

## Ed Field

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**From:** Christina Coleman <CColeman@exceltrade.com>  
**Sent:** Monday, August 10, 2015 8:43 AM  
**To:** Ed@FieldCoffee.net  
**Subject:** Morgan Stanley Coffee Report & COT August 7, 2015  
**Attachments:** MS COFFEE REPORT 080715.pdf

Good Morning!

Market opened slightly lower this morning trading 200pts to the plus side from Friday's close of 127.80  
U Current Low: 127.00 (Support: 120.25, 116.00)  
U Current High: 129.70 (Resistance: 132.50)

A rollicking day in the market kept everyone on their toes. In a bit of misdirection KC opened quietly as many waited to see if the BRL and jobs numbers would provide a cue. However last night's news from Brazil offered little more than a momentary blip weaker for the currency, while the US unemployment rate held steady and job growth was just a tick better than expected. Rather than settle into a day of tedium however, a burst of buying off the low never relented, gathering momentum through the morning. Overall volume was good, however much of it was generated from a firming U/Z spread, which presumably led the market higher for a second straight day. System covering and roaster buying was greeted by small scale origin selling alongside plenty of speculative & fund non-believers. Anecdotally roasters have seemed quite pleased with taking cover in here, and while last week's Brazil volume tailed off, producers were notable on the BMF today where volume was better than it had been since July 21. Commercial volume has notably moved into the Dec & March contracts on both ends of the producer / roaster spectrum in Arabica, yet Robusta seems to still be trading closer by. While it is surprising that industry is not extending cheap Robusta cover further forward, perhaps it is not so shocking on the Vietnamese side as they are one of the few large producing countries who has not reaped the benefit of a plummeting currency.

# Morgan Stanley

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## COFFEE REPORT Friday 7-Aug-15

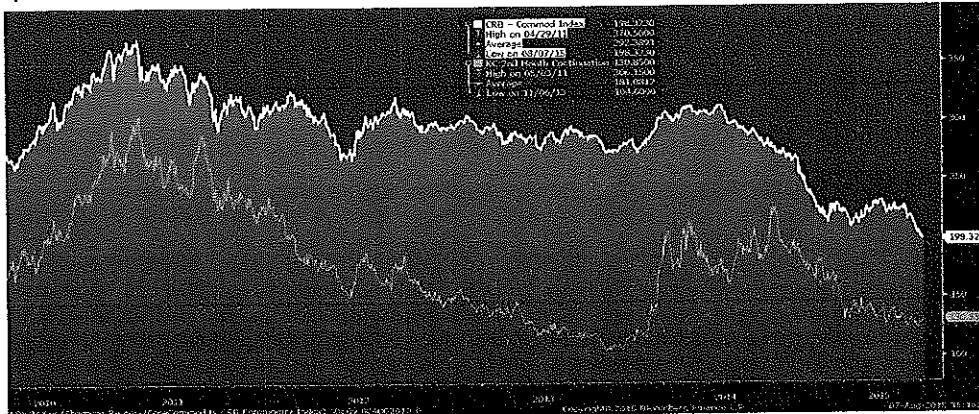
	CLOSE	%	HIGH	LOW	OPEN INT.	#	LDN/NY	ARBS	SWITCHES	RANGE	ICE VOL	48,553
SEP 15	127.80	3.55	128.85	123.65	82288	-2723	SEP/SEP	-52.46	SEP/DEC	-3.15 / -2.90	SPDS	18,304
DEC 15	130.85	3.50	131.80	126.70	62370	1111	NOV/DEC	-54.80	DEC/MAR	-3.45 / -3.30	CALLS	6,782
MAR 16	134.25	3.60	135.05	130.05	19942	175			MAR/MAY	-2.20 / -2.10	PUTS	1,675
MAY 16	136.40	3.50	136.65	132.35	11727	-23	SUPP	120.25	RES	132.50	AA	306
JUL 16	138.45	3.45	138.75	135.15	3921	-1	MKT POSITION	08/04/15			EF5	7
SEP 16	140.45	3.45	141.05	136.75	4015	-58	NET NON COMM	(24300)		BM&F - SAO PAULO		
DEC 16	143.25	3.45	143.80	139.10	6953	59	NET COMM POS	(5292)	ARB UU	-7.22	+/-	
MAR 17	146.85	3.35	146.15	141.90	681	-2	NET INDEX	27511	BMFU	159.50	1.25	PENDING
DEC 17	147.50	3.30	147.75	143.70	218	-3	NET NON REP.	2080	CERTS	2,096,505	-250	5,680
JUL 17	149.05	3.50	148.75	148.20	156	-1	SEP OPT VOL	33.62	US CERTS	662,167		
SEP 17	150.75	3.80	150.20	149.65	38	0	ADX	13.67				
					192461	-1458	\$/REAL	3.51	\$/COP	2935	EURO/\$	1.0968

### LONDON ROBUSTA

	CLOSE	%	HIGH	LOW	OPEN INT.	#	SWITCHES	VOLUME	19,498	TENDERS	JULY	
SEP 15	1681	21	1689	1635	53250	-1971	SEP/NOV	-20/-16	SPDS	7,391	ORG TENDERS	8,134
NOV 15	1681	22	1688	1654	40089	2343	NOV/JAN	-16/-14	CALLS	1,030	RETENDERS	0
JAN 16	1696	21	1703	1671	13632	68	JAN/MAR	-21/-20	PUTS	300	CERTS	20,047
MAR 16	1716	21	1703	1691	7968	53			AA	604		
					122232	530			EF5	0		

	N.Y. OPTIONS	SEP 125 C	SEP 130 C	SEP 135 C	SEP 140 C	SEP 150 C	SEP 200 C	EXPIRY	TTL	CHANGE
	OPEN INT. CALLS	1,225	2,272	2,582	2,717	2,000	3,715	SEPT	75,882	745
		SEP 130 P	SEP 125 P	SEP 120 P	SEP 110 P	DEC 120 P	DEC 115 P			
	OPEN INT. PUTS	1,327	2,592	2,914	1,698	2,118	4,383	14-Aug-15	50,389	45

A rollicking day in the market kept everyone on their toes. In a bit of misdirection KC opened quietly as many waited to see if the BRL and jobs numbers would provide a cue. However last night's news from Brazil offered little more than a momentary blip weaker for the currency, while the US unemployment rate held steady and job growth was just a tick better than expected. Rather than settle into a day of tedium however, a burst of buying off the low never relented, gathering momentum through the morning. Overall volume was good, however much of it was generated from a firming U/Z spread, which presumably led the market higher for a second straight day. System covering and roaster buying was greeted by small scale origin selling alongside plenty of speculative & fund non-believers. Anecdotally roasters have seemed quite pleased with taking cover in here, and while last week's Brazil volume tailed off, producers were notable on the BMF today where volume was better than it had been since July 21. Commercial volume has notably moved into the Dec & March contracts on both ends of the producer / roaster spectrum in Arabica, yet Robusta seems to still be trading closer by. While it is surprising that industry is not extending cheap Robusta cover further forward, perhaps it is not so shocking on the Vietnamese side as they are one of the few large producing countries who has not reaped the benefit of a plummeting currency.



	KC	LR		GCA STOCKS	JUNE	5,510,114	220,684
RSI SEP/SEP	47.15	40.40		ROBUSTA CERTS	20-Jul	20,047	1363
%K STOCH	57.82	44.32	SEP FIRST NOTICE DAY	ICO SHIPMENTS	JUNE	9.69 MLN	
%D STOCH	60.52	35.82	21-Aug-15	BRAZIL SHIPMENTS	JUNE	2.6 MLN	
5 DAY MA	124.88	1639	SEP OPTION EXPIRY	COLOMBIAN SHIPMENTS	JUNE	1,007,000	
28 DAY MA	125.49	1682	14-Aug-15	NOTICES			
40 DAY MA	127.90	1715		JULY	2896		
100 DAY MA	135.21	1761					
200 DAY MA	156.46	1894					

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## Ed Field

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**From:** Bert von Roemer <bert@serengetitrading.com>  
**Sent:** Monday, August 10, 2015 9:12 AM  
**To:** Jessica Sellers; BobbieJo Bawcum; Juan Morales  
**Subject:** Google Translation (Port/Eng) Brasil Crop Report

Morning All

Hoping you had a terrific weekend, more drinking and enjoying coffee rather than worrying about coffee!!

So, Brazil: and now.... they are starting to milk this.....  
Everyone down there now speaking about 20-30 crop reduction as the harvest continues.  
Further, the pace of the crop's harvest is very slow, also generally a bad sign....  
"Late crop, small crop".

With the specs still short more than 20k lots. Watch out above.....

Bert

The coffee harvest of 2015/16 crop in Brazil advances in major producing regions, but still lagging behind the previous years. This past week, the drier climate even gave more rhythm to the work in the field. However, the current scenario, according to farmers, is very complicated. The main impact is seen in grain size (sieve), which are much smaller and interfere in revenue and amounts paid for Arabica coffee. On average, they cost 25% more grains to complete a processed sack of 60 kg of product.

Cooxupé (Regional Cooperative of Coffee Growers in Guaxupé), world's largest, in southern Minas Gerais, held this time a survey of the volume and quality of grain harvested from the current crop. "We are evaluating the impact of drought and high temperatures in January 2015 in grain size and yield. The classification department is also evaluating if the rains that occurred during the first ten days of July may cause damage on the beverage quality. Yet we do not have definitive results," said the site CaféPoint agronomist and GIS coordinator Cooxupé, Eder Ribeiro dos Santos, in a recent interview.

Until the 1st of August, the harvest of Cooxupé the cooperative reached 53.43%. In this period, in 2014, the harvested volume was only 70% of crops.

Also in the south of Minas Gerais, the Cocatrel (Cooperative of Coffee Growers of Three Points area) have more concrete results. According to the technical director, Jorge Luis Piedade Nogueira, farmers have reported that only 8% to 15% of the cafes has sieve 17 above. While in normal years this number was 30%. There are also needed more coffee to make a sack on behalf of kids grains. "There are reports 550-600 liters to make a bag of processed coffee. But at this stage in previous years, were used at most 450 liters," said Nogueira.

Cerrado Mineiro, the situation is similar. "We have little sieve 17 and 18, and many kids grains. Typically, this is used around 540 liters to make a bag, but we recorded this 660-720 litros crop," the trader Expocaccer (Central Cooperative of Coffee Growers of the Cerrado), Joel Souza Borges.

Espirito Santo do Pinhal (SP), in the region of Mogiana, where it operates the Coopinhal (Cooperative of Coffee Growers of Pine Forest Region), the harvest is more advanced than in the mining municipalities, about 80%. However, there there are also problems in the quality and yield. "We have kids grains (only 20% have sieve above 17), with plenty of bark and little brown, what we call low drink. On average, we are using nine to ten measures 60 liters to make a bag of coffee benefited, while in normal harvests would take six to seven," says the agronomist of Coopinhal, Celso Scanavachi.

The CNC (National Council of Coffee Growers) said in its weekly balance sheet last Friday that on average this year, have been demanded 25% more coffee for a sack benefit. They are usually used 480 liters of measures to fill a sack, but this year the average reached measures 600 liters. Also according to the CNC, the Cerrado and South of Minas Gerais harvesting works reach 50%. In the Matas de Minas, about 60% of production has been removed from the coffee. In previous years, this percentage would be above 80%.

The consensus among respondents that the unfavorable climate in 2014 and earlier this year was responsible for the delay in harvest and low productivity this season. "In touch with our cooperatives, we noted that the adverse weather caused blossoms irregular in 2014, which consequently triggered different periods of fruit ripening, causing producers to encounter different times to reap the cafes in its best stage" He described the CNC in its weekly newsletter.

Speaking on Monday (3) the Agricultural News, the president of Procafé, Joseph Edgard Pinto Paiva, also confirmed that the drought that occurred earlier this year damaged the coffee grain filling period. "We stayed for about 25 days without rain. Not to mention that in 2014 also went through a drought and this resulted in the formation of smaller grains for two consecutive years. This break in the first estimate was about 12%", he says.

Edgard estimates that entity's March projection for the current crop from 41 to 43 million bags could not be reached. Losses can reach levels of 30% to 40% over the last year accounting problems Conillon and arabica.

The crop Conillon (robust) in the Holy Spirit already was all harvested, but the drought has also damaged the status of production with breaks of up to 40% of the estimated. "We had a high spending this season because we were calculating a good productivity. But on the whole situation, I now believe that we have little profit," says marketing manager Coobriel, Edmilson Calegari. The average price paid to producers of the variety does not reach R \$ 300.00 per bag.

#### Reflections producer

In this scenario, those who suffer is the Brazilian grower. In addition to low productivity and quality problems, production costs only increase with inflation. According to the analyst Carvalhaes Office, Eduardo Carvalhaes, the rise in the dollar against the real you should do the prices in the Brazilian domestic market rise, does not.

"Theoretically this rise of the dollar should mean more real in the grower's pocket. But buyers are tipping the New York Stock Exchange at about the same proportion that rises to US currency, that is, they end up appropriating this improvement," Carvalhaes says.

In the week ending today, part of the appreciation of the dollar against the real was passed on to coffee prices in the Brazilian physical market, moving the market and generating a higher turnover. In July, the price of arabica registered an average of 414.50 reais / bag, according to the Cepea. In early August, the average price was 438.03 reais / bag.

#### Compliments



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