



Coffee Market Overview

12 May 2023

“Dancing on the ceiling”

- Commodities suffered this week on ongoing mixed economic data, while the US dollar gained from safe-haven demand on the back of the US debt ceiling standoff and renewed worries about banks.
- Crude oil fell for the 4th consecutive week on economic fears in China and the US.
- Robusta futures reached fresh 12-year highs of \$2500/t this week on strong fund buying and tight fundamentals, before easing back. Arabica has been more stable in the 180s c/lb range.
- The US’s Climate Prediction Center said there was a more than 90% chance of the El Niño weather persisting into the North Hemisphere winter, occurring in the next couple of months.
- This weather phenomenon is already leading to a very hot and dry Vietnam, which needs watching as we assess the crop potential for 2023/24.
- In Indonesia, over 25% of the crop has been reported as harvested, while farmers sold 24% of the crop by the end of April 23. In the week May 8-12, total coffee arrivals was 6,264 MT, down 12% from previous weeks.
- Conilon exports from Brazil in April fell 13.6% y/y, according to Cecafe; however, exports could improve in coming months as Brazil prices approach levels for Vietnam.
- Honduras saw low coffee availability at producers; what is left available is in intermediary hands, while several coops have certified coffee available.
- Weather in Brazilian coffee regions saw scattered rains for all regions except for Cerrado. Forecasts point to good weather for the harvest, with only light rains in ZM, Bahia and ES.
- ICE-certified arabica stocks fell further and stand at 0.65 mio bags, Robusta certs are at 8k lots.
- We estimate the NY net spec position 17k lots, and that in London is at 40k lots.

Price Comparison

	<u>05.05.23</u>	<u>Change Vs. 05.05.23</u>
ICE Arabica July 23 (c/lb)	183.00	+0.05
ICE Robusta July 23 (\$/mt)	2393	-\$19
Arbitrage Arabica Jul 23 / Robusta Jul 23 (c/lb)	74.45	0.91

ICE Arabica: Arabica is contained in a range between 181.10 and 189.95. A break of the range is needed to develop the next trend. The COT shows commercial traders have reduced gross positions with industry running down price cover while origin waits for higher prices. Specs are net long but have little reason to increase activity until the chart provides clarity. The chart is neutral.

Support: 181.25, 173.95, 166.55

Resistance: 193.25, 197.70, 204.90

ICE Robusta: Robusta traded to the highest level since June, 2011, topping out at \$2500. Managed money traders were the best buyers into the rally. Thursday’s large correction was caused by a combination of maxed out spec longs and very resistant industry buyers. The robusta balance sheet remains tight and dangerous for the balance of 2023. The long-term chart is positive, but expect more price chop as resting paper has been cleaned out.

Support: 2385, 2314, 2200

Resistance: 2500, 2572, 2672

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Brazil

- **Local Market:** The calm before the storm? A sleepy KC market did not provide the incentive required for producers to provide additional liquidity. Internal prices firmed slightly through the week as stocks that were released two weeks ago are sold out by exporters and pricing goes back to replacement. Overall, a tranquil week for the Arabicas. Conilon traded cheaper again. The arb between arabica and robusta continues to trade at levels where local industry are incentivized to continue to buy the Conis. April shipment numbers came in at 3m (2.3m bags of Arabica).
- **Weather:** Some light rains in some producing areas were reported, but no major impacts reported.
- **Economy / Politics:** Nearly a month has passed with the BRL trading in a narrow range, jobbing around the 5 handle.
- **Export Market:** A quiet week as the market was stuck in a tighter range leaving little opportunity for buyers' and sellers' ideas to meet. Expect some current crop needs still to be covered and there is still a lot to do for new crop. The standoff continues.
- **BMF (type 4/5):** Sep 219.5(- 0.50)
- **Arbitrage BMF/ICE:** UU - 14.75 (-0 .50)
- **Exchange rate:** 4.95 (+1.0 %)

Colombia/Latin American Milds

- **Colombia:** The Fly crop has started, but slowly, due to rains in the previous weeks. This week's dry spell has allowed for drying. Market action has caused replacement and selling ideas spreads to widen. Demand is still slow, but more questions were asked this week.
- **Guatemala:** As of April 30th, Anacafe's last exports report showed exports were down by 11.90% m/m and by 4.4% y/y. In general, the internal market has been slow in recent days, with a big gap between buyers' and sellers' price ideas. Fertilizer sales have been slow as the current situation has been frustrating for producers struggling to do their usual farming practices.
- **Honduras:** Low coffee availability at producers. What is left available is in intermediary hands, and several coops have certified coffee available. Some exporters are done with exports as they face lower volumes than past crops. Little to no purchases, and business is slow.
- **Costa Rica:** Commercial activity has returned to standby mode with very few enquiries and no concrete business. Icafe has lifted the alert about the long-lasting lack of demand and consequential concern of the 2022/2023 crop not being liquidated by September 30th.
- **Peru:** Some more underlying demand seen and some more business has been reported. Internal price ideas remain above where serious buying interest lies. Weather conditions are normal.

Africa/Papua New Guinea

- **Kenya:** The last auction took place this week with 14,000 bags of a mix of all qualities. The auction will be in recess till 1st week of July. Differentials were firm from some FAQ plus qualities. Very limited harvesting of early crop has been seen. Some cases of CBD have been reported, however, it still has to be seen whether it will have an effect on volumes.
- **Tanzania:** No auction took place this week. The harvesting of the new crop in Mbozi is picking up and a few AMCOS have begun operating. The crop is generally developing well. Farmers in Mbinga are getting ready to start the new crop harvest which is expected to begin in July.
- **Uganda:** Mt Elgon fly crop continues in small volumes, mainly parchment focused with a few buyers of cherry on the mountain. The Rwenzori fly crop is dropping off and we see very little cherry with quality deteriorating. Mostly parchment and drugar in the market, although the volumes are starting to die down. Heavy rains have slowed drying by farmers and made transport trickier.
- **Ethiopia:** Most of the arrival coffees of commercial naturals from the West continue to be sub-standard. This is mainly a consequence of the coffees being traded vertically between akribis and exporters, with the grading service which ECX used to provide now existing in a very limited form. Heavy rains continue into May, which is an

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unusual weather pattern for Ethiopia, as the long rainy season starts in June (May is traditionally a dry month). Should the rains persist and we have a heavy rain season between June and September, we are likely to see CBD being a serious problem in many parts of the coffee-growing areas for the next harvest.

- **PNG:** Arrivals have now improved significantly in the upper Highlands with a steady flow of parchment. Wet mills in the Western Highlands and Jiwaka have seen an increase in cherry arrivals. The quality looks good and internal prices have increased during the week which results in firmer differentials.

Robusta

- **Vietnam:** Upcountry prices traded 55,000 to 57,000 VND/KG this week, new record highs in local terms as producer stocks run low. Offers are picking up as London comes off, as producers want to lock in current prices. G2 is trading around +50 USD/MT FOB in Bulk. Good industry demand seen for shipments up to the end of the crop, although several exporters pull offers as they struggle to buy or cover existing shorts.
Weather: Heavy showers return to the highlands this week.
Currency: 23'470 VND.
- **Indonesia:** Basis Asalan traded around 36.600 IDR/kg to 36.800 IDR/kg, equal to RC N+30 to RC N +40 USD/MT FOB in jute bag of EK1 80 defects. Total arrival of Asalan from Tuesday to Thursday was about 6.2kmt. Offers Ek1 80 defects at +70/+80 USD/MT FOB in jute bag for May to July.
Weather: With the normal weather that prevails in the South Sumatra coffee area, the harvesting and drying process is accelerating. In contrast, the Java region is currently experiencing weather conditions that favour the maturity stage of the coffee plant.
Currency: IDR traded Tuesday and Thursday at Rp.14.709 – 14.722 per 1USD (Jisdor).
- **Uganda:** We are beginning to see the first signs of the western crop with larger deliveries of FAQ in Kampala this week. Volumes have almost doubled from two weeks ago. Local diffs remain firm as the trade remains very short going into this crop. We expect to see a difference in Robusta exports over the next couple of months due to the situation in Sudan, which takes 10-12% of Uganda's coffee, with no clear end to the ongoing internal conflict or any clear view on how this will affect Sudanese imports of Ugandan Robusta over the next 12 months.
Weather: Continued heavy rains at the start of the week. Weather seems to be turning a little dry for the second half around Kampala. Elgon and Rwenzori regions remain wet.

Origin differentials for April onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB Current Crop	ICE Arabica	-6	ICE Arabica	-5
Brazil MTGB New Crop	ICE Arabica	-15	ICE Arabica	-15
Colombia Excelso	ICE Arabica	+42	ICE Arabica	+43
Honduras HG	ICE Arabica	+18	ICE Arabica	+19
Kenya AB FAQ	ICE Arabica	+45	ICE Arabica	+45
Vietnam Gr2	ICE Robusta	-20	ICE Robusta	-30
Indonesia Gr4 (max 80 defects)	ICE Robusta	+60	ICE Robusta	+60

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