

**Highlights of The Week**

**Coffee Auction Prices in Karnataka showed steady to weak tone during this week on lackluster foreign buying activities .** Both International and Indian Arabica coffee prices in the short run during the year 2014 are expected to be on the increasing trend with volatility due to speculation of lower crop in the world's largest producer of Arabica Coffee, Brazil due to dry weather and drought conditions. The dry weather conditions are also expected to affect the crop for the next year 2015. Robusta prices are also expected to marginally go up depending upon the size of the crop in the major Robusta coffee growing countries as Vietnam and Indonesia.

**According to Karnataka Planters Association, India's coffee output for 2014/15 is likely to stand around 3000,000 tonnes** following the projection of Robusta crop around 239,250 tonnes (similar to the projection of the coffee board of India for Robusta crop) and Arabica crop 70,000 tonnes lower due to widespread damage caused by white stem borer pest. However, KTP projection of India coffee crop for 2014/15 is lower than the forecast of the Coffee Board of India i.e. 344,750 tonnes.

**According to the Coffee Board Of India, total coffee exports stood at 217973 metric tonne** since 1st January to 22nd August 2014, down 5.23% against 230003 metric tonne of last year exports during corresponding period of time. Importers are in wait and watch condition as of now for new crop arrivals and upcoming new estimates of the world crop for the season 2014/15.

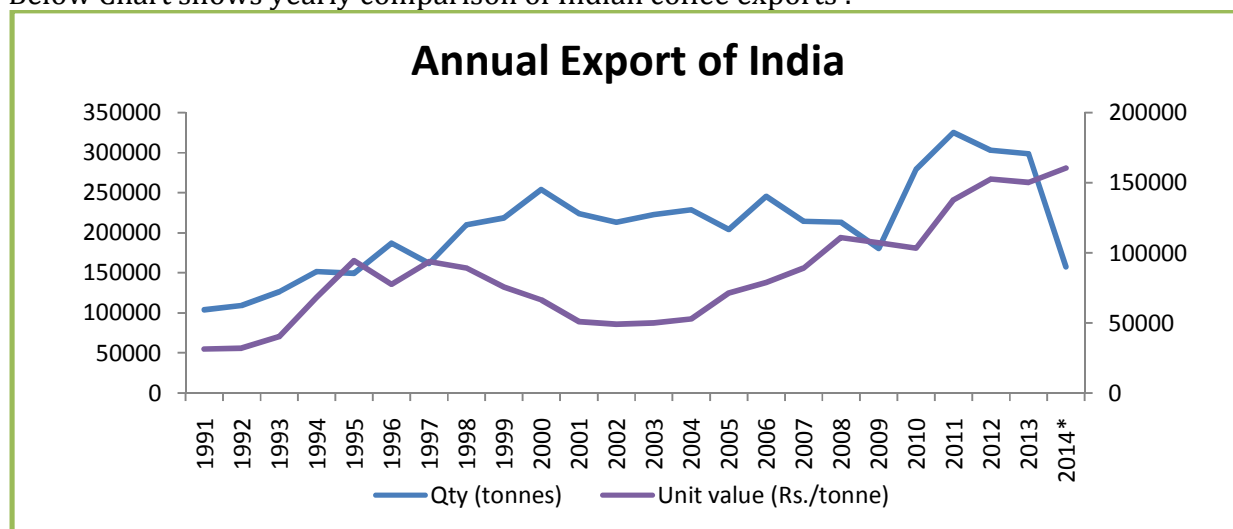
**As per USDA released data in June 2014, Brazil's production is forecasted to decline 8.48%** to 49.50 Million bags in 2014/15 against previous year estimates at 53.70 Million bags due to dry weather condition. USDA forecast is higher than ICO coffee crop projection i.e. 44.57 million bags for 214/15. While, India is forecasted to produce higher coffee bean at 5.125 million bags up by 2.28% from last year production estimates i.e. 5 million bags however lower than the estimates of 5.3 million bags in 2012/13.

## Domestic Export and Import

As per DGCIS report, India has received total coffee exports revenue around 416.07 Rs. Crore in July 2014 up by 8.8% from 382.41 Rs. Crore of previous year in July month and 1814.94 since April-July in 2014 against last year revenue at 1728.72 Rs. Crore in corresponding period of time.

According to the Coffee Board Of India, last five month of Indian coffee exports stood at 157197 tonne in 2014 reporting unit value Rs. 160280/tonne which is higher if we compare the unit value since 1991 to 2013 due to inflation and higher labor cost and affecting negatively on the exports volume.

Below Chart shows yearly comparison of Indian coffee exports :-



Includes re-exports from 2004 onwards \* Provisional Based on export permits (01.01.2014 to 31.05.2014)(Source-CBI)

As of now, total imports by India's major countries registered at 157191 MT in 2014 during Jan-14 to May-14 following Italy total imports at 43522 MT, Germany (18835 MT), Belgium (9470 MT), Jordan (6656 MT), Russian Federation(6630 MT) and USA(3085 MT).

Below Chart depicts major importing countries imports details of Indian Coffee since 2009:-

Country-Wise Export of Coffee From India (Calendar year) (Qty-MT & Value-Rs./Tonne)												
Destination	2009		2010		2011		2012		2013		2014*	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Italy	44261	42804	76334	69607	68097	90122	73921	108263	74627	105149	43522	63790
Germany	10170	11925	26497	27548	42101	64883	25231	39637	29230	43543	18835	31620
Belgium	7371	8032	13711	15413	21477	32502	19472	32954	17124	28141	9470	17335
Jordan	4355	5351	7402	9258	7502	11051	7095	14001	9974	15951	6656	12272
Russian Federation	22036	25878	31520	34537	32128	43940	27069	43917	18115	29361	6630	11281
USA	3109	4031	6615	7894	5612	8639	6544	11015	5805	9765	3085	4978

Source: Coffee Board Of India \*Provisional based on export permits (Jan-14 to May-14)

### Domestic Crop Condition and Production

Indian Coffee crop are grown under a thick natural shade with 2500 to 4000 mm rainfall spread over 100 days, followed by more than 100 days of Continuous dry period. Main producing states of India are Karnataka accounts for about 56.1% of the total land under coffee cultivation. Kodagu, Chikmagalur and Hassan are the major coffee producing areas of Karnataka. Kerala and Tamilnadu accounts about 20.7% and 7.7% of total coffee production sharing.

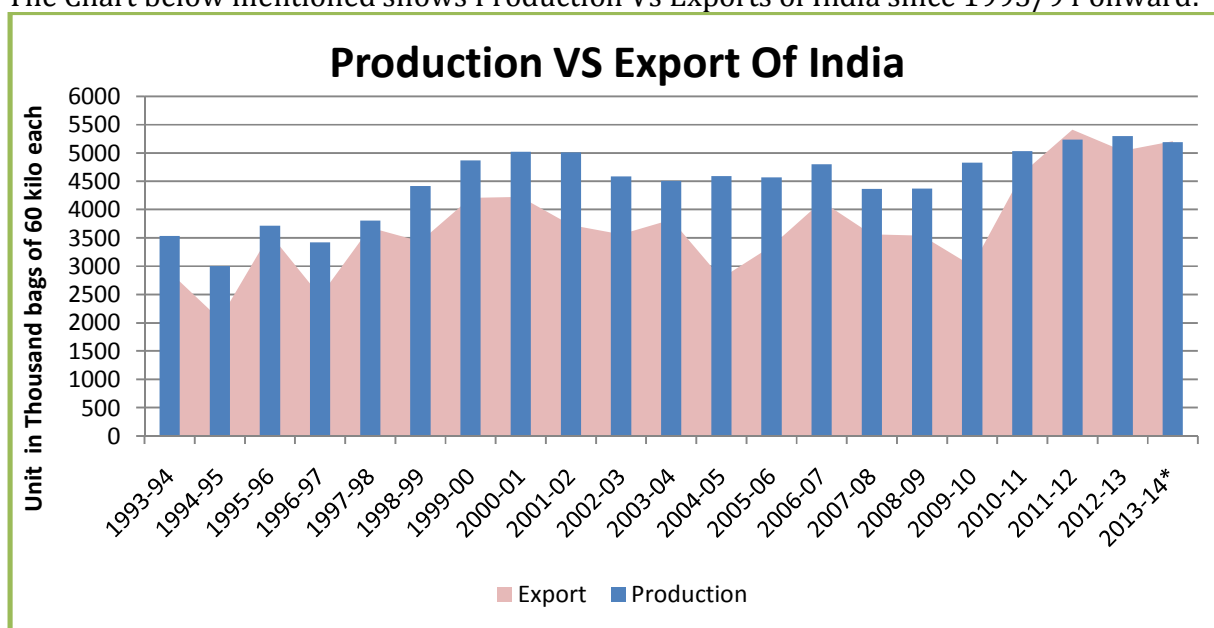
As per Mr. Govindappa the chairman of KTP, major coffee growing regions like Kodagu and Chikmagalur are suffering on account of wet foot disease due to heavy water logging. Chikmagalur and Hassan district got more rain 21% and 28% respectively however Kodagu received 9% lesser rain than the normal average in July, 2014.

According to the growers, the estimation made by the Coffee Board of India is very high and it has not taken into consideration of the fact that due to dry weather from October 2013 to June 2014 in the plantation areas there was severe incidence of White stem Borer even in Arabica due to which hundreds of Arabica Coffee plants are being uprooted. The dry weather had also affected Robusta plants. Further there was delay in commencement of Monsoon in June this year and during July-August, there was heavy monsoon and wet conditions due to which there was leaf rot and stalk rot and dropping of berries. Hence due to the above reasons, production is bound to go down considerably in Arabica and also in Robusta coffee during the crop year 2014.

#### Production Vs Export Of India

According to the Coffee Board of India, production of India during 2013/14 estimated down by 2.09% to 5192 thousands bags -60kg against last session estimates of 5303 thousands bags -60kg each as presented in May 2014. However, export estimates is upside to 5213 thousands bags with an increase by 3.37% compared to previous session exports at 5043 thousands bags -60kg.

The Chart below mentioned shows Production Vs Exports of India since 1993/94 onward:-



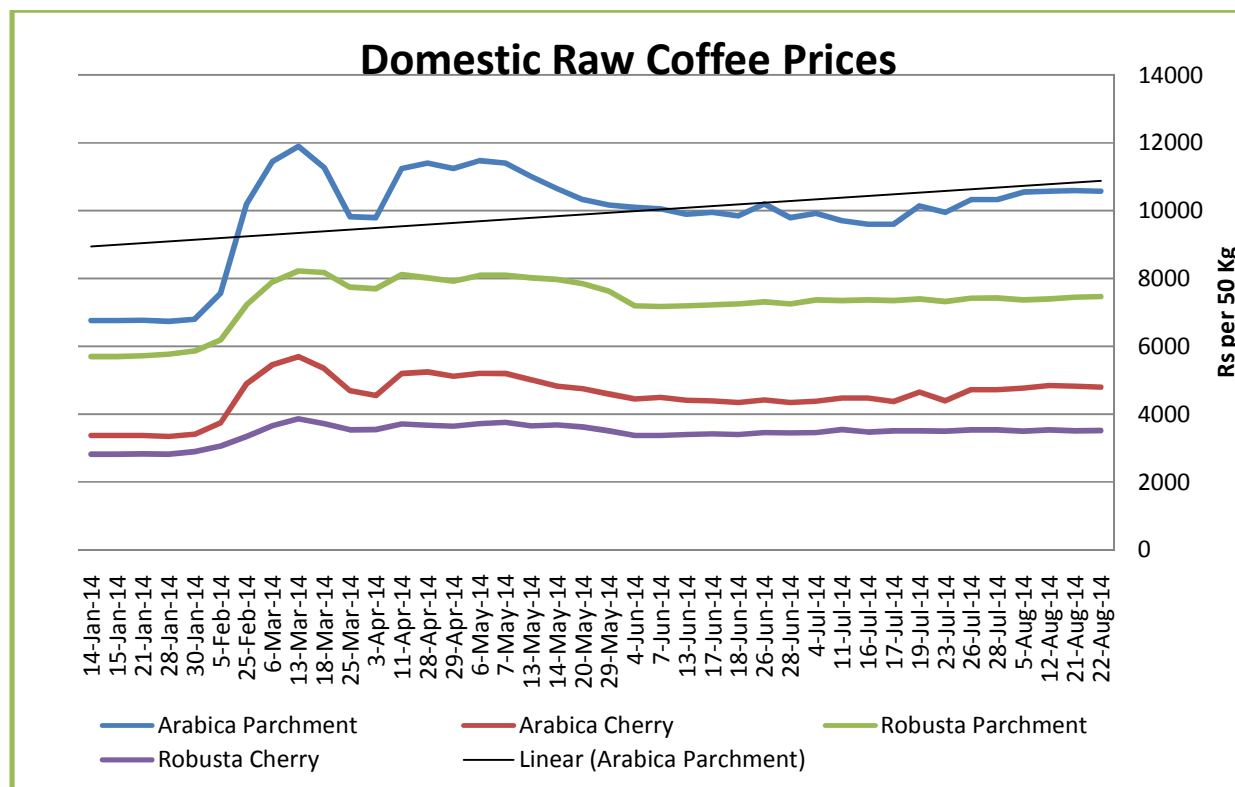
Source: Coffee Board of India

**Coffee Prices of Auction Market & State-wise Market**

Domestic Raw Coffee Prices(Karnataka):

Variety	21.8.2014	12.8.2014	Change
Arabica Parchment	10350-10850	10250-10900	-50
Arabica Cherry	4800-4850	4800-4900	-50
Robusta Parchment	7400-7500	7300-7500	Unch
Robusta Cherry	3425-3600	3375-3700	-100

\* Values in Rs per 50 Kg



**Fundamental Coffee Price Outlook for Coming Week**

Above graph shows range-bound to lower movement of the market. Coffee prices of all varieties like Arabica Parchment, Arabica Cherry and Robusta Cherry reported down trend during this week on sluggish demand. While Robusta Parchment unchanged in this week. Coffee prices in India may boost up in short run as well as long run both in expectation of lower crop estimates of 2014/15 crop as given by the Karnataka Planters Association compared to previous session. Prices may move in between 10300-11800 Rs. per 50kg in next week.

### ICTA Auction Prices (Karnataka)

Grade	21.8.2014	13.8.2014	Change	21.8.2014	13.8.2014	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	--	--	--	--	--
AA	--	--	--	232.50	236.00	-3.5
PB	298.00	300.00	-2	190.00	186.00	4
A	--	--	--	--	--	--
AB	--	--	--	--	--	--
B	--	--	--	--	--	--
C	234.00	240.00	-6	138.00	159.00	-21
BBB	151.50	153.00	-1.5	--	--	--
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	--	--	--	--	--
A	--	--	--	--	--	--
PB	--	--	--	143.00	143.00	Unch
AA	--	--	--	--	147.00	--
AB	--	--	--	--	145.00	--
B	--	--	--	--	--	--
C	--	--	--	142.00	140.00	2
BBB	--	--	--	135.00	134.00	1

Values in Rs. per kg

**International Market Updates:**

**Weekly Futures Review** -ICE Arabica coffee prices fell down by 3.79% to 181.60 USc per lbs compared to previous week price i.e. USC 188.75 per lbs. While, speculator increased their long position in arabica coffee future and Options in the week ended Aug. 19,2014 as per U.S CFTC recent data. London's Robusta prices surged by 1.79% to USD/T 1986 against USD/T 1951 of last week prices following good demand mainly of Brazilian fine cup an good cup grades. As per Reuter, initial results of New Central America Coffee crop harvest may weigh on the coffee prices in upcoming days. The farmers of Central America and Mexico have faced a big problem producing coffee due to disease Roya (a tree killing fungus) in last two seasons.

**Brazil:-**According to Safras report, Brazil has sold its drought damaged coffee crop total 38% to 18.82 million bags as of now including 12.67 million bags of arabica and 6.15 million bags of local robusta which is 8% up from July 2014 and 30% up against five year average.

**Vietnam:-**As Per Vietnam's Government data, Vietnam is expected to have more than 3 million bags of coffee for further selling in September-14 and October-14. Vietnam's total cofffee production is likely to fall by 1.29% to 23 million bags 60-kg bags from previous year output of 23.3 million bags 60-kg bags as added by Vietnam Coffee and Cocoa Association. Coffee harvesting of 2014/15 crop will start late October-14.

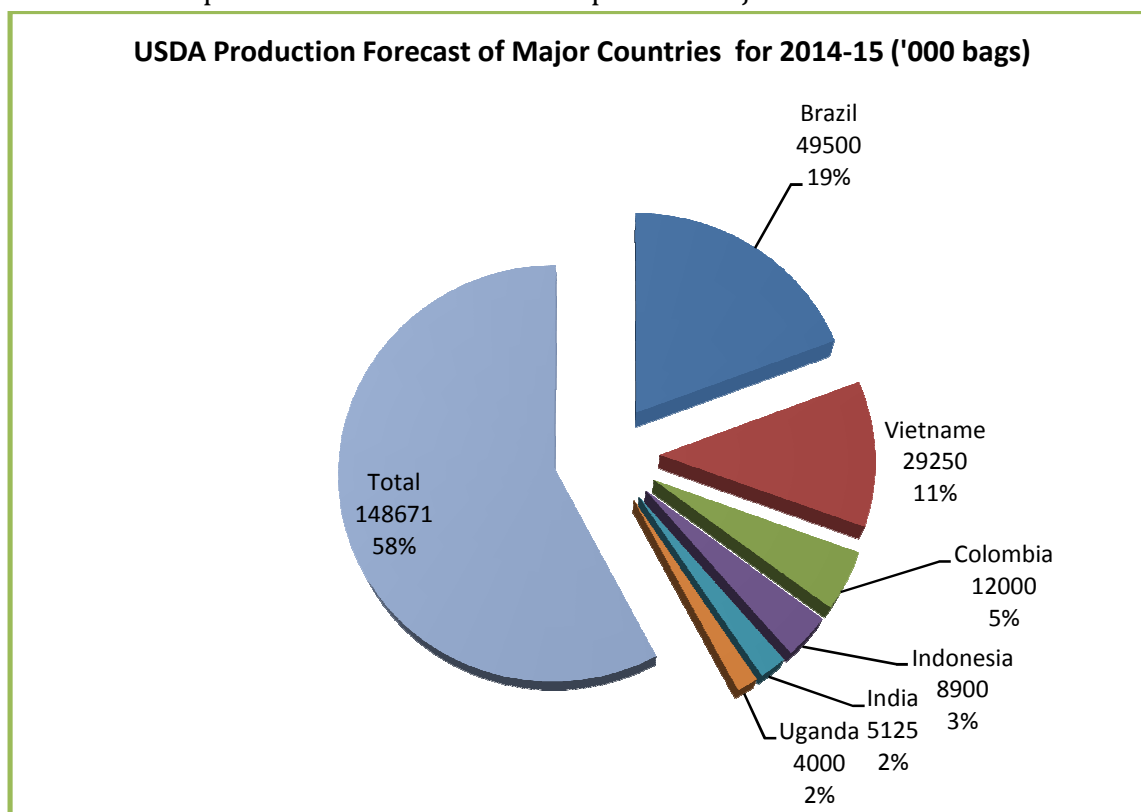
Coffee prices in Vietnam slumped by 0.68% to 38900 dong rather than previous week prices i.e. 39150 dong. Prices are quoting less if we compare last year prices during the same period of time i.e. 39000 in absence of fresh demand due enough stock availability of bean for further delivery. Vietnam's Robusta beans offered at \$ 2000/tons, on a free-on-board basis (Saigon port as on 19th August 2014) fetching low prices than previous week record of \$ 1960/tons. Prices may move steady to down trend in the next week.

**Others:-** As per the Indonesian Coffee Exporters and Industry Association, coffee bean production of Indonesia is likely to reduce by 14% to 600,000 tonnes in 2014 against previous year's record of 700,000 tonnes due to adverse weather condition and outbreaks of pests and diseases. Total exports of 2014 is expected to touch 450,000 tonnes, 6.25% down from a year ago exports of 480,000 tonnes.

### World Coffee Balance Sheet:-

According to USDA report, among major producing countries of the world, Brazil and Indonesia will produce lesser coffee crop rather than previous year. Brazil's production is forecast to decline 8.48% to 49,500 Million bags in 2014/15 against previous year estimate at 53,700 Million bags due to dry weather condition. Indonesia's production estimate is predicted lower by 6.74% to 8900 million bags for 2014/15 year as compare to 9500 million bags of 2013/14 record. However, total coffee production estimates of Vietnam, Colombia, India and Uganda is placing up by .94% to 29250 million bags, 8.33% to 12000 million bags, 2.28% to 5125 million bags, 3.75% to 4000 million bags respectively for the year 2014/15.

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



Source: USDA

**International Coffee Price Trend**

	As on	Week Ago	Month Ago	Year Ago
<b>International Coffee Prices</b>	<b>21.8.2014</b>	<b>14.8.2014</b>	<b>21.7.2014</b>	<b>21.8.2013</b>
<b>ICO Composite Indicator</b>	161.69	159.48	152.35	113.95
<b>Colombian Milds</b>				
US	210.50	207.00	195.00	139.25
Europe	210.14	208.40	192.95	140.41
Group Indicator	210.33	207.64	194.06	139.88
<b>Other Milds</b>				
US	213.25	208.25	198.25	132.38
Europe	209.19	209.29	196.95	132.24
Group Indicator	210.73	208.90	197.45	132.29
<b>Brazilian Naturals</b>				
US	172.50	167.00	154.00	109.25
Europe	184.43	182.02	168.80	114.94
Group Indicator	181.33	178.12	164.95	113.57
<b>Robusta</b>				
US	104.92	102.92	106.17	99.33
Europe	98.98	97.59	100.03	91.47
Group Indicator	99.93	98.44	101.02	92.72

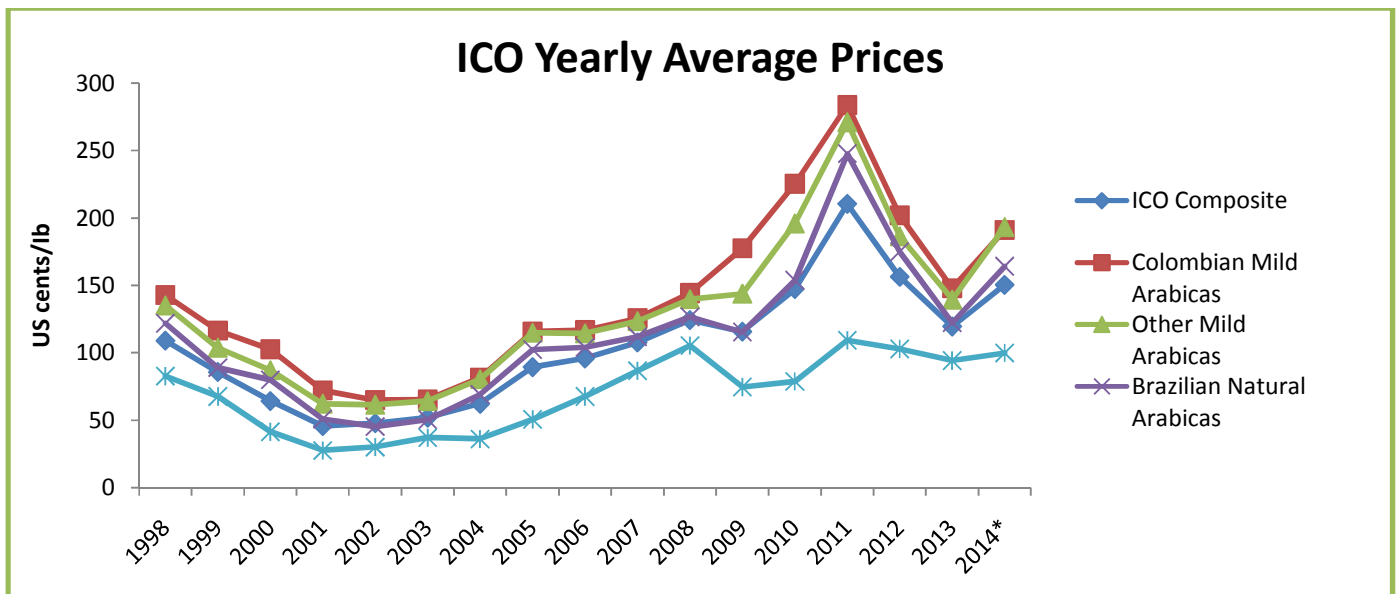
**Germany Market - Hamburg and Bremen, France Market - (Le Havere and Marseilles) \* Values in US cents/lb**

Prices of ICO composite indicator remain went up near 161.69 US cents/lb at end of the week supported by European market. Colombian-milds, other-milds, Brazillian-Naturals and Robusta indicators are showing an uptrend in European markets on active supply and demand. We expect steady to firm movement in both of the market US and Europe during upcoming week in expectation of an increase in demand against lower supply.



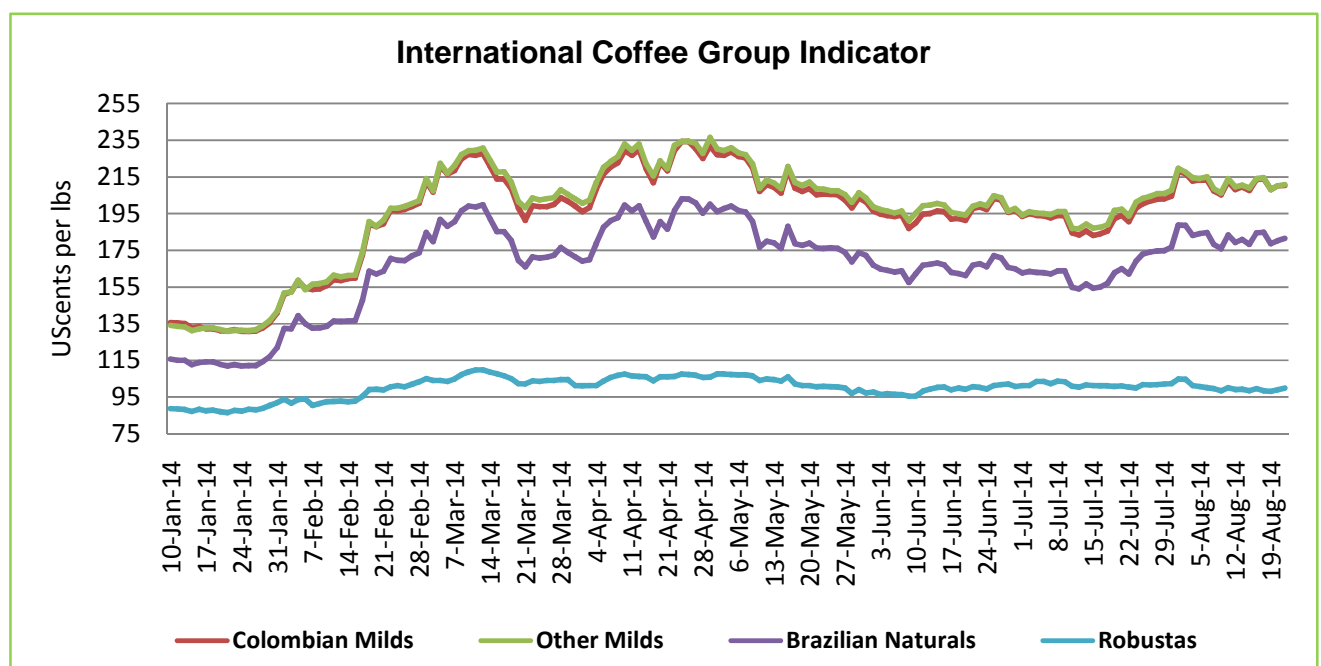
### International Coffee Indicators Chart (Yearly):-

In the below chart yearly average price of ICO composite indicators and colombian mild Arabicas, other mild Arabicas Brazilian Natural Arabicas are showing a recovery in the market concern over deficit in supply as compared to previous year prices. We may expect the levels of upside in medium to long term perspective.



Source:ICO (2014\* Average Price up to July month)

### International Coffee Group Indicators :-



**International Market Future Market Prices:-**

ICE Arabica Coffee Futures Prices				
Contract Months	22-August-2014	Week ago (7 August,2014)	Month Ago (22 July,2014)	Weekly Change (%)
September-2014	181.60	188.75	172.90	-3.79
December-2014	187.35	193.15	176.65	-3.00
March-2015	191.15	196.80	180.1	-2.87
May-2015	193.20	198.80	182.25	-2.82

Liffe Robusta Coffee Futures Prices				
Contract Months	22-August-2014	Week ago (7 August,2014)	Month Ago (22 July,2014)	Weekly Change (%)
September-2014	1986	1951	1998	1.79
November-2014	1997	1962	1993	1.78
January-2015	2005	1967	1988	1.93

**International Coffee Prices:**

	21.8.2014	14.8.2014	21.7.2014	21.8.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	38900	39150	39900	39000
Vietnam FOB (2-5 pct)* (Saigon port)	1946	1957	1974	2020
Indonesian FOB (4-80 defects)** (Lampung Port)	2000	1960	1990	1870

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

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



**Weekly Technical Outlook:-**

- Candlestick shows downward momentum in the market.
- 14 days EMI indicates further declining phase of the market.
- RSI is also moving near 54.88 lower than last week i.e. 59.03 supporting further down trend of the market.
- Relatively, Volume is also down as compare to previous week, hints a fall in the market.

**Expected Price Range During Coming Week**

Expected Trend	Expected Trading Band
Steady to Bullish Momentum	160-205

US cents/lb

**Expected Support and Resistance**

S2	S1	PCP	R1	R2
157.67	165.91	181.60	198.05	206.26

US cents/lb

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



#### Weekly Technical Outlook:-

- Candlestick chart reveals a gain in the market.
- Slight increasing volume and RSI hints further steady to uptrend.
- However, falling EMI indicates steady to down market trend.
- Bollinger Band shows range bound trend in between 1890-2171 in the next week.

#### Expected Price Range During Coming Week

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

USD/T

#### Expected Support and Resistance

S2	S1	PCP	R1	R2
1845	1890	1986	2032	2081

USD/T

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