



## Market Highlights / End Second Quarter Report

Clearly the lack of colder weather for coffee-producing regions of Brazil and the continued speculative interest by funds “to sell” have gotten us to some recent lows of the season. There is currently growing trade sentiment that (possibly) a bottom is in place. This is in part based on a record OI (see below) and lack of continued selling or downward pressure.

Following the previous mentioned adage and continued downtrend the bear’s field had until very recently made a nice piece of change. (13cnt drop from May 1<sup>st</sup> to June 15<sup>th</sup> But only 2cnt if taken to end June) We admit that a continued down path although possible, it is in our view fairly bold to want to continue this lower path until later in the season.

Which leads us to another of our favorites:

In coffee, **“There are old traders and bold traders but not ‘old bold traders.’ “**

Our more prudent coffee clients have a working strategy in place for forward traditional ‘frost coverage’ in the form of long spread futures and/or call options.

The next opportunity for a substantial dip we expect to occur just prior the US fall season during August via “frost-free season” occurring first.

For those still reflecting on the recent dip and perceived possible turn... It’s in part because of the off-take in physical interest in view of the North American summer months or more so the speculative interest leaving the market. Temporary? Commodities, as a whole, have received a tremendous amount of speculative interest by investors who are eager to get more favorable returns on their equity, introduction of more ETF’s and at times there’s general concern regarding U.S. inflation - thus the investment in commodities for protection. Coffee is of course part of that ‘commodity package’ that speculators love and the “speculation factor” is something that we in the trade are learning to deal with and swings that are extreme both higher and lower.

Physicals: Calming interest for physicals with interest only for “fill-ins” or Hard to find

We’ve now entered yet another hurricane season and focus continues for a region and city toward rebirth and renewal.

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## U.S. GREEN COFFEE WAREHOUSE STOCKS

Each month the Association will distribute a port-by-port recapitulation of coffee in warehouses in all ports of the United States.

The following is a list by port compiled by the Green Coffee Association, Inc. The data furnished is derived by the local warehouseman in the listed port areas. The compilation has been made by the Green Coffee Association, Inc. which has no reason to believe the data is not reasonably accurate, but no assurance is given or representation made as to the accuracy of all or any of the material.

PORT	TOTAL EXCHANGE & NON EXCHANGE	TOTAL EXCHANGE & NON EXCHANGE	DIFFERENCE
	5/31/2006	4/30/2006	
NEW YORK	1,833,400	1,850,230	(16,830)
NEW ORLEANS	1,374,543	1,308,060	66,483
JACKSONVILLE	139,000	136,044	2,956
MIAMI	655,385	685,032	(29,647)
HOUSTON	480,545	439,652	40,893
LAREDO	81,575	72,649	8,926
SAN FRANCISCO	363,300	326,153	37,147
NORFOLK	128,374	149,572	(21,198)
PHILADELPHIA	4,686	5,509	(823)
SEATTLE/TACOMA	84,202	100,553	(16,351)
LOS ANGELES/LONG BEAC	92,902	107,856	(14,954)
BALTIMORE	<u>21,452</u>	<u>17,663</u>	<u>3,789</u>
TOTAL USA:	<b>5,259,364</b>	<b>5,198,973</b>	<b>60,391</b>

## June 15<sup>th</sup>

Commodity Name	Contract Month	EFP*	Trade Volume	Open Interest	Change	*** ADJ	Call Exercised	Put Exercised	Estimated EFS *	Spread Volume <sup>u</sup>
<b>COFFEE</b>										
KC	JUL06	333	11,597	31,134	-5,499	0	0	0	0	7,936
KC	SEP06	227	14,428	70,486	3,309	0	24	0	0	9,440
KC	DEC06	40	2,787	14,212	779	0	0	0	0	2,311
KC	MAR07	0	446	5,257	-59	0	0	0	0	196
KC	MAY07	0	254	1,455	97	0	0	0	0	160
KC	JUL07	0	20	685	9	0	0	0	0	9
KC	SEP07	0	52	1,075	-1	0	0	0	0	32
KC	DEC07	0	140	1,065	-48	0	0	0	0	117
KC	MAR08	0	105	242	85	0	0	0	0	83
KC	MAY08	0	14	14	12	0	0	0	0	0
Total for KC		600	29,843	125,625	-1,316		24	0	0	20,284

## June 30<sup>th</sup>

Commodity Name	Contract Month	EFP*	Trade Volume	Open Interest	Change	*** ADJ	Call Exercised	Put Exercised	Estimated EFS *	Spread Volume <sup>u</sup>
<b>COFFEE</b>										
KC	JUL06	3	164	582	-375**	-267	0	0	0	129
KC	SEP06	589	12,113	85,916	-1,040	0	10	0	0	1,085
KC	DEC06	155	3,366	19,930	713	0	0	0	0	1,771
KC	MAR07	38	1,177	6,495	-119	0	0	0	0	952
KC	MAY07	0	592	2,478	162	0	0	0	0	586
KC	JUL07	0	229	1,137	-33	0	0	0	0	155
KC	SEP07	0	477	1,097	109	0	0	0	0	471
KC	DEC07	0	246	609	-162	0	0	0	0	125
KC	MAR08	0	161	510	60	0	0	0	0	131
KC	MAY08	0	33	108	27	0	0	0	0	33
Total for KC		785	18,558	118,862	-658		10	0	0	5,438