



# Coffee Market Overview

26 Jan 2024

## “Conilong”

- Year-to-date, softs continue to dominate as the best performing commodities, with robusta, raw sugar, cocoa and cotton all top of the leader board. This is despite a weaker macro environment, with the USD and US treasury yields both firming in January so far as the US economy engineers a soft landing.
- The BRL weakened against the USD back to 5.00 following an industrial fiscal package introduced by the Brazilian government which was received poorly by the market.
- Coffee futures – both outright and spreads - remain as volatile as ever. Robusta front month reached fresh 28-year highs early in the week on tight stocks and freight-related delays. Arabica followed Robusta, easing on improved rainfall in Brazil which offered respite to the growing regions of Minas Gerais and supporting cherry filling for the 24/25 harvest. Farmer selling also improved over the week as local prices crossed the 1,000 brl/bag target. There has been an increase in the volume of arabica coffee heading to ICE with pending gradings currently 65k bags, while certified stock levels remain stable overall as daily stock draws also continue.
- Vietnam’s physical market remains very tight, farmers have already sold a healthy volume of the current crop during the peak harvest flow and the build to TET. Recently farmer selling to middlemen has slowed in anticipation of higher prices. Notwithstanding, the lower crop volume y-o-y hedge pressure has been subdued.
- Ethiopia exported 117,955 MT coffee during the first half of the 2023/24 fiscal year that started on July 8, according to the Ethiopian Coffee and Tea Authority.
- ICE arabica certified warehouse stocks remain stable at 254k bags, and robusta stocks are currently 3,008 lots.
- We estimate the net speculator positioning in arabica to be +31k lots and robusta to be +45k lots.

## Price Comparison

	<u>01.25.24</u>	<u>Change Vs.01.18.24</u>
ICE Arabica Mar 24 (c/lb)	186.95	7.20
ICE Robusta Mar 24 (\$/mt)	3251	188
Arbitrage Arabica Mar 24 / Robusta Mar 24 (c/lb)	39.49	-1.52

**ICE Arabica:** Arabica held support above the 50-day moving average but the big driver this week was volatility in the nearby HK spread. HK rallied to a high of 6.50 before dropping 3.80 cents over 2 days, down to 2.70. Very low destination stock and shipping delays are limiting industry solutions to increases in nearby production plans and trade short covering. Certified stock stands at 254,335 bags and the low-level supports for both the structure and flat price. The chart is positive above the 50-day moving average.

**Support:** 183.30, 175.55, 167.50

**Resistance:** 193.10, 197.25, 203.90

**ICE Robusta:** Robusta made a new multi-decade high at \$3262. Tightness in the robusta balance sheet is well known for 2024 and both industry and trade are focused on securing cover. Trade concerns about late Vietnam deliveries and potential supplier defaults are adding to the strain of covering. The chart is positive but on multi-decade highs and dangerous.

**Support:** 3056, 3000, 2955

**Resistance:** \$3262 and 1995 highs

### Disclaimer

Any comments or opinions in this report are not intended to be an offer to buy or sell commodities or futures and options thereon as they merely state our views and carry no guarantee as to their accuracy.



## Brazil

- **Local Market:** Much better flow noted over the week as the pop in arabica futures and a weaker BRL created increased buying momentum at the farm level. Prices now trade above the 1000 BRL/bag mark encouraging farmers to sell more of their remaining 23/24 crop volumes. Also, on a forward basis the local business concluded increased significantly. Overall, arabica fob differentials dropped modestly with the pick-up in sell side liquidity.
- **Weather:** Forecast for rains next week should continue to support 24/25 crop development and 25/26 vegetation.
- **Economy / Politics:** Santos port strikes dramatically slowed exports this week.
- **External Market:** Some roasters' demands were seen for both nearby shipments as well as for forward positions. Price ideas are unchanged creating a gap between buying and selling ideas. The spot market is mostly empty and only the certs seem to be available in better volumes. Recent graded Brazilian coffee had a poor passing rate this week fueling discussions about the actual quality shipped to the board, although seemingly a better passing rate noted on appeal.
- **B3 (type 4/5):** Mar 231 (+10)
- **Arbitrage BMF/ICE:** HH -12.24 (+0.6)
- **Exchange rate:** 4.91 (0.2 %)

## Colombia/Latin American Milds

- **Colombia:** Internal prices remain strong due to low volumes on offer and a shorter main crop flow versus expectations; business overall is relatively quiet and awaiting the mitaca crop flow. Warm temperatures noted across the country with wildfires in 174 municipalities. On the political front, the Foreign Affairs Minister has been suspended pending an investigation into irregularities in the passport provision bidding process. H3963 L3888 C3915
- **Guatemala:** Business continues to be very active on all levels. The flow of coffee is increasing as we near the peak harvest flow. Weather conditions remain perfect for harvesting and processing. The political turmoil continues in the country after the first two weeks of the new authorities.
- **Honduras:** More coffee is flowing this week and available for purchase, but internally prices are high and competitive as exporters are covering their short positions. Intermediaries are being aggressive across most producing regions. Sunny weather across most of the country. Business is a bit subdued due to current elevated prices as industry awaits weaker differentials and trade waits for a further increase in the harvest flow..
- **Costa Rica:** Although volumes have not been extreme, trading has been active for the third consecutive week. Slowly but steadily different latitudes are showing interest, North America, Europe, and Asia are looking for re-stocking.

## Africa/Papua New Guinea

- **Tanzania:** Higher altitude harvest in the northern regions is approaching the end. No auction took place this week. It's anticipated that auctions will potentially resume in February. High demand for logistical services continues, leading to consistently busy ports with fully booked slots and vessels anchored outside due to congestion.
- **Kenya:** Pricing continues to firm at the auction for all grades, however, the current industrywide impasse on the settlement of auction purchases remains unresolved meaning that the conclusion of the sales for the past three weeks has not been possible.
- **Ethiopia:** New business is picking up in Ethiopia, with both commercial washed and natural offers finding buyers at decent volume over the last couple of weeks. The slowdown in shipping lines' schedules continues to be a headache, as fewer vessels are calling Djibouti.
- **PNG:** Awaiting the flow of the new crop arrivals. Currently mostly poor quality and off grades are available. Wet weather through the entire week. Some good businesses have been reported.

### Disclaimer

Any comments or opinions in this report are not intended to be an offer to buy or sell commodities or futures and options thereon as they merely state our views and carry no guarantee as to their accuracy.



## Robusta

- Vietnam:** Domestic market trades to new record highs of 77,000 VND/kg with differentials very steady as producers, who have sold approximately 60% of the crop already, ahead of the average sales volumes at this time of the year, are slowing their sales and focus on TET preparations. G2 is trading around H+50 FOB in bulk from exporters although offers are limited due to tight internal supply. Good industry interest is seen looking to cover mainly Feb to May shipment. Weather: Sunny and dry. Currency: VND 24,600

## Origin Differentials for February shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-14	ICE Arabica	-13
Colombia Excelso	ICE Arabica	+14	ICE Arabica	+14
Honduras HG	ICE Arabica	+8	ICE Arabica	+8
Kenya AB FAQ	ICE Arabica	+40	ICE Arabica	+60
Vietnam Gr2	ICE Robusta	+50	ICE Robusta	+50

### Disclaimer

Any comments or opinions in this report are not intended to be an offer to buy or sell commodities or futures and options thereon as they merely state our views and carry no guarantee as to their accuracy.

