



WEEKLY MARKET REVIEW JUNE 11 - 18, 2009

June 19, 2009

'SOLD IN MAY? HAVE A NICE DAY'

1. GENERAL

- a pummelling of the terminal markets caught many by surprise. a combination of commodity complex weakness and dollar strength.
- the lower market finally stimulates roaster demand while at the same time seeing diffs tighten as scarce origin sellers refuse to believe in lower prices.
- the news from colombia is that there is no news. a rare quiet week.
- the new crop centrals poker game between exporters and roasters begins, with bluff and counter-bluff. expect the game to run for several months yet, unless the high-rollers step in earlier and establish the ante.
- the front months spreads in both markets widen, with london trading out to \$30 and ice to 2.40c
- we estimate spec/fund position on ice down to 17,000 lots net long and index funds 33,000 lots net long. at liffe estimate funds at 3,500 lots long.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>18.06.2009</u>	<u>11.06.2009</u>
ice july 09	120.45	- 11.15
liffe july 09	65.18	- 4.36
arbitrage ice july 09/liffe july 09	55.27	- 6.80

comments basis ice july 09 at 120.30, liffe july 09 at 1429

ice: fund and spec liquidation taking us to the weeks lows. industry buying noted into the weakness. arb trading into 55 cts. structure weakening with the nearby n/u trading at -2.40 with the deferreds also weakening. funds remain long with more liquidation to come? small amounts of origin selling noted at higher levels at the beginning of the week. the drawdown in the certifieds has slowed.

support: 120.15, 116.25, 115.00 resistance: 123.70, 125.50, 129.85

liffe: broke out of the recent range to the downside. good industry buying and fixing was seen. origin rolling taking the nearby n/u switch out to -30 trading with u/x also weakening to -20. certs now standing at more than 5'700'000 bags. a weekly close in sep below 1480 could see additional selling into the start of next week.

support: 1424, 1415, 1338 resistance: 1515, 1559, 1575



3. BRAZIL

- local market: daily volumes sharply reduced after ice collapse. producers mostly withdrawn from the market and prefer to wait and see. exporters are in no need to chase prices either, in fact the cool off is rather welcome to digest recent purchases. replacement differentials are therefore rather nominal at around 13 under september.
- export market: exporters asking differentials increased by several cents and found very little buying interest. demand for washed coffees continues.
- the recently announced put program seems to be postponed.
- the real oscillated sideways and closed at 1.9750.
- bmf sept 09: \$ 135.75 (-9.10)
- arbitrage bmf/'c' sep/dec: 22.87 (2.67 firmer)
- exchange rate: 1.9750 (devaluation 1.75 %)

4. COLOMBIA

- local market: internal market differentials is stable to slightly firmer (+48 to +52). the flow of coffee remains stable.
- export market: some anticipated demand emerging from europe and japan as coverage is extended beyond july. the demand however remains small and well below what would be expected in a "normal" year.
- the weather is not a major concern. some rains but generally below historical precipitation for that time of the year.
- exchange rate: the currency is in a correction mode. high 2093 low 1993, close 2089.

5. LATIN AMERICAN MILDS

- mexico: farmers have some smaller quantities of parchment left for sale but hope that the market will go up again. the coffee regions are still enjoying the rains but it probably won't take long until we see some flooding in the southern areas.
- guatemala: total exports reached 2.468 m bags, 9 % below last year. buying interest for new crop is patchy.
- el salvador: exporters still show some mainstream and specialty coffee but the buying interest disappeared.
- honduras: rains continue beneficial for the development of the crop. exporters are pushing new crop sales and hope to get current diffs into their book but only smallish biz was reported.
- costa rica: some demand for shb's spot europe but there is little material left.
- peru: coffee flow increased again this week although internal prices remain firm. external diffs eased a bit and immediately attracted widespread roaster interest.

6. AFRICA/PNG

- kenya: first fly crop coffee was offered in this week's auction of reasonable to good quality. selling differentials firmed up, not surprising given 20 c/lb lower market during the two week auction break.
- ethiopia: arrivals of washed coffees are fast diminishing as we approach the end of the coffee season. few daily arrivals at coffee exchange are readily taken by exporters. only moderate sales registrations mainly for sun dried qualities reported during the week.
- png: the continuing erosion at ice and subsequent decline in local prices makes farmers reluctant to sell. accordingly arrivals of parchment and green have slowed down. cherry volumes have remained reasonably stable. ongoing interest from australian market. registration for june shipment have reached 99'000 bags.



7. ROBUSTAS

- vietnam: domestic sales are at a standstill. farmers remain with about 15 % of their output and wait for higher prices. good short covering demand still seen from exporters. industry interest is stretching from nearby positions, all way through the next year. the dong is slightly weaker at 18200 – 18250, and fuel prices rose 8 % recently.
- indonesia: asalan volume was between 8-10.000 mts this week. the drop in the terminal market has made farmers more reluctant to release their goods. intermittent rain has also been disadvantageous to drying. exporters prefer to hold back and fulfil their commitments before offering fresh material.
- uganda: the internal faq flow remains at relatively low levels for the time of the year keeping internal prices rather high and with the recent easier liffe values combined with a stronger shilling things have come to a standstill. external diffs are quoted in a fairly wide range as a big tranche of the current business activity seems to be conducted on a hand to mouth basis.
- brazil: coffee remains in the hands of local producers. coffee is offered with a premium towards liffe. surprisingly good volume has been traded despite the high prices.

8. ORIGIN DIFFERENTIALS FOR JULY/AUG SHIPMENTS FOB

	this week			last week		
brazil swedish crop 08/09	c	-	23	c	-	23
colombia excelso	c	+	55/65	c	+	50/65
honduras hg crop 08/09	c	+	11	c	+	11
kenya ab faq	c	+	85	c	+	72
viet gr 2	liffe	-	60	liffe	-	80

regards,
VOLCAFE LTD