



WEEKLY MARKET REVIEW MARCH 20 - 26, 2009

March 27, 2009

‘ranging’

1. GENERAL

- the market was still in a ranging pattern, favoring the upside part and mostly influenced by outside factors like equities and currencies, except for yesterday
- main issues this week and post nca were the impact the economy is having on consumption and the colombian mitaca crop situation. for sure at this stage is a drop in consumption in emerging markets while in high income countries there is a clear shift from out of home to at home coffee drinking.
- some activity in colombia was noted, fuelled by concerns over the mitaca crop. however, industries confine their buying to the absolute minimum for 100% colombia blends and are increasing efforts to replace or reduce colombia in their blends, the price difference to other milds is just too big.
- physically market was a mixed bag, very good activity took place in the colombian replacement segment while robusta trading ex origin was subdued.
- In brazil the weather situation has been perfect in recent months and still is in the coffee belt. the maturation process of the new crop is much advanced and the very first arrivals already appeared in the zona da mata. march shipments are expected to be of 2.5m bags.
- nybot certified stocks as of march 11: 4.012m bags (down 38,000 on the week).
- we estimate spec/fund position on ice 3,000-5,000 lots net long and index funds 32,000 lots net long. at liffe estimate funds to be flat to slightly long.

2. PRICE COMPARISON

(all in cts/lb)

	<u>26.03.2009</u>	change vs <u>19.03.2009</u>
ice may09	117.35	1.20
liffe may09	71.30	0.31
arbitrage ice may09/ liffe may09	46.05	0.89

comments basis ice may09 at 115.50, liffe may09 at 1560

ice<: weak dollar continue to provide good support for coffee and other commodities. some stops were triggered when it broke last weeks high (118.10) but there was no follow through and market moved back to the recent range. technical indicators looking slightly overbought for the moment. a down side correction is possible for the next days.

support: 114.00, 111.10, 108.60, 104.35 resistance: 119.20, 120.10, 124.25, 125.50

liffe: not much to say as market stayed between 50 dollars range this week. a gap between 1548 – 1550 is closed and thursday action failed to bring additional buyers. with no fresh news a range between 1514 – 1596 seems the best option for the next weeks.

support. 1514, 1488, 1425 resistance: 1596, 1614, 1690, 1739

3. BRAZIL

- local market: replacement differentials remain firm and producers continue reluctant to sell at current prices. exporter demand is quite good, so that most offers get absorbed quickly.
- export market: industry seems well covered for nearby positions and neglects attractive offers.



buying interest for second half 2009 is a bit better but low buying ideas did not lead to much biz this week.

- bmf may 09: \$ 128.70 (+1.90)
- arbitrage bmf/'c' may/july: 22.00 (0.20 firmer)
- exchange rate: 2.30 (unchanged)

4. COLOMBIA

- local market: the coffee flow remains subdued. differentials are firm despite the continued strength on ice and the peso devaluation this week. this all confirms the tightness of supplies. this week has been very rainy again and it looks like the winter is on.
- export market: excelso ugq was traded at plus 48 this week. roasters try to delay their needs hoping for the diffs to soften in the meantime.
- exchange rate: the peso/dollar did react well to the tight interest rate cuts.
high: 2456, low 2335 and close 2435.

5. LATIN AMERICAN MILDS

- mexico: internal availability of washed arabica coffee is dwindling fast whereas the outside demand for nearby shipments was picking up, mainly from north america and asia. selling ideas tend higher.
- guatemala: internal flow improved during the last few days. any bag offered was absorbed quickly by the exporters. ongoing roaster buying interest for nearby shb's but buyers still have a tough time to bite the bullet.
- el salvador: little biz has been reported. exporters are hesitating to offer the last available lots which are mainly better cupping shg's.
- honduras: the crop is coming to an end, the last lots of shg's are being harvested in the higher production areas. exporters did not show much ammunition this week.
- costa rica: a few last containers of shb coffee have been traded this week at very firm differentials.
- peru: 98.000 bags have been shipped during feb, i.e. 31% more than during feb 08. cumulative figures for jan/feb show an increase of 37%. rains continue hitting the production areas, coffee flow remains very poor. outside demand increased this week but exporters remain sidelined.

6. AFRICA/PNG

- kenya: auction diffs firm, qualities remain very good showing solid main crop characteristics. next week's auction listing 39'000 bags. most parts of the country remain hot and very dry. little fresh industry biz reported.
- ethiopia: in a surprise move this week the Ministry of agriculture suspended export license of top five coffee exporters alleging that they are involved in hoarding coffee. it is not known yet when their licenses will be reinstated. massive sales registrations of mainly sundried coffee reported.
- burundi: qualities and diffs all over the place. logistics improving.
- tanzania: little good qualities left, crop leftovers mostly disappointing in quality.
- uganda: ongoing good interest in all washed coffees. naturals finding ready takers.
- png: growing interest in all grades from all regions. low pre season availability and ongoing wet weather conditions do not allow exporters to commit large volume. exports oct/feb 09 reached 380'000 bags, whereof 40 pct shipped to germany, 27 pct australia/japan, 22 pct to the united states.



7. ROBUSTAS

- physical activity slows down substantially this week. some interest especially from the u.s. industry is noted for asian and brazil robustas for second half 2009 deliveries. however you get the feeling that the industry's robusta coverage is very comfortable.
- vietnam: the hot dry season is well under way. steady flows are seen from farmers at slightly weaker differentials due to the firmer liffe price and weaker dong. quality remains a bit of a mine field with plenty of grade 2, 8% in the market place. march exports are on target for approximately 125-135,000 mts.
- indonesia: the flow of fresh asalan has increased considerably this week. excellent volumes arrived mainly from the lowlands, while the flow from the highlands is not expected until mid of april. weather pattern continue to support the crop developments. sporadic interest from the industry for new crop positions while most exporters remain on the sideline. the rupiah is expected to trade within the range of 11,325 and 11,675.
- uganda: there is plenty of interest for both nearby & second half 09 shipments but little business concluded. the internal market remains very quiet ahead of the new crops. the uganda shilling, having broken 2000 to the dollar, has dipped a further 8% to 2170. transit to & shipments from mombasa remain orderly and rather quick with little or no congestion at the port.
- brazil: the local industry pauses and pick up only smallish volumes. more activities have been reported on the export side where the fob differentials further move south. one or the other is tempted to step in and cover part of their requirements.

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

	this week			last week		
brazil swedish crop 08/09	c	-	21	c	-	20
colombia excelso	c	+	47	c	+	45
costa rica hb crop 08/09	c	+	32	c	+	30
honduras hg crop 08/09	c	+	7	c	+	5
kenya ab faq	c	+	55	c	+	55
viet gr 2 (cif)	liffe	-	20	liffe	-	10

regards,
VOLCAFE LTD