State of the global coffee market

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
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Supply & Demand
World coffee production

- 159.7 million bags in crop year 2017/18
- 1.2% increase on 2016/17
- Arabicas ↓ 4.6%
- Robustas ↑ 12.1%
Demand for coffee by market

- Large potential for further growth in exporting countries and emerging markets
- Per capita rates still well below those in traditional markets
- Particularly in countries with large populations (China, India, Indonesia)
- Brazil as the model for other countries to emulate (domestic consumption)
Global demand

- Increasing by 1% in coffee year 2017/18
- Still strong demand in many countries, particularly some traditional markets
- But biggest potential is in emerging markets and exporting countries
Supply/Demand Balance

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (million 60-kg bags)</th>
<th>Consumption (million 60-kg bags)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13/14</td>
<td>152</td>
<td>144</td>
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<td>14/15</td>
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<td>16/17</td>
<td>158</td>
<td>156</td>
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<tr>
<td>17/18</td>
<td>160</td>
<td>158</td>
</tr>
</tbody>
</table>
Prices
Market trends
Development of coffee trade flows

Avg. 1992-1996

Avg. 2012-2016

60 kg bags
5 million
10 million
Domestic consumption increases

- **1992-1996**: 77% increase in domestic consumption.
- **2012-2016**: 72% increase in domestic consumption.

Bar chart showing the increase in total production and exportable production from 1992-1996 to 2012-2016 in million 60-kg bags.
Outlook
Impact of climate change on coffee production

• Global warming affects coffee production via two pathways:

  1. Changes in rainfall patterns & temperatures make regions unsuitable for production

  2. Change in climatic conditions facilitates spread of pests and diseases (e.g. Coffee Leaf Rust)

• Both Arabica and Robusta are negatively affected by climate change
Suitability of current Arabica area in 2050

Source: Bunn et al. 2015
Suitability of current Robusta area in 2050

Source: Bunn et al. 2015
Investment is required to meet rising demand for coffee
Conclusions
Conclusions

• Demand grew by more than 50% since the 1990s

• Coffee remains primary commodity with most of value-added generated in importing countries

• Market in surplus for 2\textsuperscript{nd} consecutive year

• Prices remain low affecting profitability and investment

• BUT: threat of climate change is looming and investment in adaptation is required
INTERNATIONAL COFFEE ORGANIZATION
Top-10 coffee producers

- Brazil
- Vietnam
- Colombia
- Indonesia
- Honduras
- Ethiopia
- India
- Uganda
- Peru
- Mexico

Concentration on exporting side

1992-1996
- Brazil: 23%
- Colombia: 17%
- Indonesia: 7%
- Côte d'Ivoire: 4%
- Côte d'Ivoire: 4%
- India: 3%
- Honduras: 4%
- Mexico: 5%
- Guatemala: 5%
- Other: 25%

2012-2016
- Brazil: 29%
- Vietnam: 20%
- Colombia: 9%
- Ethiopia: 3%
- Guatemala: 3%
- Uganda: 3%
- Peru: 3%
- Honduras: 4%
- India: 5%
- Indonesia: 7%
- Other: 14%
- Guatemala: 5%
- Mexico: 5%
Diversification on importing side

1992-1996
- 18 countries (43% of imports)
- 3 countries (47%)
- Other (10%)

2012-2016
- 36 countries (43% of imports)
- 4 countries (47%)
- Other (10%)

3 countries
47%
Other
10%
18 countries
43% of 
imports
4 countries
47%
Other
10%
36 countries
43% of 
imports
Arabica vs. Robusta


Graph shows the percentage of Arabica and Robusta used in million 60-kilogram bags from 1992 to 2016.
Breakdown of total exports by form (2015)

Africa
- 96.9%
- 3.2%

Rest of the world
- 91.7%
- 8.3%

- Green
- Soluble / Roasted
Growth in global demand by region (CAGR)

- Africa: +0.15%
- Asia & Oceania: +2.16%
- Mexico & Central America: +0.67%
- Europe: +0.72%
- North America: +1.90%
- South America: +1.10%

The diagram shows the growth in million 60-kilogram bags for each region from 2014 to 2017.
Growth in global demand imp/exp (CAGR)

Exporting countries: +1.28%
Importing countries: +1.26%
World shares of consumption

- **1965**
  - Emerging markets: 73%
  - Exporting countries: 25%
  - Traditional markets: 2%

- **1990**
  - Emerging markets: 72%
  - Exporting countries: 23%
  - Traditional markets: 5%

- **2015**
  - Emerging markets: 54%
  - Exporting countries: 31%
  - Traditional markets: 15%
Coffee production in China by type
Development of coffee production and exports in China

Production CAGR 17.5%

Exports CAGR 14.9%
Will positive supply trend continue?

Average annual production

Area | Yield


Million 60-kg bags

Average annual production
Consumption in China

CAGR 14.7%
Consumption in China (2004-16) vs. Japan (1964-76)
Market size in selected Asian countries

Market size China (by form)