



Coffee Market Overview

21 April 2023

“Bean me up, Scotty”

- Robusta July-23 futures shot up to 11 and a half year highs during the week as the structure inversion continued to bring spec buying to the market.
- Global macro was more subdued this week as investors poured over mixed economic data that clouded the outlook for interest rates. The US dollar headed for its first weekly gain in nearly two months as US treasury yields rose, while oil prices suffered on weak US economic data.
- After reaching highs of \$2 at the beginning of the week, overbought arabica coffee charts gave way to selling pressure, both from origin as well as funds.
- The high futures prices attracted decent Brazilian producer selling, despite the firmer BRL and the differentials have eased.
- A cold front in Brazil saw temperatures dip, although not enough to raise any concerns. Rains continue as the conilon harvest pick up.
- Vietnamese selling has been more disciplined in the face of rising London prices, diffs are firming again as futures ease back. Indonesia is closed for Eid.
- Uganda’s March exports were 2.05% higher y/y, at 487k bags; cumulative exports for the first six months of the current Oct-Sep coffee year 3.4% lower y/y at 2.8 mio bags.
- Green coffee stored at US ports fell to the lowest level in 10 months by the end of March to 6 mio bags, according to GCA data.
- ICE Arabica certified stocks fell below the 700k mark, Robusta certified stocks increased to 7.7k lots.

Price Comparison

	<u>04.20.23</u>	<u>Change Vs. 04.13.23</u>
ICE Arabica July 23 (c/lb)	193.90	-0.50
ICE Robusta July 23 (\$/mt)	2374	-8
Arbitrage Arabica Jul 23 / Robusta Jul 23 (c/lb)	86.21	0.05

ICE Arabica: Arabica continued to rally on fund buying perhaps combined with trade short covering. Physical business was active with good volumes of coffee trading especially in Brazil at somewhat weaker differentials. Hedging also noted for 2023 and 2024 crops. Ultimately the quantity of hedging overwhelmed the momentum buyers and prices fell back sharply to end unchanged on the week. KC has a distinct macro feel to it currently and the end of the rally coincided well with the BRL falling back below 5.00 and weakness in oil and several other commodities. Technically prices look set for a move into the 180’s but with FND on K3 uncovering receivers at an inverse once again, we are not enthusiastically bearish.

Support: 190.40, 185.65, 178.00

Resistance: 200.00, 204.80, 219.40

ICE Robusta: Robusta prices stabilised this week neither following the KC rally nor the subsequent dip. RCK3 moves to the notice period on Tuesday and with a sizeable inverse, weaker origin differentials and large open interest we anticipate a significant delivery as a result. Technically the market looks a little topy but the fundamental medium-term picture remains very tight.

Support: 2311, 2256, 2212

Resistance: 2401, 2508, 2672

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Brazil

- **Local Market:** New highs in the middle of the week in KC were met with increased producer activity. Differentials struggled to hold due to increased coffee flow and shorts had an opportunity to cover some coffee. With coffee moving from producer to exporter's hands, the liquidity was also passed through to the FOB market, where increased business took place. Arabica shipments for April progressing at a slow pace and we expect a y/y drop compared to April-22. Not much to report on Conilon, differentials feeling a tad heavy once more.
- **Weather:** Early week chatter of an early cold front provided some support. Some colder temperatures are still in the forecast but not no real threat level is seen at this stage.
- **Economy / Politics:** A volatile week with the BRL trading up to the early 4.90s before weakening in the second half of the week. Market and differentials correlating with the currency movement this week.
- **Export Market:** Increased flow from origin allowed businesses to take place on the nearby and forward. Larger volumes were available from exporters at cheaper diffs weighed heavy on KC. Industry noted the opportunity to get some biz booked in. Light volume of Conilon traded into the FOB market as well.
- **BMF (type 4/5):** K3 \$ 245 (-10)
- **Arbitrage BMF/ICE:** KK -KK -10.75 (-7.50)
- **Exchange rate:** 5.04 (-2.50%)

Colombia/Latin American Milds

- **Colombia:** An uneventful week, but many inquiries from all directions of the world. Business has been reported a bit further out, but not in huge volume. A week with mixed very heavy rains and some dry period as well. COP: H4559 L4394 C4534
- **Guatemala:** Exports have decreased 19.8% from October to April 13 when compared with the same period last crop season. Harvesting activities have come to an end, with producers expecting rains in the coming days to start fertilization application for the 23/24 crop. Increased interest has been noticed as differentials softened.
- **Honduras:** Producers are looking to sell what is left of their 22/23 crop. Overall, the internal market is rather slow, but some more activity on the FOB market reported. Weather remains sunny across the country.
- **Costa Rica:** Local sellers had taken advantage of recent KC market highs by selling lower grades at higher prices despite low differentials. External market has been slow with limited inquiries in certified coffees; stocklot and lower grade sales still dominating market interest.
- **Peru:** There was demand for certified/organic coffees and better qualities, but not much business has taken place. Coffee is drying in the lowlands, but the flow remains low

Africa/Papua New Guinea

- **Kenya:** The main crop is now in its final stages with low grades and naturals coming through auction. The Exchange will go into recess in from early May until mid July. Good rainfall continues across the coffee growing regions, providing a good foundation for the next main crop and good recovery for the droughted areas.
- **Tanzania:** This week's auction in Songwe offered nearly 25,000 bags. Over half of the auctioned volume received no bid and the lots that received actual interest by buyers had high reserve prices. We estimate two auctions left to try to get these coffees sold before the auctions close for the season. Farm conditions generally are improving with some farms in Mbozi, who practised irrigation, have started seeing the coffee ripening already.
- **Uganda:** The Rwenzori region is currently getting to the end of the fly crop, around 80% cherry harvested, remainder is high altitude coffees. Drugars and parchment continue to be delivered in good volume and will do so after the cherry harvest is finished.
- **Ethiopia:** Buying Natural coffee is proving to be tricky, as arrivals of commercial grade Djimmah and Lekempti coffees to date are mostly unclean, with a very high percentage of under-grades, driving up the cost of production to levels that are up to 60 cts/lb higher than the minimum price. This quality segment is increasingly freely flowing to the domestic market, which is providing price support and keeping the offer levels elevated. While the recent market upswing has created some opportunity for exporters to liquidate modest volumes of washed commercial and premium qualities.
- **PNG:** Activity is growing steadily as the season is starting slowly. Parchment drying in villages and along the highway is more visible now and quality of arrivals into the mills is good and clean. Local prices are good with elevated KC levels. Good demand for new crop.

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Robusta

- **Vietnam:** Upcountry prices trade above 52,000 VND/kg. Volumes are much lower than other weeks as farmer stocks decline to around 10-15%. Gr.2 is trading between -50/-70 FOB in bulk for nearby shipments. Exporters remain keen sellers for shipments vs. July. Weather: short rains continue to fall in different areas as normal for April. Currency: 23,475 VND
- **Uganda:** Volumes of FAQ entering Kampala remain small as the Western and Southern crop approaches. Volumes are expected to pick up in early May as the first volumes of FAQ come in. Screen 15 is trading around +320 for Aug shipment. Weather: Small rains intermittently.

Origin differentials for April onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-5	ICE Arabica	-2
Colombia Excelso	ICE Arabica	+44	ICE Arabica	+48
Honduras HG	ICE Arabica	+20	ICE Arabica	+23
Kenya AB FAQ	ICE Arabica	+40	ICE Arabica	+40
Vietnam Gr2	ICE Robusta	-50	ICE Robusta	-50
Indonesia Gr4 (max 80 defects)	ICE Robusta	+100	ICE Robusta	+100

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