



**WEEKLY MARKET REVIEW FEBRUARY 27 - MARCH 05, 2009**

March 06, 2009

**‘TUMBLING DOWN WITH GLOBAL STOCK MARKETS’**

**1. GENERAL**

- physically market was a mixed bag. with the collapse of future markets early in the week differentials for top centrals and colombia got prohibitive for new business, while east africans and summer crop origins were getting more into focus. increasing demand for spot robustas was noted as well as for old and decertified milds.
- in brazil february shipments hit new record of 2.528m bags shipped despite of carnival and a short month. for the last 12 months 30m bags of green equivalent were shipped from the largest coffee producer, another record!
- robusta: less activity in origins this week. producers in vietnam are holding back in expectation of a massive devaluation and indonesian exporters were a bit concerned about heavy rains in the producing areas.
- nybot certified stocks as of march 4: 4.158 m bags (down 19,000 on the week).
- we estimate spec/fund position on ice net 5,000-7,000 lots short and index funds 32,000 lots net long after having reduced some 500-1,000 lots on monday. at liffe estimate funds short 2,000 lots.

**2. PRICE COMPARISON**

(all in cts/lb)	<u>05.03.2009</u>	change vs <u>26.02.2009</u>
ice may09	108.70	-4.45
liffe may09	68.54	-2.76
arbitrage ice may09/ liffe may09	40.16	-1.69

comments basis ice may 09 at 108.70, liffe may 09 at 1511.

ice: a break of 110.60 brought market this week to the lowest level since december. as stock markets in united states touched lowest level in twelve years, coffee and other commodities were not spared with sellers coming from everywhere. after monday sell off it managed a recover but reaction was not very reliable. technical sellers will continue showing above as long as trend remains bearish. a close above 111.75 is necessary otherwise 105 will remain a target level.

support: 105,00, 102.15, 100.30 resistance: 109.65, 111.75, 114.95, 115.60.

liffe: new low for the contract traded this week. market remains under origin pressure leaving few room for recovery. arbitrage buyers are also keeping liffe under pressure. may/may traded this week between 38.00 and 40.50. with sell stops below watch out if breaks 1450.

support. 1488, 1450, 1400 resistance: 1549, 1595, 1614, 1690.

**3. BRAZIL**

- local market: traded volume remains smallish as prices in real/bag did not adjust despite the collapse of the markets. as a result replacement differentials firmed and are now offered at around -17.00 from ever more reluctant producers.
- export market: exporters increased somewhat asking prices but offers remain attractive compared to replacement levels. nevertheless, hardly any business has been reported.
- february shipment volume again impressive with 2.529 m bags of exported green.



- bmf may09: \$ 117.00 (-7.00)
- arbitrage bmf/'c' may/jly: 22.00 (-0.25)
- exchange rate: 2.3800 (devaluation 1.50%)

#### **4. COLOMBIA**

- local market: coffee flow remains reduced. the market drop produced another hike in differentials and trades now at +37.00.
- export market: every bag that comes on offer is immediately absorbed mainly by the us market.
- the weather is not giving much signs of sustainable improvements and winter is set to be very rainy.
- exchange rate: the dollar consolidates. high: 2605, low 2550 and close 2574.

#### **5. LATIN AMERICAN MILDS**

- mexico: increase of offers in the internal market hint at a good coverage of the exporters. quality remains lower compared to other years.
- guatemala: internal differentials remain unchanged very firm. most intermediaries are sitting on high priced coffees and are not willing to sell at current market levels. export market remains subdued with neglected interest from the us industry.
- el salvador: the bulk of exporters are out of the market. the limited offers that appear on the market are extremely firm.
- honduras: intermediaries and producers remain shocked after ice's drop and are not willing to release high priced inventories unless their asking level is paid. little physical flow reported. temperatures came down dramatically and rains returned to almost the whole territory, hampering harvest and ripening process.
- costa rica: outside demand is stunning and can not be satisfied. differentials pushing higher and higher.
- peru: exporters remain reluctant to sell before the arrival of the crop. some areas started with first picking.

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

- kenya: the uncertainty surrounding all markets currently is making buyers wary and as such a very erratic bidding was seen at this week's auction. ab grades continue at the top of the shopping list of all exporters at more or less unchanged differentials.
- ethiopia: only small volume sales registration both in washed and sun dried coffees reported. high asking prices by exporters are preventing buyers from concluding big volume business. in a move to speed up export sales, the government this week called a meeting of all coffee exporters and urged them to accelerate their sales activities.
- burundi: coffees offered at auction remained mainly unsold due to unrealistic high reserve prices. only 20% of the offered coffees found a new home.
- tanzania: large quantities found their way to this week's auction. quality is getting poor as the season nears its end. nonetheless, the reserve prices remain irreproducible high.
- uganda: interest for better looking and better cupping washeds result in some decent deals. the naturals remain attractive as long as they are cheap.
- png: intense wet weather continues causing landslides and results in the closure of the highland highway between hagen and goroka. the slow flow of coffee should not be adversely affected by this. decent interest for 2<sup>nd</sup> half 2009 shipments reported at improved differentials



**7. ROBUSTAS**

- as liffe has been losing territory and drifted lower during this weeks trading sessions producers slam on the brake and stopped feeding the exporters with fresh ammunition. consequently with a lack of supply from origins differentials are firming and industry either have to pay up to satisfy their nearby extra demand or trying to find suitable alternatives in the spot market.
- vietnam: not much coffee moving internally as farmers are unimpressed with current prices and have access to loans at subsidized interest rates. shippers trying to cover shorts find differentials rallying against them. further demand is seen from trade and industry with lower price ideas.
- indonesia: exporters were less enthusiastic in buying, assuming that prices may fall in the next few weeks when the new crop kicks in and the physical supply will increase. most active buyers in the domestic market was the local industry taking a chance to cover their nearby demand and building a small bufferstock. strong wind and heavy rains hit the coffee growing regions for the last three days. there are concerns in the market that the rain might cause some damage reduced the selling interest of exporters. differentials for the very few offers in the fob market does not attract the industry and practically no business took place this week.
- uganda: total exports for february were recorded at 325k bags suggesting that total exports for the coffee year should reach over 3.2m bags and early crop estimates for the south and western crops look positive. the flow of robustas is low but ongoing. logistics to fob mombasa remain rather good. external demand is muted but interest is at an elevated level prompted presumably by expensive values shown from alternative origins.
- brazil: local industry is covering only hand to mouth to bridge the gap between current and new crop. still the same picture on the export side. buyers are scared off by the unattractive fob differentials which are offered at premiums over liffe for new crop coffees

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

	this week			last week		
brazil swedish crop 08/09	c	-	20	c	-	19
colombia excelso	c	+	37	c	+	30
costa rica hb crop 08/09	c	+	26	c	+	26
honduras hg crop 08/09	c	+	2	c	+	2
kenya ab faq	c	+	57	c	+	58
viet gr 2 (cif)	liffe	-	10	liffe	-	20

regards,  
VOLCAFE LTD