



Coffee Market Overview

31 March 2023

“Roblasta”

- A strong rebound in macro lifted most markets this week as markets chose to put the banking turmoil of the previous two weeks at bay.
- The first quarter of 2023 was marked by evidence of sticky inflation, signs of trouble in the banking sector, and a repricing of interest rate expectations from the Fed. As we enter Q2, the economic outlook will be driven by the ongoing fight against inflation, as well as potentially tighter credit conditions.
- Commodities rallied alongside this week’s macro recovery, taking advantage of a weaker dollar and stronger BRL.
- Robusta in particular had a good run, narrowing its discount to the more muted arabica, following strong incorporation demand against the backdrop of shrinking supplies.
- Coffee supplies remain tight in Vietnam as farmers have sold over 75% of their current harvest and are awaiting better prices to release remaining beans.
- There are growing concerns over the Indonesia crop availability as heavy rains during the crops blossoming dampened potential. The latest data indicates the fly crop may be the main crop with week 13 arrivals of 2023 being 23% higher y/y.
- Ivory Coast exported 2.7k MT of coffee in Jan and Feb, up +29% from the same period last year.
- ICE-certified arabica stocks decreased to 743k bags while the robusta certified stocks remained 7.5 k lots.
- We estimate the net spec position in arabica is currently flat, while that in Robusta is +23k lots.

Price Comparison

	<u>03.31.23</u>	<u>Change Vs. 03.23.23</u>
ICE Arabica Mar 23 (c/lb)	169.80	-4.50
ICE Robusta Mar 23 (\$/mt)	2216	92
Arbitrage Arabica Mar 23 / Robusta Mar 23 (c/lb)	69.28	-8.43

ICE Arabica: Arabica prices came lower once again this week. Market seems to encounter origin selling above 180 c/lb and industry buying has been strictly scale down with funds trading the rest of the range. Market finally broke down from the established range but failed to find much follow through as longer term funds do not appear to be aggressive scale down sellers especially in an environment where commodities in general are finding a bid. In turn the roaster is running very low coverage making them ever present against existing price targets. Spec positions are fairly flat which allows them to probe both nearby support and resistance levels. The chart is negative.

Support: 168.55, 162.50, 157.00

Resistance: 171.75, 179.90, 182.60

ICE Robusta: Robusta continues to trade in an entirely different market. Viet hedging is now mostly in the hands of middlemen and exporters who are happy to stay long as prices appreciate. Funds have occasionally been challenged by price declines but have held steady so far. The arb is narrowing sharply but we see little sign of a shift in demand towards arabica. The danger to the rally is probably the number of trade, origin and fund longs who will find it difficult to exit should the market turn. The chart is positive.

Support: 2205, 2166, 2120

Resistance: 2250, 2293, 2315

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Brazil

- **Local Market:** With arabica futures testing the lower end of the range, producers were slow sellers, but some liquidity can be found if the right price is met. This has been represented in the differential, while remaining firm, have remained relatively calm. A firmer BRL challenging the producer sales though and it will be interesting to see if liquidity continues at K3 170 and a BRL at 5.10. Outright levels some 50 to 75 Reais down week to week. Local industry buying Conilon at a low pace. March shipments about to finish 500k up vs Feb23, but 1m down vs March 22.
- **Weather:** Some light showers reported, forecast to continue into next week.
- **Export Market:** A fairly quiet external market for the current crop this week. Some small fill ins taking place but clip sizes humble. Expect some gaps still need to be filled. New crop conversations ongoing with some business reported.
- **Economy / Politics:** BRL firming towards the end of the week, challenging the recent range.
- **BMF (type 4/5):** K3 \$ 219 (-3)
- **Arbitrage BMF/ICE:** KK -4.5 (+2.25)
- **Exchange rate:** 5.10 (+3%)

Colombia/Latin American Milds

- **Colombia:** April is well known as a rainy month and forecasts show it may live up to the reputation. Rains occurred during the week, heavier rains are forecast for the month ahead. Internal flow has slowed and replacement differentials firmed up. Little business has been reported. COP: H4779 L4587 C4587
- **Guatemala:** Selling has continued at similar rates as last week, with intermediaries selling almost daily, while producers are still not ready to give up on the idea of an improved market. The harvest season is basically over, with producers already undertaking their pruning and shade management activities. A round of flowering was seen during the week in the higher altitude regions. Decent interest has been noticed from various sides.
- **Honduras:** There was more activity again and better volumes changing hands over the week. Internal prices firmed a little. Demand is present for the whole range of qualities and certifications. The weather remains dry. Availability of sound containers remains problematic.
- **Costa Rica:** Following global industry trends, local roasters keep stock-lot premiums firm and active. Mainstream qualities are showing signs of life, with trade/importers looking for specific opportunities. On the contrary, specialty coffees remain slow. Weather conditions return to the usual for the time being: sunny and very warm. If pattern continues rains will come again in the coming weeks to support the blossom.
- **Peru:** increase in activities reported this week. In the regions of Moyobamba, San Ignacio, Junin, Pasco, and Jaen, the winter continues but rains have been decreasing, aiding the cherry maturation period. Harvesting continuing but no flow of parchment yet.

Africa/Papua New Guinea

- **Tanzania:** This week's auction in Moshi was the biggest once since the beginning of the season, with over 38,000 bags on offer, whereof 33,000 bags were withdrawn lots from previous auctions. The quality, especially of the 33k bags, has dropped considerably compared to when they were offered months ago. Reserve prices remain high and the coffee will most likely remain unsold again.
- **Uganda:** Cherry flow continues at good levels in the Rwenzori mountains. Small dip in Parchment and Drugar availability due to bad drying conditions amid heavy rains across the country.
- **Ethiopia:** With the futures market lower over the week, most commercial offers have become less workable. The minimum price remains roughly where it has been for the last several months. The quality from the naturals from the West is looking very poor so far. Reasons being cited for the poor quality are shortage of labour during harvest and continuous rain while dry cherry as under preparation.
- **PNG:** Volumes in the internal market have slowly picked up throughout the week. Differentials have firmed in line with the declining Arabica market. Demand for new crop is mounting.

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Robusta

- **Vietnam:** Domestic market trading around 48,800 to 49,500 VND/kg upcountry this week. Good volume traded last weekend and Monday as producers sold into the rally, activity reduced as the market fell back. Farmer stocks are estimate in 15-20% range therefore exporters keep buying expecting little coffee remaining in farmers hand from July onwards. Grade 2 is trading around N+10/N+30 FOB in bulk for prompt shipment. Industry covered some fill in demand nearby and wait to buy further out positions. Weather: Short rains fell over Kontum while the remainder of the highlands is dry and hot. Currency: 23,450 VND
- **Indonesia:** Basis asalan traded around 33,600 to 33,300 IDR/kg equivalent to K+85 / K+100 FOB basis 80 defects. Volume asalan Monday to Thursday was 7.8k mt. Offers around + 150 FOB for 80 defects for May to Aug shipment. Weather: Normal to above normal rainfall for the last 10 days in all main coffee regions. Currency: 15,074-15,062 IDR/USD

Origin differentials for April onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	level	ICE Arabica	level
Colombia Excelso	ICE Arabica	+48	ICE Arabica	+46
Honduras HG	ICE Arabica	+22	ICE Arabica	+22
Kenya AB FAQ	ICE Arabica	+40	ICE Arabica	+40
Vietnam Gr2	ICE Robusta	+30	ICE Robusta	+20
Indonesia Gr4 (max 80 defects)	ICE Robusta	+150	ICE Robusta	+120

Please note next week there will be no report due to the Easter Holidays

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