



**WEEKLY MARKET REVIEW JULY 24 – 30, 2009**

July 31, 2009

**‘FNC LOSES DE SILVA’**

**1. GENERAL**

- changes in the upper echelons of the fnc, as gabriel de silva assumes the post of colombian defence minister. the short list of possible replacement candidates remains long, with one or two well known names in the frame. decision expected within a couple of weeks.
- new crop stand off continues between roasters, who are convinced diff correction is coming, and exporters and shippers, who would dearly like to lock in current market levels.
- physical business on the quiet side, especially from brazil, as interested parties there carefully observe the harvest weather situation.
- terminal markets hunt for direction. on tuesday the ny market seemed like a dog, by thursday it resembled a resplendent english cricketer, ready to do battle against any opponent. next move is anyone’s guess.
- we estimate spec/fund position on ice 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 6.2m bags in london.

**2. PRICE COMPARISON (all in cts/lb)**

change vs

|                                   | <u>30.07.2009</u> | <u>23.07.2009</u> |
|-----------------------------------|-------------------|-------------------|
| ice sep 09                        | 124.95            | 0.40              |
| liffe sep 09                      | 67.58             | -0.82             |
| arbitrage ice sep 09/liffe sep 09 | 57.37             | 1.22              |

comments basis ice sep 09 at 124.75, liffe sep 09 at 1480

ice: positive macro picture and additional short covering giving the market upside momentum. industry sidelined and origin seen as sellers circa 126. volumes have been light in outright trading and decent volumes seen in the spreads towards the end of the week in the nearby and deferreds. support: 123.10, 120.30, 116.35, 113.35 resistance: 126.30, 129.75, 132.50, 135.80.

liffe: has been consolidating, the gap below remaining and lending support. origin selling from 1500 and higher acting as a cap for the time being. industry buying noted 50-75 dollars below. certified coffee now at approx 6.2 million bags. x/f spread has come in from -15 to -8 with the spot spread trading between -27 and -21.

support: 1468, 1450, 1414, 1393 resistance: 1500, 1535, 1580, 1591



### 3. BRAZIL

- local market: the local market has been rather quiet this week. volumes traded have only slightly improved. outright prices are considered unattractive by producers and most prefer to abstain from selling. exporters manage their inventory the best they can, as replacement levels (u -11.00 c/lb) are prohibitive compared with historical wide differentials seen two months ago.
- export market: exporters' asking differentials remain way below replacement level.
- rainy weather continued this week over states of parana and sao paulo, improvement only forecasted for early next week.
- the real strengthened further and the sao paulo stock exchange managed fresh highs today. the real is steady on its long term uptrend.
- bmf dec 09: \$ 144.25
- arbitrage bmf/'c' dec/mch: 21.90
- exchange rate: 1.8750

### 4. COLOMBIA

- local market: coffee flow is a little better thanks to improved prices that helped release part of the coffee withheld.
- export market: hardly any trade reported. differentials softened a little towards the end of this week.
- exchange rate: dollar rallied surprisingly. high 2092, low 1954 and close 2045.

### 5. LATIN AMERICAN MILDS

- mexico: little local trading activity as holiday season is on and availability of coffee is nil. interest for some better qualities for next crop starts to appear. rainy season has resumed its normal pattern.
- honduras: some last lots of better cupping current crop coffees are changing hands at rich differentials. for the rest of the year only low grade coffees are left over. weather beneficial for the new crop. political situation is calming down but nervousness remains. business and exports performing normally.
- guatemala: increasing demand for new crop coffees but price ideas still far apart.
- costa rica: focus on under grade coffees for the local market, which is the only current crop coffee left.
- peru: fair activity reported for shipments up to end of the year. selling diffs firming again; next target +20.

### 6. AFRICA/PNG

- kenya: auctions to resume aug 11<sup>th</sup>. fair industry biz nearby/spot, traded volumes modest, diffs very firm.
- tanzania: quiet, seasonal export activity expected to pick up late september.
- ethiopia: very active week in all sundried qualities at firming diffs, eastern europe destinations absorbing substantial volumes. sales of washed qualities smallish, availability diminishing fast.
- uganda: bugisu fly crop reported smallish, decent rainfall is needed to boost volume of upcoming main crop. brisk activity in drugar.
- png: very active week, both locally and overseas. availability of top qualities dwindling, volume biz restricted to y-grade and undergrades. diffs unchanged.



**7. ROBUSTAS**

- vietnam: heavy rain this week benefits the development of the next crop. the domestic market was much quieter at unchanged differentials and shorts continue to cover. next crop interest is very much there, but price ideas are still far apart.
- indonesia: asalan volume received remained stable at around 8.000 mt this week. exporters focus on short covering with no interest to increase their sales book.
- uganda: the flow of coffee continues reasonably well, helped along by rich internal prices and some pent up demand. not much fresh business reported as sellers' ideas remain on the high side.
- brazil: producers increased their selling prices to 200 r\$. hardly any business reported.

**8. ORIGIN DIFFERENTIALS FOR AUG/SEP SHIPMENTS FOB**

|                           | this week |   |    | last week |   |    |
|---------------------------|-----------|---|----|-----------|---|----|
| brazil swedish crop 08/09 | c         | - | 22 | c         | - | 22 |
| colombia excelso          | c         | + | 64 | c         | + | 67 |
| honduras hg crop 08/09    | c         | + | 8  | c         | + | 8  |
| kenya ab faq              | c         | + | 70 | c         | + | 70 |
| viet gr 2                 | liffe     | - | 40 | liffe     | - | 30 |

regards,  
VOLCAFE LTD