



WEEKLY MARKET REVIEW FEBRUARY 06 - 12, 2009

February 13, 2009

'ICE 'C' SLIDE'

1. GENERAL

- ice and liffe markets fell through support levels with significant volume this week, accompanied by a sharp fall in implied volatility.
- continued good rainfall in brazil is positive for the new crop development. new crop offers are a touch firmer. terminal price reduction meant internal market seized up.
- in the colombian internal market, the losses in the 'c' were partly compensated by a stronger dollar. export offers still of a wary nature.
- vietnam internal market is very quiet – the taps have once again been turned off. indonesian new crop looks good; some more sunshine is needed for bean development, but with continued la nina conditions, a rainy couple of months to come look likely. current crop is still flowing in sumatra, but fob levels firm. new crop offers are not aggressive. total robusta exports so far this crop year are 43% above last year's in equivalent period.
- nybot certified stocks as of feb 12th: 4.215 mn bags (down 12,000 on the week).
- liffe certified stocks as of jan 26th: 3.317 mn bags (up 491,000 on the fortnight)
- we estimate spec/fund position on ice net level (plus index funds 33,500 lots net long), and on liffe also net level.

2. PRICE COMPARISON

(all in cts/lb)		change vs
	<u>12.02.2009</u>	<u>05.02.2009</u>
ice mar09	112.15	-7.05
liffe mar09	71.44	-3.36
arbitrage ice mar09/ liffe mar09	40.71	-3.69

comments basis ice mar 09 at 112.50, liffe mar 09 at 1580.

failure of any follow through buying at the top end of the range at 123.50 has seen the market fall significantly on good volume through lower support levels. long liquidation and fund selling were evident in the markets fall. h/k has traded in good volume into -1.95, and with the majority of the rolling done, it has now traded out to -2.40.

support:111.40, 108,25, 106,05, 102,15 resistance: 116,45, 117,50, 119,50, 123,40

ice. any attempt at a rally has been thwarted by the resting origin orders above in march, with good underlying interest from trade & industry this has cushioned the fall in london compared to ny. volumes have remained relatively light. arb has narrowed from 47.50 into 42 cts.

support: 1562, 1542, 1508. resistance: 1619, 1676, 1745, 1776.

3. BRAZIL

- local market: business reduced further as prices kept falling and producers were reluctant to follow scale down.
- export market: exporters' offer differentials a touch firmer, mainly for new crop. the current crop differentials remain rather attractive.



- sao paulo stock exchange lost ground together with international markets but still some 5 % up vs year end.
- bmf mch09: \$ 122.60 (-8.90)
- arbitrage bmf/'c' mch/may: 21.80 (-0.20)
- exchange rate: 2.2850 (unchanged)

4. COLOMBIA

- local market: a rather quiet week given the lower 'ice'. the 'c' losses have been partially absorbed by the ever stronger dollar. internal differentials strengthened by a couple of cents.
- export market: remains rather sidelined. too many insecurities need to be clarified. nobody knows how well the industry is covered or how well can colombian coffee be replaced nor how small the mitaca will be.
- the focus remains on the new crop flowering developments, very much conditioned by the rainfall pattern. it is quite sunny and dry in the northern regions; still rather rainy in the eje cafetero and the southern regions. producers start to worry, but there is still time for a sunny period to secure a good flowering for the next main crop.
- exchange rate: another strong week for the dollar. high: 2549, low 2439 and close 2527.

5. LATIN AMERICAN MILDS

- mexico: the internal coffee flow remains disappointing. this causes growing concern amongst both, exporters and industry. the domestic roasters are in urgent need of naturals whereas the u.s.-industry shows ongoing interest for washed coffees.
- guatemala: exports until mid feb reached 630.000 bags only, i.e. 10% lower compared to crop 07/08. in spite of this week's drop at ice, the internal prices remained firm. exporters are still hesitating to book fresh biz.
- el salvador: exporters are offering more ammunition but selling ideas do not trigger much biz.
- honduras: smuggling to guatemala just doesn't stop which makes life for the local exporters increasingly difficult.
- costa rica: about 90% of the crop is picked and delivered to the mills. outside demand for shb's is stunning and cannot be satisfied.
- peru: rains are delaying the ripening process of the new crop. first pickings are expected at the very end of this month. little buying interest at the moment.

6. AFRICA/PNG

- kenya: all grades found excellent support at lasting firm prices.
- ethiopia: despite the dropping ice reasonable volumes registered at the national bank. arrivals for the sundried qualities at the auction are steadily increasing.
- burundi: there was no auction this week due to the EAFCA meeting in kigali. auctions re-start next week.
- tanzania: fair demand in all qualities from all regions at firm diffs.
- uganda: there is good interest for washed coffees from a variety of directions. differentials tend to firm.
- png: cherry volumes have continued to arrive at a steady rate in the western highlands province. wet weather has slowed parchment arrivals in all provinces.



7. ROBUSTAS

- a fairly active week comes to an end on a friday 13th. industry had to fill some holes for nearby positions and both european and u.s. industry are trying hard to extend their physical coverage well into second half of 2009.
- vietnam: cool weather with even some drizzle seen during the current dry season. farmer sales have slowed down to a low gear, waiting for rallies and avoiding the dips. quality concerns have been raised as raw material affected by the november rains starts to arrive at factory gates in larger quantities. differentials for main grades are slightly firmer.
- indonesia: the flow of asalan was slightly higher than last week. most exporters covering their shorts and keeping a lid on the market. internal prices remain on a relatively high level. industry is more and more interested to increase their new crop coverage but exporters are not in a rush to sell aggressively right now. good news from the weather front this week. some light showers reported across the main coffee zones but mostly sunny weather over the past few days. these weather conditions are favourable for the forthcoming harvesting period. mixed sentiment lingers in the stock market, forcing the rupiah to hang on 11,700-11,900 range against the dollar. It is expected that the rupiah may test the psychological level of 12,000 on several occasions.
- uganda: the faq flow has eased back a little and came to a bit of halt altogether with the easier liffe. total exports for january came in at 332k bags bringing the total for the coffee year to just over 1.0m bags.
- brazil: not much business materialized in the domestic market this week. local industry is taking a break and don't pay up. same pattern in the export market. new crop differentials offered at liffe level for may/june shipment. interest especially from loyal conillon buyers like the u.s. industry for may onward shipment has been detected.

8. ORIGIN DIFFERENTIALS FOR MAR/APR SHIPMENT CTS/LB FOB

	this week			last week		
brazil swedish crop 08/09	c	-	20	c	-	21
colombia excelso	c	+	23	c	+	23
costa rica hb crop 08/09	c	+	22	c	+	21
honduras hg crop 08/09	c	+	2	c	+	2
kenya ab faq	c	+	55	c	+	55
viet gr 2 (cif)	liffe	-	30	liffe	-	40

regards,
VOLCAFE LTD