

COFFEE REPORT
May 31st, 1977



Friedberg & Co. Ltd.

347 Bay Street
Toronto, Ontario, Canada M5H 2R7
(416) 864-1195
Cable: Friedco Toronto
Telex: 06-23446

July 1977: 273.12

Mar. 1978: 262.00

Ldn Mar78: £3075.00/Ton

The USDA announced that U.S. per capita consumption of coffee, measured on a green bean equivalent basis, dropped to 3 lbs. in the first three months of the year from 3.6 lbs. during the same period in 1976. In a tersely worded statement, the USDA said that consumption 'appeared responsive to increases in prices ...' It further pointed out that retail coffee prices averaged \$2.78 per one pound can for that period compared to \$1.54 per pound can a year earlier.

Recent u.S. coffee roastings activity indicates that the drop in consumption is accelerating with figures for April 23 - May 14 showing a fall of well over 25% from year ago levels.

West Germany, the world's second largest drinker of coffee, has also begun to show the effects of rising prices. Retail prices are going up a further 8% this month to an average 13DM per pound (\$5.52 U.S.) and are likely to reach the 15 - 17DM level before the summer is over, reflecting the normal delay of record green prices recorded earlier last month. Consumption for February appears to have fallen as much as 7% from last year's levels; industry sources expect a stiffening in consumer resistance in months ahead.

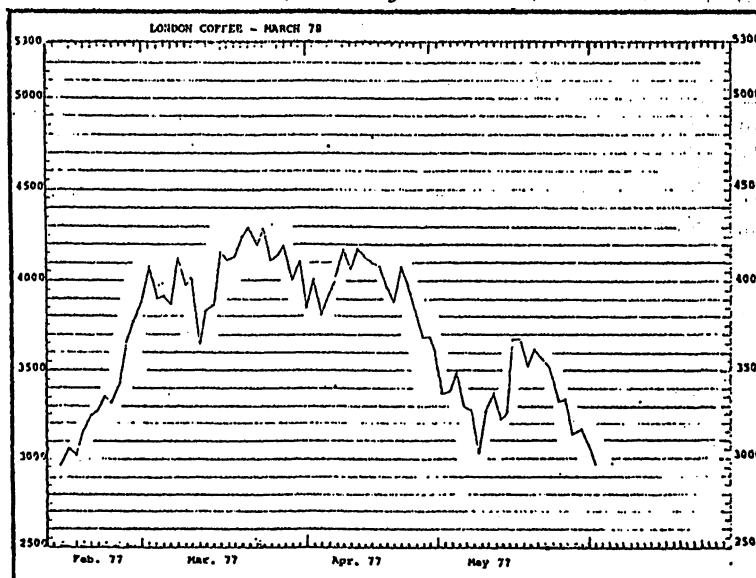
Reports of cold injury to coffee trees in the State of Parana reversed a downtrend that had seen prices recede to just under \$2.60/lb. basis nearby May. Upon further consideration, it was noted that the 1977-78 crop was safe and that perhaps only 5% of the 1978-79 Parana crop may have been damaged. Since the latter was only expected to reach 5-6 million bags, the recent cold snap, if confirmed, has had an insignificant effect on global supplies.

Two of our recent forecasts have already taken place: a) while the final top has definitely been seen, prices may remain locked into a wide trading range of \$2.75 - \$3.15/lb. basis nearby until the passing of the frost season (early August); b) a full-fledged backwardation has finally set in with July 1977 the highest priced option and May 1978, the lowest one. The pattern is consistent with spot shortages and market manipulation induced by producers in their vain attempt to hold up prices. At this time, very little Brazilian and Colombian coffee is being sold due to their extremely high export prices. (In Colombia, exporters face an extremely high export tax; in Brazil, exporters must first sell domestically one bag of coffee at 1/3rd below market prices before a permit is issued to export two bags - naturally these two bags must cover the loss incurred on domestic sales and therefore export prices are unrealistic.)

We continue to feel that the carryover for 1977-78 will be double the 17 million bags expected for the end of this season (barring another unforeseen catastrophe in the next two months).

Add to previously established short March 78 positions, on 20¢ rallies from any low; maintain a \$1.25/lb. target.

£/Ton



£/Ton

Weekly U.S. Coffee Roasting Activity

- percentage of amount roasted last year -
Source: G.G. Paton & Co.

<u>Week Of</u>		<u>Week Of</u>		<u>Week Of</u>	
Feb. 26	79.1%	Mar. 26	74.1%	Apr. 23	80.2%
Mar. 5	66.4	Apr. 2	84.1	Apr. 30	68.8
Mar. 12	77.2	Apr. 9	81.8	May 7	74.0
Mar. 19	76.7	Apr. 16	84.8	May 14	70.7

Excerpts From Reuter's News Service

Exchange Amends Coffee "C" Contract

New York, May 19 - The New York Coffee and Sugar exchange announced that the Commodity Futures Trading Commission (CFTC) has approved certain amendments to the Coffee "C" Contract.

The amendments, to take effect from Friday, May 20, will apply to contracts for delivery of coffee in July 1978 and to any additional months which may be approved by the Board.

The new amendments entail the addition of deliverable growths from Colombia, Kenya, Tanzania, Uganda, New Guinea, Peru, Venezuela, Dominican Republic, Burundi, Ecuador, India and Rwanda. The exchange notes that the amendments also eliminate the distinctions between the different kinds of Colombian coffee currently in effect.

The current "C" contract, covering six trading months from May 1977 to May 1978 includes only coffee from Mexico, El Salvador, Guatemala, Costa Rica, Nicaragua, Honduras and various growths from Colombia, the exchange noted.

U.S. April Coffee Imports

Washington, May 27 - U.S. imports of crude and soluble coffees fell in April while roasted coffee imports increased.

Census bureau statistics showed April imports as follows, with comparisons in lbs. --

	<u>Crude</u>	<u>Roasted</u>
Apr. 77	241,289,050	9,197,543
Mar. 77	243,279,182	6,987,499
Apr. 76	216,446,405	3,015,721
Jan.-Apr. 77	1,074,098,035	25,856,035
Jan.-Apr. 76	972,957,434	11,482,300

Soluble Coffee Imports, in lbs.

	<u>U.S. Total</u>	<u>From Brazil</u>
Apr. 77	6,378,589	5,189,515
Mar. 77	9,307,679	6,363,396
Apr. 76	6,379,135	3,950,128
Jan.-Apr. 77	27,607,352	21,922,221
Jan.-Apr. 76	24,325,501	17,540,766

