



# Coffee Market Overview

25 Aug 2023

## “Spread Around Town”

- Markets were slightly more positive this week, although summer trading, and anticipation of potentially hawkish messaging by central bankers at Jackson Hole, kept activity subdued.
- December arabica recovered to \$1.55/lb, extending the market's rebound from last week's seven-month low of \$1.47, active origin selling specifically from Brazil was noted over the week into the price rallies albeit it contained with the BRL strengthened over the week despite a firm USD.
- Limited rainfall across most of Brazil's coffee regions this week, supporting harvest acceleration, which is over 95% complete. But starting this weekend 10 days of light rains are forecast across all regions.
- In Vietnam prices continued to edge lower amid muted activity as traders await the upcoming crop harvest, while in Indonesia, prices rose slightly on lower supplies and slow arrivals.
- Favourable weather has boosted the outlook for the main harvest in Colombia which should start to gather pace during the second half of September.
- Uganda's July shipments climbed to 645.8k bags, the highest monthly total for the season, amid a good crop in the southwestern region and attractive global prices.
- ICE arabica certified inventories dropped to a 9-month low of 512.8k bags, while Robusta certified stocks fell to 9-year lows of 3,598 lots. Both arabica and robusta spreads firmed notably ahead of FND this week
- We estimate the net speculator arabica position in currently -29k lots and that robusta positioning +25k lots.

## Price Comparison

	<u>24.08.23</u>	<u>Change Vs.17.08.23</u>
ICE Arabica Dec 23 (c/lb)	154.30	5.20
ICE Robusta Nov 23 (\$/mt)	2406	15
Arbitrage Arabica Dec 23 / Robusta Jan 24 (c/lb)	48.03	4.53

**ICE Arabica:** Arabica consolidated most of the week, as buying support thickened below 150. Poor demand has been an issue for many roasters, but expected finished product price decreases and the high consumption period should have positive impacts on consumption in the coming months. Arabica structure weakened in front of FND, but has firmed in recent days as origin differentials firmed. Specs have been the best sellers while industry has been a very patient, scale down buyer. The chart is negative and trying to hold above 150.

**Support:** 147.20, 140.00, 122.75

**Resistance:** 156.25, 157.40, 159.75

**ICE Robusta:** Robusta recuperated some of last week losses, as it attempts to clear the first hurdle above \$2419. The robusta balance sheet remains tight with firm diffs in most origins and drawing destination stock, however the bears are focused on demand, which they believe is weak, big conilon shipments, and the belief that the Vietnam crop will enter the market early and close the window of supply tightness. The chart is negative and trying to clear resistance at \$2419.

**Support:** 2351, 2330, 2213

**Resistance:** 2419, 2436, 2463

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## Brazil

- **Local Market:** A higher market this week drew out some coffee but not in significant volumes and differentials struggled to weaken on the back of good demand and a firmer currency. Cecafe shipment numbers suggest a reasonable Arabica performance and a continued strong flow of Conilon into the export market. Local industry cherry picks between cheap Conilon and cheap Arabicas but the volume sways in the robusta segment.
- **Weather:** Some rains forecast for next week and good flowering noted for the conilon growing regions.
- **Economy / Politics:** Firmer performance by the BRL this week.
- **Export Market:** A slow down this week in business taking place. FOB asking prices seem to be apart from buyer's ideas for the time being so larger transactions seem sidelined for the time being.
- **BMF (type 4/5):** KU3 \$ 191.50 (+4.00)
- **Arbitrage BMF/ICE:** UU -8.50 (-1)
- **Exchange rate:** 4.88 (reval 2.00%)

## Colombia/Latin American Milds

- **Colombia:** over the past few days the north of the country was impacted by the tropical storm Franklin which caused flooding in Santander, Sierra Nevada, and other provinces of the Caribbean region. Also, some land slides were observed in Antioquia and Cundinamarca regions. Businesswise it was a very quiet week as the industry awaits the arrivals of the 23/24 main crop harvest. H4136 L4065 C4095.
- **Guatemala:** Producers are concerned with the lack of agricultural labour available in the country, with many farm practices being delayed due to this situation. Few sporadic rains have been reported across the coffee regions, which is concerning, as we have had almost a month without good stable rains. This situation might affect the bean development, while also weaken the plant. Some new crop interest but little business reported.
- **Honduras:** Small amounts of coffee being purchased, but nothing of significance as it is too early for new crop. Rains in the northern and central regions of the country. New crop business is becoming more active.
- **Costa Rica:** No substantial changes neither in the internal and external markets compared to last week. Industry remain quiet. According to ICAFE Turrialba has already received 1.5% of the 2023/2024 coffee. Also, numbers show that 10.29% of the 23/24 is already sold.
- **Peru:** Patchy businesses of all grades of coffees and certifications reported this week. Overall, there were no major changes. Weather has been mostly sunny.

## Africa/Papua New Guinea

- **Kenya:** The first auction under the new regulatory environment was conducted on the 15 August. The outcome was reported last week. There have been some procedural issues in relation to transfer of title to the buyers after payment for the coffees, which are being worked on to be resolved. There remains a very serious bottleneck on the milling of coffee, due to a number of mills being delicensed for having a prohibited ownership structure, which is greatly impacting the flow of coffee. The coffee flow is at 6% of what it was for the same period last year and there is no sign of a resolution in the near future.
- **Tanzania:** First auction of the season took place this week in Mbeya with just over 26k bags new crop and 6k bags old crop being offered. Quality was made up of FAQ and Grinder. Only less than 10% of the coffees were confirmed as sold on the auction floor due to very high reserve prices given and the end. Farmers in the lower lands in the Northern regions are concluding their crop, with approximately 95% of the harvest done. However, in the higher altitudes, only 45% of the harvest has been collected so far. In the South, the harvest in Mbeya and Mbozi is at its peak, with a notable increase in dry mill collection and processing being observed.
- **Ethiopia:** At least 15% of the Southwest's lowland early crop is estimated to have been harvested. For the new crop, local traders expect red cherry to trade at lower levels than last year, especially with bank financing expected to be limited. Ethiopia's admission into the BRICS+ bloc was announced at the BRICS Summit in South Africa this week.
- **PNG:** Noticeable slowing in parchment and cherry flow in most provinces, whereas green continues to make its way to the market. Soon the focus will shift completely to stock management, processing and shipping over the next few months. Good external demand at attractive differentials.

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## Robusta

- **Vietnam:** The domestic market remains unchanged for the current crop with local prices at 70,000 VND/kg as there is no volume left. Forward new crop bids in the range of 55,000-56,000 VND/KG upcountry with sellers' ideas above 57,000 VND/kg G2 offered between +120 and +150 FOB in bulk for Dec-Feb shipment. As differentials firmed industry have slowed down their buying. Weather: dry. Currency: 23,990/24,000 VND
- **Indonesia:** Basis asalan traded around 43,000 to 43,300 IDR/kg. Volume asalan Monday to Thursday was 3.5k mt. Offers around X+480/+500 FOB for 80 defects for Sep and Oct shipment. Weather: Southern Sumatra and Java continue to experience dry weather. Currency: 15,329-15,253 IDR/USD

## Origin differentials for September onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-13	ICE Arabica	-15
Colombia Excelso	ICE Arabica	+21	ICE Arabica	+25
Honduras HG	ICE Arabica	+12	ICE Arabica	+15
Kenya AB FAQ	ICE Arabica	+65	ICE Arabica	+65
Vietnam Gr2	ICE Robusta	+500	ICE Robusta	+450
Indonesia Gr4 (max 80 defects)	ICE Robusta	+500	ICE Robusta	+430

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