

Highlights of The Week

Coffee Auction Prices in Karnataka fetched a firm tone during this week supported by rising domestic demand. Traders are busy increasing their stock capacity in the expectation of higher coffee prices in future. Unfavorable weather condition for coffee crop in the world is leading to lower crop estimates of the world for the session 2014/15.

USDA and Coffee Board of India put Indian coffee output on higher side against previous year estimates as of now. However, total World production is forecast down by 0.98% to 148,671 thousands 60-kg bags compared to 2013/14 estimates of 150145 thousand 60-kg bags and 2012/13 year estimates 155140.

India exports 65-70% of the coffee produced. In the latest released data of ICO, India has reported exports of 462362 (60-kg bags) in June 2014 down from 496221 (60-kg bags) in May 2014.

Rising quality issues and the forecast of lower coffee beans in Brazil due to drought, may switch major coffee importers like USA, Germany, France and Italy towards India and Kenya following rising demand of coffee beans in 2014/15. Italy is importing high quantity of bean from India so far accounting for 25% share in total exports of India.

Currently, Kenya is providing the best quality of Coffee bean supported by its soil condition where no more pesticides or chemical elements are required for growing coffee crop. Kenyan Government is focusing to increase coffee crop acreage in next session. As per ICO report, Kenya's export is sliding up month on month basis (Jan 2014 to June 2014) reporting total exports to 83801 (60kg-bags) in June 2014.

ICO expects total Brazil's coffee crop at 44.57 million bags for 2014/15 lower 9.3% of last year estimates. Brazilian Coffee cooperative Minasul expects its members to harvest down by 40% to 750,000 bags of coffee in 2014 against 1.25 million bags in 2013 because of the drought. Brazil has harvested a total of 41.97 million bags of coffee so far completing total 86% harvest which is higher pace from 81% of last year in the same period of time.

As per USDA report, total World Consumption for 2014/15 is predicted to increase by 1.46% to 147710 thousand 60-kg bags against 145583 thousand 60- kg bags in 2013/14 followed by higher consumption estimates of US, Japan and Russia.

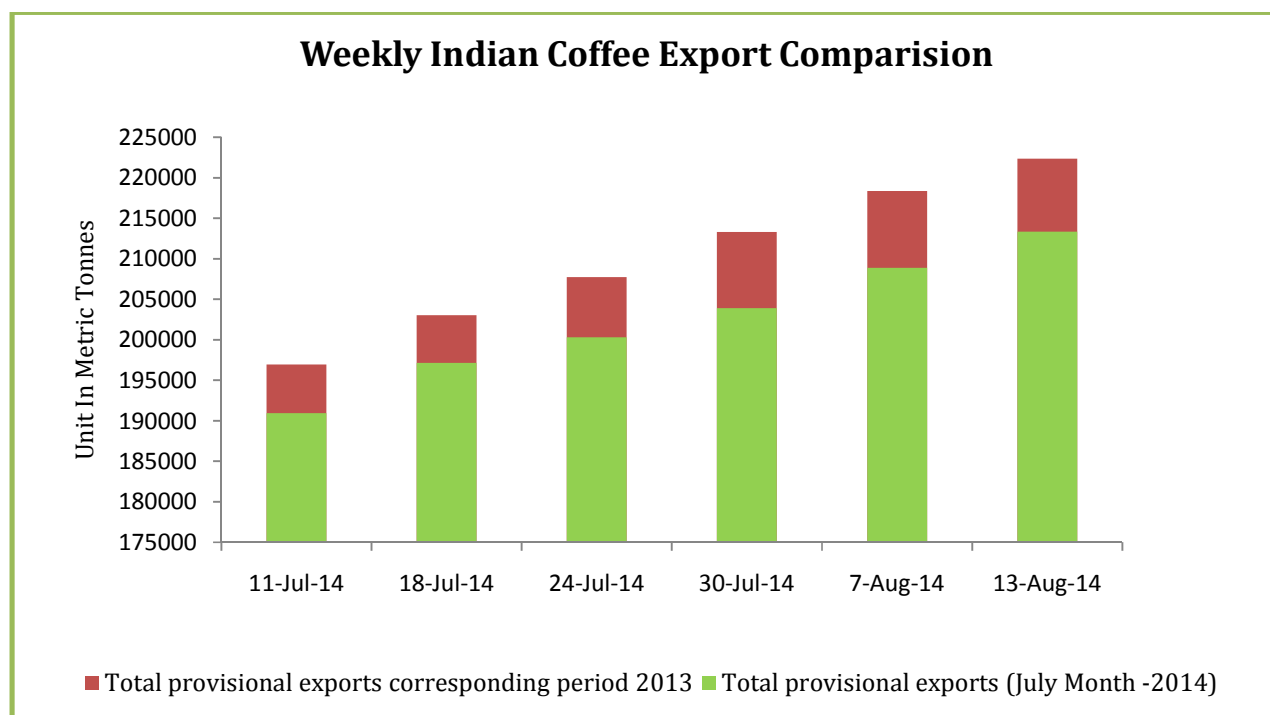
Domestic Export and Import

According to the Coffee Board Of India, total weekly coffee exports show lower shipment by 4% at 213364 metric tonne during this week ending on 13th July 2014 against corresponding period of previous year of 222357 metric tonne.

Major Indian Coffee Exporting Company Like CCL, ITC Ltd., Tata Coffee have shipped 23691 tonne (Robusta) contributing 11%, total 19073.7 tonnes (Arabica & Robusta) sharing 9%, 12935.4 (Arabica & Robusta) with 6.06% contribution of total exported coffee of India respectively since 1st January 2014 to 13th August 2014. Robusta is resistant to the coffee leaf rust (*Hemileia vastatrix*), a disease, but it is bitter in taste than the Arabica.

India has exported mainly to Italy (54,127 tonnes), Germany (24,228 tonne), Russian Federation (12,891 tonne) Belgium (11,642 tonne), Turkey (10,242), Indonesia (8,088 tonne) during 1st Jan 2014 to 13th August 2014.

Below Chart shows weekly comparison of Indian coffee exports from July 2014 to August 2014:-

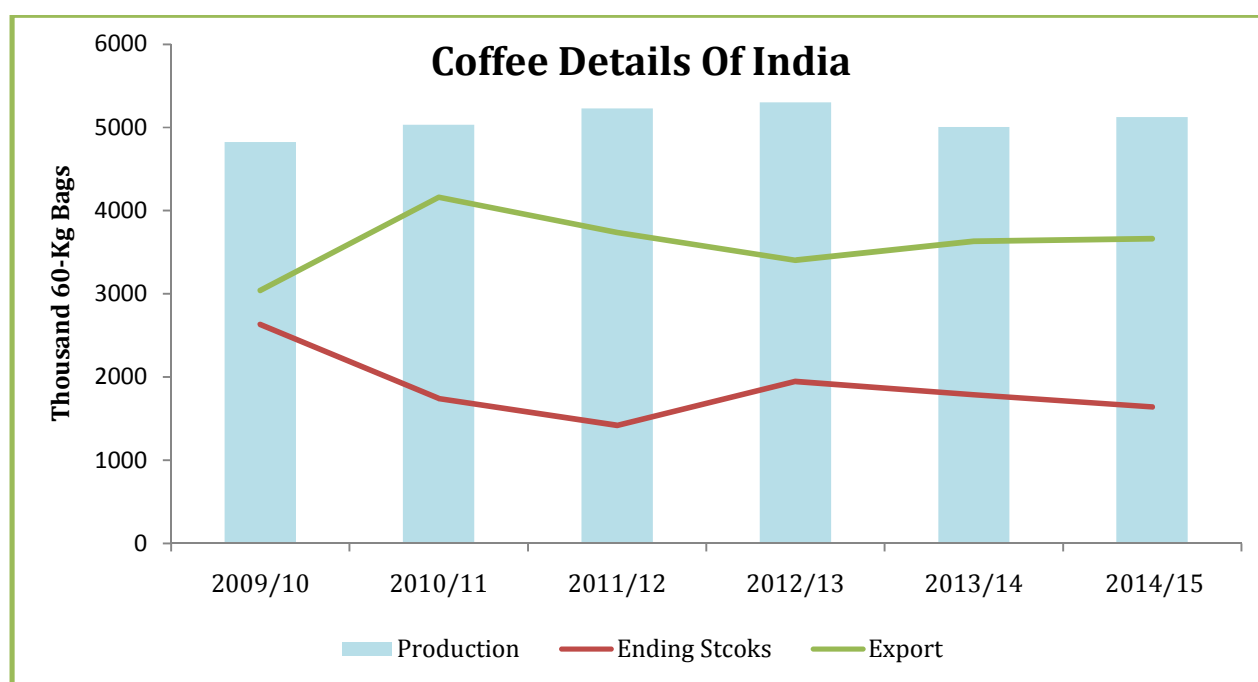


Source: Coffee Board Of India

Domestic Crop Condition and Production
Balance Sheet Highlights (USDA) :-

- According to USDA report, Coffee Production of India will be higher by 2.33% to 5125 thousand bags in 2014/15 from the previous year but lower than 2011/12 and 2012/13 estimates.
- Total Indian Exports is expected to increase by 0.82% to 3660 thousands bags in 2014/15 as compared to last year estimates i.e. 3630 thousand bags and 7.48% than 2012/13 estimates in expectation of higher domestic and international demand.
- Ending Stocks are likely to touch the level of 1641 thousand bags which is continuously declining from the estimate of 2013/14 i.e. 1787 thousand bags and 2012/13 i.e.1949 thousand bags.

Below chart shows Production, Exports and Ending stocks details of India since 2009/2010:-

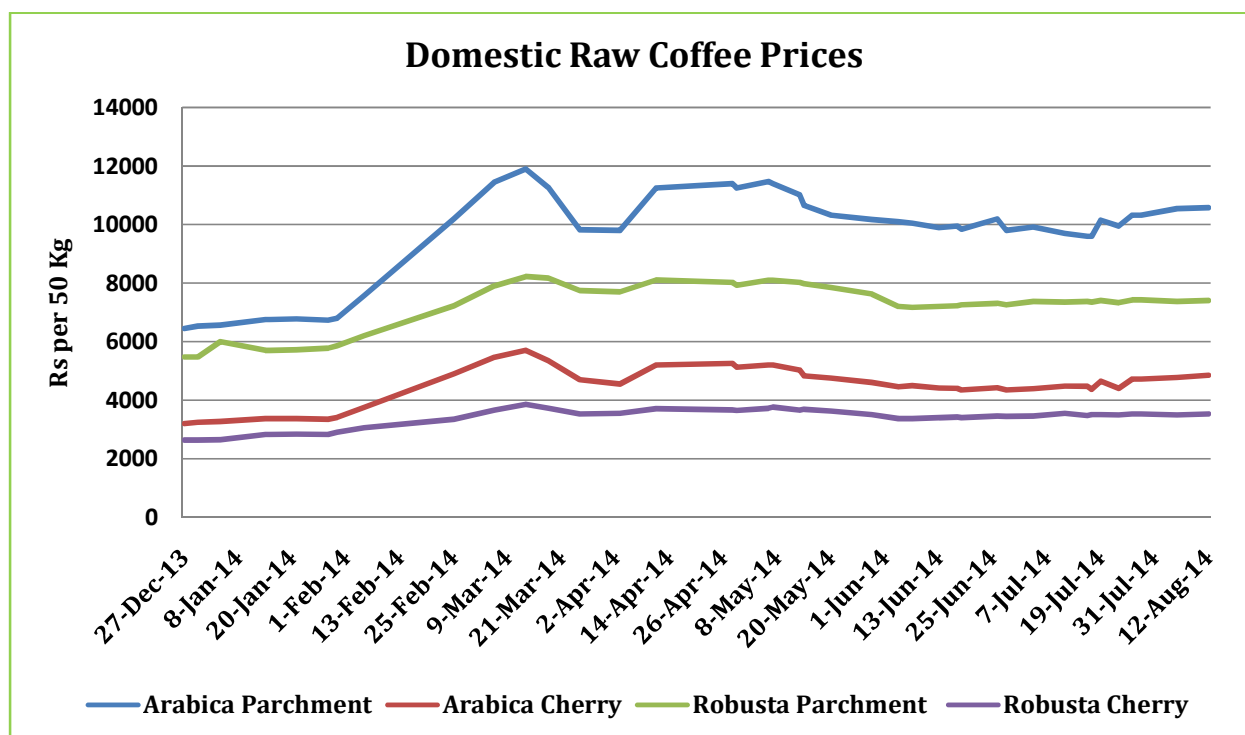


Coffee Prices of Auction Market & State-wise Market

Domestic Raw Coffee Prices(Karnataka):

Variety	12.8.2014	5.8.2014	Change
Arabica Parchment	10250-10900	10300-10800	100
Arabica Cherry	4800-4900	4750-4800	100
Robusta Parchment	7300-7500	7350-7400	100
Robusta Cherry	3375-3700	3400-3600	100

* Values in Rs per 50 Kg


Fundamental Coffee Price Outlook for Coming Week

Above graph depicts steady to firm tone in domestic market (Karnataka). The prices of Arabica Parchment noticed most higher prices as compare to others three varieties (Arabica Cherry, Robusta Parchment and Robusta Cherry). Arabica Parchment is the most favorable variety of the prime importers. Coffee prices in India is likely to go up in near term in expectation of an increase in exporters demand. Prices may move in between 10150-11200 Rs. per 50kg in next week.

ICTA Auction Prices (Karnataka)

Grade	8.8.2014	24.7.2014	Change	8.8.2014	24.7.2014	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	--	--	--	--	--
AA	--	280.00	--	236.00	--	--
PB	298.00	279.00	21.00	197.20	--	--
A	--	278.00	--	235.00	--	--
AB	--	--	--	215.00	--	--
B	--	240.00	--	--	--	--
C	237.00	215.00	22.00	--	--	--
BBB	177.00	163.10	13.90	131.50	133.00	-1.50
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	195.26	--	--	--	--	--
A	--	--	--	--	151.46	--
PB	190.00	--	--	144.50	143.00	1.50
AA	196.00	--	--	153.16	154.00	-0.84
AB	194.50	--	--	147.00	146.20	0.80
B	--	--	--	--	--	--
C	178.00	--	--	140.50	141.00	-0.50
BBB	134.00	132.50	1.50	133.50	132.26	1.24

Values in Rs. per kg

International Market Updates:

Weekly Futures Review -Both ICE Arabica and London's Robusta coffee prices of Sep Contract rose due to concerns over the drought. ICE Arabica went up by 4.5% to 188.75 USc per lbs compared to previous week price i.e. USC 180.58 per lbs and London's Robusta showed minor gain by 0.15% to USD/T1951 against USD/T1948 last week record. Traders are advised to make thin position in the current market for short run due to higher volatility. While, forecast of low stocks in the world for 2014, should help to soar prices in long run.(Source: ICO)

Brazil:-According to Safras latest report, Brazil has harvested 41.97 million bags of Coffee as of now after completing 86% harvest which is higher than 81% of the harvest as completed last year. Brazil is suppose to produce 48.9 million bags of Coffee in 2014/15 due to low vegetative growth because of the drought and high incidents of leaf rust. This estimates of Safras is higher than the forecast of National Coffee Council of Brazil i.e. 40 million bags for 2014/15. While Conab (Brazil's Government Crop Supply Agency) put its production forecast for 2014/15 near 45 million bags. On the Other hand, ICO expects total Brazil's coffee crop to 44.57 million bags for 2014/15 lower 9.3% of last year estimates.(Source:Reuter)

Vietnam:-As Per Vietnam Customs, Vietnam (Robusta Producer) has registered its total exports at 88,600tonnes (1.48 million bags) in July month which is 18% down from June Month. This estimate is higher than government estimates i.e. 85,000 tonnes. First 10 month exports of 2013/14 crop year stood up around 10% to 1.41 million tonnes against last year during corresponding period of the time.

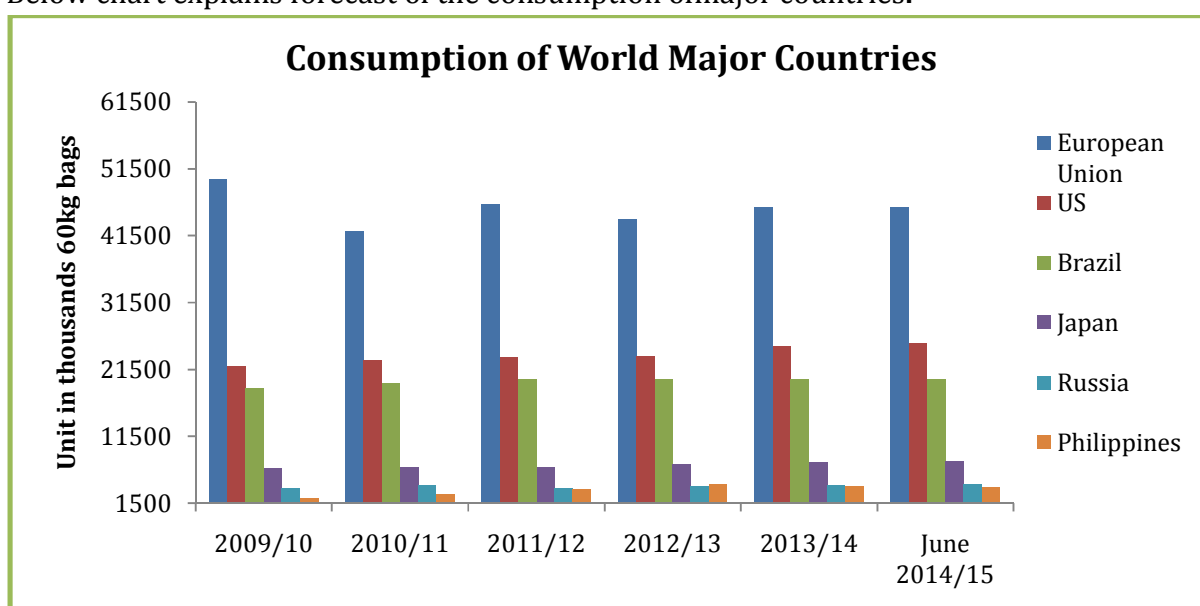
Coffee prices in Vietnam slumped by 0.50% to 39150 dong rather than previous week prices i.e. 39350 dong. Prices are quoting less if we compare last year prices during the same period of time i.e. 39900 on lower demand due to quality issue of bean. Vietnam's Robusta beans offered at \$ 1957/tons, on a free-on-board basis (Saigon port as on 14th August 2014) fetching low prices than previous week record of \$ 1963/tons. Prices could be seen hovering steady to slight up zone in the next week.

Others:-As per Uganda Coffee Development Authority, coffee exports of Uganda dropped by 20% to 314,304 (60-kg bags) of coffee in July against last year in the same month on back of drought. Resultant, total export revenue of Uganda declined to \$ 37.8 million compared with \$ 45 million in July 2013.

World Coffee Balance Sheet:-

In the recent released data of USDA, European Union and Philippines are expected to decline its annual coffee consumption by 0.21% to 45700 thousand 60-kg bags and 0.75% to 3920 thousand bags respectively in 2014/15 compared the previous session. While, US, Japan, Russia are forecast to use higher coffee bean by 1.78% to 25436, 1.89% to 7800, 4.76% to 4400 thousand 60 kg-bags respectively for 2014/15 rather than last year estimate. Total World consumption for 2014/15 is forecast higher by 1.46% to 147710 thousand bags 60-kg against 145583 thousand 60-kg bags in 2013/14.

Below chart explains forecast of the consumption of major countries:-



Source: USDA

World Coffee Export :-

Brazil, India, Indonesia and Uganda reported higher exports quantity in the world.

Below chart depicts total exports of the main exporting countries since 2012:-

Coffee Export Details of Main Exporting Countries						
Country	Jun-13	Jun-14	Oct-12 to Jun-13	Oct-13 to Jun-14	Jul-12 to Jun-13	Jul-13 to Jun-14
Brazil	2083661	2599267	21069060	23408320	27151655	30108615
Cameroon	47799	46017	252821	215781	405271	286658
India	337011	258503	2671535	2749169	3364865	3484996
Indonesia	778659	165000	6296365	3695455	9055259	6636080
Papua New Guinea	68848	95281	449957	574162	683366	867140
Tanzania	52399	48553	955794	665040	1057360	749553
Uganda	264611	361461	2645000	2710159	3360099	3648418

(Unit in 60-Kilo Bags)

Source:ICO

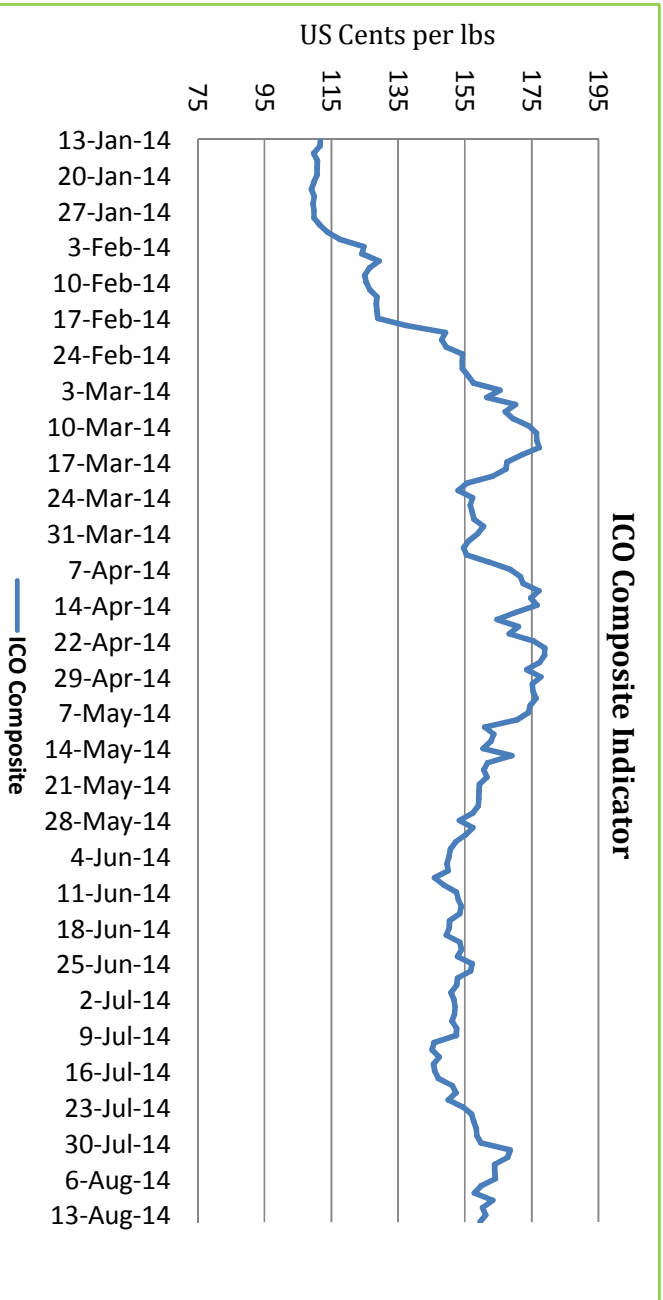
International Coffee Price Trend

	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	14.8.2014	8.8.2014	14.7.2014	14.8.2013
ICO Composite Indicator	159.48	157.82	147.26	120.65
Colombian Milds				
US	207.00	203.75	186.25	147.25
Europe	208.40	206.72	184.50	148.61
Group Indicator	207.64	205.12	185.44	147.98
Other Milds				
US	208.25	205.25	190.50	139.88
Europe	209.29	206.76	188.53	138.77
Group Indicator	208.90	206.19	189.28	139.21
Brazilian Naturals				
US	167.00	162.75	146.25	117.25
Europe	182.02	180.32	160.37	123.46
Group Indicator	178.12	175.75	156.70	121.97
Robusta				
US	102.92	102.92	107.08	103.58
Europe	97.59	97.44	100.52	96.05
Group Indicator	98.44	98.31	101.57	97.26

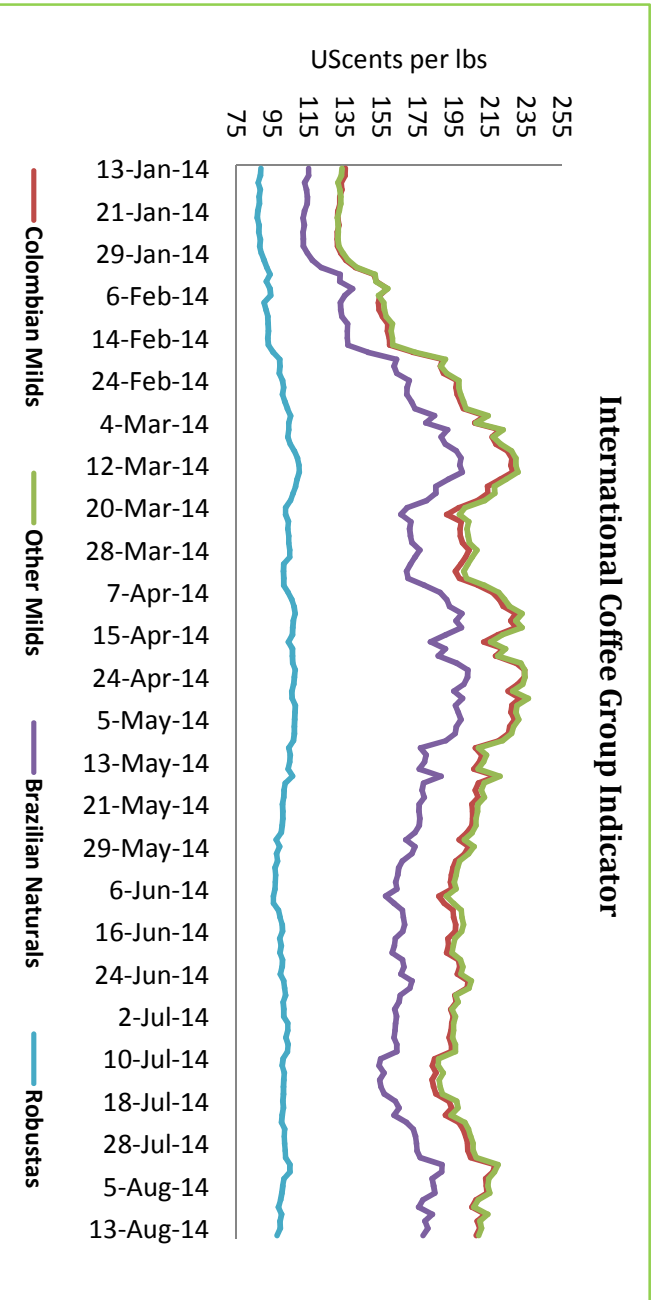
Germany Market – Hamburg and Bremen, France Market – (Le Havre and Marseilles) * Values in US cents/lb

Prices of ICO composite indicator closed higher to 159.48 US cents/lb at end of the week following rising demand. Forecast of lower world production in 2014, is supporting prices to boost up and we can see further upside momentum in the prices in long run. Below Chart depicts a support of 157.82 USD cents/lb of ICO composite indicators. Steady to firm movement could be seen in next week.

International Coffee Indicators Chart:-



Source: Coffee Board Of India



Source: Coffee Board Of India

International Futures Market Updates:

ICE Arabica Coffee Futures Prices				
Contract Months	14-August-2014	Week ago (7 August,2014)	Month Ago (14 August,2014)	Weekly Change (%)
September-2014	188.75	184.00	164.35	2.58
December-2014	193.15	188.15	168.10	2.66
March-2015	196.80	191.75	171.50	2.63
May-2015	198.80	193.80	173.65	2.58

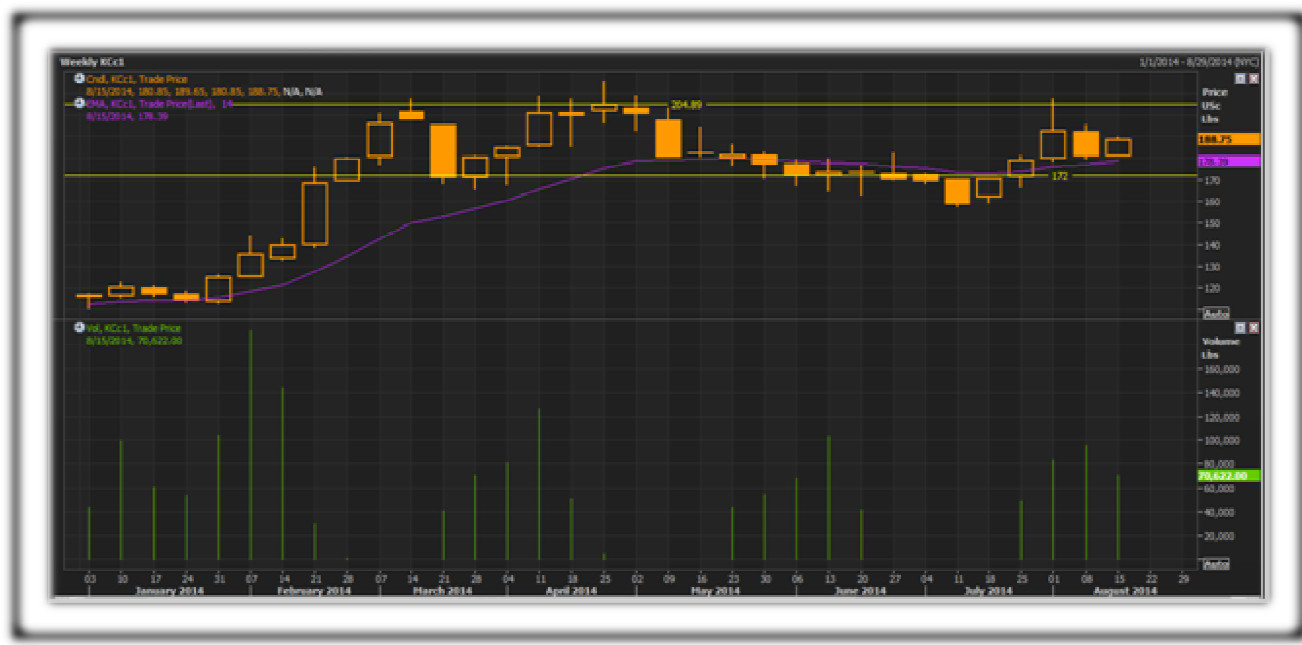
Liffe Robusta Coffee Futures Prices				
Contract Months	14-August-2014	Week ago (7 August,2014)	Month Ago (14 August,2014)	Weekly Change (%)
September-2014	1951	1968	2023	-0.86
November-2014	1962	1974	2014	-0.61
January-2015	1967	1973	--	-0.30

International Coffee Prices:

	14.8.2014	8.8.2014	14.7.2014	14.8.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	39150	39350	40050	39900
Vietnam FOB (2-5 pct)* (Saigon port)	1957	1963	2008	2020
Indonesian FOB (4-80 defects)** (Lampung Port)	1960	1970	1990	1910

***FOB Values are in USD/T**

Technical Analysis of Coffee Future (Sep'14Contract) at ICE Future



Weekly Technical Outlook:-

- Candlestick shows upward momentum in the market.
- 14 days EMI indicates further firm tone.
- RSI is also moving upside supporting firm tone.
- While, Volume is down as compare to previous week.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
<u>Steady to Bullish Momentum</u>	178-198

US cents/lb

Expected Support and Resistance

S2	S1	PCP	R1	R2
172.00	177.54	188.75	197.49	204.89

US cents/lb

Technical Analysis of Coffee Future (Sep'14Contract) at LIFFE



Weekly Technical Outlook:-

- Candlestick chart depicts slight upside momentum in the market.
- Declining volume and 14 days EMI hints further downtrend.
- However, slight up RSI hints steady to bullish market trend.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
<u>Steady to Bullish Momentum</u>	1900-2100

USD/T

Expected Support and Resistance

S2	S1	PCP	R1	R2
1859	1904	1951	2081	2144

USD/T

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.php> © 2014 Indian Agribusiness Systems Pvt Ltd.