



**WEEKLY MARKET REVIEW MARCH 12 - 18, 2010**

March 19, 2010

**‘WHISPER IT QUIETLY – ARE FUNDAMENTALS BACK?’**

**1. GENERAL**

- the euro gets a rocky ride as the greeks continue their hard-ball negotiations on who should have the honour of rescuing them, but for once coffee finds an independent spirit and tries to rally.
- coffee industry grandees gather at the annual nca convention in california to discuss affairs of state. good participation and a lively conference, by all accounts.
- physical business continues to be tight across all segments, with exporters preoccupied with existing commitments and fresh offers few and far between.
- only the more specialty grades and those with special certificates find buyers at the lofty levels on offer.
- we estimate spec/fund position on ice at 500 lots short and index funds 54,000 lots long. on liffe we estimate funds 24,000 lots short. ice certified stocks at 2.68 mio bags, liffe certified stocks at 4.96mio bags.

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

change vs

	<u>18.03.2010</u>	<u>11.03.2010</u>
ice may 10	135.55	1.80
liffe may 10	57.47	1.36
arbitrage ice may 10/liffe may 10	78.08	0.44

comments basis ice may10 at 135.00, liffe may10 at 1260

ice: market posted a good recovery after it failed to close above 135 last friday and finished the week very weak. bulls are skeptical this time and prefer to wait for better signals that the trend is up before stepping in again. with the help of industry, support at 130.00 proves to be very strong. origins are selling scale up but not enough to resist a fund buying spree.

support: 132.65, 129.70, 128.25, 124.75 resistance: 137.35, 141.00, 144.35, 148.70.

liffe: market continues to struggle on the way up, finding a lot of origin selling scale up. industry provides good support below but nobody knows how long they will be there. a close above 1300 is necessary to finally give enough confidence to buy.

support: 1235, 1212, 1200, 1177, resistance: 1275, 1310, 1342, 1380.



### 3. BRAZIL

- local market: daily volumes traded were not as sizeable as last week. producers asking prices increased outright some 5 to 10 real/bag, from an already very high level and exporters did not follow.
- export market: new crop demand building. but price ideas still far apart.
- central bank meeting decided to leave interest rates unchanged at 8.75 %. president lula had already expressed his support.
- bmf may 10: \$ 170.15 (up 4.15)
- arbitrage bmf/ice may/jly: - 8.57 (1.34 firmer)
- exchange rate: 1.7850 (deval 0.75%)

### 4. COLOMBIA

- local market: the flow of coffee remains generally thin and the quality is challenging the exporters. intermediaries are getting a bit more flexible and release some volume at slightly lower differentials.
- export market: selling ideas softened a bit towards the end of the week as buying interest remains subdued.
- exchange rate: another uneventful week with a similar trading range as in the previous week. high 1904, low 1887, close 1899.

### 5. MEXICO/CENTRALAMERICA

- mexico: internal coffee flow remains thin as some producers withhold coffee expecting better prices. outside buying interest subdued this week.
- guatemala: decent quantities of parchment are still being delivered to exporters' warehouses. the harvest in most producing areas will be finished at the end of this month. roaster demand slower than in previous weeks.
- honduras: exporters are fighting for the last beans available. offering diffs are very high but buying interest is only lukewarm.
- el salvador: some leftovers are being offered at proud differentials. selling interest for the next crop does not attract much attention yet.
- costa rica: the crop has now been picked. exporters have little material left for sale and ask for high prices.
- peru: 10% of the crop has been picked. excellent demand from trade and industry, diffs firming up.

### 6. AFRICA/PNG

- kenya: auction diffs firmed up once more. underlying fresh industry interest in all qualities giving solid support to all grades. next week's catalogues reveal a continuing decline in quality, with miscellaneous coffees counting for over 40%.
- tanzania: ongoing interest in top qualities, availability down to a trickle.
- ethiopia: strong biz activity making for record weekly sales registrations 09/10 crop. djimmah5 constitutes 65% of total sales volumes. availability of export equipment starting to delay shipments.
- uganda: drugar biz picking up. a sizeable fly crop from bugisu is expected which should help to fill some of the ongoing good nearby/forward industry demand.
- png: local activity subdued. arrivals remain erratic but slowly increasing in quantity. heavy industry demand remains unfulfilled due to lack of supply.



**7. ROBUSTAS**

- vietnam: farmers step up sales as local prices follow liffe higher. differentials reach the strongest levels seen for many years due to short covering, continuous industry demand and low hcm stocks. march shipments are expected at 110-115,000 mts. weather continues to be hot and dry, with short rains expected next month.
- indonesia: exporters still reluctant seller of new crop. due to some rain in the coffee areas a delay of new crop into may is expected. idr has strengthened by 3.6% this year so far.
- uganda: there is a trickle of faq and graded business taking place. external demand is fairly limited. the weather remains unseasonably wet. the shilling has eased to an eight month low of 2130 v. the dollar.
- conilon: local roasters absorbing the coffee at very good diffs. new crop diffs offered higher again, with no business taking place.

**8. ORIGIN DIFFERENTIALS FOR APR/MAY SHIPMENT CTS/LB FOB**

	this week			last week		
brazil swedish	c	-	15	c	-	15
colombia excelso	c	+	64	c	+	66
honduras hg	c	+	24	c	+	22
kenya ab faq	c	+	190	c	+	180
vietnam gr 2	liffe	+	30	liffe	+	50

regards  
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