



**WEEKLY MARKET REVIEW MAY 21 - 27, 2010**

May 28, 2010

**'COFFEE STIRS'**

**1. GENERAL**

- interest in physical coffee was lifeless in robusta but more lively in arabica, mostly for brazil.
- buyers were also keen to see offers for new crop milds, but only the very very brave rushed in.
- in the macro picture, stronger coffee currencies late in the week meant dollar-denominated offers were less attractive, as everything that could bounce, bounced.
- colombia deserves a mention again, with differentials for an excelso rising 17c this month as the mitaca crop once again fails to impress.
- weather was good for crop development in central america, with timely rains in most production zones.
- the word "frost" was mentioned. welcome to the silly season.
- we estimate spec/fund position on ice 3,000 lots long and index funds 54,000 lots long. on liffe we estimate funds 19,000 lots short. ice certified stocks at 2.33mio bags, liffe certified stocks at 3.88mio bags.

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

	<u>27.5.2010</u>	<u>change vs 20.5.2010</u>
ice jly 10	134.75	3.10
liffe jly 10	60.60	0.09
arbitrage ice jly 10/liffe jly 10	74.15	3.01

comments basis ice jly 10 at 135.00 and liffe jly 10 at 1335

ice: financial markets are moving back to "normality" and so is coffee this week. after testing the bottom of the range again we are return to the middle of it. spec/fund are buying on the back of firm brazilian real and cold front approaching brazilian coffee areas during a long weekend. origin selling remains shy. a close above 135.20 and a break of 138.70 are necessary to confirm change of the trend.

support: 134.10, 130.20, 129.10, 126.55 resistance: 135.60, 137.95, 138.70, 141.45.

liffe: there was no follow through to the sell off last week. not much comments to add, as outright volume is low and a range of 40 dollars during the week.

support: 1313, 1280, 1248 resistance: 1349, 1385, 1410, 1421.

**3. BRAZIL**

- local market: activity and daily volumes traded improved this week. more and more new crop coffees arrive at the market.
- export market: exporters asking differentials softened by 1-2 c/lb and considerable volumes traded, with huge underlying demand.
- the weather / harvesting conditions remained good this week with rainfall in most regions below historical average.



- the week started down and extremely nervous, but wednesday and thursday were recovery days in brazil, with a strong real and a strong sao paulo stock exchange.
- labour party candidate dilma drew level with jose serra as per latest polls for presidential elections later this year. the market seems unimpressed by either outcome, so far.
- bmf sept 10: \$ 160.20 (up 2.85)
- arbitrage bmf/ice sep/dec: -16.80 (weaker 1.20)
- exchange rate: 1.8200 (reval 2.25%)

#### 4. COLOMBIA

- local market: the flow of coffee continues at a slow pace with the majority of the coffee coming from the south of the country. quality of parchment remains a problem, most notably in the 'eje cafetero' region.
- export market: buying interest continues at a steady rate with the main focus on nearby shipments. diffs firming up further.
- exchange rate: the cop showed good strength vs the usd closing close to the lows of the week. high 2019, low 1960 and close 1965.

#### 5. LATIN AMERICAN MILDS

- mexico: interest still coming from all directions but coffee is practically over for the crop. weather has been reported as very positive so far for next crop.
- guatemala: regular showers continue which is favorable for the new crop development. outside demand subdued this week.
- honduras: heavy rainfalls all over the country took place almost on a daily basis. exporters see sporadic industry demand for last available current crop lots whereas the trade is more focused on new crop biz.
- el salvador: weekly registrations of 26.000 bags lift the total to 934.000 bags whereof 745.000 bags have been exported so far.
- costa rica: lukewarm buying interest for early new crop coffees but difficult to make ends meet.
- peru: strike in the port of callao has been solved, having lasted for 9 days. rains now causing mud slides in roads from central producing areas to coast keeping the access complicated. diffs at origin getting firmer, demand increasing while there is no decent flow of green beans. industry paying higher levels in order to cover their needs.

#### 6. AFRICA/PNG

- kenya: auction mixed. very high prices for better cupping qualities. good volume of grinder and unwashed coffees found solid support. next auction listed for june 8th, bringing some 18.000 bags to market. harvesting of early crop picking up, weather during past weeks mostly dry and sunny, perfect for sundrying parchment coffee. first early crop coffees expected to be auctioned late june. auctioned volume oct09/april 10 reached 399.000 bags compared to 587.000 bags previous year (33% down).
- tanzania: few current crop leftovers find eager takers. new crop harvesting pushing on in lower & middle altitude areas in the north, just starting in southern highlands. active industry interest cannot be met, seller's ideas quite proud, hence limiting volume.
- ethiopia: moderate sales registrations this week, dominated by sundried qualities. local market very firm. shipping delays continue with no improvement in sight. ethiopian parliament election was held last weekend with landslide victory to the incumbent party.



- png: arrivals continue to improve, high local market prices entice farmers to sell. in the western highlands cherry recovery rates are poor with a very high percentage of floaters / triage, a result of earlier excessive rains. brisk industry interest in all grades from all parts of the globe remains largely unsatisfied, exporters shying away from the massive volume enquiries for shipment 2<sup>nd</sup> half 2010.

## 7. ROBUSTAS

- vietnam: although the wet season has just begun, rains are still behind track in terms of total rainfall to date by 50% and the shortage of hydro electric continues to create power cuts all over vietnam. however it seems very likely that rains will increase in coming weeks / months since el niño has officially ended. local market traded volumes continue to be low. diffs basis internal prices have edged back to the higher levels we saw earlier this year.
- indonesia: the asalan arrivals have doubled. buying and selling ideas still a tick apart but some sporadic business is taking place. some slight interruptions of transport from farmers to mills due to unseasonal rains.
- uganda: drier weather helping the coffee flow. decent volume arrivals should be only a couple of weeks away. good internal demand keeping asking differentials at proud levels.
- conilon: strong asking differentials making new export business impossible. astonishingly high prices paid locally for even the lower qualities.
- india: the rupee devalued 6% and exporters are keen sellers at slightly softer differentials.

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

	this week			last week		
brazil swedish	c	-	21	c	-	20
colombia excelso	c	+	67	c	+	60
honduras hg	c	+	23	c	+	24
kenya ab faq	c	+	190	c	+	190
vietnam gr 2	liffe	-	10	liffe	-	20

regards  
VOLCAFE LTD