



**WEEKLY MARKET REVIEW OCTOBER 09 - 15, 2009**

October 16, 2009

**'farmers frown at firm coffee currencies '**

**1. GENERAL**

- despite strong currency related performances in sugar, cocoa, crude oil and equities, coffee declined the party invitation, preferring to stay at home in its new 135-140c range. traded volumes were thin.
- the european and asian physical markets were active, as some origin ideas finally moved into line with roasters' desires, and plenty of business for first quarter 2010 was concluded.
- the spot market was also busy, with new crop deliveries still some way off and fill-in needs in the pre-christmas roasting period becoming urgent.
- the usa remained strangely quiet, perhaps discouraged by tightening colombian diffs. this did not affect europeans, since they stopped asking for colombian quotes many months ago.
- speculation begins in earnest on the size of the next brazilian crop. what we know for sure : flowerings have been generally good so far.
- we estimate spec/fund position on ice up to 22,000 lots long and index funds at 48,000 lots net long. at liffe estimate funds short 7,000 lots. ice certified stocks at 3.3m bags, liffe at 6.35m bags.

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

change vs

	<u>15.10.2009</u>	<u>08.10.2009</u>
ice dec 09	137.75	-0.15
liffe nov 09	65.45	-1.72
arbitrage ice dec 09/liffe nov 09	72.30	1.57

comments basis ice dec09 at 138.00, liffe nov09 at 1450

ice: a very slow week for coffee when compared with other markets. outright volume traded was not big but the daily open interest increase is starting to call attention. a top formation above 139 is starting to raise questions if the rally is over. best buyers continue to be funds while origin selling is not aggressive. a break of 134.90 or 139.75 may bring additional stops.  
 support: 135.80, 133.60, 131.50, 130.00 resistance: 139.75, 141.65, 143.50, 146.45

liffe: market was in trouble tuesday when it dropped below 1400 very fast. once sellers stopped it started to lift slowly. the rest of the week it spent within 30 dollars range. pending fixation orders from origin continue to weigh on the market. nov/jan spread moved more than 10 dollars closing at -34 thursday.  
 support: 1427, 1388, 1340, 1300 resistance: 1489, 1527, 1552, 1590



### **3. BRAZIL**

- local market: another week of decent activity. with higher prices more volume came to the market, but mostly of mid to inferior qualities. replacement levels however remain tight and exporters are covering most shorts at a loss. fine cup coffees are trading at single digit differentials and washed coffees are deep into positive territory. the speed of the usd weakening is the biggest problem for the time being. week after week the usd is losing 2-3 %. the trend is firmly in place and even a small ice setback would interrupt coffee flow instantly. at current values, the brazilian government is likely to receive all volume of first month's put program, unless real price to farmers improves some 5 c/lb in the near future.
- export market: exporters maintained asking differentials mostly unchanged and underlying demand is building up at historically still cheap differentials for run-of-the-mill swedish qualities, whilst fine cup coffees ever more scarce and at prouder prices.
- the sao paulo stock exchange and the real kept rising daily to new brief highs; yesterday the real hit at 1.6990 = up 27 % vs year end or up 13 % vs 30.06.2009.
- bmf dec 09: \$ 161.40 (up 2.05)
- arbitrage bmf/'c' dec/mch: -18.54 (1.65 firmer)
- exchange rate: 1.7000 (re-valued 2.25 %)

### **4. COLOMBIA**

- local market: some relief for the coffee trees during the last two days as most growing areas received showers. rains are early, still light, but so long as they don't stop, the broca infestation will be dampened which would enable progressive improvements in yields.
- export market: differentials for nearby shipments are firm as the industry waits until the last minute to cover. forward shipments are offered a touch firmer as well.
- exchange rate: the usd/cop keeps on firming. high 1'880, low 1'810 and close 1'846.

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

- mexico: everybody is waiting for fresh coffee to come to the market. internal market remains tight.
- guatemala: industry starts to show interest slightly below current offering levels and some business for the first quarter of 2010 is taking place.
- honduras: origin ideas soften a bit but are still not attractive enough to trigger business in volume.
- el salvador: roasters are nibbling at new crop offers but still difficult to make ends meet.
- costa rica: producers are still taking advantage of the rally, fixing contracts. volume was significant.

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

- kenya: no auction this week. industry sidelined.
- tanzania: another strong auction. as usual northern qualities enjoyed a fair premium over coffees from southern region. first few showers bringing great relief to drought beaten areas but much more is needed.
- ethiopia: decent volumes sales registrations of current crop sundried. new crop harvest progressing well, first parchment arrivals into ecx expected mid/late november.
- uganda: washed arabicas are in good demand and with a smaller crop prices are elevated. drugars flow reasonably well, industry showing ongoing appetite and absorbing all available volumes.
- png: local activity brisk, heavy arrivals of parchment/green coffee at the beginning of the week. arrivals will become more erratic as we move into off season. exports for 08/09 reached 985'000



bags, 10 pct below 07/08 coffee year. industry fairly active in all grades & positions from nearby to far forward, diffs sl. easier.

### 7. ROBUSTAS

- vietnam: it is raining on most days in the highlands and harvesting is only taking place at a minimal level, waiting for the weather to improve next month. good demand is seen for all new crop positions but questions remain how farmers will sell in the coming months.
- indonesia: asalan volume has been disappointing this week with only around 800-1000 mt. the weak futures market and strengthening idr worsens the exporters' situation, hence the rising differentials.
- uganda: activity locally is subdued pending better volumes for faq. external demand is lukewarm given the prevailing richer differentials. the uganda shilling has strengthened considerably against the dollar trading back to october 08 levels.
- brazil: internal coffee flow improved finally. offering prices remain high at around +18.00 c/lb FOB.

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

	this week			last week		
brazil swedish	c	-	21	c	-	22
colombia excelso	c	+	32	c	+	32
honduras hg	c	+	1	c	+	1
kenya ab faq	c	+	75	c	+	75
vietnam gr 2	liffe	-	90	liffe	-	100

regards,  
VOLCAFE LTD