

## **Executive Summary**

### **Domestic Coffee Market Summary**

Coffee prices came down by Rs.75/50 kg bags in Karnataka physical market, as on 23rd April 2016 on lackluster trading activities. Overall demand is not strong as expected despite Robusta market which is comparatively in positive tone. Only fund buyers and traders are active as of now. Southzone of India is very dry. Robusta's flowering is done after a care by irrigation. Further, Robusta beans are maturing. However, Arabica trees need showers for flowering. Arabica trees need rainfall. If the existing dry weather continues till May 2016, India may suffer a loss of 20 to 30% of Robusta crop of this current season. Irrigation system may contribute to grow coffee trees approx 75% but rest 25% is totally depended on rainfall. Indian markets hold coffee beans stock around 15 to 20% of 2014/15 harvest. Exporters are mainly trying to source coffee at lower differentials fund. US roasters are not active whereas only European are active. Every year, there is at least around 6-10% new opening done for plantations of coffee. Robusta prices seem to rally higher due to the dry spell internationally, whereas Arabica prices seems steady for the next week. We are expecting rainfall by 4th May 2016 which will help prices of Robusta to jump domestically by 5-8 Rs. per/kg due to clean coffee availability.

As per DGCIS latest report, India received around Rs.653.40 crore as the total coffee exports revenue which is 97.49 million in USD in March 2016. This is lower by 0.73 % in Rs. and 7.50% in USD respectively as against Rs.658.20 crore and USD 105.40 million respectively in the corresponding month of previous year. It stood at Rs.5170.35 crore and the value in USD at 790.85 million since April-2015 to March 2016 up by 3.96% in Rs. however down by 2.85% in USD as against the last year revenue i.e. Rs.4973.27 crore and in USD 814.03 million in corresponding period of time.

As per the Coffee Board of India, provisional Indian green coffee exports from 1st January 2016 to 18th April 2016 is registered higher by 30.49% at 94738 metric tons compared to 79286 metric tons exported during the corresponding period of previous year. India re-exports maximum Instant type of coffee. Instant Coffee export between 1st January 2016 to 18th April 2016 this year, recorded higher by 7.68% at 6668 metric tons from preceding year volume of 6192 metric tons. Total provisional exports of Arabica parchment and Robusta Cherry is placed higher by 30.49% at 19212 and 32.99% at 56267 metric tons respectively against exports volume of 19212 metric ton and 14722 metric tons respectively in the corresponding period of last year. However, Arabica cherry is placed lower at 4632 metric tonnes with a decline of 9.49% as one of the main buyers ILLlcafe has reduced its volume for Arabica cherry and Robusta parchment to 7887 metric tonnes with a decline of 27.19%.

### **Recommendation:**

Weekly Call -: Market participants are advised to go short on the current level for short period of time..

### **International Coffee Market Summary**

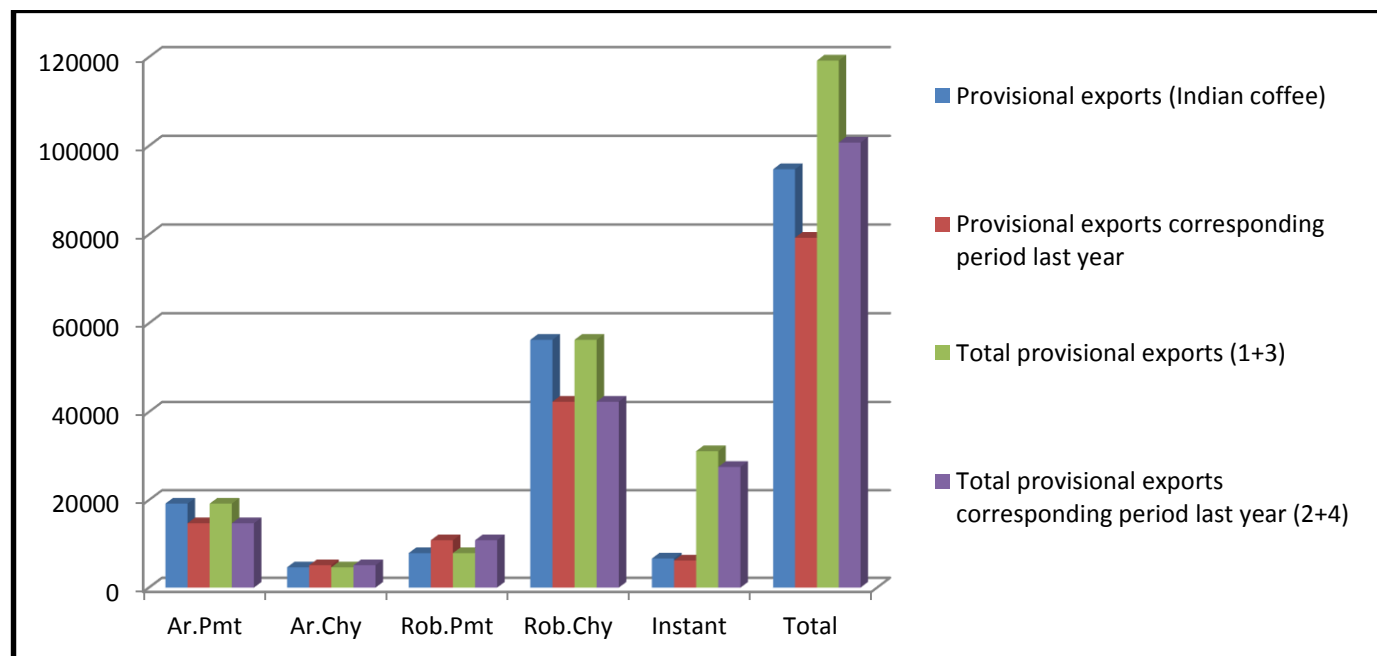
Overall demand is not much strong despite Robusta beans demand which is playing remains the strongest role in the market. Indonesia coffee sold out. Vietnam is selling on higher differentials offered by producers because of its potential drought situation. Vietnam and Indonesia and central America facing drought awaiting rains as their coffee trees are on flowering stage. Brazil will start harvest soon. Total Arabica productions estimate of Brazil is placed higher than earlier estimates. The drought in Brazil Robusta areas is well documented. Mostly dry weather is continue in Vietnam, Indonesia, Brazil and Central America. Uncertainty in Brazil government has reduced value of Real against Dollar, hence roasters looking at cheaper coffee, whereas Indonesia is sold off and Vietnam is holding back fearing dry spell. Overall, Robusta is a better solvent for instant coffee and also a bit cheaper, demand is more. Coffee Stocks in worldwide has reduced.

### Domestic Coffee Exports of India -:

Below table shows coffee exports details of India-

Export update: From 01 <sup>st</sup> January 2016 to 18th April 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)	19212	4632	7887	56267	14	57	6668	94738
2	Provisional exports corresponding period last year	14722	5118	10833	42308	10	103	6192	79286
3	Provisional re-exports	0	0	0	0	0	5	24489	24493
4	Provisional re-exports corresponding period last year	0	0	0	0	36	27	21400	21463
5	Total provisional exports (1+3)	<b>19212</b>	<b>4632</b>	<b>7887</b>	<b>56267</b>	<b>14</b>	<b>62</b>	<b>31156</b>	<b>119231</b>
6	Total provisional exports corresponding period last year (2+4)	<b>14722</b>	<b>5118</b>	<b>10833</b>	<b>42308</b>	<b>47</b>	<b>130</b>	<b>27592</b>	<b>100749</b>

Source: The Coffee Board Of India



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

**Updated Coffee Balance Sheet Of India:-**

According to USDA report, Coffee production of India is forecast lower by 100,000 bags to 5.3 million against its previous estimates as given in June 2015 i.e. 5.2 million bags for the season 2015/16 on slightly weaker yields in Karnataka, the largest coffee producing state . However, higher carrying stocks are likely to provide ample supplies for exporters to increase bean shipments 300,000 bags to 3.5 million for 2015/16 season against last season record i.e. 3.2 million bags in 2014/15.

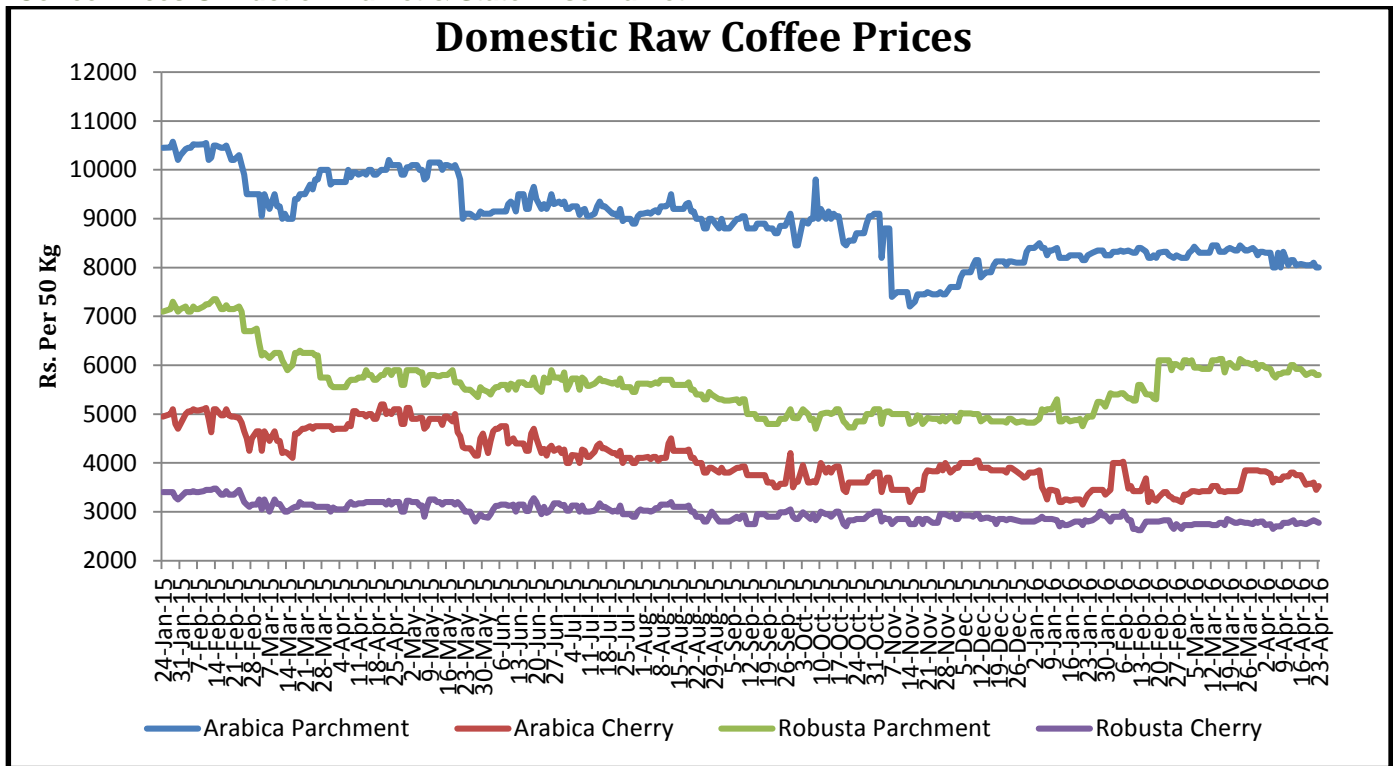
Below table shows Updated Coffee balance sheet of India since 2010-11 to 2015-16:-

<b>All figures in Thousands-60 kg bags</b>						
<b>Item</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>
<b>Supply</b>						
Opening Stock	2691	2026	1982	1473	1742	2633
Crop Size	5300	5440	5075	5303	5230	5035
Bean Imports	1000	1000	1104	1130	879	820
Roast & Ground Imports	3	3	3	3	1	0
Soluble Imports	42	42	45	31	12	0
Total Imports	1045	1045	1152	1164	892	820
Availability	9036	8511	8209	7940	7864	8488
<b>Demand</b>						
Soluble Domestic consumption	450	430	430	350	380	205
Roasted, Ground Dom. Consumption	800	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

Source: The Coffee Board OF India

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



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

Variety	23.04.2016	16.04.2016	Change
Arabica Parchment	8000	8075	-75
Arabica Cherry	3525	3750	-75
Robusta Parchment	5800	5925	-125
Robusta Cherry	2775	2775	Unchanged

\* Values in Rs. per 50 Kg

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

Grade	06.03.2016	30.03.2016	Change	06.03.2016	30.03.2016	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	--	256	--	---	--	--
AA	250	--	--	---	--	--
PB	190	--	--	---	134	--
A	232	--	--	---	--	--
AB	--	--	--	136	137	-1
B	183	183	Unchanged	--	--	--
C	146	146	Unchanged	--	--	--
BBB	112	--	--	100	93	7
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	--	--	-	--	--	-
A	--	--	-	--	--	-
PB	136	--	-	105	--	-
AA	--	--	-	--	--	-
AB	--	--	-	108	---	-
B	--	--	-	---	---	-
C	--	--	-	102	---	-
BBB	--	91.5	-	96	---	-

Values in Rs. per kg

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


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

- Technical chart shows remain downside momentum of the market.
- RSI is also moving high in neutral region at 40.04 in this week against 41.67, hinting further steady to downside momentum in the next week.
- Along with this, 18 days exponential moves down, supports further steady to down momentum of the market.
- We expect further steady to 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
7581.90	7881.52	8000	8221.08	8440.79

Units in Rs./50 kg.

### International Market Updates

ICE coffee future prices went up slightly by 0.49% to 123.55 cents/lb in this week against 122.95 cents/lb of the last week. As per RTRS, ICE certified stocks decreased by 3360 to 1397910 bags as on 22nd April 2016 against 1401270 bags as on 21st April, 2016. Coffee speculators raised Arabica coffee contracts on ICE futures U.S. in the week ended April 19, 2016.

Below table shows Certified stock details :-

COUNTRIES	ANTWERP	BARCELONA	HAMBURG /BREMEN	HOUSTON	MIAMI	NEW ORLEANS	NEW YORK	Total
Burundi	59005	0	44695	0	0	0	5632	109332
Colombia	104814	0	46006	8227	41528	825	176357	377757
Coasta Rica	250	0	0	0	0	0	0	250
El Salvador	425	0	25	0	0	0	1895	2345
Guatemala	881	0	0	25	0	3300	5524	9730
Honduras	239641	0	14200	3509	3750	0	31699	292799
India	23539	0	854	0	0	0	0	24393
Mexico	150958	0	2936	2017	0	0	18301	174212
Nicaragua	40199	0	0	550	0	275	2550	43574
Peru	120975	0	53058	1373	0	0	80774	256180
Rwanda	50274	0	10713	0	0	0	640	61627
Tanzania	70	0	0	0	0	0	578	648
Uganda	20993	295	23495	0	0	0	280	45063
Total in Bags	812024	295	195982	15701	45278	4400	324230	1397910

Source: Reuters

### **Others:-**

1) As per sources, Honduras shipped total 762,333 60 kg bags in March 2016 down by 2.9% from 784,929 60 kg bags in the year earlier period. Honduras is likely to export about 5.52 million bags this season, or 10 percent more than the last. Shipment of Honduras went up by 4.3% to 2.47 million bags so far compared to the same six-month period in the previous 2014/2015 harvesting season. Costa Rica exported higher coffee beans up by 6.4% to 488,132 60-kg bags during the six months of the 2015/16 season. While, total coffee exports of Costa Rica in March month is recorded higher at 175,447 bags from 164,967 60-kg bags during the same month last season.

2) Coffee Balance Sheet of China:- ( Blossom Time-March to May) Picking (Oct- Feb)

Year	2013/14	2014/15
Production	1.947	+27%
Consumption	1.891	+27%
Exports	1.170	-7.8%
Imports	1.463	+14.7%

Units in million 60 kg bags

Nestle, Starbuck, SPR coffee, UBC coffee, Dream coffee are the main private companied as operating in China.

**World Coffee Exports Details:-**

According to USDA report as published in Dec 2015, World Coffee bean exports are revised lower by 3.8 million bags to 101.1 million for the season 2014-15 from the June estimates followed by Vietnam coffee exports at 20.3 million bags with a decline of 4.7 million bags as low prices created a disincentive for farmers to sell into export channels. However, total coffee exports of Brazil is placed higher by 600,000 bags to 33.1 million following larger exportable supplies.

*Below table depicts World Coffee Beans Exports Details since 2011-12 to 2015-16:-*

Coffee Bean Exports	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16
					(June-2015)	(Dec-2015)
Brazil	26,556	27,143	30,600	33,051	30,000	30,000
Vietnam	23,950	23,783	27,269	20,333	25,500	26,667
Colombia	6,675	8,100	10,300	11,350	11,500	11,500
Indonesia	4,950	6,900	6,000	5,100	6,500	5,500
Honduras	5,290	4,480	3,940	4,700	5,600	5,600
Ethiopia	3,140	3,500	3,285	3,500	3,520	3,520
Uganda	3,000	3,575	3,600	3,400	3,500	3,500
India	3,735	3,420	3,300	3,200	3,500	3,500
Guatemala	3,800	3,750	3,150	3,050	2,900	3,000
Peru	5,140	4,100	4,100	2,750	3,300	2,800
Nicaragua	1,675	1,950	1,785	1,825	2,050	2,000
Mexico	2,525	2,575	1,680	1,525	1,300	1,400
Costa Rica	1,455	1,400	1,225	1,220	1,100	1,100
Cote d'Ivoire	1,290	1,340	1,250	1,050	950	950
Tanzania	520	915	800	850	1,200	850
Papua New Guinea	1,350	775	815	755	800	800
Kenya	800	825	800	740	860	800
El Salvador	1,065	1,185	500	600	625	625
Cameroon	670	470	350	500	450	550
Laos	350	360	365	385	425	400
Rwanda	245	260	250	240	250	250
Burundi	205	240	180	160	145	200
Togo	560	200	165	160	100	160
Ecuador	575	450	165	125	165	165
Guinea	380	143	25	110	25	200
Other	691	548	543	429	497	468
<b>Total</b>	<b>100,592</b>	<b>102,387</b>	<b>106,442</b>	<b>101,108</b>	<b>106,762</b>	<b>106,505</b>

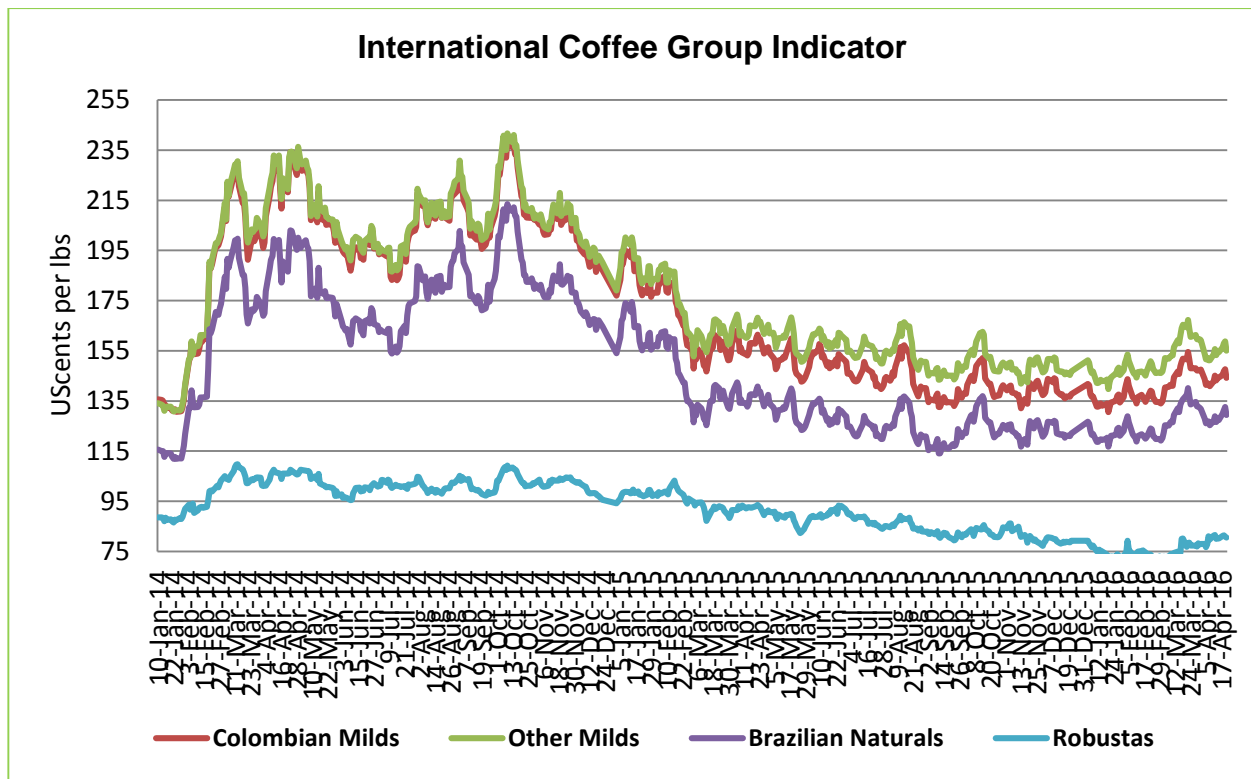
Source: USDA



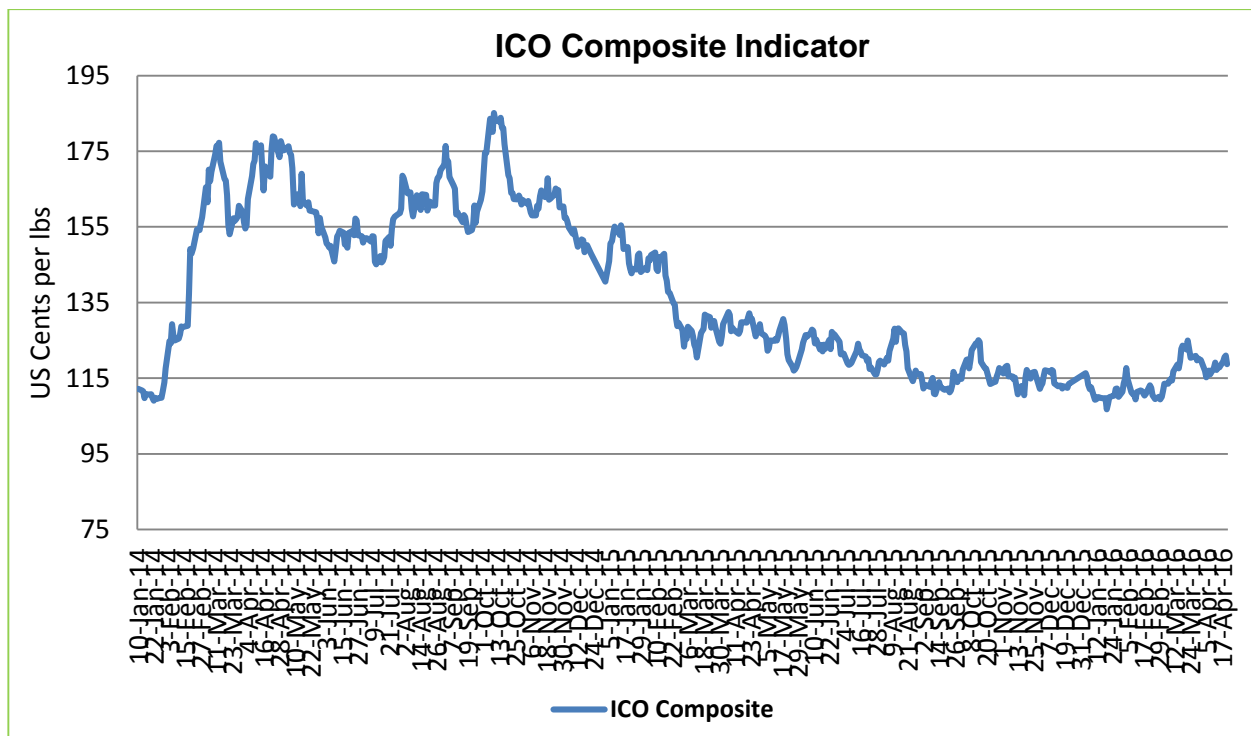
**International Coffee Price Trend:-**
**Germany Market – Hamburg and Bremen, France Market – (Le Havere and Marseilles) \* Values**

	<b>As on</b>	<b>Week Ago</b>	<b>Month Ago</b>	<b>Year Ago</b>
<b>International Coffee Prices</b>	<b>21.04.2016</b>	<b>14.04.2016</b>	<b>21.03.2016</b>	<b>21.04.2015</b>
<b>ICO Composite Indicator</b>	118.72	118	122.61	131.09
<b>Colombian Milds</b>				
US	144	144	150.50	158.75
Europe	144.53	144.16	152.90	161.68
Group Indicator	144.24	144.07	151.60	160.10
<b>Other Milds</b>				
US	154.44	155.69	162.94	168.44
Europe	155.45	153.83	165.28	165.52
Group Indicator	155.03	154.59	164.32	166.63
<b>Brazilian Naturals</b>				
US	114	115	121.50	133.75
Europe	134.85	132.51	142.96	141.14
Group Indicator	129.43	127.96	137.38	139.22
<b>Robusta</b>				
US	88	88.17	84.42	100.08
Europe	79.05	78.49	75.31	91.81
Group Indicator	80.57	80.14	76.86	93.14

**US cents/lb**

**International Coffee Indicators Charts:-**


Source: ICO



Source: ICO

**International Future Market Prices :-**

ICE Arabica Coffee Futures Prices				
Contract Months	Today(21-April-2016)	Week Ago(14-April-2016)	Month Ago(21-March-2016)	Weekly Change (%)
16-May	123.55	122.95	131.55	0.49
16-Jul	124.10	124.85	133.35	-0.60
16-Sep	125.85	126.60	134.95	-0.59

US cents/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	Today(21-April-2016)	Week Ago(14-March-2016)	Month Ago(21-March-2016)	Weekly Change (%)
16-May	1534	1525	1473	1
16-Jul	1567	1552	1501	1
16-Sep	1587	1572	1526	1

USD/T

**International Coffee Prices**

	21.04.2016	14.03.2016	21.03.2016	21.04.2015
Vietnam (Robusta Beans Spot) (Dong/Kg)	34300	33700	33250	39200
Vietnam FOB (2-5 pct)* (Saigon port)	1620	1601	1591	1415
Indonesian FOB (4-80 defects)** (Lampung Port)	1820	1830	1790	1985

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

**Weekly Auction Prices Of Kenya**

Kenya Auction Prices			
Coffee Grade	Prices This Auction In (19/04/2016)	Average Prices In	Prices This Auction In (12/03/2016)
Arabica AA	63-271	220-53	53-269
Arabica AB	51-258	203-18	52-250
Arabica C	34-228	152.73	34-226
Arabica PB	55-240	184.14	55-255
Arabica T	45-140	96.98	16-139
Arabica TT	56-232	196.47	29-230

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

**Technical Analysis Of Coffee Future Market (May'2016 Contract At ICE Future Market)(Units in USC/lb)**


**Outlook** -Prices show downside of the market during the week. We expect prices to trade sideways to lower trend in the market.

- Candlestick chart depicts downtrend in the market.
- 14 days EMI stood down at 123.36 against 123.61 in the market hints downward momentum in the market.
- Lower volume and prices indicates further short build up phase of the market.
- On the other hand, RSI is down at 50.24 compared to 50.41 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
110.97	118.43	122.75	136.70	143.78

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


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

- Candlestick chart shows downward momentum in the market on selling interests.
- Relatively 14-days EMI is moving higher at 1491 against last week records i.e.1478, indicating further higher tone in the market.
- On the other hand, RSI is higher at 54.18 in neutral region against 53.30 of last week hinting a further downward momentum of the market in upcoming week.

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

**Coffee Future Market(ICE Market)**

Support and Resistance				
S2	S1	PCP	R1	R2
1413	1463	1524	1607	1677

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