



FLAVOUR COFFEE

Rua da Quitanda, 191/304 - Centro - Rio de Janeiro - Cep: 20091-000.
Tel.: (021) 3257-7500 - Fax: (021) 3257-7509 – e-mail: flavour@flavour.com.br

Weekly Report – Week 002/2009 – Thursday January 8th, 2009

1. General Overview of the Local Market

- Group 1

Our last report was in December 11 almost a month ago and the market continues on same price level between R\$250.00 and R\$265.00. Volume traded this week was not good as it seems exporters are well covered for their immediate commitments. Local roasters are apparently with very low inventories as they are quite aggressive buyers of their low grade qualities besides of past crop qualities or even current crop bicas inferior grades.

- Group 2

All Rio Minas origins (Rio, softish, light Rios) coffees traded this week below R\$200.00 per bag indicating greater availability than previously estimated. Exporters are just replacing their eventual export sales therefore buying just little quantities. Some local roasters specially those from less sophisticated markets in the northeast have already changed their blends to 100 pct Arabica coffees while large roasters from Sao Paulo are more cautious to replace Conillons on the blends.

- Conillons

Large roasters are fighting to buy low grade or any other up grade Conillons. They paid prices up to R\$230.00 CIF Sao Paulo which corresponds to about US\$3.00-US\$4.00 c/lb over LIFFE or about R\$ 20.00 – R\$25.00 per bag over Group 2 light Rio cup prices.

2. Local Prices traded during the week

A. R\$ per 60 kilos bag:

Type 6/7 spot Varginha, soft cup, between R\$250.00 and R\$265.00

Rio Minas Type 7 Rio standard cup spot Manhuaçu between R\$192.00 and R\$195.00. (Much lower than Conillons)

Low Grade Group 1, 600 defects – CIF Sao Paulo – between R\$230.00 and R\$240.00

Type 7 Conillons – basis delivery Colatina/Linhares – between R\$218.00/R\$220.00

B. FOB Prices:

3/4 MTGB good cup (Swedish/Primeiro) – US\$ 21.00 c/lb under ICE-NY-09.

RM 17/18 – US\$38.00 c/lb under ICE-NY-H-09 FOB.

Conillons 13 up – US\$3.00 c/lb over LIFFE, FOB.

3. Financial News

- The 2008 trade balance reached US 24.7 billions dollars or about 38 pct less than the US 40 billions of 2007.
- The massive Dollar outflow since the beginning of the crisis in September has created the first negative result of PRESIDENT LULA administration since 2003. The flow of US Dollars in 2008 was US 983 million dollars negative while the surplus in 2007 reached a historical record of US 87.4 billion dollars.
- Exchange market started the year as it ended, i.e., very volatile. The Dollar exchange rate ranged this week between R\$2.157 and R\$2.344. Today it closed at R\$2.292 (R\$2.334 on Dec 30th,2008)

4. Crop Estimates and Weather News

- CONAB (Agriculture Ministry) announced their 1st 2009/10 crop estimating a range between 36.9 and 38.8 million bags or about 20 pct lower than their 46 million bags estimate for 2008/09 crop. Basically they justify this reduction due to an off biannual cycle and less fertilizers usage (high prices). They estimate a very low yield of 17.75 bags per ha on average.
- IBGE (Statistics Bureau) also announced their revised 2008/09 crop at 46.823 million bags harvested on 2.223 million ha or an average yield of 21.1 bags per ha.
- It has rained a lot (since September) over the main coffee areas of Southeast (except Parana that got less rains than usual). This weather conditions were excellent for coffee trees which should offset the effects on lower fertilizers usage.

5. Export Activities

- Group 1

Moderate volume of business reported this week. 2/3 MTGB FC traded at us\$18.00 c/lb under for shipments between February and July. 17/18 FC traded between US\$16.00 and US\$18.00 c/lb under NY for shipments between February and April. MTGB GC traded at us\$21.50 under H for February shipment. Fully washed traded in thin quantities between us\$7.00 and us\$8.00 c/lb under H for prompt shipments.

- Group 2

Just sporadic business reported this week between US\$ 81-82.00 (small beans) and US\$ 85-86.00 screen 17/18 FOB for February shipment. Differentials were quoted between US\$37.00 and US\$40.00 c/lb under ICE depending upon bean size quality and period of shipments.

- Conillons

It has been reported business of 13 up quality at us\$5.00 and us\$6.00 c/lb over LIFFE for Feb/April shipments.

6. General

- Coffee exports in 2008 reached 29.4 million bags breaking a new record, surpassing 2007 (28.153) and 2002(28.138 Million bags). During December 3.200.976 bags have been shipped on board also breaking a record for a month of December. 2.814 million Bags of Arabica, 153.000 bags of Conillons and 233.000 bags equivalent of Instant Coffee were shipped during December while during 2008 Arabica shipments reached 23.9 million bags, Conillons 2.068 million and Instant coffee reached equivalent to 3.3 million bags. (Source Cecafe)

Best Regards