



Coffee Market Overview

13 Oct 2023

“Ce-no-café”

- With the Middle East conflict escalating to devastating proportions, markets were beset with geopolitical uncertainty. Safe havens rallied, stocks and EMs weakened, and crude oil one of the few commodities to rise.
- US CPI for September came in slightly higher than expected, at 0.4% m/m. Although this supported the USD, the BRL managed to strengthen week-on-week.
- Arabica hit a 9-month low on speculator fund selling as weather in Brazil remained favourable for the blossom set of the 24/25 crop, while robusta coffee plumbed to a 6-month trough with similar fund selling ensuing.
- Brazil is expected to experience light to moderate rainfall in the next 10 days, boosting soil moisture for cherry growth and encouraging the remaining 24/25 season flowering.
- Cecafe data showed Brazil’s coffee exports fell 4.3% m/m in September. Arabica exports plummeted 20% to 2.4 mio bags, significantly lower than expectations perhaps a reflection of Brazilian producers reluctant to export arabicas at current levels, as well as building logistical container availability constraints.
- Brazil’s conilon exports on the other hand kept rising, quadrupling to 625k bags in September, driven by soaring demand for robustas in the international market in the absence of Asian supplies.
- In Colombia, final production for the 22/23 season is seen at 10.6 mio bags, according to the FNC the lowest in 10 years due to excessive rainfall and reduced fertiliser usage. Exports reached 11.8 mio bags, down 13% y/y.
- Coffee exports from Vietnam fell an annual 8.3% in the first nine months of 2023, government customs data showed.
- ICE arabica certified stocks stand at 448k bags, while robusta certs have fallen to 3,967 lots.
- We estimate the net spec position in arabica to be -25k lots and robusta to be +15k lots.

Price Comparison

	<u>05.10.23</u>	<u>Change Vs.06.10.23</u>
ICE Arabica Dec 23 (c/lb)	149.30	3.90
ICE Robusta Jan 24 (\$/mt)	2255	-47
Arbitrage Arabica Dec 23 / Robusta Jan 24 (c/lb)	47.01	6.03

ICE Arabica: After tempting and briefly breaking support on Tuesday prices have recovered slightly. Funds have continued selling into reasonable quality scale-down buying and with a recovery in BRL this week, hedging has moved away from the market. A firming of the ZH spread towards parity has no doubt encouraged the trade bulls and we have started to see the first signs of fund short covering. The chart seems to be bottoming but we see this as a short covering bounce rather than a change in the fundamental picture.

Support: 143.00, 140.00, 135.60

Resistance: 151.40, 156.85, 164.50

ICE Robusta: Robusta prices continued to move lower on the back of continued fund selling. With the XF finding a bid below \$75 the selloff has stabilised in recent days and we anticipate that the market will follow NY given the relatively close arb relationship in the cash markets currently.

Support: 2283, 2161, 2023

Resistance: 2351, 2464, 2528

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Brazil

- **Local Market:** Due to the National holiday Brazil, this has been a quiet week. Differentials remain firm, producers sell on rally's and seem to be waiting for better prices in order to increase the selling flow substantially. Exporters follow in the same promptness and are not aggressive buyers while replacement differentials are unchanged over the week. Conilon trades more expensive than in previous weeks as the percentage of the crop sold is high and peak harvest flow subsides. Cecafe published Sep 23 export stats which showed a drop of 200k bags vs. Sep 22. Brazil stands at 36.8 mi bags 12-month performance.
- **Weather:** Light rains are expected, quite good conditions overall.
- **Economy / Politics:** The Brazilian government has announced a plan that should add R\$ 364.22 billion to finance the agricultural activity of medium and large producers. A second part of the plan, focused on rural credit for family farming, will be launched as well.
- **Export Market:** A few fill-ins were reported in both arabica and conilon markets with small volumes changing hands.
- **BMF (type 4/5):** Z23 180 (+1)
- **Arbitrage BMF/ICE:** ZZ -13.25 (-3.25)
- **Exchange rate:** 5.05 (reval 2.50%)

Colombia/Latin American Milds

- **Colombia:** Excessive rains during 2022 and beginning for 2023, lower fertilization due to high prices, and decrease of small picks between crops - consequence of less flowerings, affected the harvest of Oct 22 - Sep 23 coffee year: As per the final report, production was reported as the lowest in the last 10 years (10.6 mio bags). Exports were in the same line, with a total figure of 11.8 mio bags, equivalent to 13% decrease when comparing with the previous coffee year FNC data showed. The last two weeks have been quite favourable for coffee crops, sunny days, rainy evenings. Many report of cherry borer infestations across the Coffee Axis and Antioquia being high, due to the dry period of the past two months. H4432 L4165 C42200
- **Guatemala:** Heavy rains during last week in Huehuetenango and Santa Rosa. Fruit development is still on track according to estimates. We are monitoring the harvest because there might be signs of an earlier harvest in Huehuetenango and Oriente. Intermediary mills are scheduled to be open early to mid-November. The weather has been normal. Good interest was noted this week.
- **Honduras:** Internally not much to report. Very small amounts of coffee are being purchased. FOB demand is becoming more active, and enquiries come for all kinds of qualities and certifications. Sunny weather in most coffee areas.
- **Costa Rica:** Continuing with last week's behaviour, a few businesses were closed for immediate delivery. Still waiting for roasters to approach the desk. Cherry volumes are increasing by the day. Lowlands are at the peak and waiting to start the cherry pickings in the highlands.
- **Peru:** The weather has finally turned and some needed rainy days were noted, required to trigger the blossoming for the 24/25 crop. Sporadic demand for conventional and certified coffees noted this week, the price gap between both remains quite big.

Africa/Papua New Guinea

- **Kenya:** Little changes again. There has been some sporadic demand for better-cupping lots. Some fly crop coffees are still looking for a home.
- **Tanzania:** The harvest in the South is complete while only the high altitudes in the North continue their harvest. The auction offered 18k bags and a majority will get sold thanks to the rally. It remains hot in all areas as we wait for the rains.
- **Ethiopia:** With a substantial volume of parchment remaining unsold in the country, many exporters are coming under pressure to sell their available lots at the government-mandated minimum price. Diff's remain substantially higher compared to competing origins, further complicating the prospects of shipping the remaining volume before new crop starts flowing in three months-time.
- **PNG:** A bit more activity than expected for this period. Remote region arrivals make up some good volumes. The upper highlands have slowed down further as expected with the one-off reports of coffee on offer. Quality is still fair. Prices stay low and in line with previous the week's. Interest in top quality but mostly out for new the crop.

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Robusta

- **Vietnam:** Internal market is still very quiet with some early pickings trading at 60-61000 VND/kg. Exporters bid for new crop Dec deliveries at 56-57000 VND/kg with limited offers from producers. Weather has been quite dry and sunny in the highlands although rains are returning. G2 is trading around +150/+180 fob for early new crop shipments. Good industry demand is seen for November shipments onwards although buyers continue to wait to book further forward spreads hoping for new crop pressure to improve prices. September exports were a very poor 50k mts and the stock carryover into 2324 is the smallest for many years.
- **Indonesia:** Basis asalan this week traded around 42.500 to 43.000IDR/kg; Total arrival from Monday to Thursday was around 2.7kmt going with three main buyers picking up the lion share. FOB differentials remain firm as we have 6 months to go till new crop. Prolonged dry weather in Southern Sumatra and Java's primary coffee regions is one to be closely monitored. Currency trades 15.675IDR against the green back.

Origin differentials for October onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-9	ICE Arabica	-9
Colombia Excelso	ICE Arabica	+23	ICE Arabica	+23
Honduras HG	ICE Arabica	+11	ICE Arabica	+11
Kenya AB FAQ	ICE Arabica	+75	ICE Arabica	+75
Vietnam Gr2	ICE Robusta	+175	ICE Robusta	+150
Indonesia Gr4 (max 80 defects)	ICE Robusta	+320	ICE Robusta	+320

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