



WEEKLY MARKET REVIEW AUGUST 28 – SEPTEMBER 03, 2009

September 04, 2009

‘QUIET...TOO QUIET...’

1. GENERAL

- the macro players were looking at other markets for their fun this week. sugar and cocoa were where the action was; both london and ny coffee markets became range-bound and dull.
- the arb tightened slightly to 56c, but robusta continues to be attractively priced, at around half the cost of a lower grade mild arabica.
- a new version of the commitment of traders’ report will be issued from tonight, with the aim of shedding more light on who holds what positions. the new categories include ‘swap dealers’, ‘commercial’, ‘managed money’ and ‘other’.
- physical market was also rather dull, apart from new crop centrals and good off-take for all spot qualities. industry buying remains cautious.
- colombia new crop threatened with some reduction due to leaf rust, especially in southern areas.
- we estimate spec/fund position on ice 8,000 lots long and index funds unchanged at 43,000 lots net long. at liffe estimate funds short -3,000 lots. ice certified stocks at 3.42m bags while london steady at 6.31m bags.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>03.09.2009</u>	<u>27.08.2009</u>
ice dec 09	120.80	-0.55
liffe nov 09	64.41	0.82
arbitrage ice dec 09/liffe nov 09	56.39	- 1.37

comments basis ice dec 09 at 120.08, liffe nov 09 at 1420

ice: market spent the week stuck in 3.50 cts/lb range. lack of additional strength on the way up keeps knocking prices down while below 120.00 a respectable amount of buying interest proved to be a good support. without fresh news, good chance market continues trading between 120 – 125 range short-term.

support: 119.90, 119.40, 116.40, 112.00 resistance: 124.90, 126.40, 129.55, 131.50.

liffe: market made a good recovery since it traded below 1350 last month but it is struggling to find additional steam to continue the rally. liffe performance last two weeks was better than ice but a convincing close is necessary to avoid long liquidation.

support: 1397, 1336, 1299, 1275 resistance: 1449, 1483, 1512, 1545.



3. BRAZIL

- local market: volume traded increased a bit this week. replacement differentials narrowed again, but exporters have to keep up coverage.
- export market: some nearby business reported at slightly firmer differentials, but still way below replacement levels.
- the usd managed a short lived rally and reached 1.93 (+3.5%) early this week, just to give all gains back and settle unchanged.
- bmf dec 09: \$ 142.55 (up 0.60)
- arbitrage bmf/'c' dec/mch: -15.94 (1.05 firmer)
- exchange rate: 1.8650 (unchanged)

4. COLOMBIA

- local market: no improvement in the flow of coffee yet, producers are under no pressure to sell which is keeping internal differentials stable. as we mentioned last week the grumblings in the field continue to persist and we are now starting to hear less bullish sentiments regarding the coming harvest.
- export market: whilst internal differentials remain stable, the levels at which buyers are willing to commit continue to drop creating a stand off.
- exchange rate: despite a big volatility of the exchange rate during the week the cop/usd closed practically unchanged. high 2.087, low 2.019 and close 2.022.

5. LATIN AMERICAN MILDS

- mexico: buying interest from the u.s. market persists but the lower price ideas did not trigger much biz this week.
- guatemala: exports oct08 to aug09 reach 3.13m bags, i.e. 9.5% below previous cycle. first pickings are reported from the southern low grown areas. interest from roasters and trade continues but at ideas below origin offers.
- honduras: no news, buying/selling ideas are getting closer but not much biz has been concluded this week.
- nicaragua: a very early crop is expected. first arrivals still cup a bit grassy but everything looks fine for a perfect crop.
- salvador: current crop registrations are now close to 1.4m bags, new crop 142.000 bags. exporters reduce their selling ideas further and start to attract more attention.
- costa rica: the second icafe 09/10 crop forecast foresees an increase of 7.37%, slightly higher than the previous one. ongoing roaster interest from europe and u.s.a.
- peru: internal prices are dropping further as exporters are being careful adding more coffee to their long book. outside demand remains subdued. offering diffs again weaker.

6. AFRICA/PNG

- kenya: a very small auction with only 7.500 bags on offer took place. the offered coffee was having predominantly the typical fly crop character and the bean size remains fairly small.
- tanzania: prices remained firm at the second auction of the season. decent quality from mbeya and a fair quantity from the north were on offer.
- ethiopia: improved volume of registration observed this week whereof naturals were the bigger part.



- uganda: rather quiet on the internal front with disappointing drugar volume so far. plenty of interest from the industry for the whole range.
- png: low prices continue to encourage farmers hold back coffee. current cherry volumes remain steady but small. a quiet week with regards to the export market with little interest from all regions.

7. ROBUSTAS

- vietnam: rains continue to fall in the coffee areas. no liquidity in the current crop spot market. farmers' stocks very low and differentials for the little coffee available are very firm. industry's buying ideas for new crop are well below origin prices resulting in little biz this week.
- indonesia: this week's asalan arrival has been disappointing, 1.500-2.000 mts. activity had been expected to improve with only 2 weeks until the ramadan celebration. exporters have to pay up to cover their shorts.
- uganda: with the season effectively over, quiet conditions prevail. ongoing but patchy external demand for last quarter at improving diffs with buyers ideas further on the weak side. the shilling is strengthening. logistics remain excellent.
- tanzania: robusta volumes are increasing with 8.400 bags offered at this week's auction. prices remain very firm.

8. ORIGIN DIFFERENTIALS FOR OCT/NOV SHIPMENTS FOB

	this week			last week		
brazil swedish crop 08/09	c	-	20	c	-	21
colombia excelso	c	+	42	c	+	42
honduras hg crop 08/09	c	+	3	c	+	3
kenya ab faq	c	+	70	c	+	67
viet gr 2	liffe		even	liffe	-	30

regards,
VOLCAFE LTD