

## **Executive Summary**

### **Domestic Coffee Market Summary**

Steady momentum was remain seen in Karnataka physical market, as on 27th September 2015 on lackluster trading activities and global weak price pressure. The standing crop is not facing any danger of damage, except for the unprecedented rains during the south west monsoon which is in the offing. Exports are reduced around 5-6% comparatively to last year since the differentials offered by Indian producers are high. Indian Arabica coffee growth is normal, which will be picked during November and December. Indian Robusta are growing and with conducive weather, picking will start in December January. As Indian coffee plants take water in lower volumes, heavy rains will damage standing crops. The Hyderabad-based CCL Products (Indi) Ltd., is importing coffee from African countries Brazil Columbia, Vietnam, Mexico, Columbia and Peru. Devaluation of Vietnam, Brazilian and Indian currency has also led to more exports from that country.

As per the Coffee Board of India, provisional Indian green coffee exports from 1st January 2015 to 23rd September 2015 is registered significantly down by 2.61% at 194747 metric tons as compared to 199979 metric tons exported during the corresponding period of previous year. India re-exports maximum Instant type of coffee which is recorded down by 33.07% to 24284 metric tons in this year during 1st January 2015 to 23rd September 2015 from preceding year instant coffee volume i.e. 36285 metric tons. Total provisional exports of Arabica parchment, Arabica cherry is placed down by 32.83% to 28149, 28.50% to 8584 metric tons respectively against last year exports volume i.e. 41908 metric tons, 12006 metric tons respectively in the same period of time due to lower demand.

As per DGCIS latest report, India received around Rs. 351.15 crore as the total coffee exports revenue which is 53.96 million in USD in August 2015. This is higher by 8.60 % in Rs. and 1.62% in USD respectively as against Rs. 323.34 crore and USD 53.10 million respectively in the corresponding month of previous year. It stood at Rs. 2316.33 crore and the value in USD at 363.34 million since April-2014 to August 2015 up by 5.76% in Rs. however lower by 0.45% in USD as against the last year revenue i.e. Rs.2190.25 crore and in USD 364.97 million in corresponding period of time.

### **Recommendation:**

Weekly Call - : Market participants are advised to go long above 8800 levels for a target of 9020 and 9100 with a stop loss at 8500 on closing basis.

### **International Coffee Market Summary**

Trading is active in Indonesia despite lower exports prices supported by strong buying demand from factories and exporters. Trading was closed in Indonesia for a public holiday on Thursday. The weakening currency in the world's top grower of Arabica coffee encourages selling of the dollar-traded commodities, as it makes them more valuable in local currency terms. Vietnam is remain selling old harvested coffee crops and fresh coffee beans would be delivered in the export market from December 2015. Further, it is expected to be offered at premium of \$30-\$50 to ICE January contract. Vietnam's 2015/16 crop year starts on Oct. 1 and the harvest is expected to begin in its Central Highlands coffee belt late next month or early November.

As per Source, coffee harvest of Brazil for 2014/15 is almost finished with good quality coffees supported by dry weather over most of the harvest period that begin in May 2015. Only 5 to 10% of Brazil's current crops remains to be harvested. Recent rains in September will help flowering stage of coffee plants in Southeastern Brazil. Coffee trees in Southern Minas Gerais and Sao Paulo are now on flowering stage in the past few days after a cold front which is a good indication for the 2016 crop.

**Domestic Export and Import Scenario :-**
**Domestic Front**

*Below table shows Coffee Exports details of India:-*

<b>Export update: From 01<sup>st</sup> January 2015 to 23rd September 2015(in metric tonnes)</b>									
	<b>INDIAN COFFEE</b>	<b>Ar.Pmt</b>	<b>Ar.Chy</b>	<b>Rob.Pmt</b>	<b>Rob.Chy</b>	<b>Roasted seeds</b>	<b>R &amp; G</b>	<b>Instant</b>	<b>Total</b>
1	Provisional exports (Indian coffee)	28149	8584	28354	105113	30	233	24284	194747
2	Provisional exports corresponding period last year	41908	12006	19358	90180	46	197	36285	199979
3	Provisional re-exports	0	0	0	0	119	248	47429	47795
4	Provisional re-exports corresponding period last year	0	0	0	0	0	0	39150	39150
5	Total provisional exports (1+3)	<b>28149</b>	<b>8584</b>	<b>28354</b>	<b>105113</b>	<b>148</b>	<b>480</b>	<b>71713</b>	<b>242542</b>
6	Total provisional exports corresponding period last year (2+4)	<b>41908</b>	<b>12006</b>	<b>19358</b>	<b>90180</b>	<b>46</b>	<b>197</b>	<b>75434</b>	<b>239129</b>

*Below table shows main importing countries details of Indian coffee:-*

<b>COUNTRY WISE EXPORT OF COFFEE DURING 01/01/2015 To 23/09/2015</b>					
<b>[ BOTH INDIAN AND RE-EXPORTED COFFEE ]</b>					
<b>[ PROVISIONAL AND BASED ON EXPORT PERMITS ]</b>					
<b>NAME OF THE COUNTRY</b>	<b>ARABICA</b>	<b>ROBUSTA</b>	<b>INSTANT (GBE)</b>	<b>ROASTED (GBE)</b>	<b>TOTAL</b>
ITALY	9640.180	50146.820	362.960	266.196	60416.156
GERMANY	2655.330	18411.060	867.485	0.000	21933.875
RUSSIAN FEDERATION	632.000	1385.000	17260.008	8.568	19285.576
BELGIUM	4810.300	8389.500	127.140	0.061	13327.001
TURKEY	30.000	147.400	11864.073	0.000	12041.473
SLOVENIA	0.000	7983.640	0.000	0.000	7983.640
JORDAN	4684.800	1942.500	15.600	0.000	6642.900
AUSTRALIA	1485.922	3310.360	712.850	7.198	5516.330
LIBYA	44.400	5153.400	0.000	0.000	5197.800
GREECE	142.800	4861.200	32.500	0.000	5036.500
OTHERS	12607.296	31736.560	40470.114	346.703	85160.673
<b>TOTAL</b>	<b>36733.028</b>	<b>133467.440</b>	<b>71712.730</b>	<b>628.726</b>	<b>242541.924</b>

Source: The Coffee Board Of India (Units In Tonnes)

### Weather Updates (Current Status Of Southwest Monsoon 2015 And Forecast)

#### **Weekly Rainfall(10th August to 16th September 2015):-**

During the week, rainfall was 68% above long period average (LPA) over the country as a whole. The all the broad homogeneous regions of India received above rainfall activity except south Peninsula, where the rainfall was 38% below the LPA.

Details of rainfall over homogeneous regions are given below:

<b>Regions</b>	<b>Actual Rainfall (mm)</b>	<b>Normal Rainfall (mm)</b>	<b>% Departure from LPA</b>
Country as a whole	57.4	34.2	68%
Northwest India	46.8	16.6	182%
Central India	73.4	32.4	126%
South Peninsula	26.5	42.6	-38%
East & northeast India	82.1	61.5	34%

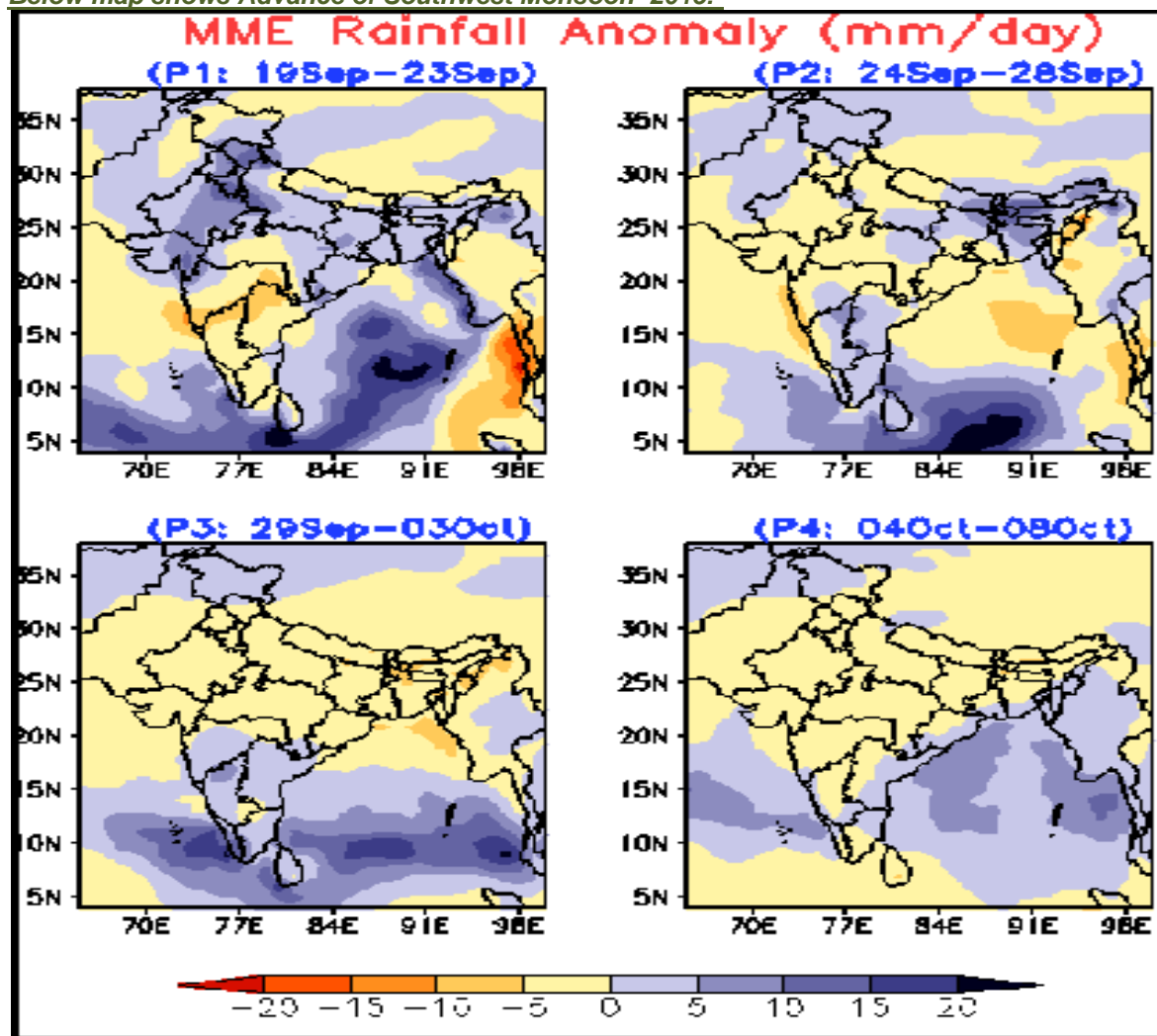
**Seasonal Rainfall(01 June to 16 September,2015):-** For the country as a whole, cumulative rainfall during monsoon season has so far up to 23 September been 12% below the Long Period Average (LPA). Rainfall activity was less than normal in all the four broad homogeneous regions.

Details of the rainfall distribution are given below:

<b>Regions</b>	<b>Actual Rainfall (mm)</b>	<b>Normal Rainfall (mm)</b>	<b>% Departure from LPA</b>
Country as a whole	747.9	853.9	-12%
Northwest India	507.8	597.5	-15%
Central India	814.7	945.5	-14%
South Peninsula	570	674.1	-15%
East & northeast India	1289.1	1376.4	-6%

Source: IMD

*Below map shows Advance of Southwest Monsoon -2015:-*



*Source: IMD*

- Normal to above normal rainfall is likely over Peninsular India till 03 October.
- Normal to above normal rainfall is also likely over northeastern states till 28 September.
- Near Normal precipitation activity likely over Western Himalayan region till 08 October.
- Northeastern states likely to receive normal to above normal rainfall activity from 19 September to 03 October.
- Another upper air cyclonic circulation lies over Lakshadweep & neighbourhood between 3.1 & 4.5 km above mean sea level and extends up to 2.1 km above mean sea level.



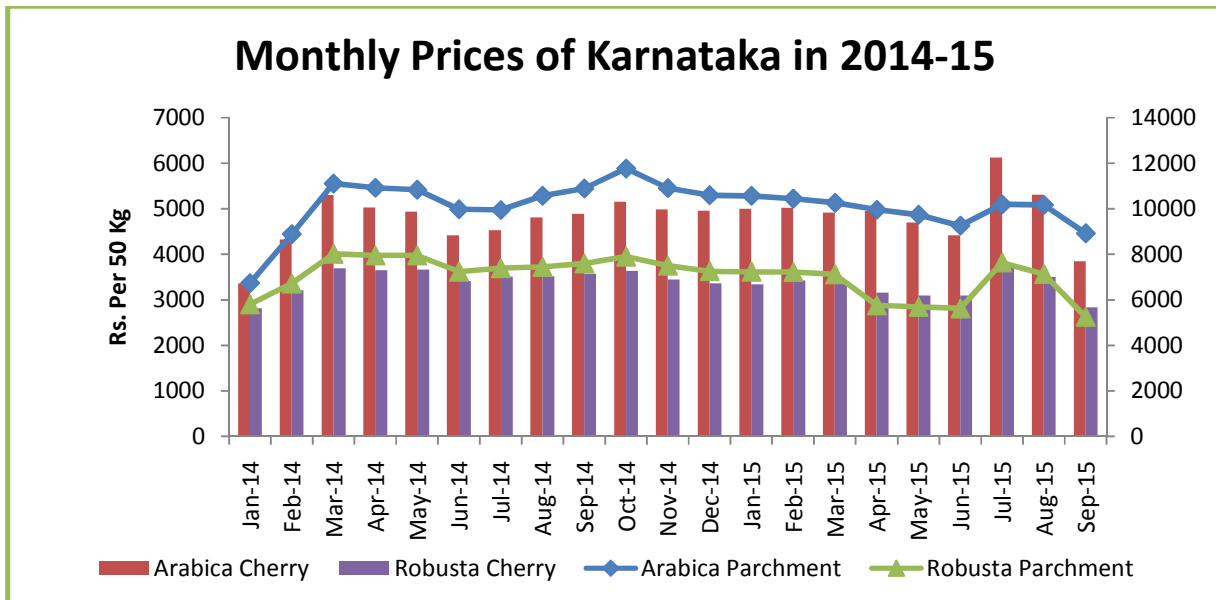
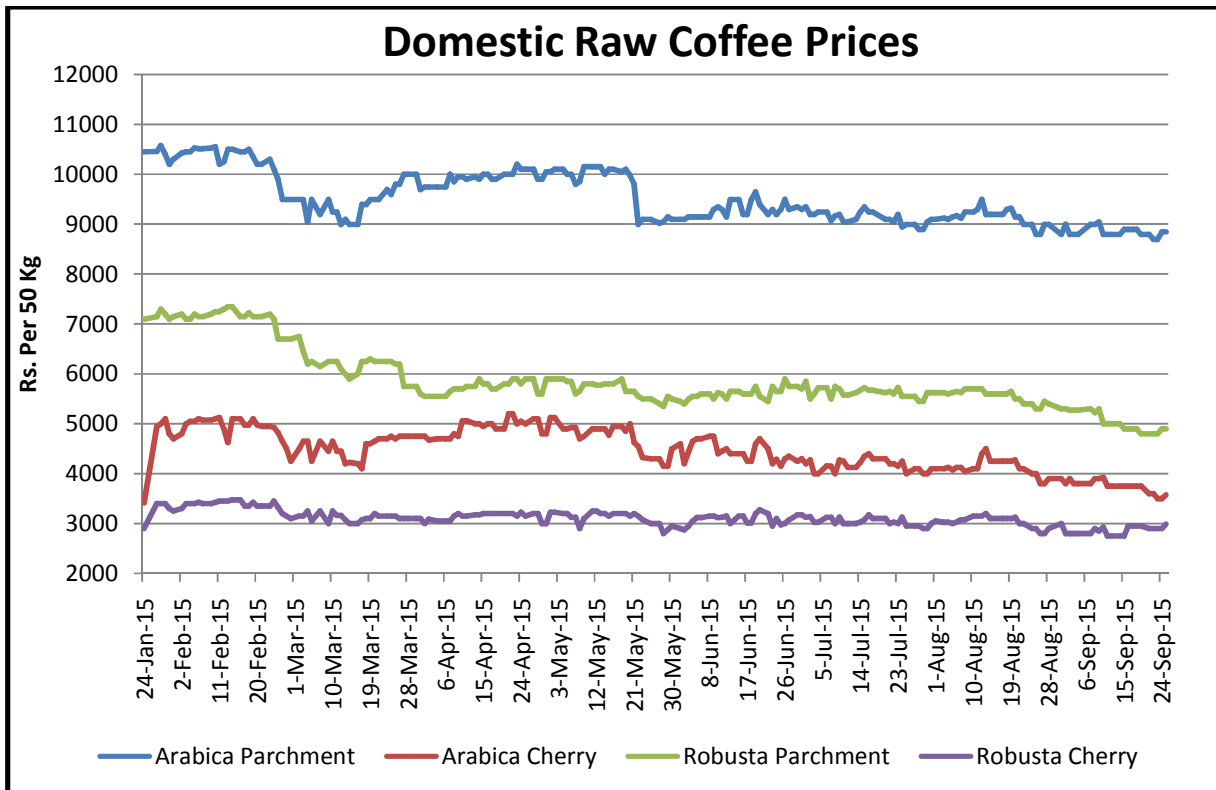
**Domestic Crop Condition And Progress:-**

According to recent updates of USDA, total availability of India is registered up by 5.32% to 8606 thousand 60-kg bags for 2015-16 season against 8171 thousands 60-kg bags in preceding year supported by higher crop estimates, Opening stocks and total imports which stood at 5200, 2271, 1135 thousand 60-kg bags respectively. Total demand of India is also reported up by 5.93% to 6250 thousands 60-kg bags for 2015-16 from 5900 thousands 60-kg bags in previous year record.

Below table shows coffee balance sheet of India since 2010-11:-

All figures in Thousands-60 kg bags						
Item	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
<b>Supply</b>						
Opening Stock	2271	2026	1982	1473	1742	2633
Crop Size	5200	5100	5075	5303	5230	5035
Bean Imports	1090	1000	1104	1130	879	820
Roast & Ground Imports	3	3	3	3	1	0
Soluble Imports	42	42	45	31	12	0
<b>Total Imports</b>	<b>1135</b>	<b>1045</b>	<b>1152</b>	<b>1164</b>	<b>892</b>	<b>820</b>
<b>Availability</b>	<b>8606</b>	<b>8171</b>	<b>8209</b>	<b>7940</b>	<b>7864</b>	<b>8488</b>
<b>Demand</b>						
Soluble Domestic consumption	450	430	430	350	380	205
Roasted,Ground Dom. Consumption	800	770	770	750	788	1026
<b>Total consumption</b>	<b>1250</b>	<b>1200</b>	<b>1200</b>	<b>1100</b>	<b>1168</b>	<b>1231</b>
Bean Exports	3500	3200	3300	3420	3735	4160
Roast & Ground Exports	3	4	16	3	4	5
Soluble Exports	1497	1496	1667	1435	1484	1350
<b>Exports</b>	<b>5000</b>	<b>4700</b>	<b>4983</b>	<b>4858</b>	<b>5223</b>	<b>5515</b>
<b>Total Demand</b>	<b>6250</b>	<b>5900</b>	<b>6183</b>	<b>5958</b>	<b>6391</b>	<b>6746</b>

Source: USDA (Total Availability (Opening Stock+ Crop Size+ Total Imports)),(Total Demand (Total Consumption+ Total Exports))

**Coffee Prices Of Auction Market & State Wise Market**


Source: Agriwatch

**Domestic Raw Coffee Prices (Karnataka):-**

Variety	18.9.2015	11.9.2015	Change
Arabica Parchment	8800	8800	Unchanged
Arabica Cherry	3750	3750	Unchanged
Robusta Parchment	5000	5000	Unchanged
Robusta Cherry	2750	2750	Unchanged

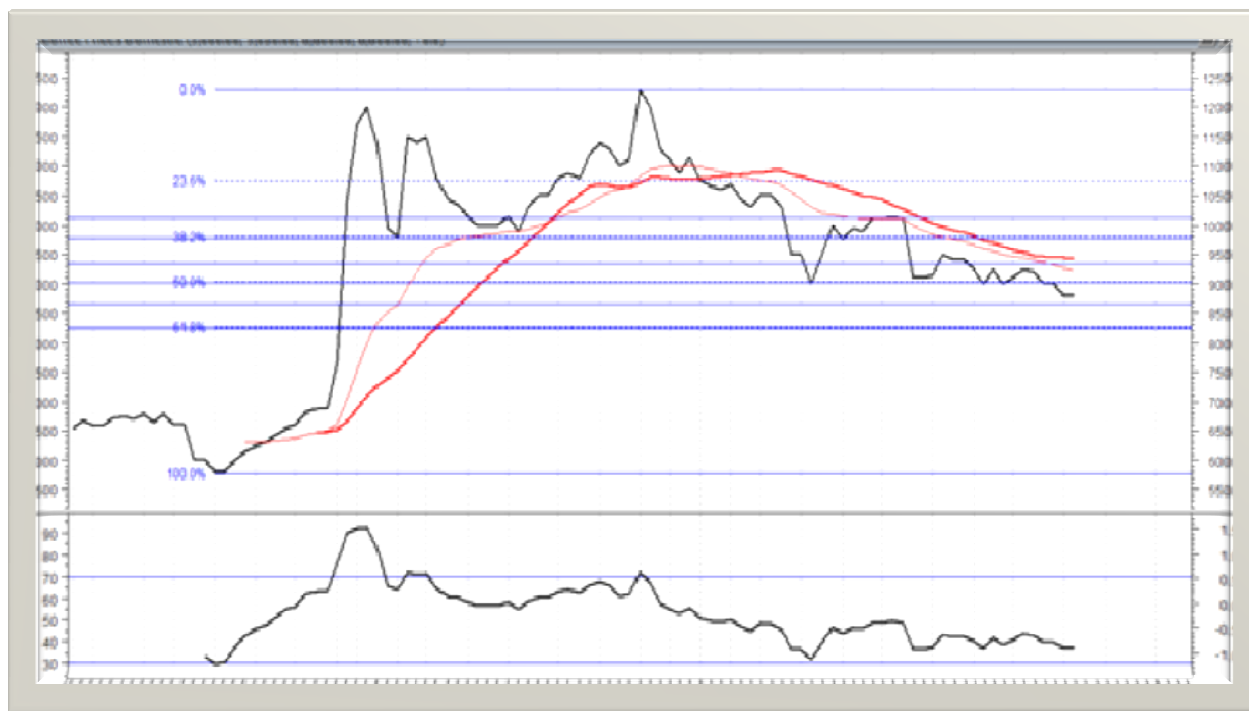
\* Values in Rs per 50 Kg

**ICTA Auction Prices (Bangalore)(New Season(2014-2015) Crop**

Grade	10.9.2015	3.9.2015	Change	10.9.2015	3.9.2015	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	--	--	--	--	--
AA	--	--	--	--	--	--
PB	216.00	206.5	9.50	159.00	152.50	6.50
A	--	280	--	--	--	--
AB	--	--	--	156.50	156.26	0.24
B	--	180.00	--	--	--	--
C	148.00	152.00	-4.00	125.00	--	--
BBB	--	132.00	--	--	107.00	--
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	--	--	--	--	--
A	--	--	--	--	--	--
PB	133.50	--	--	119.00	117.76	1.24
AA	137.00	--	--	123.00	--	--
AB	--	--	--	122.00	122.36	-0.36
B	--	--	--	--	--	--
C	--	--	--	118.00	115.76	2.24
BBB	111.00	--	--	110.00	109.36	0.64

Values in Rs. per kg

**Technical Analysis (Domestic Arabica Parchment Coffee At Karnataka Market)**



**Outlook** - Prices show steady momentum during the week. We expect prices to trade sideways to weak note.

- Technical chart shows continuous downward momentum in the market.
- RSI is also moving in steady zone in neutral region at 36.86 in this week , hinting further steady to downward momentum in the next week.
- Relatively, simple moving average also supports falling zone of the market.
- We expect further steady to downtrend in the market in coming days.

**Strategy:** Market participants are advised to stay away for the short period of time.

**Arabica Parchment (Karnataka Spot Market Price)**

Support and Resistance				
S2	S1	PCP	R1	R2
8256	8648	8800	9020	9353

Units in Rs./50 kg.

### International Market Updates

ICE Arabica coffee future prices of December contract slightly decreased by 0.21% to 118.30 USC cents per lb from 118.55 USC cents per lb on lower demand. Arabica coffee prices declined by 30% this year so far and Robusta coffee future prices went down by 18% this year since commodity markets worldwide were negatively affected by currency movements and economic news out of China. As per exchange data, ICE certified Arabica stocks declined by 15345 to 2023605 bags as on 24th Sep 2015 against 2038950 bags as on previous day.

*Below table shows ICE certified Arabica Stocks details :-*

COUNTRIES	ANTWERP	BARCELONA	HAMBURG/ BREMEN	HOUSTON	MIAMI	NEW ORLEANS	NEW YORK	Total
Brazil	1007	0	1600	1960	0	0	13960	18527
Burundi	62696	0	57359	0	0	0	2380	122435
Colombia	110961	0	48243	11796	45546	275	217211	434032
Coasta Rica	250	0	0	0	0	0	0	250
El Salvador	4525	0	25	0	0	0	6942	11492
Guatemala	9972	0	200	25	0	0	6273	16470
Honduras	364703	250	23750	22972	19454	2000	75694	508823
India	30276	0	2563	0	0	0	0	32839
Mexico	200351	0	4911	31105	0	0	78991	315358
Nicaragua	81808	0	0	0	0	0	2025	83833
Peru	189538	0	59292	6693	0	25	85449	340997
Rwanda	59435	0	16313	0	0	0	296	76044
Tanzania	640	0	797	0	0	0	578	2015
Uganda	26591	295	33324	0	0	0	280	60490
Total in Bags	1142753	545	248377	74551	65000	2300	490079	2023605

Source: Reuters

**Brazil:-** As per Brazilian government agency Conab, Brazil's private stock declined by 849,000 during crop year 2014/15 to 14.4 million bags at the end of the March 2015.

**Others :-** As per the National Growers Federation, Colombian 20% coffee beans are suffering by drought and infestations caused by the EL Nino weather phenomenon. Indonesia completed almost 70% coffee harvesting so far.

**Vietnam:-**As per Vietnam customs, Vietnam shipped 92600 tonnes(1.54 million 60 kg bags) of coffee in August 2015 with an decrease of 13.6% than the last month. Total exports in the first eight months of 2015 stood down 32.2% to 879,400 tonnes as compared to last year record.

The next 2015/2016 coffee season begins in October, starting with the harvest that often peaks during late November in the Central Highlands coffee belt, and farmers could sell some of the stocks remaining to make room for fresh beans. According to an Industry body, Vietnam is expected to hold around 300,000 tonnes of the total coffee stock as on date or around a fifth of the 2014/15 crop.

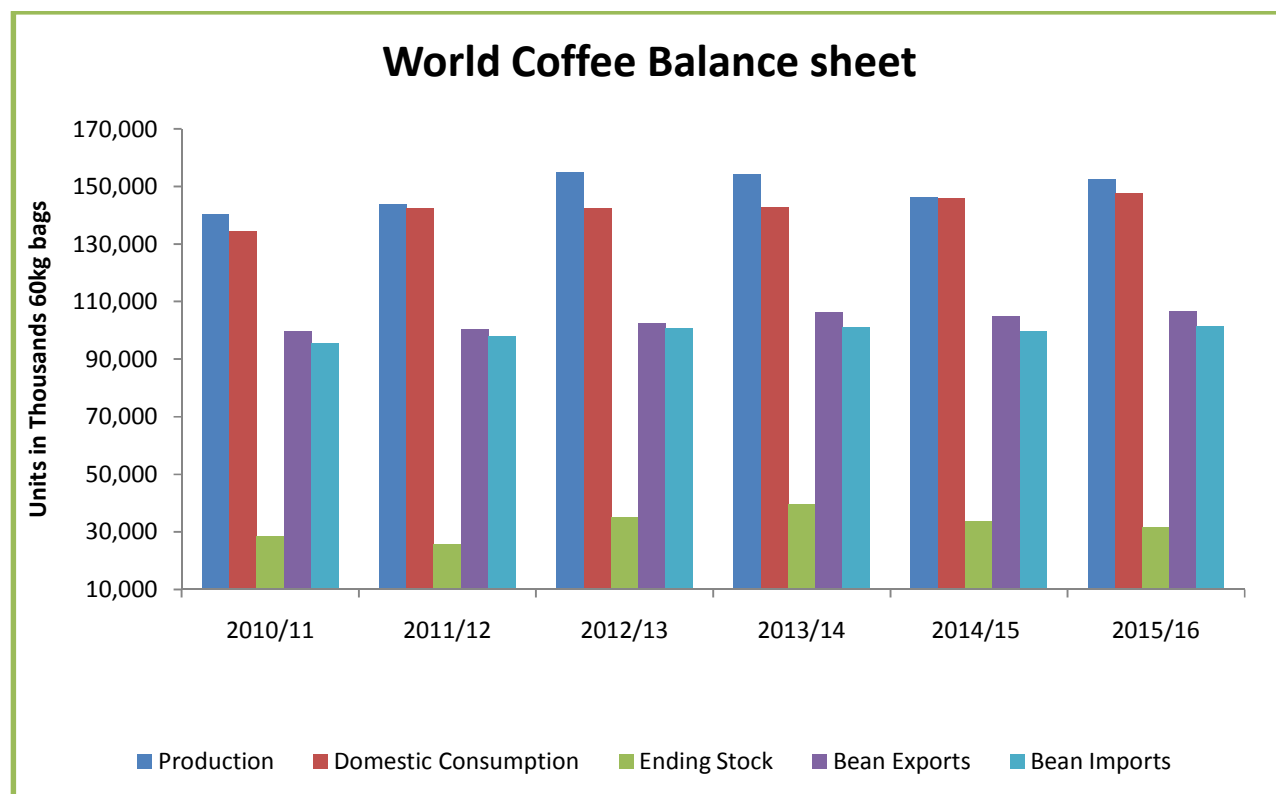
### Coffee Balance Sheet Of The World:-

According to recently released data by USDA, World coffee production is expected to touch the level of 152.65 million bags in 2015/16 which is higher by 4.36% against 2014/15 coffee crop estimates i.e. 146.26 million bags due primarily to record output in Indonesia and Honduras as well as strong recovery in Brazil. World coffee production forecast in June 2015 is revised down from December -2015 estimate by 3.5 million bags to 146.3 million bags followed by lower output estimates of central America & Mexico, Vietnam and Peru.

Below table and Chart shows Coffee balance sheet of the World:-

World Coffee's Forecast for 2014-15 (Thousand 60-kg bags)						
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Production</b>	140,417	143,882	154,943	154,308	146,263	152,651
<b>Domestic Consumption</b>	134,535	142,384	142,476	142,762	145,973	147,684
<b>Ending Stock</b>	28,620	25,648	35,190	39,690	33,547	31,540
<b>Bean Exports</b>	99,901	100,657	102,362	106,388	104,914	106,762
<b>Bean Imports</b>	95,730	97,945	100,852	101,160	99,795	101,350

Source: USDA



Source: USDA

International Coffee Price Trend:-

Germany Market – Hamburg and Bremen, France Market – (Le Havre and Marseilles) \* Values

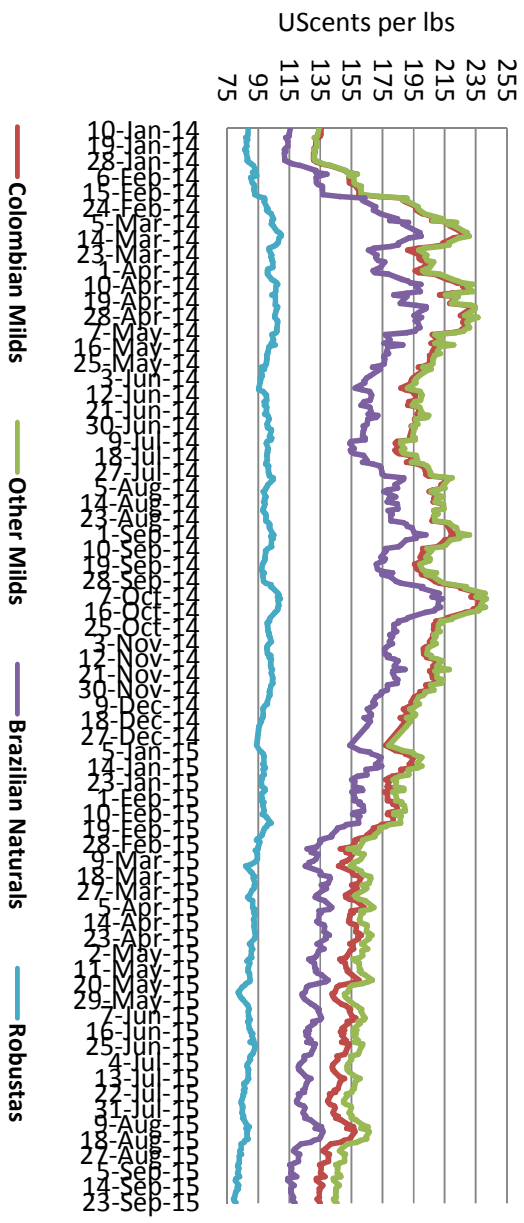
	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	17.9.2015	10.9.2015	17.8.2015	17.9.2014
<b>ICO Composite Indicator</b>	112.16	110.87	126.93	157.65
<b>Colombian Milds</b>				
US	132.50	130.50	152.50	198.75
Europe	136.97	135.18	157.29	204.03
Group Indicator	134.56	132.65	154.70	201.18
<b>Other Milds</b>				
US	147.44	145.19	166.69	207.69
Europe	143.80	142.39	163.05	203.74
Group Indicator	145.18	143.45	164.43	205.24
<b>Brazilian Naturals</b>				
US	108.50	106.50	125.50	164.75
Europe	118.71	116.84	138.43	180.03
Group Indicator	116.06	114.15	135.07	176.06
<b>Robusta</b>				
US	88.00	87.33	94.08	104.75
Europe	79.88	79.64	86.80	98.11
Group Indicator	81.18	80.87	87.97	99.17

US cents/lb

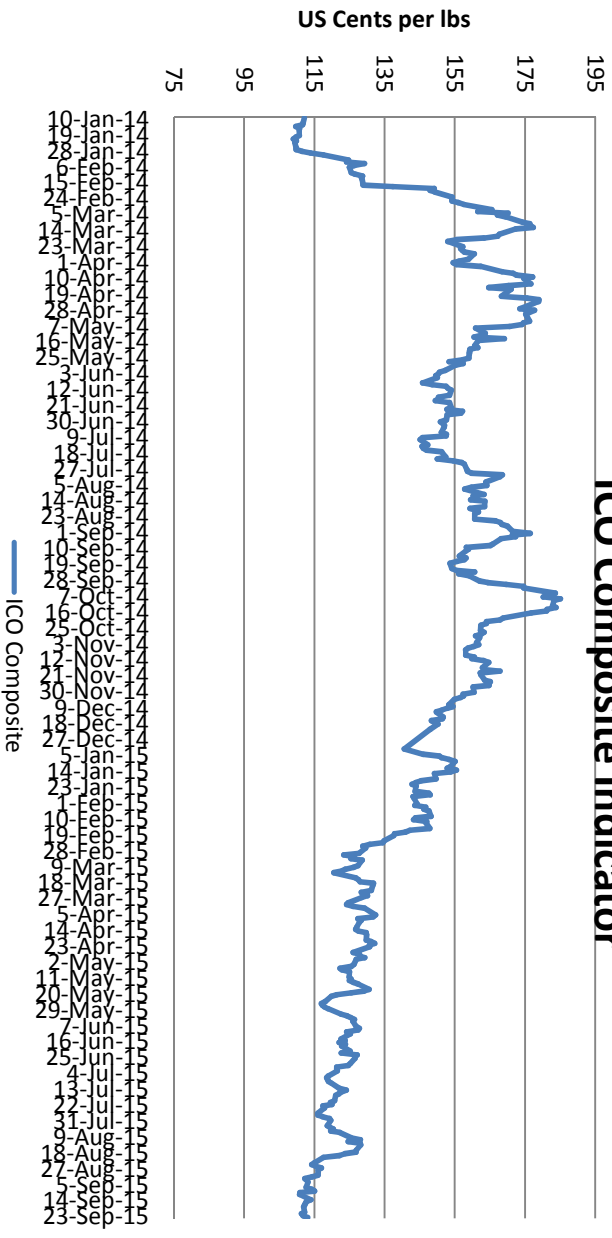


## International Coffee Indicators Charts:-

### International Coffee Group Indicator



### ICO Composite Indicator



Source: ICO

**International Future Market Prices :-**

ICE Arabica Coffee Futures Prices (USC Cents/lb)				
Contract Months	Today(17-September-2015)	Today(10-September-2015)	Month Ago(17-August-2015)	Weekly Change (%)
Sep-15	113.50	113.05	134.75	0.39
Dec-15	118.55	116.40	138.55	1.84
Mar-15	121.95	119.90	141.95	1.70

Liffe Robusta Coffee Futures Prices				
Contract Months	Today(17-September-2015)	Today(10-September-2015)	Month Ago(17-August-2015)	Weekly Change (%)
Sep-15	1564	1557	1704	0.44
Nov-15	1564	1566	1715	-0.12
Jan-15	1578	1581	1731	-0.18

**USD/T**
**International Coffee Prices**

	17.9.2015	10.9.2015	17.8.2015	17.9.2014
Vietnam (Robusta Beans Spot) (Dong/Kg)	35400	35900	36700	39150
Vietnam FOB (2-5 pct)* (Saigon port)	1669.50	1675	1785	1905.50
Indonesian FOB (4-80 defects)** (Lampung Port)	1620	1650	1730	1990

**\*FOB Values are in USD/T**
**Weekly Auction Prices Of Kenya**

Kenya Auction Prices			
Coffee Grade	Prices This Auction In (21/09/2015)	Average Prices In	Prices Last Auction In (14/09/2015)
Arabica AA	77-277	215	141-264
Arabica AB	75-242	195.17	125-244
Arabica C	59-200	158.85	79-205
Arabica PB	76-231	199.98	103-239
Arabica T	20-160	97.41	57-169
Arabica TT	75-219	151.3	78-219

**Units in \$ per 50 kg bags**

**Technical Analysis Of Coffee Future Market (Sep'2015 Contract At ICE Future Market)**



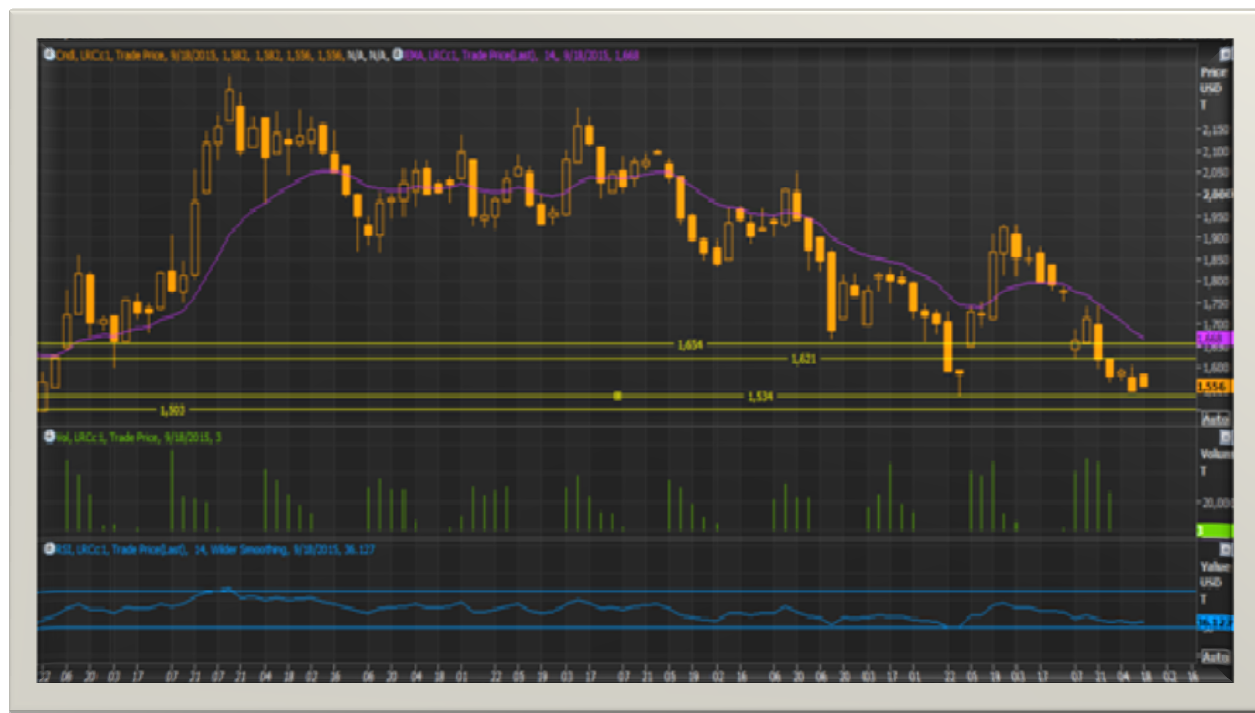
**Outlook** - Prices show steady momentum during the week. We expect prices to trade sideways to weak note.

- Candlestick chart shows upside momentum in the market.
- 14 days EMI hints down momentum in the market.
- Rising volume and prices indicates bullish phase of the market.
- RSI is remain at 44.62 compared to 36.91 of last week momentum indicating steady to strong tone in the next week.

**Strategy:** Market participants are advised to go long for the short period of time.

**Coffee Future Market (ICE Market)**

Support and Resistance				
S2	S1	PCP	R1	R2
101.02	107.83	122.7	130.85	149.19

**Technical Analysis Of Coffee Future Market (Sep'2015 Contract At LIFFE Future Market)**


**Outlook** - Prices show steady momentum during the week. We expect prices to trade sideways to weak note.

- Candlestick chart depicts upside momentum in the market on buying interests.
- On the other hand, 14-days EMA is moving lower at 1658 from 1668 of last week, indicating further fall in the market.
- However, RSI is up at 44.62 in neutral region against 36.12 of last week hinting a further upward momentum of the market in upcoming week.

**Strategy:** Market participants are advised to go for long in the short period of time.

**Coffee Future Market (ICE Market)**

Support and Resistance				
S2	S1	PCP	R1	R2
1429	1466	1596	1678	1654

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