

Highlights of The Week

Coffee Auction Prices in Karnataka featured mild low prices during this week due to profit booking. Average domestic prices in this year are quoting higher side consolidating by international coffee price hike supported by dry spell as extended in Brazil during 2014 and 2015 during coffee crops season. As per Karnataka Planters Association, demand of Indian coffee will increase further when Brazil is short which will boost up domestic prices to inch up further.

As per Traders, Robusta crops in Tamilnadu and Karnataka are in good condition as compared to previous year crops resultantly farmers may receive 10 to 15% higher crops in this year however Arabica crops has suffered by the White stem borer due to heavy rain at the time of flowering stage which may decline Arabica crops size. The harvesting of Arabica crops will commence in second week of November in 2014. Higher prices prompted farmers to cover higher plantations of coffee in this year. Some of coffee producers are shifting to coffee from other crops as Cardamom. Mostly nurseries are out of the coffee plants due to increasing demand of plants. In Karnataka, growers are trying to cover plains area as well for the plantations of coffee during the current season.

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.

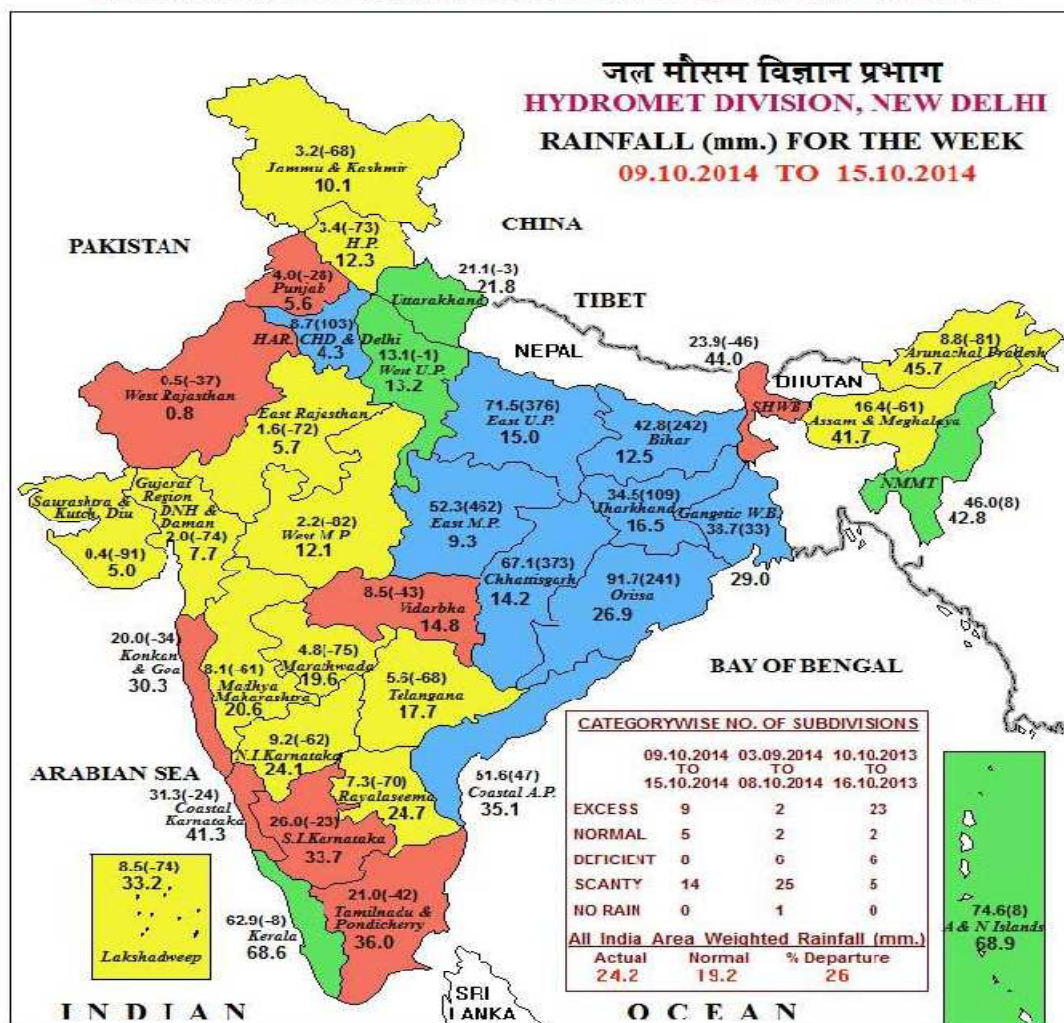
As per IMD, India has received below cumulative rainfall by 30% to 35.1 mm as compared to normal rain 50.4 mm from 1st Oct to 15th Oct, 2014 followed by Coastal Karnataka down by 28% to 81 mm normal rain from 111 mm, South Interior Karnataka down by 22 mm to 67 mm from 86 mm normal rain, Kerala down by 3% to 139 mm from 143 mm normal rain.

According to ICO, Mexico and Central America accounting for 18.8% of global Arabica supply, produced 16.02 million 60-kg bags in this season that ended at the end of September in 2014. As per MDA Weather Services rain from Sumatra to Sulawesi in Indonesia this week will add soil moisture and cherries which will help to boost up production of Indonesia for next year.

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.

Weather Updates of India

भारत मौसम विज्ञान विभाग
INDIA METEOROLOGICAL DEPARTMENT



NOTES:

[a] Rainfall figures are based on operational data.

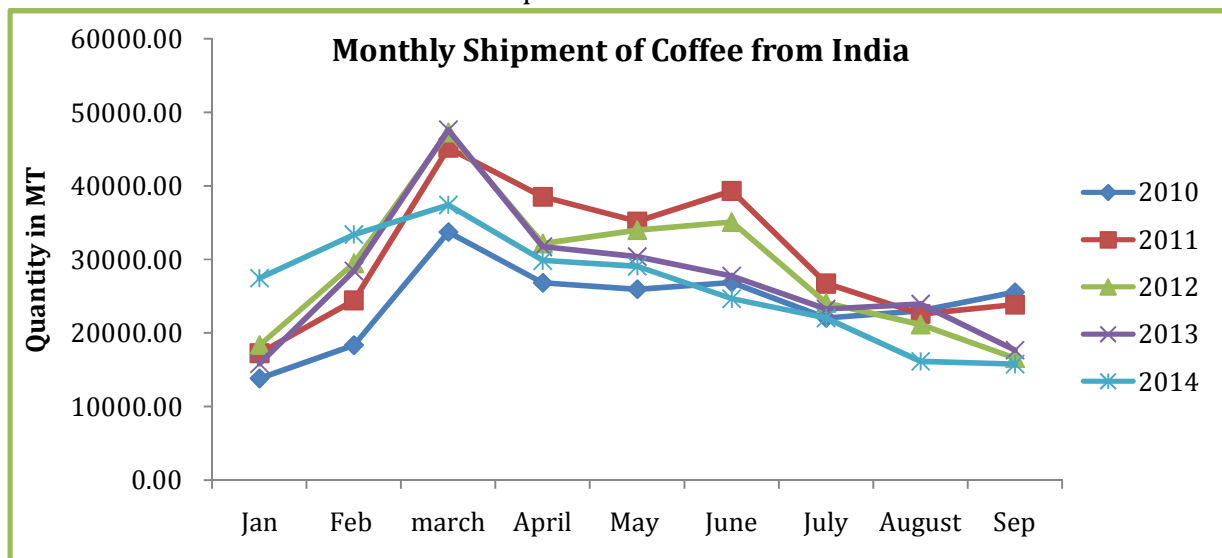
[b] Small figures indicate actual rainfall (mm.), while bold figures indicate Normal rainfall (mm.)
Percentage Departures of Rainfall are shown in Brackets.

- The Cyclonic Storm 'HUD HUD' moved west-northwestwards and gradually attained the intensity of a Very Severe Cyclonic Storm, thereby becoming this year's strongest storm so far over the Bay of Bengal. It crossed north Andhra Pradesh coast over Vishakhapatnam between 1200 & 1300 hours IST of 12th October 2014.
- An upper air cyclonic circulation lies over interior Tamilnadu & adjoining Kerala extending upto 0.9 km above mean sea level.
- Conditions are favorable for further withdrawal of southwest monsoon from some more parts of Central & East India during next 1- 2 days.

Exports and Imports of India

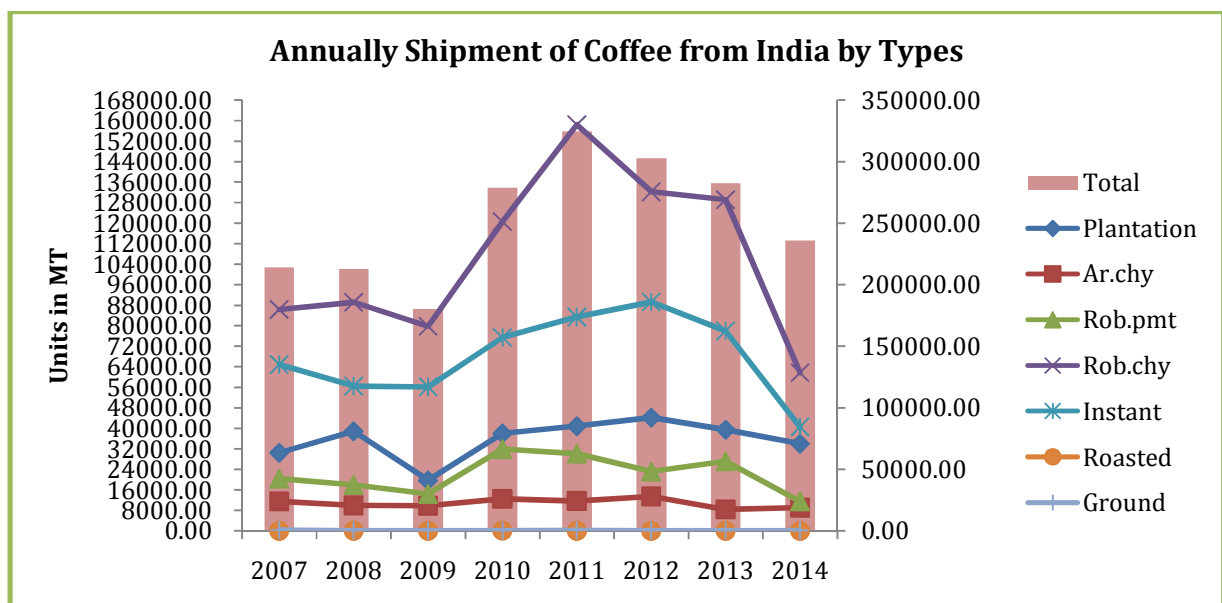
Total exports are falling month on month basis in 2014 due to lower availability of stocks. As compared to last 4 years records, Indian coffee exports stood down after quoting significantly low volume as 16140 MT and 15772 MT in August and Sep month in 2014 respectively following major declining quantity of Robusta parchment, Robusta cherry and Instant coffee types in 2014 against last year volume of exports.

Below mentioned chart shows total shipment of coffee from India:-



Source: The Coffee Board of India

Below Chart depicts annually shipment of Coffee from India since 2007 to 2014:-



(2014* consists total exports up to Sep month 2014 only)

Source: The Coffee Board of India

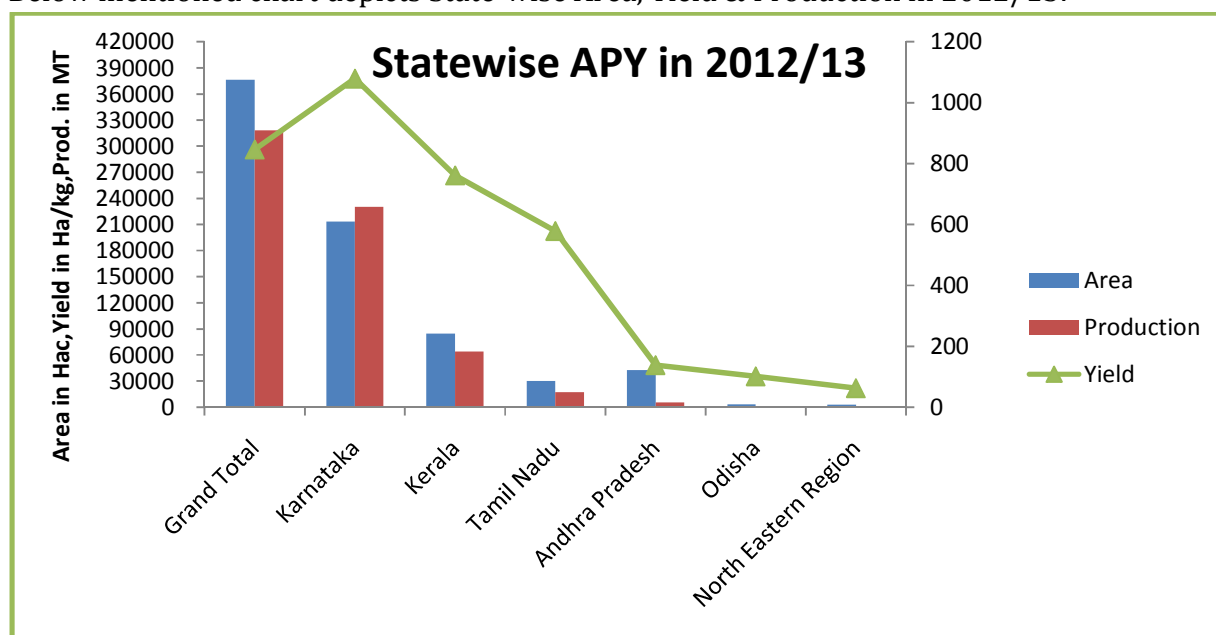
Domestic Crop Condition and Production

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.

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.

Below mentioned chart depicts State-wise Area, Yield & Production in 2012/13:-

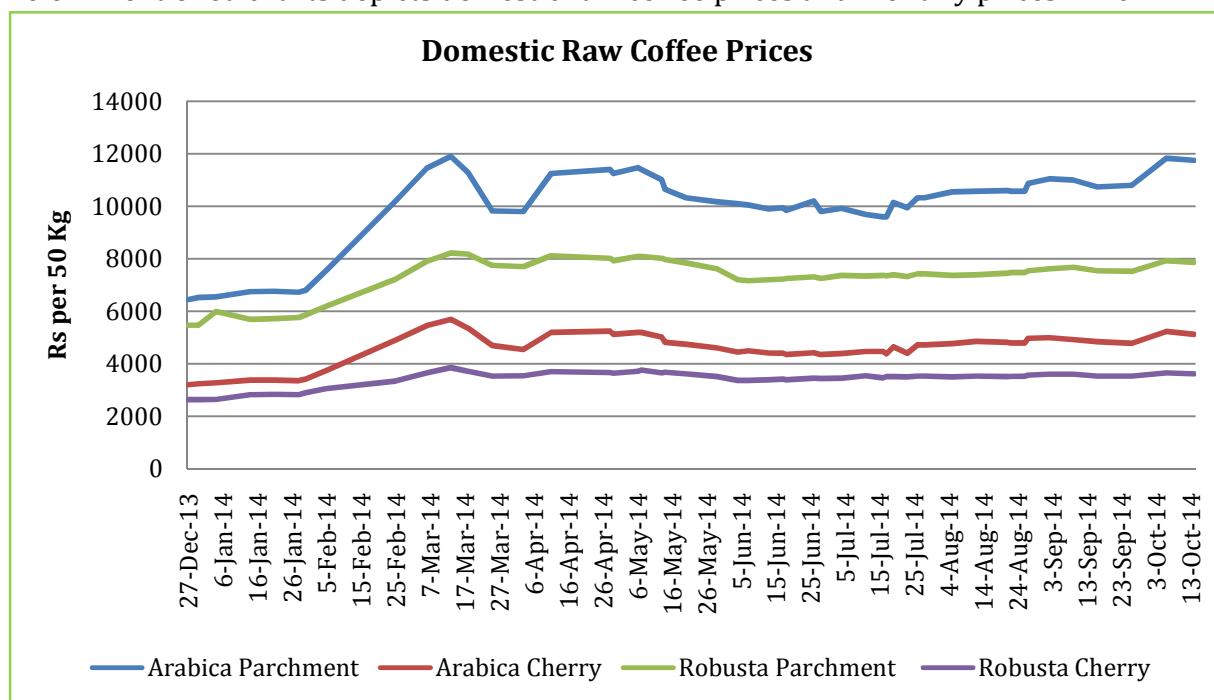


Source: The Coffee Board Of India

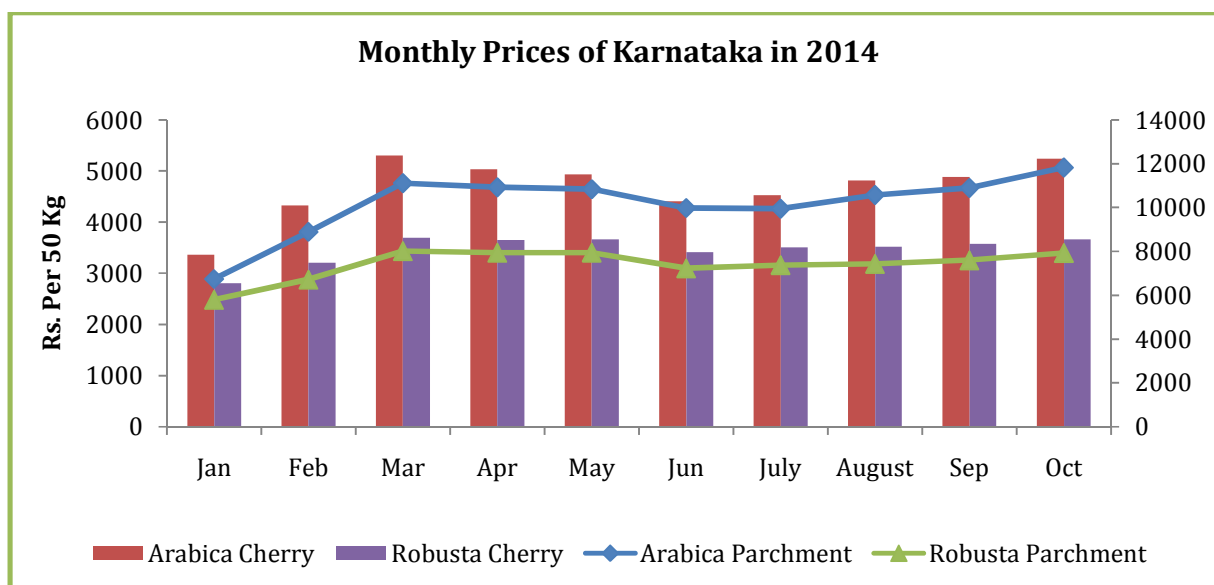
Coffee Prices of Auction Market & State-wise Market

Overall domestic prices ruled down on the back of profit booking. Prices of Arabica Parchment, Arabica Cherry, Robusta Parchment and Robusta cherry are notified lower by 0.63% to 11750 Rs. per 50 kg, 2.14% to 5125 Rs., 0.63% to 7875 Rs. and 1.02% to 3625 Rs. during this week compared to 11825,5237,7925,3662.Rs. per 50 kg of the last week. 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.

Below mentioned charts depicts domestic raw coffee prices and monthly prices in 2014:-



Source: The Coffee Board Of India



Source: The Coffee Board Of India

Domestic Raw Coffee Prices(Karnataka):

Variety	14.10.2014	6.10.2014	Change
Arabica Parchment	11500-12000	11350-12300	-300
Arabica Cherry	5050-5200	5175-5300	-100
Robusta Parchment	7850-7900	7850-8000	-100
Robusta Cherry	3600-3650	3625-3700	-50

* Values in Rs per 50 Kg

ICTA Auction Prices (Karnataka)

Grade	17.10.2014	10.10.2014	Change	17.10.2014	10.10.2014	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 down followed by severe drought in Brazil which may reduce total coffee output of 2014/15 and 2015/16 as well. Prices inched down by 4% to 210.65 US cents/lb as on 17th Oct 2014 compared to 220.40 US cents/lb of last week prices. Speculators of ICE future have raised their net long position in Arabica coffee futures and options by 5,965 contracts to 38,201 contracts as per U.S Commodity Futures Trading Commission data. Liffe Coffee prices pull down by 1.94% to 2117 USD/T during this week against 2159 USD/T of previous week closing. Certified Robusta coffee stocks held in NYSE Liffe-nominated warehouses increased to 119,950 tonnes as of Oct. 13 against 111,670 tonnes as of Sept.29,2014 as recently mentioned in the exchange data.

Brazil:- Coffee belts like southeast growing region and Minas Gerais in Brazil may receive heavier rainfall volume next two weeks however with below average precipitation as per local and U.S weather forecasters. Coffee flowers need 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:- Crop demand of Vietnam from new harvest is sliding as compared to Indonesia's crop due to its cheaper price as on current scenario. As of now, harvesting of coffee is finished in Indonesia while the farmers in Vietnam will peak coffee crop next month. Total exports of coffee is registered 0.4% down to 97,300 tonnes (1.62 million 60 kg-bags) from the previous month records as stated by Vietnam customs.

Others :-

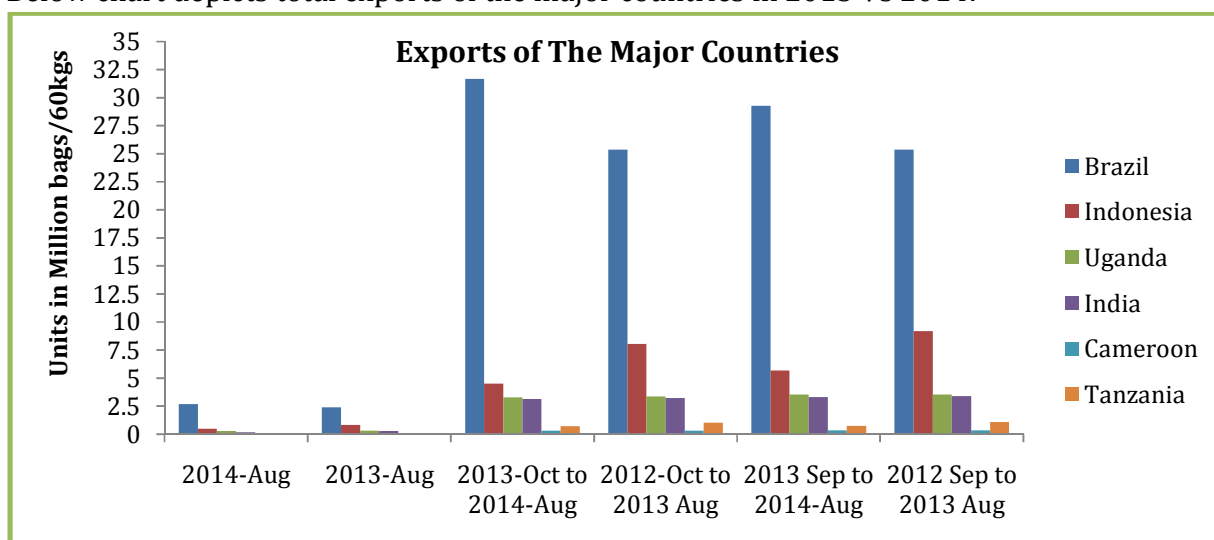
- As per sources, coffee exports in Uganda declined by 7% to 207,927 60-kg bags in September against last year exports during the same month due to poor yield and less availability as it is the end period of harvesting in 2014.
- Prices of benchmark grade AA Arabica in Tanzania were quoted at auction last Thursday \$ 226.00-\$285.00 per bags higher from \$ 225.20-\$247.40 per bags at the previous week's sale due to lower supplies against higher demand followed by the offered volume by 12,132 bags and completely sold against 18,768 sold bags of previous week.
- In Indonesia, supplies have reported to decline as harvesting nears its end for this year. Daily bean deliveries from plantations to warehouses in Bandar Lampung fell to about 400 tons this month from 2,000 tons at the peak of the harvest in July, as stated by Luthfie. Further he added that moderate rains will favor northern Sumatra this week and lighter showers are forecast for south of the island, Java and Sulawesi.
- 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.

Coffee Estimates of the World

World Export Scenario:-

According to ICO, Brazil's exports climbed by 24.84 million bags to 31.67 million bags during Oct-2013 to August-2014 against 25.37 million bags in the corresponding period of time last year supported by increasing consumption. On the other hand, Indonesia, Uganda, India are registered lower exports volume by 44.22% to 4.49 million bags, 2% to 3.29 million bags and 2.74% to 3.12 million bags during Oct-2013 to Aug-2014 compared to 8.06 million bags, 3.35 million bags and 3.21 million bags in the same period of time preceding year.

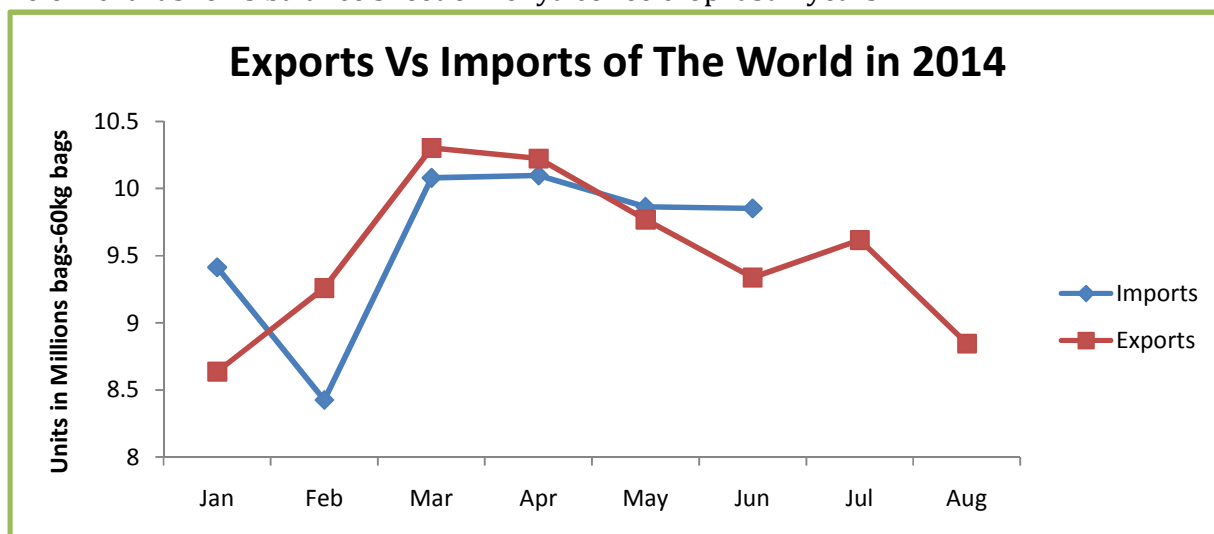
Below chart depicts total exports of the major countries in 2013 Vs 2014:-



Source: ICO

Imports and Exports of the world touched highest volume in March and April month in 2014 due to heavy supplies as mostly harvesting period starts in March and April. On the other hand, exports fell by 8% to 8.84 million bags in August month compared to July month in 2014.

Below chart shows balance sheet of Kenya coffee crop last 7 years:-



Source: ICO

International Coffee Price Trend

	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	17.10.2014	10.10.2014	17.9.2014	17.10.2013
ICO Composite Indicator	176.80	183.28	157.65	--
Colombian Milds				
US	224.75	234.5	198.75	--
Europe	232.04	240.29	204.03	--
Group Indicator	228.10	237.16	201.18	--
Other Milds				
US	232.94	242.44	207.69	--
Europe	229.47	238.49	203.74	--
Group Indicator	230.79	239.99	205.24	--
Brazilian Naturals				
US	186.75	195.5	164.75	--
Europe	208.03	216.68	180.03	--
Group Indicator	202.50	211.17	176.06	--
Robusta				
US	110.33	112.33	104.75	--
Europe	104.99	107.16	98.11	--
Group Indicator	105.85	107.99	99.17	--

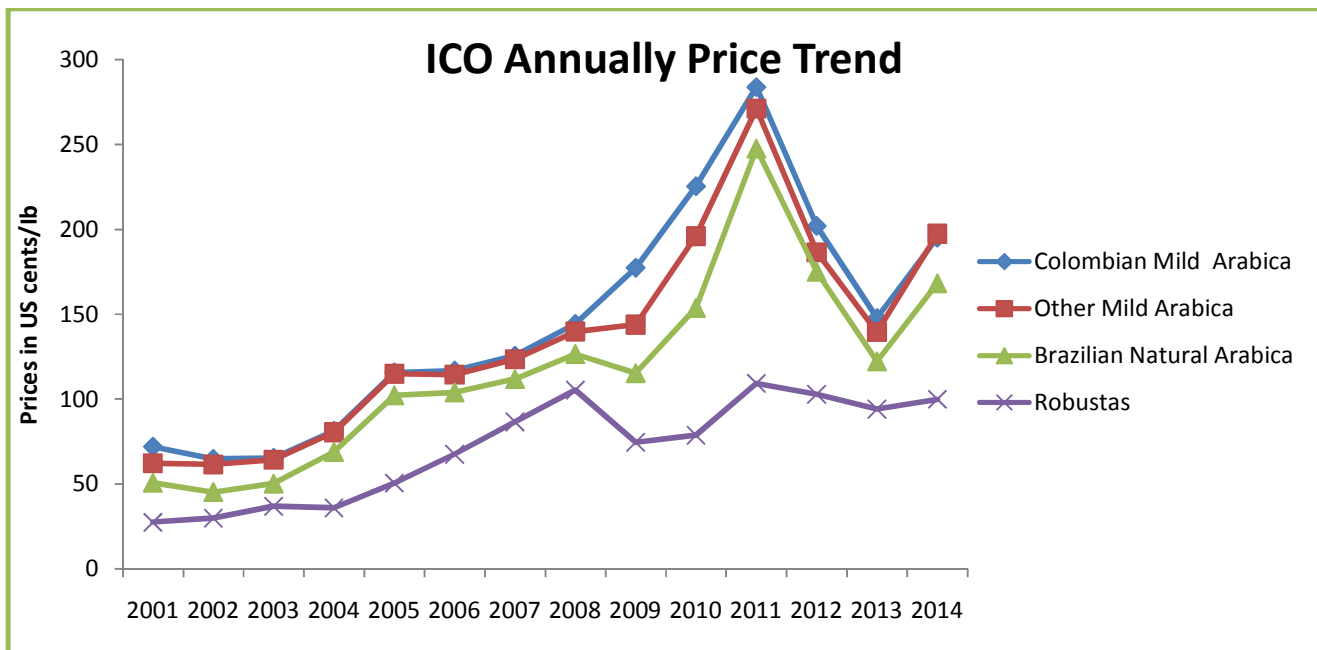
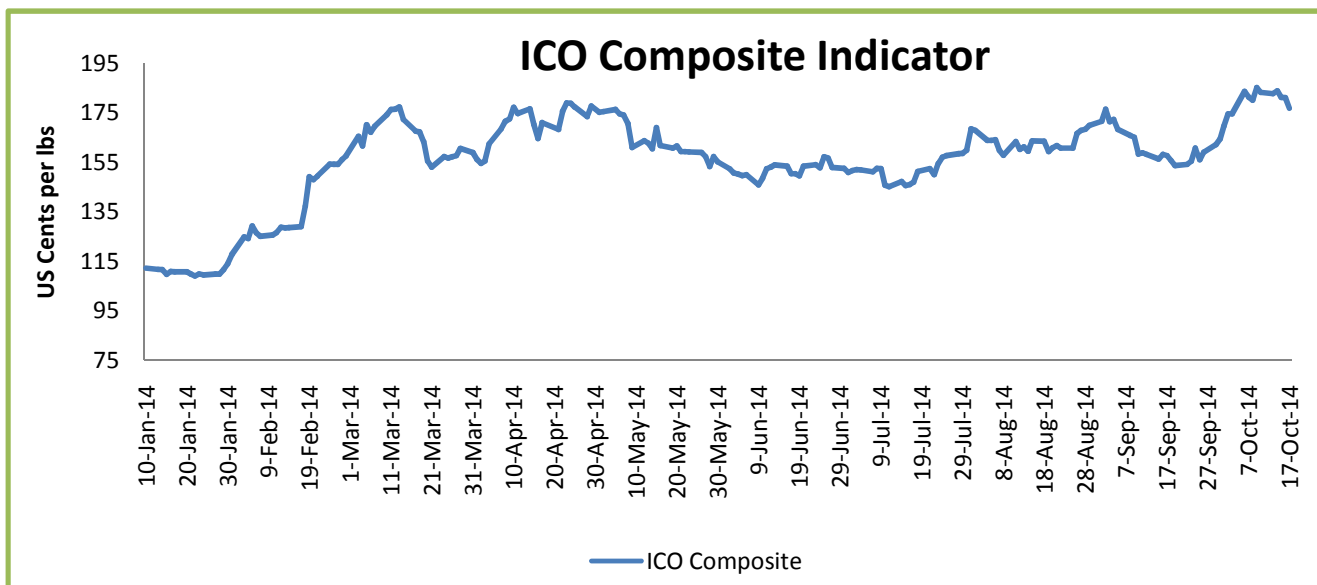
Germany Market - Hamburg and Bremen, France Market - (Le Havre and Marseilles) * Values in US cents/lb

All ICO group indicators as Columbian-mild, Other-milds and Brazilian-Naturals and Robusta are closed downside to 228.10, 230.79, 202.50, 105.85 respectively as compared to previous week prices. However prices are remain high compared to last month prevailing prices. In Long run, 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:-

The price of ICO composite Indicators featured down side to 176.8 USC/lb against last week prices 183.28 USC/lb after forecasts for rain in top-grower Brazil. While, annual ICO Prices are firmed up as compared to last year prices after major contribution of Colombia Mild Arabica which increased by 31.97% to 195.13 US cents/lb compared to 147.87 US cents/lb in 2013 due to severe drought situation in Brazil.

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



International- Future Market Prices:-

ICE Arabica Coffee Futures Prices				
Contract Months	17-October-2014	Week ago (10 October,2014)	Month Ago (17 September,2014)	Weekly Change (%)
December-2014	210.65	220.40	184.85	-4.42
March-2015	214.60	224.20	189.00	-4.28
May-2015	216.65	226.05	191.40	-4.15

USC/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	17-October-2014	Week ago (10 October,2014)	Month Ago (17 September,2014)	Weekly Change (%)
November-2014	2117	2159	1977	-1.94
January-2015	2129	2176	1990	-2.15
March-2014	2138	2186	2000	9.30

USD/T

International Coffee Prices:

	17.10.2014	10.10.2014	17.9.2014	17.10.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	41600	42150	39150	36450
Vietnam FOB (2-5 pct)* (Saigon port)	2067	2077	1905.50	1789
Indonesian FOB (4-80 defects)** (Lampung Port)	2090	2090	1990	1740

*FOB Values are in USD/T

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



Weekly Technical Outlook:-

- Candlestick chart shows downward momentum on profit booking.
- Rising 14 days EMI hints further uptrend of the market in upcoming days.
- While, Decreasing RSI and Volume are supporting lower trend of the market in days ahead.
- Breaking level of Fibonacci retracement 61.5% to 189.9, Prices may test further 50% to 168.49 the level of Fibonacci retracement.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
<u>Range-bound to Bearish Momentum</u>	198-210

US cents/lb

Expected Support and Resistance

S2	S1	PCP	R1	R2
189.90	196.37	210.65	225.35	235.40

US cents/lb

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



Weekly Technical Outlook:-

- Candlestick chart depicts declining phase of the market after selling pressures.
- 14- days EMI is quoting up at 2044 from 2026 of last week record, supporting further uptrend of the market.
- However, falling Volume and RSI hints further downside phase of the market.
- Prices may trade in the range of 2050-2140 in next week.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
Range-bound to Bearish Momentum	2050-2140

USD/T

Expected Support and Resistance

S2	S1	PCP	R1	R2
2002	2044	2117	2158	2200

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