



WEEKLY MARKET REVIEW JULY 31 – AUGUST 06, 2009

August 07, 2009

‘FROST SCARCE. AGAIN’

1. GENERAL

- as another frost-free frost season draws to an end in brazil, fans of volatility will be looking forward to the coming hurricane season in central america. there’s always something to worry about..
- colombia differentials take another tumble, as stubbornly slow supply triumphs over terminally reluctant demand. diffs trade under 50c for the first time since end of march.
- brazil harvest gets back on track with improved weather; time will tell if the quality issues were real or imagined.
- physical business shows faint signs of life. price ideas from trade and exporters slowly move towards industry targets, triggering pockets of activity.
- new york finds direction, and it is clearly to the upside. concerns remain over the durability of the bull-run, since volumes remain low. london fails to notice/ care.
- we estimate spec/fund position on ice 9,000 lots long and index funds slightly up at 43,000 lots net long. at liffe estimate funds square. certified stocks remain largely unchanged: ny 3.5m bags and london 6.2m bags..

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>06.08.2009</u>	<u>30.07.2009</u>
ice sep 09	134.70	9.75
liffe sep 09	67.76	0.18
arbitrage ice sep 09/liffe sep 09	66.94	9.57

comments basis ice sep 09 at 133.65, liffe sep 09 at 1473

ice: market continues trending up, supported by positive news on the macro scenario and technical indicators, posting a two month high thursday. there is a gap left between 128 – 128.05 and it has to be filled sooner or later, according to conventional wisdom. bulls are happy and trying to keep up the momentum. a move above 135.00 may bring additional short covering. origins are taking the chance to sell while industry decided to step aside. trend is your friend but it’s always good to be cautious after almost 10 cts move in one week.

support:: 130.60, 128.00, 123.10, 120.30 resistance: 134.75, 135.80, 139.20, 141.50

liffe: gap was finally filled friday morning but not in the way most of the participants expected. on low volume the market traded in one minute between 1480 and 1413, just to remind us that in an electronic market, don’t leave your desk. origin orders above continue to provide sturdy resistance. ice trending up and arbitrage will continue widening.

support: 1438, 1413, 1393 resistance: 1497, 1520, 1535, 1580



3. BRAZIL

- local market: volume traded increased considerably this week thanks to higher ice. a continuation of the ice rally is needed to off set bigger volumes.
- export market: moderate business reported for nearby to early 2010 positions.
- weather turned drier this week. the harvest continues at full speed. around 80% has been harvested so far.
- july 2009 shipments reported at 2.185 m, inclusive soluble.
- the real finished the week about 2% firmer, after having reached a high of up 3.5% earlier this week.
- bmf dec 09: \$ 153.05 (up 8.80)
- arbitrage bmf/'c' dec/mch: 24.85 (2.95 wider)
- exchange rate: 1.8400 (-2 %)

4. COLOMBIA

- local market: the coffee flow remains subdued. most exporters withdrew from the internal market this week as there is no real demand. very little business taking place. despite ice going up, internal price in peso rather stable.
- export market: some sporadic trades reported around +50 this week. lukewarm demand only.
- exchange rate: the spike of the usd/cop last week turned out to be very much speculative and found good selling pressure. high 2061, low 1974 and close 2011.

5. LATIN AMERICAN MILDS

- mexico: farmers are releasing some leftovers which are immediately absorbed by the local industry, otherwise quiet. weather continues favorable for the development of the new crop.
- guatemala: sporadic inquiries from the european industry but little biz has been reported.
- honduras: new crop buying/selling ideas too far apart to make ends meet. political situation a bit less tense, road blocks disappeared.
- salvador: biz paralyzed due to 'fiestas agostinas'.
- costa rica: the domestic industry remains a keen buyer of all available stocklots. outside demand picking up, especially for early new crop shipments.
- peru: internal market firming up resulting in higher external asking levels. ongoing demand for shipments till december 2009.

6. AFRICA/PNG

- kenya: next auction set for aug 11th, 25.000 bags of various grades on offer. overall quality of upcoming fly crop appears to be good. latest field reports indicate that next main crop will be down by about 20% due to drought conditions. subdued industry activity in all grades, including cheap grinders.
- tanzania: new marketing season expected to start later this month, when first southern coffees will be put up for auction. overall crop size will be lower and estimated around 43.000 tons with the main decline in southern highlands region. strong industry demand in new crop estate coffees, diffs firm.
- ethiopia: very active week with sizeable sales registrations of mainly sundried qualities. whilst high asking levels prevent volume biz to europe, middle east/eastern european industry showing ongoing appetite.



- uganda: drugar season starts to pick up, there is little washed coffee coming through and some rain would be helpful.
- png: another active week with ongoing volume biz to worldwide destinations. diffs continue firm, reflecting excellent quality/price ratio as well as ongoing overall tightness in washed coffees.

7. ROBUSTAS

- vietnam: the domestic market was active early in the week when prices reached 26.000 vnd, but sales later dried up as the market came off. differentials continue to be solid for current crop and hcm stocks are below levels seen in recent years. buyers, sellers ideas for new crop still wide ranging, although industry pick away at the most aggressive offers.
- indonesia: volume of asalan this week is in the 7-8.000 mts range. despite the fall in futures price, local asalan price remains similar to last week's.
- uganda: july exports were 265.000 bags. faq has been flowering in some volume and is expected to run for a couple of more weeks. most coffee regions have been fairly dry for the last couple of months and decent rainfall is now needed. diffs have tended firmer but there is no real volume of fresh business.
- brazil: whereas demand from the local industry slowed down this week, fairly good outside interest was noted for nearby shipment periods.

8. ORIGIN DIFFERENTIALS FOR AUG/SEP SHIPMENTS FOB

	this week			last week		
brazil swedish crop 08/09	c	-	22	c	-	22
colombia excelso	c	+	48	c	+	64
honduras hg crop 08/09	c	+	8	c	+	8
kenya ab faq	c	+	70	c	+	70
viet gr 2	liffe	-	50	liffe	-	40

regards,
VOLCAFE LTD