



**WEEKLY MARKET REVIEW APRIL 02 - 08, 2010**

April 09, 2010

**‘REALITY CHECK’**

**1. GENERAL**

- macro factors appear sidelined for once across commodity markets. relieved traders return to s&d basics for guidance.
- new york market took a step back from recent gains, perhaps with an eye on the mighty brazilian harvest due to start soon.
- certified stocks continue to be drawn down in both coffee markets, with new york dipping below 2.5m bags.
- in general mild coffee diffs hold steady or even firm, while colombia eases a few points. the convergence should reveal the true value of a mild arabica.
- credit crunch continues in the vietnam supply chain, as farmers rush to fix coffee sold on consignment. large exporters seen travelling internationally; find a solution or don't come home?
- we estimate spec/fund position on ice at 8,000 lots long and index funds 57,000 lots long. on liffe we estimate funds 17,000 lots short. ice certified stocks at 2.47mio bags, liffe certified stocks at 4.65mio bags.

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

change vs

	<u>08.04.2010</u>	<u>01.04.2010</u>
ice may 10	134.70	- 2.70
liffe may 10	60.69	- 0.82
arbitrage ice may 10/liffe may 10	74.01	- 1.88

comments basis ice may 10 at 135.40 and liffe may 10 at 1340

ice: after two failed attempts to break 140.00 during the week, the market was set to see a correction. now it is back to the middle of the range (128.00 – 140.00). commitment of traders showed that origin was a good seller during the rally, mainly fuelled by fund buying. 135.00 is a key level to prove if the drop was just a correction of the uptrend or if momentum is starting to shift ahead of the brazilian crop.

support: 133.80, 130.60, 128.25, 124.75 resistance: 137.60, 139.85, 141.00, 144.35.

liffe: market is having trouble continuing last month's performance without system fund buying. it tested a few times the downside and found good support from industry. on the other hand, lack of follow through to the upside is starting to worry players holding longs. 1400 is still a target to reach. a close above this level may bring additional fund buying.

support: 1325, 1287, 1255, 1212 resistance: 1374, 1389, 1416, 1448.



### 3. BRAZIL

- local market: daily volumes traded remain stable as exporters still need to cover their needs. fine cup coffees are scarce and asking prices remain firm around level money, washed offers almost non existent.
- export market: new crop demand building, but prices still far apart.
- 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: \$ 167.40 (down 2.90)
- arbitrage bmf/ice may/jly: -9.99 (0.13 weaker)
- exchange rate: 1.7810

### 4. COLOMBIA

- local market: the coffee flow remains small but is expected to pick up during the second half april. recent rains have come as a relief to the areas of the 'eje cafetero' which should improve the quality of the parchment, which up until now has been poor with low yields and very little supremo coffees.
- export market: differentials softened another few cents as the industry sticks to its hand-to-mouth strategy.
- exchange rate: a volatile week for the exchange rate saw the peso pushed to a high near the 1950 target level on the back of speculation, but a late sell off saw us close nearer to the bottom of the range. high 1943, low 1908, close 1918.

### 5. MEXICO/CENTRALAMERICA

- mexico: very quiet week. some longs still waiting to sell at high levels, likely these positions will be eventually absorbed by the internal market.
- guatemala: the harvest is basically over and internal deliveries will come to an end by mid month. brisk demand from north american industry for nearby shipment, otherwise quiet.
- honduras: little coffee left internally. exporters are offering their leftovers at fancy diffs.
- el salvador: increasing demand for unsold spot positions, origin sold out.
- costa rica: some top coffees are still available and change hands at very high prices.
- peru: coffee flow is expected to be good by end of april, yields are already improving. internal market is still strong due to the presence of foreign buyers, while for external market diffs are stabilized.

### 6. AFRICA/PNG

- kenya: auction continues firm. quality and volume diminishing rapidly. diffs for better cupping main grades ever increasing. average 'aa' price hit the 400 usd/50kg mark, the highest yet this season.
- tanzania: probably the last current crop auction, prices firm and in line with previous auction levels. marketing of new crop expected to start in july. heavy rains in most parts of the country.
- ethiopia: strong activity in mainly sundried qualities.
- uganda: attractively priced drugars disappearing quickly.
- png: local activities remain hampered by unusual heavy rains. fair biz reported for shipment july onwards, availability limiting volume.



**7. ROBUSTAS**

- vietnam: physical activity remains buoyant as local prices hit the upper end of this season's trading range. differentials are off their peak and continuous demand is seen from industry. accumulated exports oct/march reach 550,000 mts. the dong is slightly firmer at 19,020. weather continues to be hot and dry.
- indonesia: coffee harvest has started in some low grown regions and the coffee finds a home quickly as some shorts still in need to cover past commitments. new crop selling and buying ideas still not matching up, internal diffs remain strong.
- uganda: all rather quiet ahead of upcoming crops. ongoing rainy wet weather combined with multiple flowering suggests the next central crop should be good but the outlook for the south west remains mixed and perhaps a little slow with some sunny days needed to push things along. march exports totaled 219k bags with forecast for the year at just under 3.0m bags. logistics are good. the shilling is sitting around 2070 area.
- conilon: local roasters expecting some more pressure on the diffs due to the new crop arrivals being round the corner and are currently sidelined. sales activities still slow as most buyers not willing to pay positive diffs yet.

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

	this week			last week		
brazil swedish	c	-	17	c	-	16
colombia excelso	c	+	55	c	+	62
honduras hg	c	+	25	c	+	25
kenya ab faq	c	+	190	c	+	190
vietnam gr 2	liffe		level	liffe		level

regards  
VOLCAFE LTD