VOLCAFE LTD

WEEKLY MARKET REVIEW JANUARY 05 – February 11, 2010 February 12, 2010

'just when you thought you had it all figured out'

1. GENERAL

- one misses the days when volatility in the terminals was higher than volatility in differentials. with a reduced buffer between industry and producers, small (daily?) variances in supply/demand of washed milds cause wild swings in differentials across the coffee map.
- in colombia, a combination of firmer peso, a lower ice and long inventories in the hands of intermediaries triggered a nervous selling spree. differentials traded erratically, so far settling in the low +60's.
- situation in kenya remains explosive with prices going higher on every auction.
- central america differentials remained firm across the board, but events in colombia have yet to be digested. sellers are confident given good advance of the harvests.
- clearly now a days fundamentals are reflected in the differentials, while the terminal is better explained by currencies.
- we estimate spec/fund position on ice at 1,000 lots long and index funds 55,500 lots long. on liffe we estimate funds 18,000 lots short. ice certified stocks at 2.902 mio bags, liffe at 5.27mio bags.

2. PRICE COMPARISON (all in cts/lb)

		change vs
	11.02.2010	04.02.2010
ice mar 10	132.20	0.65
liffe mar 10	58.97	-0.45
arbitrage ice mar 10/liffe mar 10	73.23	1.10

comments basis ice mar10 at 131.00, liffe mar10 at 1321

Ice: continual battles between fundamentals and macro giving volatile days this week. spreads across the board have narrowed circa 15 to 20 points with the front month spread trading into -1.30 from -1.90 on good volume. Arb trading between 69-73 cts. light origin selling was seen with the dollar strength. A break and close above 136 would bring additional confidence back into the market.

support: 129.40, 128.30, 126.30, 122.80 resistance: 134.10, 135.95, 140.40, 142.70
liffe: selling from origin before the holidays has seen the market capped of any upside potential. fund rolling in the spot spread saw it trade in from -35 to -30. industry buying noted in the back months july and sep.

support: 1275, 1250, 1219, 1177 resistance: 1311, 1344, 1385, 1400

3. BRAZIL

- local market: moderate volumes traded daily. exporters maintain their bids close at the market in order to keep up coverage. main sellers are cooperatives and prices remain fully steady. fine cup coffees continue scarce and trade at even money may.
- export market: exporters increased asking differentials slightly and little business reported traded.
- january shipments were quite big again (2.436 mio) and 12 running month rose by 100k bags to 30.44 mio bags. february is a short month including the carnival week (next week) is less busy, but pace is running high and march-june shipments should stay strong.
- widespread rainfalls came very welcome to coffee areas and more regular summer-like pattern is expected for next week.
- usd continues strong overseas, but at time being lacks to pressure the real down, which should hopefully rejoin other currencies' weakening trend.
- bmf mch 10: $ 163.20 (up 3.80)
- arbitrage bmf/ice mch/may: - 10.28 (2.62 firmer)
- exchange rate: 1.8500 (reval 2.00 %)

4. COLOMBIA

- local market: internal prices virtually collapsed during the last few days as the coffee which was withheld did not find a home anymore. the exporters seem covered and don't want to get stuck with long positions.
- export market: offering diffs are all over the place but lost on average 15 cts in one week. roasters have withdrawn their interest and watch further developments from the sideline.

5. MEXICO/CENTRALAMERICA

- mexico: cold weather persists and hampers the coffee flow. local prices remain high. sporadic outside interest from the u.s. market for april onwards.
- guatemala: internal cherry and parchment prices did not follow the collapse from 140 to 130 and intermediaries and producers stick to very proud prices. parchment deliveries are still in full swing. ongoing outside demand from various directions, diffs again firmer.
- honduras: rains returned and are slowing down the coffee flow. nevertheless, good volume changed hands this week, diffs increasing further.
- el salvador: situation unchanged. no coffee is being offered time being.
- costa rica: little material left internally. outside demand subdued this week.
- peru: exports during 2009 were only 3.1 m bags, i.e. 16% below 2008. little new crop biz was done so far, exporters prefer to abstain from offering.

6. AFRICA/PNG

- kenya: auction trend unbroken. diffs for all grades climbing further. industry at a crossroad, some simply kicking kenya out of their blends, others reduce volume. eafca meeting in mombasa well attended.
- ethiopia: excellent weekly sales registrations reflecting very active industry biz. washed sidamo coffees dominating all action. ecx started to trade sundried coffees, however coffee flow to ecx still minimal and expected to increase only mid march onwards.
- uganda: drugar crop is set to flow imminently. strong diffs are paid for uncommitted small quantities of washed qualities.
- png: arrivals continue to trickle in. the backlog of shipments due to road closure in january is slowly clearing. industry interest july shipment onwards cannot be satisfied due to lack of coffee and sl. negative crop forecast.

7. ROBUSTAS

- vietnam: after a month of active farmer sales, the domestic market has finally wound down for the lunar new year holiday. excellent demand and weaker liffe never gave differentials a chance to slip. good industry interest seen from march to nov. the dong has been devalued a further 3.3% due mainly to the trade deficit.
- indonesia: around 20.000MT of viet coffee has been circulating around indo, mostly imported by domestic roasters and a few exporters. flow steady but on low volumes. new crop business not finding many matches
- uganda: internal prices remain rich on the reducing flow, concerns over the size of the upcoming crops in the south and west of the country and short covering. ongoing good demand remains mostly unfulfilled. the shilling is moving towards the 2000 mark.
- conilon: some news this week on lower expected crop, some regions down upto 20%, liffe once again did not react on this news however new crop diffs did firm. new crop business not taking place.

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

	this week			last week			
brazil swedish	c	-	18	c	-	18	
colombia excelso	c	+	63	c	+	75	hondu
kenya ab faq	c	+	180	c	+	175	
vietnam gr 2	liffe	+	10	liffe		even	

regards
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