



# 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](mailto:flavour@flavour.com.br)

## Weekly Report – Week 18 – Wednesday April 29th, 2009

(WE ANTICIPATE THIS WEEK EDITION FOR TODAY, IN ORDER TO ALLOW OUR READERS AND CUSTOMERS TO READ IT BEFORE THE LABOUR DAY ON FRIDAY, MAY 1<sup>ST</sup>)

### 1. General Overview of the Local Market

- Group 1  
Market continues dull. Just small business taking place as cooperatives continue asking prices that do not make any sense with FOB prices. The cost of replacement of a standard Swedish Quality is around US\$15.00-US\$17.00 c/lb under ICE-NY-N at least US\$5.00 c/lb far apart of committed FOB sales. Producers seem confident that the option system will be implemented therefore they keep resisting to sell lower. Local roasters were scale down buyers but not any large volume of business reported.
- Group 2  
Local market steady. It seems current crop availabilities are really too small as most of long holders are aside of the market or asking high prices. There is no more bica type 7 offers with just few remaining quantities of 17/18 and 14/16 offered.
- Conilons  
Type 7 new crops traded at R\$185.00 basis immediate delivery at Victoria warehouses gates and up to R\$195.00 CIF Sao Paulo new crop immediate delivery too. Past crop qualities traded with about BRL\$10.00 premium. Volume of new crop is not yet any large but it shall increase next weeks to come in May.

### 2. Local Prices traded during the week

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

- Type 6/7 spot Varginha, soft cup – between BRL\$255.00 and BRL\$265.00
- Rio Minas Type 7 Rio standard cup spot Manhuaçu between BRL\$200.00 and BRL\$205.00
- Low Grade Group 1, 600 defects – CIF Sao Paulo – between BRL\$220.00 and BRL\$230.00
- Type 7 Conilons – basis delivery Colatina/Linhares – between BRL\$185.00 (new crop) and BRL\$195.00(current crop)

#### B. FOB Prices:

- 3/4 MTGB good cup (Swedish/Primeiro) – US\$ 23.00 c/lb under ICE-NY-N.
- RM 17/18 – US\$ 90.00
- Conilons 13 up – LIFFE level May - for June/July shipments

### 3. Financial News

- The Committee of Economic Policy (COPOM) just decided to reduce by 1 pct the Selic interest rate to 10.25 without a bias. This corresponds to a net interest rate of 5.75 pct (estimating inflation next 12 months is 4.5 pct). The move was under expectations although some critics were defending a cut of 1.50 pct to make one digit rate.
- Stock market closed today with the IBOVESPA index at 47.226 points almost 27 pct high this year. This is the highest level of the index since October 2008.
- Exchange market had a range between BRL\$2,238 and BRL\$2.16. Today the dollar exchange rate closed at BRL 2.173, followed by heavy dollars influx.

### 4. Harvesting News

- Brazil's agriculture ministry announced that they have transferred to Funcafe BRL\$550 million (US\$250 million) to help farmers to finance harvesting operations. BRL\$ 450 millions should be immediately available while the remaining BRL\$100 million will be paid to banks to compensate unpaid debts from previous harvests.
- Conilons harvesting should increase its pace next weeks but it is already noticeable already the better quality so far available. Producers are using the heating system adequately avoiding too high temperatures obtaining therefore a much more uniform drying result. On previous crops producers used to accelerate the heating system to get as quick as possible a dry process but spoiling the cup quality with an unpleasant smoky taste.

### 5. Export Activities

- Group 1  
Despite of lack of demand for nearby and also for forward shipments, offers continue aggressively cheap. MTGB FC offers available at US\$20.00-21.00 c/lb under for a string of shipments between May and December. Some isolated business reported as for instance 17/18 GC traded at US\$20.00 c/lb under ICE-NY-N for immediate shipment.
- Group 2  
Most of Rio Minas 17/18 offers are above R\$90.00. It is noticeable the lack of offers for 17/18 may shipment, obtainable only at premiums (which nobody pays). Small beans May shipments traded in sporadic business at prices between US\$86.00 and US\$88.00 for prompt shipments.
- Conilons  
Offers of 13 up still between level LIFFE and (-) US\$2.00 c/lb for May/August shipments but attracting no demand for the time being.

### 6. General

- According to CECAFE 's figures 2.350.000 bags of green coffee have been shipped from April 1<sup>st</sup> until today, April 29<sup>th</sup>. This should bring total April shipments (soluble included) near to 2.6 million bags, a record for a month of April, usually a decreasing shipping period due to the end of the season. CECAFE will release final April shipments figures on May 5<sup>th</sup>.
- There is a general expectation (especially among producer and cooperatives leaders) that either an option scheme or a minimum price guarantee program will be approved by Monetary Council. However some sources expect that only a minimum reference price will be put on the agenda. Therefore it may take some more time to get a put auction program in place.

**Best Regards**