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Robusta Coffee Advances to Seven-Month High on Supply Concerns 2010-06-10 12:34:14.908 GMT

By M. Shankar

June 10 (Bloomberg) -- Robusta coffee rose to a seven-month high in London on concerns that lower production will lead to tight supplies.

Global coffee output will be 120.6 million bags in 2009-10, compared with 128.1 million bags a year earlier, the London-based International Coffee Organization said in an e-mailed statement today. Production in Vietnam, the biggest producer of robusta beans used in instant coffee and blends, "seems to have fallen" in the crop year 2009-10, according to the ICO.

"The outlook for Vietnam is not as great as we were hoping it to be" because of the lack of availability of credit to farmers, Eldred Buck, managing director of Eiger Trading Advisors Ltd. in London, said in a phone interview. "Yields are a bit low," he said.

Robusta coffee for September delivery climbed \$38, or 2.7 percent, to \$1,445 a metric ton on the Liffe exchange at 12:56 p.m. It earlier advanced to \$1,457, the highest price since Oct.

20. Arabica-coffee futures for September delivery rose 0.4 percent to \$1.366 a pound on ICE Futures U.S. in New York.

"With growing world consumption, the replenishment of stocks may be limited," Nestor Osorio, executive director of the ICO, said in the statement. Output for 2010-2011 was expected to be between 133 million and 135 million bags, according to the report. His preliminary forecast for consumption in 2010 is for about 134 million bags.

High production costs are making it very difficult for coffee farmers to maintain investment in their farms when price levels aren't rewarding, according to the report.

Cocoa for July delivery gained 19 pounds, or 0.7 percent, to 2,579 pounds (\$3,762) a ton on Liffe.

Cocoa prices have "limited downside," partly because of "limited opportunities to increase supply," UBS AG analyst Joern Iffert said in a research report e-mailed today.

White sugar for August delivery rose \$5.50, or 1.1 percent, to \$506.40 a ton on Liffe.

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