

# **DEVELOPMENTS IN WORLD COFFEE** **MARKET**

**49TH ANNUAL GENERAL ASSEMBLY**  
**INTER AFRICAN COFFEE ORGANIZATION**

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# PRESENTATION OUTLINE

- **Sector Performance in the Context of Econ. Crisis**
- **Coffe Consumption**
- **Coffee Production**
- **Stocks Position**
- **Coffee Prices**
- **Coffee Exports**
- **Effect of Echange Rate**
- **Outlook**

# **GLOBAL FINANCIAL CRISIS AND THE** **COFFEE INDUSTRY**

- **Global Economy in worse crisis since World War II**
- **The International Monetary Fund (IMF) is Predicting Global Output to Decline by 2.9% this year, Trade by 10% , Private Capital Flows by 49% and GDP by 1.7%**
- **In Developing Economies, including IACO Member Countries, GDP Growth will Decline from 5.9% in 2008 to 1.2% in 2009 with Negative Impacts on Agric. Commodities.**

# CRISIS AND COFFEE CONTD

- Fortunately, Overall Coffee Consumption/Demand has been Robust and Growing at Between 2 and 2.5%/annum
- But There has been a shift to more in-home coffee drinking
- But Coffee Shop Owners Fighting Back With Aggressive Marketing eg:
  - Café Coffee Day of India is Investing US\$31 million to increase outlets from 800 to 1,000
  - Owners of Coffee Houses in Turkey are fighting a law that bans smoking in coffee houses, because it is Affecting Sales
  - Krispy Kreme of Canada is to invest US\$3.5 million in the Turkish market
  - Coffee Nation of UK is seeking to promote discount coffee through cash machine advertising for 99 pence/cup instead of the actual price of £1.60/cup.

# GLOBAL COFFEE CONSUMPTION

	2004	2005	2006	2007	2008
	( in 1000 Bags)				
<b>World Total</b>	118,478	119,004	122,592	127,128	130,007
<b>% Change</b>		0.44	3.0	4.0	2.3
<b>Producing Countries</b>	29,524	30,915	32,506	34,517	36,170
<b>% Change</b>		5.0	5.0	6.2	5.0
Brazil	14,760	15,390	16,133	16,927	17,931*
Indonesia	1,958	2,375	2,750	3,208	3,333*
Mexico	1,500	1,556	1,794	2,050	2,200*
Ethiopia	1,833	1,833	1,833	1,833	1,833
India	1,188	1,272	1,337	1,360	1,430*
Philippines	917	917	917	989	1,070*
Colombia	1,400	1,400	1,400	1,400	1,400
Vietnam	500	500	604	938	1,021*
Venezuela	700	703	723	760	760
Others	4,768	4,969	5,015	5,052	5,192

\* Countries Experiencing Steady Growth in Consumption

# CONSUMPTION CONTD

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<i>Importing Countries</i>	88,954	88,089	90,086	92,611	93,837
<i>% Change</i>		-1.0	2.3	3.0	1.3
<i>European Community</i>	41,192	39,276	40,953	40,544	39,860
<i>% Change</i>		-5.0	4.0	-1.0	-2.0
Germany	10,445	8,665	9,151	8,627	9,554
Italy	5,469	5,552	5,593	5,821	5,937*
France	4,929	4,787	5,278	5,628	5,148
Spain	2,705	3,007	3,017	3,198	3,485*
United Kingdom	2,458	2,680	3,059	2,824	3,067*
Netherlands	1,978	1,927	2,129	2,292	1,324
Sweden	1,234	1,170	1,315	1,244	1,272
Poland	2,281	2,267	1,953	1,531	1,190
Finland	1,034	1,102	1,047	1,057	1,115*
Greece	871	870	857	1,015	978
Others	7,788	7,249	7,554	7,307	6,790
USA	20,973	20,998	20,667	21,033	21,655*
Japan	7,117	7,128	7,268	7,282	7,065

*\* Countries Experiencing Increasing Consumption*

# CONSUMPTION CONTD

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<i>Other Importing Countries</i>	19,672	20,687	21,168	23,752	25,257
<i>% Change</i>		5.0	2.3	12.2	6.3
Russian Federation	3,086	3,212	3,263	4,055	3,716*
Canada	2,747	2,794	3,098	3,245	3,214*
Algeria	2,159	1,892	1,836	1,968	2,118*
Ukraine	739	1,025	968	1,057	1,733*
Korea, Republic of	1,401	1,394	1,437	1,425	1,665*
Australia	864	1,039	992	1,031	1,145*
Others	8,676	9,331	9,574	10,971	11,666

Source: ICO

*\* Emerging Countries Experiencing Growth in Consumption*

# CONSUMPTION CONTD

In Summary, Consumption is Growing Due to Increasing Consumption:

- *In Producing Countries,*
- *In Some Importing Countries, and*
- *In Emerging Markets – Becoming More Important*
  - **Consumption increased 27% (1997-2007)**
  - **Now Consuming 18% of world consumption**
  - ❖ *But Consumption Falling/Stagnant in Traditional Markets*

# COFFEE PRODUCTION

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>
	( 000 Bags)				
<b>World Total</b>	<b>115,929</b>	<b>110,418</b>	<b>128,585</b>	<b>118,257</b>	<b>128,847</b>
<b>% Change</b>		<b>-5.0</b>	<b>17</b>	<b>-8.0</b>	<b>9.0</b>
<b>% of World Total</b>	<b>12.6</b>	<b>11.8</b>	<b>12.2</b>	<b>12.5</b>	<b>12.0</b>
<b>IACO Members</b>	<b>14,636</b>	<b>13,026</b>	<b>15,669</b>	<b>14,810</b>	<b>15,424</b>
<b>Angola</b>	<b>15</b>	<b>25</b>	<b>35</b>	<b>36</b>	<b>100</b>
<b>Benin</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Burundi</b>	<b>637</b>	<b>286</b>	<b>499</b>	<b>133</b>	<b>402</b>
<b>Cameroun</b>	<b>727</b>	<b>849</b>	<b>836</b>	<b>795</b>	<b>833</b>
<b>Central African Republic</b>	<b>45</b>	<b>39</b>	<b>87</b>	<b>51</b>	<b>60</b>
<b>Congo, DR</b>	<b>360</b>	<b>336</b>	<b>418</b>	<b>416</b>	<b>400</b>
<b>Congo, Republic of</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Equatorial Guinea</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ethiopia</b>	<b>4,568</b>	<b>4,003</b>	<b>4,636</b>	<b>4,906</b>	<b>4,350</b>
<b>Gabon</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Ghana</b>	<b>16</b>	<b>20</b>	<b>29</b>	<b>30</b>	<b>25</b>

# **PRODUCTION CONTD**

	<b><u>2004/05</u></b>	<b><u>2005/06</u></b>	<b><u>2006/07</u></b>	<b><u>2007/08</u></b>	<b><u>2008/09</u></b>
<b>Guinea</b>	<b>316</b>	<b>525</b>	<b>473</b>	<b>415</b>	<b>300</b>
<b>Ivory Coast</b>	<b>2,301</b>	<b>1,962</b>	<b>2,847</b>	<b>2,150</b>	<b>2,500</b>
<b>Kenya</b>	<b>736</b>	<b>660</b>	<b>826</b>	<b>652</b>	<b>883</b>
<b>Liberia</b>	<b>6</b>	<b>5</b>	<b>7</b>	<b>7</b>	<b>62</b>
<b>Madagascar</b>	<b>522</b>	<b>599</b>	<b>607</b>	<b>615</b>	<b>600</b>
<b>Malawi</b>	<b>21</b>	<b>24</b>	<b>17</b>	<b>19</b>	<b>25</b>
<b>Nigeria</b>	<b>45</b>	<b>69</b>	<b>51</b>	<b>42</b>	<b>40</b>
<b>Rwanda</b>	<b>450</b>	<b>288</b>	<b>447</b>	<b>215</b>	<b>362</b>
<b>Sierra Leone</b>	<b>15</b>	<b>60</b>	<b>51</b>	<b>42</b>	<b>20</b>
<b>Tanzania</b>	<b>763</b>	<b>804</b>	<b>822</b>	<b>810</b>	<b>1,117</b>
<b>Togo</b>	<b>166</b>	<b>140</b>	<b>159</b>	<b>131</b>	<b>142</b>
<b>Uganda</b>	<b>2,694</b>	<b>2,159</b>	<b>2,700</b>	<b>3,250</b>	<b>3,100</b>
<b>Zambia</b>	<b>110</b>	<b>103</b>	<b>66</b>	<b>61</b>	<b>70</b>
<b>Zimbabwe</b>	<b>120</b>	<b>66</b>	<b>52</b>	<b>31</b>	<b>30</b>

# PRODUCTION CONTD

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>
<b>% of World Total</b>	<b>25.1</b>	<b>27.4</b>	<b>26.8</b>	<b>26.5</b>	<b>27.2</b>
<b><i>Asia&amp;Oceania</i></b>	<b>29,089</b>	<b>30,215</b>	<b>34,451</b>	<b>31,340</b>	<b>35,057</b>
India	4,592	4,396	5,079	4,390	4,372
Indonesia	7,536	9,159	7,483	7,777	9,350
Papua New Guinea	998	1,268	807	968	1,028
Thailand	884	999	766	653	825
Vietnam	14,174	13,542	19,340	16,467	18,500
Others	905	851	976	1,085	982
<b>% of World Total</b>	<b>13.4</b>	<b>15.5</b>	<b>13.2</b>	<b>15.5</b>	<b>13.4</b>
<b><i>Mexico/Central America</i></b>	<b>15,491</b>	<b>17,119</b>	<b>16,936</b>	<b>18,294</b>	<b>17,309</b>
Costa Rica	1,887	1,778	1,580	1,791	1,580
El Salvador	1,437	1,502	1,371	1,621	1,420
Guatemala	3,703	3,676	3,950	4,100	3,730
Honduras	2,575	3,204	3,461	3,842	2,978
Mexico	3,867	4,225	4,200	4,150	4,650
Nicaragua	1,130	1,718	1,300	1,700	1,600
Others	892	1,016	1,074	1,090	1,351

# PRODUCTION CONTD

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>
<b>% of World Total</b>	<b>48.9</b>	<b>45.3</b>	<b>47.9</b>	<b>45.5</b>	<b>47.4</b>
<i>South America</i>	<i>56,713</i>	<i>50,058</i>	<i>61,529</i>	<i>53,813</i>	<i>61,057</i>
Brazil	39,272	32,944	42,512	36,070	45,992
Colombia	12,033	12,564	12,541	12,504	9,500
Ecuador	938	1,120	1,167	1,110	691
Peru	3,455	2,489	4,319	3,063	3,872
Others	1,015	941	990	1,066	1,002

- **61.6% Production is Arabica**
- **38.4% Production is Robusta**

# PRODUCTION CONTD

- *Production Generally Cyclical in the Last 5 Years*
- *Increasing from Almost 116 million Bags in 2004/05 to About 129 million Bags in 2008/09*
- *But Between the 2 Periods, Experienced Declines in 2005/06 and 2007/08 Coffee Years*

# STOCKS

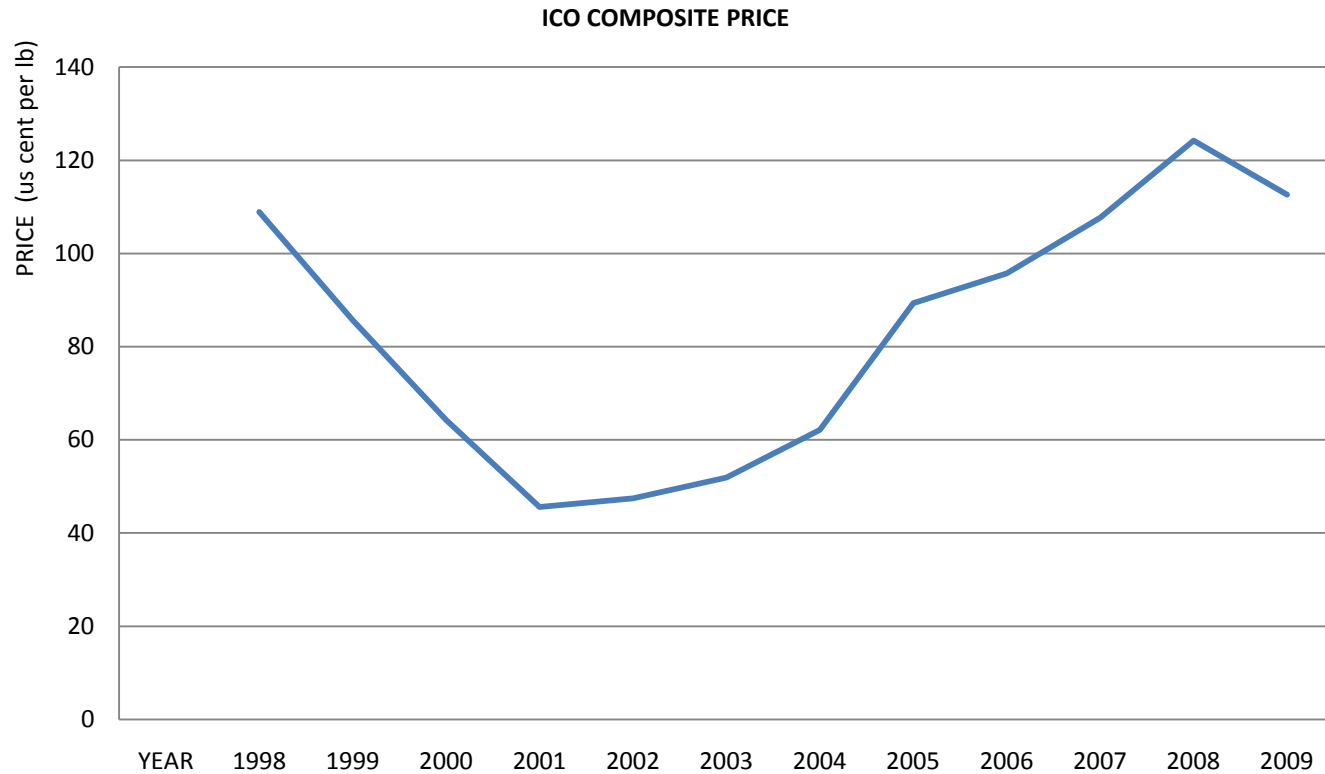
- **Inventories as at end June, 2009, estimated at 25.9 million bags**
- **17% Over Same Period 2008, but this**
- **Stock Less Than 2.5 months of 2008 Consumption of Over 130 million bags.**

# STOCKS CONTD

- **In 1994, Ending Stocks was 9 Months of Consumption, But More Than Doubled Prices, so Stock Increase no Guarantee**
- **Brazil Already Forecasting Lower Arabica Output for 2009/10 Coffee Year due to Biennial Cycle**

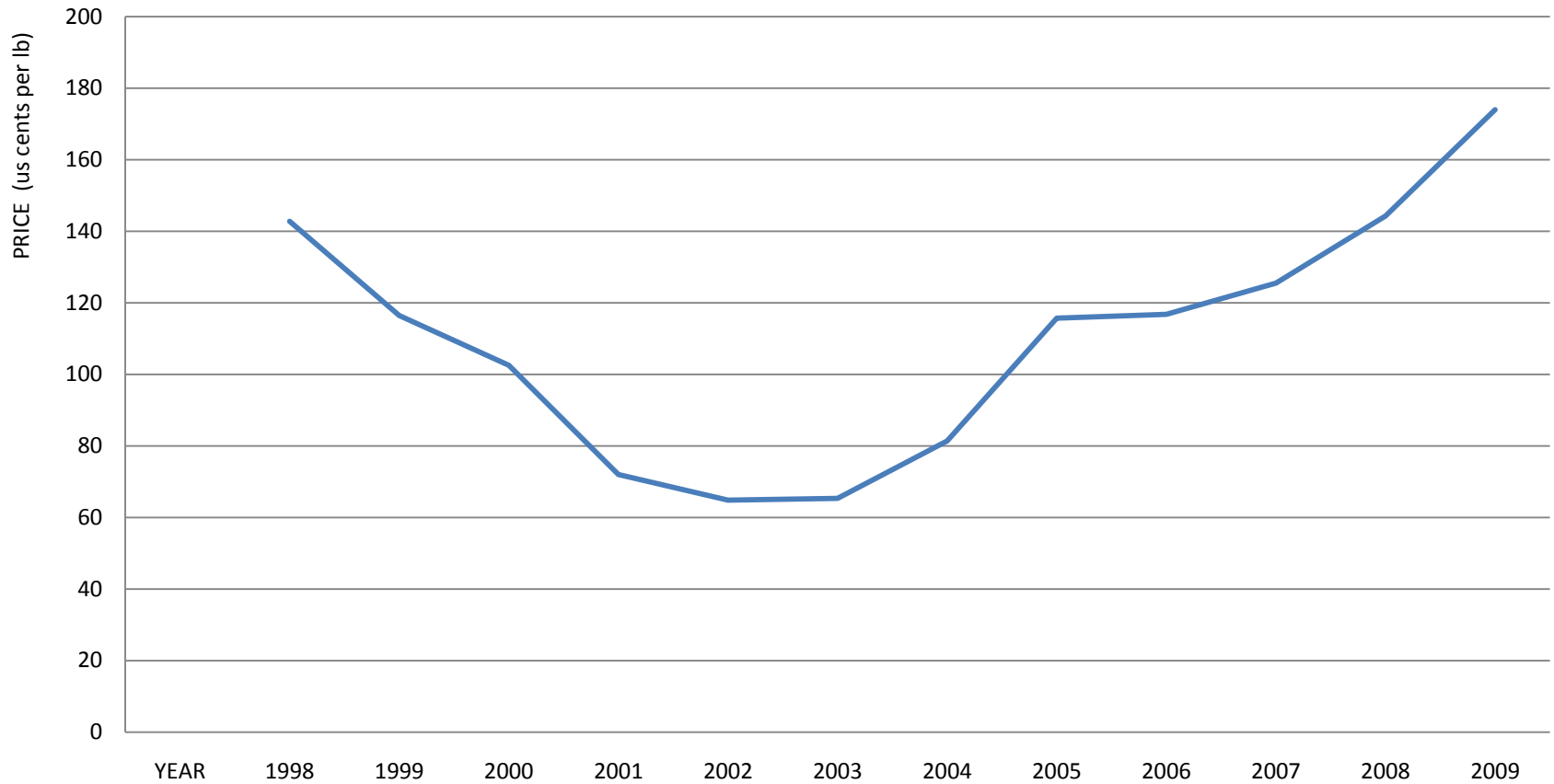
*Therefore Stock Levels Could Destabilize the Supply/Demand Equation in Favor of Prices.*

# WORLD COFFEE PRICES



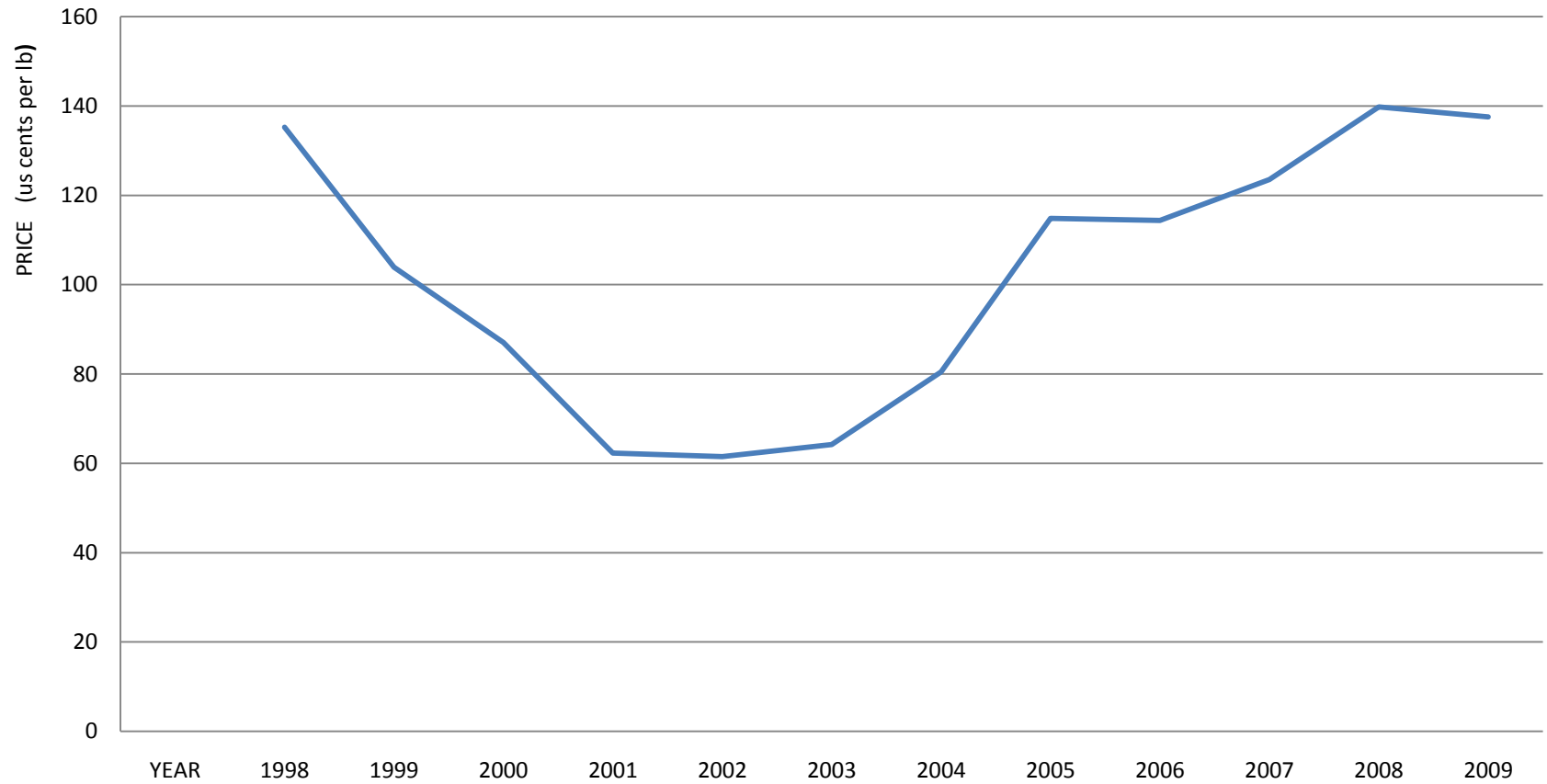
# PRICES CONTD

COLOMBIAN MILD ARABICAS



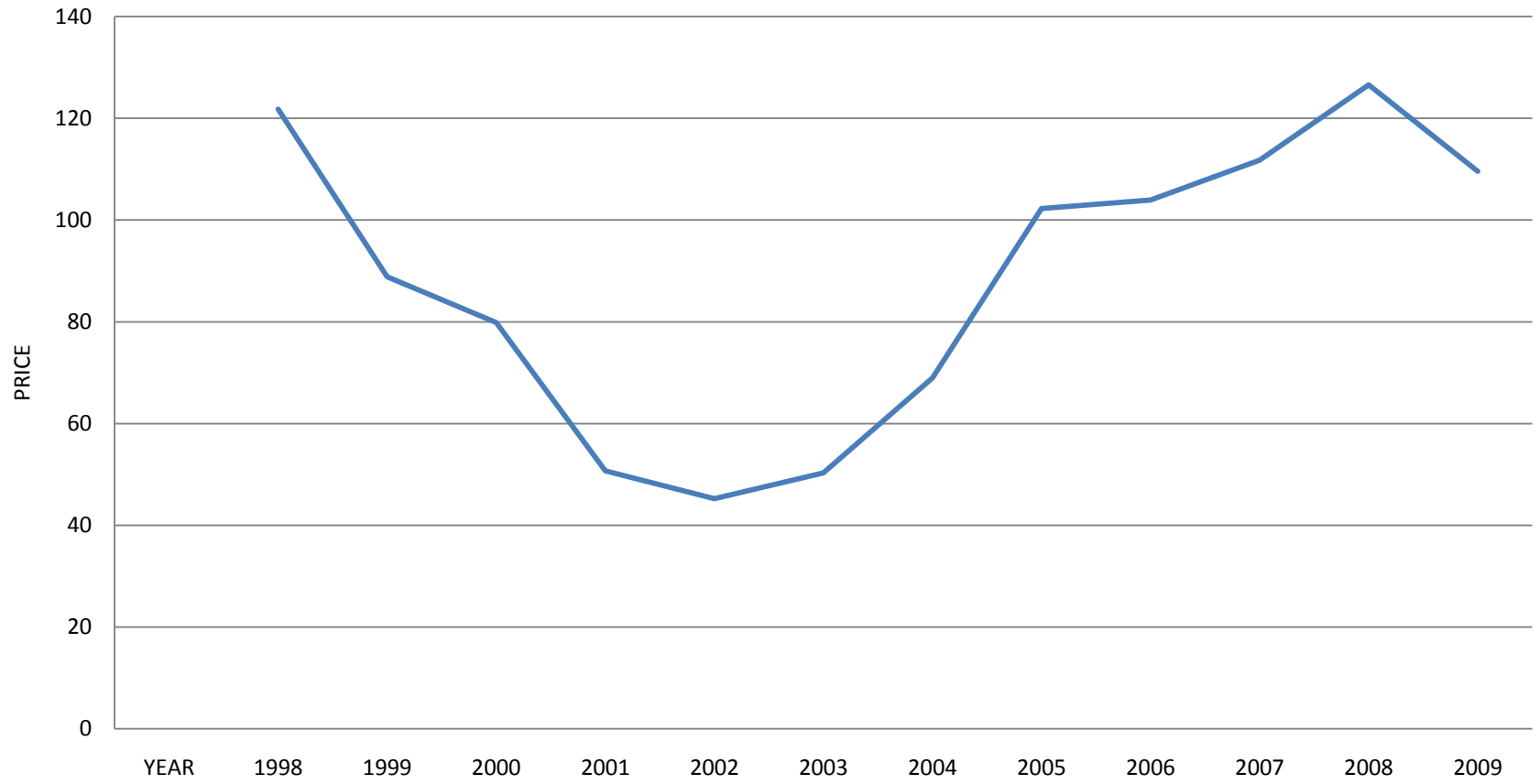
# PRICES CONTD

OTHER MILD ARABICAS

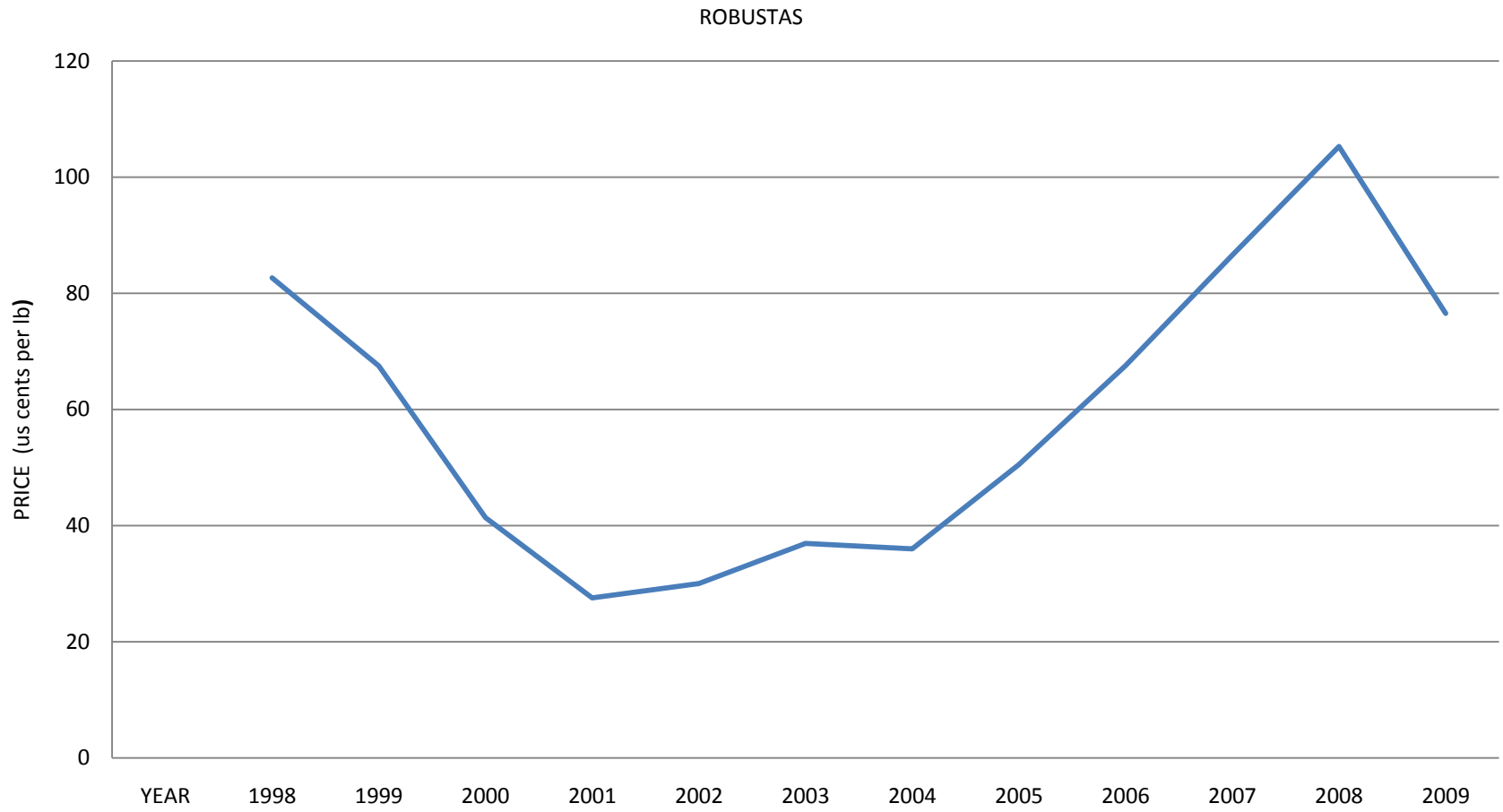


# PRICES CONTD

BRAZILIAN NATURAL ARABICAS



# PRICES CONTD



# PRICES CONTD

- **Prices of Colombian Milds Increasing at Unprecedented Levels Due to Supply Deficit**
- **Short Supply Also Due to Re-planting Program of the Colombian Government**
- **But Robusta Prices Faring Poorly.**

# PRICES CONTD

## Year Average:

Origin	2006/07	2007/08	2008/09	% Change(07-09)
		( in US Cents/lb)		
ICO Composite	104.24	126.67	111.80	-11.7
Colombian Milds	122.08	145.79	164.41	12.8
Other Milds	120.08	142.98	135.47	- 5.3
Brazilian Naturals	108.35	130.44	110.16	-15.5
Robusta	82.73	106.36	78.68	-26.0

**Overall Effect - Price Fall in 2008/09 Coffee Year**

# EXPORTS

	2004	2005	2006	2007	2008
			( 000 Bags )		
<b>World Total</b>	<b>91,074</b>	<b>87,609</b>	<b>92,280</b>	<b>96,573</b>	<b>97,488</b>
<b>% Change</b>		<b>-4.0</b>	<b>5.3</b>	<b>5.0</b>	<b>1.0</b>
<b>% of World Total</b>	<b>12.8</b>	<b>11.8</b>	<b>12.4</b>	<b>12.5</b>	<b>11.6</b>
<b>IACO Members</b>	<b>11,684</b>	<b>10,312</b>	<b>11,469</b>	<b>12,025</b>	<b>11,273</b>
Angola	6	5	5	4	6
Benin	0	0	0	0	0
Burundi	339	371	281	356	251
Cameroun	735	705	740	717	528
Central African Republic	64	47	17	105	11
Congo, DR	233	158	138	200	199
Congo, Republic of	0	0	0	0	0
Equatorial Guinea	0	0	0	0	0
Ethiopia	2,491	2,435	2,936	2,604	2,852
Gabon	0	0	1	1	1
Ghana	16	16	16	33	34

# EXPORTS CONTD

<b>Guinea</b>	<b>296</b>	<b>279</b>	<b>519</b>	<b>436</b>	<b>335</b>
<b>Ivory Coast</b>	<b>2,573</b>	<b>1,819</b>	<b>2,402</b>	<b>2,582</b>	<b>1,585</b>
<b>Kenya</b>	<b>754</b>	<b>673</b>	<b>597</b>	<b>817</b>	<b>608</b>
<b>Liberia</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>
<b>Madagascar</b>	<b>127</b>	<b>96</b>	<b>179</b>	<b>99</b>	<b>196</b>
<b>Malawi</b>	<b>26</b>	<b>21</b>	<b>17</b>	<b>19</b>	<b>24</b>
<b>Nigeria</b>	<b>6</b>	<b>8</b>	<b>28</b>	<b>9</b>	<b>2</b>
<b>Rwanda</b>	<b>450</b>	<b>236</b>	<b>386</b>	<b>249</b>	<b>283</b>
<b>Sierra Leone</b>	<b>23</b>	<b>20</b>	<b>51</b>	<b>51</b>	<b>28</b>
<b>Tanzania</b>	<b>553</b>	<b>712</b>	<b>732</b>	<b>807</b>	<b>818</b>
<b>Togo</b>	<b>148</b>	<b>164</b>	<b>118</b>	<b>155</b>	<b>121</b>
<b>Uganda</b>	<b>2,627</b>	<b>2,369</b>	<b>2,173</b>	<b>2,693</b>	<b>3,310</b>
<b>Zambia</b>	<b>104</b>	<b>106</b>	<b>78</b>	<b>54</b>	<b>59</b>
<b>Zimbabwe</b>	<b>113</b>	<b>71</b>	<b>54</b>	<b>32</b>	<b>20</b>

# EXPORTS CONTD

<b>% of World Total</b>	<b>31.6</b>	<b>28.5</b>	<b>25.3</b>	<b>28.0</b>	<b>27.2</b>
<i>Asia/Oceania</i>	<i>25,787</i>	<i>24,934</i>	<i>24,279</i>	<i>27,022</i>	<i>26,564</i>
India	3,647	2,831	3,578	3,260	3,144
Indonesia	5,455	6,744	5,280	4,199	5,740
Papua New Guinea	1,048	1,200	849	909	1,094
Thailand	420	375	445	343	175
Vietnam	14,859	13,432	13,901	17,936	16,101
Others	358	352	226	555	310

<b>% of World Total</b>	<b>14.1</b>	<b>13.6</b>	<b>14.4</b>	<b>14.7</b>	<b>14.7</b>
<i>Mexico/Central America</i>	<i>12,863</i>	<i>11,918</i>	<i>13,280</i>	<i>14,161</i>	<i>14,342</i>
Costa Rica	1,424	1,480	1,310	1,364	1,438
El Salvador	1,328	1,280	1,293	1,210	1,438
Guatemala	3,309	3,466	3,313	3,736	3,777
Honduras	2,779	2,392	2,898	3,312	3,256
Mexico	2,362	1,986	2,570	2,912	2,447
Nicaragua	1,311	1,003	1,445	1,259	1,625
Others	350	311	451	368	361

# EXPORTS CONTD

<b>% of World Total</b>	<b>44.7</b>	<b>46.2</b>	<b>46.9</b>	<b>45.0</b>	<b>46.5</b>
<i>South America</i>	<i>40,740</i>	<i>40,447</i>	<i>43,252</i>	<i>43,433</i>	<i>45,309</i>
<b>Brazil</b>	<b>26,478</b>	<b>26,191</b>	<b>27,355</b>	<b>28,180</b>	<b>29,496</b>
<b>Colombia</b>	<b>10,194</b>	<b>10,871</b>	<b>10,936</b>	<b>11,300</b>	<b>11,085</b>
<b>Ecuador</b>	<b>704</b>	<b>994</b>	<b>1,015</b>	<b>990</b>	<b>868</b>
<b>Peru</b>	<b>3,184</b>	<b>2,369</b>	<b>3,881</b>	<b>2,879</b>	<b>3,733</b>
<b>Others</b>	<b>180</b>	<b>22</b>	<b>65</b>	<b>84</b>	<b>127</b>

# GLOBAL EXPORT VALUES

Year	Export Volume (Billions US\$)	Export Values (Billion US\$)	IACO Share of Values (Billion US\$)
2005	87.61	9.29	1.10 (11.8%)
		>17%	>23%
2006	92.28	10.85	1.35 (12.4%)
		>18%	>19%
2007	96.57	12.84	1.61 (12.5%)
		>19%	>10%
2008	97.50	15.22	1.77 (11.6%)

Source: ICO and Internal Calculations

Africa's Share Increasing at a Decreasing Rate

# **THE DOLLAR EXCHANGE RATE**

- **Global Financial Crisis Put Pressure on US\$ Exchange Rate Resulting in Continuing Decline**
- **Negative Impact on Member Countries With Exchange Rate Linked to the US\$.**
- **Prices and Revenues in Local Currency Declined**

# OUTLOOK

- *On the Supply Side*, Fertilizer and Other Input Prices Declined for Sometime; Unfortunately, Crude Oil Prices are Rising Steadily Again, as Signs of Global Economic Recovery Looms
- The Recovery Could Put Pressure on Demand for Freight and its Associated Costs
- Therefore, Prices of Imported Fertilizers and Other Inputs Could Shoot up Again and Affect Application in Coffee Production

# OUTLOOK CONTD

- Labor is Still Expensive but Could Ease Out Because of the Growing Unemployment
  - Production Declines Expected from Brazil and Colombia in 2009/10 Coffee Year
  - At the Same Time Stock Levels are Low
- Net Effect Could be a Slide in Global Production*

# OUTLOOK CONTD

- *On the Demand Side,* not Affected by the Global Financial Crisis
- Coffee Demand Expected to be Rather Robust
- Consumption is Growing in Emerging Markets

*Overall Impact on Coffee Prices Could be Positive*

**THANK YOU**