

Highlights of The Week

Coffee Auction Prices in Karnataka pegged at higher side due to increasing demand against lower supplies. 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. The dry weather conditions are also expected to affect the crop for the next year 2015.

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 cover stocks around 2 to 10% for the season as added by them.

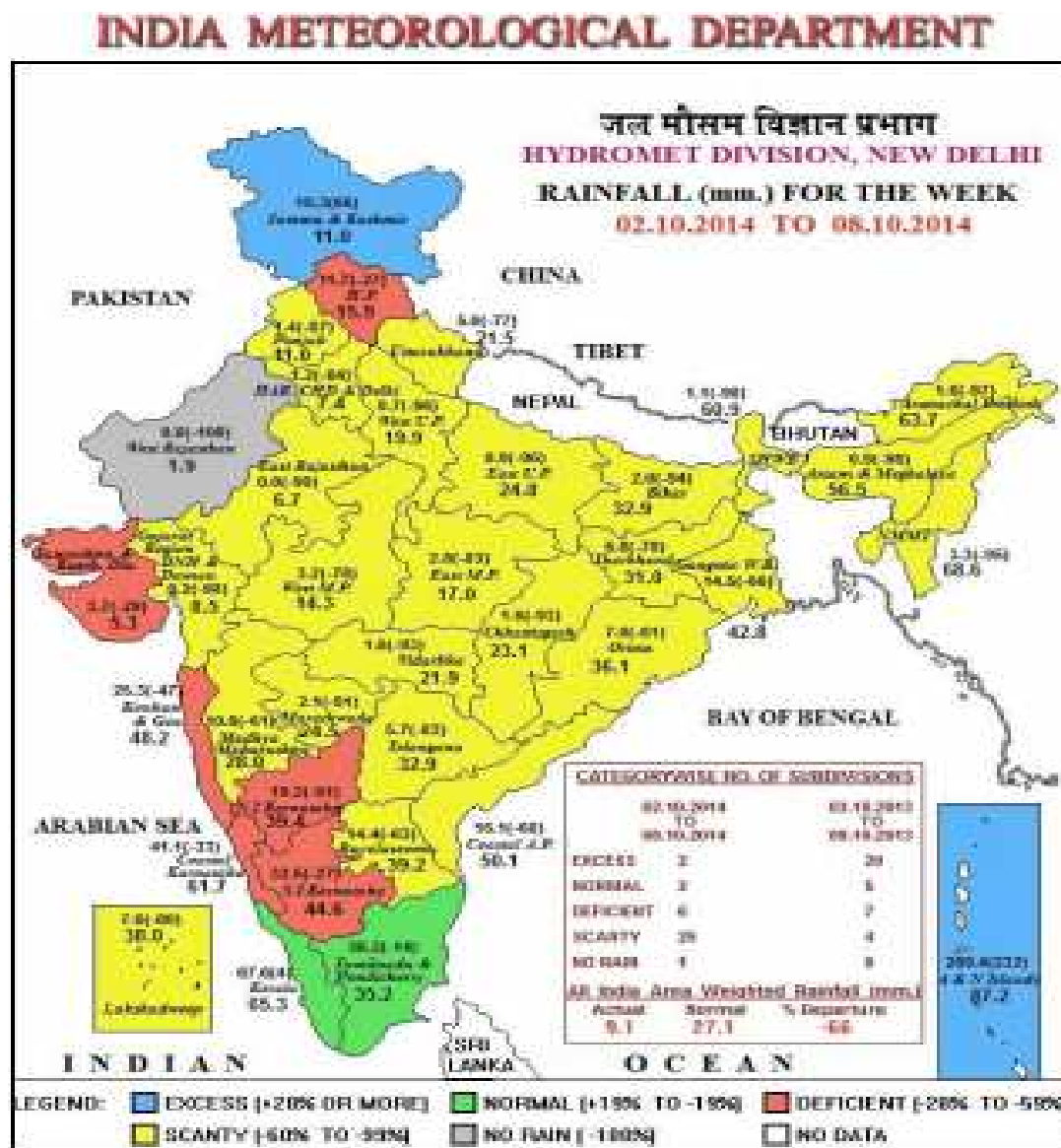
As per DGCIS report, India has received total coffee exports revenue around Rs. 323.47 crore while in USD 53.12 million during August 2014 lower by 13.8% in Rs. and 10.53% in USD respectively against Rs.375.26 crore and USD 59.37 million respectively of previous year in August month and Rs.2138.41 crore 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.

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.

As per traders projections, Vietnam may export around 100,000 tonne (1.67 million 60-kg bags) in October month, the estimates is same as shipped in September month. It is likely to gain a significant gain by 64% in October 2014 against October 2013 records. Vietnam has harvested total coffee beans at 28 million bags in 2014 as added by Reuters Poll. Carryover stocks to 2014/15 is recorded around 4 million bags supported by higher output at 30 million bags in 2013/14.

As per USDA released data in June 2014, Brazil's production is forecasted to decline 8.48% to 49.50 Million bags in 2014/15 against previous year estimates at 53.70 Million bags due to dry weather condition. USDA forecast is higher than ICO coffee crop projection i.e. 44.57 million bags for 2014/15. While, India is forecasted to produce higher coffee bean at 5.125 million bags up by 2.28% from last year production estimates i.e. 5 million bags however lower than the estimates of 5.3 million bags in 2012/13.

Weather Updates of India

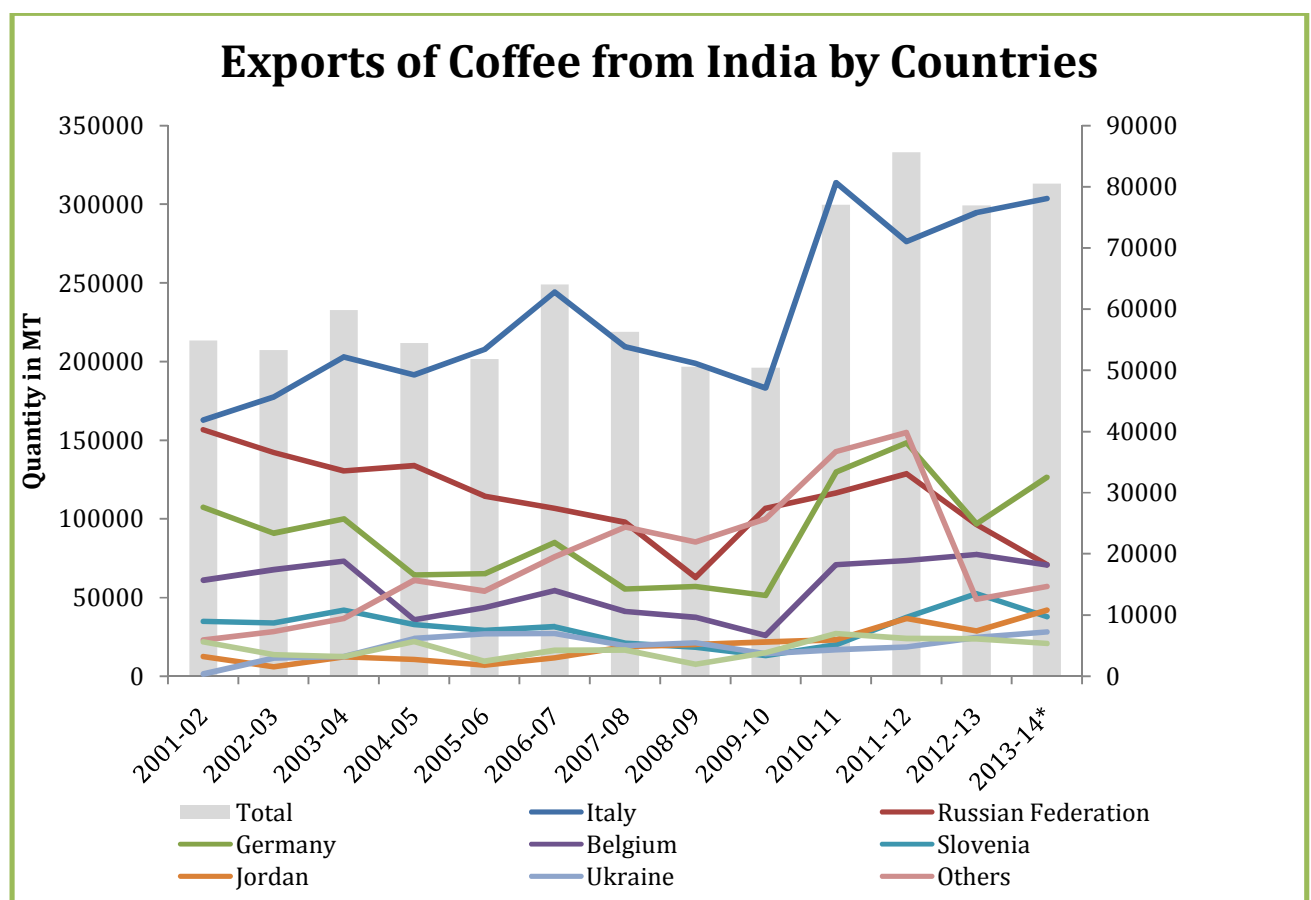


- The Southwest Monsoon further withdrew from remaining parts of Jammu & Kashmir, Himachal Pradesh, west Uttar Pradesh, Gujarat state, north Arabian Sea, entire Uttarakhand, some parts of north Madhya Maharashtra and north Konkan and some more parts of east Uttar Pradesh and Madhya Pradesh on 5th and from remaining parts of East Uttar Pradesh, most parts of Bihar and some more parts of Madhya Pradesh on 7th.
- Rain/Thundershower would occur at many places over Bihar, East India, northeastern states and south Peninsular India with possibility of isolated heavy to very heavy rainfall over Bihar up to 15th October and decrease their after.
- Significant decrease in rainfall activity over Odisha, Andhra Pradesh and Chhattisgarh from 14th onwards.

Exports and Imports of India

Total Exports are increasing year on year basis in Italy, Germany and Jordan followed by rising consumption. Italy, Russian Federation and Germany showed good quantity of bean imported from India since 2007/2008. As per the estimates of the Coffee Board of India, India has exported to Italy with total quantity at 78033 MT up 3%, Germany at 32465 MT up 30%, Jordan up 46% at 10789 MT however lower quantity in Russian Federation by 26.43% to 18220 and USA down by 12.23% to 5375 in 2013/14 (Jan-2014 to May-2014) from last year records.

Below Chart depicts exports of Coffee From India by countries -FY 2001/02 to 2013/14*:-



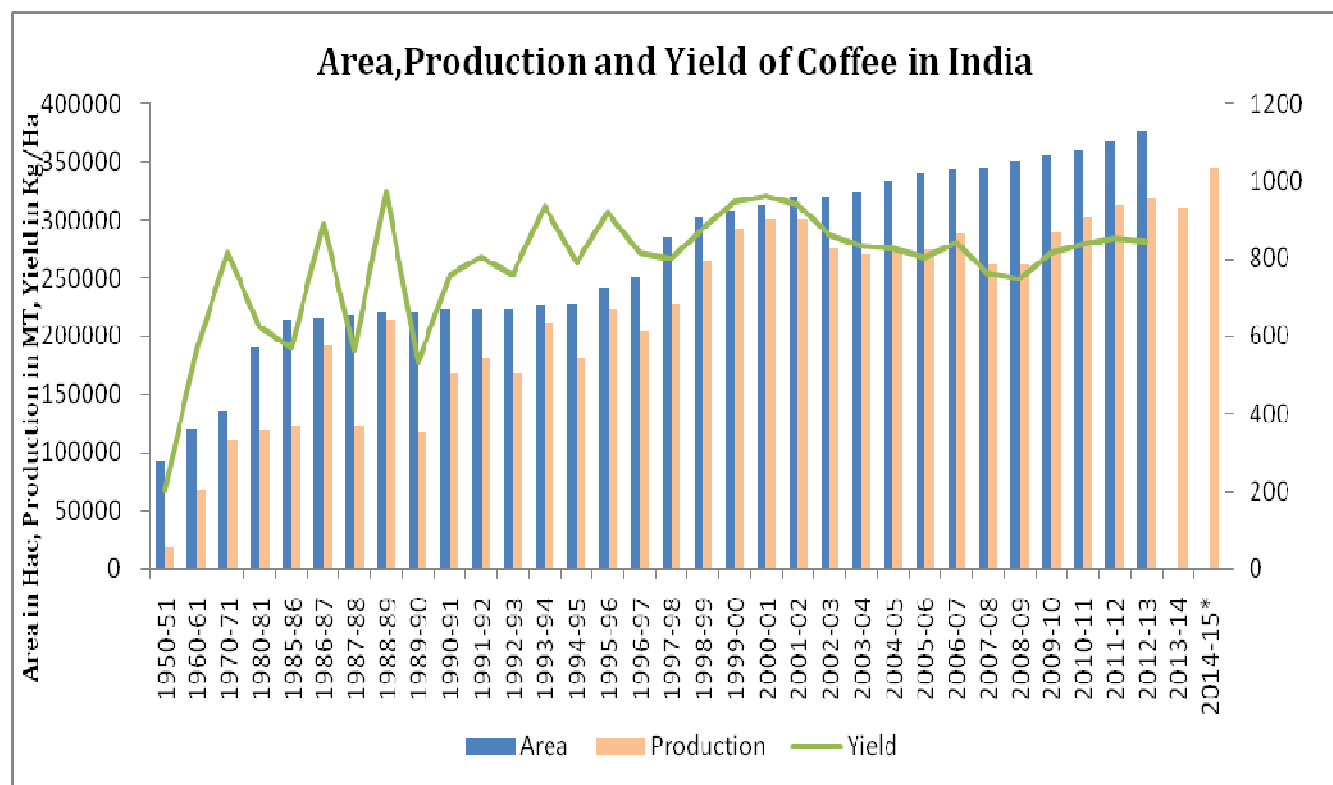
Source: The coffee Board Of India

Domestic Crop Condition and Production

The yield of Robusta is recorded at 1097 kg/ha in 2012/13 continued higher since 2009/10 supported by good weather condition. Robusta's harvesting period starts normally from 1st week of Feb which is used for instant coffee and blends. Arabica's 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.

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.

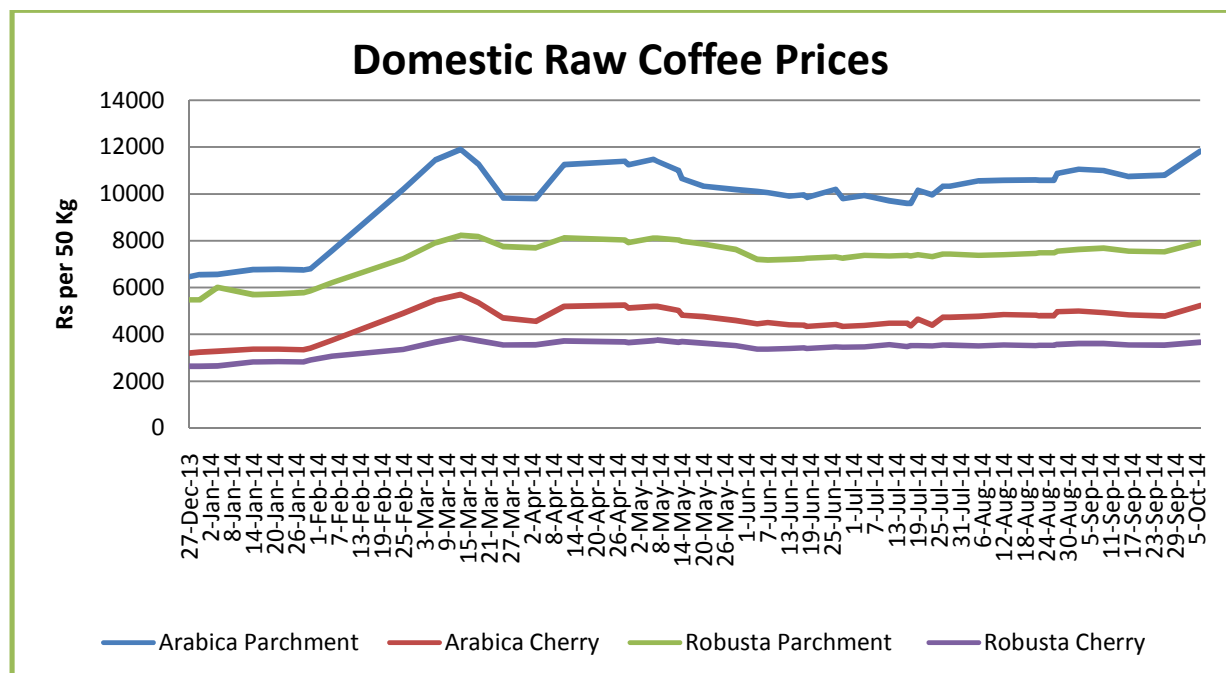
Below mentioned chart depicts total India coffee production since 1950-51 onward:-



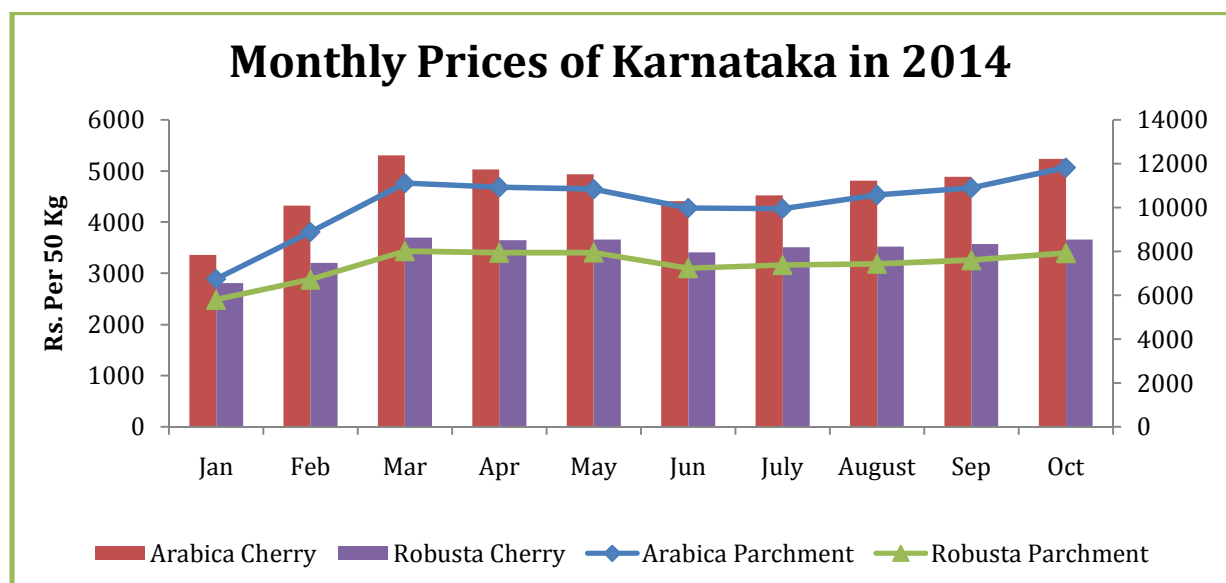
Source: The Coffee Board Of India

Coffee Prices of Auction Market & State-wise Market

Prices are significantly inched up against last 6 month price movements due to lower crops projection of the World for 2014/15 and 2015/16. 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 as on date are also high in Oct 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	6.10.2014	3.10.2014	Change
Arabica Parchment	11350-12300	--	--
Arabica Cherry	5175-5300	--	--
Robusta Parchment	7850-8000	--	--
Robusta Cherry	3625-3700	--	--

* Values in Rs per 50 Kg

ICTA Auction Prices (Karnataka)

Grade	10.10.2014	3.10.2014	Change	10.10.2014	3.10.2014	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	294.5	--	--	--	--	--
AA	--	--	--	--	--	--
PB	--	--	--	--	--	--
A	--	--	--	260.00	--	--
AB	--	--	--	--	--	--
B	--	--	--	--	--	--
C	--	--	--	--	--	--
BBB	185.3	--	--	--	--	--
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	--	--	--	--	--
A	--	--	--	--	--	--
PB	--	--	--	150.54	--	--
AA	--	--	--	155.94	--	--
AB	--	--	--	160.00	--	--
B	--	--	--	--	--	--
C	--	--	--	--	--	--
BBB	--	--	--	--	--	--

Values in Rs. per kg

International Market Updates:

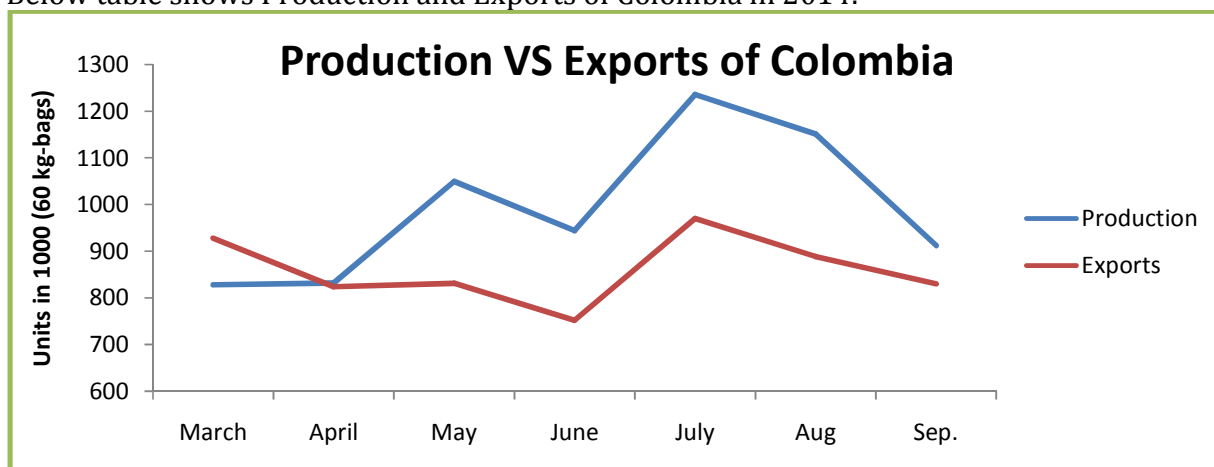
Weekly Futures Review -ICE Arabica coffee future prices of December contract closed up followed by severe drought in Brazil which may reduce total coffee output of 2014/15 and 2015/16 as well. Prices were settled at 220.4 US cents/lb as on 10th Oct 2014 compared to 210.30 US cents/lb of last week prices. ICE future U.S. increased margin for trading Arabica futures by 5.8% to \$ 5,500 effective from October-9,2014. Thriving coffee prices, prompted coffee companies like J.M. Smucker, Folgers Dukin Donuts Coffee, Starbucks Corp. and Kraft Food Group Inc. to increase their retail prices and possibly they will again raise their prices in future as well amid low harvest in Brazil during 2014 due to persistence drought. U.S coffee roasters J.M Smucker Co. has already raised 9% of its coffee retails price after future surged 61% in the first quarter as per sources.

Brazil:- Coffee Flowers that blossomed from August to late September may fall down in lack of rain as recently informed by Sao Paulo research group. Dry weather in Brazil may extend in next two weeks as per World Weather Inc. Coffee flowers needs continuous moisture for successful pollination and setting of coffee fruits for 2015 harvest. Normal rain may occur at the end of October and continue through November and on into the rainy season that peaks in January and February as said by forecasters Somar. Southern Minas Gerais state is projected to get 11 mm of rain on Oct 23 and 10 mm on Oct.27. Brazil is the world's top arabica coffee supplier by volume. As per Brazil's National Coffee Council, total production in 2015 may fall as much as 18% to 40.1 million bags, the estimates is lower than five decades.

Vietnam:- As per a survey report, farmers in Vietnam have total 50,000 tonnes in their hand for further delivery as recorded in Sep month lower from 100,000 tonnes of last year in the same period of time. Traders could not enjoy of higher prices due to lower stocks availability as on date.

Colombia :- Arabica coffee output in Colombia is recorded 6% higher to 912,000 (60-kg bags) in September 2014 against same month in 2013 as production rebounds after a run of low harvest as hit by diseases and adverse weather as per the Coffee Growers' Federation. Additionally, total production stood at 12.12 million bags of twelve month.

Below table shows Production and Exports of Colombia in 2014:



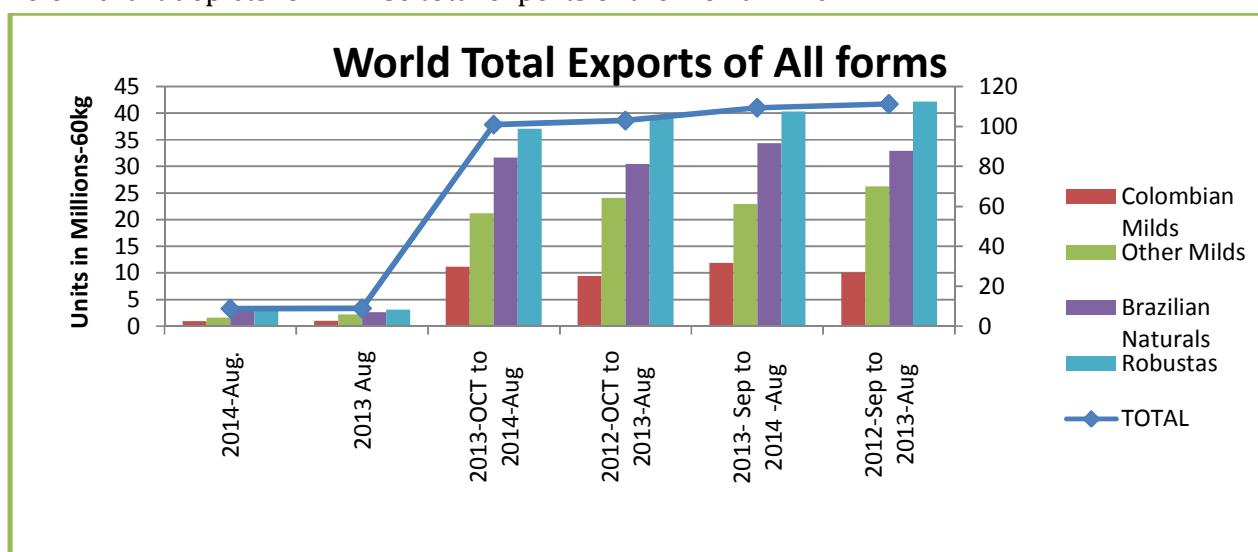
Source:- Reuters

Coffee Estimates of the World

World Export Scenario:-

As per ICO, total world coffee exports amounted lower by 1.19% to 8.84 million bags in Aug against 8.95 million bags of August 2013. Total exports in last ten month (Oct-2013 to Aug-2014) is reported down by 2% to 101.03 million bags compared to previous ten month (Oct-2012 to August-2013) exports i.e. 103.10 million bags despite higher contribution of Columbia mild and Brazilian Naturals which stood up by 18.26% to 11.15 million bags and 4% to 31.66 million bags respectively from 9.27 million bags and 30.41 million bags respectively of last year exports during the corresponding period of time.

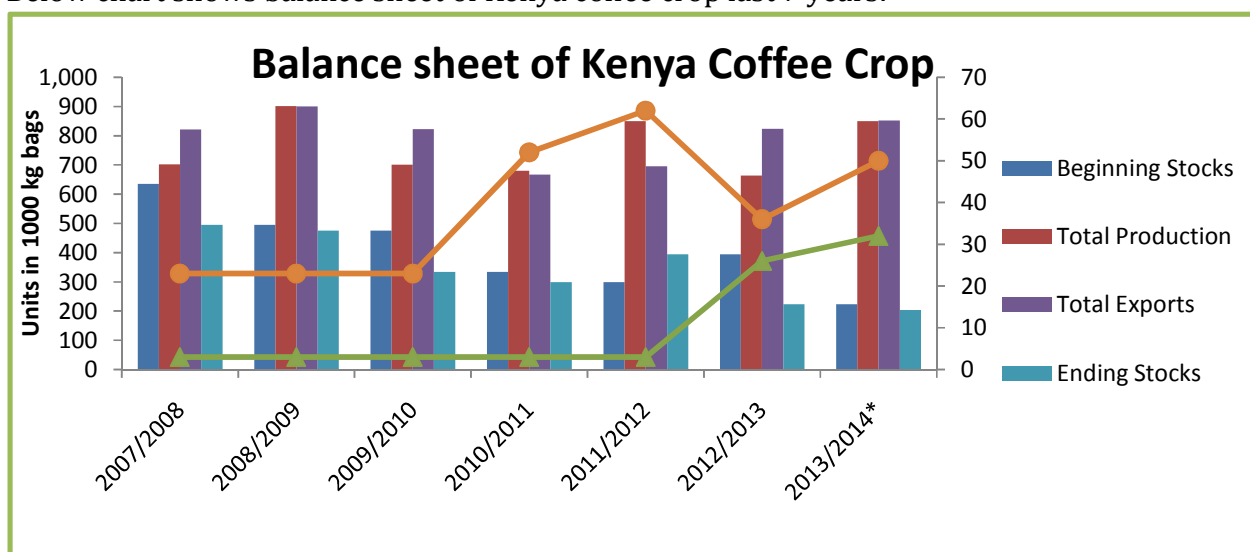
Below chart depicts form-wise total exports of the world in 2014:-



Source: ICO

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

International Coffee Price Trend

	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	10.10.2014	3.10.2014	10.9.2014	10.10.2013
ICO Composite Indicator	183.28	174.57	158.28	--
Colombian Milds				
US	234.5	220.5	196.25	--
Europe	240.29	230.47	206.48	--
Group Indicator	237.16	225.09	200.95	--
Other Milds				
US	242.44	228.69	204.69	--
Europe	238.49	227.3	203.06	--
Group Indicator	239.99	227.83	203.68	--
Brazilian Naturals				
US	195.5	182.5	161.25	--
Europe	216.68	206.29	182.24	--
Group Indicator	211.17	200.1	176.79	--
Robusta				
US	112.33	108.58	106.5	--
Europe	107.16	103.67	100.46	--
Group Indicator	107.99	104.45	101.42	--

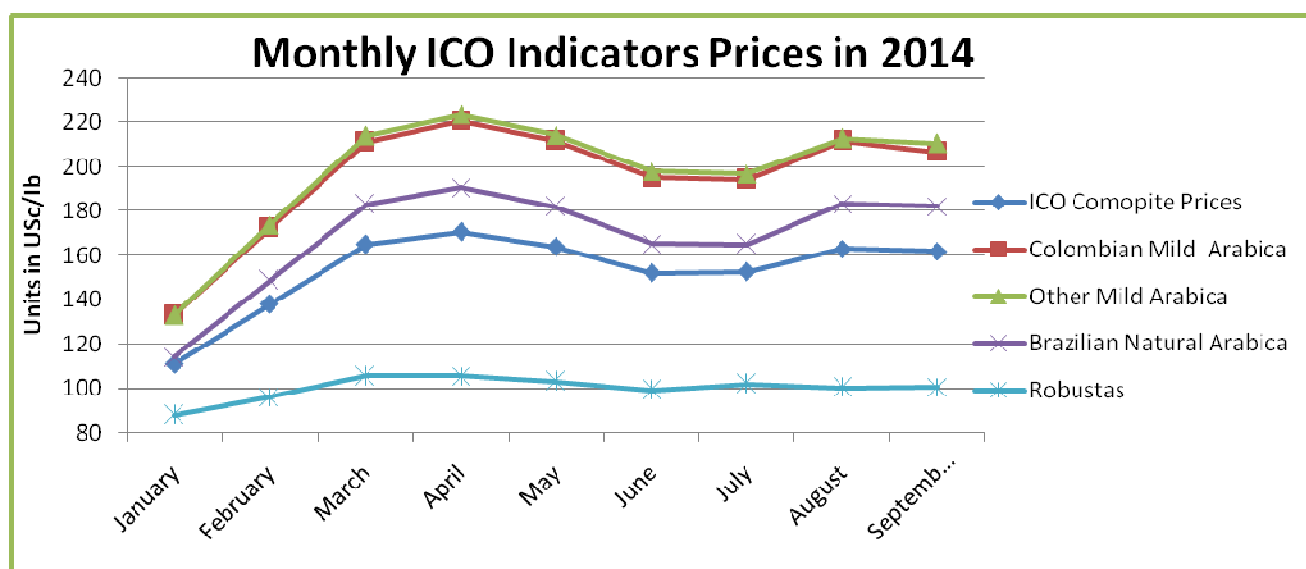
Germany Market - Hamburg and Bremen, France Market - (Le Havre and Marseilles) * Values in US cents/lb

All ICO group indicators as Columbian-mild, Other-milds and Brazilian-Naturals and Robusta are remain quoted upside to 237.16, 239.99, 211.17, 107.99 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.

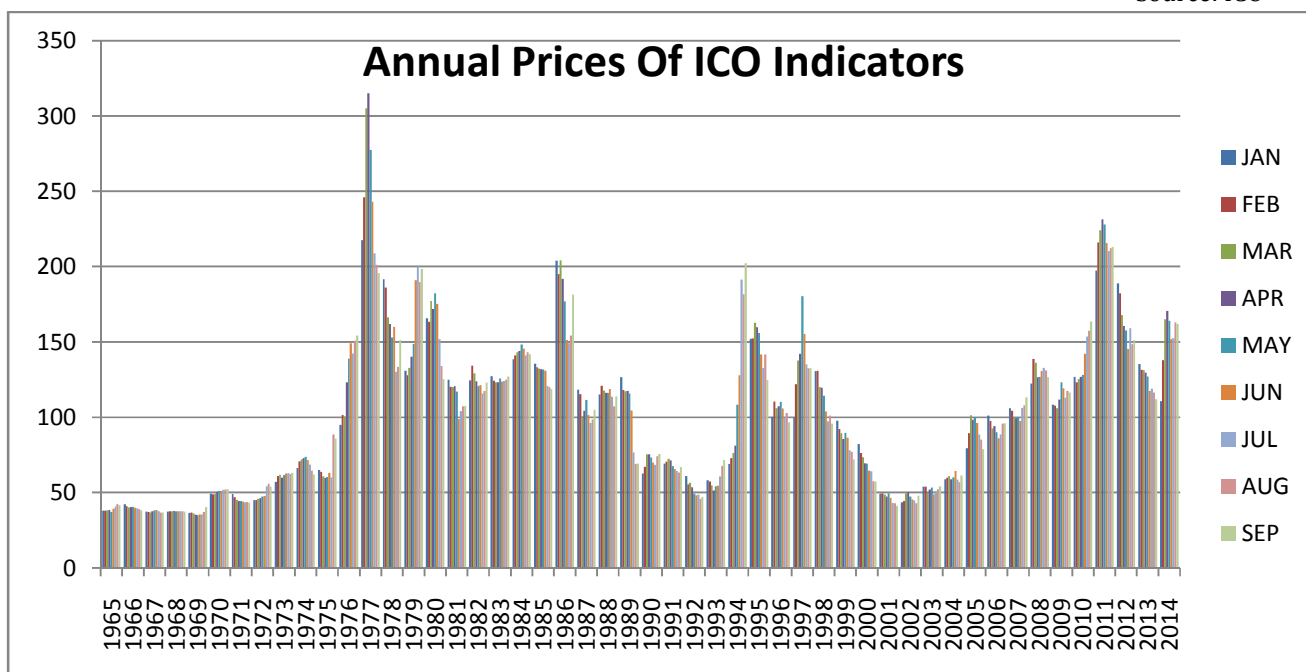
International Coffee Indicators Chart:-

In the below chart, ICO composite indicators are quoting up in Sep month 2014 as compared to last two years prices during the same month on the concern over drought in Brazil. Prices are featuring almost higher level if we compare to last 20 years in Sep month exclusive prices of 2010 and 2011 in the corresponding month. 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	10-October-2014	Week ago (3 October,2014)	Month Ago (10 September,2014)	Weekly Change (%)
December-2014	220.40	210.30	181.25	4.80
March-2015	224.20	212.05	185.30	5.73
May-2015	226.05	213.10	187.65	6.08

USC/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	10-October-2014	Week ago (3 October,2014)	Month Ago (10 September,2014)	Weekly Change (%)
November-2014	2159	2093	2018	3.15
January-2015	2176	2102	2028	3.52
March-2014	2186	2110	2039	3.60

USD/T

International Coffee Prices:

	10.10.2014	3.10.2014	10.9.2014	10.10.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	42150	39100	40300	36500
Vietnam FOB (2-5 pct)* (Saigon port)	2077	1928	2009	1789
Indonesian FOB (4-80 defects)** (Lampung Port)	2090	1960	2009	1790

*FOB Values are in USD/T

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



Weekly Technical Outlook:-

- Candlestick chart shows continuous uptrend amid buyers pressure.
- Rising 14 days EMI and Volume hints uptrend of the market in upcoming days.
- Additionally, RSI is moving up in neutral region indicating further bullish trend of the market.
- Breaking from the current level prices may test first support level at 200.35 @61.5% of Fibonacci retracement level on lower side.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
<u>Range-bound to Bearish Momentum</u>	210-230

US cents/lb

Expected Support and Resistance

S2	S1	PCP	R1	R2
192.3	200.35	220	230	245

US cents/lb

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



Weekly Technical Outlook:-

- Candlestick chart depicts upside movement for last two week.
- 14- days EMI is quoting up at 2026 from 2005 of last week record, supporting further uptrend of the market.
- On the other hand, Rising Volume and RSI hints further upside movement of the market.
- Prices may trade in the range of 2200-2235 in next week.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
<u>Range-bound to Bearish Momentum</u>	2200-2235

USD/T

Expected Support and Resistance

S2	S1	PCP	R1	R2
1901	2002	2159	2238	2283

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