



WEEKLY MARKET REVIEW SEPTEMBER 04 - SEPTEMBER 10, 2009

September 11, 2009

‘only market makers get to trade, the rest can only watch’

1. GENERAL

- news in the US about the growing fiscal and trade deficits renewed inflationary fears causing the dollar to weaken more aggressively against major currencies
- the markets remained relatively quiet during the week, in spite of the volatile currency markets. A break from previous closer correlation
- the differential arb between brazil and other washed/unwashed arabicas continues to narrow as internal replacement values remain firm. the strengthening real is a clear contributor to local firmness, as are the various announcements made by the government with regard to new financing and coffee buying schemes.
- jun-aug rain statistics for brazil show a significant increase Vs the averages of the last 5 years. pictures of flowering events continue to circulate, but the main flowering activities are still yet to come.
- Colombia registrations for august were 342,330 bags Vs 580,734 in august 2008. The cumulative registration figure for 2009 stands at 4,3 mio bags, including partial registrations for aug and sep.
- we estimate spec/fund position on ice 3,000 lots long and index funds at 44,000 lots net long. at liffe estimate funds short -6,000 lots. ice certified stocks at 3.38m bags

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>10.09.2009</u>	<u>03.09.2009</u>
ice dec 09	124.65	3.85
liffe nov 09	67.04	2.63
arbitrage ice dec 09/liffe nov 09	57.61	1.22

comments basis ice dec09 at 125.10, liffe nov09 at 1490

ice: light volumes this week, decent underlying buying interest circa 120.00 has prompted a rally where without follow through buying has failed at 126.00-126.50. market to remain rangebound without any news to move it either way.

support: 123.20, 119.30, 116.40 resistance: 126.60, 129.55, 131.55, 135.00

liffe: market gapped higher on short covering from funds taking market to the high of the week at 1520 where origin selling and profit taking was noted. industry well covered nearby, buying was seen in the march from them earlier in the week. a break of 1550 would see additional short covering with potential to move towards 1650.

support: 1466, 1449, 1418, 1391 resistance: 1520, 1545, 1590



3. BRAZIL

- local market: volume traded increased slightly this week as some exporters need to pay up to cover nearby commitments. replacement differentials (and bm&f arbitrage diffs) move almost fully against price moves and are at around z -8.00 for strictly soft running lots. the ever weaker dollar does not help the situation.
- export market: fob offers can be found at 5-6 c/lb below replacement levels, with hardly any takers at these levels.
- bmf dec 09: \$ 145.20 (up 2.65)
- arbitrage bmf/'c' dec/mch: -17.60 (1.65 weaker)
- exchange rate: 1.8100 (revaluation 2.95 %)

4. COLOMBIA

- local market: no real improvement in the flow of coffee as expected. internal market prices remain stable despite pressure from buyers to push differentials lower.
- export market: while buyers appear to be reluctantly accepting that current crop differentials are not going to drop as quickly as hoped, the new crop sales stagnated as the industry became reluctant to add more coverage at around +20.00.
- exchange rate: another volatile week for the peso, closing slightly lower on last week. high 2'045, low 1'985 and close 1'993.

5. LATIN AMERICAN MILDS

- mexico: weather has changed completely from drought in several areas to flooding in mexico city and surroundings. no major outside interest was noted during this week.
- guatemala: in spite of lower than usual rainfall during the last weeks, development of the new crop looks still favorable. industry in no hurry to book forward biz.
- honduras: situation unchanged from last week, buying interest still lukewarm at present diffs.
- el salvador: sporadic inquiries for long term spreads well into next year, diffs a touch softer.
- costa rica: ongoing demand from local industry, outside interest remains patchy.
- peru: internal coffee flow continues nicely. exporters have reduced their selling ideas and start to attract some industry and trade interest.

6. AFRICA/PNG

- kenya: intense bidding by wide range of exporters pushing auction prices up. smallish volume of 12'000 bags sold quickly, all qualities attracted hefty prices. drought now affecting many parts of the country and dominating headlines in local news. next auction listed for sept 22nd. industry biz confined to nearby positions. diffs very firm.
- tanzania: very firm auction. northern qualities fetched healthy premium over southern coffees. overall limited availability and unsatisfied industry demand ensure current stiff prices likely to continue for some time to come.
- ethiopia: little fresh biz reported, focus on sundried qualities. origin asking prices way above international market levels. light rainfall reported from southern regions. new crop harvest has started in lower growing bebeka/limu/teppi areas.
- uganda: very little washed coffee coming to market, improved weather conditions in mbale region helping the crop. drugar flow continues slow, prices firm.
- png: active week, fair volume sold to worldwide destinations, diffs a tick softer. exports for august 110'000 bags compared to 90'000 bags during august 08. total exports for coffee year to date 865'000 bags, approx 10 pct below same period last year.



7. ROBUSTAS

- vietnam: rains continue to fall in the coffee areas. light selling of spot coffee from farmers at firm differentials. still a bit of a stand off on new crop ideas, but slight weakness can be felt.
- indonesia: the weekly asalan volume picked up to around 3.000-3.500 mts. farmers began to release their stocks and the exporters were ready takers, all in anticipation of the ramadan festive season.
- uganda: total exports for august were 260.000 bags. the robusta flow is more or less at standstill. the outlook for the central crops is mixed and more rain is need to push things along. there is a little more interest for last quarter shipments but sellers remain cautious.
- brazil: the local industry shows good appetite for nearby deliveries whereas the outside interest dried up due to the firm offering prices.

8. ORIGIN DIFFERENTIALS FOR OCT/NOV SHIPMENTS FOB

	this week			last week		
brazil swedish crop 08/09	c	-	19	c	-	20
colombia excelso	c	+	39	c	+	42
honduras hg crop 08/09	c	+	3	c	+	3
kenya ab faq	c	+	72	c	+	70
viet gr 2	liffe		even	liffe		even

regards,
VOLCAFE LTD