



WEEKLY MARKET REVIEW JULY 17 – 23, 2009

July 24, 2009

‘DOLDRUMS DELAYED’

1. GENERAL

- with equities, other softs and oil all strong, plus a weaker dollar, the coffee market could not resist, and enjoyed a “flintoff 5-wicket-haul” style burst of activity to reach a high of 125.40 on thursday, 9c off the week’s lows.
- most of the terminal market action has been spec based, with origin quiet and industry mostly well-covered. volumes light.
- physical market enjoys sporadic action, with a some brazil business taking place in the second hand market and any mild arabicas available quickly snapped up; origin mostly sidelined.
- threats emerge to the better quality brazilian segment as persistent wet weather hinders harvesting. crop coming in slowly vs expectations.
- rallying liffe and currency weakness brings a little more robusta to the market in vietnam and indonesia, providing a faint glimmer of hope for nervous shorts.
- we estimate spec/fund position on ice 2-4,000 lots long and index funds unchanged at 42,000 lots net long. at liffe estimate funds square. certified stocks in ny are 3.5m bags and just over 6m bags in london.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>23.07.2009</u>	<u>16.07.2009</u>
ice sep 09	124.55	8.90
liffe sep 09	68.40	-0.60
arbitrage ice sep 09/liffe sep 09	56.15	8.30

comments basis ice sep 09 at 125.00, liffe sep 09 at 1500

ice: had a volatile week, trading between 116.35 and 125.40. stops elected circa 119.50 into lack of resting orders set the low for the week. short covering and better than expected economic data taking us to the highs. u/z trading in reasonable volume between minus 3.00/3.10. industry fixing noted into the lows and light origin selling seen between 123.50 to 125.00. funds were visible buyers through the break of 123.50.

support: 121.70, 118.90, 116.35, 114.60, 113.35, resistance: 125.40, 128.20, 129.25, 132.75.

liffe: the continued strength was carried through into this week. fund short covering with trade and spec buying took it to the week’s highs where origin selling not seen for a while was evident. structure in u/x trading at -24/-26 in good volume after trading into -15 earlier in the week. x/f remaining steady at -14 with continued concerns over supply for the end of year.

support: 1480, 1450, 1390, 1250 resistance: 1535, 1580, 1600.



3. BRAZIL

- local market: activity almost non-existent but it seems that exporters start to step in to cover their august needs. offer prices remain unchanged at 240 – 250 real/bag.
- export market: demand continues extremely slow and industry interest is mostly for first half 2010 shipments and at differentials far away from present replacement levels.
- concerns are increasing regarding the quality of the arabica group 1 crop, not only in the zona da mata but also in the other main producing areas. the combination of untimely rains, and unattractive price levels delay the arrival of new crop coffees to market.
- another 2.0 m bags of put options were sold for jan through mch 2010 deliveries, with strike price at least some 50 r\$ above present local market levels, making farmers resist present price levels with more conviction.
- monetary council lowered the selic interest rate by another 0.50 % to 8.75 %.
- bmf sept 09: \$ 139.80 (+8.40)
- arbitrage bmf/'c' sep/dec: 21.97 (2.60 weaker)
- exchange rate: 1.8890 (revaluation 2.15 %)

4. COLOMBIA

- local market: differentials stayed pretty much unchanged as the ice rally was eaten up by a firming currency. buying ideas from exporters are still about 5 c/lb below the offer prices from producers/intermediaries, thus not much coffee changing hands.
- export market: interest for oct-dec shipment picking up slightly but buying targets remain below today's levels.
- exchange rate: the usd/cop broke the 2000 level and follow up to the downside. high 2036, low 1947 and close 1950.

5. LATIN AMERICAN MILDS

- mexico: drier weather and warmer temperatures this week in producing areas help cherry development, after some wet weeks. good interest for nearby primes, hg and shg for next year but price ideas still far apart.
- guatemala: the normal dry spell was ended by anticipated rain. weather pattern ideal for coming crop.
- el salvador: rains are better now after a slow and irregular start. crop 08/09 business is definitely coming to an end, no activity reported.
- costa rica: producers/millers completely withdrawn for current and new crop business.
- peru: exporters remain reluctant sellers as they are still trying to desperately cover their shorts.

6. AFRICA/PNG

- kenya: little activity, no auction. dry weather concerns continue. industry sidelined.
- tanzania: no auctions and no shipments. activities expected to pick up in 4-6 weeks from now.
- ethiopia: only moderate sales registrations of mainly sundried qualities. price discovery extremely difficult with buying/selling ideas far apart. extended storage period allowed by 'ecx' in its warehouses for arrival coffee lifting exchange prices (temporarily?) way above world market levels.
- uganda: flow of drugars picking up, traded volumes on the increase.



- png: sharply higher outright prices enticing coffee to local mills and market. uncharacteristic sporadic wet weather conditions remain. brisk biz in all qualities for sept shipment onwards. industry demand in specialty qualities cannot be satisfied due to lack of adequate supply. diffs remain firm.

7. ROBUSTAS

- vietnam: farmers have been active sellers, as domestic prices are back in their familiar range although differentials remain firm. good short covering seen by exporters and industry interest remains for end of crop shipments. heavy rains fell in the highlands this week and new crop is developing well.
- indonesia: asalan volume was around 8.000 – 10.000 mt this week. the quantity is quickly grabbed by various exporters in order to cover their shorts. with the “liffe” improvement, farmers are more keen to release their coffee. differentials weakened slightly and are currently offered at -25 for an ek 1 80 defect.
- uganda: higher prices flushed out much better volumes of faq which has been readily absorbed. differentials continue to firm as exporters remain cautious. undergrades receive a lot of attention.
- brazil: no trades reported as price ideas too far apart.

8. ORIGIN DIFFERENTIALS FOR AUG/SEP SHIPMENTS FOB

	this week			last week		
brazil swedish crop 08/09	c	-	22	c	-	22
colombia excelso	c	+	65/70	c	+	65
honduras hg crop 08/09	c	+	8	c	+	8
kenya ab faq	c	+	70	c	+	70
viet gr 2	liffe	-	30	liffe	-	20

regards,
VOLCAFE LTD