Executive Summary

Domestic Coffee Market Summary

Mixed trend were features in Karnataka physical market, as on 4th June 2016 on ups and downs in demand and supply. Crop Season 2015-16 is about to complete of supplies as most of the producers have released their holdings due to good prices during April and May 2016. Allanasons, Lois Dreyfurs, Ned commodities, ITC, Ruchi commodities and SLN are remain big players in India. Monsoon are slowly entering in coffee belts as a result weather is cooling down however need rainfall with breaks for better growth of coffee trees. Coffee prices are likely to remain as normal movement for the week ahead.

As per recent released data by the Coffee Board Of India, Coffee planted area of India is estimated 1.02% higher to 423270 hectares for 2014/15 season against 418975 hectares in 2013/14 supported by higher planted area in the main coffee growing states of India Karnataka which is placed slight higher by 0.04% to 230434 hectares from 230333 in the last season. Coffee planted areas in Tamilnadu, Traditional areas and Non-traditional area are estimated at 31671 hectares, 347561 hectares and 69096 hectares respectively for 2014/15 season as compared to 31544 hectares, 347236 hectares and 65409 hectares respectively in 2013/14 season.

As per the Coffee Board of India, provisional Indian green coffee exports from 1st January 2016 to 1st June 2016 is registered higher by 20.99% at 138977 metric tons compared to 114867 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 1st June 2016 this year, recorded higher by 22.87% at 9921 metric tons from preceding year volume of 8074 metric tons. Total provisional exports of Arabica parchment and Robusta Cherry is placed higher by 26.54% at 25753 and 34% at 83391 metric tons respectively against exports volume of 20351 metric ton and 62228 metric tons respectively in the corresponding period of last year. However, Arabica cherry is placed lower at 6933 metric tonnes with a decline of 0.95% and Robusta parchment to 12881 metric tonnes with a decline of 24.53%.

Recommendation:

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

International Coffee Market Summary

According to recent released data by USDA, coffee production in Vietnam is likely to stand up by 7%at 29.3 million bags for marketing year (MY) 2015/16 which is revised upwards from 28.6 million bags as given earlier. It is about a 7 percent increase from the current MY2014/15 estimate, due to adequate water supply both through good water management practices by farmers and rainfall during some critical stages during the coffee growing season. The coffee production for the season 2014/15 is also forecasted and revised down from 28.17 million bags to 27.4 million bags, due to low production attributed to drought conditions in mainly Robusta planted areas. In the northern mountainous area, such as Son La and Dien Bien Provinces, planted area is increasing from 10,650 to 12,000 hectares and 3,385 to 4,500 hectares respectively. Domestic Coffee consumption of Vietnam is forecast to continue to grow, reflecting the expanding retail coffee shops and robust growth of other retail food service subsectors serving coffee in Vietnam. The expanding coffee retail sector will contribute to stronger consumption for the foreseeable future. In view of traders in Vietnam, coffee exports of the country is expected to touch the level in the range of 150,000 and 170,000 tonnes (2.5 million and 2.83 million 60 kg bags) in June 2016 against 170,000 tonnes In May 2016. However, exporters are in view to higher export volume if global Robusta prices would be higher.

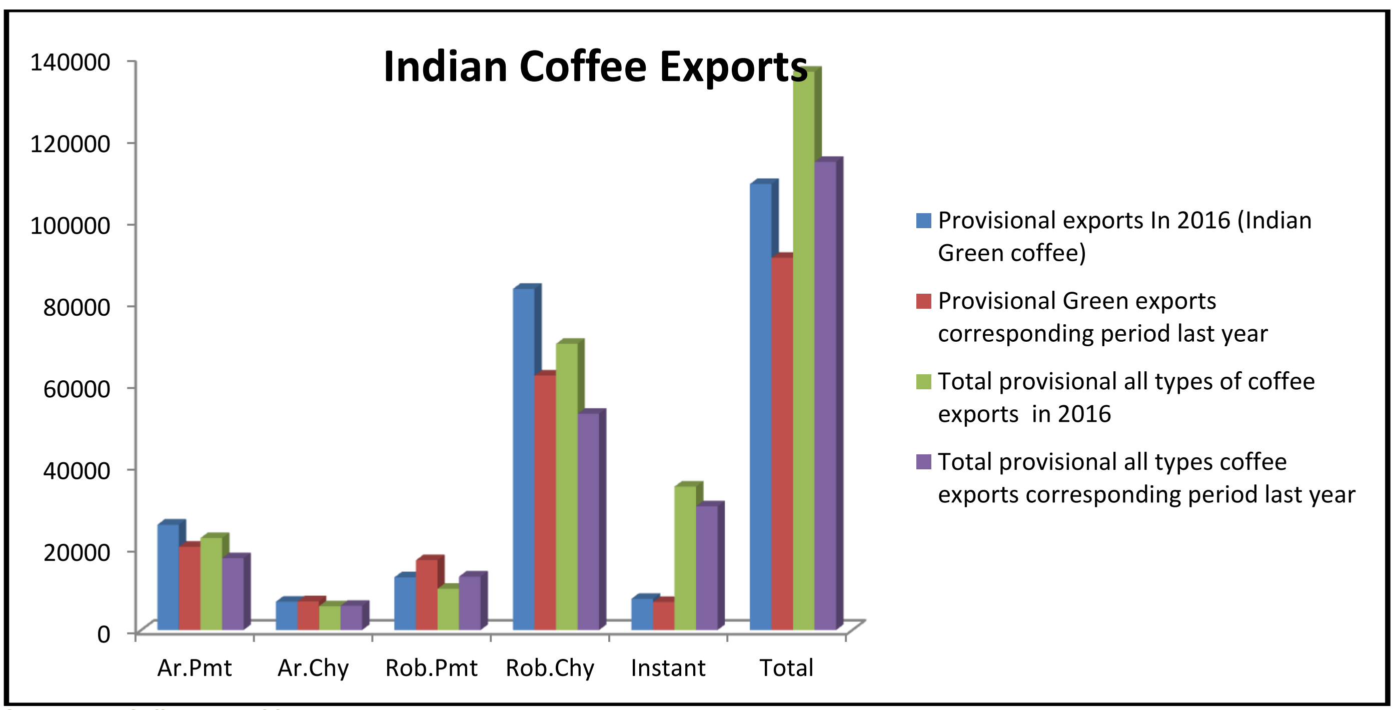
According to Local Anlyst Safras e Mercado, Brazil's 2016-17 coffee harvest is estimated to have reached 21 percent of the 56.4 million bag crop by June 1, 2016 slightly ahead of the 20 percent harvest rate a year ago followed by 16 percent of the Arabica crop, or 6.9 million 60-kg bags had been harvested by the start of the month, while Robusta crop has been completed approx. 35 percent, or 4.75 million bags. An average coffee harvesting at this time of year stood at 19%. Overall moisture condition in the coffee belts of Brazil is normal however expressed concerns over potential degradations in the harvests quality if rains persist.

Domestic Coffee Exports of India -:

Below table shows coffee exports details of India-

	Export update: From 01st January 2016 to 1st June 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)	25753	6933	12881	83391	18	80	9921	138977
2	Provisional exports corresponding period last year	20351	7000	17069	62228	12	127	8074	114861
3	Provisional re-exports	0	0	0	0	0	48	34426	34474
4	Provisional re-exports corresponding period last year	0	0	0	0	85	84	29753	29923
5	Total provisional exports (1+3)	**25753**	**6933**	**12881**	**83391**	**18**	**128**	**44347**	**173450**
6	Total provisional exports corresponding period last year (2+4)	**20351**	**7000**	**17069**	**62228**	**97**	**211**	**37827**	**144784**

Source: The Coffee Board Of India



Source: The Coffee Board Of India

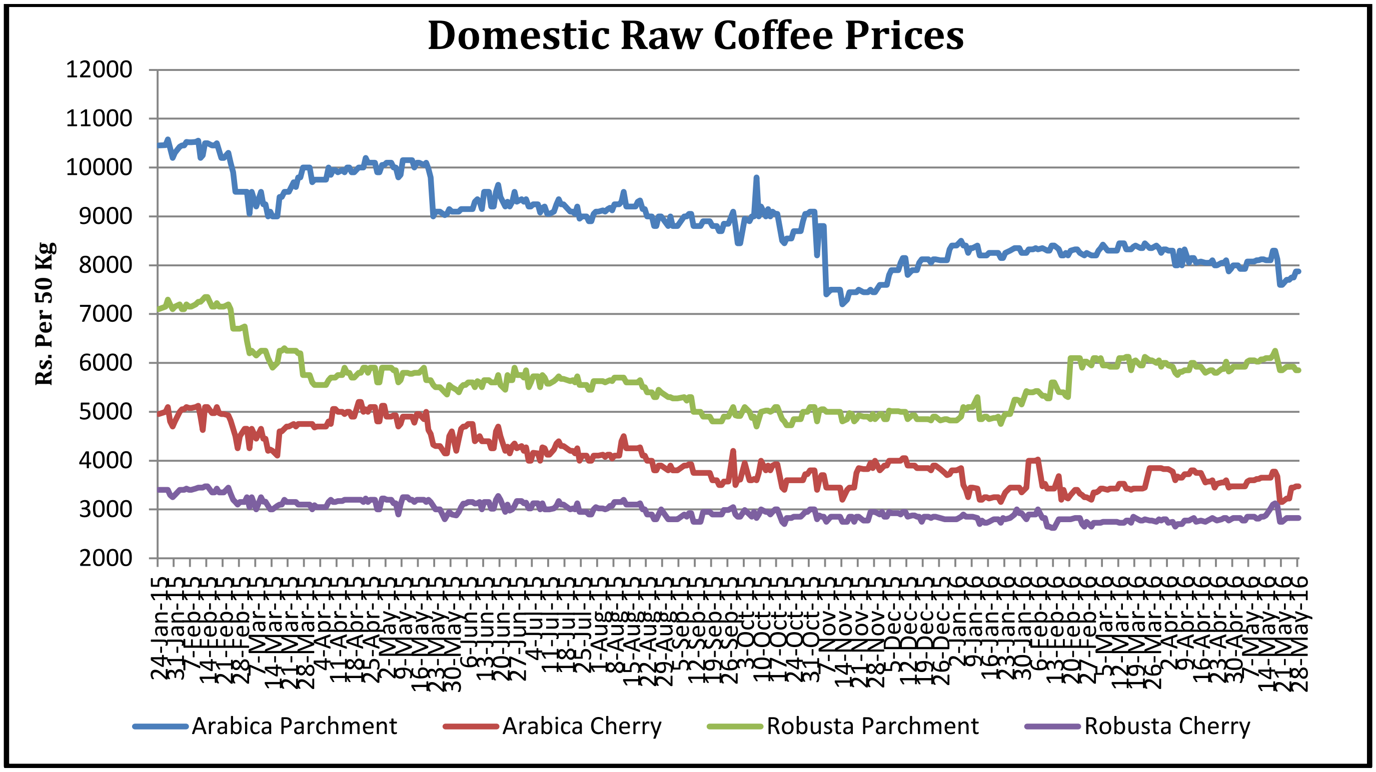
Coffee Crop Situation In India:-

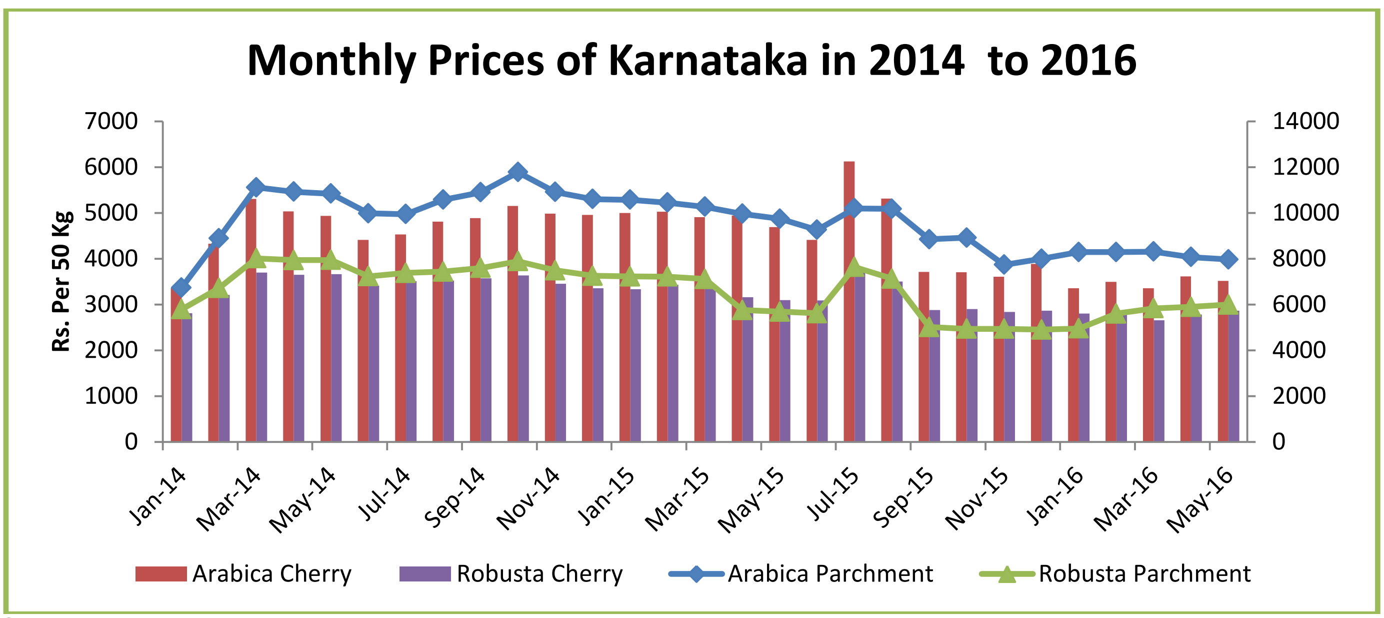
Below table shows state-wise Planted Area Of Coffee in India:-

Planted Area of Coffee in Major States/Districts (Zones) of India							
Sl.	**State/District**	**2014-15**			**2013-14**		
No.		**Arabica**	**Robusta**	**Total**	**Arabica**	**Robusta**	**Total**
I	**Karnataka**						
1	Chikmagalur	56913	31974	88886	56900	31968	88868
2	Kodagu	27969	76953	104922	27963	76927	104890
3	Hassan	24150	12475	36625	24140	12435	36575
	Sub total	**109032**	**121402**	**230434**	**109003**	**121330**	**230333**
II	**Kerala**						
1	Wyanad	0	67396	67396	0	67364	**67364**
2	Travancore	2094	11007	13102	2090	10970	**13060**
3	Nelliampathies	2109	2850	4959	2085	2850	**4935**
	Sub total	**4203**	**81253**	**85456**	**4175**	**81184**	**85359**
III	**Tamilnadu**						
1	Pulneys	10949	949	11898	10946	949	**11895**
2	Nilgiris	3615	4183	7798	3610	4175	**7785**
3	Shevroys (Salem)	9019	143	9162	8913	143	9056
4	Anamalais (Coimbatore)	2475	338	2813	2470	338	**2808**
	Sub Total	**26058**	**5613**	**31671**	**25939**	**5605**	**31544**
	Total for Traditional Areas	**139293**	**208268**	**347561**	**139117**	**208119**	**347236**
IV	**Non Traditional Areas**						
1	Andhra Pradesh	64689	267	64956	61075	268	**61343**
2	Odisha	4140		4140	4066	0	**4066**
	Sub Total	**68828**	**267**	**69096**	**65141**	**268**	**65409**
1	North Eastern Region	5340	1273	6613	5127	1203	**6330**
	Grand Total	**213462**	**209808**	**423270**	**209385**	**209590**	**418975**

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

Coffee Prices Of Auction Market & State Wise Market





Source: Agriwatch

Domestic Raw Coffee Prices (Karnataka):-

Variety	04.06.2016	28.05.2016	Change
Arabica Parchment	7850	7875	-25
Arabica Cherry	3450	3475	-25
Robusta Parchment	5850	5850	Unchanged
Robusta Cherry	2900	2825	75

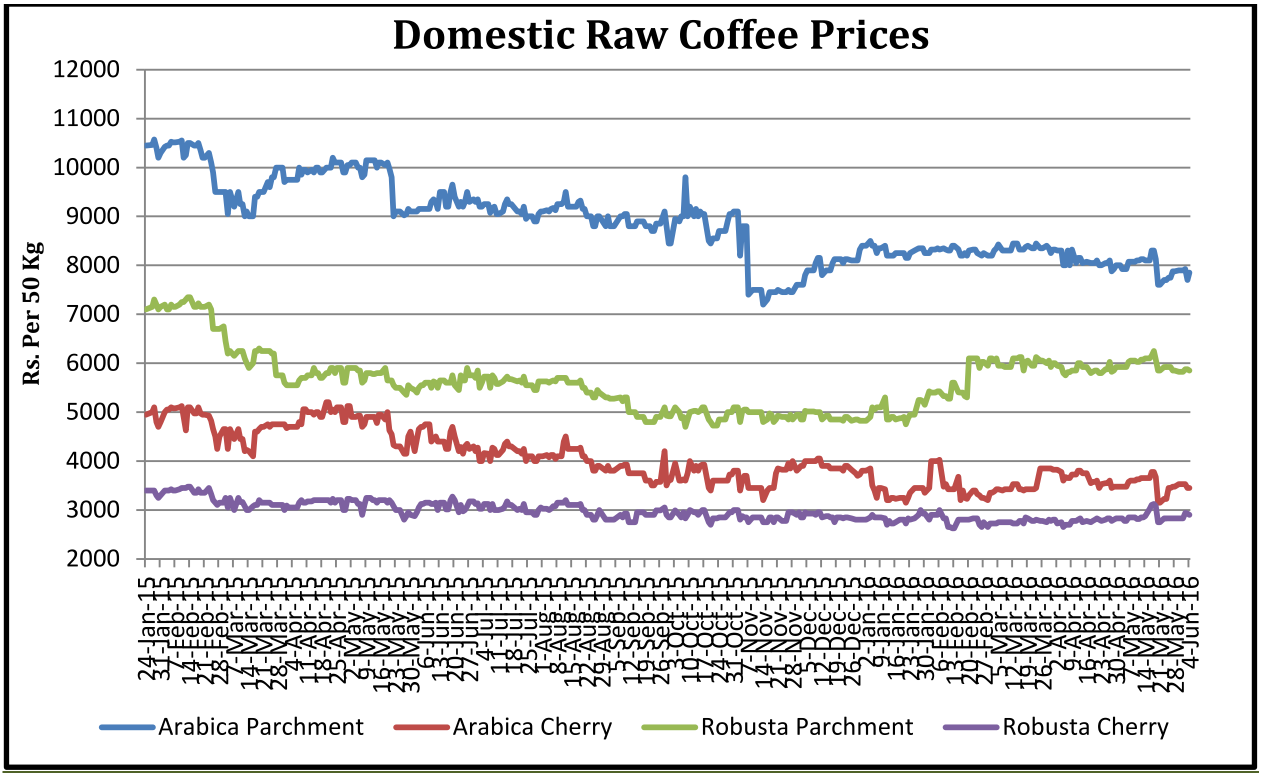
*** Values in Rs. per 50 Kg**

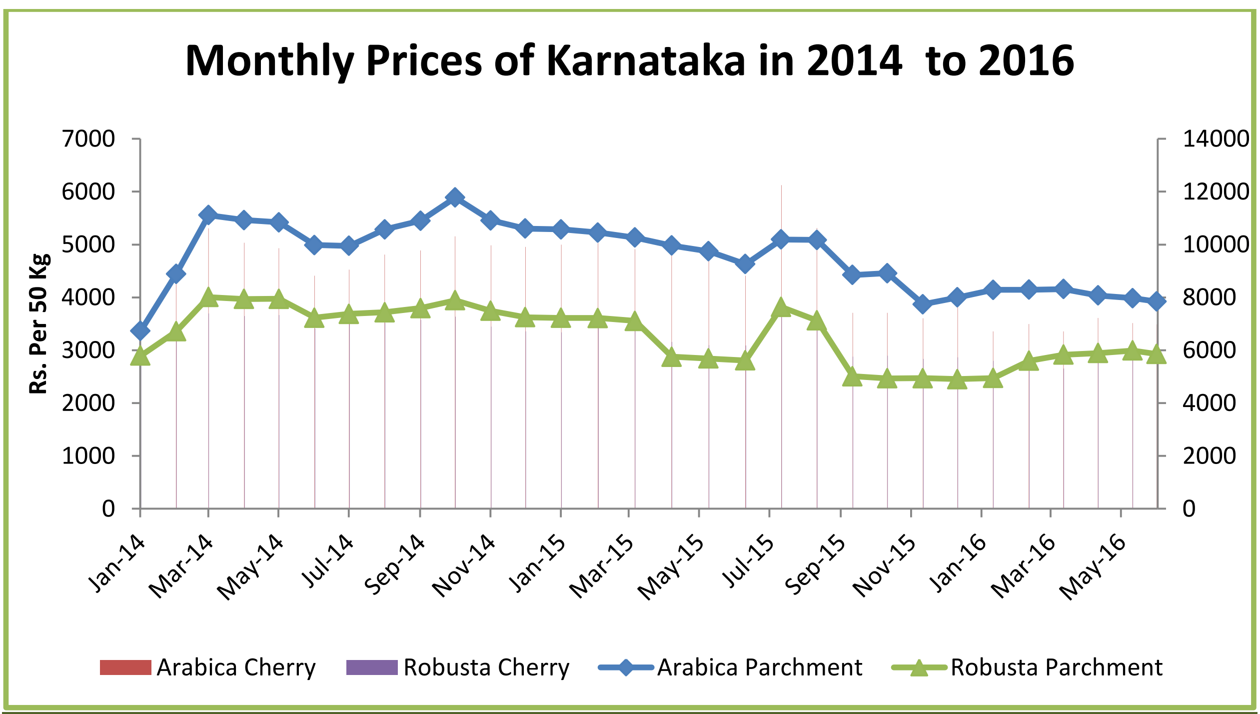
ICTA Auction Prices (Bangalore)(New Season(2015-2016) Crop

Grade	26.05.2016 Arabica Plantation	19.05.2016 Arabica Plantation	Change	26.05.2016 Arabica Cherry	19.05.2016 Arabica Cherry	Change
MNEB	---	---	---	---	---	---
AA	---	218	---	147	152	-5
PB	---	208	---	137	141	-4
A	---	226	---	146	---	---
AB	---	---	---	---	149	---
B	193	193	Unchanged	144	---	---
C	150	---	---	128	133	-5
BBB	---	---	---	103.5	---	---
Grade	**Robusta Parchment**	**Robusta Parchment**		**Robusta Cherry**	**Robusta Cherry**	
RKR	---	---	---	---	---	---
A	---	---	---	120.5	---	---
PB	130	131	-1	115	2	-1.5
AA	164.36	---	---	124	---	---
AB	136	137	-1	116.5	3.26	-2.76
B	---	---	---	---	---	---
C	112	116.5	-4.5	114	4	-0.5
BBB	103	106	-3	103	1	-3

Values in Rs. per kg

Coffee Prices Of Auction Market & State Wise Market





Source: Agriwatch

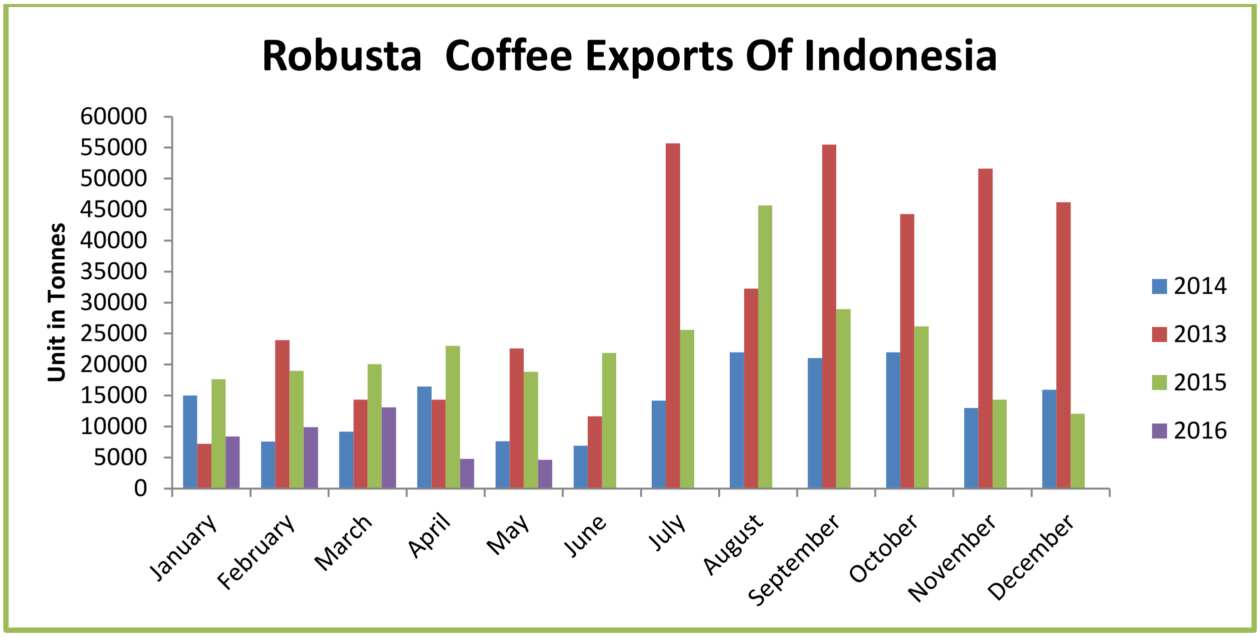
International Market Updates

ICE coffee future prices increased by 1.23% to 123 cents/lb in this week against 121.50 cents/lb of the last week. As per RTRS, ICE certified stocks went up by 2440 bags to 1316109 as on June 2,2016 against 1313669 bags as on June1, 2016.

Indonesia:-

As per sources, Sumatra main growing area of Indonesia shipped lower Robusta coffee beans by 75.35% to 4637.2 tonnes in May 2016 as compared to last year record volume i.e.18818.74 tonnes in the same month. Shipment of Indonesia slowed down by 74.56% against 4786.5 tonnes of April month 2016 exports volume. Exports dropped as stocks started to decline in Lampung while farmers wait for the harvest.

Below table shows ICE certified stocks details:-



Sources: Reuters

Others :-

1) As per sources, Coffee revenue of Burundi declined by 13% to $ 45.9 million for 2015/16 season after selling 16984 tonnes of coffee beans which is higher than the quantity of 13883 tonnes however the country received higher revenue at $52.9 in 2014/15 season on account of oversupply in the market. As per sources, the market was flooded by world top producers such as Brazil, Colombia and Costa Rica with their previous stocks, causing a drop in world prices. This has had a negative impact on Burundi coffee prices.

2) As per sources, Ivory coast shipped total 21459 tonnes in the four months to April 30,2016 up 53 percent on the same period last year i.e.14020 tonnes.

Ivory Coast's Export Details		
Apr-16	**Mar-16**	**Apr-15**
21459	16331	14020

Source: Reuters

Vietnam Coffee Crop Details:-

Below table depicts Vietnam's coffee Crop details:-

Vietnam's Coffee Production, Supply and Demand						
Coffee, Green Market Year Begins Vietnam	2013/2014		2014/2015		2015/2016	
Market Year Begins	Oct 2013		Oct 2014		Oct 2015	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Tree Population	0	0	0	0	0	0
Beginning Stocks	1.946	1.946	2.130	2.130	2.407	5.831
Arabica Production	1.175	1.175	1.050	1.050	1.100	1.100
Robusta Production	28.658	28.658	27.117	26.350	27.500	28.200
Other Production	0	0	0	0	0	0
Total Production	29.833	29.833	28.167	27.400	28.600	29.300
Bean Imports	476	476	450	450	200	200
Roast & Ground Imports	12	12	10	10	10	10
Soluble Imports	160	160	160	130	160	160
Total Imports	648	648	620	590	370	370
Total Supply	32.427	32.427	30.917	30.120	31.377	35.501
Bean Exports	27.269	27.269	25.000	20.333	25.500	26.667
Rst-Grnd Exp.	120	120	130	457	140	550
Soluble Exports	900	900	1.300	1.282	1.400	1.500
Total Exports	28.289	28.289	26.430	22.072	27.040	28.717
Rst,Ground Dom. Consum.	1.788	1.788	1.830	1.917	1.900	2.250
Soluble Dom. Cons.	220	220	250	300	260	350
Domestic Use	2.008	2.008	2.080	2.217	2.160	2.600
Ending Stocks	2.130	2.130	2.407	5.831	2.177	4.184
Total Distribution	32.427	32.427	30.917	30.120	31.377	35.501

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

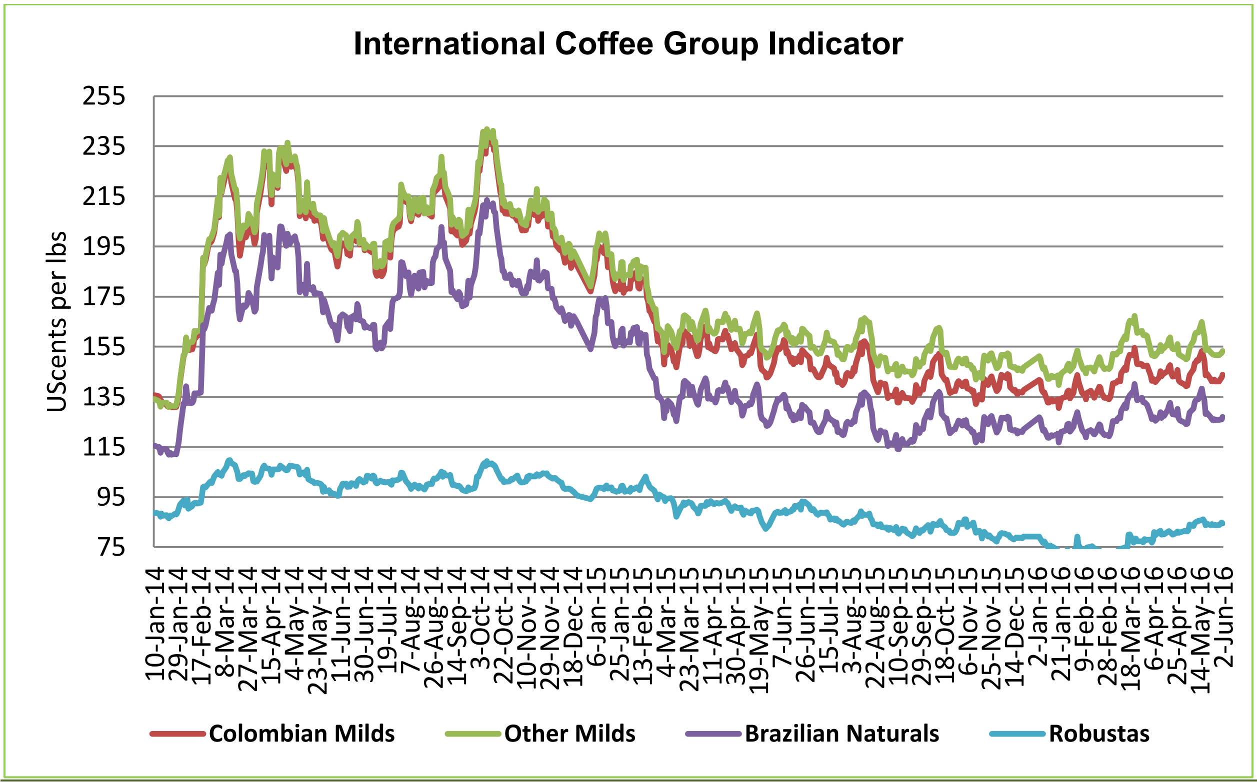
International Coffee Price Trend:-

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

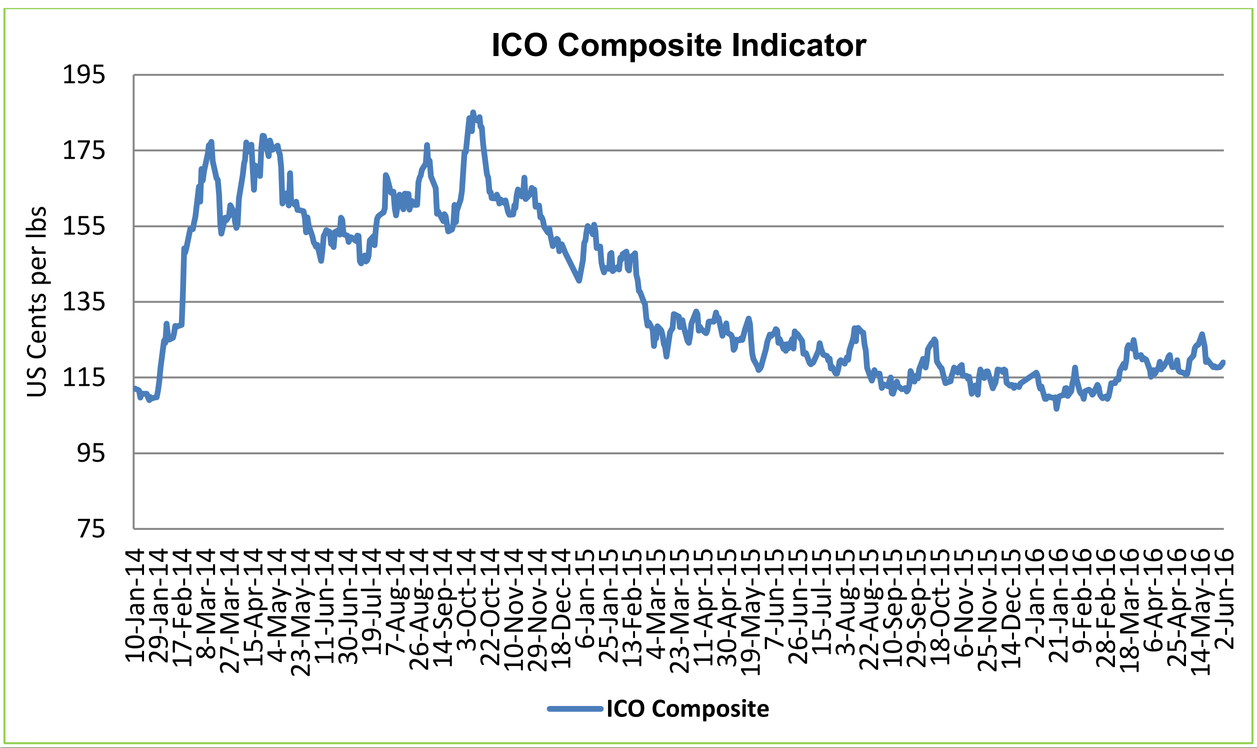
	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	**02.06.2016**	**26.05.2016**	**02.05.2016**	**02.06.2015**
ICO Composite Indicator	118.98	119.97	116.17	124.39
Colombian Milds				
US	145	142.50	139.75	149.75
Europe	142.50	141.28	139.85	153.80
Group Indicator	143.85	141.94	139.80	151.62
Other Milds				
US	154.19	151.44	150.94	158.44
Europe	152.67	152.01	150.17	158.81
Group Indicator	153.29	151.78	150.49	158.67
Brazilian Naturals				
US	112	111.50	109.75	124.75
Europe	132.23	131.21	129.94	133.81
Group Indicator	126.97	126.08	124.69	131.45
Robusta				
US	91.33	90.58	89	95.58
Europe	83.05	82.53	80	87.31
Group Indicator	84.46	83.90	81.53	88.64

US cents/lb

International Coffee Indicators Charts:-



Source: ICO



Source: ICO

International Future Market Prices :-

ICE Arabica Coffee Futures Prices				
Contract Months	**Today(2-June-2016)**	**Week Ago(26-May-2016)**	**Month Ago(2-May-2016)**	**Weekly Change (%)**
16-Jul	123	121.50	119.25	**1.23**
16-Sep	125	123.40	121.15	**1.30**
16-Dec	127.55	126.20	123.75	**1.07**

US cents/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	**Today(2-June-2016)**	**Week Ago(26-May-2016)**	**Month Ago(2-May-2016)**	**Weekly Change (%)**
16-Jul	1632	1619	1579	**-0.42**
16-Sep	1656	1639	1599	**-0.12**
16-Dec	1668	1658	1617	**-0.23**

USD/T

International Coffee Prices

	31.05.2016	**24.05.2016**	**31.04.2016**	**31.05.2015**
Vietnam (Robusta Beans Spot) (Dong/Kg)	36000	36000	34400	34950
Vietnam FOB (2-5 pct)* (Saigon port)	1690	1678	1628	1715
Indonesian FOB (4-80 defects)** (Lampung Port)	1850	1850	1810	1640

FOB Values are in USD/T

Weekly Auction Prices Of Kenya

Kenya Auction Prices			
Coffee Grade	**Prices This Auction In (28/05/2016)**	**Average Prices In**	**Prices This Auction In (21/05/2016)**
Arabica AA	46-263	198.3	53-286
Arabica AB	34-257	182.56	51-270
Arabica C	28-219	157.34	29-217
Arabica PB	51-245	203.04	58-238
Arabica T	33-150	75.26	47-131
Arabica TT	39-211	160.81	53-227

Units-$/50 kg bags

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

Outlook -Prices show upside of the market during the week. We expect prices to trade upper side in the market.

- Candlestick chart depicts uptrend in the market.
- 14 days EMI stood down at 53.69 against 48.41 in the market hints upward momentum in the market.
- High volume and prices indicates further long build up phase of the market.
- On the other hand, RSI is down at 53.69 compared to 48.41 of last week momentum indicating 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**
112.66	116.94	127.10	133.25	140.24

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

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

- Candlestick chart shows upward momentum in the market on buying interests.
- However, 14-days EMI is moving higher at 1612 against last week records i.e.1589, indicating further higher tone in the market.
- On the other hand, RSI is higher at 63.55 in neutral region against 62.84 of last week hinting a further upward 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**
1539	1582	1641	1683	1741

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