



WEEKLY MARKET REVIEW DECEMBER 11 – 17, 2009

December 18, 2009



'SANTA CLAUS LAST HOPE FOR WASHED COFFEE'

1. GENERAL

- the tight situation in washed coffees remains unchanged, with a good deal of demand going unsatisfied. sellers noted backing away and exporters work from long positions.
- brazil activity picks up as a weaker currency triggers softer export diffs.
- in the robusta world, vietnam sees a decent coffee flow; a few eager buyers mop up the supply and seem hungry for more. indo crop developing well.
- colombia still "difficult". although weather conditions for mitaca development are ideal, the relief this may provide seems a painfully long way off.
- with a resurgent dollar and a stubbornly high terminal market, coffee becomes notably more expensive for european industry.
- estimated spec/fund position on ice 32,000 lots long and index funds 55,500 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>17.12.2009</u>	<u>10.12.2009</u>
ice mar 10	146.70	4.00
liffe jan 10	63.05	0.42
arbitrage ice mar 10/liffe jan 10	83.70	3.68

comments basis ice mar 10 at 146.60, liffe jan 10 at 1390

ice: continued spec, industry and fund buying pushing ny to the high of 149.50 for the week. the strength in the dollar brought good origin selling circa 145/148 in the latter part of the week. support seen into 140 and resistance seen 150/152 basis march. nearby structure trading in good quantity between -1.65 and -1.55 with the back months coming in circa.10/.20. arb widened to trade 85 cts in mar/mar currently 83.50. oi in ny up 11k this week .
 support: 141.25, 140.30, 138.50, 135.35 resistance: 149.50, 150.00 152.25,155.00.

liffe: failure to break and hold above 1420/1425 basis march has seen renewed weakness return to london. origin selling seen in good quantities. industry buying seen in the back months from may onwards. liffe certs near record highs and new crop selling coming to market putting london under pressure. spreads nearby trading stronger with fund rolling seen, further out weakening circa 2/3 dollars per position.
 support: 1359, 1333, 1311, 1295 resistance: 1393, 1408, 1425, 1483.



3. BRAZIL

- local market: local activity increased again. higher prices brought more producer selling to the market and decent volumes changed hands. replacement prices softened by 1-2 cents but prices paid for next year were fully steady. a weaker real helped to soften the differentials a bit.
- export market: offering prices got a little weaker attracting some more attention from the trade/industry.
- bmf mch 10: \$ 176.80 (up 3.55)
- arbitrage bmf/ice mch/may: - 14.19 (0.76 weaker)
- exchange rate: 1.7900 (deval 1.50 %)

4. COLOMBIA

- local market: the internal coffee flow remains poor. weather conditions for the mitaca continue favorable.
- export market: the european industry was quite active covering near needs whereas buying interest from north america and asia was a bit less pronounced.
- exchange rate: the exchange rate traded in a similar range as in the previous week: high 2.021, low 1.987 and close 2.021.

5. MEXICO/CENTRALAMERICA

- mexico: rains and cold weather have affected picking in the higher zones of veracruz and puebla. ongoing outside demand for the entire quality range with focus on early shipments.
- guatemala: the hard bean harvest is progressing well and arrivals at exporters' warehouses are picking up. sporadic roaster demand was noted from the u.s. market whereas european and asian buyers were sidelined.
- honduras: the coffee flows quite well internally but prices paid are astronomic. industry shows ongoing appetite for first quarter 2010 but exports prefer to cover shorts before offering further coffee.
- el salvador: exporters remain reluctant to commit further volume as they are well sold and harvesting of shg's will only start at the end of this month.
- costa rica: crop is coming in strongly now, but hard bean areas are down significantly. scattered roaster demand for early new crop shipments. diffs again a touch higher.

6. AFRICA/PNG

- kenya: a massive 32.000 bags auctioned this week, last auction of similar size seen back in march 09. quality composition of auctioned coffees generally good with few lots really showing off some of the best plus/top qualities. diffs continue very firm.
- tanzania: last auction this year produced very firm prices, diffs reaching levels not seen for many years. industry demand cannot be satisfied. exporters downsizing previous crop estimate from 43.000 tons to 37.000 tons or below. southern crop is sold, northern mills reported empty of parchment.
- ethiopia: active week in both washed and sundried qualities. export activity limited to few active companies, many traditional small/medium players continue to stay sidelined. flow of parchment coffee to ecx remains below normal levels for this time of the year.
- uganda: supply of mbale coffee remains disappointing, fly crop from may onwards expected to be back to normal. industry demand for cheap washed qualities continues.
- png: little fresh biz reported due to lack of supplies. industry nibbling at shipments july 2010 onwards, depressed diff ideas limiting volume.



7. ROBUSTAS

- vietnam: fine weather continues to support the harvest which is due to be completed by mid january. farmer sales increased during the week at slightly easier differentials creating enough liquidity for exporters to catch up on their shipments. credit has become rather tight for local business due to financial year end book squaring. steady demand is seen by trade and industry for all 2010 positions.
- indonesia: asalan volume has subsided due to the long weekend holiday, barely reaching 400 mts this week. buyers' differential ideas for the new crop are still far below origin expectations.
- uganda: torrential rains in many parts of the country hampering the robusta flow. plenty of demand from overseas at richer differentials. the shilling is volatile although bank of uganda is trying to smooth values.
- brazil: ongoing demand from the local industry is pushing up prices internally. outside interest subdued this week.

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

	this week			last week		
brazil swedish	c	-	18	c	-	18
colombia excelso	c	+	52	c	+	46
honduras hg	c	+	8	c	+	5
kenya ab faq	c	+	110	c	+	105
vietnam gr 2	liffe	-	20	liffe	-	10

OUR NEXT WEEKLY REVIEW WILL BE ISSUED JANUARY 08, 2010

TO ALL OUR READERS, OUR BEST WISHES FOR A MERRY CHRISTMAS AND A HAPPY, HEALTHY AND SUCCESSFUL NEW YEAR.

regards
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