



ORIGIN REPORT Issue N° 37 February year 2009

Vietnam

Large scale irrigation has been under way since the end of the Lunar New Year and is almost finished in most coffee producing areas. New planting areas are about 15,000 hectare. The quality of the subsequent flowering, which will be available for evaluation during late February, will be crucial in determining the size of 2009/2010 production.

The local market was very slow during January 2009 with the Lunar New Year taking up 2 weeks of complete non-action. At the same time, farmers showed little interest to sell their stocks below 26,000 VND/kg farm-gate (around \$1600 basis LIFFE K).

Local prices about VND 25,000/kg or USD 1,450/Mton.

Farmers will sell 10% after TET to buy fertilizer before the rainy season starts. At the same time, the fertilizer's price is down approx. 20%.

FOB offers were stable at K-\$ 135/145 (FOB basis standard Grade 2, 5% BB). Premiums of standard grades Grade 1-18 and Grade 1-16 were also unchanged at +\$ 50 and +\$ 20/25 respectively from standard Grade 2. Due to the increased availability of black beans in FAQ (weather affected), local exporters have tried to offer more Grade 2, 8% BB to multinational importers at a steep discount of + \$20 (Standard Grade 2, 5% BB).

The government has approved a stimulus package of approx. \$1 bn, which will be injected into the economy via a 4 % subsidy on all commercial loans interest from February 1st. All locally registered entities (including

100% foreign invested ones) are eligible for this program. While this move will lower the cost of business for coffee exporters significantly, it also gave farmers another reason to stick firm to their stocks and become "disciplined" price-sellers.

We estimate that farmers and up-country middlemen have sold less than 45% of 2008/2009 production. In the meantime local exporters could have committed up to 55% to 60% of production, leaving them with a short position of 120,000 to 180,000 Mton to cover the months of March and June.



Latest estimation for production of crop year 2008-2009 as follows:

Province	Planting Area (hectare)	Production (Mton)
Daklak	178,000	435,686
Daknong/ Binh Phuoc	80,000	152,137
Lam Dong	135,000	340,313
Gia Lai / Kon Tum	105,000	209,515
Dong Nai	40,000	80,000
Others	20,000	20,000
TOTAL	558,000	1,237,651

(Total approx. 1,240,000 Mton)



Indonesia

Until the end of last week, about 346,000 Mton of Southern Sumatra Robusta has been delivered, which equals about 98.9% of the total predicted 2008 production (350,000 Mton). About 72.2% of this delivered crop (equal to about 252,600 Mton) was delivered to Lampung and the rest delivered to other areas.

Local prices in Bandar Lampung at the moment still remain high, because some exporters are in a short position, while the deliveries are reducing. Also the new crop deliveries are still very limited.

Growers and middleman have been sitting on their stocks for a long time. They have not been able to dry properly which results in a lot of deliveries with mold.

As stated in the table below, the export of Southern Sumatra Robusta from Panjang Port for January 2009 was approx. 32 % lower than the export in December 2008. Compared to January 2008 we see a slight increase.

Details are as follow:

SOUTHERN SUMATRA ROBUSTA

Export (Mton)	2007	2008	2009
January	8,555	13,933	14,658
February	6,148	24,181	
March	3,493	15,208	
April	4,813	16,538	
May	5,558	17,552	
June	8,734	28,439	
July	26,325	39,365	
August	24,445	34,062	
September	29,816	45,760	
October	18,669	21,799	
November	31,571	22,408	
December	14,943	21,502	
TOTAL	183,070	300,747	

Numbers of rain-falls at coffee growing areas currently are still very high and based on our last field visit (end of January 2009) we can confirm that these rain-falls are not influencing the coffee development in Bengkulu and South Sumatra. The cherries are big and all coffee plantations have enough shade trees to prevent the direct force of the rains. It will slightly impact to the high land area of Lampung due to no shade trees. We will adjust the crop estimation for the high land area of Lampung back to the similar quantity with 2008 crop. The new estimation for the 2009 Crop of Southern Sumatra Robusta will be 376,800 Mton as is mentioned in the table below.

First Estimation of 2009 Crop		Volume (Mton)
Lampung	Low Land	74.000
	High Land	125.000
	Total	199.000
South Sumatra	Low Land	78.000
	High Land	44.000
	Total	122.000
Bengkulu	Low Land	18.000
	High Land	37.000
	Total	55.000
Total	Low Land	170.000
	High Land	206.000
	Total	376.000



India

As the Arabica harvest was progressing, there was gloom all over. Almost all the farmers have finished harvesting by the end of January 2009 and the Arabica crop was in the end terribly low. Some of the farmers could not even pick 50% of their last year's crop. Overall we estimate a drop of 50% in Arabica production.

The Robusta harvest has also started early this year. Here too the crop is very low in some estates/areas. By the end of January 2009 about 60% of the crop has been harvested. Many estates had finished harvesting and reported approx. 40 to 50% drop in production.

We will get a correct picture when the harvest is completed in all the estates.

Weather is dry in the coffee growing areas. As a result the quality of Robusta coffee has improved (as we see well dried coffees). During the two previous production years there were a lot of rains during the time of harvest/drying, which has had an enormous impact on the quality of the coffee.

The shortage of labor especially during the harvest was and still is a major concern. Harvesting costs have gone up considerably. Many farmers preferred selling ripe cherries instead of processed coffee, which some of the large estate companies bought outright. Farmer was paid on the basis of weight per kg of fruit. These coffees were later converted to parchments.

India exported around 9,800 Mton of coffee by the end of January 2009. (Arabica 3,700 Mt and Robusta 6,100 Mt) There is good demand for Indian coffee at the moment with most of the exporters covering their March shipment at high levels. As mentioned earlier, Arabica

production is expected to be considerably less this year.

Local buying differentials during the month were as follow:

- 1). Arabica Parchment - \$2 levels to \$8 levels by the start of this week;
- 2). Arabica Plantation A is getting traded around \$25 levels during the time of preparing this report;
- 3). Robusta Parchment - \$500 to \$750 levels by the start of this week;
- 4). Robusta Cherry/EP - \$35 levels to \$110 levels by the start of this week.

Indian Rupee was quite stable around 48.50 to 49.00 throughout the month.

Coffee growers' federation and planters' association of India have requested instant government intervention for the following: price crash, drought and heavy/unseasonal rainfall during blossom, debts and burgeoning cost of cultivation.

They further stated that the 2008-09 Arabica crop is likely to hit rock-bottom and the current cash flow with the growers is barely sufficient for three to four months.





Cameroon

Not available

Ivory Coast

Latest highlights for crop year 2008-2009 as follows:

- 1). The “Harmattan”, which is a dry sand wind, has come to an end and the last couple of days it has been raining. During last year’s crop, a long drought occurred after the “Harmattan”, which affected the flowering;
- 2). At the moment, coffee is available, however, “decortiquer” is going slow;
- 3). Shipment of the new coffee crop is possible;
- 4). We expect in 2-3 weeks bigger volumes of coffee;
- 5). Due to the slow arrivals of cacao in the beginning of the crop, vast volumes are reaching the factories at the moment. Also the cacao price is very attractive for the farmer.





Liffe

At the time of sending out our previous report the F5/H10 traded at \$ 320. After that date it even traded out to \$ 600, the famous 5 Mt contract closed with 70 lots at \$ 93. January 2009 has been a hectic month in the grading room with an amazing 15,130 lots being graded of which 10,923 acceptable.

This all resulted in one long holder who has control over the certified stocks and with that control over the switch. There is no need for him to re-grade as the certified coffee will be valid against the new contract, and he is even making an extra margin as a type 2 under the old contract will be a class 1 under the new contract and a type 4 will be a class 2. Lots including a screening discount under the old contract will be valued as a class 4. In the table on the next page we have tried to make a small estimate based on the grading results of December 2008 and January 2009.

Freight rate still are extremely low, which of course has it's influence on the differentials paid in origin, but a lot more coffee can be expected to be graded in the coming weeks.

Against the new contract 692 have been graded so far, of which 458 tenderable.

In our latest report we remained our bearish view for London, which we already have for some time:

1. a considerable tonnage of Vietnam coffee still needs to be price;
2. differential, although increasing, are still trading at tender parity;
3. large stocks in Europe;
4. lower consumption in emerging countries, although this opinion differs between roasters.

New York

In the last edition, and the edition before, we mentioned NY was trading in a range between 123 and 110. We are still trading within this range. At today's levels, March is trading at 112,00, we are positive for the market for the following reasons:

1. decreasing certified stocks;
2. high differentials for mild coffees;
3. the off-cycle in Brasil;
4. funds already taking cover against the expected inflation in the future.

However, there are factors to keep an eye on:

1. the real, which could has the potential to weaken further;
2. because of the financial crisis, roasters could increase the percentage of Robusta in their blend.





NEDCOFFEE BV

– Lampung – Ho Chi Minh – Cochin – Amsterdam – Douala – Lome – London – Abidjan – New York –

Gradings	Type 1	scr	Type 2	scr	Type 3	scr	Type 4	scr
Dec	693	0	1182	0	3212	53	271	4
Jan	683	0	1497	1	4461	33	4230	18
5Mt	0	-60	-15	-75	-30	-90	-45	-105
10Mt	0	-45	0	-45	-30	-45	-30	-45
Difference	0	15	15	30	0	45	15	60
Margin	\$0	\$0	\$200.925	\$150	\$0	\$19.350	\$337.575	\$6.600
Total	\$564.600							