



Coffee Market Overview

8 Sep 2023

“Almighty Dollar”

- Outside markets continued to trade mostly risk-off as traders trickled back to work after the holiday period.
- The resilience of the US economy (particularly against the EU, Japan, and China) is supporting the US dollar close to seven-month highs, which weighed on both equities and commodities across the board.
- Against this backdrop, coffee prices moved lower, with added pressure coming from the completion of the harvest in Brazil and a weaker BRL, which touched 5.0 against the US dollar.
- Brazil saw widespread but light showers across all regions, which is promoting good blossoming. The forecast indicates very light rains for all regions next week, and longer term the weather needs to be monitored closely for dry weather concerns into the SH of September and October.
- There are some concerns that if regular rains do not return in force in the short term, this blossoming may be compromised.
- Vietnam's domestic coffee prices were little changed from last week, at around 65-71k VND/kg; trading is expected to remain subdued until the next harvest in October.
- Indonesian Sumatra robusta coffee beans were offered at a \$500 premium to the November contract this week, unchanged from a week ago.
- Honduran coffee exports rose 37.2% y/y in August, according to IHCAFE. Exports during the first 11 months of the season reached 5.17 mio bags, up 14.1% y/y.
- ICE arabica certified stocks fell to 9-month lows of 458k bags, while robusta certified stocks are 3.53k lots.
- We estimate the net speculator position in arabica to be -29k lots and robusta to be +16k lots.

Price Comparison

	<u>07.09.23</u>	<u>Change Vs.31.08.23</u>
ICE Arabica Dec 23 (c/lb)	149.80	-4.70
ICE Robusta Nov 23 (\$/mt)	2407	-82
Arbitrage Arabica Dec 23 / Robusta Jan 24 (c/lb)	44.34	-1.86

ICE Arabica: Arabica ended the week trading the 150.00 line. The past 6-weeks have contained ICE arabica between 147.20 and 157.60. The USD is testing 2023 highs and is creating headwinds for commodities. Certified arabica stock have fallen to the lowest of the year. Very good flowering in many Brazil growing areas produced negative sentiment, but forecasts calling for dry conditions over the next 2 weeks provides a reason for caution. The chart is in a consolidation range and waiting for a breakout.

Support: 147.20, 143.00, 122.50

Resistance: 157.60, 166.65, 173.95

ICE Robusta: Robusta prices fell during the week but support at \$2400 held. The market is balancing firm origin differentials and drawing stock at destination against the prospect of new crop liquidity from Vietnam, which should be available for November shipment. Firm structure is a reminder that the nearby Robusta situation is tight. The chart is neutral with prices in the range.

Support: 2400, 2351, 2205

Resistance: 2529, 2574, 2626

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Brazil

- **Local Market:** Brazilian market had a quiet week due to both US Labor Day on Monday and Brazilian Independence Day on Thursday. Additionally, farmers remain very defensive on the selling side, not much was traded during the week.
- **Weather:** Due to the past two weeks rainfall, good flowering was seen in great part of Brazilian coffee regions.
- **Export Market:** Cecafe updated August exports numbers: 3,805,743 bags/60kg (daily report issued on Sep 8th). Industry seems to be willing to wait for lower prices and taking position only on opportunistic businesses.
- **Exchange rate:** Global strength of the US dollar led to the BRL closed up 0.17% on Wednesday, at R\$4.9837. Lowest rate at R\$4.9577 and at the highest at R\$4.9947 encouraging some Brazilian farmer selling.

Colombia/Latin American Milds

- **Colombia:** The flow is slowly starting to increase, but business remains relatively subdued. Weather conditions remains stable. Wonderful flowering has been spotted in the southern part of the country. H4108 L4030 C4050
- **Guatemala:** Some producers and intermediaries have shyly asked for new crop differentials, but no business has been concluded yet. In the Southern regions of the country, the harvesting season has already started, but still, volume is low, and we have not received new samples to evaluate the quality. Rains reported over the coffee areas. Business interest is focused on new crop.
- **Honduras:** Another quiet week. No Coffee flow in the interior and new crop ideas are too far apart currently. Rains continue in the northern Central regions of the country. Export volumes are 13pct ahead of last year at almost 4.6 mio bags of 60 kgs.
- **Costa Rica:** Not much new to report. September 30th is normally the deadline for the final liquidation to the producers, which represents fresh funds to the producers to finance the new harvest. This year, ICAFE set the time limit for October 30th. In general terms, a typical rainy season pattern is expected for this week with hot mornings and afternoon rains in the Pacific, Central Valley and mountains of the Caribbean and North Zone.
- **Peru:** It has been a quite active week. Some good volumes changed hands for all positions, qualities, and certifications. The coffee producers are concerned about the weather, the high temperatures affect the blossom and maturation in low and mid altitudes.

Africa/Papua New Guinea

- **Kenya:** The situation remains unchanged. There is still a bottleneck in the supply chain due to the fact that a significant number of the lager dry mills have not been licensed. This has impacted the flow of coffee which is now stockpiled in parchment by growers. Coffee flow is currently below 10% of what is typical for the period.
- **Tanzania:** The auction this week featured 17k bags of fresh and 2k bags of old crop. We estimate over 70% of the offerings will be sold this week which is a good turn of events. Prices drifted upwards with new buyers stepping in. We anticipate a big auction next week, scheduled to take place in Songwe/Mbeya. Most regions in the North are done with their harvest, whereas the South is just wrapping up slowly and focusing more on deliveries to the mills.
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Robusta

- **Vietnam:** Local market is quiet with spot prices at 71,000 VND/kg and forward new crop offered above 58,000VND/kg. Exporters are mostly sidelined, covering immediate needs in case of any offers. Gr.2 offer between +150/+200 FOB in bulk for new crop with some light industry buying. Weather: normal, wet. Currency: 24,090 VND
- **Indonesia:** Basis asalan traded around 43,500 to 44,000 IDR/kg equivalent to X+370/+400 FOB basis 80 defects. Volume asalan Monday to Thursday was 4.1k mt. Offers around X+470/+500 FOB for 80 defects for Sep and Oct shipment. Weather: Dry weather in main coffee areas of South Sumatra and Java to be watched for any negative blossom setting. Currency: 15,294-15,237 IDR/USD

Origin differentials for September onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-13	ICE Arabica	-15
Colombia Excelso	ICE Arabica	+22	ICE Arabica	+21
Honduras HG	ICE Arabica	+13	ICE Arabica	+12
Kenya AB FAQ	ICE Arabica	+70	ICE Arabica	+65
Vietnam Gr2	ICE Robusta	+500	ICE Robusta	+500
Indonesia Gr4 (max 80 defects)	ICE Robusta	+500	ICE Robusta	+500

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