



Coffee Market Overview

03 March 2023

“Arabica Spreads Ahead”

- China's yuan firmed against the dollar over the week, underpinned by expectations that the country will set an ambitious growth target as high as 6% suggesting that the authorities are very confident of a strong economic rebound this year and thereby providing good support for the wider commodity complex, with the exception of arabica which saw speculator selling and weakening spreads.
- Above average rainfall across Brazil's arabica regions over the past five weeks raised concerns on the spread of disease across coffee trees due to excess moisture levels, however our current field observations do not indicate any serious damage. This remains a factor to watch as current forecasts for FH March indicates increased/excessive rainfall to continue.
- Vietnamese farm gate prices decreased over the week to 48.5k vnd/kg slowing down the pace of farmer selling. Approximately 70% of the 22/23 crop has been sold by farmers at this stage. 80% of the blossoming for the 23/24 crop is estimated to have occurred as of end February.
- Indonesia 23/24 crop harvest is earlier than projected, February arrivals were the highest in four years, suggesting the fly crop is earlier and with it a further factor to watch as the fly crop has the potential to manifest into the main crop harvest driven by the earlier, excessive rainfall damaging the blossom and crop potential. Rainfall has once again returned this week, slowing drying operations and raising farmer concerns over a lower Aslan quality.
- Although ICE certified arabica stocks fell 28k bags over the week to 786k bags, pending gradings rose to 53k bags. ICE robusta certified stocks increased 600 lots to 7.2k lots over the week.
- We estimate the current net spec position in arabica to be flat and robusta +17k lots.

Price Comparison

	<u>03.03.23</u>	<u>Change Vs. 23.02.23</u>
ICE Arabica Mar 23 (c/lb)	182.20	-7.50
ICE Robusta Mar 23 (\$/mt)	2180	\$19
Arbitrage Arabica Mar 23 / Robusta Mar 23 (c/lb)	83.30	-8.48

ICE Arabica: Arabica retreated off of 4 month highs, after the recent rally ran into heavier producer selling and established stronger resistance. Weaker differentials at origin were an important signal that the rally had done enough to release arabica to the market and fill in buyers. Weak spreads were another important signal that nearby liquidity had been provided. The chart is retreating into stronger support levels.

Support: 174.60, 168.55, 162.50

Resistance: 186.40, 194.15, 204.80

ICE Robusta: Robusta prices performed much better than arabica this week, consolidating just below \$2200. The balance sheet for robusta will be very tight in the coming months, as robusta incorporation in finished products remains at high levels and the arbitrage trades above 85 cents. Vietnam is providing liquidity on a scale up basis, but origin offers noticeably thin out on price weakness. The chart is bullish and consolidating the recent rally.

Support: 2109, 2082, 2047

Resistance: 2208, 2298, 2355

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Brazil

- **Local Market:** A week of two halves. The early part of the week saw producer continue to take the opportunity to sell at good prices. Exporters were able to transact, and slightly weaker internal level and slightly lower levels were passed to the FOB. From the middle of the week though, the lower futures market and steady BRL meant that the price bid level drifted from producer sell levels, with liquidity drying up. Feb shipments closed with a low month in Arabicas.
- **Weather:** Rains continued over the week in SDM and Cerrado, the forecast indicates high volumes of rains to continue into next week which will need to be monitored after February reported well above average rainfall.
- **Economy / Politics:** The second week in a row of a relatively narrow trading range for the BRL.
- **Export Market:** Demand continued for FH 2023 and conversations for new crop 2023/24 are ongoing. There is a feeling there is still some demand to be filled but industry, with time on their hands wait for improved fob levels.
- **BMF (type 4/5):** H3 \$ 224.1 (-14)
- **Arbitrage BMF/ICE:** KK -9.08 (+0.50)
- **Exchange rate:** 5.20 (-1%)

Colombia/Latin American Milds

- **Colombia:** Differentials continue to be under pressure and some business report for longer shipment strings this week in addition to the usual nearby businesses. The weather conditions remain good with rainfall easing, focus is on the 23/24 crop development and early estimates. COP: H4898 L4755 C4800
- **Guatemala:** The flow of coffee has slowed considerably during the week, while yields are starting to deteriorate, which signals we are on the last part of the harvesting season. Good interest during this week for the higher end qualities noted.
- **Honduras:** Weather remains dry and sunny across the coffee regions. Crop availability in the country is good with the harvest over the peak. Global market demand is noted mainly from the US otherwise demand remains lackluster. Quality overall continues to be very good. Shipments are catching up after a slow start to the season, although down 5% versus this time last season.
- **Costa Rica:** Business remains slow but showing some signs of life as arabica structure begins to weaken. Some roasters, smelling blood in the water, entered the market with highly depressed differentials, however the enquiries could not be filled. As per Icafe's estimate, 75% the crop has been sold.
- **Peru:** Conditions for the next crop (23/24) are currently good. Price discovery for new crop was quite active and small businesses in several directions has been reported.

Africa/Papua New Guinea

- **Tanzania:** Farming activities and crop development in all regions is progressing nicely, while milling progress of current crop is slowly coming to an end. No auction was held this week. Next week's auction is anticipated to be a big one, and with an increase of Grinder qualities.
- **Kenya:** 36,000 bags were on offer in this week's auction, with a big range of qualities from undergrads to top coffees. Prices for plus qualities have firmed whereas FAQ was stable compared to previous week. Main crop continues to flow at significant levels and quality is generally improving. Weather conditions remain dry and some regions have started to receiving very minimal rains.
- **Ethiopia:** The minimum price continues to be issued within the same range as the last few months, making most commercial offers unworkable. New business continues at a very slow pace, with February to be the third month in a row with shipments likely to be the lowest in 5 years.
- **PNG:** Internal differentials of cherry and parchment in the upper Highland provinces have firmed throughout the week. New crop development is good with estimated harvest periods and crop size varying between the local regions.

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Robusta

- **Vietnam:** Upcountry prices traded in a 48,000 to 49,000 VND/kg range. Farmers have sold around 65/70% of the crop. Grade 2 is trading around -30 FOB in bulk for nearby shipment. Industry filling in March to June shipments, waiting to cover further out. Differentials are steady despite higher market as the local market remains well bid. Weather: Dry and Sunny. Currency: 23,700 VND
- **Indonesia:** Basis asalan traded around 33,600 IDR/kg equivalent basis 80 defects. Volumes of asalan arriving Monday through to Thursday totaled 2.6k mt. Offers in the market are around +60 FOB for 80 defects for Mar and Apr shipment, still remaining firm despite the harvest flow slowly picking up. Weather: above average rainfall reported in South Sumatra. Currency: 15,274-15,273 IDR/USD

Origin differentials for March onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	+5	ICE Arabica	+5
Colombia Excelso	ICE Arabica	+45	ICE Arabica	+45
Honduras HG	ICE Arabica	+25	ICE Arabica	+25
Kenya AB FAQ	ICE Arabica	+55	ICE Arabica	+60
Vietnam Gr2	ICE Robusta	-30	ICE Robusta	-30
Indonesia Gr4 (max 80 defects)	ICE Robusta	+60	ICE Robusta	+50

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