



WEEKLY MARKET REVIEW MARCH 13 – 19, 2009

March 20, 2009

‘BULL BAIT’

1. GENERAL

- driven by the weak dollar and strong equity markets, coffee among other commodities was performing very well this week.
- cam crops are coming to an end and the rally in ny did help intermediaries to price more attractively, export diff's unchanged very firm and in some origins demand can not be satisfied.
- no change in colombia, prices remain exorbitant with ever rising differentials.
- brazil diff's a touch softer, the ny performance was largely compensated by the strong real.
- fair activity in east africa, mainly unwashed ethiopians traded in large size.
- vietnam farmers continue to release reluctantly to exporters while in indonesia activity was improving with more liquidity in the market ahead of the new crop.
- nybot certified stocks as of march 11: 4.050m bags (down 10.000 on the week).
- we estimate spec/fund position on ice 2.000-4.000 lots net long and index funds 33.000 lots net long. at liffe estimate funds to be flat to slightly long.

2. PRICE COMPARISON

(all in cts/lb)

change vs

| | <u>19.03.2009</u> | <u>12.03.2009</u> |
|----------------------------------|-------------------|-------------------|
| ice may09 | 116.15 | 5.60 |
| liffe may09 | 70.99 | 1.59 |
| arbitrage ice may09/ liffe may09 | 45.16 | 4.01 |

comments basis ice may 09 at 116.15, liffe may 09 at 1561

ice: fund liquidation was seen through the old high of 112.95 with length being added over the week. origin selling was seen scale up during the rise. profit taking capping the market at the weeks high of 117.20 on good volume. a break above 117.20 will encourage additional buying. good volume trading in k/n spread which at one point traded into -1.80.

support: 114.00, 111.10, 108.60, 104.35 resistance: 117.20, 120.10, 124.25, 125.50.

liffe: has been dragged along by strength in ny. origin selling resting overhead has put the lid on any decent rally. arb has widened by circa 4 cts. structure in the nearby has weakened with the k/n spread trading into level.

support. 1548, 1514, 1488, 1425 resistance: 1588, 1614, 1690, 1739.

3. BRAZIL

- local market: volume traded finally improved after several dull weeks. the ice and bmf advance got to a good part compensated by a sharp fall of the usd vs the real.
- export market: given the higher ice market, exporters quickly lowered their asking diffs but found limited interest as most buyers seem covered for nearby shipments.
- shipment pace in march are bit lower than in previous month but commitments for april-june are again huge.



- bmf may 09: \$ 126.80 (+6.80)
- arbitrage bmf/'c' may/july: 22.20 (0.20 weaker)
- exchange rate: 2.2500 (revaluation 2.50%)

4. COLOMBIA

- local market: the coffee flow continues unchanged very slow and every bag offered is absorbed immediately. weather is inconsistent with patches of heavy rains this week. flowering is under way but quality varies greatly from one region to another. dry weather is still much needed to secure a good potential for the main crop.
- export market: the little coffee on offer fetches high prices, plus 45 fob has been traded this week.
- exchange rate: the dollar keeps on weakening to the cop at a frightening speed.
- high: 2410, low 2311 and close 2338.

5. LATIN AMERICAN MILDS

- mexico: availability of washed arabica coffee is coming to an end, unwashed arabica and robustas are still available in good volume. outside demand subdued.
- guatemala: some intermediaries started to sell part of their high priced coffees but most of them are still waiting for ice to get back to the 120's. ongoing roaster inquiries for nearby shb's but buyers are not willing to accept the high asking prices.
- el salvador: little coffee left, most of it is shg for the gourmet industry. exporters hope they can benefit from the tight milds situation and are offering their leftovers at very firm diffs.
- honduras: shippers show good volume at ever higher diffs. the trade was a ready taker at the beginning of the week but stopped when the diffs reached new highs.
- costa rica: the harvest is about over. roaster/trade demand persists as their needs cannot be filled.
- peru: rains are hitting the production areas causing landslides and damaging access roads to coffee regions. diffs are getting nominally stronger but little sales have been reported this week.

6. AFRICA/PNG

- kenya: steady to firm auction, more undergrades starting to creep into the catalogues indicating that deliveries and millings of first grade parchment coffees passed their peak. very dry weather past 3 months, growers concerned as there is a ban on pumping water from dams/rivers: no irrigation of early crop which is on the trees, result will be lower than expected yield and smaller bean size. mombasa port logistics abck to normal.
- ethiopia: very active week with heavy volume sales registration mainly of sundried qualities. total sales registration july 08/2008 to march 13/009 reported 83.000 tons whereof 22.000 tons washed, overall some 40% below same period last season.
- burundi: better cupping lots still finding a home, despite of advanced age and high reserve prices. harvesting of new crop just about to start, production outlook reported gloomy due to heavy off-cycle.
- tanzania: this week's auction enjoyed a sizeable amount of good quality coffee amongst various lots of questionable quality. diffs all over the board. next auction down to 10.000 bags arabica, very little decent coffee left. logistics appears to be improving, but generally most shipments going out 1-2 months later than originally contracted due to port congestion and erratic shipping schedules.



- uganda: better quality washed arabicas attracting decent interest and relatively firm diffs. total exports of washed so fare estimated at 150.000 bags.
- png: local conditions largely unchanged, continuing wet weather slowing off-season arrivals. highlands highway temporarily repaired allowing movement of some traffic to western highlands. many small feeder roads remain impassable. on the back of the general 'washed' shortage diffs firming up. increasing interest from asia/usa for 2nd half 09. exports for 07/09 coffee year to end february reached 380.000 bags compared to 410.000 bags same period last year.

7. ROBUSTAS

- a higher futures market brought some relieve to the tense robusta situation especially at origin. exporters took advantage of the recent up move and fixed their open contracts. the physical flow has improved and differentials in general soften a touch. nevertheless industry is taking a backseat and don't show too much interest this week.
- vietnam: farmers steadily drip feed coffee to exporter and trade shorts at unchanged differentials. some talk of delays and quality issues are hampering business. overall vietnam's economy is holding up better than its neighbours and gdp is expected to grow 2-4% in 2009.
- indonesia: encouraged by attractive local prices the flow of fresh asalan has improved significantly this week. farmers and speculators released their remaining stocks before the first new crop coffees are available to the market. dry conditions and sunshine were reported in the highlands as well as in the lowlands. the favourable weather will support the picking season and first arrivals are expected to gain pace early april. fob differentials tend south this week thanks to a more liquid local market.
- uganda: the internal market is fairly quiet and external demand remains patchy and selective. outlook for the upcoming south and western crops remains positive. the uganda shilling has weakened considerably this week trading out to 2068 versus the dollar. internal interest rates appear to be easing significantly.
- brazil: the attractive discounts for new crop deliveries force the local industry to cover only the minimum of their nearby requirements. although the export activity are still inexistent at present the gap between potential buyers and exporters price idea are moving closer.

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

| | this week | | | last week | | |
|---------------------------|-----------|---|----|-----------|---|----|
| brazil swedish crop 08/09 | c | - | 20 | c | - | 20 |
| colombia excelso | c | + | 45 | c | + | 42 |
| costa rica hb crop 08/09 | c | + | 30 | c | + | 28 |
| honduras hg crop 08/09 | c | + | 5 | c | + | 4 |
| kenya ab faq | c | + | 55 | c | + | 55 |
| viet gr 2 (cif) | liffe | - | 10 | liffe | - | 10 |

regards,
VOLCAFE LTD