



Coffee Market Overview

12 April 2024

“Cocoafee?”

- The cocoa – er, coffee, frenzy continued this week, with arabica futures reaching 18-month highs, propelled by tightness in the Robusta market as well as fresh speculator interest.
- Arabica prices have recently benefited from a sustained robusta price surge this year, which prompted roasters to boost arabica in their blends but the recent arabica rally has widened the arabica/robusta futures arbitrage once again - which is the opposite of what the market needs to encourage further demand moves from arabica into robusta.
- IBGE estimates Brazil's 2024 coffee production at 60.2 mio bags, up 5.6% from 2023, and an increase of 1.4% from the previous month's forecast. Arabica production was estimated at 41.2 mio bags up 4.5% y/y.
- Brazil's green coffee shipments rose to 3.9 mio bags in March versus 2.8 mio bags a year earlier, according to Cecafe. Arabica coffee exports rose 15.1% y/y to 3.1 mio, while conilons surged nearly 7-fold to 847k bags.
- Cumulative Robusta exports from Indonesia for the 2023-24 season (April 2023 to March 2024) totalled 192,448 MT, a decrease of 42% y-o-y. and the arrival of the new crop cannot come soon enough to help somewhat ease the Asian robusta supply tightness.
- Honduras has been experiencing high temperatures, but rains this week are contributing to the start of the 24/25 crop flowering.
- Global macro was volatile this past week, with US CPI numbers coming in stronger than expected for March at 3.5%, the highest since September 2023. This sent the US dollar sharply higher as rate cut bets diminished.
- US treasury yields have risen to 4.55%, but that hasn't stopped the equities and commodities rally, which are also up sharply this year.
- Indeed, we saw the net spec position in arabica rise sharply last week, and estimate it currently to be +41k lots, while that in robusta is at +46k lots.
- Stocks are slowly building – certified arabicas are now at 637k bags, and robusta certified stocks are 3,222 lots.

Price Comparison

	<u>11.04.24</u>	<u>Change Vs 04.04.24</u>
ICE Arabica May 24 (c/lb)	220.35	13.60
ICE Robusta May 24 (\$/mt)	3843	+77
Arbitrage Arabica May 24 / Robusta May 24 (c/lb)	46.0	+10

ICE Arabica: Last week's COT report showed substantial spec buying. We expect this to have continued into the current period, but starting to subside as the long is now relatively large. Spread strength was the most notable factor this week. Despite the increasing certified stock the whole curve strengthened over the week, which helped to push up the flat price. The market is now in a strong uptrend.

Support: 209.45, 200.75, 194.75

Resistance: 243, 260

ICE Robusta: Robusta was the laggard this week for a change. It did manage to rally, but with arabica outperforming it the arbitrage had a big move. It seemed that the KK futures arb found decent support below 30c. Current arbitrage levels will not encourage further switching to arabica. Certified stocks continued to build, and spreads were stable at a high level. The chart continues to remain in a strong uptrend.

Support: 3701, 3460, 3241

Resistance: 4000

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Brazil

- **Local Market:** the arabica futures rally and weaker BRL created some opportunities in the local market with bigger volumes trading on current and new crops. Local prices are moving towards R\$ 1,200 and above. This should trigger more producer selling. Despite the rally differentials have remained relatively firm for most qualities. March exports showed a record number (4.3m bags). Especially conilon, confirming that local consumption has shifted to more low grade arabicas to free up conilon for export markets. 2024/25 crop harvesting has started in some regions, and we should expect a slightly earlier crop than last year. Cecafe had a meeting on EUDR and greater clarity on this topic is expected during the industry event in May.
- **Weather:** Rains tailing off with only light showers across coffee regions.
- **Economy / Politics:** Elon Musk facing a standoff with Brazilian judiciary, risking suspension of X/Twitter in the country. Strength in US dollar index contributing to the weaker BRL.
- **External Market:** More and more roaster demand appearing for nearby and forward.
- **Arbitrage BMF/ICE:** UU -16.18 (+1.32)
- **Exchange rate:** USD/BRL around 5.09, thanks to strong dollar

Colombia/Latin American Milds

- **Colombia:** Mitaca is starting slower than expected and prices ease only marginally considering the rally in Arabica futures this week. After two rainy weeks, there have been some dry days this week. Starting on April 1st, the reference yield for parchment purchase was adjusted from 88 kgs (of parchment needed to produce 70kg of excelso exportable quality) to 94 kgs. COP: H3836 L3740 C3804.
- **Guatemala:** There were good follow up rains in coffee producing regions this week, which will benefit the flowering that has occurred to set correctly. The flow of coffee has started to decrease over the past days, although some higher altitude producing regions are still reporting final harvesting and processing. Quality is good and good interest for certified coffees noted.
- **Honduras:** Some more demand was noticed this week, especially for the lower grades, but overall demand remains subdued. Scattered rains in most coffee regions marking the beginning of 2024/25 season. Some flowering reported in Central Valley and Brunca Region.
- **Costa Rica:** Local sellers taking advantage of market highs, and at the same time industry is expecting for differentials to compensate. Good business has been reported.
- **Peru:** More offers are coming through, and some business reported. Good rains across all regions. Less than 5% of the crop is estimated to have been harvested so far.

Africa/Papua New Guinea

- **Kenya:** Pricing for the better grades has eased this week, whereas lower grades have firmed. Volume is now starting to decline but we still see a strong presence of main crop good quality coffee being offered, we have yet to see the quality deteriorate as expected at the end of the season. Weather conditions are bringing consistent rain with sunny spells across the coffee growing region.
- **Ethiopia:** The Ethiopian Investment Board has issued a new directive liberalizing the trade sector: international companies are now able to participate in the export, import, wholesale and retail sectors, except for the import of fuel and fertilizer, which remain reserved for the government. New business is slowing down as shippers chew on the sales they made over the last two weeks.
- **PNG:** Good pick-up in activity in all Highland regions. Parchment is slowly arriving at dry mills at slightly high moisture due to wet weather at the beginning of the harvest. Quality in general looks to be good for now. Wet mills are getting busier too as cherry harvest is increasing, too. Local prices remain relatively steady. Good demand for new crop continues.

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Robusta

- **Vietnam:** Local prices continue climbing, now at 110,000 VND/kg for the first time with differentials firming into the rally as exporters cover shorts. Liquidity is thin. G2 is offered around N+700 FOB in bulk. Industry demand is on the sideline as buyers run down cover and weigh up other origin prices. Weather: remains hot and dry. Currency: VND 24,975
- **Indonesia:** Normal to above average rains this week across the main robusta regions of Indonesia; the current weather is favorable for the 2024/25 crop harvesting. The market is slow following the Eid Al Fitr holidays this week and arrivals are minimal. The total arrivals for the 2023-24 season (April 2023 to March 2024) were 283,302 MT (4,722 K bags), down 37% y/y and down 34% versus the 2021/22 season. Cumulative Robusta green bean exports for the 2023-24 season (April 2023 to March 2024) total 192,448 MT (3,207 k bags), representing a substantial decrease of 42%, compared to the 2022/23 season.

Origin Differentials for May Shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-15	ICE Arabica	-15
Colombia Excelso	ICE Arabica	+14	ICE Arabica	+15
Honduras HG	ICE Arabica	+5	ICE Arabica	+6
Kenya AB FAQ	ICE Arabica	+35	ICE Arabica	+50
Vietnam Gr2	ICE Robusta	+700	ICE Robusta	+600
Indonesia Gr4 (max 80 defects)	ICE Robusta	+700	ICE Robusta	+600

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