WEEK 12 | ORIGIN REPORT

BRAZIL

Arabica: The climatic factors continue to favor coffee production with good prospects and development. In terms of business, it was a week with few accomplishments due to the high volatility that didn’t turn into better prices for farmers. Sellers are patiently waiting for better prices, which is reducing the pace of sales. Better differentials have not been seen yet and price continues to be an obstacle for new business. March shipments should make up for the low February volume, but the shipment rate is lower than registered in the same period last year.

Conilon: Complete opposite situation from last week. Conilon market has stuck and prices in BRL are backing up again. After a good amount of business reported in the previous week, the sellers have vanished from the market due to the valuation of London and are waiting for better prices. With fewer sellers in the market and buyers looking out for spot coffee, mainly internal industries, prices hiked. Despite this movement in BRL prices, the FOB differentials remained slightly unchanged week on week, supported by London and the currency quotations. The FOB market is more interested in Conilons now as it has become attractive compared to other origins, but the volume of business reported is still low.

COLOMBIA

Another week without changes with the internal market moving very slowly with not much coffee available. Parchment can be found in some regions of the country, but prices are getting firmer for these small volumes. The general comment is that this fly crop will start flowing during the second half of April. Volume-wise it is expected to have similar behavior to last year. Weather remains wet in most of the coffee regions. This is not ideal for the flowerings the origin should be having now. Despite the wetter conditions we have had, is still too early to raise any red flags. April can also be very wet month, and we won’t understand the real impact of these rains for the flowerings for the main crop until at least the end of April. Demand is still moving slowly. Despite some business taking place, it seems the roasters haven't yet pulled the trigger for Q2 and Q2 2023.

INDIA

Harvest is 95% completed and flow into the trading towns has dropped significantly. FOB diffs firmed this week for the commercial grades. However, premium and washed Robusta diffs softened a bit.

INDONESIA

No change this week in Arabica or Robusta. We see very tight availability for both with little volume traded. However, sunny days have helped with drying and Robusta arrivals are up a bit due to this.

VIETNAM

The weather in the Central Highland remained dry, sunny, and very hot. At the same time, part of Dak Nong and Lam Dong received heavy rains with cumulated rainfall reaching to 50-70 mm. This rain covered approximately 15-20% of coffee growing regions of the Central Highland. The forecast for next 10 days is calling for similar dry, warm conditions with a chance of unseasonal rains in the southern parts of the highland.

Most of the farmers are still free from cash demand pressure until they need to invest in the coming season, which will occur around of beginning of rainy season in late April, early May. Thus, farmers are not paying any attention to market movement. The volatile international market did not cause any panic sales and supplies remained very tight. FOB diffs stayed unchanged. Local exporters continued to focus on sourcing coffee to fulfill their commitments. Delayed delivery happened. Demand for nearby shipments was quite poor. Our data showed 91K MT of export in FH of March.

ETHIOPIA

The government is tightening controls on the movement of coffee to Addis and other centers in order to restrict coffee being diverted to the internal market. Currently, Agrabes (middlemen who purchase from farmers and sell to exporters) are purchasing coffees at high prices and holding stocks in an attempt to maximize returns. This is the main reason shippers are struggling to access coffee. Farmers are also demanding high prices because inflation is high and the value of cash is rapidly declining. Furthermore, transportation expenses are increasing. Regarding shipments, February recorded 16.6 K MT of exports bringing the 12-month period ending Feb 23 to a total of 261 k MT. This is not as high as it could have been given production in 21/22. However, at least the downward trend in shipments has ended.

KENYA

Sale 22 took place last week with 32k bags sold. It was the 6th consecutive week with 30k+ bags offered. Average quality keeps going down as almost all microlots have now been sold to exporters. We see a significant volume of low grades appearing on the catalogues as a result of lighter parchment milling. Prices for commercial grades remain under pressure with all AA, AB and C grades trading lower than last week.

RWANDA

Supported by rains, the cherry harvest is accelerating towards its peak. With the current harvest trajectory, the peak is expected to arrive 2 to 3 weeks earlier than previous years. Prices remain firm despite NY dipping last week. Historically, Rwanda cherry prices and NY are very inelastic. NAEB is very motivated to protect production zones surrounding wet mills this year. Three major wet mill operators have already had their mills temporarily closed for zone violations – i.e. buying cherry from outside its designated production zone.

UGANDA

Arabica: The Drugar flow into Kampala continues at a steady pace. We estimate a decent chunk of inventory is being held at the village level bymiddlemen who awaiting a NY rally for a higher flat price and ample sunshine to dry the inventory. We can expect more flow over next ~2 weeks. We continue to see roaster demand from across geographies. On semi-washed, there was no major change and the internal flow is constant. Regarding cherry business, we are buying at full flow across our washing station network. The harvests have reached their peak in mid- and highland areas. We approximate there are about 2 weeks of serious buying remaining. With ample rains over past 10 days, most cherry is ripe on trees. We estimate that more than 80% of harvests will be completed in run up to Easter as farmers maximize their cashflow.

Robusta: The new summer crop is looking marginally better than the past winter harvest. However, local replacement levels have still skyrocketed, and exporters are scrambling to cover their shorts. Erratic LDN over the past week has further aggravated the situation. Whilst consensus among stakeholders for summer crop is fairly positive, exporters are not hitting the brakes or alleviating price pressure given LDN inversion and the high interest rate environment.