



WEEKLY MARKET REVIEW JANUARY 08 - 14, 2010

January 15, 2010

‘THINGS COULD BE WORSE’

1. GENERAL

- events in haiti remind us that things could be worse, and in the end coffee is just a hot beverage.
- no relief to the spiralling mild arabica differentials, with both centrals and colombia taking a step up again this week.
- the weather in central america is not conducive to coffee harvesting, with more cold fronts bringing rain, wind and chilly temperatures.
- mexico suffered the worst, with photos of iced coffee plants (a new variety: frappuccino arabica?) distributed widely through the trading communities. crop effects, however, likely to be limited.
- slightly different picture in the vietnamese market, with a dull but predictable terminal market and looming tet holidays leading to a better flow and steady differentials.
- estimated spec/fund position on ice 20,000 lots long and index funds 55,000 lots long. at liffe estimate funds 15,000 lots short. ice certified stocks at 3.02mio bags, liffe at 5.68mio bags.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>14.01.2010</u>	<u>07.01.2010</u>
ice mar 10	144.35	2.45
liffe mar 10	63.32	0.37
arbitrage ice mar 10/liffe mar 10	80.43	2.82

comments basis ice mar 10 at 144.05, liffe mar 10 at 1385

ice: market is consolidating last week performance, digesting all news coming from physical and finance. index fund re-balancing seems over and was well absorbed. 142.50 level will be monitored and used as stop level for some players (26-day moving average). technical indicators are not overbought and funds are not as long as they were in november.

support: 142.50, 139.85, 135.80, 133.05 resistance: 146.95, 147.95, 149.50.

liffe: market is struggling to hold above 1400. resting scale up selling from origin proves to be a good resistance and pushes away aggressive buyers. a move above old high (1425) is necessary to bring system fund short-covering.

support: 1374, 1337, 1300 resistance: 1411, 1425, 1451, 1500.



3. BRAZIL

- local market: prices paid in reais were stable for strictly soft coffees around 300 r\$ porta catado. exporters' demand gives solid support and volumes on offer get easily absorbed.
- export market: differentials hardly changed and moderate volumes traded.
- government funds for payment of december deliveries under put option program start finally arriving.
- calendar year 2009 finished with record export volume in bags (30.3mio up 2.6% from 29.5mio in 2008), but revenue in usd dropped (usd 4.27bio, down 10% from usd 4.75bio in 2008), quite a drop and the first in many years.
- bmf mch 10: \$ 176.05 (up 2.75)
- arbitrage bmf/ice mch/may: - 12.96 (0.79 weaker)
- exchange rate: 1.7650 (deval 1.50%)

4. COLOMBIA

- local market: despite favorable weather conditions the coffee flow did not pick up. farmers and intermediaries see ongoing demand and increase their prices after every biz concluded. a first round of excellent flowering occurred at the turn of the year which should result in an early and good main crop.
- export market: good roaster interest, especially for nearby positions, pushed up origin diffs on a daily basis. today's levels trigger renewed discussions about blend compositions.
- exchange rate: high 1.985, low 1.953 and close 1.969.

5. MEXICO/CENTRALAMERICA

- mexico: a cold front hit the gulf of mexico earlier this week. as a consequence, cold weather and freezing rain in veracruz, puebla and north of chiapas caused some losses and delayed picking and cherry deliveries to the wet mills.
- guatemala: good demand for the entire quality range for shipments during the first half 2010. diffs moving up.
- honduras: brisk roaster and trade demand at the beginning of the week pushed diffs again higher. weather pattern remains irregular with another (less dramatic) cold front expected for the weekend.
- el salvador: biz at standstill as exporters prefer to abstain from committing additional volume for the time being.
- costa rica: the cold front did not cause any damage but pickers must be 'motivated' to go to the fields to collect cherries. ongoing roaster demand, mainly for better grades.

6. AFRICA/PNG

- kenya: auctioned quantity increased this week with fairly decent quality on offer. solid buying interest from exporters resulted in firm prices.
- tanzania: around 5.000 bags of mild arabica were offered in this week's auction. throughout all grades coffee found good buying interest and differentials have remained consistently firm.
- ethiopia: registration volumes are increasing due to attractive offers from exporters. ecx washed quality prices soaring as a result of limited supply. exporters are cautious to offer big quantities.
- png: cherry volumes have increase this week in the western highlands provinces. limited amount of cherry available in the eastern highlands province. parchment arrivals remain low in all areas due to wet weather.



7. ROBUSTAS

- vietnam: coffee flow to exporters remains good, a stable london market is helping. some scattered selling meets with a good demand from roasters. weather remains dry with some unseasonal showers mid week. inflation 9% for 2009. the count-down to tet has started with 3 weeks to go.
- indonesia: extremely slow internal market. prices remain very high and hardly any new business is done. idr has been strengthening against usd, due to increased optimism in the region's economic recovery.
- uganda: good demand can not be satisfied due to slow internal coffee flow.
- conilon: very little business and only small volumes.

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

	this week			last week		
brazil swedish	c	-	20	c	-	19
colombia excelso	c	+	68	c	+	58
honduras hg	c	+	14	c	+	14
kenya ab faq	c	+	113	c	+	110
vietnam gr 2	liffe	-	20	liffe	-	20

regards
VOLCAFE LTD