-3.04
Ecuador	938	1 138	1 177	950	-19.29
Others	4 191	3 361	5 225	4 230	-19.05
<i>Arabicas</i>	<i>48 691</i>	<i>40 127</i>	<i>51 916</i>	<i>40 828</i>	<i>-21.36</i>
<i>Robustas</i>	<i>7 743</i>	<i>9 678</i>	<i>9 819</i>	<i>10 493</i>	<i>6.86</i>
TOTAL	115 330	109 369	125 611	117 830	-6.19
Colombian Milds	13 345	13 416	14 004	13 663	-2.44
Other Milds	25 113	25 520	27 010	27 980	3.59
Brazilian Naturals	37 249	28 639	38 270	29 642	-22.54
Robustas	39 622	41 795	46 327	46 545	0.47
Arabicas	75 708	67 574	79 284	71 285	-10.09
Robustas	39 622	41 795	46 327	46 545	0.47
TOTAL	100.00	100.00	100.00	100.00	
Colombian Milds	11.57	12.27	11.15	11.60	
Other Milds	21.77	23.33	21.50	23.75	
Brazilian Naturals	32.30	26.19	30.47	25.16	
Robustas	34.36	38.21	36.88	39.50	
Arabicas	65.64	61.79	63.12	60.50	
Robustas	34.36	38.21	36.88	39.50	

In thousand bags

Market fundamentals

The **total production** figure for crop year 2007/08 has been revised to around 118 million bags (Table 2). This increase is attributable mainly to the upward revision of Vietnamese production, which is now estimated at 17.5 million bags.

In the case of crop year 2008/09 my estimate remains unchanged between 123 and 126 million bags. It should be noted, however, that the decline in the use of fertilizers consequent upon the oil price explosion may have a negative impact on production.

Exports during January 2008 totalled 7.5 million bags, representing a fall of 9.6% compared to exports of 8.2 million bags in January 2007. Total exports for the first four months of coffee year 2007/08 were 29.1 million bags compared to 31.7 million bags for the same period in coffee year 2006/07 (Table 3).

Table 3: Exports Coffee years 2006/07 and 2007/08 (October – January)

	2006/07	2007/08	% change
TOTAL	31.71	29.14	-8.09
Colombian Milds	4.21	4.57	8.56
Other Milds	5.71	5.30	-7.04
Brazilian Naturals	10.63	9.38	-11.79
Robustas	11.16	9.89	-11.40
Arabicas	20.55	19.26	-6.30
Robustas	11.16	9.89	-11.40

In million bags

Increased consumption over the last few years has been a significant factor in underpinning the present upward trend in prices. For 2006 **world consumption** is calculated at 120 million bags, compared to 118 million bags in 2005 (Table 4). Preliminary estimates of world consumption in 2007 indicate a figure of around 123 million bags.

Tables 5 and 6 show per capita consumption in selected exporting and importing countries. The firm market trend has led to an increase in retail prices in nearly all importing countries with the exception of Japan (Table 7).

**Table 4: World consumption
(Calendar years 2002 – 2006)**

	2002	2003	2004	2005	2006
WORLD TOTAL	110 268	112 490	117 839	117 929	119 901
<i>Producing countries</i>	<i>27 511</i>	<i>28 189</i>	<i>29 238</i>	<i>30 164</i>	<i>31 309</i>
Brazil	13 710	14 088	14 763	15 363	16 100
Indonesia	1 875	1 958	2 000	2 000	2 000
Ethiopia	1 833	1 833	1 833	1 833	1 833
Mexico	1 500	1 500	1 500	1 556	1 794
Colombia	1 400	1 400	1 400	1 400	1 400
India	1 084	1 142	1 188	1 272	1 337
Philippines	825	873	917	917	917
Venezuela	690	693	700	703	723
Others	4 594	4 703	4 938	5 121	5 205
<i>Importing countries</i>	<i>82 758</i>	<i>84 301</i>	<i>88 601</i>	<i>87 765</i>	<i>88 592</i>
<i>European Community</i>	<i>38 637</i>	<i>39 764</i>	<i>41 083</i>	<i>39 374</i>	<i>40 993</i>
Germany	8 498	9 499	10 445	8 665	9 151
Italy	5 182	5 507	5 469	5 552	5 593
France	5 526	5 394	4 929	4 787	5 278
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	7 128	7 268
<i>Other importing</i>	<i>18 122</i>	<i>17 574</i>	<i>19 428</i>	<i>20 266</i>	<i>19 663</i>
Russian Federation	3 301	3 409	2 877	3 040	3 177
Canada	2 302	2 133	2 747	2 794	3 097
Algeria	1 852	1 752	2 159	1 892	1 836
Korea Republic of	1 306	1 305	1 401	1 394	1 463
Australia	976	873	864	1 039	992
Ukraine	431	637	724	977	752
Others	7 953	7 465	8 656	9 129	8 346

In million bags

**Table 5: Per capita consumption
in selected exporting countries
(Calendar years 2002 – 2006)**

	2002	2003	2004	2005	2006
Brazil	4.59	4.65	4.81	4.93	5.10
Costa Rica	3.62	3.40	4.17	5.04	4.77
Dominican Republic	2.26	2.22	2.31	2.39	2.36
Haiti	2.30	2.27	2.23	2.19	2.16
Nicaragua	2.07	2.10	2.12	2.09	2.06
Honduras	1.86	1.83	1.86	2.02	1.98
El Salvador	1.44	1.42	1.44	1.62	1.85
Colombia	1.95	1.92	1.90	1.87	1.84
Venezuela	1.63	1.61	1.60	1.58	1.59
Madagascar	0.68	1.03	1.43	1.50	1.46
Guatemala	1.53	1.49	1.45	1.42	1.38
Ethiopia	1.50	1.47	1.43	1.39	1.36
Panama	1.31	1.29	1.26	1.24	1.24
Cuba	1.19	1.20	1.20	1.20	1.20
Mexico	0.88	0.88	0.87	0.90	1.02
Côte d'Ivoire	1.07	1.06	1.04	1.02	1.00
Ecuador	0.77	0.70	0.70	0.69	0.68
Philippines	0.62	0.65	0.66	0.65	0.64
Indonesia	0.52	0.53	0.54	0.53	0.52

In kilogrammes

**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	3.46	3.30
Australia	2.99	2.64	2.58	3.07	2.90
Canada	4.41	4.05	5.16	5.19	5.70
<i>European Community</i>	<i>4.78</i>	<i>4.90</i>	<i>5.04</i>	<i>4.82</i>	<i>5.00</i>
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	5.16
Germany	6.18	6.90	7.58	6.29	6.64
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	3.34	3.41
Korea, Republic of	1.66	1.65	1.76	1.75	1.83
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	0.97
USA	3.95	4.12	4.24	4.20	4.09

In kilogrammes

Table 7: Retail prices in selected importing countries

	September			% change 2007 & 2006
	2005	2006	2007	
European Community				
Austria	387.95	419.13	422.27	0.75
Belgium	416.30	445.11	499.79	12.29
Cyprus	523.94	541.06	582.36	7.63
Denmark	437.27	456.30	481.25	5.47
Finland	291.24	302.51	335.30	10.84
France	275.68	304.82	345.38	13.31
Germany	429.08	438.76	476.47	8.60
Italy	608.05	639.08	717.86	12.33
Latvia	406.89	441.24	493.85	11.92
Luxembourg	605.83	654.09	678.16	3.68
Malta 1/	1 026.26	1 115.82		
Netherlands	369.05	401.81		
Poland	259.51	282.47	371.71	31.59
Portugal	474.66	476.86	518.70	8.77
Slovakia	271.69	313.00	399.86	27.75
Slovenia	380.59	404.27	461.97	14.27
Spain	317.92	351.00	390.76	11.33
Sweden	297.73	321.22	358.13	11.49
United Kingdom 1/	1 492.85	1 694.25	1 820.24	7.44
Japan	796.43	841.21	791.88	-5.86
Norway	407.81	401.87	466.54	16.09
Switzerland	574.97			
USA	337.60	317.30		

In US cents per lb

1/ Soluble coffee

In conclusion, I would like to indicate that the continued consolidation of prices is attributable to a balance between supply and demand on the market that is expected to persist for the remainder of coffee year 2007/08. Investment funds, attracted by the commodity markets, are very active at the moment and could increase price volatility in the short term, as shown by the behaviour of the market during the first days of March.