

Highlights of The Week

Coffee Prices in Karnataka market fetched an increase supported by local increasing demand. As on date, farmers and small exporters are not appearing in the market for further delivery due to zero stocks as a result they are eagerly waiting further harvesting period which will commence since November last week for Arabica crop and February for Robusta crop. Exporters are in willing to stockpiles in fear of lower output of global coffee in 2014/15.

According to the Coffee Board of India, total provisional Indian exports since 1st January to 18th Sep 2014 dropped by 4.73% to 235,796 tonnes comparing to 247,503 tonnes of last year exports in the corresponding period. The demand of roasted seeds sharply increased at 46 tonnes against 19 tonnes of previous year record during the same period of time. Arabica Cherry and Roasted and Ground coffee beans also surged by 61.98% to 196 and 67.31% to 11854 tonnes respectively from 121 tonnes and 7085 tonnes respectively, a year earlier exports in the corresponding period of time. Indian Exports figure started to fall down after April month in 2014 followed by lower exports records of both Robusta Cherry and Robusta Parchment after higher prices.

As per IMD, India has received below cumulative rainfall by 11% to 763.2 mm as compared to normal rain 858.8 mm from 1st June to 24th Sep,2014. Total rainfall in India is also lower than 905.5 mm of last year actual rainfall during 1st June to 25th Sep, 2013. Mainly, Isolated (less than 25%) and Scattered (26% to 50%) rainfall were notified in the coffee belt area of Karnataka during 21st Sep to 25th Sep,2014. Kerela received mainly dry (very light rainfall) and Scattered rainfall during the same period of time. While, Tamilnadu got isolated and Scattered rainfall during the whole week as started from 18th Sep 2014, to 24th Sep 2014.

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.

Below are the estimates of Brazil's estimates of coffee output as per Reuters :

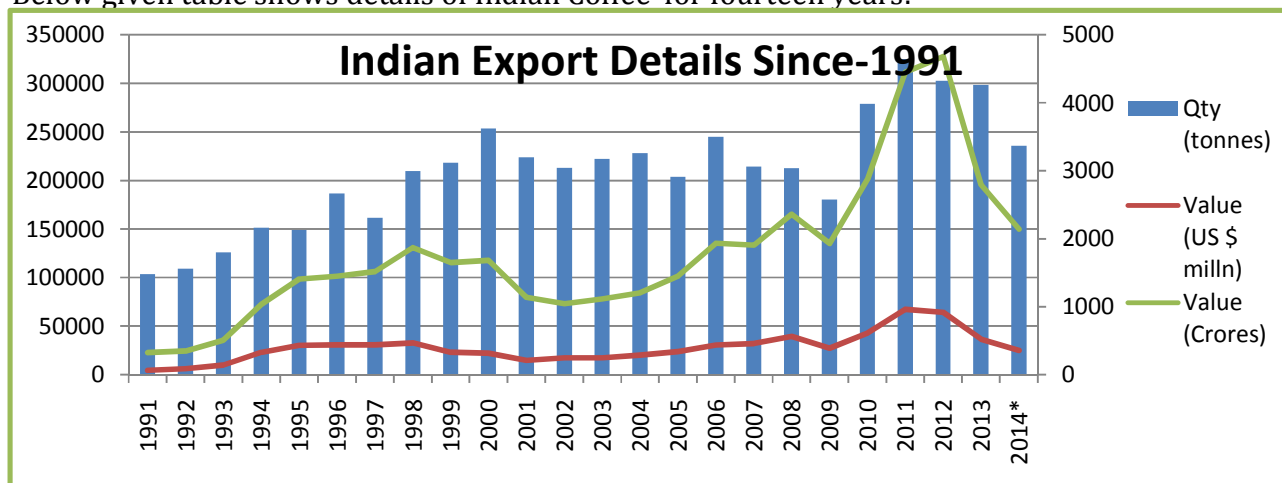
Source	Date Issued	2014/15	2015/16
F.O.Licht	Sept.26	46	43
Ecom	Sept.2	53-55	50-53

Vietname is likely produce less 10% to 25 million 60-kg bags coffee crop in 2014/15 because of aging trees and heavy rain during flowering in some areas as recently said by the vice chairman of Vietname's Coffee and Cocoa Association Vicofa. The given forecast is lower than the estimates of a Reuters poll as estimated at 27.5 million bags in July.

Domestic Export and Imports

According to the Coffee Board of India, Indian exports are falling along with revenue in Rupees. as well as in US \$ due to lower availability of stocks. As a resultant, Exporters could not get much profit despite an increase in prices on the back of lower world production forecast specially in Brazil and Indonesia for 2014/15 year.

Below given table shows details of Indian Coffee for fourteen years:-



Source: The Coffee Board of India

Below mentioned table shows total Indian exports of coffee :-

Export update: From 01 st January 2014 to 18th September 2014 (in metric tonnes)									
	INDIAN COFFEE	Ar.Pmt	Ar.Chy	Rob.Pmt	Rob.Chy	Roasted seeds	R & G	Instant	Total
1	Provisional exports (Indian coffee)	41737	11854	19256	89375	46	196	34805	197269
2	Provisional exports corresponding period last year	39925	7085	22683	1E+05	19	121	16633	196976
3	Provisional re-exports	0	7	0	0	0	0	38527	38527
4	Provisional re-exports corresponding period last year	0	0	0	0	0	0	50527	50527
5	Total provisional exports (1+3)	41737	11854	19256	89375	46	196	73332	235796
6	Total provisional exports corresponding period last year (2+4)	39925	7085	22683	110510	19	121	67160	247503

(Source; The Coffee Board of India)

Domestic Crop Condition and Production

Indian Coffee crop are grown under a thick natural shade with 2500 to 4000 mm rainfall spread 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% respectively of total coffee production sharing.

As per the Coffee Board of India, the key of Indian coffee producing state Karnataka is forecast up by 17.62% to 248,300 MTs for the year 2014-15 as compared to previous year estimate i.e. 211,100 MTs, provided weather stays favorable.

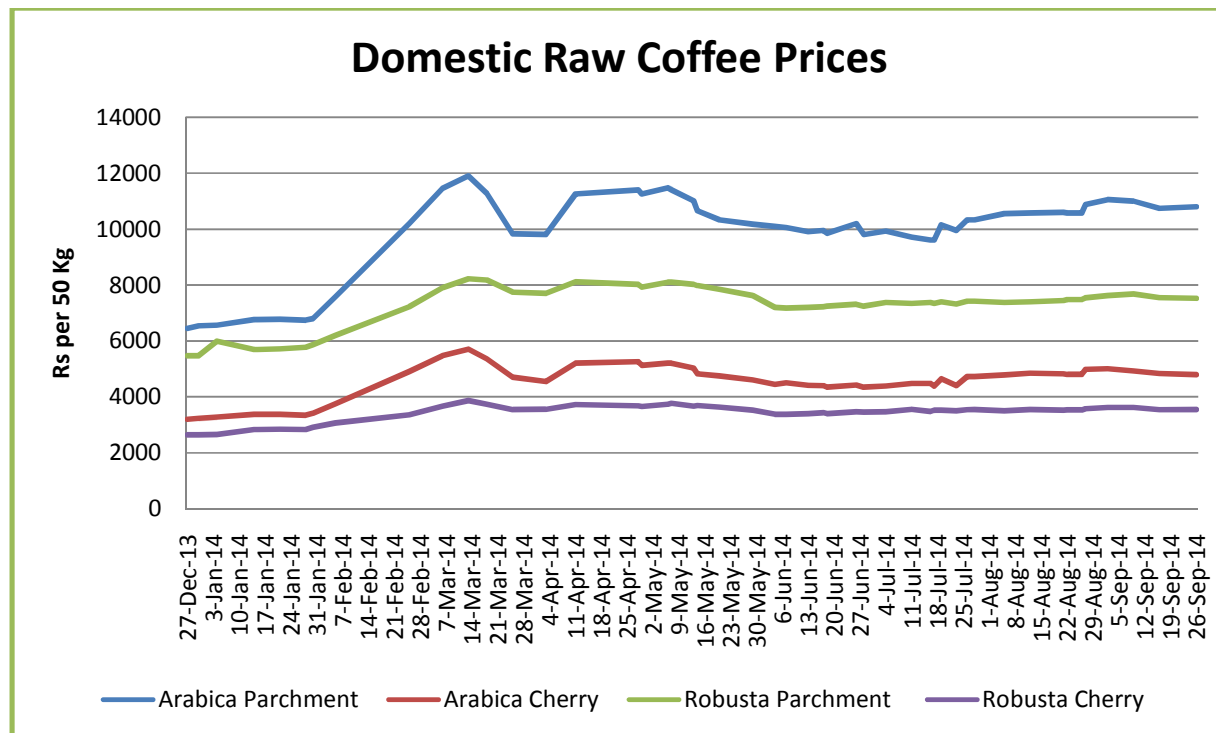
Mentioned charts shows the estimates of coffee crop in India :-

State/ Districts	Post Blossom Estimation			Final Estimate		
	2014-15			2013-14		
	Arabica	Robusta	Total	Arabica	Robusta	Total
Karnataka						
Chikmagalur	41,170	40,000	81,170	38,250	30,640	68,890
Kodagu	20,150	113,000	133,150	21,040	90,820	111,860
Hassan	19,380	14,600	33,980	19,150	11,200	30,350
Sub total	80,700	167,600	248,300	78,440	132,660	211,100
Kerala						
Wayanad	0	57,900	57,900	0	56,425	56,425
Travancore	900	7,300	8,200	900	6,700	7,600
Nelliampathies	1,175	1,600	2,775	1,100	1,550	2,650
Sub total	2,075	66,800	68,875	2,000	64,675	66,675
Tamil Nadu						
Pulneys	7,575	375	7,950	6,975	325	7,300
Nilgiris	1,600	3,775	5,375	1,800	3,950	5,750
Shevroys (Salem)	2,700	50	2,750	3,875	50	3,925
Anamalais (Coimbatore)	1,300	500	1,800	1,300	500	1,800
Sub total	13,175	4,700	17,875	13,950	4,825	18,775
Non Traditional						
Areas						
Andhra Pradesh	8,790	70	8,860	7,250	70	7,320
Orissa	620	0	620	440	0	440
Sub Total	9,410	70	9,480	7,690	70	7,760
North Eastern Region	140	80	220	120	70	190
Grand Total (India)	105,500	239,250	344,750	102,200	202,300	304,500

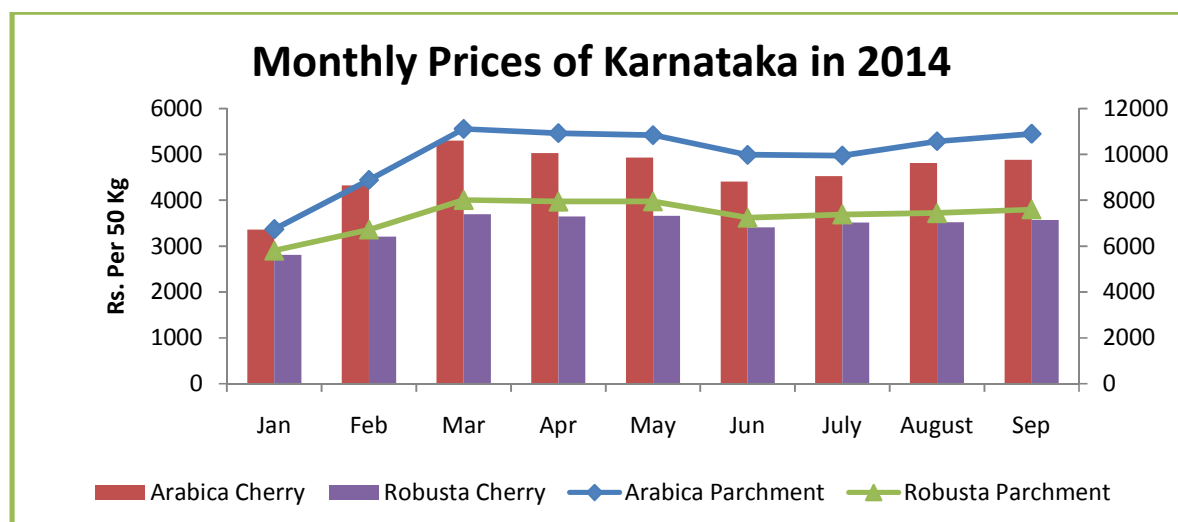
Source: The Coffee Board Of India

Coffee Prices of Auction Market & State-wise Market

In the below chart, all the varieties of raw coffee prices in Karnataka closed upside on improving buying activities. 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 and continue supporting prices to increase further. Monthly prices are also high in Sep month on the of back lower supply against demand.



Source: The Coffee Board Of India



Source: The Coffee Board Of India

Domestic Raw Coffee Prices(Karnataka):

Variety	26.9.2014	16.9.2014	Change
Arabica Parchment	10500-11100	10475-11000	100
Arabica Cherry	4775-4800	4825-4850	-50
Robusta Parchment	7400-7650	7500-7600	50
Robusta Cherry	3425-3650	3475-3600	50

* Values in Rs per 50 Kg

ICTA Auction Prices (Karnataka)

Grade	26.9.2014	19.9.2014	Change	26.9.2014	19.9.2014	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	--	--	--	--	--
AA	311.00	--	--	--	--	--
PB	320.00	--	--	191.00	--	--
A	306.00	--	--	--	--	--
AB	--	--	--	--	--	--
B	265.00	--	--	--	--	--
C	--	--	--	153.00	--	--
BBB	--	--	--	--	--	--
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	198.00	--		--	--	--
A	--	--		--	--	--
PB	--	--		143.00	--	--
AA	--	--		151.00	--	--
AB	--	--		145.00	--	--
B	--	--		--	--	--
C	--	--		139.00	--	--
BBB	134.00	--		133.50	--	--

Values in Rs. per kg

International Market Updates:

Weekly Futures Review -ICE Arabica coffee future prices of December contract inched up on rising demand after the anticipation of lower production estimates of Brazil for both 2014/15 and 2015/16 seasons. Prices were settled at 190.25 US cents/lb as on 26th Sep 2014 compared to 178 US cents/lb of last week prices. On the other hand, Speculators are cutting their long positions in arabica future and options as per U.S. Commission data as in fear of price volatility in up-coming week.

Brazil:- As per global forecaster Commodity Weather Group, rainfall may occur more than a third of Brazil's drought damaged coffee fields in the main southeast region early next week which may bring the first wave of flowering for 2015 crop. Normally, several wave of flowering starts from August through early November and further harvest in May.

As per Conab, total producing areas (arabica and robusta) in Brazil for 2014/15 is projected at 1.926 million hectares for a decrease of 4.46% against 2.016 million hectares in 2013/14.

ICO forecasts total production of Brazil at 44.57 million bags in 2014/15 in expectation of a deficit in arabica coffee of some 4 to 5 million bags 60-kg bags to March 2015. Brazil crop seasons starts from April month.

Vietnam:- The weekly price of Vietnam were quoted slightly down in the range of 37.4- 39.0 million dong during the week period started from Sep 22-26 against 37.8-39.6 million dong VND= per tonne in the key market i.e. Central Highlands of Vietnam due to declining demand.

Some of new harvested beans as Grade2, 5 percent black and broken beans were offered at \$80 a tonnes which is quoted below London prices for the next shipment. According to traders, carried forward stocks for 2015/16 may stood in the range of 200,00-300,000 tonnes (3.33 to 5 million 60-kg bags) of beans as compared to 200,000 tonnes of 2012/13 season as estimate given by the traders. While, USDA projects Vietnam's carry over stock up by 1.86% to 3.25 million bags against 2012/13 season. Ho chi Minh City's warehouse is registered around 200,000 tonnes of beans and 100,000 tonnes with trading firms and export companies while farmers had a little quantity of stock with them.

As per recent released data of Vietnam's Government, Vietnam has shipped total estimated coffee bean at 100,000 (1.67 million bags) in Sep,2014 as on date which is higher by 57.3% from last year during the same month. Further, traders are projecting total exports volume at between 100,000-120,000 in September,2014.

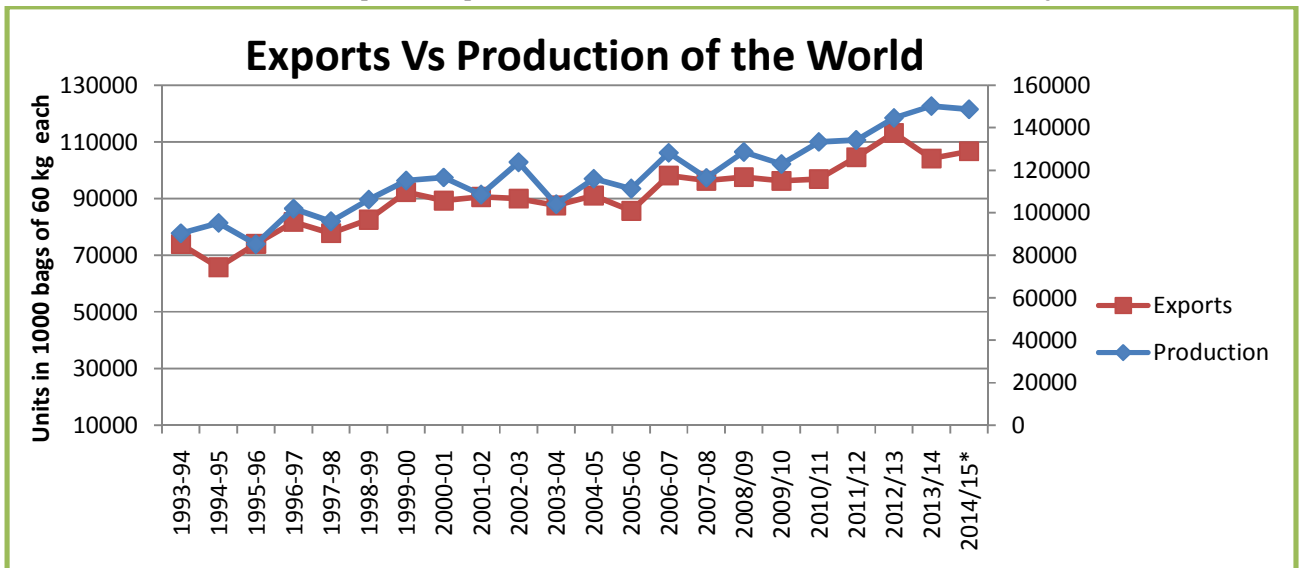
Others:-

- As per the National Cocoa and Coffee Board, Cameroon's exports of robusta stood at 15,650 tonnes during December 1,2014 to Sep 24,2014 against 13,536 tonnes for the same period for the previous year. Cameroon is one of the few African countries which grows both robusta and arabica coffee but some of its production is smuggled to neighboring Nigeria where farmers receive a higher price.
- As per IHCAFE, Coffee exports in Central America is likely to increase to 4.83 million 60 kg- bags in next season which will start in October-2014 as compared to 4.22 million 60 kg-bags of 2013/14 exports forecast.
- The President of the Colombian Coffee federation forecasts coffee production of Colombia at between 11.5-12 million bags for 2014 and up to 13 million bags 60 kg-bags for 2015.

World Coffee Production Estimate 2014-15

According to USDA & ICO report, World Production is forecast almost highest level to 148.67 million bags compared to last 22 year besides 150.14 million bags exports estimates of 2013/14. On the other hand, exports for 2014/15 is also predicted upside to 106.69 million bags against last 22 years record despite 2012/13 exports i.e. 113.15 million bags.

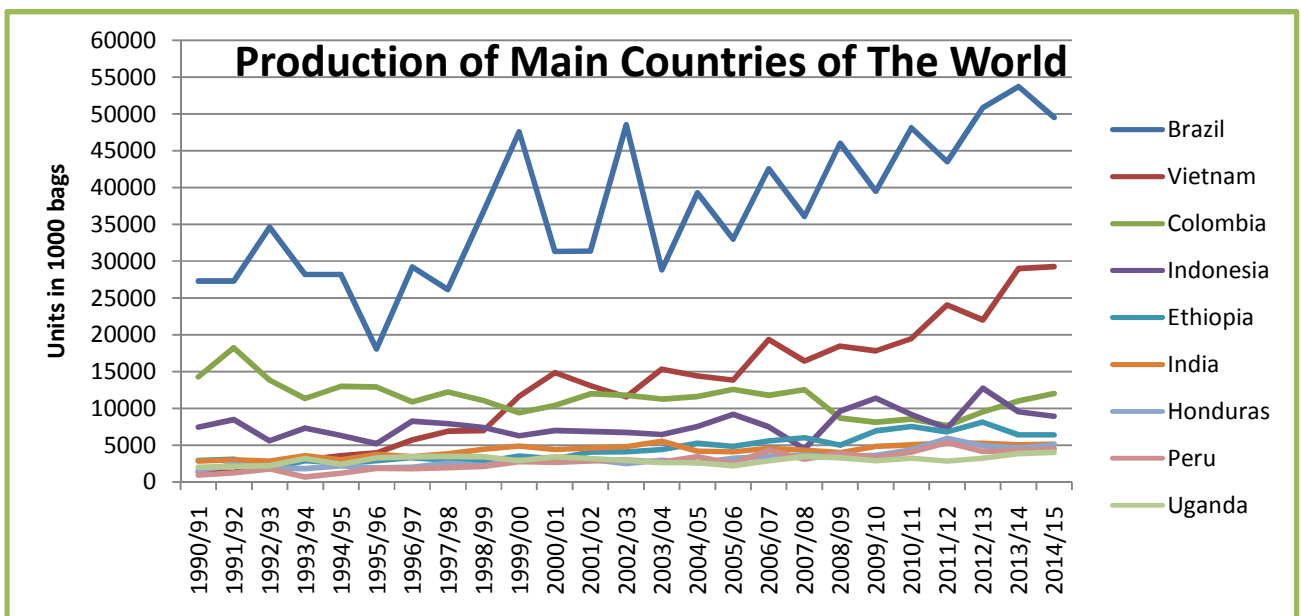
Below mentioned chart depicts Exports Vs Production of the world for last 23 years -:



Source: ICO & USDA

Despite lower production forecast of Brazil and Indonesia, USDA predicts mostly higher crop in other producing countries for 2014/15 years.

Below are the production estimates of major producing countries of the world:- (Source: USDA)



International Coffee Price Trend

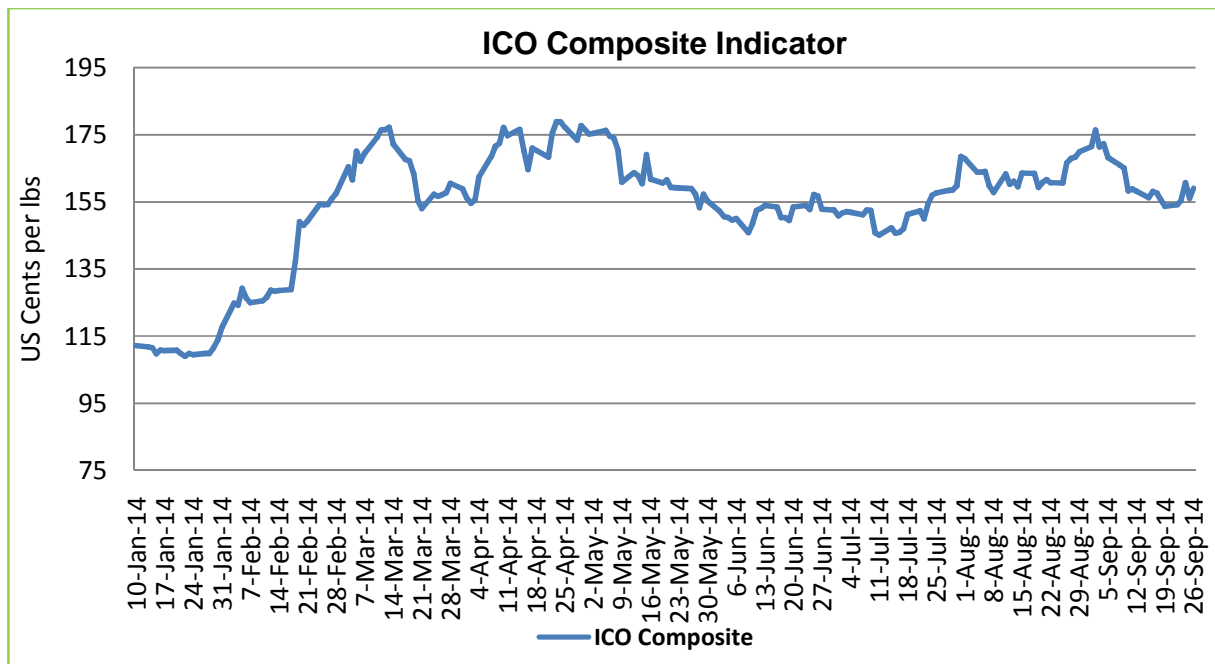
	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	26.9.2014	19.9.2014	26.8.2014	26.9.2013
ICO Composite Indicator	159.07	153.64	166.62	--
Colombian Milds				
US	200	192	213.5	--
Europe	208.84	199.79	217.19	--
Group Indicator	204.06	195.58	215.2	--
Other Milds				
US	209.19	200.94	221.5	--
Europe	206.04	198.05	215.36	--
Group Indicator	207.24	199.15	217.69	--
Brazilian Naturals				
US	164	157	178.5	--
Europe	184.98	176.02	192.06	--
Group Indicator	179.53	171.07	188.54	--
Robusta				
US	103.08	103	106.67	--
Europe	97.15	96.83	100.59	--
Group Indicator	98.1	97.82	101.56	--

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 significantly went up to 204.06, 207.24, 179.53, 98.1 respectively as compared to previous week prices however lower than August month during the same period of time. These prices may move further steady to upside in expectation of a deficit in global coffee output for 2014/15.

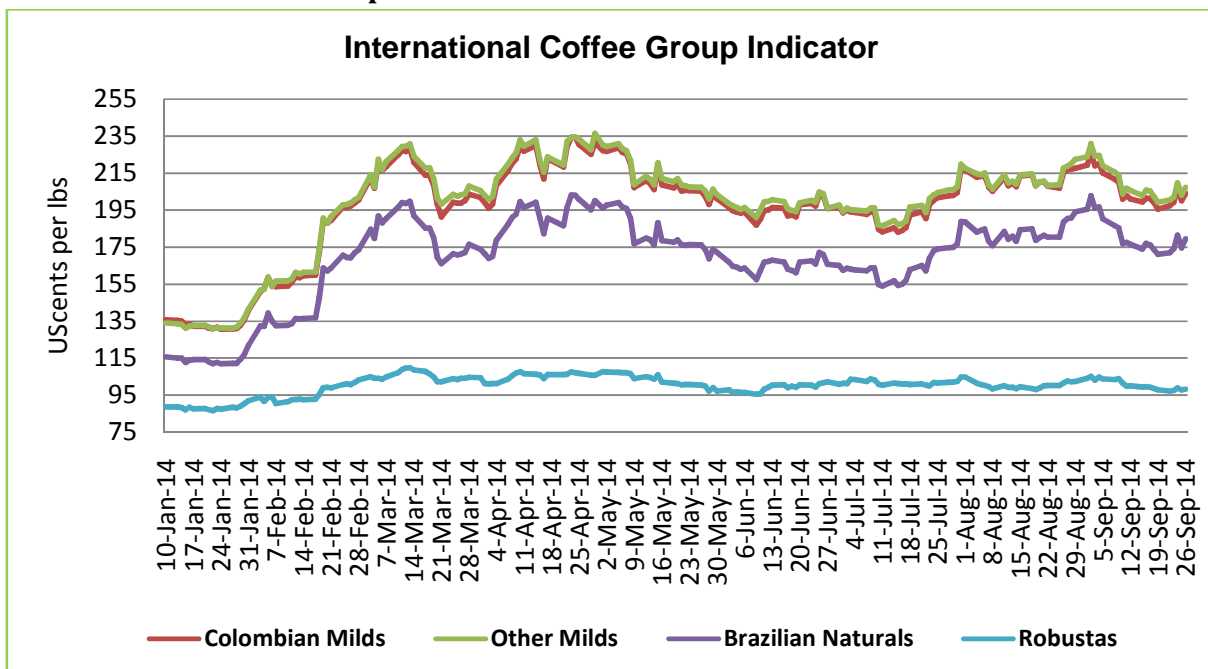
International Coffee Indicators Chart:-

In the below chart, ICO composite indicators went up by 3.53% to 159.07 US cents/lb against 153.64 US cents/lb. during the week. Prices may extent it's gain due to less crop estimates in 2014/15. Therefore, traders and exporters may increase their stock capacity for future delivery.



Source: ICO

International Coffee Group Indicators :-



Source: ICO

International- Future Market Prices:-

ICE Arabica Coffee Futures Prices				
Contract Months	26-September-2014	Week ago (19 September,2014)	Month Ago (26 August,2014)	Weekly Change (%)
December-2014	190.25	178.00	197.5	6.88
March-2015	192.70	182.20	201.2	5.76
May-2015	194.20	184.65	203.1	5.17

USC/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	26-September-2014	Week ago (19 September,2014)	Month Ago (26 August,2014)	Weekly Change (%)
November-2014	1955	1940	2027	0.77
January-2015	1969	1953	2034	0.82
March-2014	1980	1966	2039	0.71

USD/T

International Coffee Prices:

	23.9.2014	19.9.2014	26.8.2014	26.9.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	38500	39150	38400	36600
Vietnam FOB (2-5 pct)* (Saigon port)	--	1905.50	1906	2020
Indonesian FOB (4-80 defects)** (Lampung Port)	1960	1990	2015	1770

*FOB Values are in USD/T

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



Weekly Technical Outlook:-

- Candlestick chart shows upside movement of the market following buyers interests.
- Increasing 14 days EMI and Volume hints uptrend of the market.
- Additionally, RSI is moving up in neutral region at 54.9 from 51.19 the level of last week, indicating further bullish trend of the market.
- ICE prices are hovering in between 157.72 to 207.85 during March 2014 to September 2014. Breaking the lower level of 157.72, prices may fall to 138-140 USD/lb in future.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Range-bound to Bearish Momentum	171.65 to 192.35

US cents/lb

Expected Support and Resistance

S2	S1	PCP	R1	R2
157.72	168.02	186.05	197.72	204.85

US cents/lb

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



Weekly Technical Outlook:-

- Candlestick chart depicts bullish trend of the market due to rising buying activities..
- Decreasing 14- days EMI are supporting falling phase of the market.
- While, RSI hints upside movement of the market after moving up at 47.79 against 45.49 of previous week.
- Fibonacci retracement level signals strong resistance level near 2003 moving at 50% breaching this level prices may test further 2034 @ 38.20% 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>	1920-2000

USD/T

Expected Support and Resistance

S2	S1	PCP	R1	R2
1869	1910	1959	2003	2034

USD/T

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