



Coffee Market Overview

27 January 2023

“Bounce”

- It was a week where everything bounced higher - be it macro, the US dollar, crude oil, the BRL, and finally coffee prices too.
- March arabica set a 3-week high of 168c/lb yesterday on the back of extremely firm origin differentials, short-covering by speculators and an improving chart technical outlook.
- Robusta futures have also continued to rally towards the \$2,000/t level, on strong demand fundamentals, while origin selling eases temporarily with Vietnam shut for Tet.
- Despite 93,574 bags pending grading on ICE, where certified arabica coffee stocks have risen to a six-month high of 870,722 60kg, pass rates for gradings are weak.
- This, along with sky-high differentials and strong roaster demand, is raising concerns that the recent build up in ICE arabica certs may start slowing.
- Brazilian selling activity remains very restrained. According to Cecafe, Brazil's 2022 green coffee exports fell - 2.7% y/y to 35.6 mln bags, the lowest in 4 years.
- Weather continues to be wet in most Brazilian coffee regions, with decent rains forecast for all regions except for ES and Bahia.
- Robusta certs have fallen to 6219 lots, the lowest since 2016.
- We estimate the NY net spec position at -37k lots, and that in London at -7k lots.

Price Comparison

	<u>26.01.23</u>	<u>Change Vs. 13.01.23</u>
ICE Arabica Mar 23 (c/lb)	167.15	12.55
ICE Robusta Mar 23 (\$/mt)	1994	\$76
Arbitrage Arabica Mar 23 / Robusta Mar 23 (c/lb)	76.7	9.1

ICE Arabica: Arabica continued to rally off of 21 months lows, moving up 12.55 cts. System sellers that had pushed the market down became the main force pushing prices higher this week. The drop down to 142.05 forced many longs out of the market, and the bounce higher left several traders under positioned and looking for an opportunity get back in. Fundamental drivers are supporting price action with firm diffs at origin and buying interest in destination stock. The chart is bullish, but has rallied 25 cts straight up and could use some consolidation.

Support: 162.40, 154.65, 142.05

Resistance: 167.20, 175.00, 183.35

ICE Robusta: Robusta rallied to 3-month highs near \$2,000. The balance sheet for robusta will be very tight in the coming months, as robusta incorporation in blends remains at high levels and robusta production from Brazil and Indonesia disappoints. Physical business was slow in Vietnam over the Tet holiday, but business activity is already picking up as producers and exporters take advantage of the higher levels. The chart is positive.

Support: 1950, 1914, 1884

Resistance: 2000, 2052, 2122

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Brazil

- **Local Market:** the week was interrupted by local holidays in Sao Paulo and Santos. Nevertheless, physical activity has improved in Arabica. bigger volume exchanged hands than in the previous week. the firmness of differentials in group 1 Arabicas surprises even the strongest bulls.
- **Weather:** Good rains in most areas reported.
- **Economy / Politics:** Talks with neighbor countries about a joint currency but consensus sees it as unlikely for now.
- **Export Market:** Fresh demand came in and was met. Exporters take some minor risks hoping on an ongoing NYC rally.
- **BMF (type 4/5): 222.15**
- **Arbitrage BMF/ICE:** HH -0.79
- **Exchange rate:** The currency traded from 5.25 to 5.05

Colombia/Latin American Milds

- **Colombia:** Not an eventful week, apart maybe from the strengthening of the Peso. Some business took place at unchanged differentials; the internal coffee supply is stilted but seems enough to feed the demand. The weather has improved, but still rainfalls prevail in most coffee areas. COP: H4703 L4489 C4520
- **Guatemala:** With the market move higher, producers and intermediaries decided to sell in larger volumes, although internal prices are still high, as everyone is still suffering from a delayed crop, resulting in less volume than expected for the time of the year. We are entering the peak of the harvest now. Weather has been good and most of the demand was shielded away by the stiff differentials.
- **Honduras:** Volumes of coffee are available in the country, but business overall is slow. Replacement prices remain firm and are quickly adjusted to NY upticks. Exports are catching up, but still almost 18% behind last year. Demand is predominantly on certified/responsibly sourced coffees.
- **Costa Rica:** Business remains slow and in combination with KC, some pressure on the differentials has been felt.
- **Peru:** Rains in all regions are beneficial for the crop development. Some business was reported for the new crop. Protest/roadblocks make it very challenging to move goods internally.

Africa/Papua New Guinea

- **Tanzania:** This week we had an auction of Moshi with over 23k of Arabica being offered in 600+ lots. We see more grinder qualities coming to auction as we near the end of the season. After the longest auction that we've had this season, over 60% of the coffees on offer were sold on the auction floor and we expect more to be confirmed.
- **Uganda:** Continuation of early crop cherry arriving in Kisinga region of the Rwenzori Mountains. Quality is promising and so far the market on the ground is not too competitive.
- **Ethiopia:** The minimum price remains unchanged, with most offers at the same level as last week. There are sporadic new businesses being registered, of very small volume, but it remains mostly quiet with the major buyers.
- **PNG:** The flow is minimal, and bits of the old crop continue to make its way to the market. A small fly crop arrival in the upper highlands is beginning to come on offer.

Robusta

- **India:** Arrivals of the raw coffee especially Robusta continues to be slow. The situation is expected to worsen over the next two weeks as there was a heavy shower on Wednesday mainly in the Coorg district in the state of Karnataka. This has resulted in the flower buds of the next crop being pushed. The farmers would have to stop harvesting to prevent damage to the next crop. Nearly 70 % of the Robusta crop has been harvested in Kerala and around 50% in Karnataka. Around 80% of the Arabica crop has also been harvested across all the coffee growing regions.
- **Indonesia:** Basis asalan traded around 31.000IDR/kg to 31.500IDR/kg which is equal to RC H3+80 to RCH+110 Fob jute bag of EK1 80 defects. The total volume of asalan from Tuesday to Thursday was around 1.9kmt. Supply of fly crop coffee from medium areas have started to appear and together with early crop coffee from low land. Prices in the hands of farmers are considered good

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Weather: Normal rainfall in the main coffee regions of Southern Sumatera while above normal in Central Java; the weather is good for cherry filling of the 2023- 24 crop.

Currency: IDR traded Monday to Thursday at Rp.14.930– 14.964 per 1USD (Jisdor)

- **Uganda:** Kampala continues to see very little FAQ entering the city. Despite a very small crop with a late start, this has been intensified by traders and exporters buying FAQ up-country in the growing regions, therefore cutting the flow of coffee before it reaches Kampala. Prices for FAQ are reaching seasonal highs of 6,500 UGX per KG. The market remains competitive between exporters trying to cover shorts.

Origin differentials for February onwards shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	+15	ICE Arabica	+15
Colombia Excelso	ICE Arabica	+57	ICE Arabica	+57
Honduras HG	ICE Arabica	+31	ICE Arabica	+33
Kenya AB FAQ	ICE Arabica	+60	ICE Arabica	+60
Vietnam Gr2	ICE Robusta	-40	ICE Robusta	-40
Indonesia Gr4 (max 80 defects)	ICE Robusta	+180	ICE Robusta	+180

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