

Executive Summary

Domestic Coffee Market Summary

Coffee prices in Karnataka physical market went down during this week, as on 19th August 2016 on account of lackluster trading activities. Demand and arrival are not in full pace due to high coffee prices. Approx 8 to 10% of coffee stocks are remaining for further selling in the market. Rainfall is slow with a pleasant gap with small showers. Coffee trees are holding fruits of 3-4 months old, which are slowly maturing. Exporters are also not much active however delivering future commitments. Further, fresh commitments are dwindling since differentials offered by international buyers. In the short term, coffee prices may go up whereas in the long run, prices seem steady until exact crop estimation is analyzed.

As per DGCIS latest report, India received around Rs.422.10 crore as the total coffee exports revenue which is 62.81 million in USD in July 2016. This is higher by 3.77 % in Rs. However, it has declined by 1.74% in USD respectively as against Rs.406.78 crore and USD 63.92 million respectively in the corresponding month of previous year. It stood at Rs.2078.60 crore and the value in USD at 310.42 million since April-2015 to July 2016 higher by 6.28% in Rs. and 2.11% in USD as against the last year revenue i.e. Rs.1930.95 crore and in USD 304.02 million in corresponding period of time.

India receives normal monsoon. In view of Indian farmers and traders, current rainfall is lower than average, which may affect coffee crop size for the next season. Production may fall for the next season. However, current rainfall with lower volume may help better development of standing coffee crops. Kerala and Karnataka, the main coffee belt States of India received less rainfall after more than two months into the monsoon. Rainfall in Kerala is recorded at a 28% deficiency between June 1, 2016. While, Karnataka received 9% lower at 516 mm. Some of the main coffee belts like Shimoga, Chikmagalur, Kodagu and Dakshin Kannada suffered much due to less rainfall. Apart from that, Chikmagalur, Hassan, and Coorg get 50% less rainfall against last year record. As per sources, the light spell of rains will occur in some parts of Kerala and Tamil Nadu in the next 2-3 days on account of

As per the Coffee Board of India, provisional Indian green coffee exports from 1st January 2016 to 18 August 2016 is registered higher by 15.01 % at 198561 metric tons compared to 172638 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 18th August 2016 this year, recorded down by 19.63% at 15778 metric tons from preceding year volume of 19633 metric tons. Total provisional exports of Arabica parchment, Arabica Cherry and Robusta Cherry is placed higher by 27.99 at 33197, 2.97% to 8605 metric tonnes and 30.18% at 120533 metric tons respectively against exports volume of 25937 metric ton, 8356 metric tonnes and 92587 metric tons respectively in the corresponding period of last year. However, Robusta parchment is registered lower at 20285 metric tonnes with a decline of 21.67%.

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 estimates of Safras & Mercado, Brazil has harvested 88% of this new crop has so far been harvested which is higher than last year record i.e.84%. As a result, coffee harvesting may be finished at the end of this month. Hence, coffee trees will start flowering soon for the next season 2017 crop due to start of the spring and summer rain season which may begin in late September 2016.

As per sources, Vietnam shipped total 139,800 tonnes(2.33 million 60-kg bags) of coffee in July 2016 with a decline of 11.8% from the last month record. Total coffee exports between October 2015 and July 2016 is registered 31.5% higher against last year volume. Traders had expected coffee shipments in July 2016 at 145,000-160,000 tonnes, however the government estimated the volume at 130,000 tonnes.

Domestic Coffee Exports of India :-

Below table shows coffee exports details of India:-

Export update: From 01st January 2016 to 18th August 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)	33197	8605	20285	120533	28	135	15778	198561
2	Provisional exports corresponding period last year	25937	8356	25899	92587	26	201	19633	172638
3	Provisional re-exports	0	0	0	0	0	91	49896	49986
4	Provisional re-exports corresponding period last year	0	0	0	0	119	204	38693	39015
5	Total provisional exports (1+3)	33197	8605	20285	120533	28	226	65674	248547
6	Total provisional exports corresponding period last year (2+4)	25937	8356	25899	92587	145	405	58325	211654

Source: The Coffee Board Of India

Below table shows Country wise coffee exports details:-

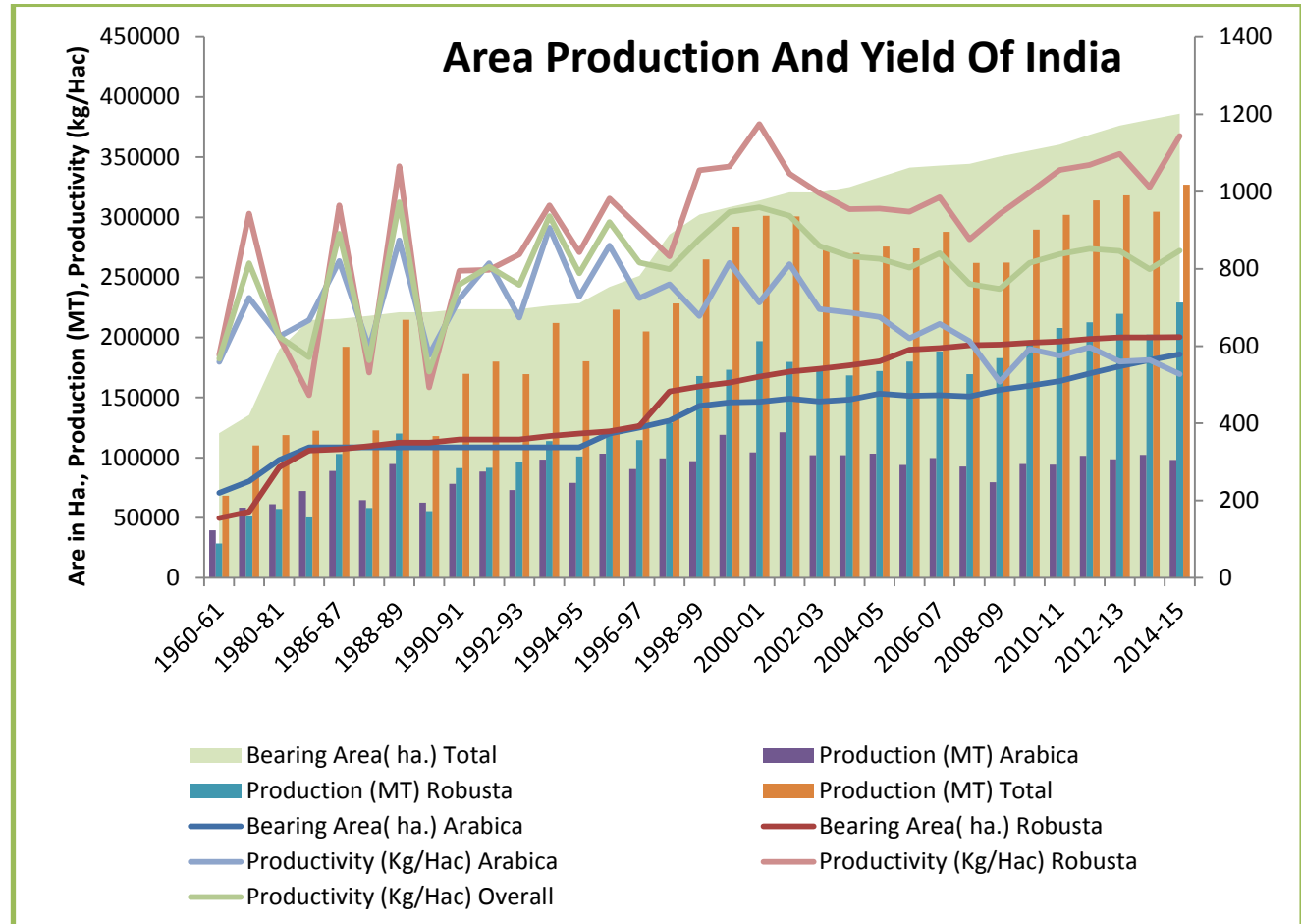
COUNTRY WISE EXPORT OF COFFEE DURING 01/01/2016 to 17/08/2016					
[BOTH INDIAN AND RE-EXPORTED COFFEE]					
[PROVISIONAL AND BASED ON EXPORT PERMITS]					
NAME OF THE COUNTRY	ARABICA	ROBUSTA	INSTANT (GBE)	ROASTED (GBE)	TOTAL
ITALY	7254.100	56624.600	287.383	90.521	64256.604
GERMANY	5678.680	17061.850	1317.225	0.117	24057.872
RUSSIAN FEDERATION	682.000	1963.650	15691.379	0.000	18337.029
BELGIUM	8033.060	8383.180	312.143	0.083	16728.466
TURKEY	43.920	310.080	9393.286	0.000	9747.286
SLOVENIA	0.000	8438.200	0.000	0.000	8438.200
JORDAN	5120.040	1778.400	28.080	0.000	6926.520
SPAIN	60.600	5947.600	37.440	0.000	6045.640
POLAND	15.090	1050.610	4805.757	0.139	5871.596
GREECE	235.800	4579.440	122.850	0.000	4938.090
OTHERS	14578.026	33473.506	33141.748	162.274	81355.554
TOTAL	41701.316	139611.116	65137.291	253.134	246702.857

Source: The Coffee Board Of India

Area Production & Yield Details Of Coffee In India:-

In the recent released data of the Coffee Board Of India, total coffee beans in India, is estimated higher by 7.38% to 327000 MT for the season 2014/15 against 304500 MT in 2013/14 followed by total Arabica production volume which is placed at 98000 MT against 102200 and Robusta coffee production is placed at 229000 MT from 202300 MT. Total coffee area is estimated 1.28% up at 386195 ha. in 2014/15 season as compared to 381304 ha in the last season . While, total productivity of India is placed higher by 6% to 847 kg/hac in 2014/15 season as compared to 799 kg/hac.

Below table shows Area Production and Yield of India:-



Source:- The Coffee Board Of India

Domestic Raw Coffee Prices (Karnataka):-

Variety	19.08.2016	12.08.2016	Change
Arabica Parchment	8250	8350	-100
Arabica Cherry	3800	3850	-50
Robusta Parchment	6200	6325	-125
Robusta Cherry	3175	3375	-200

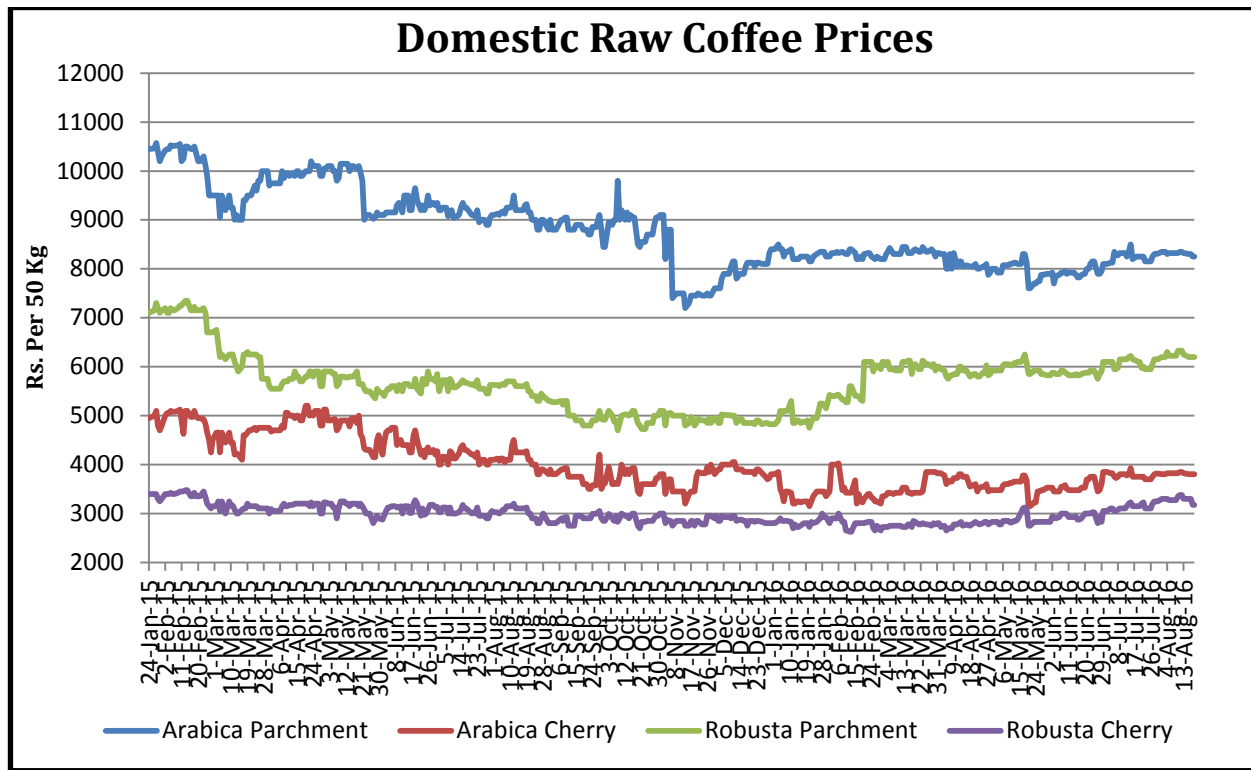
* Values in Rs. per 50 Kg

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

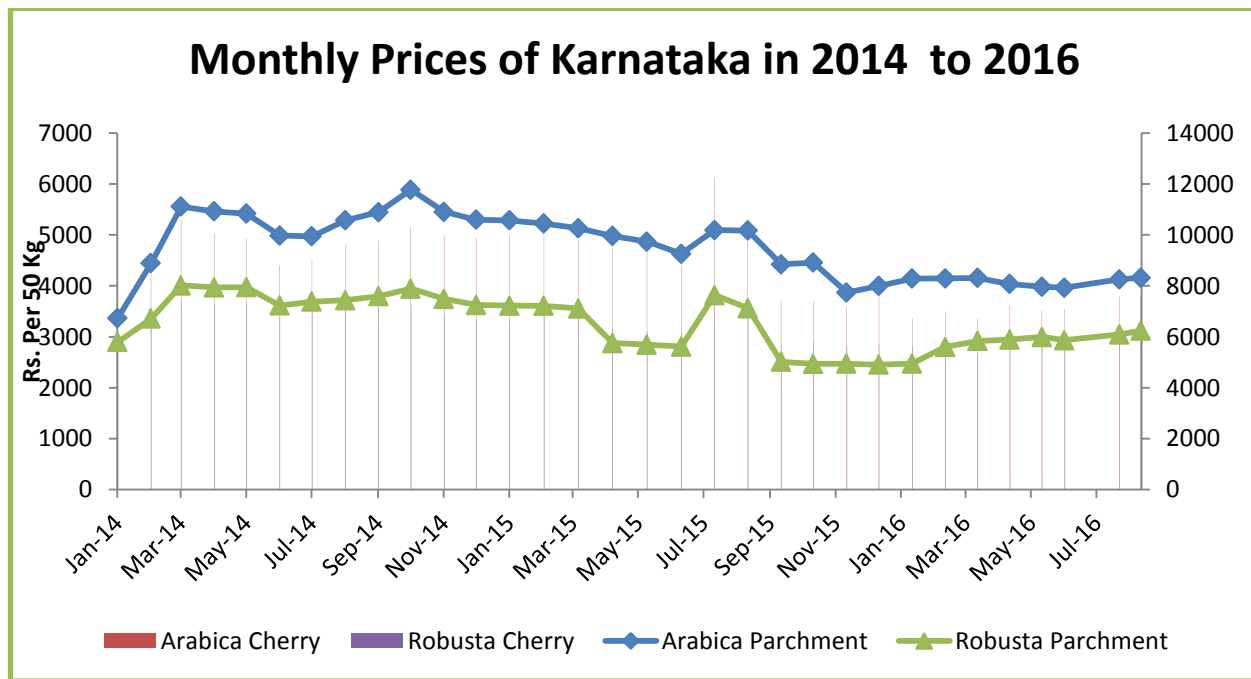
Grade	12.08.2016	04.08.2016	Change	12.08.2016	04.08.2016	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	---	---	---	---	---	---
AA	---	---	---	---	---	---
PB	---	211	---	---	---	---
A	---	---	---	---	---	---
AB	---	---	---	---	---	---
B	209	---	---	121	---	---
C	---	---	---	---	---	---
BBB	118	120.5	---	---	115	---
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	---	---	---	---	---	---
A	---	---	---	---	---	---
PB	---	---	---	129.5	---	---
AA	---	---	---	133	140	-7
AB	---	---	---	134	---	---
B	---	---	---	---	---	---
C	---	128	---	127	125	2
BBB	114.5	---	---	116.96	118	-1.04

Values in Rs. per kg

Coffee Prices Of Auction Market & State Wise Market



Source: The Coffee Board Of India



Source: The Coffee Board Of India

International Market Updates

ICE coffee future prices showed a slight decline to 138.80 cents/lb in this week against 142.5 cents/lb of the last week. As per RTRS, ICE certified stocks declined by 1696 bags to 1283976 bags as on August 19, 2016 against previous day record. The composite indicators increased to a 17 month high in July although the market struggled to hold on its early gains. Coffee exports volume declined in the last couple of months since new Brazilian crop has not yet come to the market. However, consumer stocks remain relatively well supplied. Furthermore, Conab released its survey of domestic private stocks at the end of March 2016 as being just 5.4% lower than the previous year, down from 14.4 million to 13.6 million bags. Initially, Prices went up to a high of 137.36 US cents/lb in the middle of the month, on account of a second frost scare in Brazil and a slight recovery in the Brazilian real. This was the highest daily value for the ICO composite since February 2015. However, prices then declined to a low of 129.40, as the Colombian truckers' strike was resolved and the threat of frost in Brazil receded. Higher monthly averages were recorded in all four group indicator prices. Robustas, is seen at the strongest growth with an increase of 5.7% to 90.82 cents, their highest level since April 2015. Arabica prices also went up, with Colombian Milds, Other Milds and Brazilian Naturals up by 4.8%, 3.8% and 4.6% respectively. Nevertheless, the arbitrage between Arabica and Robusta widened for the second consecutive month, despite their respective supply prospects.

As per sources, U.S. green coffee stocks increased by 97965 bags to 6.3 million 60 kg bags by the end of July 2016.

Below table shows USA stocks details:-

Ports	Total Exchange& Non-Exchange	Change From Last Date
New York	1739672	57157
New Orleans	681,994	5375
Jacksonville	405000	-12000
Miami	120256	-32698
Houston	565,349	45206
Laredo	37673	-3345
San Francisco	864582	35797
Norfolk	462906	-4533
Philadelphia	10950	1970
Seattle/Tacoma	348200	16759
Los Angeles/ Long Beach	174490	5363
Baltimore	716672	10350
South Carolina	180833	-27436
Total USA	6308577	97965

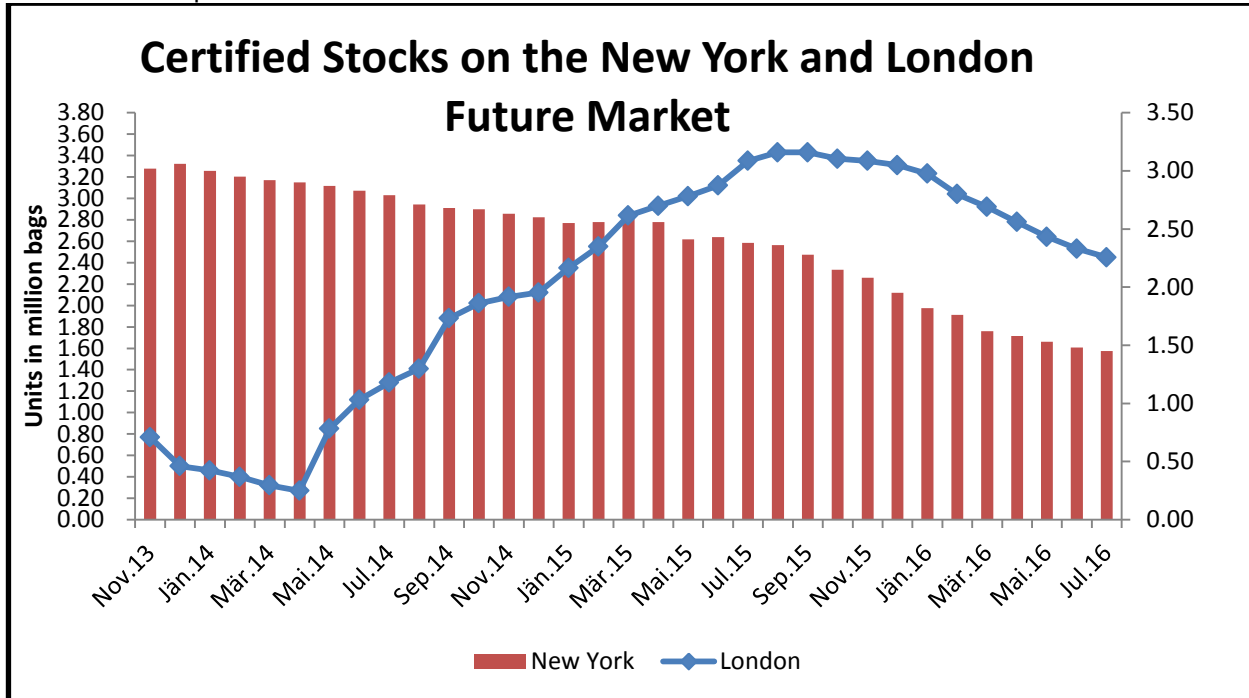
Source: Reuter

World:- According to the recently released data by ICO, Coffee exports is registered lower by 11.2% to 9 million bags in June 2016 compared to last year record which would represent the lowest June exports in six years. Brazil, Colombia and Indonesia shipped total coffee beans lower by 10.2%, 7.4% and Indonesia 62.9%, respectively as compared to previous season shipment during the same period of time. While, Vietnam exported 0.4% higher coffee beans in the same period of time. Total exports for the first three quarters of coffee year 2015/16 (October to June) are estimated 0.2% higher than the corresponding period last year, on 85.1 million bags, with a 6.5% decrease in Robusta exports offset by a 4.6% increase in Arabica. Coffee production estimates has been revised down to 143.3 million bags compared to its earlier estimates of 144.7 million bags. This is mostly due to a sharp reduction in output from Mexico, revised down from 3.9 million bags to 2.8 million, and a more modest revision for Nicaragua to 1.8 million bags. In the case of Mexico, this is attributed to the severe than anticipated impact of coffee leaf rust, which has aggressively reduced output by more than a third since 2012/13.

International Coffee Scenario:-

As per ICO recent released data, Certified stocks on the New stocks on the New York and London Future market declined by 3.16% to 1.45 million bags and 2.02% to 2.45 million bags respectively in July 2016 against 1.48 million bags and 2.53 million bags in June 2016.

Below charts depicts Certified Stocks details on the New York and London Future market:-



Source: ICO

Below table shows total exports details of exporting countries:-

Total exports by exporting countries						
	Jun-15	Jun-16	% Change	2014/15	Oct-June 2015/16	% Chage
TOTAL	10 172	9 033	-11.2%	84 889	85 101	0.2%
Arabicas	6 154	5 728	-69.0%	51 848	54 208	46.0%
Colombian Milds	1 112	1 034	-70.0%	9 886	10 579	70.0%
Other Milds	2 501	2 170	-13.2%	16 733	17 147	25.0%
Brazilian Naturals	2 541	2 524	-0.7%	25 230	26 481	50.0%
Robustas	4 018	3 305	-17.7%	33 041	30 893	-65.0%

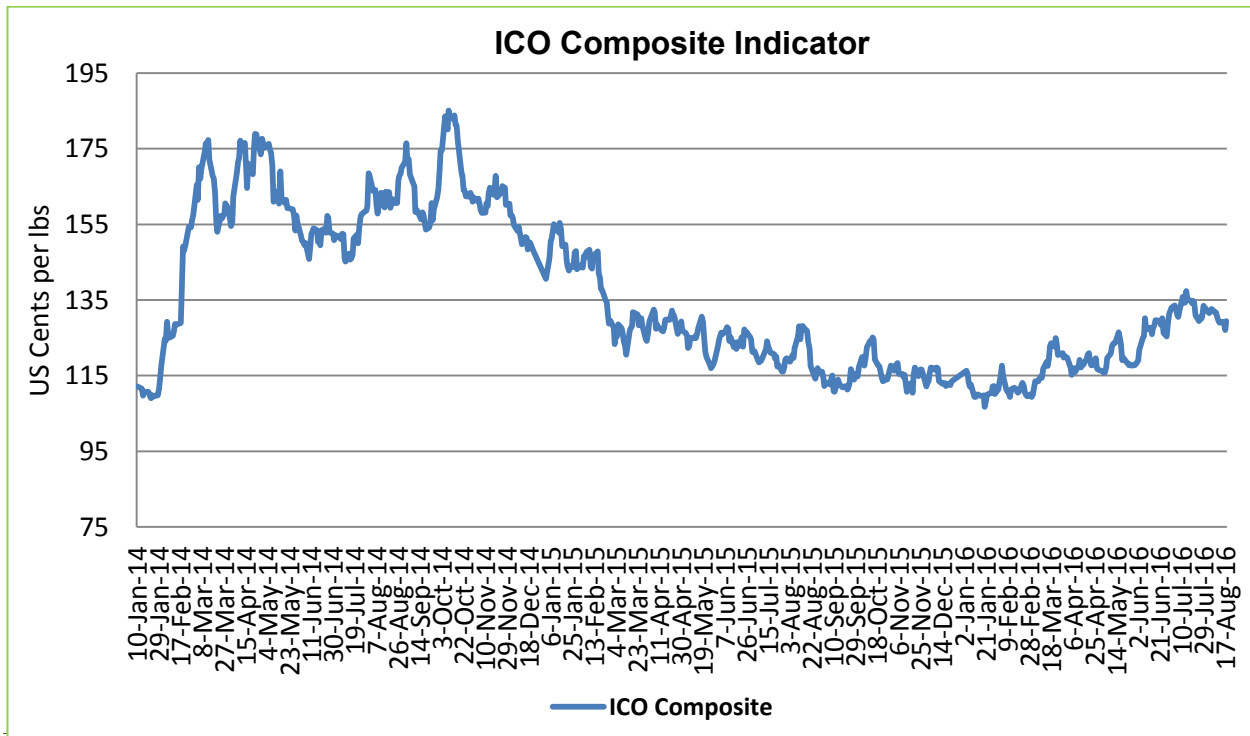
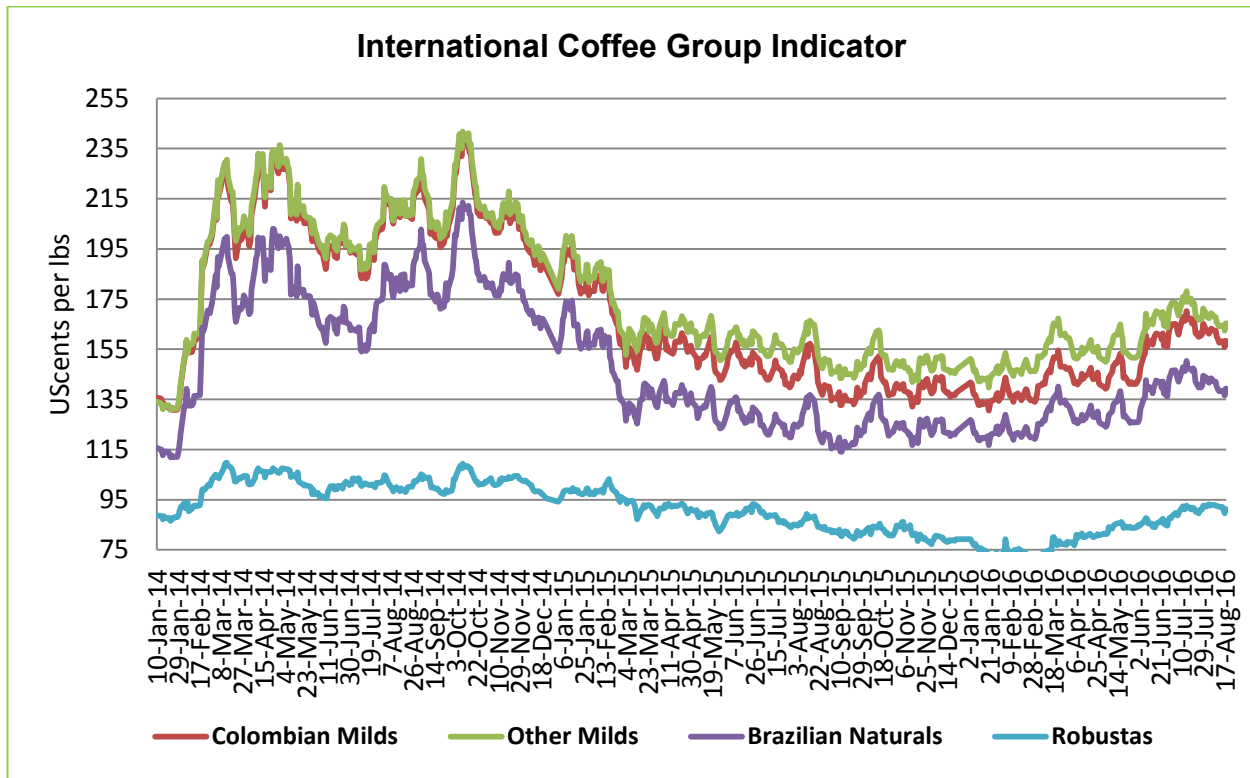
Source: ICO

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	18.08.2016	11.08.2016	18.07.2016	18.08.2015
ICO Composite Indicator	129.42	129.69	134.80	128.07
Colombian Milds				
US	158.50	160.25	169.50	155.25
Europe	158.09	157.60	164.83	157.87
Group Indicator	158.31	159.03	167.35	156.46
Other Milds				
US	167.94	168.19	175.69	168.19
Europe	163.50	162.53	174.93	164.11
Group Indicator	165.32	164.85	175.24	165.66
Brazilian Naturals				
US	127.50	126.25	134.50	127.25
Europe	143.47	143.49	151.13	138.77
Group Indicator	139.32	139.01	146.81	135.77
Robusta				
US	96.42	97.17	97.92	95.33
Europe	90.23	91.37	89.75	88.12
Group Indicator	91.28	92.36	91.14	89.27

US cents/lb

International Coffee Indicators Charts:-



International Future Market Prices :-

ICE Arabica Coffee Futures Prices				
Contract Months	Today(18-Aug-2016)	Week Ago(11-Aug-2016)	Month Ago(18-July-2016)	Weekly Change (%)
16-Sep	138.15	137.70	149.45	0.32
16-Dec	141.45	141.15	152.4	0.21
16-Mar	144.55	144.40	155.1	0.10

US cents/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	Today(18-Aug-2016)	Week Ago(11-Aug-2016)	Month Ago(18-July-2016)	Weekly Change (%)
16-July	1789	1808	1814	-1.05
16-Sep	1823	1841	1836	-0.97
16-Dec	1844	1860	1850	-0.86

USD/T

International Coffee Prices

	18.08.2016	11.08.2016	18.07.2016	18.08.2015
Vietnam (Robusta Beans Spot) (Dong/Kg)	37800	38650	3870	36700
Vietnam FOB (2-5 pct)* (Saigon port)	1790	1830.5	1791	--
Indonesian FOB (4-80 defects)** (Lampung Port)	1840	1840	1890	1810

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

Weekly Auction Prices Of Kenya

Kenya Auction Prices			
Coffee Grade	Prices This Auction In (15/08/2016)	Average Prices In	Prices This Auction In (08/08/2016)
Arabica AA	130-291	240.69	51-302
Arabica AB	77-280	223.34	50-264
Arabica C	55-240	193.92	50-246
Arabica PB	75-241	205.6	119-261
Arabica T	37-157	83.6	24-165
Arabica TT	54-231	166.06	33-237

Units-\$/50 kg bags

Technical Analysis Of Coffee Future Market (Sep'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.
- Relatively, 14 days EMA stood slight down at 140.20 against 142.32 in the market hints downward momentum in the market.
- Low volume and prices indicates further short build up phase of the market.
- On the other hand, RSI is higher at 54.90 compared to 58.58 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
122.92	132.11	138.8	155.55	169.28

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


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

- Candlestick chart shows downward momentum in the market.
- However, 14-days EMI is moving higher at 1786 against last week records i.e.1780, indicating further higher tone in the market.
- On the other hand, RSI is higher at 67.20 in neutral region against 74.11 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
1626	1704	1786	1856	1934

Disclaimer

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