January 7, 2022

COFFEE MARKET REPORT

S&D COFFEE & TEA®
A SUBSIDIARY OF WESTROCK COFFEE COMPANY® LLC

Month	Settle	Daily Change	Weekly Change	%Change This Week
22-Mar	2.3845	+.0675	+.0960	+5.62 %
22-May	2.3830	+.0645	+.0950	+5.62 %
22-Jul	2.3790	+.0635	+.0985	+5.77 %
22-Sep	2.3745	+.0625	+.1025	+5.92%

Coffee Market

The new year started where the old left off. Another volatile week for the C market with prices posting a seventeen-cent range and gaining about 5% week to week. Prices started on a negative note as early spec selling pushed a six-week low on Monday. Pent up industry buying though provided strong support toward 220 and prices reversed quickly. Renewed speculative buying helped spike prices into today's highs as little resistance was seen. The index fund rebalancing (selling) began today but had little impact so far. The physical side of the market continues to see most business focused on spot buying to compensate for delayed deliveries. Forward business remains very quiet, and differentials are still quite firm if anyone is willing to offer. The market continues to wait for a clearer picture on supply for the coming year and talks of back-to-back deficit production years are gaining in volume. The Brazil crop continues to develop well though rains (now critical for cherry maturation) have been a bit sporadic. Colombia continues to struggle under excessive rains and production estimates are being revised a bit lower again. There is also some concern over the quality of the Honduran crop as early arrivals are seen. Moreover, logistical issues continue and don't show any signs of easing over the coming months. All in all, there seems little reason to expect notably lower prices any time soon. The macro picture continues to focus on inflationary pressures and weak economic data. Expectations of an interest rate hike in the coming months will likely keep things volatile near term.

Technically the short-term picture, while choppy, has taken a positive turn. Indicators are pointing higher at the moment. Chart patterns continue to suggest that higher levels remain the larger risk at this point. A head and shoulder reversal formation off the recent highs did not generate as much downside pressure as would be expected and the market founds support into the lower end of a price channel (chart below). That said there still can be some argument made for a push toward 210 before new highs are seen. The risk reward though does not seem to justify waiting for 210. Would continue to view any decline toward 225/220 as an opportunity to extend needed coverage. Prices above 255 seem very likely and some chart patterns are starting to look toward the 280 area. Obviously, the volatility we've seen over recent months keeps pretty much anything on the table. Given the technical structure and the fundamental outlook at this point in time it seems unlikely that prices toward 180 will be seen this year and any further supply issues could certainly spark an aggressive rally. Keeping risk as defined as possible will be critical over the coming months. Welcome to 2022.

Tea Market

2022 is off and running in the tea world. Kenya saw increase demand leaving outlots at 14% versus the 16% from last week. PF1s were in high demand as 85% of all offers were sold. Production continues in Argentina, but rain is needed. There was good rainfall in November making December a good production month. But rain is needed in the forecast if production wishes to increase. Crops are below par. North India is seeing slides in prices as end of season quality dominates. Good demand could be seen at auction but are only full of prior season teas as factories are closed. There was poor demand in Indonesia and Malawi this week. Sumatra and Java are both received rain, but Java is getting pelted with heavy rains. Crops are fair at the moment. Crops are improving in Malawi, but pricing and demand followed closely to quality. PF1s and PDs were the main seller while some of the colouty PF1s were neglected.