October 27, 2015

Coffee Report

Your weekly Risk aWhere™ analysis of global weather impacts on coffee commodities.

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aWhere
The Power of Agricultural Intelligence

Market and Weather Update

WEEKLY HIGHLIGHTS

- New measure: P/PET vs. normal and last year
- Brazil conditions: turning slightly favorable
- Most other origins: stronger warnings

We are now starting to incorporate a new measure into our weekly discussions. Readers are now familiar with our P/PET measures (see FAQ for a more detailed explanation) as an indicator of crop health, indicating plant vigor or stress, without having to rely on satellite estimates of similar measures (ie., NDVI). In addition to the raw calculations, we are incorporating new P/PET measures vs. normal and last year, for the referenced dates.

The map to the right shows the monthly P/PET difference from the long term normal for the period ending 23 Oct; generally not a significant change from last year, and when we look at region C (encompassing the high production regions of São Paulo and Minas Gerais) we see that the current indicator is generally similar to normal.

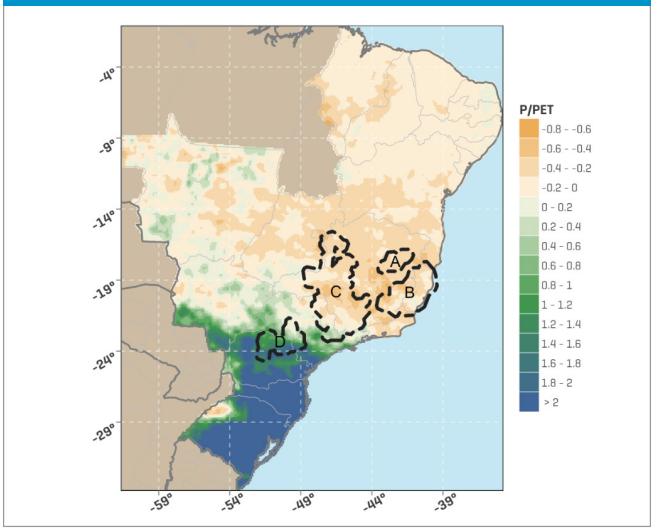
The two histograms show this same measure relative to both normal and to the previous year. In both cases, the location count is within the portion of the distribution which would not signal ay alarms, so monitoring rainfall through the bloom and post-bloom periods should allow for a reasonable measure for setting crop expectations.

As El Niño starts to bring more significant rains to the Centre-South through November, we will use this measure to assess post bloom development. Note that while post-bloom rain is generally favorable for bean development, too much rain will inhibit growth and can be a negative factor to final yields. This will be monitored closely, particularly in light of the current El Niño pattern.

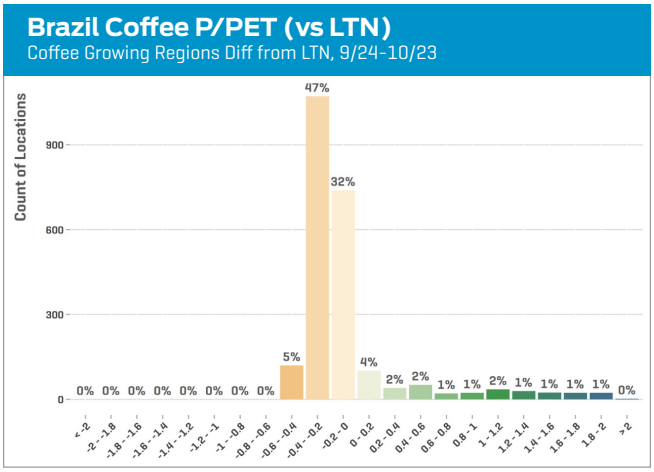
As noted previously, favorable expectations via ENSO conditions in South America can be offset by unfavorable development in other key origins, particularly in Southeast Asia.

This ENSO event has produced very strong and persistent

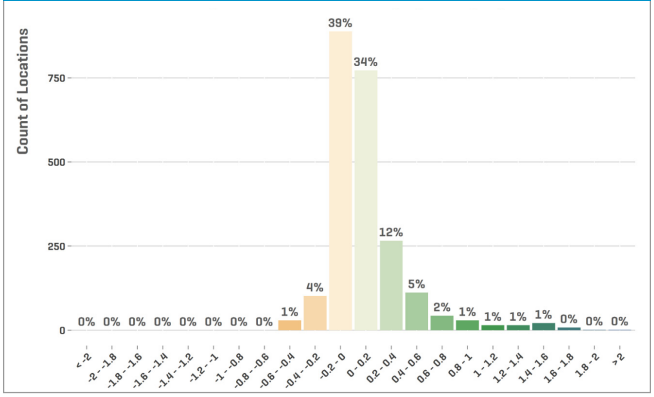
Brazil Coffee P/PET (vs LTN)
Coffee Growing Regions Diff from LTN, 9/24-10/23



Brazil Coffee P/PET (vs LTN)
Coffee Growing Regions Diff from LTN, 9/24-10/23



Brazil Coffee P/PET (vs Last Year)
Coffee Growing Regions Diff from Last Year, 9/24-10/23



high pressure systems over much of the Asia Pacific and East African regions, which have largely been responsible for (a) the blocking of incoming moisture, and (b) diverting this moisture over surrounding seas. Both cases have served to produce an extremely dry pattern; when considering this and coupling with most seasonal model expectations that have been pointing towards extended dryness, our view is that total AsiaPac production for the current and coming crop years will be compromised.

Looking at the relative P/PET measure for the coffee regions for Ethiopia and India, there has been a clear dry bias across coffee geographic centers of production. A similar pattern also extends to Vietnam and Indonesia. Current severe wildfires, haze and accompanying atmospheric pollutants can only serve to worsen the situation.

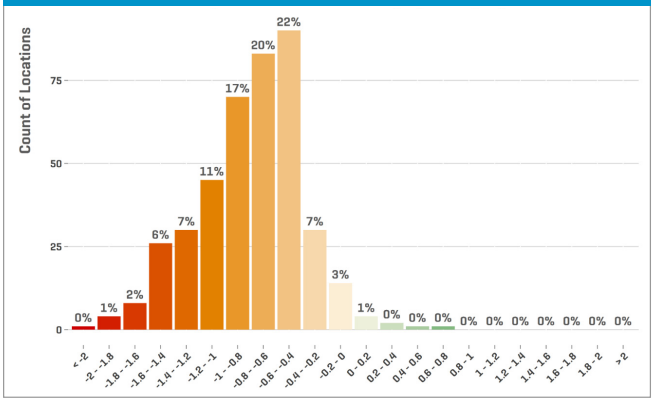
After touching 140, March16 coffee futures have pulled back slightly. However, we do not feel that this situation will remain for an extended period. The factors above will start to weigh in on consensus market estimates, and more negative yield prospects will begin to make their way into balance sheets.

Our view is that an upside price reaction will follow. As such, the current trading range for March16 futures appears to be a favorable entry point. Given this brief pullback, fair value for March16 futures could be in the 140-150 range within the next 30 days.

Please contact our staff with any questions.

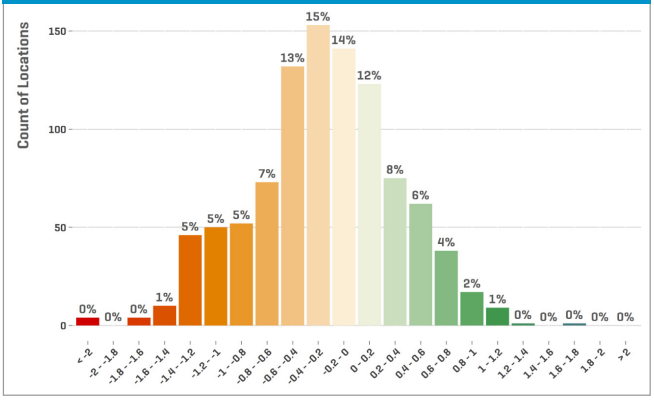
Ethiopia P/PET (vs Last Year)

Coffee Growing Regions P/PET Diff from Last Year, 9/24-10/23



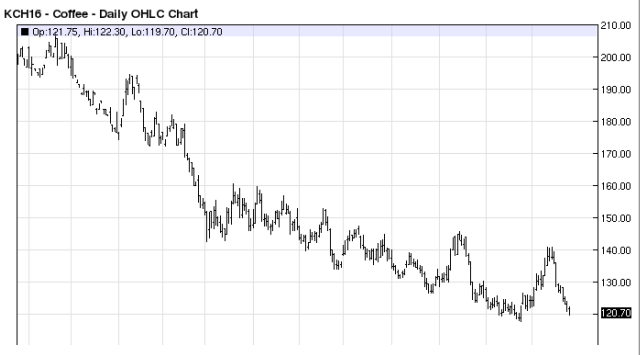
India P/PET (vs Last Year)

Coffee Growing Regions P/PET Diff from Last Year, 9/24-10/23



March 2106 Coffee Futures

Price trend



Source: barchart

Coffee Risk Index

	1-30 days	31-90 days
Brazil	⚠	⚠
Vietnam	✖	✖
Colombia	✖	✖
Indonesia	✖	✖

✔ Favorable ⚠ Watch & Monitor ✖ Warning

Michael Ferrari, PhD.

Sr. Climate Scientist, Director Climate Services for Agriculture at aWhere.

Michael and his team are responsible for gathering and interpreting data for generating the weekly Commodity and Global summary reports.

About Michael

Michael's research and technology transfer activities have broadly focused on connecting Earth observation data and models to the quantification of commercial risk across the agricultural value chain. Michael also provides expert commentary to media outlets such as O'Reilly Radar, Bloomberg and The Weather Channel, among others.

Previously, he was the Director of Agricultural Research & Risk Management for The Coca-Cola Company, the Director of Informatics and a Principal Scientist at NASA for Computer Sciences Corporation, Vice President of Applied Technology WTI, and a Research Scientist at Mars.

Also Available

aWhere offers several Weekly Commodity Reports, each commodity-specific, and are available by subscription for in-depth interpretations of weather-related events and agronomic models as they relate to commodity risk.

For more information, please visit the Risk aWhere FAQ page or contact us at beawhere@awhere.com.

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