



WEEKLY MARKET REVIEW FEBRUARY 20 - 26, 2009

February 27, 2009

‘BRAZIL NOT IN THE OFFICE’

1. GENERAL

- a quiet week, with the absence of the biggest producer very much felt on the terminal markets. ice ‘c’ failed to hold two-week high, while liffe traded a new contract low.
- fnc published january 09 statistics, which showed colombian coffee production in that month as 38% down on january 08. exports in the same month were 18% down, and our records show that exports in the four months since the start of the crop year are 7% down.
- african milds, particularly in kenya, burundi, tanzania, doing brisk business, with off-take from the auctions excellent despite firm asking diffs.
- vietnam exports in feb should hit 2 mn bags, rolling from h to k continues.
- significant increase in fresh indonesia arrivals this week, and local exporters willing to book fresh sales.
- nybot certified stocks as of feb 25th: 4.177 mn bags (down 9,000 on the week).
- we estimate spec/fund position on ice net 2,000 short (plus index funds 33,000 lots net long), and on liffe net level.

2. PRICE COMPARISON (all in cts/lb)

	<u>26.02.2009</u>	<u>19.02.2009</u>
ice may 09	113.15	1.00
liffe may 09	71.30	- 014
arbitrage ice may 09/liffe may 09	41.85	1.14

comments basis ice may 09 at 112.75, liffe may 09 at 1552.

ice. market touched two weeks’ high but failed to gather additional steam to hold the gains. this failure to recover after more than 10 cts drop since january leaves bear traders more comfortable. can’t rule out a test soon to the range low (110.55). rsi and stochastic attempted a recovery but are back to neutral area.

support: 110.55, 108.35, 105.00, 102.15 resistance: 114.95, 116.30, 118.40, 121.60

liffe. new low for the contract traded this week. continue to see support from industry scale down and origin resting orders above. technical indicators are near oversold levels but a new low everyday is not helping strong buyers to step in. break of 1550 can take this market very quickly below 1500.

support. 1542, 1508 resistance: 1595, 1614, 1690, 1716

3. BRAZIL

- local market: due to long carnival weekend there is hardly anything new to mention. volumes traded were smallish, also due to unchanged prices.
- export market: main interest from industry for 2nd half 2009 shipments whereas exporters try to push nearby sales. as a result only few business has been reported.
- the usd lost some ground from last week’s highs and closed at 2.3450.
- bmf may09: \$ 124.00 (-1.15)
- arbitrage bmf/‘c’ may/sept: 21.75 (-1.46)
- exchange rate: 2.3450 (revaluation 0.25 %)



4. COLOMBIA

- local market: there is absolutely no action in the internal market, only very little coffee is changing hands at firmer differentials. it is very much a seller's market and producers know it as the very little availability is fought over by exporters.
- export market: differentials reached a new high, coffee was traded this week between +30 and +32. there are only limited offers left as we are in between crops.
- exchange rate: the dollar seems to be ready for a consolidation period. high: 2610, low 2545 and close 2549.

5. MEXICO/CENTRALAMERICA

STATISTICAL SITUATION IN MEXICO & CENTRAL AMERICA COFFEE YEAR 2008/2009

Estimate per February 28, 2009

all in '000 of 60-kg bags

	Mexico	Guatemala	Honduras	Salvador	Nicaragua	Costa Rica	Total
Carry-in 07/08:	100	80	50	20	50	25	325
Exportable crop 08/09:	2'500	3'340	3'200	1'400	920	1'400	12'760
Total available:	2'600	3'420	3'250	1'420	970	1'425	13'085
w/o sold outright:	900	1'700	2'000	700	520	1'000	6'820
w/o sold unfixed:	700	620	350	420	300	160	2'550
Uncommitted per Feb 28:	1'000	1'100	900	300	150	265	3'715

Summary / Comparison

	08/09		07/08		
Total available:	13'085		14'185		
w/o sold outright:	6'820	52%	8'085	57%	
w/o sold unfixed:	2'550	19%	2'270	16%	
Uncommitted per Feb 28:	3'715	29%	3'830	27%	Cross-border trade disregarded

6. AFRICA/PNG

- kenya: excellent auction offtake continues despite massive auction volumes of well over 30.000 bags each week. industry biz for shipment/delivery throughout 2009 supporting current very firm auction diffs.
- ethiopia: sundried qualities of both current/new crop find ready takers. new crop washed biz paralyzed. smallish quantities on offer together with very firm asking prices shying potential customers away. registrations still far below same period last year.
- burundi: nice cupping lots still finding ready takers, diffs stable. inferior lots remain unsold due to high reserve prices.
- tanzania: some 22.000 bags of various qualities found a home. diffs all over the board.
- uganda: fine washed qualities on focus, diffs firming up. ongoing decent flow of naturals.
- png: wet weather hampering all coffee activities. internal parchment prices sharply higher reflecting poor/limited availability. fair industry demand in all grades for shipment march onwards. high asking levels/poor supply limiting biz.

7. ROBUSTAS

- ongoing good demand for robustas mainly for forward positions but also nearby shipments are on the industry's menu card. fresh supply from the asian producing countries remain rather resinous while the first african new crop coffees are available to the market.



- vietnam: weather conditions are dry, warm in the highlands and coffee trees are in flower. farmer sales remain sluggish due to the lower outright price, while demand is tempered by rising differentials. exporters continued to roll forward pending fixations against march. february shipments are on target for at least 2 million bags.
- indonesia: significant increase of fresh asalan arrived in lampung this week. local activity was dominated by major exporters who are covering their existing shorts. first new crop arrivals from the southern region are available in the domestic market. exporters are claiming that the volumes of fresh deliveries from this region are slightly lower compared to last year due to weather problems recently. industry showing good interest for new crop coffees and finding willing exporters who have started to enter fresh sales into their books. the rupiah has depreciated almost 9 per cent this year due to the impact of the global economic crisis.
- uganda: the central and eastern faq flow is slowly grinding to a halt but the prospects for the south and western crops look constructive with, at this stage, a good quality and volume forecast. we expect the crops to be early and so long as prices remain encouraging famers will not hold back. differentials are firming rather quickly as there is a fair amount of demand. logistics remain much improved with availability of equipment and trucks plentiful. mombasa port is functioning at a more efficient pace than we have seen for ages.
- brazil: carnival....!!!

8. ORIGIN DIFFERENTIALS FOR MAR/APR SHIPMENT CTS/LB FOB

	this week			last week		
brazil swedish crop 08/09	c	-	19	c	-	19
colombia excelso	c	+	30	c	+	26
costa rica hb crop 08/09	c	+	26	c	+	24
honduras hg crop 08/09	c	+	2	c	+	2
kenya ab faq	c	+	58	c	+	60
viet gr 2 (cif)	liffe	-	20	liffe	-	20

regards,
VOLCAFE LTD