

### Highlights of The Week

**Coffee Auction Prices in Karnataka extended its higher movement in this week** supported by lower availability on back of rising demand. Arabica is used in high quality blends. While, Robusta is used in making the world famous espressos and cappuccinos. Robusta is bitter in taste than Arabica. Prices may inch up on back of lower inventories while demand may increase in fear of short crop during this session 2014/15. 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.

**According to the Coffee Board Of India, total provisional Indian exports since 1st January to 5th Sep 2014** tumbled by 5.30% to 225655 tonnes against 238300 tonnes of previous year exports in the corresponding period, following total revenue Rs. 3590 crore received by exporters higher from Rs. 3438 crore in the same period last year. Indian Exports figure started to fall down after April month in 2014 due to slow demand especially for Arabica.

**According to Ramesh Rajah, the president of Coffee Exporters Association in India, total** expected exports will stand near 300,000 tonnes in 2014 till the end of Calendar year (Jan-Dec) lower than 312,420 tonnes of last year exports due to a short crop size as available with exporters as on date. For which they could not get much profit further despite increasing both international as well as domestic prices as lower availability of stocks.

**About 50% Arabica Plantations for 2014-15 have suffered by the white stem borer (WSB) pest in** many growing areas of Karnataka during July and August 2014 on back of heavy rainfall which resulted in lack of photosynthesis in plants as said by Dr. Govindappa Jayaram the chairman of Karnataka Planters Association. Most of the growing regions received about 10-15 % higher rain than normal as on the first week of August since the beginning of the monsoon in June 2014. The Farmers in India may start coffee harvesting possibly late Sep 2014 for Arabica crop and in Feb-2014 for Robusta crop.

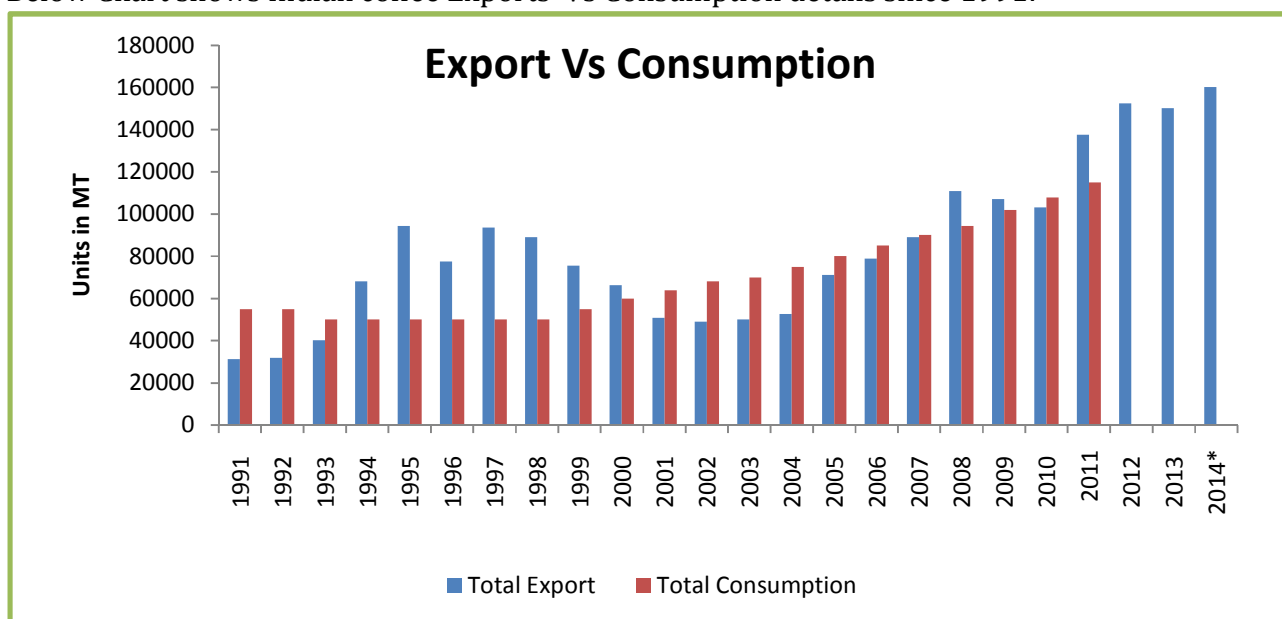
**India has received excess rainfall by 24% to 61.7 mm as compared to normal rain 49.6 mm** during the week ending on 3rd Sep 2014 due to active south monsoon west however total seasonal rainfall since 1st June to 3rd Sep 2014 stood down by 15% to 622.6 mm against 734.7 mm of normal rainfall, as shown in the report of India Meteorological Department. Further, IMD predicts rain/thundershower in northwest, East and South interior peninsular India from 8th Sep 2014 to 12th Sep 2014.

**According to the local Forecaster Somar, Brazil has received widespread rains mainly in** the area of Mogiana in Sao Paulo state, South Minas,Varginha, Minas Gerais state following rains 17mm,19 mm and 10-14 mm respectively in the past days. Further, they expects no rain until the second half of September 2014 which may affect next year crop which is now on flowering stage.

### Domestic Export and Imports

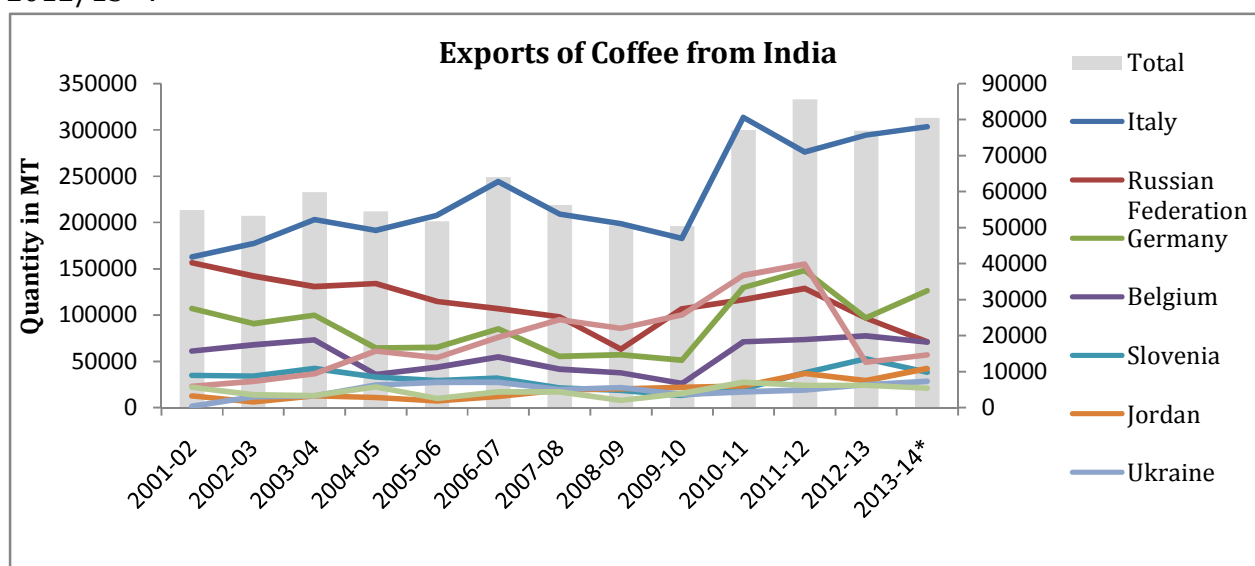
According to the Coffee Board of India, the consumption of India was showing an increase since 1991 to 1993 against its total exports. However, the volume of Exports were seen higher since 1994 to 2000 due to higher coffee output. In the below charts there is notified again a slump in exports continued since 2001 to 2007 against rising domestic consumption. Exports are registered higher in 2014 against last year (Jan- Dec) exports.

Below Chart shows Indian coffee Exports Vs Consumption details since 1991:-



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

Total Exports are increasing year on year basis in Italy, Germany and Jordan due to increasing consumption. Below Chart depicts exports of Coffee From India by countries -FY 2001/02-2012/13\*:-

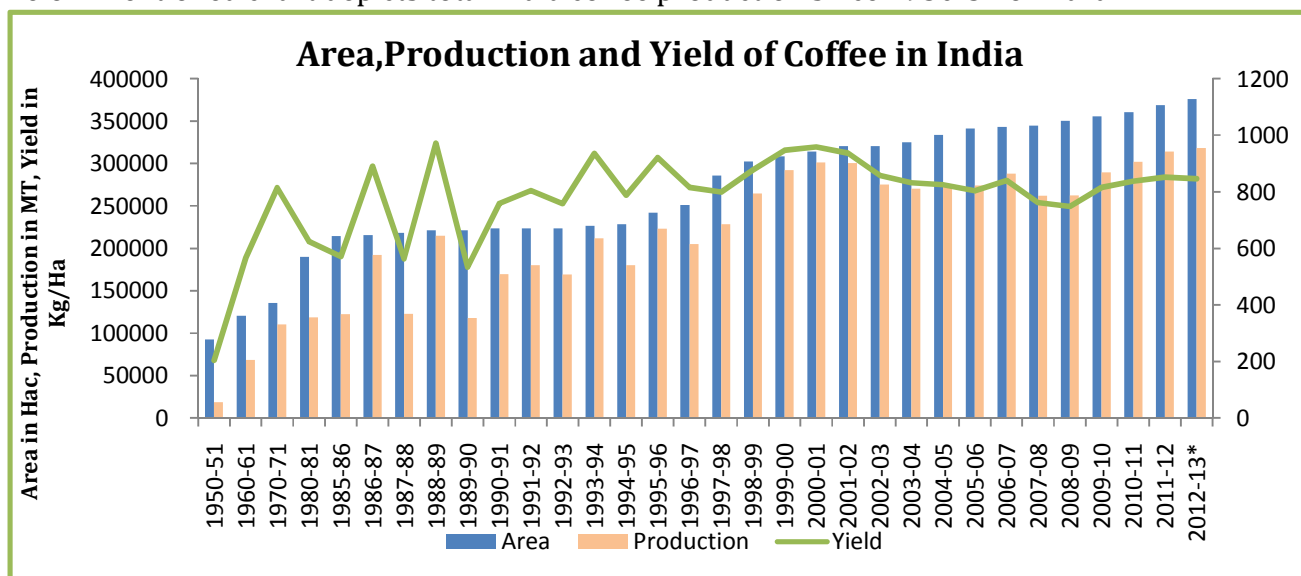


Source: The Coffee Board of India

### Domestic Crop Condition and Production

In 2014/15, total coffee production of India is predicted higher at 344,750 MT Vs 304,500 MT of last year estimate as per Coffee Board of India. Where, Arabica production is forecast to produce higher coffee by 3.22% at 105,500 MT against previous year estimate of 102,200 MT and Robusta production is likely to add record 18.26% at 239,350 MT during this session as compare to last year estimate of 202,300 MT. The production of Robusta is continue increasing since 1990/91 on higher demand because Robusta variety is used in instant coffee and blends therefore it is in higher demand by Importers.

Below mentioned chart depicts total India coffee production since 1950-51 onward:-

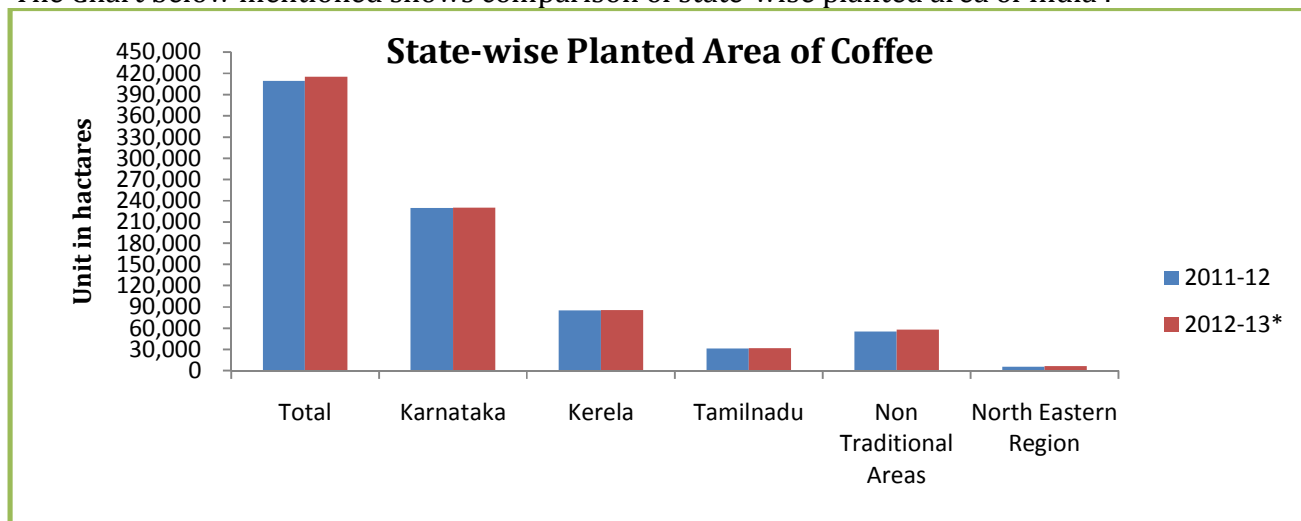


Source: Coffee Board of India

### State-wise Coffee Details:

Total coffee planted area of India for 2012-13\* stood marginally up by 1.37% to 415341 hectares from 409690 hectares of last year following higher area in North Eastern Region and Non Traditional Area like Andhra Pradesh and Odisha as reported by the Coffee Board Of India.

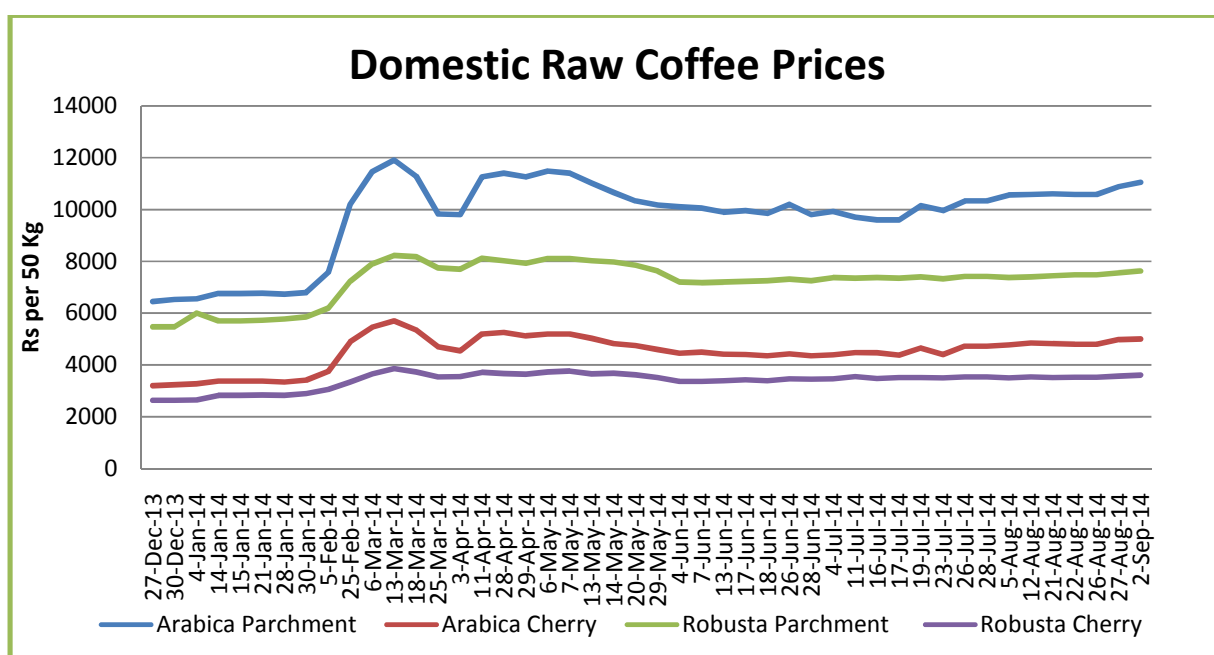
The Chart below mentioned shows comparison of state-wise planted area of India :-



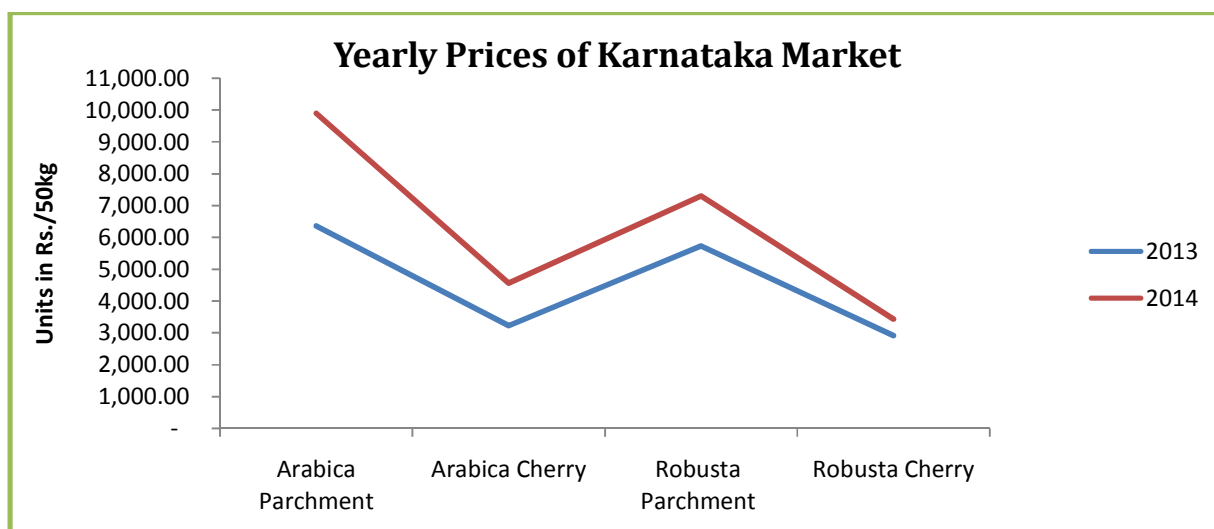
Source: Coffee Board of India

### 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 is likely to touch highest level near 11800Rs./50 kg as received in March month in 2014. Lower stocks and higher demand are supporting prices to increase. 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. If we compare last year prices, all varieties of coffee are quoting higher prices as compared to 2013 movements followed by less stocks.



Source: The Coffee Board Of India



Source: The Coffee Board Of India

**Domestic Raw Coffee Prices(Karnataka):**

Variety	2.9.2014	27.8.2014	Change
Arabica Parchment	10700-11400	10550-11200	200
Arabica Cherry	4950-5050	4950-5000	50
Robusta Parchment	7600-7650	7500-7600	50
Robusta Cherry	3525-3700	3500-3650	50

\* Values in Rs per 50 Kg

**ICTA Auction Prices (Karnataka)**

Grade	4.9.2014	28.8.2014	Change	4.9.2014	28.8.2014	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	--	--	--	--	--
AA	302.00	--	--	--	--	--
PB	313.00	--	--	--	--	--
A	298.00	--	--	--	--	--
AB	--	--	--	200.70	--	--
B	--	--	--	--	--	--
C	--	--	--	152.00	--	--
BBB	155.00	--	--	136.00	--	--
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	--	--	--	--	--
A	--	--	--	--	--	--
PB	--	--	--	144.00	--	--
AA	--	--	--	150.00	--	--
AB	--	--	--	148.00	--	--
B	--	--	--	--	--	--
C	--	--	--	141.00	--	--
BBB	--	--	--	135.00	--	--

Values in Rs. per kg

**International Market Updates:**

**Weekly Futures Review** -ICE Arabica coffee future prices slumped slightly by 1.48% to 192.85 USc per lbs against last week price i.e. USC 195.75 per lbs on news of the rains in Brazil which led lower demand in the market. As per exchange data, Liffie robusta certified stocks stood at 87,100 tonnes as of 1st Sep 2014 which is higher by 13% to 77,030 tonnes of last year. Bloomberg Commodity Index showed 89% a robust gain of coffee prices among 22 raw materials. US based company, JM Smucker' Folgers and Starbucks and other few company have risen coffee retail prices and further UAE based company Shisha is also likely to increase its retail prices of coffee on the pressure of continue increasing coffee future prices in the market. 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.

**Brazil:-** As per Trade Ministry data, Brazil has exported total 2.69 million bags of Coffee in august 2014 which is higher than 2.40 million bags during the corresponding period of time in 2013. Coffee production forecast for Brazil is increased by Volcafe to 47.0 million bags against 45 million bags as estimated in April month 2014 on back of improved yields in Minas Gerasis and a larger Conillon (robusta) crop.

According to the local Forecaster Somar, Brazil has received widespread rains mainly in the area of Mogiana in Sao Paulo state, South Minas,Varginha, Minas Gerais state following rains 17mm,19 mm and 10-14 mm respectively in the past days. Further, they expects no rain until the second half of September 2014.

**Vietnam:-** According to Volcafe's recent production estimate, Vietnam is likely to produce slight lower robusta crop at 28.5 million bags in 2014/15 against 30 million bags of previous session crop. Coffee harvesting of 2014/15 crop will start late October-14. As per Vietnam Coffee and Cocoa Association, Vietnam may grow around 23 million bags of coffee crop in 2014/15 slightly lower than 23.3 million bags of last year crop. The Harvesting period will commence from late October in 2014.

**Others:-** As per the Government trade data, total exports of Sumatra which is the main growing area of Indonesia, tumbled by 32% to 21,986.28 tonnes in August 2014 as compared to previous year exports.

Indonesia's coffee flowers requires favorable weather condition for better cherries. Further, farmers are in worry after dry spell in the area of Sumatra.

The production estimates of Colombia is expected to reach in between 11.5 million and 12 million bags higher than 11.4 million bags followed by supportive weather and tree renovation as said by the head of the farmer-funded growers' federation.

### World Coffee Production Estimate 2014-15

USDA cut the world production estimate of coffee down by 0.98% to 148.6 million bags for 2014-15 from 150 million bags of last year estimate followed by lower crops in most of the growing countries suffering from tree killing disease "roya". On the other hand, total bean exports has increased by 2.46% to 106.6 million bags subsequently bean imports of the world up by 2.26% to 102.5 million bags for the year 2014-15 against previous year record.

Below mentioned chart explains the forecast of Global Production, Domestic Consumption, Ending stock exports and Imports for 2014/15 :-

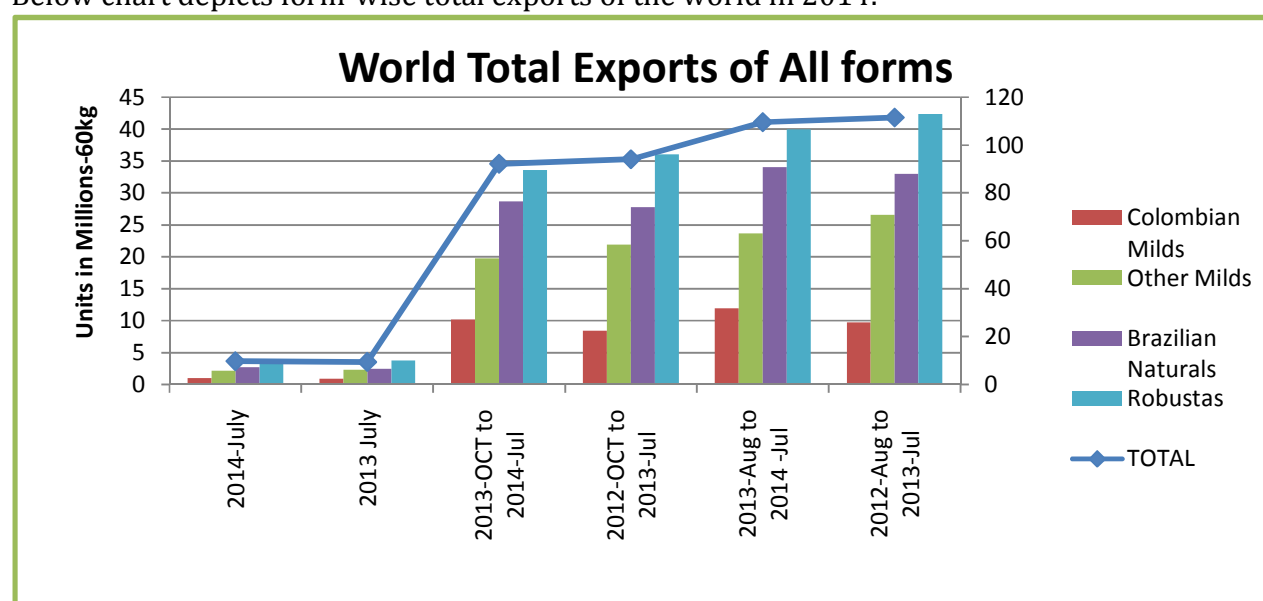
World Coffee's Forecast for 2014-15 (Thousand 60-kg bags)						
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15(June)
<b>Production</b>	128,601	140,417	143,897	155,140	150,145	148,671
<b>Domestic Consumption</b>	137,739	134,087	141,656	141,620	145,583	147,710
<b>Ending Stock</b>	29,262	28,955	25,946	36,006	36,029	32,116
<b>Bean Exports</b>	91,745	99,901	100,617	102,079	104,131	106,698
<b>Bean Imports</b>	90,265	95,165	96,995	99,497	100,270	102,545

Source: USDA

### World Export Scenario:-

As per ICO, total world coffee exports amounted higher by 3.68% to 9.72 million bags in July against 9.38 million bags of July 2013. Total exports in last nine month (Oct-2013 to July-2014) is reported lower by 2% to 92.26 million bags compared to previous nine month (Oct-2012 to July-2013) of 94.15 million bags despite higher contribution of Columbia mild which stood up by 20% to 10.19 million bags from 8.42 of last year exports during corresponding period of time.

Below chart depicts form-wise total exports of the world in 2014:-



Source: ICO

**International Coffee Price Trend**

	As on	Week Ago	Month Ago	Year Ago
<b>International Coffee Prices</b>	<b>5.9.2014</b>	<b>29.8.2014</b>	<b>5.8.2014</b>	<b>5.9.2013</b>
<b>ICO Composite Indicator</b>	168.21	169.95	163.87	111.93
<b>Colombian Milds</b>				
US	212.00	214.25	211.50	136.75
Europe	218.71	221.58	215.00	138.74
Group Indicator	215.09	217.62	213.11	137.83
<b>Other Milds</b>				
US	221.44	225.25	214.25	132.63
Europe	217.32	220.78	213.79	131.21
Group Indicator	218.89	222.48	213.97	131.78
<b>Brazilian Naturals</b>				
US	178.00	182.25	170.50	105.75
Europe	194.55	198.05	188.86	113.49
Group Indicator	190.25	193.94	184.08	111.63
<b>Robusta</b>				
US	108.92	107.92	105.58	95.08
Europe	102.73	101.30	99.84	88.60
Group Indicator	103.72	102.36	100.76	89.64

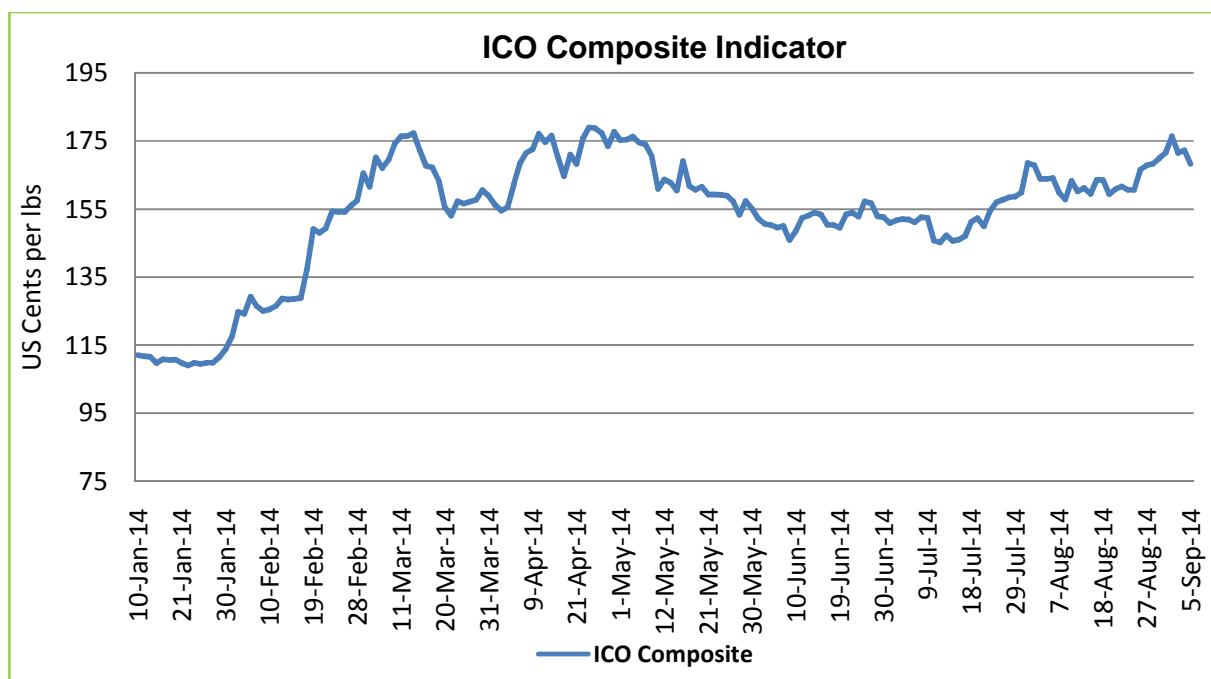
**Germany Market – Hamburg and Bremen, France Market – (Le Havre and Marseilles) \* Values in US cents/lb**

Among ICO group indicators, Columbian-mild, Other-Milds and Brazilian-Naturals and Robusta declined to 215.09,218.89,190.25,103.72 respectively as compared to previous week prices. Prices are likely to jump in future due to lower supplies against higher demand. Rising world consumptions against lower supplies will lead prices on a record in this year.



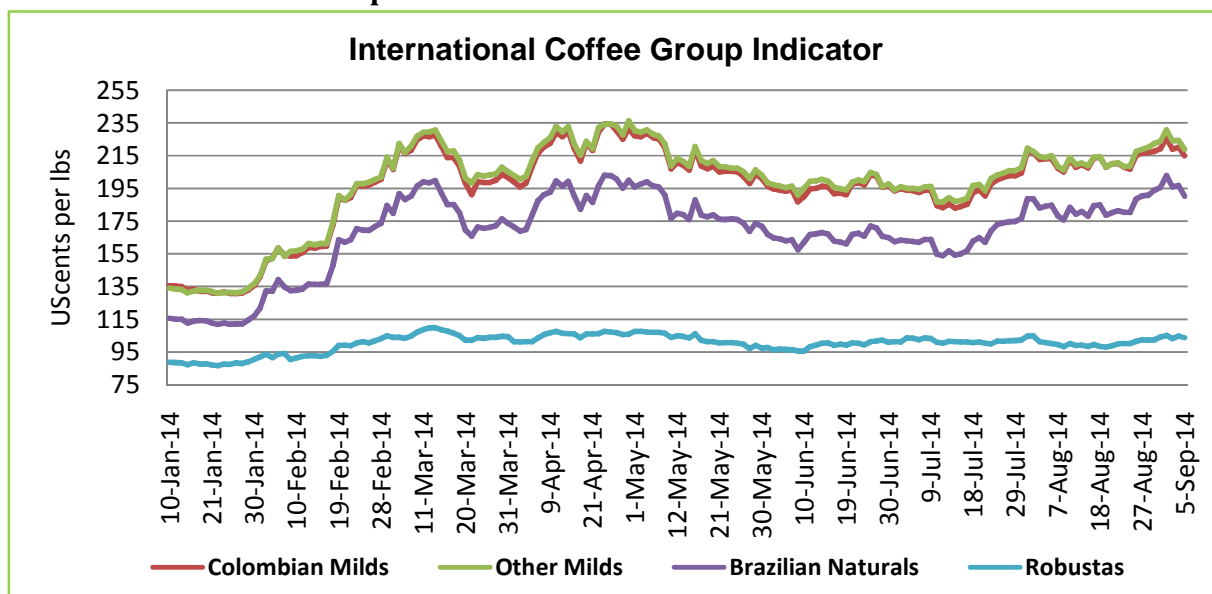
### International Coffee Indicators Chart:-

In the below chart, ICO composite indicators are indicating downside as on 5th Sep 2014. Prices plunged at 168.21US cents/lb compared to last week prices i.e.169.95 US cents/lb. Price will move upside on the global deficit projection of coffee crop for 2014/15.



Source: ICO

### International Coffee Group Indicators :-



Source: ICO

**International Market Future Market Prices:-**

ICE Arabica Coffee Futures Prices				
Contract Months	5-September-2014	Week ago (29 August,2014)	Month Ago (5 August,2014)	Weekly Change (%)
September-2014	192.85	195.75	189.40	-1.48
December-2014	198.05	201.20	193.40	-1.57
March-2015	202.10	205.10	196.85	-1.46
May-2015	204.25	207.00	198.75	-1.33

USC/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	5-September-2014	Week ago (29 August,2014)	Month Ago (5 August,2014)	Weekly Change (%)
September-2014	2061	2033	2009	1.37
November-2014	2079	2055	2007	1.16
January-2015	2088	2062	2006	1.26

USD/T

**International Coffee Prices:**

	5.9.2014	29.8.2014	5.8.2014	5.9.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	--	--	39350	37500
Vietnam FOB (2-5 pct)* (Saigon port)	--	--	1963	1819
Indonesian FOB (4-80 defects)** (Lampung Port)	2090	2040	2065	1850

\*FOB Values are in USD/T

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



**Weekly Technical Outlook:-**

- Candlestick chart shows selling pressures curbing higher gain in the market.
- 14 days EMI hints continuation of the uptrend phase of the market.
- However, RSI is moving down at 59.6 from 60.76 the level of last week, indicating further down trend of the market.
- Fibonacci retracement level signal first support level at 61.8% to 175.28 and second support level at 50.0% to 162.83 in upcoming days.

**Expected Price Range During Coming Week**

<b><u>Expected Trend</u></b>	<b><u>Expected Trading Band</u></b>
<b><u>Range-bound to Bullish Momentum</u></b>	<b>185-210</b>

US cents/lb

**Expected Support and Resistance**

<b>S2</b>	<b>S1</b>	<b>PCP</b>	<b>R1</b>	<b>R2</b>
162.83	175.28	192.85	215.57	220.10

US cents/lb

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



**Weekly Technical Outlook:-**

- Candlestick chart shows that prices have extended its higher trend in the market.
- Increasing RSI and 14- days EMI and Volume are supporting further uptrend.
- Breaching the first resistance level of 2141 as signaled by triangle formation could touch the level of 2175 in next week.
- Formation of triangle shows range bound trend of the market in days ahead.

**Expected Price Range During Coming Week**

<b><u>Expected Trend</u></b>	<b><u>Expected Trading Band</u></b>
<b><u>Range-bound to Bullish Momentum</u></b>	<b>2051-2120</b>

USD/T

**Expected Support and Resistance**

<b>S2</b>	<b>S1</b>	<b>PCP</b>	<b>R1</b>	<b>R2</b>
1914	1975	2061	2141	2175

USD/T

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