



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

E

LETTER FROM THE EXECUTIVE DIRECTOR

COFFEE MARKET REPORT

March 2007

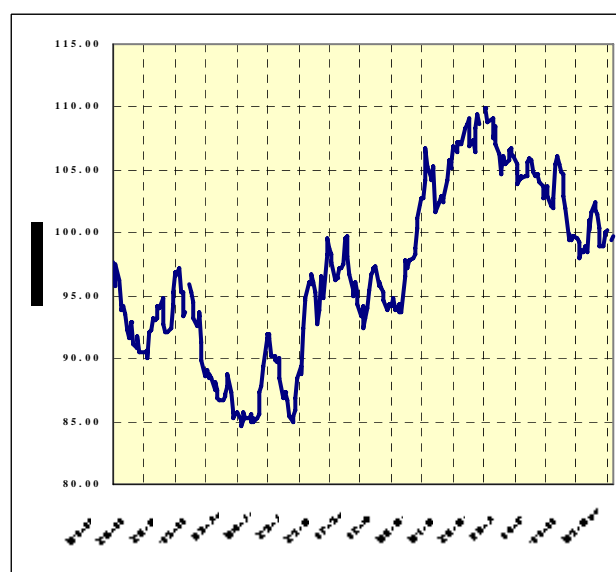
Coffee prices in March recorded a further downward correction in relation to their level in February. The ICO composite indicator price fell by 3.93% from 104.18 US cents/lb in February to 100.09 US cents/lb in March. Prices were relatively more volatile in March than in the first two months of 2007. Exports during the first five months of coffee year 2006/07 were around 20% higher than in the preceding period. With regard to the “El Niño” phenomenon, observations made in March indicate that its intensity has weakened: the Southern Oscillation Index (SOI), which measures the strength of the event, was -1.4 in March compared to -2.7 in February and -7.3 in January. However, I shall continue to monitor developments. It will be recalled that the Working Group on the Future of the Agreement met during the month of March to consider proposals made by Members. I was able to note positive developments in the discussions and a real will on the part of Member countries to continue cooperation on coffee matters within an International Coffee Agreement with the participation of producing and consuming countries. The Group will hold a further meeting in May in order to finalize points of agreement for submission to the International Coffee Council.

Price movements

Despite a rally during the last week of March, coffee prices were subject to a further downward correction with the monthly average of the **ICO composite indicator price** down from 104.18 US cents/lb in February to 100.09 US cents/lb in March, representing a fall of 3.93%. In fact, prices were below the 100 US cents/lb mark during the first three weeks of March before rallying during the last week. However, the behaviour of the market at the beginning of April indicates a return to this downward trend¹. Graph 1 shows changes in the ICO daily composite indicator price since 1 March 2006.

Prices of all four groups of coffee were subject to the same downward correction although this was more pronounced in the case of Arabicas (Table 1). Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 2 January 2007.

**Graph 1: Daily composite indicator price
1 March 2006 – 10 April 2007**



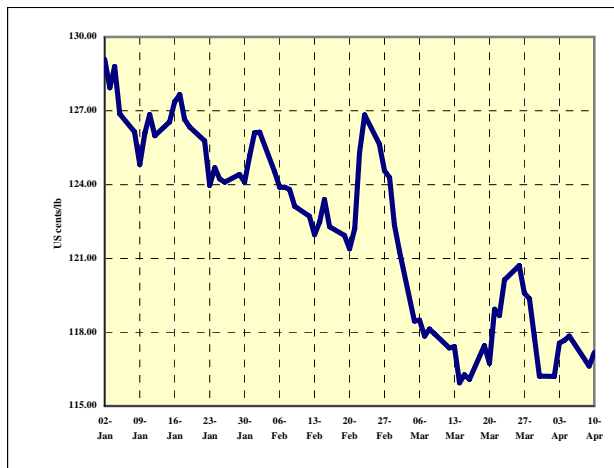
¹ The price registered on 10 April was 99.69 US cents/lb.

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

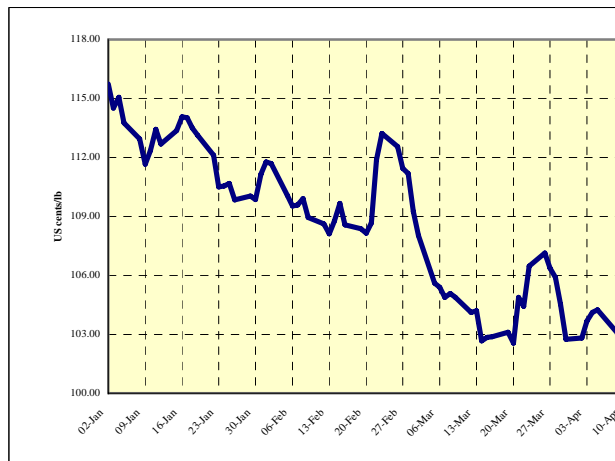
	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
Mar-07							
01-Mar	102.88	122.36	121.13	109.26	77.11	117.95	69.38
02-Mar	102.03	121.29	120.06	108.03	76.83	116.53	67.99
05-Mar	99.35	118.46	117.31	105.61	74.01	112.85	66.43
06-Mar	99.86	118.50	117.62	105.40	75.48	114.35	67.83
07-Mar	99.40	117.84	117.24	104.87	75.09	113.60	67.45
08-Mar	99.78	118.13	117.32	105.08	75.87	113.65	68.13
09-Mar	99.68	117.93	116.96	104.87	76.07	113.88	69.17
12-Mar	99.58	117.37	116.38	104.12	77.04	113.22	69.20
13-Mar	99.26	117.42	116.16	104.19	76.19	112.40	68.47
14-Mar	97.95	115.95	114.87	102.67	75.10	111.22	67.43
15-Mar	98.55	116.27	115.32	102.85	76.25	111.80	68.58
16-Mar	98.47	116.09	115.07	102.88	76.27	111.75	68.61
19-Mar	98.91	117.46	115.13	103.11	76.79	111.67	69.08
20-Mar	98.47	116.74	114.44	102.55	76.74	110.55	68.56
21-Mar	101.07	118.93	116.97	104.87	79.77	116.85	70.42
22-Mar	100.14	118.67	116.35	104.43	77.94	115.98	70.19
23-Mar	101.61	120.13	119.03	106.47	78.08	117.58	71.28
26-Mar	102.40	120.71	119.83	107.14	79.06	118.55	71.35
27-Mar	101.74	119.60	118.56	106.38	79.08	116.58	70.78
28-Mar	101.43	119.37	118.35	105.90	78.83	116.90	71.03
29-Mar	100.43	117.84	116.79	104.52	78.75	114.85	70.67
30-Mar	98.93	116.22	114.95	102.75	77.75	113.60	69.42
average	100.09	118.33	117.08	104.91	77.00	114.38	69.16
2006							
March	92.76	116.01	113.66	103.92	59.60	109.72	52.22
April	94.20	117.87	115.42	105.49	60.55	112.08	53.67
May	90.00	111.81	109.36	99.29	60.08	106.53	53.05
June	86.04	105.83	103.15	93.27	60.23	100.55	53.12
July	88.57	107.85	105.00	94.56	64.49	101.99	57.14
August	95.78	114.14	111.73	100.37	73.59	110.54	63.01
September	95.98	111.88	109.83	99.53	77.11	108.57	67.49
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
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 Mar-07 and Feb-07	-3.93	-4.44	-4.05	-4.66	-2.62	-4.48	-2.72
% variation between Mar-07 and Mar-06	7.90	2.00	3.01	0.95	29.20	4.25	32.43
% variation between Mar-07 and 2006 average	4.53	1.31	2.35	0.95	13.99	1.85	15.70
volatility (%)							
Mar-06	1.08	1.11	1.11	1.25	1.31	1.44	1.33
Apr-06	1.20	1.22	1.26	1.29	1.58	1.86	1.38
May-06	0.86	0.90	0.98	0.95	0.76	1.51	0.99
June-06	0.94	0.91	0.98	0.98	1.20	1.17	1.90
July-06	1.01	0.91	0.86	0.87	1.99	1.45	2.31
Aug-06	1.70	1.58	1.70	1.65	2.29	1.84	2.16
Sep-06	1.16	1.05	1.07	1.22	1.82	1.36	2.16
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	0.90	1.02	1.00	1.09	0.96	1.69	1.19
Jan-07	0.81	0.74	0.76	0.74	1.29	1.23	1.33
Feb-07	0.82	0.87	0.87	0.96	1.02	1.02	1.04
Mar-07	1.08	0.95	1.06	1.04	1.56	1.68	1.36

*Averages of 2nd and 3rd positions

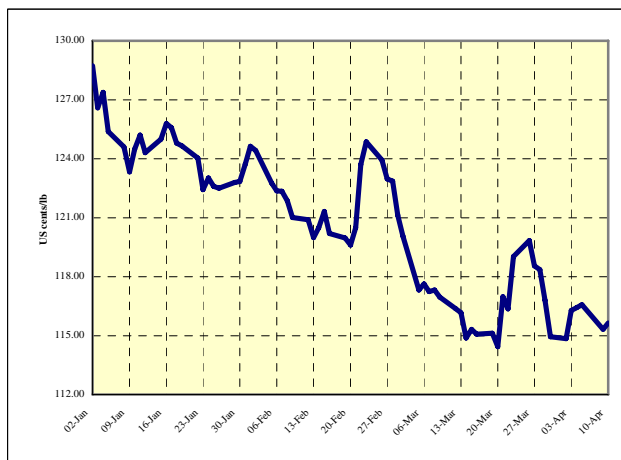
Graph 2: Daily indicator prices for Colombian Milds 2 January – 10 April 2007



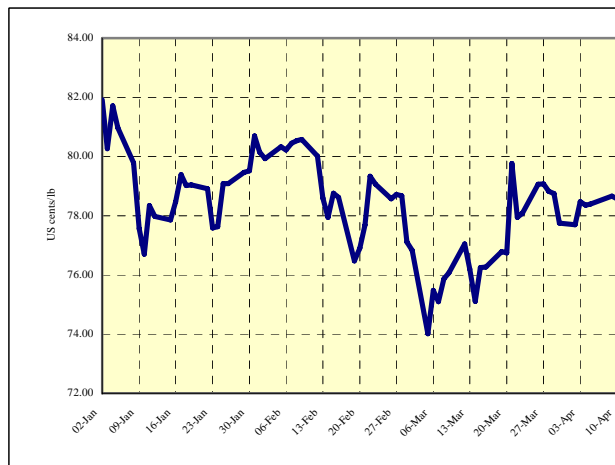
Graph 4: Daily indicator prices for Brazilian Naturals 2 January – 10 April 2007



Graph 3: Daily indicator prices for Other Milds 2 January – 10 April 2007



Graph 5: Daily indicator prices for Robustas 2 January – 10 April 2007



Market fundamentals

While awaiting the second estimate of the Brazilian crop for crop year 2007/08, I am maintaining my estimate of **world production** in crop year 2007/08 at around 112 million bags as indicated in my previous report (Letter from the Executive Director – February 2007). However, information relating to the coffee industry in Vietnam indicates a substantial increase in the country’s production in crop year 2007/08. With regard to the development of the “El

Niño” phenomenon, observations made in March indicate that it has weakened in intensity. Total production in crop year 2006/07 is estimated at 120.5 million bags (Table 2) with Arabica production at 78 million bags compared to 69.7 million in 2005/06, an increase of 11.94%. There was also an increase of 6.58% in Robusta production, which was up from just under 40 million bags in crop year 2005/06 to 42.4 million in 2006/07.

Table 2: Production in selected exporting countries

Crop year commencing					% change
	2003	2004	2005	2006	2005-2006
TOTAL	103 673	115 828	109 514	120 453	9.99
<i>Africa</i>	<i>13 856</i>	<i>14 762</i>	<i>12 900</i>	<i>14 558</i>	<i>12.85</i>
Cameroon	900	727	849	750	-11.66
Côte d'Ivoire	2 689	2 328	1 834	2 200	19.96
Ethiopia	3 874	5 000	4 500	5 000	11.11
Kenya	673	756	713	850	19.21
Tanzania	611	763	720	833	15.69
Uganda	2 598	2 593	2 159	2 350	8.85
Others	2 511	2 595	2 125	2 575	21.18
<i>Arabicas</i>	<i>6 790</i>	<i>8 275</i>	<i>7 076</i>	<i>7 996</i>	<i>13.00</i>
<i>Robustas</i>	<i>7 066</i>	<i>6 487</i>	<i>5 824</i>	<i>6 562</i>	<i>12.67</i>
<i>Asia & Oceania</i>	<i>28 761</i>	<i>28 812</i>	<i>29 708</i>	<i>29 693</i>	<i>-0.05</i>
India	4 508	4 672	4 617	4 750	2.88
Indonesia	6 571	7 536	8 659	7 080	-18.24
Papua New Guinea	1 155	997	1 268	1 125	-11.28
Thailand	827	884	1 000	975	-2.50
Vietnam	15 230	14 174	13 499	15 000	11.12
Others	470	549	665	763	14.74
<i>Arabicas</i>	<i>4 108</i>	<i>4 092</i>	<i>4 130</i>	<i>3 509</i>	<i>-15.04</i>
<i>Robustas</i>	<i>24 653</i>	<i>24 720</i>	<i>25 578</i>	<i>26 184</i>	<i>2.37</i>
<i>Mexico & Central America</i>	<i>16 767</i>	<i>15 814</i>	<i>17 133</i>	<i>16 170</i>	<i>-5.62</i>
Costa Rica	1 783	1 887	1 778	1 790	0.67
El Salvador	1 477	1 437	1 503	1 242	-17.37
Guatemala	3 610	3 703	3 675	3 817	3.86
Honduras	2 968	2 575	3 204	2 700	-15.73
Mexico	4 200	3 867	4 000	4 200	5.00
Nicaragua	1 546	1 130	1 718	1 275	-25.79
Others	1 183	1 215	1 255	1 146	-8.69
<i>Arabicas</i>	<i>16 748</i>	<i>15 796</i>	<i>17 115</i>	<i>16 121</i>	<i>-5.81</i>
<i>Robustas</i>	<i>19</i>	<i>18</i>	<i>18</i>	<i>49</i>	<i>172.22</i>
<i>South America</i>	<i>44 289</i>	<i>56 440</i>	<i>49 773</i>	<i>60 032</i>	<i>20.61</i>
Brazil	28 787	39 272	32 944	42 512	29.04
Colombia	11 197	12 032	12 329	12 200	-1.05
Ecuador	766	938	1 138	805	-29.26
Others	3 539	4 198	3 362	4 515	34.30
<i>Arabicas</i>	<i>37 196</i>	<i>51 296</i>	<i>41 358</i>	<i>50 365</i>	<i>21.78</i>
<i>Robustas</i>	<i>7 093</i>	<i>5 144</i>	<i>8 415</i>	<i>9 667</i>	<i>14.88</i>
TOTAL	103 673	115 828	109 514	120 453	9.99
Colombian Milds	12 352	13 329	13 520	13 567	0.35
Other Milds	26 518	26 531	26 383	26 198	-0.70
Brazilian Naturals	26 119	39 604	29 783	38 240	28.40
Robustas	38 684	36 364	39 828	42 448	6.58
Arabicas	64 989	79 464	69 686	78 005	11.94
Robustas	38 684	36 364	39 828	42 448	6.58
TOTAL	100.00	100.00	100.00	100.00	
Colombian Milds	11.91	11.51	12.35	11.26	
Other Milds	25.58	22.91	24.09	21.75	
Brazilian Naturals	25.19	34.19	27.20	31.75	
Robustas	37.31	31.39	36.37	35.24	
Arabicas	62.69	68.61	63.63	64.76	
Robustas	37.31	31.39	36.37	35.24	

In thousand bags

Exports during February 2007 totalled 7.93 million bags, representing a slight fall of 3.08% compared to the January level of 8.19 million bags. Exports for the first five months of coffee year 2006/07 (October 2006 – February 2007) totalled 39.38 million bags compared to 32.92 million bags for the same period in coffee year 2005/06 (Table 3). The price rises recorded in 2005 and 2006 contributed to an increase in the value of exports, which was around US\$10 billion in coffee year 2005/06 for a total volume of 87.87 million bags compared to a total of US\$8.98 billion in 2004/05 for a volume of exports totalling 89.75 million bags (Table 4).

Table 3: Exports October – February (2005/06 and 2006/07)

	2005/06	2006/07	% variation
TOTAL	32.92	39.38	19.64
Colombian Milds	5.13	5.35	4.43
Other Milds	6.52	7.44	14.11
Brazilian Naturals	10.28	12.65	23.01
Robustas	10.99	13.94	26.85
Arabicas	21.93	25.44	16.02
Robustas	10.99	13.94	26.85

In million bags

Table 4: Volume and value of exports Coffee years 2002/03 – 2005/06

	2002/03	2003/04	2004/05	2005/06
Colombian Milds				
- Volume	11.86	11.43	12.19	11.86
- Value	1.04	1.13	1.72	1.78
Other Milds				
- Volume	20.86	20.48	19.34	20.46
- Value	1.69	1.91	2.53	2.87
Brazilian Naturals				
- Volume	25.39	25.90	27.85	26.53
- Value	1.53	1.93	3.02	3.26
Robustas				
- Volume	30.13	30.92	30.37	29.03
- Value	1.32	1.46	1.71	2.12
Total				
- Volume	88.24	88.72	89.75	87.87
- Value	5.58	6.44	8.98	10.02

Volume in million bags – value in billion US\$

With regard to **world consumption**, I am continuing my investigations designed to reduce the discrepancies between different sources of information and arrive at much more realistic figures.

Although consumption in traditional importing countries is showing signs of stagnation, consumption is growing at a dynamic rate in a number of emerging economies and in some non-member countries. In fact, consumption in importing countries that are not members of the ICO totalled around 20 million bags in 2006. Of these countries, Algeria, Australia, Canada, the Republic of Korea, the Russian Federation, Turkey and Ukraine already have a substantial level of consumption, with prospects for a marked increase.

World consumption in 2006 is estimated at around 118 million bags, of which 31 million bags is accounted for by domestic consumption in exporting countries and just under 87 million bags by consumption in importing countries (Table 5).

On the assumption of a growth rate of 1.5% a year, it can be reasonably expected that world consumption will be around 120 million bags in 2007.

Table 6 shows per capita consumption in selected importing countries.

Table 7 shows retail prices recorded in the month of September from 2004 to 2006 in selected importing countries.

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

	2002	2003	2004	2005	2006 1/
WORLD TOTAL	109 684	111 792	116 434	116 060	117 937
<i>Producing countries</i>	<i>27 710</i>	<i>28 251</i>	<i>29 111</i>	<i>30 303</i>	<i>31 096</i>
Brazil	13 900	14 150	14 725	15 688	16 362
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	1 500	1 500
Colombia	1 400	1 400	1 400	1 400	1 400
India	1 085	1 140	1 189	1 272	1 337
Philippines	825	873	917	917	917
Venezuela	690	692	700	703	710
Others	4 602	4 705	4 847	4 990	5 037
<i>Importing countries</i>	<i>81 974</i>	<i>83 541</i>	<i>87 323</i>	<i>85 757</i>	<i>86 841</i>
<i>European Community</i>	<i>37 433</i>	<i>38 612</i>	<i>39 322</i>	<i>37 226</i>	<i>38 971</i>
Germany	8 334	9 366	10 277	8 356	8 584
Italy	5 180	5 491	5 401	5 466	5 466
France	5 492	5 429	5 001	5 053	5 465
Spain	2 880	2 796	2 760	3 064	2 988
United Kingdom	2 201	2 189	2 391	2 396	2 834
Netherlands	1 641	1 827	1 599	1 454	2 237
Poland	1 952	2 096	2 180	2 178	1 840
Belgium	1 527	1 623	1 334	1 211	1 598
Sweden	1 235	1 181	1 242	1 162	1 328
Finland	975	971	1 041	1 112	1 052
Others	6 015	5 642	6 097	5 775	5 579
USA	18 871	20 072	20 778	20 759	20 299
Japan	6 875	6 770	7 117	7 224	7 268
<i>Other importing countries</i>	<i>18 796</i>	<i>18 087</i>	<i>20 106</i>	<i>20 548</i>	<i>20 302</i>
Russian Federation	3 301	3 409	2 877	3 040	
Canada	2 302	2 133	2 777	2 992	
Algeria	1 852	1 752	2 159	1 891	
Korea, Republic of	1 306	1 305	1 401	1 394	
Australia	976	873	873	1 099	
Ukraine	431	637	724	977	
Turkey	408	482	719	943	
Others	8 219	7 495	8 576	8 212	20 302

In thousand bags

1/ Estimated

Table 6: Per capita consumption in selected importing countries (Calendar years 2001 – 2005)

Importing country	2001	2002	2003	2004	2005
Algeria	2.82	3.54	3.30	4.00	3.45
Australia	2.38	3.00	2.66	2.63	3.27
Canada	4.91	4.41	4.04	5.21	5.56
European Community					
Austria	7.76	7.02	5.57	7.59	5.94
Belgium/Luxembourg	5.50	9.07	9.53	8.06	7.21
Bulgaria	2.64	2.59	3.04	3.24	
Cyprus	3.98	3.85	3.98	4.66	4.97
Czech Republic	3.85	3.80	3.26	3.20	3.14
Denmark	9.66	8.98	8.06	9.41	8.80
Estonia	4.84	4.97	5.27	5.97	6.75
Finland	11.01	11.22	11.16	11.92	12.70
France	5.28	5.51	5.43	4.98	5.01
Germany	6.64	6.06	6.81	7.46	6.06
Greece	3.15	4.69	5.44	5.01	4.91
Hungary	4.35	4.18	3.61	3.32	2.33
Ireland	2.29	2.13	2.26	3.19	3.26
Italy	5.44	5.37	5.68	5.58	5.65
Latvia	3.96	3.88	4.36	4.32	4.31
Lithuania	3.68	3.67	3.28	4.09	4.39
Malta	2.32	4.04	5.07	3.83	3.52
Netherlands	6.50	6.13	6.79	5.91	5.35
Poland	3.04	3.03	3.26	3.39	3.39
Portugal	4.48	4.29	3.92	4.03	4.47
Romania	1.72	2.01	2.07	2.24	2.34
Slovakia	3.43	3.31	3.53	3.55	4.09
Slovenia	5.87	6.12	5.55	5.94	6.08
Spain	4.15	4.15	3.98	3.88	4.27
Sweden	8.49	8.30	7.90	8.27	7.71
United Kingdom	2.23	2.24	2.22	2.41	2.41
Japan	3.27	3.23	3.18	3.34	3.38
Korea, Republic of	1.61	1.66	1.65	1.76	1.75
Norway	9.41	9.13	8.95	9.25	9.65
Russian Federation	1.15	1.36	1.41	1.20	1.27
Switzerland	6.83	6.86	7.01	5.90	9.14
Turkey	0.26	0.35	0.41	0.60	0.77
Ukraine	0.28	0.54	0.80	0.92	1.26
USA	4.04	3.91	4.12	4.22	4.18

In kilogrammes

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

	September			% variation 2006-2005
	2004	2005	2006	
European Community				
Austria	348.03	387.96		
Belgium	380.17	416.30	445.11	6.92%
Cyprus	518.62	523.94	541.07	3.27%
Denmark	392.80	437.27	456.31	4.35%
Finland	230.54			
France	266.01	275.68	304.82	10.57%
Germany 1/	323.64	429.09	438.76	2.25%
Italy	591.31	608.06	639.09	5.10%
Latvia	374.67	406.89	441.25	8.44%
Luxembourg	574.13	605.83	654.10	7.97%
Netherlands	341.38	369.06		
Poland	230.93	259.51	282.47	8.85%
Portugal	474.93	474.66	476.86	0.46%
Slovakia	263.52	271.69	313.00	15.20%
Slovenia	362.94	380.59	404.27	6.22%
Spain	314.77	317.92	351.01	10.41%
Sweden	303.17	297.74	321.22	7.89%
United Kingdom 2/	1,423.08	1,492.85	1,694.25	13.49%
Japan	890.62	796.43	841.21	5.62%
Norway	382.51	407.81	401.88	-1.45%
Switzerland	574.45	574.97		
USA	287.40	344.70	317.30	-7.95%

In US cents/lb

1/ Source: coffee industry

2/ Soluble coffee

In conclusion, I would like to indicate that despite the slight fall in prices, movements in the coffee market did not show any specific direction during the month of March. The supply and demand situation remains favourable to the maintenance of a firm price trend.