VOLCAFE LTD

WEEKLY MARKET REVIEW JUNE 04 – JUNE 10, 2010 June 11, 2010

'WORLD COFFEE CHAMPION : BRAZIL'

1. GENERAL

- at least in coffee brazil dominates the world. with roaring production and consumption growth they are the ones to look at. some are nervous though, as they haven't shown their stuff in the first round…of the harvest
- guatemala, salvador and costa rica did not show up, neither did colombia and peru in spite of very high expectations. honduras remains in the fight, and is the hope for production growth in centrals region
- vietnam? They are in different league
- the usual powers of coffee consumption will surely advance at their calculated pace and remain championship favourites. However, consumption grows faster in emerging markets and we could very well be surprised this year.
- we cannot discount the host continent, in the end "we are all africans"
- …or let's just forget coffee for a moment, and enjoy soccer!
- by the way, we estimate spec/fund position on ice at 5,000 lots long and index funds 53,000 lots long. on liffe we estimate funds 5,000 lots short. ice certified stocks at 2.27 mio bags, liffe at 3.8 mio bags.

2. PRICE COMPARISON (all in cts/lb)

	10.6.2010	change vs 03.6.2010
ice jly 10	137.00	1.40
liffe jly 10	66.81	5.76
arbitrage ice jly 10/liffe jly 10	70.19	-4.36

comments basis ice jly10 at 141.60 and liffe jly10 at 1564
ice: while london lead the way up this week, new york followed with its own break out from the recent range after rallying from the good support of the 26-day moving average of the lows. volume all week was very good. improved macro conditions means risk appetite returns. brazil selling has been slow to come to the table, especially with the strengthened real. spreads in 2011 tightened again. continued drawdown in certified stocks. arb support around 70 c/lb.
support: 135.00, 133.15, 130.25, 128.60 resistance: 146.80, 151.20
liffe: massive move up this week, with july delta hedgers buying the market and fund short position abruptly being unwound. nearby spread whipped up to a $50 premium, while switches down the board are offered $5 both sides of level money.
support: 1330, 1313, 1280, 1248 resistance: 1574, 1604

3. BRAZIL

- local market: volumes on offer get fairly easily absorbed by plenty of exporter demand. the competition is amongst buyers who try to secure most of all fine cups, as well as fine washed qualities are in high demand, but hardly showing up at all.
- export market: underlying demand paid up by 1-2 c/lb and moderate volume traded for july-dec 2010 positions mostly.
- 12 running months' shipments remain strong around 30 mio bgs, incl soluble and outlook is for yet stronger numbers ahead of us in june-dec 2010.
- harvesting conditions remain favourable, fresh and dry.

- along with recent shy recovery on international markets, both the real and the sao Paulo stock exchange won back lost ground. the selic interest rate was lifted by 0.75 to now 10.25 % p.a.
- bmf sept 10: $ 162.20 (up 2.00)
- arbitrage bmf/ice sep/dec: -17.30 (weaker 0.50)
- exchange rate: 1.8100 (revaluation 0.50 %)

4. COLOMBIA

- local market: despite some rains in many of the southern growing areas the coffee flow to the mills is decent. the main crop develops nicely and is expected early.
- export market: selling ideas continue to rise but stabilzed during this week as buyers are doing utmost to stretch their needs or at least delay their buying decisions.
- exchange rate: the usd/cop action this week confirmed the brake of the bullish trend. high 1967, low 1923 and close 1923.

5. LATIN AMERICAN MILDS

- mexico: weather is perfect for a good flowering in all coffee regions. there is still demand for the very little current crop coffee that is left.
- guatemala: weather improved and most important roads have been repaired. little current crop material left for sale and new crop no issue yet.
- honduras: weather is perfect again, hot and humid during the day with short rainfalls during the night. sudden roaster demand for the last remaining current crop lots, both for shipments from origin and spot lots.
- el salvador: first new crop estimates are quite positive but it is too early to come up with precise figures. trade and industry nibble at the last remaining spot lots.
- costa rica: ongoing buying interest for early new crop but little biz has been reported.
- peru: exporters are busy covering their needs, while demand from industry keeps increasing. nevertheless not much biz has been concluded since price ideas from both sides are far apart.

6. AFRICA/PNG

- kenya: majority of this week's auction consisted of undergrades&mbuni coffees. few main grade lots fetching solid premium. next auction listed for june 22nd, catalogue not yet released, volumes expected to be smallish. stocklot coffees ranging from top to low quality angle finding ready takers.
- ethiopia: a rather uneventful week with only smallish sales registrations of mainly sundried qualities. shipment delays continue. european spots enjoy active interest. ideal weather conditions reported from all producing regions, 2010/11 crop expected to be lower due to off-cycle.
- rwanda: smallish volumes 'ordinary' snapped up by hungry industry. diffs firming.
- uganda: ripening of fly crop cherries in mbale is slow with ongoing cloudy weather. first parchment deliveries expected to become available towards end of the month.
- png: despite high local outright prices arrivals slowed down this week. current erratic arrivals which are highly unusual for this time of year further substantiate the smaller sized crop. little change in export activity: overwhelming industry interest remains unfulfilled.

7. ROBUSTAS

- vietnam: rains are improving. very good farmer selling as prices hit season highs. diffs have eased somewhat and demand picking up. exporters actively fixing their open contracts against july, guess little left to be done by now.
- indonesia: asalan arrival volume has increased to approx 9.000-10.000 tons/week, but easily absorbed by hungry local buyers. exporters reported to be very active buyers as diffs eased a tick. currency remains strong.
- uganda: faq flow is starting to gather a little pace but clearly the heavy rains have slowed cherry ripening ad thus harvesting. the internal market is tight. excellent industry demand.
- conilon: export biz minimal, sellers asking prices way above buyer's ideas.

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

	this week			last week		
brazil swedish	c	-	22	c	-	21
colombia excelso	c	+	75	c	+	70
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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