



WEEKLY MARKET REVIEW JANUARY 22 - 28, 2010

January 29, 2010

‘CURRENCY = CURRENT ‘C’

1. GENERAL

- new york market may have fallen 7% since january 11th, but currency in the major producing country (brazil, as we are continually reminded) has weakened by 8% over the same period. so for the *growers* of most of the coffee, the market drop was a non-event.
- rare news to report – colombian diffs fell by 4c during the week, even with a lower ice. some offers don't find a taker and demand only really noted out of asia. do the shorts dare hope? probably not..
- vietnam moves a step closer to retaining supplies, with a meeting between major local exporters and government to develop a framework on how to proceed. big question marks remain, notably over funding. the wider market seems to remains skeptical.
- we estimated spec/fund position on ice at 12,000 lots long and index funds 56,000 lots long. at liffe estimate funds 16,000 lots short. ice certified stocks at 2.93mio bags, liffe at 5.58mio bags.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>28.01.2010</u>	<u>21.01.2010</u>
ice mar 10	132.95	-5.75
liffe mar 10	60.33	0.14
arbitrage ice mar 10/liffe mar 10	72.62	-5.89

comments basis ice mar 10 at 133.50, liffe mar 10 at 1333

ice: market broke decisively to the downside in high volume, succumbing to a strengthening dollar. in particular the brl traded from 1.80 to 1.87 over the week, and looks on a trend to 2.00 brl/usd in the near future. fund liquidation and new shorts on wednesday broke through the supports in a five cent drop, and was followed by more downside action yesterday, outside of the lower bollinger band. market trend is down and a good close above 140.00 will be necessary to bring bulls' confidence back.

support: 132.05, 128.30, 126.30, 122.80 resistance: 134.90, 137.80, 141.25, 146.95.

liffe: market held its (low) ground, with good buying below, and finishing unchanged on the week. sentiment is still bearish with good volume of pending fixations hanging above but for the moment it seems fund selling is over.

support: 1324, 1300, 1250 resistance: 1343, 1385, 1400, 1425.



3. BRAZIL

- local market: the early part of the week was still reasonably active. with the real decline compensating the first few cents of ice collapse, business was ongoing and replacement, whilst far from attractive, were at same old levels and thus exporters continue to lock in substantial losses. the increased speed of ongoing ice drop however could not be absorbed by the currency move. prices in reais for fine cup were at 300 – 305 r\$ porta cartado and are likely to stay unchanged, as it is just about what the government pays against the january deliveries ex the put-option program. the payments for the december deliveries seem to have finally been made.
- export market: odds and ends still trading for nearby positions, at firmer differentials. demand for new crop underlying at historic low differentials, but many buyers prefer to wait for the market come their way, so little business concluded.
- the stock market lost further ground and trend seems still lower. the real lost further ground as well and the worldwide usd recovery is taking its toll in brazil too.
- bmf mch 10: \$ 162.50 (down 8.40)
- arbitrage bmf/ice mch/may: - 10.05 (1.20 firmer)
- exchange rate: 1.8660 (deval 3.67 %)

4. COLOMBIA

- local market: weather conditions remain hot and dry. internal diffs show a softer tendency as several offers remain unsold at the end of the day. the drop at ice did not have any firming impact on the asking diffs.
- export market: outside demand now down to a trickle with the asian market being the exception. selling ideas softened from plus 76 early in the week to slightly below 70 on thursday.

5. MEXICO/CENTRALAMERICA

- mexico: internal diffs rise supported by very strong demand and low coffee flow. good and continued interest from european and u.s. market for feb onward spreads.
- guatemala: exports as per jan 24: 532.000 bags which is 11% higher than 08/09. excellent interest from several directions, industry now willing to pay up.
- honduras: coffee is flowing well and mills are working at full speed. outside demand also continues strong, diffs stable.
- el salvador: it now becomes obvious that previous crop estimates were too optimistic. high grown areas lost abt 20 pct, shg's are coming in slowly. exporters are reluctant to show further offers.
- costa rica: weather conditions remain ideal. ongoing roaster interest for nearby positions at slightly rising diffs.

6. AFRICA/PNG

- kenya: auction diffs are firming week after week. 20.000 bags good quality coffee found ready takers this week. supply remains consistent. steady industry demand in all grades and positions. weather is generally hot and dry and expected to continue – those attending the eafca conference in mombasa mid february are well advised not only to bring plenty of sun-cream along but also plenty of money as 1 container of kenya coffee has a value of more than 125.000 usd.....



- tanzania: bits and pieces of what is remaining of the 09 crop finding ready & keen takers. smallish volumes of nice estate coffees fetching lofty premium.
- ethiopia: coffee delivery process at ecx warehouse awassa running smooth. situation in djimmah & lekempti area still extremely slow with all weighing conducted manually. logistics from interior to addis continue to challenge exporters. some 60+ exporters are now requested to do what 1000+ suppliers had been doing for years. fairly active industry biz in washed qualities.
- uganda: excellent industry demand for washed qualities goes unfulfilled. upcoming drugar crop looking promising in terms of volume and quality.
- png: industry looking for all qualities/positions from nearby to year end. exporters are reluctant to book volume due to lack of supply. exports for 2009 calendar year reached 1.026.000 bags, ie 6% down on 2008.

7. ROBUSTAS

- vietnam: moderate volumes traded in the domestic market this week as farmers still need to sell before tet, which was easily absorbed by trade and industry covering forward shorts. differentials continue to be historically high and the dong edges firmer by a few points. vietnamese government gave support to a retention scheme proposed by vicofa. exporters wishing to participate can apply for state finance. awaiting liffe reaction. the dry season is underway and trees are currently in flower after last weeks unusual rain.
- indonesia: local prices remain tight, only sporadic new crop business took place. exporters cautious in offering new crop coffee.
- uganda: faq continues to flow albeit at rich levels reflecting good external demand and strong differentials. the flow should continue well into february but with diminishing strength.
- conilon: quiet, new crop biz slow.

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

	this week			last week		
brazil swedish	c	-	18	c	-	20
colombia excelso	c	+	70	c	+	74
honduras hg	c	+	14	c	+	14
kenya ab faq	c	+	120	c	+	115
vietnam gr 2	liffe		even	liffe		even

regards
VOLCAFE LTD