

March 3, 2023

COFFEE MARKET REPORT



Month	Settle	Daily Change	Weekly Change	%Change This Week
23-Mar	\$1.8080	-0.0315	-0.1040	-5.44%
23- May	\$1.7785	-0.00435	-0.0985	-5.06%
23- Jul	\$1.7720	-0.0420	-0.0880	-4.41%
23- Sep	\$1.7565	-0.0410	-0.0810	-4.19%

Coffee Market

The C market continued to pull back from last week’s four month highs on modest volume. Prices lost about 5% week to week. Selling seemed speculative focused again but a little producer selling was noted early on. Buying is thin as much of the industry put on good coverage when the market tested below 150 and, so far, have not been incentivized to pay up. The calendar may eventually change that mind set. The physical side of the market saw a little spotty activity. Central American differentials have eased a bit but crop flow has been a bit sketchy so far. Above average rains over the last few weeks are raising some concerns about the pending Brazil crop and bears watching over the weeks ahead. The industry is gearing up for the first National Coffee Association convention (in person) next week and there have been a number of updated forecasts from multinational trade houses and coffee agencies. Again the recurring theme seems to be a fairly balanced outlook for the global supply/demand balance over the coming year. Concerns over Colombian output due to weather and debate over the size of the pending Brazil crop are the main topics. Looking ahead though it seems like there remains potential for some price volatility as the year goes on. The macro picture seemed quiet this week.

Technically the market continues to correct the recent surge. Short term technical indicators are a little negative and the late week activity points a little lower still. That said chart patterns, as mentioned, appear corrective off the highs. Standard retracements lie not far below closing levels and there is also a target showing at 17715. So, at this point would not get too negative the market and expect prices to stabilize before long. Would continue to look for a range of roughly 160/190 for the coming months though there is a possibility to extend that higher. Prices toward 170 should present a good opportunity to extend needed coverage. There remains good potential for volatility over the coming months but continue to see both the fundament and technical pictures as limiting the downside potential overall.

Tea Market

We saw a similar story this week in the Market although Indian markets were closed. The brighter teas in Africa continue to see steady demand but the poorer qualities are continuing to pile up and becoming an issue very quickly. The African output has tightened as buyers are not even looking at the lowest qualities as an option so now the focus moves to the weather in Assam to pick up that slack. Production is looking reasonable but it is still early so things could change with the weather, quite literally. Demand overall is shaping up to be healthy so much of the worries of drastically reduced demand due to a worldwide recession has dampened a bit. Unfortunately, even with the 130k ton drop from 2021 to 2022 production has done little to move the price which points to a lot more tea lying around than the Market would care to acknowledge.

