



Coffee Market Overview

01 Dec 2023

“DisconCERTing”

- An eventful week across the softs commodities pace as NY cocoa rallied to 46 year highs, raw sugar collapsed to two month lows and coffee, notably arabica, ascended to near six month highs. The coffee story centers on the continuing exchange certified stock draws which have reached 224k bags, the lowest since 1999 and the firm nearby structure. With little coffee appearing in the grading room (less than 30k bags at present).
- The weather across Brazil has been an important factor over the past few weeks, forecast for rains next week will be welcome, but overall volumes totals will be lower than average for this time of the year. We note the ongoing concerns over dry conditions across part of Bahia, northern Espirito Santo and northern Minas Gerais and concerns beginning to increase in Zona de Mata and northern Cerrado.
- Safras & Mercado forecast 24-25 Brazil production between 69 and 71 mio bags up 5.03% versus the 2023-24 season. Split arabica up 6.90% to 46/47 mio bags and conilon up 1.51% at 23/24 mio bags.
- The National Coffee Growers Federation in Colombia report coffee production will be between 11.60 mio and 12 mio bags for 2023 calendar year and forecast to potentially produce 12.60 mio bags during the current October 2023 to September 2024 coffee year. The Federation also report production to reach a 14 mio bags target by the end of 2025 and 16 million bags in 2027. This growth driven by a 20% annual renewal of coffee plantations, an initiative being pushed by the National Coffee Growers Federation.
- The USDA’s latest semi-annual report on the Vietnam coffee sector estimates a drop in production for 2023/24 due to unfavorable weather conditions due to climate change and El Niño. And note a reduction to the estimated production for 2022/23 due to rising temperatures and farmers turning to more profitable fruit trees.
- Indonesian government trade data from Sumatra indicates October shipments totaled 275k bags 50.87% lower than the same month last year cumulative robusta coffee exports for the first seven months 2023-24 season total 1 mio bags, 38.62% lower y-o-y.

Price Comparison

	<u>11.30.23</u>	<u>Change Vs. 11.23.23</u>
ICE Arabica Mar 24 (c/lb)	184.70	15.65
ICE Robusta Mar 24 (\$/mt)	2546	120
Arbitrage Arabica Mar 24 / Robusta Mar 24 (c/lb)	69.21	0.20

ICE Arabica: Arabica exploded to the highest price since mid-June, topping out at 1.8470. The catalyst for the move was a combination of declining certified stock and dry weather in Brazil. The certified stock fell to 224,066 bags after two days of large draws, firming structure down the board. Traders will be looking for signs of breaking origin differentials and increased flow that could halt the rally. The chart is positive but overbought.

Support: 178.00, 171.75, 166.25

Resistance: 190.80, 196.40, 204.90

ICE Robusta: Robusta rallied up to \$2550 but legged far behind the arabica rally. The arabica/robusta arbitrage increased by over 10 cents during the week as new crop hedge pressure from Vietnam limited gains. The wide arb is important because with a very tight robusta balance sheet in 2024, industry has little incentive to change blends and reduce robusta incorporation. An arb near 70 cents will only put more stress on the robusta balance sheet in 2024. The chart is positive but overbought.

Support: 2452, 2408, 2365

Resistance: 2594, 2662, 2797

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Brazil

- **Local Market:** The futures rally this week has provided good volume exchanging hands for arabica and increasing overall liquidity resulting in slightly softer differentials for nearby positions; The firmer spreads negatively impacted any forward offer capping the volume against K4 onwards. Both export and local market demand has been modest.
- **Export Market:** Few odds and ends reported, November shipment data from cecafe shows another strong month for both qualities reflective of the increasing demand and slowing container backlogs.
- **Weather:** The rains arrived as forecast across coffee regions this week, however temperatures remain high and hot weather is impacting soil moisture levels requiring further monitoring of the situation into December. November ends with rain coverage below the usual average for the month especially in conilon growing areas in the North of Espírito Santo and the South of Bahia.
- **Economy / Politics:** The USD traded between 4.90 to 4.95.
- **BMF (type 4/5):** H4 220 (+14.00)
- **Arbitrage BMF/ICE:** HH -18.25 (-5.00)
- **Exchange rate:** 4.92 (deval 0.75%).

Colombia/Latin American Milds

- **Colombia:** The National Coffee Congress was being held at FNC Bogota this week. This is the 92nd Congress, which is considered the road map for the coffee sector. The main topics that were analyzed are Associativity, Industrialization, Coffee Institutions, and an Austerity plan. Up until the futures market rally, it was a rather uneventful week business-wise. Climatic conditions remain very similar to previous weeks, with rains in different regions of the country, particularly in the North, Antioquia, and Santander. Differentials weakened the second half of the week as a result of the rally and some business noted as a result. H4068 L3931 C4019
- **Guatemala:** With this rally producers and intermediaries had the chance to sell some coffee, although volumes are still limited and there is the expectation of a higher market price from producers. We should expect more selling in the coming days as the flow of coffee is forecast to increase next week in several regions, while weather conditions have improved in the coffee-producing regions. Good interest was noted during the week. Finally, the weather turned normal.
- **Honduras:** Weather improved, and the coffee flow is finally improving as harvesting picks up. Prices internally quickly adjusted to the new market conditions. Some good interest noticed from all different corners. Mainly on certified coffees.
- **Costa Rica:** The second estimate for crop 2023/024 was released by ICAFE which is down -1.40% versus the previous at 1.885.239 quintals. (1.45 Mio 60 kg bags). So far 40 Percent of the crop has been sold. The dry season finally consolidated.
- **Peru:** Some demand for certified nearby shipments, but otherwise it is quiet again. Weather conditions for the next crop remain favourable.

Africa/Papua New Guinea

- **Kenya:** Prices have turned slightly lower this week and there is plenty evidence of quality improvement for the main crops. There is no significant change in the weather events compared to previous week, the coffee regions are currently receiving light rains, which is delaying the cherry maturation process for the main season crop, the rains reported in previous week has initiated blossom for the next crop.
- **Tanzania:** The harvest in the south is complete while the higher altitudes in the north continue their harvest. The auction offered 6k bags and saw good prices on the back of the rally. We expect all coffee to be sold. The auction for next week should offer increased volume of coffee. The port delays continue with many vessels rolling over causing at least 14 days of delay on average. The weather continues to look favourable for the next crop.
- **Ethiopia:** Rains have stopped in most coffee-growing areas during the week which aided drying parchment. Cherry prices have started to rise, with most stations in the South reporting ETB 40 per kg. The new crop minimum price remains unchanged this week.
- **PNG:** Coffee flow slowed over the week and local prices are much firmer. Therefore, the differentials are a little weaker supported by the futures market rally. Good demand for 2024 shipments continues.

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Robusta

- **Vietnam:** Upcountry prices continue their rise taking out the 60,000 VND/kg resistance level. Flows from producers are steady and differentials ease into higher market. G2 trading around H+60 to H+80 in bulk. Industry continues to study the market looking to extend cover beyond March while exporters prefer to limit risk to nearby shipments. Weather: mainly dry with some showers. Currency: 24,200 VND
- **Indonesia:** Basis asalan traded around 48,000 to 49,000 IDR/kg. Volume asalan Monday to Thursday was 0.7k mt. volumes are slowing dramatically as we approach the end of the year. Offers around H+680 FOB for 80 defects for Jan and Feb shipment. Currency: 15,567-15,484 IDR/USD.

Origin differentials for December/January onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-15	ICE Arabica	-14
Colombia Excelso	ICE Arabica	+12	ICE Arabica	+14
Honduras HG	ICE Arabica	+6	ICE Arabica	+8
Kenya AB FAQ	ICE Arabica	+75	ICE Arabica	+75
Vietnam Gr2	ICE Robusta	+70	ICE Robusta	+70
Indonesia Gr4 (max 80 defects)	ICE Robusta	+680	ICE Robusta	+680

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