



**WEEKLY MARKET REVIEW APRIL 10 – 16, 2009**

April 17, 2009

**‘CONSOLIDATING AFTER EASTER MONDAY’S DROP’**

**1. GENERAL**

- after ny lost on easter monday what it made last week, the market was in a consolidation mood and a large part of volumes was spread related.
- the rate of drawdown of the certified position in ny is slowing while certified stocks at liffe are over 4.4m bags.
- physical markets were fairly quiet, the approaching low consumption period is clearly felt
- brazil shipped over 30m bags in the last 12 months and there are no signs of a break down of the high pace.
- no change in colombia, everyone is waiting for the mitaca and more volume to appear in the local market.
- nybot certified stocks as of april 16: 3.909 bags (down 1.000 bags on the week).
- we estimate spec/fund position on ice 4.000-6.000 lots net long and index funds 32.500 lots net long. at liffe estimate funds to be flat to slightly long.

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

change vs

	<u>16.04.2009</u>	<u>09.04.2009</u>
ice july 09	115.55	- 5.80
liffe may 09	68.13	- 3.08
arbitrage ice july 09/liffe may 09	47.42	- 2.72

comments basis ice july 09 at 115.60, liffe may 09 at 1496

ice. the weeks performance is a big disappointment for the bulls as the last two weeks gains were gone by mondays drop when most were still celebrating easter. the remaining days were spent within mondays range without much outright volume as traders concentrated on the may/jul spread, book squaring was seen as notice period starts next week. market needs to hold 115.00 otherwise more selling stops will be triggered.

support: 114.80, 111.10, 107.75, 106.60 resistance: 118.30, 120.00, 122.35, 126.40

liffe. market broke 1514 - 1596 range this week and some stops were triggered but there was no follow through. it is holding so far above 1450 but not sure how long. short term trend seems bearish and may consider a re-test of the 1425 soon. a close above 1552 can change this bear trend. support. 1488, 1425 resistance: 1529, 1552, 1596, 1614.

**3. BRAZIL**

- local market: the market has been quiet this week. low prices kept producers sidelined and volume on offer quite reduced. replacement differentials have firmed by 1 – 2 c/lb.
- export market: still attractive differentials especially for nearby positions meet up with lack of demand.
- bmf may 09: \$ 121.80 (-4.35)
- arbitrage bmf/'c' may/july: 23.47 (0.08 weaker)
- exchange rate: 2.1800 (revaluation 2.50%)



#### **4. COLOMBIA**

- local market: the flow of coffee remains historically low. recent drops of both the dollar and ice give additional fuel to the differential that are pushing always higher in thin conditions.
- export market: differentials reached new highs. scattered offers are absorbed by the industry immediately.
- the weather remains erratic, while mostly dry in the upper north, the rest of the coffee growing regions are subject to scattered period of sun almost daily broken by heavy showers.
- exchange rate: high: 2475, low 2329 and close 2348.

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

- mexico: a rather quiet period due to the semana santa holidays. some naturals were traded internally whereas the outside demand was focused on better cupping altura types.
- guatemala: flow of parchment coffee is coming to an end in most producing regions, the little unsold coffee left is mainly hard bean and lower qualities. outside demand remains sporadic.
- 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 about over. some last lots are offered at ever higher diffs and most of it was reported sold at the end of the week.
- costa rica: scattered sales have been reported to the domestic industry, outside demand subdued.
- peru: rains continue hitting the production areas, thus the coffee flow remains very poor. ongoing trade demand for early new crop shipments but quantities traded remain smallish. selling ideas are moving up.

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

- kenya: auction fully steady despite almost 2.000 tons on offer. fairly active industry biz to worldwide destinations. lack of rain in growing regions becoming a real concern. harvesting of early crop to start next month, outlook is for a smaller crop as eastern district in off-cycle.
- ethiopia: fresh sales registrations mainly of sundried qualities. washed coffees remain neglected due to high asking prices. international coffee community increasingly concerned about developments within ethiopian coffee industry. latest reports from addis now indicating that government confiscating coffee stocks belonging to 'suspended' exporters. uncertainty around smooth functioning of the industry hampering biz.
- tanzania: auction catalogue comprised mainly low quality coffees. some good quality main grades failed to find a home due to high reserve prices set by estate owners.
- uganda: little fresh activity. internal market quiet, drugar season coming to a close.
- png: drier weather conditions since easter weekend resulted in increased availability of coffee. sunny conditions are promoting ripening of cherries and harvesting volumes are improving. local prices firming up despite lower terminal market. distributors of popular retail products e.g. rice, coca-cola and beer reporting a 50% drop in sales in the highland region. all retailers are eagerly awaiting the coffee season to begin in anticipation that coffee money will stimulate local spending. little fresh export biz reported, diffs firm.

#### **7. ROBUSTAS**

- industries appetite to increase their physical coverage for 2<sup>nd</sup> half 2009 is lukewarm at best. interest especially from the u.s. industry for nearby shipments is seen while the european industry stay away. demand for spots are practically inexistent.



- vietnam: domestic market continues to be steady with a significant drop of the physical flow of faq. It seems that the farmers don't release coffee below 25.000 dong/kg. fob differential offered slightly firmer than previous week due to lack of fresh material.
- indonesia: the physical flow of fresh asalan has slightly decreased this week. a combination of declining future market and strengthening local currency did not encourage farmers to release their new crop ammunition. industry and trade were bidding in the fob market for new crop spreads but not much has been materialized as exporters are unable to match their price ideas. the progress of the harvest in the highland is gaining pace and more fresh material should be available to the market soon.
- uganda: some low quality early arrivals are seen as we wait for the various regions to start cropping in earnest. the flow is hampered a little by ongoing rains. external demand is limited and differentials are, thus, pretty ordinary.
- brazil: local manufacturers were not as active as the previous weeks. slow activities also seen in the fob market. the strong real and weaker future market turned off the tab of the export business. conilon differentials are somehow priced out for the time being.

#### 8. ORIGIN DIFFERENTIALS FOR MAY/JUNE SHIPMENT CTS/LB FOB

	this week			last week		
brazil swedish crop 08/09	c	-	23	c	-	22
colombia excelso	c	+	65	c	+	57
costa rica hb crop 08/09	c	+	36	c	+	34
honduras hg crop 08/09	c	+	10	c	+	8
kenya ab faq	c	+	52	c	+	52
viet gr 2 (cif)	liffe	-	10	liffe	-	20

regards,  
VOLCAFE LTD