

Highlights of The Week

Domestic coffee prices at auction market in Karnataka declined on lackluster demand.

Exporters as well as importers are not much active in the market and are waiting to stabilize price trend of the market. The demand from Russia, the main coffee importing country of India, is currently down due to major fall in its currency "rouble" against dollar. As per sources, it is under discussion between Indian exporters and Coffee board of India for allowing coffee shipment under the rupee-rouble route which may be helpful for Indian coffee exporters.

As per Indian Traders, approx 25% of coffee harvesting is completed by farmers. The pace is comparatively very slow due to cloudy weather condition in India. Delay in harvesting may raise the concern of leaf rust diseases which may deficit crop size further. They are setting Arabica crop size by 20-30% lower and Robusta crop size by 10-20% down from preceding year crop size. It is possible to start harvesting in full swing from first week of January.

As per DGCIS report, India has received total coffee exports revenue around Rs. 320.47

crore which is in USD 51.94 million in Nov. 2014 higher by 2.9% in Rs. and 0.79% in USD respectively against Rs. 275.59 crore and USD 44 million respectively in previous year during same month. It stood at Rs.3120.02 crore and the value in USD at 516.48 million since April-Nov. in 2014 up by 16.29 in Rs. however up by 18.05% when the value is counting in USD against last year revenue i.e. Rs.3032.16 crore and in USD 512.44 million in corresponding period of time.

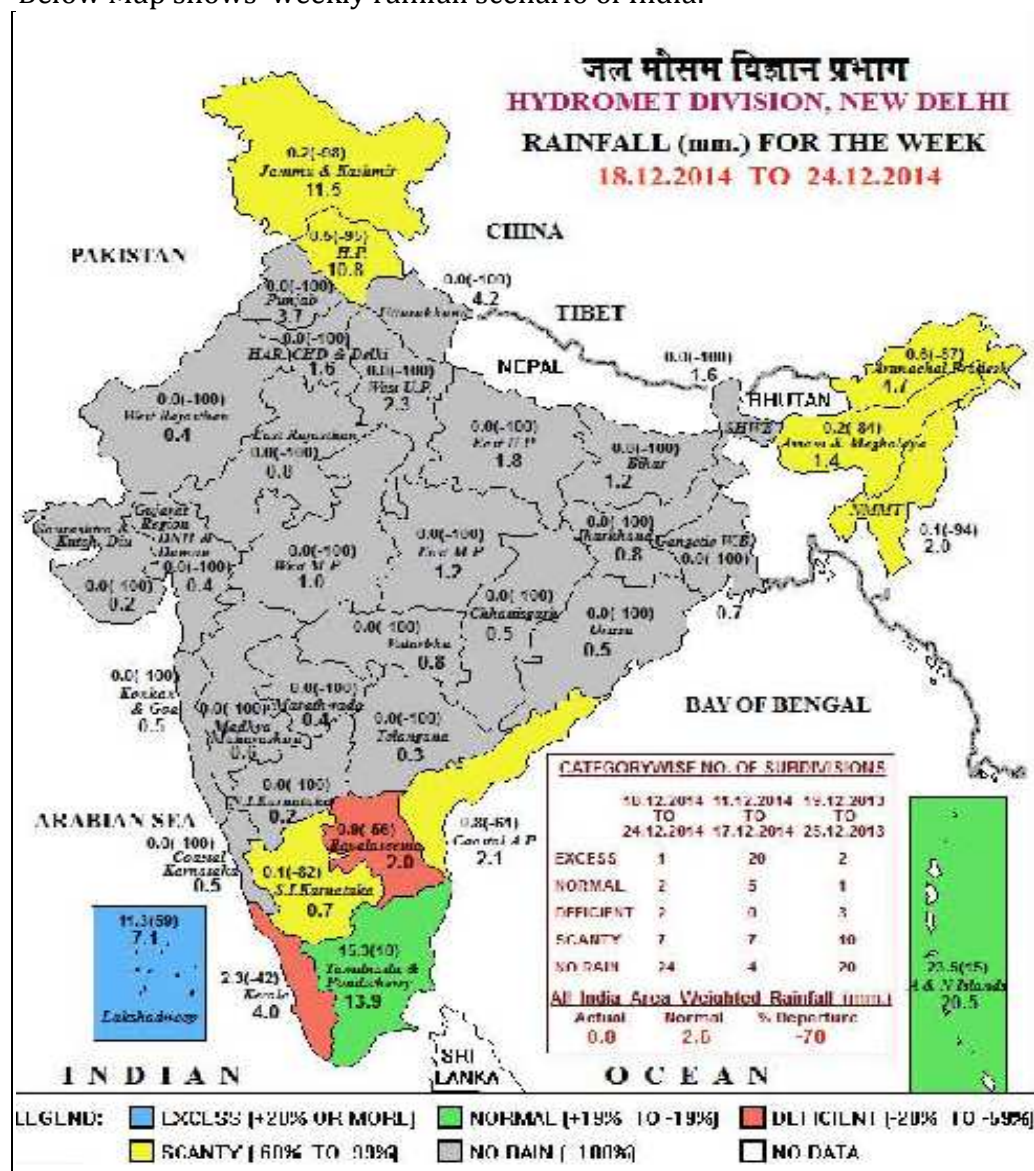
Sources keeps global coffee output forecast in the range of 141-149.8 million bags in 2014/15. Global coffee production is likely to fall by 2.7 million bags to 149.8 million 60-kg bags in 2014/15 on the back of less crop size in Brazil, Peru, Indonesia and Vietnam. The median estimate for 2014/15 global coffee production from a survey of 12 experts pegs it at 145.5 million 60-kg bags, with estimates ranging from the international International Coffee Organization's (ICO) forecast at 141 million bags. Below table shows coffee production estimates of different sources for 2014/15:-

Source	Issued Date	Production	Supply/Demand (million bags)
Volcafe	Nov.21	141.5	10 Deficit
Societe Generale	Nov.25	148.4	1.2 Surplus
Rabobank	Dec.1	144.4	5.1 Deficit
ICO	Dec.11	141	0.8 Deficit
Hackett Financial Advisors	Dec.15	143	7 Deficit
Price Futures Group	Dec.15	142	4 Deficit
Sustainable Harvest	Dec.18	149	2.5 Surplus
USDA	Dec.19	149.8	-
Median	-	145.5	3 Deficit

Source: Reuter

Weather Updates of India

Below Map shows weekly rainfall scenario of India:-



Source: IMD

- India received total 84.5 mm actual cumulative seasonal rainfall of India (1st October to 24th Dec. 2014) below 31% against 122.8mm of Normal rain. Main states of coffee belts like Coastal Karnataka, North Interior Karnataka and South Interior Karnataka have received total actual rainfall less by 2% to 256 mm, 17% to 119mm, 7% to 193 mm, respectively against 262 mm, 145 mm, 208 mm and 204 mm respectively of normal rainfall. In Kerala, 5% higher rainfall received during the same period of time.
- An upper air cyclonic circulation extending upto 0.9 km above mean sea level lay centered over Lakshadweep area & neighbourhood on 18th and became less marked on 19th.

Exports and Imports of India

According to recently released data by the Coffee Board of India, total coffee exports of India including re-exports volume is registered at 296657 metric tonnes with a decline of 3.48% in 2014 during 1st January-23rd December 2014 against 307370 metric tonnes of last year exports in the corresponding period of time. Provisional Indian coffee exports excluding re-exports stood slightly up by 0.25% to 241336 metric tonnes from 1st January- 23rd December 2014 as compared to 241959 metric tonnes of previous year exports during the same period of time. India re-exports maximum Instant type of coffee which is recorded at 55315 metric tonnes in this year during 1st January-18th December 2014 higher by 81.25% from preceding year i. e. 65128 metric tonnes. Total provisional exports of Arabica parchment, Arabica cherry, Roasted seeds, R&G stood higher by 1.39% to 44535, 52.11% to 14754 metric tonnes, 3.84% to 56 metric tonnes, 51.81 to 297 metric tonnes respectively against last year exports volume in the same period of time. While, Robusta Parchment and Robusta cherry showed significantly down exports volume by 20.46% to 22419 and 15.63% to 113670 metric tonnes in the corresponding period of time as above in 2014 compared to last year exports volume in the same period of time.

Below table shows total Indian coffee Exports details in 2014 Vs 2013:-

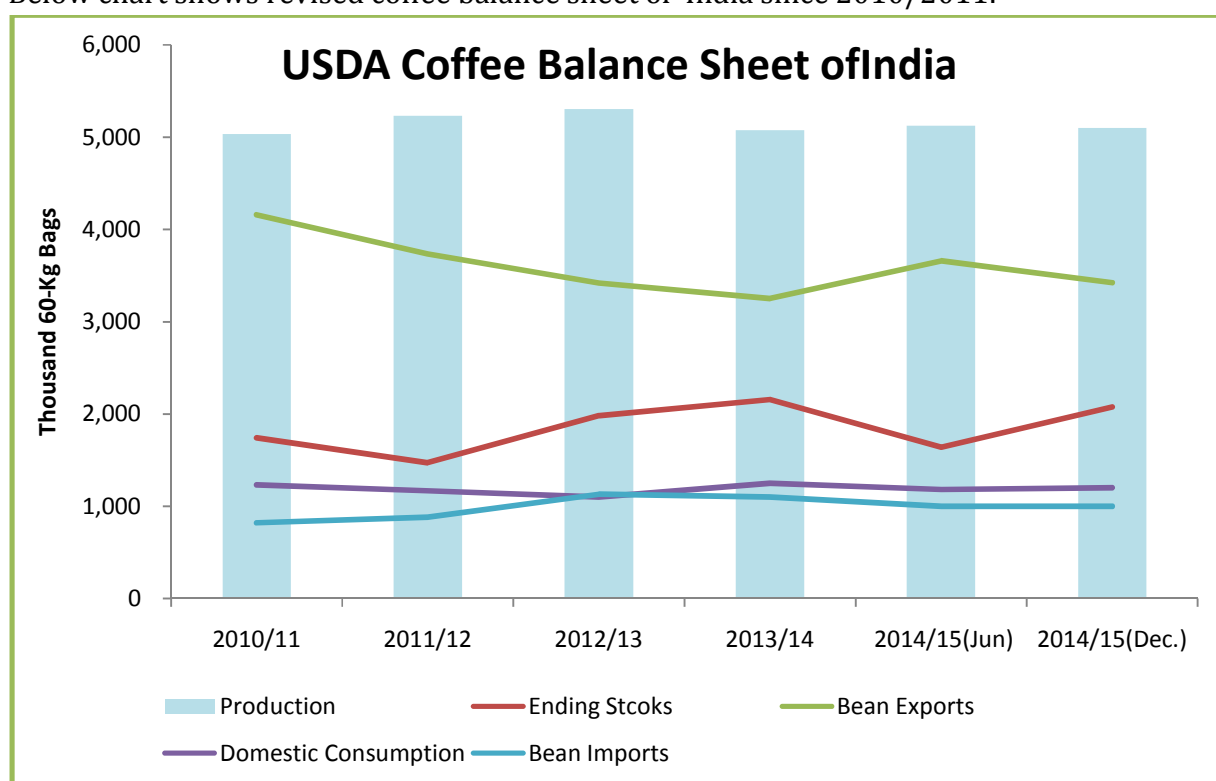
Export update: From 01st January 2014 to 23rd December 2014 (in metric tonnes)									
	INDIAN COFFEE	Ar.Pmt	Ar.Chy	Rob. Pmt	Rob.Chy	Roasted seeds	R & G	Instant	Total
1	Provisional exports (Indian coffee)	44535	14754	22419	113670	54	293	45609	241336
2	Provisional exports corresponding period last year	43922	9699	28187	134743	52	193	25163	241959
3	Provisional re-exports	0	0	0	0	2	4	55315	55321
4	Provisional re-exports corresponding period last year	120	0	19	144	0	0	65128	65411
5	Total provisional exports (1+3)	44535	14754	22419	113670	56	297	100924	296657
6	Total provisional exports corresponding period last year (2+4)	44042	9699	28206	134887	52	193	90290	307370

(Source-The Coffee Board of India)

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

- According to USDA report, Coffee Production of India is revised down to 5,100 thousand 60-kg bags from its earlier forecast i.e. 5,125 thousands 60-kg bags as given in June 2014 however higher by 0.49% from 5075 thousands 60-kg bags of the previous year estimate.
- Total Indian exports is also revised down to 3,421 thousands 60 kg bags in Dec. report for 2014/15 against its earlier forecast i.e. 3,660 thousands bags in June but is expected to increase by 5.26% as compared to last year estimates i.e. 3,250 thousand bags and minor higher than 3420 thousands 60 kg bags in 2012/13 in expectation of higher domestic and international demand. While, the forecast of bean imports is placed at 1000 thousands bags lower by 9.09% to 1,100 thousands bags of last year imports.
- Ending Stocks are likely to touch the level of 2077 thousand bags which is higher approx. 20.99% from its earlier prediction however its lower by 3.70% from last year record i.e.2,157 thousand 60- kg bags.

Below chart shows revised coffee balance sheet of India since 2010/2011:-

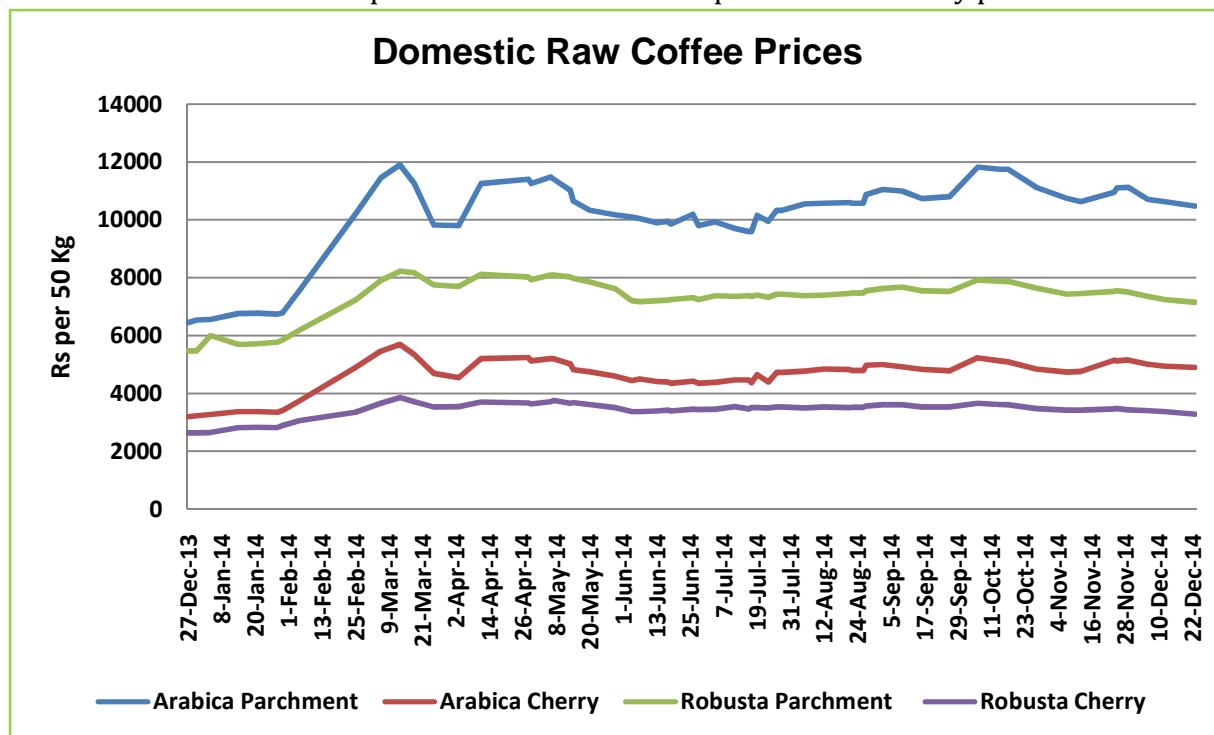


Source:USDA

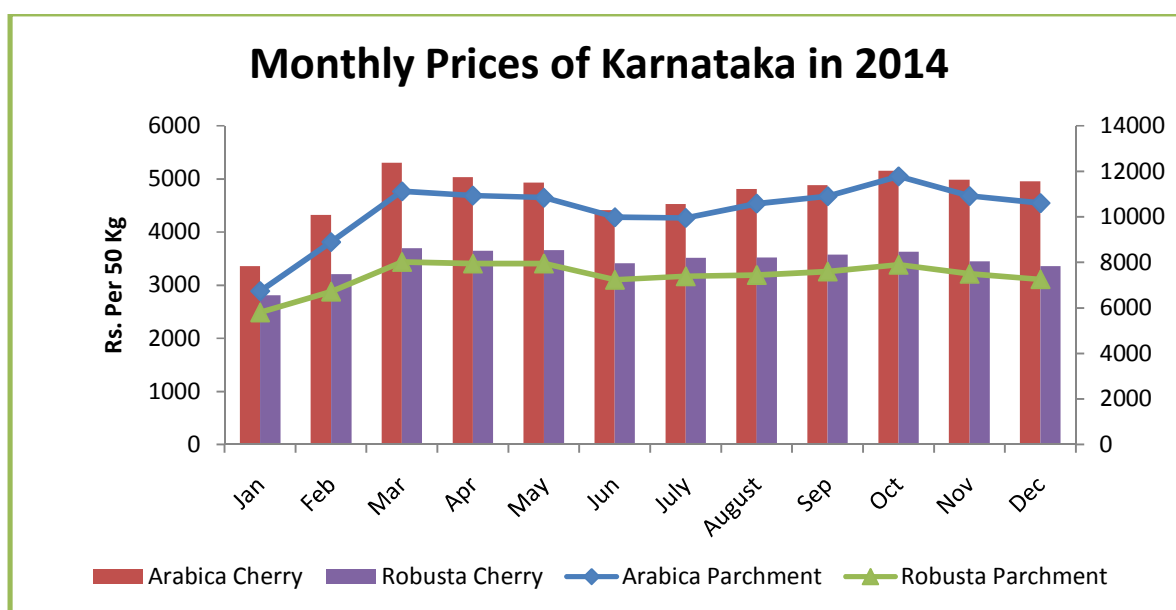
Coffee Prices of Auction Market & State-wise Market

Average domestic raw coffee prices are continuously coming down affected by global price trend and sluggish exporters demand during this week. Arabica Parchment is registered at 10600 Rs./50 kg in this week higher against last week prices i.e. 10625 Rs./50 kg. Even average prices are also low if we compare on monthly basis followed by a significant decline in the prices of Arabica parchment, Arabica cherry, Robusta Parchment, Robusta cherry.

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	23.12.2014	19.12.2014	Change
Arabica Parchment	10350-10600	--	-
Arabica Cherry	4800-5000	--	-
Robusta Parchment	700-7300	--	-
Robusta Cherry	3275-3300	--	-

* Values in Rs per 50 Kg

ICTA Auction Prices (Karnataka)

Grade	26.12.2014	18.12.2014	Change	26.12.2014	18.12.2014	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	--	-	--	--	-
AA	--	280	-	--	--	-
PB	--	--	-	--	--	-
A	--	--	-	--	--	-
AB	--	--	-	--	--	-
B	--	--	-	--	--	-
C	--	--	-	--	--	-
BBB	--	136.00	-	--	124.5	-
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	--	-	--	--	-
A	--	--	-	--	--	-
PB	--	162.5	-	--	--	-
AA	--	--	-	--	--	-
AB	--	--	-	--	--	-
B	--	--	-	--	--	-
C	--	--	-	--	133	-
BBB	--	--	-	--	125.00	-

Values in Rs. per kg

International Market Updates:

Weekly Futures Review -ICE Arabica coffee future prices of March contract slumped on thin trading activities due to Christmas holiday. ICE Futures U.S. markets is already reopened on Friday while Europe will be closed until Monday. ICE prices pulled down by 1.97% to 171.25 US cents/lb as on 26th Dec. 2014 compared to 174.7 US cents/lb of last week prices.

According to ICO released data, Certified Stocks held in ICE- nominated warehouses is registered down at 2.63 million bags in Nov. 2014 against 3.02 million bags in last year during the same period of time. While, stocks at London exchange went up to 2.08 million bags in Nov-2014 from 0.77 million bags in Nov.2013.

Brazil:- As per Agriculture ministry of Brazil, the overall coffee crop is predicted at 45.3 million bags higher from 45.14 million bags of its earlier forecast followed by 38.29 million bags of Arabica crop output and 13.03 million bags of Robusta crop output. They also increased the production forecast of Minas Gerais and Sao Paulo states to 32.3 million bags from 32.11 million bags seen in September.

Vietnam:- Total coffee production is forecast at 29.4 million bags for 2014/15 down by 1.6% from last year record i.e. 30 million bags in the recent released data of USDA. Further, EL Nino effect may prompt drought and further damage Vietnam's coffee output. As per provincial officials, Dhaklak one of the major coffee producing state of Vietnam may produce about 420,000 tonnes in 2014/15 lower by 10% against previous year due to dry weather. More than 80% coffee harvesting is completed in Vietnam and is likely to complete this month end as reported by local traders. As per sources, total coffee exports in Vietnam stood 33% higher to 1.7 million tons of coffee in 2014 with an average prices of 2,086 U.S. dollars per tonnes which is low by 2.46% than 2013.

Traders added that despite ample availability, exporters and farmers are not willing to sell their crop at the current level because prices are very low on London futures market. Unseasonal rain in the Central Highlands coffee belt last week has disrupted the drying process of robusta cherries and could worsen the bean quality, traders said.

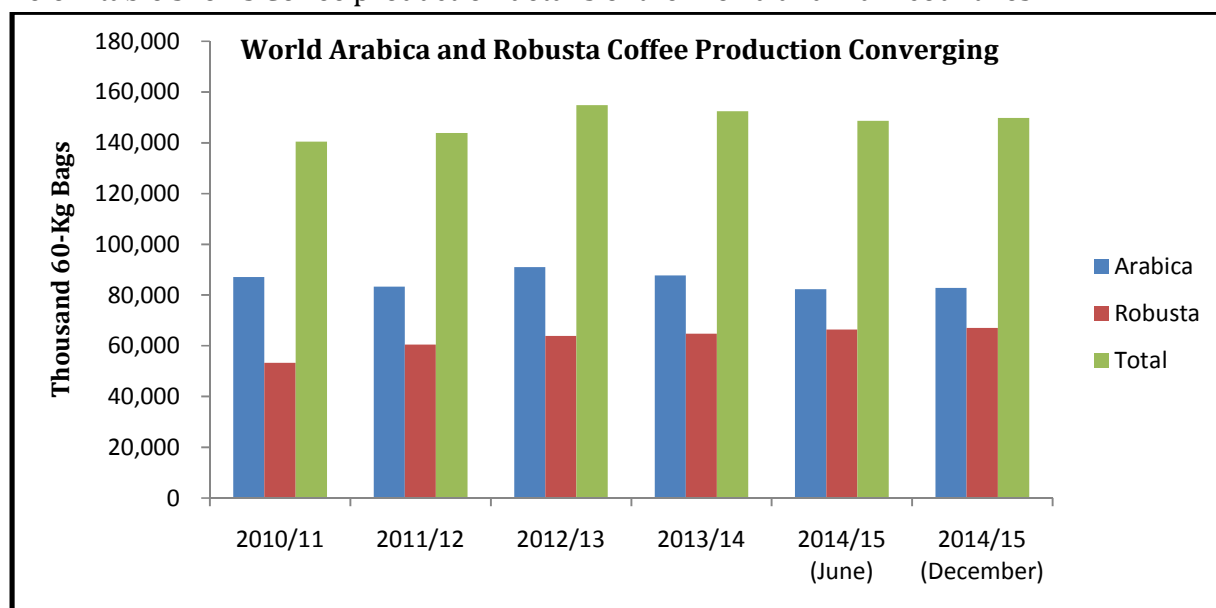
Others:-

- As per the Association of Indonesian coffee Exporters and Industries, Coffee Production of Indonesia in 2015 may touch 700,000 tonnes higher against 660,000-670,000 tonnes in 2014.
- J.M Smucker company may increase prices near an average of 8% for its single- serve coffee packs in the U.S. starting Jan.5 due to other rising costs.
- In the view of the coffee Growers federation, Arabica coffee output of Colombia is kept at 1.115 million 60-kg bags in October higher by 0.2% over the same month of 2013. Total coffee production in the 12th months to the end of November 2014 stood at 12.17 million bags against 10.7 million bags in the corresponding period of time in 2013. While, exports including the washed and mild Arabica coffee is registered down by 3% in November from the same month previous year to 1.022 million bags. While, total exports from December 2013 to November 2014 went up by 15% to 10.9 million bags against 9.45 million bags in the last year.

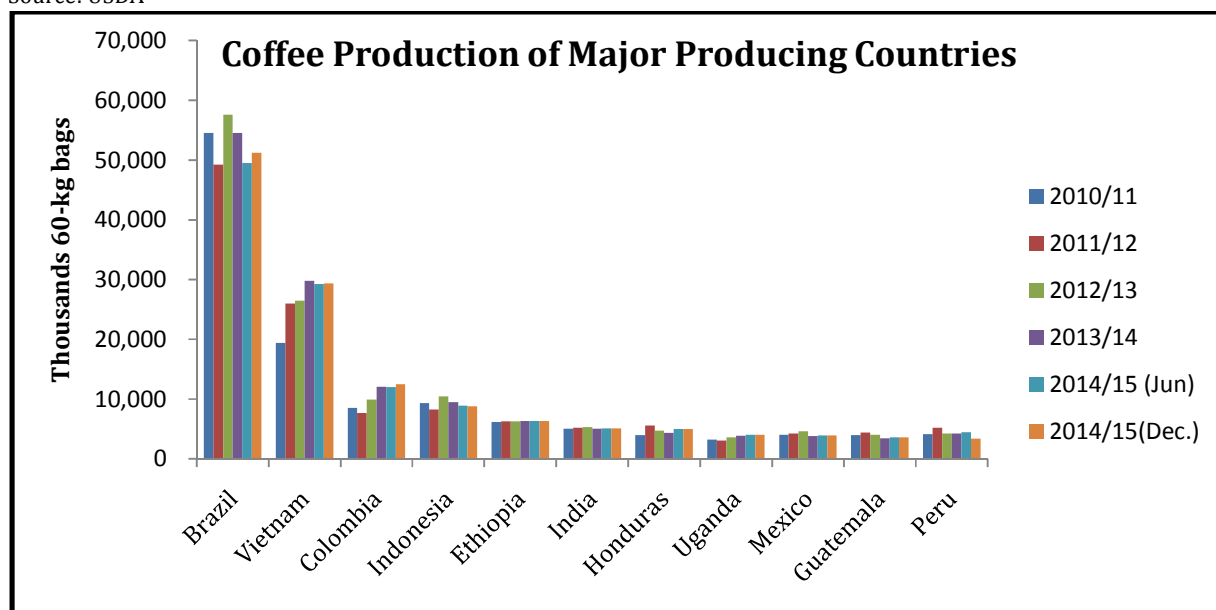
Coffee Estimates of the World

According to recently released data by USDA in December, Global output for 2014/15 is predicted down by 2.7 million at 149.8 million bags against last year production i.e. 148.67 million bags. Global production is revised to 149.80 million bags in December from 148.67 million bags in June. Forecast of total Arabica production is placed down a second consecutive year by 5.66% at 82.70 million bags from 87.66 while Robusta is placed up by 3.47% at 64.84 million bags for 2014/15.

Below table shows Coffee production details of the World and Main countries:-



Source: USDA



Source: USDA

International Coffee Price Trend

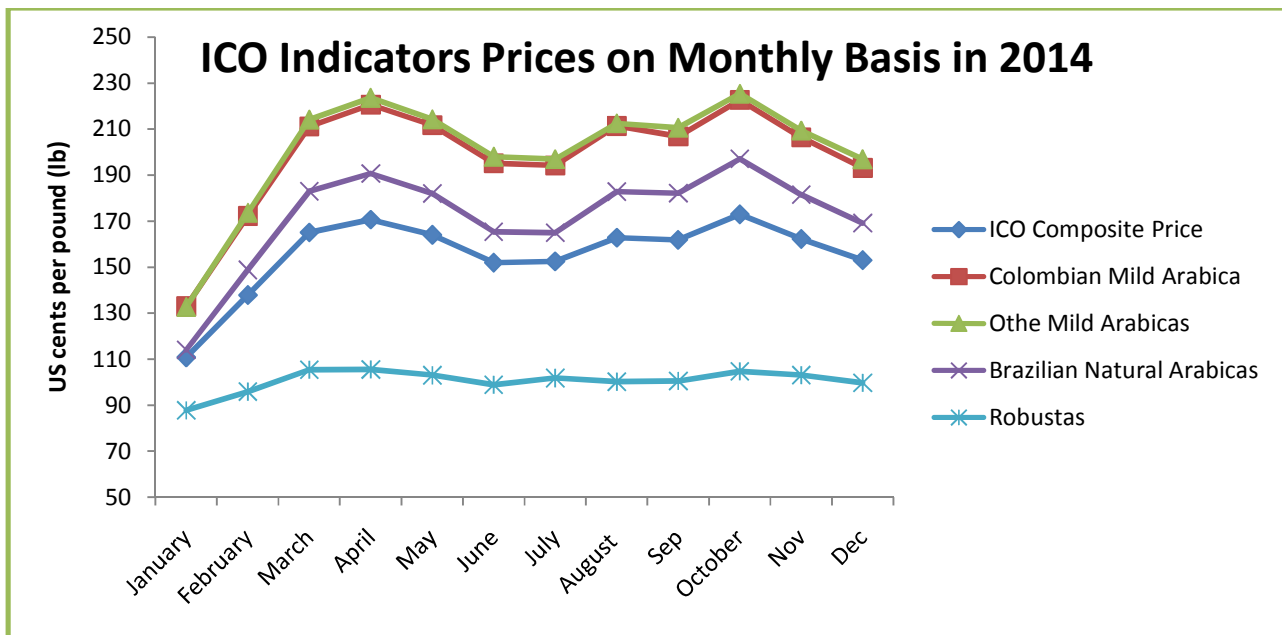
	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	26.12.2014	19.12.2014	26.11.2014	26.12.2013
ICO Composite Indicator	--	150.21	164.72	--
Colombian Milds				
US	--	186.75	207.25	--
Europe	--	193.6	212.27	--
Group Indicator	--	189.9	209.56	--
Other Milds				
US	--	195.69	215.69	--
Europe	--	191.36	211.61	--
Group Indicator	--	193.01	213.16	--
Brazilian Naturals				
US	--	154.75	172.25	--
Europe	--	171.6	188.43	--
Group Indicator	--	167.22	184.23	--
Robusta				
US	--	100.5	108	--
Europe	--	96.46	103.74	--
Group Indicator	--	97.1	104.42	--

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

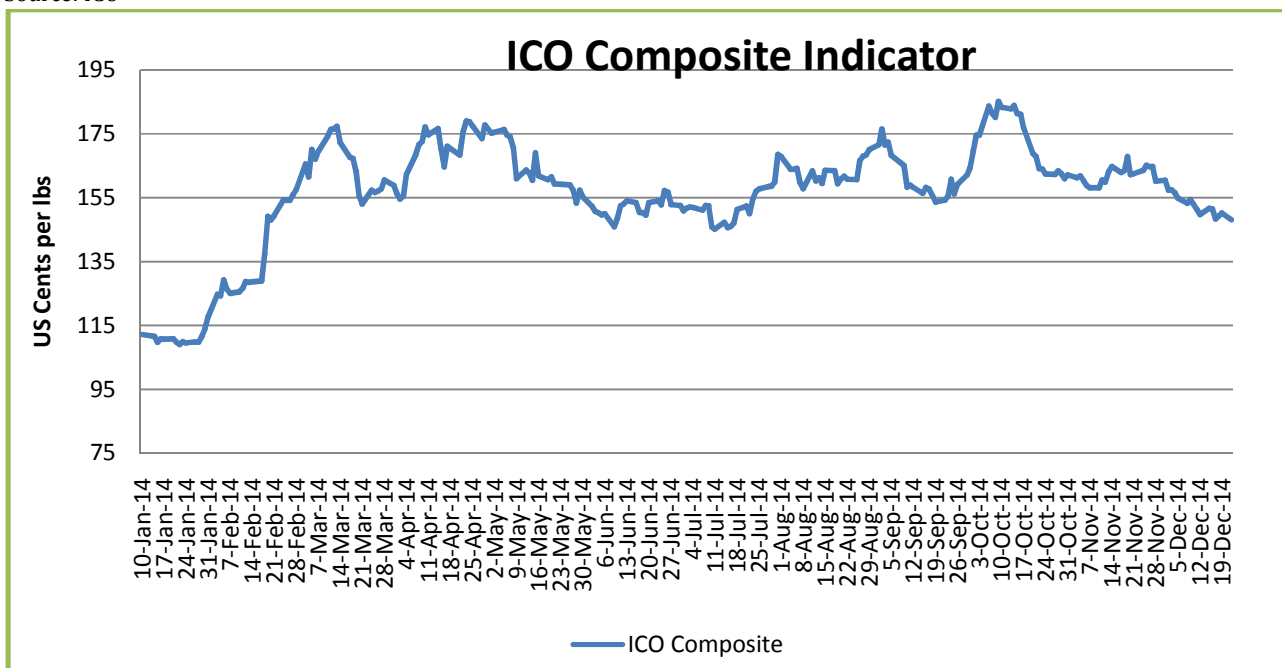
International Coffee Indicators Chart:-

The prices of ICO composite indicators started falling from mid of October after making record highest prices of the year on slow buying activities and good shower in Brazil. Prices on weekly basis also quoting lower side due to dull trading activities after holidays on Christmas.

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	Today(26-Dec-2014)	Week ago (19-Dec-14)	Month Ago (26-Nov-14)	Weekly Change (%)
Dec-14	168.60	173.65	193.50	-2.91
Mar-15	171.25	174.7	194.25	-1.97
May-15	173.25	177.25	196.60	-2.26

Liffe Robusta Coffee Futures Prices				
Contract Months	Today(26-Dec-2014)	Week ago (19-Dec-14)	Month Ago (26-Nov-14)	Weekly Change (%)
Jan-15	1864	1896	2095	-1.69
Mar-14	1903	1929	2096	-1.35
May-14	1924	1946	2097	-1.13

USC/lb

USD/T

International Coffee Prices

	26.12.2014	18.12.2014	26.11.2014	26.12.2013
Vietnam (Robusta Beans Spot) (Dong/Kg)	38950	39600	41350	34500
Vietnam FOB (2-5 pct)* (Saigon port)	1880	--	2010	1705
Indonesian FOB (4-80 defects)** (Lampung Port)	--	1930	2060	1690

*FOB Values are in USD/T

Weekly Auction Prices Of Kenya

Grade	This sale (\$) As on 09/12/2014	Average Price(\$)	Previous Sale(\$) As on 02/12/2014
AA	195-334	280.37	210-418
AB	150-261	238.72	166-277
C	101-242	224.29	118-252
PB	181-210	233.56	188-261
T	81-210	149.29	81-210
TT	177-240	218.66	171-251

Units in \$ per 50 kg bags

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



Weekly Technical Outlook:-

- Candlestick chart depicts lower trend of the market.
- Falling 14 days EMI hints further steady to down trend of the market.
- Rising volume however falling prices indicates further short build up in the market.
- On the other hand, RSI is down at 42.8 compared to last week movement at 45.49 indicating further steady to down trend in the next week.
- Fibonacci retracement level on down wave shows first resistance level at 182.82@38.2% and second resistance level at 191.16@50%.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
<u>Range-bound to Bearish Momentum</u>	163-181

US cents/lb

Expected Support and Resistance

S2	S1	PCP	R1	R2
155.83	162.71	168.6	182.82	191.16

US cents/lb

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



Weekly Technical Outlook:-

- Candlestick chart shows consecutive four week downtrend of the market on sellers interest.
- On the other hand, 14-days EMI is moving down at 1997 from 2017 of last week record indicating further bearish trend in the market.
- Falling volume and prices hints bearish phase of the market.
- Fibonacci retracement on down wave shows first resistance level at 1948@38.2% and second resistance level at 2011@50% for the next week.

Expected Price Range During Coming Week

<u>Expected Trend</u>	<u>Expected Trading Band</u>
<u>Range-bound to Bearish Momentum</u>	1800-1947

USD/T

Expected Support and Resistance

S2	S1	PCP	R1	R2
1744	1800	1864	1948	2011

USD/T

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