



**WEEKLY MARKET REVIEW MAY 08 - 14, 2009**

May 15, 2009

**‘RUMOUR MILLS OUTPERFORMING COFFEE MILLS’**

**1. GENERAL**

- in the physical market, demand for first half 2010 starts to wake up, with more demand for brazil and centrals noted. nearby robusta positions actively covered by industry
- still no confirmation of pepro / put program for brazil
- rumours, rumours and more rumours circulate in colombia. the only facts are little coffee flowing, sky high diffs, and escalating shipment delays
- both ice and liffe in consolidation mode. london remains stuck in a range, while new york is clearly searching for direction
- we estimate spec/fund position on ice 16,000-18,000 lots net long and index funds 35,000 lots net long. at liffe estimate funds to be around 4,000 lots long.

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

change vs

	<u>14.05.2009</u>	<u>07.05.2009</u>
ice july 09	128.00	3.40
life july 09	68.26	0.68
arbitrage ice july 09/life july 09	59.74	2.72

comments basis ice july 09 at 127.40, liffe july 09 at 1499

ice: renewed fund interest, a weaker dollar and short covering helped ny rally to the weeks high of 130.75. profit taking was seen scale up from 127.50 upto the highs. technical indicators pointed to a retracement from the highs, support was seen at 125 with industry and arbitrage type buying noted. any resting origin offers above were easily absorbed in the rally, additional origin selling was either cancelled or raised to higher levels on the back of the weaker dollar. arbitrage selling was seen scale up from 57-60 cts basis n/n. break of 130.75 will see additional fund buying.

support: 124.85, 123.50, 119.15, 113.95 resistance: 130.75, 130.95, 136.00, 142.20.

liffe: has again struggled to keep pace with ny. good overhead offers have enabled arb longs good levels to exit. industry support was seen circa the 1470 level. market appears rangebound between 1470-1525. structure has remained unchanged. volume remains light, market needs a break out of the current range to encourage more participation from the spec and fund communities.

support. 1470, 1435, 1425 resistance: 1533, 1539, 1570, 1596.

**3. BRAZIL**

- local market: another active week. big volume was traded and good interest showed up from exporters as well as cooperatives and producers. no official news yet from the government on the put program. replacement levels again slightly weaker, swedish quality at minus 20 cts/lb.
- export market: ongoing good activity at historic cheap differentials which dropped another cent this week.
- bmf sept 09: \$ 142.40
- arbitrage bmf/'c' sept/dec: 24.70
- exchange rate: 2.08



#### **4. COLOMBIA**

- local market: the flow of coffee remains slow and the near term outlook does not leave much room for optimism. the eje cafetero receives more rains now. situation has to be watched.
- export market: origin diffs firmed up to levels around plus 90 fob. a few smaller contracts have been reported but in general, shippers prefer to abstain from offering.
- exchange rate: high 2274, low 2204, close 2257.

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

- mexico: weather continues in a beneficial manner for the next crop. internal availability was reduced to off-grades and naturals this week. outside demand rather quiet.
- guatemala: price ideas for last unsold parchment coffee in hands of producers continue very stiff. outside interest is limited to estate coffees and some fill-in buying of shb from north america.
- el salvador: total registrations are now at 1.136 m bags, up 51.000 bags for the week. some shippers reduced their selling ideas a bit and the volume on offer disappeared quickly
- honduras: the internal market is completely dried out now. the weather pattern is normal for this time of the year, with first showers over the producing areas. exporters are carefully releasing the last few lots but buying interest was lukewarm.
- costa rica: farmers say that the flowering was good although some flowers were aborted. not much coffee is left internally which results in very high prices even for local consumption.
- peru: the coffee flow continues slow. picking in the highlands has already started. producers are concerned about a smaller and short crop. diffs moved sideways this week.

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

- kenya: unchanged trading pattern. all qualities irrespective of cup and preparation finding excellent support, diffs continue to firm up.
- ethiopia: brisk activity in both washed and sundried coffees. this week's registrations reached almost 7.000 tons, some of which however are re-registered contracts ex suspended exporters. fair amount of uncertainty amongst the local coffee community, which compelled to perform in a vacuum of confidence/guidelines/trust and communication.
- tanzania: biz reduced to end season qualities, traded volumes minimal.
- uganda: washed coffees attracting new interest, diffs firming up.
- burundi: industry nibbling at new crop coffees. uncertainty of marketing/availability/price structure prevent potential sellers from doing biz.
- png: local activities continue at steady pace. drier weather conditions enable transporters to collect coffee from outlying regions. brisk biz in all grades for shipment nearby to year end. exports for april only 43.000 bags. accumulated exports for coffee year 465.000 bags, 25% below 07/08.

#### **7. ROBUSTAS**

- vietnam: mainly dry weather in the coffee regions this week although the wet season is about to commence. replacement value in the domestic market remains higher than fob as exporters continue to cover shorts. farm gate prices have been stable in the 25-26.000 vnd/kg range for most of the season due to firmer diffs and the weaker dong. regular industry interest is seen for all second half positions.
- indonesia: asalan volume was reduced this week to 3.500-4.000 tons due to heavy rainfall that hampers harvesting and drying. it is too early to tell whether this will have a significant impact on the crop forecast. the coffee offered was again quickly snapped up by several exporters. the rupiah lost 1% to 10.445 per usd.



- uganda: another relatively quiet week as wet weather continues to slow the robusta flow down across most of the south & western regions. there is relatively light external demand which is generally confined to small quantities and nearby shipments. the shilling is again weaker, trading at 2275 vs the usd.
- brazil: new crop arrivals are not creating much selling pressure as they are going straight to local roasters and soluble industry. quality seen so far is quite good with minimum 90% 13up quality.

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

	this week			last week		
brazil swedish crop 08/09	c	-	25	c	-	24
colombia excelso	c	+	90	c	+	82
honduras hg crop 08/09	c	+	11	c	+	11
kenya ab faq	c	+	66	c	+	60
viet gr 2 (cif)	liffe		even	liffe		even

regards,  
VOLCAFE LTD