

Executive Summary

Domestic Coffee Market Summary

Weak tone were featured in Karnataka physical market, as on 9th January 2016 on declining demand. International market demand has yet to pickup, though there are few orders at lower differentials of \$180 over the London market for RC-AB GRADE of Robusta. whereas traders are expecting for the price of \$ 220 or above. Arabica grade demand seems little as compare to last year, however, its demand may accelerate since next month. Currently, domestic coffee prices are following the trend of International market prices.

Arabica coffee harvesting is almost finished of this season. Whereas, farmers have completed around 10% of Robusta coffee harvesting as of now. The quality of both Arabica and Robusta coffee beans are good. New crop demand will be offered at less prices since the overall world crop seems good.

As per the state- run Coffee Board, India may harvest total 350,000 tonnes of beans in 2015/16 with a decline of 1.6% from the previous estimates followed by 107800 tonnes of Arabica and 24200 tonnes of Robusta in the 2015/16 marketing year which started from 1st October 2015 on account of recent heavy rainfall. India exports three-quarters of its production. Italy, Germany and Belgium are the main buyers of India's crop.

However, the production estimates is placed higher by 7% against last year records harvesting i.e. 327000 tonnes due to ample rainfall in coffee growing areas in India.

Recommendation:

Weekly Call - : Market participants are advised to go long above 8350 levels for a target of 8712 and 8913 with a stop loss at 8075 on closing basis.

International Coffee Market Summary

In view of traders, Vietnam is likely to export between 130,000 tonnes and 140,000 tonnes (2.17 million to 2.33 million bags) which is equal or a little higher than 130,000 tonnes as the estimate given in December 2015. Sales are expected to pick up because of ample supply at the harvest end in the world's top Robusta producer and as growers need more cash for fuel for watering trees starting in February 2016. Coffee supply in Vietnam is now ample as the 2015/2016 harvest is nearly complete, while wider premiums and low prices discouraged growers from unloading stocks. Vietnams' coffee flow may affect international coffee prices as the Southeast Asian country accounts for a fifth of the world's total production and its bitter beans, used mostly for making soluble coffee, are traded on London's Robusta futures market. The 2015/2016 harvest has finished in the central highland provinces of Dak Nong, Kon Tum and Gia Lai, while it is about 95 percent complete in Daklak, the top growing province, while in Lam Dong the rate is below 90 percent.

As per Brazil's Trade Ministry, Brazil exported total 2976727 60-kg bags in December 2015 down by 4% against 3116701 as in November 2015. Below table shows Brazil's Coffee Exports Details:-

Brazil's Coffee Exports Details					
Commodity	Dec-15	Nov-15	Dec-14	% change Previous month	% change Previous year
Coffee	2,976,727	3,116,107	3,044,713	-4	-2

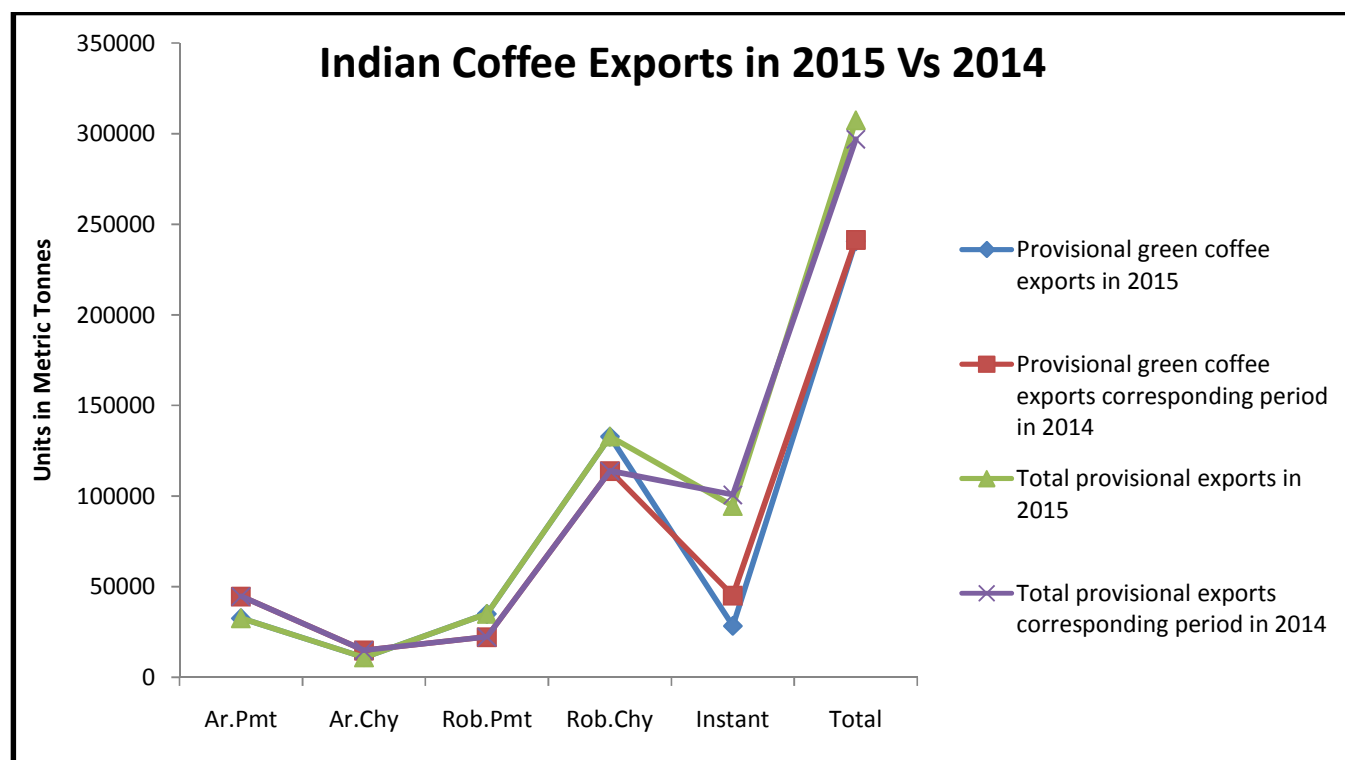
Source: Reuters

Domestic Export and Import Scenario :-

Below table shows coffee exports details of India :-

Export update: From 01 st January 2015 to 30th December 2015(in metric tonnes)									
	INDIAN COFFEE	Ar. Pmt	Ar. Chy	Rob. Pmt	Rob. Chy	Roasted seeds	R & G	Instant	Total
1	Provisional exports (Indian coffee)	32726	11142	35118	132940	42	295	28452	240715
2	Provisional exports corresponding period last year	44653	14940	22304	113906	54	294	45201	241352
3	Provisional re-exports	0	0	0	0	119	274	66200	66593
4	Provisional re-exports corresponding period last year	0	0	0	0	2	4	55535	55541
5	Total provisional exports (1+3)	32726	11142	35118	132940	161	569	94652	307308
6	Total provisional exports corresponding period last year (2+4)	44653	14940	22304	113906	55	298	100736	296893

Source: The Coffee Board Of India



Source: The Coffee Board Of India

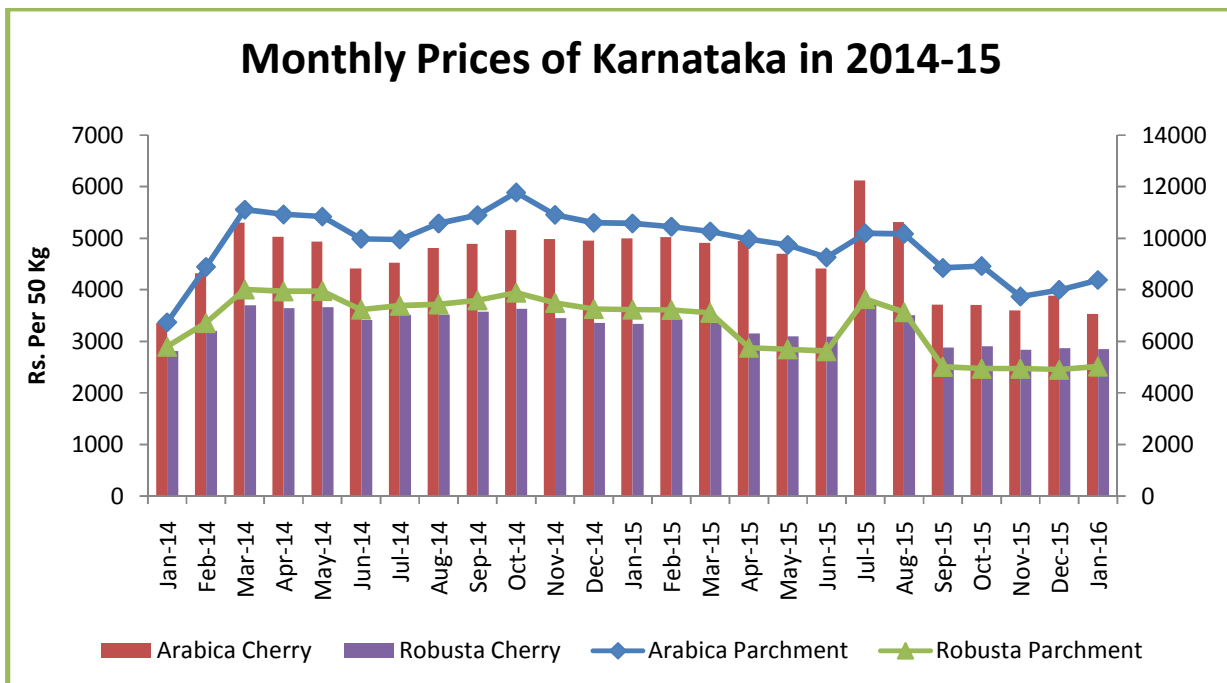
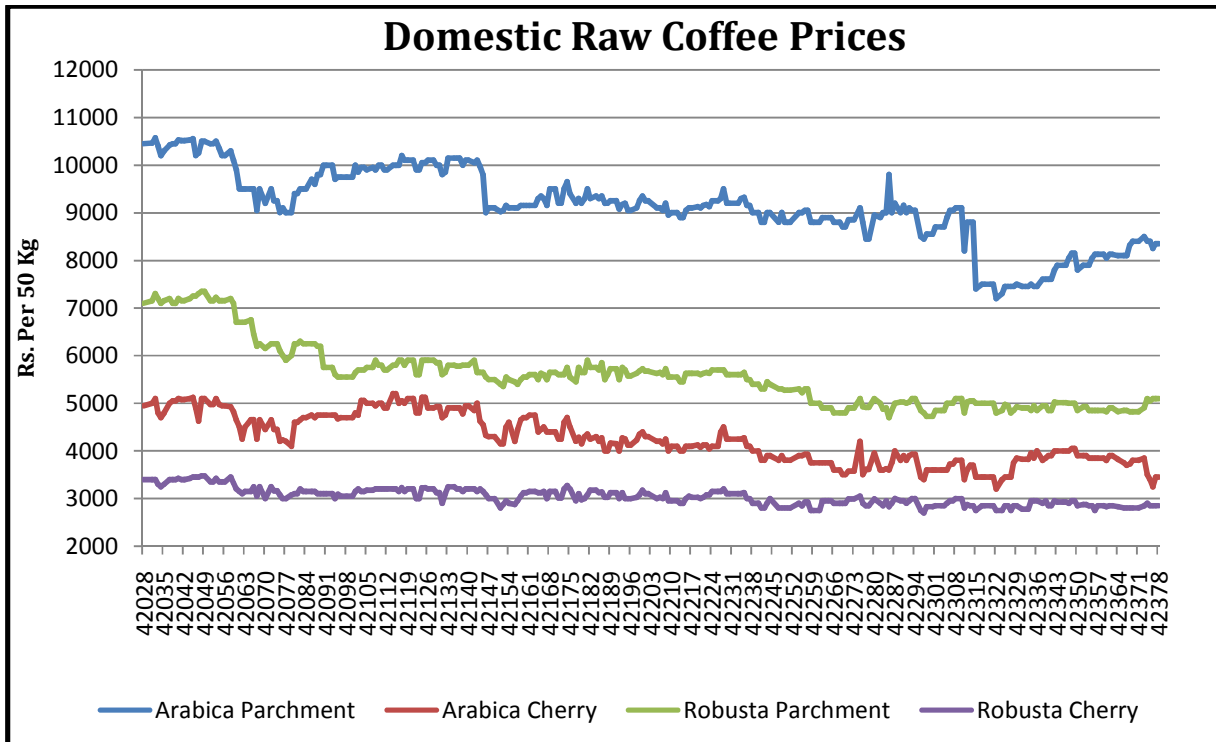
Domestic Coffee Crop Situation:-

- According to recent updates of USDA, total availability of India is registered up by 5.13% to 9032 thousand 60-kg bags for 2015-16 season against 8591 thousands 60-kg bags in preceding year supported by higher crop estimates, opening stocks and total imports which stood at 2691 and 1041 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 season from 5900 thousands 60-kg bags in previous year record followed by higher exports volume estimates and domestic consumption i.e. 5000 against 4700 and 1250 thousands 60 kg bags against 1200 thousands 60 kg bags.

Below chart shows USDA projection for Indian coffee from 2014-15 to 2015-16:-

All figures in Thousands-60 kg bags						
Item	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Supply						
Opening Stock	2691	2026	1982	1473	1742	2633
Crop Size	5300	5440	5075	5303	5230	5035
Bean Imports	1000	1080	1104	1130	879	820
Roast & Ground Imports	3	3	3	3	1	0
Soluble Imports	38	42	45	31	12	0
Total Imports	1041	1125	1152	1164	892	820
Availability	9032	8591	8209	7940	7864	8488
Demand						
Soluble Domestic consumption	600	430	430	350	380	205
Roasted, Ground Dom. Consumption	650	770	770	750	788	1026
Total consumption	1250	1200	1200	1100	1168	1231
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
Exports	5000	4700	4983	4858	5223	5515
Total Demand	6250	5900	6183	5958	6391	6746

Source: The Coffee Board Of India

Coffee Prices Of Auction Market & State Wise Market


Source: Agriwatch

Domestic Raw Coffee Prices (Karnataka):-

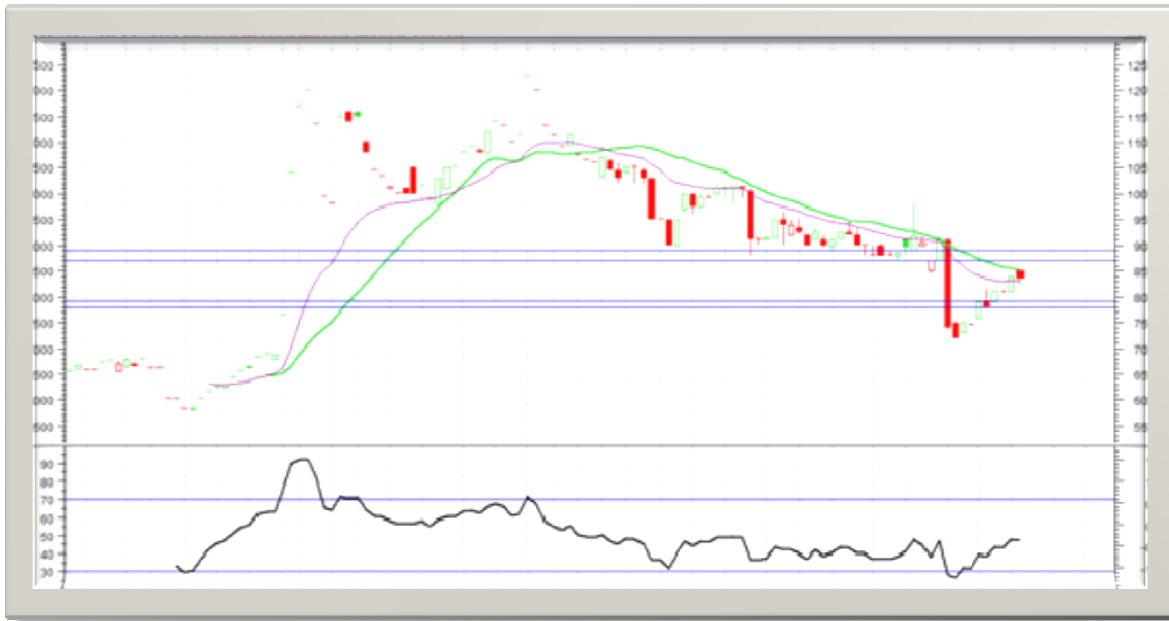
Variety	09.01.2016	02.01.2016	Change
Arabica Parchment	8350	8400	-50
Arabica Cherry	3450	3800	-350
Robusta Parchment	5100	4825	275
Robusta Cherry	2850	2800	50

* Values in Rs. per 50 Kg

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

Grade	17.12.2015	10.12.2015	Change	17.12.2015	10.12.2015	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	---	---	--		--	-
AA	244	---	--	--	160	-
PB	---	173	-4	142.5	155	-12.5
A		---	--		--	-
AB		---	--		--	-
B		180.36	--		--	-
C		132	-5.8		--	-
BBB	105	---	-0.26		--	-
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	---	---	-	--	---	-
A	---	---	-	---	---	-
PB	116	---	-	112.5	115	2.5
AA	---	---	-	121	121	Unchanged
AB	---	---	-	114.26	116	-1.74
B	---	---	-	---	---	
C	107	---	-	108.5	112	-3.5
BBB	---	---	-	105	---	-

Values in Rs. per kg

Technical Analysis(Domestic Arabica Parchment Coffee At Karnataka Market)


Outlook -Prices show downside momentum during the week. We expect prices to trade steady to higher zone in next week.

- Technical chart shows downside momentum of the market.
- RSI is also moving up in neutral region at 47.18 in this week against 47.87, hinting further downward momentum in the next week.
- However 18 days exponential moving average supports uptrend of the market.
- We expect further uptrend in the market in coming days.

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

Arabica Parchment (Karnataka Spot Market Price)

Support and Resistance				
S2	S1	PCP	R1	R2
7783	8075	8350	8712	8912

Units in Rs./50 kg.

International Market Updates

ICE coffee future prices closed down by 6.51% to 118.45 cents/lb against 126.70 cents/lb during this week end. As per RTRS, ICE certified stocks went up by 1725 to 1708064 bags as on 8th Jan 2016 against 1706339 bags as on 7th Jan, 2016. As per sources, coffee stocks held at in European ports declined by 0.6% to 711,144 tonnes in October 2015 as compared to 715,505 tonnes a month earlier.

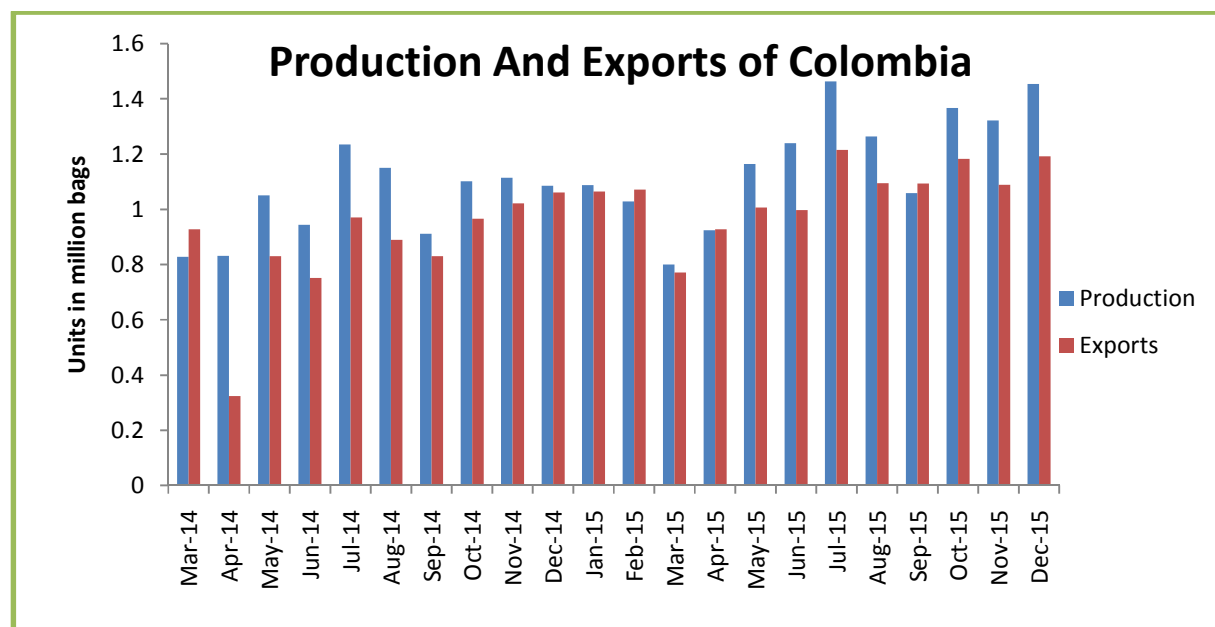
According to ICO, total coffee exports of the world is reported 2.3% higher to 8506 thousands 60-kg bags in November 2015 against 8317 thousands 60-kg bags in November 2014 followed by Arabica coffee exports volume i.e. 5705 against 5096 thousands 60-kg bags and Robusta coffee exports volume which is recorded 13% down to 2801 thousands 60 kg bags from 3220 thousands 60-kg bags.

Honduras, is one of the top producer of Central America exported total 320,957.93 60-kg bags in December 2015 with a jump of 11.7% against the same month last year. Honduras expects to export about 5.52 million bags during the current 2015/2016 season, which would mark a 10 percent increase compared to shipments during the previous 2014/2015 cycle.

Brazil:- As per sources, Brazil is likely to produce between 57.5 million bags to 58 million 60-kg bags with an increase of 8 million bags in 2015/16 season which could help create a small global surplus. This is at the high end of 2016-17 forecast gathered by Reuters so far, with four other estimates ranging widely from 50 million to 62 million bags.

Colombia:- According to the National Coffee Growers Federation, coffee output of Colombia is produced at 14.17 million 60-kg bags of washed Arabica coffee in 2015 up by 17% and the most in 23 years on account of drought condition caused by El Nino Weather phenomenon. Coffee exports is also placed up by 16 percent to 12.7 million bags last year. Production rose 34 percent in December compared to a year earlier to 1.45 million bags, and exports were up 13 percent to 1.19 million bags.

Below table shows Production and Exports of Colombia details:-



Source: Reuters

Coffee Consumption Details Of The World:-

Below table shows Coffee Exports Details of the World :-

Monthly Export Statistics - November 2015 (In thousands 60-kg bags)						
	November 2014	November 2015	% changed	October - November 2014/15	October - November 2015/16	% changed
TOTAL	8 317	8 506	23.0%	17 341	17 195	-0.8%
Arabicas	5 096	5 705	11.9%	10 542	11 203	63.0%
Colombian Milds	1 104	1 211	96.0%	2 164	2 479	14.6%
Other Milds	1 164	1 322	13.6%	2 348	2 481	56.0%
Brazilian Naturals	2 828	3 173	12.2%	6 029	6 243	35.0%
Robustas	3 220	2 801	-13.0%	6 799	5 992	-11.9%
Brazil	3 153	3 371	69.0%	6 500	6 587	13.0%
Colombia	1 019	1 111	90.0%	1 989	2 285	14.8%
Costa Rica	31	35	12.8%	57	60	59.0%
Côte d'Ivoire	131	173	31.7%	209	266	27.3%
Ethiopia	174	208	19.5%	413	485	17.4%
Guatemala	57	110	93.6%	97	210	11.7%
Honduras	105	90	-14.7%	126	110	-13.1%
India	282	328	16.0%	586	684	16.7%
Indonesia	460	360	-21.8%	1 104	1 010	-85.0%
Mexico	149	140	-58.0%	227	240	58.0%
Papua New Guinea	65	45	-30.2%	140	109	-22.4%
Peru	356	490	37.8%	800	942	17.8%
Uganda	220	249	13.2%	449	473	52.0%
Vietnam	1 688	1 400	-17.1%	3 673	2 900	-21.1%
Others	20	30	49.5%	54	64	17.3%

Source: ICO

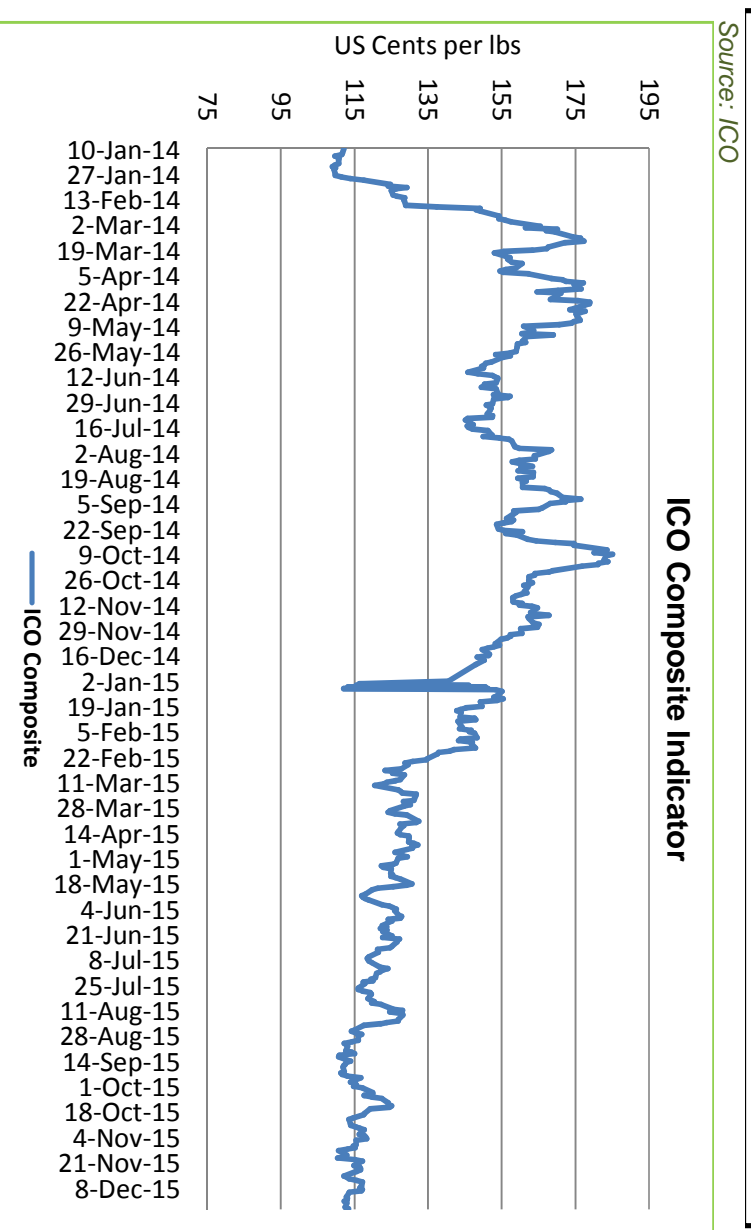
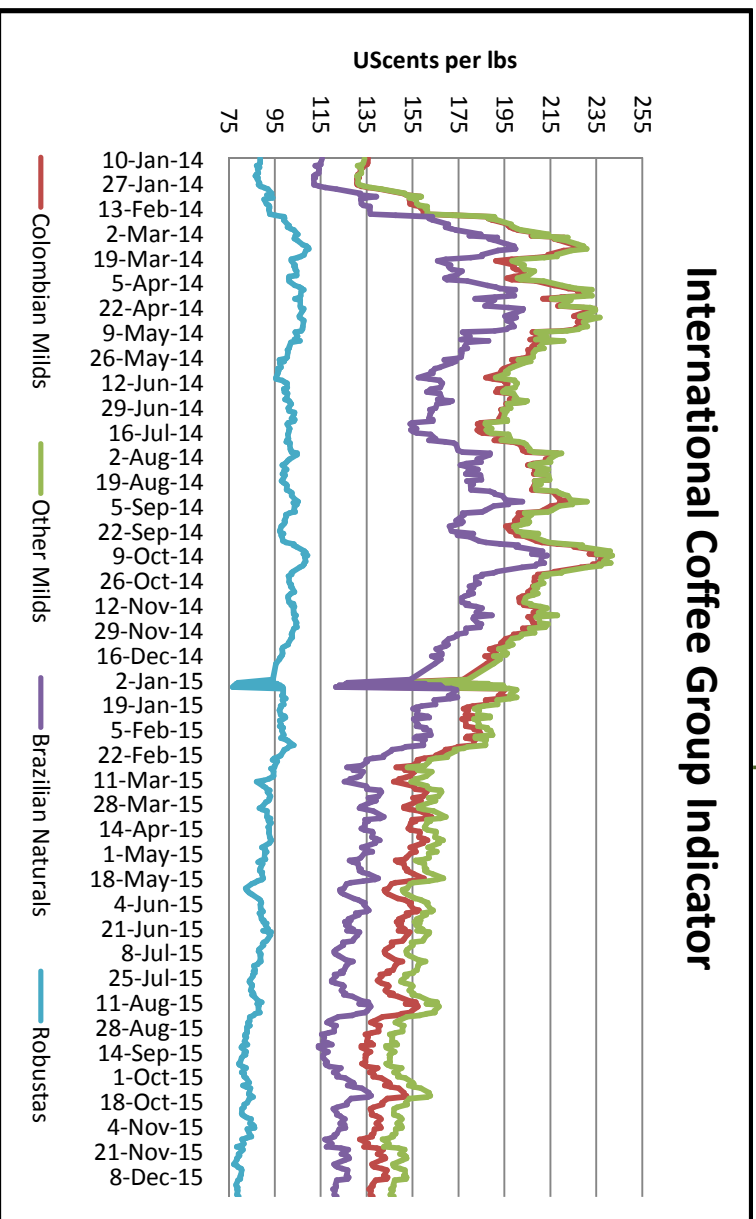
International Coffee Price Trend:-
Germany Market – Hamburg and Bremen, France Market – (Le Havre and Marseilles) * Values

	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	07.01.2016	22.12.2015	07.12.2015	07.12.2014
ICO Composite Indicator	112.09	113.45	116.87	153.24
Colombian Milds				
US	136.50	--	143.00	192
Europe	137.03	--	142.67	195.05
Group Indicator	136.74	137.72	142.85	193.4
Other Milds				
US	147.19	--	153.19	199.94
Europe	145.30	146.02	150.81	194.35
Group Indicator	146.07	146.77	151.79	196.47
Brazilian Naturals				
US	107.50	--	113	157
Europe	126.46	126.99	131.14	172.92
Group Indicator	121.53	121.96	126.42	168.78
Robusta				
US	83.67	--	87.42	104.58
Europe	75.20	77.79	78.95	100.30
Group Indicator	76.64	79.28	80.39	100.99

US cents/lb

International Coffee Indicators Charts:-

Below Table shows New York and London Future Price and Spread:-



Source: ICO

International Future Market Prices :-

ICE Arabica Coffee Futures Prices				
Contract Months	Today(07-January-2016)	Week Ago(31-December-2015)	Month Ago(07-December-2015)	Weekly Change (%)
16-Mar	118.45	126.70	126.05	-6.51
16-May	120.60	128.80	128.15	-6.37
16-Jul	122.60	130.75	130.15	-6.23

US cents/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	Today(07-January-2015)	Week Ago(31-December-2015)	Month Ago(07-December-2015)	Weekly Change (%)
16-Jan	1434	1491	1562	-3.82
16-Mar	1479	1530	1591	-3.33
16-May	1509	1557	1616	-3.08

USD/T

International Coffee Prices

	05.01.2016	29.12.2015	05.12.2015	05.01.2014
Vietnam (Robusta Beans Spot) (Dong/Kg)	33550	33550	33750	34500
Vietnam FOB (2-5 pct)* (Saigon port)	1557.5	1557	1605	2077
Indonesian FOB (4-80 defects)** (Lampung Port)	1640	1640	1610	1700

***FOB Values are in USD/T**

Weekly Auction Prices Of Kenya

Kenya Auction Prices			
Coffee Grade	Prices This Auction In (15/12/2015)	Average Prices In	Prices Last Auction In (08/12/2015)
Arabica AA	180-446	293.59	184-479
Arabica AB	139-362	250.51	143-399
Arabica C	71-241	166.48	85-262
Arabica PB	179-291	251.5	228-419
Arabica T	27-150	97.72	51-161
Arabica TT	130-224	161.65	111-271

Units in \$ per 50 kg bags

Technical Analysis Of Coffee Future Market (Dec'2015 Contract At ICE Future Market)(Units in USC/lb)



Outlook -Prices show down side of the market during the week. We expect prices to trade sideways to down trend in the market.

- Candlestick chart depicts downtrend in the market.
- 14 days EMI hints slight down momentum at 120.93 against 121.70 in the market.
- Higher volume and lower prices indicates further short build up phase of the market.
- RSI is also down at 46 compared to 51.83 of last week momentum indicating steady to weak tone in the next week.

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

Coffee Future Market(ICE Market)

Support and Resistance				
S2	S1	PCP	R1	R2
109.77	113.37	119	132.32	137.50

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


Outlook -Prices show downside momentum during the week. We expect prices to trade downside in next week.

- Candlestick chart shows downward momentum in the market on selling interests.
- Relatively, 14-days EMI is moving down at 1484 against last week records i.e. 1502, indicating further steady to weak tone in the market.
- On the other hand, RSI is slight up at 36.10 in neutral region against 39.71 of last week hinting a further downward momentum of the market in upcoming week.

Strategy: Market participants are advised to sell in the short period of time.

Coffee Future Market(ICE Market)

Support and Resistance				
S2	S1	PCP	R1	R2
1300	1397	1440	1515	1550

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