



JUNE 29, 1977

## Friedberg &amp; Co. Ltd.

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\* September 1977: 229.92  
 \* March 1978 : 197.67  
 \* London. March 1978 : B 2,011/ton

*This fabulous bear market is performing like a well-rehearsed actor - according to a scenario we described as early as last February. We salute it and ourselves. If you had sold a single March 1978 coffee in New York on April 30th, the day we wrote "The Bear Market has begun at last ...sell rallies," you would be \$34,098.75 richer today.*

*And still the game continues. Despite the fact that U.S. roastings are currently running a full 26% less than last year - 7,775,000 lbs. versus 9,800,000 lbs. as of June 11th - and despite the fact that imports of green beans into the U.S. are also running 26% less than year - 161,844,029 lbs. versus 204,550,795 lbs. during May - and despite the fact that the FAS recently placed world coffee production at 70.4 mln. bags, up 14.5% from last year's crop - and, finally, despite the (most salient) fact that prices have fallen almost 65¢ basis March 1978 since last writing, Brazil has actually raised its export tax on green beans. (It must be noted that Colombia reduced its tax, June 16, by 35¢ to \$2.85).*

*Such a strategy is in keeping with our prophecy that the Brazilians would do what they could to bolster cash prices. So adamant have they become that virtually no coffee has been imported into the U.S. from Brazil during the past four weeks, and cash prices have held firm, having fallen just 1¢ since last writing. Yesterday the New York Coffee Exchange, presumably suspecting a mammoth Brazilian squeeze play in the works, suspended trading from the long side in July and will now permit buying for liquidation purposes only, and selling only if backed by delivery capabilities. The result of this fantastic game is an astounding backwardation of 75¢ basis spot versus March 1978. Such a market structure affords us the unique opportunity of cashing in on the same bear market twice. In the next week or so we suspect the bottom of this current decline to be reached in the deferreds. However, once the threat of another July frost passes - and we assume that the Brazilian's fervent prayers will go unrequited - spot prices will fall like Newton's proverbial apple.*

*As forecast, London (Robustas) coffee has fallen farther and faster than N.Y. At current levels Robustas is worth approximately 72% the value of N.Y. This is historically about the right value. Anything less makes New York a preferred sale.*

*Be prepared to cover March 1978 short positions between 167.00 and 182.00. On the next major rally, and in keeping with what has been said above, we would be sellers of September 1977. Keep in close contact.*

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U.S MAY COFFEE IMPORTS ( in lbs. )

	<u>CRUDE</u>	<u>ROASTED</u>
MAY 77	161,844,029	4,430,749
APR 77	241,289,050	9,197,543
MAY 76	204,550,795	3,338,215
JAN-MAY 77	1,235,942,064	30,286,784
JAN-MAY 76	1,177,508,229	14,820,515

SOLUBLE COFFEE IMPORTS ( in lbs. )

	<u>U.S. TOTAL</u>	<u>FROM BRAZIL</u>
MAY 77	6,699,090	4,814,333
APR 77	6,378,589	5,189,515
MAY 76	5,710,478	4,100,382
JAN-MAY 77	34,306,442	26,736,554
JAN-MAY 76	30,035,979	21,641,148

PROJECTED BRAZILIAN PRODUCTION (in mlns. of bags)

	<u>USDA</u>	<u>IBC</u>	
	1977/78	1976/77	1977/78
SAO PAULO	7.0	1.9	7.0
MINAS GERAIS	6.0	2.3	4.6
PARANA	2.0	0	1.8
ESPIRITO SANTO	2.0	1.5	1.3
OTHERS	2.0	.3	.6
TOTAL	17,000.0		15.3

David Rothberg  
Director of Research

All statements made herein, while not guaranteed, are based on information considered reliable and are believed by us to be accurate.