

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. Both International and Indian Arabica coffee prices in the short run and long run during the year 2014 and 2015 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 growers, the estimation made by the Coffee Board of India is very high and it has not taken into consideration of the fact that due to dry weather from October 2013 to June 2014 in the plantation areas there was severe incidence of White stem Borer even in Arabica due to which hundreds of Arabica Coffee plants are being uprooted. The dry weather had also affected Robusta plants. Further there was delay in commencement of Monsoon in June this year and during July-August, there was heavy monsoon and wet conditions due to which there was leaf rot and stalk rot and dropping of berries. Hence, due to the above reasons, production is bound to go down considerably in Arabica and also in Robusta coffee during the crop year 2014.

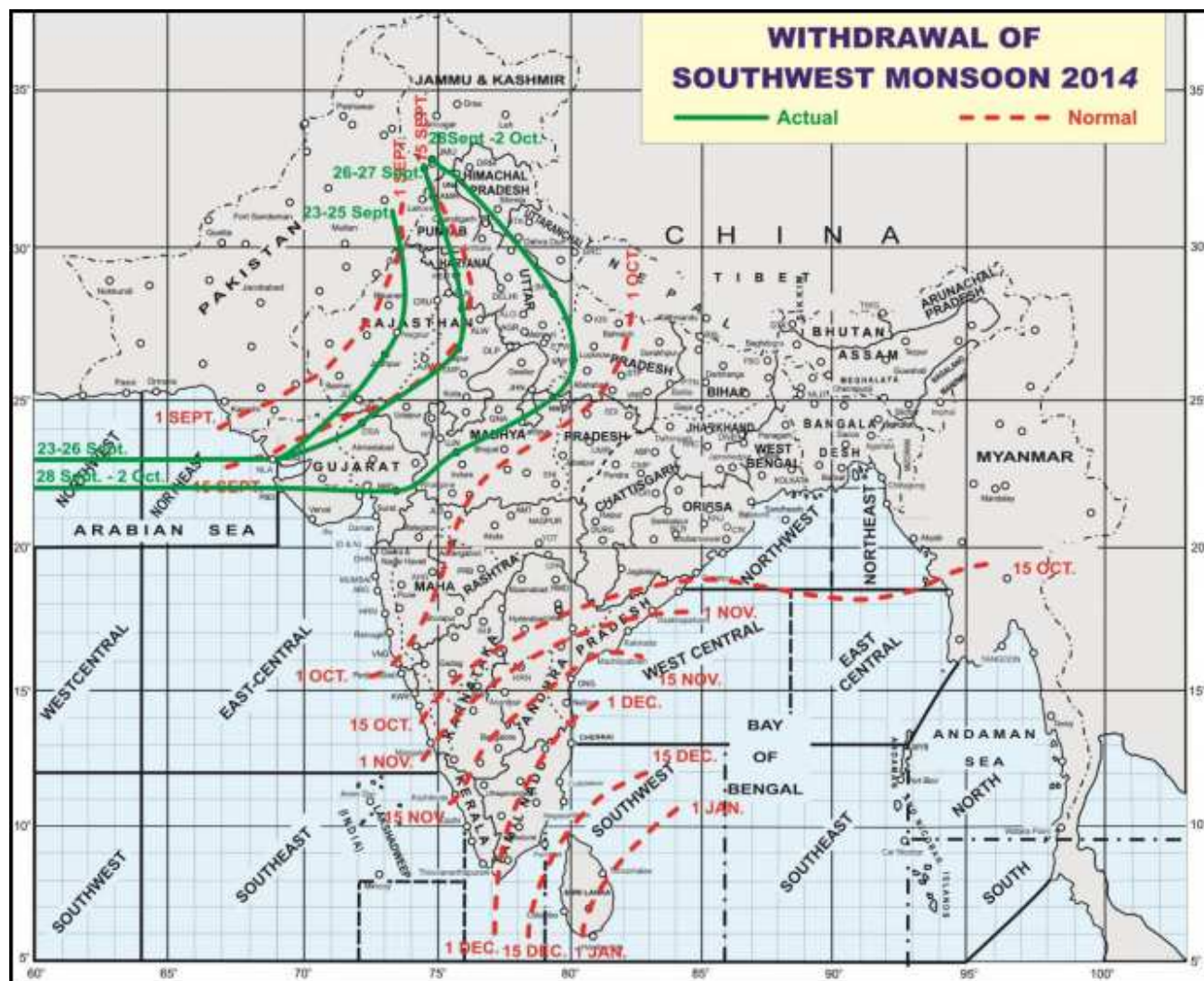
As per Indian Traders, Arabica new crops are almost in good condition in current situation therefore harvesting period will start second week of November 2014. They are expecting total Indian coffee production around 3.20 million bags to 3.30 million bags in 2014/15, which is lower than 3.44 million bags as predicted by the Coffee Board of India. On the other, there will be little carry over stocks around 2 to 10% for the season as added by them.

As per ICO, total world coffee exports amounted higher by 1.19% to 8.84 million bags in Aug-2014 against 8.95 million bags of Aug-2013. Total exports in last nine month (Oct-2013 to August-2014) is reported lower by 2% to 101.03 million bags compared to previous nine month (Oct-2012 to Aug-2013) at 103.10 million bags due to a fall in the volume of Other milds and Robustas standing at 21.19 million bags and 37.02 million bags respectively from 24.10 million bags and 39.16 million bags of last year exports during corresponding period of time.

According to the Coffee Board of Tanzania, total production is expected to touch 55,000 tonnes in 2014/15 significantly up by 12% as compare to 48,700 tonnes of last year output. Tanzania is the fourth largest coffee producers behind Ethiopia, Uganda and Ivory Coast and ranking mainly for Arabica crop and some Robusta crop. Auction prices of Arabica grades follows the New York market trend.

As per the Coffee Board of Kenya, Kenya has covered total coffee area at 111 (units in 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 rising demand.

Weather Updates of India



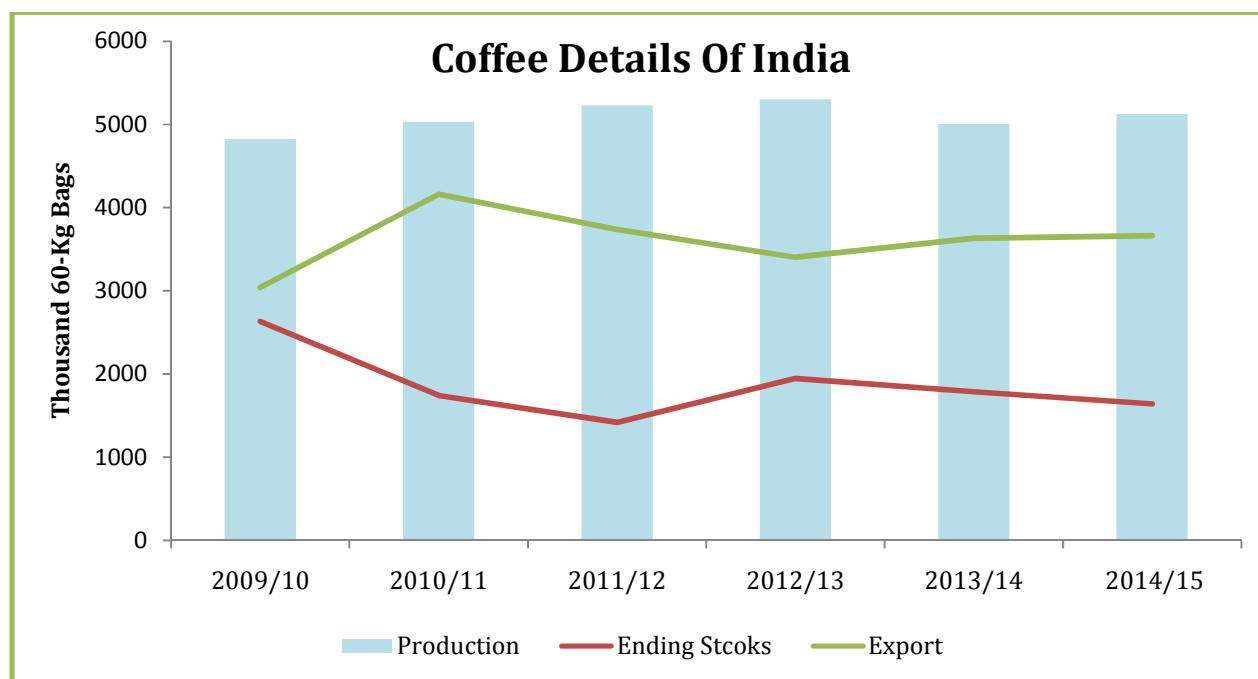
Source: IMD

- According to IMD, Southwest Monsoon withdrew from some parts of Punjab, Haryana, East Rajasthan & Gujarat region, kutch as on 26th September.
- While, Southwest Monsoon was active over South Interior Karnataka from 25th Sep to 29 Sep along with that it was also active over Arunachal Pradesh, Assam & Meghalaya, Coastal Karnataka on 26th Sep; over Sub- Himalayan West Bengal & Sikkim on 27th; over Kerala on 27th, 28th & 30th September and over Konkan & Goa on 1st October.
- As per IMD, India has received below cumulative rainfall to 777.5 mm by 12% as compared to normal rain 824.3 mm from 1st June to 30th Sep, 2014 including South Peninsula (Coffee belt area) which received 7% less rainfall to 665.4 mm against 715 mm of normal rainfall.

Domestic Crop Condition and Production
Balance Sheet Highlights (USDA) :-

- According to USDA report, Coffee Production of India will be higher by 2.33% to 5125 thousand bags in 2014/15 from the previous year but lower than 2011/12 and 2012/13 estimates.
- Total Indian exports is expected to increase by 0.82% to 3660 thousands bags in 2014/15 as compared to last year estimates i.e. 3630 thousand bags and 7.48% than 2012/13 estimates in expectation of higher domestic and international demand.
- Ending Stocks are likely to touch the level of 1641 thousand bags which is continuously declining from the estimate of 2013/14 i.e. 1787 thousand bags and 2012/13 i.e.1949 thousand bags.

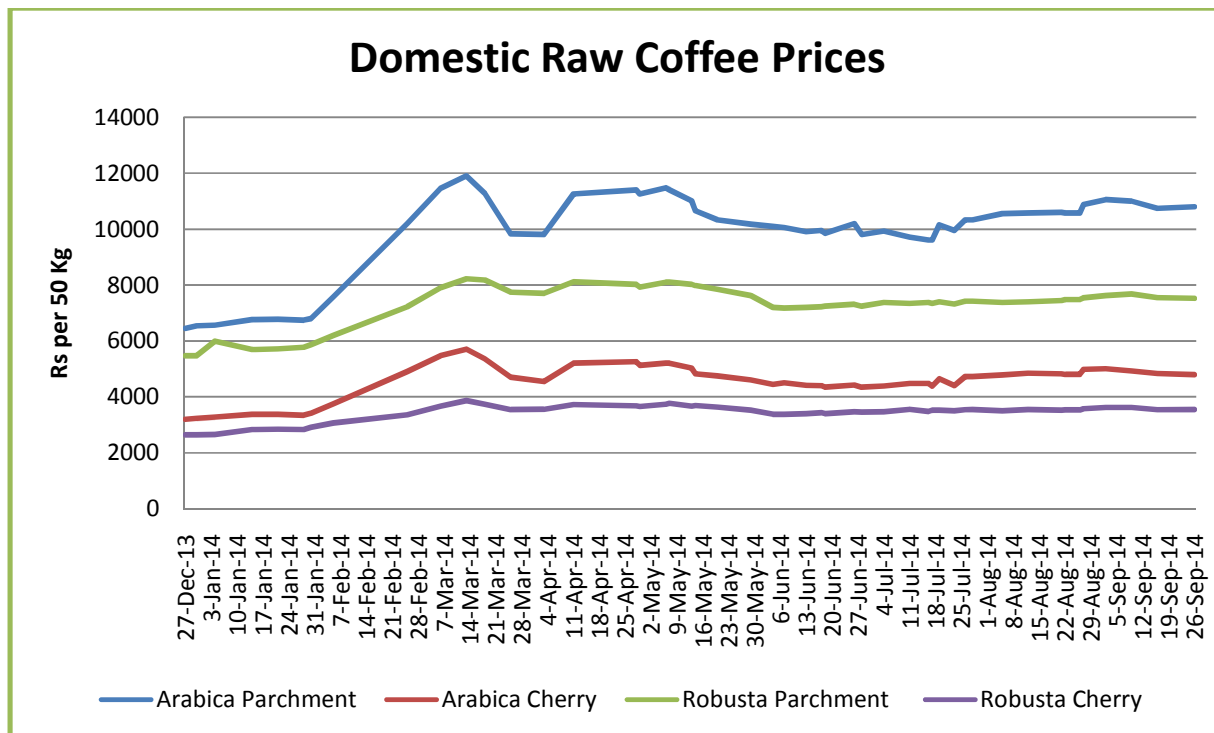
Below chart shows Production, Exports and Ending stocks details of India since 2009/2010:-



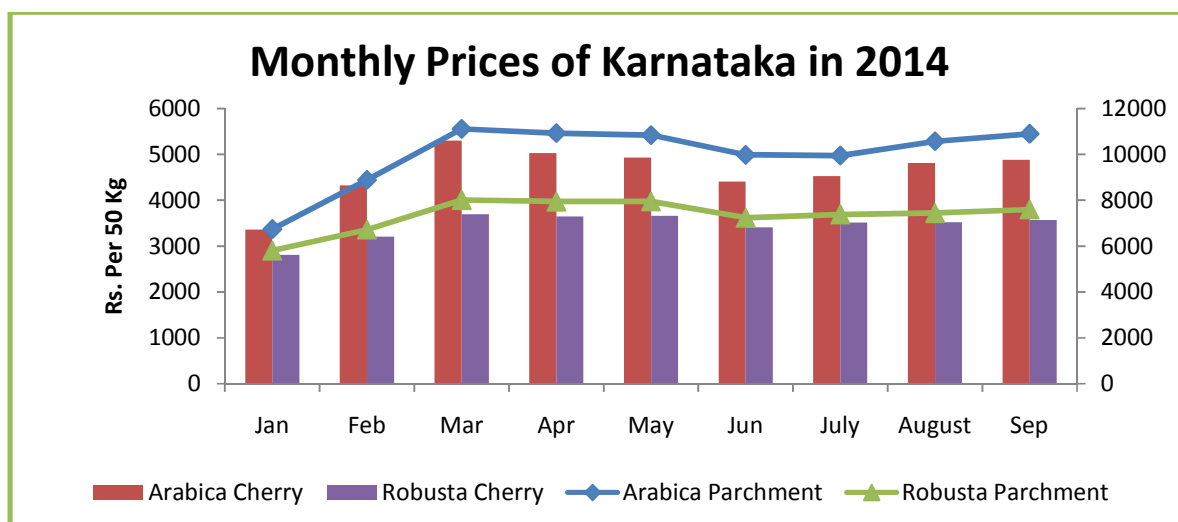
Source: USDA

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	3.10.2014	26.9.2014	Change
Arabica Parchment	--	10500-11100	--
Arabica Cherry	--	4775-4800	--
Robusta Parchment	--	7400-7650	--
Robusta Cherry	--	3425-3650	--

* Values in Rs per 50 Kg

ICTA Auction Prices (Karnataka)

Grade	3.10.2014	26.9.2014	Change	3.10.2014	26.9.2014	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 continue surged due to severe drought in Brazil which may reduce total coffee output of 2014/15 and 2015/16 as well. Prices were settled at 206.5 US cents/lb as on 3rd Oct 2014 compared to 186.05 US cents/lb of last week prices. Speculators have increased their net long position by 4286 lots to 27,206 lots during this week as reported by U.S. Commission data. Liffe Robusta future prices of December contract climbed at 2080 USD/T from the level of 1959 USD/T of the last week prices on the back of good Robustas demand. Prices are up almost 90% in 2014.

Brazil:- As per crop forecaster at Somar Meteorologia, recent coffee plants are moving ahead to flowering stage which will mature as beans for harvesting beginning in May 2015 however crops sizes are likely to decline because most of the coffee trees are suffering from two week dry spell this month.

According to Brazil based research firm Safras & Mercado, Coffee Farmers in Brazil had sold almost 44% of the crop till August end higher from 32% of the last year records. Higher pace of crop delivery indicates zero stocks availability with farmers or producers from the current season harvest, with concerns of a second successive drought-hit harvest in 2015. Normally, raining season starts from the September month in Brazil but it is still dry mostly in Arabica region.

Brazil's total production in 2014 may touch 47 million bags as said by Coffee Network. While, Analysis group FO Licht sees total output near 43 million bags in the current season.

Vietnam:- Vietnam's growers are now ready to deliver their stocks after hitting the market price level around 41,000 dong (\$ 1.93) per kg on Thursday but farmers are not having enough stocks to take much advantage on prevailing higher price as added by traders.

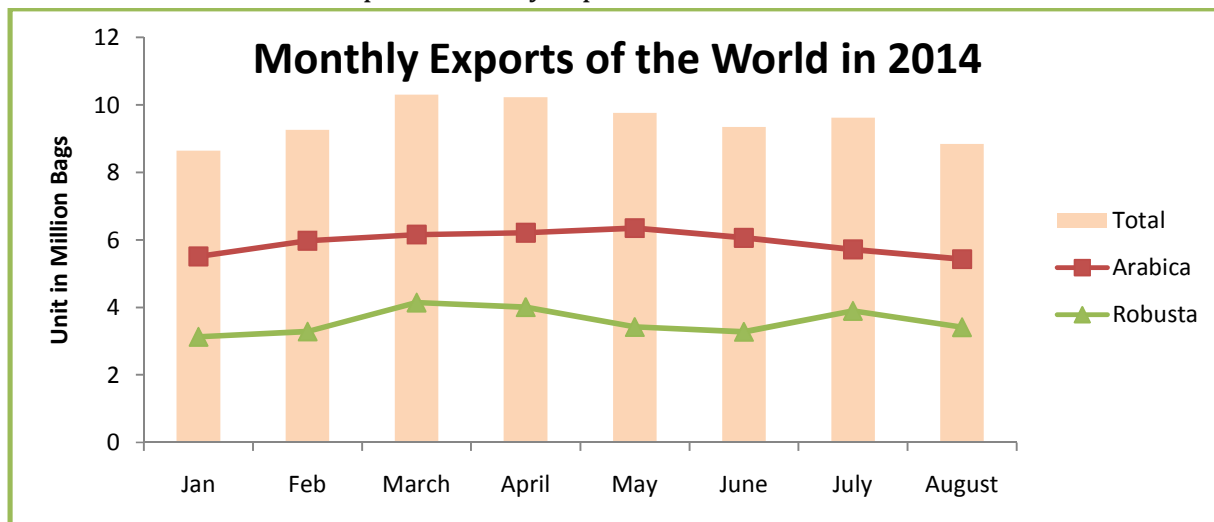
Others:-

- As per Government trade data, the coffee exports of Sumatra which is the main growing area of Indonesia declined by 62% to 21,035.74 tonnes in September-2014 comparing to last year record during the same month.
- As per Tanzania Coffee Board (TCB), the average Arabica coffee prices surged followed by good demand. The benchmark grade AA Arabica were quoted at \$193-\$243 per bags at the auction held last Thursday (30th September 2014) against \$180-\$253 per bags in the previous week sale. East African coffee is normally packed in 60 kg bags however the prices are quoted for quantities of 50 kg.
- Nicaragua's coffee output are expected to climb by 7% to 1.61 million bags 60-kg bags from last year output i.e. 1.5 million bags after controlling the tree-killing fungus roya as said by National coffee Council Conacafe.

World Coffee Production Estimate 2014-15

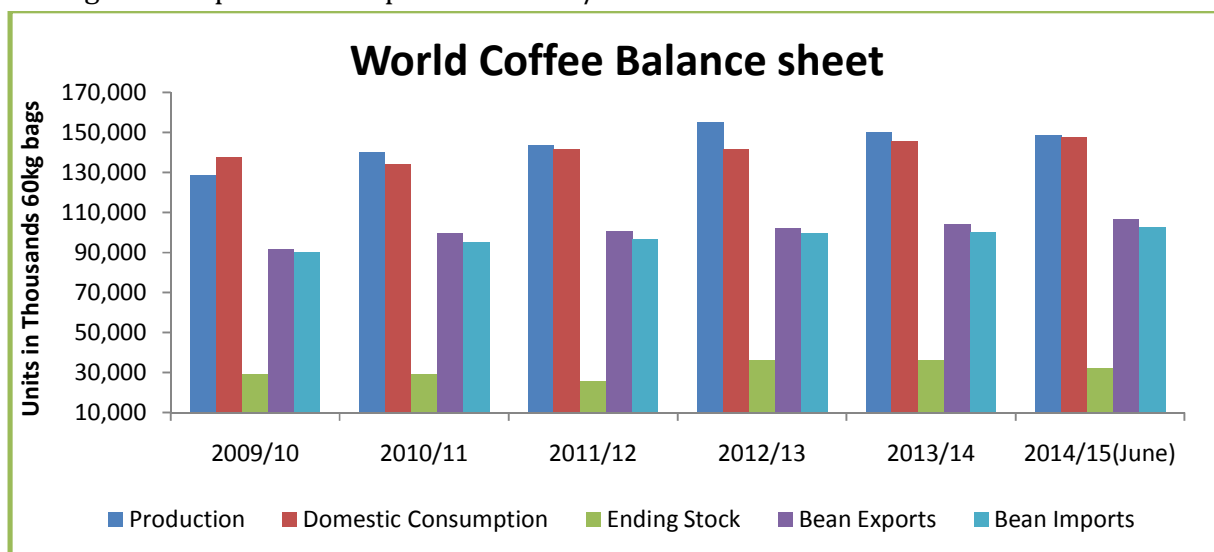
According to the ICO data, total monthly exports of the world is estimated down by 8.02% to 8.84 million bags during August-2014 against 9.61 million bags of July-2014 followed by declining exports of total volume of Arabica by 4.99% to 5.43 million bags and Robustas by 12.46% to 3.41 million bags against in August month against 5.71 million bags and 3.90 million bags respectively of last month exports.

Below mentioned chart depicts monthly exports of the World in 2014 :-



Source: ICO

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 is kept on higher side by 2.46% to 106.6 million bags subsequently bean imports of the world is estimated 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 :-



Source: USDA

International Coffee Price Trend

	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	3.10.2014	26.9.2014	3.9.2014	3.10.2013
ICO Composite Indicator	174.57	159.07	171.41	--
Colombian Milds				
US	220.5	200	214.25	--
Europe	230.47	208.84	224.49	--
Group Indicator	225.09	204.06	218.96	--
Other Milds				
US	228.69	209.19	226	--
Europe	227.3	206.04	223.05	--
Group Indicator	227.83	207.24	224.17	--
Brazilian Naturals				
US	182.5	164	182.25	--
Europe	206.29	184.98	200.9	--
Group Indicator	200.1	179.53	196.05	--
Robusta				
US	108.58	103.08	108.17	--
Europe	103.67	97.15	102.16	--
Group Indicator	104.45	98.1	103.12	--

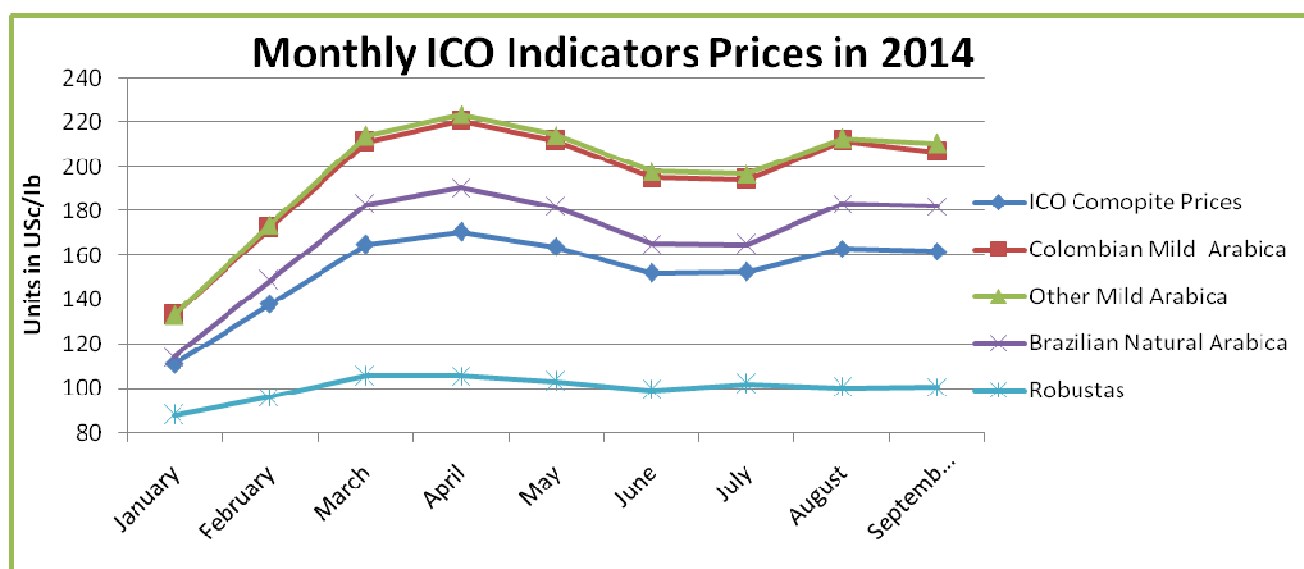
Germany Market - Hamburg and Bremen, France Market - (Le Havre and Marseilles) * Values in US cents/lb

All ICO group indicators as Columbian-mild, Other-milds and Brazilian-Naturals and Robusta are remain quoted upside to 225.09, 227.83, 200.10, 104.45 respectively as compared to previous week prices and last month as well in the corresponding period of time. The Prices will make a record high in expectation of a deficit in global coffee output for 2014/15 and 2015/16 as well.

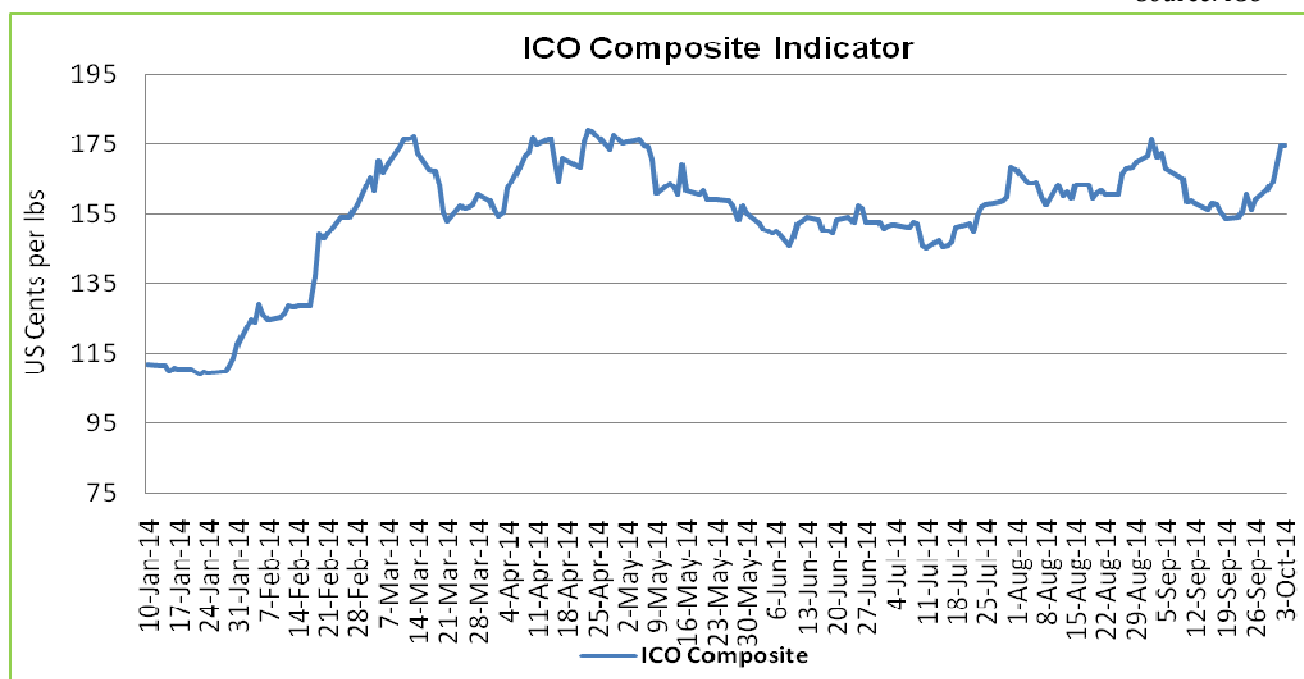
International Coffee Indicators Chart:-

In the below chart, ICO composite indicators on monthly basis are showing slight down phase in September-2014 comparing to last month prices despite Robustas prices which shows minor gain. Columbian Mild Arabica is significantly down by 2.27% to 206.78 Usc/lb in Sep Month against August month prices due to uncertainty in the market about crop sizes in this season. In the current scenario, adverse weather condition mainly in Brazil has compelled traders to set lower crop size for both 2014/15 and 2015/16 year due to which prices are expected to make a record high in future.

Below Chart shows monthly average prices of ICO Indicators Prices in 2014:-



Source: ICO



Source: ICO

International- Future Market Prices:-

ICE Arabica Coffee Futures Prices				
Contract Months	3-October-2014	Week ago (26 September,2014)	Month Ago (3 September,2014)	Weekly Change (%)
December-2014	210.30	190.25	202.3	10.54
March-2015	212.05	192.70	206.25	10.04
May-2015	213.10	194.20	208.25	9.73

USC/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	3-October-2014	Week ago (26 September,2014)	Month Ago (3 September,2014)	Weekly Change (%)
November-2014	2093	1955	2062	7.06
January-2015	2102	1969	2070	6.75
March-2014	2110	1980	2076	6.57

USD/T

International Coffee Prices:

	3.10.2014	26.9.2014	3.9.2014	3.10.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	39100	38500	40300	35850
Vietnam FOB (2-5 pct)* (Saigon port)	1928	1905.5	2009	1691
Indonesian FOB (4-80 defects)** (Lampung Port)	1960	1960	2100	1740

*FOB Values are in USD/T

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



Weekly Technical Outlook:-

- Candlestick chart shows higher side supported by active buying activities.
- Rising 14 days EMI and Volume hints uptrend of the market.
- Additionally, RSI is moving up in neutral region at 62.78 from 54.9 the level of last week, indicating further bullish trend of the market.
- Breaching the level of 214.18 level prices may test a significant upside movement.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Range-bound to Bearish Momentum	180-213

US cents/lb

Expected Support and Resistance

S2	S1	PCP	R1	R2
169.61	179.07	206.5	214.18	220.49

US cents/lb

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



Weekly Technical Outlook:-

- Candlestick chart shows a good gain in the market followed by buyers interests.
- Increasing 14- days EMI are supporting upward trend of the market.
- While, RSI hints upside movement of the market after moving up at 56.1 against 47.79 of previous week.
- Prices may trade in the range of 2005-2130 in next week.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Range-bound to Bearish Momentum	2005-2130

USD/T

Expected Support and Resistance

S2	S1	PCP	R1	R2
1866	1903	2080	2136	2163

USD/T

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