



Relations between coffee world market price and retail price in Belgium

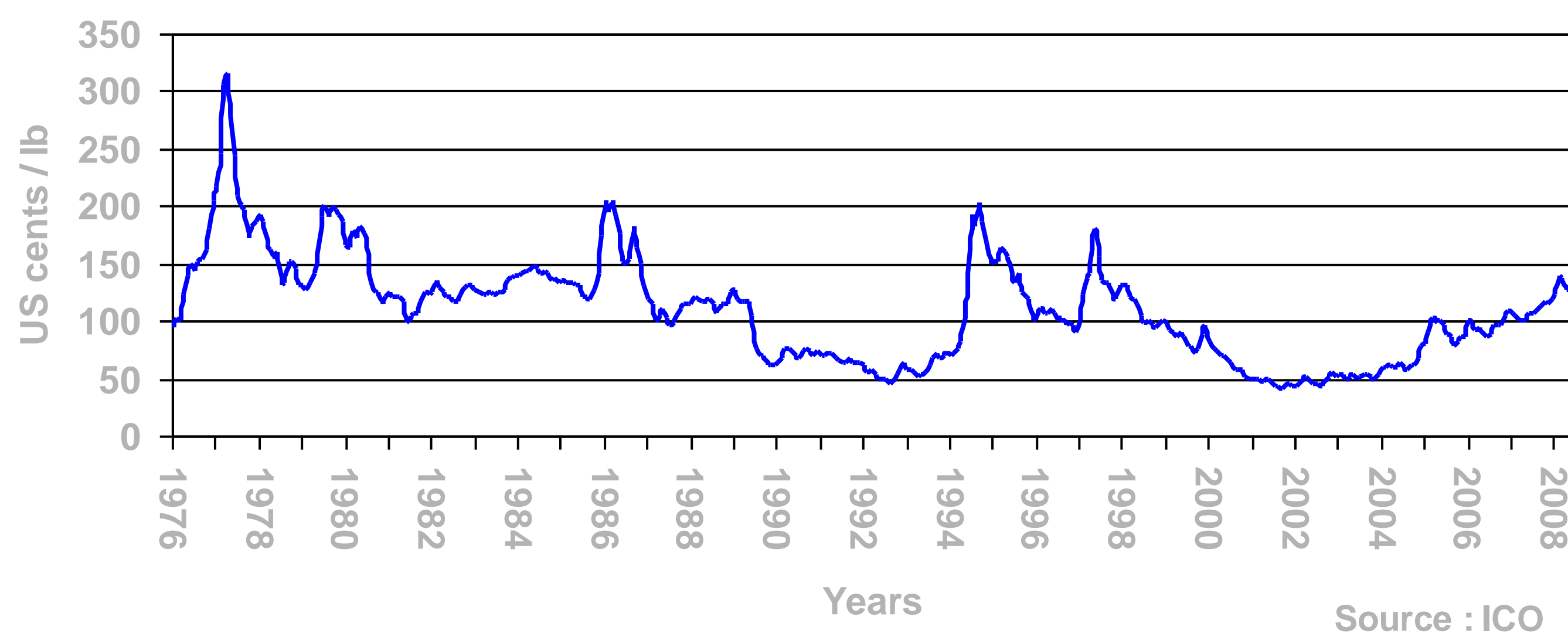


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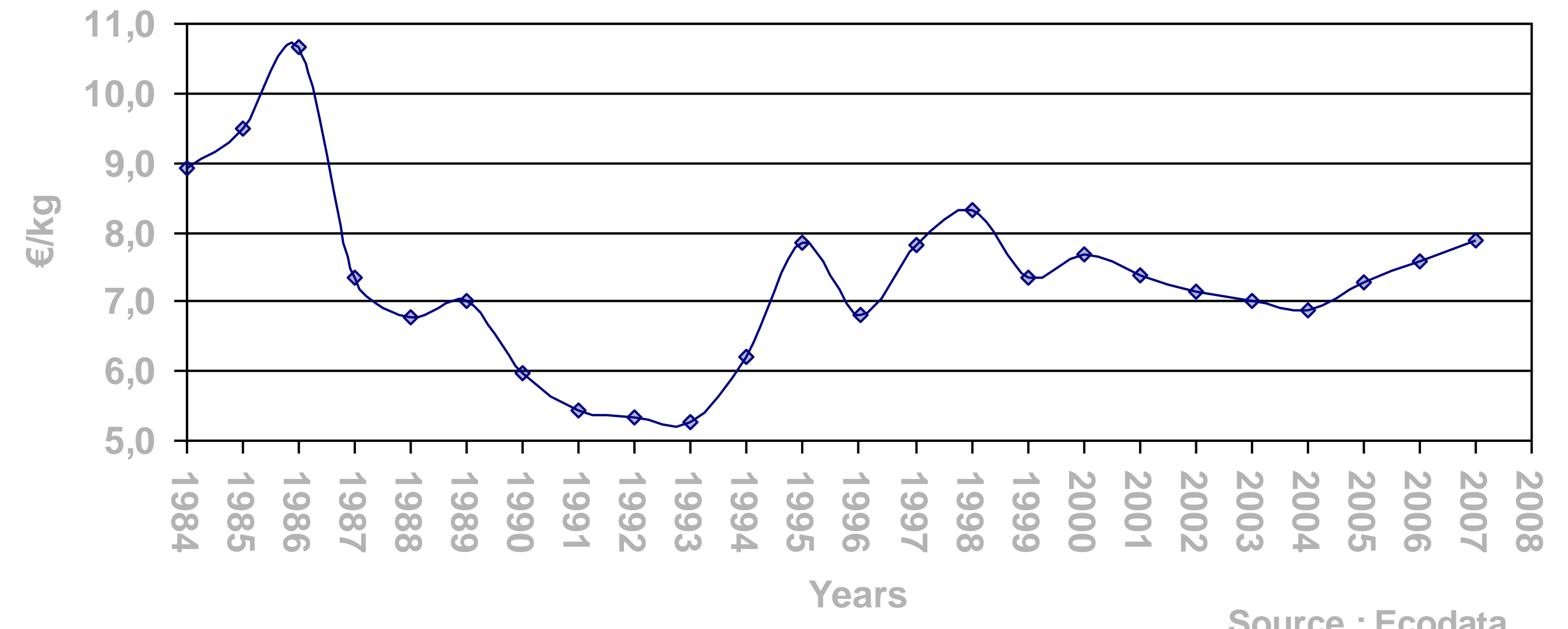
Gembloux Agricultural University, Economics and Rural Development Unit, Belgium

Coffee price cycles

Monthly ICO Composite Indicator Price



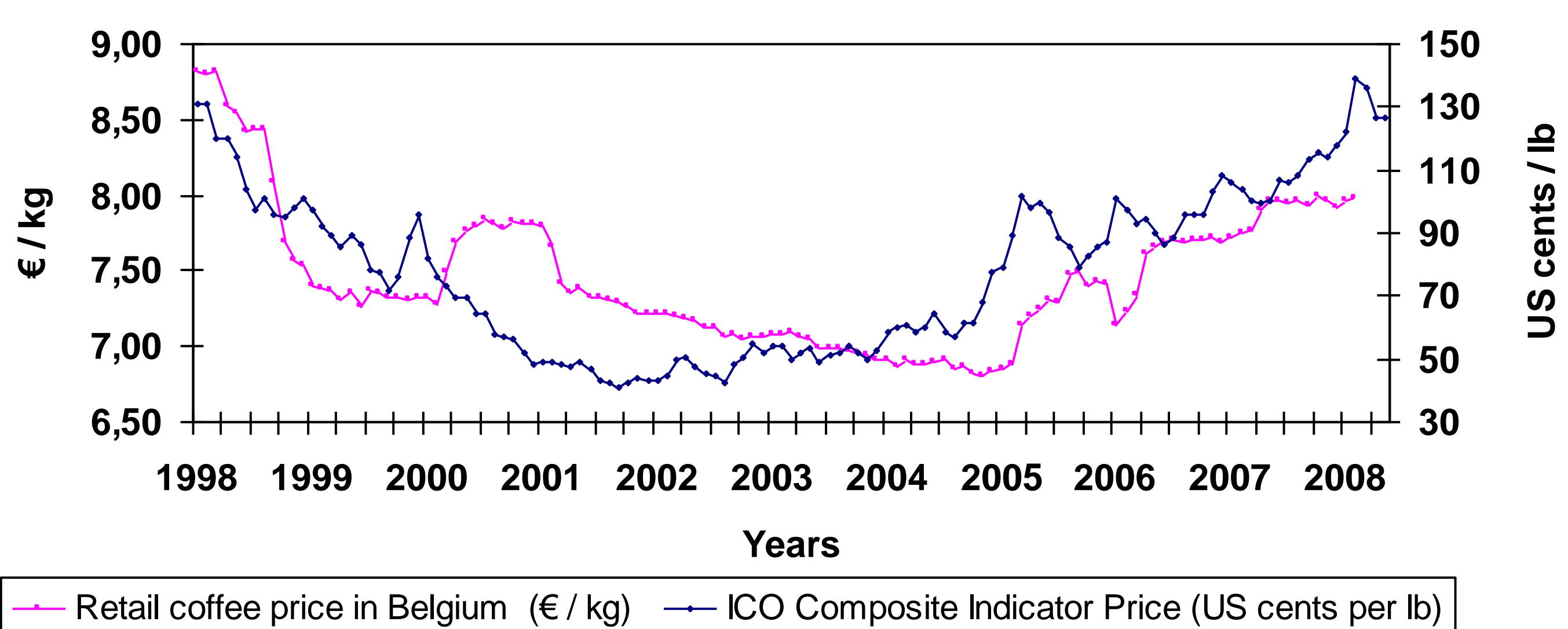
Annual retail coffee price in Belgium



- ❖ Before September 2001: Cyclic behaviour of 5 to 7 years duration
 - ➡ brief volatile periods of high prices and long stable periods of low prices
- ❖ After September 2001: Amplitude reduction of prices cycles
 - ➡ speculators interest for the commodities market and their impact on value stocks

Transmission of the world coffee price variations to the retail price in Belgium

Monthly ICO Composite Indicator Price and Retail coffee price in Belgium



Source : ICO and Ecodata

Increase/decrease periods of ICO Composite Indicator Price and retail coffee price in Belgium and observed time response

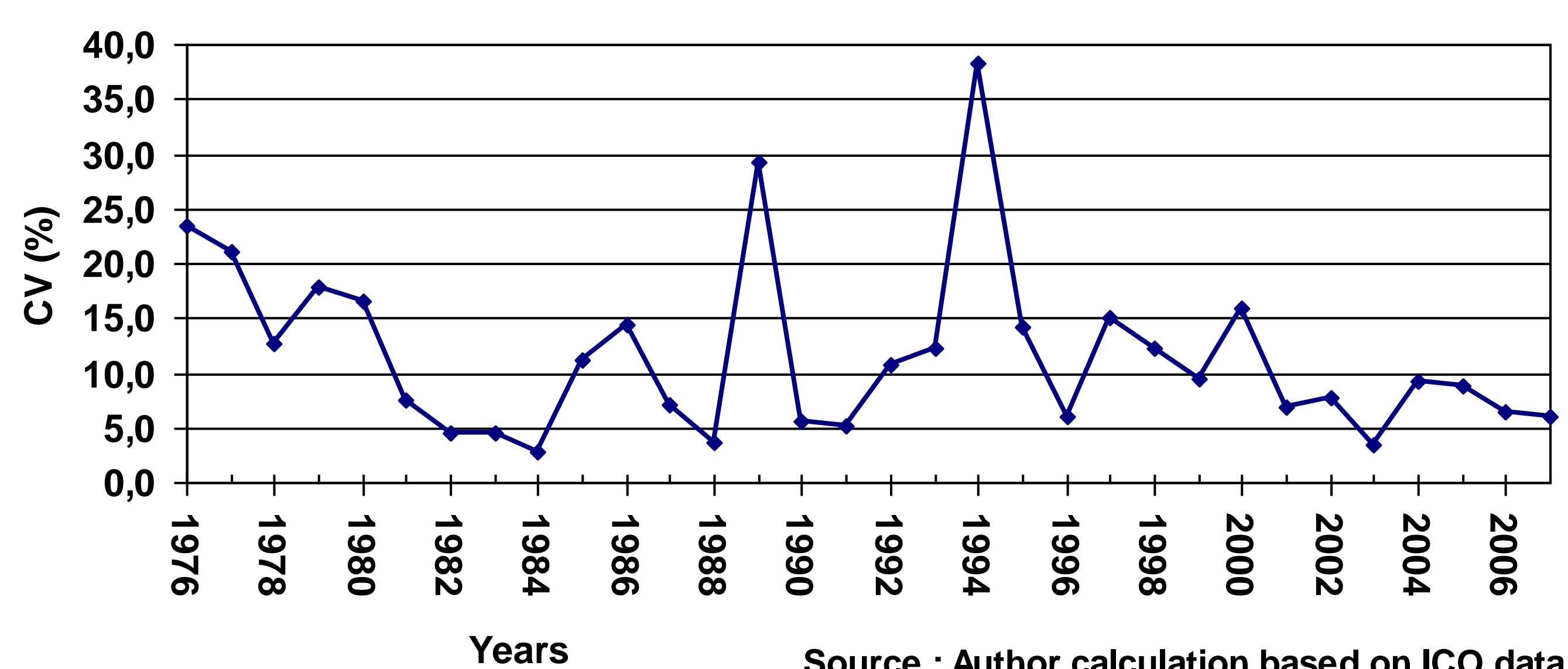
	ICO COMPOSITE INDICATOR PRICE			RETAIL COFFEE PRICE IN BELGIUM			TIME RESPONSE
	Periods	Variations		Periods	Variations		
		US cents/lb	%		€/kg	%	
INCREASE	09/1999 - 12/1999	+23.7	+32.9 %	02/2000 - 07/2000	+0.56	+7.75 %	5 months
	08/2004 - 03/2005	+44.5	+78.0 %	11/2004 - 09/2005	+0.69	+10.1 %	3 months
	09/2005 - 01/2006	+22.4	+28.4 %	01/2006 - 07/2006	+0.56	+7.88 %	4 months
DECREASE	12/1999 - 09/2001	-54.5	-56.9 %	01/2001 - 12/2001	-0.59	-7.52 %	13 months
	03/2005 - 10/2005	-18.9	-18.6 %	11/2005 - 01/2006	-0.30	-4.02 %	8 months

Source: Author calculation based on ICO and Ecodata data

- ❖ Transmission of the world price reduction to the retail price in Belgium less quickly than for an increase
- ❖ Variations of the world price more important than for the retail price in Belgium
- ❖ Low decreases of the world price do not pass on the retail price in Belgium
- ❖ Significant correlation ($r = 0,644$) between the world price and the retail price in Belgium
- ❖ Correlation stronger when the world price rises ($r = 0,758$) than during decreasing periods ($r = 0,602$)

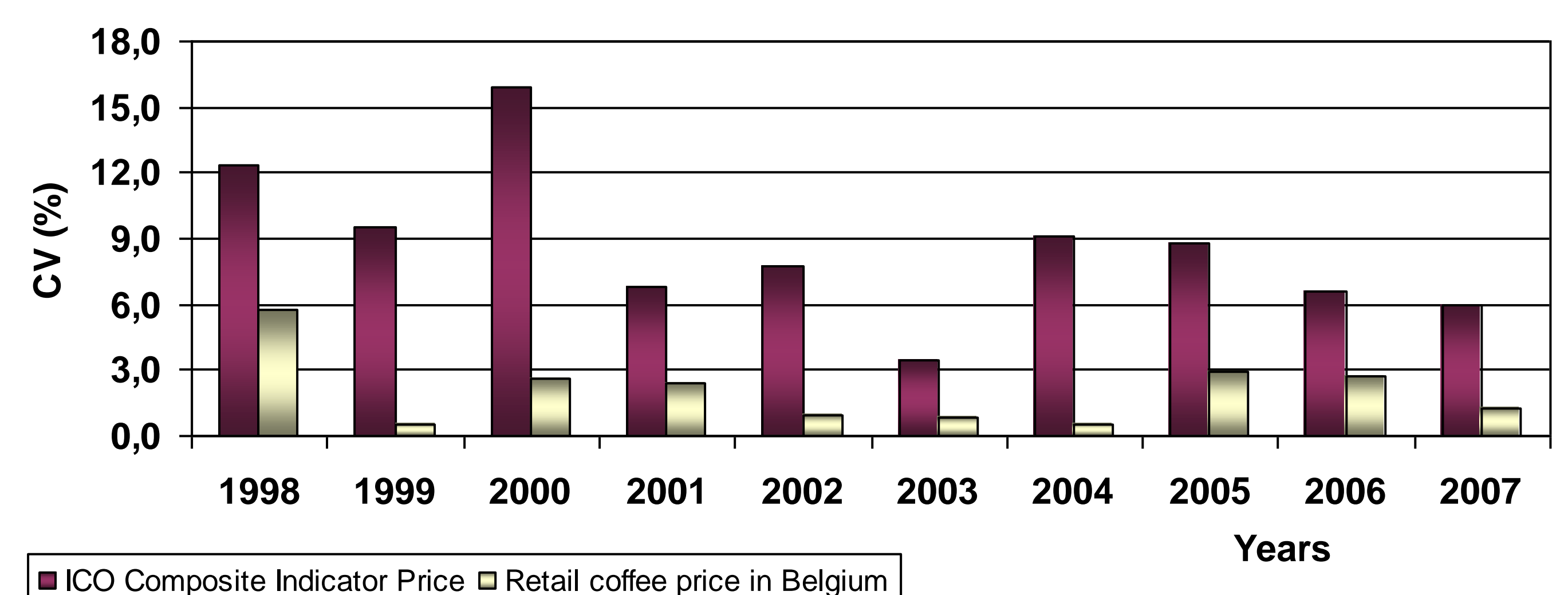
Variability of the world coffee price and the retail price in Belgium

ICO Composite Indicator Price annual variability



Source : Author calculation based on ICO data

ICO Composite Indicator Price and retail coffee price in Belgium annual variability



Source : Author calculation based on ICO and Ecodata data

- ❖ Reduction of the annual variability of the world price these latter years
- ❖ Annual variability of the world price higher than the retail price one in Belgium
- ❖ No significant correlation between these two annual variabilities

Outlook ➡ Coffee value chain analysis