# VOLCAFE LTD

**WEEKLY MARKET REVIEW FEBRUARY 13 - 19, 2009** February 20, 2009

**'STILL DRINKING COFFEE, BUT DIFFERENTLY'**

## 1. GENERAL

- a rather quiet week physically and terminal-wise, the drip-drip of negative consumption stories top of reading pile. the worst demand drops appear to be in robusta-heavy markets, while in the us, consumers are maintaining their taste for arabica, but consuming more at home.
- risk aversion is back on the cards, and the renewed flight to safety and ensuing stronger dollar/weaker origin currencies cancelled out some of the coffee market losses this week, but internal origin markets are generally not moving.
- continued heavy rains in colombia in most producing regions. we are entering the critical flowering period for main crop 09/10.
- plenty of rolling from march into may done by disappointed vietnam exporters. exports dec/jan/feb 08/09 from vietnam should be 25% more than those in same period 07/08.
- nybot certified stocks as of feb 12th: 4.186 mn bags (down 29,000 on the week).
- 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

| | 19.02.2009 | 12.02.2009 |
|---|---|---|
| ice may09 | 112.50 | -1.95 |
| liffe may09 | 71.94 | 0.04 |
| arbitrage ice may09/ liffe may09 | 40.56 | -1.99 |

comments basis ice may09 at 112.25, liffe may09 at 1580.
ice. driven down this week on currency movement. industry buying has been evident in the fall. origin selling seen in the latter part of the week. good spread activity which has been the majority of the volume with outright very quiet.
support: 111.05, 108.35, 105,00, 102.15 resistance: 113.50, 116.30, 119.10, 121.60
liffe. support from industry scale down and origin orders resting above has limited the volatility in robustas. a break of support at 1550 should see some accelerated downward movement.
support. 1572, 1565, 1542, 1508 resistance: 1614, 1655, 1690, 1716

## 3. BRAZIL

- local market: another slow week although local prices were held up to a point by renewed real weakness. shipment pace in february surpasses same time January and a good volume can be expected.
- export market: exporters asking prices firmed again by 1-2 c/lb and only little business reported as underlying bids unwilling to pay up yet.
- the real lost over 3 %, considered mostly due to external nervousness.
- bmf may09: $ 125.15
- arbitrage bmf/'c' may/sept: 20.29
- exchange rate: 2.3500 (devaluation 2.80 %)

### 4. COLOMBIA
- local market: no real coffee pressure as we are in between the crops but differentials gradually bouncing up as the market goes down.
- export market: increased interest for mitaca coffees appear. producers, exporters and trade remain extremely reluctant to offer.
- we are still in a critical period for the 09/10 main crop, waiting to see how the flowering will develop. quite heavy rainfalls this week in most regions preventing any sort of decent flowering yet.
- exchange rate: the dollar seems to be ready for a consolidation period. high: 2549, low 2498 and close 2554.

### 5. LATIN AMERICAN MILDS
- mexico: ongoing demand from the domestic industry for naturals and off-grades as well as from north america for prime washed coffees. diffs firming up further.
- guatemala: interior cherry and parchment prices continue very firm. only few intermediaries are willing to release smallish quantities. fairly good outside demand from the gourmet industry in north america and asia whereas european roasters remain sidelined.
- el salvador: quiet week. asking diffs remain high but little biz has been reported.
- honduras: internal market continues firm and exporters are reluctant to commit further biz.
- costa rica: strong demand for top qualities from several directions pushing diffs higher and higher.
- peru: ongoing rains in most production areas. scattered trade buying interest but difficult to make ends meet.

### 6. AFRICA/PNG
- kenya: despite massive weekly auction volumes around 30.000 bags, exporters fighting fiercely for all top qualities, diffs continue very firm. sporadic industry biz from nearby to mid year shipment positions.
- ethiopia: local activity mainly confined to sundried qualities past crop. marketing of new crop washed coffees going slow, addis exchange not attracting volume as anticipated, shipments of new crop sidamo/yirga likely to be delayed by 2-3 months.
- burundi: active industry interest in nearby positions, top grades fw snapped up as colombia/centrals stretcher.
- tanzania: massive auction volume of over 35.000 bags of all grades found ready takers. whilst quality of southern/kigoma coffees passed its best, northern grades continue to attract solid premiums.
- uganda: all grades/qualities are offered, industry more focused on price than quality.
- png: off-season and wet weather hampering all coffee activities. industry showing increased interest in better quality coffees, availability limiting volume, diffs firm. january shipments reached 50.000 bags, 20 pct below same period 08.

### 7. ROBUSTAS
- unabated robusta demand from north american industry for second half of the year, while european industry is laid back and does not show much interest in extending their physical coverage into late 2009.
- vietnam: the internal market detaches itself from liffe as farmers have no interest to sell at the bottom of the range while trade/exporters need to cover shorts, keeping differentials on a tighter footing with some industry support also. plenty of pending fixations rolled by producers into may as the market disappoints.

- indonesia: approximately 600-700 mt of fresh asalan has arrived in lampung this week. the majority of the volume absorbed by the exporters competing with the local industry which is trying to build stocks for the second quarter of this year. coffee belts received healthy showers and sunshine for the last five days. firmer fob differentials for nearby positions. with the huge export figure for current crop, exporters are afraid of lack of supply in march/april. industry is fishing for attractive new crop offers and good volumes have changed hands. the rupiah moved to a tight range around 12,000 per dollar. the action of selling dollars in the market from the central bank could yet not defend the rupiah.
- uganda: the internal market has slowed down considerably with relatively large tranches of coffee in the hands of middlemen processors who are little fazed by price development. the faq component has slowed down. external demand is building and diffs are firming. logistics to fob are much better.
- brazil: the volatile exchange rate allowed the local industry to cover part of nearby demand. no news on the export side. fob differentials for new crop still miles away from industries buying target.

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

| | this week | | | last week | | |
|---|---|---|---|---|---|---|
| brazil swedish crop 08/09 | c | - | 19 | c | - | 20 |
| colombia excelso | c | + | 26 | c | + | 23 |
| costa rica hb crop 08/09 | c | + | 24 | c | + | 22 |
| honduras hg crop 08/09 | c | + | 2 | c | + | 2 |
| kenya ab faq | c | + | 60 | c | + | 55 |
| viet gr 2 (cif) | liffe | - | 20 | liffe | - | 30 |

regards,
VOLCAFE LTD