



Coffee Market Overview

15 Sep 2023

“Roblasta returns”

- The dollar strength continued this week after yet more hawkish US economic data and as the euro declined after the ECB hinted that their 10th rate hike to a record 4% may be their last.
- Despite the strong dollar, crude oil rallied to year-highs of \$93/bbl, while the BRL also eked gains reaching 2-week highs.
- The latter kept physical activity in Brazil subdued, with producers holding back for higher terminal prices. NY prices remain range bound as the Brazilian harvest wraps up.
- Robusta futures saw a recovery to a 1½ week high on still tight supply/demand. Stocks remain very low, and Vietnam’s coffee exports in the first eight months of this year fell 5.4% y/y to 1.21 MMT.
- The US Climate Prediction Centre anticipate a more than a 95% chance that El Niño weather conditions are expected to continue through to the first quarter of 2024.
- Recent rains in Brazil triggered another round of blossom in most Arabica regions and for now no concern on the blossom set due to good vegetative conditions. Forecast show light rains next week.
- The Colombian Coffee Growers Federation reported that Colombian July coffee exports fell -17% y/y to 846,000 bags.
- Vietnamese weather conditions are favourable for the maturation stage for 23/24 crop. Small volumes of fresh cherry has been collected, while some are starting early forward sales for Dec delivery.
- Dry weather in the southern regions of Sumatra and Java for the past 10 days has raised concerns regarding the potential impact of the dry spell on the fruit set stage in low and medium altitude regions.
- ICE arabica certified stocks stand at 442,558 bags while robusta certs have reached 3,873 lots.
- We estimate the net spec position in NY arabica to be -24k lots and Lon robusta to be +19 lots.

Price Comparison

	<u>15.09.23</u>	<u>Change vs 07.09.23</u>
ICE Arabica Dec 23 (c/lb)	154	+4.20
ICE Robusta Nov 23 (\$/mt)	2495	+88
Arbitrage Arabica Dec 23 / Robusta Jan 24 (c/lb)	40.83	+0.21

ICE Arabica: Arabica spent most of the week hovering close to the 150 c/lb level before a sharp rally on Thursday. The main driver remains macro and many commodities rallied alongside coffee. The move seems to be enough to have triggered some short covering from the shorter-term momentum players though the recent fashion to sell KC against pretty much anything else seems to be intact. The BRL has also been strong which has moved some of the anticipated origin hedging a little further away from the market. Dry weather stories seem a little premature and the flowering in Brazil has been impressive.

Support: 147.20, 143.00, 132.50

Resistance: 157.60, 166.65, 173.95

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ICE Robusta: Robusta prices fell briefly through the \$2400 psychological support but there was no follow through, and prices rallied sharply erasing the losses from the previous week. Prices are now at a level against X3 where one can see the possibility of fresh coffee for ICE however the lack of grading against U3 which trades at a \$200 premium to X3 shows that the fundamental situation remains very tight.

Support: 2400, 2351, 2205

Resistance: 2529, 2574, 2626

Brazil

- **Local Market:** Sideway trading in Arabica futures market was seen during most of the week, while recent upper moves brought some flow. Differentials remain firm as the dollar lost 1% vs the BRL. Producers still seek higher prices and are not keen to sell big volumes. Cecafe's latest shipment numbers for Aug23 were 3,675 mio bags. Arabica exports were within expectations, but Conilon topped the previous record (of 675k per month) by 25k to 700k.
- **Weather:** Some rains forecast for next week.
- **Export Market:** Differentials on offer trended higher with some giving into firm bids.
- **Exchange rate:** The USD traded down from over 5.00 to below 4.90, selling at R\$ 4.8721, the lowest level of the month so far.
- **BMF (type 4/5):** KZ3 188
- **Arbitrage BMF/ICE:** ZZ -12.50 (+0.50)
- **Exchange rate:** 4.87 (reval 1.25%)

Colombia/Latin American Milds

- **Colombia:** A new coffee strike has been announced for September 25th. The main complaint is related to the lack of management and factors that could lead to a coffee crisis soon, namely: lower prices, poor conditions at cooperatives across the country, fertilizers cost, changes in purchasing conditions by the FNC and Coops, Climate Change, FNC restructuring, amongst others. Business was normal. Weather remains good for the coming crop. H4040 L3929 C329.
- **Guatemala:** Currently the internal market is slow, with not many business opportunities at current market levels. Basically, producers are waiting for the new harvesting season to start in order to have a clearer idea of where the market is going to be and how their crops will be developing. As weather conditions have not been the best, with a strong El Niño year, most producers are expecting a lower volume and below standard yields.
- **Honduras:** Quiet week. Price discoveries are ongoing, but little business has been reported. Weather remains sunny in most producing regions.
- **Costa Rica:** For the most part demand remains quiet with specialty roasters formalizing some business. Weather is too dry - the expectations are that it will remain the same until the end of the year.
- **Peru:** Overall Peruvian exports were positive until the last week of July, after reaching a total of \$5 billion, which represented an increase of 6% compared to the same period of 2022. Weather remains hot and dry. Demand for certified coffees have been filled.

Africa/Papua New Guinea

- **Kenya:** There was a 4,000-bag auction on Tuesday consisting of FAQ coffees. Prices were very firm. The bottleneck as a result of the coffee sector legal reforms is still unresolved. The flow of coffee is at 5% of the same quarter last year, the flow of certified coffees has fallen to zero as a result of the certified millers being unlicensed. There is no resolution in sight, the government stance remains firm

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on its reform agenda.

- **Tanzania:** This week's auction took place in Mbeya and offered a total of 16,000 bags, whereof 11,000 bags was fresh crop and 5,000 bags of old crop. The auction was highly successful as nearly all the volume received bids. Next week's auction in Mbinga is expected to be a big one again. Most regions are now wrapping up or already done with the harvest.
- **Ethiopia:** AFCA will be hosting its 20th anniversary annual conference and trade show in Addis Ababa during February 2024, jointly with IACO, the Inter African Coffee Organization. As the local industry gets ready for the new crop, there's increasing talk about EUDR and the need for Ethiopian exporters to put systems in place for sustainability compliance.
- **PNG:** Green bean arrivals in the Easter Highlands is still ok and some parchment volumes are sold in Morobe. This is the last flow of the main harvest coming through as the season winds down. Few exporters are still chasing commercial grades to fill their commitments. Differentials are overall firmer and good demand continues.

Robusta

- **Vietnam:** Thin volumes trading internally between 57500/59000 VND this week with differentials staying steady. G2 at +150/170 FOB new crop which will start to flow in November. Industries are picking away at offers mainly out to Q1 and Q2, with others waiting on the sidelines seeing no bargains yet. VND weakened slightly to 24,250. Exports have slowed down on the back of thin stocks and freight rates remain soft.
- **Indonesia:** Basis asalan traded around 43,800 to 44,300 IDR/kg equivalent to X +350/+380 FOB basis 80 defects. Volume asalan Mon-Thu was around 3.8k mt, 26% lower than same period last week. Dry weather in the Southern regions of Sumatra and Java for the past 10 days has raised concerns regarding the potential impact of the dry spell on the fruit set stage in low and medium altitude regions. Currency: 15.350- 15.357 IDR/USD.

Origin differentials for September onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-11	ICE Arabica	-13
Colombia Excelso	ICE Arabica	+22	ICE Arabica	+22
Honduras HG	ICE Arabica	+13	ICE Arabica	+13
Kenya AB FAQ	ICE Arabica	+75	ICE Arabica	+70
Vietnam Gr2	ICE Robusta	+500	ICE Robusta	+500
Indonesia Gr4 (max 80 defects)	ICE Robusta	+500	ICE Robusta	+500

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