

December 30, 2020

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
21-Mar	1.2540	+0.0000	+0.0015	+1.32%
21-May	1.2730	+0.0000	+0.0020	+1.23%
21-Jul	1.2900	+0.0005	+0.0040	+1.29%
21-Sep	1.3045	+0.0005	+0.0055	+1.31%

Coffee Market

Over the last few weeks, the C market has been mundane overall. Prices have been choppy within an eight-cent range, but the market seems to be stabilizing overall. The tone has been decidedly holiday like. Volumes have been steadily decreasing. Funds have added slightly to their net long position over recent weeks and there has been some industry buying noted. Origin selling has been very light. There is an underlying dynamic that is growing in the market's mindset. Questions around supply for the next crop year continue to grow. As mentioned repeatedly over recent weeks the drought impacts to the developing Brazil crop are focusing in on a 30-35% drop in year over year production. Consensus continues to grow around a 15% reduction in Central American output due to the back to back hurricanes. Now there is a circulating concern over the development of the Colombian mid-crop due to excessive rains. Overall, there are not major concerns about the market seeing a deficit in the supply demand balance but the anticipate excess certainly will be much less than originally anticipated. This is, again, underscoring the overall tone that the C market is undervalued at a dollar and the recent choppy activity is it trying to find a near term value point. The coming months will be critical to that overall view as the market also gets a better idea of actual consumption over the last year. Other markets remain quite choppy but the Us Dollar has been weak, lending a little macro support to the market as well.

Technically the market continues to slowly build a support base for a positive near-term outlook. Indicators are positive at this point and chart patterns remain constructive. Would continue to expect a push toward 140/145 soon (though not by year end, even though the market is open tomorrow). Prices toward 120/115 will likely become the "value" levels to extend coverage forward over the months ahead but otherwise there would be no change to the overall outlook for a broad range to hold prices for some time.

= The chart below encompasses this year's trading. Net net prices dropped just under 5%, but it was a wild ride in many ways =

Tea Report (a/o 12/18)

Logistics remains a concern in most Asian origins. Indonesia is seeing favorable weather conditions, but the berth space is tight for shipping. The season in North India has finished but there is not enough tea for buyer's preference. The remaining teas will more than likely be sold until the end of January. South India is still producing now and is seeing reasonable output. Temperatures are dropping which is a good sign for increasing quality. Wet weather can be seen in East Africa and Argentina. Argentina needs rain for better output. Although the rain is needed to produce, the demand is not there currently. COVID may seem to affect the away-from-home market, i.e. restaurants, in North America. But the exact impact is unknown right now. East Africa is seeing good amounts of tea come through auction with 165,526 packages offered this week. Good demand was able to leave only 14.26% unsold.

