



Coffee Market Overview

10 March 2023

“Mixed Signals”

- US authorities reported an increase of 311k non-farm payroll employment in February, topping estimates (225k). The main employment increase occurred in leisure and hospitality, retail trade, government, and health care, while it declined in information, transportation, and warehousing.
- Brazil's coffee export figures shown for February 23 reported the lowest for the month since 2018, with farmers holding the coffee or selling it to the internal market.
- ICE-certified arabica stocks fell 15k bags over the week to 771k bags, and pending gradings fell to 28.6k bags. ICE robusta certified stocks increased 100 lots to 7.3k lots over the week.
- We estimate the current net spec position in arabica to be flat and robusta +24k lots.

Price Comparison

	<u>03.09.23</u>	<u>Change Vs. 03.02.23</u>
ICE Arabica Mar 23 (c/lb)	175.05	-7.50
ICE Robusta Mar 23 (\$/mt)	2168	\$-12
Arbitrage Arabica Mar 23 / Robusta Mar 23 (c/lb)	76.26	-7.04

ICE Arabica: Arabica had a bumpy ride with the price testing support at the original 174.40 breakout level. The size of Brazil's 23/24 new crop continues to be debated, but this week, attention focused on slow industry demand seen in several markets. Central American mild differentials are far above tenderable value, however, C.A. diffs were weaker with limited activity. Price chop has pushed many commercial traders to the sidelines, reducing the number of resting bids and offers, and making spec led price action volatile. The chart is negative.

Support: 174.40, 168.55, 162.50

Resistance: 181.65, 186.45, 194.15

ICE Robusta: Robusta again performed better than arabica this week. The balance sheet for robusta will be very tight in the coming months, as robusta incorporation in finished products remains at high levels. Intense price competition on retail shelves and promotion of higher robusta content blends keeps robusta demand strong. The COT shows specs increasing their long robusta position in anticipation of the tightening balance sheet. The chart is neutral.

Support: 2102, 2037, 1985

Resistance: 2208, 2298, 2355

Disclaimer

Any comments or opinions in this report are not intended to be an offer to buy or sell commodities or futures and options thereon as they merely state our views and carry no guarantee as to their accuracy.



Brazil

- **Local Market:** As NY futures dropped, local farmers who didn't sell at higher prices are still holding the coffee or selling locally.
- **Weather:** In Paraná, Cerrado, South of Minas, and Mogiana, rains were normal, while in ZDM, Bahia, and Espírito Santo, conditions remained dry.
- **Export Market:** A decrease of 35.8% in exports was reported in February compared to last year. Reported 2.11 million bags, the smallest number for February exports since 2018.
- **BMF (type 4/5):** H3 \$ 223.55 (-0.55)
- **Arbitrage BMF/ICE:** KK -6.05 (+3.03)
- **Exchange rate:** 5.13 (-1.35%)

Colombia/Latin American Milds

- **Colombia:** Production for Feb has been reported as 1,02MM bags, 10% higher than Feb 2022 (928K bags). With 4,82MM bags versus 5,34MM, production for the coffee year is 9% below. With a total of 928K bags, Feb Exports are 6% lower than the same month last year, while Coffee Year production is 13% lower (4.6 versus 5.3 MM bags). The rains came back after a beneficial dry spell. COP: H4815 L4742 C4683
- **Guatemala:** Producers and intermediaries have been selling small volumes of coffee in the past few days, while some wet mills have started to close their doors for the season. Exporters are still in accumulation mode, while the slow external market has forced prices to soften over the past days. The flow of coffee is slowly starting to decrease, while we expect there is still about 15 % of coffee to be harvested.
- **Honduras:** A slow week overall with some interest on certified coffees. Availability of coffee is good and so is the weather.
- **Costa Rica:** Overall commercial activity remains slow; however, when aggressively approached some "bottom pickers" show up. The lack of liquidity makes it difficult to have an accurate criteria about actual CR-mkt price. The bid-and-offer range is as uncertain as it can be. Today more scattered rains hit most coffee regions, confirming an early 2023-2024 blooming and harvest. One month ago, had spite first flowering already.
- **Peru:** In the lower altitudes first cherries are being harvested. Businesswise it have been a very quiet this week.

Africa/Papua New Guinea

- **Tanzania:** This week's auction was held in Songwe and offered almost 20,000 bags of mainly FAQ and Grinder qualities. Half of the coffee was left unsold. This coffee is expected to come back on sale in the next auction. Farms are still in good shape despite the dry weather conditions. New crop activities continue smoothly.
- **Kenya:** Kenya auction volumes remain high. Marketing agents are accelerating the sale of the coffee due to concerns about license renewal. Pricing is stable, with quality still subpar. The weather remains particularly hot and dry across the country.
- **Ethiopia:** Across the board the minimum price has been adjusted down by 3 cts on the washed coffee and 2 cts on the naturals. However, offers from exporters are still above the minimum price and in combination with the lower market, prices generally remain unattractive for any decent volume business. While February export numbers are not yet public, the slowdown in exports continues, with the government acknowledging that export performance in coffee for the period July to January is below the official forecast.
- **PNG:** Cherry activity is small with local intermediaries collecting at very discounted prices to counter the CBB loss. Harvest is expected pick up in April. Differentials locally have firmed with the lower terminal market.
- **Uganda:** The Rwenzori Mountains is seeing the early movement of the fly crop. Early harvest cherries are of good quality for this part of the season and look to improve as the volumes ramp up. There is so far little flow of parchment, Drugar is flowing slowly into the markets. Generally it's a very competitive market between buyers for the start of the season.

Disclaimer

Any comments or opinions in this report are not intended to be an offer to buy or sell commodities or futures and options thereon as they merely state our views and carry no guarantee as to their accuracy.



Robusta

- **Vietnam:** Farmers are 70% sold and in no rush to release the balance, keeping the domestic price above 48,000 VND/kg. Grade 2 is trading around -20 FOB in bulk for nearby shipment. Limited FOB demand as differentials firm while industry is well covered nearby, not attracted to high forward premiums. Weather: Dry, hot during the day, cool at night. Currency: 23,680 VND
- **Indonesia:** Basis asalan traded around 33,600 IDR/kg equivalent to K – 5 basis 80 defects. Volume asalan Monday to Thursday was 3.8k mt. Offers around +70 FOB for 80 defects for Apr to Aug shipment. Weather: above normal rains in South Sumatra while normal rains in West Lampung Currency: 15,299-15,438 IDR/USD

Origin differentials for March onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	level	ICE Arabica	+5
Colombia Excelso	ICE Arabica	+46	ICE Arabica	+45
Honduras HG	ICE Arabica	+24	ICE Arabica	+25
Kenya AB FAQ	ICE Arabica	+40	ICE Arabica	+55
Vietnam Gr2	ICE Robusta	-30	ICE Robusta	-30
Indonesia Gr4 (max 80 defects)	ICE Robusta	+60	ICE Robusta	+50

Disclaimer

Any comments or opinions in this report are not intended to be an offer to buy or sell commodities or futures and options thereon as they merely state our views and carry no guarantee as to their accuracy.

