



# Coffee Market Overview

07 June 2024

## “RoBLASTa... again”

- Another week another record high for robusta futures, with the July futures contract closing at \$4,471/t on the continued supply tightness. The strength of robusta spilled over into arabica which reached 7-week highs, propelled higher by fund buying.
- The rally took place despite a further weakening of the BRL, which fell to 5.30, generating seriously attractive Brazilian prices yet we saw little producer selling out of Brazil keeping differentials from collapsing, albeit weakening slightly.
- the macro backdrop was calm; the monetary easing cycle continued this week, with two of the major central banks, Canada and Europe, both cutting rates despite inflation remaining above target.
- Vietnamese farm gate prices continue to fluctuate, reaching 123-125 k/kg, the local market remains quiet with minimal volumes left to transact compared to this time in previous seasons.
- Brazilian weather remains dry, and ideal for harvesting the 24/25 crop. Cumulative rainfall is below average for the past three weeks and could pose a potential risk for the 25/26 vegetative growth.
- Uganda’s initial harvesting of the main crop this season has started at the lowlands. Wet conditions are ideal for the final cherry filling and development stages.
- Costa Rican coffee exports fell 3.6% in May y/y to 135k bags, according to ICAFE. In the first eight months of the 2023/24 season, exports were down 5.9% y/y.
- Honduran coffee exports rose 13.7% in May y/y to 939k bags, according to IHCAFE, boosted by shipments postponed from the previous month (which was revised to 180k bags lower).
- ICE arabica certified stocks rose to 798k bags over the week with pending gradings at 20k bags, while robusta certified stocks also increased to 5,167 lots.
- We estimate the net spec position in arabica is long +48k lots, and that in robusta is +26k lots.

## Price Comparison

	<u>06.06.24</u>	<u>Change Vs 30.05.24</u>
ICE Arabica July 24 (c/lb)	233.00	1.20
ICE Robusta July 24 (\$/mt)	4425	155
Arbitrage Arabica July 24 / Robusta July 24 (c/lb)	33.48	-5.82

**ICE Arabica:** After the strong rally in the five trading days to the 30<sup>th</sup> May the market lost over 10c on Friday 31<sup>st</sup>, despite posting a new high earlier in the day. It spent the next four days clawing back the losses to finish the five days marginally up. Momentum buyers attempted to push the market higher yesterday and it broke through recent highs. However, after running into producer selling the market only closed slightly up on the day. This makes the chart look a little less bullish. Specs still have a sizeable long position.

**Support:** 220, 218, 200.65

**Resistance:** 240.00, 245.40, 260.45

**ICE Robusta:** Robusta continued its strong uptrend, outpacing arabica. The arbitrage weakened substantially over the week. Wednesday’s price action was notable with new contract highs and strong spreads. We do seem to be running into Conilon selling now though so the market may struggle to maintain momentum. The chart is still trending upwards. Specs are long, although they have taken some profit and may be unlikely to add substantially.

**Support:** 4122, 3994, 3741

**Resistance:** 4528



## Brazil

- **Local Market:** As arabica futures approached April highs combined with the weak BRL Brazil saw fresh record outright prices traded, BRL 1,500 for extra fine arabica and BRL 1,300 for conilons. This helped to generate some local activity but generally, producers have remained disciplined in their selling. Harvesting is advancing with around 25% complete in arabica and 50% for the conilon crop. The industry is still standing by and waiting for the main selling pressure to arrive, potentially after the frost risk passes. Shipments remain strong.
- **Weather:** Conditions remain favourable. Drier than usual which is good for harvesting but slowing decreasing soil moisture. No cold front on the horizon for now.
- **Economy / Politics:** Brazil signed an agreement of intent to increase coffee exports to China, showing the importance of new markets for the growing shipments.
- **External Market:** Demand increasing for nearby shipments as industry cover remains low and shipping delays are creating tightness across destinations.
- **Bolsa São Paulo (Type 4/5):** Sep (284) unchanged.
- **Arbitrage BMF/ICE:** - 18.50 (- 2.25)
- **Exchange rate:** 5.25 (deval 1.00%)

## Colombia/Latin American Milds

- **Colombia:** As futures strengthen, the internal flow is improving. Some better volumes changed hands internally, on basis FOB very little business was reported. The weather remains favourable for the main crop development. COP: H3939, L33840, C3933.
- **Guatemala:** As seen over the past weeks, most of the available coffee is lower grades, with providers taking advantage of the market move higher to sell their last unsold stocks. The rainy season has started, with rains becoming more frequent and a much-needed relief. Good FOB demand noted over the week.
- **Honduras:** No offers or business on standard grades. The focus is now fully on stock lots. Temperatures have remained at 35-40 degrees Celsius. There have been light rains in the country. It is predicted that this weekend rainfall will increase which is desperately needed to save the 24/25 crop potential.
- **Costa Rica:** Good demand noted especially on the nearby for restocking. Good qualities are scarce, and differentials react accordingly. The rainy season is well set with consistent rains.
- **Peru:** The flow is starting to pick up slowly and the medium and higher altitudes will enter into the peak harvest flow this month. Around 25/30% of the harvest is now complete. Good demand for certified coffees noted. The weather has been favourable for harvesting.

## Africa/Papua New Guinea

- **Kenya:** Auction pricing has moved in tandem with the 35 cts rally in arabica futures since the last auction traded two weeks prior. The 2023/24 Main crop is finally coming to an end after a very drawn-out season. We expect the auction to go into recess at the beginning of July and then restart again for the start of the early/fly crop on the 6th of August.
- **Tanzania:** The cherries continue to ripen on the farms as more CPUs are opening. The remaining AMCOS are currently discussing opening their wet stations. This initiative will enable more farmers to deliver their cherries to the CPUs instead of processing them at home. Farmers are primarily focused on ripening cherries and refining their processing methods to produce good-quality coffee.
- **Ethiopia:** The internal market in Ethiopia is seeing prices climb to new highs, as buyers chase commercial naturals and middlemen see an opportunity to squeeze exporters. Should this trend continue, the next few months will be chaotic and painful for exporters who are short and still looking to cover their commitments.
- **PNG:** A slight increase in arrivals in all regions resulting from the dryer weather last week and the elevation in local prices for parchment and green beans. Cherry prices stayed firm through the week. In most upper highland regions, the next two picks will see the end of the main harvest. Coffee from remote regions is still expected to arrive in the market. Wet weather in most coffee regions.



## Robusta

- **Vietnam:** Local prices continued their upward ascent to 126,000 VND/kg with longs releasing stocks slowly while fewer exporters participated to buy. Differentials are easing into the rally with G2 trading between U+800/+900. The weather is mainly dry with scattered rains. Currency: VND 25,415.
- **Indonesia:** Basis asalan traded around 78,000/84,000 IDR/kg. The volume of asalan Monday to Thursday was 12,3k MT. Offers for 80 defects around +850 FOB for July shipment. Weather: normal weather in most of the coffee regions. Currency: 16,225-16,279 IDR/USD.

## Origin Differentials for July Shipment cts/lb FOB

	This week		Last week	
Brazil MTGB	ICE Arabica	-16	ICE Arabica	-15
Colombia Excelso	ICE Arabica	+14	ICE Arabica	+15
Honduras HG	ICE Arabica	+13	ICE Arabica	+10
Kenya AB FAQ	ICE Arabica	+25	ICE Arabica	+30
Vietnam Gr2	ICE Robusta	+850	ICE Robusta	+900
Indonesia Gr4 (max 80 defects)	ICE Robusta	+850	ICE Robusta	+900

