



WEEKLY MARKET REVIEW JANUARY 15 - 21, 2010

January 22, 2010

'2,978,563'

1. GENERAL

- certified arabica stocks dip below 3mio bags for the first time since january 2003, and with current high diffs of deliverable coffees, there is no reason to think this trend will reverse anytime soon.
- if draw downs continue at the current rate then we will have less than 2mio bags in 40 working days' time.
- markets fell.. so much for fundamentals.
- supply pictures continues to be troublesome – can anyone remember the last time a crop figure was revised *upwards*?
- logistics cause concern in some areas, as shipping lines start to resist accepting booking of low-priced deals.
- we estimated spec/fund position on ice 18,000 lots long and index funds 56,000 lots long. at liffe estimate funds 16,000 lots short. ice certified stocks at 2.98mio bags, liffe at 5.68mio bags.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>21.01.2010</u>	<u>14.01.2010</u>
ice mar 10	138.70	-5.65
liffe mar 10	60.19	-3.13
arbitrage ice mar 10/liffe mar 10	78.51	-2.52

comments basis ice mar10 at 139.05, liffe mar10 at 1329

ice: this week's firm dollar (+2% against euro) caused commodities liquidation. coffee downturn became faster once 142.50 support was broken. industry buying was not strong enough to offset long liquidation and new shorts flow. technical indicators turned down and points to more pressure short-term. if dollar keeps firming there is a good chance to test 135.80 – 136.00 support area.

support: 137.55, 135.80, 133.05, 128.30 resistance: 142.25, 144.55, 146.95, 149.50

liffe: long liquidation and fund selling hit the market as it was unable to hold above 1400. it closed down the last 6 sessions erasing all gains built since the beginning of the year. industry continues to extend the coverage providing support on the way down. 1300 support was not challenged yet. if holds above 1300 there is a good chance to see a recovery once selling pressure is over.

support: 1311, 1300, 1250 resistance: 1364, 1381, 1409, 1425



3. BRAZIL

- local market: volume traded was reduced this week. exporters had difficulties to maintain bids at same price levels as last week because of the violent collapse of the markets; and as producers insisted on same sales prices, only limited volume traded. fine cup levels have hardly changed, trading at around 300 r\$ and prices for lower to medium qualities kept steady too. nearby availability is scarce and demand is apparent. so for the time being, producers are clearly in the drivers seat.
- export market: exporters increased asking differentials and not much business reported traded.
- the huge sell off at sao paulo stock market, plus usd rally from 1.76 to over 1.80 was about in line with very nervous international scenario, maybe even a touch worse.
- recent economic news was rather negative, 2009 had worse than expected negative current account balance with exterior, i.e. dec09 was particularly bad (-5.9 bio usd) almost double dec08. federal government tax income was 2.96 % down in 2009 vs 2008.
- bmf mch 10: \$ 170.90 (down 5.15)
- arbitrage bmf/ice mch/may: - 11.25 (1.71 firmer)
- exchange rate: 1.8000 (deval 2.00 %)

4. COLOMBIA

- local market: weather continues favourable but the coffee flow does not improve. internal diffs keep moving up.
- export market: scattered demand for feb and march shipments but volume remains smallish. asking diffs now between plus 71-74 fob.

5. MEXICO/CENTRALAMERICA

- mexico: internal prices rise further due to good demand from exporters who see continued interest from the u.s. and european markets.
- guatemala: deliveries of parchment coffees to exporter's mills continue at a brisk pace, but in spite of the drop at ice, internal prices remain unchanged. buying interest picking up substantially.
- honduras: weather conditions have improved and so has the coffee flow. a lot of coffee changed hands this week, mainly for nearby positions.
- el salvador: crop 09/10 estimate a bit unclear with different reports circulating but earlier forecasts have to be adjusted downwards. meanwhile biz at a standstill.
- costa rica: weather conditions are ideal again, internal activity picked up and qualities are good. outside demand continues from various directions, selling diffs a touch higher.

6. AFRICA/PNG

- kenya: auction ended firm, 22'000 bags found eager takers. similar amount of coffee will be auctioned next week. no signs of softening diffs, supply remains consistent but not voluminous. fairly active industry biz from nearby to far forward positions.
- tanzania: auction offered some 6500 bags whereof majority from the north, diffs firm.
- ethiopia: sporadic biz. weekly sales registrations remain below 'normal' for this time of year. marketing of new crop sundried expected to start mid february only.
- png: parchment arrivals remain low in all areas due to wet weather. highlands highway closed all week due to heavy rain. some shipments will be affected and delayed. dec exports approx 77'000 bags compared to 66'000 bags during dec 08. industry demand remains unsatisfied due to lack of coffee.



7. ROBUSTAS

- vietnam: a tropical depression passed over vietnam mid week bringing a day of rain to the coffee areas, and then the dry season resumed. farmers sold moderate volumes before the market collapsed and have since backed away. exporters who had the opportunity to cover in the past few weeks are not chasing prices for now, causing a bit of a stalen mate. the market drop causing some headaches, and worries of late shipments and defaults flare up. industry demand still evident for all shipment positions march onwards. the dong firmed 30 points this week.
- indonesia: active local short covering is ongoing very high prices, the coffee flow was slightly better but well absorbed. new crop interest still far away from selling ideas. rupiah has been trading lower against usd. the central bank is trying to keep rupiah from appreciating above 9400 level, by selling dollars in the market
- uganda: some fears of a small drought having affected the crop. the flow of faq is readily absorbed by exporters irrespective of fairly rich prices and differentials continue to firm up. weak ugx has to do with big remittances and incoming donation money early january.
- conilon: current crop fetching good premiums, new crop trades slightly easier.

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

	this week			last week		
brazil swedish	c	-	20	c	-	20
colombia excelso	c	+	72	c	+	68
honduras hg	c	+	14	c	+	14
kenya ab faq	c	+	115	c	+	113
vietnam gr 2	liffe		even	liffe	-	20

regards
VOLCAFE LTD