



WEEKLY MARKET REVIEW JUNE 19 - 25, 2009

June 26, 2009

‘ALL EGGS TO THE SAME BASKET...BRAZIL’

1. GENERAL

- low terminal markets and stronger differentials conspire to discourage business during the week, particularly in arabicas.
- colombia registrations continue to add month by month a clear autopsy of what has evolved in the last few months. registrations for the jan-june 09 period totalled 3.161 million bags 70 kgs. hard to see a scenario where calendar year registrations could reach more than 7.0 million bags.
- central america has nothing more to offer while peru struggles with road blockages within a low/delayed crop.
- little business materialises for new crop. buyers happy to see differentials trading back to historic levels, but availability of washed coffees until year end still raises concerns
- all bets are now on brazil, to make up for aggravating arabica shortages with better than expected 2009 crop, and a larger than ever 2010 on cycle crop.
- switches continue to widen, sep/dec and dec/mch near 3.00 cts carry.
- we estimate spec/fund position on ice down to 7.000 lots net long and index funds 34.000 lots net long. at liffe estimate funds at 2.000 lots short.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>25.06.2009</u>	<u>18.06.2009</u>
ice sep 09	120.25	- 2.60
liffe sep 09	59.56	- 6.89
arbitrage ice sep 09/liffe sep 09	55.27	5.42

comments basis ice sep 09 at 120.50, liffe sep 09 at 1320

ice: continued liquidation was seen this week. industry buying was noted into the drop coupled with profit taking. nearby spread n/u weakened as rolling continued prior to fnd. origins were notably absent with only small quantities coming to market.

support: 117.55, 116.25, 115 resistance: 123.20, 125.40, 131.15

liffe: with the increase in certified stocks london came under pressure. spec selling increased hunting for the rumoured origin stops resting under the market. a break down through resistance saw renewed interst from funds. industry buying was seen in good volume scale down with profit taking also easing the drop circa 1300-1250 in sep. nearby spreads weakened as origin rolls were going to market. with the fall in london, the arb traded out to circa 60cts from 55 last week.

support: 1250, 1218, 1200 resistance: 1330, 1335, 1376.



3. BRAZIL

- local market: producers remain withdrawn as they consider current price levels unattractive. likewise exporters consider replacement unattractive and prefer to stay away as well.
- export market: few exporters keep offering extremely cheap differentials, apparently desperate to do any business for nearby shipment and underselling local market by about 10 c/lb.
- the real finished the week a touch stronger and the sao paulo stock exchange also regained early losses.
- harvesting is progressing but some very unwelcome showers have been reported in several areas.
- bmf sept 09: \$ 134.10 (-1.65)
- arbitrage bmf/'c' sep/dec: 21.67 (1.20 firmer)
- exchange rate: 1.9500 (revaluation 1.95 %)

4. COLOMBIA

- local market: internal market differential is stable; the exchange rate swallows ice losses. producers and intermediaries start to get bullish and are withholding some quantities which can be expect to flow in the market when the outright price shows signs of weakness.
- export market: the demand seen emerging last week from japan and europe has dried up already. the us market showing small fill-in interest for jly-sept shipments, but most roasters seem well covered at least until sept shipment.
- exchange rate: the usd/cop breached the 2150 level and sustained above so far, this rally is much a reaction to last friday's cut in interest rates (from 6.00 to 5.50 %). high 2210, low 2086, close 2170.

5. LATIN AMERICAN MILDS

- mexico: tropical storm and later hurricane 'andres' brought increased showers to various coffee regions, however little damage was reported. fairly good buying interest for primes and high grows for the first quarter 2010.
- guatemala: showers continue almost on a daily basis and flowering/pollination process is developing nicely. scattered buying interest for new crop but difficult to make ends meet.
- el salvador: rainy season continues quite irregular. some leftover lots go begging.
- honduras: the political turmoil brings about anything to stand still as tensions are rising due to constitutional problems.
- costa rica: icafe expects the new crop to increase by abt 5 %. some sporadic requests for new crop offers but little biz was concluded during this week.
- peru: fairly good roaster demand was noted but the exporters are hesitating to sell as the internal situation remains quite difficult.

6. AFRICA/PNG

- kenya: large auction next week of approx 35.000 bags, some left over main grades ex late crop, some fresh early crop; majority undergrades & unwashed. some estates and early crop smallholders currently harvesting furiously, parchment deliveries to dry mills on the increase, quality reported very good. no auctions during july.
- tanzania: exporters clearing warehouses in preparation for new crop which is currently being harvested. first parchment deliveries to northern dry mills indicate good qualities, southern highlands qualities also promising. new crop shipment to start september, total crop estimate down to 25.000 tons. proud asking prices by farmers/exporters limiting new crop biz.



- ethiopia: generally very quiet week with only sporadic new biz reported. exports continue sluggish due to a combination of power shortage/lack of trucks & containers.
- png: mid season activities slowed down due to lower terminal market and unusual wet weather conditions in some producing regions. active biz in specialty type coffees, diffs firm.

7. ROBUSTAS

- vietnam: shock in the domestic market as liffe descended to stop loss levels of many shippers. fresh offers have been frozen for the past 2 weeks, while bidders can't even buy at plus differentials internally for nearby delivery. the pipeline stocks are being drawdown, and shipments are starting to be delayed. good buying interest continues for nearby as well as early 2010. june exports are on target for 80.000 mts, which will bring accumulated exports oct-june to about 940.000 mts.
- indonesia: local market was very quiet this week. asalan volume dropped drastically to around 5.000 mts. farmers are releasing little coffee which is immediately absorbed by the exporters. most buyers stood on the sidelines, waiting for diffs to soften again.
- uganda: the internal faq flow came to a bit of a halt as the coffee chain attempted to digest the sharply easier values. there is a modest increase in external demand at slightly better diffs. the volume of coffee to work its way through to the processors and exporters will likely enable prices to align quickly.
- brazil: local prices eased only marginally during the sell-off at liffe as local roasters continue to show good appetite. outside demand eased a bit, only small trades have been reported at again firmer diffs.

8. ORIGIN DIFFERENTIALS FOR JULY/AUG SHIPMENTS FOB

	this week			last week		
brazil swedish crop 08/09	c	-	22	c	-	23
colombia excelso	c	+	60/65	c	+	55/65
honduras hg crop 08/09	c	+	11	c	+	11
kenya ab faq	c	+	75	c	+	85
viet gr 2	liffe	-	50	liffe	-	60

regards,
VOLCAFE LTD