

Highlights of The Week

Coffee Prices in Karnataka market are seen downside due to lackluster demand and supply. As on date, farmers and small exporters are not appearing in the market due to zero stocks and eagerly waiting further harvesting period which will commence since November last week for Arabica crop and February for Robusta crop.

As per DGCIS report, India has received total coffee exports revenue around Rs. 323.47 crore while in USD 53.12 million during August 2014 lower by 13.8% in Rs. and 10.53% in USD respectively against Rs.375.26 crore and USD 59.37 million respectively of previous year in August month and Rs.2138.41 crore and USD 356.31 million since April-August in 2014 against last year revenue at Rs.2103 crore and USD 364.31 million in corresponding period of time.

According to the Coffee Board of India, total provisional Indian exports since 1st January to 17th Sep 2014 plunged by 4.17% to 235031 tonnes against 245268 tonnes of previous year exports in the corresponding period following the contribution as 41680 tonnes of Arabica Parchment, 11787 metric tonnes of Arabica Cherry, 19215 metric tonnes of Robusta Parchment, 89100 of Robusta Cherry, 46 metric tonnes of Roasted seeds, 193 metric tonnes of Roasted and Ground and 73010 metric tonnes of Instant coffee. Indian Exports figure started to fall down after April month in 2014 due to slow demand especially for Arabica.

As per IMD, India has received below cumulative rainfall to 729.2 mm 12% as compared to normal rain 824.3 mm from 1st June to 17th Sep, 2014. South Peninsula (Coffee belt area) received 13% less rainfall to 29.3 against 33.5 normal rainfall and India has received less actual rain by 25% to 32.0 mm as compared to 42.8 mm of Normal rainfall during 1st June to 17th Sep 2014. As per IMD extended range forecast (up to 30 September), circulation pattern hints that withdrawal of Monsoon is expected to start during next 5 days.

According to the Coffee Exporters Council (Cecafe), Brazilian Robusta were exported 794.6 thousands 60-kg bags totaling 95.2 million dollars of revenue in the first two months of the current crop (July and August 2014) which is higher than 746.2 thousands 60 kg-bags totaling 91 million dollars during July to December 2013 supported by higher demand mainly by United states, Mexico, and Belgium and the lower price in Brazil. Total importing quantity of US stood at 296.3 thousands bags from July to August 2014.

As per Volcafe recent forecast as given on 5th Sep 2014, total harvesting crops of the world is expected to 142.7 million bags of coffee down by 8.1% from previous year and lowest in three years as well as drought damaged a higher ratio of Arabica crop in Brazil. While, Global Consumption is likely to thrive up by 2% to 151.5 million bags against last year records. Forecast of falling output and an increase in consumption will support international prices to surge in long term.

Domestic Export and Imports

India is importing highest quantities of Coffee decaffeinated neither roasted and Extract of coffee essences & concentrates rather than others types of coffee. As per the released data of the Coffee Board of India, India has substantially increased its imports particularly of Extracts of coffee essence & concentrates at 1105.06 MT in 2013/14* during May month more than triple from last year imports and even most highest quantity if we compare to last 8 years records.

Below given table shows records of Indian coffee imports since 2005-06 on wards:-

Import Volume coffee by type (Quantity in MT)									
Types	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14*
Coffee decaffeinated neither roasted nor	38172	19507	26476	28839	40682	44804.88	45706.48	70777	58641
Not coffee roasted but decaffeinated	---	---	---	---	---	---		1.10	
Roasted not decaffeinated coffee	9.54	22.72	43.13	46.85	58.57	75.05	43.19	61.26	99.77
Roasted decaffeinated coffee	5.55	1.79	6.65	0.34	0.03	---	0.19	1.89	86.38
Other coffee	5.92	10.47	14.00	11.99	10.36	6.75	32.04	7.57	8.55
Extracts of coffee essences & concentrates	232.23	198.34	257.82	259.99	133.24	193.50	273.80	352.87	1105.06
Preparation with a basis of extracts essences or concentrates or with a basis of coffee	4.91	28.69	18.54	1.99	0.89	0.75	0.28	1.06	2.31
Grand Total	38430	19769	26817	29160	40885	45080.93	46056	71202	59943

Source: The coffee Board of India

Imports of Coffee by India - by countries and types (FY 2013-14) Qty in MT				
Country	Coffee neither roasted nor decaffeinated	Roasted not decaffeinated coffee	Roasted decaffeinated coffee	Other coffee
VIETNAM SOC REP	27,894.27	0.00	40.00	0.00
INDONESIA	18,861.09	0.00	0.25	0.00
UGANDA	4,521.07	0.00	0.00	0.00
KENYA	4,374.51	0.00	0.00	0.00
ITALY	0.65	72.82	38.46	0.88
BRAZIL	172.02	0.00	0.00	0.00
USA	0.00	25.7	0.00	0.00

Source: The Coffee Board of India

Domestic Crop Condition and Production

Despite low production forecast of Tamilnadu, Coffee Board of India has projected upside coffee production estimates of all key states of India for 2014/15 against last two years estimates. The board has kept Karnataka output forecast 17.62% higher to 248,300 MT against 211,100 MT of 2013/14 output.

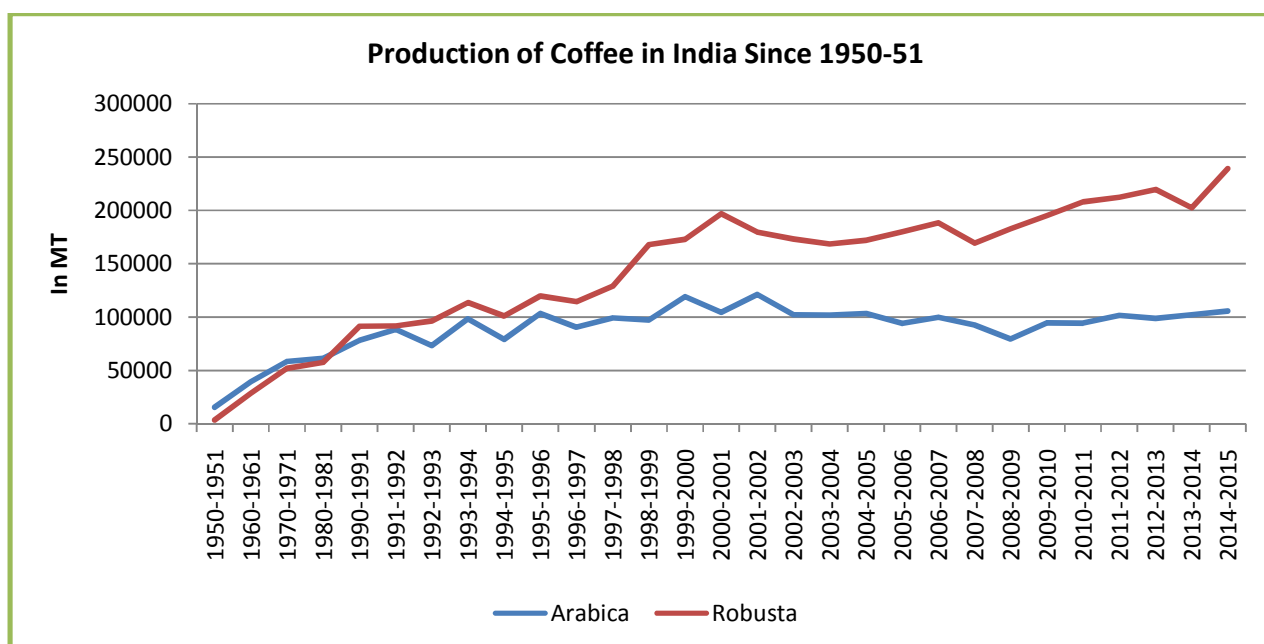
In 2014/15, total coffee production of India is predicted at 344,750 MT Vs 304,500 MT of last year estimate as per Coffee Board of India. Where, Arabica production is forecast to produce higher coffee by 3.22% at 105,500 MT against previous year estimate of 102,200 MT and Robusta production is likely to add record 18.26% at 239,350 MT during this session as compare to last year estimate of 202,300 MT.

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

States	2014-15	2013-14	2012-13	%change
Total In India	344750	304500	318200	13.22
Karnataka	248,300	211,100	230,225	17.62
Kerala	68,875	66,675	64,200	3.30
Tamilnadu	17,875	18,775	17,370	-4.79
Non Traditional Area	9,480	7,760	6,230	22.16
North Eastern Region	220	190	175	15.79

Source: The Coffee Board of India

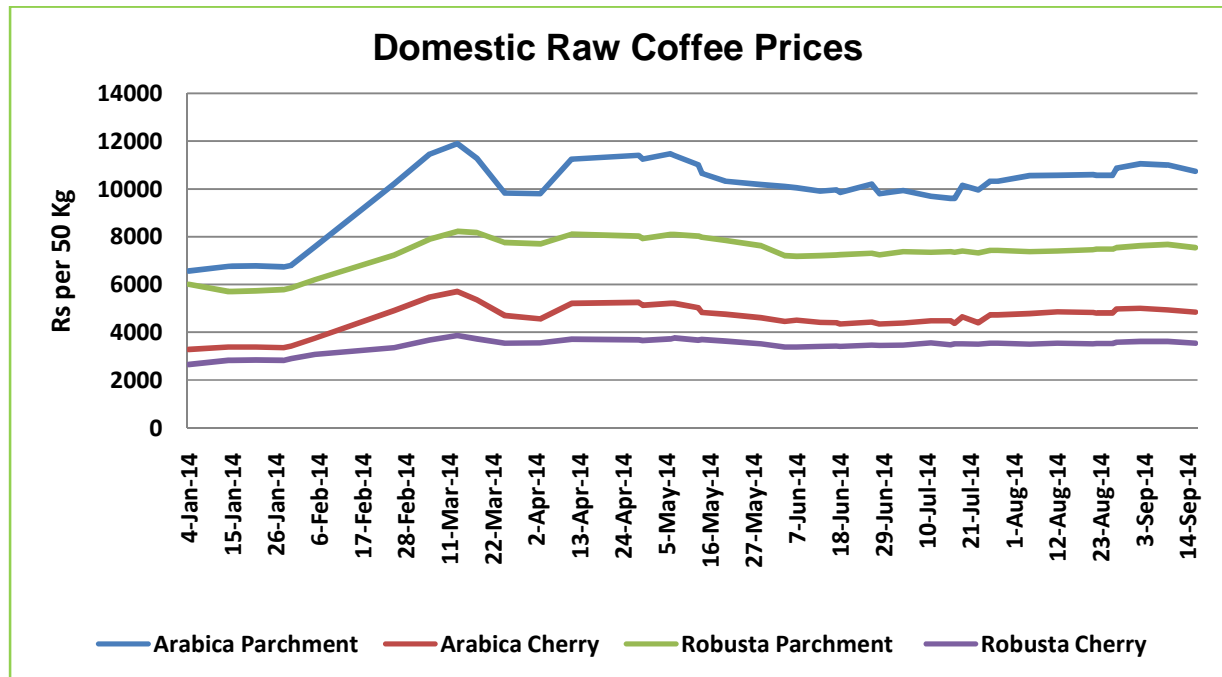
Below mentioned chart depicts total India coffee production since 1950-51 onward:-



Source: Coffee Board of India

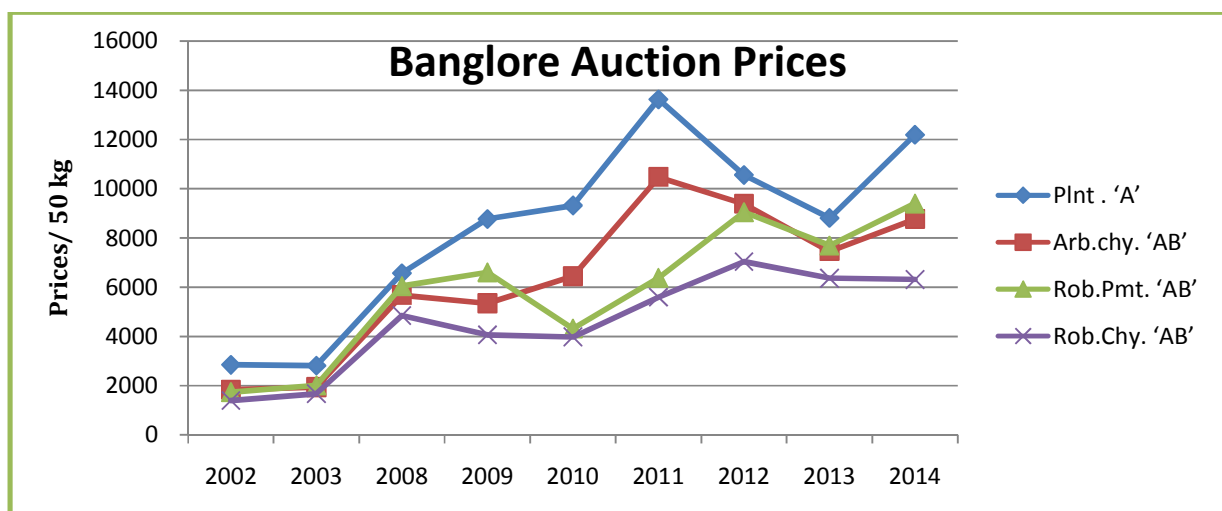
Coffee Prices of Auction Market & State-wise Market

In the below chart, all the varieties of raw coffee prices in Karnataka closed down due to slow demand and supply. 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	16.9.2014	9.9.2014	Change
Arabica Parchment	10475-11000	10700-11300	-300
Arabica Cherry	4825-4850	4900-4950	-100
Robusta Parchment	7500-7600	7650-7700	-100
Robusta Cherry	3475-3600	3550-3675	-75

* Values in Rs per 50 Kg

ICTA Auction Prices (Karnataka)

Grade	19.9.2014	12.9.2014	Change	19.9.2014	12.9.2014	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	--	--	--	--	--
AA	--	--	--	--	--	--
PB	--	--	--	--	192.00	--
A	--	--	--	--	--	--
AB	--	--	--	--	--	--
B	--	--	--	--	--	--
C	--	230.00	--	--	152.50	
BBB	--	--	--	--	--	--
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	--	--	--	--	--
A	--	--	--	--	--	--
PB	--	--	--	--	142.00	--
AA	--	--	--	--	154.00	--
AB	--	--	--	--	--	--
B	--	--	--	--	--	--
C	--	--	--	--	--	--
BBB	--	--	--	--	--	--

Values in Rs. per kg

International Market Updates:

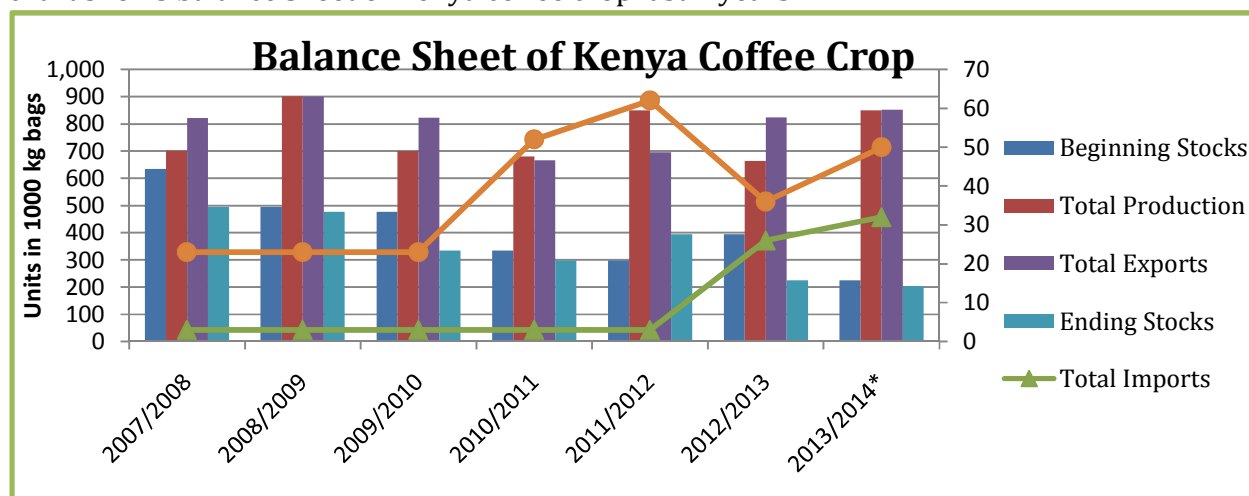
Weekly Futures Review -ICE Arabica coffee future prices of Sep contract showed lower prices at 175.9 Us cents/lb against 179.65 us cents/lb of last week on back of weak currencies of Brazilian real and Colombian Peso which tumbled almost 2.8% in September 2014. As a result, coffee producers and exporters are willing to sell their products abroad so that they can get more real or peso back for the coffee bean sold in U.S dollars.

Brazil:- In Brazil, types-6 including both Arabica as well as Robusta fetched low prices on Sep 15 against last week ended on 8th Sep 2014 due to a slump in volume. Arabica prices ended at 419.25 BRL(179.01 dollars) per bags 1.92% down against last week prices while Robusta quoted 246.37 BRL (105.20 dollars) per bags, for a decrease of 0.98% compared to last week.

According to Conab, total coffee production in Brazil is estimated up at 45.14 million 60 kg bags as compared to 44.57 million bags as projected in May 2014 followed by an increase in robusta output at 13.03 million bags from 12.33 million bags as given in May. Robusta crops stood at 10.81 million bags in previous season. On the other hand, the estimates of Arabica crop is kept lower side to 32.11 million bags against 32.23 million bags in May, which was highly affected by drought as spread in January and February 2014. Arabica output was registered at 38.29 million bags in 2013/14 season.

Vietnam:- According to Reuter's poll, Vietnam may produce 27.5 million bags of new crop in 2014/15. The harvesting of new crop will start in October. Vietnam has shipped 10.3% higher coffee bean to 97,800 tonnes in August as compared to July month 2014 and up 13.2 % to 1.54 million tonnes in first 11 months of the 2013/14 crop year against last year corresponding period of time.

Others:- As per the Coffee Board of Kenya, Kenya has covered total coffee area at 111(1000 Ha.) in 2013/14 upside from 110 (1000 Ha.) of 2012/13 area. Total production of Kenya is estimated up by 21.88% to 850(1000 kg bags) against 664 (1000 kg bags) due to increasing demand. Below chart shows balance sheet of Kenya coffee crop last 7 years:-

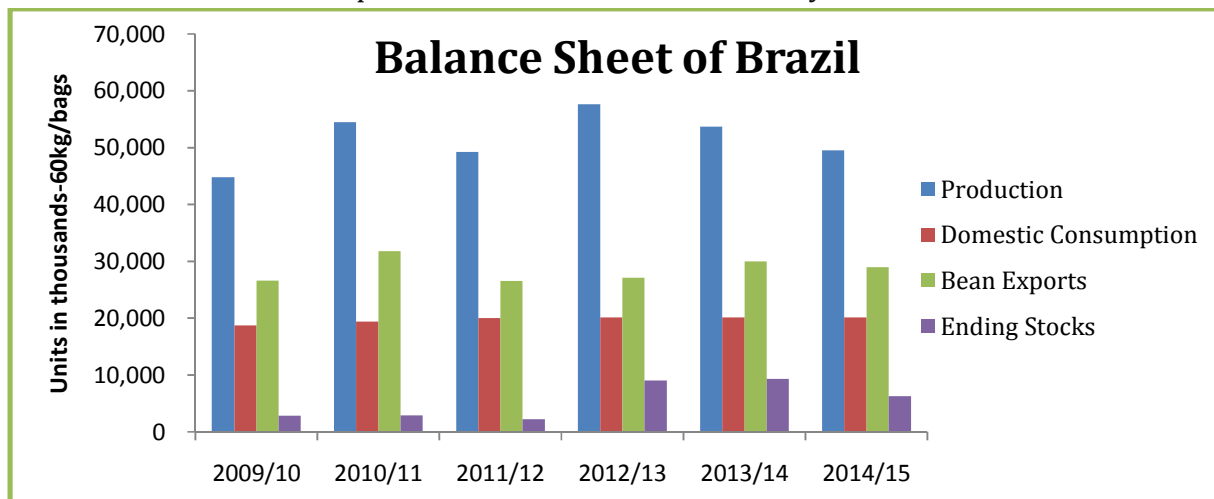


Source:- The Coffee Board of Kenya

World Coffee Production Estimate 2014-15

According to USDA report, Brazil may produce total coffee bean near 49.50 million bags in 2014/15 which is lower than 53.70 million bags of last year estimated records on account of drought. Brazil accounts for 35% of the world production. Total world production may reach at 148.67 million bags low by 0.98% from the last year estimates of 150.14 million bags in perception of lower crop expectation of Brazil and Indonesia in 2014/15.

Below mentioned chart depicts balance sheet of Brazil of six years:-



Source: USDA

Below are the production forecasts of Brazil for 2014/15 as given by different sources and associations of the world:-

Brazil's Production Forecast for 2014/15		
Sources	Date	Total Production
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 Soectron	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

International Coffee Price Trend

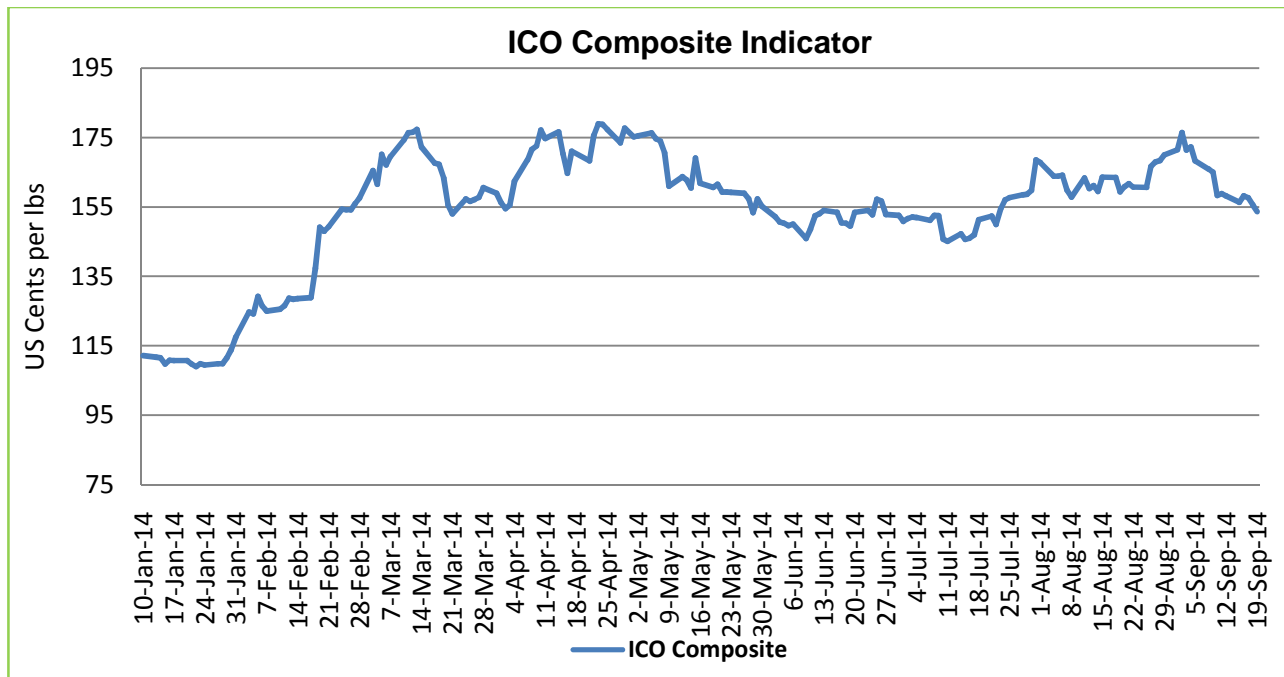
	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	19.9.2014	12.9.2014	19.8.2014	19.9.2013
ICO Composite Indicator	153.64	158.17	159.33	--
Colombian Milds				
US	192	197.5	208.25	--
Europe	199.79	204.97	207.86	--
Group Indicator	195.58	200.94	208.07	--
Other Milds				
US	200.94	207.69	210.25	--
Europe	198.05	204.45	206.81	--
Group Indicator	199.15	205.68	208.12	--
Brazilian Naturals				
US	157	164.5	168.25	--
Europe	176.02	180.75	182.23	--
Group Indicator	171.07	176.53	178.59	--
Robusta				
US	103	105.5	102.92	--
Europe	96.83	98.95	97.11	--
Group Indicator	97.82	100.00	98.04	--

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 195.58,199.15,171.07,97.82 respectively as compared to previous week prices and a month before as well. These prices may move further steady to down zone due to weak demand in next week. While, projection of globally low crops may boost up prices in the long run.

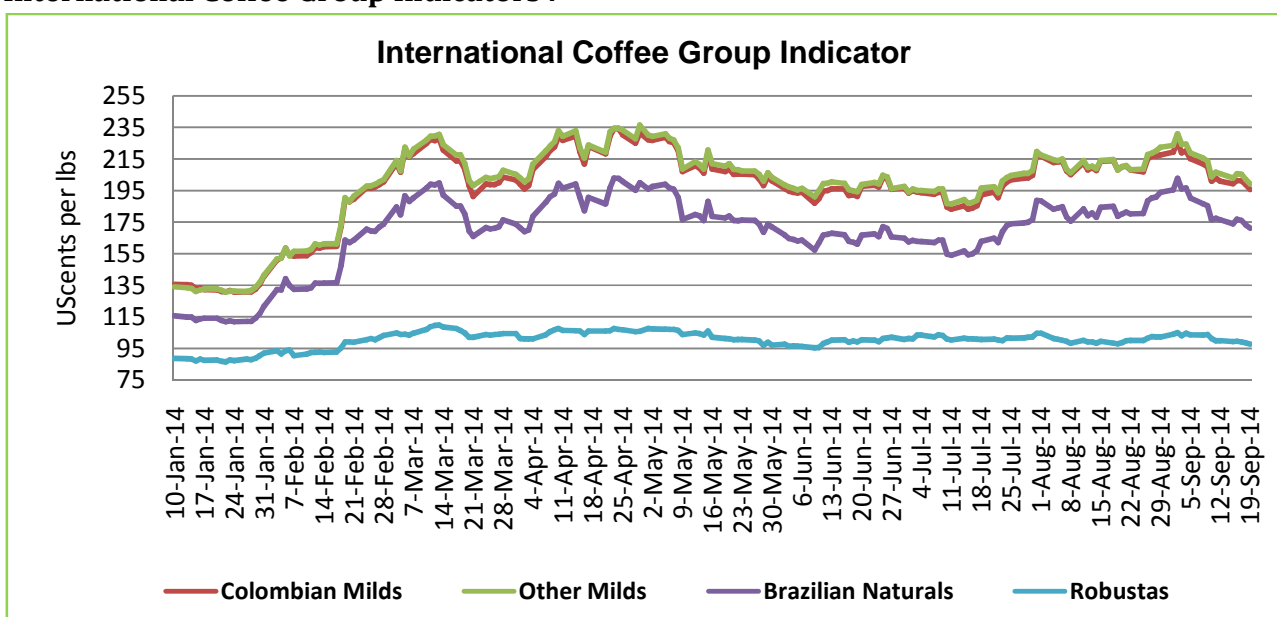
International Coffee Indicators Chart:-

In the below chart, ICO composite indicators are remain slumping since 2nd Sep 2014 on back of lower buying activities further in expectation of higher crop size of Brazil in next year 2015/16. Prices sank at 153.64 US cents/lb compared to last week prices 158.17 US cents/lb. During upcoming week, prices may be seen in steady to lower zone.



Source: ICO

International Coffee Group Indicators :-



Source: ICO

International- Future Market Prices:-

ICE Arabica Coffee Futures Prices				
Contract Months	19-September-2014	Week ago (12 September,2014)	Month Ago (19 August,2014)	Weekly Change (%)
September-2014	175.90	179.65	182.20	-2.08
December-2014	178.00	184.55	186.15	-3.54
March-2015	182.20	188.60	189.85	-3.39
May-2015	184.65	191.00	191.95	-3.32

USC/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	19-September-2014	Week ago (12 September,2014)	Month Ago (19 August,2014)	Weekly Change (%)
September-2014	1930	1975	1941	-2.27
November-2014	1940	1997	1947	-2.85
January-2015	1953	2007	1953	-2.69

USD/T

International Coffee Prices:

	19.9.2014	12.9.2014	19.8.2014	19.9.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	39150	40300	38400	37000
Vietnam FOB (2-5 pct)* (Saigon port)	1905.50	2009	1906	1825
Indonesian FOB (4-80 defects)** (Lampung Port)	1990	2009	1940	1820

*FOB Values are in USD/T

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



Weekly Technical Outlook:-

- Candlestick chart shows continue declining phase of the market due to sluggish buying activities.
- 14 days EMI indicate falling trend after moving to 181.68 lower than 182.25 of last week.
- Additionally, RSI is moving down in neutral region at 51.11 from 51.94 the level of last week, hinting remain down trend of the market.
- While, Trend line hints a range bound to upside momentum in the market in upcoming days.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
<u>Range-bound to Bearish Momentum</u>	173-203

US cents/lb

Expected Support and Resistance

S2	S1	PCP	R1	R2
159.17	166.56	178.00	192.19	204.35

US cents/lb

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



Weekly Technical Outlook:-

- Candlestick chart depicts downtrend in the market weighing on sellers pressures.
- Declining RSI and 14- days EMI are supporting further falling phase of the market.
- Fibonacci projection level signals strong support near 1866 moving at 38.2% breaking this support level prices may test further decline near 1814 in upcoming days.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
<u>Range-bound to Bearish Momentum</u>	1900-2100

USD/T

Expected Support and Resistance

S2	S1	PCP	R1	R2
1859	1904	1948	2081	2144

USD/T

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