

Coffee prices show steady rise

By Laurence Walker

GLOBAL coffee prices rose by almost 20% during the course of November in a major indication that the sector is recovering after suffering from years of poor margins according to the International Coffee Organisation (ICO).

In its latest market report, the ICO's composite indicator price rose to 75.01¢ a pound at the end of November from 60.35¢ a pound at the beginning of the month. This increase was largely the result of the rise in arabicas prices, which saw mild varieties break through the \$1 a pound barrier for the first time since July 2000.

All four coffee groups recorded a price rise in November, although robusta saw only a marginal increase of 3.28%. Prices of Brazilian

naturals rose the most, climbing by 13.56% from their October levels.

However, export revenues of several producing countries were hit by the depreciation of the dollar against their local currencies. By November, the dollar had sunk by 33% against the euro when compared with its value in January 2002.

Nestor Osorio, the ICO's executive director, said: "We are no longer in the eye of the storm. However, a beneficial impact on export earnings has been curbed, in part, by the depreciation of the dollar."

He added that this depreciation had become more marked in later months, lessening the impact of improved prices. Although prices continued to rise in the first week of December, Euronext.Liffe futures prices began to fall by the middle of the month as speculators took

some profits on their huge long positions.

Mr Osorio said: "The current rise in coffee prices is not yet sufficient to allow many exporting countries to meet their production costs, given that the bulk of their transactions are in US dollars. Nevertheless, I should point out that coffee market fundamentals favour a continuation in the trend towards higher prices, given that we can now predict that in 2005/06 demand will outstrip supply once again."

Later in December, prices rose substantially again due, in part, to the ICO's forecast of reduced production over the course of the 2005/06 season. However, since the start of 2005, commodity funds and other speculators have consolidated profits gained from the recovery, causing prices to plummet again.

in brief...

Protein coating

SOUTH African scientists are evaluating a new edible, biodegradable, plant-based protein that, when used as a coating, would extend the shelf life of fruits and nuts. It is part of a European Commission project to utilise sorghum by-products.

Kenyan cashews

KENYA'S agriculture ministry and the Usaid-supported Horticulture Development Centre plan to revive cashewnut growing in coastal regions. It hopes that by 2007, production will rise to 15,000 tonnes a year from the current average of 10,000 tonnes.

Sugar deadlines

INDONESIA'S trade ministry has extended the deadlines for the first and second white sugar cargo arrivals of 2005 to