



WEEKLY MARKET REVIEW JANUARY 27 – FEBRUARY 02, 2012

February 03, 2012

‘SOUTHERN MIGRATION’

1. GENERAL

- siberia came to europe, and a whole continent dreamed of warmer climes.
- at least the terminal markets travelled south, and at the same time, differentials softened for some washed arabicas, a good deal that was readily snapped up by buyers.
- brazil stayed unnervingly quiet other than a few rumours of new crop spreads, and vietnam ticked over at steady diffs.
- liffe will finally publish a combined futures and options commitment of traders report from next week onwards.
- the ice will venture into weekly options contracts next week. three successive weekly contracts will be on the board, one expiring every friday, except the day when the normal monthly options expire.
- in new york we estimate specs are short 9k lots, and index funds 34k lots long. london fund position 12k lots short ice certified stocks at 1.53 mio bags, liffe certified stocks at 3.94 mio bags.

2. PRICE COMPARISON (all in cts/lb)

	<u>02.02.2012</u>	change vs <u>26.01.2012</u>
ice mch 12	215.60	-4.10
liffe mch 12	81.65	-3.26
arbitrage ice mch 12/liffe mch 12	133.95	-0.84

comments basis ice mch 12 at 216.50 and liffe mch 12 at 1825

ice: pattern remains the same with market under pressure with or without macro news. even with a reversal day on thursday the trend is still lower. a double bottom at 210.95 on the first month continuation chart give the bulls a bit of hope. roasters continue buying scale down. a fail to gather momentum after previous low (212.35) was broken combined with short-covering might be the trigger for further correction next days. 220.00 is the first target.

support: 210.95, 208.30, 203.25 resistance: 219.65, 221.90, 229.25, 232.50.

liffe: a weak ‘c’ and origin selling pushed prices lower this week. a break of 1800 level didn’t bring additional selling, suggesting funds have no interest adding shorts at current level. arbitrage found a comfortable range (130 – 135 cts/lb). by next week exchange will publish commitment of traders report with futures and options position combined. it will help clarify the amount of calls open.

support: 1794, 1756, 1731, 1670 resistance: 1882, 1925, 1950, 2010, 2075.

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3. BRAZIL

- local market: local prices have eased a little in brl terms, however taking into consideration the weak usd and the low ny 'c' the replacement levels are still very high. there are not many takers at these levels. rio minas prices remained firm, but again, very little local action reported. the quality of some rio minas is good enough to blend into good cup, further drying up the market. the local action this week was restricted to conilon, the prices came under considerable pressure (from a high level though) and local industry were ready buyers.
- export activity: some bits and pieces for nearby shipments, fill in business and specialities. some bigger clips for new crop were traded, generally most participants remain sidelined. high rio minas asking prices don't meet with buyers ideas, little business done.
- stats: the final jan numbers are not finalized yet but should be in the range of 2.1 to 2.5 million bags. we estimate current crop availability as of jan 12 at around 20 million bags vs 29.5 same time last year.
- weather: hot, sunny with occasional showers - summer
- bmf: h 292.80 (-5.15)
- arbitrage bmf/ice: h/k + 2.30 (-1.50)
- exchange rate:1.7210 (reval. 1.06%).

4. COLOMBIA/LATIN AMERICAN MILDS

- colombia: in terms of weather, the dry spell after the heavy rains of last year is still ongoing. about 750,000 bags are still being withheld internally from the main crop. internal differentials increased from plus 30 to the mid 30's during the week. scattered outside demand was noted for the next few shipment months.
- guatemala: there was a good flow of coffee from oriente, huehuetenango and the central region. price ideas from intermediaries were firm at the beginning of the week, but fears of a lower futures market helped to conclude some business. a cold front is affecting the country since the past weekend. some rains were reported in different areas. roaster demand was moderate.
- honduras: the coffee flow decreased slightly compared with the previous 2 weeks. nevertheless, everybody is working at full speed. in most coffee areas, the harvest is at 50-60%. there was good outside demand for mainstream and certified coffee at slightly lower diffs.
- el salvador: the country is well sold and therefore it remains difficult to obtain fresh offers.
- costa rica: harvest now almost completed in lower regions and even higher regions such as tarrazu are now 70% completed. good amounts of coffee available internally. keen outside interest for the entire quality segment mainly for nearby shipment periods. diffs steady.
- peru: 6.2 earthquake registered last sunday left some people injured in southern coast. rains have continued with less intensity in the northern regions, where harvest is expected to start earlier than last year. the center region suffered heavy rains and as result huaicos/mud slides destroying roads. crop forecast for 2012 remains unchanged.

5. AFRICA/PNG

- kenya: auction diffs considerably lower for all grades except grinder qualities. lower terminal markets together with slack physical industry demand resulted in sluggish bidding. as a result most bids were 'noted' but later written up, indicating acceptance by most farmers and marketing agents that the high levels of last season cannot be repeated and are definitely a thing of the past.



- tanzania: 10.000 bags auctioned this week, pricing on main grade estate qualities remains steady though southern ab's tending softer due to disappointing industry demand. weather in most growing regions reported ideal for next crop.
- ethiopia: moderate sales registrations during the week, both washed & sundried qualities. total volume of new crop sales registrations so far extremely disappointing, particularly also when considering the big volume crop forecast for 2011/2012. arrivals of new crop sundried to ecx warehouses picking up, auctions prices easing.
- uganda: lukewarm industry demand in washed arabicas, diffs tending softer. cheap naturals attract attention, demand surpasses availability.
- png: off-season; no sizeable volumes expected until april/may. industry showing subdued interest for shipment till year end, diffs all over the board. exports sept/dec reached 363.000 bags, 65% above same period last year.

6. ROBUSTAS

- vietnam: liffe and disciplined farmer selling prevented a sell off in vietnam. diffs remain steady and follow liffe movements. we estimate that farmers have sold approx. 40% so far. external demand is good for all qualities. weather is sunny and dry. the vnd has weakened slightly. coffee exports are around 2.3% of the vietnamese export earnings. year on year exports so far around 13% higher with the usa and germany being the main destinations and increasing their imports from vietnam steadily.
- indonesia: no changes here, local prices remain high. imports from vietnam are picking up to satisfy the local roaster demand. indonesia is currently the 4th biggest importer world wide of vietnamese coffee.
- uganda: the weak robusta season is now at an end with precious little coffee left to come through and what is being stashed away by middlemen is aggressively chased by the shorts. as a consequence diffs remain strong for nearby. logistics are an on-going hassle especially with the arduous flow through mombasa port. the shilling continues to firm up permitting a slight weakening of domestic interest rates.

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

	this week			last week		
brazil swedish	c	-	2	c	-	4
colombia excelso	c	+	33	c	+	29
honduras hg	c	-	3	c		even
kenya ab faq	c	+	105	c	+	120
vietnam gr 2	liffe	+	20	liffe	+	40

regards
VOLCAFE LTD