

Executive Summary

Domestic Coffee Market Summary

Karnataka physical market, featured mixed trend as on 2nd August 2016 on lackluster activities of exporters and traders in the market. Arrival has diminished since the market prices locally do not match the export prices and are high since the international markets are at the bulls pace, producers expecting higher returns for their produce, whereas exporters are finding it difficult to purchase, since their contracts are at lower prices than the present markets. Weather is playing a bad role, because it is not even. Rains are needed for the growth but monsoon itself is poor and most of Karnataka State is drought declared. Both types of coffee are in the growing stages of 5 months. Beans seem healthy. Now the manur and spray is over. Plants need either irrigating water or rainfall. Prices still seem to be bullish since international reports of shortage and drought in coffee growing areas are circulating.

As per the Coffee Board of India, provisional Indian green coffee exports from 1st January 2016 to 30th August 2016 is registered higher by 14.22 % at 205688 metric tons compared to 180071 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 30th August 2016 this year, recorded down by 23.19% at 16651 metric tons from preceding year volume of 21680 metric tons. Total provisional exports of Arabica parchment, Arabica Cherry and Robusta Cherry is placed higher by 26.70 at 33601, 4.99% to 8829 metric tonnes and 29.86% at 125739 metric tons respectively against exports volume of 26519 metric ton, 8409 metric tonnes and 96826 metric tons respectively in the corresponding period of last year. However, Robusta parchment is registered lower at 20688 metric tonnes with a decline of 21.62%.

Recommendation:

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

International Coffee Market Summary

As per traders, Vietnam may ship between 100,000 and 110,000 tonnes of coffee beans (1.67 million and 1.83 million 60-kg bags) in September 2016 which is lower than August month coffee exports of 140,000 tonnes. Most shipments in September will come from stocks held by foreign and Vietnamese trading firms in and around Ho Chi Minh City, with most farmers holding on to their stocks during the last month of the 2015/2016 crop year. Total coffee exports is forecasted to reach at 1.5 million tonnes higher from its forecast in April of 1 million tonnes exports. Coffee exports this year are expected to be 12 percent higher than the 1.34 million tonnes shipped in 2015. Revenue from exports last year stood at \$2.67 billion, down 25 percent from 2014.

Buying and selling activities is slow in the market as buyers waited on the sidelines ahead of the arrival of the country's new crop, which is expected to begin in about two months. Farmers are likely to begin coffee crop harvesting of the 2016/17 in late October and fresh beans are expected to load early November 2016.

According to the sources, Nicaragua exported 198358 60-kg bags of coffee beans in July 2016, higher by 4.6% or 9004 bags compared to last year's record during the corresponding period. Total shipment of the country stood 5.23% or 83741 bags up at 1.685 million bags in (October 2015- July 2016) than the same period last year.

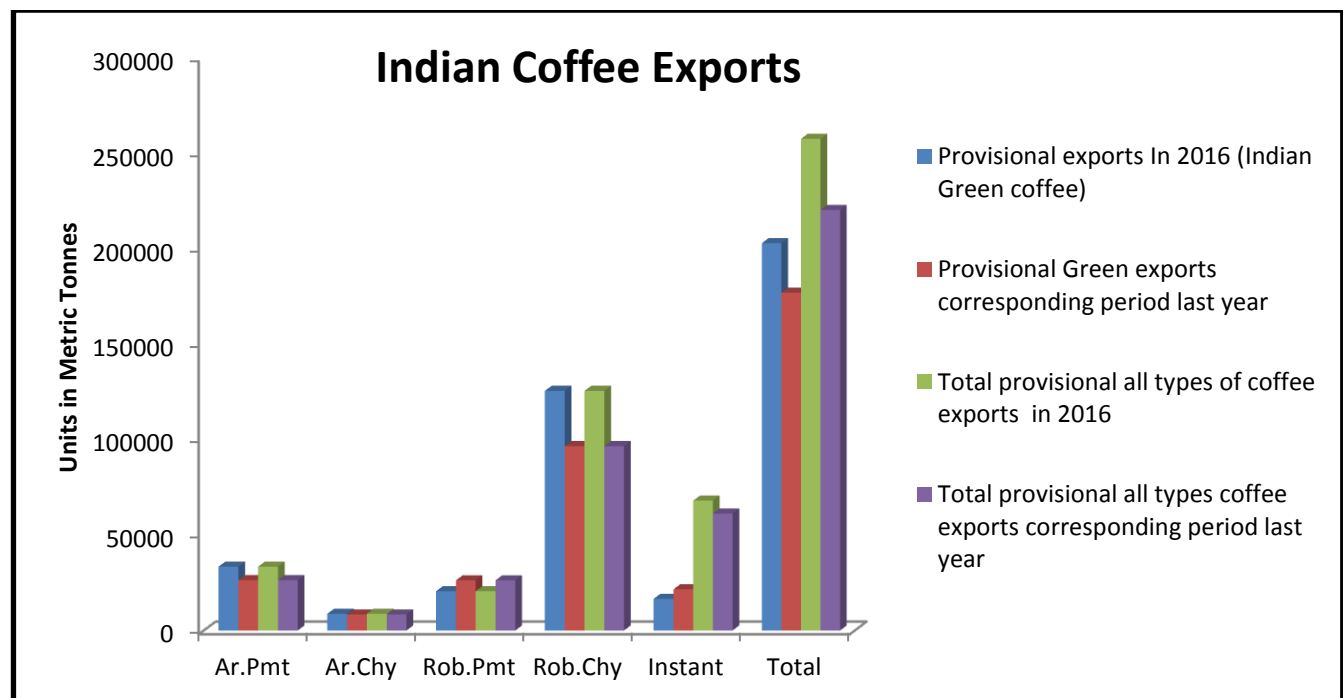
As per the recent report of ICO, monthly coffee export of the World declined by 22% to 7.75 million 60 kg bags in July 2016 from the same month previous year. This was followed by Robusta coffee exports volume which is down by 26.2% to 2.96 million bags in July 2016 and Arabica coffee stood at 4.78 million bags with a decline of 19.2% during the same period of time. Total coffee exports for the first 10 months of the season 2015/16 season which began on Oct 1, fell by 1.7% to 93.28 million bags followed by cumulative Robusta coffee exports for the season slipped by 8.2% to 34.02 million bags while Arabica coffee exports increased by 2.6% to 59.25 million bags for the same period of time.

Domestic Coffee Exports of India -:

Below table shows coffee exports details of India:-

Export update: From 01 st January 2016 to 30th 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)	33601	8829	20688	125739	38	142	16651	205688
2	Provisional exports corresponding period last year	26519	8409	26395	96826	26	215	21680	180071
3	Provisional re-exports	0	0	0	0	0	91	51694	51785
4	Provisional re-exports corresponding period last year	0	0	0	0	119	227	39854	40201
5	Total provisional exports (1+3)	33601	8829	20688	125739	38	233	68345	257473
6	Total provisional exports corresponding period last year (2+4)	26519	8409	26395	96826	145	442	61535	220272

Source: The Coffee Board Of India



Source: The Coffee Board Of India

Coffee Crop Situation In India:-

Below table shows Production and Exports details of India:-

Production and Exports: India Vs World *						
	Production		India's	Exports		India's
Year	World	India @	Share(%)	World#	India @	Share (%)
1993-94	90366	3533	3.91	75168	2526	3.36
1994-95	95154	3002	3.15	70716	2488	3.52
1995-96	85250	3717	4.36	67872	3114	4.59
1996-97	101865	3417	3.35	77685	2693	3.47
1997-98	95872	3805	3.97	80414	3495	4.35
1998-99	106163	4417	4.16	80265	3637	4.53
1999-00	115117	4867	4.23	86145	4225	4.90
2000-01	116619	5020	4.30	89559	3730	4.16
2001-02	108451	5010	4.62	90859	3550	3.91
2002-03	123723	4588	3.71	88832	3707	4.17
2003-04	103982	4508	4.34	86371	3804	4.40
2004-05	116062	4592	3.96	91101	3396	3.73
2005-06	111247	4567	4.11	87562	4083	4.66
2006-07	128209	4800	3.74	91745	3569	3.89
2007-08	116455	4367	3.75	96285	3547	3.68
2008/09	128636	4372	3.40	97599	3005	3.08
2009/10	123042	4827	3.92	94631	4647	4.91
2010/11	133651	5033	3.77	103085	5414	5.25
2011/12	140617	5233	3.72	108659	5044	4.64
2012/13	144960	5303	3.66	111315	5018	4.51
2013/14	146506	5075	3.46	114916	4794	4.17
2014/15	142278	5450	3.85	110762	5102	4.61
2015/16**	143306	5800	4.05	NA	4506	NA

Source: The Coffee Board Of India

Domestic Raw Coffee Prices (Karnataka):-

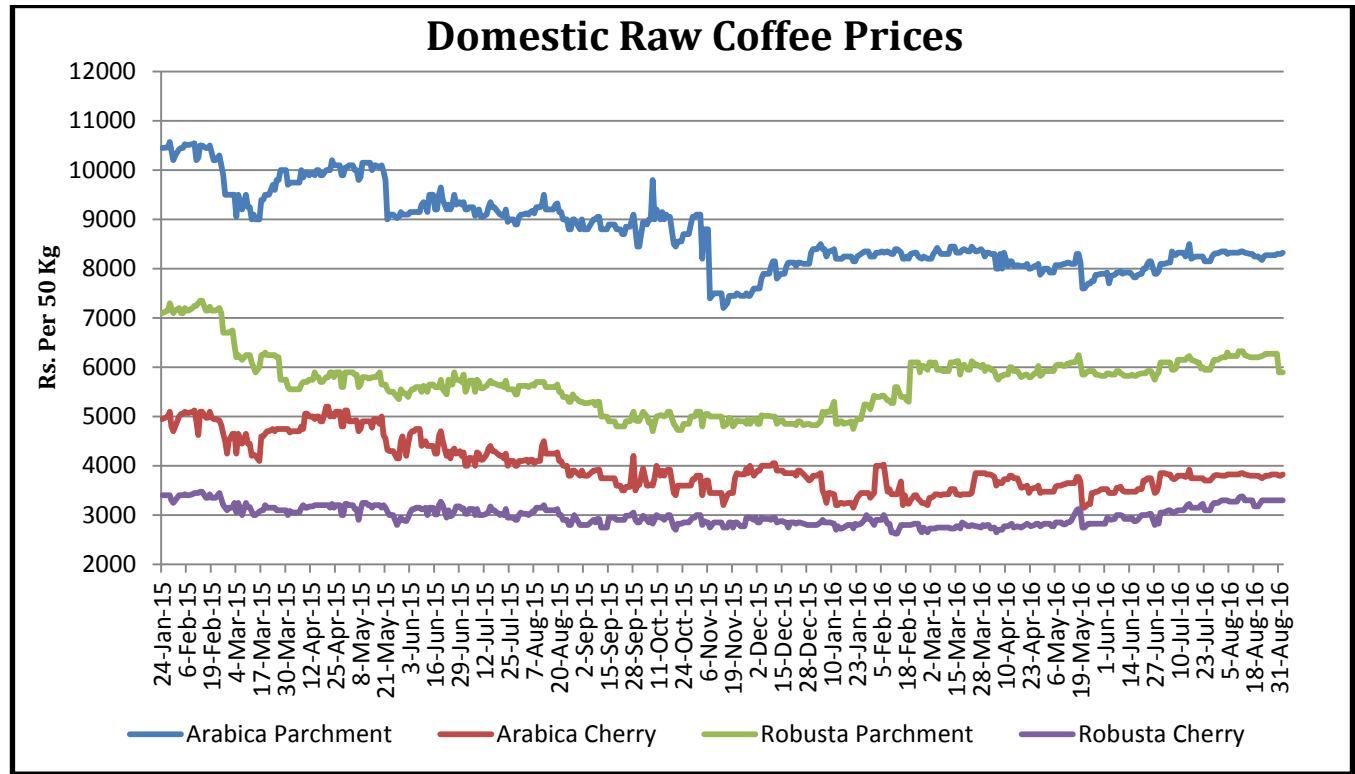
Variety	02.09.2016	26.08.2016	Change
Arabica Parchment	8325	8275	50
Arabica Cherry	3825	3800	25
Robusta Parchment	5900	6275	-375
Robusta Cherry	3300	3300	Unchanged

* Values in Rs. per 50 Kg

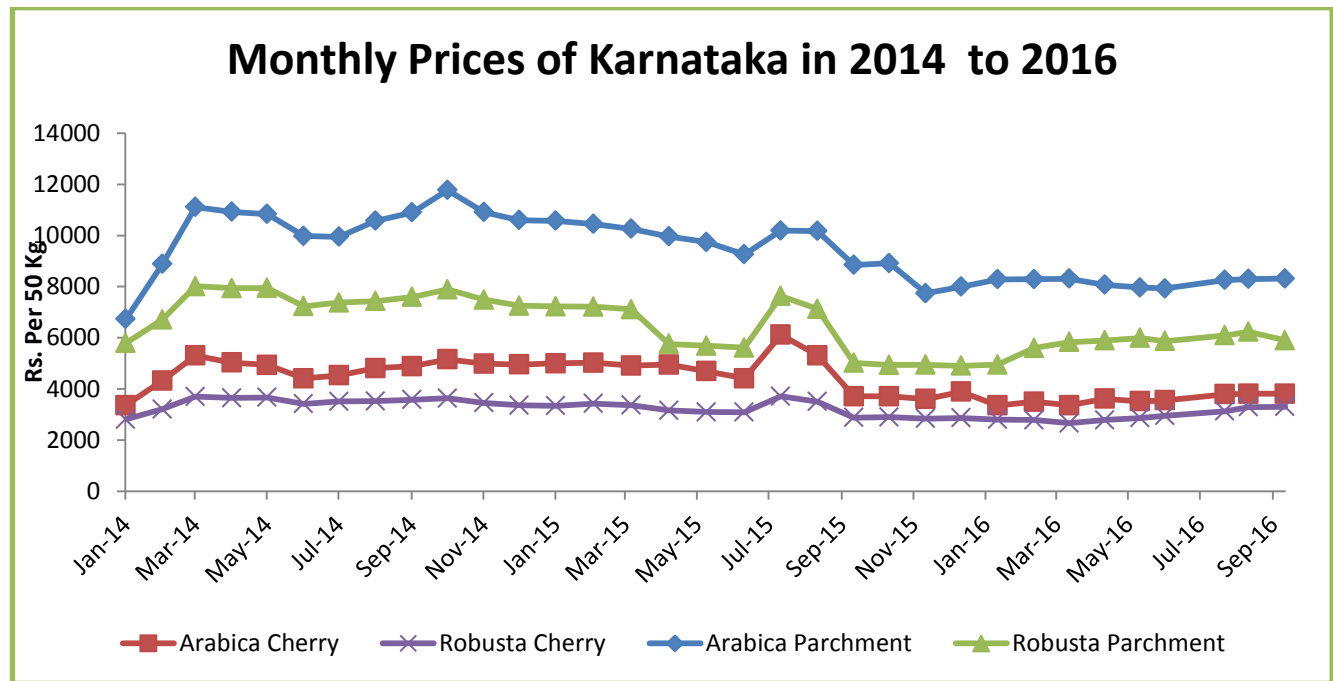
ICTA Auction Prices (Bangalore)(New Season(2015-2016) Crop

Grade	25.08.2016	18.08.2016	Change	18.08.2016	12.08.2016	Change
	Arabica Plantation	Arabica Plantation		Arabica Cherry	Arabica Cherry	
MNEB	---	---	---	---	---	---
AA	---	---	---	---	---	---
PB	---	218	---	141	138	3
A	---	---	---	---	---	---
AB	---	---	---	---	142	---
B	---	---	---	---	---	---
C	---	178	---	---	---	---
BBB	---	---	---	---	---	---
Grade	Robusta Parchment	Robusta Parchment		Robusta Cherry	Robusta Cherry	
RKR	---	---	---	---	---	---
A	---	---	---	---	---	---
PB	---	132.50	---	---	---	---
AA	---	143.50	---	---	---	---
AB	---	140.50	---	135	130	5
B	---	---	---	---	---	---
C	---	125	---	127	124	3
BBB	---	113	---	115	114	1

Values in Rs. per kg

Coffee Prices Of Auction Market & State Wise Market


Source: The Coffee Board Of India



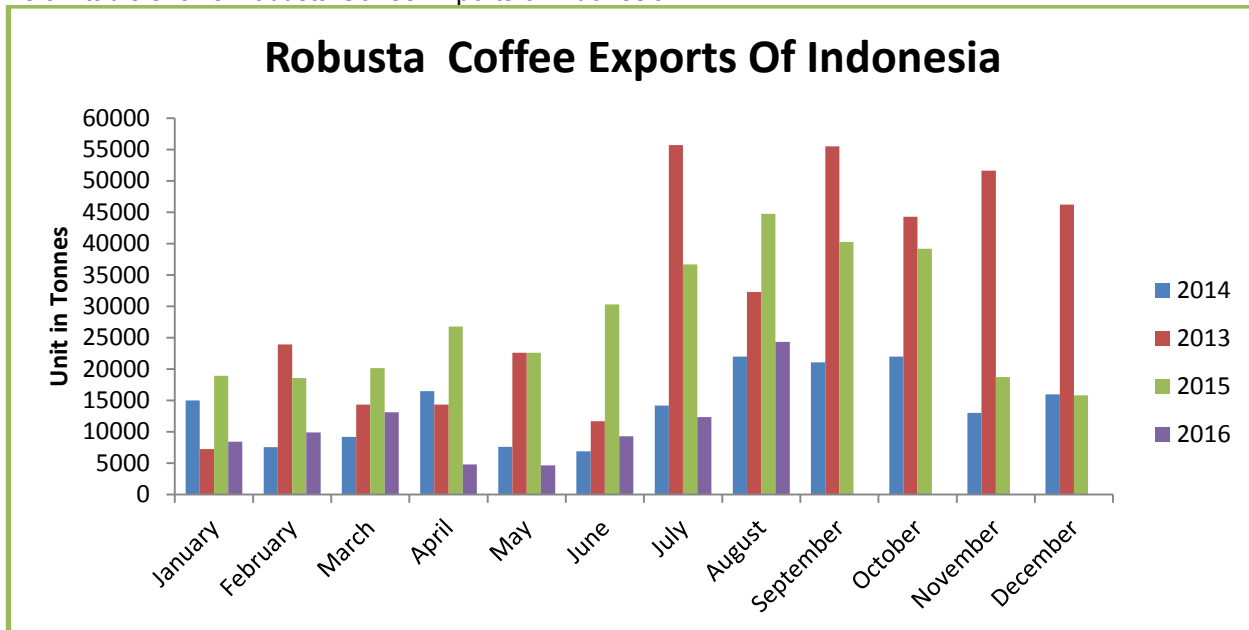
Source: The Coffee Board Of India

International Market Updates

ICE coffee future prices increased to 150.10 cents/lb in this week against 143.50 cents/lb of the last week. As per RTRS, ICE certified stocks fell by 1750 bags to 1280844 bags as on September 2, 2016 against previous day record.

Indonesia:- As per sources, Indonesia's main growing area in Sumatra exported lower coffee beans by 46% to 24323.16 tonnes in August month 2016 against 44,720.8 tonnes of Robusta in August 2015. The country shipped 46% lesser coffee beans compared to last month record i.e. 12349.7 tonnes. Indonesia is the world's third largest producer of coffee crop.

Below table shows Robusta Coffee Exports of Indonesia:-



Source: Reuter

World:- As per ICO recent report, total coffee production of the World revised down to 143.3 million bags against its previous estimates i.e. 144.7 million bags for the season 2015/16 on account of lower output estimates in Mexico which is revised down from 3.9 million bags to 2.8 million bags due to impact of coffee leaf rust. Coffee production in Nicaragua is also revised down to 1.8 million bags for the season 2015/16. Total production may stand 0.7% higher than previous year record.

Honduras:- Honduras exported 87% higher coffee beans at 278076 60 kg bags in August 2016 from 148655 60 kg bags in the corresponding month preceding year. Cumulative coffee shipments are likely to stand at 5.52 million bags for the current season. The final total is likely to be up to 5.5 percent lower than projected due to the smuggling of Honduran beans into Guatemala and Mexico. The coffee season runs from October through September.

Costa Rica:- As per the national Coffee Institute, Costa Rica have reported by 31.65% or 21921 bags higher coffee beans export compared to 91184 bags in corresponding period of last year. Therefore, cumulative exports for the first eleven months of the present coffee year i.e. October 2015 to September 2016 stood up by 6.32% to 71,077 bags than the corresponding period in the previous coffee year, at 1,195,284 bags.

Brazil:- Brazil shipped green coffee beans lower by 1.7% or 45,296 bags in the month of August than the corresponding month last year, at a total of 2,624,624 bags. As of now, Arabica coffee harvesting of the current season is complete. Exports for the new crop will pick up now.

Coffee Crop Production Of The World:-

Below table depicts World Coffee production of the World:-

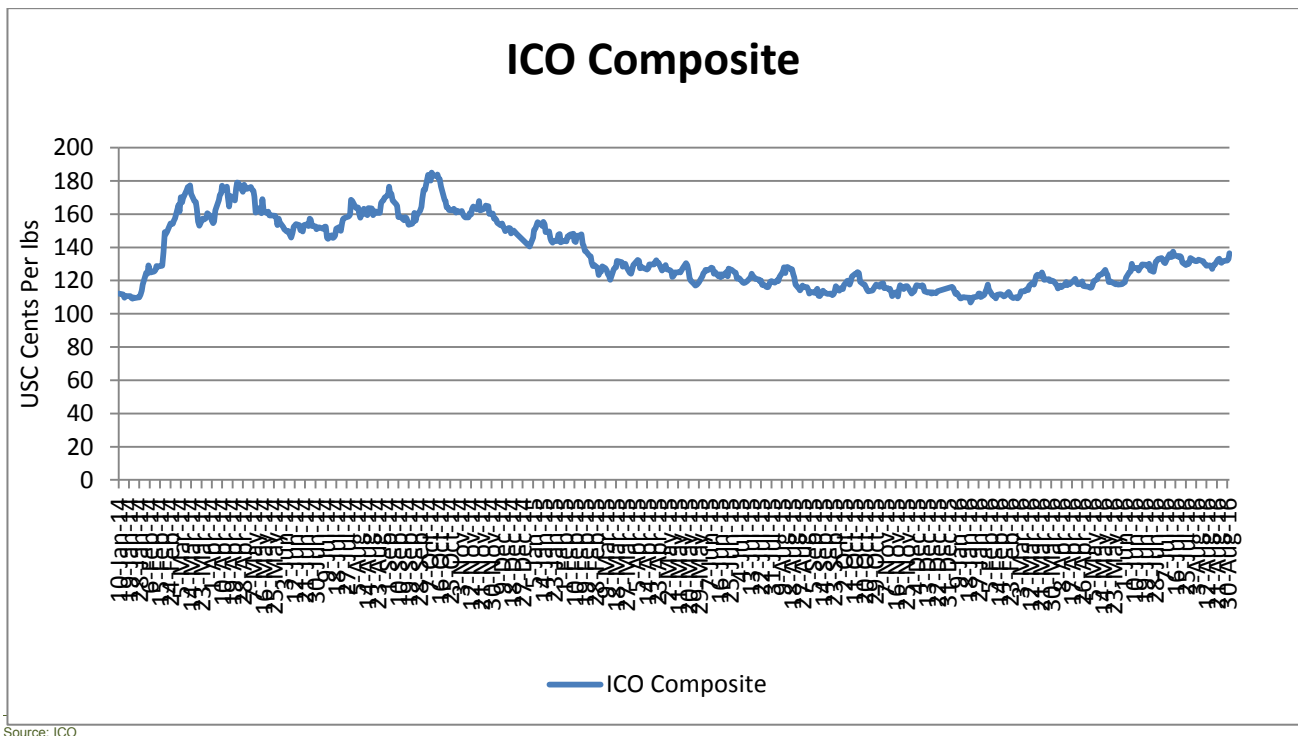
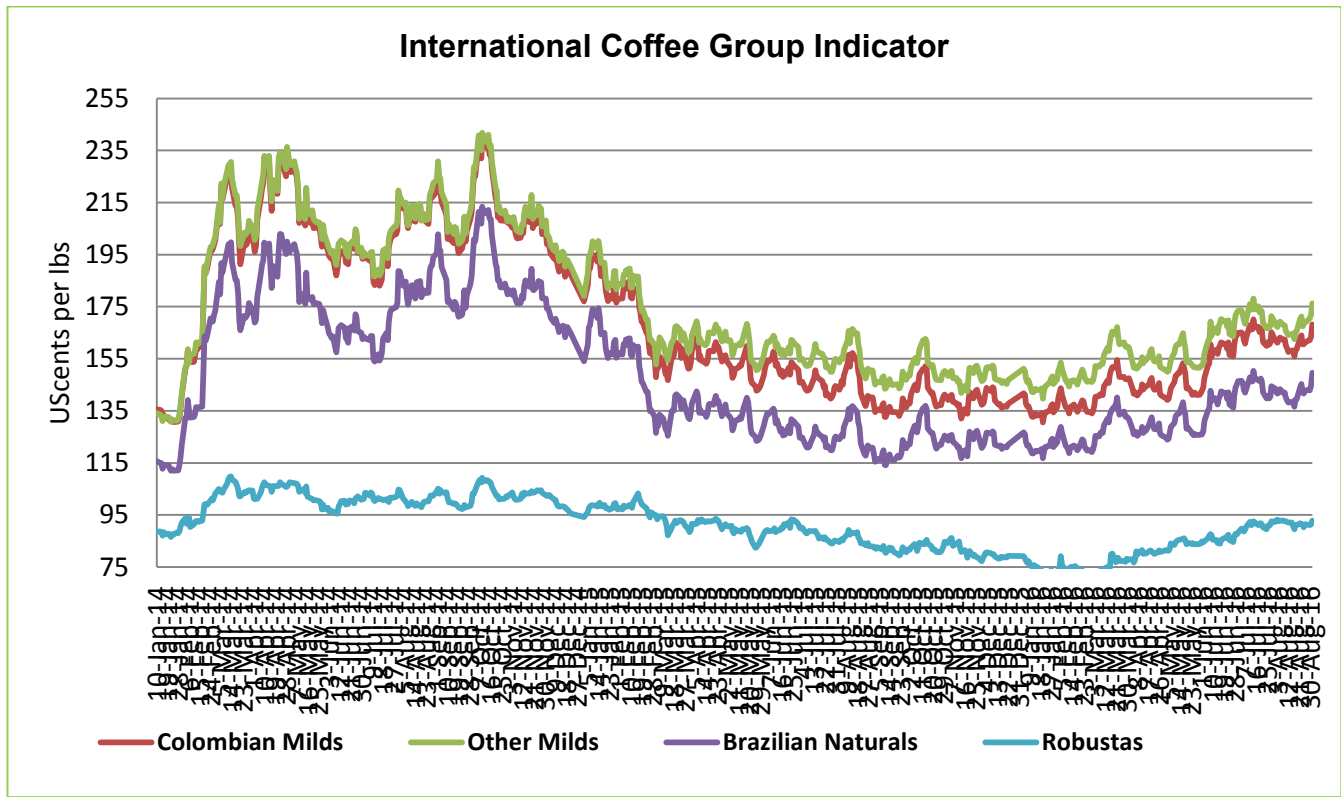
Coffee Production Details Of The World						
Arabica Production						
Country	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Brazil	34,700	42,100	41,800	37,300	36,100	43,850
Colombia	7,655	9,927	12,075	13,300	13,600	13,300
Ethiopia	6,320	6,500	6,345	6,475	6,500	6,500
Honduras	5,600	4,725	4,400	5,100	5,700	6,100
Peru	5,200	4,300	4,250	2,900	3,500	3,800
Guatemala	4,400	4,000	3,500	3,125	3,275	3,300
China	1,090	1,535	1,947	2,000	2,100	2,300
Mexico	4,100	4,450	3,750	2,980	2,300	2,100
Nicaragua	2,100	1,925	2,000	2,100	2,000	2,100
India	1,690	1,643	1,703	1,630	1,490	1,420
Costa Rica	1,775	1,675	1,450	1,400	1,400	1,400
Indonesia	1,300	1,700	1,650	1,270	1,350	1,300
Vietnam	800	900	1,175	1,050	1,100	1,050
Kenya	750	660	850	750	650	700
Papua New Guinea	1,350	775	815	760	700	700
Other	5,667	5,757	4,630	4,498	4,518	4,146
Total	84,497	92,572	92,340	86,638	86,283	94,066
Robusta Production						
Vietnam	25,200	25,600	28,658	26,350	28,200	26,225
Brazil	14,500	15,500	15,400	17,000	13,300	12,100
Indonesia	7,000	8,800	7,850	9,200	10,400	8,700
India	3,540	3,660	3,372	3,810	3,810	3,750
Uganda	2,200	2,800	3,000	2,800	3,600	3,000
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
Thailand	1,000	1,000	1,000	1,000	1,000	1,000
Cameroon	645	485	375	525	575	575
Laos	450	460	475	485	525	550
Other	3,040	2,591	2,133	2,547	2,449	2,531
Total	60,625	64,046	65,438	66,617	67,009	61,631

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	01.09.2016	25.08.2016	01.08.2016	01.09.2015
ICO Composite Indicator	136.56	130.64	132.22	118.65
Colombian Milds				
US	167.50	160.50	162.50	140
Europe	168.99	160.59	161.87	146.77
Group Indicator	168.19	160.54	162.21	143.11
Other Milds				
US	179.44	171.19	169.19	153.19
Europe	174.02	166.22	168.26	153.84
Group Indicator	176.24	168.26	168.64	153.59
Brazilian Naturals				
US	138.50	129.50	127.50	113
Europe	153.48	145.91	149.17	127.88
Group Indicator	149.58	141.64	143.54	124.01
Robusta				
US	97.67	95.17	96.50	90.08
Europe	91.80	89.24	91.44	83.59
Group Indicator	92.79	90.25	92.30	84.63

US cents/lb

International Coffee Indicators Charts:-


International Future Market Prices :-

ICE Arabica Coffee Futures Prices				
Contract Months	Today(01-Sep-2016)	Week Ago(25-Aug-2016)	Month Ago(01-Aug-2016)	Weekly Change (%)
16-Sep	150.1	143.50	143.45	4.59
16-Dec	151.4	144.45	146.75	4.81
16-Mar	154.5	147.60	149.70	4.67

US cents/lb

Liffe Robusta Coffee Futures Prices				
Contract Months	Today(01-Sep-2016)	Week Ago(25-Aug-2016)	Month Ago(01-Aug-2016)	Weekly Change (%)
16-July	1826	1789	1818	3.69
16-Sep	1852	1823	1843	3.06
16-Dec	1869	1844	1860	2.63

USD/T

International Coffee Prices

	01.09.2016	25.08.2016	01.08.2016	01.09.2015
Vietnam (Robusta Beans Spot) (Dong/Kg)	38800	38450	38100	---
Vietnam FOB (2-5 pct)* (Saigon port)	1806.5	1795	1775.5	1647.5
Indonesian FOB (4-80 defects)** (Lampung Port)	1860	1830	1840	1770

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

Weekly Auction Prices Of Kenya

Kenya Auction Prices			
Coffee Grade	Prices This Auction In (26/08/2016)	Average Prices In	Prices This Auction In (19/08/2016)
Arabica AA	70-299	250.33	99-278
Arabica AB	57-261	232.42	55-228
Arabica C	51-242	201.32	146-261
Arabica PB	62-248	220.16	13-160
Arabica T	39-184	100.64	13-160
Arabica TT	148-220	173.55	106-236

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 143.78 against 141.25 in the market hints upward momentum in the market.
- Low volume however higher prices indicates further short covering phase of the market.
- On the other hand, RSI is higher at 62.6 compared to 58.59 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
127.37	138.37	150.1	155.22	168.84

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


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

- Candlestick chart shows upward momentum in the market.
- However, 14-days EMI is moving higher at 1801 against last week records i.e.1785, indicating further strong tone in the market.
- On the other hand, RSI is higher at 71.6 in neutral region against 66.64 of last week hinting a further upward momentum of the market in upcoming week.

Strategy: Market participants are advised to go long in the short period.

Coffee Future Market(ICE Market)

Support and Resistance				
S2	S1	PCP	R1	R2
1669	1728	1841	1880	1946

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