



Coffee Market Overview

17 Nov 2023

“Soft Landing Hopes and Dreams”

- Macro got a boost as US Oct CPI numbers came in lower than expected (flat month-on-month), reinforcing the view that Fed rates have peaked.
- The markets are now pricing in rates on hold through the first quarter of next year, with a potential rate cut in Q2 2024.
- Stock markets rallied, treasury yields fell, and the dollar fell sharply (erasing much of the year's gains) – in turn strengthening the BRL.
- Coffee prices were choppy again, with NY turning lower on Thursday after touching the highest level in 5 months amidst growing concerns a heatwave in Brazil and certified exchange stocks falling below 300k bags for the first time in 24 years.
- Brazil saw light rains for all regions except for ZM, Bahia and ES. Conilon farmers in ES are reporting some losses on potential for next crop due to high temperatures.
- Coffee prices in Vietnam climbed this week as fresh supply from the new harvest is yet to pick up due to rains in key growing areas that disrupted cherry picking.
- Colombia's October production numbers stood at 1.15 mio bags, up a huge 30% from a year ago, according to FNC. However, exports were 4% lower y/y at 906K bags.
- The forecast indicates decent rains for all regions except for Bahia and ES that should receive only light rains.
- In India, fly picking has commenced in some of the Arabica farms. Small quantities of cherry have started to arrive at buying stations of local traders.
- We estimate the net spec position in NY arabica to have turned firmly positive, at 9k lots, and Lon robusta to be 22k lots.

Price Comparison

	<u>11.16.23</u>	<u>Change Vs. 11.9.23</u>
ICE Arabica Mar 24 (c/lb)	171.20	-3.00
ICE Robusta Jan 24 (\$/mt)	2484	98
Arbitrage Arabica Mar 24 / Robusta Jan 24 (c/lb)	58.53	-7.44

ICE Arabica: The March contract pushed higher up to 176.35 before origin selling and a complete lack of commercial buying allowed prices to retreat. The bullish chatter revolved around the hot and dry weather occurring throughout Brazil growing areas which could become a concern for future cherry filling. Certified stock draws down to 289,699 bags also provided support to price and structure. The negative side of the market focused on the weak demand for new crop Central American milds and a surplus arabica balance sheet in 24/25. The chart is positive but showing early signs for downward retracement.

Support: 167.00, 164.95, 157.90

Resistance: 174.95, 182.00, 190.80

ICE Robusta: The January contract rallied \$136 during the week as firm Vietnam differentials and very good industry demand supported prices. The robusta balance sheet is very tight for the coming year and buyers are lining up to secure the 23/24 Asian supply. The longer term solution to the tight robusta market is to encourage industry to move demand away for robusta and into surplus arabicas. The Mar/Mar arb narrowed by 7.44 cents during the week but it appears more work needs to be done to move demand out of robusta. The chart is

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positive.

Support: 2506, 2452, 2408

Resistance: 2594, 2659, 2797

Brazil

- **Local Market:** Producers continue aiming at value and retaining volumes from being sold. Exporters short covering remains high versus record shipment pace in all grades, except soluble. Replacement differentials continue to firm. Conilon demand by the local market is expected to remain firm in the coming months.
- **Export Market:** Good demand coming in for all grades.
- **Weather:** The week was very warm with some showers, and a wet cold wave is forecasted for the weekend to alleviate and decrease the high temperatures.
- **Economy / Politics:** The USD traded below 4.90 to 4.84.
- **BMF (type 4/5):** H4 208 (-4.00)
- **Arbitrage BMF/ICE:** HH -14.00 (-0.25)
- **Exchange rate:** 4.86 (reval 1%).

Colombia/Latin American Milds

- **Colombia:** We are currently at the peak of the crop in Huila, Santander, and Antioquia, the coffee flows across the supply chain and the internal differentials remained stable, and we expect to see coffee flowing up until January. Some shy spot demand this week. Weather is good for the crop as the rain favored the cherry filling and maturation for the main crop. COP/USD: Open: 4005 Low: 3944, High 4104 Close: 4077.44
- **Guatemala:** Coffee flow is starting to pick up. Intermediaries are delivering bigger quantities of volume to trading houses. The maturation of cherries is slowly picking up again, although the consensus is still a relatively small delay in harvest for all of Guatemala.
- **Honduras:** It has been raining over in the country for the last 2 weeks, which has delayed picking early coffees. Road conditions make it hard for producers to travel to the mills due to bad road conditions. Some interest in certified coffees has been, but overall, not been a very active week.
- **Costa Rica:** Although the volume of inquiries has considerably increased, materialized business remains scattered. Transition weather conditions are consolidating. Warmer and sunny conditions have busted harvest quantities in the milling sector.
- **Peru:** More rains felt in the coffee regions, coffee producers start with pruning and fertilizing. Available coffees remain competitively priced, but demand is rather lackluster.

Africa/Papua New Guinea

- **Kenya:** Coffee quality has improved as some Eastern coffees have made their way through the milling bottlenecks. Supply remains inconsistent and well below normal volumes for this time of year, next week's auction is the smallest on record. Main crop harvesting is now underway, and the operating mills are bracing for a challenging period ahead as they try to manage the backlog whilst main crop deliveries start to arrive.
- **Tanzania:** Most northern regions have finished harvesting, except for a small percentage in the high zones where harvesting continues. Mbeya conducted an auction this week. Over 90% of 16K bags of fresh coffee are expected to be sold. The next auction is scheduled for next week in Mbinga. Farmers in the South are actively involved in preparing land for the next season, while also experiencing flowering on their farms due to recent rains. Rainfall has been reported across all parts of the South and North this week.
- **Ethiopia:** Harvest of the Ethiopia 23/24 crop continues apace, with red cherry prices in the South currently being reported at ETB 35 per kg (64 US cents). Lack of working capital availability continues to be a challenge for most exporters and wet mill operators, with a significant percentage of washing station owners in the South showing no interest in operating this season.
- **PNG:** Coffee in the upper highlands has significantly slowed down the pace with the end of the season and now the new first harvest in January is awaited. Some parchment in the lower highlands is seen and quality is in check. Local prices remain weak. Some exporters continue to look for commercial and lower grades to cover commitments. Shipments over Nov and Dec are expected to remain busy. EUDR discussions within the industry and government agencies picking up traction.

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Robusta

- **Vietnam:** Upcountry prices trade between 59,000 and 60,000 VND/kg. Volumes are picking up and differentials are easing into the market rally. Around 25% of the harvest complete. Coffee is well bid by exporters, many of whom are pushing for quick deliveries to fulfil requirements for November. G2 is trading around H+70 FOB in bulk for nearby shipment. Industry continues to cover shorts for Jan-Mar shipments. Weather: Mostly dry with a couple of days rain. Currency: 23,270 VND
- **Indonesia:** Basis asalan traded around 47,000 to 48,000 IDR/kg. Volume asalan Monday to Thursday was 1.3k mt. Offers around F+620 FOB for 80 defects for Nov and Dec shipment. Weather: above normal rains in the main coffee regions of South Sumatra, normal rains in Lampung and Java regions. Currency: 15,713-15,595 IDR/USD

Origin differentials for November/December onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-16	ICE Arabica	-15
Colombia Excelso	ICE Arabica	+16	ICE Arabica	+10
Honduras HG	ICE Arabica	+7	ICE Arabica	+6
Kenya AB FAQ	ICE Arabica	+75	ICE Arabica	+75
Vietnam Gr2	ICE Robusta	+70	ICE Robusta	+130
Indonesia Gr4 (max 80 defects)	ICE Robusta	+620	ICE Robusta	+600

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