

Highlights of The Week

Maximum varieties of Coffee auction prices in Karnataka market were seen unchanged due to the festival season. Long dry spell in the main coffee growing country Brazil, is remain heading prices to go up in days ahead as stated by Karnataka Planters Association. Total output of Indian Arabica crops may also reduce due to white stem borer diseases which will remain help prices to boost up in 2014/15.

As per Indian Traders, Arabica new crops are almost standing 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 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 suffered by the White stem borer due to heavy rain at the time of flowering stage which may decline Arabica crops size. 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.

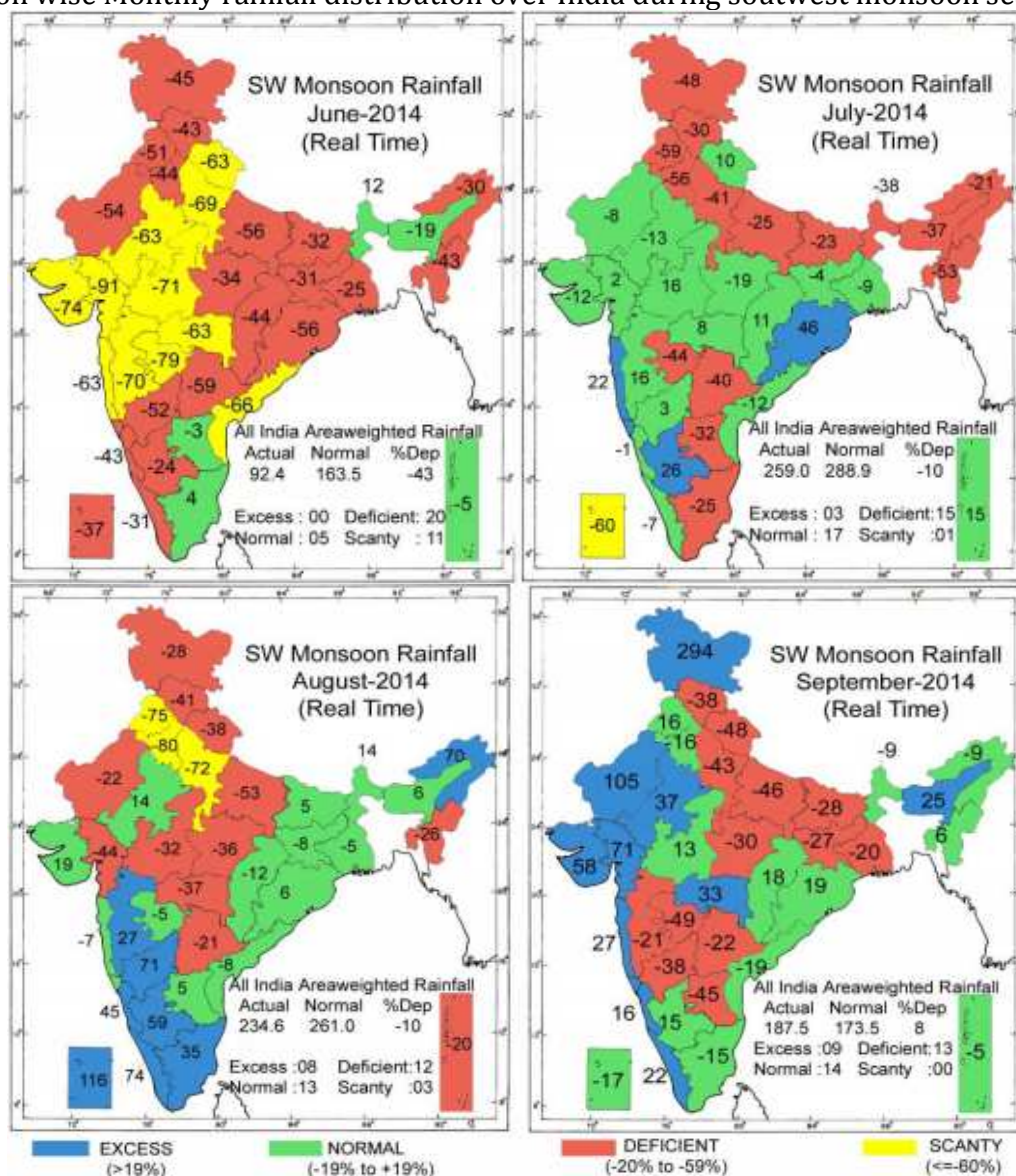
As per DGCIS report, India has received total coffee exports revenue around Rs. 323.47 crore while in USD 53.12 million during August 2014 lower by 13.8% in Rs. and 10.53% in USD respectively against Rs.375.26 crore and USD 59.37 million respectively of previous year in August month and Rs.2138.41 crore 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 Brazil-based Somar meteorologists, access rainfall could be seen over all of Brazil's coffee regions starting from Oct 28 through Nov. 6 with the arrival of a new cold front. Coffee growing belts are expected to get roughly 50 millimeters (2 inches) rainfall during the above mention period of time. Minas Gerais which is the most Brazil's drought-hit coffee state, is likely to get more rain around 15 and 70 mm (0.6 to 2.8 inches) from Oct.22 and Oct. 26 in the coming days as compared to 0 and 15 mm that hit state in the last 7 days.

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.

Weather Updates of India

Sub-division wise Monthly rainfall distribution over India during southwest monsoon season-2014:-



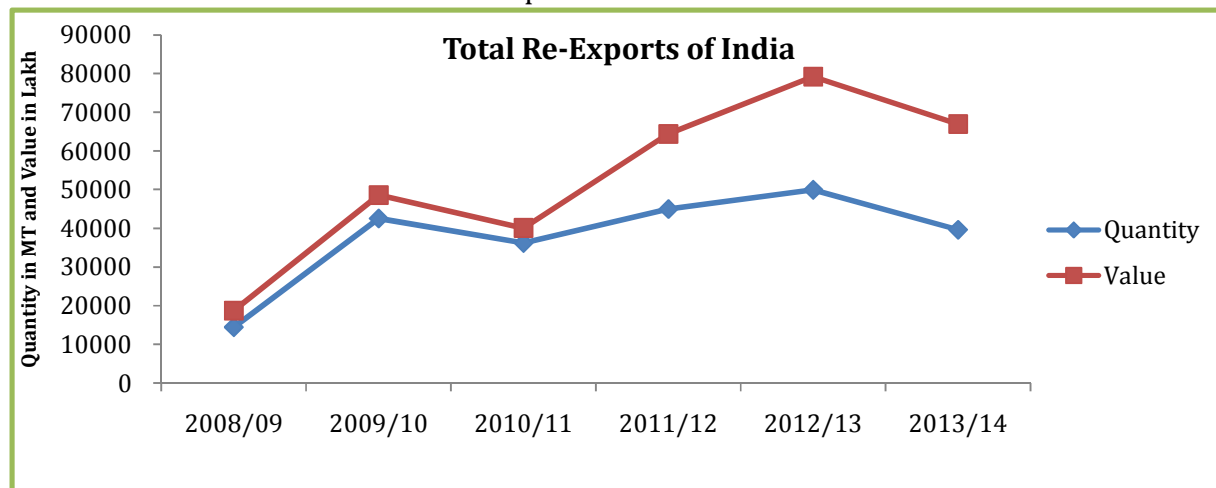
- In September, the rainfall activity over many parts of the country showed significant increase and 9 subdivisions from northwest, west coast, northeast and east central India received excess rainfall. On the other hand, 13 subdivisions mainly from north India along the plains of Himalayan region and north peninsula received deficient rainfall. The remaining 14 subdivisions received normal rainfall.
- The all India weekly rainfall anomalies during 14 of the 18 weeks of the monsoon season were negative. Out of the 4 positive rainfall weeks, one week (week ending 23rd July) was from first half and 3 weeks (weeks ending 6th August, 3rd September and 10th September) were from second half of the season. The highest negative weekly rainfall anomaly of -53.0% was recorded during the week ending 2nd July and highest positive rainfall anomaly of 63.7% was recorded during the week ending 10th September. Due to large all India rainfall deficiency during the first 7 weeks of the season cumulative weekly rainfall anomalies were negative throughout the season. (Source: IMD)

Exports and Imports of India

Besides coffee beans, the country also re-exports instant coffee, which is in ready to consume form. Only Instant coffee comes under re-exports varieties from India.

In the current scenario, the volume of re-exports slipped significantly by 26% to 39670 MT in 2013/14 as compiled till May month against 49992 MT in last year during 12th Month. Total Value of the same quantity in 2013/14 is registered at 66998 lakh MT with a decline 18% from 79222 lakh in 2012/13.

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

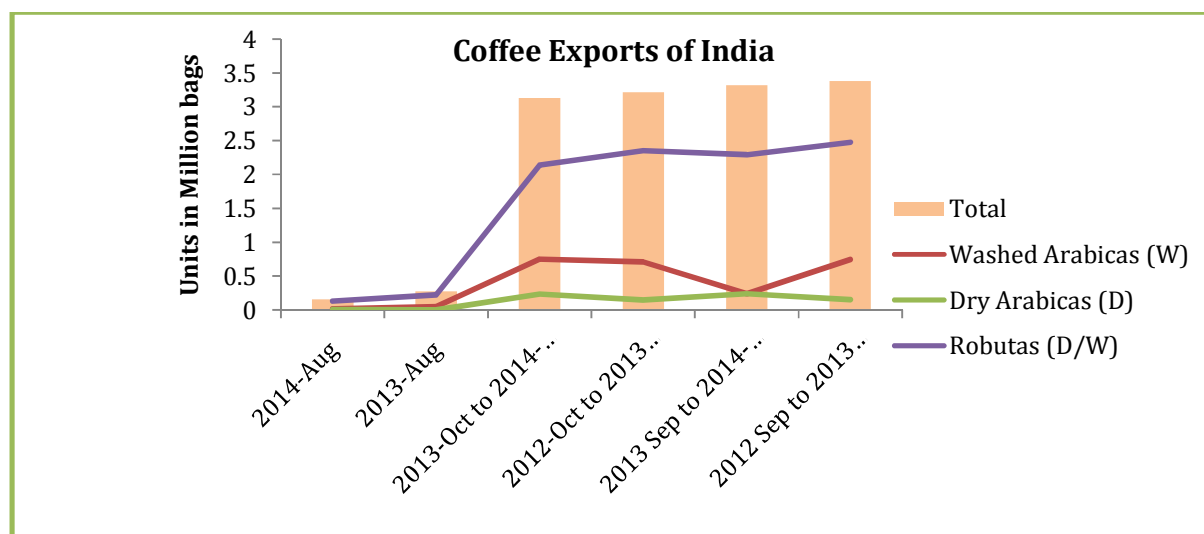


(Provisional from 01.04.2013 to 31.05.2014).

Source: The Coffee Board of India

Indian exports showed a major dip at 155722 60-kg bags during August-2014 from last year record of 276067 60-kg bags in August. India has exported Washed Arabica, Dry Arabica, Robusta (D/W) at 16035 60-bags, 8384 60-kg bags, 131339 60-kg bags respectively as compared to previous year exports of 50097 bags, 2320 60-kg bags, 223650 60-kg bags respectively as per ICO exports data released in September 2014.

Below Chart shows Coffee exports of India as per ICO:-



Source: The Coffee Board of India

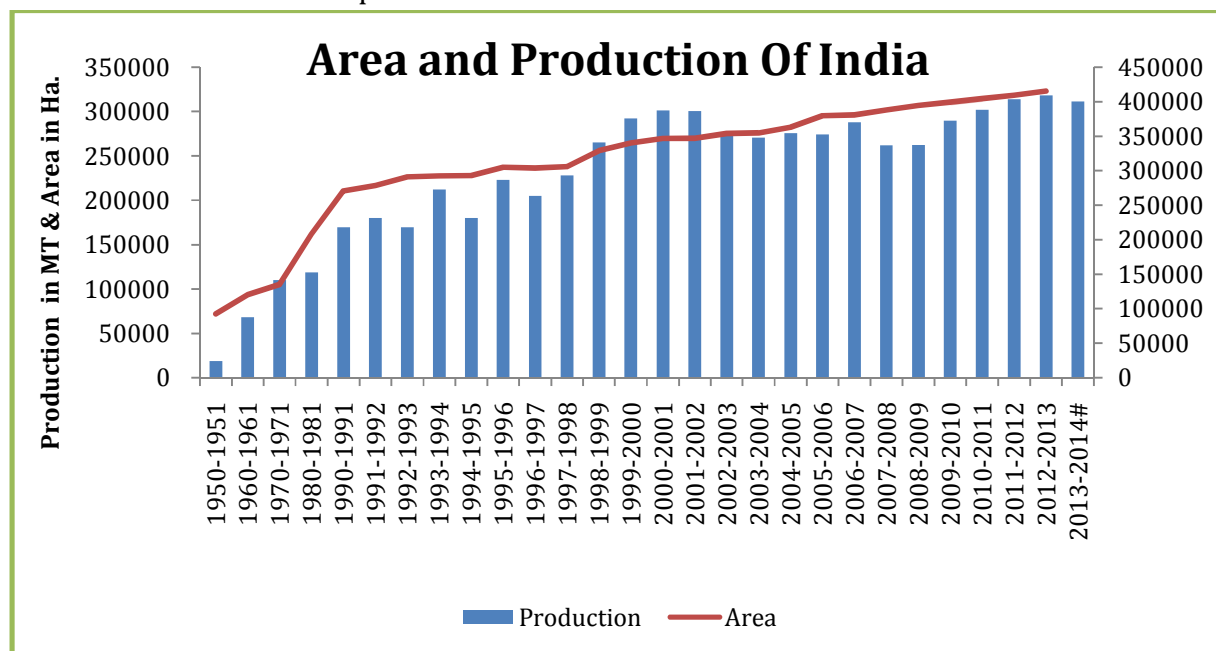
Domestic Crop Condition and Production

India's area under coffee in various states, the top grower Karnataka contributes above 26% of area under Arabica variety and 29% for Robusta. In Kerala, area under Arabica is just about 1% of the India's total area, which is the lowest in both the varieties among all the major producing states. It has about 19.5% of area under Robusta. Tamilnadu's share in Arabica is 6.2% and 1.3% in Robusta of the total India's area. While, Non- traditional Area covers 15% of the area under Arabica and just 0.1% under Robusta of the total India's area.

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. Few growers are ready to shift Cardamom area to coffee due to higher prices in 2014. However, it is harder to get coffee plants in the nurseries on higher demand and lucrative prices. In Karnataka, growers are trying to cover plains area as well for the plantations of coffee during the current season.

Total coffee planted area of India for 2012-13* stood marginally up by 1.37% to 415341 hectares from 409690 hectares of last year following higher area in North Eastern Region and Non Traditional Area like Andhra Pradesh and Odisha as reported by the Coffee Board Of India.

Below mentioned chart depicts Area & Production of India since 1950-1951-

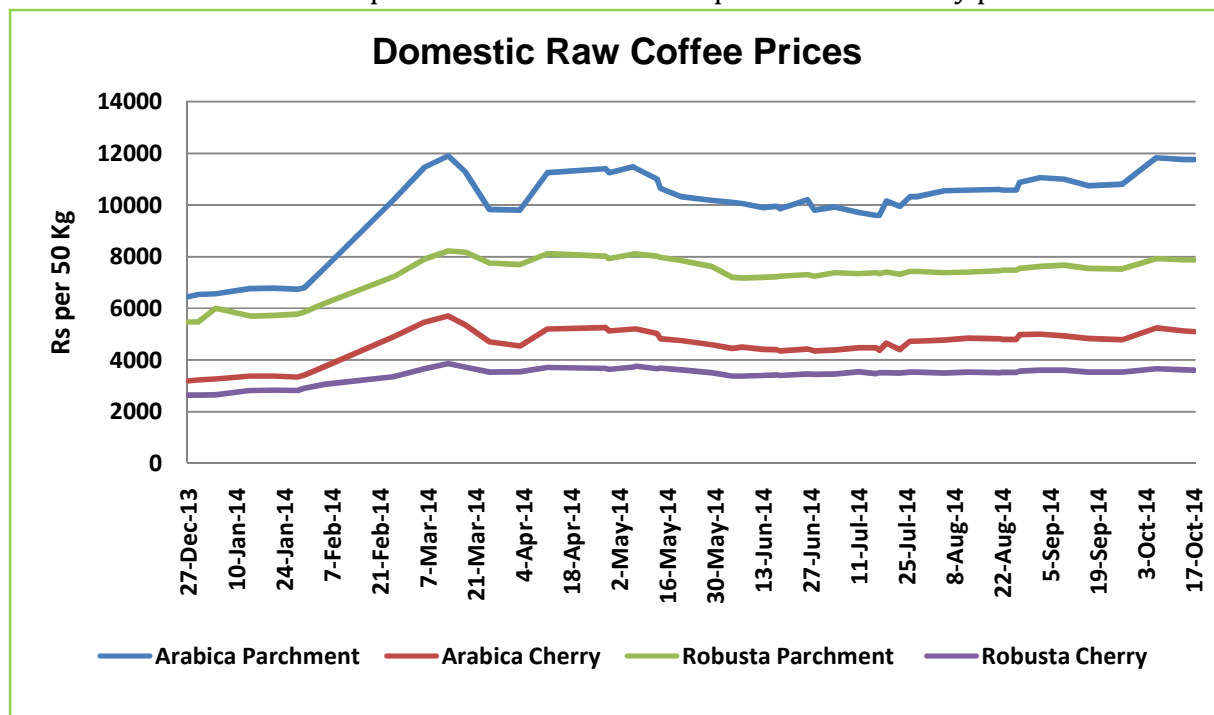


Source: The Coffee Board Of India

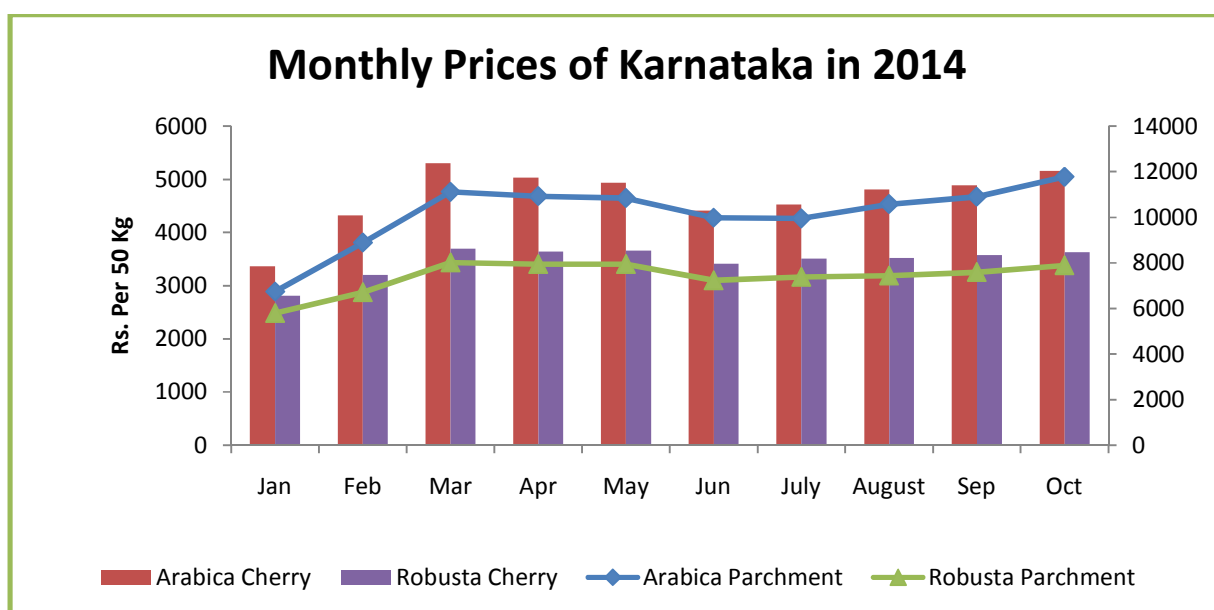
Coffee Prices of Auction Market & State-wise Market

Domestic prices of all varieties are unchanged despite Robusta parchment due to festival season. Robusta Parchment is registered up by 0.31% to 3612 Rs. per 50 kg. During this season on yearly basis, exporters could not get much profit due to lower stocks which is continue supporting prices to increase further. Monthly prices as on date are still 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	17.10.2014	14.10.2014	Change
Arabica Parchment	11500-12000	11500-12000	Unch
Arabica Cherry	5000-5200	5050-5200	Unch
Robusta Parchment	7800-7950	7850-7900	50
Robusta Cherry	3575-3650	3600-3650	Unch

* Values in Rs per 50 Kg

ICTA Auction Prices (Karnataka)

Grade	24.10.2014	17.10.2014	Change	24.10.2014	17.10.2014	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	--	--	--	--	--
AA	--	--	--	--	--	--
PB	--	--	--	--	--	--
A	--	--	--	--	--	--
AB	--	--	--	--	--	--
B	--	--	--	--	--	--
C	--	--	--	--	--	--
BBB	--	--	--	--	--	--
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	--	--	--	--	--
A	--	--	--	--	--	--
PB	--	--	--	--	--	--
AA	--	--	--	--	--	--
AB	--	--	--	--	--	--
B	--	--	--	--	--	--
C	--	--	--	--	--	--
BBB	--	--	--	--	--	--

Values in Rs. per kg

International Market Updates:

Weekly Futures Review -ICE Arabica coffee future prices of December contract slumped a three week low on forecasts for excess rain in top grower due to which selling pressures were seen in the market during this week. Prices pulled down sharply by 9% to 191.50 US cents/lb as on 24th Oct 2014 compared to 210.65 US cents/lb of last week prices. Speculators cut their net long positions in Arabica coffee contracts on ICE Futures U.S. in the week ended Oct. 21, as per U.S. Commodity Futures Trading Commission data. Liffe Coffee prices of Nov month contract also slumped by 4% to 2027 USD/T during this week against 2117 USD/T of previous week closing.

Brazil:- As per sources, Brazilian Arabica coffee beans for delivery in 2015 are offering at their highest discounts in years Vs U.S. futures as exporters are aggressively participating to cash in on record local prices, some betting that a deep drought has not done as much damage as feared. Dealers and analysts hope the damage to the 2015/16 crop will be even greater than this year. Potential dry spell in major coffee growing areas of Brazil during early 2014 and continue dry spell again in the beginning of Oct month 2014, pushed New York ICE Arabica coffee futures prices to double in 2014. Already damaged crops for 2015/16 will be worst if trees could not get rain at this time. Coffee flowers needs continuous moisture for successful pollination and setting of coffee fruits for 2015 harvest. 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 traders, a slow pace of harvesting has been started in the Central Highlands coffee belt, however fresh beans are still not ready for exports purpose because most cherries are not ripened. Harvesting pace will boost up in second half of next month Nov. Vietnam is likely to produce a bumper crops in 2014/15 supported by favorable weather condition after making a record output around 30 million 60-kg bags in 2013/14 which ended in the last month Sep. At the exports front, mostly beans of 2013/14 exported in Oct month as on date. As per traders forecast, Vietnam is likely to exports 100,000 tonnes during the first month of the 2014/15 crop year which is up 64% against preceding year.

On Thursday, Robustas grade 2, 5 percent black and broken were offered at discounts of \$60 to \$70 a tonne to the Liffe January contract, free-on-board basis, while bids were seen at \$80 to \$110, widening from discounts of \$90 to \$110 a tonne last week.

Others :-

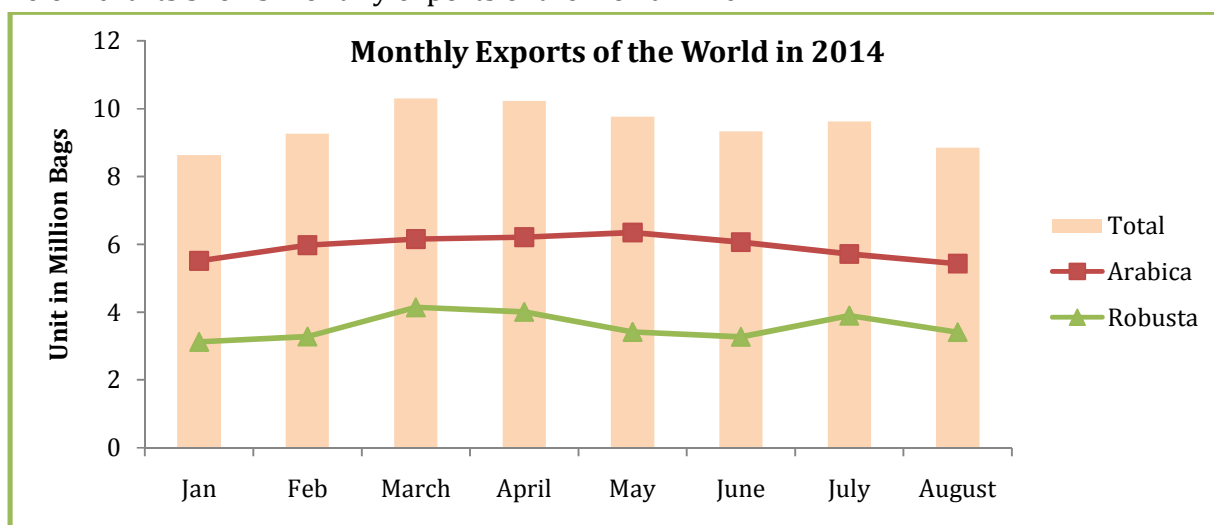
- As per traders, In Indonesia, Sumatran grade 4, 80 defect robusta beans were quoted at between discounts of around \$10 a tonne to a premium of \$20 a tonne to London futures, but there were few offers as lower stocks availability. Indonesia's crop season 2014/15 peaked in June-2014 and new crop supplies should arrive from next April-2015.
- Prices of grade AA Arabica in Kenya were quoted \$ 329 per 50 kg bags at auction on Tuesday as on Oct. 21 down from \$ 371 per bags at the previous week's sale due to dull demand and supplies activities. Grade AB coffee fetched \$208-\$260 per bag compared with \$146-\$279 last week. The average price of all grades was \$230.18, compared with \$247.19 at the last sale.
- In Costa Rica, Coffee production is likely to go up by 4.5% during the 2014-15 season over the same period last year to more than 1.55 million 60-kg bags of processed coffee.

Coffee Estimates of the World

World Export Scenario:-

As per recently released data of ICO, total monthly exports of July month is registered at 8.84 million bags at the end of August 2014 higher 8.02% from 9.61 million bags in July month 2014. Robusta were pushed down by 12.46% to 3.41 million bags against July month exports i.e. 5.71 million bags due to higher prices and lower availability. On the other hand, total Arabica exports fell down by 4.99% to 5.43 million bags in August as compared to 5.71 million bags in July month 2014.

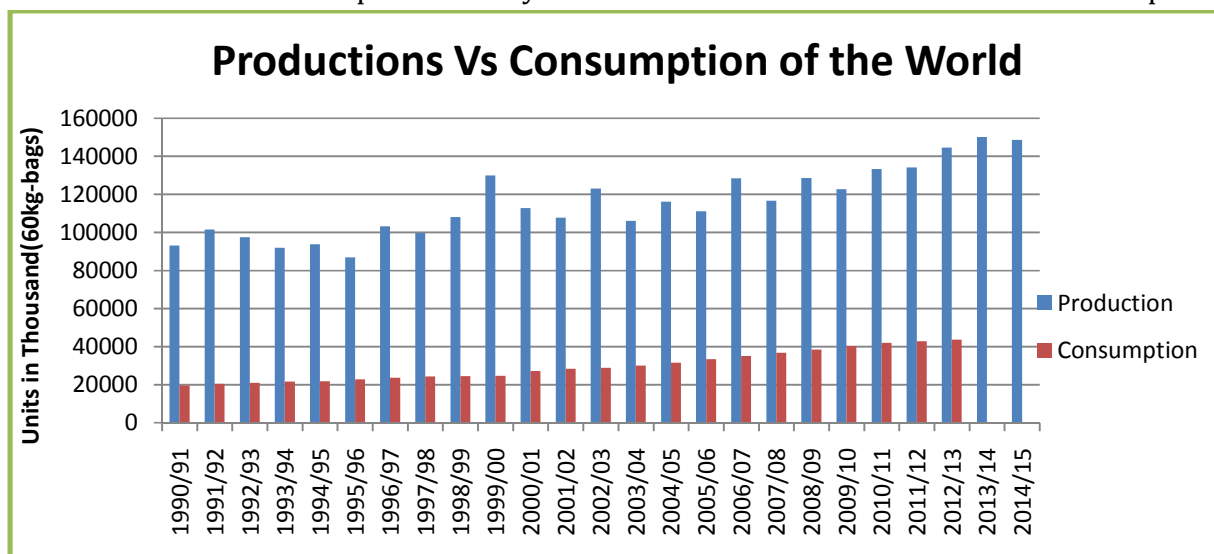
Below charts shows monthly exports of the world in 2014:-



Source: ICO

As per the data released by ICO and USDA, Production has begun to increase substantially since 2010/11 to 2013/14 with the exception of the 2014/15 production forecast followed by unsupportive weather for coffee crop in the main producing countries. Over the last 23 years, there was noted a steady growth in world consumption which is supporting demand and prices as well. Consumption are likely to go up even in upcoming years also.

Below mentioned chart depicts last 25 years details of World Production and Consumption:-



Source: ICO

International Coffee Price Trend

	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	24.10.2014	17.10.2014	24.9.2014	24.10.2013
ICO Composite Indicator	162.38	176.80	160.68	--
Colombian Milds				
US	205.5	224.75	203	--
Europe	211.16	232.04	210.17	--
Group Indicator	208.11	228.10	206.3	--
Other Milds				
US	212.69	232.94	211.94	--
Europe	210	229.47	208.23	--
Group Indicator	211.02	230.79	209.64	--
Brazilian Naturals				
US	168.5	186.75	167	--
Europe	187.38	208.03	186.42	--
Group Indicator	182.47	202.50	181.37	--
Robusta				
US	106.33	110.33	104.25	--
Europe	100.24	104.99	97.79	--
Group Indicator	101.22	105.85	98.83	--

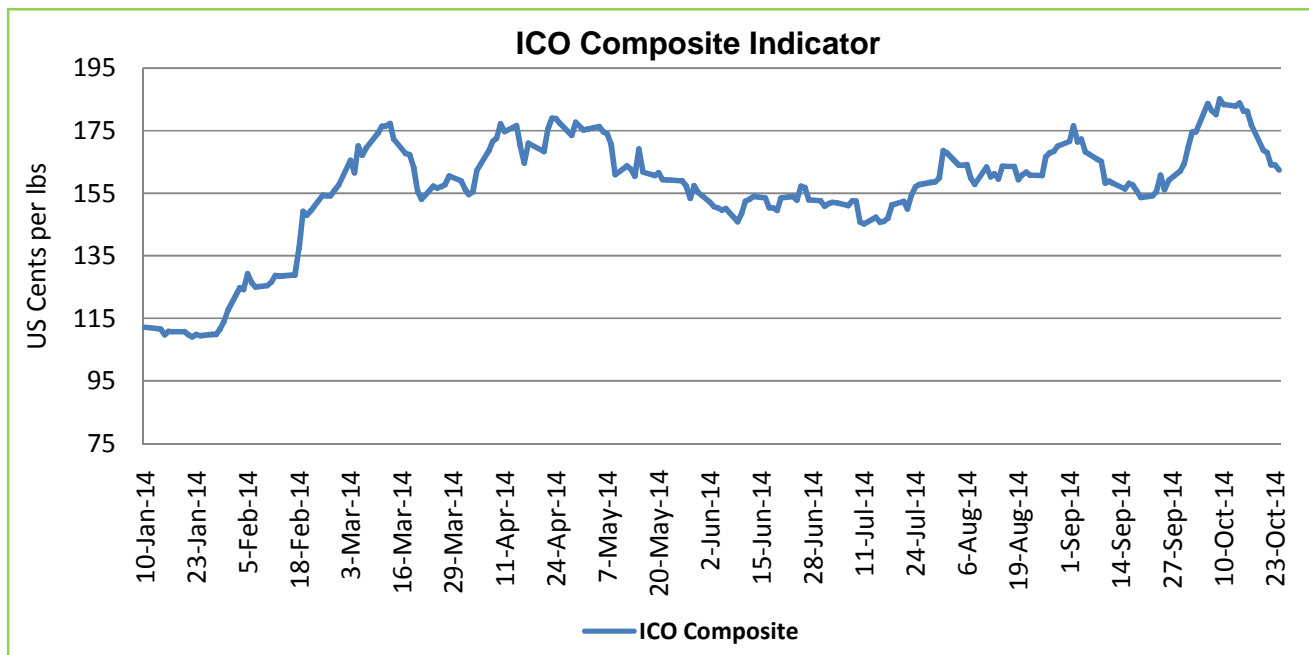
Germany Market - Hamburg and Bremen, France Market - (Le Havre and Marseilles) * Values in US cents/lb

All ICO group indicators as Columbian-mild, Other-milds and Brazilian-Naturals and Robusta are closed remain down to 208.11,211.02,182.47,101.22 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.

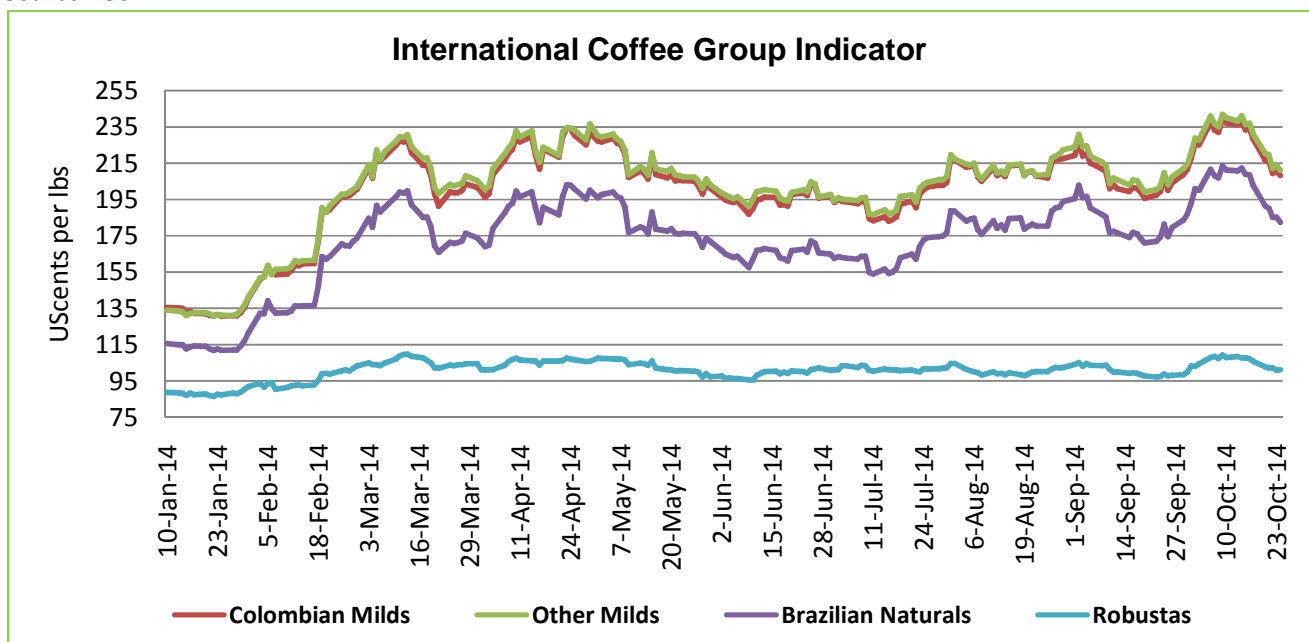
International Coffee Indicators Chart:-

The price of ICO composite Indicators fell to 162.38 USC/lb against last week prices 176.80 USC/lb after a shower in top grower Brazil. Among all the indicators mainly Brazilian Naturals declined by 9.81% to 182.47 as compared to last week prices 202.5 USC/lb due to heavy rain forecast in Brazil in upcoming days which will further ease coffee prices in short run.

Below Chart shows movements of ICO Indicators Prices in 2014:-



Source: ICO



Source: ICO

International- Future Market Prices:-

ICE Arabica Coffee Futures Prices				
Contract Months	24-October-2014	Week ago (17 October,2014)	Month Ago (24 September,2014)	Weekly Change (%)
December-2014	191.50	210.65	193.25	-9.09
March-2015	195.75	214.60	195.70	-8.78
May-2015	198.10	216.65	197.15	-8.56

USC/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	24-October-2014	Week ago (17 October,2014)	Month Ago (24 September,2014)	Weekly Change (%)
November-2014	2027	2117	1965	-4.25
January-2015	2028	2129	1979	-4.74
March-2014	2034	2138	1992	-4.86

USD/T

International Coffee Prices

	24.10.2014	17.10.2014	24.9.2014	24.10.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	39400	41600	38500	33100
Vietnam FOB (2-5 pct)* (Saigon port)	1954	2067	1928	1615
Indonesian FOB (4-80 defects)** (Lampung Port)	1960	2090	1960	1680

*FOB Values are in USD/T

Grade	This sale (\$) As on 21/10/2014	Average Price(\$)	Previous Sale(\$)	As on 14/10/2014
AA	195-329	285.12	180-376	
AB	133-260	243.16	146-279	
C	133-242	220.62	97-263	
PB	189-255	242.31	153-274	
T	54-215	153.19	20-231	
TT	185-240	225.56	96-264	

Units in \$ per 50 kg bags

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



Weekly Technical Outlook:-

- Candlestick chart shows continue downward momentum during this week.
- Falling 14 days EMI and RSI hints further downtrend of the market in upcoming days.
- While, rising volume is supporting higher trend of the market in days ahead.
- Prices may trade in the range of 185-200 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>	185-200

US cents/lb

Expected Support and Resistance

S2	S1	PCP	R1	R2
175.04	180.23	191.50	213.23	223.81

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 down at 2036 from 2038 of last week record, supporting further downtrend of the market.
- Further, falling Volume and RSI hints continue downside momentum of the market.
- Prices may trade in the range of 2008-2070 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>	2008-2070

USD/T

Expected Support and Resistance

S2	S1	PCP	R1	R2
1953	1975	2027	2027	2084

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