



# FLAVOUR COFFEE

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## Weekly Report – Week 06/2009 – Thursday February 5th, 2009

### 1. General Overview of the Local Market

- Group 1

Very slow activities seen this week. Prices started the week higher than replacement levels which have discourage exporters to buy. Due to high volatility of ICE (more than US\$ 5.00 c/lb range twice in a week) activities were subdued. Local industries remained in the market but they could not buy any expressive volume. The theoretical replacement cost of a Swedish Quality this week stayed on a large range between US\$18.00 and US\$22.00 c/lb under ICE-K, but almost impossible to be materialized.

- Group 2

Local market continues dull with producers reluctant to sell. Although prices have already recovered well from the lows (at least 15 pct) producers continue hoping to get prices closer to Group 1 levels. It seems shorts have already covered most of their needs therefore prices stayed between R\$215.00 and R\$220.00.

- Conilons

Market continues steady with bica fairly traded as exporters and local merchants were covering their shorts to the industry. 12 up clean grade traded at R\$240.00 CIF SP, equivalent to about US\$5.00 c/lb over LIFFE.

### 2. Local Prices traded during the week

#### A. R\$ per 60 kilos bag:

Type 6/7 spot Varginha, soft cup - between R\$27000 and R\$280.00

Rio Minas Type 7 Rio standard cup spot Manhuaçu between R\$215.00 and R\$220.00.

Low Grade Group 1, 600 defects – CIF Sao Paulo – between R\$235.00 and R\$240.00

Type 7 Conilons – basis delivery Colatina/Linhares – between R\$224.00/R\$227.00

#### B. FOB Prices:

3/4 MTGB good cup (Swedish/Primeiro) – US\$ 24.00 c/lb under ICE.

RM 17/18 – US\$39.00 c/lb under ICE.

Conilons 13 up – US\$4.00 over LIFFE current crop March/April shipments or US\$1.00 under LIFFE (new crop June onwards)

### 3. Financial and Political News

- January total exports dropped in January by 23 pct reaching 9.788 US Billions while imports also dropped 12.6 pct reaching 10.306 US Billions, generating the first deficit on Trade Balance ( 518 US Millions) since 2001.
- The industrial activity index in December 2008 collapsed 14.5 pct compared with December 2007, one of the strongest retraction since 1991. This is a very strong indication that the GDP on the last quarter of 2008 should be negative and may contaminate the first quarter of 2009. The Government continues adopting several measures to keep the economy growing but consumption continues slowing down due to scarce and expensive credit lines, among other reasons.
- Exchange market had another volatile week with the Dollar exchange rate ranging about 4 pct between R\$2.277 and R\$2.371 during this week. Today it closed at R\$2.288 (R\$2.294 last Thursday)

### 4. Crop Estimates

- Comexim, a Santos based exporter house, released their 2009/10 crop estimate at 40.6 million bags a reduction of 20 pct on their 2008/09 estimate of 50.65 million bags. The reduction of 20 pct is one of the highest reductions among private estimates that are almost all around 10 pct. They also estimate the carry over as of January 1<sup>st</sup>, 2009 as 27.882 million bags including Government stocks of 492.000 bags.
- IBGE (Government Statistics Bureau) released their first 2009/10 crop estimate at 39.4 million bags higher than CONAB (Agriculture Ministry research) first estimate made in December of 37.8 million bags. So far these 2 official estimates are the only below 40 million bags while all other private estimates are between 40.6 and 45 million bags.

### 5. Export Activities

- Group 1

Activities subdued this week as most of the offers (US\$20.00-US\$24.00 c/lb under ICE – fine and good cups) are for nearby shipments or up to June shipments while dealers and roasters seem carrying longs or covered for this crop. The potential demand is for 2009/10 crop for July onwards but at same wide differentials of current crop, while there are fewer offers for forward shipments. But in any case offers are US\$2.00 c/lb higher.

- Group 2

Some businesses have been reported but the overall volume traded this week was not that large. Small beans qualities have been traded at US\$88.00/US\$88.50 while 17/18 qualities were traded between US\$90.00-92.00.

- Conilons

Nothing traded this week. New crop offers for May onwards are between level LIFFE to minus US\$2.00, with no business possible.

### 6. General

- The IPEP index (Producer's share on Brazilian coffee exports revenue) for December 08 was 73.3 pct of FOB value. The average IPEP in 2008 was 88.5 pct. This index measures how much producers appropriate from the total FOB value.
- 2.285 million bags have been shipped in January in all forms being 2.045 million bags of Arabicas, 43.000 bags of Conilons and 195.000 bags equivalent to instant coffee. It has generated 317.7 US million dollars.

**Best Regards**  
**Flavour Coffee**