



# Coffee Market Overview

29 Sep 2023

## “Bond Swan”

- The global macro faced another interesting week as US bond yields continue to rally, with US ten-year treasuries reaching 15-year highs. The USD index remains firm against both emerging and developed market economies and subsequently driving the negative move for the Bloomberg commodity index over the week.
- The weather forecast for Brazil’s arabica coffee growing regions indicates rainfall for the first week of October which if realized should support the earlier than usual flowering of the 2024/25 crop.
- Vietnam coffee exports have decreased 7.2% to 1.27 mio MT this year to date, according to the General Statistics Office the equivalent to 21.6 mio 60 kg bags. Revenue, however, has increased 1.9% since the start of the year. An estimated 65k MT tonnes are due to be shipped in September.
- Indonesia robusta exports for the month of August totalled 16.2 MT, a 55.5% decline year on year according to governmental data.
- As per the Central Bank, exports from Tanzania were up 25% in the fiscal year to June 2023. Compared to 57,900 MT last year, the bank said export volumes had risen to 72,600 in the 2022/2023 fiscal period.
- ICE arabica certified stocks fell over the week to 444k bags, and robusta certified stocks fell to 4.2k lots.
- We estimate the net speculator position in arabica is currently -25k lots and that in robusta +19k lots.

## Price Comparison

	<u>28.09.23</u>	<u>Change vs 15.09.23</u>
ICE Arabica Dec 23 (c/lb)	147.20	-8.85
ICE Robusta Nov 23 (\$/mt)	2372	-6
Arbitrage Arabica Dec 23 / Robusta Jan 24 (c/lb)	38.61	-8.58

**ICE Arabica:** Spec selling pushed arabica through the August low at 147.20 to a new low at 146.45. Light rains over Brazil's growing areas and expectations for additional rainfall provided optimism that the early flowering crop would get sufficient moisture for pollination. The macro remains in a risk-off mood with rising interest rates and stubborn inflation supporting the USD. The chart is negative with the January low at 143.00 next support.

**Support:** 143.00, 140.00, 135.60

**Resistance:** 157.60, 165.45, 171.80

**ICE Robusta:** Robusta followed arabica down to long term trend line support at \$2426. The market is balancing firm origin differentials and drawing stock at destination with the prospect of improved new crop liquidity from Vietnam. Firm structure is a reminder of tight nearby supply. The last thing the robusta market needs is for rains to delay the Vietnam harvest or for overbooked vessels and lack of equipment in Brazil to slow the conilon export pace. The chart is neutral.

**Support:** 2400, 2351, 2248

**Resistance:** 2530, 2600, 2624

### 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:** Bearish sentiment this week is the result of many factors: Faith in the forecast for sufficient rains, together with macro stock sell-off, a firm dollar and the looming US government shutdown all contributed. Rising local interest and weeks of an ever firming green back versus BRL, impacted the market considerably. Amid this, price ideas between the producer and exporters who are trying to work with firm bids in order to get volume, are moving further apart. Now, with prices 18 cents lower, only a few arabica farmers sell. Conilon is more active, as the weaker BRL is creating a bigger impact on this market. Local industry buys little volumes but runs full-speed big discount campaigns in supermarkets.
- **Weather:** The forecasted rain showers occurred in all arabica areas.
- **Export Market:** Some demand appeared, but only for fill-ins.
- **BMF (type 4/5):** KZ3 179 (-10)
- **Arbitrage BMF/ICE:** ZZ -12.00 (unchanged)
- **Exchange rate:** 5.05 (deval 2.50%)

## Colombia/Latin American Milds

- **Colombia:** A quiet week, the flow is improving internally, but prices remain firm. Little fresh business has been reported. During his participation at the Swiss Coffee Trade Association, FNC's CEO insisted on the fact that Colombian growers are not looking for charity, but to be partners in the value supply chain, for the generation of better incomes for the country. He insisted that Colombia will continue building the Cafe de Colombia brand recognition, as this is the only way to secure economic progress, business sustainability, and social development. H4040 L3929 C329.
- **Guatemala:** Bean development slowed down due to weather conditions, but this week, rains started once again with good volumes notes, something that will benefit cherry development. Little industry interest noted this week.
- **Costa Rica:** A very quiet week as producers use these slow days to prepare the liquidation process with ICAFE and the end of the fiscal year. Costa Rica is still having difficulties selling 8% of the 2022/2023 crop just days before the coffee year closes. Due to this situation, ICAFE decided to extend the liquidation another month to give mills the opportunity to sell.
- **Honduras:** Some more new crop businesses reported, but overall, the industry is in a price discovery mood. The local market remains quiet.
- **Peru:** Good demand for certified and specialty coffees, while conventional mainstream interest is rather limited. The hot weather is still a concern for crop development in the lower and middle altitudes. Harvest is mostly done.

## Africa/Papua New Guinea

- **Kenya:** Market conditions remain largely unchanged; coffee flow is greatly reduced at less than 5% for the past quarter. Differentials have firmed because of the reduced supply. There has been no change to the licensing status of dry mills and hence, the situation has not changed. The government remains firm on its stance to pursue the reform agenda and intends to ensure compliance so that there is no vertical integration in the supply chain.
- **Tanzania:** Due to a public holiday yesterday, the auction will be held today, with 6,000 bags in total on offer containing primarily FAQ qualities. Most regions are now done with harvesting, except the higher latitudes of Moshi and Mbinga in the South, which will end their season a bit later.
- **Ethiopia:** September has been a quiet month, with limited new business registered compared to September 2022. In areas where the 23/24 harvest has started, new crop prices appear to be much lower than last year. However, for the majority of producing regions in the country, how the internal

### 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.



price dynamics evolves in the coming months is still an open question.

- **PNG:** Parchment and green bean continues to flow in the internal market, but at an inconsistent pace. Remoter regions are now being accessed as nearby farms have already concluded their harvest and sales. Local prices have remained pretty much unchanged throughout the week. Demand for nearby but also further out shipments continues.

## Robusta

- **Vietnam:** the 23/24 crop harvest has started in some regions upcountry and trading activity is slowly picking up. The price is quite stable at the range of 58/58.5k VND, but volume offered is higher. Rains and weather are conducive, and everything points to an early crop. We see some suppliers venturing to offer October deliveries at a premium, but quality remains to be seen. The price is good for the farmer, so we expect farmers to speed up the harvest at the expense of quality. Demand is healthy from all corners.
  - **Indonesia:** Basis asalan this week traded around 43.500IDR/kg, it is equivalent to Ek1 80 defects RC Nov +320. Total arrival asalan Monday to Wednesday around 2mt, and it was a public holiday on Thursday. Due to the high price of Indonesian coffee, interest in Vietnamese coffee is starting to emerge. Several local traders started asking for offers. Weather: In the low-altitude coffee regions of South Sumatra, the weather remained dry for the last few weeks, while normal rains have been observed in Jambi and Bengkulu. West Lampung regions continue to experience dry conditions. There have been reports of small damage during the blossom stage in the main coffee regions of East Java and Central Java. Currency: 15.399-15.526 IDR/USD.

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

	This week		Last week	
Brazil MTGB	ICE Arabica	-10	ICE Arabica	-11
Colombia Excelso	ICE Arabica	+25	ICE Arabica	+22
Honduras HG	ICE Arabica	+12	ICE Arabica	+13
Kenya AB FAQ	ICE Arabica	+75	ICE Arabica	+75
Vietnam Gr2	ICE Robusta	+500	ICE Robusta	+500
Indonesia Gr4 (max 80 defects)	ICE Robusta	+430	ICE Robusta	+500

### 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.

