



**WEEKLY MARKET REVIEW SEPTEMBER 25 – OCTOBER 01, 2009**

October 02, 2009

**‘GOVERNMENTS TO THE RESCUE! THE BEST SYMPTOM OF TOO MUCH COFFEE ON THE WAY’**

**1. GENERAL**

- president lula has signed the release of R\$230m for purchasing of approx. 1.1mio bags at R\$261. this is a clear confirmation of a government support program that surely will make more headlines in the months to come.
- rumors of the vietnamese government preparing a financing scheme for next crop also intensify.
- on a more global scale, governments also fight back against strength of their local currencies by urging their central banks to absorb greenback. in brazil and colombia the pressure mounts.
- “rebalancing” of deutsche bank’s agricultural commodity index which requires among other things the addition of approx. 5,000 lots of coffee brought some volatility to the market.
- in the end the dollar rules, and coffee trading seems to ignore everything and focuses on currency only.
- roasters still go hand to mouth, differentials in origin remain firm. also here the pressure mounts.
- we estimate spec/fund position ice 9,000 lots long and index funds at 47,500 lots net long. at liffe, estimate shorts at 8,000 lots short. ice certified stocks little changed at 3.35m bags, while liffe reaches 6.39m bags.

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

change vs

	<u>01.10.2009</u>	<u>24.09.2009</u>
ice dec 09	126.70	- 2.60
liffe nov 09	61.82	- 1.68
arbitrage ice dec 09/liffe nov 09	64.88	0.92

comments basis ice dec 09 at 127.80, liffe nov 09 at 1357

ice: market is entering a period of consolidation after 3 weeks of good activity. last four sessions it spent between the high and low 26-day moving average. for the moment this range is proving to be a good support and resistance level. watch out currencies and equities move as correlation is increasing again.

support: 125.30, 123.20, 119.90, 116.40 resistance: 129.75, 131.50, 133.90, 135.75.

liffe: another week with the highest price monday and lowest one thursday. just show that market is struggling to find a support area. weakening structure is not providing confidence for the buyers too. another move lower is not ruled out.

support:1336, 1300, 1275 resistance: 1384, 1419, 1451, 1488.



### **3. BRAZIL**

- local market: business remained slow, as producers are not attracted by current price levels and the few lots that change hands are of weaker qualities. replacement levels for fine cups firmed again by a couple of cents and exporters manage their inventories best possible.
- export market: some business reported at current cheap levels, but a possible tightening of exporters asking differentials will likely leave buyers on the sidelines again.
- september shipment figures were strong again, should finish close to 2.7m bags green coffee alone. it is unlikely that the remaining months oct-dec fall significantly, as record cheap differentials from may-june rally are still being shipped and it will be interesting to see whether the already fast pace from sept-dec08, roughly 3.0m bags/month incl. soluble, can still be topped.
- the real moved to again higher levels, highest since september 2008 and continues trending higher. in september alone, the real revalued 6.5 %.
- bmf dec 09: \$ 150.85 (up 0.30)
- arbitrage bmf/'c' dec/mch: -15.56 (2.88 firmer)
- exchange rate: 1.7850 (re-valued 1.5 %)

### **4. COLOMBIA**

- local market: no significant changes, the coffee flow remains thin.
- export market: sporadic nearby business has been concluded at steady differentials as buyers cover their most urgent needs. some biz has also been reported for dec onwards as the outlook remains uncertain. however, most roasters prefer to wait for the differentials to come off further.
- exchange rate: the usd/cop tested the 1.900 level but has not breached it yet. high 1.930, low 1.903 and close 1.929.

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

- mexico: internal market shows no interest this week. rains are normal for the time of the year, cherries are developing well. sporadic buying interest from north america for primes and high grows.
- guatemala: final export figure 08/09 will be around 10% below last year. scattered demand for specialty coffee, mainstream qualities remain neglected as industry patiently waits for the diffs to weaken.
- honduras: origin ideas soften a bit but are still not attractive enough to trigger volume biz.
- el salvador: roasters are nibbling at new crop offers but still difficult to make ends meet.
- costa rica: more rains are needed in the central valley. outside demand picking up for the entire quality range.
- peru: internal coffee flow remains quite good, about 10% is still unsold. little outside demand, diffs again slightly softer.

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

- kenya: the 2 weeks auction rhythm continues as scarcity of fly crop coffee prevails – all the marketing agents can find for next week's auction is a mere 12.000 bags with faq quality at very best.
- tanzania: this weeks auction offered over 20.000 bags of which, for the first time this season northern coffees were seen. differentials softened marginally.



- ethiopia: arrivals of current crop are diminishing fast as we approach the new coffee season. on sales side this week was generally quiet with only very small sporadic registrations.
- uganda: some very decent washed arabicas emerging but in very thin volumes at the moment. drugars as well sought after but the flow is still a bit erratic. ongoing good industry demand for all grades including undergrades.
- png: low prices and end season have resulted in a slowing of arrivals. a quiet week with regards to export business. only little fresh interest reported.

## 7. ROBUSTAS

- vietnam: heavy storms earlier in the week have now passed. the domestic market remains quiet as farmers prepare for the new harvest in a months time. quite a wide range of differential offers for the new crop are quoted and buyers are steadily picking away.
- indonesia: the earthquake that hit western sumatra and bengkulu areas on wednesday, did not have much impact on coffee as the growing regions are far away. some exporters have not resumed business yet after the ramadhan holiday. asalan arrivals remain small, ranging 1.000-1.500 mts this week.
- uganda: very quiet internally although there are some very low grade coffees coming in from eastern producing area. reasonably keen interest from industry especially for 2010. diffs tend firmer especially for nearby. total exports for september are estimated at 210.000 bags.
- brazil: producers released quite some coffee this week and found ready takers internally. outside demand was patchy, little biz has been reported

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

	this week			last week		
brazil swedish	c	-	20	c	-	20
colombia excelso	c	+	30	c	+	32
honduras hg	c	+	1	c	+	2
kenya ab faq	c	+	70	c	+	70
vietnam gr 2	liffe	-	100	liffe	-	90

regards,  
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