



WEEKLY MARKET REVIEW OCTOBER 30 – NOVEMBER 05, 2009

November 06, 2009

‘much ado about nothing’

1. GENERAL

- more seemingly random action in new york leads to the logical conclusion that we have no idea what’s driving this market. fundamentals, trend and sentiment are all ruled out as possible contenders.
- brazil polished it’s environmental credentials by recycling old news stories; rehashed concerns of a poor flowering landed on fertile ground, and the ice market duly rallied.
- we do not expect any meaningful brazil crop estimates until mid december.
- hurricane ida ripped through eastern nicaragua and honduras causing widespread flooding, but we have not heard any reports of any coffee areas being badly affected.
- physical business was brisk, especially in lower grades and cheaper coffees. brazil grinders and drugars were snapped up by cost-conscious buyers eager to fill their blends.
- the exception remains latam milds, with centrals still stalled due to divergent price ideas and colombia waiting for the asoexport consensus to emerge before further trading takes place.
- estimated spec/fund position on ice 29,000lots long and index funds 54,500 lots long. at liffe estimate funds 9,000 lots short. ice certified stocks at 3.2m bags, liffe at 6.3m bags.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>05.11.2009</u>	<u>29.10.2009</u>
ice dec 09	142.10	5.35
liffe nov 09	65.18	-0.45
arbitrage ice dec 09/liffe nov 09	76.56	5.80

comments basis ice dec09 at 142.60, liffe jan10 at 1445

ice: market rallied strong monday. this move set the tone for the rest of the week with bears playing more defensive. outright volume remains poor with most of the trades coming from dec/mar structure. technical picture is positive short-term and confirmed by a two weeks high thursday. but market needs to go through 145.40 otherwise profit taking is possible.

support:: 139.00, 134.95, 132.95, 128.85 resistance: 144.00, 145.40, 146.45

liffe: market is still lost in a range, waiting for the vietnamese crop that is arriving soon. mar/mar arb closed at the highest level of the year with the inability of liffe to follow ice. market proved there is a good support below but also a lack of new buyers on the way up. without fresh news this range market will continue.

support: 1435, 1406, 1370, 1359 resistance: 1479, 1513, 1550



3. BRAZIL

- local market: higher prices brought more activity. the violent ice rally on the brazilian holiday brought some producer selling over the next few days and volume on offer got instantly absorbed by exporters. as current prices paid in real/bags represented new highs, producers started to sell but strictly scale up; especially fine cups are proudly priced.
- Export: exporters maintain attractive asking differentials for swedish qualities, but fine cups are finding more demand at rising premiums.
- the nearby bmf/ice arbitrage remains relatively firm while the new crop arbitrage is weakening.
- the markets were relatively calm and back to "normal", with a rising sao paulo stock exchange and a slowly eroding usd.
- bmf dec 09: \$ 170.20 (up 5.70)
- arbitrage bmf/'c' dec/mch: -16.48 (1.09 wider)
- exchange rate: 1.7200 (revalued 0.50%)

4. COLOMBIA

- local market: the ice rally has certainly helped the outright pricing to the producers although differentials have remained fairly stable.
- export market: most of the buying interest is for immediate or nearby shipments, as buyers continue to leave buying decisions until the last possible moment. those in the market for nearby shipments are willing to pay up, but for further forward industry remains in wait and see mode.
- exchange rate: another volatile week for the usd/cop with a trading range of around 100 cop. high 2'034, low 1'944 and close 1'980.

5. LATIN AMERICAN MILDS

- mexico: a prolonged cold front with wind and rain slowed the coffee flow down again, as picking and drying came to a standstill. little interest for any quality reported.
- guatemala: the harvest for hb coffees seems still a few weeks away and it is not expected to see substantial volumes of parchment deliveries before the end of november. weakening of differentials is slowing down and industry starts to look at origin offers more seriously.
- honduras: first lots of new crop coffees showing up from low areas; yields poor with high percentage of damaged beans. better qualities are expected to show up only in the middle of december. demand still very low for this time of the year. price ideas still quite far apart.
- el salvador: not a lot of action this week. differentials remained unchanged.
- costa rica: industry demand remains neglected. not a lot of business reported.
- peru: little interest received this week even though differentials were offered a tick lower.

6. AFRICA/PNG

- kenya: a very small auction, meager 7'500 bags attracted full attention and fetched sky high prices. industry biz subdued due to non-availability of coffee.
- tanzania: 25'000 bags auctioned whereof some 3'000 bags coming from the northern region, diffs very firm. availability of southern qualities diminishing fast.
- ethiopia: harvesting of new crop coffees progressing well. first new crop 'washed' shipments expected late dec/jan with top qualities expected to become available feb shipment onwards. fairly active industry biz in sundried/washed qualities, diffs all over the board.
- uganda: excellent quality arrivals from bugisu region, volumes much below last season. drugar flow continues slow due to rainy weather. brisk industry biz, diffs softish.



- png: local activity subdued, little fresh coffee available. exports for october reached 120'000 bags bringing jan/oct 09 volume to 825'000 bags. with sizeable stocks being carried by major exporters, total exports for the calendar year expected to reach 1 mio bags.

7. ROBUSTAS

- vietnam: about 10% of the crop is picked. farmer sales are slowly increasing at firm differentials underpinned by exporter shorts, and continuous fresh industry demand. weather is mainly dry but cloudy. the 4% interest rate subsidy to exporters is being reduced to 2% during the first quarter of 2010.
- indonesia: asalan volume has fallen to 500 mts this week as we approach the end of the crop season. replacement level firmed a lot due to strong local currency and weak liffe. no fresh business reported.
- uganda: October exports totalled 200k bags. faq is starting to flow in better volumes and quality as the season picks up but wet weather remains a bid of a hindrance. there is reasonable external interest but buyers still find offered differentials a little rich and are only slowly accepting the higher levels.
- brazil: conilon market at standstill. no trades reported.

8. ORIGIN DIFFERENTIALS FOR DEC/JAN SHIPMENTS FOB

	this week			last week		
brazil swedish	c	-	22	c	-	23
colombia excelso	c	+	28	c	+	28
honduras hg	c		even	c		even
kenya ab faq	c	+	82	c	+	78
vietnam gr 2	liffe	-	70	liffe	-	90

regards,
VOLCAFE LTD