



Coffee Market Overview

17 March 2023

“Debit Swiss”

- Macro volatility was left right and centre this week. Firstly, SVB and other tech-centric banks’ debacle caused traders to rethink their views on the pace of Fed rate hikes. Then, Credit Suisse’s troubles led investors to all but abandon the odds of higher rates. A raft of comprehensive actions and assurances to safeguard the banking system allowed confidence to return, including major US banks looking to support First Republic Bank.
- The ECB, despite the emerging banking crisis, hiked interest rates by 50bp (arguably averting an even worse crisis of confidence), thus showing that unless market turmoil severely impacts credit conditions, inflation should remain the central banks’ main concern. Next week will be crucial to see how other central banks react, with the Fed, BoE, and SNB all set to meet.
- Coffee prices were not immune to the macro sell-off, initially falling alongside other commodities. However, the decline was not as steep, and indeed Thursday’s 4% rally was quite an outperformance, perhaps supported by the sizable stock draw in the US.
- In Vietnam, farm gate prices fell w/w to 47.3k VND/kg, resulting in slower flows of coffee on the local market. We estimate more than 70% of the 22/23 crop has been sold by producers and the remainder concentrated with well-capitalized producers who await coffee prices close to the 50k VND mark.
- In Honduras, activity has slowed with the harvest now all but complete, coffee is readily available with many coops holding stocks in their warehouses, but the external market demand remains.
- US green coffee stocks fell by 160k bags to 6.1 mio bags by the end of February, their lowest since late June, data from the Green Coffee Association showed.
- ICE-certified arabica stocks stood at 789k bags, robusta certified stocks totaled 7.6 k lots.
- We estimate the net speculator position in arabica is currently short -6k lots and the net-speculator position in robusta is currently +19k long.

Price Comparison

	<u>03.16.23</u>	<u>Change Vs. 03.09.23</u>
ICE Arabica Mar 23 (c/lb)	180.05	5.00
ICE Robusta Mar 23 (\$/mt)	2104	- \$64
Arbitrage Arabica Mar 23 / Robusta Mar 23 (c/lb)	84.61	7.90

ICE Arabica: Arabica traded down to the lowest level since late January. Nervousness in the global banking system weighed on the macro causing gyrations in bond yields and assets values. Traders remain focused on slow industry demand and high finished good stock levels in several markets. Price chop has pushed many commercial traders to the sidelines, reducing the number of resting bids and offers. Spec positions are fairly flat which allows them to probe both nearby support and resistance levels. The chart is negative and jumpy.

Support: 171.05, 168.55, 162.50

Resistance: 182.60, 185.35, 194.15

ICE Robusta: Robusta fell below the original breakout high at \$2080. Spec have been the best buyers of robusta during the past month, and many of those positions are underwater and in danger stopping out. The balance sheet will become tight in the coming months, with robusta incorporation in finished products at increased levels, but nearby supply is meeting demand. Actual physical tightness may be delayed until the second half of 2023. The chart is negative.

Support: 2047, 1997, 1947

Resistance: 2130, 2171, 2208

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Brazil

- **Local Market:** The week started calmly until Wednesday when macro risk pushed a currency devaluation moving USD/BRL from 5,18 to 5,31. With the macro better on Thursday and currency holding around 5,30 the market rally brought some selling activity on arabicas with better demand appearing.
- **Weather:** Rains continued over the week across the main coffee-producing regions. The forecast indicates light rains in major regions except for Bahia, which is likely to benefit the cherry development at this stage.
- **Export Market:** Fresh nearby demand for arabicas continues showing that coverage is not long as the market expects. Conillon prices fell to close to R\$ 610 which brought with it attractive differentials and for the first time in a long time brought conillon back into the international market with interest noted from US roasters.
- **BMF (type 4/5):** K3 228.00
- **Arbitrage BMF/ICE:** KK -7.69
- **Exchange rate:** 5.23

Colombia/Latin American Milds

- **Colombia:** There is very little flow internally, and the few offers are a shade firmer. Rains are back across the country. The name of 7 candidates for future FNC's CEO were finally released on March 9. Only one woman was included in the list. Government complaint on such results and a revision for all initial candidates were requested. COP: H4887 L4692 C4835.
- **Guatemala:** Good selling interest from producers and intermediaries during the week, especially with the futures market rally on Thursday. Weather conditions have not been ideal for the current harvesting and milling activities, as there were some rains affecting the coffee areas and slowing down the flow of coffee arriving. Good FOB business has been reported
- **Honduras:** The demand picked up this week and good business reported, especially for certified coffees. Availability and quality remain good. Export pace is still running behind last year. Weather is dry and sunny.
- **Costa Rica:** Although there's some commercial activity ongoing, the fact is business is slow and seemingly forced. Bottom line the demand is very shy and the inquiries few and for small volumes. As a result, producers, millers and exporters are focused into fulfilling commitments to maintain their operation flowing and to ease anxiety.
- **Peru:** regions such as Moyobamba, San Ignacio, Junin, Pasco, and Jaen, the winter continues, and rains have been present this week, which is helping the harvest 23/24. Sporadic businesses have been reported, but ideas too far apart for bigger clips.

Africa/Papua New Guinea

- **Tanzania:** 16,000 bags were on offer in this week's auction in Songwe. Qualities were mainly grinder type and coffee is now aged after being brought back to auction several times after not being sold previously. Farmers in the south have finalized the milling of the coffee for this season. Farm activities are progressing well and the farms are in good condition. We will start monitoring the potential for CBD as the cold season is approaching.
- **Kenya:** The main crop continues at a good pace, with no improvement in quality. Rain has now arrived across the coffee-producing regions to much relief, conditions for the past 4 months have been exceptionally hot and dry.
- **Ethiopia:** The minimum price of the week has been decreased by 2 to 3 cts/lb for both, washed and natural. However, most shippers have not come down in their offering prices, especially for naturals, and hence, the business activity of new sales is still sluggish.
- **PNG:** An off-week in the local market, with the cherry flow at the usual pace for the period of the year. Seems that the harvest and arrival periods of parchment will be delayed slightly with the higher-than-usual rainfall. Prices stay firm.
- **Uganda:** The Rwenzori mountains fly crop is getting into swing with a good flow of cherries and Drugars coming in. Parchment is of good quality and volumes available have been increasing over the last two weeks. As heavy rains begin to materialize in the region, we expect a small dip in the flow going forward.

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Robusta

- Vietnam:** G2 is trading at Level to +30 fob bulk. The industry continues to buy on a hand-to-mouth basis with differentials not getting any easier. Local market prices are bid in a 47500 to 48000 VND range upcountry while producers sit on the sidelines waiting for prices to recover, therefore business has been very quiet this week. The weather is dry and hot, as usual for this time of year. Currency: 23580 VND/USD
- Indonesia:** Basis asalan traded around 32,700 IDR/kg to 32.900 IDR/KG equivalent to K +40 basis 80 defects. Volume asalan Monday to Thursday was 3.5k mt. With London dropping the differential is firmer because local prices are not dropping in parallel to the market. Weather: Continued above-normal rains this week in the South Sumatra and Jambi regions have hampered harvesting and drying activities for the current crops. Farmers are worried that this condition will affect the quality of coffee. Currency: 15,374 -15,418 IDR/USD

Origin differentials for April onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	level	ICE Arabica	level
Colombia Excelso	ICE Arabica	+46	ICE Arabica	+46
Honduras HG	ICE Arabica	+22	ICE Arabica	+24
Kenya AB FAQ	ICE Arabica	+40	ICE Arabica	+40
Vietnam Gr2	ICE Robusta	+30	ICE Robusta	+30
Indonesia Gr4 (max 80 defects)	ICE Robusta	+120	ICE Robusta	+60

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