

September 24, 2021

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
21-Dec	\$1.9435	+0.0375	+0.0795	+4.05%
22-Mar	\$1.9715	+0.0375	+0.0795	+3.96%
22-May	\$1.9820	+0.0370	+0.0780	+3.86%
22-Jul	\$1.9865	+0.0355	+0.0750	+3.95%

Coffee Market

The C market saw a steady week. Prices rose 4%, touching a three-week high. Still the action remains well contained, closing at about the mid-point of the last two months range. The market is basically in a holding pattern. Focus remains on the upcoming Brazilian rainy season and how it will impact the next crop cycle. Good rains cannot undo the damage (Est 5mm bags of potential output) already done to the crop by two frosts earlier this summer. Lack of rain however could easily do additional damage to stress trees and augment the impact on the next crop cycle. Weather forecasts are just starting to push into the early part of the season, so focus will be heightened on every headline. The market added about ten cents over the last three days of the week with some pointing to dry weather forecasts as the reason. As the weeks go by this will only get more intense and continue to increase the market's volatility. Central American harvests are looking to begin soon. Struggles with ongoing Covid outbreaks are raising some concerns around labor but it is too early to tell. Ongoing issues with ocean freight, domestic trucking, etc. remain the biggest day-to-day issues and are also keeping prices very firm. Overall physical business is very light and sporadic, more focused on nearby inventory juggling than anything else. Differentials remain high across the board as prices are factoring in the unknowns of shipping. The macro picture remains supportive from an inflationary perspective more than a focused push on commodities.

Technically the market closed in a strong stance. Indicators are positive across the board and the market posted its highest close in three weeks. Still, as mentioned above, it remains near the middle of the recent trading range and short-term chart patterns suggest this strength is part of an ongoing correction off of the July highs. If this is the case, then more sideways action is likely and a push toward 170/165 cannot be ruled out. That said, it would still be part of a correction and the bigger risk still seems to be to the upside. Longer-term chart patterns continue to point toward a possible new high around the 230 area. Would raise targets to the 180/170 range to extend coverage at this point. Expect increasing volatility over the coming weeks as well.

Tea Report

For the most part, the tea world is following seasonal norms. Kenya saw another small auction this week with good general demand. Of the 123,777 packages offered, 20% remained unsold. Quality remains the driver for most types. Those well-made teas attract good demand and firmer prices while other plainer lots were sold at easier rates. Logistics rates remain at the forefront of most buyer's minds. Rates continue to climb and don't seem to be easing any time soon. Good demand remains in most Indian tea centers. CTC grades are attracting good demand and pricing. Orthodox remain strong but with a slight decrease in demand in a few auctions this week. Argentina has rain in the forecast over the next week. A welcome sight as producers are prepping for the start of the season. Weather remains cool for now, but we are still a month or so away from the start of the season.

