VOLCAFE LTD

WEEKLY MARKET REVIEW FEBRUARY 26 – MARCH 04, 2010 March 05, 2010

'WEIRD WEATHER'

1. GENERAL

- weather problems close to harvest continue to wrong-foot crop forecasters.
- latest exhibit is brazil with reports from north-east coffee zone of abnormally low rainfall in jan and feb reducing crop potential by some 1.5m bags.
- further declines on the new york market were again met with almost 1:1 increases in mild arabica differentials.
- new brazil business was muted, with exporters concentrating on solving their fine cup problems.
- vietnam market dominated by talk of some major internal suppliers struggling to survive.
- we estimate spec/fund position on ice at 2,500 lots short and index funds 54,000 lots long. on liffe we estimate funds 25,000 lots short. ice certified stocks at 2.75 mio bags, liffe at 5.09mio bags.

2. PRICE COMPARISON (all in cts/lb)

	04.03.2010	change vs 25.02.2010
ice may 10	130.20	0.40
liffe may 10	56.65	-0.45
arbitrage ice may 10/liffe may 10	73.55	0.85

comments basis ice may 10 at 131.00, liffe may 10 at 1255
ice: market continues rangebound 128.25/133.00. volume continues to be light. fund selling was evident mid week with a move to the lower end of the range where industry buying was seen. switch volumes also traded in small volume. light origin selling seen at the higher end of the range. needs a break of the current range to create additional interest.
support: 128.25, 124.75, 121.35 resistance: 133.30, 137.25, 141.00, 144.55.
liffe: continued pressure from spec and funds pushing the market through support levels triggering stops where resting industry buying and profit taking was seen. lack of follow through selling has seen a small short covering rally. weight of origin selling resting above capping any rally. a break and close above 1350 is needed to see additional short covering. decent volume traded in the may/sep spread circa -63/61 earlier in the week.
support: 1244, 1200, 1177, resistance: 1310, 1342, 1380, 1425.

3. BRAZIL

- local market: the shy ice rally off last week's lows brought a little room to breath, but the rising real together with a dropping market cut short purchasing power immediately. exporters demand is strong and replacement differentials strengthened by another 2-3 c/lb.
- export market: considerable volumes reported traded for nearby and early new crop positions, at again firmer differentials.
- the largest container terminal in santos suffered a paralysation through a one day work stoppage by truck drivers, but soon returned to work. santos port activity is running so close to capacity that any event like this will cause delays.
- bmf may 10: $ 162.00 (up 2.00)
- arbitrage bmf/ice may/jly: - 9.38 (1.16 firmer)
- exchange rate: 1.7900 (reval 2.25%)

4. COLOMBIA

- local market: the internal coffee flow is down to a trickle. differentials are increasing with outright parchment price being stable to higher despite the lower ice. weather conditions remain ideal for the development of the next main crop.
- export market: good demand from the u.s. for 2nd and 3rd quarter and sporadic interest for small quantities from asia; europe quiet. diffs remained about stable.
- exchange rate: a volatile week. high 1940, low 1890, close 1915.

5. MEXICO/CENTRALAMERICA

- mexico: local market turned quiet after the drop at ice, internal offering diffs increased by 3-4 cts. scattered demand for better cupping qualities from asian and european markets.
- guatemala: deliveries of parchment coffees to exporters' warehouses are starting to slow down considerably, and harvesting in many areas will be coming to an end during the next 2 weeks. some interest from the u.s. industry for second half year roastings. europe quiet.
- honduras: erratic weather patterns continue as another cold front is forecast for the next few days. meanwhile, internal coffee flow came to a virtual standstill. asking diffs firmed up again this week.
- el salvador: situation remains unchanged. no offers available.
- costa rica: coffee flow coming to an end now, little material available. outside demand subdued.
- peru: coffee flow starts to increase although rains and mudslides are hitting some growing regions. sporadic demand from u.s. and europe, some biz takes place around plus 20 cts/lb fob.

6. AFRICA/PNG

- kenya: some 24.000 bags auctioned this week. prices varied from just 18 usd/50kgs (completely foul in cup) to 632 usd/50kgs (completely delicious in cup) – quite a range! unseasonal rains during jan/feb period beneficial for early crop on the trees but rather negative for next main crop. little fresh industry biz reported.
- tanzania: next week's auction offering some 5.000 bags, small quantities of southern leftovers and reasonable qualities of northern coffees. industry demand/biz patchy.
- burundi: some 20.000 bags of various new crop fully washed qualities tendered this week, delivery october/shipment nov/dec ex dar. diffs firm.

- ethiopia: fairly active week in sundried qualities, counting for more than 80% of weekly registrations. increased logistical problems in bringing/transporting parchment coffee from ecx warehouses in djimma and awassa to addis. lower terminal market making for sl. firmer diffs.
- uganda: ongoing unseasonal heavy rains prompted huge mud slides in bududa district, bugisu sub-region with many deaths recorded. more rains, floods and landslides expected/feared across much of the country.
- png: arrivals continue at steady pace albeit small volumes. feb exports totalled 66.000 bags, 25% above feb 09. industry enquiries for july onwards remain unfulfilled.

7. ROBUSTAS

- vietnam: a week of bad news: rumours of new bankruptcies, delays, washouts and defaults. the internal flow has been fairly steady since tet, although sellers withdrew after yesterday's price fall. farmers have sold 50-55% of the crop so far, and sentiment is negative, despite the good quality and continuous industry demand. local interest rates have risen to 14-17% to combat high inflation. accumulated exports reach 430,000 mts to end feb– 40% of the crop.
- indonesia: still very quiet, some sporadic new crop business is reported but generally not many exporters/tradehouses want to take a risk and sell before new crop coffee flow starts (april onwards).
- uganda: with precious little faq flowing the internal market is quiet. sudanese importers have been busy picking up remaining uncommitted long positions from exporters at relatively cheap prices (on an outright basis) whilst european demand is thwarted by "rich differentials".
- conilon: due to the tight internal prices very little business taking place.

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

	this week			last week		
brazil swedish	c	-	16	c	-	17
colombia excelso	c	+	66	c	+	65
honduras hg	c	+	22	c	+	21
kenya ab faq	c	+	170	c	+	170
vietnam gr 2	liffe	+	30	liffe	+	30

regards
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