Executive Summary

Domestic Coffee Market Summary

Coffee prices surged significantly by Rs.275/50 kg bags in Karnataka physical market, as on 28th May 2016 on improved demand. Arrival is also comparatively slow in the market. Domestic demand is more for the lower grades of both varieties, it is also the same with international roaster buyers. Arabicas have just flowered whereas Robustas are in its 3rd month of growth. Rains in the start of second week of May helped blossoms of Arabica and non-irrigated areas of Robusta. It also temporarily smoothened the parched soil and plants a bit, bringing in some life. However, more rains required to sustain growth of beans. Allanasons, Lois Dreyfurs, Ned commodities, ITC, Ruchi commodities and SLN are some big players. Since the market price increased a bit ,arrivals were good between the first two weeks of May, whereas it has slowed down again. Sellers are holding approx15% remaining stocks in hand as of now.

As per the Coffee Board of India, provisional Indian green coffee exports from 1st January 2016 to 26th May 2016 is registered higher by 20.04% at 131918 metric tons compared to 109889 metric tons exported during the corresponding period of previous year. India re-exports maximum Instant type of coffee. Instant Coffee export from 1st January 2016 to 26th May 2016 this year, recorded higher by 22.79% at 9427 metric tons from preceding year volume of 7677 metric tons. Total provisional exports of Arabica parchment and Robusta Cherry is placed higher by 27.44% at 24761 and 32.59% at 79278 metric tons respectively against exports volume of 19429 metric ton and 59790 metric tons respectively in the corresponding period of last year. However, Arabica cherry is placed lower at 6687 metric tonnes with a decline of 0.26% and Robusta parchment to 11669 metric tonnes with a decline of 27.75%.

Recommendation:

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

International Coffee Market Summary

As per Conab estimate, Brazil may harvest total at 49.67 million bags with an increase of 15% in 2016 from 43.24 million bags. Coffee forecasts in Brazil have been closely watched since a severe drought in early 2014 was followed by dry conditions in 2015, hurting crop development in different regions.

As per sources, Vietnam is likely to ship 61% higher coffee crop at 170,000 tonnes (2.83 million 60-kg bags) in May compared to last year record during the same period of time. The May shipments will bring the country's coffee exports so far in the 2015/2016 season to 1.17 million tonnes, a 36 percent jump from the previous season. Traders had forecast May coffee exports at between 120,000 and 160,000 tonnes. Vietnam's coffee crop year runs from October to September.

As per USDA recent report, Coffee crop production of Tanzania is forecast at 1.15 million bags in marketing year 2016/17 from 1.2 million bags in MY 2015/16 on account of biennial bearing cycle. Ending stocks are placed down by 50,000 bags compared to MY 2015/16. Tanzania is engaged in an expansion of new farms and improvement of agronomic practices, erratic weather due to climate change remains an underlying challenge to sustainable coffee production.

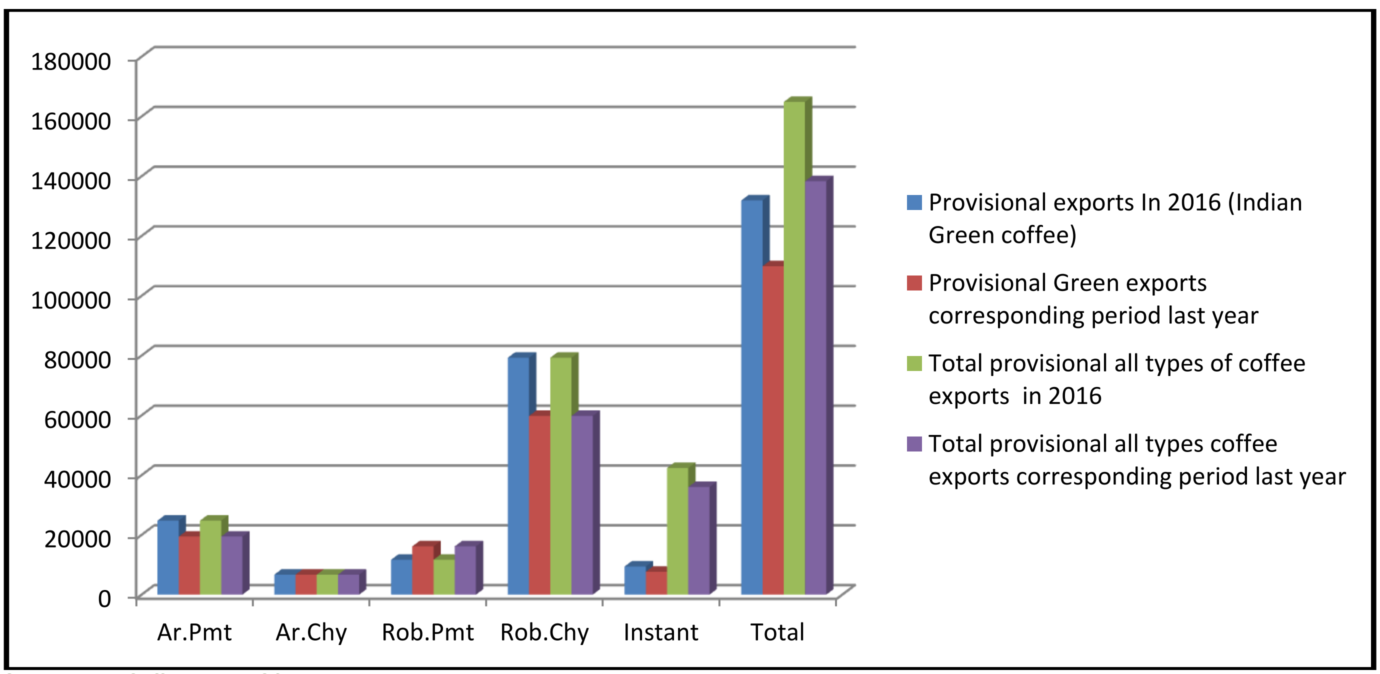
As per sources, Nicaragua exported coffee crop by 31.3 percent higher from the same month a year earlier to 302,339 60-kg bags. Shipments in the first seven months of the season, which began in October, were 0.7 percent higher than the same period the previous crop year, at 942,129 60-kg bags. The coffee season in Central America and Mexico, which together produce about a fifth of the world's Arabica beans, runs from October through September.

Domestic Coffee Exports of India -:

Below table shows coffee exports details of India-

	Export update: From 01st January 2016 to 25th May 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)	24761	6687	11669	79278	18	79	9427	131918
2	Provisional exports corresponding period last year	19429	6705	16153	59790	12	124	7677	109889
3	Provisional re-exports	0	0	0	0	0	19	32925	32944
4	Provisional re-exports corresponding period last year	0	0	0	0	48	84	28332	28464
5	Total provisional exports (1+3)	**24761**	**6687**	**11669**	**79278**	**18**	**98**	**42351**	**164862**
6	Total provisional exports corresponding period last year (2+4)	**19429**	**6705**	**16153**	**59790**	**60**	**208**	**36009**	**138353**

Source: The Coffee Board Of India



Source: The Coffee Board Of India

Coffee Crop Situation In India:-

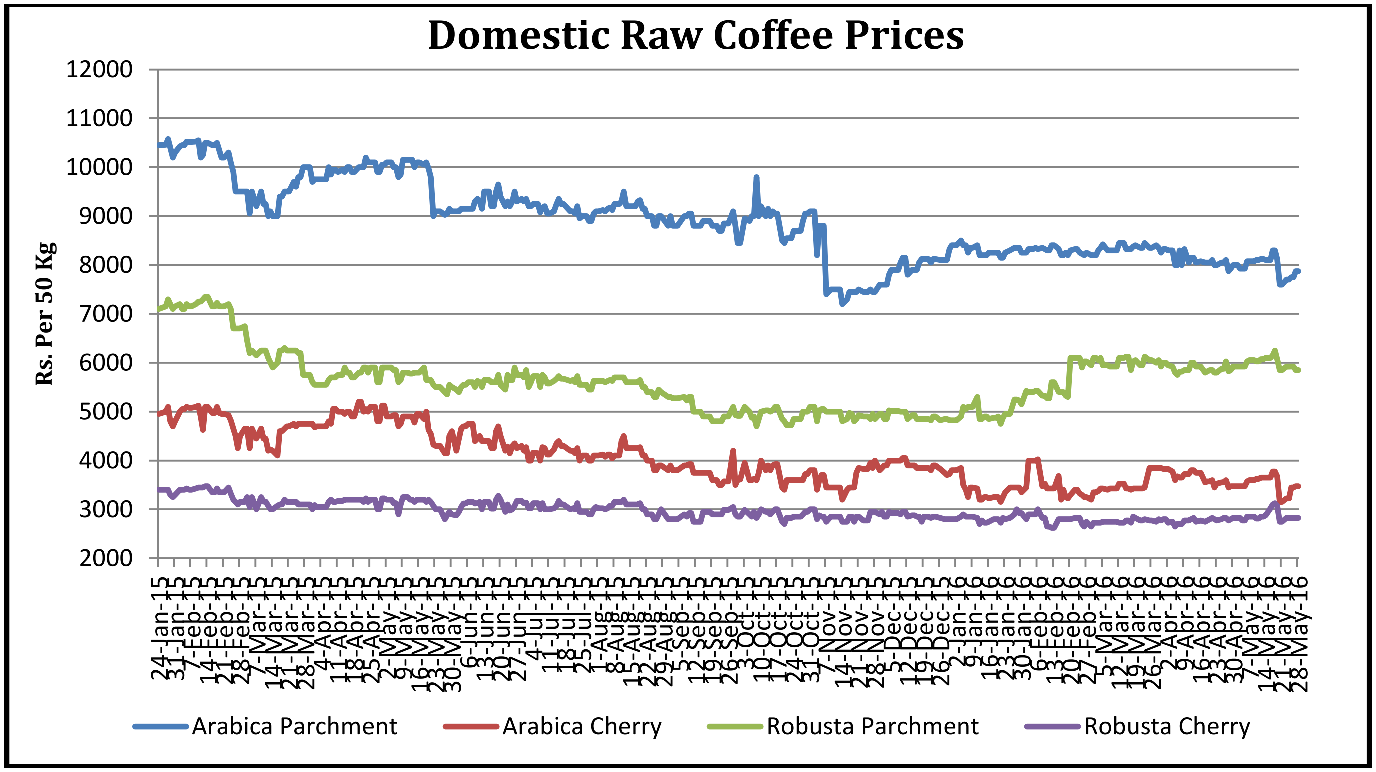
According to USDA report, Coffee production of India is forecast at 5.4 million on account of poor blossom showers which may cause for lower coffee yield of both the types of coffee trees. Whereas, coffee exports are predicted over 5 million 60 kg bags, while domestic consumption are lower at 1.2 million bags for 2016/17 against 1.25 million bags in previous season. Lower consumption and exports estimates bring total supply down at 5.9 million bags for 2016/17 season against 6.25 million bags.

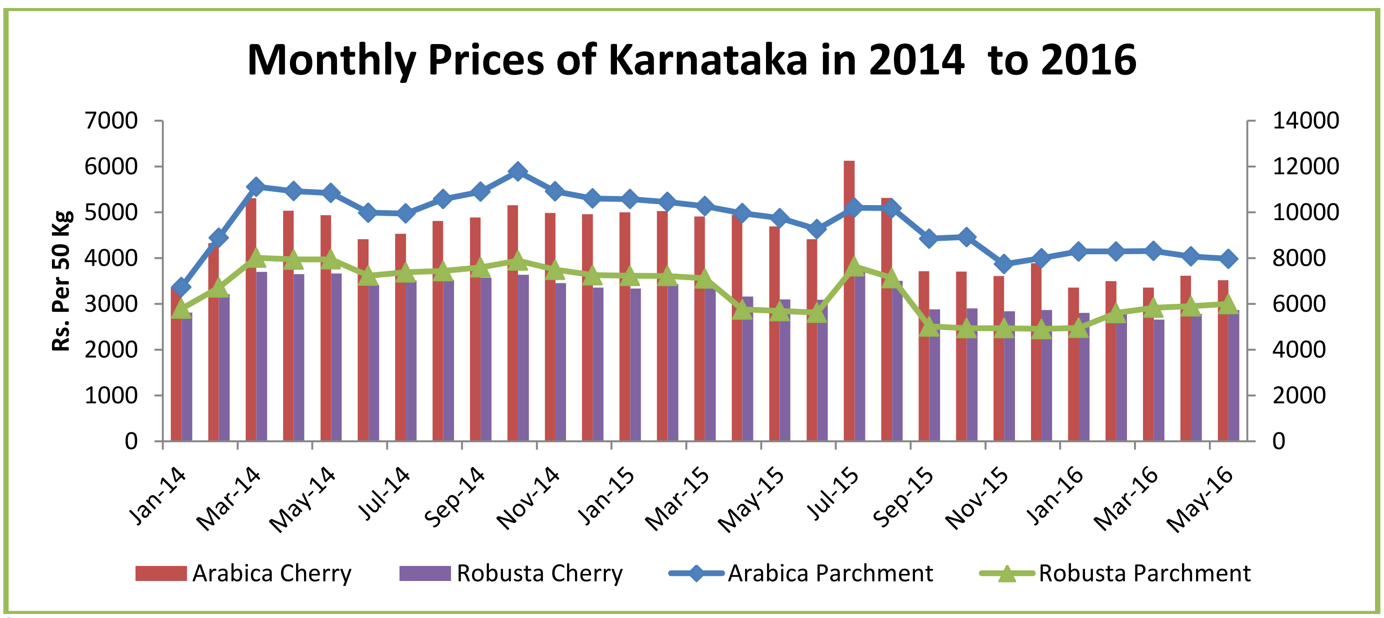
Below table shows Updated Coffee balance sheet of India since 2010-11 to 2015-16:-

All figures in Thousands-60 kg bags							
Item	**2016-17**	**2015-16**	**2014-15**	**2013-14**	**2012-13**	**2011-12**	**2010-11**
Supply							
Opening Stock	2026	2691	2026	1982	1473	1742	2633
Crop Size	5440	5300	5440	5075	5303	5230	5035
Bean Imports	1080	1000	1000	1104	1130	879	820
Roast & Ground Imports	3	3	3	3	3	1	0
Soluble Imports	42	42	42	45	31	12	0
Total Imports	1125	1045	1045	1152	1164	892	820
Availability	8591	9036	8511	8209	7940	7864	8488
Demand							
Soluble Domestic consumption	430	450	430	430	350	380	205
Roasted,Ground Dom. Consumption	770	800	770	770	750	788	1026
Total consumption	1200	1250	1200	1200	1100	1168	1231
Bean Exports	3200	3500	3200	3300	3420	3735	4160
Roast & Ground Exports	4	3	4	16	3	4	5
Soluble Exports	1496	1497	1496	1667	1435	1484	1350
Exports	4700	5000	4700	4983	4858	5223	5515
Total Demand	5900	6250	5900	6183	5958	6391	6746

Source: USDA

Coffee Prices Of Auction Market & State Wise Market





Source: Agriwatch

Domestic Raw Coffee Prices (Karnataka):-

Variety	28.05.2016	21.05.2016	Change
Arabica Parchment	7875	7600	275
Arabica Cherry	3475	3150	325
Robusta Parchment	5850	5850	Unchanged
Robusta Cherry	2825	2750	75

*** Values in Rs. per 50 Kg**

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

Grade	19.05.2016	12.05.2016	Change	19.05.2016	12.05.2016	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	---	--	---	---	---	---
AA	218	242	-24	152	---	---
PB	208	184.5	23.5	141	130.5	10.5
A	226	210	16	---	---	---
AB	---	--	-	149	137.5	11.5
B	193	186.5	6.5	---	---	---
C	---	148.8	---	133	111.5	21.5
BBB	---	109	--	---	104.26	---
Grade	**Robusta Parchment**	**Robusta Parchment**		**Robusta Cherry**	**Robusta Cherry**	
RKR	---	---	-	---	---	-
A	---	---	-	---	---	-
PB	131	140	-9	2	116.5	-
AA	---	150	---	---	120	-
AB	137	147.5	10.5	3.26	119.26	3.26
B	---	---	---	---	---	-
C	116.5	131.5	-15	4	114.5	4
BBB	106	104.26	1.74	1	106	1

Values in Rs. per kg

Technical Analysis(Domestic Arabica Parchment Coffee At Karnataka Market)

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

- *Technical chart shows upside momentum of the market.*
- *RSI is also moving high in neutral region at 43.51 in this week, against 33.73, hinting further steady to upside momentum in the next week.*
- *Along with this, 18 days exponential moves up, supporting further steady to upward momentum of the market.*
- *We expect further steady to 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**
7162.45	7482.03	7875	8480.74	8700

Units in Rs./50 kg.

International Market Updates

ICE coffee future prices declined by 2.74% to 121.30 cents/lb in this week against 124.7 cents/lb of the last week. As per RTRS, ICE certified stocks went up by 2675 to 1354059 as on May 27,2016 against 1351384 bags as on May 26, 2016.

Below table shows ICE certified stocks details:-

COUNTRIES	ANTWERP	BARCELONA	HAMBURG/BREMEN	HOUSTON	MIAMI	NEW ORLEANS	NEW YORK	Total
Burundi	58185	0	44231	0	0	0	5632	108048
Colombia	108314	0	44024	6459	41528	825	173659	374809
Coasta Rica	250	0	0	0	0	0	0	250
El Salvador	425	0	25	0	0	0	1595	2045
Guatemala	531	0	0	25	0	3300	5524	9380
Honduras	226589	0	10450	3159	3000	0	27924	271122
India	23752	0	854	0	0	0	0	24606
Mexico	147738	0	2936	1515	0	0	15011	167200
Nicaragua	39952	0	0	550	0	275	2550	43327
Peru	117712	0	52695	1373	0	0	79726	251506
Rwanda	48714	0	10713	0	0	0	640	60067
Tanzania	70	0	0	0	0	0	578	648
Uganda	20993	295	19483	0	0	0	280	41051
Total in Bags	**793225**	**295**	**185411**	**13081**	**44528**	**4400**	**313119**	**1354059**

Sources: Reuters

Others :-

1) As per sources, Coffee exports of Uganda increased by 23.8 percent in April 2016 from the same period in 2015. The East African nation, which is Africa's largest coffee exporter, shipped 326,793 60-Kg bags of coffee last month, up from 264,065 bags exported in April last year.

2) Honduras is one of the main coffee growing region of Central America, third in Latin America, and sixth globally in coffee exports by volume. Coffee production in marketing year (MY) 2016/17 (Oct –Sept) is forecast at 6.1 million 60-kilogram bags, a four percent increase over MY 2015/2016.

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.

Brazil Coffee Crop Details:-

Below table depicts Brazil's coffee Crop details:-

Coffee, Green	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		Jul 2015		Jul 2016	
Brazil	**Official USDA**	**New Post**	**Official USDA**	**New Post**	**Official USDA**	**New Post**
Area Planted	2437	2437	2410	2410	0	2410
Area Harvested	2090	2090	2070	2070	0	2070
Bearing Trees	5770	5770	5735	5735	0	5735
Non-Bearing Trees	1185	1185	1125	1125	0	1125
Total Tree Population	6955	6955	6860	6860	0	6860
Beginning Stocks	11946	11946	9398	9305	0	2255
Arabica Production	37300	37300	36100	36100	0	43850
Robusta Production	17000	17000	13300	13300	0	12100
Other Production	0	0	0	0	0	0
Total Production	54300	54300	49400	49400	0	55950
Bean Imports	0	0	0	0	0	0
Roast & Ground imports	52	52	60	60	0	65
Soluble Imports	0	0	0	0	0	0
Total Imports	52	52	60	60	0	65
Total Supply	66298	66298	58858	58765	0	58270
Bean Exports	33051	33051	30000	32720	0	32000
Rst-Grnd Exp.	28	28	30	30	0	30
Soluble Exports	3491	3494	3300	3250	0	3200
Total Exports	36570	36573	33330	36000	0	35230
Rst,Ground Dom. Consumption	19250	19325	19250	19400	0	19400
Soluble Dom. Cons.	1080	1095	1080	1110	0	1110
Domestic Consumption	20330	20420	20330	20510	0	20510
Ending Stocks	9398	9305	5198	2255	0	2530
Total Distribution	66298	66298	58858	58765	0	58270

Source: USDA (Units in 1000 HA, Million Trees, 1000 60 kg bags)

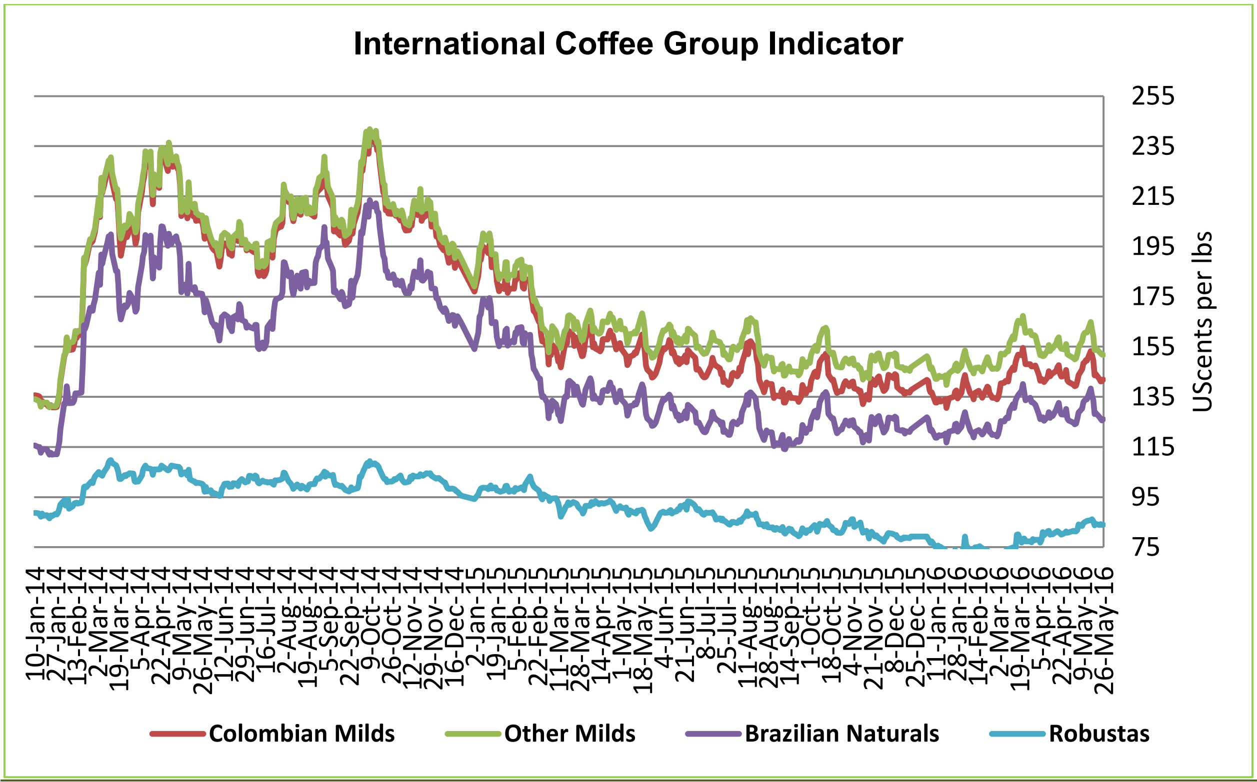
International Coffee Price Trend:-

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

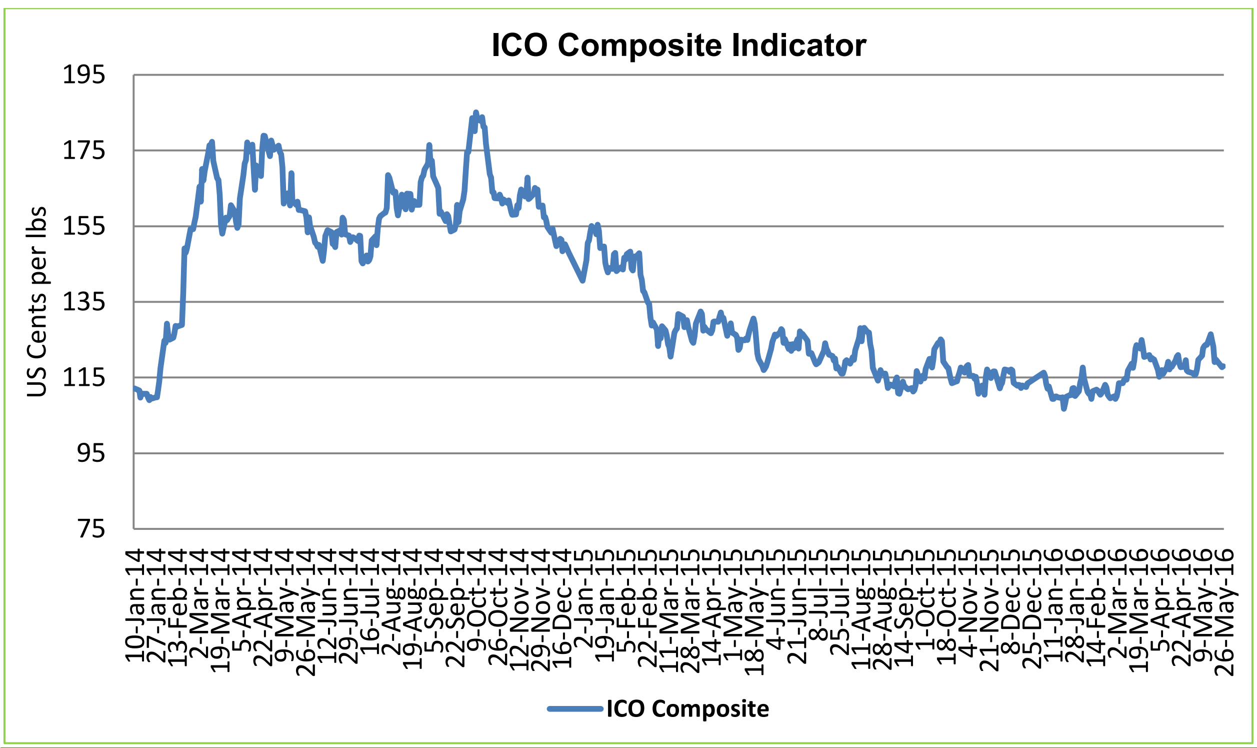
	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	**26.05.2016**	**19.05.2016**	**26.04.2016**	**26.05.2015**
ICO Composite Indicator	119.97	119.11	119.60	116.99
Colombian Milds				
US	142.50	144	145.75	140
Europe	141.28	143.04	145.60	145.80
Group Indicator	141.94	143.56	145.68	142.67
Other Milds				
US	151.44	154.19	156.19	149.94
Europe	152.01	153.20	155.89	150.95
Group Indicator	151.78	153.61	156.01	150.57
Brazilian Naturals				
US	111.50	114	114.75	117
Europe	131.21	133.03	135.61	125.63
Group Indicator	126.08	128.09	130.19	123.39
Robusta				
US	90.58	90.58	89	88.83
Europe	82.53	82.38	79.76	81.50
Group Indicator	83.90	83.77	81.33	82.67

US cents/lb

International Coffee Indicators Charts:-



Source: ICO



Source: ICO

Iternational Future Market Prices :-

ICE Arabica Coffee Futures Prices				
Contract Months	**Today(26-May-2016)**	**Week Ago(19-May-2016)**	**Month Ago(26-April-2016)**	**Weekly Change (%)**
16-Jul	121.50	129.30	125.75	**-2**
16-Sep	123.40	123.95	127.40	**-2**
16-Dec	126.20	125.90	129.65	**-2**

US cents/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	**Today(26-May-2016)**	**Week Ago(19-May-2016)**	**Month Ago(26-April-2016)**	**Weekly Change (%)**
16-Jul	1619	1613	1589	**0.37**
16-Sep	1639	1638	1611	**0.06**
16-Dec	1658	1654	1630	**0.24**

USD/T

International Coffee Prices

	26.05.2016	**19.05.2016**	**12.04.2016**	**12.05.2015**
Vietnam (Robusta Beans Spot) (Dong/Kg)	36000	36200	34150	34000
Vietnam FOB (2-5 pct)* (Saigon port)	1678	1719	1620	1782
Indonesian FOB (4-80 defects)** (Lampung Port)	1850	1890	1840	1610

FOB Values are in USD/T

Weekly Auction Prices Of Kenya

Kenya Auction Prices			
Coffee Grade	**Prices This Auction In (24/05/2016)**	**Average Prices In**	**Prices This Auction In (17/05/2016)**
Arabica AA	53-286	200.57	51-320
Arabica AB	51-270	191-17	48-283
Arabica C	29-217	153.83	50-232
Arabica PB	58-238	192-73	51-251
Arabica T	47-131	78-54	47-150
Arabica TT	53-227	163-93	51-264

Units-$/50 kg bags

Technical Analysis Of Coffee Future Market (July'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 lower in the market.

- Candlestick chart depicts downtrend in the market.
- 14 days EMI stood down at 48.41 against 51.62 in the market hints downward momentum in the market.
- High volume however lower prices indicates further short build up phase of the market.
- On the other hand, RSI is down at 48.41 compared to 51.62 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**
113.78	117.80	121.30	136.37	143.8

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

Outlook -Prices show slight 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.
- However, 14-days EMI is moving higher at 1601 against last week records i.e.1589, indicating further higher tone in the market.
- On the other hand, RSI is higher at 62.55 in neutral region against 62.84 of last week hinting a further downward momentum of the market in upcoming week.

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

Coffee Future Market(ICE Market)

Support and Resistance				
S2	**S1**	**PCP**	**R1**	**R2**
1537	1590	1630	1687	1746

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