VOLCAFE LTD

WEEKLY MARKET REVIEW JULY 08 – 15, 2010 July 16, 2010

'BEACHED"

1. GENERAL

- the time of year has arrived when an upstanding european coffee person's thoughts turn to mediterranean delights (sun, sand, world cup trophies etc); physical business has been consequently scarce.
- on the other hand, our much harder working american cousins have no such need of rest and relaxation, and good physical chunks were noted trading north from brazil and central america.
- terminal markets are also taking a bit of time off, with morning volumes particularly thin. for instance, we note 400 lots traded on ice so far today.
- markets are busy settling into their new, improved ranges.
- certified stocks in london rose by 100 lots, the first bi-weekly improvement since september 2009. just when you thought you had it all figured out..
- we estimate spec/fund position on ice long 37,000 lots and index funds 54,000 lots long. on liffe we estimate funds 17,000 lots long. ice certified stocks stand at 2.15mio bags, liffe certified stocks at 3.48mio bags.

2. PRICE COMPARISON (all in cts/lb)

	15.7.2010	change vs 08.7.2010
ice sep 10	167.10	5.00
liffe sep 10	79.51	2.58
arbitrage ice sep 10/liffe sep 10	87.59	2.42

comments basis ice sep10 at 168.00 and liffe sep10 at 1755
ice: there was no follow through to the downside after the break of 160.00, bringing specs to cover short positions. with lack of selling from origin, market reacted quickly to the up side triggering buying stops. roasters were noticed adding longs during the rally. probably helped by the weak usd and because of the pressure to increase paper coverage. market is now back to the top of the range but trading on poor volume, increasing the intraday volatility. a close above 170.85 is necessary to avoid longs liquidation.
support: 165.00, 159.00, 155.40, 148.15 resistance: 169.45, 170.85, 176.50
liffe: even with the nearby structure weakening, market showed a good performance lately with the last 7 sessions closing higher than the opening. funds profit taking are providing resistance above with origin selling absent, keeping nov/jan structure very firm. 1795 remains a short-term target. a break of this level may bring more fund buying.
support: 1727, 1639, 1595, 1515, 1474 resistance: 1795, 1845, 1980

3. BRAZIL

- local market: daily volume traded improved again, with higher prices more producer selling showed up. prices are remunerative to farmers and into higher prices, more and more volume should show up.
- decent volume of good cup coffees reported traded for 2nd half 2010 at slightly cheaper differentials. fine cup and washed prices are stable up to slightly increasing.
- the weather turned a lot wetter and colder this week
- the real spent this week quietly trading in a narrow range. bmf outpaced ice advance and arbitrage narrowed.
- bmf sept 10: $ 196.40 (up 8.00)
- arbitrage bmf/ice sep/dec: -18.90 (firmer 1.30)
- exchange rate: 1.7700 (devaluation 0.25 %)

4. COLOMBIA

- local market: unchanged from last week. it's raining in almost all growing regions. the flow of coffee remains thin as part of it is being withheld by producers and intermediaries.
- export market: fairly good demand for shipment during 2nd half 2010. diffs again a shade lower.
- exchange rate: usd/cop still trending lower.

5. LATIN AMERICAN MILDS

- mexico: demand from local industry has slowed down whereas outside interest picked up for remaining current crop as well as new crop coffees.
- guatemala: exports started to slow down and are now 1.5% below last year. expectations are still for about 3.3 m bags till the end of the coffee year. despite heavy rains during the month of june, the prospect for a higher new crop is still in place.
- honduras: weather pattern remains ideal for development of the new crop. all flowerings seem to have settled well. outside demand remains subdued.
- el salvador: ongoing demand for early new crop coffee. substantial amounts have been sold during the last few weeks. diffs again a shade softer.
- costa rica: excellent weather conditions for the new crop. sporadic industry demand but little biz has been reported.
- peru: internal market continues very firm. therefore, exporters were reluctant to accept lower bids received from industry and trade this week.

6. AFRICA/PNG

- kenya: auction break – resuming 10.08.10
- ethiopia: sales registrations subdued. good quality washed coffees getting scarce. shipments out of djibouti continue at slow pace. fair industry demand nearby/spots.
- burundi: initial crop estimates 09/10 probably too optimistic. recent reports indicate crop around 20.000 tons, quality split approx 65% fully washed and 35% washed.
- uganda: supply of fresh bugisu very slow and attributed to abnormal rains and lack of strong cherry ripening sunshine. drugars are scarce pending next crop which expected to be very good.
- png: high local prices entice farmers/intermediaries to bring coffee to the market. wet weather in lae, traditional for this time of year, caused minor vessel delays at port. interest from all regions continues, availability shrinking.

7. ROBUSTAS

- vietnam: local market continues with a slow but steady trickle. rainfall is regular with both heavy and light showers with some sunshine in between. vietnam's storm season, although late, is thought to have begun. differentials are much the same and continue to move sideways.
- indonesia: similar asalan deliveries this week, approx. 12,000 – 12,500 mt. rains still continue to slow drying and harvesting. business mainly taking place for nearby shipment, exporters still reluctant to offer far forward. Differentials a tag steadier this week.
- uganda: we are into peak season for the south and western crops which may run through first half august. reasonably good external demand is taking advantage of somewhat pressured nearby values, 2nd half spreads are more valuable. excellent demand from sudan with restocking of the lengthy kampala-khartoum pipeline.
- brazil: harvesting in the conilon areas seems to be well advanced and an estimated 85% is picked. diffs have eased a little.

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

	this week			last week		
brazil swedish	c	-	26	c	-	24
colombia excelso	c	+	55	c	+	55
honduras hg	c	+	20	c	+	20
kenya ab faq	c	+	180	c	+	190
vietnam gr 2	liffe	-	70	liffe	-	60

regards
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