



**WEEKLY MARKET REVIEW AUGUST 21 – 27, 2009**

August 28, 2009

**‘GENTLEMEN, START YOUR ENGINES’**

**1. GENERAL**

- coffee buyers arriving back at their desk in europe begin to ponder requirements for the coming months. some fill-in business reportedly concluded, as well as small clips of new crop centrals and colombians.
- brazilian diffs a touch tighter as the market drops away. all grades affected although concerns remain on availability of fine cups.
- rumours swirl around what the brazilian government might or might not do to support prices and capture / release stocks. even the previously announced 3m bag put program *might* be washed out, according to some sources.
- fnc appoints a new director, luis muñoz, previously the organisation’s head of finance and administration.
- after 9 down days out of 10 trading sessions, new york finally found support this week basis dec at 121 (coincidentally, the top australian score during their own, ashes series, “down days”)
- we estimate spec/fund position on ice 15,000 lots long and index funds unchanged at 43,000 lots net long. at liffe estimate funds short -3,000 lots. ice certified stocks remain unchanged at ny 3.43m bags while london jumped to 6.31m bags.

**2. PRICE COMPARISON (all in cts/lb)**

change vs

	<u>27.08.2009</u>	<u>20.08.2009</u>
ice dec 09	121.35	-4.45
liffe sep 09	63.59	1.59
arbitrage ice dec 09/liffe sep 09	57.76	- 6.04

comments basis ice dec 09 at 123.15, liffe nov 09 at 1418

ice: after recent poor run, market is starting to find support around 121.00. it’s not a strong support level but is working for the short-term. low volume and lack of clear direction in financial markets are bringing big intra day swings. technical indicators are oversold but for the moment there is no indication down trend is over. a close below 120.75 or above 125.00 may bring some action.  
 support:: 120.75, 119.40, 116.40, 112.00 resistance: 124.90, 126.40, 129.55, 131.50.

liffe: market closed a gap thursday (1430 – 1434) and traded at the highest level of the last two weeks but failed to gather additional strength. short-term correction didn’t finish yet as technical indicators just turned up and have more room to run. a close above 1450 is necessary to keep bullish momentum.  
 support: 1391, 1336, 1299, 1275 resistance: 1449, 1483, 1512, 1545.



### 3. BRAZIL

- local market: the market wasn't very active, but every day there was moderate business going on and outright prices have fallen only somewhat versus early august highs. replacement differentials versus dec remain at single digits, and exporters are covering shorts at huge losses. last weekend brought another wave of rainfall over the coffee belt.
- export market: industry and trade are well covered and relaxed observing local differentials getting tighter.
- the real spent the week firmly within recent trading ranges 1.82–1.89 and settled week to week some 1.25% weaker. hardly anything to soften firm local differentials.
- bmf dec 09: \$ 141.95 (down 3.15)
- arbitrage bmf/'c' dec/mch: 16.99 (2.01 firmer)
- exchange rate: 1.8650 (+1.25 %)

### 4. COLOMBIA

- local market: very little activity in the local market due to the continued slow flow of coffee. the weather has remained stable during the past week. concerns about leaf rust persist. yesterday, mr. luis genaro munoz has been elected the new head of the fnc.
- export market: small sporadic interest for nearby shipments as roasters are leaving it to the last minute to cover their most urgent needs. diffs softened again by about 5 cents.
- exchange rate: a volatile week. high 2.054, low 1.993 and close 2.029.

### 5. LATIN AMERICAN MILDS

- mexico: beneficial rains continued this week. ongoing buying interest from the u.s. market for mainstream coffees at reduced diffs.
- guatemala: rain fall pattern is improving again with more regular showers falling over the coffee regions. new crop buying interest is picking up from u.s.a. and asia, europe still sidelined.
- honduras: the softening diffs encouraged the industry to have a closer look at their books.
- salvador: ongoing new crop biz is taking place at diffs slightly above level.
- costa rica: fairly good demand for new crop shipments well into next year.
- peru: the crop is coming to an end. cusco reports 5% still to be harvested, chanchamayo 10% and the northern areas about 15-20%. outside demand has disappeared with only some smaller trades of certified coffee taking place.

### 6. AFRICA/PNG

- kenya: very active auction, diffs firm. current fly crop not only offering reduced volumes but also much smaller beans, availability of 'aa' scarce. next week's auction down to meagre 7.500 bags. a new parastatal exporting body 'kcce' travelling around coffee growing region requesting coop. societies to market their coffees thru them; as a result flow of coffee slowing down further. sporadic industry biz nearby, diffs firm.
- tanzania: first new crop auction this week opened on a steady note, with positive diffs for all beany coffees, overall quality reported ok. next auction listing approx 1000 tons, majority southern grades. private crop forecast predicting some 45.000 tons only (25.000 tons arabica, 20.000 tons robusta/unwashed arabica), 35% below last season. industry interest picking up with biz to worldwide destinations.



- ethiopia: local activities subdued, ecx activities confined to sundried coffees, volumes low. origin asking prices continue inflated, blocking all biz. european spots disappearing fast. exports for ethiopian coffee year (july08/june09) 134.000 tons, 22% down from previous year.
- uganda: arabica coffee flows reported rather slow for time being. strong industry interest in all qualities covering all grades from naturals, washed to undergrades.
- burundi: new crop shipments further delayed due to milling & technical problems. latest figures suggest that overall crop 2009 approx 7.500 tons only (3.000 tons fw & 4.500 tons washed) which close to all time low back in 2003.
- png: local market slowing down. producers & intermediaries holding back coffee, speculating on higher prices. european industry mostly sidelined whereas biz to australasian destinations continues, diffs tending softer.

### 7. ROBUSTAS

- vietnam: very quiet internally and hard to find a selling interest for nearby delivery. differentials remain firm. weather is mainly dry with scattered showers. the vnd remains stable and inflation starts to edge up.
- indonesia: this week's asalan volume has dwindled to 3.000 mts. the soft terminal market is not inducing farmers to sell coffee, even with 'idul fitri' holiday approaching soon. exporters are painfully covering their commitments, diffs for gr 4/80 defs are trading between plus 60/80.
- uganda: the robusta flow has started to peter out. the weather is quite changeable but overall cloudy and cool. there is light external demand at fairly rich diffs. undergrades remain sought after.
- brazil: quiet week. sporadic inquiries but not much biz was reported.

### 8. ORIGIN DIFFERENTIALS FOR OCT/NOV SHIPMENTS FOB

	this week			last week		
brazil swedish crop 08/09	c	-	21	c	-	22
colombia excelso	c	+	42	c	+	45
honduras hg crop 08/09	c	+	3	c	+	7
kenya ab faq	c	+	67	c	+	62
viet gr 2	liffe	-	30	liffe	-	30

regards,  
VOLCAFE LTD