WEEKLY MARKET REVIEW MAY 07 - 13, 2010 May 14, 2010

‘DÉJÀ VU’

1. GENERAL

- the euro hit 14 month lows against the usd, but the surprising news was that the coffee market took little notice.
- physical tightness is again the story, with scarce supplies on spot markets and little relief from origin in sight.
- in colombia differentials tick up, as disappointing mitaca flow fails to satisfy demand. southern areas are expected pick up over the next few weeks, but one hesitates to make bold, confident forward-looking statements about colombia..
- internal brazil market becomes even tougher than normal, with a 20c spread from current crop to new crop in some grades reflecting the scarcity of near-by supplies.
- we estimate spec/fund position on ice at 3,000 lots long and index funds 55,000 lots long. on liffe we estimate funds 17,000 lots short. ice certified stocks at 2.37mio bags, liffe certified stocks at 4.11mio bags.

2. PRICE COMPARISON (all in cts/lb)

	13.5.2010	change vs 06.5.2010
ice jly 10	137.10	3.90
liffe jly 10	63.59	2.27
arbitrage ice jly 10/liffe jly 10	73.51	1.63

comments basis ice jly 10 at 136.50 and liffe jly 10 at 1390
ice: the ‘c’ had funds elbowing the contract up with waves of buying all week. friday saw a surprisingly strong close despite macro panic, and by wednesday it just touched the recent highs, but then failed to follow through yesterday. the wild swing in the brazil real meant there was just a short window of opportunity for good brazil selling. for the moment, the 130 to 140 range is intact, waiting for better flow of brazil selling.
support: 136.35, 134.00, 130.20, 128.50 resistance: 138.70, 141.45, 148.70.
liffe: a plucky rally for the robusta market this week, but it failed to break through the resistance just above 1400 level. funds bought to cover a part of their short position, but met with more origin selling. the nearby structure did not move, but the forward months are firming, just showing the lack of availability in the second half of the year.
support: 1359, 1331, 1297, 1280, 1212 resistance: 1410, 1423, 1479,1511.

3. BRAZIL

- local market: the short ‘window’ that opened to buy fine cup coffees at only slightly positive replacement differentials closed as fast as the real regained strength. activity reduced again, as volume on offer further diminished, with not even huge cooperatives capable of showing fine cup current crop leftovers anymore.
- export market: exporters increased asking differentials by a couple of cents, but not much business reported, as last week still saw aggressive offers on the usd strength.

- weather is fresh and dry in most areas, so quite ideal harvesting conditions can be observed favouring good quality outturns.
- bmf sept 10: $ 162.70 (up 2.35)
- arbitrage bmf/ice sep/dec: -17.15 (weaker 0.01)
- exchange rate: 1.7700 (reval 3.25%)

4. COLOMBIA

- local market: supplies from the south are increasing nicely but the flow in the ‘eje cafetero’ remains shallow. weather conditions for the main crop remain favorable.
- export market: the lack of early flow of the mitaca is causing some concern amongst the exporters which led to stronger diffs on a week-to-week basis. industry demand remains subdued.
- exchange rate: the usd/cop continues very volatile. after making new highs at 2047 last friday it closed again at 1955. high 2047, low 1950 and close 1955.

5. LATIN AMERICAN MILDS

- mexico: ongoing demand from local industry and other markets for good qualities but not much coffee around to offer.
- guatemala: sporadic showers have been reported from most growing regions, which is important for the development of the up-coming new crop. scattered outside demand for last current crop lots as well as early new crop shipments.
- honduras: origin shows last available lots but demand is only lukewarm.
- el salvador: ongoing demand for spot positions but little material on offer.
- costa rica: weather continues beneficial for the development of the new crop. industry shows increasing interest for new crop but selling ideas seem to be too high to pull the trigger.
- peru: while central jungle should be in the peak of the season there is still no decent coffee flow. longs are proudly holding coffee as price ideas remain far apart from buyers.

6. AFRICA/PNG

- kenya: 22.000 bags auctioned this week. diffs all over the place, reflecting the wide range in qualities on offer. fair industry biz in grinders/undergrades. next auction listed for may25th. heavy rain showers continue all over the country.
- tanzania: off-season. some new crop biz reported, diffs firm.
- ethiopia: another very active week, with big volume registrations of both washed and sundried qualities. overall sales registrations (july 08, 2009 to end april 2010) reported 153.000 tons whereof 50.000 tons washed, approx 40% above same period last season. abundant rainfall all over the ethiopian highlands.
- rwanda: fair volume traded, destination usa/europe.
- png: availability/coffee flow improving, though exporters still struggling to meet timely shipping commitments. strong industry/trade interest from all regions, however the delayed crop has exporters hesitant to commit new sales. growing enquiries for better quality coffees as harvesting moves into gear.

7. ROBUSTAS

- vietnam: farmers sold good amounts of coffee this week but the action came to a halt today as farmers feel they have liquidated enough and exporters stopped chasing the coffee. with liffe performing the differentials have eased slightly but not as much as expected. getting local credits remains an issue for exporters.
- indonesia: daily asalan supplies are well absorbed by exporters and int'l trade houses with local operation. internal differentials remain tight for the time being with local roasters hungry for quantities as well.
- uganda: still a bit rainy. coffee flow remains slow. offers are scarce.
- conilon: fob selling at a standstill as ideas are a good 5 cts/lb apart. good volumes are available and absorbed immediately and traded to local roasters and soluble factories.

8. ORIGIN DIFFERENTIALS FOR JUNE/JULY SHIPMENT CTS/LB FOB

	this week			last week		
brazil swedish	c	-	18	c	-	18
colombia excelso	c	+	57	c	+	51
honduras hg	c	+	24	c	+	24
kenya ab faq	c	+	190	c	+	200
vietnam gr 2	liffe		level	liffe	+	10

regards
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