



Coffee Market Overview

14 April 2023

Robusta Shorts Roasted

- Robusta July-23 futures traded at eleven and a half year highs propelled by speculator fund buying and the nearby structure heavily inverted as forward supply tightness continues. With Robusta futures rearing higher, origin differentials weakened notably in Vietnam, while conilon differentials eased ahead of the new crop harvest however the firmer BRL restrained the downside. Very limited weakness noted across Indonesia, India and Uganda origins, however.
- The wider markets deployed more risk as US March CPI figures came in below expectations at 5.0% y-o-y, (0.1% m-o-m), boosting hopes for the US central bank to pause rate hikes following an expected 25 bpt hike in May, and in the medium term begin a cycle of interest rate easing. Over the week equities rallied 1.5%, the BRL firmed to 10-month lows of 4.900 against the greenback, and the US Dollar index fell to 1-year lows, supporting a stealthy arabica price rally to 7 month highs.
- Brazil green coffee exports for March reached 2.78 mio bags down 19.7% y-o-y, according to Cecafe, cumulative exports for the 9 months from July-22 to March total 24.9 mio bags, down 6.6% y-o-y.
- The Brazilian Institute of Geography and Statistics (IBGE) estimate for the upcoming 23/24 harvest was revised 0.3% lower to 38.5 mio bags, yet up 13.4% compared to 22/23. IBGE is historically at the lower end of market consensus.
- ICE arabica certified stocks declined 20k bags over the week to 710k bags. ICE robusta certified stocks increased 11 lots to 7.42k lots
- We estimate the net speculator positioning in arabica to be +9k lots, and Robusta net speculator position at +30k lots.

Price Comparison

	<u>04.13.23</u>	<u>Change Vs. 03.31.23</u>
ICE Arabica July 23 (c/lb)	194.40	12.70
ICE Robusta July 23 (\$/mt)	2382	126
Arbitrage Arabica Jul 23 / Robusta Jul 23 (c/lb)	86.35	7.00

ICE Arabica: Arabica rallied strongly during the week, breaking resistance at 194.15, and moving to the highest level since last October. System fund buyers were aggressive taking out scale up origin offers and liquidation from spec longs. Industry was not an active buyer, but a few roasters were hoping the rally would allow them to extend cover at weakened differentials and provide physical liquidity. Structure firmed down the board which supported the flat price move. The chart is positive, but a bit overextended.

Support: 190.40, 185.65, 178.00

Resistance: 200.00, 204.80, 219.40

ICE Robusta: Robusta prices exploded higher, trading above \$2400 for the first time since 2011. The tightness in the robusta balance sheet is well known, so the timing of the move seemed to be driven by a combination of a constructive macro, forward supply concerns and positive chart momentum. Structure is inverted down the board as spreads attempt to attract selling to the nearby months. The chart is positive, but extended.

Support: 2311, 2256, 2212

Resistance: 2401, 2508, 2672

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Brazil

- **Local Market:** Activity picked up as the market broke the recent highs. A firmer BRL meant that diffs couldn't weaken as much as they would have otherwise, but the farmer liquidity meant that those who needed to buy were able to do so at slightly better levels on FOB basis. The question on whether the rally can sustain will be integral to diff evolution as new crop looms. March was a better shipment month on the arabicas but 0.7m bags lower than March 22. Smaller volumes of conilon traded hands at slightly weaker prices. Industry thought to still need to cover their May deliveries.
- **Weather:** Some light showers reported, conilon harvesting begins.
- **Export Market:** Some business changing hands on the nearby and a forward. The rally allowing industry to cover at slightly weaker diffs on the nearby. Some movement on the forwards.
- **Economy / Politics:** BRL firmer breaking the 5.0 level this week vs USD. A weak USD performance keeping emerging market currencies supported.
- **BMF (type 4/5):** K3 \$ 255 (+15)
- **Arbitrage BMF/ICE:** KK -KK -3.25 (+1.00)
- **Exchange rate:** 4.92 (+2.75%)

Colombia/Latin American Milds

- **Colombia:** April is well known as a rainy month and it lives up to the reputation. Rain the whole week and more are expected for the whole month ahead. Internal flow slowed and replacement differentials firmed. Little business has been reported. COP: H4779 L4587 C4587
- **Guatemala:** Selling has continued at similar rates as last week, with intermediaries selling almost daily, while producers are still not ready to give up on the idea of an improved market. The harvest season is basically over, with producers already at their pruning and shade management activities. A round of flowering was seen during the week in the high producing regions. Decent interest has been noticed from various sides.
- **Honduras:** increased activity and good volumes have changed hands this week. Internal prices firmed up a little. The demand is present for a whole range of qualities and certifications. The weather remains dry. Availability of sound containers remains problematic.
- **Costa Rica:** Following global industry trends, local roasters keep stocklot premiums firm and active. Mainstream qualities are showing signs of life, with trade/importers looking for specific opportunities. On the contrary, specialty coffees remain slow. Weather conditions return to the usual for the time being: sunny and very warm. If pattern continues rains will come again in the coming weeks to support the blossom.
- **Peru:** A pick-up in activities reported this week. In the regions such as Moyobamba, San Ignacio, Junin, Pasco, and Jaen, the winter continues but rains are decreasing, which is helping to the cherry maturity. Harvesting continuing but no flow of parchment yet.

Africa/Papua New Guinea

- **Kenya:** Auction volumes are still substantial but lower than previous auctions. Quality continues to drop with Mbuni now flowing in slowly, as well as Grinders. Differentials have eased in line with lower quality. Auction will be on recess between mid-May to mid-July. We are now well into the start of the rainy season, so far rains have been very good bringing much needed relief to droughted areas.
- **Tanzania:** No auction this week. We expect to have an auction in Songwe next week, with lots of Grinders and FAQ coffees. Hopefully this is the one that gets all the remaining coffees sold. Some producers in the north still need to finalize the last sale of the coffee before the season's auctions end. Farm conditions are improving following the rains in the north for the past two weeks. Fruit development in the south is continuing well.
- **Uganda:** Rain has lessened this week in the Rwenzori Mountains which is helping the flow of Drugar and Parchment with better drying conditions. Cherry harvest is past peak and deliveries are still in good flow but are likely to start declining as this harvest starts to tail off.
- **Ethiopia:** Internal prices continue to be elevated despite most of the new crop volume remaining unsold. Exporters point out the high cost of production keeping their offers at much higher levels than what the market can absorb. There's talk of an imminent devaluation in the making.

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- **PNG:** Even though, the weather in the upper highlands is delaying the cherry ripening, volumes internally have picked up. Prices for cherry are increasing. CBB infestation is showing a higher yield loss compared to previous season. Interest from industry for new crop is picking up.

Robusta

- **Vietnam:** Domestic market prices upcountry traded in a 51,000/52,000 VND/kg range, producers remain scale up sellers and are now well sold keeping minimal stocks at home, however pipeline is well supplied. Grade 2 is trading around N-50/N-70 FOB in bulk for nearby shipment. Weather: Short rains are starting to fall in parts of the highlands, as usual for April. Currency: 23,440 VND.
- **Indonesia:** Basis asalan traded around 35,300 to 35,500 IDR/kg equivalent to N+50 / N+60 FOB basis 80 defects. Volume asalan Monday to Thursday was 12k mt. Offers around + 80/+100 FOB for 80 defects for May to Aug shipment. Weather: Normal rains in South Sumatra and Java regions. Currency: 14,905-14,7492 IDR/USD

Origin differentials for April onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-2	ICE Arabica	level
Colombia Excelso	ICE Arabica	+48	ICE Arabica	+48
Honduras HG	ICE Arabica	+23	ICE Arabica	+22
Kenya AB FAQ	ICE Arabica	+40	ICE Arabica	+40
Vietnam Gr2	ICE Robusta	-50	ICE Robusta	+30
Indonesia Gr4 (max 80 defects)	ICE Robusta	+100	ICE Robusta	+150

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