



WEEKLY MARKET REVIEW OCTOBER 23 – 29, 2009

October 30, 2009

‘THE TREND IS A FICKLE FRIEND’

1. GENERAL

- wildly gyrating currencies and panicky speculators meant the coffee market had a tumultuous week. the prevailing up trend was broken, but a new trend is not yet clearly visible.
- accelerated off-take of spot milds in europe has been observed.
- slow slide in centrals differentials halted or even reversed due to a combination of lower market and roaster interest.
- colombian coffee starts to flow a little from lower grown areas, but yields are poor, having been affected by broca. higher areas should not have suffered so badly, so yields should improve into november. diffs still in the high 20’s.
- we understand brazilian 2% capital flow tax will be applied to bmf “investments” as well. arb punters take note.
- estimated spec/fund position on ice 30,500 lots long and index funds 50,000 lots long. at liffe estimate funds 9,000 lots short. ice certified stocks at 3.3m bags, liffe at 6.35m bags

2. PRICE COMPARISON (all in cts/lb)

change vs

	<u>29.10.2009</u>	<u>22.10.2009</u>
ice dec 09	136.80	- 6.85
liffe nov 09	63.50	- 1.68
arbitrage ice dec 09/liffe nov 09	73.24	- 5.23

comments basis ice dec 09 at 136.70, liffe nov 09 at 1400

ice: stops elected circa 140.00 in z, industry buying noted into the weakness, z/h trading out to -3 cts from -2.80 on rolling. macro related news coupled with profit taking giving a boost to prices in the latter part of the week. volumes continue to remain light. a break of 132 basis z may see more aggressive liquidation. market is forming a range 133 – 138 in z. a break of either will see volumes and volatility increase.
 support:: 135.40, 132.90, 129.15 resistance: 137.55, 140.00, 145.40.

liffe: continued pressure in the nearby x/f trading out to -50. low volume sell orders in f onwards creating vacuum when a stop was elected earlier in the week taking us to the weeks high of 1483. industry well covered with interest under current market levels.
 support: 1350, 1320 , 1275 resistance: 1490, 1505, 1527.

3. BRAZIL

- local market: prices to producers fell as ice lost ground faster than the usd regained it. producers withdrew from selling into lower levels, at least temporarily. green coffee shipments in october are strong, about same as september and exporters have a difficult time to keep up decent inventories, especially of fine cup coffees from current peak to end of the season.
- export market: exporters asking differentials were unchanged to a touch firmer and only sporadic business took place.



- bmf dec 09: \$ 164.50 (down 3.05)
- arbitrage bmf/'c' dec/mch: -15.39 (4.35 firmer)
- exchange rate: 1.7300 (devalued 0.30%)

4. COLOMBIA

- local market: the coffee areas enjoyed beneficial rains with periods of sun; a good omen for the proper fixation of the flowering in preparation for the fly crop (april-july). the coffee flow shows signs of improvements, a significant increase can be expected in the second half november.
- export market: sporadic interest for nearby shipment and smaller longterm spreads at a discount to current prices.
- exchange rate: quite a rocky week. high 2.034, low 1.916 and close 1.975.

5. MEXICO/CENTRALAMERICA

STATISTICAL SITUATION IN MEXICO & CENTRAL AMERICA COFFEE YEAR 2009/2010

Estimate per October 31, 2009

all in '000 of 60-kg bags

	Mexico	Guatemala	Honduras	Salvador	Nicaragua	Costa Rica	Total
Carry-in 08/09:	100	100	60	20	20	50	350
Exportable crop 09/10:	2'600	3'500	3'600	1'260	1'200	1'450	13'610
Total available:	2'700	3'600	3'660	1'280	1'220	1'500	13'960
w/o sold outright:	150	200	100	310	170	550	1'480
w/o sold unfixed:	150	750	200	200	150	75	1'525
Uncommitted per October 31:	2'400	2'650	3'360	770	900	875	10'955

Summary / Comparison

	09/10		08/09	
Total available:	13'960		12'985	
w/o sold outright:	1'480	11%	2'210	17%
w/o sold unfixed:	1'525	21%	1'815	14%
Uncommitted per October 31:	10'955	68%	8'960	69%

6. AFRICA/PNG

- kenya: no auction this week. intermittent industry biz for shipment early next year, diffs firm. excellent rains last couple of weeks, harvest of main crop progressing well. mombasa port logistics smooth although port privatization discussions resulting in threat of strikes by dockworkers union.
- tanzania: small auction/firm prices. industry interest remains very good and demand building up. auction volumes expected to continue sporadic which is unusual for this time of year. msc & maersk change routings to avoid pirate infested waters, transit time affected.
- ethiopia: availability of current crop coffees diminishing fast. few remaining sundried arrivals to ecx sold with very firm prices. fair volume sales of low grown new crop washed coffees reported. no biz in premium quality segment.



- uganda: brisk biz in unwashed qualities, availability dwindling.
- png: limited fresh biz reported. australian market absorbing again smallish volumes for end 09 positions. exports for 08/09 coffee year show europe as receiving 40%, usa 21% and australia 18% of total exports.

7. ROBUSTAS

- vietnam: the weather improved for harvesting, although a typhoon is threatening to bring back rain next week. differentials remain rich internally as the new crop flow is still at the initial stage. quality so far looks promising. strong demand is seen for all shipment positions. the dong has broken the support level in the unofficial market.
- indonesia: asalan volume has fallen to 750 mts this week as we approach the end of the crop season. internal prices remain tight as the availability has become scarce. still good demand from tradehouses to cover commitments.
- uganda: kampala and virtually all of the coffee growing areas are experiencing wet weather with less sunshine than normal which is hampering the drying process. there is good interest for both nearby and forward shipments. the shilling is strong. logistics remain excellent.
- brazil: little biz reported despite softer differentials. new crop offers for may onwards are heavily discounted but still no takers.

8. ORIGIN DIFFERENTIALS FOR DEC/JAN SHIPMENT CTS/LB FOB

	this week			last week		
brazil swedish	c	-	23	c	-	23
colombia excelso	c	+	28	c	+	29
honduras hg	c		even	c		even
kenya ab faq	c	+	78	c	+	78
Vietnam gr 2	liffe	-	90	liffe	-	90

regards,
VOLCAFE LTD