

January 8, 2021

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
21-Mar	1.2370	+0.0270	-0.0455	-4.09%
21-May	1.2575	+0.0265	-0.0440	-3.96%
21-Jul	1.2760	+0.0265	-0.0425	-3.75%
21-Sep	1.2935	+0.0275	-0.0395	-3.53%

Coffee Market

The C market started the new year with a fresh three month high, but prices turned choppy once again for the rest of the week. Eventually posting a ten cent range prices recovered a bit today and the market settled down around 4% week to week. Much of the action came from large speculative players as funds have shown increased action on both sides of the market. While funds remain long on a net basis some new shorts have been noted over the last two weeks. Industry interest remains sporadic. Some origin selling was noted midweek as the Brazilian Real weakened sharply on comments from the Brazilian President regarding the poor state of their economy due to Covid lockdowns. Physical business was minimal as traders returned from the holidays. Differentials remain quite firm overall. A large Brazilian co-op this week forecasted the developing Brazilian crop to drop by 30% from the last. This was surprisingly consistent with other industry estimates (30-35%) given the source. Central American crops are starting overall but experiencing some delays. Production is expected to decline overall through the region with Nicaragua and Honduras both forecasting 12-15% drops after the hurricanes. Colombia at this point has completed the main harvest and is looking toward the development of the mitaca (midyear) crop. There are concerns about that crop as well due to excessive rains. Converse to all that news it's the short-term supply which seems more than ample and the ongoing unknowns around consumption. Still the market seems to be slowly focusing on the next production cycle, hence the appreciation in price overall and the increase in volatility. Despite plenty of headlines and turmoil the macro picture provided little input to the week's activity.

Technically the market ends the week mixed. Short term indicators are negative but turning higher again with a few late buy signals seen. Chart patterns look more positive with a bullish morning star candlestick formation to end the week. Longer term patterns continue to expect the current move off the midyear lows to push the market toward 140/145 before long. Bigger picture the idea of a broad range holding prices for the better part of the year still holds. Would continue to look for opportunities toward 115 to extend coverage forward but otherwise would remain sidelined and let the range play out.

Tea Report

Logistics concerns in Asia are growing. Space is tight among shipping vessels and some of the largest carriers in the world are at full capacity. Reports are saying that the peak of shipping costs will come sometime in the first half of 2021. As far as tea auctions are concerned, Kenya started strong for 2021. This week saw strong demand and good absorption across all grade. 162,000 packages were offered. South India also saw good demand with more than 80% of offerings being sold at several auctions and even as high as 91% sold. Although the forecast is showing a dip in the next 6-10 weeks for South India stock. Indonesia did not see the customary demand associated with the first auction of the year. This year is a little different as they are continuing the e-auction trend. 63% of offerings were unsold at the final hammer. As 2021 begins, we must remember to stay positive in the face of whatever may rear its head and stand together. Happy New Year!

