

Highlights of The Week

Coffee Auction Prices in Karnataka pegged at higher side in this week and August month as well supported by low availability ahead commencing harvesting period probably late sep 2014 for Arabica crop and in Feb-2014 for Robusta crop. Arabica is used in high quality blends in most of the very sophisticated markets like Germany, Italy & Belgium. Robusta are considered as the best in the world. In fact Indian washed Robusta command a substantial premium in the world market and is used in making the world famous espressos and cappuccinos. Robusta is bitter in taste than Arabica. Looking ahead to the future, it seems likely that coffee prices swings will continue, particularly as environmental factors increase the probability of short-term supply shocks. The projection of global production deficit will add further gain in the market.

According to the Coffee Board Of India, Indian coffee exports is amounted at 220024 metric tonne since 1st January to 26th August 2014 declined by 5.11% than 232011 of preceding year estimated exports during the same period of time due to inflation and higher labor cost which is affecting negatively on the exports volume.

India Meteorological Department predicts very heavy rainfall (124.5 to 244.4 mm) at main coffee growing states like Karnataka and Kerela in upcoming days between 31st August to 2nd Sep 2014. Rainfall is expected in North Interior Karnataka as southwest monsoon has been vigorous.

As per ICO recently released data, total world exports went slightly up at 9.73 million bags in July 2014 against previous year exports at 9.38 million bags during the same month followed by good Robusta demand. While, total exports of first nine month (Oct-13 to July-14) is registered at 92.26 million bags down by 2% from the same period in 2012/13 due to significantly higher market prices.

As per International Coffee Organization, total inventories of coffee are declining, as reserved at the end of 2013 totaling 40.1 million bags which is already down from 72.9 million bags of last year. Further they added that the forecast of lower Brazil crop and increasing global consumption will lead World Production deficit of as much as 10 million bags in 2014/15.

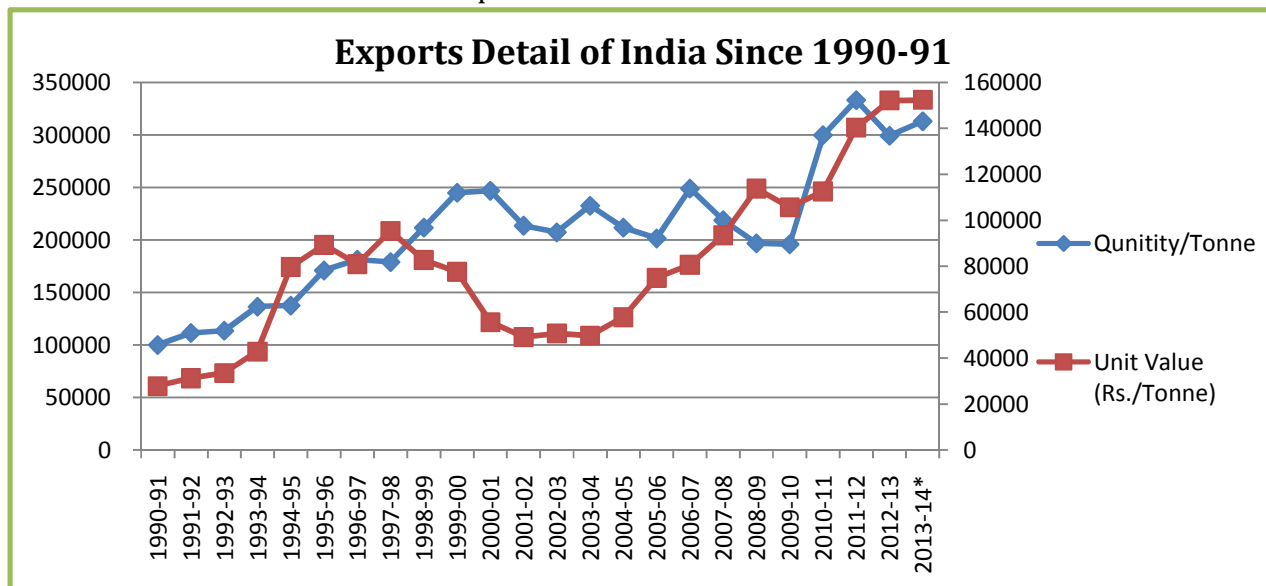
Anticipation of further dry spell in Brazil will harm coffee Yield in 2015 as well. Downpours in July that led to premature flowering on harvested trees of 2014 will face trouble in spurring new blossoms further in lack of rain which may limit yield potential for 2015 as said by Tiago Ferreira in Sao Paulo.

Vietname's total coffee production is likely to fall by 1.29% to 23 million bags- 60-kg from previous year output of 23.3 million bags 60-kg bags as added by Vietname Coffee and Cocoa Association.

Domestic Export and Imports

Total Indian coffee exports is registered higher by 4.63% to 313132 MT in 2013/14 (April-March) against 299275 MT of last year exports as estimated by the Coffee Board of India. The board has estimated a slight increase in the exports unit value/tonne by 0.17% to 152377 Rs./tonne compared to previous year unit value i.e. 152112 Rs./tonnes

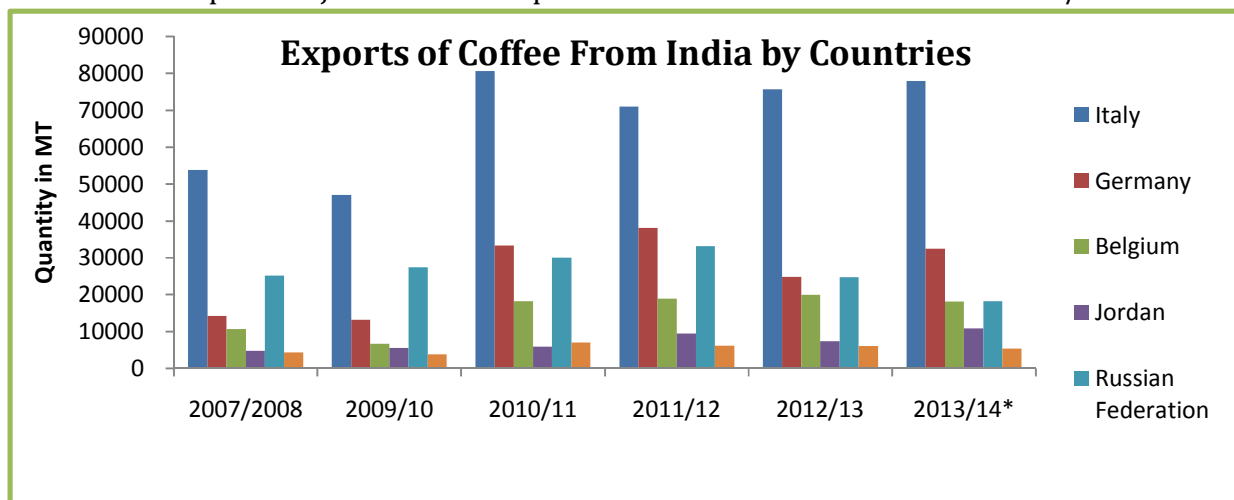
Below Chart shows Indian coffee exports details since 1990-91:-



Includes re-exports from 2004-05 onwards * Provisional Based on export permits (01.01.2014 to 31.05.2014)(Source-CBI)

Italy, Russian Federation and Germany showed good quantity of bean imported from India since 2007/2008. As per the estimates of the Coffee Board of India, India has exported in Italy total 78033 MT up 3%, Germany at 32465 MT up 30%, Jordan up 46% at 10789 MT however lower quantity in Russian Federation by 26.43% to 18220 and USA down by 12.23% to 5375 in 2013/14 (Jan-2014 to May-2014) from last year records.

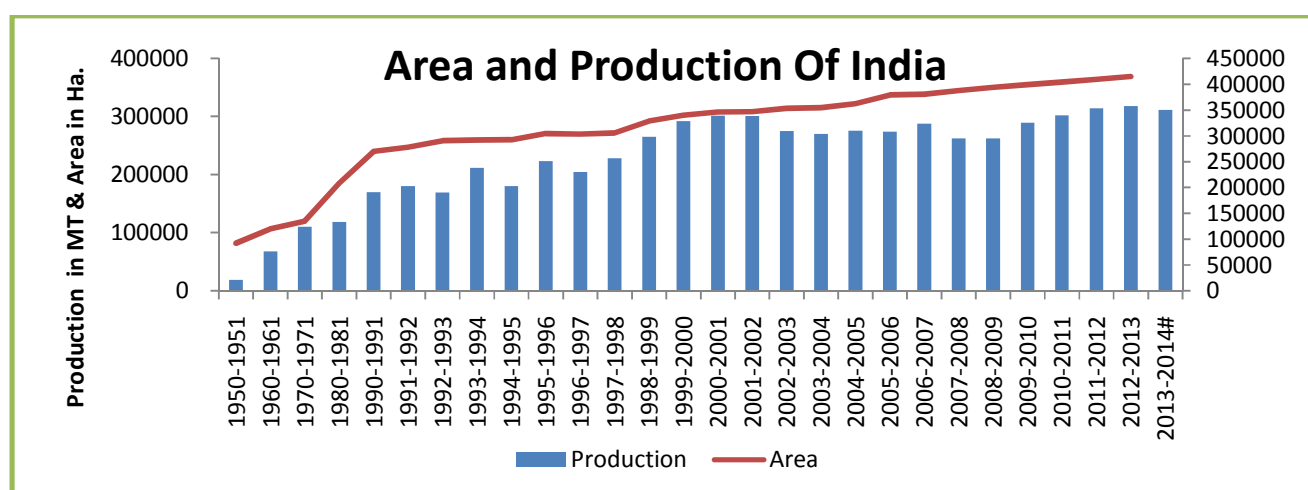
Below Chart depicts major countries imports details of Indian Coffee since 2007/08:-



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

Domestic Crop Condition and Production

According to the Coffee Board of India, the estimates of coffee planting area of 2012/13 is kept slightly higher at 415341 from 409690 hac. of the year 2011/12 following Arabica covering area at 205775 hac. and Robusta covering area at 209566 hac. On the other hand, the production estimates of consecutive three years are placed at 314000 MT, 318200 MT and 311500 MT in 2011/12, 2012/13, 2012/13 respectively. Total Yield received in India stood at 846 kg/ha after better yield at 1079 kg/ha in Karnataka and 761kg/ha in Kerela average of both Arabica and Robusta crop in 2012/13. Coffee crop for 2014/15 is forecasted higher at 344750 MT against last 25 years records.



Source: Coffee Board Of India

State-wise Area, Production & Yield of India in 2012-13:-

The Chart below mentioned shows state-wise Area Production & Yield of India in 2012-13:-

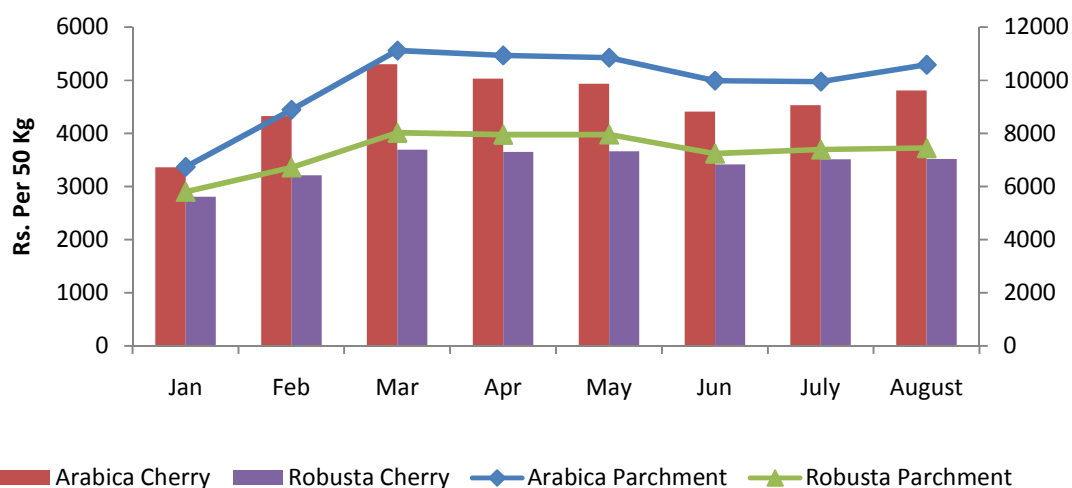
State	Karnataka	Kerala	Tamil Nadu	Traditio nal Areas	Andhra Pradesh	Odisha	Non Traditi onal Areas	North Eastern Region	Grand Total
Arabica Area	100323	3865	2446 1	128649	42398	3049	45447	2035	17613 1
Robusta (Area)	113063	80548	5535	199146	268	0	268	760	20017 4
Total (Area in ha.)	213386	84413	2999 6	327795	42666	3049	45715	2795	37630 5
Arabica Production	77425	2075	1280 0	92300	5890	310	6200	100	98600
Robusta (Production)	152800	62125	4570	219495	30	0	30	75	21960 0
Total (Production in MT)	230225	64200	1737 0	311795	5920	310	6230	175	31820 0
Arabica (Yield)	772	537	523	717	139	102	136	49	560
Robusta (Yield)	1,351	771	826	1,102	112	0	112	99	1,097
Total (Yield -Kg/ha)	1,079	761	579	951	139	102	136	63	846

Source: Coffee Board of India

Coffee Prices of Auction Market & State-wise Market

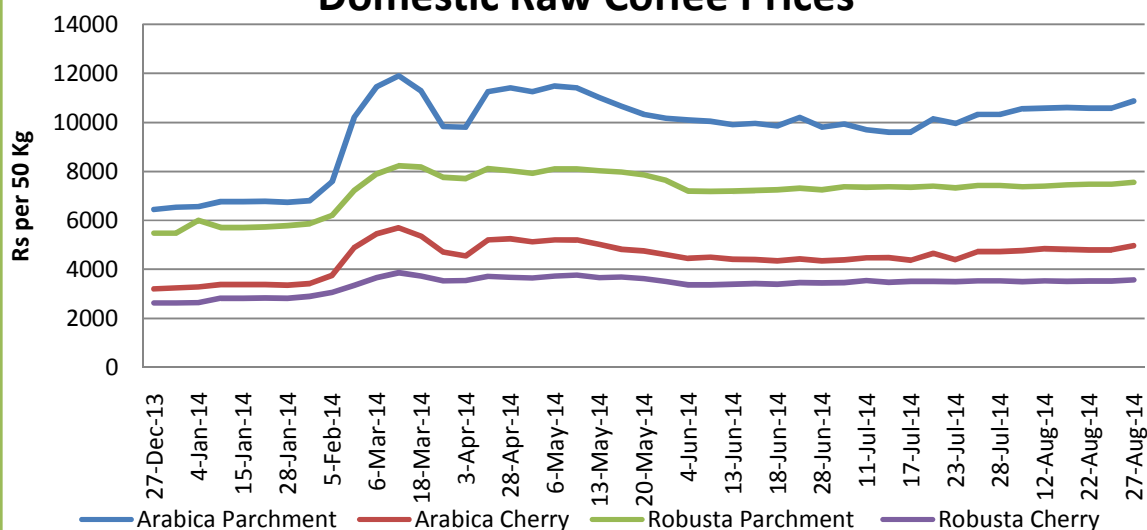
Mostly Coffee prices inched up in August 2014 due to increasing demand and concern over the drought of the world. The prices of Arabica Parchment and Arabica Cherry significantly shot up by 6.31% to 10575 Rs./50 kg and 6.26% to 4810 Rs./50 kg from last month prices i.e. 9947 Rs./50 kg and 4527 Rs./50 kg respectively pursuing declining stocks against demand. 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.

Monthly Prices of Karnataka in 2014



Source: Coffee Board of India

Domestic Raw Coffee Prices



Domestic Raw Coffee Prices(Karnataka):

Variety	27.8.2014	21.8.2014	Change
Arabica Parchment	10550-11200	10350-10850	400
Arabica Cherry	4950-5000	4800-4850	150
Robusta Parchment	7500-7600	7400-7500	100
Robusta Cherry	3500-3650	3425-3600	50

* Values in Rs per 50 Kg

ICTA Auction Prices (Karnataka)

Grade	28.8.2014	21.8.2014	Change	28.8.2014	21.8.2014	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	--	--	--	--	--
AA	--	--	--	--	232.50	--
PB	--	298.00	--	--	190.00	--
A	--	--	--	--	--	--
AB	--	--	--	--	--	--
B	--	--	--	--	--	--
C	--	234.00	--	--	138.00	--
BBB	--	151.50	--	--	--	--
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	--	--	--	--	--
A	--	--	--	--	--	--
PB	--	--	--	--	143.00	--
AA	--	--	--	--	--	--
AB	--	--	--	--	--	--
B	--	--	--	--	--	--
C	--	--	--	--	142.00	--
BBB	--	--	--	--	135.00	--

Values in Rs. per kg

International Market Updates:

Weekly Futures Review -ICE Arabica coffee future prices perked up by 7.58% to 195.75 USc per lbs against last week price i.e. USC 181.95 per lbs and rallied 30% since mid of July 2014. As per a bloomberg survey of 18 analyst, ICE coffee prices may jump 15% to 225 USc per lbs further by the end of December 2014 in anticipation of major shortfall in production of the World. Arabica Coffee substantially went up 77% this year to 194.55 USc per lbs on ICE Futures. Most of the coffee company of US have raised coffee retail prices in August 2014 due to continue surging coffee future prices in the market.

Brazil:-According to Conab, Brazil's Private stocks of coffee registered up by 9.2% to 15.2 million bags at the end of the March 2014 from the last year due to high crops of 50.83 and 49.15 million bags in 2012/13 and 2013/14.

National Coffee Council expects the drop of Brazil's coffee production for 2014/15 around 18% to 40.1 million bags after ending harvest in Sep-14 against last year estimates. On the Other hand, the country's Abic industry association expects Brazil,s crop for 2014/15 between 45 to 47 million bags and 700,000 bags rise in consumption.

As per Sarfas & Mercado, 87% total brazil coffee harvesting had been completed till 7th August 2014. Coffee harvesting period of Brazil is April-September. After picking up coffee cherries in 2014, drought stressed trees needs rain to spur blossoms for next year crop. However, mostly growing areas of Brazil is remain expected to receive lower rain around 35% than normal in September 2014 as stated by Sao-Paulo-base weather forecaster. Further they added, main growing regions of Mogiana, Cerrado and South Minas Gerais received 450 mm (17.7 inches) of rain since 1st Jan- 19th August 2014 which is half of historical averages.

Vietnam:- Coffee harvesting of 2014/15 crop will start late October-14. Coffee Seller are clearing their stocks quoting below prices from London futures before the next harvest. 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. As per the Government data, Vietnam has exported 1.5 million bags of coffee in August, 7.5% up from previous year.

Others:- local consumption of Kenya had increased at 700 tonnes in June 2013 from 288 tonnes in June due to public education on the importance of coffee as said by the Coffee Board of Kenya. Rising Local coffee consumption and demand especially in East African countries would be able to stabilise domestic coffee prices. The coffee board of Kenya is likely to start licensing coffee factories to roast and package for sliding up its local consumption.

Below are forecast for the Brazil's coffee output in 2014/15:-

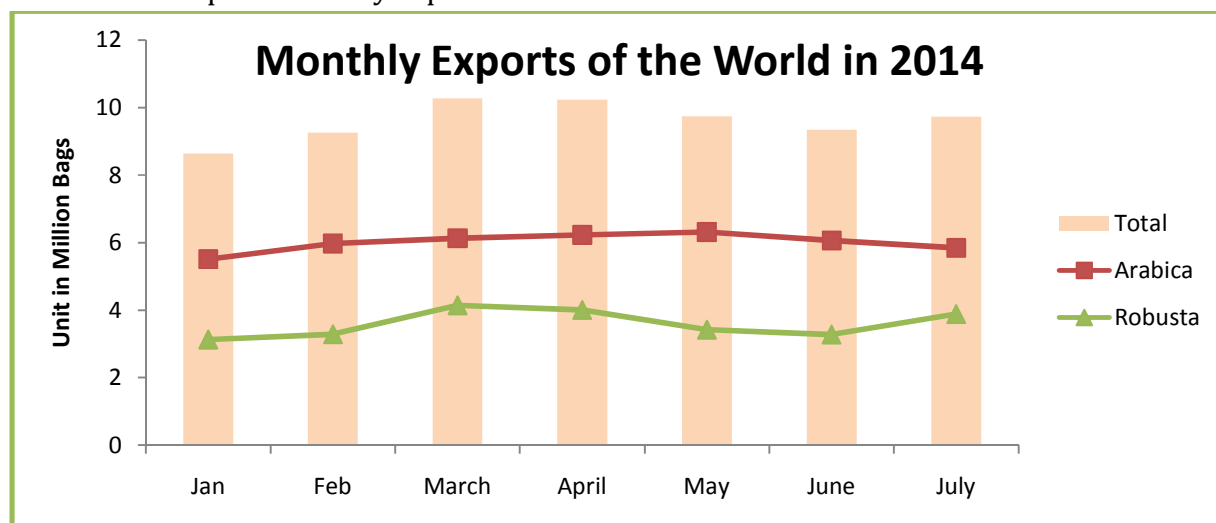
Brazil's Production Forecast for 2014/15		
Sources	Date	Total Production Forecast
Neumann	Aug.26	45
Abic	Aug.26	45-47
Citigroup	31-Jul	41.75
Terra Forte	30-Jul	45.8
Brazil's National	25-Jul	Below 40
Reuters Poll	23-Jul	49
Safras e Mercado	12-Jun	48.9
Marex Spectron	11-Jun	49
Neumann	June	47.7
Mercon Group	30-May	50.5
F.O Licht	22-May	46
Conab	15-May	44.54.
U.S. Attache	12-May	49.5
Volcafe	22-Apr	45.5
IBGE	10-Apr	46.9
CNC	4-Apr	40.1-43.3
BNP Paribas	22-Mar	51.5

Source: Reuter (Unit in million of 60-kg bags)

World Export Scenario:-

As per recently released data of ICO, total monthly export of July month is registered at 9.73 million bags higher 4.12% from 9.34 million bags of June month 2014. Robusta substantially went up by 18.54% to 3.88 million bags against June month exports i.e. 3.28 million bags due to higher demand. However, total Arabica exports fell down by 3.67% to 5.83 million bags in July as compared to 3.2 million bags of June month.

Below chart depicts monthly exports details of the world in 2014:-



Source: ICO

International Coffee Price Trend

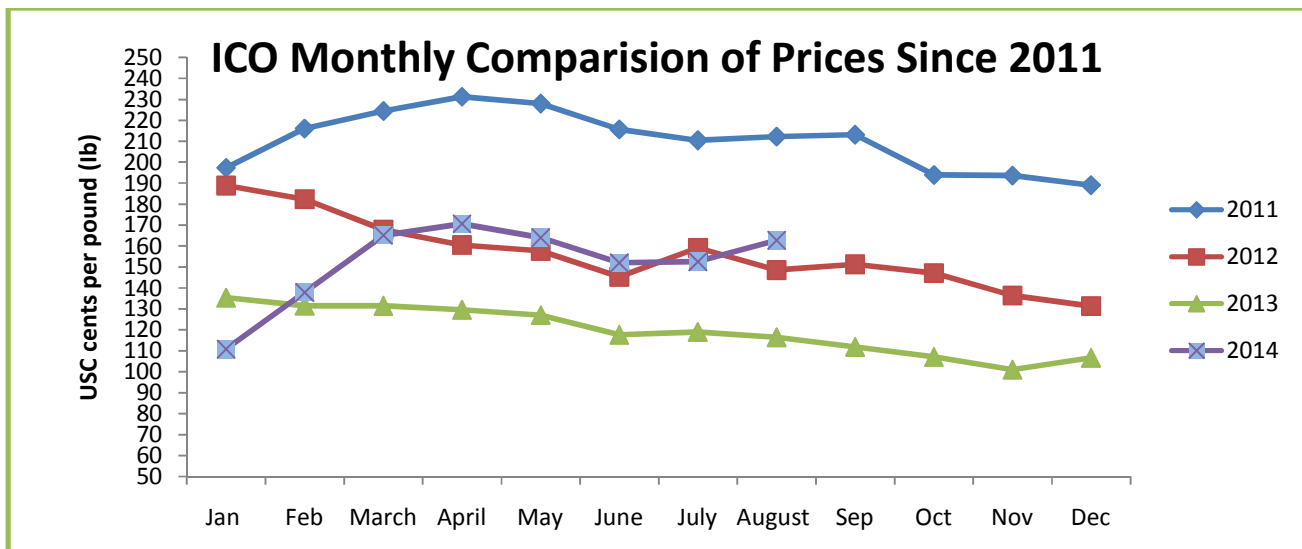
	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	28.8.2014	21.8.2014	28.7.2014	28.8.2013
ICO Composite Indicator	168.34	161.69	158.43	113.34
Colombian Milds				
US	215.00	210.50	203.00	138.50
Europe	219.41	210.14	202.53	141.19
Group Indicator	217.03	210.33	202.78	139.95
Other Milds				
US	224.00	213.25	207.00	133.88
Europe	217.74	209.19	205.21	133.16
Group Indicator	220.12	210.73	205.89	133.45
Brazilian Naturals				
US	181.00	172.50	162.00	108.50
Europe	194.31	184.43	178.99	115.75
Group Indicator	190.85	181.33	174.57	114.01
Robusta				
US	107.17	104.92	107.33	95.67
Europe	101.34	98.98	100.76	88.61
Group Indicator	102.27	99.93	101.81	89.74

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

Prices of ICO composite indicator witnessed up 168.34 US cents/lb at end of the week supported by regular rising demand against lower supplies. Among ICO group indicators, Columbian-mild, Other-Milds and Brazilian-Naturals and Robusta inched up to 211.29, 212.48, 182.79, 100.49 respectively as compared to previous week prices. We may expect the levels of upside in medium to long term perspective due to lower production forecast for 2014/15 of the most growing countries of the world. Rising world consumptions against lower supplies will lead prices on a record in this year and likely to touch the highest level of 2011.

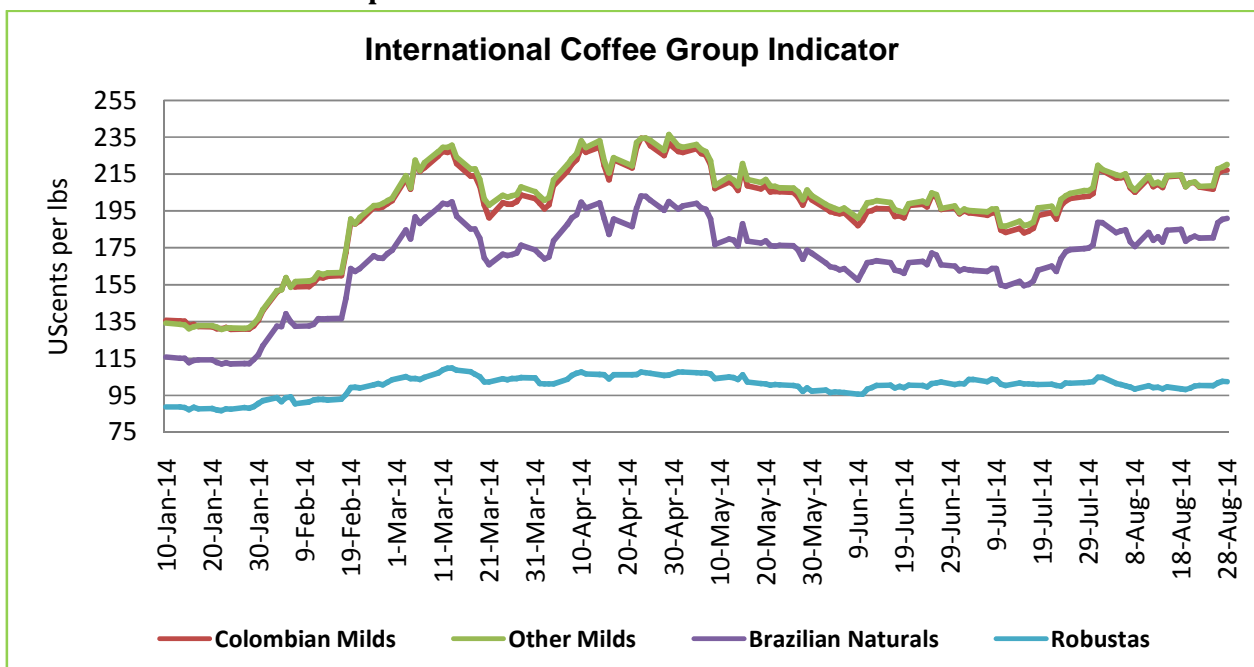
International Coffee Indicators Chart:-

In the below chart monthly average of ICO composite indicators for August 2014 ended up by 0.4% at 162.73 US cents/lb. While the daily prices surged to 168.34 US cents/lb from 161.69 US cents of last week prices. Price will extend its bullish trend in the market.



Source: ICO

International Coffee Group Indicators :-



Source: ICO

International Market Future Market Prices:-

ICE Arabica Coffee Futures Prices				
Contract Months	29-August-2014	Week ago (22 August,2014)	Month Ago (29 July,2014)	Weekly Change (%)
September-2014	195.75	181.60	180.70	7.79
December-2014	201.20	187.35	184.60	7.39
March-2015	205.10	191.15	187.95	7.29
May-2015	207.00	193.20	189.95	7.14

USC/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	29-August-2014	Week ago (22 August,2014)	Month Ago (29 July,2014)	Weekly Change (%)
September-2014	2033	1986	2034	2.36
November-2014	2055	1997	2031	2.90
January-2015	2062	2005	2028	2.84

USD/T

International Coffee Prices:

	29.8.2014	22.8.2014	29.7.2014	29.8.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	--	39150	40050	39000
Vietnam FOB (2-5 pct)* (Saigon port)	--	1957	1979	2020
Indonesian FOB (4-80 defects)** (Lampung Port)	2040	1980	2030	1840

*FOB Values are in USD/T

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



Weekly Technical Outlook:-

- Candlestick depicts upward momentum in the market.
- 14 days EMI indicates further increasing phase of the market.
- RSI is also moving at 60.76 higher than 54.88 of last week, supporting further up trend of the market.
- Upside trend line hints further increase in the market.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
<u>Steady to Bullish Momentum</u>	192-203

US cents/lb

Expected Support and Resistance

S2	S1	PCP	R1	R2
168.45	176.98	195.75	203.87	208.19

US cents/lb

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



Weekly Technical Outlook:-

- Candlestick shows that prices slid up in the market.
- Increasing RSI and 14- days EMI hints further uptrend.
- Breaching the first resistance level of 2093 prices may touch 2135 level in days ahead.
- Trend line shows upward momentum in the market.

Expected Price Range During Coming Week

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

USD/T

Expected Support and Resistance

S2	S1	PCP	R1	R2
1845	1890	1986	2032	2081

USD/T

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