



**WEEKLY MARKET REVIEW SEPTEMBER 11 - 17, 2009**

September 18, 2009

**'BRAZIL FEEDS THE BULLS'**

**1. GENERAL**

- brazil dominated the week's news, with the coffee sector struggling to digest the implications of a raft of support measures designed to help impoverished brazilian farmers.
- a combination of debt rolling, credit lines and reduction of finance rates will help farmers run their operations.
- a cool one billion reais is allocated for up to 3.15m bag in various government purchase programs. key details regarding delivery periods and ceiling prices remain to be disclosed.
- physical coffee demand was good, as buyers get back into full swing, filling gaps near-by and looking at new crop positions. robustas and centrals were particularly popular.
- the exception was brazil, where business ground to a halt as soon as the various support schemes were announced.
- the terminal market in new york enjoyed a trend-breaking rally, as a combination of fund activity and brazil news got the bulls nicely excited.
- liffe passed, limited by good overhead origin selling.
- we estimate spec/fund position on ice 8,000 lots long and index funds at 44,000 lots net long. at liffe estimate funds short -6,000 lots. ice certified stocks dipped slightly to 3.37m bags, liffe unchanged at 6.37m bags.

**2. PRICE COMPARISON (all in cts/lb)**

change vs

	<u>17.09.2009</u>	<u>10.09.2009</u>
ice dec 09	136.05	11.40
liffe nov 09	69.13	2.09
arbitrage ice dec 09/liffe nov 09	66.92	9.31

comments basis ice dec 09 at 135.25, liffe nov 09 at 1524

ice: what a great victory for the bulls this week. market broke several resistance levels and reversed the trend. in the last 5 sessions it did a higher high and higher low every day, very similar pattern during the rally last month. main buyers are funds and for the moment there is no indication the buying appetite is over. origins have no rush and continue selling scale up. may see profit taking pushing prices lower next days but as long as the market remains above 130.00 there is a good chance buying flow will continue.

support: 133.35, 131.60, 129.00, 126.00 resistance: 137.05, 141.65, 143.50, 146.45.

liffe: market is struggling to resume the good run it started last month. consequence is almost 10 cents move in the arbitrage this week. without strong buying interest a break of 1550 level is far away as offers above continue to pile up. on the other hand, lack of origin pressure fails to push prices below 1500.

support: 1490, 1466, 1449, 1418 resistance: 1527, 1552, 1590.



### **3. BRAZIL**

- local market: volume traded increased this week for all qualities as the higher market helped to compensate the slightly increased local price of 260 – 265 real/bag.
- export market: sizeable fob business was done as exporters became more aggressive with good cup coffees trading as wide as -24.00 for first half 2010 positions. on the other hand, offers for top quality fine cupping coffees continue more conservative in volume and price.
- the government announced some more details on four additional measures to be taken to help farmers. it is likely to take quite a bit more time until all details are finalized and officially announced.
- bmf dec 09: \$ 156.10 (up 10.90)
- arbitrage bmf/'c' dec/mch: -21.00 (3.40 weaker)
- exchange rate: 1.8100 (unchanged)

### **4. COLOMBIA**

- local market: local market remains fairly stable, the increase in ice allowed prices to improve slightly without impacting differentials, quantities remain small.
- export market: sporadic business is being conducted on nearby shipments at steady differentials as buyers try to cover immediate needs. it appears that the price ideas of buyers and sellers for further forward shipments are starting to get closer.
- exchange rate: the peso dropped sharply this week on the back of renewed optimism towards the colombian economy due to an increase in both local and international investment in the country. high 2.014, low 1.954 and close 1.955.

### **5. LATIN AMERICAN MILDS**

- mexico: rains are now frequent and normal for the year, pushing aside drought fears. both domestic and external industries are nibbling at washed coffees for early shipment.
- guatemala: demand remains patchy. offering diffs are still considered a bit too expensive.
- honduras: sporadic roaster inquiries for 1<sup>st</sup> quarter 2010 shipment but little biz has been reported this week.
- el salvador: excellent demand for better cupping current crop spot lots. new crop offers do not find much attention.
- costa rica: the last 2 days were rainy which is perfect to apply the second fertilization in the central valley and tarrazu area.
- peru: pickings ended in chanchamayo and cusco, still about 10% left in the northern coffee regions. internal prices decreased a bit this week, mainly currency related. scattered outside demand from european industry: north america and asia quiet.

### **6. AFRICA/PNG**

- kenya: no auction this week due to lack of coffee. next week's auction listing 18.000 bags, with ab/c grades accounting for just over half. some rain reported from western regions but main coffee growing zones around mount kenya and central province remain dry. industry sidelined due to lack of offers.
- tanzania: 1000 tons auctioned this week, diffs very firm. majority coming from southern growing region mbeya, smallish volume from northern areas.



- ethiopia: smallish fresh biz reported, mainly sundried qualities. ethiopian fiscal year first quarter (july 08 to sept 11, 2009) coffee sales registrations reported 17.000 tons whereof 3.600 tons washed, approx 35% below same period last year.
- uganda: industry demand cannot be satisfied due to lack of new crop coffee.
- png: local activities inspired and reactivated by much improved outright prices. shipping activities continue high, forwarding agents operating at full capacity. little fresh biz reported.

## 7. ROBUSTAS

- vietnam: steady roaster demand seen for both nearby fill in and new crop positions. origin diffs remained about unchanged but the number of offers is increasing.
- indonesia: due to the ramadan celebration, asalan volume has subsided to 1000-1500 mts this week. fairly good roaster demand was noted throughout the week.
- uganda: weather conditions may help to boost the upcoming robusta crops a little but first indications are for slightly smaller volumes and lower yields. there is a fair amount of interest around but not much business done. logistics continue to be excellent.
- brazil: no change from last week as producers continue to be reluctant sellers.

## 8. ORIGIN DIFFERENTIALS FOR NOV/DEC SHIPMENTS FOB

	this week			last week		
brazil swedish	c	-	22	c	-	19
colombia excelso	c	+	35	c	+	39
honduras hg	c	+	3	c	+	3
kenya ab faq	c	+	72	c	+	72
vietnam gr 2	liffe	-	90	liffe		even

regards,  
VOLCAFE LTD