WEEKLY MARKET REVIEW MAY 28 – JUNE 03, 2010 June 04, 2010

'UNNERVINGLY QUIET'

1. GENERAL

- terminal markets had an uncharacteristically quiet week, with only a small rally on wednesday to break the monotony.
- brazil isn't yet delivering what it promised. internal prices for new crop resolutely firm, but keep in mind we are still 'pre-tournament'. performance will no doubt improve once the competition kicks off in earnest, and brazil never fails to entertain.
- differentials for any available mild coffee (which ain't much) strengthened again.
- hamburg airport struggled to cope with coffee comings and goings, with the annual coteca trade show, 4c meetings and ecf general assembly all in town this week.
- we estimate spec/fund position on ice is square and index funds 53,500 lots long. on liffe we estimate funds 19,000 lots short. ice certified stocks at 2.30mio bags, liffe certified stocks at 3.76mio bags.

2. PRICE COMPARISON (all in cts/lb)

	03.6.2010	change vs 27.5.2010
ice jly 10	1345.60	0.85
liffe jly 10	61.05	0.45
arbitrage ice jly 10/liffe jly 10	74.55	0.40

comments basis ice jly 10 at 135.70 and liffe jly 10 at 1340
ice: still stuck in the recent range. the rally early in the week was short covering and weather buying, but failed to break above the recent high of 138.70 where origin selling and long liquidation were seen. structure nearby weakened circa 10-15 points where fund rolling was noted. good volume and strength circa 10-20 points in the back months spreads, dec/mar onwards. needs to break the current range 130.00/138.70 to bring additional interest.
support: 135.00, 133.15, 130.25, 128.60 resistance: 138.10, 141.45, 143.75, 146.80.
liffe: very little change from last week. origin selling was seen but in limited quantities. industry buying below. fund rolling was noted in the latter part of the week with jul/sep trading into -34 from -37. a break of 1361 and 1425 basis july could see stops elected. continued drawdown of certs, the fund short position and a decreasing open interest bringing additional support.
support: 1330, 1313, 1280, 1248 resistance: 1361, 1385, 1410, 1425.

3. BRAZIL

- local market: first new crop coffees, mainly good cups start coming to the market. replacement levels remain rather firm.
- export market: not much volume traded this week as buyer's and seller's price ideas remain far apart. differentials remain stable.
- the weather / harvesting conditions continued good this week with almost ideal weather in all regions.
- bmf sept 10: $ 160.30 (up 0.10)
- arbitrage bmf/ice sep/dec: -18.00 (weaker 1.20)
- exchange rate: 1.8200 (unchanged)

4. COLOMBIA

- local market: although the production flow remains unchanged, the physical flow of coffee to the market was reduced this week. heavy rains throughout the country have somewhat hampered the drying process and logistics.
- export market: differentials for nearby and forward spreads are creeping higher although demand remains smallish.
- exchange rate: the peso traded in a fairly tight range and showed good strength against the dollar. high 1979, low 1954 and close 1956.

5. LATIN AMERICAN MILDS

- mexico: tropical storm agatha hit the south of chiapas with lots of rains, no damage has been reported so far to the coffee plantations.
- guatemala: the powerful eruption of volcano pacaya and the passing of agatha sadly cost many lives and caused tremendous damage to houses and infrastructure in general. damage to coffee plantations was however limited.
- honduras: agatha brought heavy rains to large parts of the country causing damage mainly to infrastructure in non coffee areas. hailstorms in the lempira and ocotopeque region caused minimal damage to some farms at high altitudes, affecting the last flowering.
- el salvador: no significant damage to the next crop has been reported but the humidity is very high and the situation has to be watched.
- costa rica: heavy rains at the pacific coast but no harm to coffee. scattered buying interest for early new crop shipments but little biz has been reported.
- peru: demand increasing along with internal prices. logistics improving, but flow of coffee to lima still thin for time of year. estimate 25% of the crop has been harvested. it is confirmed that rains in past month have caused some crop damage in central plantations.

6. AFRICA/PNG

- kenya: auction schedule for coming months: 8th june / 22nd june followed by long auction break until 19th august.
- ethiopia: good volume sundried arrivals at ecx reported. however suppliers are reluctant/proud sellers and daily ecx prices are firming up. fairly active export biz with decent volume traded in both washed and sundried qualities.
- burundi: in the middle of elections, which started 24th may and scheduled to last till sept. meanwhile 7 out of 9 presidential opposition parties' candidates have withdrawn their candidature because the communal elections were, according to the opposition parties, not fair. harvesting started, volume expected to be around 25.000 tons. marketing system for new crop still under review, new regulations need to be published shortly, allowing an orderly liquidation of the 09/10 crop.
- png: good volume arrivals of both green & parchment at mills and warehouses. cherry arrivals slowed temporarily indicating some farms are between pickings. while sections of the highlands highway remain in poor condition the road is open and some repair work is under way. continuing interest from all regions for fresh business is being met with extremely cautious selling by exporters. exports for may 2010 reached 60.000 bags compared to 80.000 bags in may 2009.

7. ROBUSTAS

- vietnam: physical business has been quiet with differentials trapped in a firm range. brief showers fell over the highlands this week as the wet season gets off to a slow start.
- indonesia: this week's arrivals remains similar to last week, approx. 5500 – 6000 mt. scattered rains continue in some parts of the coffee growing regions, hindering the flow of coffee. idr has strengthen against usd, trading in the area of 9150 - 9250. the local stock market has rallied, due to stronger risk appetite and increasing fund inflow. with recent sideway liffe and stronger idr, internal market stays firm.
- uganda: internal demand continues and asking prices are high. outside demand slow and price ideas a ‘tick’ apart. coffee flow increasing week to week. weather is good.
- conilon: prices still climbing. internal market paralyzed due to the federal police investigations.

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

	this week			last week		
brazil swedish	c	-	21	c	-	21
colombia excelso	c	+	70	c	+	67
honduras hg	c	+	23	c	+	23
kenya ab faq	c	+	190	c	+	190
vietnam gr 2	liffe	+	10	liffe	-	10

regards
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