



WEEKLY MARKET REVIEW APRIL 30 – MAY 07, 2009

May 08, 2009

**'stock taking'**

**1. GENERAL**

- over the past 6 months, the drawdown in ice stocks has been 742,000 bags, to 3,800,091, with milds supply at origin now largely committed
- still no confirmation of pepro / put program for brazil, despite many rumours in circulation
- after a short respite, the colombian differential resumed its upward track, reaching a reported +82 by week end. the mitaca flow is now starting to pick up but brings no relief so far
- unusually early interest for new crop centrals observed, exposing fears that differential inflation will be around for a while
- ice shows an impressive performance, rallying 8.7c thursday to thursday, with london lagging and the arb widening
- we estimate spec/fund position on ice 9,000-10,000 lots net long and index funds 34,500 lots net long. at liffe estimate funds to be around 4,000 lots long

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

change vs

(all in cts/lb)

change vs

	<u>5/7/2009</u>	<u>4/30/2009</u>
ice jul09	124.60	8.70
liffe jul09	67.58	1.68
arbitrage ice jul09/ liffe jul09	57.02	7.02

comments basis ice jul09 at 124.00, liffe jul09 at 1480

ice. has rallied along with other commodities this week. a weaker dollar and a general appetite for commodities has helped the rise. renewed interest from spec and funds after breaking through resistance levels of 119 and 122.35 was noted. industry has been seen covering along with shorts through the resistance levels with origin selling above being easily taken out. arb selling has been seen at circa 55 cts basis n/n. a break of 126.75 would see more aggressive fund activity. a break back below 122.35 could signal further retracement and a possible test of the bottom of 112.75.

support: 123.50, 119.50, 114.10, 112.75 resistance: 125.80, 126.40, 127.35, 130.95

liffe. has struggled to keep pace with the rise in commodities. origin selling overhead and a rise in the certs (currently 29'659) has capped any rally. funds and spec continued to be sidelined with any participation minimal. nearby structure has weakened with k/n trading out to -25 and n/u trading to -15. rumours of origin stops below could be targeted if the spec communities appetite return to trade. a break of 1560 would be needed to encourage more interest. volume in general has been very light.

support. 1470, 1434, 1425, 1338 resistance: 1525, 1549, 1590

**3. BRAZIL**

- local market: a considerable increase in volume traded. producers sold bigger volumes into higher prices and exporters readily absorbed improved availability. replacement differentials were a couple cents weaker but the strong 'c' rally was unfortunately offset by a very strong real.



- export market: exporters dropped asking prices by 1-2 c/lb and industry and trade happily took advantage to maintain coverage.
- april 2009 shipments were 2.375 mio bags, incl. soluble, and running 12 months stand at 30.282 mio bags. shipment pace remains strong.
- the usd dropped quickly from 2.18 to 2.09 and finished the week at 2.11, 3.25 % weaker, the low of last 8 months, but still way over last Aug 2008 levels at 1.55.
- bmf sept 09: \$ 138.80 (+8.80)
- arbitrage bmf/'c' sept/dec: 24.32 (1.90 weaker)
- exchange rate: 2.1100 (revaluation 3.20 %)

#### **4. COLOMBIA**

- local market: the flow of the mitaca is still very thin and the weather lacks consistency.
- export market: it seems differentials just took a rest last week before resuming the weekly 5 c/lb hike; after the pause at around 75/77 we are now trading at +82.
- transporters' strike: the situation has improved very recently and it seems activity is slowly but surely picking up again.
- exchange rate: a real bear market for the usd/cop. seems little can be done to stop the free fall for now. high: 2280, low 2195 and close 2222.

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

- mexico: the current weather pattern is beneficial for the next crop. the domestic industry has endless appetite for cheap off-grades whereas the outside demand is rather sporadic and favours top qualities.
- guatemala: small quantities have been offered internally at sky-high diffs. north american and asian roasters are still chasing better cupping shb's current crop.
- el salvador: total registrations are now at 1.085 m bags whereof 660.000 bags have been shipped. some leftovers have been offered to the market but the outside buying interest is lukewarm.
- honduras: little ammunition was shown by the exporters this week. top qualities were immediately snapped up whereas mainstream high grows are still looking for a home.
- costa rica: several requests from the european industry remained unfilled this week.
- peru: the coffee flow continues slow and the warehouses are still empty. a crop reduction of 25-30% is now forecasted. scattered sales to the european trade have been reported but in general the demand slowed down a bit.

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

- kenya: auction going from strength to strength. diffs climbing to new highs, better grades reaching +80 cts/lb fob, sympathizing with colombia excelso. grinders reported steady in price, supply and demand.
- ethiopia: active biz in sundried qualities. washed coffees remain mostly neglected. shipments confined to european destinations.
- tanzania: sporadic industry interest in new crop coffees for oct/dec shipment.
- burundi: liquidation of 08/09 continues. available/unsold coffees of doubtful quality. harvesting of new crop started, crop forecast 10-12'000 tons. privatisation of coffee industry taking more time than expected, ocibu's existence likely to be extended till end 09. marketing of new crop scheduled to start august 09.
- png: arrivals of coffees increased markedly this week spurred on by dry weather and improved market prices. growing industry interest in all grades for shipment 2<sup>nd</sup> half 09. diffs firming up in line with worldwide tightness in washed coffees.



**7. ROBUSTAS**

- vietnam: exporter short covering is keeping the domestic market at firm levels. some light industry interest has been noted for shipment second half 2009. april was another strong shipment month at 120.000 tons with antwerp continuing to be the largest destination. the dong has weakened further, trading above 18.000.
- indonesia: asalan delivery was about 4.000 tons this week which was absorbed quite evenly by various exporters. slight drizzles were noted in various growing areas which is quite supportive for the new crop. the peak of the harvest is expected during june/july. the indonesian rupiah, the top performer in asia, has gained 6 pct against the dollar so far this year.
- uganda: total exports for april are estimated at 206.000 bags, total to date 1.855 m bags. the flow of faq is still rather slow with cloudy and wet weather hindering the drying process. external demand remains a little scant and focused on relatively nearby positions. the shilling has lost 35% against the dollar since october 08 and has traded at its weakest level of 2233 since the currency was floated in 1981.
- brazil: internal prices continue relatively firm despite the ongoing harvesting. practically all new crop arrivals are needed to fulfill earlier commitments to the local industry.

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

	this week			last week		
brazil swedish crop 08/09	c	-	24	c	-	24
colombia excelso	c	+	82	c	+	75
honduras hg crop 08/09	c	+	11	c	+	10
kenya ab faq	c	+	60	c	+	54
viet gr 2 (cif)	liffe		0	liffe		0

regards,  
VOLCAFE LTD