



Coffee Market Overview

19 May 2023

“Roboomsta”

- It was another poor week for commodities as the recent revival in the US dollar (counterintuitively rallying on safe-haven demand amidst macro fears on the US debt ceiling) continued. The BRL was well supported though, at 4.90 vs the USD.
- Bucking the broader decline in commodities, Robusta futures soared to fresh 12-year highs on the back of strong roaster demand and limited origin selling. However, Arabica futures declined w/w.
- Conab lowered its forecast for Brazil's 2023 coffee crop to 54.74 mio bags due to a larger drop in robusta. The crop still represents a 7.5% increase over the previous season, however.
- Weather in Brazil is set to be mostly dry next week, allowing harvesting activities to accelerate. Differentials have firmed a little, but activity remains thin.
- Colombia's April exports, at less than 850K bags, fell 18% y/y. Cumulated exports for the coffee year is now 7.3 mio bags, 11% less than last year.
- After a dry spell, recent rains in Vietnam are providing much-needed moisture to support crop development during the fruit set stage. There is very little coffee left in the country for sale.
- Indonesia's harvest in Southern Sumatra is accelerating due to drier weather. Total arrivals in the last 3 days in week 20 of 2023 are 46% lower than the same period in week 20 of 2022.
- ICE-certified arabica stocks fell further and stand at 0.63 mio bags, Robusta certs remained at 8k lots.
- We estimate the NY net spec position at 13k lots, and that in London is at 42k lots.

Price Comparison

	<u>19.05.23</u>	<u>Change Vs. 12.05.23</u>
ICE Arabica July 23 (c/lb)	186.65	+3.65
ICE Robusta July 23 (\$/mt)	2540	+147
Arbitrage Arabica Jul 23 / Robusta Jul 23 (c/lb)	71.44	-3.02

ICE Arabica: Arabica rallied through 190, but found little follow-through support and returned to the 181.10 and 190.00 range. The recent high remains in sight and could be challenged again. Washed arabica differentials are firm and far from tender parity levels while the structure is inverted, providing a supportive tone to arabica. The COT shows non-commercial traders with a modest net long position as specs wait for stronger trend clarity before adding larger positions. The chart is slightly bullish.

Support: 183.55, 180.60, 174.80

Resistance: 190.00, 195.65, 204.90

ICE Robusta: Robusta was the star performer, trading to the highest level since June, 2011. The July contract is within striking distance of the March 2011 high, at \$2672. Firm differentials from Asia have not slowed demand, and buyers in need of robusta are hoping new crop liquidity from Brazil will provide relief. The robusta balance sheet remains very tight and dangerous for the balance of 2023. The chart is bullish.

Support: 2458, 2374, 2307

Resistance: 2600, 2640, 2672

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Brazil

- **Local Market:** Another quiet week passes in the internal market as KC struggles to maintain recent highs. Liquidity from the producer was sluggish and diffs firmed up as pricing came off and the BRL hit recent highs vs the USD earlier in the week. Buyers' and sellers' ideas remain apart for the time being. Local industry nibbled at Conilon differentials but they do not appear to be in a rush. Shipment pace in May so far is slightly below April. **Weather:** Favourable for harvesting conditions this week.
- **Economy / Politics:** The USD traded in a narrow range between 4.88 and 4.98 this week. BRL is losing a bit of recent strength.
- **Export Market:** More fresh industry demand for immediate shipment appeared and got satisfied. However, the pace of shipments in May 2023 has been slower compared to April 2023.
- **BMF (type 4/5):** Sep 223.0(+ 3.50)
- **Arbitrage BMF/ICE:** UU - 15.75 (-1.00)
- **Exchange rate:** 4.97 (0.5 % Deval)

Colombia/Latin American Milds

- **Colombia:** Normal rains were reported across the country, combined with some dry days in most of the coffee regions. These weather conditions have favoured the maturation of the current Mitaca and the fruit set for the next main season.
- **Guatemala:** With the market move higher, there was some selling interest from producers and intermediaries, although many are still expecting higher prices for their unsold inventories. Quality has been good for the delivered coffee, mainly since these last lots are from the higher producing regions. With rains getting more consistent, producers have started their fertilization practices and weed control. Pests are basically under control and no complications have been reported recently.
- **Honduras:** The 22/23 coffee crop has concluded, resulting in limited availability of coffee for internal purchases. A significant portion of the coffee is currently stored in cooperatives and middlemen warehouses. The coffee fields have shown favorable flowering, indicating a similar-sized crop for the upcoming year.
- **Costa Rica:** Demand continues to remain sluggish, resulting in lower differentials that haven't been witnessed in years. A rainfall deficit was reported for the current month. The persistence of high temperatures, coupled with sporadic and scattered rains, further characterizes the weather effects of El Niño.
- **Peru:** May has emerged as the peak season for coffee production in various regions. Lower altitude areas are currently harvesting cherries, while mid and high altitude regions are collecting the first cherries of the crop. The weather has been favorable, with a decrease in rainfall and an increase in sunny days, which is conducive to the harvesting process.

Africa/Papua New Guinea

- **Kenya:** It's now off-season, and weather conditions are cool with intermittent showers across the coffee-growing region. The drought-hit parts of the country have recovered well. The auction will be in recess till 1st week of July.
- **Tanzania:** No auction this week. Next week's sale in Moshi will offer 18,000 bags, of which 14,000 bags are past auction offerings. While fly-picking at lower altitudes continues in the North, farmers in the Highlands and Karatu hope to begin harvesting by the end of June. In Mbozi, the cherries have ripened on the majority of the farms that practice irrigation and harvest continues well. Farmers in the lower areas of Mbinga and Nyassa anticipate harvesting the fly crop to start within June.
- **Ethiopia:** The minimum prices have increased by 3 to 4 cts/lb for both washed and naturals. A report came out this week that the Ethiopian government is planning to float the currency to boost the forex inflow. The government has previously resisted devaluing the currency, but officials have now indicated that they are willing to float the birr instead in order to help to attract foreign investment.
- **PNG:** Busy week in all Highland regions. Volumes are healthy and similar to last season for the time of the year. Quality, besides the noticeable CBB defects, cup very well. Prices locally remain firm. Demand for new crop is coming in from various destinations.

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Robusta

- **Vietnam:** Domestic market prices upcountry traded in a 57,000/61,000 VND/kg range in thin volume. Differentials are firming quickly as farmers have sold 90% of their stocks already and there is a looming shortage of beans with new crop availability still 6 months away. Very good industry demand seen in a race to secure cover. Grade 2 is trading around N+130 FOB in bulk for prompt shipment. Weather: Regular rains have returned to the highlands. Currency: 23,470 VND
- **Indonesia:** Basis asalan traded around 38,200 to IDR/kg equivalent to N+80 FOB basis 80 defects. Offers around + 140/+150 FOB for 80 defects for May to July shipment. Weather: Normal weather in South Sumatra and Java. Currency: 14,812-14,875 IDR/USD
- **Uganda:** Western and Southern crop is now starting up, with increased daily FAQ deliveries to Kampala. Competition is high with trade shorts and higher markets allowing for higher prices locally. Offers for Screen 15 around +350 for shipment June to Aug. Weather: Rains have pulled back this week although light showers remain across most growing regions.

Origin differentials for April onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB Current Crop	ICE Arabica	-7	ICE Arabica	-6
Brazil MTGB New Crop	ICE Arabica	-15	ICE Arabica	-15
Colombia Excelso	ICE Arabica	+42	ICE Arabica	+42
Honduras HG	ICE Arabica	+18	ICE Arabica	+18
Kenya AB FAQ	ICE Arabica	+45	ICE Arabica	+45
Vietnam Gr2	ICE Robusta	+130	ICE Robusta	-20
Indonesia Gr4 (max 80 defects)	ICE Robusta	+150	ICE Robusta	+60

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