

## **Executive Summary**

### **Domestic Coffee Market Summary**

Domestic coffee prices slumped in Karnataka physical market, as on 27th February 2016 supported by a slow and steady new demand. Indian coffee exports is likely to surge supported by weak Rupee and good output of Robusta crop despite reports of excessive supply in the global market. So far, coffee harvesting of both the varieties is finished however farmers are not willing to release their stocks in full swing in expectation of higher prices in future. The prices have gone below the cost of production, particularly in the case of Arabica, as the wages and other expenses have increased.

As per the Coffee Board of India, provisional Indian green coffee exports from 1st January 2016 to 24th February 2016 is registered higher by 17.67% at 36057 metric tons compared to 30640 metric tons exported during the corresponding period of previous year. India re-exports maximum Instant type of coffee, which is recorded higher by 4.68% at 3086 metric tons in this year during 1st January 2016 to 24th February 2016 from preceding year instant coffee volume i.e.2948 metric tons. Total provisional exports of Arabica parchment and Robusta Cherry is placed higher by 43.05% at 9386, 22.71% at 19639 metric tons respectively against exports volume of 6561 metric tons, 16004 metric tons respectively in the corresponding period of last year. However, Arabica cherry is placed lower at 1906 metric tonnes with a decline of 26.26% and Robusta parchment at 1997 metric tonnes with a decline of 20.71%.

### **Recommendation:**

Weekly Call - : Market participants are advised to go short above 8250 levels for a target of 8075 and 7802 with a stop loss at 8512 on closing basis.

### **International Coffee Market Summary**

As per sources, Uganda shipped 334,393 60-kg bags of coffee in January 2016 compared with 310,149 bags shipped in same month a year ago. The National Coffee Association of Guatemala have reported that the countries coffee exports for the month of January were 8,641 bags or 4.34% lower than the same month last year, at a total of 190,307 bags. This figure contributes to the countries cumulative coffee exports for the first four months of this new October 2015 to September 2016 coffee year to being 29,965 bags or 7.46% higher than the same period in the previous coffee year, at a total of 431,699 bags. It is still early days for the new crop in Guatemala, but the positive start to this coffee years export performance does seemingly indicate that with the new crop harvest in progress, that the forecasts for and approximately 7% larger new crop might have some reality.

As per, Agriculture ministry's crop supply agency Conab, Brazil will auction roughly 188,000 bags of Arabica coffee from government stocks. The government, which is in need of revenues to cover a growing budget shortfall, has been trying to sell - largely unsuccessfully - some of the 1.5 million 60-kg bags of Arabica coffee that it holds in public stocks. The coffee was acquired from producers during the 2009/2010 harvest and is mostly green to yellow, hard cup, with 26 to 86 defects. It currently sits stacked in Conab warehouses across the coffee belt. Conab has been holding regular coffee auctions from public stocks since late in 2015 but all except the last one earlier in early February flopped due to high minimum prices that the market snubbed. Even the last auction only sold a fraction of the bags on offer.

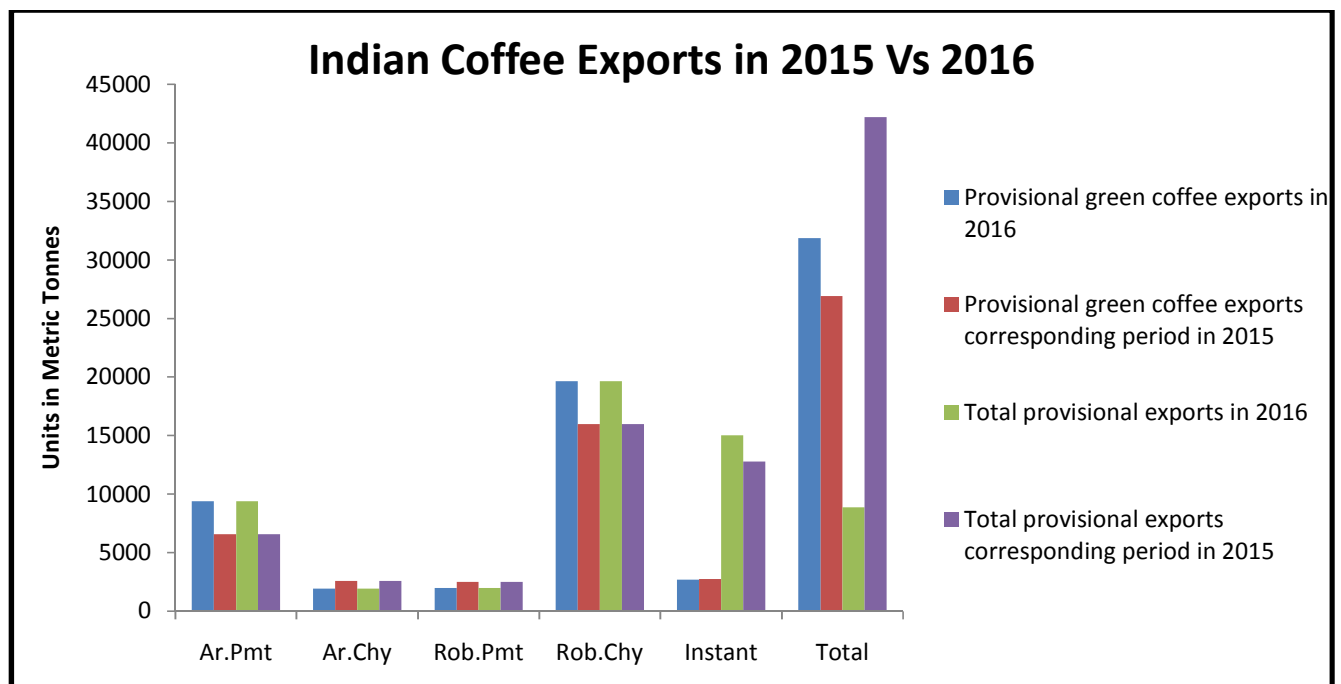
As per ICO report, coffee consumption of the World in 2014 was revised higher by 0.3% to 150.2 million 60-kg bags followed by higher consumption in exporting countries mainly in Asia. The revision means global consumption by an average 2.5 percent annually between 2011 and 2014. ICO forecasted total coffee global output for the season 2015/16 at 143.4 million bags with an increase of 1.4% against last year record.

### Domestic Coffee Exports of India :-

Below table shows Specialty and Value Added Coffee of India:-

Export update: From 01st January 2016 to 24th February 2016(in metric tonnes)									
	INDIAN COFFEE	Ar.Pmt	Ar.Chy	Rob.Pmt	Rob.Chy	Roasted seeds	R & G	Instant	Total
1	Provisional exports (Indian coffee)	9386	1906	1997	19639	6	39	3086	36057
2	Provisional exports corresponding period last year	6561	2585	2509	16004	4	30	2948	30640
3	Provisional re-exports	0	0	0	0	0	5	11952	11956
4	Provisional re-exports corresponding period last year	0	0	0	0	6	12	9830	9849
5	Total provisional exports (1+3)	<b>9386</b>	<b>1906</b>	<b>1997</b>	<b>19639</b>	<b>6</b>	<b>43</b>	<b>15037</b>	<b>48014</b>
6	Total provisional exports corresponding period last year (2+4)	<b>6561</b>	<b>2585</b>	<b>2509</b>	<b>16004</b>	<b>10</b>	<b>42</b>	<b>12778</b>	<b>40890</b>

Source: The Coffee Board Of India

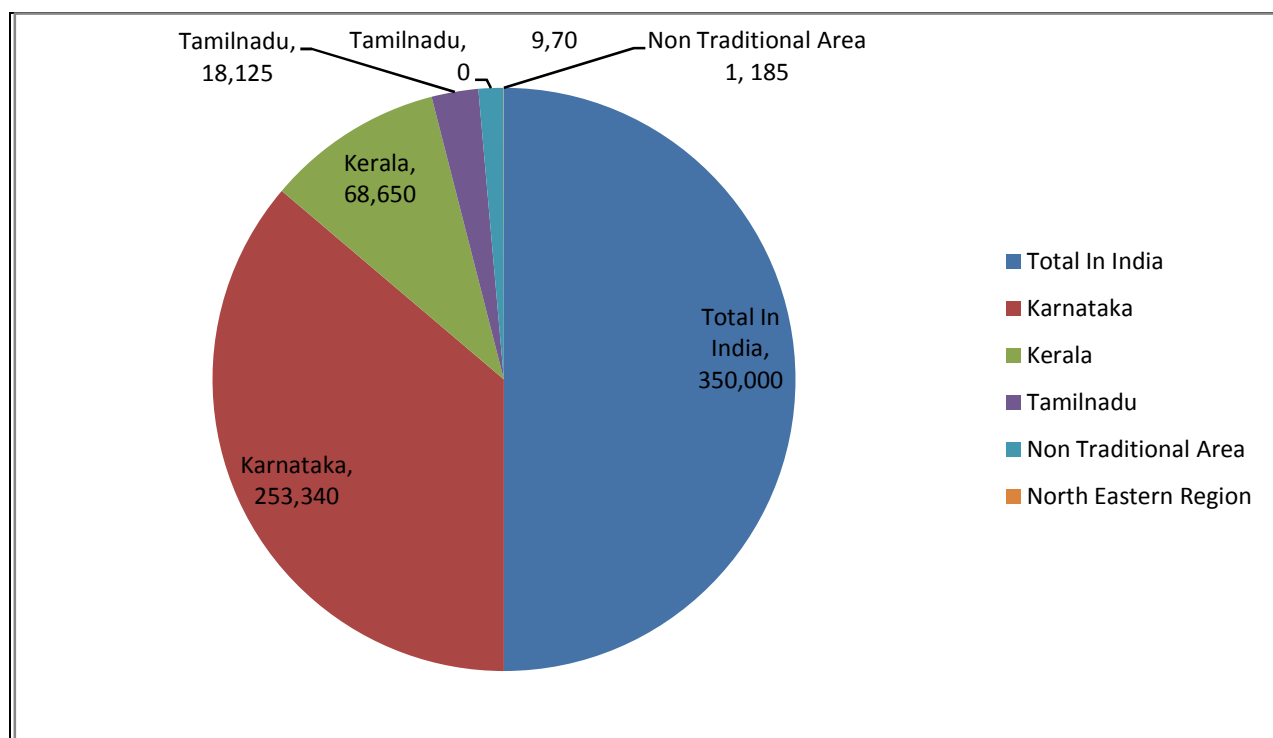


Source: The Coffee Board Of India

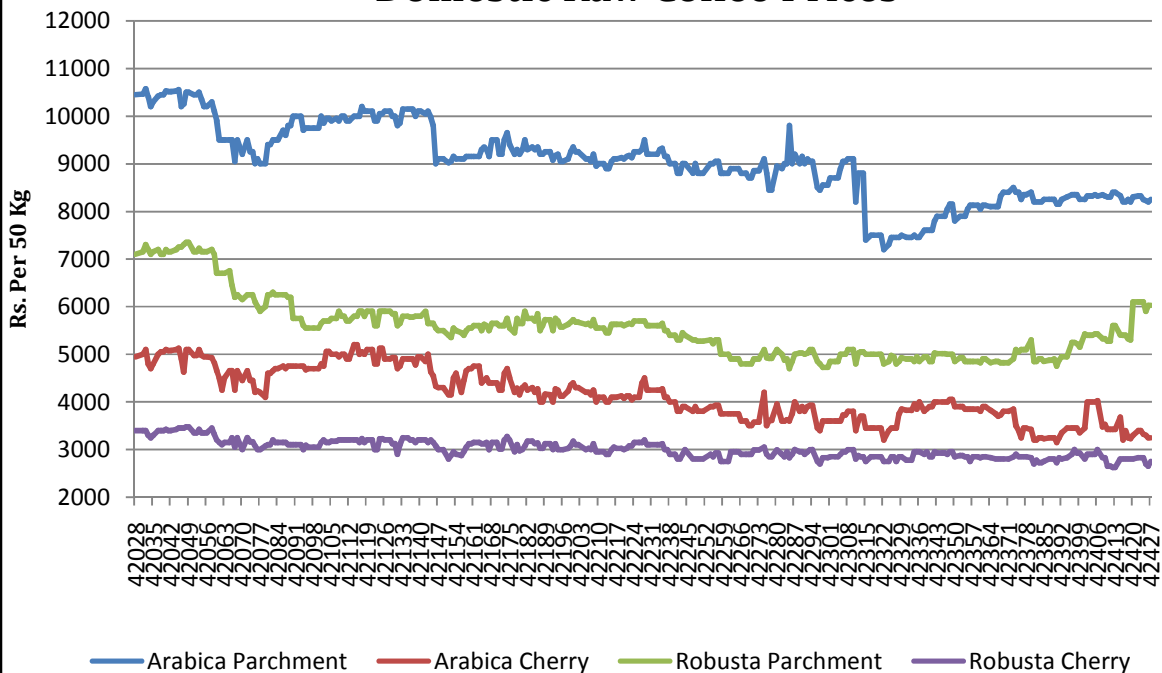
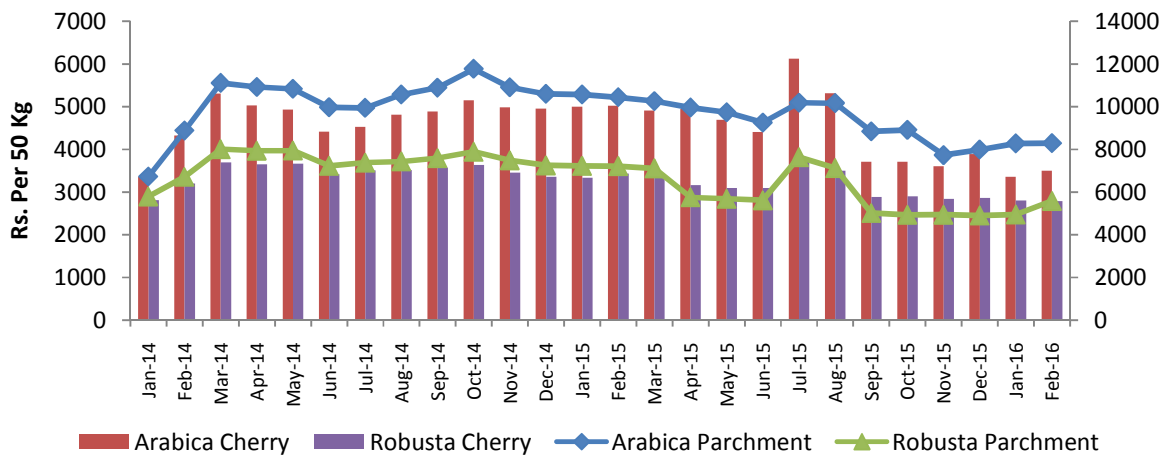
**Domestic Coffee Crop Size of India -:**

Below table shows coffee crop size details of India:-

States	Post Monsoon Estimation 2015-16	Final Estimates 2014-15	2013-14	2012-13	%change
Total In India	350,000	327000	304500	318200	14.94
Karnataka	253,340	233,230	211,100	230,225	20.01
Kerala	68,650	67,700	66,675	64,200	2.96
Tamilnadu	18,125	17,875	18,775	17,370	(3.46)
Non Traditional Area	9,700	7,975	7,760	6,230	25.00
North Eastern Region	185	220	190	175	(2.63)



Source: The Coffee Board Of India

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

**Monthly Prices of Karnataka in 2014 to16**


Source: Agriwatch



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

Variety	27.02.2016	20.02.2016	Change
Arabica Parchment	8250	8200	-50
Arabica Cherry	3250	3225	-50
Robusta Parchment	6025	5300	-75
Robusta Cherry	2750	2800	-50

\* Values in Rs. per 50 Kg

**ICTA Auction Prices (Bangalore)(New Season(2015-2016) Crop**

Grade	18.02.2016	11.02.2016	Change	18.02.2016	11.02.2016	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	-	218.5	--	--		-
AA	-	161	--	--	--	-
PB	197.4	--	--	--	123	
A	232	--	--	--	-	-
AB	--	--	--	--	-	-
B	181	--	--	--	-	-
C	142	--	--	--	-	-
BBB	113	---	---	--	-	-
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	120	-	--	--	-
A	--	---	-	--	---	-
PB	--	---	-	--	113	-
AA	--	--	-	--	119	-
AB	--	118	-	---	---	-
B	--	---	-	---	---	-
C	--	---	-	---	---	-
BBB	---	---	-	---	---	-

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 downside momentum in next week.

- Technical chart shows upside momentum of the market.
- RSI is also moving up in neutral region at 46.11 in this week against 44.99, hinting further downside momentum in the next week.
- Along with this, 18 days exponential moving down also supports steady to downside momentum of the market.
- We expect further downtrend in the market in coming days.

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

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

Support and Resistance				
S2	S1	PCP	R1	R2
7802	8075	8250	8512	8858

Units in Rs./50 kg.

### International Market Updates

ICE coffee future prices closed at 114.65 cents/lb up by 0.44% against 114.15 cents/lb during this weekend. As per RTRS, ICE certified stocks went down by 275 to 1554764 bags as on 25th Feb 2016 against 1555039 bags as on Feb 24, 2016.

Below table shows ICE stocks details :-

COUNTRIES	ANTWERP	BARCELONA	HAMBURG/BREMEN	HOUSTON	MIAMI	NEW ORLEANS	NEW YORK	Total
Burundi	60646	0	45309	0	0	0	2137	108092
Colombia	106869	0	50179	9027	41528	825	196766	405194
Coasta Rica	250	0	0	0	0	0	0	250
El Salvador	425	0	25	0	0	0	1895	2345
Guatemala	1472	0	200	25	0	2200	6024	9921
Honduras	284597	0	14760	5234	6000	0	42481	353072
India	25176	0	1994	0	0	0	0	27170
Mexico	163723	0	2936	8146	0	0	43474	218279
Nicaragua	41499	0	0	550	0	275	2135	44459
Peru	135519	0	53368	2848	0	25	74728	266488
Rwanda	55123	0	15173	0	0	0	0	70296
Tanzania	70	0	227	0	0	0	578	875
Uganda	21278	295	26470	0	0	0	280	48323
Total in Bags	896647	295	210641	25830	47528	3325	370498	1554764

**Vietnam:-** According to Vietnam Customs data, coffee exports in the first half of February went up by 24.5 percent from a year ago to 37,600 tonnes. Coffee growers in Vietnam have been holding on to stocks, expecting higher prices. Traders are expecting prices to rise as Central Highlands coffee belt could face drought in coming months which will affect Robusta production. Coffee growers, who have been watering trees for the next 2016/2017 crop cycle, are not in a rush to unload stocks as prices have fallen below production costs.

**Indonesia:-** According to the government data, Robusta coffee exports fell by 30% to 8418.8 tonnes in January 2016 as compared to 12046.3 tonnes of December 2015. Indonesia exported total 17653.3 tonnes of Robusta in January 2016. Indonesia's full-year exports for 2015 to 269,113.18 tonnes, up 22 percent from 221,242.55 tonnes

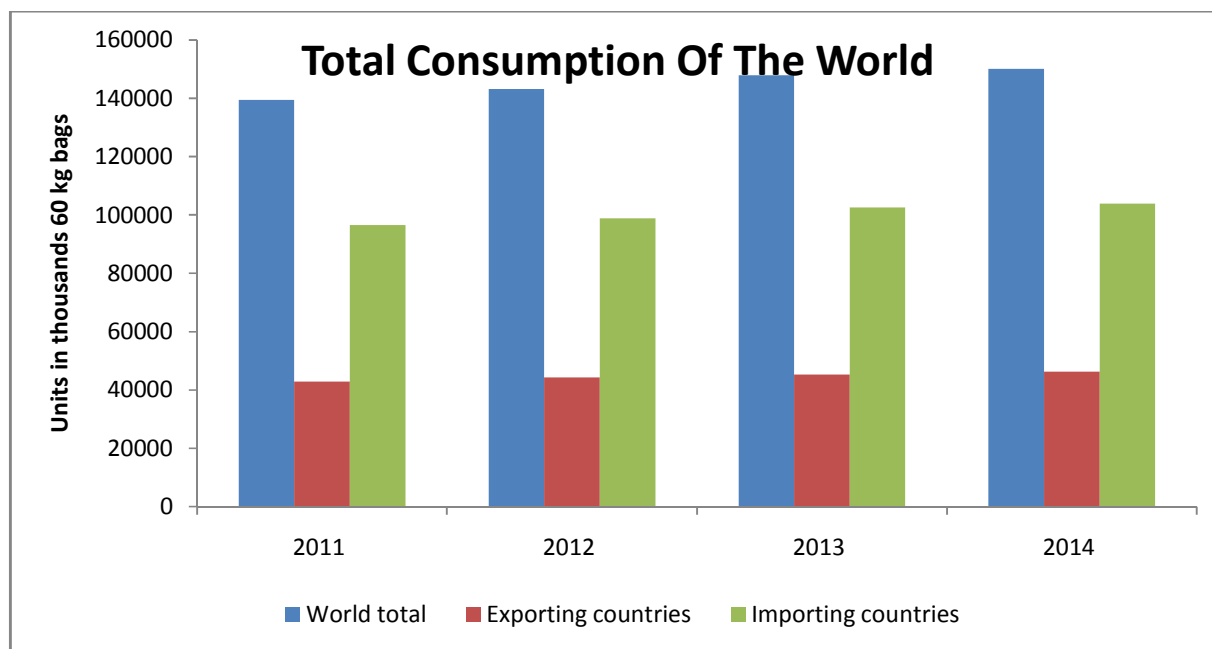
**Brazil:-** As per Brazil's Trade Ministry, Brazil shipped total 2485113 60 kg bags in January 2016 lower by 17% against 2976727 60 kg bags in December 2015. Below table shows Brazil's Coffee Exports details:-

Brazil's Coffee Exports Details					
Commodity	Jan-16	Dec-16	Jan-15	% change Last month	% change Last year
Coffee	2,485,113	2,976,727	2,724,754	-17	-9

Source: Reuters

**Total Coffee Consumption Of The World:-**

Consumption Of The World					
	2011	2012	2013	2014	CAGR
World total	139434	143245	147889	150164	25.0%
Exporting countries	42831	44331	45334	46322	26.0%
Importing countries	96603	98914	102555	103842	24.0%



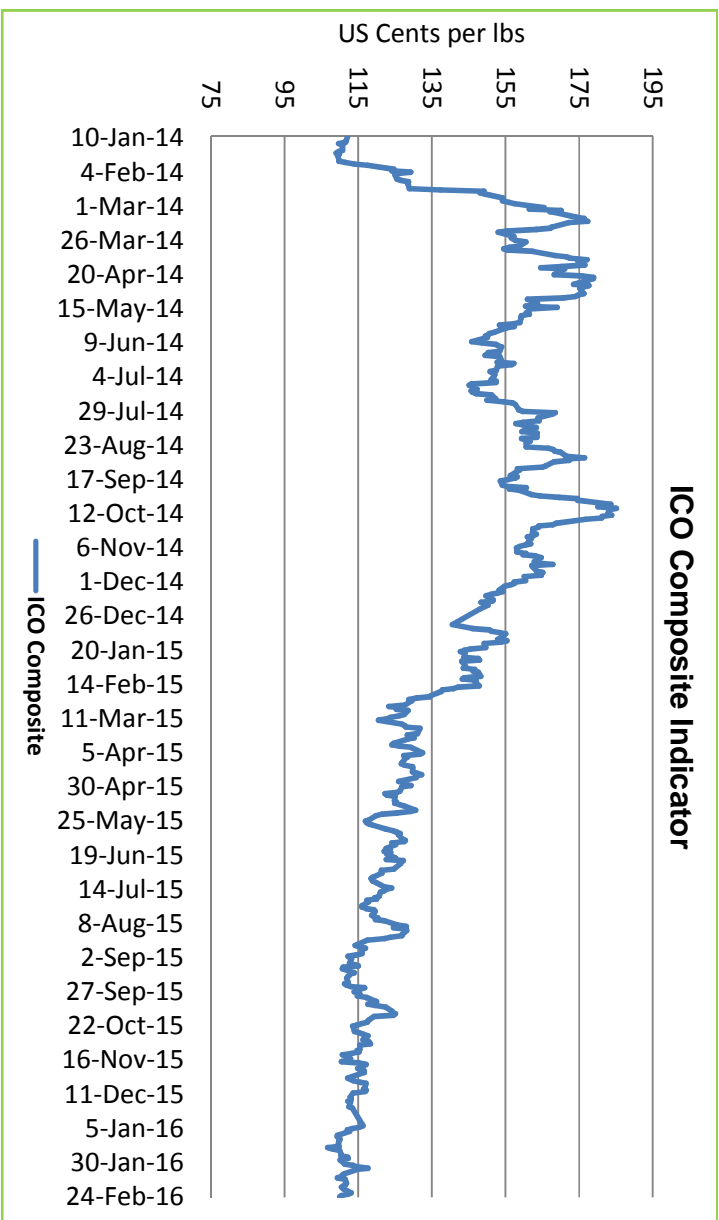
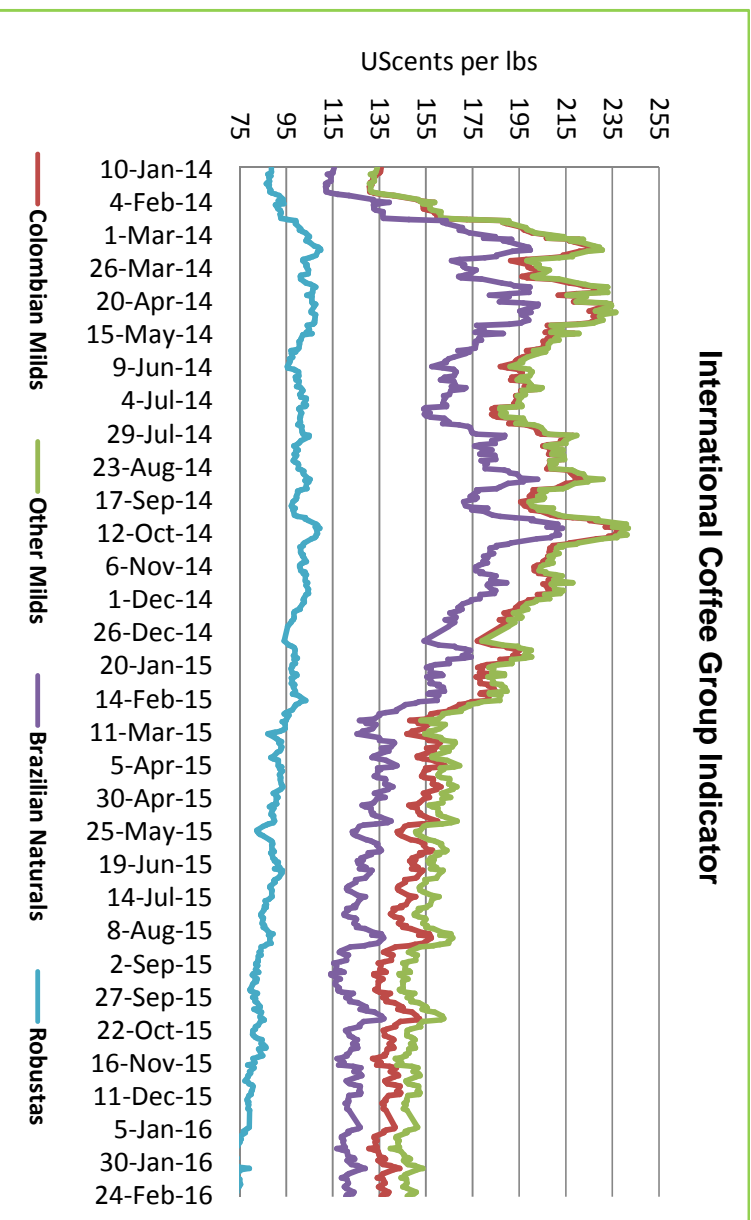
Source: ICO

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

	<b>As on</b>	<b>Week Ago</b>	<b>Month Ago</b>	<b>Year Ago</b>
<b>International Coffee Prices</b>	<b>25.02.2016</b>	<b>18.02.2016</b>	<b>25.01.2016</b>	<b>25.02.2015</b>
<b>ICO Composite Indicator</b>	109.99	110.44	110.34	130.85
<b>Colombian Milds</b>				
US	136.25	135	134.50	158.50
Europe	134.96	134.17	135.31	161.94
Group Indicator	135.66	134.62	134.87	160.08
<b>Other Milds</b>				
US	147.44	146.69	146.44	164.94
Europe	146.66	143.99	144.94	164.56
Group Indicator	146.98	145.10	145.55	165.08
<b>Brazilian Naturals</b>				
US	106.25	106	106.50	131.50
Europe	125.60	124.82	126.66	139.93
Group Indicator	120.57	119.92	121.42	137.74
<b>Robusta</b>				
US	79	81.75	80	100.17
Europe	69.96	73.22	71.36	93.77
Group Indicator	71.50	74.67	72.83	94.79

**US cents/lb**

## International Coffee Indicators Charts:-



**International Future Market Prices :-**

ICE Arabica Coffee Futures Prices				
Contract Months	Today(25-February-2016)	Week Ago(18-February-2016)	Month Ago(25-January-2016)	Weekly Change (%)
16-Mar	114.65	114.15	116.45	0.44
16-May	116.15	116.10	118.70	0.04
16-Jul	118.05	118	120.60	0.04

US cents/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	Today(25-February-2016)	Week Ago(18-January-2016)	Month Ago(25-January-2016)	Weekly Change (%)
16-Mar	1329	1402	1390	-5
16-May	1368	1428	1418	-4
16-Jul	1397	1454	1448	-4

USD/T

**International Coffee Prices**

	25.02.2016	18.02.2016	25.01.2016	25.02.2015
Vietnam (Robusta Beans Spot) (Dong/Kg)	30300	31150	30800	39500
Vietnam FOB (2-5 pct)* (Saigon port)	1415	1482.50	1460	1965
Indonesian FOB (4-80 defects)** (Lampung Port)	1590	1630	1590	1965

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

**Weekly Auction Prices Of Kenya**

Kenya Auction Prices			
Coffee Grade	Prices This Auction In (23/02/2016)	Average Prices In	Prices This Auction In (16/02/2016)
Arabica AA	120-366	277.42	81-556
Arabica AB	80-341	257.56	71-361
Arabica C	60-276	195.05	50-252
Arabica PB	92-346	242.38	70-502
Arabica T	45-141	107.78	21-143
Arabica TT	60-240	180.87	120-228

**Units-\$/50 kg bags**

**Technical Analysis Of Coffee Future Market (Mar'2016 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 115.94 against 117.11 in the market.
- Lower volume and prices indicates further short build up phase of the market.
- RSI is also down at 44.60 compared to 39.19 of last week momentum indicating 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
90.50	110	113	123.19	139.13



**Technical Analysis Of Coffee Future Market (March'2016 Contract At LIFFE Future Market)**


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

- Candlestick chart shows downward momentum in the market on selling interests.
- Relatively, 14-days EMA is moving down at 1384 against last week records i.e.1407, indicating further steady to weak tone in the market.
- On the other hand, RSI is lower at 32.73 in neutral region against 36.60 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
1210	1250	1326	1427	1491

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