



WEEKLY MARKET REVIEW JANUARY 29 – February 04, 2010

February 05, 2010

‘NO NEWS IS BAD NEWS’

1. GENERAL

- although no new coffee news, ice fell through key support levels late this week, while liffe continued in sideways range. general commodity losses on macro data, and strong dollar trend.
- after early strength (thank you bank research-note?), the brazil real continued on its jolly old way weaker against the dollar, with prices of the biggest supplier recalibrating accordingly.
- attractive offers for new crop brazil with few takers, current crop diffs firm.
- colombia entering traditional mid-crop quiet period. official central american crop estimates nudged down across across the region. good arrivals reported in guatemala and honduras.
- spectacular kenyan auction prices.
- vietnam packed up and drove home for the holidays. diffs are unchanged, internal prices are at their lows. government retention programme at initial stages. official vnd rate slightly stronger. excellent robusta demand.
- we estimate spec/fund position on ice at 8,500 lots long and index funds 57,000 lots long. on liffe we estimate funds 17,000 lots short. ice certified stocks at 2.89mio bags, liffe at 5.58mio bags.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>04.02.2010</u>	<u>28.01.2010</u>
ice mar 10	131.555	-1.40
liffe mar 10	59.42	-0.91
arbitrage ice mar 10/liffe mar 10	72.13	-0.49

comments basis ice mar10 at 130.85, liffe mar10 at 1298

ice: a steady start to the week was unable to bring additional buying interest. the market then gave up most of its gains, only to rally again on outside influences. profit taking and origin selling in reasonable size were noted at the higher levels. a general meltdown across the commodity markets on macro data has seen ny fall through support levels. needs a break above 136 basis march to bring any confidence back.

support: 130.05, 128.30, 126.30, 122.80 resistance: 133.20, 135.95, 140.40, 142.70

liffe: resting origin selling above, basis march, capping any upward potential, industry buying seen in july onwards at current levels and scale down. fund rolling in the spot spread taking it in to -30 on decent volume. selling pressure seen during the week with the upcoming festivities in vietnam.

support: 1290, 1250, 1219, 1177 resistance: 1344, 1385, 1400, 1425



3. BRAZIL

- local market: the market sell-off continues and the values paid to farmers were reduced. business reported is more and more limited to good cups and weaker. fine cups are hardly traded at all, as the best buyer in the market is the government via auction program, over exporters.
- export market: a rather quiet week as differentials for nearby positions continue to firm and offers for new crop remain untouched despite the rather attractive prices.
- usd strength continued to weigh on the real and helped to soften firmer local differentials.
- bmf mch 10: \$ 159.40 (down 3.15)
- arbitrage bmf/ice mch/may: - 12.90 (0.93 weaker)
- exchange rate: 1.8850 (deval 1.00 %)

4. COLOMBIA

- local market: colombia is entering the low production phase and availability of freshly milled coffee will be scarce during the next two months. some coffee is still being withheld by producers and intermediaries. harvesting in the central region should start end march/early april. however, rains are now needed during february.
- export market: outside demand remains sluggish. selling ideas are in wide range with offers for april onwards being discounted.

5. MEXICO/CENTRALAMERICA

- mexico: weather still not ideal which keeps a lid on the coffee flow and results in firmer internal and external diffs. ongoing demand from the u.s.- and european markets.
- guatemala: export figures per end january are 18% higher vs. previous year. excellent arrivals to exporters' warehouses and mills continue for the fifth week in a row. steady roaster demand at generally higher diffs.
- honduras: coffee arrives in good volume and exporters are able to resell quickly. offering prices again a shade higher.
- el salvador: weekly registrations of 41.000 bags lift the total to 600.000 bags. export figures per end january show 190.000 bags whereof 65% were shipped to europe.
- costa rica: weather conditions continue ideal but coffee flow is diminishing, tarrazu being the exception. fairly good buying interest, mainly from asia and u.s.a.

6. AFRICA/PNG

- kenya: auction diffs are skyrocketing. differentials and outright, prices rose by 20% to now staggering heights throughout the whole quality palette.
- ethiopia: good appetite for both washed and natural coffees. sidamo washed sales constitute about 40 % of total registration volume. unwashed coffees start to show up at ECX.
- uganda: there has been a surge in demand for washed coffees which is mainly unfulfilled as the season draws to an end and most coffees committed.
- png: arrivals remain limited. local parchment prices have reduced with the fall of ice, green and cherry prices remain more realistic. cherry volumes are slowly increasing although overall volume remains small. new inquiries for nearby shipments are met with caution due to the lack of arrivals.



7. ROBUSTAS

- vietnam: farmers continued to sell this week in the run up to tet although volume diminished as local prices fell to the bottom end of the trading range. differentials remain unchanged/firm and excellent demand continues to be seen due to the weak arbitrage and better quality crop. oct/jan shipments are 350,000 mts, down only 8% year on year which represents firm growth if the liffe tenders of last year are stripped out. the dong is slightly stronger this week as banks only exchange at official rates due to increased dollar liquidity.
- indonesia: unchanged from last week. first crop surveys expected soon. IDR declined a little as investors abandon risky assets for traditional safe haven, USD and JPY.
- uganda: very good outside demand for all qualities continues. the faq flow continues to slow down resulting in rich internal levels and what little coffee is being offered by exporters remains at elevated differentials for all grades including lower grades. the shilling is slowly easing versus the strengthening dollar.
- conilon: no news.

8. ORIGIN DIFFERENTIALS FOR FEB/MCH SHIPMENT CTS/LB FOB

	this week			last week		
brazil swedish	c	-	18	c	-	18
colombia excelso	c	+	75	c	+	70
honduras hg	c	+	16	c	+	14
kenya ab faq	c	+	175	c	+	120
vietnam gr 2	liffe		even	liffe		even

regards
VOLCAFE LTD