

By Christian Berthelsen

Coffee prices suffered their biggest daily loss in nearly six weeks on Wednesday, dragged down by the slumping Brazilian currency.

Arabica coffee futures for September delivery lost 4.1% and settled at \$1.27 a pound on the ICE Futures U.S. exchange, their lowest level since May 29. Coffee prices have been in an eight-month tailspin in tandem with Brazil's currency, the real, which has suffered as the country remains mired in an economic slump. A related culprit has been the strength in the U.S. dollar, which has gained as domestic economic data have improved.

Coffee is priced in dollars, making it more expensive for buyers using other currencies - particularly in the European Union, which accounts for more than half of the world's coffee-bean imports. The stronger dollar also encourages Brazilian producers to export more supplies to capture higher profits on the exchange rate, potentially increasing supplies on global markets.

Analysts said there was little change in coffee supply-and-demand fundamentals Wednesday that would have explained the selloff. Rather, they said it tracked with the decline in the real, which weakened as the dollar rose on news of better-than-expected payroll and manufacturing data in the U.S. Once the decline took hold, it gained momentum as it broke through levels watched by traders who use chart-based analysis to devise market strategy.

"There's no recent change in fundamentals," said Hernando de la Roche, a senior vice president at futures brokerage INTL FC Stone in Miami. Once the price fell below levels where it recently held up, "there was more selling and selling."

In other softs markets, the most actively traded contract for frozen concentrated orange juice, for September, fell for a fifth straight session, down 5.3% from its peak on June 24. Orange-juice futures shed 1.6% for the day to \$1.1665 a pound, the lowest close in nearly a month.

December cotton lost 0.5% to 67.54 cents a pound. September cocoa rose 0.2% to \$3,276 a ton and raw sugar for October ended 0.2% lower at 12.44 cents a pound.

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