



**WEEKLY MARKET REVIEW MAY 29 – JUNE 04, 2009**

June 05, 2009

**‘POP GOES COLOMBIA’**

**1. GENERAL**

- ice enjoyed a wild wednesday ranging from 141 to 135. it remains unclear whether it presented bulls with a buying opportunity or signalled a bear-pleasing reversal.
- like a ‘b’ list celebrity, colombia refuses to stay out of the news. a spectacular 30c collapse in differentials and subsequent confusion being the topic of the week. the internal market is in disarray, with prices all over the place. volume buyers are absent and crop flow increases daily.
- brazil gave a more convincing than normal frost scare early in the week, with temperatures in some (corn producing) areas dropping below zero. no damage reported in coffee zones.
- liffe’s certified stocks continue to climb, reaching a whopping 5,606,000 bags; ny’s continue to decline, falling to 3,673,000.
- we estimate spec/fund position on ice 32,000-34,000 lots net long and index funds 36,000 lots net long. at liffe estimate funds 5,000 lots long.

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

change vs

	<u>04.06.2009</u>	<u>28.05.2009</u>
ice july 09	139.20	2.40
liffe july 09	69.99	0.91
arbitrage ice july 09/liffe july 09	69.21	1.49

comments basis ice july 09 at 139.25, liffe july 09 at 1546

ice: a steady start to the week with prices holding the previous weeks gains, cold weather stories adding additional upside momentum. failure to break above 142.75-90 and volume decreasing leaves the possibility of a retracement to come. it did see a drop of circa 6cts to 135.00 with profit taking and stops being hit. other commodities also strong adding to a general macro picture of being undervalued. structure remains strong with milds and cert draw down giving support. arb has traded out to circa 72 cts basis n/n.

support: 135.00, 133.05, 131.75, 130.75 resistance: 142.90, 144.05, 149.25

liffe: has had a \$40 trading range this week. broke the 1549 resistance level and failed at 1580 where origin selling and fixing was seen. continues to be supported by the rise in ny. certs now stand at circa 5.6 mio bags. volumes continue light. a break is needed above 1580 to see additional interest returning.

support: 1525, 1501, 1470, 1435 resistance: 1575, 1590, 1605.



### 3. BRAZIL

- local market: temperatures fell sharply this week but no damage to coffee trees has been reported. the volume traded internally remains above average. the new crop is coming in relatively early, especially if compared to last year. some needs for cash are noticeable, so continued scale up selling can be expected.
- export market: export differentials eased a bit this week, moderate volume has been traded.
- bmf sept 09: \$ 153.40 (+ 3.55)
- arbitrage bmf/'c' sep/dec: 27.27 (0.15 firmer)
- exchange rate: 1.9400 (revaluation 3.25%)

### 4. COLOMBIA

- local market: improving weather combined with lack of interest from overseas brought a sudden halt to the rise in prices and a huge swing downward has started for internal prices. producers and intermediaries, scared by the drop, are very busy trying to get rid of their coffees. the longterm weather forecast changed completely and foresees now a dry and warm winter. this change in pattern is helping the maturation process and will bring more coffee to the market.
- export market: buying interest dropped sharply. suddenly the industry seems well covered for any nearby shipment and only willing to look at offers scale down for the last quarter 2009. hand in hand with the mainstream developments, the demand for specialty/labelled coffee disappeared as well.
- exchange rate: high 2137, low 2056, close 2058.

### 5. LATIN AMERICAN MILDS

- mexico: good rains now in most of the growing regions. smallish quantities changing hands internally at very high prices. excellent roaster demand especially for better cupping lots.
- guatemala: exports oct-may were 2.27m bags, 9.5% below same period last year. weather conditions in general terms are favorable for the upcoming new crop. export market fairly quiet.
- el salvador: rains are irregular and started a bit late. exporters still have some leftovers for sale but buying interest is lukewarm.
- honduras: a few last offers are hitting the market but do not find a home quickly.
- costa rica: the domestic industry shows endless appetite for the little volume still available. there is nothing left for export.
- peru: the coffee flow increased this week. colombian buyers are still leading the internal purchases paying prices up to plus 25. outside demand slowed down during the last few days, some trades at lower diffs have been reported.

### 6. AFRICA/PNG

- kenya: smallish auction with only some 14.000 bags of mostly low quality coffees. physical biz in regular qualities dormant due to lack of supplies. change in weather pattern causing concern; rainfall past 5 months reported 50pct below normal, not encouraging for coffee production.
- ethiopia: fairly active week with good volume traded in both washed & sundried. djibouti port logistics remain problematic, slow container handling affecting timely execution of contracts.
- uganda: smallish/opportunistic biz in top quality washed. demand exceeds supply.
- tanzania: crop estimates for 09/10 indicating 40.000 tons only, down from 60.000 tons in 08/09. this drop is mainly attributed to crop cycle and prolonged dry season in the north.



- burundi: better quality spots enjoy good demand, diffs firm. privatisation of coffee industry gaining momentum.
- png: new crop arrivals continue at reasonable pace. peak season volumes placing pressure on logistics. active industry interest from all regions. diffs remain firm. exports during may reached 85.000 bags.

## 7. ROBUSTAS

- vietnam: plenty of rain fell this week in the highlands. internal flows increased on the higher market days and collapsed again when liffe ticked lower. strong demand from shorts keeps differentials firm, with steady industry interest for all second half year positions. oct/may exports reach 860.000 mts while end may hcm stocks are at lower than average levels. the dong weakened again 0.6%.
- indonesia: weekly asalan volume continue to increase to more than 10.000 mts but is readily absorbed by the exporters. highland beans have started trickling down. crop forecast varies with some predicting a shorter than usual harvesting period. fairly good trade and roaster demand for the second half this year.
- uganda: the flow has quickened a little but not enough to soften internal values which remain on the rich side and are not helped by the stronger shilling. there is modest external demand for both nearby and for the 2<sup>nd</sup> half 2009. exports during may were 220.000 bags. logistics to fob remain quick and efficient.
- brazil: despite a much better internal flow, the conilon prices remain rather firm due to ongoing demand. fob differentials also improved 2-3 cts this week reflecting good buying interest.

## 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	+	50/80	c	+	95
honduras hg crop 08/09	c	+	11	c	+	11
kenya ab faq	c	+	72	c	+	72
viet gr 2 (cif)	liffe	-	20	liffe	-	10

regards,  
VOLCAFE LTD