



**WEEKLY MARKET REVIEW DECEMBER 04 – DECEMBER 10, 2009**

December 11, 2009

**“COLOMBIA 2.0”**

**1. GENERAL**

- not enough coffee coming out of colombia; the normal substitutes in central america are getting well sold; diffs are moving up across the mild arabica world. sound familiar?
- but this time the roasters are not well covered, and with exporters closing up shop and traders licking their wounds, spot markets get active and industry buyers sound increasingly concerned.
- robusta bucks the trend and diffs weaken in the face of a liffe rally and increasing crop availability. either that, or liffe is no longer relevant and internal vietnamese market just trades on an (unchanged) outright price.
- new york terminal market gets stuck in a volatile range of 140 to 148, with wide intra-day moves giving day traders uncomfortable moments.
- brazil ignores it all.
- estimated spec/fund position on ice 22,000 lots long and index funds 55,000 lots long. at liffe estimate funds 16,000 lots short. ice certified stocks at 3.17m bags, liffe at 6.03m bags.

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

change vs

	<u>10.12.2009</u>	<u>03.12.2009</u>
ice mar 10	142.70	-1.95
liffe jan 10	62.68	1.63
arbitrage ice mar 10/liffe jan 10	80.02	-3.58

comments basis ice mar10 at 144.20, liffe jan10 at 1410

ice: good support despite negative macro news. market rangebound with support at 140 resistance at 148. structure remains unchanged despite the violent swings in flat price. good fund, industry and short covering seen early in the week taking us to the high of 147.95. origin selling currently seen above 145. arb trading circa 80cts.

support: 141.25, 139.50, 138.50, 135.35 resistance: 145.35, 147.90, 148.45, 152.25

liffe: followed ny with a strong rally. broke resistance at 1380 with short covering. structure tightening with the nearby switches coming in circa 3/5 dollars. continued underlying support seen circa 1380/01400 with origin tightness. indicators neutral to positive indicating further increase in flat price. a close above 1420 could see next target of 1500 achieved.

support: 1359, 1333, 1311, 1295 resistance: 1393, 1408, 1448, 1483

**3. BRAZIL**

- local market: fairly quiet and with the holiday period around the corner, it looks like this situation will continue. november export statistics show lower figures than for october. this is somewhat surprising as the performance during the month was always ahead of the previous month.
- export market: little biz has been reported. exporters maintain their asking levels whereas trade and industry are trying to buy below those levels.
- bmf mch 10: \$ 173.25 (up 1.95)
- arbitrage bmf/ice mch/may: - 13.43 (0.42 firmer)



- exchange rate: 1.7650 (deval 3.25%)

#### **4. COLOMBIA**

- local market: the internal flow remains thin as farmers and intermediaries hold back coffee.
- export market: the industry continues with a 'hand to mouth' strategy. european roasters were pretty active in covering their nearby needs, asian buyers were looking at the first quarter 2010 whereas the demand from the u.s.industry was relatively weak.
- exchange rate: the usd/cop firmed up and reached 2024 this week. high 2'024, low 1'993 and close 2.024.

#### **5. MEXICO/CENTRALAMERICA**

- mexico: the coffee flow has slightly increased during this week but internal asking diffs remain firm. ongoing demand from usa/asia for shipments early next year, diffs firming up.
- guatemala: the hard bean harvest is in full swing now which is reflected in an improved parchment flow. arrivals at exporters' warehouses are expected to increase further ahead of the holiday season. outside demand is quite good but focused mainly on nearby shipment periods.
- honduras: the coffee flow is picking up speed but the internal fight is fierce as exporters still have to cover december commitments. the european industry shows keen interest for the first quarter 2010 but the exports prefer to cover shorts before offering further coffee.
- el salvador: producers are taking advantage of the rally and fix a good amount of coffee. exporters remain withdrawn and do not cover the sporadic demand from industry.
- costa rica: brisk roaster demand for jan-march shipments for the entire quality range. diffs firm.

#### **6. AFRICA/PNG**

- kenya: no auction this week. origin offers scarce, asking prices sky high.
- tanzania: approx 10'000 bags of washed arabicas auctioned this week, all grades written up quickly at very firm price levels. ongoing industry demand cannot be satisfied due to lack of supply.
- ethiopia: daily volume traded at ecx still considered very small for this time of season. slow receiving process of arrivals at ecx regional warehouses limiting availability. significant increase in sales registrations of both washed (new crop) and sundried (current crop) qualities.
- uganda: excellent demand for washed arabicas some top lots, command rich premiums for nearby shipment. naturals are slow pending crop developments.
- png: higher terminal levels re-activating local activity. overall still little fresh coffee available for jan/feb shipment. total exports for november reached 120'000 bags, identical to november 08. total exports for calendar year to end nov reached 950'000 bags.

#### **7. ROBUSTAS**

- vietnam: the harvest is about 70% complete and the weather continues to expedite the drying. With liffe edging higher, some of the fizz is being taken out of differentials as domestic prices are relatively unchanged during the week. good demand is seen and exports in the early part of the season are 20% higher year on year.
- indonesia: asalan volume remained small this week, about 400-500 mts. good roaster interest was noted throughout the week but little biz has been booked due to different price ideas between buyers and sellers.



- uganda: the robusta flow is approaching the peak of season and is readily absorbed. overseas demand remains keen for both main grades and undergrades. the shilling is trading in a volatile range (1860-1930) with good coffee and pre-christmas inflows on the one hand and renewed dollar strength on the other.
- brazil: local industry seems covered at the moment and remains withdrawn for nearby positions. outside demand is still there but buying ideas do not match origin prices.

**8. ORIGIN DIFFERENTIALS FOR JAN/FEB SHIPMENT CTS/LB FOB**

	this week			last week		
brazil swedish	c	-	18	c	-	19
colombia excelso	c	+	46	c	+	43
honduras hg	c	+	5	c	+	4
kenya ab faq	c	+	105	c	+	100
vietnam gr 2	liffe	-	10	liffe		even

regards,  
VOLCAFE LTD