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## PRESS RELEASE

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**21 MAY 2010**

### **FORTIS BANK NEDERLAND/VM Group: Agricommodities Monthly – COFFEE QUARTERLY**

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

The May issue is a **Coffee Quarterly**, which contains adjustments to our previous estimates for the global coffee supply-demand balance for the season ahead, that of 2010-2011. We now expect a slightly smaller arabica surplus, of 6.67m bags, and a smaller robusta surplus, too, of 2.98m bags. This adjustment results from a combination of slightly bigger demand, both for arabica and robusta (79.32m bags and 50.71m bags respectively, v. our previous estimate of 79.12m bags and 50.58m bags), as well as slightly reduced expected production from Brazil and Central America.

As the global economic recovery has taken firmer root, we consider that a slightly faster rate of coffee consumption growth, slightly above 1%, is feasible for the 2010-2011 season. In previous eras 1% annual growth would have been disappointing, but, in what remains a deeply uncertain macroeconomic environment, any demand growth is noteworthy. We have therefore revised our estimated total consumption, by 330,000 60-kg bags, to 130.03m bags, for 2010-2011. This demand growth is fairly evenly spread across the EU, India and Indonesia – the first because economic recovery will tap into what was already a growing market, prior to the recession, and in the latter two cases because coffee-drinking there is a niche market but is in the process of becoming an established and growing habit.

We have also revised our estimate for the **global cocoa supply-demand** situation in the 2009-2010 and 2010-2011 seasons. We now estimate there will be a global deficit of 136,000t for 2009-2010 season and a 3,000t deficit in 2010-2011. However it should be emphasised that any estimate for the 2010-2011 season must at this stage be a matter of conjecture, given the inevitable uncertainties regarding weather conditions in the months ahead.

The report each month additionally carries an informative commodity-related feature. In May we report on the degree to which Africa's agricultural productivity has declined in the past two decades, and look at initiatives being taken to reverse this decline. Restoring Africa's agricultural sector is not just in the interests of the continent itself, but of all, given the rapidly growing need for ever greater levels of food production.

*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:

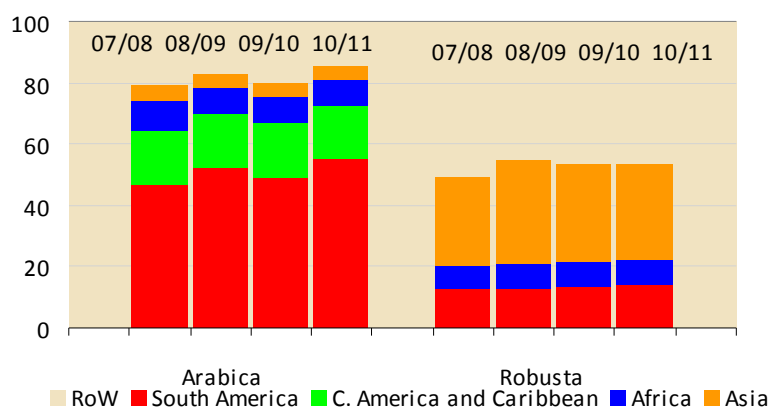
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**Coffee supply & demand balance, million 60 kg bags**

	2008-09		2009-10		2010-11	
	Arabica	Robusta	Arabica	Robusta	Arabica	Robusta
South America	52.15	12.82	48.79	13.48	54.93	14.00
Central America & Caribbean	17.73	0.23	17.98	0.23	17.38	0.03
Africa	8.85	7.65	8.55	7.75	8.67	7.85
Asia	3.85	33.65	4.36	31.95	4.56	31.45
Rest of world	0.45	0.36	0.45	0.36	0.45	0.36
<b>Total Production</b>	<b>83.03</b>	<b>54.71</b>	<b>80.13</b>	<b>53.77</b>	<b>85.99</b>	<b>53.69</b>
<b>Demand</b>	<b>78.55</b>	<b>49.15</b>	<b>79.02</b>	<b>49.68</b>	<b>79.32</b>	<b>50.71</b>
<b>Balance</b>	<b>4.78</b>	<b>5.56</b>	<b>1.11</b>	<b>4.09</b>	<b>6.67</b>	<b>2.98</b>

Source: Fortis Bank Nederland

*Italics denote revisions from previous estimates*



Source: Fortis Bank Nederland