

### Highlights of The Week

**Coffee Auction Prices in Karnataka settled in mixed zone followed by lower supplies as well** as moderate demand. Arabica is used in high quality blends. 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.

**As per Indian Traders, total production of India is likely to touch 330,000 tonnes in 2014** including both Arabica and Robusta as farmers are actively controlling diseases of recent coffee crops. They are suggesting total planting area of Indian coffee for 2013/14 \* same as covered at 415341 hectares in 2012/13. Some of the farmers who are holding little coffee crops, are still waiting for better prices to release their stocks from the current market prices.

**Karnataka Planters Association has projected Indian coffee output for 2014/15 in the** range of 290,000 tonnes to 300,000 tonnes which is down around 20% from 344,500 tonnes, the estimates of the Coffee Board of India caused by widespread attack of White Stem Borer followed by heavy rain and continuous rain between July and September in 2014.

**As per IMD, India has received below cumulative rainfall to 699 mm by 35% as compared to normal rain 781.5 mm** from 1st June to 10th Sep, 2014. South Peninsula( Coffee belt area) received 9% excess rainfall to 33.3 against 30.6 normal rainfall and India received higher actual rain by 64% to 76.6 mm as compared to 46.8 mm of Normal rainfall during 4th Sep to 10th Sep 2014. IMD predicts normal Monsoon activity over South Peninsula & Northwest states in the last week of Sep,2014.

**According to the recent survey of Agriwatch team, Robusta crops condition in Koru (one of the sub-station for coffee belt of Ruiru in Kenya)** seems in a good condition rather than Arabica. Few Arabica crops are suffering from both leaf rust and CBD (Coffee berries disease) followed by dry weather which may affect its total crop sizes in Koru. Mostly Arabica berries are ready to pick up getting red colour, while Robusta cherries are remain in green colour. Farmers are using Dacodil chemical to control CBD diseases as these diseases are destroying both matured and unmatured cherries of Arabica coffee trees. Here, five grades of parchment or coffee seeds available as P1,P2,P3,P4,P5 after picking, drying and sorting. P1 is considered the best quality of coffee seeds with sweetest test among rest all Ps and quoting highest prices.

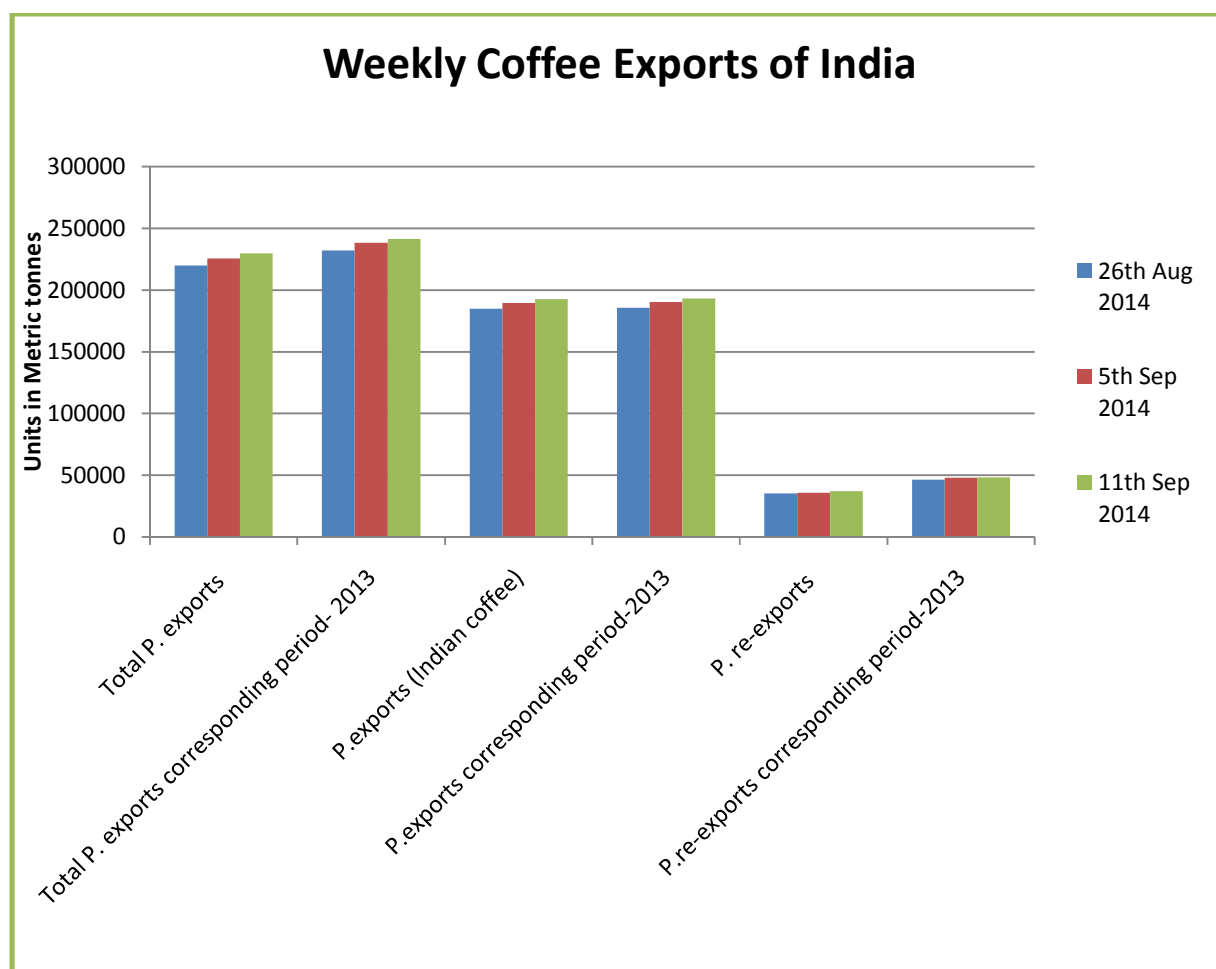
**As per Volcafe estimates, total world output is likely to slump by 8.1% to 142.7 million bags** which is down from the last three years records as well followed by a huge crop damaged in Brazil due to unsupportive weather condition. Furthermore, consumption is expected to thrive by 2% to 151.5 million bags in 2014/15.

**Prolonged hot and dry months may harm coffee output in Brazil for 2015 as well.** Total production of Brazil may reach the level of 42-43 million bags in 2015 as stated by Nishant R Gurjer , Coffee exporter and former chairman of Karnataka Planters Association.

### Domestic Export and Imports

According to the Coffee Board of India, total Indian provisional exports is registered at 229860 metric tonnes since 1st January to 11th Sep 2014 lower than previous year exports at 241351 metric tonnes during the same period of time due to less availability of stocks. In the current scenario, most of the exporters don't have enough stocks further to delivery due to which they are unable to take advantage of higher market prices in this season. Exports season in India will start in December-January in 2014/15.

Below Chart shows weekly progress of Indian coffee Exports in Sep month 2014:-

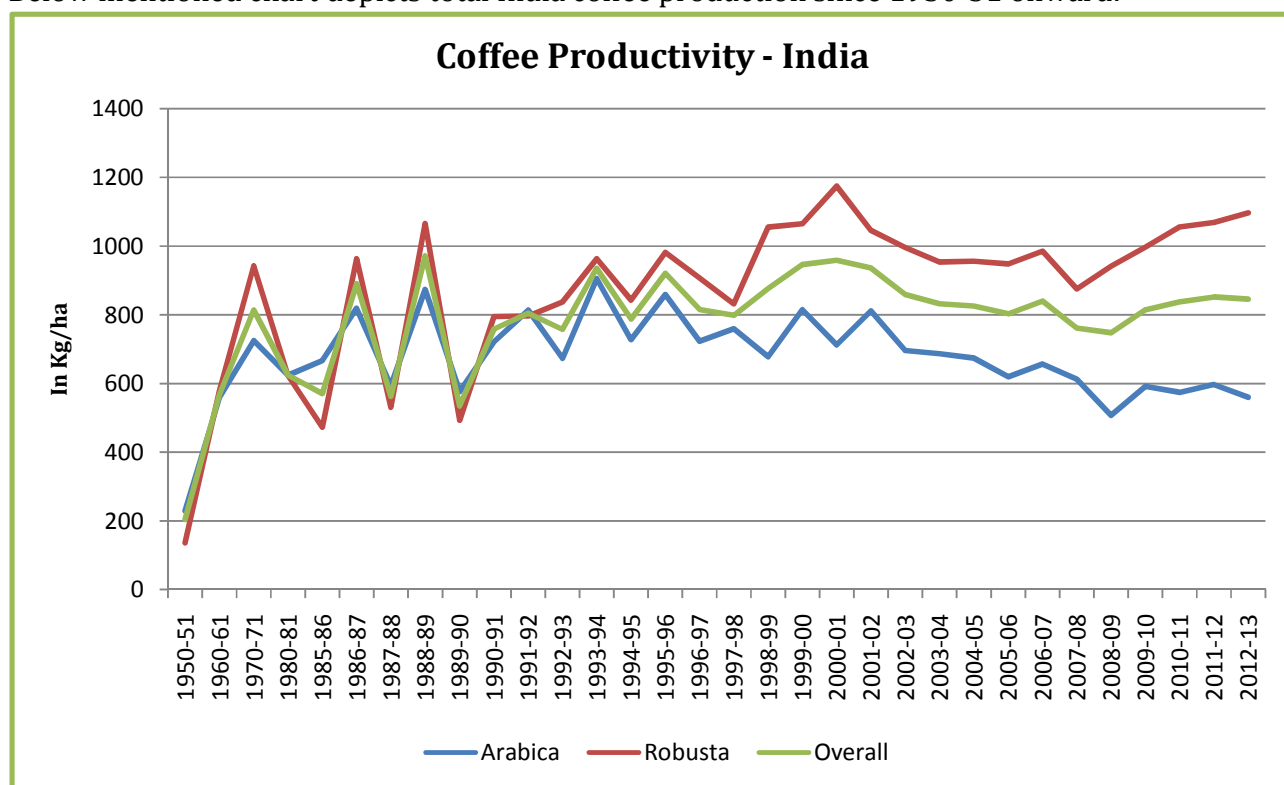


Source: The Coffee Board of India

### Domestic Crop Condition and Production

As per below chart, India's overall productivity of coffee is seen in mixed trend. Robusta is quoting yield at 1097 kg/ha in 2012/13 continued higher since 2009/10 supported by good weather condition. Robusta harvesting period starts normally from 1st week of Feb which is used for instant coffee and blends. Arabica yield is significantly lower by 22.75% to 560 kg/ha as compared to 725 kg/ha in 1970/71 and 21.52% from 680.54 kg/ha of last 62 year average received Yield in India. Arabica harvesting period starts from last week of Nov and Robusta harvesting period starts from Feb.

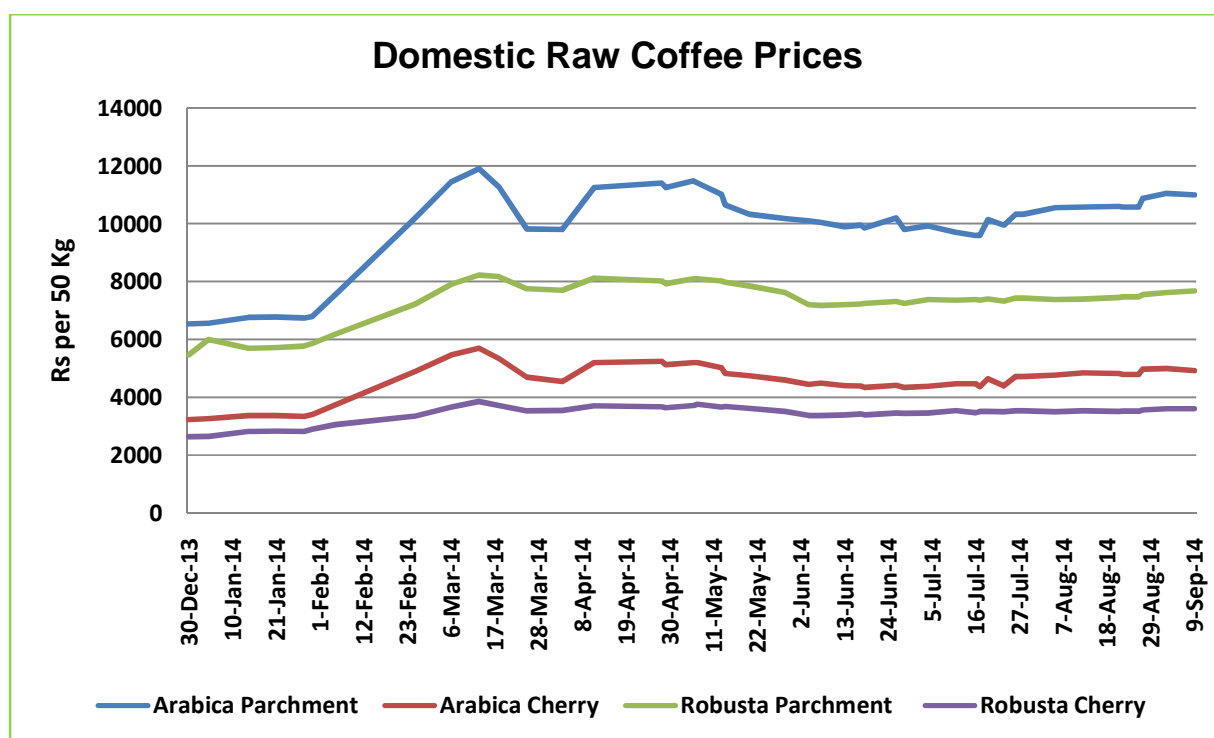
Below mentioned chart depicts total India coffee production since 1950-51 onward:-



Source: The Coffee Board of India

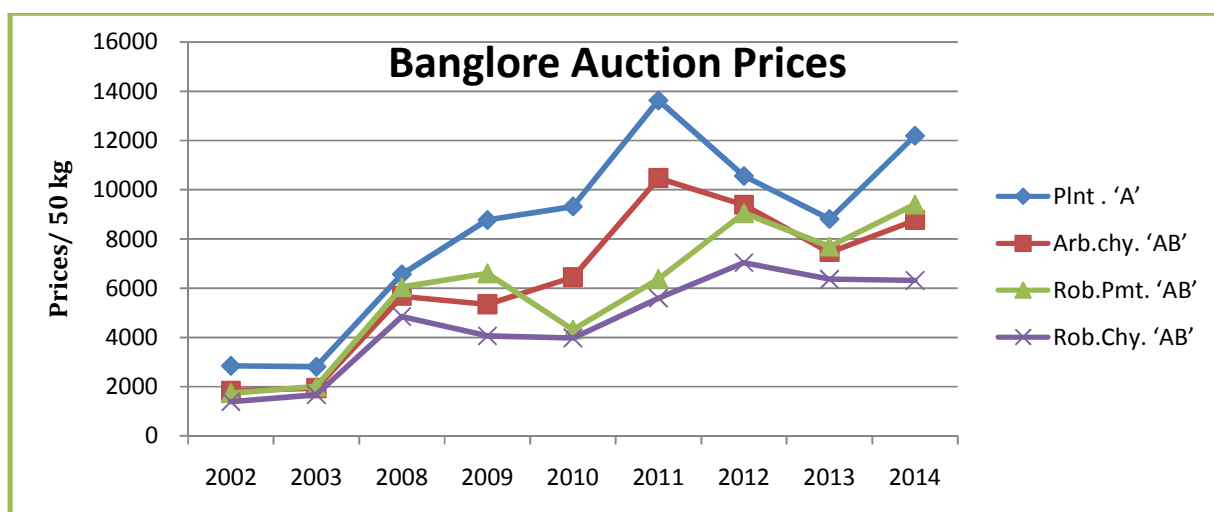
### Coffee Prices of Auction Market & State-wise Market

In the below chart, prices of raw coffee prices are in mixed trend. Exporters are continuously busy in their buying activities with slow quantities as farmers are not having much stocks further to sell. Big exporters have reported lower stocks while small exporters are completely out of stocks. Less availability of stocks curbed profits of exporters in this season.



Source: The Coffee Board Of India

Auction prices of Bangalore are significantly moving higher in 2014 as compared to last two year. Prices are likely to touch most higher prices of 2011 in expectation of lower coffee output of the world in 2014/15 against rising demand.



Source: The Coffee Board Of India

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

Variety	9.9.2014	2.9.2014	Change
Arabica Parchment	10700-11300	10700-11400	-100
Arabica Cherry	4900-4950	4950-5050	-100
Robusta Parchment	7650-7700	7600-7650	50
Robusta Cherry	3550-3675	3525-3700	-25

\* Values in Rs per 50 Kg

**ICTA Auction Prices (Karnataka)**

Grade	12.9.2014	4.9.2014	Change	12.9.2014	4.9.2014	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	--	--	--	--	--
AA		302.00	--	--	--	--
PB		313.00	--	192	--	--
A		298.00	--	--	--	--
AB		--	--		200.70	--
B		--	--		--	--
C	230	--	--	152.50	152.00	0.5
BBB		155.00	--		136.00	--
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	--	--	--	--	--
A	--	--	--	--	--	--
PB	--	--	--	142	144.00	-2.00
AA	--	--	--	154	150.00	4.00
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 of Sep contract eased sharply by 6.84% to 179.65 USc per lbs compared to 192.85 USC per lbs of last week price after cutting long position of Arabica coffee by speculators. Robusta coffee on Liffe also edged down by 4% to 1975 USD/T against 2061USD/T of last week on back of slim volume. While, Arabica prices have crossed around 70% since the start of the year followed by the projection of lower output of the world. 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. ICE Arabica Futures may touch average 185 cents this quarter (July-September) as added by Rabobank in its latest report.

**Brazil:-** As per Conab, the government crop agency has projected Brazil's crop for 2015 higher 9.6 % to 48.83 million bags against this year output which was estimated in May 2014 at 44.57 million bags for 2014. Farmers in Brazil have completed their coffee harvesting as on date. In next week, Conab will give its final estimates of Brazil coffee crop for 2014.

Prolonged hot and dry months is likely to destroy coffee output in Brazil for 2015 as well. Total production may reach the level of 42-43 million bags as stated by Nishant R Gurjer , Coffee exporter and former chairman of Karnataka Planters Association .

**Vietnam:-** Farmers are expected to start coffee crop harvesting for 2014/15 from late October. While some beans from lowland plantations have already entered the physical market. However, buyers are not showing much interest for new crop and further waiting for bigger discounts.

According to the traders, only 5% stocks are available with farmers at the end of August 2014 and 10% against preceding year. Farmers had 84,000 tonnes for further delivery which is lower than 150,000 tonnes a year ago. Further they added total production deficit is poised to be 1.65 million tonnes or 27.5 million bags down by 3% against previous year output. Traders projection for Vietnam coffee is kept higher than Vietnam Coffee and Cocoa Association forecast who expects 23 million bags of coffee crop in 2014/15.

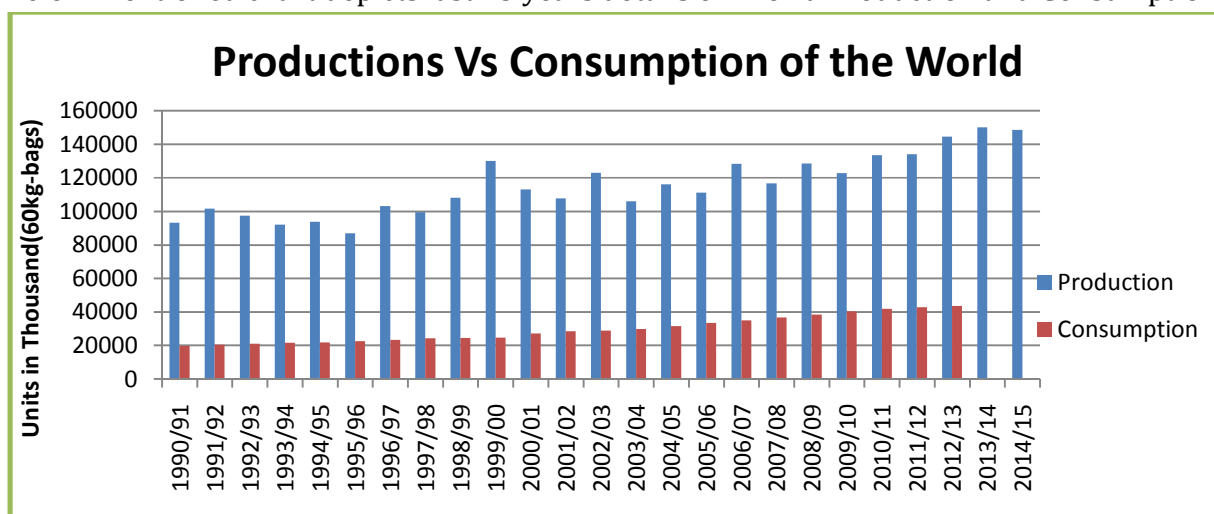
**Others:-** At this time ,Coffee flowers are blossomed in Indonesia which is too early compared to usual normal crop stage. As per Volcafe, Indonesia is likely produce less 7.5 million bags of robusta coffee crop in 2014/15 against 10.5 million bags of previous year crops.

The Country's National Coffee Council have registered the coffee exports of EL Salvador down by 88% to 10,080 (60-kg bags) in August from the same month a year ago due to the tree-killing fungus roya in 2014.Total exports stood at 489,241 down 56.6% during the first 11 months of this season 2013/14 against corresponding period of time in 2012/13.

### World Coffee Production Estimate 2014-15

As per the data released by ICO and USDA, Production has begun to increase substantially since 2010/11 to 2013/14 with the exception of the 2014/15 production forecast followed by unsupportive weather for coffee crop in the main producing countries. Over the last 23 years, there was noted a steady growth in world consumption which is supporting demand and prices as well. Consumption are likely to go up even in upcoming years also.

Below mentioned chart depicts last 25 years details of World Production and Consumption:-

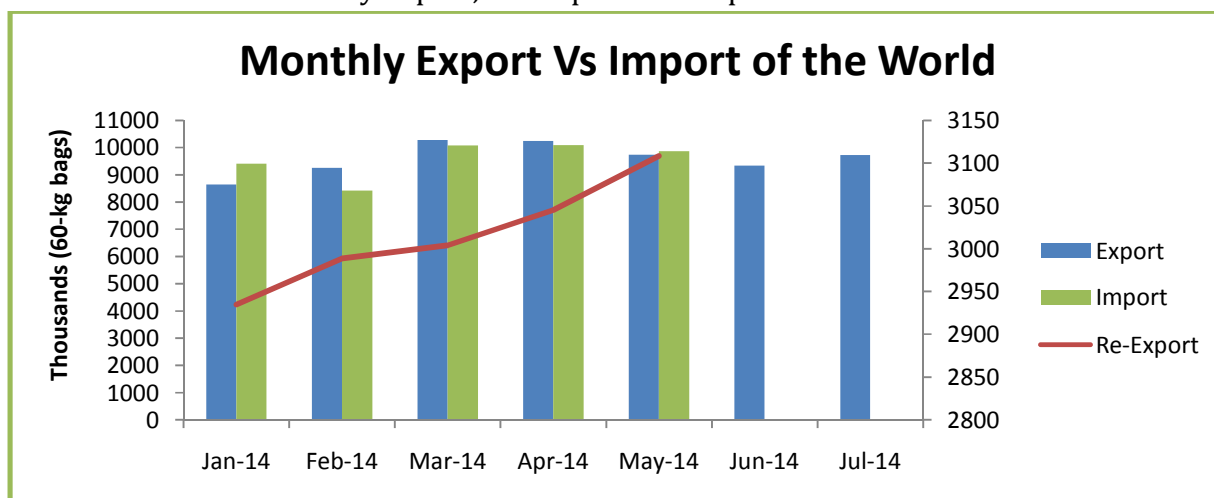


Source: ICO & USDA

### World Export & Import Scenario:-

According to the ICO data, total re-export of the world is thriving continuously last four month in 2014 reporting total volume at 3.10 million bags in May 2014. While, total exports of the world reported higher volume in July 2014 rather than June month however lower than March to May 2014 exports record. Total Imports of the world has increased considerably in the last two month March and April 2014, however imports tumbled in May by 2.31% to 9.86 million bags against preceding month.

Below chart shows monthly Export, Re- Export and Imports 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>12.9.2014</b>	<b>5.9.2014</b>	<b>12.8.2014</b>	<b>12.9.2013</b>
<b>ICO Composite Indicator</b>	158.17	168.21	160.23	121.63
<b>Colombian Milds</b>				
US	197.5	212.00	206.5	149.00
Europe	204.97	218.71	209.93	149.01
Group Indicator	207.69	215.09	208.08	149.05
<b>Other Milds</b>				
US	207.69	221.44	208.75	140.88
Europe	204.45	217.32	210.08	139.83
Group Indicator	205.68	218.89	209.58	140.25
<b>Brazilian Naturals</b>				
US	164.5	178.00	166.5	118.00
Europe	180.75	194.55	183.57	123.97
Group Indicator	176.53	190.25	179.13	122.54
<b>Robusta</b>				
US	105.5	108.92	103.67	105.75
Europe	98.95	102.73	98.22	97.17
Group Indicator	100.00	103.72	99.09	98.54

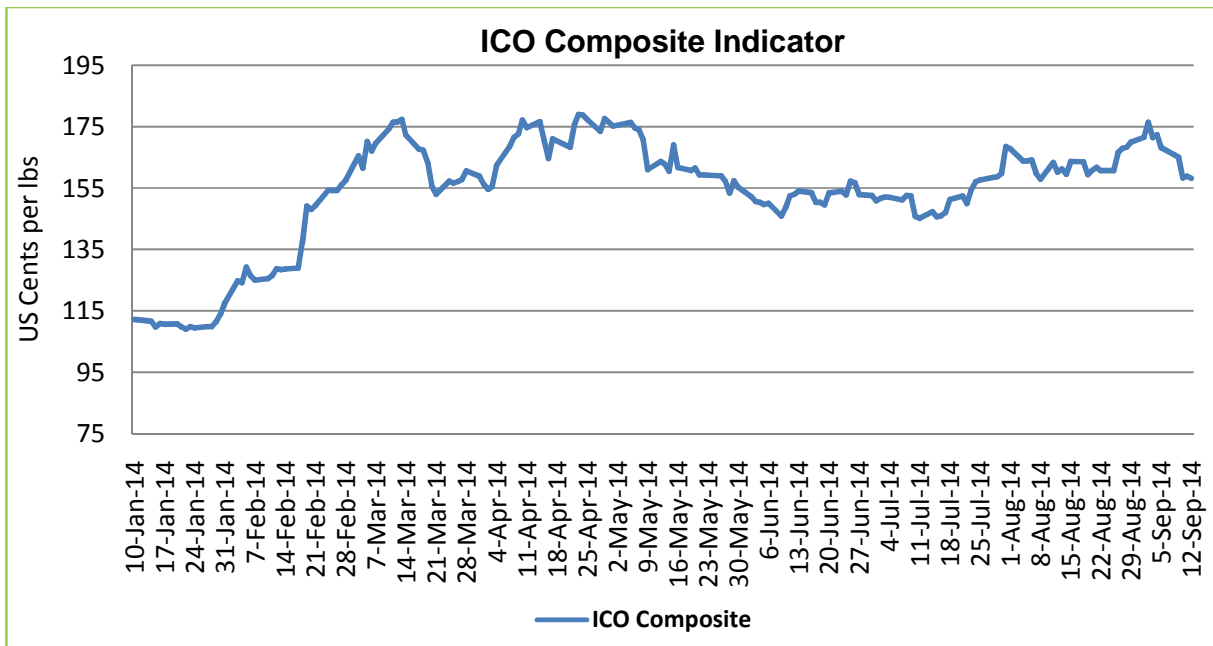
**Germany Market – Hamburg and Bremen, France Market – (Le Havre and Marseilles) \* Values in US cents/lb**

All ICO group indicators as Columbian-mild, Other-milds and Brazilian-Naturals and Robusta declined to 207.69, 205.68, 176.53, 100.00 respectively as compared to previous week prices. Prices are expected to extent low trend due to dull buying activities in short run. While, projection of globally low crops may boost up in the long run.



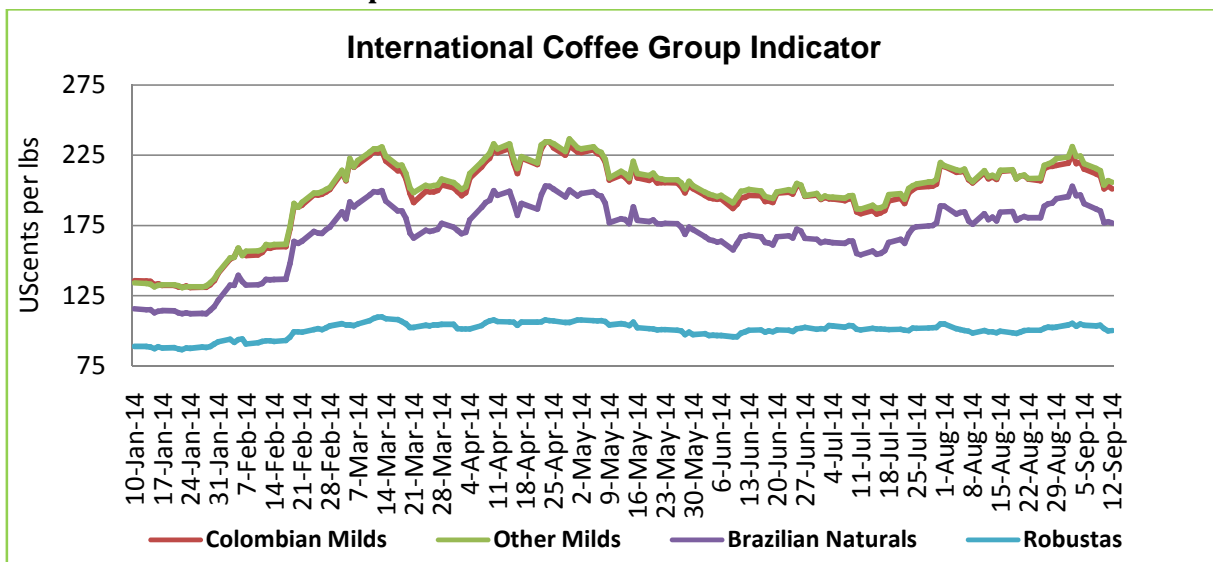
### International Coffee Indicators Chart:-

In the below chart, ICO composite indicators are continue falling from last two weeks after hitting 176.44 US cents per lbs on 2nd Sep 2014, which is almost highest level of the year. Prices plunged at 158.17 US cents/lb compared to last week prices i.e. 168.21 US cents/lb. We can see range-bound to lower price trend of the market in next week.



Source: ICO

### International Coffee Group Indicators :-



Source: ICO

**International Market Future Market Prices:-**

ICE Arabica Coffee Futures Prices				
Contract Months	12-September-2014	Week ago (5 September,2014)	Month Ago (12 August,2014)	Weekly Change (%)
September-2014	179.65	192.85	184.6	-6.8
December-2014	184.55	198.05	188.9	-6.82
March-2015	188.60	202.10	192.55	-6.7
May-2015	191.00	204.25	194.6	-6.5

USC/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	12-September-2014	Week ago (5 September,2014)	Month Ago (12 August,2014)	Weekly Change (%)
September-2014	1975	2061	1964	-4.2
November-2014	1997	2079	1976	-3.9
January-2015	2007	2088	1980	-3.9

USD/T

**International Coffee Prices:**

	12.9.2014	5.9.2014	12.8.2014	12.9.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	19750	--	39150	37300
Vietnam FOB (2-5 pct)* (Saigon port)	1995	--	1957	1803
Indonesian FOB (4-80 defects)** (Lampung Port)	2009	2090	1990	1860

\*FOB Values are in USD/T

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



**Weekly Technical Outlook:-**

- Candlestick chart shows falling trend of the market weighing selling pressures.
- Volumes are remain declining and indicating further a fall in the market.
- Additionally, RSI is moving down in neutral region at 48.57 from 55.20 the level of last week, hinting remain down trend of the market.
- Fibonacci projection level signals strong support near 176.45 moving at 61.8% breaking this support level prices may test further decline near 164.5@50% of projection 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 Bearish Momentum</u></b>	<b>171-185</b>

US cents/lb

**Expected Support and Resistance**

<b>S2</b>	<b>S1</b>	<b>PCP</b>	<b>R1</b>	<b>R2</b>
164.15	171.5	179.65	200.46	216.28

US cents/lb

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

**Weekly Technical Outlook:-**

- Candlestick chart depicts major slump in the market due to low buying interest.
- Declining RSI and 14- days EMI and Volumes are supporting further downtrend.
- Breaking the first support level of 1903, prices could test the level of 1861 in next week.
- Prices are showing range bound trend after moving in between 1903-2088.

**Expected Price Range During Coming Week**

<b><u>Expected Trend</u></b>	<b><u>Expected Trading Band</u></b>
<b><u>Range-bound to Bearish Momentum</u></b>	<b>1880-2088</b>

USD/T

**Expected Support and Resistance**

<b>S2</b>	<b>S1</b>	<b>PCP</b>	<b>R1</b>	<b>R2</b>
1861	1903	2061	2088	2145

USD/T

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