



WEEKLY MARKET REVIEW JULY 03 – 09, 2009

July 10, 2009

‘COFFEE STIRS’

1. GENERAL

- the first signs of life begin to emerge for new crop positions, both in arabica and robusta markets. roasters are generally still not happy with the differentials they see, but buyers and sellers are gradually moving together
- terminal markets retain a strong element of weather volatility. a weak cold front is expected over brazilian coffee growing areas mid next week, followed by a stronger front the following weekend.
- colombian diffs remain as unpredictable as ever, with rumours of a large institutional shipper offering aggressively oct onwards to selected roasters. nearby diffs remain in excess of +60, completely killing demand.
- field observations indicate flow is expected to be relatively constant from now until new crop starts
- colombian accents again noted in peru.
- we estimate spec/fund position on ice down to 3,000 lots net long and index funds 43,500 lots net long. at liffe estimate funds unchanged at 5,000 lots short.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>09.07.2009</u>	<u>02.07.2009</u>
ice sep 09	115.65	- 2.15
liffe sep 09	61.32	0.82
arbitrage ice sep 09/liffe sep 09	54.33	- 2.97

comments basis ice sep 09 at 116.65, liffe sep 09 at 1374

ice: following crude oil and other commodities performance, market traded this week levels not seen since march. funds following seasonal chart continue selling while industry provides support below. technical indicators are low but moving together with the downward trend. a close above 125 is necessary to change short-term picture.

support: 114.45, 109.00, 106.60 resistance: 118.80, 120.20, 121.75, 125.40, 128.20.

liffe: market continues improving the technical picture with higher highs and higher lows almost everyday. a close above 1390 will definitely change short term trend. sep/sep traded between 54 – 58 cents this week and the way markets are performing there is more room to continue tightening.

support: 1340, 1313, 1275, 1250 resistance: 1390, 1450, 1507.



3. BRAZIL

- local market: hardly any coffees changed hands as price ideas from producers and exporters are far apart. replacement level at around ice -12.00. coffee flow of new crop coffees start to improve a bit but remains slow.
- export market: despite the expensive local market there are still wide differentials offered. a swedish type for example is offered at -22.00 c/lb fob. however, not a lot of business taking place as industry still spoiled from differentials seen/bought around 2 months ago, and targeting the same.
- the put program has finally been confirmed. first auction takes place on july 15th for a million bags. delivery for this coffee will take place only in november.
- bmf sept 09: \$ 130.50 (-2.00)
- arbitrage bmf/'c' sep/dec: 19.75 (0.83 firmer)
- exchange rate: 1.9910

4. COLOMBIA

- local market: the coffee flow remains slow, but it started to move a little better towards the exporters' mill. intermediaries stay bullish, however they start to feel the financial pressure and deliver the coffee on deposit which enables them to receive some cash.
- export market: a little more activity this week with some fill in business for nearby shipment. participants were confined to the us and japanese industry. europe remains withdrawn.
- exchange rate: a week of sideways action in a tight range: high 2124, low 2074 and close 2110.

5. LATIN AMERICAN MILDS

- mexico: the domestic industry remains a keen buyer of basically everything that is available whereas the outside demand is confined to better cupping new crop coffees for early shpt.
- guatemala: rains continuing in orderly fashion still pointing to a substantially higher crop. subdued interest for new crop but at prices well below origin quotations.
- el salvador: quiet days. some hg/shg-offers did not find a home this week.
- honduras: weather conditions are about normal for the time of the year and beneficial for the development of the new crop. the political situation cooled down somewhat. lukewarm interest from the industry which seems to be more an exploration of the market than a real effort to conclude business.
- costa rica: an increasing number of new crop price lists become available to the market but seem to find little attention.
- peru: the internal market got stronger again due to producers/intermediaries holding back and colombian buyers returning to the market. outside demand is quite good but exporters are reluctant to commit further volume.

6. AFRICA/PNG

- kenya: auction break till aug 11th. dry mils busy preparing coffee for sept/oct shipment.
- tanzania: little activity reported. origin sidelined, waiting for new crop auction to start early september.
- ethiopia: daily washed ecx prices show firming trend, reflecting limited availability towards the end of season. arrivals of natural coffees considered very low for this time of season, suppliers holding back their stock in anticipation of higher prices. fair industry biz in all grades for spots/nearby shipment, diffs firm.



- uganda: availability of washed diminishing fast. drugars for 2nd half 09 shipment attract attention. logistics to mombasa reported running smoothly.
- burundi: better quality fw coffees ex spot disappearing quickly.
- png: unusual wet weather slowing down mid season activities. good activity in all grades for shipment nearby to year end. july registrations reached 85.000 bags.

7. ROBUSTAS

- vietnam: the physical squeeze continues with small quantities of coffee still available at significant premiums. exports continue at a strong pace. june shipments were 80.000 mts but the supply pipeline is not being refilled, and shipment delays are starting to increase. the state clamps down on banks buying usd above official rates which adds further strength to differentials.
- indonesia: asalan volume stays at around 8-10.000 mts. the terminal market sideway moves did not improve the local market situation. on top of that, vietnam's condition sent buyers to cover their shorts from indonesia.
- uganda: the internal flow of faq picked up a little pace on the back of higher internal prices. plenty of external demand but at differentials which now look a little weak.
- brazil: demand from domestic and outside industry remains high and diffs remain firm.

8. ORIGIN DIFFERENTIALS FOR AUG/SEP 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	+	8	c	+	10
kenya ab faq	c	+	70	c	+	70
viet gr 2	liffe	-	20	liffe	-	40

regards,
VOLCAFE LTD