MARKET BRIEFING · ARABICA · 2026

Arabica Volatility in 2026

Why the C market is whipsawing, and what governs the next move

Reporting date	Benchmark	Scope	Sources
25 July 2026	ICE arabica (KC), New York	Arabica only. Robusta appears solely as contrast	14 public sources, page 5

THE CENTRAL FINDING

Arabica has not trended in 2026. It has oscillated across a range of 188 US cents per pound, roughly 77% of its own low, and it has done so in both directions within a matter of weeks.

The volatility has two distinct causes that are usually conflated. The first is fundamental: a record Brazilian crop arriving late, into thin inventories. The second is mechanical: ICE raised margin requirements on coffee futures, liquidity contracted, funds closed positions, and the resulting illiquidity amplifies every move into a one-way run. Treating a 16% session as pure weather news misreads the market.

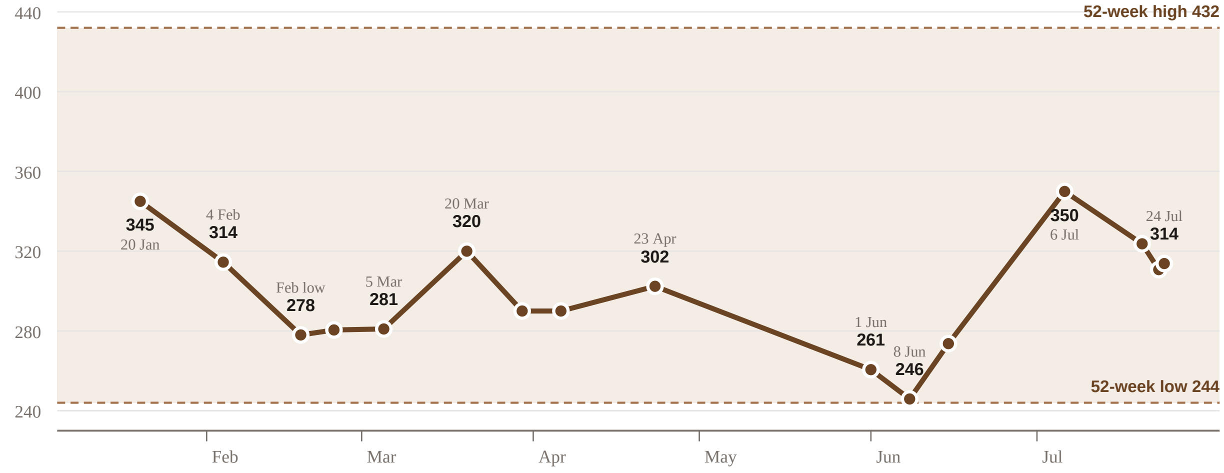
KC SEP 26, 24 JUL CLOSE	52-WEEK RANGE	LARGEST SESSION, 6 JUL	BRAZIL 2026/27 ARABICA
313.80	**244 to 432**	**+16.2%**	**44.1m**
US cents/lb, up 4.40 (1.42%)	US cents/lb, a 188-cent spread	Biggest one-day rise this century	60-kg bags, CONAB estimate

1. The 2026 path, priced in arabica

The chart below plots individually sourced KC settlements rather than a smoothed monthly average. The sawtooth is the point: arabica made four distinct reversals of 30 cents or more in seven months.

ICE arabica (KC) nearest futures, dated settlements 2026 (US cents/lb)

Shaded band: 52-week trading range. Points are individually sourced settlements, not a continuous series.



Date	KC level	What happened
20 Jan	Below 345	Lowest since 19 December 2025. Brazil 2026/27 estimates broadly unchanged at 70 to 80 million bags, weather favourable, and the crop falling inside a positive biennial cycle
4 Feb	314.50	Lowest since August 2025. Down 12.31% over four weeks and 21.21% over twelve months
Mid Feb	278.00	A 15-month low. Record Brazilian harvest forecasts plus a stronger US dollar

Date	KC level	What happened
20 Mar	Around 320	Highest since early February. Cooxupé guided its own 2026 exports down 10% to about 4.4 million bags, and growers withheld sales
23 Apr	302.40	Up 4.64% in the session on spot scarcity and rising freight, with Cape of Good Hope rerouting adding weeks of transit
1 Jun	260.60	Down 1.9%, the lowest since November 2024. Rain eased and harvesting was expected to resume in Minas Gerais. Localised hail damage confirmed in some Minas municipalities
8 Jun	245.90	Sixth consecutive losing session; a 20.5-month nearest-futures low. This is the floor of the current range
6 Jul	349.95	Up 48.75 cents, a 16.2% single-session gain and a 5.75-month high, on harvest delay and weather risk
24 Jul	313.80	Up 4.40 (1.42%) after a sharp Thursday sell-off and a new 2.5-week low intraday, recovered on pre-weekend short covering

Contract note: values to April reference the then-nearest contract; June and July values reference July and September 2026. Roll effects account for a small part of the differences between adjacent points.

2. Anatomy of the volatility

Volatility of this order is not explained by fundamentals alone. Three layers are operating simultaneously, and they compound.

2.1 Layer one: market microstructure

ICE recently raised margin requirements for coffee futures. Higher margin raises the cost of carrying a position, so commodity funds reduced or closed exposure and liquidity dried up. In a thin book, a given order size moves price much further than it would in a liquid one, which produces excessive one-way moves. Since the 6 July high, arabica has whipsawed in a wide range below it under exactly these conditions. This is the most underappreciated driver in the market right now, and it means price moves currently carry less information about supply and demand than they normally would.

2.2 Layer two: a record crop that has not arrived yet

Brazilian arabica is in a positive biennial year after five consecutive seasons of adverse climate. The recovery is genuine: the 2025/26 arabica crop had fallen 13.6% year-on-year to around 38.1 million bags, so the rebound base is low. Estimates for 2026/27 remain unusually divergent, and each revision repriced the market.

Forecaster	Brazil 2026/27	Detail
CONAB	66.2 million bags total	Of which 44.1 million bags arabica. The conservative anchor
StoneX	75.3 million bags total	Raised from 70.7 million in November, a 20.8% annual rise
Sucafina	75.4 million bags total	Record projection
Eisa	75.8 million bags total	Brokerage estimate
Marex	75.9 million bags total	A 15.5% year-on-year increase

- StoneX projects the **2026 global surplus widening to about 10 million bags** from 1.8 million in 2025, the largest in six years.
- Global stocks are expected to rebuild from roughly **38 million to above 48 million bags**.
- **Harvest progress is the constraint.** Brazil was 64% complete as of 15 July, against 77% a year earlier and a 70% five-year average. Heavy June and early-July rain slowed picking and raised questions about bean quality.
- **Arabica-specific export weakness persists.** Global arabica shipments fell 9.3% year-on-year in May to 6.46 million bags, a thirteenth consecutive month of decline, while robusta rose 4.8%. Brazil's January to May exports

were down 19.9% at about 14.5 million bags, though Cecafé reported June green exports up 14.4% to 2.64 million bags as the new crop began to flow.

2.3 Layer three: weather risk with a confirmed trigger

El Niño is no longer a forecast. The Japan Meteorological Agency confirmed its formation across the equatorial Pacific on 10 June, and NOAA estimates a 67% probability of a Super El Niño this year, potentially the strongest on record. The specific arabica concern is timing: El Niño may delay Brazilian rains in September and October, which is precisely when arabica trees flower. Weak flowering does not affect the crop being harvested now, it affects the following one. Meanwhile Minas Gerais has flipped from too wet to too dry, receiving 0.2 mm of rain in the week to 19 July, about 20% of the historical average.

> **WHY ARABICA AND ROBUSTA HAVE DECOUPLED**
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> The two markets are not moving on the same information, which is why a single coffee price is misleading. Vietnamese robusta output is projected up 6% to a four-year high of about 29.4 million bags, and Vietnam's January to June exports rose 7.3%. Brazilian conilon has been setting records of its own, having risen 7.3% to 24.7 million bags in 2025/26 while arabica fell 13.6%.
>
> Robusta is therefore comfortably supplied while arabica remains structurally tight, and arabica-only inventories are the binding constraint. For anyone whose exposure is arabica, robusta prints are context, not signal.

3. Outlook: what governs the next move

The base case is continued range trading with a high floor, not a trend. Both sides of the argument are supported by current data, and illiquidity means whichever side receives fresh news will overshoot.

TOWARD THE LOWER END

Record Brazilian crop physically arriving as the delayed harvest completes.

Surplus near 10 million bags; the largest in six years.

Certified arabica stocks recovering from their lows.

A large unsold 2026/27 Brazilian crop still to be marketed; forward sales ran near 8% of potential against a 17% historical average.

June exports already accelerating, up 14.4% year-on-year.

TOWARD THE UPPER END

Brazilian frost window, open now through roughly end August.

Confirmed El Niño with a 67% Super El Niño probability, threatening the September and October flowering.

Minas Gerais currently at 20% of average rainfall.

Bean quality losses from June rain still being assessed.

Arabica stocks below historical norms; thirteen months of declining arabica exports.

Illiquid futures book amplifying any bullish headline.

Reference levels and decision points

Level or window	Value	Significance for arabica
Range floor	244 to 246	The 8 June low. Held once. A break below would signal the market accepting the surplus thesis in full
Current	Around 314	Roughly 29% above the floor and 27% below the 52-week high; near the mid-point of the range
First resistance	324 to 350	The July whipsaw zone, capped by the 6 July high of 349.95

Level or window	Value	Significance for arabica
Range ceiling	432	The 52-week high. Only a genuine supply shock, most plausibly frost, reopens this level
Now to end Aug	Frost season	The single largest upside risk. Frost in Minas Gerais or São Paulo damages trees, not just one crop, and would reprice the curve within days
Aug to Sep	Harvest completion	Confirms or refutes the record-crop thesis. Volume and cup quality both matter after the rain damage
Sep to Feb 2027	Flowering and rainfall	Sets the 2027/28 crop, which some project above 80 million bags. This is where El Niño would actually bite
Ongoing	ICE margin and open interest	If margin requirements ease and liquidity returns, volatility should compress even with unchanged fundamentals

What this means in practice

- **Volatility is the exposure, not the level.** A 188-cent range means an unhedged fixed-price commitment can move from profitable to loss-making without any change in the underlying business. Positions taken in early June looked very different by 6 July.
- **Illiquidity cuts both ways and raises execution risk.** Thin books widen spreads and worsen fills, so the price on the screen is less reliable as an execution reference than usual. Sizing and timing matter more than they did twelve months ago.
- **The floor has reset upward.** Even at the 8 June low of 245.90, arabica sat above its five-year average. Any plan built on a return to pre-2024 levels is working from an obsolete assumption.
- **Producer economics diverge from the screen.** Brazilian arabica producer prices in June were down 24% to 34% year-on-year: 1,520 reais per 60-kg bag in Patrocínio (down 28.5%), 1,470 in Guaxupé (down 30.0%), 1,460 in Franca (down 33.6%). Independent analysis notes farmgate prices rise more slowly than retail and fall more sharply on the turn, so producers absorb the volatility that traders and roasters are better placed to manage. Note also that the real appreciated 7.2% year-on-year to around 5.10, compressing local currency receipts further and discouraging selling.
- **Specialty differentials behave differently.** Relationship and differential-based contracts insulate specialty buyers from part of the swing, but the elevated floor lifts every cost base. Demand for traceable arabica continues to outgrow supply of it, so the premium over commercial grades is widening rather than narrowing.

> **BOTTOM LINE**
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> Arabica is trading a wide range between roughly 245 and 350, with the 52-week extremes at 244 and 432. Fundamentals argue for gradual easing as the record Brazilian crop completes and arrives. Illiquidity and an open weather window argue that the path there will be violent rather than smooth.
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> The frost season over the coming weeks is the most consequential near-term variable, and El Niño's effect on September and October flowering is the most consequential medium-term one. Absent both, the balance points lower. With either, the upper end of the range returns quickly.

References

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https://perfectdailygrind.com/2026/02/will-2026-be-different-coffee-industry-challenges/

Notes on interpretation

- **This briefing uses arabica futures, not a composite index.** Composite indices such as the ICO indicator blend arabica with robusta, which trades far lower, so a composite understates the arabica level and its monthly averaging conceals exactly the volatility that matters here.
- **Crop estimates are contested.** The spread between CONAB's 66.2 million bags and private estimates near 76 million is wide by historical standards. Treat any single figure as one scenario.

- **Percentage changes require a stated base.** Arabica is simultaneously down sharply year-on-year and up sharply from its June low. Both are accurate and describe different things.
- **Illiquidity degrades price as information.** While margin requirements suppress participation, individual settlements carry less signal about supply and demand than they normally would.