S&D Inc. Coffee Market Report

(January 23, thru. 27, 2012)

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"C" Mkt., Mar., 2011 =$2.1735

Weekly Change: <$.0805 points

COFFEE NEWS & INFORMATION

What happened this week, as reported by origin and news sources?

>.brecorder

Colombia, one of the world's top coffee exporters, may have to wait four more years to recover output to historical levels when renovated trees reach full production, the coffee federation said on Thursday The world's biggest producer of high-quality Arabica beans has seen a lag in coffee output since 2009 when bad weather, fungus and a tree renovation program cut output from the capacity of 11 million 60-kg sacks annually.
"If Colombia continues at this rhythm, renovating more than 100,000 hectares annually, we think we will be able to change the productive structure of the country," federation Chief Luis Genaro Munoz told Reuters in an interview.
"In four years, more or less, we will have 90 percent of the planted crop...better adapted to climatic change, excessive humidity, and that is surely the secret to allow Colombia to recover its historic volumes of around 11 million sacks, and maybe even take a path to higher production," he said.

>.Reuters

Brazil Coffee Growers' Inventories Are Lowest in a Decade

SAO PAULO, Jan 24- Brazilian consumers are seen drinking 19.7 million 60-kg bags of coffee in 2011, up 3.1 percent annually, amid a tight global supply of quality Arabica, Brazil's coffee industry association ABIC said on Tuesday.

Coffee inventories are set to fall to the lowest level in a decade for growers in Brazil, the world's largest producer, which should keep prices above $2 a pound, the head of Brazil's national coffee council said.

Coffee stocks at Brazilian cooperatives should drop at least 26 percent to below 2.58 million bags, the lowest since 2002, said Silas Brasileiro, president of CNC, as the council is known. Last year's inventory was 3.5 million bags.

Production in Brazil, the world's largest exporter, will climb to between 49 million and 52.3 million bags this year, from last year's 43.5 million, the country's crop-forecasting agency Conab said Jan. 10. That would exceed a 2002 record of 48.5 million bags.

Global consumption should rise 1.5 percent this year, Roberio Silva, executive director of the International Coffee Organization said Jan. 18. Consumption growth should be driven by Eastern European countries, China, Russia and Brazil, Brasileiro said.

Brazil 2010/11 Coffee Consumption up 3.1 pct at 19.7 million, 60 kg bags - ABIC

The present level of the market is being viewed by some as a roaster-friendly market dip (especially when expressed in Euros), which allowed some revived interest in spot coffees, mostly old crop milds. Sellers were seen happy to clear their inventories to make room for new crop supplies.

The absence of Vietnam this week was felt in the Robusta market, as most players wait to see whether the world's top Robusta producer returns from the Tet celebrations full of hope for a new year or nursing a nasty hangover.

Brazil continues to be quiet as Jan. shipments are down, but in line with expectations. The high internal differentials are not encouraging any new sales.

In New York the estimate specs are short 4k lots, and index funds 34k lots long.
ICE certified stocks stand at 1.528 million bags.

What happened today?

NY Coffee futures closed 235 points lower for the day, to 217.35 basis March in a 330 point trading range from the high at 220.20 to the low of 216.90 on average daily trading volume. It was a wonder that the volume was as high with spreads accounting for more than half of today's trading volume. Technical and fundamental aspects remain the same with little news in the mkt. place. This week's range of 820 points from Mondays high at 225.00 to Thursdays low at 216.80 once again shows non commercial longs and shorts going head to head with a breakout over 225.10 or below 216.60 on settlement basis certainly in the coming but how soon is anyone's guess.
New crop mild and natural Arabica coffees remain at dramatically higher than normal levels and the Robusta mkt. is not far behind. Origin remains in very strong hands and this should continue at least for the near term or unless prices rise north of 235.00 in NY.

On the ICE:

The ICE market resumed the downtrend this week, resisting any kind of positive news. Not even a weak US$, after fed's announcement Wednesday brought any relief.

The last commitment of traders report showed the new shorts are coming from commercials, instead of the funds, and they probably added a few this week. A better macro picture may be the catalyst necessary to push prices up, but chances of a rally above 2.40 seems very limited for the moment.

Support: 216.60-216.80, 212.35, 208.30, 203.25

Resistance: 221.90, 229.25, 232.50, 238.50.

Brazil, COLOMBIA / LATIN AMERICAN MILDS

BRAZIL:

In the local market, the fine cup quality replacement levels are reaching new records prices. And, the good cups quality eased in price just a little. The actual volumes traded locally are small and seem to be limited to south of minas.

The export activity was very light, as any business happening is only for new crop, at well discounted differentials (compared to nearby asking prices).

Stats: The shipments have slowed down, considerably, compared to December; the 2 million bag mark should come close to being reached.

The weather: January rainfalls will finish well above the historical average; however the rains for coffee were not of a damaging nature.

Colombia:

A tough start for the year; local currency is losing ground and there is no coffee flow to the mills. It is being estimated that approx., 1 million bags from the main crop is being withheld, a big part of this is already stored in exporters warehouses. Most of this stock was delivered against pre-financing, but due to the local currency this coffee is losing value and farmers are refusing to sell. Local replacement levels are soaring. Rains continue but still in a normal pattern. Colombia is a real mess once again.

Peru:

The rains have continued over the coffee areas, some timely, some rather late. There is no concern for the coffee area, as yet. Demand for the last old crop stocks has been good. New crop offers have calmed, as most players wanting to see how the crop develops.

So far the main destinations of the January shipments are; Germany, USA and Colombia.

Guatemala:

The coffee flow improved in the high altitude areas. The Huehuetenango and the central regions are in full swing. Irregular ripening of the cherries are forcing farmers to pick the coffee in various rounds, making the process more costly and difficult to retain the labor force on the farm.

The weather has been perfect for harvesting and drying. A rather quiet week on the external demand side, most players are withdrawn.

Honduras:

The high volume coffee flow continues to fill up the mills. Drying capacities are being stretched and exporters are paying a premium for dry parchment versus wet. Prices are a touch softer. However, the presence of Guatemalan buyers, paying premiums, is supportive to the prices from falling further. The next 3 weeks can be considered the peak of the crop.

This week, the export business had a very decent week. The weather has been perfect.

El Salvador:

With the crop down approx. 35%, all remains very quiet in El Salvador, as it is very difficult to find willing sellers.

Costa Rica:

The crop harvest in the lower regions has been completed; the higher regions are at their peak, with approx. 50% harvested. The prices remain steady. There remains a steady demand for nearby shipments.

AFRICA / PNG (New Guinea)

Kenya:

Despite the increased volumes, the auction resulted in slightly firmer diffs for all grades. There has been fair general industry business in all qualities and diffs are all over the place. Many of the dry mills are full of parchment and working around the clock; it is estimated that some 60% of the crop has already been delivered to dry mills.

Tanzania:

Very subdued activity, as the coffee season is rapidly running out of steam.

Ethiopia:

This week’s business was mainly dominated by sundried qualities. Although new crop Djimmah / Lekempti coffees are physically not yet available; several exporters sell these coffees short in anticipation of a bumper crop. Washed coffees remain uninteresting, due to the high asking prices.

Uganda:

There was ongoing demand for the lower & cheaper qualities, washed coffees saw no action.

PNG:

Local activities continue to be a nonevent, very quite. From the outside, there was a fair amount of industry demand in all qualities from nearby to far forward positions. Differentials were all over the place and problems continue, out of the shipping port of Lae.

Ex-warehouse Differentials for Arrival / Delivery basis relevant "C"		
Growth	**February**	**March**
Brazil Santos 2/3 MTGBSSFC 11/12	+.1800	+.1900
Colombia UGQEP 11/12 crop	+.4000	+.4000
Peru Hard Bean MC EP	+.0900	+.0900
Honduras SHGEP 11/12 crop	+.1100	+.1100
Costa Rican SHBEP 11/12 crop	+.4200	+.4200
Guatemala SHBEP 11/12 crop	+.2900	+.2900
Guatemala Hard Bean 11/12 crop	+.2600	+.2600
Nicaragua SHG 11/12 crop	+.2400	+.2400
Mexican Alturas 11/12 crop	+.2100	+.2100
El Salvador SHG 11/12 crop	+.1900	+.1900
Kenya AB FAQ	+1.2000	+1.2000
Sumatra Mandheling	+1.6000	+1.6000
Cent. American Water Decaf.	+.5600	+.5600

This week in the chart below, the market tried breaking out of the 10 day, "weekly" moving average, but ran into strong resistance in the area of 2.25 closing this week .0805 points low, back into the 2.1700 area. This market seems to want to work lower to take out the lower technical support levels, before working its way higher.
Support is seen at: 216.60, 216.80, 212.35, 208.30, and 203.25.

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