



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

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## LETTER FROM THE EXECUTIVE DIRECTOR

### COFFEE MARKET REPORT

May 2007

*The behaviour of the coffee market during May was mainly characterized by a significant rise in Robusta prices, which recorded their highest levels in more than nine years. The monthly average of the daily indicator price for Robustas during May was 83.91 US cents/lb, entailing a reduction of more than 16% in the differential with Other Mild Arabicas. The rise in Robusta prices is attributable mainly to problems relating to supply availability in the market. In fact, although the volume of Robusta exports from Vietnam has reached high levels, there are serious problems relating to quality and many export lots were rejected in European ports. The Vietnamese coffee authorities have announced measures to deal with this situation, particularly the need to apply, on a voluntary basis, the provisions of ICO Resolution 420 establishing quality standards for exported coffee. I am awaiting information on the effective application of these measures. Another piece of information received in May is that the Brazilian and Colombian Governments have decided to provide support for coffee producers through a minimum price guarantee mechanism.*

*With regard to climatic problems, there have been no noteworthy developments in the “El Niño” phenomenon but erratic weather conditions in Indonesia together with volcanic activity have damaged infrastructures and affected exports. It should also be noted that with the approach of the winter season in Brazil and the risk of frost, there is some nervousness in the market.*

*During the month of May, the International Coffee Council held its regular Session at which the Working Group continued the negotiations on the future of the Agreement, made significant progress and decided to continue its work in September in order to finalize a draft Agreement for submission to the Council at the Session to be held from 24 to 28 September 2007.*

## Price movements

The monthly average of the **ICO composite indicator price** recorded a slight rise since it was 100.09 US cents/lb in May (Table 1) compared to 99.30 US cents/lb in April. Arabica prices remained firm despite a slight fall in relation to the situation in April. On the other hand, Robusta prices rose sharply. The behaviour of the market at the beginning of June confirms the continuation of this upward trend in Robusta prices. On 11 June, the Robusta price reached 94.83 US cents/lb, while the ICO composite indicator price was 107.93 US cents/lb. Graph 1 shows changes in the ICO daily composite indicator price since 2 May 2006.

Graphs 2 to 5 show changes in daily indicator prices for the four groups of coffee since 1 March 2007.

**Graph 1: Daily composite indicator price  
2 May 2006 – 11 June 2007**

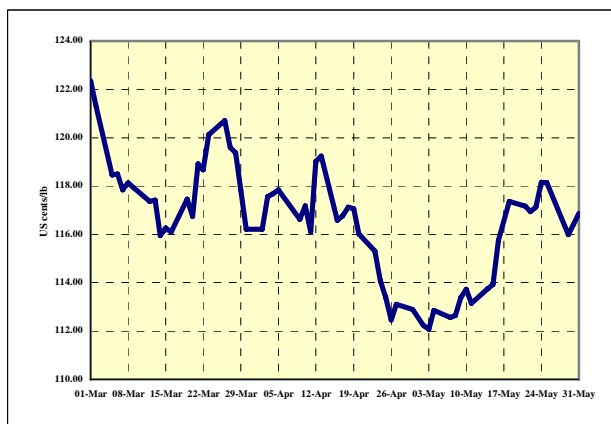


**Table 1: ICO daily indicator prices and futures prices (US cents/lb) – May 2007**

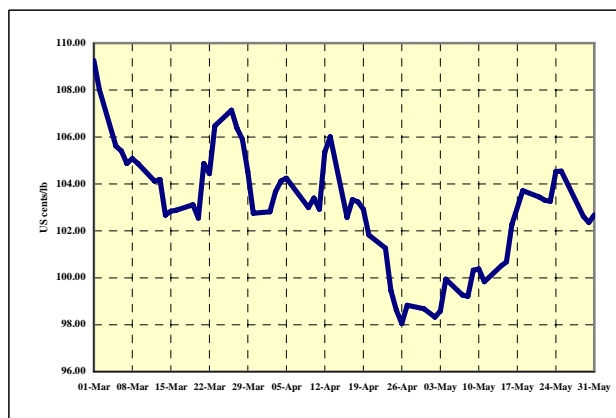
	ICO composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	New York*	London*
<b>May-07</b>							
01-May						106.10	71.69
02-May	96.70	112.23	110.15	98.33	79.88	106.08	72.17
03-May	96.65	112.07	110.00	98.59	79.69	105.72	71.94
04-May	97.83	112.86	111.24	99.94	80.81	107.22	73.07
07-May	97.45	112.57	110.55	99.26	80.88	106.22	Holiday
08-May	97.70	112.65	110.58	99.21	81.61	106.60	73.82
09-May	98.42	113.39	111.58	100.33	81.78	107.60	74.68
10-May	98.82	113.73	111.69	100.38	82.70	107.90	74.84
11-May	98.55	113.15	111.08	99.84	83.01	107.05	75.05
14-May	99.28	113.76	111.95	100.51	83.74	108.15	76.07
15-May	99.32	113.93	112.27	100.68	83.44	108.67	75.77
16-May	100.53	115.75	114.05	102.27	83.68	111.00	76.93
17-May						114.35	78.11
18-May	102.44	117.36	115.61	103.72	86.34	113.15	78.58
21-May	102.50	117.16	115.48	103.44	86.93	116.58	79.22
22-May	101.95	116.94	115.24	103.31	85.68	116.05	78.02
23-May	102.01	117.13	115.51	103.26	85.62	116.63	77.95
24-May	102.97	118.15	116.63	104.53	86.20	117.90	78.58
25-May	103.21	118.15	116.62	104.55	86.89	117.45	79.17
29-May	101.88	115.99	114.72	102.61	86.80	115.35	79.04
30-May	101.74	116.41	114.80	102.35	86.39	116.00	78.68
31-May	101.88	116.88	115.13	102.68	86.11	116.40	78.02
<b>May-07</b>	<b>100.09</b>	<b>115.01</b>	<b>113.24</b>	<b>101.49</b>	<b>83.91</b>	<b>111.28</b>	<b>76.26</b>
<b>annual averages</b>							
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
<b>% variation between May-07 and Apr-07</b>	0.80	-0.95	-1.18	-0.71	5.45	-0.90	5.87
<b>% variation between May-07 and May-06</b>	11.21	2.86	3.55	2.22	39.66	4.46	43.75
<b>% variation between May-07 and 2006 average</b>	4.54	-1.53	-1.01	-2.34	24.21	-0.91	27.58

\*Averages of 2<sup>nd</sup> and 3<sup>rd</sup> positions

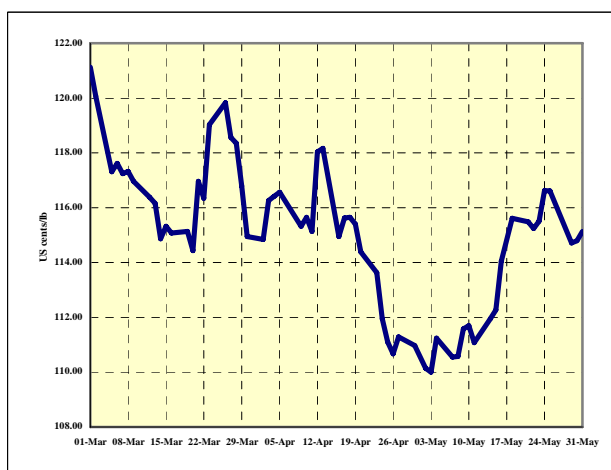
**Graph 2: Daily indicator prices for Colombian Milds 1 March – 31 May 2007**



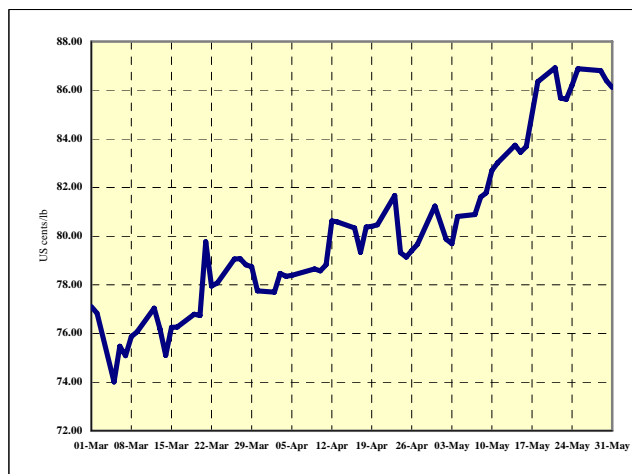
**Graph 4: Daily indicator prices for Brazilian Naturals 1 March – 31 May 2007**



**Graph 3: Daily indicator prices for Other Milds 1 March – 31 May 2007**



**Graph 5: Daily indicator prices for Robustas 1 March – 31 May 2007**



### Market fundamentals

Market fundamentals continue to be favourable to a firm market. Total production for crop year 2006/07 is confirmed at a level of 121.5 million bags (Table 2). Crop year 2007/08 has just begun in Brazil and the Brazilian authorities have announced a production level of around 32 million bags, representing a fall of about 25% in relation to production in crop year 2006/07. The Brazilian Government has undertaken to guarantee a reference price of 300 *reais* (around US\$154) per 60-kg bag for sales of 5 million bags of coffee. In other words, if the sale price is below 300 *reais*, the Government

will pay the difference to the producer in order to ensure that he receives the reference price. Colombia, where total production in crop year 2007/08 may increase slightly, has also undertaken to pay producers a compensation of 10,000 *pesos*<sup>1</sup> (US\$5.20) for each lot of 125 kg of coffee sold for less than 386,000 *pesos* (US\$200.60) and a further compensation of 10,000 *pesos* if the lot is sold for less than 376,000 *pesos* (US\$195.40). Vietnamese production in crop year 2007/08 will not be above the level reached in crop year 2006/07 though problems relating to poor quality may affect exports.

<sup>1</sup> 1 US dollar = 1.95 *reais*.  
1 US dollar = 1,928 *pesos*.

**Table 2: Production in selected exporting countries**

Crop year commencing	2003	2004	2005	2006	% change 2005-2006
<b>TOTAL</b>	<b>103 675</b>	<b>115 826</b>	<b>110 021</b>	<b>121 540</b>	<b>10.47</b>
<i>Africa</i>	<i>13 858</i>	<i>14 758</i>	<i>13 411</i>	<i>14 770</i>	<i>10.13</i>
Cameroon	900	727	849	750	-11.62
Cote d'Ivoire	2 689	2 328	2 369	2 482	4.75
Ethiopia	3 874	5 000	4 500	5 000	11.12
Kenya	673	756	685	850	24.02
Tanzania	612	763	721	833	15.59
Uganda	2 599	2 593	2 159	2 350	8.86
Others	2 511	2 591	2 128	2 505	17.71
<i>Arabicas</i>	<i>6 468</i>	<i>8 166</i>	<i>6 867</i>	<i>7 993</i>	<i>16.39</i>
<i>Robustas</i>	<i>7 390</i>	<i>6 592</i>	<i>6 543</i>	<i>6 777</i>	<i>3.57</i>
<b>Asia &amp; Oceania</b>	<b>28 761</b>	<b>28 813</b>	<b>29 708</b>	<b>30 193</b>	<b>1.63</b>
India	4 508	4 672	4 617	4 750	2.87
Indonesia	6 571	7 536	8 659	7 080	-18.23
Papua New Guinea	1 155	998	1 268	1 125	-11.29
Thailand	827	884	999	975	-2.44
Vietnam	15 231	14 174	13 499	15 500	14.82
Others	470	549	666	763	14.61
<i>Arabicas</i>	<i>3 618</i>	<i>3 573</i>	<i>3 751</i>	<i>3 490</i>	<i>-6.96</i>
<i>Robustas</i>	<i>25 143</i>	<i>25 240</i>	<i>25 957</i>	<i>26 703</i>	<i>2.87</i>
<b>Mexico &amp; Central America</b>	<b>16 768</b>	<b>15 814</b>	<b>17 131</b>	<b>16 172</b>	<b>-5.60</b>
Costa Rica	1 783	1 887	1 778	1 792	0.81
El Salvador	1 477	1 437	1 502	1 242	-17.31
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	1 254	1 146	-8.63
<i>Arabicas</i>	<i>16 753</i>	<i>15 799</i>	<i>17 000</i>	<i>16 039</i>	<i>-5.65</i>
<i>Robustas</i>	<i>15</i>	<i>15</i>	<i>132</i>	<i>133</i>	<i>1.19</i>
<b>South America</b>	<b>44 289</b>	<b>56 441</b>	<b>49 771</b>	<b>60 405</b>	<b>21.37</b>
Brazil	28 787	39 272	32 944	42 512	29.04
Colombia	11 197	12 033	12 329	12 200	-1.04
Ecuador	766	938	1 138	1 173	3.08
Others	3 539	4 199	3 360	4 520	34.51
<i>Arabicas</i>	<i>35 423</i>	<i>48 698</i>	<i>40 103</i>	<i>50 595</i>	<i>26.16</i>
<i>Robustas</i>	<i>8 866</i>	<i>7 743</i>	<i>9 668</i>	<i>9 810</i>	<i>1.47</i>
<b>TOTAL</b>	<b>103 675</b>	<b>115 826</b>	<b>110 021</b>	<b>121 540</b>	<b>10.47</b>
Colombian Milds	12 250	13 345	13 461	13 566	0.79
Other Milds	25 133	25 210	25 260	26 060	3.17
Brazilian Naturals	24 878	37 681	29 000	38 490	32.72
Robustas	41 415	39 590	42 300	43 423	2.65
<b>Arabicas</b>	<b>62 261</b>	<b>76 236</b>	<b>67 721</b>	<b>78 116</b>	<b>15.35</b>
<b>Robustas</b>	<b>41 415</b>	<b>39 590</b>	<b>42 300</b>	<b>43 423</b>	<b>2.65</b>
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	
Colombian Milds	11.82	11.52	12.23	11.16	
Other Milds	24.24	21.77	22.96	21.44	
Brazilian Naturals	24.00	32.53	26.36	31.67	
Robustas	39.95	34.18	38.45	35.73	
<b>Arabicas</b>	<b>60.05</b>	<b>65.82</b>	<b>61.55</b>	<b>64.27</b>	
<b>Robustas</b>	<b>39.95</b>	<b>34.18</b>	<b>38.45</b>	<b>35.73</b>	

In thousand bags

Furthermore, it may be noted that a violent tropical storm (denominated "Barbara") has recently hit the coffee-producing areas of Mexico and Guatemala. At present, there is no indication of the impact this may have had on coffee production in the areas affected. In previous years, however, storms have been responsible for causing some damage to infrastructures.

I have at present no information that would lead me to change my estimate of 112 million bags for world production in crop year 2007/08. However, I have recently received new information on Brazilian stocks, which will be analyzed in the next issue of this report.

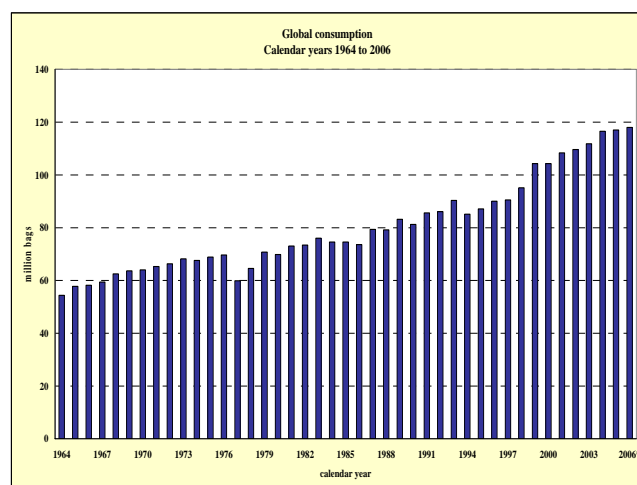
**Exports** during April 2007 totalled 8.32 million bags, bringing cumulative exports for the first seven months of coffee year 2006/07 (October 2006 – April 2007) to 56.94 million bags. Robusta exports increased substantially during this period totalling 20.82 million bags compared to 15.94 million bags for the same period in coffee year 2005/06, which represents an increase of 30.62%. Arabica exports increased by only 12.84%, up from 32.01 million bags for the first seven months of coffee year 2005/06 to 36.12 million bags in 2006/07 (Table 3).

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

	2005/06	2006/07	% variation
<b>TOTAL</b>	<b>47.95</b>	<b>56.94</b>	<b>18.75</b>
Colombian Milds	6.88	7.23	5.03
Other Milds	10.38	11.44	10.16
Brazilian Naturals	14.75	17.46	18.38
Robustas	15.94	20.82	30.62
Arabicas	32.01	36.12	12.84
Robustas	15.94	20.82	30.62

In million bags

**World consumption** for 2007 is estimated at 119 to 120 million bags. The estimated figure for 2006 was around 118 million bags, of which 31 million bags was accounted for by domestic consumption in exporting countries and 87 million by consumption in importing countries (Table 4). Graph 6 shows changes in world consumption since 1964.

**Graph 6: World consumption since 1964**

Tables 5 and 6 show per capita consumption in selected exporting and importing countries. Table 7 shows retail prices in selected importing countries for each September since 2004.

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

	2002	2003	2004	2005	2006 1/
<b>WORLD TOTAL</b>	<b>109 677</b>	<b>111 792</b>	<b>116 420</b>	<b>116 058</b>	<b>117 950</b>
<b>Producing countries</b>	<b>27 706</b>	<b>28 256</b>	<b>29 105</b>	<b>30 304</b>	<b>31 109</b>
Brazil					
Indonesia	13 900	14 150	14 725	15 688	16 363
Ethiopia	1 875	1 958	2 000	2 000	2 000
Mexico	1 833	1 833	1 833	1 833	1 833
Colombia	1 500	1 500	1 500	1 500	1 500
India	1 400	1 400	1 400	1 400	1 400
Philippines	1 084	1 142	1 188	1 272	1 337
Venezuela	825	873	917	917	917
Others	690	693	700	703	723
<b>Importing countries</b>	<b>81 971</b>	<b>83 536</b>	<b>87 314</b>	<b>85 754</b>	<b>86 840</b>
<b>European Community</b>	<b>37 433</b>	<b>38 611</b>	<b>39 322</b>	<b>37 226</b>	<b>38 971</b>
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	5 466
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	2 230
Poland	1 952	2 096	2 180	2 178	1 829
Belgium	1 527	1 623	1 334	1 211	1 598
Sweden	1 235	1 181	1 242	1 162	1 306
Finland	975	971	1 041	1 112	1 053
Others	6 015	5 642	6 096	5 775	5 616
USA	18 871	20 072	20 778	20 759	20 299
Japan	6 875	6 770	7 117	7 224	7 268
<b>Other importing countries</b>	<b>18 793</b>	<b>18 083</b>	<b>20 097</b>	<b>20 544</b>	<b>20 302</b>
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	8 217	7 491	8 567	8 209	20 302

In thousand bags

1/ Estimated

**Table 5: Per capita consumption in selected exporting countries (Calendar years 2002 – 2005)**

	2002	2003	2004	2005
Brazil	4.66	4.68	4.80	5.05
Costa Rica	3.62	3.40	4.17	5.04
Dominican Republic	2.50	2.46	2.56	2.66
Haiti	2.50	2.46	2.43	2.39
Nicaragua	2.11	2.12	2.12	2.08
Honduras	1.78	1.74	1.77	1.92
Colombia	1.93	1.90	1.87	1.84
Venezuela	1.63	1.61	1.60	1.58
El Salvador	1.41	1.39	1.40	1.57
Madagascar	0.68	1.03	1.44	1.51
Guatemala	1.54	1.50	1.46	1.43
Ethiopia	1.53	1.49	1.45	1.42
Panama	1.31	1.29	1.26	1.24
Cuba	1.19	1.20	1.20	1.20
Cote d'Ivoire	1.10	1.08	1.06	1.05
Mexico	0.87	0.86	0.85	0.84
Ecuador	0.77	0.70	0.69	0.68
Philippines	0.63	0.65	0.67	0.66
Trinidad and Tobago	0.65	0.65	0.65	0.64
Indonesia	0.52	0.54	0.55	0.54

In kilogrammes

**Table 6: Per capita consumption in selected importing countries (Calendar years 2002 – 2005)**

	2002	2003	2004	2005
Algeria	3.54	3.30	4.00	3.45
Australia	3.00	2.66	2.63	3.27
Canada	4.41	4.04	5.21	5.56
<b>European Community</b>				
Austria	7.02	5.57	7.59	5.94
Belgium/Luxembourg	9.07	9.53	8.06	7.21
Bulgaria	2.59	3.04	3.24	3.93
Cyprus	3.85	3.98	4.66	4.97
Czech Republic	3.80	3.26	3.20	3.14
Denmark	8.98	8.06	9.41	8.80
Estonia	4.97	5.27	5.97	6.75
Finland	11.22	11.16	11.92	12.70
France	5.51	5.43	4.98	5.01
Germany	6.06	6.81	7.46	6.06
Greece	4.69	5.44	5.01	4.91
Hungary	4.18	3.61	3.32	2.33
Ireland	2.09	2.26	3.19	3.26
Italy	5.37	5.68	5.58	5.65
Latvia	3.88	4.36	4.32	4.31
Lithuania	3.67	3.28	4.09	4.39
Malta	3.94	5.07	3.83	3.52
Netherlands	6.13	6.79	5.91	5.35
Poland	3.03	3.26	3.39	3.39
Portugal	4.29	3.92	4.03	4.47
Romania	2.01	2.07	2.24	2.34
Slovakia	3.31	3.53	3.55	4.09
Slovenia	6.12	5.55	5.94	6.08
Spain	4.15	3.98	3.88	4.27
Sweden	8.30	7.90	8.27	7.71
United Kingdom	2.24	2.22	2.41	2.41
Japan	3.23	3.18	3.34	3.38
Korea, Republic of	1.66	1.65	1.76	1.75
Norway	9.13	8.95	9.25	9.65
Russian Federation	1.36	1.41	1.20	1.27
Switzerland	6.86	7.01	5.90	9.14
Turkey	0.35	0.41	0.60	0.77
Ukraine	0.54	0.80	0.92	1.26
USA	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	
<i>European Community</i>				
Austria	348.03	387.96	419.13	8.03
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	291.24	302.51	3.87
France	266.01	275.68	304.82	10.57
Germany	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	401.81	8.87
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 1/	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/ Soluble coffee

*In conclusion, I would like to highlight the situation of Robusta coffees, which have been recording a sustained rise in prices for a number of weeks. An increase in the demand for Robustas combined with a relative shortage of this type of coffee, particularly in Vietnam, are the underlying factors determining this upward trend, exacerbated by the speculative activities of investment funds.*