



**WEEKLY MARKET REVIEW MARCH 06 – MARCH 12, 2009**

March 13, 2009

**‘FROSTY ACTION SURPRISES EVERYONE’**

**1. GENERAL**

- a relatively quiet week until yesterday when coffee futures rallied within a single minute in a most explosive manner. ny went up 5 cents within seconds and london was even more impressive by going up \$ 250 in the same short period of time. obviously there was no frost in brazil and coffee was just one of other strongly performing commodities.
- firmer values were much appreciated by origins and good price fixings were noted from vietnam, east africa and centrals.
- not much volume traded in brazil this week, the stronger real compensated fully what ny and bmf made in yesterday’s spike. central bank lowered ‘selic’ interested rate by 1.5% to 11.25%, still leaving brazil as world leader in ‘net’ interests over inflation.
- in colombia differentials made new highs but are sort of nominally as exporters don’t want to sell until the mitaca is in full swing.
- vietnam: ongoing strong exports and expect another 2m bags shipped in march. yet farmers are still holding 40% of the 20m crop and are releasing cautiously in expectation of further devaluations.
- nybot certified stocks as of march 11: 4.059m bags (down 64,000 on the week).
- we estimate spec/fund position on ice net 3,000-5,000 lots short and index funds 32,500 lots net long. at liffe estimate funds to be flat.

**2. PRICE COMPARISON**

(all in cts/lb)

change vs

	<u>12.03.2009</u>	<u>05.03.2009</u>
ice may09	110.55	1.85
liffe may09	69.40	0.86
arbitrage ice may09/ liffe may09	41.15	0.99

comments basis ice may09 at 110.9, liffe may09 at 1535

ice. tested the recent low of 104.35 and held. lack of follow through selling prompted a short covering rally triggering stops taking the market to a high of 112.95. technically the market still remains in a bearish trend. watch for a breakout and close above 113.20 to cancel the negative sentiment.

support:109.65, 106.75, 104.35, 102.15 resistance: 112.95, 114.95, 118.4, 120

liffe. origin pressure was evident into the low of 1425 where it held. the market rallied following ny with a stop being triggered circa the 1508/1510 level taking it to the high of 1739. market has turned positive with the close above 1500. origin selling resting above may stifle any sharp rise.

k/n is trading at a premium with lack of any noted selling and the k/k arb trading into 35 and out to 43 during the rally.

support. 1500, 1488, 1425 resistance: 1563, 1614, 1690, 1739



### **3. BRAZIL**

- local market: volume traded continues small and same as last week, prices have not changed much in real/bag. replacement differentials remain firm and producers are reluctant to sell at current prices.
- export market: asking differentials remain about unchanged to last week. there is more selling interest for nearby shipments. offers for new crop coffees are in large part withdrawn.
- central bank lowered "selic" interest rate by 1.5 % from 12.75 to 11.25 % p.a. the biggest cut for a very long time.
- bmf may09: \$ 120.00 (+3.00)
- arbitrage bmf/'c' may/jly: 22.00 (+/-0.00)
- exchange rate: 2.3050 (revaluation 3.25 %)

### **4. COLOMBIA**

- local market: we are in between crops with only very limited coffee available.
- export market: coffee flow remains reduced and whatever ammunition comes to the market is immediately absorbed by ever higher differentials.
- the weather has improved progressively during the last ten days, coffee trees show scattered to better flowering; a real sunny dry spell is needed yet to trigger heavy flowering. all that is still possible if the winter does not start before april.
- exchange rate: we are in a consolidation period. it seems the dollar has more to give up to the peso. high: 2575, low 2505 and close 2507.

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

- mexico: rather quiet week. european trade nibbles at nearby positions but price ideas are still far apart.
- guatemala: new crop exports just reached 1 m bags, about 11 % below previous cycle. intermediaries sitting on high priced coffee see light at the end of the tunnel but many need nyc up in their mid 120's to get out of the positions without loss. sporadic outside demand but buyers are not willing to accept the high asking prices.
- el salvador: yesterdays rally encouraged shippers to release some coffee which was snapped up immediately.
- honduras: internal market remains on fire. many exporters are still covering old shorts and are not willing to add more sales.
- costa rica: outside demand persists and cannot be satisfied.
- peru: weather conditions improved in most production areas and harvest has already started. exporters behave carefully and try to avoid mistakes done in previous crops.

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

- kenya: active biz in all grades. auction diffs in top qualities a tick softer. middle/lower segment steady.
- ethiopia: sales registrations still considerably below expectations/same period last year. sales of harrar and lekempti coffee to the middle east market dominated this week's activity. sundried biz dominating activity.
- burundi: hardly any interest in this week's tender. qualities mostly very poor.
- tanzania: auction diffs all over the board. better cupping lots fetched solid premium, low quality grinder coffees remain neglected.
- uganda: drugar flow pushes along whilst harvesting of washed coffees effectively over. industry showing decent interest in better qualities, origin diffs remain attractive.



- png: little local activity due to ongoing wet weather. industry buying interest cannot be satisfied due to non availability of fresh coffee. diffs firming.

## 7. ROBUSTAS

- physical activity in the robustas slowed down this week with only sporadic interest from the industry's side mainly for forward positions. supply pattern remain unchanged with sellers rather reserved and buyers not ready to bite the bullet and pay up. It remains to be seen how substantial yesterdays liffe rally was and if farmers will release some more of their stocks at current prices. spots are back on industry's radar screen to offset the nearby demand.
- vietnam: differentials continue sideways, slightly off the highs, and industry has been quiet, only looking for immediate needs.
- indonesia: fob business remained very quiet. exporters were generally unwilling to quote prices for nearby and forward shipments.
- uganda: differentials have started to firm a little as demand picks up. outlook for the south & western robusta crops remains positive. the uganda shilling has finally broken through the psychological 2000 versus the dollar. logistics remain very efficient.
- brazil: demand from the local industry for nearby positions remain strong for all kind of types while the export market is still paralysed.

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

	this week			last week		
brazil swedish crop 08/09	c	-	20	c	-	20
colombia excelso	c	+	42	c	+	37
costa rica hb crop 08/09	c	+	28	c	+	26
honduras hg crop 08/09	c	+	4	c	+	2
kenya ab faq	c	+	55	c	+	57
viet gr 2 (cif)	liffe	-	10	liffe	-	10

regards,  
VOLCAFE LTD