WEEKLY MARKET REVIEW MAY 15 - 21, 2009 May 22, 2009

"SELL IN MAY AND ….BEWARE?"

1. GENERAL

- ascension holiday kept most of europe quiet through the week
- ice finally broke out of its range propelled by fund activity. structures firmed up across the board reflecting concerns for washed milds availability into the new year.
- as we enter the slow summer season mkt keeps players on alert fuelled by a weakening dollar, supply concerns and renewed interest in commodities as inflationary investment
- liffe so far continues to show little enthusiasm to follow ice
- unwelcomed demand for nearby cols and centrals from the US keeps adding tnt to the fire, diff's reach new levels which somehow not so surprising anymore
- price increase for 100% col products finally influences demand, but results only tangible 4q 2009
- demand for robusta last quarter 2009 and basically all qualities for jan-jun 2010 starts to appear, diff's remain closer to historical values.
- we estimate spec/fund position on ice 23,000-25,000 lots net long and index funds 36,000 lots net long. at liffe estimate funds to be around 4,500 lots long

2. PRICE COMPARISON (all in cts/lb)

		change vs
	21.05.2009	14.05.2009
ice july 09	135.80	7.80
liffe july 09	69.80	1.54
arbitrage ice july 09/liffe july 09	66.00	6.26

comments basis ice jul09 at 137.00, liffe jul09 at 1546
ice. has gone against the trend of lower equity and energy markets towards the end of the week. it has continued its strong rally with lack of selling and renewed appetite for trade, fund participation. a switch from the dollar into commodities by funds has been seen. structure too has strengthened across the board with u/z coming in by circa .75 points, n/n arbitrage trading at 66.25-66.50 when it was at 60cts last week. indicators are telling us mkt is over bought but is still trending higher. would you stand in front of a train? whatever happened to sell in may?
support: 131,75, 130,75 124.85 resistance: 137.20, 140,00 144.05, 149.25
liffe. mkt held the 1500 area basis n. london has rallied approx $50 in a week, ny 9cts. origin selling is still overhead and industry support has been seen circa 1510-1525. certs continue to rise with approx 5million bags certified. a break of 1550 could see some renewed spec and fund interest.
support. 1501, 1470, 1435, 1425 resistance: 1549, 1570, 1596

3. BRAZIL

- local market: ongoing good activity. producers are scale up sellers, volume is increasing. no official news yet on the put option program, but it is said to be released soon. replacement levels were again 1 cent weaker, but a very strong real reduces exporters' buying power.
- export market: moderate activity at historic cheap differentials which dropped another cent this week.
- bmf sept 09: $ 149.50 (+ 8.25)
- arbitrage bmf/'c' sept/dec: 26.38 (0.63 weaker)
- exchange rate: 2.0350 (revaluation 3.50 %)

4. COLOMBIA

- local market: the weather is a bit better than usual for this period of the year (rainy season). this will enable a progressive increase of coffee flow for the mitaca campaign. it is, however, not sure whether it will be enough to trigger the last round of flowering that producers expect for the end of this month. internal prices remain very stiff.
- export market: origin offers remain scarce and the differentials still tend higher.
- exchange rate: usd/cop is still in a down trend. a close below 1.995 would confirm and trigger acceleration to the downside, trading above 2280 would change the forecast to neutral. high 2265, low 2188, close 2205.

5. LATIN AMERICAN MILDS

- mexico: farmers released a fair amount of coffee this week which disappeared quickly in the books of the exporters. north american and asian industry show good appetite for the entire quality range.
- guatemala: most producing regions reported a good flowering, follow-up rains were timely and expectations for the upcoming crop are quite favorable. ongoing trade and roaster interest for current crop whereas new crop was neglected this week.
- el salvador: shippers took it easy this week. offering prices did not find much attention.
- honduras: sporadic offers (washed and unwashed) from the exporters turn up but found little response.
- costa rica: the coffee regions tres rios and tarrazu see a good flowering. there is very little coffee left internally and the asking prices remain high.
- peru: the coffee flow remains slow but weather conditions in the producing areas are finally improving. the differentials firmed up during the last few days with hb mcm now offered between plus 18/20.

6. AFRICA/PNG

- kenya: ongoing firm auction pattern. an increasing amount of unwashed and semi-washed coffee and sharply reduced availability of regular main crop to meet ongoing industry demand. june auctions scheduled for 2nd, 16th and 30th June, then auction pause until 11th august.
- ethiopia: active biz in all qualities. prices achieved/paid at ecx well above levels readily offered by exporters for july shipment. heavy shipment volumes and limited infrastructure to handle containers in djibouti hampering/delaying exports.
- tanzania: sporadic interest in new crop sept shipment onwards remains unfulfilled.
- uganda: top quality washed attract interest. smalllish volumes quickly snapped up, availability dwindling. drugar season is over, next crop due late august.
- burundi: crop leftovers finding lukewarm interest. qualities poor.
- png: higher terminal market stimulating local activity. arrivals continue at a brisk pace. riots in most major towns throughout the highlands did not unduly impact flow of coffee. growing industry interest from all regions. diffs continue to strengthen on the back of general shortage on washed arabicas and the tight availability of colombians.

7. ROBUSTAS

- vietnam: farmers continue to drip feed coffee into the market which is keeping differentials firm, as there are lower stocks in hcm this season. may shipments start to show signs of slow down, with a projection of 90-95.000 mts. the dong is 0.8% firmer in the unofficial markets. the cpi is +9.2% and gdp growth +3.1, both year on year basis.
- indonesia: asalan volume picked up to around 4-5.000 mts this week. sunny weather supports the drying process and beans from the highlands have slowly trickled in. litte fob biz has been reported as the market's up-move was not enough to counter the strengthening idr and tightening differential.
- uganda: the main crops from south of the equator are still a little while away with some prolonged sunny days needed to help things along. there are good signs of a healthy fly crop in some of the eastern and central producing areas. increasing interest for 2nd half of year shipments. total may shipments are forecasted at just over 200.000 bags.
- brazil: conilon 13up quality was traded at 1 cent under liffe for nearby shipments. potential buying interest can only be attracted 3 cents lower.

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

	this week			last week		
brazil swedish crop 08/09	c	-	25	c	-	25
colombia excelso	c	+	95	c	+	90
honduras hg crop 08/09	c	+	11	c	+	11
kenya ab faq	c	+	72	c	+	66
viet gr 2 (cif)	liffe		even	liffe		even

regards,
VOLCAFE LTD