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## PRESS RELEASE

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**30 JULY 2010**

### **ABN AMRO/VM Group: Agricommodities Monthly – COCOA QUARTERLY**

VM Group in partnership with ABN AMRO today publishes the July 2010 edition of *The Agricommodities Monthly*, which reports on and analyses key developments in the global markets for agricommodities.

The July issue is a **Cocoa Quarterly**. Our estimate for the 2009-2010 global supply-demand outlook is a deficit of 88,000t (unchanged from our previous report in June). We have revised lower by 25,000t our estimate for the global position in 2010-2011, implying a statistical surplus of 47,000t (against an estimated 72,000t surplus in our June report). The reduction to our previous forecast is entirely attributable to the forthcoming Ivory Coast main crop and is related to current weather uncertainties there. We now envisage the Ivory Coast main crop, harvesting of which will probably commence late September, totalling 1 Mt (million tonnes), v. 900,000t for the country's 2009-2010 main crop. Higher prices and slightly increased inputs will aid the country's forthcoming main crop, by encouraging a thorough harvest and helping to boost yields, but against that must be set the current patchy weather conditions, with reports of too much rainfall in some cocoa-growing areas and too little in others. However, even at this relatively late stage, the estimate for the 2010-2011 season must be a matter of conjecture, given the inevitable uncertainties regarding weather.

While both production and grindings are, in our opinion, likely to improve in the 2010-2011 season, the background to the world's cocoa sector remains insecure. The report highlights the fact that although cocoa prices have recently been relatively high, this has yet to evoke a substantial supply-side response. Current international cocoa prices, even though they have once again been trading at multi-decade highs, may not be sufficiently high to ensure the necessary global expansion of the area used for cocoa production.

In addition, the report each month carries an informative commodity-related feature. In July we turn the spotlight on the severe drought that is afflicting the Black Sea region. While this could turn out to be a disaster for the region's wheat production, the global wheat market is facing a vast carryover stock for the 2010-2011 season. Longer-term however the issue of global climate change may well impose serious constraints on crop production, as access to water for irrigation purposes comes under greater pressure.

*The Agricommodities Monthly* is free of charge and open-access and is available directly from the VM Group at [www.vmgroupp.co.uk](http://www.vmgroupp.co.uk). If you have not received a copy of this report, or should you require further details or commentary, please contact:

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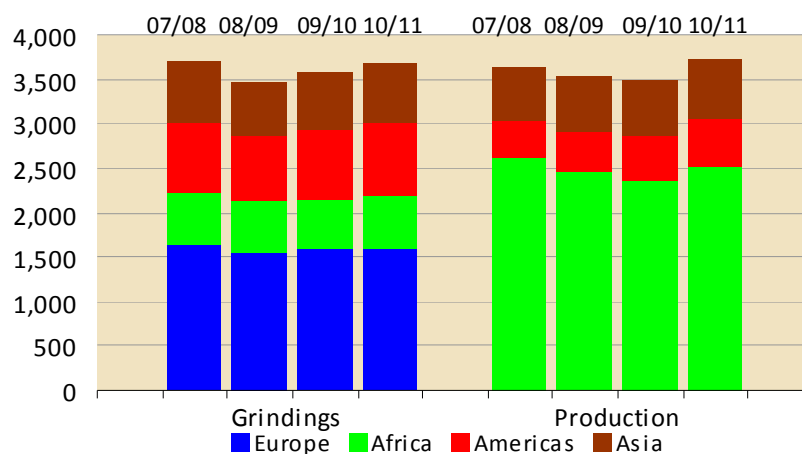
**Cocoa supply & demand balance, 000 tonnes**

	2007/08	2008/09	2009/10	2010/11
Africa	2607	2,457	2,406	2,567
Americas	430	464	498	535
Asia	599	615	650	681
<b>Total production</b>	<b>3,636</b>	<b>3,536</b>	<b>3,554</b>	<b>3,783</b>
<b>Net production*</b>	<b>3,600</b>	<b>3,501</b>	<b>3,518</b>	<b>3,745</b>
Europe	1,652	1,540	1,589	1,588
Africa	560	592	597	636
Americas	800	752	790	807
Asia	693	599	630	667
<b>Total grindings</b>	<b>3,705</b>	<b>3,483</b>	<b>3,606</b>	<b>3,698</b>
<b>Balance</b>	<b>(105)</b>	<b>18</b>	<b>(88)</b>	<b>47</b>
End stocks	1,475	1,492	1,404	1,452
<b>Stocks/grindings ratio**</b>	<b>40%</b>	<b>43%</b>	<b>39%</b>	<b>39%</b>

Note: italics denote revisions to previous estimates

\*1% less than total production to account for a loss in weight due to reduced moisture during transport

\*\* Stocks as a % of total grindings



Source: ABN AMRO Bank N.V.