



**WEEKLY MARKET REVIEW APRIL 09 - 15, 2010**

April 16, 2010

**‘GROUNDED**

**1. GENERAL**

- the brazilian coffee volcano is rumbling and the new york market has been grounded in response. london, it seems, remains outside of the no-fly zone.
- centrals supplies at origin are now all but sold out. those in the unfortunate position of needing supply must now attempt to prise stock away from a reluctant trade.
- brazil activity (the c-ash market) remains subdued, as buyers and sellers of new crop coffees fail to find common ground.
- the details of the vietnamese “retention” scheme continue to unfold, and continue to underwhelm the market. there may be help for a few struggling shippers, but in general not much meat on this bone.
- we estimate spec/fund position on ice at 4,000 lots long and index funds 57,500 lots long. on liffe we estimate funds 16,000 lots short. ice certified stocks at 2.44mio bags, liffe certified stocks at 4.65mio bags.

**2. PRICE COMPARISON** (all in cts/lb)

change vs

	<u>15.4.2010</u>	<u>08.4.2010</u>
ice may 10	131.75	- 2.95
liffe may 10	61.14	0.45
arbitrage ice may 10/liffe may 10	70.61	- 3.40

comments basis ice may10 at 131.75 and liffe may10 at 1350

ice: sixth time out of the last eight sessions that the market made new lows. funds/specs continue pressuring market lower feeding roasters’ appetite. majority of daily volume coming out from may/jul spread with players rushing to square may position as delivery period starts next week. bears have control for the moment and will try to force a break of 130.00 level. if it breaks through the next challenge is the bottom of the range (128.25).

support: 130.05, 128.25, 124.75 resistance: 134.20, 137.35, 139.85, 141.00

liffe: market is holding well compared to ‘c’, as a result arbitrage keeps narrowing. technically not much changed since last week. it stayed range bound consolidating the gains. as long as the market remains within current range (1325 – 1389) spec involvement will be limited.

support: 1325, 1287, 1255, 1212 resistance: 1374, 1389, 1416, 1448

**3. BRAZIL**

- local market: practically came to a standstill with lower markets and lower usd vs real.
- export market: there was some nearby demand for good cup coffees that traded some 10 c/lb below replacement, but overall activity was extremely slow as buyers and sellers ideas are generally still far apart.
- bmf may 10: \$ 165.50 (down 1.90)
- arbitrage bmf/ice may/jly: -8.23 (1.76 firmer)
- exchange rate: 1.7500



#### **4. COLOMBIA**

- local market: no significant increase in internal flow yet, mitaca is still 2 weeks away. during the last couple of weeks the weather has turned wetter which is favorable for both a more uniform maturation of the fly crop and a good fixing of the main crop flowerings.
- export market: rather quiet. offering differentials softened again a bit due to sluggish demand.
- exchange rate: another volatile week. high 1958, low 1913, close 1938.

#### **5. MEXICO/CENTRALAMERICA**

- mexico: local trade focused now on unwashed and robusta, the only coffee still available. traders holding longs on last boxes of hg's had good demand this week. guatemala: some farmers and intermediaries are still withholding parchment in their warehouses, expecting prices to improve again. sporadic roaster demand for shipments second half year but buying decisions are postponed.
- honduras: some last origin offers appear at slightly lower diffs. brisk interest for spot positions.
- el salvador: no news from origin. good demand for trade long positions.
- costa rica: a quiet week with little activity.
- peru: internal market prices remain strong while coffee flow is still not good. rains in coffee regions had been reported as well as lack of pickers.

#### **6. AFRICA/PNG**

- kenya: we reported last week that the average price had reached a new season high, well this week has topped the 400 usd/50kg mark. the auction was a mixed bag with the largest offering of unwashed coffees so far this season. the coming main crop 2010/11 has already been negatively affected by the excessive rains of the last 6 months - following on from the drought of first half 2009, the last 6 months can be described as a weak 'la nina' rainfall pattern, with excessive rains during dec / jan / feb - a period which is normally very dry and hot. as a result, the stress period and flowering has been affected and the coming main crop to be harvested last quarter 2010 - for auctions starting dec 2010 - will be reduced in size from its potential. it is too early time being to make any volume predictions.
- tanzania: quiet. good rains favouring development of new crop which expected to be an improvement on the last miserable one. harvest commencing in may, first shipments expected for September.
- ethiopia: good activity in sundried coffees continues while demand for the washed qualities has cooled. timely and good rainfall in most parts of the country
- uganda: some drugar business, keen interest for under-grades and ongoing bits and pieces of washeds but otherwise rather quiet.
- png: the coffee flow has picked up after a slow start. weather still hampering logistics. good demand for june onwards shipments.

#### **7. ROBUSTAS**

- vietnam: farmers continue to sell at a steady pace and differentials are slightly firmer as the dong rebounds to below 19,000. industry appears to be more relaxed having covered most nearby commitments. april exports are on target for 105-110,000 mts. weather remains hot, dry although some short rains are expected soon.
- indonesia: asalan arrivals are increasing slowly but steadily. some freak weather in the lampung coffee belt with thunderstorms and downpours, unusual for this time of the year. due to the strong rupiah the internal prices still remain firm.



- uganda: extremely quiet. uganda now officially in the rainy season and there is plenty of it. expect to see the robusta flow start in earnest towards mid may. the shilling is stable at 2070. logistics remain good.
- conilon: local roasters have backed away betting on better diffs to come. some new export business has materialized. still at plus differentials, but good to see some business being done.

**8. ORIGIN DIFFERENTIALS FOR MAY/JUNE SHIPMENT CTS/LB FOB**

	this week			last week		
brazil swedish	c	-	17	c	-	17
colombia excelso	c	+	53	c	+	55
honduras hg	c	+	25	c	+	25
kenya ab faq	c	+	200	c	+	190
vietnam gr 2	liffe		level	liffe		level

regards  
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