



WEEKLY MARKET REVIEW MAY 22 - 28, 2009

May 29, 2009

‘ICE! ICE! MAYBE..’ (WITH APOLOGIES TO MR VANILLA ICE)

1. GENERAL

- ice demonstrates remarkable resilience, opening well down in three sessions, only to end the day in the black.
- like many an english cricketer, colombia differentials just fail to reach +100. there are some indication late in the week that we might be seeing the peak, as some offers go unsold and mitaca flow picks up.
- european industry continues to pick up fill-in lots of washed arabicas where they can find them. fresh supplies seem an awfully long way away.
- puerto cortes in honduras is damaged by a powerful earthquake. latest information indicates the port is non-operational pending damage assessments.
- vietnam flow slows to a trickle. indonesia enters peak season. differentials for both origins remain firm.
- we estimate spec/fund position on ice 25,000-27,000 lots net long and index funds 36,000 lots net long. at liffe estimate funds unchanged at 4,500 lots long.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>28.05.2009</u>	<u>21.05.2009</u>
ice july 09	136.80	1.00
liffe july 09	69.08	- 0.72
arbitrage ice july 09/liffe july 09	67.72	1.72

comments basis ice july 09 at 137.00, liffe july 09 at 1525

ice: the trend is your friend and has been all week in ny. strong underlying support lies below with any retracement being eagerly bought. arb has traded up to touch 68 cts. structure towards the end of the week has softened but only slight with n/u trading out to 1.95 after briefly trading at 1.75. good interest from trade, fund and industry keeping the market supported. a break of 137.80-138.00 will see additional strength. should the trend or fundamental stories change beware of the bloodbath that could ensue.

support: 133.05, 131.75, 130.75, 124.85 resistance: 137.80, 140.00, 144.05, 149.25

liffe: started the week well with a steady climb towards the resistance area of 1549-1550. interest from arb related selling (-ny + london) lifting the market which was met with origin selling. industry support was seen into 1505-1500 at the end of the week. with selling above is finding it difficult to move higher. a break above 1550 is needed to see renewed confidence in the market.

support: 1501, 1470, 1435, 1425 resistance: 1549, 1570, 1596



3. BRAZIL

- local market: another active week. producers are scale up sellers but reduce their offers quickly when prices go down. in general, replacement diffs dropped 1-2 cts. no news yet on the put program. may shipment pace continues strong.
- export market: increasing demand from trade and industry for several qualities at slightly lower differentials.
- bmf sept 09: \$ 149.85 (+ 0.35)
- arbitrage bmf/'c' sep/dec: 27.42 (1.04 weaker)
- exchange rate: 2.0050 (revaluation 1.50 %)

4. COLOMBIA

- local market: the weather has been dry and sunny which immediately resulted in a better flow of coffee, especially in the huila region. internal demand is slowing down a bit as the group of exporters trying to do back-to-back biz these days fail to attract biz. in general, the diffs seem to be peaking as some offers remain unsold.
- export market: demand decreased this week and offering diffs show first signs of weakness.
- exchange rate: usd/cop is still in a down trend. new lows were made yesterday. a correction above 2200 would change the outlook to neutral. high 2226, low 2169, close 2175.

5. LATIN AMERICAN MILDS

- mexico: farmers seem to be in need of cash and are willing to release coffee at slightly lower diffs. brisk outside demand especially for better cupping lots.
- guatemala: all parchment coffee has been sold and delivered to the exporters. sporadic roaster demand for nearby shipment but difficult to make ends meet.
- el salvador: registrations reached 1.2 m bags this week whereof 838.000 bags have been shipped so far. little coffee left for sale. exporters are proud sellers of their leftovers.
- honduras: yesterday's strong earthquake caused panic in honduras and its neighboring countries. latest news describe damages to infrastructure including the port. some shipment delays must be expected out of puerto cortes.
- costa rica: endless appetite from the domestic industry, little coffee left.
- peru: internal prices were pushed up by increasing demand from colombian buyers. the traditional buyers seem to be covered for nearby shipment and try to book some biz for the last quarter 2009 but seller's remain sidelined for that period.

6. AFRICA/PNG

- kenya: another very firm auction irrespective of quality. availability of good quality coffee is very tight, fresh supply should become available for shipment sept onwards.
- ethiopia: diffs for all grades firming up. acute power shortage in the country delaying coffee processing and subsequently also shipment of contracts. active nearby/spot demand in both washed & sundried qualities.
- uganda: ongoing demand in better washed qualities, diffs very firm but availability is low. cheap undergrades attracting increased attention.
- burundi: latest unofficial crop forecast 09/10: 10.000 tons, whereof 50% each fw & washed, a meagre 40% of previous crop. tenders expected to continue till year end, by then the smallish crop will be sold.
- png: good volumes continue arriving at mills and warehouses. active buying interest from all regions continues at firming diffs. industry demand surpass nearby availability.



7. ROBUSTAS

- vietnam: physical trading slowed down to a trickle as farmers appear well sold. good ongoing demand seen from shorts together with light industry interest, although differentials remain firm. some heavy rains fell in the highlands this week with the wet season now underway.
- indonesia: asalan volume increased to 6.000 mts this week as the harvest peak season approaches. most of the coffee still comes from the lower regions. occasional rain occurs in both the high and lowlands. outside demand is slightly increasing.
- uganda: the south and western flow slowly starts to pick up but it is still held back by cold, cloudy and wet weather in many of the producing areas. external demand for the 2nd half is emerging but overall the action is quite slow. the uganda shilling has strengthened a little during the week.
- brazil: although the harvesting of conilons is at full speed, the market continues steady. fob offers are around liffe level but little biz has been reported.

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

	this week			last week		
brazil swedish crop 08/09	c	-	25	c	-	25
colombia excelso	c	+	95	c	+	95
honduras hg crop 08/09	c	+	11	c	+	11
kenya ab faq	c	+	72	c	+	72
viet gr 2 (cif)	liffe	-	10	liffe		even

regards,
VOLCAFE LTD