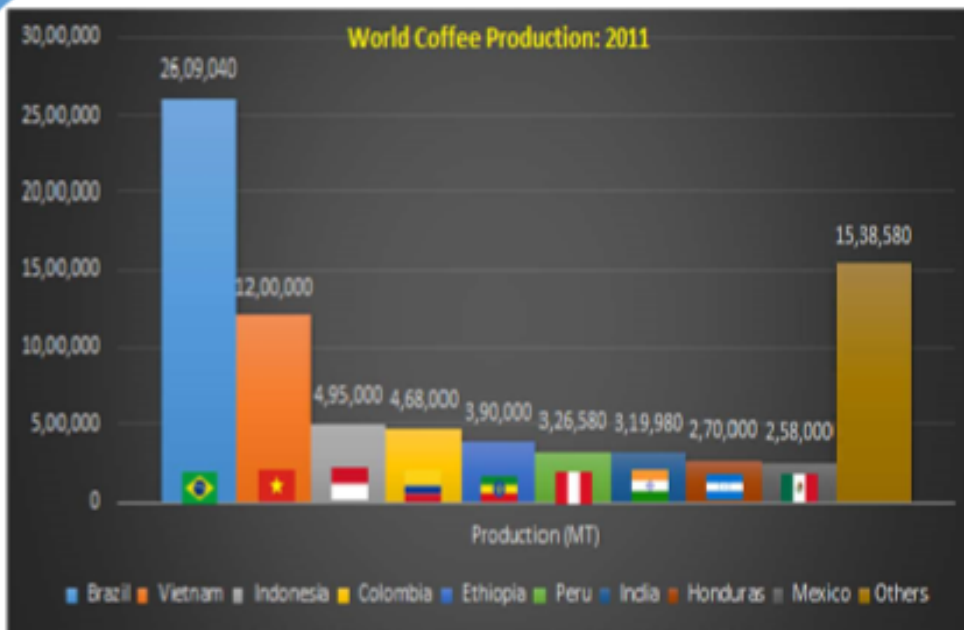


Good harvest sends coffee prices south

Prices of the Arabica have dropped 40% this year on account of good crop in the major coffee-producing nations. Arabica now trades at Rs 120 per kg at the farm gate compared to Rs 200/kg during the same period last year. Robusta prices at the farm gate last year were Rs 60/kg. Year 2012-13 saw surplus production. India is a major Robusta producer with 70% of the coffee crop being Robusta and the rest Arabica type. Coffee growers and exporters are also anticipating a 30% drop in Robusta prices, the harvest of which occurs after January. Vietnam, a primary Robusta coffee-growing nation, has seen a good crop this year.

During 2012-13, the coffee crop estimate stood at 3.18 lakh metric tonnes, of which Robusta's share was 2.20 lakh tonnes and Arabica accounting for the remainder, Coffee Board data showed. The post blossom forecast for 2013-14 is placed at 3.47 lakh tonnes, of which Robusta's share is expected to be 2.36 lakh tonnes.



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Prices are expected to fall further as demand is weak and supplies would continue to rise. Commodity may be targeted for funding by banks and financial institutions as good amount of holding of coffee stock is expected due to weakening.

Internationally, global production is set to exceed demand for the fourth straight season, pushing inventories to a five-year high. Global production, including the Robusta variety that accounts for about 42 percent of supply, will exceed demand by 6.04 million bags in the 2013-2014 season, compared with a surplus of 11.06 million a year earlier, the USDA said this month. Inventories will reach 36.33 million bags, the highest since the 2008-2009 season. A bag weighs 60 kilograms, or 132 pounds.

Coffee Surges as Brazil Heat Wave Threatens Crop Loss

Coffee futures soared in New York as record-high temperatures triggered supply concerns in Brazil, the world's top producer and exporter of the crops. Brazil had the hottest January ever and the least rain for the period in 20 years. Arabica coffee entered a bull market, up 23 percent from a closing low in November.

Production forecast for Brazil, the world's largest coffee producer, has been revised downward for this year to below 48 million bags from earlier 58 million bags. With this development, arabica prices in the global market rose to around 130 cents per pound now from 110 cents per pound a month back, he added.

In India, according to the latest Board data, shipment of robusta coffee rose by over 90 per cent to 10,101 MT in January this year, from 5,306 MT in the year-ago period. Maximum coffee was exported to Italy (5,675 tonnes), followed by Germany (2,621 tonnes), Belgium (2,109 tonnes), Jordan (1,674 tonnes), Turkey (1,646 tonnes) and Russian Federation (1,309 tonnes) in January 2014, the data showed.

During the April-January period of this fiscal, the country's total coffee exports increased to 2,41,956 tonnes as against 2,25,570 tonnes in the year-ago period. Currently, arabica harvesting is almost over in the country, while robusta picking is continuing. Coffee output in India may fall 10.23 percent to 311,500 tonnes in the year starting October 2013 due to untimely rains in southern Karnataka.

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Opinion

Indian coffee prices rose at weekly auction due to firm international leads, and export demand. Country's coffee exports rose 38 per cent to 26,161 tonnes in January on account of firm global prices, according to the Coffee Board of India. The country had shipped 18,979 tonnes in the same month of the previous year, the data showed. In value terms, exports rose to Rs. 393.70 crore in January this year from Rs. 304.70 crore in the year-ago period, even as unit realisation was down at Rs. 1,50,496 per MT.

The downward estimates in the production of coffee in Brazil might entice the planters to bring the produce to the markets in anticipation of remunerative prices. We might see prices rising in short terms which would create an ideal scenario for funding.

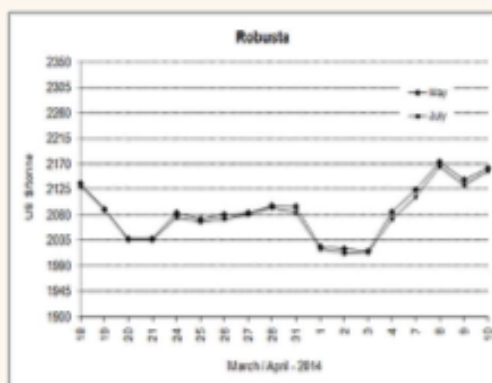
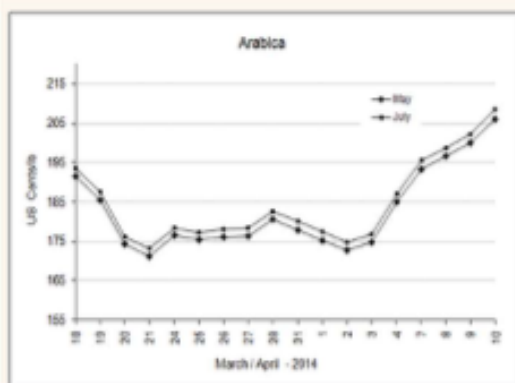
Coffee Advances to 25-Month High on Deficit Forecast

Coffee futures rose to a 25-month high as concerns mounted that the global market will swing to a deficit after a drought in the first quarter ravaged crops in Brazil, the world's biggest producer and exporter. In the year starting Oct. 1 in most countries, world production will trail demand by 7.1 million bags. That would mark the first shortfall in five years, U.S. government data show. Heavy rain this weekend may delay the harvest in some parts of Brazil.

Brazil's crop prospects may suffer for at least three years. The trees will not be able to immediately rehydrate after being starved of nourishment. There is no problem with physical availability in calendar year 2014, but significant risks threaten 2015-2016. Arabica futures surged 83 percent this year, the biggest gain among 24 raw materials tracked by the Standard & Poor's GSCI Spot Index. Robusta futures climbed 27 percent this year. Stockpiles of robusta coffee monitored by London's NYSE Liffe have fallen to the lowest since at least 2002.

Coffee shipments from India, Asia's third-largest grower, are poised to fall this year as a rally in global prices deters buyers from Italy to Russia and after unseasonal rains cut output for the first time in six years. Exports may decline as much as 10 per cent from 312,756 tonne in 2014. It has been an exceptionally bad year for production in India because of adverse weather last year and the weather has been a bit dry this year, which is worrying for the next season.

Futures Price Trend



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Simplifying Agribusiness

Opinion

International pressure of coffee prices is pulling coffee prices north in India. Untimely rain during last year and relatively dry current year has created pressure on supplies. The actual production of coffee is lower than estimated in India.

The stock levels with the processors in India would follow global trend and would be lower this year. Further, the holding of the stocks will be with the planters itself as they are eyeing further increase in prices.

Keeping the current scenario in mind and future expectation of lower production in Brazil, prices may remain firm in near and mid-term.