



**WEEKLY MARKET REVIEW APRIL 17 – 23, 2009**

April 24, 2009

**‘Brazil fiddles while Colombia burns’**

**1. GENERAL**

- the week in NY was characterised by long periods of ennui and one short burst of excitement, which saw the market rally by 5c in a matter of seconds
- the structure K/N tightened dramatically. one stopper seems to take the vast majority of the lots issued
- colombia continues to dominate the origin picture with a cabal of u.s. roasters fighting over the available scraps. what little coffee is heading to port so far unaffected by wednesday’s announcement of yet another truckers’ strike
- arb between brazil and colombia approaches 100c, a totally unprecedented level
- brazil’s government again generously suggests a 3m bag option program to support its coffee sector. details expected to be similar to previous schemes
- wednesday’s rally flushed out much of the remaining centrals
- we estimate spec/fund position on ice 3,000-5,000 lots net long and index funds 33,500 lots net long. at liffe estimate funds to be slightly long

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

change vs

	<u>4/23/2009</u>	<u>4/16/2009</u>
ice jul09	118.25	2.70
liffe may09	67.31	-0.82
arbitrage ice jul09/ liffe may09	50.94	3.52

comments basis ice jul09 at 117.90, liffe may09 at 1485

ice. this week the bears were looking for a breakdown of ny through support of 112.75. ny held and rallied with stops being triggered above 114.50 and similar to easter monday without resting orders in place an upside void was seen with the market touching 119 in july. arb moved out to touch 50.75 in n/n after trading briefly at 46.25. a break above 120.50 could see renewed fund participation.

support:112.75-112.80, 111.10, 106.60 resistance: 119.00, 121.00, 122.35, 127.35

liffe. london has followed ny higher albeit reluctantly, certs continue to build, good flow of gradings, resting origin orders above will cap any decent rally in london. spec and fund participation have not been seen in large volume, structure has weakened in the k/n trading at -10.

support. 1464, 1425, 1338 resistance: 1512, 1552, 1596

**3. BRAZIL**

- local market: many producers remained withdrawn at current prices and the little volume traded was mostly from cooperatives. replacement levels are nominal, way above exportable levels and very sensitive to ice and/or usd changes.
- export market: lack of demand persists, especially for nearby positions. few exporters seem desperate and willing to conclude business at any price.



- bmf may 09: \$ 122.75 (+0.95)
- arbitrage bmf/'c' may/july: 25.45 (1.98 weaker)
- exchange rate: 2.2150 (devaluation 1.00 %)

#### **4. COLOMBIA**

- local market: internal market is very firm with producers not giving away anything, either on dollar or ice weakness but asking prices immediately move up on any up tick.
- export market: another 5 c/lb jump in differentials with major roasters stepping in for immediate and may shipments. next two weeks can still be pretty volatile to the upside as the flow is picking up very slowly.
- the weather has improved quite substantially this week which should help trigger a good round of flowering if we can see a little follow through dryer weather.
- exchange rate: high: 2382, low 2281 and close 2304.

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

- mexico: crop is coming to an end only some naturals are showing up. weather conditions have been rather dry, some rain would be appreciated to support the cherries for next crop.
- guatemala: inspired by this week's rally some fresh volume from intermediaries and producers coming to the market. sporadic interest from the us industry continues.
- el salvador: last lots coming to the market. differentials slightly softened.
- honduras: some last leftover lots at ever higher differentials are coming to the market.
- costa rica: the flowering season almost at its end and it looks like the next crop will be short and very intensive.
- peru: coffee flow slightly increased. differentials are firming. mcm coffee has been offered at +17.00

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

- kenya: another volume auction of 33,000 bags had little impact on the already firm diffs. qualities still very good. the gradual decline of aa/ab's becoming more apparent, auction volumes to decline sharply next week onwards. ethnic violence in kirinyaga (major coffee growing region) resulted in many casualties, reminding everybody of the ongoing tense/unsolved social & political situation in kenya.
- ethiopia: little fresh news reported. weekly sales registrations of both washed and sundried coffees remain extremely low for this time of season, approx 30 pct below same period last season.
- tanzania: 08/09 crop is over. exporters liquidating last parcels. one more auction can be expected to liquidate all crop leftovers, then there will be an extended auction pause.
- burundi: better cupping spots disappearing quickly. unsold crop balance ex origin consisting mostly of inferior qualities. exports of new crop starting august.
- png: flow of cherry coffee continues to improve. increasing demand in all grades shipment july onwards, traded volumes low, asking diffs high. local currency kina extremely firm against usd (0.3650) due to strong export activity from mining sector.



7. ROBUSTAS

- demand from the u.s. industry persists for nearby shipments. to the contrary the european industry is rather cautious and the pace of fresh business slowed down considerably. most origins shy away due to weak terminal market and either unable or unwilling to satisfy even moderate demand. differentials remain rock solid.
- vietnam: as the rainy season is approaching slightly earlier than usual in the central highlands, farmers have intensified the fertilizer application. they can afford the cost of fertilizer and selling in a very disciplined way. only smallish volumes have changed hands this week feeding desperate shorts at firm differentials. external demand from trade/industry for all grades seen. april exports remain strong with antwerp as one of the main destination.
- indonesia: good weather supports the new crop harvesting process and consequently the flow of fresh asalan has increased significantly this week. exporters absorb every single bean offered in the local market covering their shorts. industry continue bidding for 2<sup>nd</sup> half 2009 positions but not much business has been reported. good external demand keeps the fob differential relatively firm. on the currency front the rupiah slightly devaluated this week due to concerns about the political outlook.
- uganda: the start to the south and western crops is slowed a little by rain. internal activity is very limited and demand for the 2<sup>nd</sup> half of the year remains patchy.
- brazil: the harvesting is gaining pace and more fresh material should be available to the market soon. very quiet export market with offers far above potential buyers interest. local industry covered some nearby shorts but in general it was a rather quiet week.

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

	this week			last week		
brazil swedish crop 08/09	c	-	24	c	-	23
colombia excelso	c	+	70	c	+	65
costa rica hb crop 08/09	c	+	36	c	+	36
honduras hg crop 08/09	c	+	10	c	+	10
kenya ab faq	c	+	54	c	+	52
viet gr 2 (cif)	liffe		0	liffe	-	10

regards,  
VOLCAFE LTD