



# Coffee Market Overview

26 April 2024

## “Rise and Grind”

- Even as the broader macroeconomic indicators and financial markets turned lower following stagnation signals out of the US economy, the seemingly unstoppable robusta futures marched higher, hitting fresh record highs.
- Risky asset classes plunged as US GDP came in lower than expected in Q1, while inflation was above expectations. The US dollar and treasury yields spiked, while equities fell.
- Arabica was unable to keep up with the rally in robusta this week. However, it remains heavily influenced by its bullish sister, spurred on by CTA and momentum traders.
- Vietnam’s weather remains too dry and temperatures above average for this time of the year, with water levels in lakes and ponds drying and causing issues for irrigation. Some coffee trees are showing severe moisture stress and symptoms of poo fruit set that require imminent rainfall in May as the rainy season begins.
- In Indonesia, around 83% of the total production is projected to be harvested from May 2024 to July 2024, with the peak expected in June. Normal to above-normal rains registered in South Sumatra.
- Brazil is still in the intercrop period, with little fresh coffee to sell. This is despite extremely attractive prices in local currency terms. The weather remains favourable.
- Guatemala’s market has shifted totally to middlemen, but very small volumes are left in the country. Even with the arabica market rally, the internal price has not dropped as expected.
- Certified stocks for arabica increased over the week to 661k bags, robusta stocks also increased to 3,758 lots.
- We estimate the net speculator position in arabica is currently +53k lots and that in robusta is +38k lots.

## Price Comparison

	<u>25.04.24</u>	<u>Change Vs 18.04.24</u>
ICE Arabica July 24 (c/lb)	228.10	-3.00
ICE Robusta July 24 (\$/mt)	4304	242
Arbitrage Arabica July 24 / Robusta July 24 (c/lb)	32.88	-13.98

**ICE Arabica:** Prices eased off from last week’s highs as stressed buyers finally got beyond FND versus KCK. Arabica-certified stocks are slowly growing while coffee pending grading remains near 50k bags. System funds added to long positions and continue to step in front of industry buyers to absorb origin selling. Physical business slowed as roasters focus on nearby production needs and finished product margins while trade houses manage financial requirements and increased risks at origin. The chart is bullish, extended, and dangerous.

**Support:** 219.75, 211.85, 203.90

**Resistance:** 231.85, 245.40, 260.45

**ICE Robusta:** Another week and another all-time high as the tight robusta balance sheet marches on. Three straight years of robusta deficits have drained stocks and pushed non-conilon differentials to record levels. There is no good news for robusta as dry weather in Vietnam stresses trees and threatens additional reductions to future supply. The chart is bullish, but price volatility is expected at all-time highs.

**Support:** 4000, 3800, 3600

**Resistance:** 4338, 4500, 5000



## Brazil

- **Local Market:** The market cooled off a bit and the volumes traded got smaller. Harvest has started in some arabica areas while producer prices remain close to recent highs. Availability is still limited, with low carry-out stocks, therefore the focus is on new crop deliveries. The export figures remain impressive and ahead of already high numbers in the previous month.
- **Weather:** Conditions remain favourable.
- **Economy / Politics:** The USD fell off recent highs, and the BRL returned to 5.15, still higher than the recent range.
- **External Market:** Fresh inquiries coming in for nearby demand and bits and pieces traded.
- **Bolsa São Paulo (Type 4/5):** Sep (274) -8
- **Arbitrage BMF/ICE:** UU -19:00 (-3.00)
- **Exchange rate:** 5.15 (reval 2.00 %)

## Colombia/Latin American Milds

- **Colombia:** Replacement differentials remain firm. There has been an improvement in the flow of the fly crop. Rains are well expected as the alert for water. The possible electricity shortcuts/rationing are still in the air and water reservoirs are slowly recovering to expected levels.
- **Guatemala:** The flow of coffee has almost come to a stop during the week. Only bits and pieces were traded. Many took advantage of the market action last week to sell their last lots of coffee. Mills have shut down as no more cherries are coming in, making it unattractive to continue processing. Due to the lack of rain, weather issues are being reported in the eastern areas of the country.
- **Honduras:** The internal market has shifted completely to middlemen. However, very small volumes are left in the country. Quality is still compromised. Even with the market rally, internal prices did not drop as expected and differentials remained firm. High temperatures are constantly maintained in the country with maximums of 40°C.
- **Costa Rica:** Demand is steady even though the market has also remained firm. In past weeks we saw mostly demand for nearby urgent restocking, however buyers are now covering calendar year 2025. It appears that the asking price for Costa Rica is close to the bid price from buyers as the business has shown a steady increase in materialization. Scattered rains have marked the slow beginning of the winter season; however, not enough rain has fallen to mark a relief on stressed coffee plants.
- **Peru:** The north and south regions are at 8% and 15% of the harvest respectively. Low-altitude fields are starting the peak of the harvest; however, mid-altitude fields are starting the first harvest, and high-altitude fields are completing grain maturation. The weather shows moderate rainfall in the regions.

## Africa/Papua New Guinea

- **Kenya:** Prices picked up driven by a higher NY and differentials have firmed week on week. The volume of coffee unsold has increased despite the higher prices. The auction volume remains very high for the coming weeks, but we are seeing a decline in quality. The coffee-growing regions have received a significant amount of rain. We are watching carefully to see if there will be a negative impact on the forthcoming crop.
- **Tanzania:** In many coffee-growing regions, crops are now in the final stages of berry formation, with cherries just beginning to emerge. In specific southern areas, where farmers reside in the lowlands and employ irrigation methods, harvesting of the new crop has commenced. The next auction is scheduled to take place in Moshi on 9 April.
- **Ethiopia:** Demand appears to be slowing down with shippers' offers and minimum prices going up, as exporters start feeling the pain from a slowly rising internal market. Overall quality of the flow this season has been better than last year.
- **PNG:** The situation remains pretty much unchanged with the new crop flow improving w/w. Local prices have remained relatively stable and hence, differentials have increased due to the lower trading NY market. Demand is picking up slowly.



## Robusta

- **Vietnam:** Upcountry prices trade at records around 134,000 VND/kg in almost a vacuum. With farmers well sold, the off-season has come early to exporters. Small volumes are being bought by local industries and speculators. G2 is trading around N+1100 FOB in bulk. Industries are mainly sidelined as prices have become totally uncompetitive. Weather: still hot and dry with isolated rains. Currency: VND 25,340.
- **Indonesia:** Basis asalan traded around 78,000/83,000 IDR/kg. Volume of asalan received from Mon to Thu totalled just 2,185 mt, the fly crop flow is limited and main crop harvest slightly delayed. Offers for 80 defects firmed over the week to +700 FOB for nearby shipment. Weather: average to above normal rains in the main South Sumatra regions while above normal rains in East Java and Jami. Currency: 16,224-16,208 IDR/USD.

## 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	+14
Honduras HG	ICE Arabica	+5	ICE Arabica	+5
Kenya AB FAQ	ICE Arabica	+25	ICE Arabica	+35
Vietnam Gr2	ICE Robusta	+1100	ICE Robusta	+950
Indonesia Gr4 (max 80 defects)	ICE Robusta	+700	ICE Robusta	+500

