



WEEKLY MARKET REVIEW JUNE 26 – JULY 02, 2009

July 03, 2009

‘CLOUDS GATHER IN THE EAST’

1. GENERAL

- low terminal markets and stronger differentials conspire to discourage business during the week, particularly in arabicas (copy paste from last week).
- the action was in robustas this week, as the vietnamese situation continues to tighten and some shippers seek to washout and/or delay commitments.
- official statements add fuel to the fire with talk of stockpiling and a moratorium on new contracts, although finding stock to stockpile seems as likely as a british wimbledon champion
- 5.9m bags of robusta stocks can, however, be found in liffe warehouses.
- honduras situation remains tense, although so far we do not see any direct or immediate affect on coffee business. ports are open and flow continues.
- colombia differentials continue mainly sideways, although complete lack of demand noted even for near-by fill-in business.
- we estimate spec/fund position on ice at 4-6,000 lots net long and index funds 37,000 lots net long. at liffe estimate funds at 5,000 lots short.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>02.07.2009</u>	<u>25.06.2009</u>
ice sep 09	117.80	- 2.45
liffe sep 09	60.51	0.95
arbitrage ice sep 09/liffe sep 09	57.29	- 3.40

comments basis ice sep 09 at 117.80, liffe sep 09 at 1340

ice: focus this week was more on financial markets than coffee. commodities were under pressure and coffee was no exception. industry is providing some support buying scale down but this is not enough to stop fund liquidation. market made a new low thursday since end of may. technical indicators are oversold but this is not bringing new buyers. next target is 115. this is the level in may when the rally started.

support: 117.05, 115.00, 109.00 resistance: 121.75, 125.40, 128.20, 131.15.

liffe: market performed a nice recovery since a new low last thursday. this improved a bit the technical picture but remains negative overall. funds continue to be the best sellers with industry scale down buying. apart from book squaring before notice period origin remained absent. need to see prices again above 1450 to bring more aggressive buyers.

support: 1310, 1275, 1250 resistance: 1390, 1450, 1507.



3. BRAZIL

- local market remains neglected. price ideas from producers and exporters to not meet replacement level at ice -13.00 c/lb.
- export market: industry remains withdrawn with buying ideas below today's offering levels.
- bmf sept 09: \$ 132.50 (-1.60)
- arbitrage bmf/'c' sep/dec: 20.58 (1.09 firmer)
- exchange rate: 1.9519

4. COLOMBIA

- local market: a stronger peso and a lower ice inevitably resulted in firmer differentials. it seems that demand vanished at levels above +60.00. the coffee flow is relatively stable but some retention from intermediaries has been noticed.
- export market: even the small fill in interest disappeared. interest from industry came to a standstill.
- exchange rate: a corrective move in a downtrend market. high 2168, low 2080, close 2099.

5. LATIN AMERICAN MILDS

- mexico: current crop coffee flow came to a standstill. meanwhile rains started to fall in all growing regions. the industry sporadically asks for new crop offers but selling ideas are not considered attractive enough.
- guatemala: june exports were slightly higher than last year, cumulative exports oct-june are at 2.971 m bags, i.e. only 7 % lower. new crop origin offers do not attract a lot of attention.
- el salvador: rains continue quite irregular. exporters try to book some new crop biz based on current crop diffs but the industry/trade remains sidelined.
- honduras: the political turmoil did so far not affect the coffee chain. june commitments have been shipped without problems.
- costa rica: internally fairly quiet. asian importers are nibbling at fancy qualities for shipment first quarter 2010.
- peru: producers and intermediaries wanted to get rid of their (expensive) stocks and released quite some coffee this week. good outside interest was noted from different markets. average diffs traded this week were +14 for mc and +17 for mcm.

6. AFRICA/PNG

- kenya: final auction before summer break saw 35.000 bags finding ready takers, diffs mostly firm. next auction scheduled for 11th august. rainy period has come to an end with total rainfall only approx 50 % of usual volume. this will have a negative impact on coffee production and provide for water & power shortages throughout the country.
- tanzania: industry nibbling at new crop. overall biz remains subdued.
- ethiopia: new biz blocked by high asking prices and smallish volumes put through ecx. extended waiting time to unload coffee from trucks and slow stuffing & handling of containers at djibouti causing long shipment delays. ethiopian 2008/09 budget year ends july 7th, total coffee export volume and value are expected much lower than last season.
- burundi: slow progress/developments in privatisation of coffee industry. there is a fair chance that tenders will be re-launched after the elections mid 2010. another downside adjustment put 09/10 crop to a meagre 5.000 tons only, down to 20% of 08/09 crop.



- png: local supply reported erratic and unpredictable. regional pockets of flowering are a result of unusual rains over past few weeks, affecting next year's crop pattern. the american specialty market continues to book sizable volumes for shipment till year end. the pgk/usd has appreciated approx 10 % since april. confidence in the economy remains high and is largely based on two gigantic gas and gold mine projects in the country.

7. ROBUSTAS

- vietnam: the low outright price discourages farmers from releasing stocks causing a differential squeeze on the shorts. with the lack of any nearby business, more attention is turning to the new crop in november. weather conditions remain fine for new crop development.
- indonesia: asalan volume has stabilized at around 8-10.000 mts. this is still not optimal though as farmers still hold back some coffee until they see better prices. the coffee available internally was snatched up quickly by hungry exporters. diffs continue firm.
- uganda: total exports for june are put are put at 254.000 bags. the internal flow of coffee remains sluggish for the time of year mainly due to the lower price. external demand is limited making this a quiet week. transit & port logistics remain very good.
- brazil: the domestic industry shows ongoing appetite for conilons. outside offering diffs remain very firm but little biz has been concluded this week.

8. ORIGIN DIFFERENTIALS FOR JULY/AUG SHIPMENTS FOB

	this week			last week		
brazil swedish crop 08/09	c	-	22	c	-	22
colombia excelso	c	+	60/65	c	+	60/65
honduras hg crop 08/09	c	+	10	c	+	11
kenya ab faq	c	+	70	c	+	75
viet gr 2	liffe	-	40	liffe	-	50

regards,
VOLCAFE LTD