



WEEKLY MARKET REVIEW MARCH 19 - 25, 2010

March 26, 2010

‘THE GOOD LIFFE’

1. GENERAL

- both terminal markets gave much-anticipated solid performances, especially given the backdrop of a weaker euro, with the london market being particularly impressive. for once.
- nca participants, returning to their desks after the conference, got quickly into buying mode with concerns over q3 availability in sharp focus.
- a new terminal market is due to be launched 22nd april; singapore exchange “sicom” will host a robusta contract. deliverability in asia generates interest but concerns persist over liquidity.
- not much change in physical availability. no milds, scarce robusta, lots of brazil over the horizon.
- we estimate spec/fund position on ice at 2,000 lots short and index funds 55,000 lots long. on liffe we estimate funds 22,000 lots short. ice certified stocks at 2.61mio bags, liffe certified stocks at 4.82mio bags.

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>25.03.2010</u>	<u>18.03.2010</u>
ice may 10	137.00	1.45
liffe may 10	60.87	3.40
arbitrage ice may 10/liffe may 10	76.13	- 1.95

comments basis ice may 10 at 136.8 liffe may 10 at 1343

ice: a break above the old high of 136.80 saw stops elected and short covering. spreads narrowed circa 10-15 points on the week. fundamental uncertainties driving the market higher. resting industry buying at the low end of the range giving continued support. origin selling seen at top end of the range, albeit in light volume. a weekly close above the old high may encourage additional buying for a move into the early/mid 140's. expect brazil hedging waiting above 140 based on current currency values.

support: 134.15, 130.60, 128.25, 124.75 resistance: 137.45, 141.00, 144.35, 148.70.

liffe: with lack of follow through selling at the lows the market has picked up on short covering from specs. industry buying also evident with the rally in the back months. breaks of resistance levels on the rally encouraged additional buying and spec short covering. through 1297 basis may (the weekly downtrend line) stops elected taking us through 1300 where more stops were seen. good spec and fund buying through 1325 taking us to the weeks highs of 1349. a close above 1350 would see more short covering and a close above 1400 negates the downtrend.

support: 1287, 1255, 1212 resistance: 1349, 1380, 1416, 1455.



3. BRAZIL

- local market: daily volumes traded improved again, especially with yesterday's rally. replacement differentials were reduced by a couple of cents into the ice advance, as at least short term the real showed little weakness. prices in outright terms have not changed much, fine cup at around 305-310 r\$. minor logistical problems due to local trucker strike in santos.
- export market: exporters showed more willingness to offer new crop positions, but industry still waiting for lower levels.
- the real finally lost 1% this week vs the usd, but was still a lot stronger than the euro.
- labour party presidential candidate mrs Dilma gaining ground in polls.
- bmf may 10: \$ 170.30 (up 0.15)
- arbitrage bmf/ice may/jly: - 9.86 (1.29 weaker)
- exchange rate: 1.8050 (deval 1.00%)

4. COLOMBIA

- local market: still no improvement in the internal coffee flow and mitaca harvesting will only start during second half april. meanwhile, the weather remains favourable for the good development of the next main crop.
- export market: differentials eased further, especially for nearby positions which seem to be neglected by buyers. offers for summer months also softened a bit and remained mainly unsold.
- exchange rate: a constructive week for the usd/cop exchange rate which started close to the lows and ended on the highs. high 1929, low 1894, close 1926.

5. MEXICO/CENTRALAMERICA

- mexico: 90% of the crop has been picked. some longs remain in the hands of intermediaries. diffs continue strong, not much demand seen.
- guatemala: flow of parchment started to decrease and will continue slow during the 'semana santa'. ongoing demand from north american industry for second half 2010 shipments.
- honduras: internal coffee flow is coming to an end. the last few lots are being offered at ever higher diffs.
- el salvador: internally and externally a very quiet week with no offers available from origin.
- costa rica: harvesting has finished now also in the last growing regions. industry still seeking offers, especially for better grades.
- peru: coffee flow slowed down due to rains. demand from trade and industry increasing as main crop approaches, diffs firming up.

6. AFRICA/PNG

- kenya: auction for good quality coffee remains steady to firm. due to the multitudes of inferior coffees, price ranges were massive. commercial mills are now processing secondary & tertiary parchment qualities which are going to dominate future auction catalogues. unseasonal rains since beginning of january having a negative impact on the flowering of next main crop. fresh industry biz subdued.
- tanzania: smallish volume uncommitted spots in europe enjoy excellent demand, availability dwindling fast. origin sold out.
- ethiopia: excellent activity in sundried qualities continues, though registration figures did not reach the high volumes traded last week.



- uganda: new drugar crop is on the radar, both volume and quality showing significant improvement.
- png: prolonged heavy rains brought the already slow arrivals to a standstill. highway to port was closed the entire week, with no indication when the road may reopen. a major plantation group publicly expressed its dissatisfaction at the lack of support provided by the government and threatened to close all its coffee & tea operations in the highlands if basic services would not be improved.

7. ROBUSTAS

- vietnam: brisk domestic activity continued this week at lower differentials. the rally enables stale longs to liquidate part of their positions. good industry demand seen for all qualities and march exports flow at a strong pace. weather has become cloudy and cooler in the past few days with some brief showers.
- indonesia: more new crop business offers seen this week, however scattered rains are slowing down activities
- uganda: robusta business is virtually at a standstill with most stocks committed. the new crops are still a good few weeks away. the shilling has been volatile trading out to 2180 and back rapidly back to 2080.
- conilon: new crop offers don't match buying ideas yet. prices for the current crop eased and found good local off take.

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

	this week			last week		
brazil swedish	c	-	15	c	-	15
colombia excelso	c	+	62	c	+	64
honduras hg	c	+	25	c	+	24
kenya ab faq	c	+	190	c	+	190
vietnam gr 2	liffe		level	liffe	+	30

regards
VOLCAFE LTD