

Executive Summary

Domestic Coffee Market Summary

Coffee prices in Karnataka physical market surged during this week, as on 26th August 2016 supported by good demand. Demand and arrival are improved in the market. Approx 5 to 8% 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. Coffee beans are developing slowly to its sizes of maturity. Exporters are trying to finish their earlier commitments as the markets seem to rise. Price as of now seem to be heading higher and may remain volatile, due to shortage of crop internationally.

As per the Coffee Board of India, provisional Indian green coffee exports from 1st January 2016 to 25 August 2016 is registered higher by 27.20 % at 202967 metric tons compared to 177099 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 25th August 2016 this year, recorded down by 21.84% at 16311 metric tons from preceding year volume of 20871 metric tons. Total provisional exports of Arabica parchment, Arabica Cherry and Robusta Cherry is placed higher by 27.20 at 33495, 4.93% to 8810 metric tonnes and 30.07% at 123650 metric tons respectively against exports volume of 26331 metric ton, 8396 metric tonnes and 95059 metric tons respectively in the corresponding period of last year. However, Robusta parchment is registered lower at 20524 metric tonnes with a decline of 21.70%.

According to USDA report, Coffee production of India is forecast down at 5.17 million for the season 2016/17 on 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.

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 the government, Vietnam is likely to ship an estimated 140,000 tonnes (2.33 million 60 kg bags) of coffee in August month 2016 with an increase of 51.2% compared to same period of time in previous year. Therefore, total coffee exports of this season 2015/16 will be high by 33.3% so far from the same period in the previous season. Traders had expected coffee exports of August month at between 100,000 and 120,000 tonnes.

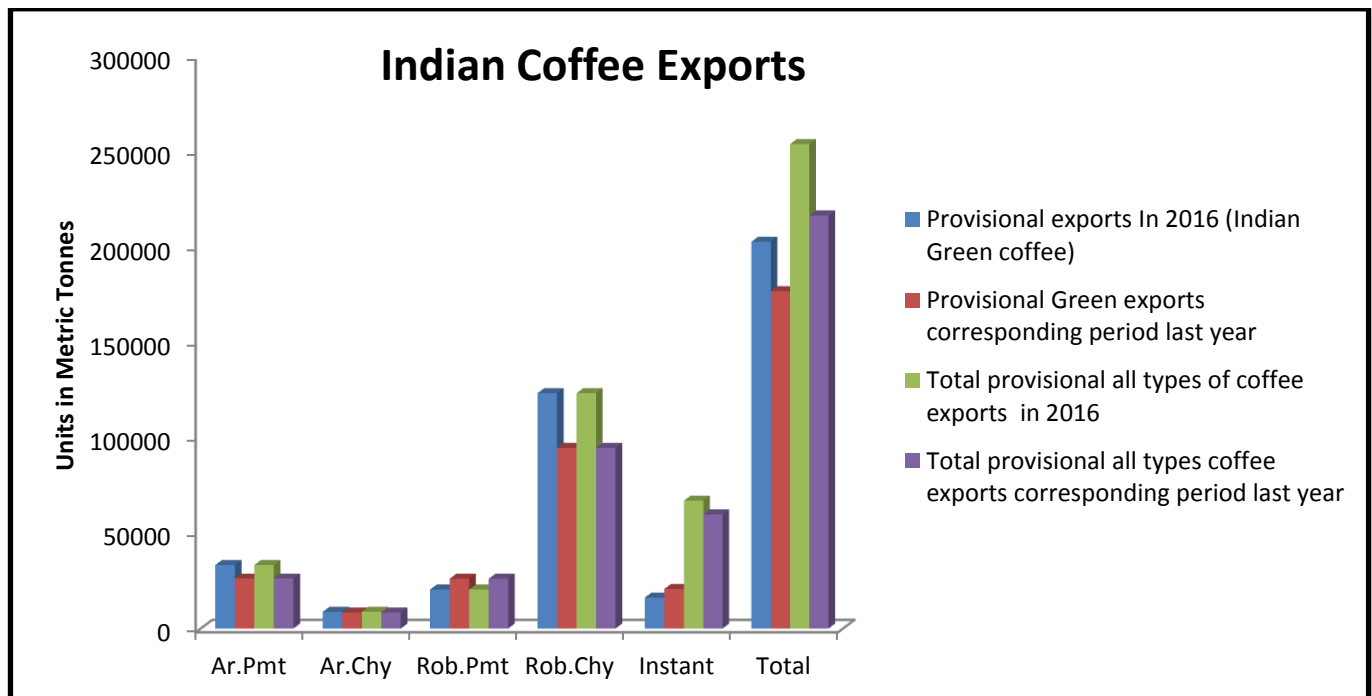
According to recent estimates of Safras & Mercado, Brazil has harvested 91% of this new crop has so far been harvested which is higher than last year record i.e. 89% during the same period of time supported by consistence dry weather condition. Coffee harvesting is very close to finish. As of now, Robusta coffee crop harvesting has been finished while harvesting of Arabica is closed to reach at 38 million bags of new season crop. 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. It estimates coffee crop size of the Brazil at 54.9 million bags of this season. As a result, Thus with the liquidation of most of the older Arabica coffee stocks over the past two years of deficit Arabica coffee harvests. Exporters are suffering to blend sufficient quality Arabica coffee volumes to cater for their short term forward contract commitments. However, this is a short term factor and by October one would think that there shall be a good volume of new crop Brazil Arabica coffee coffees coming to the consumer markets.

Domestic Coffee Exports of India -:

Below table shows coffee exports details of India:-

Export update: From 01 st January 2016 to 25th 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)	33495	8810	20524	123650	38	139	16311	202967
2	Provisional exports corresponding period last year	26331	8396	26214	95059	26	203	20871	177099
3	Provisional re-exports	0	0	0	0	0	91	51026	51116
4	Provisional re-exports corresponding period last year	0	0	0	0	119	211	39271	39601
5	Total provisional exports (1+3)	33495	8810	20524	123650	38	229	67337	254083
6	Total provisional exports corresponding period last year (2+4)	26331	8396	26214	95059	145	414	60142	216700

Source: The Coffee Board Of India



Source: The Coffee Board Of India

Coffee Crop Situation In India:-

Below table shows Coffee Consumption details of India:-

Domestic Consumption from 1991 to 2011				
Calendar Year	Plantation	Arab. Cherry	Robusta	Total
1981	21369	7217	22210	50796
1982	22718	7332	23940	53990
1983	23934	7926	24219	56079
1984	31628	8137	13779	53544
1985	28170	5855	20849	54874
1986	25939	6399	22083	54421
1987	26360	6948	25328	58636
1988	25487	6036	24037	55560
1989	26337	6805	30186	63328
1990	22983	8587	22582	54152
1991	26500	11000	17500	55000
1992	26500	11000	17500	55000
1993	22500	10000	17500	50000
1994	22500	10000	17500	50000
1995	22500	10000	17500	50000
1996	22500	10000	17500	50000
1997	22500	10000	17500	50000
1998	22500	10000	17500	50000
1999	25000	10000	20000	55000
2000	29000	8000	23000	60000
2001	28000	6000	30000	64000
2002	30000	10000	28000	68000
2003	32000	10000	28000	70000
2004	-	-	-	75000
2005	-	-	-	80200
2006	-	-	-	85000
2007	-	-	-	90000
2008	-	-	-	94400
2009	-	-	-	102000
2010	-	-	-	108000
2011*	-	-	-	115000

Source: The Coffee Board Of India

Domestic Raw Coffee Prices (Karnataka):-

Variety	26.08.2016	19.08.2016	Change
Arabica Parchment	8275	8250	25
Arabica Cherry	3800	3800	Unchanged
Robusta Parchment	6275	6200	75
Robusta Cherry	3300	3175	125

* Values in Rs. per 50 Kg

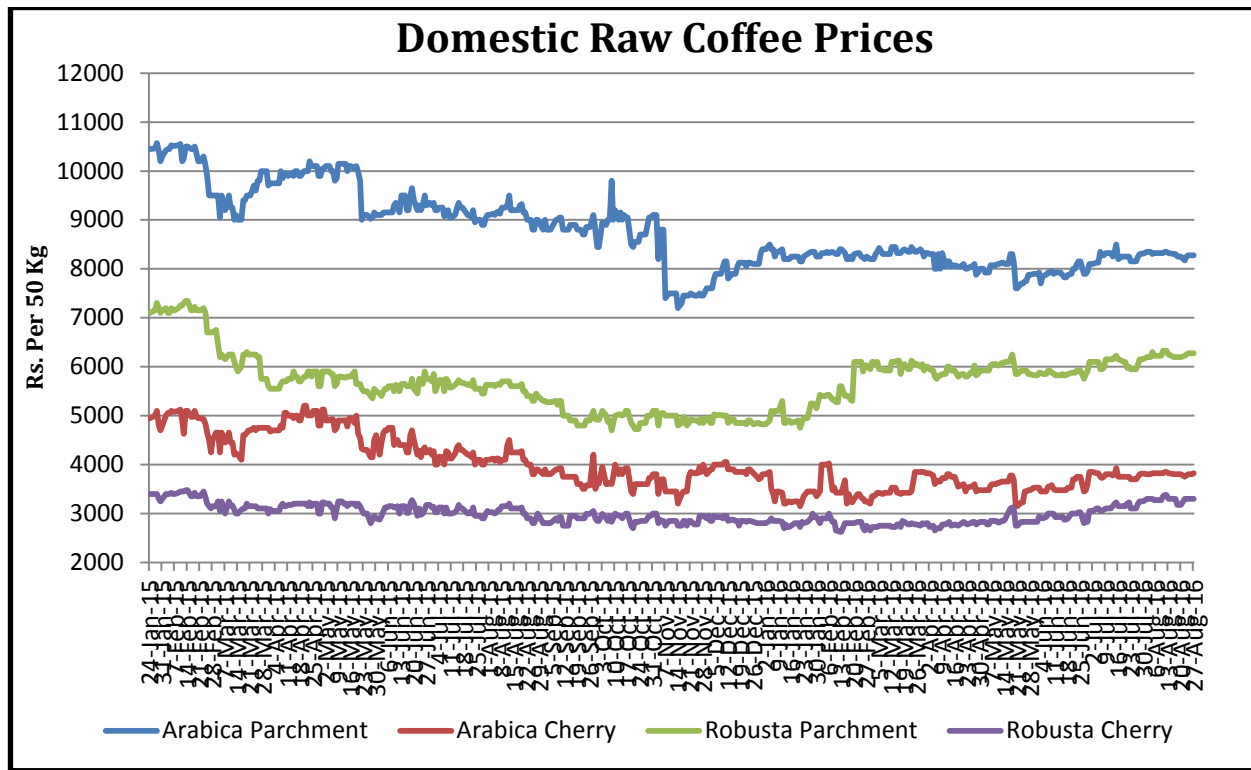
ICTA Auction Prices (Bangalore)(New Season(2015-2016) Crop

Grade	18.08.2016	12.08.2016	Change	18.08.2016	12.08.2016	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	---	---	---	---	---	---
AA	---	---	---	---	---	---
PB	218			138	---	---
A	---	---	---	---	---	---
AB	---	---	---	142	---	---
B	---	209	---	---	121	---
C	178	---	---	---	---	---
BBB	---	118	---	---	115	---
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	---	---	---	---	---	---
A	---	---	---	---	---	---
PB	132.50	---	---	---	129.5	---
AA	143.50	---	---	---	133	---
AB	140.50	---	---	130	134	
B	---	---	---	---	---	---
C	125	128	-1.5	124	127	-3

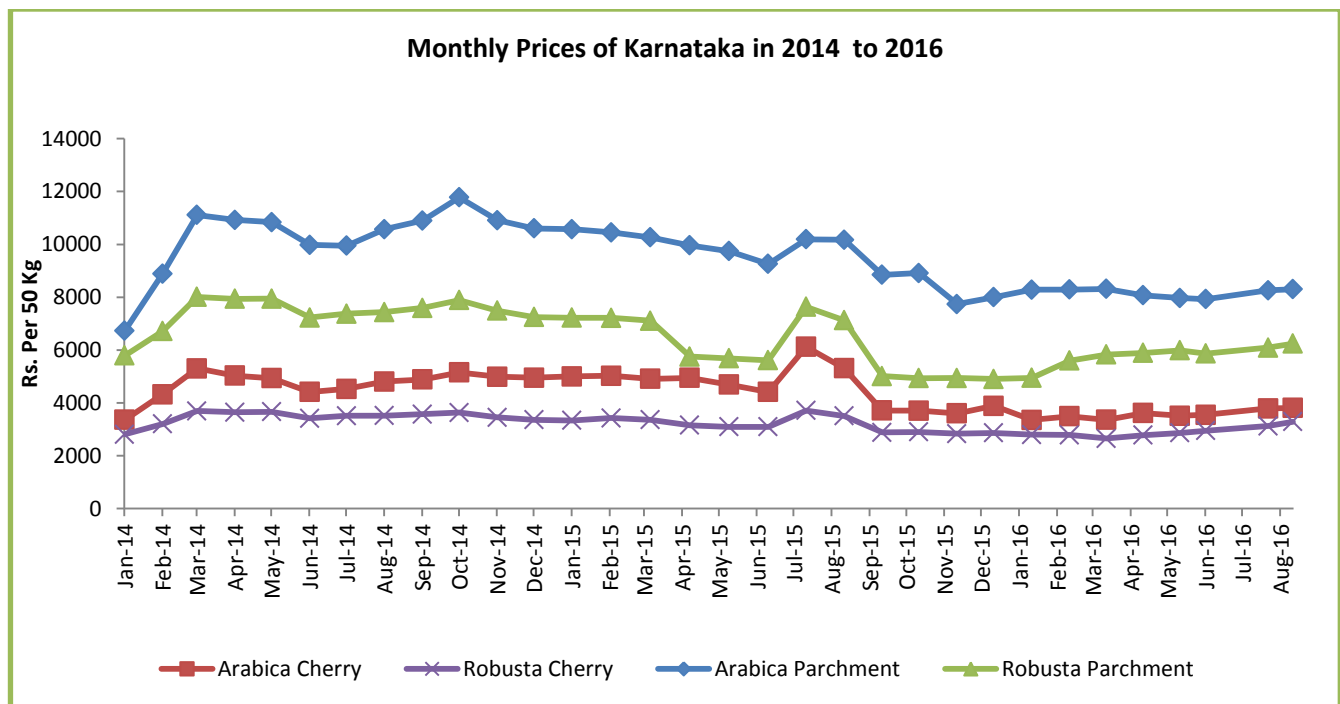


BBB	113	---	---	114	116.96	-2.96
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Values in Rs. per kg

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 increased to 143.50 cents/lb in this week against 138.15 cents/lb of the last week. As per RTRS, ICE certified stocks declined by 1065 bags to 1,283,799 bags as on August 26, 2016 against previous day record i.e. 1,284,864. The composite indicators increased to a 17 month high in July although the market struggled to hold on its early gains. As per U.S. government data, speculators raised their net long position in Arabica coffee on ICE Future U.S. in the week ended August 23, 2016.

Below table shows ICE certified Arabica coffee stocks details:-

COUNTRIES	ANTWERP	BARCELON A	HAMBURG/BREMEN	HOUSTON	MIAMI	NEW ORLEANS	NEW YORK	Total
Brazil	0	0	0	0	0	0	570	570
Burundi	55048	0	42405	0	0	0	5337	102,790
Colombia	127687	0	32043	1470	40428	275	161711	363614
Coasta Rica	250	0	0	0	0	0	0	250
El Salvador	425	0	0	0	0	0	1095	1520
Guatemala	306	0	0	25	0	3610	5024	8965
Honduras	192201	0	10200	9357	700	275	21135	233868
India	26099	0	854	0	0	0	0	26953
Mexico	135499	0	2936	502	0	0	13141	152078
Nicaragua	39181	0	0	550	0	1375	15200	56306
Peru	99683	0	50195	1373	0	0	82167	233418
Rwanda	44742	0	9823	0	0	0	640	55205
Tanzania	70	0	0	0	0	0	578	648
Uganda	20993	295	23166	0	0	0	3160	47614
Total in Bags	742184	295	171622	13277	41128	5535	309758	1283799

Source: Reuter

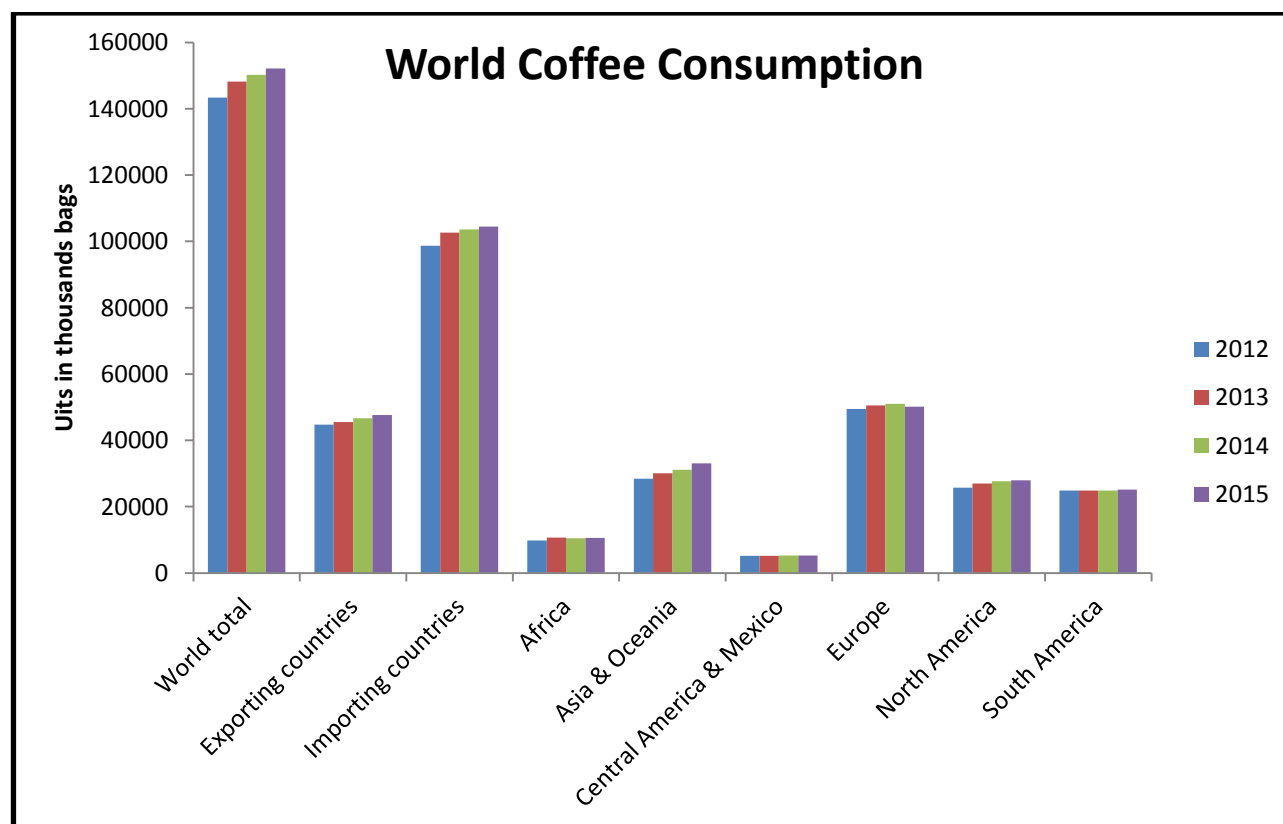
World:- As per the recent report of ICO, coffee consumption of the world continues to increase on account of good demand from Asia & Oceania. The estimate of the year 2015 is place at 152.1 million bags with a slight downward revision in importing countries compensated by an equal increase in exporting. It is higher by 1.3% against 2014 record, representing an average annual growth rate of 2% since 2012. North America has also shown relatively strong growth in its coffee demand of 2.8% in the last four years, adding 2.2 million bags of new demand in the time period. Total demand in the EU is revised down slightly to 41.6 million bags, while in Brazil, the world's second largest consuming country after the USA, demand is maintained at 20.5 million bags. On the other hand, coffee consumption in Africa has increased the global trend, with an average rate of 2.6%. Ethiopia is the main buyers where coffee drinking has a long domestic tradition. It is also anecdotally growing in developing countries such as Kenya and Tanzania, driven in large part by the increased popularity of coffee shops in urban areas. Since, the growth rate in coffee consumption has slowed slightly, this still represents 8.7 million bags of new demand over the last four years, with indications that there is plenty of potential for further growth in the future.

Coffee Consumption Of The World:-

Below table depicts World Coffee Consumption of the World:-

World Coffee Consumption					
	2012	2013	2014	2015	CAGR (2012-2015)
World total	143396	148185	150231	152111	20.0%
Exporting countries	44711	45522	46649	47633	21.0%
Importing countries	98685	102663	103582	104478	19.0%
Africa	9839	10690	10455	10621	26.0%
Asia & Oceania	28386	30022	31099	33034	52.0%
Central America & Mexico	5151	5156	5218	5245	0.6%
Europe	49459	50499	50960	50116	0.4%
North America	25730	26931	27679	27975	28.0%
South America	24831	24888	24819	25120	0.4%

Source: ICO

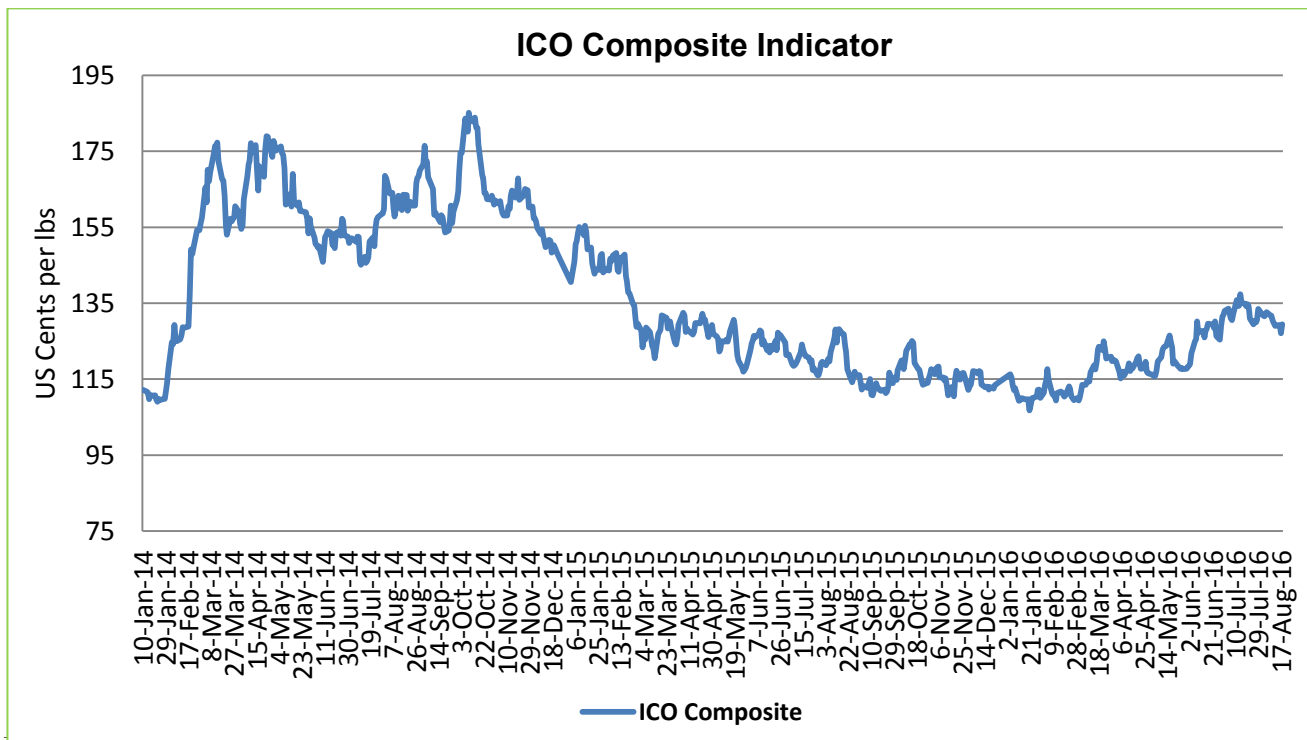
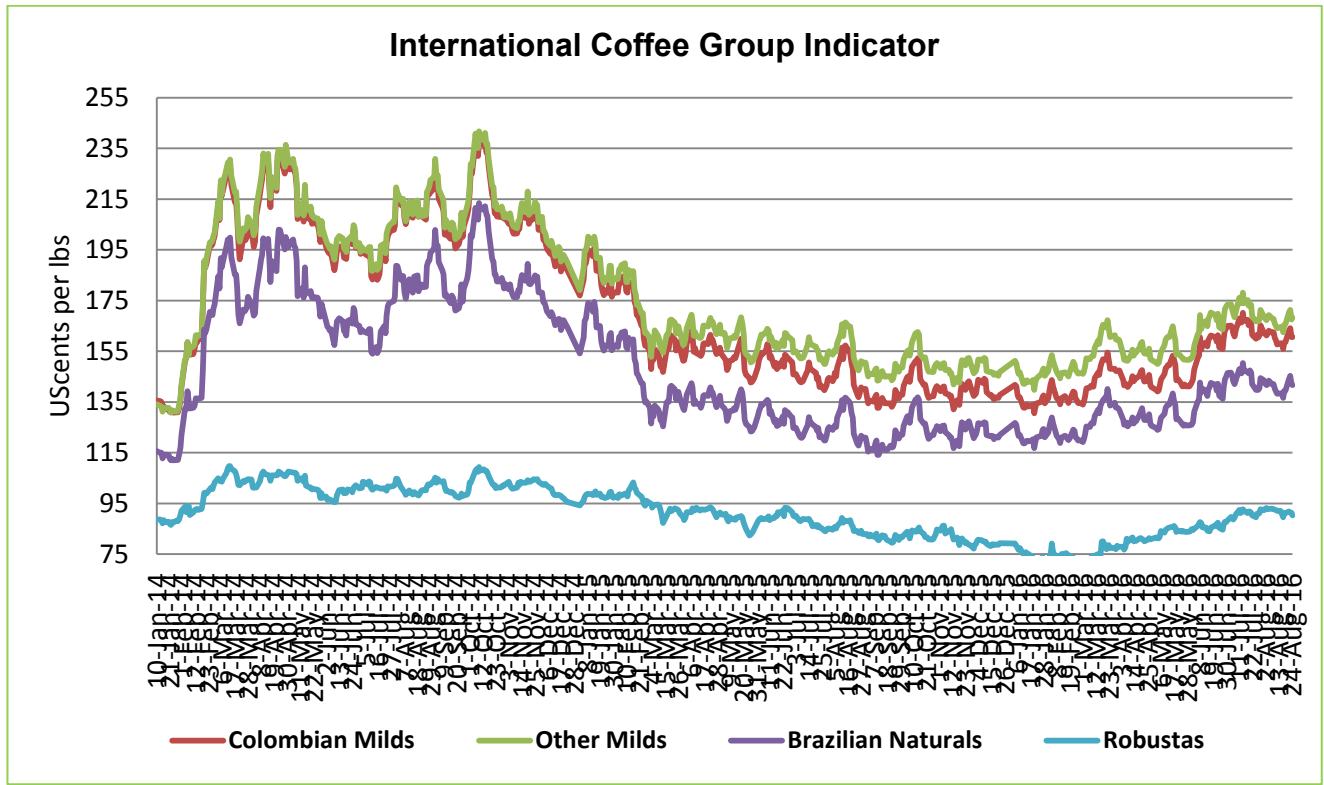


Source: ICO

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	25.08.2016	18.08.2016	25.07.2016	25.08.2015
ICO Composite Indicator	130.64	129.42	129.40	114.21
Colombian Milds				
US	160.50	158.50	160	134.50
Europe	160.59	158.09	159.89	139.52
Group Indicator	160.54	158.31	159.95	136.81
Other Milds				
US	171.19	167.94	167.94	149.19
Europe	166.22	163.50	165.90	146.34
Group Indicator	168.26	165.32	166.74	147.42
Brazilian Naturals				
US	129.50	127.50	127	109.50
Europe	145.91	143.47	144.22	120.65
Group Indicator	141.64	139.32	139.74	117.75
Robusta				
US	95.17	96.42	95.33	89.58
Europe	89.24	90.23	88.35	82.17
Group Indicator	90.25	91.28	89.54	83.36

US cents/lb

International Coffee Indicators Charts:-


International Future Market Prices :-

ICE Arabica Coffee Futures Prices				
Contract Months	Today(25-Aug-2016)	Week Ago(18-Aug-2016)	Month Ago(25-July-2016)	Weekly Change (%)
16-Sep	143.50	138.15	141.10	3.87
16-Dec	144.45	141.45	144.20	2.12
16-Mar	147.60	144.55	147.05	2.11

US cents/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	Today(25-Aug-2016)	Week Ago(18-Aug-2016)	Month Ago(25-July-2016)	Weekly Change (%)
16-July	1789	1761	1786	-1.56
16-Sep	1823	1797	1808	-1.42
16-Dec	1844	1821	---	-1.24

USD/T

International Coffee Prices

	25.08.2016	18.08.2016	25.07.2016	25.08.2015
Vietnam (Robusta Beans Spot) (Dong/Kg)	38450	37800	38900	35950
Vietnam FOB (2-5 pct)* (Saigon port)	1795	1790	1786	1555
Indonesian FOB (4-80 defects)** (Lampung Port)	1830	--	1790	1660

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

Weekly Auction Prices Of Kenya

Kenya Auction Prices			
Coffee Grade	Prices This Auction In (22/08/2016)	Average Prices In	Prices This Auction In (15/08/2016)
Arabica AA	99-278	251.69	130-291
Arabica AB	55-228	193.92	77-280
Arabica C	146-261	229.17	55-240
Arabica PB	13-160	88.18	75-241
Arabica T	13-160	88.18	37-157
Arabica TT	106-236	183.91	54-231

Units-\$/50 kg bags

Technical Analysis Of Coffee Future Market (Sep'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.
- Relatively,14 days EMI stood slight up at 141.25 against 140.20 in the market hints upward 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 58.59 compared to 54.90 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
126.36	132.61	143.90	154.57	168.18

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 lower at 1785 against last week records i.e.1786, indicating further lower tone in the market.
- On the other hand, RSI is lower at 66.64 in neutral region against 67.20 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
1675	1726	1783	1849	1941

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