



Coffee Market Overview

24 Nov 2023

“Black Friday”

- A short week due to Thanksgiving saw coffee prices ease as previous weather concerns of dry and hot temperatures across Brazil waned. Robusta saw some hedging as the Vietnam crop harvest flow picks up.
- The broader macro remains positive as minutes from the latest US Fed policy meeting signaled there would not be more hikes unless progress against taming inflation faltered.
- The dollar index is nearing a three-month low as rate cut bets increase with inflation slowing, allowing the BRL to firm to September levels of 4.89.
- Rains returned to the arabica belt in Brazil, allowing temps to cool; but forecasts point to light rains only in both conilon and arabica regions for the next 15 days which could decrease the potential for the 24-25 crop.
- Vietnam’s harvest is estimated to have reached around 10%, although wet weather forecasts next week may hinder the drying pace. Volume transacted in the local market has been increasing over the week.
- The USDA’s FAS suggested Vietnam’s coffee production in 2023/24 will total 27.5 mio bags, down 3.8 mio bags from the previous forecast. It also cut its outlook for Indonesia’s coffee exports amid lower output from this season. Along with robusta/conilon production projected at 21.4 mio bags, 1.4% lower than the previous estimate of 21.7 mio bags and 6.1% lower to 2022/23.
- In Honduras, activity is slow with very low volumes available for new crop. Most coffee being purchased has been bought at very high prices.
- ICE arabica certified stocks have fallen to 290k bags while pending gradings of small volumes from East Africa, Peru, PNG and Brazil appear. Robusta certified stocks are currently 4,267 lots.
- We estimate the net spec position in arabica are currently +8k lots and robusta to be 20k lots.

Price Comparison

	<u>11.23.23</u>	<u>Change Vs. 11.16.23</u>
ICE Arabica Mar 24 (c/lb)	165.05	-3.00
ICE Robusta Mar 24 (\$/mt)	2426	-58
Arbitrage Arabica Mar 24 / Robusta Mar 24 (c/lb)	59.00	0.47

ICE Arabica: A sideways week with little fresh impetus on price but a more significant move in market structure as we entered the Z3 notice period. Shorts forced out of nearby positions as the penny dropped that there were almost no certs available for delivery as existing stockholders stayed long into the delivery window. ZH trading towards +10 c/lb with traders now nervous about the HK position in the apparent absence still of consequential fresh coffee for the board.

Support: 165.00, 158.00, 151.50

Resistance: 177.70, 181.00, 188.70

ICE Robusta: The chop fest in robusta continues and this was another week for the fund long to be punished. Conilon continues to be graded right to the wire for the X3 expiry and one imagines that both the main Issuer and Receiver have had a stressful month. It remains to be seen if the new conilon heavy cert composition can be liquidated to the cash market as easily as the Asian stock that preceded it. We feel robusta still remains fundamentally tight, but the inverse has done the job of moving more stock to destination than we feel that the market needs short term.

Support: 2429, 2395, 2296

Resistance: 2625, 2670, 2800

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Brazil

- **Local Market:** Even though warehouses are full, farmer selling is still more resistant, and exporters continue to short cover. Arabica replacement differentials are single-digit negative to slightly positive over NY for certified coffees. Local industry tends to participate more. Cecafo shipments for Nov 23 show another solid performance, and the delays remain growing on the terminals.
- **Export Market:** Ongoing good demand for all grades noted this week.
- **Weather:** The rains this week were unevenly distributed yet temperatures decreased due to cloudy weather. The month of December remains important to monitor for both average temperatures and adequate rainfall.
- **Economy / Politics:** The USD traded between 4.85 to 4.90.
- **BMF (type 4/5):** H4 206 (-2.00)
- **Arbitrage BMF/ICE:** HH -13.25 (+0.75)
- **Exchange rate:** 4.86 (deval 0.75%).

Colombia/Latin American Milds

- **Colombia:** Business continues but has calmed down a little bit. Local offers are mostly on the nearby position, whereas further out positions are demanded. Rains remain over most parts of the country with an important intensity in the North. H4132 L4004 C4070
- **Guatemala:** Volumes are starting to increase in the oriente. Soon the peak of the harvesting in the mid-altitude regions will be reached, cup and yields are improving. The higher regions should start the harvest mid Dec. Good interest was noticed this week. Still, scattered rains, and the dry season has not kicked in yet.
- **Honduras:** Slow flow through the country with very low volumes available for new crop. Limited coffees available internally are offered at very high prices, whereas quality is low. FOB demand is more active.
- **Costa Rica:** Demand came back to life as roasters seem to be in the re-stocking level. However differential volatility is all over the place as there isn't enough liquidity and each transaction depends on particular or independent circumstances. The combination of heavy late rains and ripe coffee are reported in most coffee regions a relevant amount of cherry drop (loss). Unofficial opinions calculate +5% loss already.
- **Peru:** Decent business as fresh nearby demand had to be filled from conventional to high-end specialty coffees. Weather remains favorable for the new crop development with more rains in the coffee regions.

Africa/Papua New Guinea

- **Kenya:** Supply dropped considerably this week with only 4,000 bags in auction. Quality is showing signs of improvement with some nice main crop coffees. Despite the low volumes prices have been depressed this week.
- **Tanzania:** This week's auction in Mbinga offered 10,000 bags of freshly stored coffee, predominantly FAQ grades. Approximately 20% of the coffee was sold on the auction floor. The next auction is scheduled for next week in Moshi. Moshi hosted a successful auction this week, offering 10,000 bags of freshly stored coffee and 22 bags of old crop. The majority of the coffee was of FAQ grades, as the higher-grade coffees are mostly moving through the direct export window. The auction results indicate that over 90% of the coffee was sold at the auction floor and almost everything that received counter bids was confirmed. The next auction is scheduled for next week in Mbeya.
- **Ethiopia:** Heavy rains in parts of the West and Southwest are making it difficult to dry parchment. With the new crop minimum price released this week, some exporters have started offering washed lots from the 2023/24 crop, for Jan shipment onwards.
- **PNG:** Some flow of green and parchment continues in the Highlands. Low areas have now slowed down as we move towards the end of the year. Local prices have not really changed throughout the week. Stocks carried by exporters are expected to move out in the course of the next three months. Fly crop development looks healthy for a decent picking early next year. Good interest for nearby shipments at slightly cheaper differentials.

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Robusta

- **Vietnam:** Upcountry prices remain well supported around 59,000 VND/kg as new crop flow is still in the early stages while demand remains strong. The harvest is 30-40% complete, yet only a small portion is ready for shipment and flow will pick up next month. G2 is trading around H+70 FOB in bulk. Good industry buying is seen extending cover beyond Feb while exporters focus on more nearby sales. Weather: Dry and sunny. Currency: 24,200 VND.
- **Indonesia:** Basis asalan traded around 48,000 to 49,000 IDR/kg. Volume asalan Monday to Thursday was 1.1k mt. Offers around F+680 FOB for 80 defects for Nov and Dec shipment. Currency: 15,419-15,593 IDR/USD.

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

	This week		Last week	
Brazil MTGB	ICE Arabica	-14	ICE Arabica	-16
Colombia Excelso	ICE Arabica	+14	ICE Arabica	+16
Honduras HG	ICE Arabica	+8	ICE Arabica	+7
Kenya AB FAQ	ICE Arabica	+75	ICE Arabica	+75
Vietnam Gr2	ICE Robusta	+70	ICE Robusta	+70
Indonesia Gr4 (max 80 defects)	ICE Robusta	+680	ICE Robusta	+620

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