

DJ Coffee Drops on Strong Dollar; Sugar Ends Higher

By Julie Wernau

Coffee prices dropped Monday as a strong dollar in early trade discouraged European buying against the backdrop of Greece's worsening debt crisis.

Arabica coffee for September delivery fell as low as \$1.2905 in early trading but a later slump in the dollar softened the selloff, with the contract ending the day down 0.9% at \$1.324 a pound on the ICE Futures U.S. exchange.

"For the European countries, buying coffee when the dollar is strong costs more," said Hernando de la Roche, senior vice president at INTL FCStone in Miami. The European Union accounts for nearly half of the world's coffee-bean imports, according to the U.S. Department of Agriculture.

In Brazil, the world's largest producer of coffee, a weak real in early trade persuaded producers to sell their beans to reap greater profits from the dollar-priced commodity, he said.

"Currencies right now are impacting coffee," Mr. de la Roche said.

In other markets, raw sugar for October delivery rose 1% to end at 12.07 cents a pound. The July contract, which expires Tuesday, closed up 1.3% at 11.82 cents a pound. Michael Liddiard, a vice president at consultancy Agrilion Commodity Advisers in London, said that based on the narrow gap between the contracts, he doesn't expect another record sugar delivery like the 1.9 million metric tons delivered to Wilmar International Ltd. in the May contract.

Instead, traders are looking at the price differential between the October and March contracts, which is wide enough that even with storage and logistical costs, a large delivery on the October contract could be resold in March for profit, said Arnaldo Luiz Correa, director at Archer Consulting in Sao Paulo.

"This huge spread should attract someone to take delivery," he said.

Cotton for December fell 0.4% to close at 67.23 cents a pound ahead of the USDA's annual acreage report scheduled to be released Tuesday. Analysts surveyed by The Wall Street Journal are expecting an average of 9.15 million acres was planted with cotton this spring, down from the USDA March planting intentions of 9.55 million acres.

September cocoa edged up 0.3% to \$3,331 a ton, a new nine-month high. Prices are approaching a four-year high on concerns about less output from Ghana, the world's second-largest producer after Ivory Coast. Frozen concentrated orange juice futures for September shed 1.4% to end at \$1.2095 a pound.

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