



**WEEKLY MARKET REVIEW APRIL 01 - 07, 2011**

April 08, 2011

**“UN-BEAR-ABLE”**

**1. GENERAL**

- an 8c recovery on the week, including an 18c rally from monday’s low’. the bears are back in the woods, doing what bears do best.
- dedicated chartists are suddenly strangely quiet about “head and shoulder” formations.
- currencies continued to cause concern, with the dollar weak against both the euro and the real.
- centrals diffs showed signs of tightness, although it remains to be seen if the rally of the last couple of days will put the sellers in a more receptive mood.
- robusta diffs continued firm. stocks are in strong hands and farmers in no hurry to sell remaining supplies.
- certified stocks of robusta are now three times higher than certified arabica stocks. no wonder the arb trades over 160c...
- we estimate spec/fund position on ice long 16,000 lots and index funds 41,500 lots long. on liffe we estimate funds 32,000 lots long. ice certified stocks stand at 1.57 mio bags, liffe certified stocks at 4.67 mio bags.

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

	<u>07.04.2011</u>	change vs <u>31.03.2011</u>
ice may 11	272.80	8.65
liffe may 11	113.22	-2.59
arbitrage ice may 11/liffe may 11	159.58	11.24

comments basis ice may 11 at 273.80 and liffe may 11 at 2485

ice: what a difficult week for bulls and bears. with such a volatile market it is not a surprise to hear less traders are involved with the daily activity. result is even less volume trading and more intra-day volatility. took 6 sessions to bring prices down and one day was enough to erase it. tuesday’s strong action proved to be a rush to cover shorts placed recently. now that the downside was rejected everybody starts to worry about the upside with 300 level as a target.

support: 264.25, 255.65, 248.70 resistance: 275.85, 281.65, 290.00, 296.65.

liffe: people thought market was going back to normality with may/jul weakening but action this week proved volatility is not over. may/jul traded this week between +13 and +100. funds rolling longs pressure a bit the structure but when selling stops it goes up easily. options attracted a lot of attention this week, as trading outright is proving to be very difficult nowadays. certified stocks continue increasing showing there is no supply concern short-term.

support: 2463, 2400, 2309 resistance: 2514, 2554, 2622, 2672, 2793.



### 3. BRAZIL

- local market: the week has been relatively slow. producers showed little volume on offer, especially during the early week's price decline. the revived nyc rally increased activity, with few more bidders showing up and producers achieving pre-decline price levels. replacement differentials remained steady and exporters are realizing hefty losses vs levels sold end of 2010. march11 exports finished at 2.693 mio bags, a little higher than march10. 12 running months increased to 33.81 mio and the usd income is at a record 6.37 bi usd.
- export activity: the nibbling at prices for new crop continues, as nearby shipments don't attract much attention. price ideas are still a bit apart and consequently very little business taking place.
- stats: total exports march 2.7 mio bags this is in line with 2009 and 2010. jan – mar so far 8.2 mio bags versus 7.4 same period last year.
- bmf: u 340.90 (+9.00)
- arbitrage bmf/ice: u/u – 21.60 (-1.16)
- exchange rate: 1.585 (reval by 2.8%)

### 4. COLOMBIA/LATIN AMERICAN MILDS

- colombia: the smallish quantities available in the internal market found ready takers and led to a further increase of prices. at the same time, also the outside demand picked up again which was reflected in higher origin offers. harvesting of the mitaca is still 3-4 weeks away.
- mexico: lack of interest from the industry for this origin keeps the activity rather quiet. internal market working on getting the last parcels available.
- guatemala: flowering already took place in about 2/3 of the growing regions, the higher areas need another 2-3 weeks. excellent demand for the entire quality range, diffs a touch firmer.
- honduras: internal market at standstill. sporadic demand for top qualities spot europe.
- el salvador: little activity has been reported from origin. industry picking through spot lots.
- costa rica: a few last current crop lots appear in the internal market but generally another quiet week. outside demand was also subdued.
- peru: eyes on presidential election taking place this sunday, a weak flow of coffee is expected. some rains in central and south regions delaying the harvest. first arrivals in the north give good cupping results. demand seen for the whole quality range.

### 5. AFRICA/PNG

- kenya: some 15.000 bags auctioned this week, 50% out of the miscellaneous catalogue, prices generally steady. next auction scheduled for april19th, thereafter a break until early crop appears in july.
- ethiopia: very active week. industry concentrating on sundried qualities which offer excellent value for money. spots enjoy ongoing demand.
- uganda: bargains of both washed&sundried attract industry's attention.
- png: good flows of cherry, parchment and green continue. there is a noticeable poorer recovery/milling rate in new crop outturns and therefore a remarkable increase in triage/offgrades. brisk biz to european industry, diffs softer. exports for march totalled meagre 35.000 bags compared to 61.000 bags exported in march 2010.



**6. ROBUSTAS**

- vietnam: farmer stocks remain in 20-30% range, and are well sought after by shorts keeping differentials firm. shipments to liffe continue, although not as much as expected with the decent sized hcm stocks already allocated for industry. weather has warmed up – more typical for the time of year. steady demand seen for both immediate and forward positions although the higher differentials are prompting buyers to delay purchase decisions.
- indonesia: is the main crop over? the flow of asalan slowed this week, declining to 3200 – 3500 mt range. (last week over 4500 mt) most of the harvest from the low-land coffee areas has been completed and is expected to tail off in may. some showers reported across main coffee growing areas. the internal market is tightening and cost price for ek-1 gr.4 80 def is getting expensive. local roasters are paying a better price in order to secure coffee .
- uganda: very little coffee around, asking prices don't meet with buyer ideas. small parcels of faq come to market and are quickly absorbed. the shilling has adjusted to 2350 area versus the dollar. business is at a bit of a standstill pending better flows from the south and western region where average volumes in aggregate are foreseen, march total exports were 230k bags.

**7. ORIGIN DIFFERENTIALS FOR MAY/JNE SHIPMENT CTS/LB FOB**

	this week			last week		
brazil swedish	c	-	25	c	-	25
colombia excelso	c	+	25	c	+	23
honduras hg	c	+	4	c	+	3
kenya ab faq	c	+	140	c	+	145
vietnam gr 2	liffe	-	40	liffe	-	60

regards  
VOLCAFE LTD