Executive Summary

Domestic Coffee Market Summary

Higher tone were witnessed in Karnataka physical market during this week, as on 23rd June 2016 on improved demand. However, arrival is down in the market as of now. Sellers hold approx 15% old stocks in their hand. Allanasons and SLN coffee, ITC are the main buyers of domestic beans. Exports orders are at lower differentials and there is very few sellers in the market. Coffee belts in India received rain however, it is not enough to grow coffee trees due to lower rainfall volume. After few days, manuring stage of both varieties will start to give more growth. As per the government data, In India water levels in its main reservoirs were at 15 percent of their storage capacity in the week to June 23, down 12 percentage points from a year earlier. The latest levels were lower than the last 10 years' average of 20 percent, and unchanged from the previous week. Monsoon rains, crucial for India's farm sector, arrived at India's southern Kerala coast on June 8, and have since progressed to cover almost the entire country. Water levels in reservoirs are important primarily for irrigation during the summer and winter months and for hydropower generation.

According to the recent released data by USDA, coffee production of India is expected to ease 100,000 bags to 5.2 million following a similar decline the previous year. Dry conditions during the flowering and fruit-set period weakened yields for both Arabica and Robusta output. Bean exports are forecast down 200,000 bags to 3.6 million.

As per the Coffee Board of India, provisional Indian green coffee exports from 1st January 2016 to 23rd June 2016 is registered higher by 19.10% at 160394 metric tons compared to 134670 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 23rd June 2016 this year, recorded down by 2.76% at 11838 metric tons from preceding year volume of 12175 metric tons. Total provisional exports of Arabica parchment and Robusta Cherry is placed higher by 25.35% at 28673 and 35.20% at 96187 metric tons respectively against exports volume of 22874 metric ton and 71139 metric tons respectively in the corresponding period of last year. However, Arabica cherry is placed lower at 7869 metric tonnes with a decline of 0.63% and Robusta parchment to15723 metric tonnes with a decline of 23.32%.

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 USDA report, coffee production of the World for 2016/17 is likely to rise by 2.4 million bags to 155.7 million bags (60 kg bags) from the previous year as record Arabica output in Brazil more than offsets lower Robusta production in Brazil, Vietnam, and Indonesia. As a result, world Arabica output is forecasted to rebound to 60 percent of total production after being below this level the previous 5 years. While, global consumption is estimated at a record 150.8 million bags, drawing ending inventories to a 4-year low. World exports are expected to decline from last year's record primarily due to lower shipments from Indonesia, Vietnam, and Brazil.

As per sources, *Uganda exported 286,758 60-kg bags of coffee in May up 8.9% from 263,330 bags in May 2015. 12-month exports were up 14½% year-on-year to 3.625 million bags. Dry weather occurred in most coffee-production areas in Brazil and similar conditions are expected through the next ten days and perhaps longer. Temperatures will be mild to warm with no risk of frost or freeze conditions.*

The UK's surprise vote held on 23rd June 2016 at night to exit from the European Union sent the dollar soaring and unleashed panic selling in world equity and commodity markets. London coffee gapped down, trading as much as $47 lower on its opening.

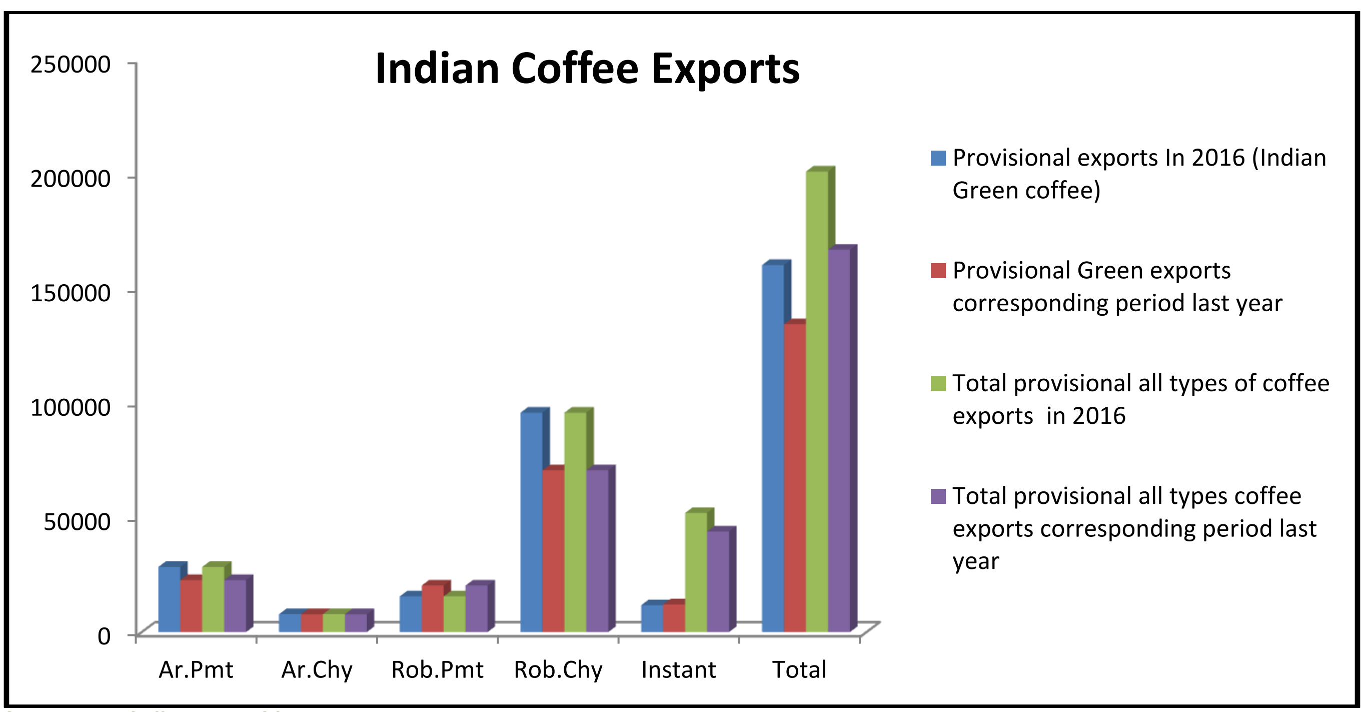
Domestic Coffee Exports of India -:

Below table shows coffee exports details of India:-

Export update: From 1st January 2016 to 16th 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)	28673	7869	15723	96187	18	86	11838	160394
2	Provisional exports corresponding period last year	22874	7819	20507	71139	15	140	12175	134670
3	Provisional re-exports	0	0	0	0	0	48	40635	40683
4	Provisional re-exports corresponding period last year	0	0	0	0	119	107	32147	32373
5	Total provisional exports (1+3)	**28673**	**7869**	**15723**	**96187**	**18**	**134**	**52473**	**201077**
6	Total provisional exports corresponding period last year (2+4)	**22874**	**7819**	**20507**	**71139**	**134**	**247**	**44322**	**167043**

Source: The Coffee Board Of India



Source: The Coffee Board Of India

State-wise Coffee Production in India :-

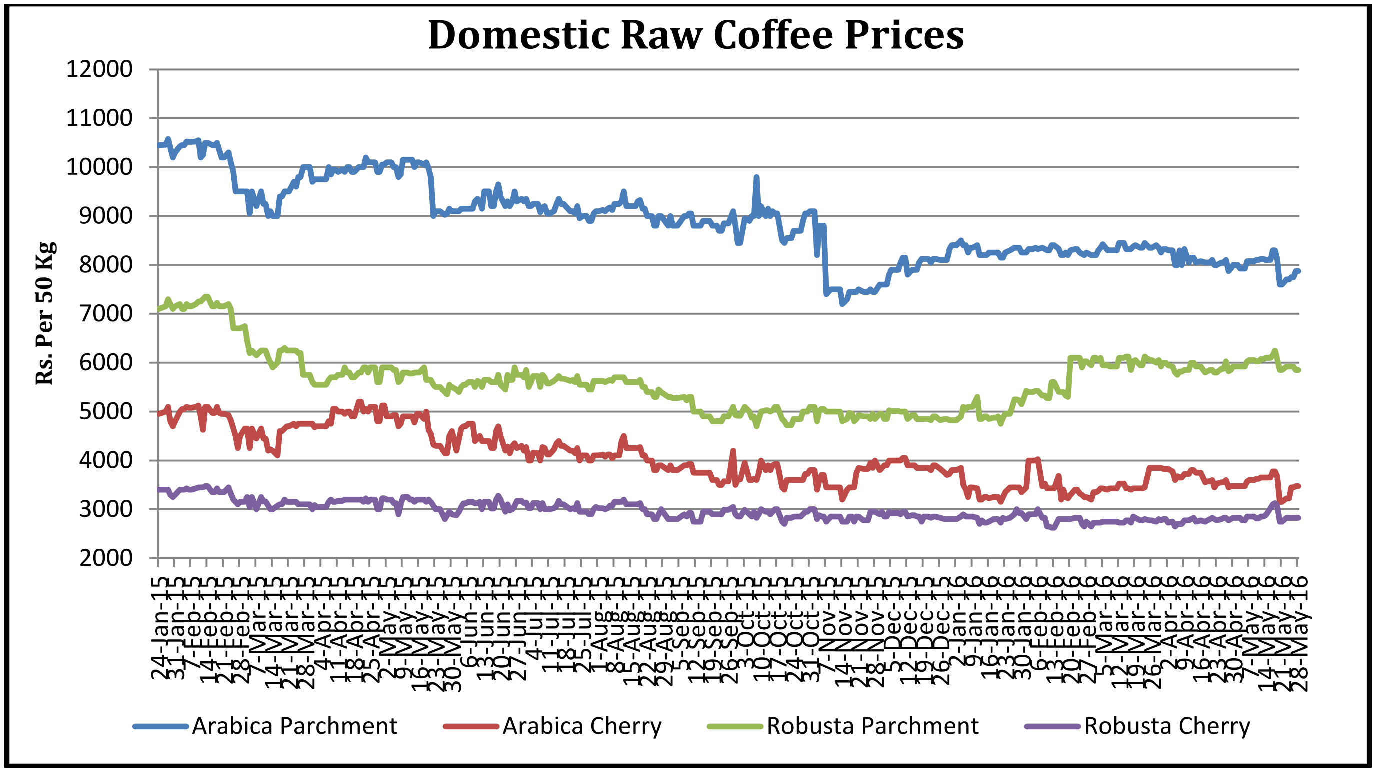
According to USDA report, Coffee production of India is forecast down at 5.17 million for the season 2016/17on account of poor blossom showers which may cause lower coffee yield of both the types of coffee trees against 5.30 million bags in 2015/16 season. Whereas, coffee exports are predicted around 5.10 million 60 kg bags against 5.30 in previous season, while domestic consumption are lower at 1.4 million bags for 2016/17 against 1.35 million bags in previous season. Lower consumption and exports estimates bring total supply down at 6.50 million bags for 2016/17 season against 6.65 million bags.

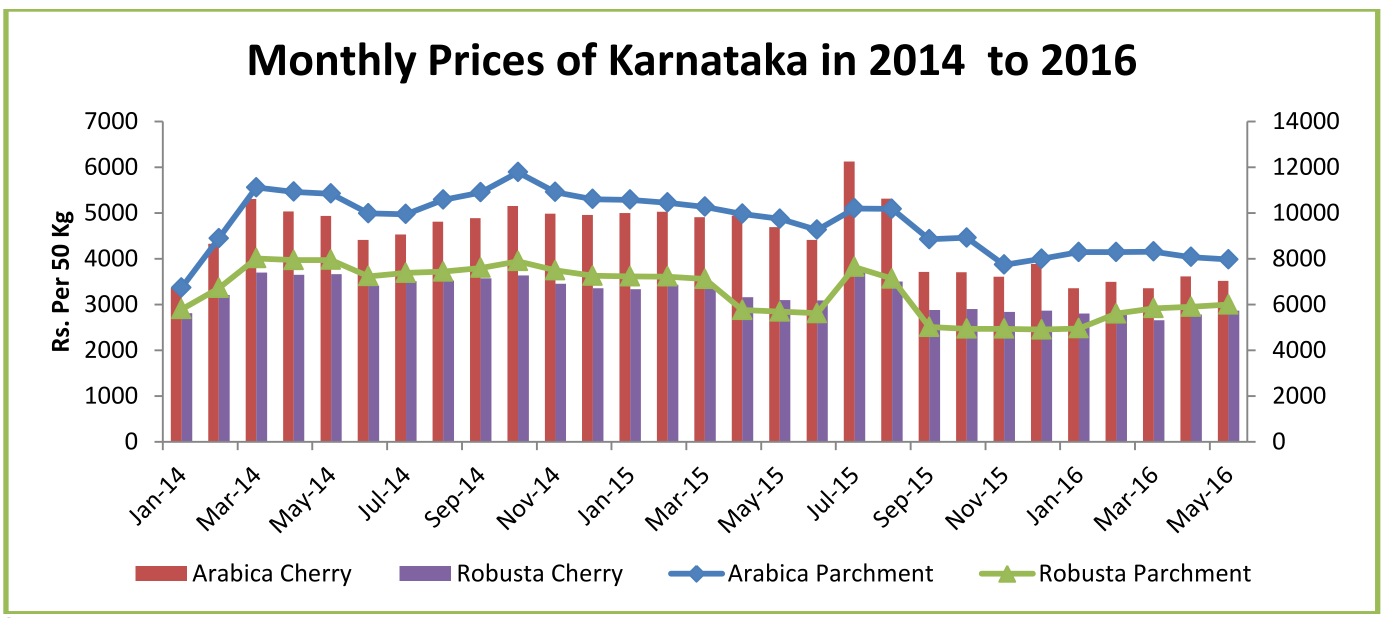
Below table shows production of coffee in major states/districts (zones) of India -

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	5170	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	8321	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	1400	1350	1270	1170	1100	1168	1231
Bean Exports	3600	3800	3390	3330	3420	3735	4160
Roast & Ground Exports	5	5	7	16	3	4	5
Soluble Exports	1500	1500	1496	1667	1435	1484	1350
Exports	5105	5305	4897	5013	4858	5223	5515
Total Demand	6505	6655	6167	6183	5958	6391	6746

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	25.06.2016	18.06.2016	Change
Arabica Parchment	8150	7875	275
Arabica Cherry	3750	3525	225
Robusta Parchment	5925	5850	75
Robusta Cherry	3025	2900	125

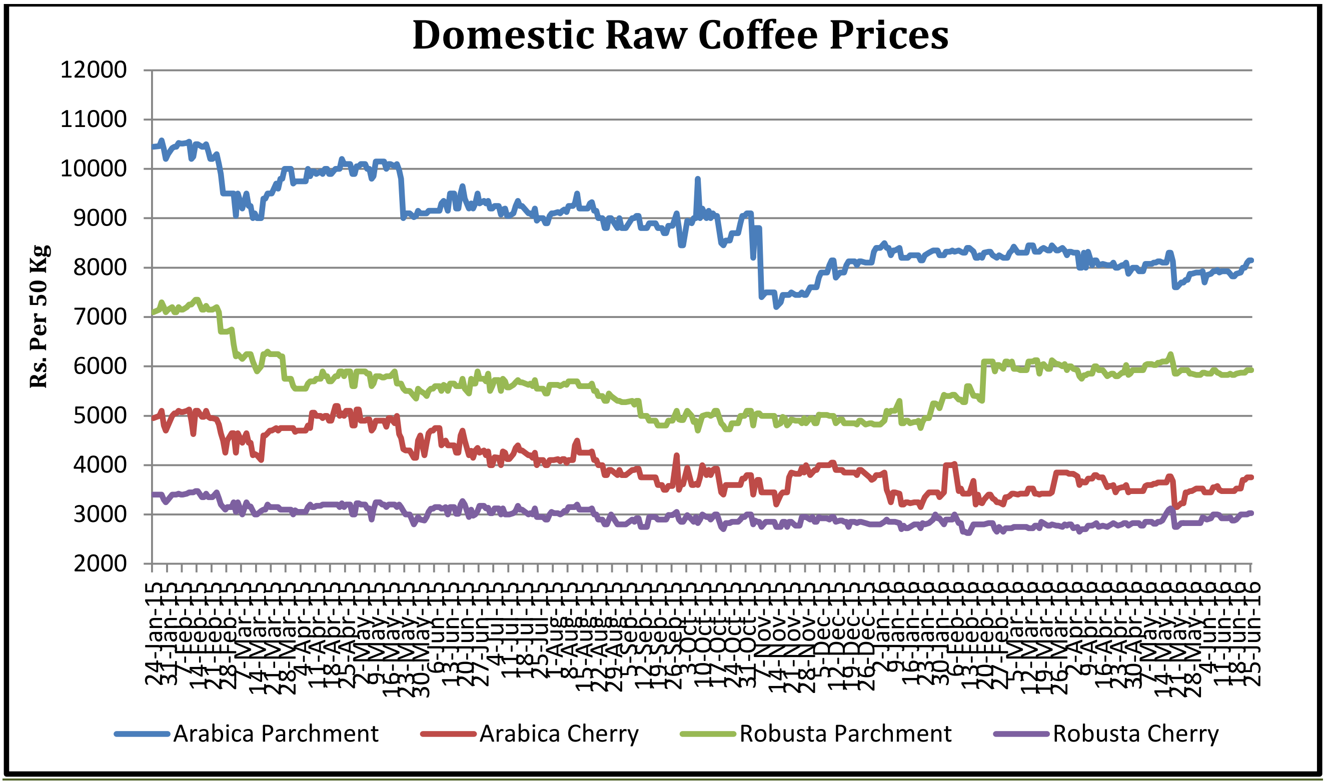
*** Values in Rs. per 50 Kg**

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

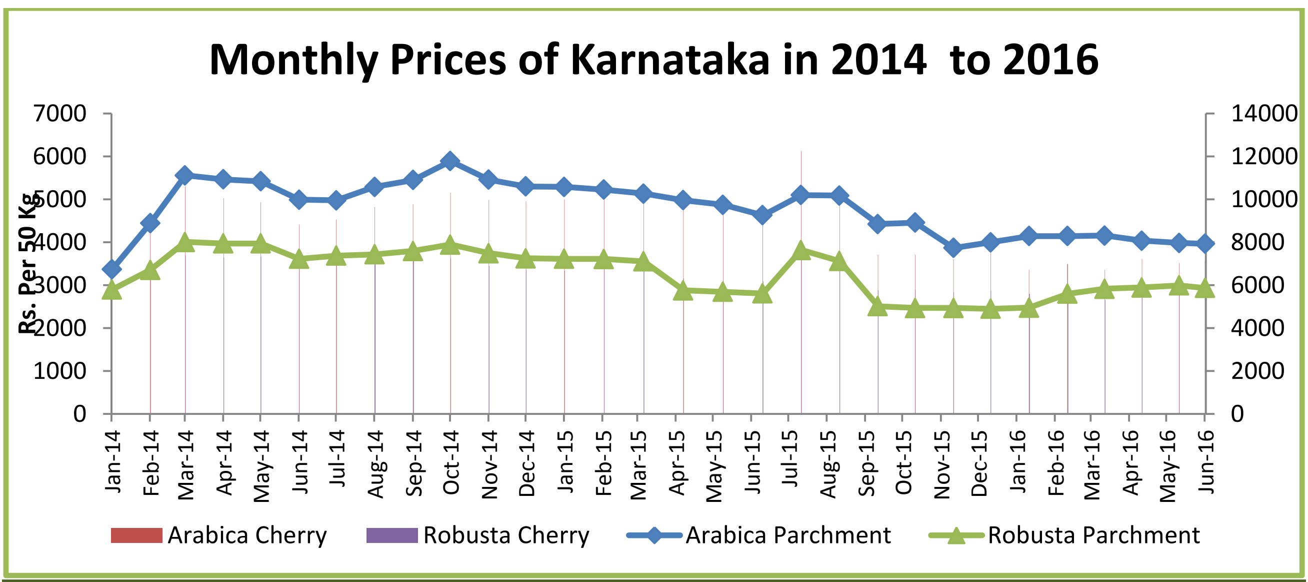
Grade	16.06.2016	09.06.2016	Change	09.06.2016	02.06.2016	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	---	245	---	---	---	---
AA	248	245.4	2.6	---	---	---
PB	---	209.96	---	---	---	---
A	---	---	---	---	---	---
AB	---	191	---	---	---	---
B	---	150.5	---	---	---	---
C	---	120	---	---	---	---
BBB	---	---	---	---	---	---
Grade	**Robusta Parchment**	**Robusta Parchment**		**Robusta Cherry**	**Robusta Cherry**	
RKR	---	144.5	---	---	---	---
A	---	---	---	120	124	0.9
PB	----	137.5	---	118.26	---	---
AA	----	148.5	---	125.9	125	---
AB	----	143.5	---	117.5	---	---
B	----	---	---	---	---	---
C	----	127.5	---	114	---	---
BBB	---	100.5	---	101.5	106	-4.5

Values in Rs. per kg

Coffee Prices Of Auction Market & State Wise Market



Source: Agriwatch



International Market Updates

ICE coffee future prices slip slightly by 0.17% to 139.25 cents/lb in this week against 139.50 cents/lb of the last week. As per RTRS, ICE certified stocks declined by 450 bags to 1314135 bags as on June 24,2016 against 1314585 bags as on June 23,2016. Speculators increased their net long position in Arabica coffee by 7863 to 27,000 lots, which is higher since December 2014.

Brazil:- As per USDA, Arabica coffee production in Brazil is expected to go up by 7.8 million bags to a record 43.9 million on account of improved yields. Good blossoming between September and November 2015 was followed by ideal weather during the fruit-set and fruit development period in Minas Gerais and Sao Paulo, two regions that account for about 80 percent of output. Robusta production is forecast to decline 1.2 million bags to a 7-year low of 12.1 million due to above-average temperatures and prolonged dry spells in Espirito Santo, where the vast majority is grown. Water shortages continue to limit irrigation, a common practice in the state. The combined Arabica and Robusta harvest is forecast to expand 6.6 million bags to 56.0 million. However, total supplies of the country is placed slightly lower on account of lower beginning stocks, along with that coffee bean exports are also expected to plunge 700,000 bags to 32.0 million and ending stocks are likely to remain unchanged at 2.5 million bags.

Vietnam: As per USDA recent report, Vietnam may grow coffee beans about 27.3 million 60-kg bags in the next 2016/2017 season, down by 2.0 million bags from 2015/16 season due to high temperatures and dry conditions. between January and April 2016 which may damage quality of yield. Coffee exports of Vietnam in the season ending September 2017 are forecast to dip 3 percent to 25.2 million bags, while the ending stocks are expected to fall to 3.5 million bags, the lowest in three years. Ending stocks of the country is placed down by 2.2 million bags to 3.5 million bags while coffee bean exports for the season 2016/17 is forecast lower by 850,000 bags to 25.2 million bags compared to the current season.

Indonesia:- Coffee harvest in Indonesia is likely to start in July, a month later than usual, and most of the early harvested cherries have been bought by domestic roasters. As per USDA report, Indonesia is likely to produce lower coffee beans by 1.8 million bags to 10.0 million bags due to severe drought throughout much of the archipelago. Dry weather disrupted the flowering and ripening stage of cherry formation. It was most acutely felt in lowland areas of Southern Sumatra and Java where approximately 75 percent of the Robusta crop is grown. Arabica production, situated in Northern Sumatra, was mostly unaffected by these conditions. Bean exports are expected to decline by 1.9 million bags to 6.1 million on lower available supplies. Coffee production of the season 2015/16 is revised up by1.1 million bags to 11.8 million due to supporting weather condition during the flowering and cherry ripening period. Coffee bean exports for the season 2015/16 is also revised and placed higher by 2.5 million bags to 8.0 million on greater exportable supplies and strong demand from Malaysia and Thailand's soluble sector.

Colombia:- As per USDA, Arabica coffee production is likely to stay down 300,000 bags to 13.3 million due to expected heavy rains towards the end of 2016. This is likely to affect the *mitaca* crop by disrupting the flowering process as well as creating conditions conducive to the spread of coffee rust for trees not renovated to resistant varieties. The *mitaca* crop typically accounts for about 40 percent of total output and is harvested from the central coffee region between April and June. Also, coffee cherry borer insect infestations in this region are expected to more than double to 10 percent of planted area, reducing yields and quality. Despite this, bean exports, mostly to the United States and Europe, are forecast to gain 100,000 bags to 11.5 million.

Central America and Mexico:- Central America and Mexico account for over 15 percent of the world's Arabica production, and coffee rust continues to hamper output for most of these countries. Therefore total coffee production of these regions is forecast to add 400,000 bags to total 15.9 million, the rebound is mostly limited to Honduras where rust-resistant trees from recently renovated land are expected to propel output to a record 6.1 million bags. Nicaragua is forecast 100,000 bags higher to 2.1 million as a result of good weather during bloom as well as the addition of output from recently renovated land. Costa Rica, El Salvador, Guatemala, and Mexico are flat at 1.4 million bags, 525,000 bags, 3.4 million bags, and 2.3 million bags, respectively, as these countries continue to struggle with rust and output remains below their pre-rust level. Bean exports for the region are forecast to gain 400,000 bags to 13.3 million mainly due to higher exportable supplies in Honduras. Approximately 40 percent of the region's exports are destined for the United States, followed by 35 percent to the European Union.

Coffee Production Details of The World:-

Below table depicts coffee Production details of the World:-

Production	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17 (June)
Brazil	49,200	57,600	57,200	54,300	49,400	55,950
Vietnam	26,000	26,500	29,833	27,400	29,300	27,275
Colombia	7,655	9,927	12,075	13,300	13,600	13,300
Indonesia	8,300	10,500	9,500	10,470	11,750	10,000
Ethiopia	6,320	6,500	6,345	6,475	6,500	6,500
Honduras	5,600	4,725	4,400	5,100	5,700	6,100
India	5,230	5,303	5,075	5,440	5,300	5,170
Peru	5,200	4,300	4,250	2,900	3,500	3,800
Uganda	3,075	3,600	3,850	3,550	4,500	3,700
Guatemala	4,410	4,010	3,515	3,185	3,350	3,375
China	1,090	1,535	1,947	2,000	2,100	2,300
Mexico	4,300	4,650	3,950	3,180	2,500	2,300
Nicaragua	2,100	1,925	2,000	2,125	2,025	2,125
Cote d'Ivoire	1,600	1,750	1,675	1,400	1,650	1,700
Malaysia	1,450	1,400	1,500	1,500	1,500	1,500
Costa Rica	1,775	1,675	1,450	1,400	1,400	1,400
Tanzania	565	1,180	800	1,150	1,250	1,050
Thailand	1,000	1,000	1,000	1,000	1,000	1,000
Papua New Guinea	1,400	825	855	810	750	750
Kenya	750	660	850	750	650	700
Cameroon	735	535	425	575	625	625
Laos	450	460	475	485	525	550
El Salvador	1,200	1,250	550	700	475	525
Philippines	455	455	450	475	475	475
Madagascar	550	525	550	500	255	425
Other	4,712	3,828	3,258	3,085	3,212	3,102
Total	145,122	156,618	157,778	153,255	153,292	155,697

Source: USDA

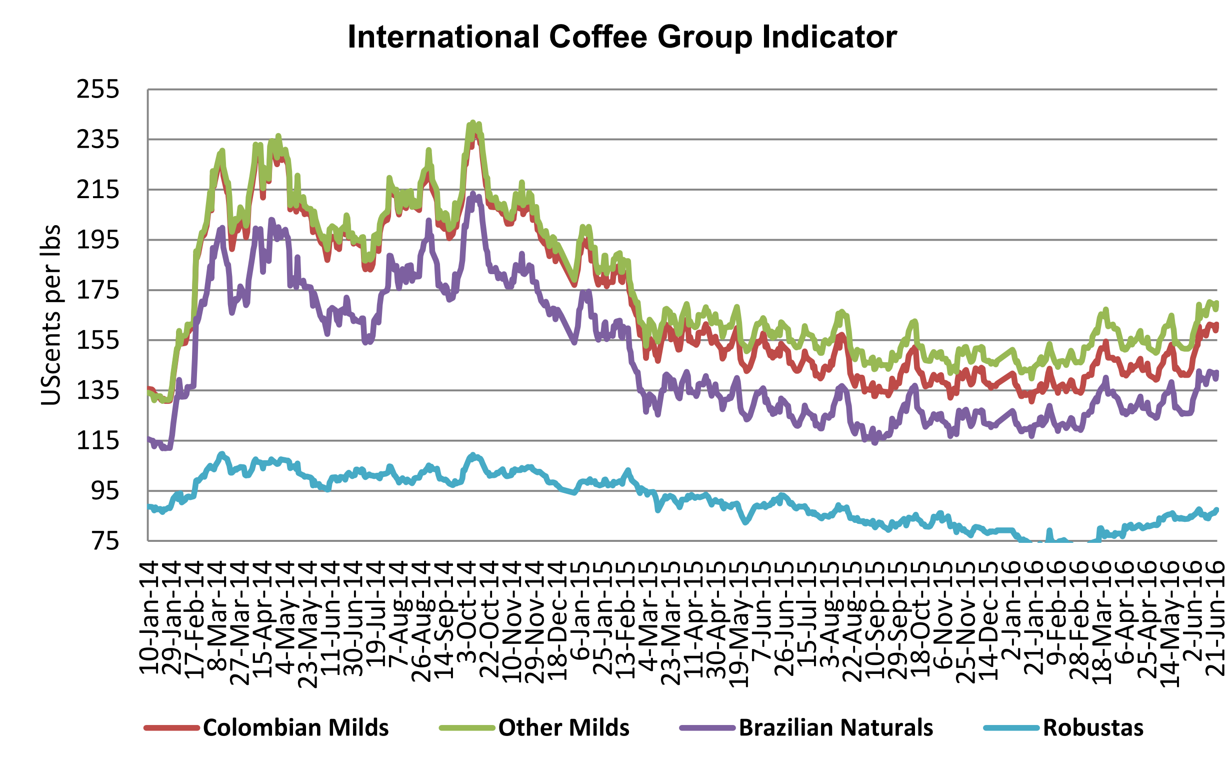
International Coffee Price Trend:-

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

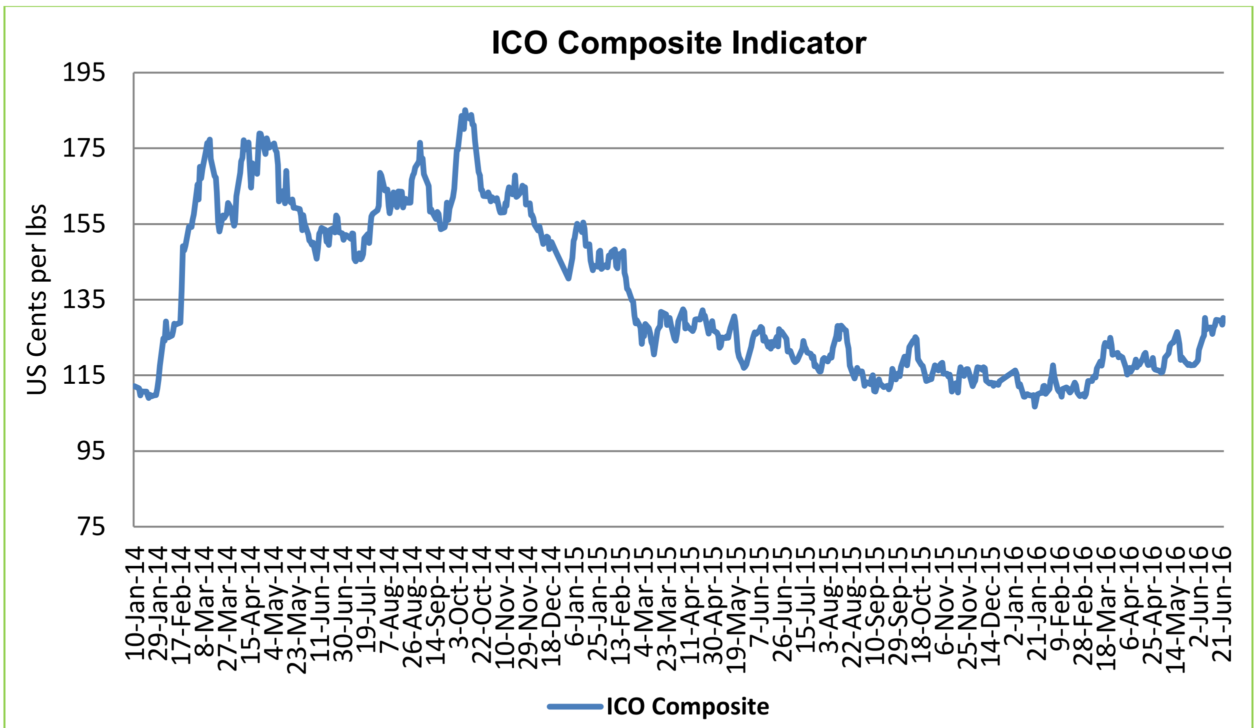
	As on	Week Ago	Month Ago	Year Ago
International Coffee Prices	**23.06.2016**	**16.06.2016**	**23.05.2016**	**23.06.2015**
ICO Composite Indicator	130.16	128.23	118.49	118.03
Colombian Milds				
US	162	161.50	142.25	143
Europe	160.48	159.01	142.15	147.75
Group Indicator	161.30	160.63	142.21	144.46
Other Milds				
US	170.19	168.94	153.19	152.69
Europe	169.50	168.76	152.63	153.35
Group Indicator	169.78	168.83	152.89	152.59
Brazilian Naturals				
US	126	125.50	112.25	119
Europe	147.82	146.32	132.07	127.63
Group Indicator	142.15	140.91	126.92	125.07
Robusta				
US	93.67	90.75	90.83	90.42
Europe	86.10	82.64	82.42	81.32
Group Indicator	87.39	84.02	83.85	82.33

US cents/lb

International Coffee Indicators Charts:-



Source: ICO



Source: ICO

International Future Market Prices :-

ICE Arabica Coffee Futures Prices				
Contract Months	**Today(23-June-2016)**	**Week Ago(16-June-2016)**	**Month Ago(23-May-2016)**	**Weekly Change (%)**
16-Jul	139.25	139.50	121.40	**-0.17**
16-Sep	142.90	141.45	123.35	**1.02**
16-Dec	145.55	144.05	126.10	**1.04**

US cents/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	**Today(23-June-2016)**	**Week Ago(16-June-2016)**	**Month Ago(16-May-2016)**	**Weekly Change (%)**
16-Jul	1684	1645	1613	**4.40**
16-Sep	1718	1674	1648	**4.24**
16-Dec	1734	1691	1665	**4.14**

USD/T

International Coffee Prices

	23.06.2016	**16.06.2016**	**16.05.2016**	**16.06.2015**
Vietnam (Robusta Beans Spot) (Dong/Kg)	37250	35950	36600	37400
Vietnam FOB (2-5 pct)* (Saigon port)	1738	1675	1711	1782
Indonesian FOB (4-80 defects)** (Lampung Port)	-	1760	1890	1855

FOB Values are in USD/T

Weekly Auction Prices Of Kenya

Kenya Auction Prices			
Coffee Grade	**Prices This Auction In (21/06/2016)**	**Average Prices In**	**Prices This Auction In (14/06/2016)**
Arabica AA	57-305	216.16	51-300
Arabica AB	57-272	202.16	50-262
Arabica C	54-235	179.27	20-216
Arabica PB	48-254	198.37	50-240
Arabica T	8-151	104.92	18-149
Arabica TT	52-220	136.73	50-217

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 side in the market.

- Candlestick chart depicts downtrend in the market.
- However,14 days EMI stood up at 132.50 against 131.76 in the market hints upward 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 57.03 compared to 63.39 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**
120.12	128.31	134.35	145.99	158.49

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 steady to upside in next week.

- Candlestick chart shows slight downward momentum in the market.
- However, 14-days EMI is moving higher at 1632 against last week records i.e.1628, indicating further lower tone in the market.
- On the other hand, RSI is lower at 63.56 in neutral region against 63.94 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**
1532	1590	1643	1722	1790

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