



# Coffee Market Overview

27 Oct 2023

## “Pumpkin Iced Latte”

- The macro environment remains tense, with crude oil and the USD both supported by the worrying developments in the Middle East.
- After a strong start to the week, arabica’s failure to break past 170c/lb, sent it sharply lower, interrupting a 6-day rally. Robusta’s rally also cooled in part, erasing some of the gains seen earlier this week. Initial strength came from fund short-covering amid a drawdown in ICE certified inventories and ongoing logistical delays in Brazil, as well as a stronger BRL, which reached 4.98.
- Brazil saw decent rains across all regions except for Cerrado and ZdM. Coffee trees are in good vegetative conditions and forecasts indicate more showers ahead. The higher terminal prices saw commercial activity in Brazil pick up, with both farmers and coops active in the market.
- The Colombian 23/24 main crop is starting to flow, and the drop in differentials allowed demand to pick up.
- Honduras saw low volumes available for purchase, with most of the coffee coming in damaged; more volumes are expected from November as harvesting picks up.
- In Indonesia, the continued below average rains in Southern Sumatra and Java’s main coffee-producing regions has negatively impacted blossom and fruit set for the 2024-25 season.
- ICE arabica certified stocks have fallen further to 406,466k, back to lows previously seen in May 1999 while robusta certified stocks increased over the week to 3,976 lots.
- We estimate the net spec position in arabica to be -5k lots and that in robusta to be +13k lots.

## Price Comparison

	<u>10.19.23</u>	<u>Change Vs. 10.19.23</u>
ICE Arabica Dec 23 (c/lb)	161.20	-2.75
ICE Robusta Jan 24 (\$/mt)	2420	18
Arbitrage Arabica Dec 23 / Robusta Jan 24 (c/lb)	51.43	-3.57

**ICE Arabica:** The December contract made a new 4-month high but was pushed back by chart resistance at 167.50. System short covering was the main buyer. Friday’s COT report will be important to highlight how much spec short covering occurred. Certified stocks declined but the impact is somewhat offset by washed mild differentials at origin falling to the lowest levels of the year. The chart is positive.

**Support:** 161.15, 154.50, 143.70

**Resistance:** 169.05, 171.90, 178.55

**ICE Robusta:** The January contract rallied through the downtrend line before being stopped by stronger chart resistance at \$2568. Vietnam sellers took advantage of the rally and offered greater volume from the approaching new crop harvest. Prices quickly retreated off the highs but found support at \$2400. Firm structure and the tight balance sheet support the rally. Robusta stock at destination is tight and excellent demand for new crop shipments keeps FOB differentials well bid. The chart is positive.

**Support:** 2395, 2355, 2304

**Resistance:** 2484, 2503, 2568

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## Brazil

- **Local Market:** The rally this week pulled out larger volumes from producers, resulting in more active coffee transactions in Brazil, although, with limited change on the diffs, albeit somewhat weaker – which was partially caused by firmer currency/BRL. Differentials versus H24 did not change significantly. Brazilian Arabica lost price-quality ratio attractiveness, but there is no other option if the industry wishes to source volume.
- **Export Market:** Oct 23 shipments surpassed expectations for delays made it on board. Two months of ongoing well-sustained local export demand is expected. Equipment issues have diminished versus last month although still slow. Strong demand and better coffee availability on the export side.
- **Weather:** Light rains in most regions, good conditions generally.
- **Economy / Politics:** The USD traded down from 5.07 to 5.0.
- **BMF (type 4/5):** Z23 195 (unch)
- **Arbitrage BMF/ICE:** ZZ -13.50 (+3.00)
- **Exchange rate:** 5.00 (reval. 1.0%)

## Colombia/Latin American Milds

- **Colombia:** Crop started and in conjunction with the higher terminal saw demand return this week, and better volumes changed hands again. Asoexport will host its 87th summit at Cartagena. The main topics this year will be the EUDR requirements, the route guide for increasing Colombian exports, and Colombian Canephora cupping, amongst others. Elections for city majors, state governors, counselors, etc., will be held on Sunday. As per the last polls, the main cities will elect candidates of the center-right parties. The weather is normal. H4274 L4157 C4185
- **Guatemala:** It was a slow week internally with last Friday being a holiday and still some issues with road blockades in specific parts of the country. Producers are reporting good fruit development, and some are expecting the harvesting season to start a bit early. There were strong rains reported all over the coffee-producing regions. Good demand was noticed this week.
- **Honduras:** Low volumes available for purchase, most of the coffee coming in is highly damaged and not being purchased. The real flow is expected to start end of November. Demand was good from all corners of the world. Humid and sunny weather throughout the country.
- **Costa Rica:** Contrary to last week, some roasters became visible this week, purchasing some short-term shipments. The sudden rise in the terminal price put certain pressure on differentials mostly for nearby shipments.
- **Peru:** Conventional coffees more attractive and good volumes have been reported in bags this week. Mild demand and fill-ins from the industry have been noticed as well. The situation on the certified coffees remains a bit less liquid.

## Africa/Papua New Guinea

- **Kenya:** Auction volumes picked up this week with 11,000 bags of coffee on offer. The coffee is generally of a lower screen size with a majority of C Grades. Some better qualities are now available. The most significant development was the announcement that a number of government mills have achieved their RFA certifications, which opens up the potential for RFA coffees to start flowing again.
- **Tanzania:** This week, Mbeya hosted a successful auction, offering around 13,000 bags of freshly stored coffee from different warehouses, predominantly FAQ coffees. Higher-grade coffees mostly move through the Direct Export window. Because of the reasonable reserve prices to farmers, 83% of the coffee is expected to be sold. The next auction is scheduled for next week in Mbinga. Prices have edged up slightly compared to last week.
- **Ethiopia:** The 23/24 season has started with the majority of exporters in Ethiopia scrambling to secure working capital from local private banks, which are stretched thin. The government-owned Commercial Bank of Ethiopia looks slated to be the main financier of red cherry this season, as it is the most liquid of all the banks in the country. Price correction seems to be in the making, as the high prices of last year are not to be seen in any of the coffee-growing areas so far.
- **PNG:** Green arrivals to export mills continue in decent volumes. Parchment from remote areas continues to flow in small volumes while cherry has dropped to negligible quantities in the upper highlands. Local prices remain similar to last week's but are expected to weaken with the lower terminal market levels towards the end of the week.

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## Robusta

- **Vietnam:** Upcountry prices rallied above 60,000 VND/kg this week triggering increased forward sales to exporters which were well absorbed as differentials started to come off. Harvest is still in its very early stages with farmers selling cherries to collectors to capitalize on the spot premium. Gr.2 offered at F+100 FOB in bulk for Dec shipment. Demand for all types of spreads from industry with most buying activity in the nearby months. Exporters remain cautious about further forward shipments. Weather: sunny in the morning and raining in the afternoon or evening. Currency: 24,590 VND.
- **Indonesia:** Basis asalan traded around 44,500 to 45,000 IDR/kg. Volume asalan Monday to Thursday was 2.2k mt. Offers around F+560/+580 FOB for 80 defects for Nov and Dec shipment. Weather: Continued dry weather in Southern Sumatra and Java region this week. Currency: 15,943-15,933 IDR/USD.

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

	This week		Last week	
Brazil MTGB	ICE Arabica	-13	ICE Arabica	-12
Colombia Excelso	ICE Arabica	+19	ICE Arabica	+20
Honduras HG	ICE Arabica	+9	ICE Arabica	+11
Kenya AB FAQ	ICE Arabica	+75	ICE Arabica	+75
Vietnam Gr2	ICE Robusta	+130	ICE Robusta	+200
Indonesia Gr4 (max 80 defects)	ICE Robusta	+550	ICE Robusta	+550

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